

Updates to the Incoterms Rules (2020 Version) and Their Applications in Algerian Law

Incoterms rules are a set of trade terms issued by the International Chamber of Commerce. They are used in the conclusion of international contracts to define the responsibilities of both the seller and the buyer regarding the delivery of goods under sales contracts. They also determine the allocation of costs, obligations, and risks between the parties.

These rules have undergone several amendments since their first issuance in 1936, up to the latest revision in 2020.

Accordingly, this study aims to define these terms, determine their legal nature, review the various amendments introduced to them, and examine the position of Algerian law regarding their application.

Keywords: Incoterms, delivery, insurance, freight, shipment.

Master in Maritime Law and Transport Law
First Year - Academic Year 2025-2026

Lesson: Incoterms Rules

1. Definition of Incoterms

Incoterms are a set of international rules published by the International Chamber of Commerce (ICC). They define the obligations of the seller and the buyer in international sales contracts, especially regarding the delivery of goods, transport, cost allocation, risks, and required documents.

2. Importance of Incoterms

- Unify trade terms internationally.
- Clearly define responsibilities of each party.
- Reduce disputes and conflicts.
- Facilitate international trade and transport.

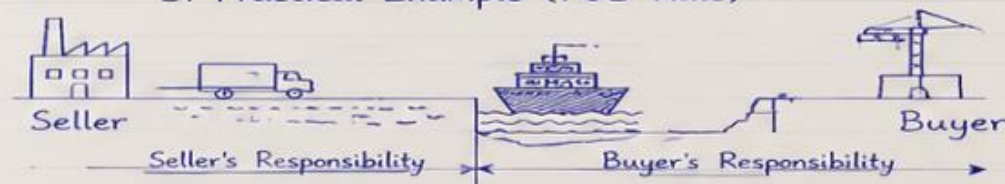
3. Division of Incoterms 2020



4. Main Incoterms Rules (2020)

Rule	Meaning	Seller's Responsibility	Buyer's Responsibility
EXW	Ex Works	Make goods available	Transport + Export
FCA	Free Carrier	Export + Delivery to carrier	Main transport
CPT	Carriage Paid To	Transport to destination	Risks after delivery
CIP	Carriage and Insurance Paid To	Transport + Insurance	Risks after delivery
DAP	Delivered at Place	Transport to agreed place	Unloading + Customs duties
DPU	Delivered at Place Unloaded	Transport + Unloading	Customs clearance + Duties
DDP	Delivered Duty Paid	Everything to destination	Nothing

5. Practical Example (FOB Rule)



Under FOB rule, the risk transfers from the seller to the buyer when the goods are on board the ship at the port of shipment.

Introduction

The development of international trade exchanges has led to their gradual emancipation from the constraints of national legal systems, resulting in the emergence of a distinct legal framework applicable to parties involved in international commerce. This field has encountered various issues that required coordinated international efforts to establish unified substantive rules, independent from domestic legal systems, primarily to avoid conflicts of laws.

Commercial terms used across different countries may be interpreted differently from one legal system to another. This situation encouraged practitioners in the field of international trade to seek ways to unify these terms.

The International Chamber of Commerce played a fundamental role in drafting rules governing international commercial transactions. Beginning in 1936, it issued a set of international commercial terms intended to facilitate export and import operations conducted between traders, companies, and states. These terms may be incorporated into binding contracts and are known as the “Incoterms Rules.”

These international trade formulas aim to establish international rules clarifying the precise meaning of the principal obligations of the parties in international trade contracts through the terms employed when concluding such contracts. In international transactions, some commonly used expressions may be difficult to interpret regarding the obligations they impose and the manner of their application. Therefore, it became necessary to compile and standardize them in order to avoid disputes between contracting parties concerning their interpretation.

The primary objective behind the unification of these rules is to overcome the limitations of domestic laws and prevent errors in interpreting international sales terms. The selective nature of national laws may lead to misunderstandings in the interpretation of international trade rules. Hence, the importance of establishing unified rules that standardize the definitions of certain obligations arising from international sales contracts, thereby avoiding, or at least reducing, uncertainty resulting from differing interpretations of the same terms across various countries.

In order to keep pace with developments in the transportation of goods and rapid technological progress, the International Chamber of Commerce has continuously introduced the necessary amendments to its rules so that they remain compatible with emerging conditions and modern methods of trade and transport. Consequently, these rules were revised in the years 1953, 1967, 1976, 1980, 1990, 2000, 2010, and 2020.

The issue of updating and revising these rules has raised considerable debate concerning their source and their ability to constitute a legal system derived from commercial customs and practices. Hence, the legal importance of the Incoterms Rules lies in presenting the doctrinal opinions related to their legal nature, as well as the extent of their recognition at both the domestic and international levels. Their practical importance is equally significant, given that they govern international commercial contracts involving substantial financial value.

On this basis, the following problematics may be raised:

Can the Incoterms Rules be considered long-established commercial customs reformulated into modern legal rules? To what extent are they effective in regulating international trade exchanges? And what is the position of the Algerian legislator regarding them?

In order to answer these questions, this research is divided into two chapters as follows:

- **Chapter One:** Incoterms Rules as an Evolving Concept
- **Chapter Two:** The Application of Incoterms Rules in Algeria

Chapter One: Incoterms Rules as an Evolving Concept

Since 1936, the International Chamber of Commerce has been responsible for issuing and revising editions of the International Commercial Terms whenever commercial developments and emerging circumstances necessitated such amendments. Accordingly, this chapter examines the evolution of the Incoterms Rules through the first section, followed by an analysis of their classifications in the second section, as follows:

Section One: The Concept of Incoterms Rules

To facilitate trade worldwide, the International Chamber of Commerce published a set of internationally recognized commercial terms commonly used by parties engaged in international and even domestic trade as a form of shorthand intended to facilitate mutual understanding and clarify the precise conditions governing their business arrangements.

Accordingly, this section addresses the definition of international commercial terms, namely the “Incoterms Rules,” in the first branch, and explains their legal nature in the second branch, as follows:

First Branch: Definition of Incoterms Rules

Incoterms were issued by the International Chamber of Commerce in Paris. The term “Incoterms” is an abbreviation of the English expression “International Commercial Terms,” which refers to international terms of sale. In Arabic, they are referred to as “International Commercial Terms.”

An Incoterm, in principle, is a symbol composed of three different letters in the English language.

For example, the rule **DAP (Delivered at Place)** consists of three letters meaning “delivery at place.”

Several definitions have been given to Incoterms, including the following:

The International Chamber of Commerce defines them as:

“Rules that determine the responsibilities of both the buyer and the seller regarding the delivery of goods within the framework of a sales contract. They are official rules specifying how costs and risks are distributed between the parties. Incoterms Rules are regularly

incorporated into sales contracts worldwide and have progressively become an essential part of commercial language.”

Some legal scholars define them as:

“Terms that allow the determination and allocation of responsibilities between the seller and the buyer concerning obligations, expenses, transfer of risks, as well as customs clearance procedures during export and import operations, within the framework of an international sales contract.”

Others have also defined them as:

“Rules and regulations for the interpretation of commercial terms and concepts established by the International Chamber of Commerce, or as expressions of international commercial terms used in international sales. They refer to internationally recognized commercial legal formulas that define the obligations of the parties to an international sales contract, determine obligations relating to the transportation of goods, insurance coverage, and customs clearance procedures, and are also used in the event of commercial disputes.”

They have further been described as:

“A set of general rules recognized by all operators in the field of international trade, which clearly allocate costs and risks between the seller and the buyer upon the conclusion and execution of an international sale.”

From these definitions, it can be concluded that Incoterms are rules that clearly define the obligations of the seller and the buyer with respect to contractual duties and transfer of risks. In other words, they determine the point at which risks are transferred, corresponding to the place of delivery and receipt of goods, by identifying the party that bears the risks in the event of improper performance of the transport operation and specifying the exact stage at which such transfer occurs. This point is commonly referred to as the point of delivery, the point of transfer of risk, or the point where control of the goods passes from the seller to the buyer.

Therefore, these rules define all tasks, risks, and costs associated with the movement of goods worldwide in a manner that leaves no room for doubt or ambiguity for either the seller or the buyer. Consequently, their proper use in international commercial transactions reduces the risk of disputes and problems arising during the transportation of goods from the exporter to the importer, since all parties clearly understand their respective responsibilities under the relevant contract.

Second Branch: The Legal Nature of Incoterms Rules

Legal scholars have differed regarding the legal nature of the Incoterms Rules. One view considers them to be model contracts, since they are pre-drafted in the form of standardized contractual obligations to which parties may resort within the framework of an international sales contract. According to this opinion, such contracts compensate for the shortcomings found in national legislations, as they embody what is referred to as the principle of the self-sufficiency of the contract.

Another opinion regards them as an extension of the concept of standard-form contracts within a specific professional field to encompass international trade operations. Conversely, some scholars argue that the use of standard-form contracts restricts the will of the parties because they are unified and lack diversity. Furthermore, the parties' intentions are expressed in the same manner, and such contracts may reflect the economic dominance of one contracting party due to the inclusion of non-negotiable clauses.

Another part of legal doctrine considers the Incoterms Rules to fall within the category of general conditions relied upon by commercial operators in concluding their contracts. The parties merely refer to them in the contract and supplement them with additional agreed terms to complete the contractual arrangement. An example of this can be found in the standard contracts prepared by the International Chamber of Commerce, where Incoterms appear as part of the general contractual conditions.

However, if Incoterms Rules are merely conditions referred to by the parties in their contracts, an important question arises: Are these rules legally binding in the field of international commercial sales?

Dr. Mahmoud Samir Al-Sharqawi states:

“It is evident that Incoterms Rules are not legally binding in the field of international commercial sales, unlike legislative texts and international conventions that bind the states adhering to them. However, once the contracting parties refer to these rules in their contracts, they derive their binding force from the parties' agreement to adopt them. Contracting parties usually prefer to adopt these rules when they belong to states with similar legal systems, with the aim of unifying the interpretation of the terms contained in their contracts.”

Accordingly, the Incoterms Rules constitute an unofficial codification established by the International Chamber of Commerce, which itself is a non-governmental organization. Although these rules are widely used in international commercial transactions, they remain purely commercial in nature and do not constitute any form of legislation. They therefore represent an application of the principle that “the contract is the law of the parties.” Their binding force arises only when the parties agree to apply and incorporate them into the contracts concluded between them. Thus, their obligatory nature does not stem from the fact that they are rules issued by the International Chamber of Commerce, unlike international conventions binding upon acceding states or domestic legislative provisions, but rather from the will and agreement of the contracting parties themselves.

Accordingly, it may be concluded that the Incoterms Rules are optional rules that may be used in international commercial contracts, but they do not possess a mandatory character. Their binding force derives from the will of the parties whenever they agree to incorporate them into the contract. Consequently, nothing prevents the contracting parties from modifying their content, and once amended and accepted, they become binding upon them.

Section Two: The Development of Incoterms Rules

It is worth mentioning that before the establishment of the International Chamber of Commerce, there had already been an initial attempt in 1812, when British courts used for the

first time a term that later became known as the “father” of international commercial terms in maritime transport, namely the term **FOB (Free on Board)**.

A second attempt followed in 1895. Due to the expansion and development of international trade, another term was introduced at the end of the nineteenth century, namely **CIF (Cost, Insurance and Freight)**.

The first appearance of international commercial formulas occurred in 1919 in the United States under the title “**American Foreign Trade Definitions.**” However, in 1920, during the first conference of the International Chamber of Commerce held in Paris, a special committee of experts was entrusted with the task of studying and compiling these commercial formulas.

Accordingly, the following section addresses the evolution and content of these rules from the establishment of the International Chamber of Commerce up to the latest 2020 revision.

First Branch: The Development of Incoterms Rules from the Establishment of the International Chamber of Commerce until 2000

After the establishment of the International Chamber of Commerce in 1919, one of its first initiatives was to facilitate international trade.

In the early 1920s, the organization devoted its efforts to understanding the commercial terms used by traders. This was achieved through a study limited to six terms commonly used in only thirteen countries, and the results were published in 1923. Subsequently, in 1928, and in order to address the differences identified in the first version, a second study was conducted and expanded to include the interpretation of commercial terms used in more than thirty countries.

In 1936, the International Chamber of Commerce published the first edition of the International Commercial Terms Rules, which included six international trade terms:

- FOB (Free on Board)
- CIF (Cost, Insurance and Freight)
- FAS (Free Alongside Ship)
- C&F / CAF (Cost and Freight)
- Ex Ship
- Ex Quay

In 1953, three new commercial terms related to non-maritime transport appeared for the first time, due to the development of railway transportation. These terms were:

- DCP
- FOT
- FOR

Later, in 1967, two additional commercial expressions were introduced to resolve ambiguity concerning the place of delivery of goods:

- **DDP (Delivered Duty Paid)** — delivery at destination
- **DAF (Delivered at Frontier)** — delivery at the border

In 1976, the International Chamber of Commerce issued new rules specifically related to air transport, which had not been addressed in previous editions. Accordingly, it introduced the new term **FOB Airport (Free on Board Airport)** in order to avoid confusion with the old term FOB, which specifically referred to shipment by sea vessel. This rule was eventually integrated into later revisions of the Incoterms Rules.

In 1980, due to the widespread use of containerized shipping, which had a significant positive effect in reducing risks and damages resulting from the deterioration or theft of goods, it became necessary to amend the previous Incoterms Rules. Consequently, the International Chamber of Commerce introduced two new international commercial terms: **FRC** and **FCI**, which are currently known as **CIP (Carriage and Insurance Paid To)** and **FCA (Free Carrier)**.

In 1990, new rules were introduced to keep pace with the growth of multimodal transport and to accommodate the increasing use of electronic data interchange (EDI). Three rules were removed from use, namely:

- FOB Airport
- FOT
- FOR

These were replaced by the general term **FCA (Free Carrier)**. As a result, the number of Incoterms Rules in 1990 stabilized at thirteen rules:

- EXW (Ex Works)
- FCA (Free Carrier)
- FAS (Free Alongside Ship)
- FOB (Free on Board)
- CFR (Cost and Freight)
- CIF (Cost, Insurance and Freight)
- CPT (Carriage Paid To)
- CIP (Carriage and Insurance Paid To)
- DAF (Delivered at Frontier)
- DES (Delivered Ex Ship)
- DEQ (Delivered Ex Quay)
- DDU (Delivered Duty Unpaid)
- DDP (Delivered Duty Paid)

Third Branch: Incoterms Rules – 2000 Version

In 2000, the International Chamber of Commerce simplified the allocation of loading and unloading costs and improved the distribution of responsibilities during customs clearance procedures. The new edition was issued in response to the requirements arising from multimodal transport and the expansion of electronic commerce worldwide.

The section entitled “Licenses, Authorizations and Procedures” in the **FAS** and **DEQ** rules was amended in accordance with the practices adopted by most customs authorities in dealing with exporters and importers. The total number of Incoterms Rules remained thirteen:

- EXW
- FCA
- FAS
- FOB
- CFR
- CIF
- CPT
- CIP
- DAF
- DES
- DEQ
- DDU
- DDP

Second Branch: Incoterms Rules – 2010 Version

In 2010, the International Chamber of Commerce issued a new set of international commercial terms, taking into account the developments that had occurred in international commercial transactions during the previous decade.

The new Incoterms Rules considered developments related to the increasing use of electronic commerce and electronic data exchange, in addition to ensuring greater security and safety in the international movement of goods.

The 2010 revision introduced updates and consolidations concerning delivery rules and reduced the total number of Incoterms Rules from thirteen under the 2000 version to eleven under the 2010 version. This was achieved by replacing the 2000 rules:

- DAF
- DES
- DEQ
- DDU

with two new rules:

- **DAP (Delivered at Place)**
- **DAT (Delivered at Terminal)**

The rules **DAP (Delivered at Place)** and **DAT (Delivered at Terminal)** introduced under Incoterms 2010 may be used with all modes of transport in the international sale of goods. The 2010 Rules were designed to be clearer and easier to apply. Thus, merely referring to one of the Incoterms 2010 rules in a contract for the sale of goods, whether international or domestic, is sufficient to clearly determine the obligations of the contracting parties and reduce the likelihood of legal disputes arising from the sale transaction.

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Unlike the Incoterms 2000 Rules, which were divided into four groups according to the letters (E, F, C, and D), the Incoterms 2010 Rules were classified into two categories based on the nature of the means of transport used during the carriage of goods.

The first category includes rules applicable to all modes of transport, namely:

- EXW (Ex Works)
- FCA (Free Carrier)
- CPT (Carriage Paid To)
- CIP (Carriage and Insurance Paid To)
- DAT (Delivered at Terminal)
- DAP (Delivered at Place)
- DDP (Delivered Duty Paid)

The second category includes rules applicable exclusively to maritime transport and inland waterways, namely:

- FAS (Free Alongside Ship)
- FOB (Free on Board)
- CFR (Cost and Freight)
- CIF (Cost, Insurance and Freight)

Through this classification, the International Chamber of Commerce aimed to facilitate the selection of the appropriate Incoterms Rule by international trade operators according to the nature of the transport route involved in the sales contract and to ensure safer execution of commercial transactions.

The new rules concern all parties involved in services associated with commercial operations and the buying and selling of goods, particularly commercial companies, exporters and importers, maritime carriers, shipping agents, multimodal transport operators, freight forwarders, logistics service providers, insurance companies, and banks, in addition to all persons interested in commercial transactions such as university professors, judges, lawyers, and others.

Furthermore, the Incoterms 2010 Rules adopted an expanded concept regarding their scope of application by extending their use beyond the international sphere to include domestic transactions within various countries.

The Incoterms 2010 Rules may therefore be divided into rules applicable to all modes of transport and rules applicable specifically to maritime transport and inland waterways, as follows:

First: Incoterms Rules Applicable to All Modes of Transport

1- EXW Rule (Ex Works)

This rule means that the seller fulfills the obligation of delivery when the sold goods are placed at the disposal of the buyer at the seller's premises, such as the factory, workshop, or warehouse, without any further obligation.

Accordingly, the seller is not responsible for loading the goods onto the vehicles provided by the buyer, nor for carrying out customs clearance procedures related to the export of the goods. On the other hand, the buyer bears all costs and risks from the moment the goods are received at the designated point in the named place. It should be noted that this rule places the minimum obligation upon the seller and the maximum responsibility upon the buyer.

The **EXW (Ex Works)** rule represents the minimum level of obligations and responsibilities borne by the seller toward the buyer. Therefore, particular care must be exercised when using this rule, since the seller has no obligation toward the buyer regarding the loading of goods onto the means of transport, nor is the seller responsible for export customs clearance procedures.

2- FCA Rule (Free Carrier)

Under this rule, the seller fulfills the obligation of delivery when the goods are delivered to the carrier or to another person designated by the buyer, such as a freight carrier, either at the seller's premises or at another named place.

Accordingly, the seller is deemed to have fulfilled the delivery obligation once the goods have been prepared, export customs formalities have been completed, and the goods have been handed over to the carrier designated by the buyer. At this stage, the goods enter the custody of the carrier at the agreed time and at the named place or point, which is often a cargo consolidation center, yard, or warehouse belonging to the carrier and located away from the port.

The buyer bears all expenses related to the transportation of the goods from the moment they are delivered to the carrier, in addition to the costs of any pre-shipment inspection of the goods. However, if such inspection is required by the competent authorities in the country of export, the seller bears those costs.

3- CPT Rule (Carriage Paid To)

This rule is used for more than one mode of transport. It means that the seller fulfills the delivery obligation once the goods are prepared for delivery, export customs formalities are completed, and the goods are handed over into the custody of a carrier chosen by the seller. The seller also pays the freight charges necessary to transport the goods to the named destination.

However, the risk of loss, damage, or any additional expenses arising after the goods have been delivered to the carrier passes to the buyer from the moment the carrier takes the goods into custody.

4- CIP Rule (Carriage and Insurance Paid To)

Under this rule, the seller fulfills the obligation when the goods are delivered to the carrier or another person designated by the seller at the named place.

The seller is also obliged to obtain the insurance necessary to cover the goods against the risks of loss or damage that may occur during transportation, in addition to paying the transport costs required to deliver the goods to the named destination.

According to this rule, the risk of loss or damage to the goods, as well as any additional expenses arising after delivery of the goods to the carrier, passes to the buyer from the moment the carrier takes the goods into custody.

5- DAP Rule (Delivered at Place)

Under the **DAP** rule, the seller fulfills the delivery obligation when the goods are placed at the disposal of the buyer on the arriving means of transport. The seller also bears all risks that may affect the goods during their journey.

According to this rule, the seller is responsible, at their own expense, for preparing, packaging, and arranging the goods for transport and delivery, completing export customs formalities, concluding the contract of carriage to the named destination, and notifying the buyer in order to enable the latter to take delivery of the goods.

The buyer, on the other hand, bears all expenses related to the goods from the moment of delivery, including customs procedures, duties, taxes, and other costs required upon importation.

The **DAP** rule is used in contracts for the sale of goods regardless of the mode of transport and may also be applied where more than one mode of transport is used, such as in multimodal transport operations.

6- DDP Rule (Delivered Duty Paid)

Under the **DDP** rule, the seller bears all expenses and risks associated with delivering the goods to the named place of destination, including the payment of customs duties and charges.

This rule represents the maximum level of obligations imposed upon the seller, in contrast to the **EXW** rule, which represents the minimum level of seller obligations.

The **DDP** rule may be used in contracts for the sale of goods irrespective of the chosen means of transport and may also be applied in multimodal transport operations involving more than one means of transportation.

7- DAT Rule (Delivered at Terminal)

The **DAT** rule means “Delivered at Terminal.” Under this formula, the seller fulfills the delivery obligation once the goods have been unloaded from the arriving means of transport and placed at the disposal of the buyer at the named terminal.

Consequently, the seller bears all risks related to transporting and unloading the goods.

This rule is likewise used in contracts for the sale of goods regardless of the type of transport used and may also apply when multiple modes of transport are employed in the transportation process.

Second: Incoterms Rules Used in Maritime Transport

1- CFR Rule (Cost and Freight)

The term **CFR** means that the risk of loss or damage to the goods passes from the seller to the buyer from the moment the goods are loaded on board the ship.

Accordingly, the seller is obliged to contract with a maritime carrier chosen by the seller in order to transport the goods to the agreed port of destination.

The seller is obliged to contract with a maritime carrier of his choice to transport the goods to the named port of destination and to pay the freight charges and any other costs necessary for the delivery of the goods.

In general, the seller is also required to complete all customs export formalities, without being responsible for import procedures. The seller undertakes to prepare the goods subject of the sales contract and load them on board the vessel he selects, in return for a lump sum price that includes the value of the goods as well as freight costs.

Although the contract of carriage always indicates the name of the port of destination, it may not necessarily mention the port of shipment, even though it is the port where the transfer of risk from seller to buyer takes place.

2- CIF Rule (Cost, Insurance and Freight)

Under this rule, the seller is required to deliver the goods on board the vessel, while the buyer must ensure that the goods have indeed been loaded on the ship.

The risk of loss or damage to the goods is transferred from the seller to the buyer at the moment the goods are placed on board the vessel.

The seller must also contract with a maritime carrier of his choice to transport the goods to the named port of destination, pay the freight and any additional costs required for transport, and arrange shipment and insurance coverage for the goods on behalf of the buyer against maritime transport risks, with insurance costs borne by the buyer. This is in exchange for a total price that includes the value of the goods, freight, and marine insurance.

3- FAS Rule (Free Alongside Ship)

Under this rule, the seller fulfills his delivery obligation by placing the goods alongside the vessel nominated by the buyer and berthed at the agreed port of shipment, at the disposal of the carrier.

The risk of loss or damage to the goods transfers when they are placed alongside the ship. From that moment, the buyer bears all costs.

Therefore, both parties must clearly determine the loading point at the named port of shipment, since costs and risks up to that point are borne by the seller, and such costs may vary according to customary practice in the port.

This rule may be used regardless of the mode of transport chosen for the carriage of goods, and it may also apply in multimodal transport operations.

4- FOB Rule (Free on Board)

Under this rule, the seller is deemed to have fulfilled his delivery obligation at the moment of shipment, i.e., when the goods are loaded on board the vessel.

Accordingly, the seller bears all costs and risks relating to the goods until they are loaded onto the vessel at the specified port, including taxes, duties, and export clearance expenses.

Section Four: Incoterms 2020 Rules

The ninth edition of the Incoterms Rules, known as Incoterms 2020, was officially issued in September 2019 and entered into force on 1 January 2020. This revision aimed to accommodate the changes occurring in international trade and commercial practices.

It is important to note that, to date, contracting parties may continue to use Incoterms 2010, which remains valid. There is no urgent need to amend all existing contracts that expressly refer to the previous version, as such contracts continue to be interpreted and applied according to Incoterms 2010.

Main Changes Introduced by Incoterms 2020

The most significant modification introduced by the 2020 edition concerns only one rule: **DAT (Delivered at Terminal)**. This rule was replaced by **DPU (Delivered at Place Unloaded)**.

The term “Terminal” in the 2010 version caused significant ambiguity, as a terminal could refer to a covered or uncovered place, meaning it was not necessarily a clearly defined transport terminal. Moreover, the exact point of unloading was not sufficiently precise. To eliminate this ambiguity, DAT was renamed DPU in Incoterms 2020, meaning “Delivered at Place Unloaded.” Thus, the new rule now covers delivery at any agreed place where goods are unloaded, including terminals.

Furthermore, the 2020 revision introduced new insurance requirements affecting the **CIF** and **CIP** rules. Since transport and insurance costs have increased significantly—particularly for manufactured and perishable goods requiring higher levels of coverage—contracting parties must now consider whether the insurance coverage adequately corresponds to the potential risks of damage during transport.

In addition, Incoterms 2020 allows the use of transport means owned either by the buyer or the seller, instead of exclusively relying on third-party carriers. This change reflects the growing reality that many traders now own and operate their own means of transport, including ships, aircraft, and trucks. This applies to the **FCA** rule when the buyer uses its own transport, and to the **DAP**, **DPU**, and **DDP** rules when the seller uses its own transport.

Finally, Incoterms 2020 also amended the **FCA rule** to allow the parties, in the sales contract, to agree that the buyer will instruct the carrier or its agent to issue a bill of lading marked “on board” to the seller.

Chapter Two: Application of Incoterms Rules in Algeria

Given Algeria's openness to the global market, the Algerian legislator has recognized the Incoterms Rules as customs and commercial usages commonly applied by international trade operators in their contracts, particularly in international sales contracts.

Accordingly, this chapter addresses the recognition of Incoterms under Algerian law through the first section, and their practical use in Algeria through the second section.

Section One: Recognition of Incoterms Rules in Algerian Law

Since most international trade transactions are conducted through international sales contracts, the use of Incoterms within these contracts has become one of the most important manifestations of international trade law. Algeria, being both an importing country relying on imported manufactured and semi-manufactured goods and an exporting country of hydrocarbons, has found it necessary to recognize Incoterms in its international contracts, both at the legislative and judicial levels.

Moreover, a number of decrees and regulations have explicitly acknowledged Incoterms and referred directly to certain terms derived from the Incoterms Rules. Some of these include:

The Algerian legislator referred to Incoterms in Regulation No. 07-01 concerning the rules applicable to foreign exchange transactions, by allowing foreign trade operators to include international commercial terms in their contracts, provided that no legislative or regulatory provision prohibits such inclusion.

Similarly, Executive Decree No. 07-191, relating to the procedures for determining the reference price of natural gas intended for export, expressly refers in Articles 6 and 7 to the term **FOB (Free on Board)**.

Executive Decree No. 89-10, relating to the procedures for monitoring imports exempt from customs duties under free trade agreements, also refers to both the **FOB** term and the expression “departure” in customs exemption requests.

Finally, Executive Decree No. 11-108, relating to the determination of maximum consumer prices and profit margins at the production, import, wholesale, and retail levels for refined vegetable oil and white sugar, refers in Articles 5 and 6 to the terms **CAF/CFR** and **FOB**.

Section Two: Incoterms Used in Algeria

In order to reduce the cost of imported goods, the Algerian government has adopted the **FOB** rule, which provides that the seller is responsible for transporting the goods up to the designated port of destination chosen by the buyer. Therefore, when purchasing goods under the **FOB** term, the seller is responsible for paying transport costs and taxes, as well as insurance expenses.

As previously noted, the **FOB (Free on Board)** term applies exclusively to maritime transport. Under this rule, the seller remains responsible for the goods until they are loaded on board the vessel. This means that the supplier is responsible for packaging the goods, selecting the shipping company, and bearing the risks of theft, loss, and insurance costs against damage, up to the port of shipment designated by the buyer.

Thus, the seller assumes responsibility for the goods until they are loaded onto the ship, including customs administrative procedures, packaging operations, selection of the carrier, and insurance costs up to the port of destination specified by the buyer. After that stage, the buyer becomes responsible for the transport and unloading of the goods.

These measures introduced by the Algerian government aim to rationalize imports and reduce their cost, based on two main objectives:

1. **Utilizing Algerian maritime transport companies** for the carriage of goods.
2. **Promoting insurance coverage through Algerian insurance companies.**

Since the Algerian government has chosen to apply the **FOB** term exclusively in international trade transactions involving maritime transport, it seeks to benefit from the capacities of national maritime transport companies in carrying goods.

In practice, importers and exporters have been directed to adopt this approach. According to the Maritime Trade Journal, a memorandum dated 30 September 2019 addressed to Algerian bank directors indicates that...

by the Professional Association of Algerian Banks and Financial Institutions, it was stated that imports must be carried out under the **FOB** term, and that importers should prioritize the use of national shipping capacity.

In addition, regarding the importation of wheat and milk powder, two agreements were signed in August 2019 between the Algerian Maritime Transport Group (GATMA) on the one hand, and the National Office of Milk and the National Office of Cereals on the other, in order to strengthen the use of the national maritime fleet and thereby reduce reliance on foreign transport means and lower foreign exchange expenditure.

Second: Use of Algerian Insurance Companies in Goods Insurance

In Algeria, all importers are required to insure their goods with an approved Algerian insurance company, in accordance with Articles 172 and 181 of Law No. 80-07 dated 08/09/1980, whether the import is carried out by sea or air.

It is also noteworthy that today, with the entry into force of Incoterms 2020, the imposition of the **FOB** term in international commercial transactions has become more relevant, particularly in reducing reliance on so-called third parties in the transport of goods. It is now possible for both sellers and buyers to use their own vessels, aircraft, trucks, and other means of transport to carry out their export and import operations.

The challenge facing Algerian traders—both importers and exporters—and Algerian trade in general lies in the capacity of Algerian insurance companies to provide adequate coverage, and in the extent to which national maritime transport capacities can be relied upon, especially since their contribution to import operations does not exceed 2.5% at the national level.

Conclusion

It becomes clear that Incoterms are a set of rules designed to regulate and facilitate international trade. They define the responsibilities of both the seller and the buyer in the delivery of goods. They are purely commercial rules and do not constitute law in any formal sense. Their binding force derives solely from the will of the contracting parties when they explicitly agree to incorporate them into the contract.

The International Chamber of Commerce revises these rules every ten years to adapt them to developments in international trade. The main findings of this study include:

1. The amendments made by the International Chamber of Commerce every ten years are carefully designed in response to new developments in international commercial transactions, and their main objective is to ensure the smooth and free flow of goods worldwide.
2. 2- Incoterms precisely and clearly define the responsibilities, obligations, risks, costs, and required documents assigned to both the exporter and the importer during the delivery and receipt of goods. This helps avoid any ambiguity in commercial transactions and, consequently, prevents potential disputes.

3. 3- The latest amendment, which removed the DAT rule (“Delivered at Terminal”), was significant in that the new **DPU (Delivered at Place Unloaded)** rule clearly specifies a defined place for unloading the arriving goods, including terminals. This change helped eliminate the ambiguity that existed in the previous version.
4. 4- The provision in Incoterms 2020 allowing both exporters and importers to use their own means of transport—such as ships, aircraft, and trucks—without necessarily relying on third-party carriers, as was previously the case, is considered beneficial for both parties, as it provides greater flexibility and cost efficiency in international trade operations.

المصطلح بالإنجليزية	المصطلح بالعربية	المعنى المختصر
EXW (Ex Works)	التسليم في مقر البائع	البائع يضع البضاعة تحت تصرف المشتري في مقره
FCA (Free Carrier)	التسليم إلى الناقل	تسليم البضاعة للناقل الذي يحدده المشتري
CPT (Carriage Paid To)	النقل مدفوع إلى	البائع يدفع النقل حتى الوجهة
CIP (Carriage and Insurance Paid To)	النقل والتأمين مدفوع إلى	البائع يدفع النقل والتأمين
DAP (Delivered at Place)	التسليم في مكان الوصول	تسليم البضاعة جاهزة للتفريغ
DPU (Delivered at Place Unloaded)	التسليم في مكان التفريغ	تسليم بعد تفريغ البضاعة
DDP (Delivered Duty Paid)	التسليم مع دفع الرسوم	أقصى التزامات على البائع
FAS (Free Alongside Ship)	التسليم بجانب السفينة	وضع البضاعة بجانب السفينة
FOB (Free On Board)	التسليم على ظهر السفينة	البضاعة تُشحن على السفينة
CFR (Cost and Freight)	التكلفة والشحن	البائع يدفع الشحن حتى الميناء
CIF (Cost Insurance and Freight)	التكلفة والتأمين والشحن	البائع يدفع الشحن والتأمين