

# International Commercial Terms INCOTERMS



The INCOTERMS (International Commercial Terms) is a universally recognized set of definitions of international trade terms, such as FOB, CFR and CIF, developed by the International Chamber of Commerce (ICC) in Paris, France. It defines the trade contract responsibilities and liabilities between buyer and seller. It is invaluable and a cost-saving tool. The exporter and the importer need not undergo a lengthy negotiation about the conditions of each transaction. Once they have agreed on a commercial term like FOB, they can sell and buy at FOB without discussing who will be responsible for the freight, cargo insurance, and other costs and risks.

The INCOTERMS was first published in 1936---INCOTERMS 1936---and it is revised periodically to keep up with changes in the international trade needs. The complete definition of each term is available from the current publication---INCOTERMS 2000. The publication is available at your local Chamber of Commerce affiliated with the International Chamber of Commerce (ICC).

Many importers and exporters worldwide are accustomed to and may still use the INCOTERMS 1980, the predecessor of INCOTERMS 1990 and INCOTERMS 2000.

Under the INCOTERMS 2000, the international commercial terms are grouped into E, F, C and D, designated by the first letter of the term (acronym), as follows:

## International Commercial Terms

( INCOTERMS )

GROUP	TERM	Stands for
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E

EXW

Ex Works

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F	FCA	Free Carrier
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	FAS	Free Alongside Ship
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	FOB	Free On Board
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C	CFR	Cost and Freight
	CIF	Cost, Insurance and Freight
	CPT	Carriage Paid To
	CIP	Carriage and Insurance Paid To

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D	DAF	Delivered At Frontier
	DES	Delivered Ex Ship
	DEQ	Delivered Ex Quay
	DDU	Delivered Duty Unpaid
	DDP	Delivered Duty Paid

In practice, trade terms are written with either all upper case letters (e.g. FOB, CFR, CIF, and FAS) or all lower case letters (e.g. fob, cfr, cif, and fas). They may be written with periods (e.g. F.O.B. and c.i.f.).

In international trade, it would be best for exporters to refrain, wherever possible, from dealing in trade terms that would hold the seller responsible for the import customs clearance and/or payment of import customs duties and taxes and/or other costs and risks at the buyer's end, for example the trade terms DEQ (Delivered Ex Quay) and DDP(Delivered Duty Paid). Quite often, the charges and expenses at the buyer's end may cost more to the seller than anticipated. To overcome losses, hire a reliable customs broker or freight forwarder in the importing country to handle the import routines. Similarly, it would be best for importers not to deal in EXW (Ex Works), which would hold the buyer responsible for the export customs clearance, payment of export customs charges and taxes, and other costs and risks at the seller's end.

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### ***EXW {+ the named place} - Ex Works***

Ex means from. Works means factory, mill or warehouse, which is the seller's premises. EXW applies to goods available only at the seller's premises. Buyer is responsible for loading the goods on truck or container at the seller's premises, and for the subsequent costs and risks. In practice, it is not uncommon that the seller loads the goods on truck or container at the seller's premises without charging loading fee. In the quotation, indicate the named place (seller's premises) after the acronym EXW, for example EXW Kobe and EXW San Antonio. The term EXW is commonly used between the manufacturer (seller) and export-trader (buyer), and the export-trader resells on other trade terms to the foreign buyers. Some manufacturers may use the term Ex Factory, which means

the same as Ex Works.

***FCA {+ the named point of departure} - Free Carrier***

The delivery of goods on truck, rail car or container at the specified point (depot) of departure, which is usually the seller's premises, or a named railroad station or a named cargo terminal or into the custody of the carrier, at seller's expense. The point (depot) at origin may or may not be a customs clearance center. Buyer is responsible for the main carriage/freight, cargo insurance and other costs and risks. In the air shipment, technically speaking, goods placed in the custody of an air carrier is considered as delivery on board the plane. In practice, many importers and exporters still use the term FOB in the air shipment. The term FCA is also used in the RO/RO (roll on/roll off) services. In the export quotation, indicate the point of departure (loading) after the acronym FCA, for example FCA Hong Kong and FCA Seattle. Some manufacturers may use the former terms FOT (Free On Truck) and FOR (Free On Rail) in selling to export-traders.

***FAS {+ the named port of origin} - Free Alongside Ship***

Goods are placed in the dock shed or at the side of the ship, on the dock or lighter, within reach of its loading equipment so that they can be loaded aboard the ship, at seller's expense. Buyer is responsible for the loading fee, main carriage/freight, cargo insurance, and other costs and risks. In the export quotation, indicate the port of origin (loading) after the acronym FAS, for example FAS New York and FAS Bremen. The FAS term is popular in the break-bulk shipments and with the importing countries using their own vessels.

***FOB {+ the named port of origin}- Free On Board***

The delivery of goods on board the vessel at the named port of origin (loading), at seller's expense. Buyer is responsible for the main carriage/freight, cargo insurance and other costs and risks.

In the export quotation, indicate the port of origin (loading) after the acronym FOB, for example FOB Vancouver and FOB Shanghai.

Under the rules of the INCOTERMS 1990, the term FOB is used for ocean freight only. However, in practice, many importers and exporters still use the term FOB in the air freight.

In North America, the term FOB has other applications. Many buyers and sellers in Canada and the U.S.A. dealing on the open account and consignment basis are accustomed to using the shipping terms FOB Origin and FOB Destination.

FOB Origin means the buyer is responsible for the freight and other costs and risks. FOB Destination means the seller is responsible for the freight and other costs and risks until the goods are delivered to the buyer's premises, which may include the import customs clearance and payment

of import customs duties and taxes at the buyer's country, depending on the agreement between the buyer and seller.

In international trade, avoid using the shipping terms FOB Origin and FOB Destination, which are not part of the INCOTERMS (International Commercial Terms).

***CFR {+ the named port of destination} - Cost and Freight***

The delivery of goods to the named port of destination (discharge) at the seller's expense. Buyer is responsible for the cargo insurance and other costs and risks. The term CFR was formerly written as C&F. Many importers and exporters worldwide still use the term C&F. In the export quotation, indicate the port of destination (discharge) after the acronym CFR, for example CFR Karachi and CFR Alexandria. Under the rules of the INCOTERMS 1990, the term Cost and Freight is used for ocean freight only. However, in practice, the term Cost and Freight (C&F) is still commonly used in the air freight.

***CIF {+ the named port of destination} - Cost, Insurance and Freight***

The cargo insurance and delivery of goods to the named port of destination (discharge) at the seller's expense. Buyer is responsible for the import customs clearance and other costs and risks. In the export quotation, indicate the port of destination (discharge) after the acronym CIF, for example CIF Pusan and CIF Singapore. Under the rules of the INCOTERMS 1990, the term CIF is used for ocean freight only. However, in practice, many importers and exporters still use the term CIF in the air freight.

***CPT {+ the named place of destination}- Carriage Paid To***

The delivery of goods to the named place of destination (discharge) at seller's expense. Buyer assumes the cargo insurance, import customs clearance, payment of customs duties and taxes, and other costs and risks. In the export quotation, indicate the place of destination (discharge) after the acronym CPT, for example CPT Los Angeles and CPT Osaka.

***CIP {+ the named place of destination} - Carriage and Insurance Paid To***

The delivery of goods and the cargo insurance to the named place of destination (discharge) at seller's expense. Buyer assumes the import customs clearance, payment of customs duties and taxes, and other costs and risks. In the export quotation, indicate the place of destination (discharge) after the acronym CIP, for example CIP Paris and CIP Athens.

***DAF {+ the named point at frontier} - Delivered At Frontier***

The delivery of goods to the specified point at the frontier at seller's expense. Buyer is responsible for the import customs clearance, payment of customs duties and taxes, and other costs and risks.

In the export quotation, indicate the point at frontier (discharge) after the acronym DAF, for example DAF Buffalo and DAF Welland.

***DES {+ the named port of destination} - Delivered Ex Ship***

The delivery of goods on board the vessel at the named port of destination (discharge), at seller's expense. Buyer assumes the unloading fee, import customs clearance, payment of customs duties and taxes, cargo insurance, and other costs and risks. In the export quotation, indicate the port of destination (discharge) after the acronym DES, for example DES Helsinki and DES Stockholm.

***DEQ {+ the named port of destination} - Delivered Ex Quay***

The delivery of goods to the quay (the port) at destination at seller's expense. Seller is responsible for the import customs clearance and payment of customs duties and taxes at the buyer's end. Buyer assumes the cargo insurance and other costs and risks. In the export quotation, indicate the port of destination (discharge) after the acronym DEQ, for example DEQ Libreville and DEQ Maputo.

***DDU {+ the named point of destination} - Delivered Duty Unpaid***

The delivery of goods and the cargo insurance to the final point at destination, which is often the project site or buyer's premises, at seller's expense. Buyer assumes the import customs clearance and payment of customs duties and taxes. The seller may opt not to insure the goods at his/her own risks. In the export quotation, indicate the point of destination (discharge) after the acronym DDU, for example DDU La Paz and DDU Ndjamena.

***DDP {+ the named point of destination} - Delivered Duty Paid***

The seller is responsible for most of the expenses, which include the cargo insurance, import customs clearance, and payment of customs duties and taxes at the buyer's end, and the delivery of goods to the final point at destination, which is often the project site or buyer's premises. The seller may opt not to insure the goods at his/her own risks.

In the export quotation, indicate the point of destination (discharge) after the acronym DDP, for example DDP Bujumbura and DDP Mbabane.