

APPENDIX V: INTERNATIONAL COMMERCIAL TERMS (INCO)

INCOTERMS (International Commercial Terms) 2000, published by the International Chamber of Commerce (2000 pub 560), are the most commonly accepted terms of sale.

INCOTERMS DO:	INCOTERMS DO NOT:
<ul style="list-style-type: none">● Provide an Internationally accepted definition of:● The responsibility of the Buyer & Seller.● The allocation of costs.● The assumption of risks.● Have been created to adapt to the most contemporary commercial practices.	<ul style="list-style-type: none">● Dictate the contract of carriage.● Include all of the duties of the buyer / seller in a transaction.● Deal with a breach in contracts● Exemptions from Liability in case of impediments.● Do not speak about payments between Buyer / Seller.

EXW (Ex Works...named place)

Ex Works means that the seller fulfills his obligation to deliver when he has made the goods available at his premises or another named place (i.e., works, factory, warehouse, etc.) to the buyer, suitably packed for export. In particular, he is not responsible for loading the goods on a vehicle provided by the buyer or for cleaning the goods for export. This term thus represent the minimum obligation for the seller, and the buyer has to bear all cost and risks involved in taking the goods from the seller's premises. If the parties wish the seller to be responsible for the loading of the goods on departure and its risks and costs, this should be made clear by adding explicit wording to this effect in the contract of sale. This term should not be used when the buyer cannot carry out the export formalities directly or indirectly. In such circumstances, the FCA term should be used, provided the seller agrees that he will load at his cost and risk.

FCA (Free Carrier...named place)

This term has been designed to meet the requirements of modern transport, particularly such "multi-modal" transport of container or "roll on-roll off" traffic trailers and ferries. It is based on the same main principle as FOB except that the seller fulfills his/her obligations when he/she delivers the goods into the custody of the carrier at the named point. If no precise point can be mentioned at the time of the contract of sale, the parties should refer to the place or range where the carrier should take the goods into his/her charge. The risk of loss or damage to the goods is transferred from seller to buyer at that time and not at the ship's rail. A "Received for Shipment" Bill of Landing is acceptable in lieu of an "On Board" Bill of Landing. This allows exporters to receive shipping documents more quickly and to get paid in a more timely manner. "Carrier" means any person by whom or in whose name a contract of carriage by road, rail, air, sea or a combination of modes has been made. When the seller has to furnish a bill, waybill or carrier's receipt, he/she duly fulfills this obligation by presenting such a document issued by a person so defined. The seller is responsible for clearing the goods for export.

FAS (Free alongside Ship...named port of shipment)

This means that the seller fulfills his obligation to deliver when the goods have been placed alongside the vessel at the named port of shipment. The buyer has to bear all costs and risks of loss or damage to the goods from that moment. The FAS term requires the seller to clear the goods for export.

FOB (Free on Board...named port of shipment)

This means that the seller fulfills his obligation when the goods are placed on board a ship by the seller at a port of shipment named in the sales contract. The risk of loss or damage to the goods is transferred from the seller to the buyer when the goods pass the ship's rail. All costs from that point forward, including freight and insurance, are for the buyer's account. This term requires the seller to arrange export clearance. This term can be used only for sea or inland waterway transport. If the parties do not intend to deliver the goods across the ship's rail, the FCA term should be used.

CFR (Cost and Freight...named point of destination)

The seller must pay the cost and freight necessary to bring the goods to the named destination, but the risk of loss or damage to the goods, as well as any additional costs due to events occurring after the time of delivery, are transferred from the seller to the buyer when the goods pass the ship's rail in the port of shipment. The CFR term requires the seller to clear the goods for export. This term should only be used for sea and inland waterway transportation. If the parties do not intend to deliver the goods across the ship's rail, the CPT term should be used.

CIF (Cost, Insurance and Freight...named port of destination)

This means that the seller delivers when the goods pass the ship's rail in the port of shipment. The seller must pay the costs and freight necessary to bring the goods to the named port of destination but the risk of loss or damage, as well as additional costs due to events occurring after the time of delivery are transferred from the seller to the buyer. In CIF the seller also has to procure marine insurance against the buyer's risk of loss or damage to the goods during the carriage. Consequently, the seller contracts for insurance and pays the premium. The buyer should note that under the CIF the seller is required to obtain insurance only on minimum cover. The CIF term requires the seller to clear the goods for export. This term should be used only for sea and inland waterway transport. If the parties do not intend to deliver the merchandise across the ship's rail, the CIP term should be used.

CPT (Carriage Paid to...named place of destination)

This term means that the seller delivers the goods to the carriage nominated by him, but the seller must also pay the cost of carriage to bring the goods to the named destination. Like CFR, the buyer bears all risks and any other costs occurring after the goods have been so delivered. "Carrier" is defined as any person who, in a contract of carriage, undertakes to perform or to procure the performance of transport, by rail, road, sea, inland waterway or by a combination of methods. If subsequent carriers are used for the carriage to the agreed destination, the risk passes when the goods have been delivered to the first carrier. This CPT term requires the seller to clear the goods for export.

CIP (Carriage and Insurance Paid to... named place of destination)

This term is the same as "Carriage Paid to..." but with the addition that the seller has to procure insurance against the risk of loss or damage to the goods during the carriage. The seller contracts with the insurer and pays the insurance premium. CIF is used for goods carried by sea, while CIP is used irrespective of the mode of transport. This term allows the exporter the greatest control over all aspects of shipment.

DAF (Delivered at Frontier...named place)

This term is used typically when goods are being moved overland, and delivery of the goods will take place at the frontier of an adjoining country. It means that the seller delivers when the goods are placed at the disposal of the buyer on the arriving means of transport not unloaded, cleared for export, but not cleared for import at the named point and place at the frontier, but before the customs border at the adjoining country. The frontier must be clearly named. For example, goods being shipped from the U.S. to Mexico might have Laredo, Texas, named as the frontier. The shipper has the responsibility of delivering the goods to Laredo, while the buyer has the responsibility to bring the goods across the border into Mexico and clear Mexican customs. This term may be used irrespective of the mode of transport when goods are to be delivered at a

land frontier. When delivery is to take place in the port of destination, on board a vessel or on the wharf, the DES or DEQ terms should be used.

DES (Delivered Ex-Ship...named port of destination)

This term means that the seller delivers when the goods are placed at the disposal of the buyer on board the ship, not cleared for import at the named port of destination. The seller must bear all the costs and risks involved in bringing the goods to the named port of destination before discharging. If the parties wish the seller to bear the costs and risks of discharging the goods, then the DEQ term should be used. This term can be used only when the goods are to be delivered by sea or inland waterway or multimodal transport on a vessel in the port of destination.

DEQ (Delivered Ex-Quay...named port of destination)

This term means that the seller delivers when the goods are placed at the disposal of the buyer not cleared for import on the quay at the named port of destination. The seller bears costs and risks involved in bringing the goods to the named port of destination and discharging the goods on the quay. The DEQ term requires the buyer to clear the goods for import and to pay for all formalities, duties, taxes and other charges upon import. This term can be used only when the goods are to be delivered by sea or inland waterway or multimodal transport on discharging from a vessel onto the quay at the port of destination. If the parties wish to include in the seller's obligation the risks and costs of the handling of the goods from the quay to another place (warehouse, terminal, transport station) in or outside the port, the DDU or DDP terms should be used.

DDU (Delivered Duty Unpaid...named place of destination)

This term means that the seller delivers the goods to the buyer, not cleared for import, and not unloaded for any arriving means of transport at the named place of destination. The seller has to bear the full cost and risk involved in bringing the goods thereto other than, where applicable, any "duty" (which includes the responsibility for and the risk of the carrying out of customs formalities, and payment of formalities, custom duties, taxes and other charges) for import in the country of destination. Such "duty" has to be borne by the buyer as well as any costs and risks cause by his failure to clear the goods for import in time. This term may be used irrespective of the mode of transportation, but when delivery is to take place in the port of destination on board the vessel or on the quay, the DES or DEQ terms should be used.

DDP (Delivered Duty Paid...named place of destination)

This term means that the seller delivers the goods to the buyer, cleared for import, and not unloaded from any arriving means of transport at the named place of destination. The seller must bear all costs and risks involved in bringing the goods thereto including, where applicable, any "duty" (which includes the responsibility for and the risk of carrying out of custom formalities, custom duties, taxes and other charges) for import in the country of destination. While the term EXW signifies the seller's minimum obligation, the DDP term represents the maximum obligation. If the parties wish the buyer to bear all the risks and costs of the import, the DDU term must be used. The DDP term may be used irrespective of the mode of transport but when delivery is to take place in the port of destination on board the vessel or on the quay, the DES or DEQ terms should be used.

Incoterms application (mode of transport)

Any Mode

EXW

FCA

CPT

CIP

DAF

DDU

DDP

Maritime Only

FAS

FOB

CFR

CIF

DES

DEQ

Terms	Seller Obligated to Deliver Goods At...	Pre-shipment Costs Paid By...	Freight Costs Paid By...	Insurance Document Arranged By...	Delivery Receipt for Goods (If Required)	Obtain Transport Document	Unload Costs
EXW	Seller's premises	Seller	Buyer	Buyer	Buyer	Buyer	Buyer
FCA	Location designated by buyer	Seller up until goods delivered to carrier/agent	Buyer	Buyer	Seller	Buyer	Buyer
FAS	Alongside the vessel	Seller up until goods delivered to carrier/agent	Buyer	Buyer	Seller	Buyer	Buyer
FOB	On board the vessel	Seller	Buyer	Buyer	Seller	Seller	Buyer
CFR	On board the vessel	Seller	Seller	Buyer	Seller	Seller	Seller
CIF	On board the vessel	Seller	Seller	Seller	Seller	Seller	Seller
CPT	To the carrier	Seller	Seller	Buyer	Seller	Seller	Seller
CIP	To the carrier	Seller	Seller	Seller	Seller	Seller	Seller
DAF	Seller's frontier	Seller	Seller up to the frontier	Buyer	Seller	Buyer (at frontier)	Buyer
DES	Destination port while still on board	Seller	Seller	Buyer	Seller	Seller	Buyer
DEQ	The destination port quay	Seller	Seller	Buyer	Seller	Seller	Seller (including duty)
DDU	Disposal of buyer, named place	Seller	Seller	Buyer	Seller	Seller	Seller (excluding duty)
DDP	An inland destination designated by buyer	Seller	Seller	Buyer	Seller	Seller	Seller (including duty)

Examples

1	Selling Price	\$ 5,000.00
2	Preparation for Shipping (Packing, Marking, Handling)	\$ 200.00
3	Inland Transportation to Pier/Terminal	\$ 300.00
4	Pier "Gate" Charges	\$ 50.00
5	Forwarding Fees	\$ 100.00
6	Ocean Freight Charges	\$ 1,000.00
7	Marine Insurance	\$ 50.00
8	Foreign Duty, Inland Transportation	\$ 300.00

EXW - Ex Works (Named Place) - Seller makes goods available at Seller premises.

Seller not responsible for loading the goods on Buyer's vehicle or for clearing goods for export (unless otherwise agreed upon).

Buyer bears all risks and costs in taking goods from Seller's premises to destination.

Price (1,2) \$5,300.00

FAS - Free Alongside Ship (Named Port of Shipment) - Seller obligated to deliver the goods alongside the vessel on the quay/pier at the named port of shipment.

Buyer bears all costs and risks loss from that moment.

Seller must clear the goods for export.

Price (1,2,3,4) \$5,550.00

FOB - Free On Board (Named Port of Shipment) - Seller obligated to get the goods over the ship's rail at the port of shipment.

Buyer bears all costs and risks of loss from that point.

Seller must clear goods for export.

Price (1,2,3,4,5) \$5,650.00

CIF - Cost, Insurance & Freight (Named Port of Destination) - Seller must pay cost and freight necessary to get goods to named port of destination.

Risk of loss and any additional costs after goods delivered to the vessel are transferred to the Buyer when goods pass the ship's rail.

Seller must also obtain marine insurance.

Seller must clear goods for export.

Price (1,2,3,4,5,6,7) \$6,700.00

DDP - Delivered Duty Paid (Named Place of Destination) - Seller delivers at named place in country of importation.

Seller bears risks and costs, including duties, taxes and other charges.

Term represents maximum obligated.

Price (1,2,3,4,5,6,7,8) \$7,000.00