

# International commerce terms

**INCOTERMS® — International Commercial Terms** — are three-letter trade terms developed by International Chamber of Commerce and widely used in international and domestic contracts for the sale of goods. They're accepted by governments and shippers worldwide, and are used to prevent uncertainty or misunderstandings.

INCOTERMS® specify the rights and obligations of each of the parties that enter into a contract for the delivery of goods sold. These eleven terms specify how transaction costs and responsibilities are divided between buyer and seller.

Revised INCOTERMS® took effect on January 1, 2011. The number of terms has been reduced from thirteen to eleven:

- Several terms have been eliminated
- Delivered at Place (DAP), Delivered at Terminal (DAT), and Delivered Duty Paid (DDP) have been added.

## 1. Terms For Any Transport Mode

Each of these seven terms must specify the port or destination.

### **CIP — Carriage and Insurance Paid (TO) (named place of destination)**

The seller pays for moving the goods to the destination. From the time the goods are transferred to the first carrier, the buyer bears the risks of loss or damage, but the seller pays for the cargo insurance.

### **CPT — Carriage Paid To (named place of destination)**

The seller pays for moving the goods to destination. From the time the goods are transferred to the first carrier, the buyer bears the risks of loss or damage.

### **DAP — Delivered At Place (named place of destination)**

Delivery takes place when the seller places the goods at the buyer's disposal on the arriving means of transport, and when the goods are therefore ready to be unloaded at the named place of destination. It's best to be as specific as possible about the exact point within the place of destination, because that's the point where the risk transfers from seller to buyer.

### **DAT — Delivered At Terminal (named place of destination)**

The seller delivers the goods when they have been unloaded from the arriving means of transport and placed at the disposal of the buyer at a named terminal at the named port or place of destination. "Terminal" includes quays, warehouses, container yards, or road, rail or air cargo terminals. The seller and the buyer should agree to the specific terminal and, when possible, the point within the terminal at which the risks will transfer from the seller to the buyer of the goods.

### **DDP — Delivered Duty Paid (named place of destination)**

The seller delivers the goods which have been cleared for import to the buyer at destination. The seller bears all costs and risks of moving the goods to destination, including the payment of Customs duties and taxes.

**ExW — Ex Works (named place)**

The seller's only responsibility is to make the goods available at the seller's premises. The buyer bears full costs and risks of moving the goods from there to destination. EXW means that a seller has the goods ready for collection at his premises (factory or warehouse, for example) on the date agreed upon. This term places the greatest responsibility on the buyer and minimum obligations on the seller.

**FCA — Free Carrier (named places)**

The seller delivers the goods that have been cleared for export to the carrier selected by the buyer. The seller loads the goods if the carrier pickup location is on the seller's premises, i.e., truck. From that point, the buyer bears the costs and risks of moving the goods to destination. This is the "freight collect" term that should be used for sea shipments in containers, whether LCL (less than container load) or FCL (full container load).

## 2. Maritime-Only Terms

**CFR — Cost and Freight (named destination port)**

The seller clears the goods for export and pays the costs and freight to the named port of destination. The buyer bears risks of loss or damage.

**CIF — Cost Insurance and Freight (named destination port)**

The seller clears the goods for export and pays the costs, cargo insurance, and freight to the named port of destination. The buyer bears risks of loss or damage.

**FAS — Free Alongside Ship (named loading port)**

The seller delivers the goods to the named port of shipment. From that point the buyer bears all costs and risks of loss or damage. This term is only used for maritime transport but it's not used for multimodal sea transport in containers. It's typically used for heavy-lift or bulk cargo.

**FOB — Free on Board (named loading port)**

The seller delivers the goods on board the ship and clears the goods for export. From that point the buyer bears all costs and risks of loss or damage.