

EXPORT DEPARTMENT

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

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.

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**.

- [Diagram of international commercial terms](#)
- [Applicable Trade Terms in Different Modes of Transportation](#)
- [Outline of Trade Contract Responsibilities of the Seller \(Exporter\) and Buyer \(Importer\)](#)
- [Trade terms used specifically in charter shipping](#)