

International Commercial Terms

INCOTERMS provide a set of rules for the interpretation of the most common trade terms used in international trade in order to deal with the differing interpretations and understandings that exist in various countries and trades.

When a seller and buyer wish to cite Incoterms as applying to the contract of sale, it is important to cite the term used, title, and date applicable as there have been numerous amendments, eg: **FOB Incoterms 2000**.

Regardless of the Incoterms in use, the seller must supply the goods as agreed in the contract of sale, together with evidence of conformity as may be required by the contract. The buyer must take receipt and pay for the goods delivered, as provided in the contract.

MAIN GROUPS

Incoterms are presented in four main groups. A last group is added in which trading terms and variations are shown:

Departure – The seller makes the goods available to the buyer at the seller’s own premises

1. EXW – EX Works

Main Carriage Unpaid – The seller delivers the goods to a carrier appointed by the buyer

1. FCA – Free Carrier
2. FAS – Free Alongside
3. FOB – Free Onboard Ship

Main Carriage Paid – The seller has to contract for carriage but without assuming the risk of loss or damage to the goods or traditional costs due to events occurring after shipment and dispatch

1. CFR – Cost and Freight
2. CIF – Cost, Insurance, and Freight
3. CPT – Carriage Paid To
4. CIP – Carriage and Insurance Paid To

Arrival – The seller has to bear all costs and risks to bring the goods to the country of destination

1. DAF – Deliver At Frontier
2. DES – Delivered Ex Ship
3. DEQ – Delivered Ex Quay
4. DDU – Delivered Duty Unpaid
5. DDP – Delivered Duty Paid

Other Trading Terms and Variations

1. EXF – Ex Factory
2. PAF – Packed At Factory
3. FOB – Free on Board
4. FOT – Free on Truck
5. FOR – Free on Rail

6. C&F – Cost and Freight
7. DIS – Delivered Into Shore
8. FIS – Free Into Store
9. Door to Door
10. Free Domicile

DEFINITIONS

Departure

1. EXW (EX Works) – Title and risk pass to buyer including payment of all transportation and insurance from the seller's door. The seller is not responsible for loading the goods in the vehicle provided by the buyer, unless otherwise agreed. Used for any mode of transportation.

Main Carriage Unpaid

2. FCA (Free Carrier) – Title and risk pass to buyer including transportation and insurance cost when the seller delivers goods cleared for export to the carrier. Seller is obligated to load the goods on the Buyer's collecting vehicle; it is the Buyer's obligation to receive the Seller's arriving vehicle unloaded.
3. FAS (Free Alongside Ship) – Title and risk pass to buyer including payment of all transportation and insurance cost once delivered alongside ship by the seller. Used for sea or inland waterway transportation. The export clearance obligation rests with the seller.
4. FOB (Free Onboard) – Title and risk pass to buyer including payment of all transportation and insurance cost once delivered on board the ship by the seller. The point of transfer of the title and risk is determined when the goods pass the ship's rail during loading. Used for sea or inland waterway transportation.

Main Carriage Paid

1. CFR (Cost and Freight) – Title, risk, and insurance cost pass to buyer when delivered on board the ship by the seller who pays the transportation cost to the destination port. The point of transfer of the title, risk, and insurance cost is determined when the goods pass the ship's rail during loading. Used for sea or inland waterway transportation.
2. CIF (Cost, Insurance, and Freight) – Title and risk pass to buyer when delivered on board the ship by seller who pays transportation and insurance cost to destination port. The point of transfer of the title, risk, and insurance cost is determined when the goods pass the ship's rail during loading. Similar to CFR but the seller has to procure marine insurance against the risk of loss or damage to the goods during carriage. The seller pays the insurance premium. Used for sea or inland waterway transportation.
3. CPT (Carriage Paid To) – Title, risk, and insurance cost pass to buyer when delivered to carrier by seller who pays transportation cost to destination. Used for any mode of transportation.
4. CIP (Carriage and Insurance Paid To) – Title and risk pass to buyer when delivered to carrier by seller who pays transportation and insurance cost to destination. Used for any mode of transportation.

Arrival

1. DAF (Deliver At Frontier) – Title, risk, and responsibility for import clearance pass to buyer when delivered to named border point by seller. Used for any mode of transportation.
2. DES (Delivered Ex Ship) – Title, risk, and responsibility for vessel discharge and import clearance pass to buyer when seller delivers goods on board the ship to destination port. Used for sea or inland waterway transportation.

3. DEQ (Delivered Ex Quay) – Title and risk pass to buyer when delivered on board the ship at the destination point by the seller who delivers goods on dock at destination point cleared for import. Used for sea or inland waterway transportation.
4. DDU (Delivered Duty Unpaid) – Title, risk, and responsibility of import clearance pass to buyer when seller delivers goods to named destination point. Used for any mode of transportation. Buyer is obligated for import clearance.
5. DDP (Delivered Duty Paid) - Title and risk pass to buyer when seller delivers goods to named destination point cleared for import. Used for any mode of transportation.

NOTE: EXW, CPT, CIP, DAF, DDU, and DDP are commonly used for any mode of transportation. FAS, FOB, CFR, CIF, DES, and DEQ are used for sea and inland waterway.

Other Trading Terms and Variations

Term	Meaning	INCOTERM Nearest in Meaning	Comments
EXF	EX Factory	EXW	
PAF	Packed at Factory	EXW	
FOB	Free On Board	FCA	Commonly used in US domestic trade, it sometimes flows over to international trade with expensive consequences
FOT	Free On Truck	FCA	
FOR	Free On Rail	FCA	
C&F	Carriage & Freight	CFR	
DIS	Delivered Into Store	DDU or DDP	
FIS	Free Into Store	DDP	
Door to Door		DDP	Goods are delivered by Freight Forwarder to buyer and bills all charges to seller
Free Domicile		DDP	Airfreight: Goods are delivered by Freight Forwarder to buyer and bills all charges to seller.

INCOTERMS 2000

Critical Points in International Transport

	EXW	FCA	FAS	FOB	CFR	CIF	CPT	CIP	DAF	DES	DEQ	DDU	DDP
Services	EX Works	Free Carrier	Free Alongside Ship	Free On Board	Cost & Freight	Cost Insurance & Freight	Carriage Paid To	Carriage Insurance Paid To	Delivered At Frontier	Delivered Ex Ship	Delivered Ex Quay Duty Paid	Delivered Duty Unpaid	Delivered Duty Paid
Warehouse Storage	Seller	Seller	Alongside	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller
Warehouse Labor	Seller	Seller	Ship	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller
Export Packing	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller
Loading Charges	Buyer	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller
Inland Freight	Buyer	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller
Terminal Charges	Buyer	Buyer	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller
Forwarder's Fees	Buyer	Buyer	Buyer	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller
Loading On Vessel	Buyer	Buyer	Buyer	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller
Ocean/Air Freight	Buyer	Buyer	Buyer	Buyer	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller
Charges Upon Arrival	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Seller	Seller	Seller	Seller	Seller	Seller	Seller
Duties, Taxes and Customs Clearance	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Seller	Buyer	Seller
Delivery to Destination	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Seller	Seller

This guide is designed as a convenient reference to Critical Points in the international transportation system, specifically in relation to the application of Incoterms to sale and purchase contracts.

Incoterms 2000 contain 13 rules for standardized global trade, defining the most important responsibilities of buyers and sellers in international sales contracts. In order to ensure the new Incoterms 2000 terms are being applied, buyers and sellers should specify Incoterms 2000 on all contracts, thus clearly identifying the source of reference for the definition. Traders using these rules should also clearly specify any and all agreed to variations of the terms.