

Incoterms

The most commonly used rules for the interpretation of trading terms in international trade are those defined by the International Chamber of Commerce (ICC). They are internationally recognised and are known as Incoterms. Incoterms signify to the buyer what is, and more importantly what is not, included in the selling price. They also indicate where the exporter's responsibility ends and the importer's responsibility begins in respect of the goods exported. Which term will apply to a particular export transaction is a matter for negotiation between buyer and seller. However, inclusion of the appropriate term in export quotations is crucial in order to determine the responsibilities of both parties in the contract of sale.

EXW - Ex Works (... named place)	This term signifies that the price quoted is for supply of goods, packed for export, at the seller's premises. The seller's contractual obligation is discharged when the goods are made available to the buyer at the seller's premises. The seller is not responsible for any element of transport or <u>insurance</u> cost or the cost of compliance with export formalities. However, the seller does have an obligation to load the goods onto the buyer's collecting vehicle.
FCA - Free Carrier (... named place)	The seller's obligations are fulfilled when goods are delivered to a carrier nominated by the buyer at a named point. It is the seller's responsibility to clear the goods for export. If delivery takes place at the seller's premises the seller has an obligation to load the goods onto the buyer's collecting vehicle.
FAS – Free Alongside Ship (...named port of shipment)	This term means that the seller's obligations are fulfilled when the goods are placed alongside a ship at a designated port. It is the seller's responsibility to clear the goods for export. Note FAS can only be used for sea or inland waterway transportation.
FOB - Free On Board (... named port of shipment)	FOB is one of the most commonly used trading terms. The seller is responsible for all costs up to the point where the goods actually cross the ship's rail at the named port of loading. This term should only be used for non-containerised sea transport. For airfreight and containerised seafreight use FCA.
CFR - Cost and Freight (... named port of destination)	"The seller's price includes all charges up to the arrival of the goods at the point of discharge from the vessel. It does not, however, include the cost of insuring the goods against loss or damage while in transit to that point. This term should not be used for airfreight or containerised seafreight – see CPT
CIF - Cost, Insurance and Freight (... named port of destination)	Very widely used, use of this term indicates that the seller's price includes all charges up to the arrival of the goods at the point of discharge from the vessel including the cost of insuring them against loss or damage whilst in transit. This term should not be used for airfreight or containerised seafreight – see CIP.
CPT – Carriage Paid To (... named place of destination)	The seller is responsible for the cost of freight up to the point where the goods are delivered to a specified destination but is not responsible for insuring the goods against the risk of loss or damage whilst in transit. It is the buyer's responsibility to clear the goods for import.
CIP - Carriage and Insurance Paid To (... named place of destination)	"CIP" indicates that the seller is responsible for the cost of freight up to the point where the goods are delivered to a specified destination including the cost of insurance against loss or damage during transit.
DAF - Delivered At Frontier (... named place)	Use of this term indicates that the seller's obligation is fulfilled when the goods are delivered to a specified point at the frontier. There is no responsibility on the part of the seller to declare the goods to the customs in the importing country but it is the seller's responsibility to clear the goods for export.
DES - Delivered Ex Ship (... named port of destination)	The seller accepts responsibility to make the goods available to the buyer on board the ship at the port of discharge. Obviously this term cannot be used for airfreight consignments. It is the seller's responsibility to clear the goods for export but not for import at the port of discharge.

DEQ - Delivered Ex Quay (duty paid) (... named port of destination)	The seller is responsible for making the goods available to the buyer on the wharf at the port of discharge. The seller must bear all costs and risks involved in placing the goods at the disposal of the buyer at the port of destination. This term cannot be used for airfreight shipments.
DDU - Delivered Duty Unpaid (... named place of destination)	The seller's obligation is fulfilled when the goods have been made available at a specified point in the seller's country. The buyer bears all costs incurred in delivering them to that point. The buyer is responsible for duties and taxes etc. payable when goods are cleared through customs.
DDP - Delivered Duty Paid (... named place of destination)	The seller's obligation is fulfilled when the goods have been made available at a specified point in the buyer's country. In this case the seller is also responsible for payment of duties, taxes and other customs clearance charges.