



# INCO TERMS

## International Commercial TERMS

### INCOTERMS or International Commercial TERMS

First created in 1936 by the International Chamber of Commerce, INCOTERMS are uniform, internationally recognized foreign trade terms that refer to the type of agreement for the purchase and shipping of goods internationally. There are 13 different terms, each of which helps users deal with different situations involving the movement of goods. In the end, however, the terms wind up boiling down to a few basic specifics:

1. **Costs:** who is responsible for the expenses involved in a shipment at a given point in the shipment's journey?
2. **Control:** who owns the goods at a given point in the journey?
3. **Liability:** who is responsible for paying damage to goods at a given point in a shipment's transit? Commonly used

### INCOTERMS include:

#### **Delivery Duty Paid(DDP)**

A shipping term where the shipper/exporter/seller is responsible for all shipping and clearance through customs for ultimate delivery to the consignee. This transaction makes the shipper/exporter/seller responsible for cost and risk of loss during the entire transaction.

#### **Delivered Duty Unpaid (DDU)**

The supplier is required to transfer the goods that have not been cleared for import to the customer at the designated site of the identified location in the importing country. He assumes all transport costs and the risk until the shipment reaches the identified location in the destination county.

#### **Ex Works (Named point of origin) (EXW)**

For example: ex factory, ex mill, ex warehouse. Under this term, the price quoted applies only at the point of origin and the seller agrees to place the goods at the disposal of the buyer at a specified place on the date or within the period fixed. All other charges are for the account of the buyer.

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## **Cost, Insurance and Freight (Named port of destination) (CIF)**

For example: "CIF Tokyo". A shipping term included in contract of sale, CIF indicates that the seller agrees to take full responsibility for delivering the goods to the port of loading, clear the goods for export, and arrange and pay for transportation and marine insurance over the goods to the named port of discharge, such costs being included in the price of the goods. Nonetheless, all risk of loss of or damage to the goods, as well as any additional costs due to events occurring after the time the goods have been delivered on board the vessel, is transferred from the seller to the buyer when the goods pass the ship's rail at the port of loading. It is up to the buyer to arrange transportation from the port of discharge.

## **Free on board (Named port of shipment) (FOB)**

For example: "FOB Long Beach". Or "FOB [Airport]". A shipping term included in a contract of sale, FOB indicates that the seller fulfils his obligation to deliver when the goods have passed over the ship's rail at the named port of shipment, all costs of inland transportation and loading being included in the price of the goods. The buyer has to bear all costs and risks of loss of or damage to the goods from that point.

## **Free carrier (Named port of export) (FCA)**

Replaces the former term "FOB named inland port" to designate the seller's responsibility for the cost of loading goods at the named shipping point. Maybe used for multi-modal transport, container stations, and any mode of transport, including air.