

Annex: 16

All the 13 Inco terms are indicated in the export quotation.

(a) EXW (Ex Works)

Ex means from. Works means factory or warehouse, which is the seller's premise. 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.

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.

(b) FCA (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 coast and risks.

In the air shipment, technically speaking goods placed in the custody of 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.

Some manufacturers may use the former terms FOT (Free On Truck) and (Free On Rail) in selling to export-traders.

(c) FAS (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 coasts and risks.

The FAS term is popular in the break-bulk shipments and with importing countries using their own vessels.

(d) FOB (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.

(e) CFR (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.

(f) CIF (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.

(g) CPT (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 cost and risks.

(h) CIP (Carriage and Insurance Paid To)

The delivery of goods 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.

Under the rules of the INCOTERMS 1990, the terms FOB, CFR (C7F) and CIF are used for ocean freight only. However, in practice, these terms are still commonly used in the air freight.

(i) DAF (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.

(j) DES (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.

(k) DEQ (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.

(l) DDU (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.

(m) DDP (Delivery 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 risks.

References

www.unescap.org

www.unctad.org

www.ntdb.org

Each Incoterm provides three essential pieces of information:

1. The transfer of risk of possible loss/damage to goods during the transport operation
2. The division of costs: the seller having to pay costs necessary for the goods to reach the agreed point of delivery and the buyer paying the further costs beyond this point
3. The document (or equivalent electronic message) to be provided by the seller to the buyer as proof of shipment or delivery to the carrier