

# TRADE TALK TUESDAY

## INCOTERMS

### RESOURCE GUIDE

#### Background on INCOTERMS

The Incoterms® are a set of 11 individual rules issued by the International Chamber of Commerce (ICC) which define the responsibilities of sellers and buyers for the sale of goods in international transactions. Of primary importance is that each Incoterms rule clarifies the tasks, costs, and risks to be borne by buyers and sellers in these transactions. Familiarizing yourself with Incoterms will help create smoother transactions by clearly defining who is responsible for what and each step of the transaction.

The Incoterms® 2020 rules are updated and grouped into two categories reflecting modes of transport. Of the 11 rules, there are seven for ANY mode(s) of transport and four for SEA or LAND or INLAND WATERWAY transport.

#### The seven Incoterms® 2020 rules for any mode(s) of transport are:

- EXW** - Ex Works (insert place of delivery)
- FCA** - Free Carrier (Insert named place of delivery)
- CPT** - Carriage Paid to (insert place of destination)
- CIP** - Carriage and Insurance Paid To (insert place of destination)
- DAP** - Delivered at Place (insert named place of destination)
- DPU** - Delivered at Place Unloaded (insert of place of destination)
- DDP** - Delivered Duty Paid (Insert place of destination).

Note: the DPU Incoterms replaces the old DAT, with additional requirements for the seller to unload the goods from the arriving means of transport.

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#### Trade Talk Tuesday

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##### 8 Critical Steps Toward Export Compliance

##### Date

January 30, 2024

<https://trade.webex.com/weblink/register/r7f6bd349934c11d175649a507a942d05>

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#### The Four Incoterms 2020 rules for Sea and Inland Waterway Transport are:

- FAS** - Free Alongside Ship (insert name of port of loading)
- FOB** - Free on Board (insert named port of loading)
- CFR** - Cost and Freight (insert named port of destination)
- CIF** - Cost Insurance and Freight (insert named port of destination)

#### Incoterms Clarify Responsibilities of Parties to a Sales Transaction

- For example, in each Incoterm rule, a statement is provided as to seller's responsibility to provide the goods and commercial invoice in conformity with the contract of sale. Likewise, a corresponding statement is provided which stipulates that the buyer pays the price of goods as provided in the contract of sale.
- Each Incoterm rule has a statement stipulating which party is responsible for obtaining any export license or other official authorization required for export and for carrying out the customs formalities necessary for the export to proceed. Similarly, each rule has a corresponding statement as to which party is responsible for obtaining any import license or other official authorization required for import and for carrying out the customs formalities required for the import of goods. These statements also specify which party bears the cost of handling these tasks.
- Similarly, each Incoterm rule specifies which party to the transaction, if any, is obligated to contract for the carriage of the goods. Another point addressed in each Incoterm rule is which party, if any, is obligated, to provide for cargo insurance coverage. These statements also specify which party bears the cost of handling these tasks. Each rule also contains statements, among others, as to which party is responsible for packing the goods for transport overseas and for bearing the costs of any pre-shipment inspections.
- A final example is cargo delivery. Each Incoterm rule specifies the seller's obligations for cargo delivery and clarifies when delivery takes place. Each rule also specifies when the risk of loss or damage to the goods being exported pass from the seller to the buyer by reference to the delivery provision.

#### What Incoterms Do Not Cover

As noted above, Incoterms are generally incorporated in the contract of sale, however, they do not:

- address all the conditions of a sale;
- identify the goods being sold nor list the contract price;
- reference the method nor timing of payment negotiated between the seller or buyer;
- when title, or ownership of the goods, passes from the seller to the buyer;
- specify which documents must be provided by the seller to the buyer to facilitate the customs clearance process at the buyer's country; and
- address liability for the failure to provide the goods in conformity with the contract of sale, delayed delivery, nor dispute resolution mechanisms.

