

INCOTERMS -2020

Introduction

1. Buying a large number of goods from another country, or importing, is by far the most complex purchasing process. There are some issues to be clarified before a deal:

- Who should do the **clearance** of export or import?
- Who should pay for the **loading, transporting, and unloading** of the goods?
- Who should bear the **risk** of loss or damage to the goods in transit?
- Who should purchase **insurance** as a defence against the risks?

2. These questions make it necessary to have some standards of unified terms to clarify the **obligations, costs, and risks**. There have been multiple standards for these terms. The most widely used one is Incoterms® made by The International Chamber of Commerce, or the ICC. Getting familiar with Incoterms® will help smooth the transaction.

3. Incoterms® are typically used like this: [the chosen Incoterms® rule] [named port, place or point] Incoterms® 2020". For example: *EXW Mumbai Incoterms® 2020*. What does that mean? Before we go into details, we need to clarify the word "**delivery**". When we say that the goods are **delivered**, it means that the risks of losing or damaging the goods are transferred from the seller to the buyer.

4. The three-word abbreviations below are sometimes called rules. They define how the goods are delivered. The latest version Incoterms® 2020 defines 11 terms. They could be divided into two categories:

- (a) Terms That Apply to Any Mode of Transport
- (b) Terms That Apply to Waterway Transport

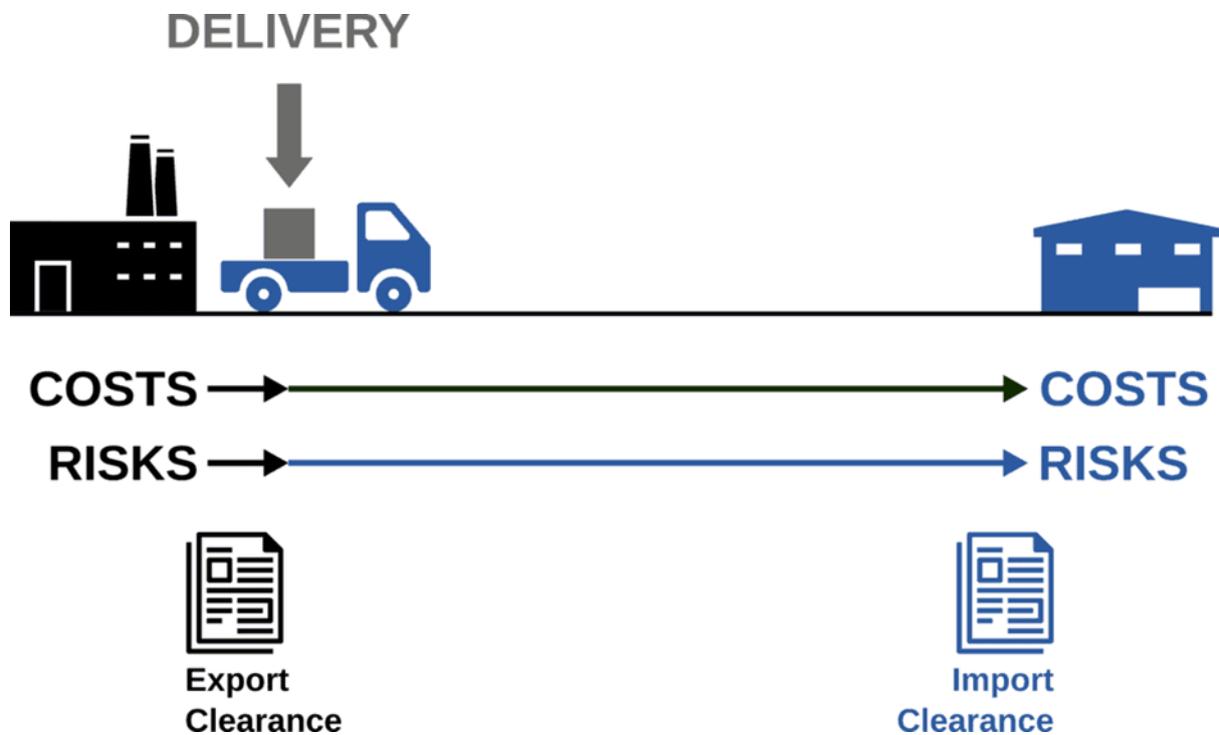
6. **FCA | Free Carrier.** FCA (insert named place of delivery) Incoterms® 2020.

(a) There are two variants of delivery under this rule.

(i) If the named place is the seller's factory/warehouse: The buyer arranges and pays for the carrier to the seller load the goods on the truck.

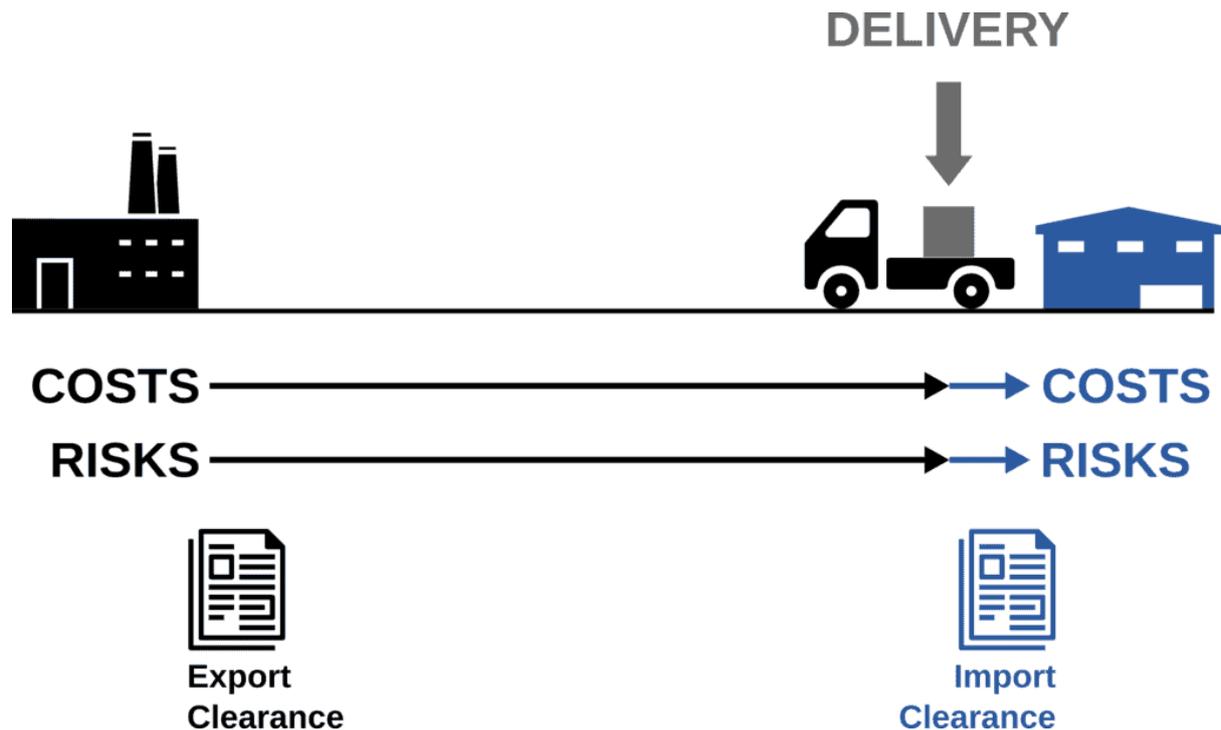
(ii) If the named place is somewhere else in the seller's country, the seller must pay for the carrier from their place to the named place. They also need to prepare the goods ready for unloading. The buyer has to unload the goods by themselves and pay for transport costs afterward.

(b) Either way, the seller has to do the export clearance. If the carrier breaks or loses the goods on the way, the seller DOES NOT have to pay for the loss.



9. **DAP | Delivered at Place.** DAP (insert named place of destination) Incoterms® 2020.

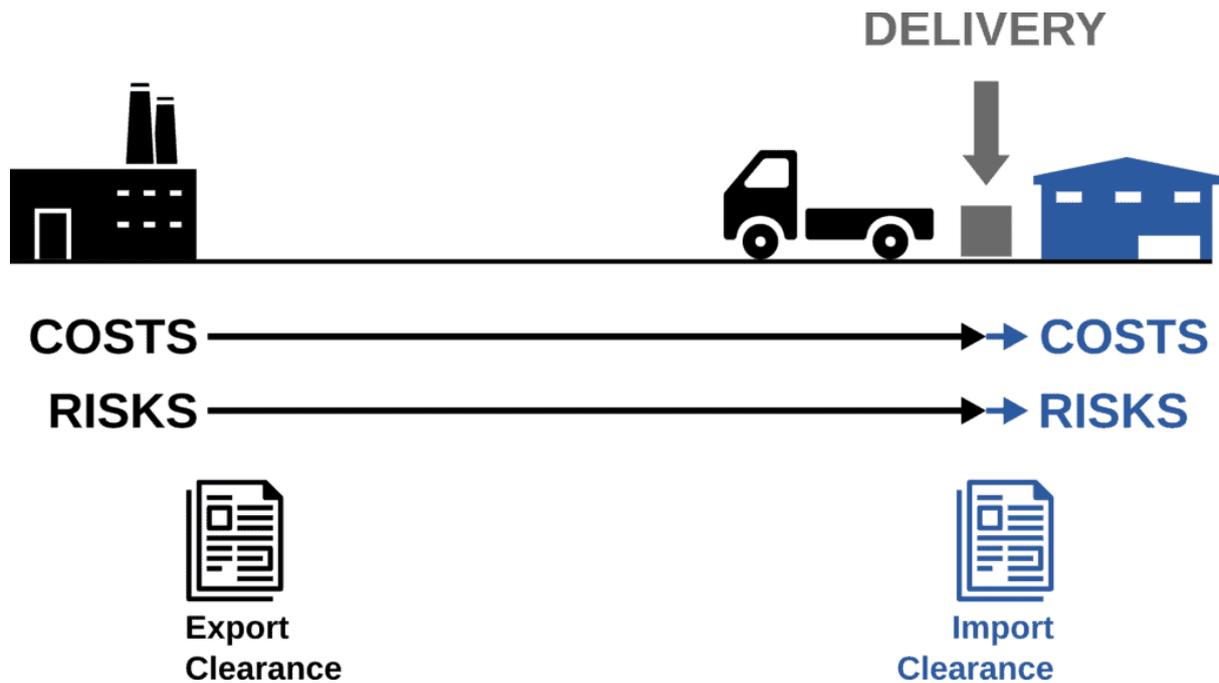
- (a) First, you agree on a place. The seller arranges and pays for the carrier from their factory/warehouse to that place. They also have to prepare the goods ready for unloading. After that, the goods are delivered.
- (b) Then the buyer has to prepare and pay for the unloading.
- (c) Under DAP, the seller has to do the export clearance.



10. **DPU | Delivered at Place Unloaded.** DPU (insert named place of destination)
Incoterms® 2020.

(a) First, you agree on a place. The seller arranges and pays for the carrier from their factory/warehouse to that place. They have to unload the goods. After unloading, the goods are delivered. However, they are not required to load the goods onto the buyer's vehicle.

(b) Under DPU, the seller has to do the export clearance.

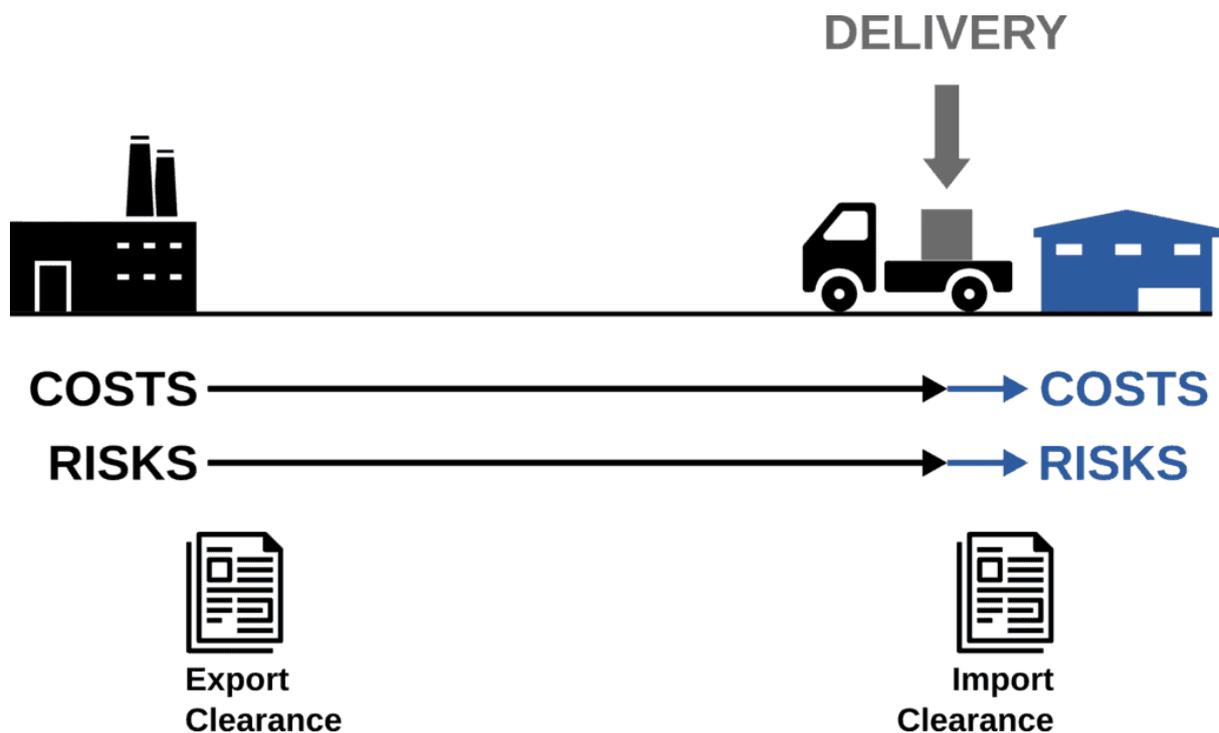


11. **DDP | Delivered Duty Paid.** DDP (insert named place of destination) Incoterms® 2020.

(a) First, you agree on a place. The seller arranges and pays for the carrier from their factory/warehouse to that place. They also have to prepare the goods ready for unloading. After that, the goods are delivered. Then the buyer has to prepare and pay for the unloading.

(b) Under DDP, the seller has to do both the export and the import clearance.

(c) If you choose DDP, the seller has the most responsibilities.

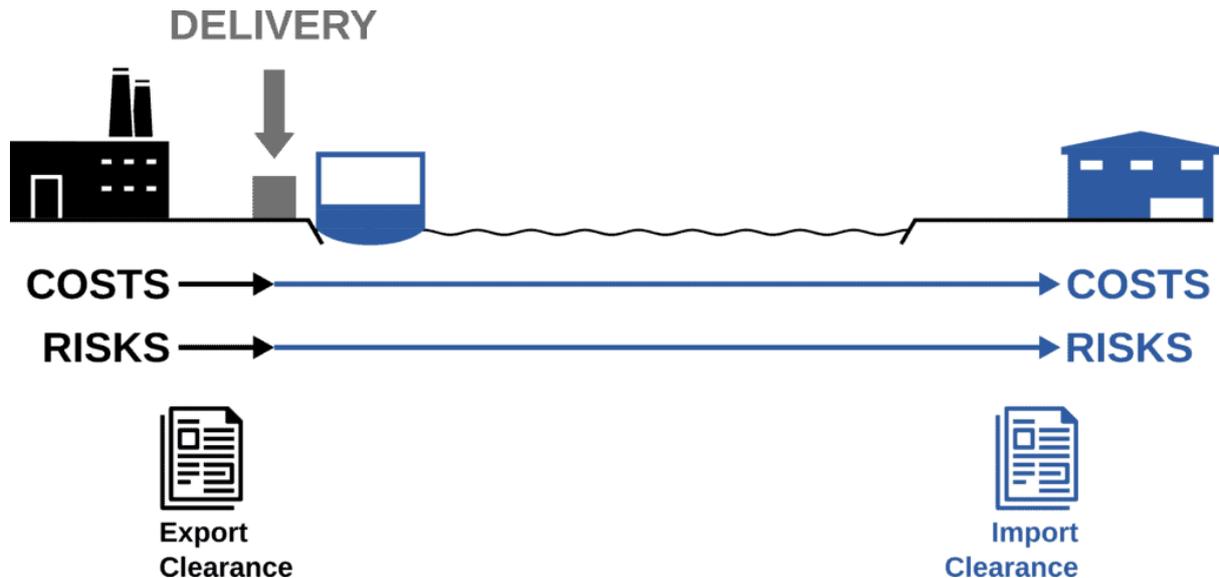


TERMS THAT APPLY TO WATERWAY TRANSPORT

12. **FAS | Free Alongside Ship.** FAS (insert named port of shipment) Incoterms® 2020.

(a) The delivery happens when the seller places the goods alongside the vessel. The buyer has to arrange and pay for the vessel. If the goods were damaged or lost on the ship to the buyer, the seller does not have to pay for the damage or loss.

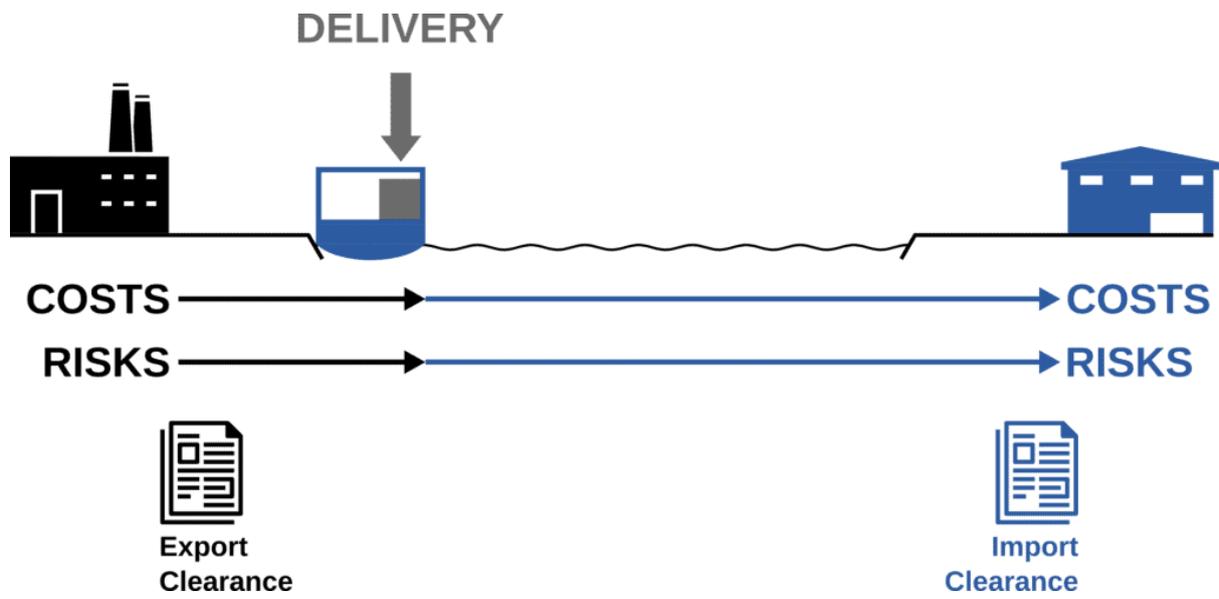
(b) Under FAS, the seller has to do the export clearance.



13. **FOB | Free on Board.** FOB (insert named port of shipment) Incoterms® 2020.

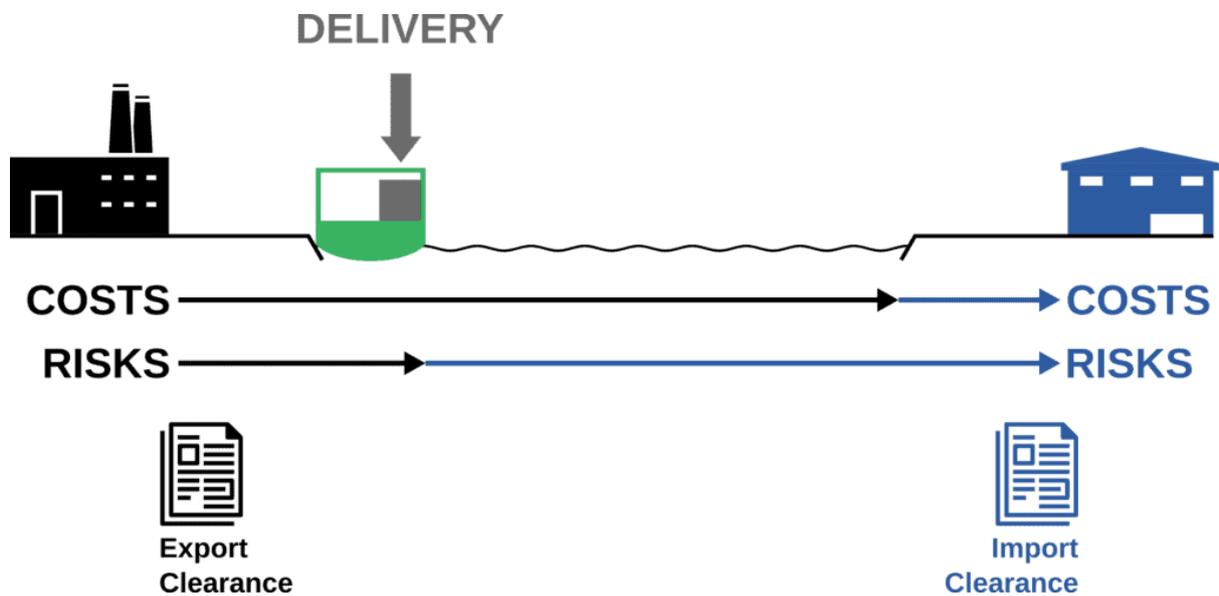
(a) The delivery happens when the seller puts the goods on the vessel. This means that the seller pays for the loading fee. The buyer needs to arrange and pay for the vessel. If the goods were damaged or lost on the ship to the buyer, the seller does not have to pay for the damage or loss.

(b) Under FOB, the seller has to do the export clearance.



14. **CFR | Cost and Freight.** CFR (insert named port of destination) Incoterms® 2020.

- (a) The delivery happens when the seller puts the goods on the ship. If the goods were damaged or lost on the ship on the way to the buyer, the seller does not have to pay for the damage or loss. The seller has to arrange and pay for the ship as well as the fee to unload the goods at the destination port.
- (b) Under CFR, the seller has to do the export clearance.
- (c) The risk transfers at the port of delivery from the seller to the buyer, even though the seller pays and arranges the ship from the delivery point to the destination port.



15. **CIF | Cost Insurance and Freight.** CIF (insert named port of destination) Incoterms® 2020.

- (a) The delivery happens when the seller puts the goods on the ship. The seller has to arrange and pay for the ship as well as the fee to unload the goods at the destination port.
- (b) The seller also has to buy the insurance from the delivery point to (at least) the destination port. If the goods were damaged or lost on the ship on the way to the buyer, insurance would cover the loss.
- (c) Under CIF, the seller has to do the export clearance.
- (d) The risk transfers at the port of delivery from the seller to the buyer, even though the seller pays and arranges the ship from the delivery point to the destination port.
- (e) Make sure the value of the insurance is at least 110% of the goods' value.

