Incoterms

International commercial terms are a set of rules adopted by participants of the foreign economic activity in order to determine the responsibilities of buyers and sellers for the delivery of goods under sales contracts for international trade. Generally, 11 rules have been adopted, each of them is indicated by three capital English letters denoting the terms of delivery. The first Incoterms rules were created in 1936, and have been regularly reissued since then due to changes in logistics processes and commercial practices. The most current revision of the terms, Incoterms 2020, went into effect January 1st, 2020, but it does not negate the previous versions. Currently, there are 11 shipping terms laid out in the International Chamber of Commerce's Incoterms 2020 rules divided into 4 groups:

- **E terms** (departure): Ex Works (EXW) (Place of Delivery, Usually Seller's Premises);
- **F terms** (main carriage unpaid): Free Carrier (FCA), Free Alongside Ship (FAS), Free on Board (FOB)**;**
- **C terms** (main carriage paid): Carriage Paid To (CPT)**,** Carriage and Insurance Paid To (CIP)**,** Cost and Freight (CFR), Cost, Insurance and Freight (CIF);
- **D terms** (arrival): Delivered at Place (DAP), Delivered at Place Unloaded (DPU), Delivered Duty Paid (DDP).

The list of shipping terms 2020:

1. **EXW** – The buyer bears all risks and costs starting when the goods are made available to the buyer at the seller's location or other named place until the products are delivered to its location. The buyer is responsible for delivery, export and import clearance.
2. **FCA** – It puts responsibility for export customs clearance on the seller who is supposed to load the goods on the buyer's transport. The buyer is obliged to instruct its carrier to issue a bill of lading to the seller for a VAT refund.
3. **FAS** – The seller must deliver goods alongside a vessel nominated by the buyer. The buyer accepts and loads the goods on its transport.
4. **FOB** – The seller needs to conduct the export clearance and load the goods on the transport, then all responsibilities pass to the buyer.
5. **CFR** – The seller clears the goods for export, loads them on board the vessel and delivers to the port of destination. The buyer pays freight insurance and assumes all risks for the goods from the time they have been delivered on board the vessel at the port of shipment.

6. **CIF** – CIF is similar to CFR, the seller conducts the export clearance, loading and shipping of the goods. However, the difference is that the seller arranges insurance cover.

7. **CPT** – The seller is responsible for clearing the goods for export, loading and delivering them to a named place of shipment at which point risk transfers to the buyer. The seller selects and pays the international carrier, it is not obliged to contract an insurance arrangement.

8. **CIP** – This is similar to CPT, except the seller is also responsible for insuring the goods.

9. **DPU (formerly DAT)** – The seller is responsible for clearing the goods for export and bears all risks and costs associated with delivering the goods and unloading them at the named port or place of destination. Then all responsibilities pass to the buyer. The seller is not obliged to insure the freight.

10. **DAP** – The seller conducts the export clearance and bears all risks and costs associated with delivering the goods ready for unloading and cleared for import to the named foreign destination, at which point the risk transfers to the buyer. The seller is not obliged to insure the freight.

11. **DDP** – The seller is responsible for clearing goods for export and import and for all costs and risks relating to the delivery of goods to the buyer's named place of destination. The seller is not obliged to insure the freight.

The main differences between Incoterms-2020 and Incoterms-2010

- The ICC renamed the term Delivered at Terminal (DAT) to Delivered at Place Unloaded (DPU) in order to avoid confusion with the term Delivered at Place **(**DAP) and to encompass deliveries to all places, not just terminals.
- **Free Carrier (FCA)** allows the buyer to instruct its carrier to issue a bill of lading with the on-board notation to the seller.
- The insurance requirement hasn't changed for Cost Insurance and Freight (CIF): the seller is responsible for obtaining the minimum level of coverage but now there is also an opportunity to increase it.
- Now **Carriage and Insurance Paid To (CIP)** necessarily involves the seller being responsible for purchasing a higher level of insurance coverage but there is also an opportunity to reduce it.

- Sellers in some cases may use their own transport to deliver the goods: they can make a contract for carriage or simply arrange for the necessary transportation.
- Article A9 (seller's obligations) / B9 (buyer's obligations) allows users to see the full list of expected costs.
- The points related to the customs clearance of goods such as transit, export and import are indicated more detailed now.