A Guideline to Incoterms 2010

- Published by International Chamber of Commerce (ICC).
- Introduced to the International Trade in 1936.
- Reviewed every 10 Years to ensure implemented terms are upto current international trade practices.
- Incorterms 2010 is operational in the international trade since January, 2011.

Governing Aspects of Incoterms

- Due to a Contract of Sales Goods move across international Borders involving a Buyer / Seller.
- Such Contract of Sales should be able to clearly define the responsibility of both primary parties are involved in the contact of sales.

- Defines the contract of carriage across international Borders.
- Prescribes the liabilities and Risks of Buyer /Seller involved across international Borders.

Major Changes between Incoterms 2000 & 2010

- With Affect from January 2011 the key number of categories been reduced from four to two.
- Enabling
  - Terms for any mode or modes of transport, or
  - Terms for sea and inland waterways transport
- Necessary changes been implemented by ICC of the purpose of clear identification of the correct international trade terms for the parties involved.

Key Changes in Incoterms

- 13 international trade terms introduced in incoterms 2000 been reduced upto11 terms in 2010.
- Terminated International trade terms from 2000 incoterms
  - DAF / DES / DEQ / DDU
- New terms been introduced to the international trade by 2010 incoterms.
  - DAT (Delivery at Terminal)
  - DAP (Delivery at Port)

Terms for any Mode or Modes of Transport

CIP – Carriage and Insurance Paid to (Named place of Destination)

The Seller pays for carriage and insurance to the named destination point, but risk passes when the goods are handed over to the first carrier.

CPT – Carriage Paid To (Named place of Destination)

The Seller pays for carriage and Risk transfers to buyer upon handling goods over to the first carrier at place of shipment in the country of export.

FCA – Free Carrier (Named place of Delivery)

The seller delivers goods and clear for export, to the carrier nominated by the buyer at the port or Origin. The seller must deliver Goods to the buyer's carrier. The primary document signifying transfer of responsibility is the receipt by carrier to exporter.

EXW – Ex Works (Named place of Delivery)

The seller makes the goods available at his/her premises and the buyer is responsible for uploading. This term places the maximum obligation on the buyer and minimum obligations on the seller. EXW means that a seller has the goods ready for collection at his premises (works, factory, warehouse, plant). The cost of transportation and the risk at transit is beard by the buyer until the final destination. It's the primary responsibility of the Buyer to clear the goods for export at Port of Origin as per the agreement. If the seller does load the goods, he does so at buyer's risk and cost. If buyer wish seller to be responsible clearing for exports and to bear the risk and all costs of such loading it must be made clear by adding explicit wording to this effect in the contract of sale.

DAP – Delivered at Place (Named place of Destination)

The Seller pays for carriage to the named place, except for costs related to import clearance, and assumes all risks prior to the point that the goods are ready for unloading by the buyer.

DAT – Delivered at Terminal (Named terminal at port or place of Destination)

The Seller pays for carriage to the terminal, except for costs related to import clearance, and assumes all risks up to the point that the goods are unloaded at the terminal.

DDP – Delivered Duty Paid (Named place of Destination)

The Seller is responsible for delivering the goods to the named place in the country of the buyer, and pays all costs in bringing the goods to the destination including import duties and taxes. The seller is not responsible for unloading. This term places the maximum obligations on the seller and minimum obligations on the buyer.

Terms for sea & Inland Waterways

FOB – Free on Board (Named port of Shipment)

The seller must load the goods on board of the vessel and cost and risk are divided when the goods are on board of the vessel. The seller must clear the goods for export. The buyer must instruct the seller with details of the vessel and the port where the goods are to be loaded.

It means the seller pays for transportation of goods to the port of shipment, loading cost. The buyer pays cost of marine freight transportation, insurance, uploading and transportation cost from the arrival port to destination. The passing of risk occurs when the goods pass the ship's rail at port of shipments.

CFR – Cost and Freight (Named port of Destination)

The seller must pay the costs and freight to bring the goods to the port of destination. However, risk is transferred to the buyer once the goods are loaded on the vessel. Insurance for the goods is **NOT** included. Term is formerly known as CNF/C&F.

CIF – Cost, Insurance and Freight (Named port of Destination)

Exactly the same as CFR except that the seller must in addition procure and pay for the insurance.

FAS – Free Alongside Ship (Named port of Shipment)

The seller must place the goods alongside the ship at the named port and the seller must clear the goods for export. Suitable only for maritime transport but **NOT** for multimodal sea transport This term is typically used for heavy-lift or bulk cargo.