

## INTERNATIONAL COMMERCIAL TERMS

**EXW, i.e. Ex Works**, means from the seller's premises, which might be factory, mill or warehouse. The term EXW only applies to goods available at the seller's premises. The buyer is in charge for loading the goods on a lorry or container at the seller's premises. Furthermore, he is responsible for the subsequent costs and risks.

Sellers often load the goods on truck or container at the seller's premises without charging loading fee. However, if anything happens to the goods, no insurance will probably pay for the damage.

If goods are bought **FCA**, which means **Free Carrier**, the goods are transported to the place mentioned at the seller's expense. This place might be the seller's premises, a railway station or some cargo terminal. The buyer is then responsible for the main freight, cargo insurance and all other costs and risks.

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

**FAS**, which stands for **Free Alongside Ship**, is always mention with the named port of origin. If goods are bought FAS, the seller puts the merchandise next to the ship at his or her expense, but the buyer is in charge for the rest, that is for the loading fee, main carriage/freight, cargo insurance, and other costs and risks.

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

**FOB**, which stands for **Free On Board**, is also mentioned with the port of origin. The buyer prefers FOB Bremen to FAS Bremen because the seller is responsible for loading the goods on board of the ship. However, this is the only difference between FAS and FOB.

Under the rules of the INCOTERMS 1990, the term FOB is used for ocean freight only. However, in practice, many importers and exporters still use the term FOB in air freight, as well.

In North America, the term **FOB** has other applications, which are not part of the International Commercial Terms: Many buyers and sellers in Canada and the U.S.A. dealing on the open account and consignment basis are accustomed to using the shipping terms **FOB Origin** and **FOB Destination**.

**FOB Origin** means the buyer is responsible for the freight and other costs and risks.

**FOB Destination** means the seller is responsible for the freight and other costs and risks until the goods are delivered to the buyer's premises, which may include the import customs clearance and payment of import customs duties and taxes at the buyer's country, depending on the agreement between the buyer and seller.

If merchandise is bought **CFR**, which is the acronym for **Cost and Freight**, the seller pays for the delivery of the goods to the named port of destination whereas the 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**.

Under the rules of the INCOTERMS 1990, the term **Cost and Freight** is used for ocean freight only. However, in practice, the term **Cost and Freight (C&F)** is still commonly used in air freight, as well.

If goods are bought **CIF**, the acronym for **Cost, Insurance and Freight**, the seller is responsible for both cargo insurance and the delivery of goods to the named port of destination. The buyer is responsible for the import customs clearance and other costs and risks.

Under the rules of the INCOTERMS 1990, the term **CIF** is used for ocean freight only. However, in practice, many importers and exporters still use the term **CIF** in the air freight.

**CPT**, which means **Carriage Paid To**, refers to the seller, who has to pay for the delivery of goods to the named place of destination. So, the buyer is responsible for the cargo insurance, import customs clearance, payment of customs duties and taxes, and other costs and risks.

If the goods are bought **CIP**, i.e. **Carriage and Insurance Paid To**, the seller is charge of the delivery of goods and the cargo insurance to the named place of destination. The buyer is responsible for the other part of the transport.

If merchandise is bought **DAF**, which stands for **Delivered At Frontier**, the seller is responsible for the delivery of goods to the specified point at the border of his country. The buyer is responsible for the import customs clearance, payment of customs duties and taxes, and other costs and risks.

If the seller pays for the delivery of goods on board the vessel at the named port of destination, the merchandise is bought **DES, Delivered Ex Ship**. The buyer is in charge of the unloading fee, import customs clearance, payment of customs duties and taxes, cargo insurance, and other costs and risks.

If the seller pays for the delivery of goods to the quay (the port) at destination and is also responsible for the import customs clearance and payment of customs duties and taxes at the buyer's end, the goods are bought **DEQ, Delivered Ex Quay**. The buyer is only in charge of the cargo insurance and other costs and risks.

If goods are bought **DDU**, which stands for **Delivered Duty Unpaid**, the seller pays for the delivery of goods and the cargo insurance to the final point at destination, which is often the project site or buyer's premises. In that case the buyer is only in charge of the import customs clearance and payment of customs duties and taxes. The seller may, however, opt not to insure the goods at his/her own risks.

If goods are bought **DDP**, i.e. **Delivered 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 own risks.

(adapted from <http://www.export911.com/e911/export/comTerm.htm>)