
T216 PSA
YANG MIN

Know Your Incoterms
Incoterms are a set of internationally recognized rules which define the responsibilities of sellers and buyers in the export transaction.

Know Your Incoterms

Help ensure a smooth export transaction and avoid potentially costly mistakes. Use internationally recognized Incoterms® to clarify the tasks, costs and risks for buyers and sellers in these transactions.

Download Video: Manage Export Shipping Costs and Risk with Incoterms
[27MB]

Incoterms, widely-used terms of sale, are a set of 11 internationally recognized rules which define the responsibilities of sellers and buyers. Incoterms specify who is responsible for paying for and managing the shipment, insurance, documentation, customs clearance, and other logistical activities.

An Overview of Incoterms® 2020

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 improve 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.

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)

Can I still use Incoterms® 2010 after January 1, 2020?

Yes, all contracts using any incoterms are valid if they are agreed upon by all parties to the transaction, and correctly identified on the export-related documents. Although the ICC recommends using Incoterms® 2020? beginning January 1, 2020, parties to a sales contract can agree to use any version of Incoterms after 2020. They need to clearly specify the chosen version of Incoterms being used (i.e., Incoterms® 2010, Incoterms® 2020, or any earlier version).

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.

Where can I learn more about the new Incoterms® 2020 rules?

The latest version of the Incoterms® 2020 rules is now published by International Chamber of Commerce (ICC) and protected by copyright. The revised rules reflect the latest developments in commercial transactions. As of January 1, 2020, all sales contracts should include references to the Incoterms® 2020 rules. You may obtain Incoterms® 2020 rules visit the ICC website.

*Disclaimer

This information has been provided as a resource to familiarize U.S. exporters with Incoterms®. This page is not legal advice, and the information provided is not the official legal or full definition of each Incoterm®. When pursuing a specific export transaction, you are encouraged to conduct your own due diligence and to consult legal counsel as appropriate. Licensed freight forwarders may also be helpful.

The terms of sale and Incoterms do not determine the type of export transaction as described in the U.S. Census Bureau's Foreign Trade Regulations, as they have no regulatory basis. **A standard export transaction** is a transaction in which the USPPI facilitates the export of goods by arranging the physical movement of the goods from the United States. **A routed export transaction** is a transaction where the FPPI selects a U.S. forwarding or other agent to facilitate the export of goods from the United States, regardless of the terms of sale.

×

Global Business Navigator Chatbot Beta

Welcome to the Global Business Navigator, an artificial intelligence (AI) Chatbot from the International Trade Administration (ITA). This tool, currently in beta version testing, is designed to provide general information on the exporting process and the resources available to assist new and experienced U.S. exporters. The Chatbot, developed using Microsoft's Azure AI services, is trained on ITA's export-related content and aims to quickly get users the information they need. The Chatbot is intended to make the benefits of exporting more accessible by understanding non-expert language, idiomatic expressions, and foreign languages.

Limitations

As a beta product, the Chatbot is currently being tested and its responses may occasionally produce inaccurate or incomplete information. The Chatbot is trained to decline out of scope or inappropriate requests. The Chatbot's knowledge is limited to the public information on the Export Solutions web pages of Trade.gov, which covers a wide range of topics on exporting. While it cannot provide responses specific to a company's product or a specific foreign market, its reference pages will guide you to other relevant government resources and market research. Always double-check the Chatbot's responses using the provided references or by visiting the Export

Solutions web pages on Trade.gov. Do not use its responses as legal or professional advice. Inaccurate advice from the Chatbot would not be a defense to violating any export rules or regulations.

Privacy

The Chatbot does not collect information about users and does not use the contents of users' chat history to learn new information. All feedback is anonymous. Please do not enter personally identifiable information (PII), sensitive, or proprietary information into the Chatbot. Your conversations will not be connected to other interactions or accounts with ITA. Conversations with the Chatbot may be reviewed to help ITA improve the tool and address harmful, illegal, or otherwise inappropriate questions.

Translation

The Chatbot supports a wide range of languages. Because the Chatbot is trained in English and responses are translated, you should verify the translation. For example, the Chatbot may have difficulty with acronyms, abbreviations, and nuances in a language other than English.