International Trade Terms
By 1920s, a set of trade terms developed
Trade terms are abbreviations for lengthy contract provisions
In 1936, Int’l Chamber of Commerce (ICC) published rules, known as *Incoterms*, for interpretations of int’l commercial terms
Incoterms are NOT implied in contracts for sale of goods, but must be specifically included:

“Commercial terms shall be interpreted in accordance with Incoterms 2000.”
Incoterms 2000

- Used to specify terms of delivery, licensing, mode and terms of carriage, risk of loss, allocation of transport costs, notices

- Incoterms do NOT:
  - apply to contracts for services, define contractual rights/obligations other than delivery, define transfer of title, or define remedies for breach of contract
Incoterms 2000

- Under CISG Art. 9(2) and UCC 1-205(2), Incoterms may be applicable as a “usage of trade” even if not specified.
- Terms are divided into “shipment contract” terms (transportation at buyer’s cost & risk) and “destination contract terms” (transportation at seller’s cost & risk).
Incoterms 2000: Specific Terms

- **EXW (Ex works)**
  - Seller has delivered when seller has made goods available at seller’s premises to buyer.
  - Buyer bears all costs/risks involved in taking goods from seller’s premises.

- **FCA (Free Carrier)**
  - Seller has delivered when seller hands over goods, cleared for export, to carrier named by buyer at named place or point.
Incoterms 2000: Specific Terms

♦ FAS (Free Alongside Ship)
  ♦ seller delivers when seller places goods alongside vessel on quay or in lighters at named port of shipment
  ♦ buyer clears goods for export

♦ FOB (Free On Board)
  ♦ seller delivers when goods have passed over ship’s rail at named port of shipment; seller clears goods for export
Incoterms 2000: Specific Terms

♦ CFR (Cost & Freight)
  ♦ seller must pay costs & freight to bring goods to named port of destination, but risk of loss after goods on board vessel transfers from seller to buyer when goods pass ship’s rail
  ♦ seller clears goods for export
  ♦ for ships without rails (e.g., RoRo ships or container ships), CPT term is more appropriate
Incoterms 2000: Specific Terms

♦ CIF (Cost, Insurance, Freight)
  ♦ seller has same obligations as CFR, but with additional obligation that seller must obtain marine insurance against buyer’s risk of loss (only min. coverage required)
  ♦ seller clears goods for export
  ♦ for ships without rails (e.g., RoRo ships or container ships), CIP term is more appropriate
Incoterms 2000: Specific Terms

♦ CPT (Carriage Paid To)
  ♦ seller pays freight for carriage of goods to named destination; risk of loss passes when goods delivered into custody of first carrier
  ♦ seller clears goods for export

♦ CIP (Carriage & Insurance Paid To)
  ♦ seller has same obligations as CPT, but w/obligation to obtain insurance
Incoterms 2000: Specific Terms

♦ **DAF (Delivered at Frontier)**
  ♦ seller delivers when goods available, cleared for export, at named point/place at frontier, but before customs border of adjoining nation
  ♦ primarily used for rail or road shipping

♦ **DES (Delivered Ex Ship)**
  ♦ seller delivers when goods on board ship uncleared for import at named port of destination
  ♦ seller bears all cost/risk in shipping goods to named port of destination
Incoterms 2000: Specific Terms

♦ DEQ (Delivered Ex Quay)
  ♦ seller delivers when goods, cleared for importation, on the quay (wharf) at named port of destination
  ♦ seller bears all cost/risk in shipping goods to quay
Incoterms 2000: Specific Terms

♦ DDU (Delivered Duty Unpaid)
  ♦ seller delivers when goods at named place in country of importation
  ♦ seller bears all cost/risk in shipping goods to named destination point

♦ DDP (Delivered Duty Paid)
  ♦ same as DDU, but seller clears goods for importation; reflects maximum seller obligation
Next: Negotiation