

Introduction:

The global economy entails a greater access to international markets, increasing the volume and complexity of commercial transactions, which also increases the possibility of misunderstandings and/or significant controversies to arise between traders.

Incoterms 2020 rules, regarding the use of commercial terms, published by the International Chamber of Commerce (ICC), facilitate and simplify communications, reducing the risk of misunderstandings in commercial operations.

The first edition known as Incoterms was published in 1936 and since then, not only has it received global acceptance, but it has also been periodically updated, in line with the evolution of International Trade.

Incoterms rules are a group of commercial terms named with three letters (for example, CIF), to synthesize the main obligations, costs and risks incurred by the parties in a sales agreement of goods (risks, costs, transport organization and customs clearance). However, Incoterms do not substitute specific obligations of the sales agreement, so it is the parties' responsibility to foresee the particularities of the business specified in the agreement.

There are eleven Incoterms 2020 rules, four of them are the ones called "maritime", applicable for "Sea and Inland Waterway Transport" (FAS/ FOB/ CFR/ CIF) and the remaining seven are the "general" or applicable to "any mode or modes of transport" (EXW/ FCA/CPT/CIP/ DAP/ DPU/ DDP).

Incoterms 2020 rules are: EXW, FCA, CPT, CIP, DAP, DPU, DDP, FAS, FOB, CFR and CIF.

While their use in commercial agreements is not mandatory, their scope and meaning is accepted in every customs office and courts in the world, however, when using them it is necessary to include specific reference to the chosen term, the revision year and geographical place.

EXW: Ex works

This Incoterm is applicable for any mode of transport and establishes as a seller's obligation to simply place the goods available for the buyer at the agreed place, and the seller must bear all costs and risks from the reception of the goods up to the final destination.

FCA: Free Carrier

This Incoterm is applicable for any mode of transport and increases the risks and obligations that are assumed by the seller, who complies once the goods are in their



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own facilities loaded on to the mean of transport indicated by the buyer or if they agreed another delivery place, when the seller transports the goods in his own means of transport and not only arrives to the agreed place, but also prepares the goods for unloading from his means of transport, leaving it available for the carrier or any other person designated by the buyer.

CPT: Carriage Paid to

It is applicable for any mode of transport. It means that the seller pays for the transport up to the agreed destination but delivers the goods to the buyer, with the corresponding transfer of risks, passing to the carrier.

CIP: Carriage and Insurance Paid To

It is applicable for any mode of transport. Although the seller pays for the transport up to the agreed destination, the seller delivers the goods and transfers the risks when the goods are in possession of the carrier hired by the buyer, but in this case, Incoterm required the seller to hire insurance.

DAP: Delivered at Place

It is applicable for any means of transport. In this case the seller delivers the goods with transfer of risks, once the goods are available for the buyer in the mode of transport prepared for unloading them in the agreed destination place.

DPU: Delivered at Place unloaded

It is applicable for any means of transport and it is a novelty of Incoterms 2020, as the "DAT" is removed (Incoterms 2010). In this case, the seller delivers the goods with transfer of risks when the goods are unloaded from the means of transportation and are available for the buyer in the agreed destination.

DDP: Delivered Duty Paid

It is applicable for any means of transport. In this case the seller delivers the goods with transfer of risks, when the goods are available for the buyer, cleared for import, in the means of arrival transport ready to be unloaded in the agreed destination.

FAS: Free Alongside Ship

It is applicable for sea and inland waterway transport. In this case the seller delivers the goods with transfer of risks, once the goods are placed alongside the ship or barge designated by the buyer at the loading port.



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FOB: Free on Board

It is applicable for sea and inland waterway transport.

The seller delivers the goods on board the ship established by the buyer in the loading port.

The risk is transferred when the goods are on board the ship.

CFR: Cost and Freight

It is applicable for sea and inland waterway transport.

The seller bears the costs and freight, unpaid duties up to the agreed destination port.

The delivery is checked, and the risk is transferred when the goods are on board the ship.

CIF: Cost, Insurance and Freight

It is applicable for sea and inland waterway transport.

The seller assumes the costs, insurance and freight, unpaid duties up to the agreed destination port. The delivery is checked, and the risk is transferred when the goods are on board the ship. This Incoterm demands sellers to hire insurance.

Changes in INCOTERMS 2020:

- DAT is removed (Delivered at Terminal) and a new Incoterm is added: DPU (Delivered at Place Unloaded)
- FCA (+ agreed delivery place):
It now allows issuing bills of lading after loading the goods with the expression "ON BOARD" to meet the requirements of a documentary credit.
- CIP and CIF are updated at an insurance level.

