5. Business basics: Incoterms® 2010

The Incoterms rules describe the tasks, costs and risks involved in the delivery of goods from the seller to the buyer. Reference to an Incoterms 2010 rule in a sale contract clearly defines the parties' respective obligations and reduces the risk of legal complications. Trade blocks, like the EU, having made border formalities less significant, the Incoterms 2010 can be applied in both international and domestic sale contracts.

Since their creation by the International Chamber of Commerce (ICC) in Paris in 1936 the Incoterms have regularly been updated. The latest update, Incoterms 2010, takes account of the continued spread of customs-free zones, the increased use of electronic communications (electronic documents), the heightened concern about security and the changes in transport practices (containerisation).

The Incoterms 2010 reduce the total number of rules from 13 to 11:

- The new rule DAT (Delivered at Terminal), under which the goods are placed at the buyer's disposal unloaded from the arriving vehicle, replaces the former DEQ rule.
- The new rule DAP (Delivered at Place), under which the goods are placed at the buyer's disposal ready for unloading, replaces the former rules DAF, DES and DDU.

The 11 Incoterms 2010 rules are presented in two distinct classes:

- Seven Incoterms (EXW, FCA, CPT, CIP, DAT, DAP, DDP) that can be used irrespective of the mode of transport and irrespective of whether one or more modes of transport are employed. These rules can also be used in cases where a ship is used for part of the carriage.
- Four Incoterms (FAS, FOB, CFR, CIF) where both the place where the risk passes from the seller to the buyer and the place of destination are ports. Under the last three Incoterms rules the "ship's rail" as the point where the risk passes from the seller to the buyer has been replaced by "on board" the vessel.

Under all Incoterms clauses the seller must deliver the goods to the buyer at the named place/port and the buyer must take delivery of the goods. The seller must procure or help to procure the transport documents and pack the goods, if customary.

Note that under the Incoterms CPT, CIP, CFR and CIF the seller bears the risks only up to the place where the goods are handed over to the (first) carrier or in the port of shipment, respectively. Under these terms the seller must, however, contract and pay for the carriage to the place or port of destination.

Adapted from ICC Incoterms 2010

Business basics: Incoterms 2010	* Any mode of transport ** Maritime and inland waterway transport only
Rules for any mode or modes of transport	**EXW** Ex Works (… named place of delivery) **FCA** Free Carrier (… named place of delivery) **CPT** Carriage paid to (… named place of destination) **CIP** Carriage and Insurance paid to (… named place of destination) **DAT** Delivered at Terminal (… named terminal at port or place of destination) **DAP** Delivered at Place (… named place of destination **DDP** Delivered Duty paid (… named place of destination)
Rules for sea and inland waterway transport	**FAS** Free alongside Ship (… named port of shipment) **FOB** Free on Board (… named port of shipment) **CFR** Cost and Freight (… named port of destination) **CIF** Cost, Insurance and Freight (… named port of destination)