

# Section 4 Other trade terms

## VII. EXW

EX WORKS(Insert named place)工厂交货 (.....指定地点)

### Definition

“Ex works” means that the seller delivers when he places the goods at the disposal of the buyer at the seller’s premises or another named place (i. e. works, factory, warehouse, etc.) **not cleared for export and not loaded on any collecting vehicle.**

This term thus represents the minimum obligation for the seller, and the buyer has to bear all costs and risks involved in taking the goods from the seller’s premises.



# Section 4 Other trade terms

## VII. EXW

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### Licenses, authorizations and formalities.

The seller must render the buyer, at the latter's request, risk and expense, every assistance in obtaining, where applicable, any export license or other official authorization necessary for the export of the goods.

The buyer must obtain at his own risk and expense any **export and import license or other official authorization** and carry out, where applicable all customs formalities for the export and import of the goods.

# Section 4 Other trade terms

## VII. EXW

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- 1) All modes of transport
- 2) Physical delivery
- 3) Buyer clears goods for export and import.
- 4) The risks are transferred from the seller to the buyer from such time as the goods have been delivered.
- 5) Division of costs

The seller must bear all costs till such time as the goods have been delivered.

The buyer must bear all costs from such time as the goods have been delivered, including the charges for obtaining export and import license and clearing goods for export and import.

# Section 4 Other trade terms

## VII. EXW

 **Brainstorm:** *If any damage takes place after the goods leave the exporter's premise, who should answer for it, the seller or the buyer? Why?*

# Section 4 Other trade terms

## VII. EXW

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### Attention

Under EXW, the seller has the minimum obligations and bears the least risks and costs, while the buyer has the maximum obligations and bears the most risks and costs

# Section 4 Other trade terms

## VIII. FAS

**FREE ALONGSIDE SHIP(Insert named port of shipment)**

船边交货（.....指定装运港）

### 1. Definition

“Free Alongside Ship” means that the seller delivers when the goods are placed alongside the vessel at the named port of shipment. This means that the buyer has to bear all costs and risks of loss of or damage to the goods from that moment.

The FAS term requires the seller to clear the goods for export. This term can be used only for sea or inland waterway transport.



# Section 4 Other trade terms

## VIII. FAS

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### 2. Obligation of the seller and the buyer

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FAS is similar to FOB in most other respects, except that, under FAS terms, the transfer of the risk of loss of or damage to the goods occurs when the goods are placed alongside the vessel on the quay or in lighters at the named port of shipment.

The seller fulfills his obligation to deliver when the goods have been placed alongside the vessel nominated by the buyer at the terminal (on the barges / lighter) at the named port of shipment.

The buyer should bear all costs and risks of loss of or damage to the goods thereafter, including marine cargo insurance and any additional costs incurred.



# Section 4 Other trade terms

## VIII. FAS

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### 3. The particular points about sales under FAS

#### (1) Export formalities

FAS is one of the only three terms to have received a significant modification under Incoterms 2000 (the other two are FCA and DES). In Incoterms 1990 and their previous version, the FAS terms required the buyer to effect export customs clearance, including payment of any export duties or official charges. Under Incoterms 2010, **the seller is now required to obtain at his own risk and expense any export license or other official authorization, clear the goods for export and pay for all export duties, taxes, and other charges payable upon export.**





# Revised American Foreign Trade Definition 1990

American Foreign Trade Definition was made by 9 American business groups in 1919. It's revised in 1941 and 1990, the revised form for six price terms

- (1) EXW Ex Works 产地交货
- (2) FOB Free on Board 在运输工具上交货
- (3) FAS Free Along Side 在运输工具旁边交货
- (4) CFR Cost and Freight 成本加运费
- (5) CIF Cost, Insurance, Freight 成本、保险费、运费
- (6) DEQ Delivered Ex Quay 目的港码头交货



# Section 4 Other trade terms



## VIII. FAS

### (2) FAS in Revised American Foreign Trade Definitions 1990

Although with the same abbreviation, FAS stands for “Free Along Side” in Revised American Foreign Trade Definitions 1990, it is applicable to any mode of transport. What’s more, the provisions of FAS in Revised American Foreign Trade Definitions 1990 are different from those of FAS in Incoterms 2010. So, when importing goods from the United States, we should pay special attention to the different interpretations of FAS (export duty, taxes and other charges including certificate of origin etc.)

### (3) Applying

FAS is so close in definition to FOB that it can logically be assumed that FAS is used principally in those cases when use of FOB would pose some risk or inconvenience to one of the parties. Here are just a few examples of possible situations:



# Section 4 Other trade terms

## VIII. FAS

First, buyer's ship is equipped with cranes or other loading devices - If the buyer's designated ship is going to do the loading, there is no reason for the seller to agree to do such loading - as is the case with FOB.

Second, goods are fragile or perishable that the seller does not want to bear the risk of damage to the goods when loading.

### Summary

Till now, we have learned all the three terms belonging to “F” group: FOB, FCA and FAS. Having a good command of obligations of the seller and buyer under FOB will help you understand the obligation of the seller and buyer of the FCA and FAS well and easily. The key difference between FOB and FCA is that the former is applicable only to marine transportation while the latter can be applied to all modes of transportations.



# Section 4 Other trade terms

## VIII. FAS

FAS and FOB are both for marine transportation. They differ in the transfer point of the risk and cost, which further affects the obligations of the seller and buyer. For FOB, risks of loss of or damage to the goods are transferred from the seller to the buyer when the goods pass the ship's rail at the port of shipment. So, generally the seller is required to lift the goods over the ship's side; while for FAS term, as its name implies, only requires the seller to deliver the goods on the dock or barges alongside a named ship.



# Section 4 Other trade terms

## XIII.DAT

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DELIVERED AT TERMINAL

DAT (Insert named terminal at port or place of destination)

终点站交货（……指定目的港或目的地）

- This rule may be used irrespective of the mode of transport selected and may also be used where more than one mode of transport is employed.
- “Delivered at Terminal” means that the seller delivers when the goods, once unloaded from the arriving means of transport, are placed at the disposal of the buyer at a named terminal at the named port or place of destination. “Terminal” includes any place, whether covered or not, such as a quay, warehouse, container yard or road, rail or air cargo terminal.

# Section 4 Other trade terms

## XIII.DAT

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### DELIVERED AT TERMINAL

- The seller bears all risks involved in bringing the goods to and unloading them at the terminal at the named port or place of destination. The parties are well advised to specify as clearly as possible the terminal and, if possible, a specific point within the terminal at the agreed port or place of destination, as the risks to that point are for the account of the seller. The seller is advised to procure a contract of carriage that matches this choice precisely.

# Section 4 Other trade terms

## XIII.DAT

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### DELIVERED AT TERMINAL

- Moreover, if the parties intend the seller to bear the risks and costs involved in transporting and handling the goods from the terminal to another place, then the DAP or DDP rules should be used.
- DAT requires the seller to clear the goods for export, where applicable.
- However, the seller has no obligation to clear the goods for import, pay any import duty or carry out any import customs formalities.

# Section 4 Other trade terms

## XIII.DAP

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- DELIVERED AT PLACE
- DAP (insert named place of destination)
- 目的地交货（.....指定目的地）
- This rule may be used irrespective of the mode of transport selected and may also be used where more than one mode of transport is employed.

“Delivered at Place” means that the seller delivers when the goods are placed at the disposal of the buyer on the arriving means of transport ready for unloading at the named place of destination. The seller bears all risks involved in bringing the goods to the named place.



# Section 4 Other trade terms

## XIII.DAP

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- DELIVERED AT PLACE
- The parties are well advised to specify as clearly as possible the point within the agreed place of destination, as the risks to that point are for the account of the seller. The seller is advised to procure contracts of carriage that match this choice precisely. If the seller incurs costs under its contract of carriage related to unloading at the place of destination, the seller is not entitled to recover such costs from the buyer unless otherwise agreed between the parties.

# Section 4 Other trade terms

## XIII.DAP

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- DELIVERED AT PLACE
- DAP requires the seller to clear the goods for export, where applicable.
- However, the seller has no obligation to clear the goods for import, pay any import duty or carry out any import customs formalities. If the parties wish the seller to clear the goods for import, pay any import duty and carry out any import customs formalities, the DDP term should be used.

# Section 4 Other trade terms

## XIII.DDP

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DELIVERED DUTY PAID (Insert named place of destination)

完税后交货（……指定目的地）

- This rule may be used irrespective of the mode of transport selected and may also be used where more than one mode of transport is employed.
- “Delivered Duty Paid” means that the seller delivers the goods when the goods are placed at the disposal of the buyer, cleared for import on the arriving means of transport ready for unloading at the named place of destination. The seller bears all the costs and risks involved in bringing the goods to the place of destination and has an obligation to clear the goods not only for export but also for import, to pay any duty for both export and import and to carry out all customs formalities.

# Section 4 Other trade terms



XIII.DDP

Whilst the EXW term represents the minimum obligation for the seller, DDP represents the maximum obligation. This term should not be used if the seller is unable directly or indirectly to obtain the import license. However, if the parties wish to exclude from the seller's obligations some of the costs payable upon import of the goods (such as value-added tax, VAT), this should be made clear by adding explicit wording to this effect in the contract of sale. If the parties wish the buyer to bear all risks and costs of the import, the DDU term should be used.

This term may be used irrespective of the mode of transport



# Section 4 Other trade terms

## XIII.DDP

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This term may not be advantageous to the seller, particularly when the sale is to a country where an import licence is required or quarantine or other standards may be required. For, under DDP, the seller is responsible for clearing import customs and paying import duties and taxes and other costs at the buyer's end, which may cost more than what the seller anticipates. The risk for an exporter can be significant and trading on this basis is generally not recommended.

# Section 4 Other trade terms

## XIII.DDP

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### Summary

The “D” group has three terms, they are DAT, DAP and DDP, which are different in nature from the “C” terms, since the seller according to the “D” terms is responsible for the arrival of the goods at the agreed place or point of destination at the border or within the country of import. The seller must bear all risks and costs in bringing the goods thereto. Hence, the “D” terms signify arrival contracts, while the “C” terms evidence departure (shipment) contracts.

Under the “D” terms except DDP the seller does not have to deliver the goods cleared for import in the country of destination.



# Section 4 Other trade terms

## XIII.DDP

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Incoterms 2010 provide a framework for the apportionment of tasks, risks, and the costs between the buyer and the seller, depending on the term chosen. Incoterms can be further refined by agreement between the buyer and the seller to avoid ambiguity and potential problems, for example as to who is responsible for loading or unloading charges for the cargo.

It is important to understand and use trade terms correctly. A simple misunderstanding may prevent exporters from meeting contractual obligations or make them responsible for shipping costs sought to avoid.



# Modes of transport

## 1. Sea transport or inland water way transport

FAS, FOB, CFR, & CIF

## 2. All modes of transport

EXW, FCA, CPT, CIP, DAT, DAP, & DDP



# Methods of delivery

## 1. Symbolic delivery

FCA, FOB, FAS, CFR, CIF, CPT & CIP

## 2. Physical delivery

EXW, DAT, DAP & DDP

# Customs clearance

1. **The seller clears goods for export and import : DDP**
2. **The buyer clears goods for export and import: EXW**
3. **The seller clears goods for export while the buyer clears goods for import:**  
FCA, FOB, FAS, CFR, CIF, CPT, CIP, DAT, DAP.

## Section Five Clauses Commonly Used about the Trade Terms in Contracts

Price clauses stipulated in contracts:

Unit price:

1. USD 100 per dozen CFR New York
2. HKD 200/kg FOB Shanghai
3. USD 100 per dozen CIF London including  
3% commission
4. CNY300/case Singapore less 2% discount



**Thank You !**