Border Solutions *Consulting*

A STRATEGIC TRADE REFERENCE

Incoterms® 2020

A Strategic Roadmap for Global Trade

Prepared for importers, exporters, and supply chain teams entering or scaling in the Philippine market.

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FOUNDATIONS

What Are Incoterms®?

Eleven standardized ICC rules that define exactly where risk, cost, and responsibility change hands between buyer and seller.

✓ What They Cover

- The 11 official ICC trade term rules
- Point of delivery between seller and buyer
- Transfer of risk for loss or damage
- Allocation of freight, insurance & customs costs
- Who arranges export / import clearance

× What They Don't Cover

Transfer of Title

Incoterms never determine legal ownership of goods.

Payment Terms

Currency, timing, and method of payment sit outside the rules.

Breach & Penalties

Remedies for non-performance are a matter of contract law.

THE FRAMEWORK

The Strategic Triad

Every one of the 11 Incoterms rules is really just a different answer to these three questions.

1

Transfer of Risk

At what exact point does the risk of loss or damage pass from seller to buyer?

→

2

Allocation of Costs

Who pays for freight, insurance, duties, and handling — and from where to where?

→

3

Responsibility

Who is on the hook for export/import clearance, licenses, and documentation?

THE COMPLETE SET

The 11 Rules of Trade

Seven rules work for any mode of transport. Four are reserved for sea and inland waterway only.

- E **Departure**
- F **Main Carriage Unpaid**
- C **Main Carriage Paid**
- D **Arrival**

ANY MODE OF TRANSPORT • 7 RULES

E	**EXW**	Ex Works
F	**FCA**	Free Carrier
C	**CPT**	Carriage Paid To
C	**CIP**	Carriage & Insurance Paid To
D	**DAP**	Delivered at Place
D	**DPU**	Delivered at Place Unloaded
D	**DDP**	Delivered Duty Paid

SEA & INLAND WATERWAY ONLY • 4 RULES

F	**FAS**	Free Alongside Ship
F	**FOB**	Free On Board
C	**CFR**	Cost and Freight
C	**CIF**	Cost, Insurance & Freight

ORIGIN CONTROL

Group E & F: EXW and FCA

The two rules that hand the most control — and the most work — to the buyer.

E

EXW

Ex Works

- Seller's minimum obligation — goods made available at their own premises
- Buyer arranges all export clearance, freight, and insurance
- Risk transfers the moment goods are placed at buyer's disposal
- Highest risk exposure for buyers new to a market

F

FCA

Free Carrier

- Seller delivers goods, cleared for export, to a carrier named by buyer
- Widely considered the most flexible and balanced rule in the set
- Works for any transport mode, including containerized sea freight
- 2020 update: allows an on-board bill of lading for LC-backed sales

Sea Freight Classics

FOB and FAS remain the most misused rules in the book — precision here saves real money.

FAS

Free Alongside Ship

Seller delivers when goods are placed alongside the vessel at the named port — on the quay or on a barge. Buyer takes over from that point, including loading onto the vessel.

FOB

Free On Board

Seller delivers when goods are physically on board the vessel. Risk transfers at the ship's rail — the single most litigated handoff point in shipping history.

MAIN CARRIAGE PAID

Group C: Managing Carriage

The trickiest group — seller pays for carriage, but risk can still transfer well before delivery.

C

CFR

Sea/waterway only

Cost and Freight

Seller pays freight to destination port. Risk transfers on-board at origin — before the paid journey even begins.

C

CIF

Sea/waterway only

Cost, Insurance & Freight

Same as CFR, plus seller must insure the goods — but only to a minimum coverage level.

C

CPT

Any mode of transport

Carriage Paid To

Any-mode version of CFR. Seller pays carriage; risk transfers once goods reach the first carrier.

C

CIP

Any mode of transport

Carriage & Insurance Paid To

Any-mode version of CIF, upgraded in 2020 to require broader, near all-risk insurance coverage.

2020 COVERAGE EVOLUTION

Insurance Nuances

The 2020 revision widened the insurance gap between the two “I” rules — know which one you're signing.

CIP

Institute Cargo Clauses (A) — All Risk

Broadest available coverage. Insures against all risks of loss or damage unless specifically excluded.

~100% coverage · minor exclusions only

CIF

Institute Cargo Clauses (C) — Limited Risk

Minimum coverage tier. Named perils only — many common loss events are not covered unless upgraded.

Named perils only · upgrade often advised

ARRIVAL

Group D: Delivering Value

Maximum seller responsibility — goods arrive ready, with escalating levels of seller obligation.

DAP

Delivered at Place

Seller delivers when goods are ready for unloading at the named destination. Buyer handles unloading and import clearance.

DPU

Delivered at Place Unloaded

Seller delivers and unloads the goods at the named destination — the only rule requiring seller-side unloading.

DDP

Delivered Duty Paid

Maximum seller obligation. Seller handles delivery, import clearance, and all duties and taxes.

WHAT CHANGED

The 2020 Evolution

Two changes matter most for anyone still working from the 2010 edition.

1

DAT Renamed & Redefined → DPU

DAT

2010: Delivered at Terminal — destination had to be a “terminal.”

→

DPU

2020: Delivered at Place Unloaded — any named place now qualifies.

2

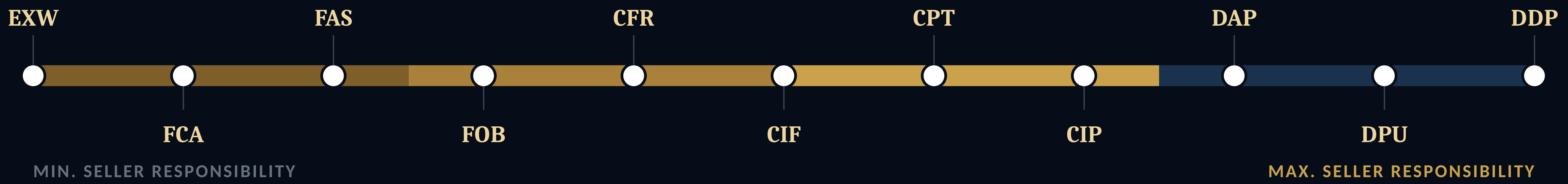
FCA Gains an On-Board Bill of Lading Option

Sellers and buyers using FCA with a letter of credit can now instruct the carrier to issue an on-board bill of lading after loading — closing a long-standing gap between FCA delivery terms and LC documentary requirements.

THE FULL PICTURE

Strategic Responsibility Spectrum

All 11 rules, ordered by how much responsibility shifts from buyer to seller.



BS

Questions & Strategy?

Let's map the right Incoterm to your next shipment into the Philippines.

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