

# **INCOTERMS 2020**

# **Trade Insights and Practical Use**

A Handbook for Importers, Exporters &  
Freight Forwarders



**Nurul Amin**

With Compliments From



**Tower Freight Logistics Limited**

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**Sharing Knowledge, Strengthening Trade**

## **Dedication**

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To the world of trade, my lifelong classroom and career, that shaped my journey, challenged my mind, and rewarded my passion.

## Preface

In today's rapidly changing international trade environment, understanding and correctly applying Incoterms is absolutely essential. With over four decades of experience in the freight forwarding industry, I have observed that many of our country's business people, trade members, and even their employees often lack a clear understanding of Incoterms. As a result, misunderstandings frequently arise between shippers and consignees, which may lead to financial losses, damaged business relationships, and harm to a company's reputation. Ultimately, the burden often falls on freight forwarders and logistics service providers like us. In many cases, it is not just one company but the reputation of the entire freight forwarding industry that comes under question.

Incoterms are a vital tool in international trade. Without proper knowledge and application, business relationships can suffer and Bangladesh's standing in the global marketplace can be weakened. This is why, in this booklet, I have presented detailed explanations, analyses, and practical applications of each Incoterms 2020 rule.

My sole intention is that my colleagues in the trade, as well as the next generation, gain a clear understanding of these fundamental aspects of international business and apply them correctly to ensure both success and reputation.

This booklet has been prepared in a bilingual format - English and Bangla, so that professionals in the freight forwarding industry, as well as any businessperson in the country, can easily learn the rules, avoid costly mistakes, and conduct business confidently and securely in the international market.

It is out of a sense of responsibility, developed through years of engagement in trade, I have prepared this booklet on Incoterms.

To encourage knowledge-sharing and awareness, I am distributing it free of cost.

I hope this booklet will serve as a valuable reference and a practical learning tool in your day-to-day commercial activities.

I sincerely apologize for any unintended errors in the text, and I kindly urge you to verify and apply the rules based on correct interpretation.

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## ABOUT THE AUTHOR

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Nurul Amin is a highly experienced logistics professional with over 46 years in global freight forwarding, air/sea transport, and supply chain management. Starting in 1979 at Biman Bangladesh Airlines, he later served 18 years as Regional Cargo Manager for the Yusuf Bin Ahmed Kanoo Group in Saudi Arabia, working closely with international airlines, shipping lines, and logistics companies, including those in the GCC region.

After returning to Bangladesh, he took a senior leadership role at a multinational freight company. In 2004, he founded Tower Freight Logistics Limited (TFL), where he currently serves as Managing Director. TFL is a trusted logistics provider in Bangladesh, offering integrated air, sea, road, and multimodal transport solutions, focusing on customer satisfaction.

Nurul Amin has consistently been an elected director of the Bangladesh Freight Forwarders Association (BAFFA). He actively contributes to international trade and the development of Bangladesh's freight forwarding industry through policy advisory work, capacity building, and knowledge sharing.

Additionally, he regularly writes for national media on trade facilitation, communication systems, and supply chain stability.

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## What are Incoterms?

Incoterms is the abbreviation of International Commercial Terms. It is a standardized set of international trade rules published by the International Chamber of Commerce (ICC). Incoterms define the responsibilities of buyers and sellers in cross-border transactions. They clarify obligations related to transportation, insurance, documentation, customs clearance, transfer of risk, and allocation of costs. By clearly outlining the responsibilities, costs, and risks of both buyers and sellers, Incoterms help make trade transactions smooth, transparent, and less risky.



## History and Evolution of Incoterms

After the First World War, in 1919, the International Chamber of Commerce (ICC) was established by a group of entrepreneurs. At that time, internationally accepted definitions for commercial trade terms did not exist. Traders often used short terms in sales contracts to describe responsibilities and risks, but these were interpreted differently in different regions, leading to confusion and disputes.

To solve this issue, in 1936, ICC introduced the first set of six Incoterms to provide clarity and standardization in global trade. The original terms were:

- FAS (Free Alongside Ship)
- FOB (Free On Board)
- C&F (Cost & Freight)
- CIF (Cost, Insurance & Freight)
- Ex Ship
- Ex Quay

Since then, Incoterms have been revised periodically to reflect changing trade practices:

**1953:** After World War II, new terms for rail and truck transport were added — FOR (Free On Rail), FOT (Free On Truck), and DCP (Delivery Customs Paid).

**1967:** To reduce misinterpretation, DAF (Delivery At Frontier) and DDP (Delivered Duty Paid) were introduced.

**1976:** Minor amendments were made.

- **1980:** With the rise of containerized transport, a new rule FCA (Free Carrier) was introduced (sometimes mistakenly referred to as FRC, but the official abbreviation has always been FCA).
- **1990:** Further refinements were made to align with global logistics and trade practices.
- **2000:** Clarifications were added regarding customs clearance responsibilities.
- **2010:** In the eighth revision, door-to-door services, security-related issues, and electronic communication were included. DAT and DAP were added while some outdated terms were removed.
- **2020:** In the latest version, DAT was replaced with DPU, insurance requirements under CIF and CIP were updated, and the final set of 11 Incoterms rules was published — which remains in force today.

## Importance of Incoterms in International Trade

In international trade and supply chain management, Incoterms play a crucial role. They define the responsibilities and risks of each party involved in a trade contract, making the entire process clearer and smoother. Especially, in import-export transactions, Incoterms determine:

- Where the seller's and buyer's responsibilities begin and end,
- Who bears which costs,
- At what point the risk transfers from seller to buyer.

Incoterms also specify who is responsible for expenses such as transportation, loading and unloading, insurance, duties, and taxes—thereby reducing confusion and disputes. Since the International Chamber of Commerce (ICC) is an autonomous body not controlled by any government, Incoterms have become a universally accepted standard for global trade.

Whether you are a freight forwarder, importer, exporter, or supply chain professional, understanding and applying the correct Incoterm enhances professionalism and helps avoid costly mistakes.

Key benefits of Incoterms include:

**Clarity in responsibilities:**

Clearly defines buyer-seller obligations, reducing risks of delays, disputes, or financial losses.

**Understanding risk transfer:**

Each Incoterm specifies the exact point when risk transfers from seller to buyer, minimizing disputes.

**Impact on liability and insurance:**

Some Incoterms (e.g., CIF or CIP) require sellers to provide insurance, while others leave it to negotiation.

**Customs and documentation responsibilities:**

Determines who prepares the documents and handles customs clearance.

**Helps avoid legal disputes:**

With Incoterms in place, the likelihood of conflicts decreases, and disputes—if any—are resolved faster.

**Clear cost allocation:**

Specifies who bears the costs of transport, loading, unloading, and insurance.

**Maintains international standards in contracts:**

Recognized globally, Incoterms serve as a common standard for traders across different countries.

**Enhances operational efficiency:**

Knowledge of the correct Incoterm enables freight forwarders to plan transport, delivery times, and routing more effectively.

## Conclusion

Mastering Incoterms is essential for smooth operations in international trade. Though not laws, Incoterms are globally recognized commercial rules often referred to by courts and arbitration bodies. Correct application of Incoterms ensures:

- clear division of responsibilities between buyer and seller,
- smoother coordination among shippers, consignees, freight forwarders, and carriers,
- avoidance of unnecessary costs, risks, and disputes.

Therefore, for anyone engaged in international trade, a thorough understanding of Incoterms is indispensable.



## The Importance of Understanding Incoterms for Freight Forwarders

For freight forwarders, having a thorough understanding of Incoterms is essential. This is because forwarders act as intermediaries between buyers and sellers. While shippers (sellers) and consignees (buyers) mainly focus on the commercial side of a trade transaction, freight forwarders handle a wide range of additional responsibilities—such as arranging transportation, documentation, customs clearance, and risk management.

To clearly define the division of responsibilities between shippers and consignees, forwarders must fully understand Incoterms.

Documentation including bills of lading, invoices, and customs declarations directly depends on the chosen Incoterm. Any mistake in interpretation can result in delays, penalties, or financial loss. Furthermore, if the point of risk transfer is not properly clarified, the forwarder may ultimately be held liable.

### Some practical examples

In Bangladesh, many shippers still incorrectly use FOB for air freight. In such cases, the forwarder must advise both buyer and seller appropriately the use and interpretation of FOB.

Export clearance responsibilities are frequently misunderstood. Exporters often assume that the forwarder will handle it, even though the chosen Incoterm places the obligation on the buyer. This causes shipment delays and forces the forwarder to intervene and arrange clearance - taking on responsibilities not originally theirs.

Under EXW and FCA, confusion often arises over export clearance - whether it should be handled by the forwarder or the shipper.

In CIF/CIP transactions, buyers sometimes demand additional insurance coverage that the seller has not arranged. The forwarder often has to manage the dispute.

### **Key Message**

For freight forwarders, Incoterms are not merely theoretical concepts - they are practical guidelines for day-to-day operations. Choosing the wrong Incoterm often leads to disputes, financial losses, and reputational risks for the forwarder. Therefore, every freight forwarder must have a complete and accurate understanding of Incoterms and be able to advise clients in selecting the correct terms. Incoterms clearly define responsibilities, costs, and risk boundaries in international trade.

## Structure of Incoterms 2020

The latest and currently valid version of Incoterms is Incoterms 2020, which came into effect on 1 January 2020. This edition consists of a total of 11 trade terms, classified into two main categories:

First, Rules for Any Mode of Transport – applicable to all types of transport.

Second, Rules for Sea and Inland Waterway Transport – applicable only to maritime and inland waterway shipments.

The purpose of this classification is to clearly define the responsibilities of buyers and sellers, and to allocate risks and costs according to the mode of transport used.

## Incoterms for Any Mode of Transport

The International Chamber of Commerce (ICC) has designated 7 (Seven) Incoterms that can be used across all modes of transport - air, sea, road, and rail. These terms are the most widely used in today's globalized economy because of their adaptability and flexibility in diverse trade practices. **The seven Incoterms are:**

**EXW (Ex Works):** The buyer assumes risk once goods are made available at the seller's premises.

**FCA (Free Carrier):** The seller delivers goods to a carrier nominated by the buyer at an agreed location.

**CPT (Carriage Paid To):** The seller pays transport costs to the named destination, but risk transfers to the buyer upon delivery to the carrier.

**CIP (Carriage and Insurance Paid To):** Same as CPT, but the seller also provides insurance coverage.

**DAP (Delivered at Place):** The seller delivers the goods to the buyer's country at a named place, without unloading.

**DPU (Delivered at Place Unloaded):** The seller delivers and unloads the goods at the named place in the buyer's country.

**DDP (Delivered Duty Paid):** The seller delivers goods after paying all costs, including import duties and taxes, in the buyer's country.

## Incoterms for Sea and Inland Waterway Transport

There are 4 (Four) Incoterms specifically designed for sea and inland waterway transport. These are essential for handling bulk and heavy cargo shipments that involve complex loading and unloading processes at ports.

**The four terms are:**

**FAS (Free Alongside Ship):** The seller delivers the goods alongside the vessel at the port of shipment.

**FOB (Free on Board):** The seller is responsible until the goods are loaded onto the vessel.

**CFR (Cost and Freight):** The seller pays transport costs to the port of destination, but risk transfers once goods are loaded on board.

**CIF (Cost, Insurance & Freight):** Same as CFR, but the seller also arranges and pays for minimum insurance.

## Special Features of the Structure

**Risk:** Each term clearly defines the point at which risk transfers from seller to buyer.

**Cost:** The terms specify which party bears expenses for transport, insurance, duties, and unloading.

**Flexibility:** Buyers and sellers can agree on additional details while incorporating Incoterms into their contracts.

## Key Message

- Incoterms 2020 consists of 11 terms in total.
- 7 (Seven) terms apply to all modes of transport, while 4 (Four) terms apply only to sea and inland waterway transport.
- Each term clearly outlines the allocation of costs and risks.
- Understanding the structure enables buyers and sellers to select the right term, thereby reducing disputes.

## Detailed Explanation of All 11 Incoterms

### EXW – Ex Works



**EXW**  
Ex Works

Under EXW, the seller has the minimum responsibility. The seller only prepares the goods and makes them available at their premises (factory/warehouse). From that point onward, the buyer bears all costs, risks, and responsibilities for transport, insurance, export and import customs clearance, and delivery to the final destination.

### Ex Works Responsibility Chart

Stage/Responsibility	Seller	Buyer
Product Preparation & Packaging	Yes	No
Place Goods at Seller's Disposal (At Seller's Premise)	Yes	No
Loading on Truck (At Seller's Premise)	No unless agreed	Yes
Inland Transportation from Seller Premise to port/airport	No	Yes
Export Documentation, Custom Clearance & duties	No	Yes
All costs at port/airport (Landing, THC, Stuffing/Loading)	No	Yes
Loading on Ship/plane	No	Yes

Carriage (main transport: sea/air/land)	No	Yes
Risk & Insurance	No	Yes
Import customs clearance	No	Yes
Payment of duties & taxes	No	Yes
Delivery to final destination & Unloading	No	Yes
Risk transfer point	At Seller's premise	Yes

## Example

- A Bangladeshi garment factory sells 50,000 pieces T-shirts to a buyer in Poland under EXW Factory terms.
- Seller prepares and packs the goods at the factory.
- The buyer's nominated forwarder collects the goods, arranges transport to the port, completes export customs,
- loads them into the container, and ships them,
- The buyer bears all transport, insurance, import customs, unloading, and delivery costs.
- If the goods are damaged during transit (e.g., truck accident, rain damage at port), the risk lies entirely with the buyer.

## Risk Transfer Point

At the seller's premises (factory/warehouse gate).

## Key Message

EXW is the easiest and least risky for the seller. For the buyer, it is the most complicated, as they bear all responsibilities and risks.

## FCA – Free Carrier



### Seller's Responsibility

The seller prepares, packs, labels, and clears the goods for export, then delivers them to the buyer's nominated carrier at the named place. Once delivered, the seller's responsibility ends.

### Buyer's Responsibility

From the point of delivery to the carrier, the buyer bears all costs and risks, including main carriage, insurance, import customs, and final delivery.

## FCA Responsibility Chart

Stage/Responsibility	Seller	Buyer
Production & Packaging	Yes	No
Loading on Truck (Seller's Premise)	Yes	No
Local Transportation	Yes	No
Documentation & Export Custom Clearance	Yes	No
Origin Port Costs (Landing, THC, Stuffing/Loading)	No	Yes
Loading Costs	No	Yes
Transportation Cost	No	Yes

Risk Transfer	Yes Until goods are handed over	Yes After goods are delivered to Carrier
Insurance	No	Yes
Destination Customs Clearance, Duty, Tax	No	Yes
Local Transportation at Destination upto buyer's Premise and unloading	No	Yes

## Example

1. An exporter in Dhaka sells goods to a German buyer under FCA Dhaka Airport Cargo Village.
2. The seller prepares, packs, and labels the goods, arranges local transport to the airport, and completes export customs clearance.
3. The seller hands over the goods to the buyer's nominated forwarder/ carrier at Dhaka Airport Cargo Village.
4. From that point, all costs and risks are on the buyer.

## Key Notes: FCA (Free Carrier)

### Delivery Point Flexibility

Seller delivers goods to a carrier or another party nominated by the buyer at either:

Seller's premises (factory/warehouse), or

Another agreed place (such as a port terminal, forwarder's warehouse, airport, etc.).

**Loading Responsibility**

If delivery is at the seller's premises  
→ Seller loads goods onto the  
buyer's transport.

If delivery is at another place →  
Seller is not responsible for  
unloading.

**Risk Transfer Point**

Risk transfers from seller to buyer  
once goods are handed over to the  
carrier at the agreed place.

**Export Customs Clearance**

Seller is responsible for export  
customs formalities, duties, and  
taxes.

Buyer handles import clearance,  
import duties, and onward  
transport.

**Insurance**

Seller has no obligation to insure  
the goods.

Buyer may choose to arrange  
insurance.

FCA is suitable for any mode of  
transport (road, rail, air, sea).

Responsibilities are clearly defined,  
and the buyer benefits because the  
seller handles export clearance.

**Why FCA is Practical vs EXW**

Unlike EXW, the seller takes responsibility for export clearance (which the  
buyer usually cannot handle in a foreign country).

This makes FCA more realistic and widely used in international trade.

## CPT – Carriage Paid To



### Seller's Responsibility

The seller pays for the carriage of goods to the named place of destination. However, the risk transfers to the buyer once the goods are handed over to the first carrier.

### Buyer's Responsibility

The buyer bears all risks from the moment the goods are handed over to the carrier, even though the seller pays for the main transport. The buyer must arrange insurance.

## CPT Responsibility Chart

Stage/Responsibility	Seller	Buyer
Production & Packaging	Yes	No
Loading at Sellers Premise	Yes	No
Local Transport	Yes	No
Documentation & Export Clearance	Yes	No
Origin Port Expenses (Landing, THC, Stuffing/Loading)	Yes	No
Loading At Origin	Yes	No
Main Carriage (Freight Cost)	Yes	No

Insurance	Yes Optional/Minimum	If desired
Risk Transfer	No	From carrier handover
Import Customs Clearance & Duty, Tax at destination	No	Yes
Transportation & unloading at destination	No	Yes

## Example

1. A seller exports garments from Dhaka to Hamburg under CPT Hamburg Airport.
2. The seller prepares, packs, and labels the goods, pays for local transport and export customs clearance, and covers the airfreight cost up to Hamburg.
3. Once the goods are handed over to the carrier at Dhaka Airport, the risk transfers to the buyer.
4. If damage occurs during transit, the buyer bears the loss and must rely on insurance.

## Risk Transfer Point

At the moment the goods are handed over to the first carrier.

## In Simple Terms

**CPT** → The seller pays the cost of carriage up to the named destination, but the risk shifts to the buyer once the goods are delivered to the first carrier.

## **Key Message**

Risk transfers from seller to buyer once goods are handed over to the first carrier, even though the seller pays for transport to the destination.

Insurance is not required under CPT → if the buyer wants coverage, they must arrange it themselves.

CPT is ideal when the seller has better access to freight arrangements but the buyer is comfortable managing import procedures.

## CIP – Carriage and Insurance Paid To



Under CIP, the seller pays for the carriage of goods up to the named destination and also arranges insurance for the buyer's benefit. The risk, however, does not remain with the seller until the destination. The risk transfers from seller to buyer once the goods are handed over to the first carrier in the country of origin.

### In Simple Terms

**Seller** → Bears transport cost + insurance premium up to the named destination. Insurance must provide comprehensive coverage (Institute Cargo Clause A – All Risks).

**Buyer** → Bears the risk from the moment goods are handed over to the carrier. If goods are damaged during transit, the buyer can claim under the seller-provided insurance.

### CIP Responsibility Chart

Stage/Responsibility	Seller	Buyer
Production & Packaging	Yes	No
Loading at sellers premise	Yes	No
Local transportation (Origin to port/ Carrier)	Yes	No
Documentation & export customs clearance	Yes	No

Loading port expenses (Landing, THC, Stuffing/Loading)	Yes	No
Loading at origin	Yes	No
Main carriage cost	Yes	No
Insurance	Yes (Minimum as per Institute Cargo Clause (A) All Risk)	Yes (Optional)
Risk transfer point	At carrier handover	From carrier handover
Import Customs Clearance & Duty, Tax at destination	No	Yes
Transportation & unloading at destination	No	Yes

## Example

1. A seller in Dhaka ships leather jackets to New York under CIP New York Airport terms.
2. The seller prepares the goods, arranges local transport, clears export customs, delivers the goods to Dhaka Airport, and pays the airfreight cost up to New York.
3. The seller also arranges insurance under ICC (A) coverage, ensuring that if damage or loss occurs during transit, the buyer can claim compensation through the insurance.
4. The risk, however, shifts to the buyer immediately after the goods are handed over to the first carrier in Dhaka.

## Key Message

- Seller pays Freight + Insurance up to the named destination
- Risk transfers to the buyer once the goods are handed over to the first carrier - not at the destination.
- Insurance must meet Institute Cargo Clauses (A), which is the highest level of coverage under Incoterms 2020.
- Buyer handles all import formalities and unloading.

## DAP – Delivered At Place



Under DAP, the seller delivers the goods to the agreed destination in the buyer's country, bearing all transport costs and risks until delivery.

The buyer is responsible for import customs clearance, duties, VAT, and taxes.

## DAP Responsibility Chart

Stage/Responsibility	Seller	Buyer
Production & Packaging	Yes	No
Loading at sellers premise	Yes	No
Local transportation (Origin to port/Carrier)	Yes	No
Documentation & export Customs clearance	Yes	No

Loading port expenses (Landing, THC, Stuffing/Loading)	Yes	No
Loading on carrier	Yes	No
Main Carriage (Freight cost)	Yes	No
Risk transfer point	At named destination (before unloading)	From named destination (before unloading)
Insurance	Yes (Optional)	No
Destination import customs clearance	No	Yes
Import duty, tax	No	Yes
Local transport to destination upto buyers Premise	Yes	No
Unloading and receive goods	No	Yes

## Example

1. A Bangladeshi seller sells goods under DAP – Buyer’s Warehouse, Germany.
2. The seller prepares, packs, clears export customs, arranges transport to Chattogram Port, loads onto the vessel, ships to Hamburg, unloads, and arranges local delivery to the buyer’s warehouse.
3. The buyer only completes customs clearance in Germany and pays import duties/VAT.
4. The seller has delivered to the named place, and the buyer unloads/ receives the goods.

## Summary

- Seller bears all costs and risks until the goods arrive at the named place of destination, ready for unloading.
- Buyer is responsible only for import customs clearance, duties, and taxes.
- Risk transfers to the buyer just before unloading.
- DAP is ideal when the seller can manage international transport but the buyer prefers to handle local import procedures.

## DPU – Delivered at Place Unloaded



Under DPU, the seller delivers and unloads the goods at the agreed destination. The seller bears transport, export clearance, freight, delivery to the final point, and unloading costs.

The buyer only handles import customs clearance, duties, and subsequent local distribution (if any).

## DPU Responsibility Chart

Stage/Responsibility	Seller	Buyer
Production & Packaging	Yes	No
Loading at origin	Yes	No
Local transport	Yes	No
Documentation & export customs clearance (Origin to port)	Yes	No

Loading port costs (Landing, THC, Stuffing)	Yes	No
Loading on Carriage	Yes	No
Main Carriage (Freight Cost)	Yes	No
Insurance	Yes (Optional)	No
Unloading at destination port	Yes	No
Risk transfer point	After unloading at destination	After unloading
Import custom clearance, duty, tax	No	Yes
Local transport at destination (Upto customer premises)	Yes	No
Unloading at sellers premise	Yes	No

### Example

1. Bangladeshi seller exports machinery under DPU – Buyer’s Warehouse, Hamburg.
2. The seller prepares the goods, transports them to ICD, clears export customs, loads them on a vessel, pays ocean freight, transports from Hamburg Port to the buyer’s warehouse, and unloads them at the warehouse.
3. The buyer completes import customs clearance and pays duties.

## Key Highlights

- The seller bears all costs and risks until the goods are unloaded at the named destination.
- Unloading is the seller's responsibility, unlike DAP.
- Buyer handles import formalities (customs) and any local duties or taxes.
- DPU is the only Incoterm that requires the seller to unload the goods at destination.
- Once unloaded, risk transfers to the buyer.
- DPU is suitable for project shipments or situations where delivery is not at a standard terminal but at a specific site (e.g., warehouse, project location).

## DDP – Delivered Duty Paid



Under DDP, the seller delivers the goods to the buyer’s address (premises) and bears all costs and risks throughout transportation.

This Incoterm places maximum responsibility on the seller.

The seller must pay for export and import customs clearance, duties, VAT, and all taxes. The buyer’s only obligation is receiving the goods.

### DDP Responsibility Chart

Stage/Responsibility	Seller	Buyer
Production & Packaging	Yes	No
Loading at origin	Yes	No
Local transport	Yes	No
Documentation & export customs clearance (Origin to port)	Yes	No
Loading port costs (Landing, THC, Stuffing)	Yes	No
Loading on Carriage	Yes	No
Main Carriage (Freight Cost)	Yes	No

Insurance	Yes	No
Import custom clearance, duty, tax	Yes	No
Local transport at destination (Upto customer premises)	Yes	No
Unloading at sellers premise	No (Unless parties agree otherwise)	Yes
Risk transfer point	At named destination before unloading	From named destination before unloading

## Example

1. A Bangladeshi exporter sells goods to an Italian importer under DDP Milan, Italy terms.
2. The seller prepares the goods at the factory
3. Transports them to Chattogram Port at own cost
4. Completes export customs clearance
5. Loads them on the vessel and ships to Italy
6. Completes import customs clearance in Italy
7. Pays customs duty and VAT
8. Delivers the goods by truck to the buyer's warehouse in Milan
9. Unloads the goods there
10. The buyer simply receives the goods at the warehouse.

## Summary

DDP → Seller bears the maximum responsibility.

The seller covers transport, insurance, duties, taxes, VAT, unloading, and all charges.

The seller must know the buyer's import regulations and procedures. Buyer enjoys the most convenient position. This is effectively Door-to-Door Delivery.

DDP is ideal for new or small buyers who prefer a hassle-free import process but is complex for the seller due to varying import regulations.

## FAS - Free Alongside Vessel



Under FAS, the seller delivers the goods alongside the buyer's nominated vessel at the loading port (on the quay or on a barge). The seller's responsibility ends there.

## FAS Responsibility Chart

Stage/Responsibility	Seller	Buyer
Production & Packaging	Yes	No
Loading at origin (Sellers's Premise)	Yes	No
Transport goods to port	Yes	No
Documentation & export customs clearance (Origin to port)	Yes	No
Loading port costs (Landing, THC)	Yes	No
Place goods alongside ship	Yes	No
Risk transfer point	Once goods are placed alongside ship	From goods are placed alongside ship

Main Carriage (Freight Cost)	No	Yes
Insurance (Post-delivery by seller)	No	Yes - Buyer arrange from port onward
Import custom clearance, duty, tax	No	Yes
Local transport at destination (Upto customer premises)	No	Yes
Unloading at sellers premise	No	Yes

### Example

1. A Bangladeshi exporter sells 5,000 pairs of trousers to a French buyer under FAS Chattogram Port.
2. Seller transports goods from factory to Chattogram Port at own expense
3. Pays port entry fees and handling charges
4. Completes export customs formalities
5. Delivers the goods alongside the vessel

From this point forward -

Buyer pays for stevedoring, ocean freight, import duties, inland transport from Marseille port to warehouse, and unloading at own cost.

### Summary

**Seller**→ Responsible only up to the ship's side (quay/barge). Not obliged to provide insurance.

**Buyer**→ Bears all risks and costs once the goods are alongside the vessel. May arrange insurance for the sea voyage.

FAS is not suitable for containerized cargo, use FCA instead

FAS is mainly used for bulk or heavy cargo transported by sea.

The buyer must nominate the vessel and port of departure.

## FOB – Free On Board



Under FOB, the seller's responsibility ends once the goods are loaded on board the buyer's nominated vessel at the loading port. From that moment, all costs and risks are transferred to the buyer.

### FOB Responsibility Chart

Stage/Responsibility	Seller	Buyer
Production & Packaging	Yes	No
Loading at origin (Sellers's Premise)	Yes	No
Transport goods to port	Yes	No
Documentation & export customs clearance (Origin to port)	Yes	No
Loading port costs (Landing, THC)	Yes	No
Load goods onto the vessel	Yes	No
Risk transfer point	Once goods are placed onboard the ship	From goods are placed alongside ship
Main Carriage (Freight Cost)	No	Yes
Insurance	No	Yes
Import custom clearance, duty, tax	No	Yes

Local transport at destination (Upto customer premises)	No	Yes
Unloading at sellers premise	No	Yes

## Example

- Bangladeshi exporter sells 10,000 garments to an American buyer under FOB Chattogram Port terms.
- The seller transports the goods from the factory to Chattogram Port
- Completes export customs clearance
- Loads the goods on the vessel
- The seller's responsibility ends here

From then on -

Buyer pays ocean freight, bears risk during sea transit, pays import duties/taxes, and handles inland transport and unloading at destination.

## Special Note (Bangladesh context)

As per CPA Circular No. 02/7 (dated 16 May 2007):

- Even under FOB contracts, Bangladeshi exporters do not bear Terminal Handling Charges (THC), container stuffing costs, or stevedoring/loading charges.
- These costs are covered by the buyer/shipping line.
- In Bangladesh, FOB often resembles FAS, where the seller's obligation ends once goods are delivered alongside the vessel.

## Summary

**Seller**→ Responsible until goods on board; not required to arrange insurance.

**Buyer**→ Bears all risks once goods are loaded on board. May arrange insurance as desired. Buyer chooses the vessel and pays for the ocean freight and everything beyond.

## Comparison: FAS vs FOB

**FAS:** Seller delivers goods alongside the ship → Buyer handles loading and all subsequent responsibilities.

**FOB:** Seller delivers goods on board the ship → Buyer takes over responsibility afterward.



## CFR – Cost and Freight



Under CFR, the seller is responsible for loading the goods onto the vessel and paying the freight charges up to the named port of destination. However, the risk transfers to the buyer as soon as the goods are loaded on board the vessel.

### CFR Responsibility Chart

Stage/Responsibility	Seller	Buyer
Production & Packaging	Yes	No
Loading at origin (Sellers's Premise)	Yes	No
Transport goods to port	Yes	No
Documentation & export customs clearance (Origin to port)	Yes	No
Loading port costs (Landing, THC)	Yes	No
Load goods onto the vessel	Yes	No
Risk transfer point	Risk transfers once the goods are onboard the ship	Yes From goods goods onboard vessel
Main Carriage (Freight Cost) to destination port	Yes	Yes
Insurance (Optional)	No	Yes Buyer arranges insurance from loading onward

Import custom clearance, duty, tax	No	Yes
Local transport at destination (Upto customer premises)	No	Yes
Unloading at sellers premise	No	Yes

## Example

1. A Bangladeshi exporter sells 50 cartons of garments to a German importer under CFR Hamburg Port terms.
2. **Seller (Bangladeshi Exporter):** Delivered the garments by truck from Gazipur to Chattogram port, completed export customs formalities, loaded the goods on board the vessel, and paid the freight up to Hamburg.
3. **Buyer (German Importer):** Unloaded the container at Hamburg port, paid import duties, and arranged transport and unloading from Hamburg to their warehouse.

## Key Points

- CFR is similar to FOB but the seller pays for the freight up to the destination port
- Risk transfers from seller to buyer once the goods are loaded onto the vessel.
- The seller has no obligation to arrange insurance; the buyer may insure at their own expense.
- CFR applies only to sea and inland waterway transport.
- Frequently used in international trade for seaborne shipments.
- Widely applied for garment exports from Bangladesh.

## CIF – Cost, Insurance and Freight



Under CIF, the seller bears the cost up to the named port of destination, loads them onto the vessel, pays the freight, and arranges and pays for minimum insurance coverage. However, like CFR, the risk transfers to the buyer once the goods are loaded on board. This makes CIF ideal for bulk cargo, oil, and commodities where sellers often have better freight and insurance terms.

### CIF Responsibility Chart

Stage/Responsibility	Seller	Buyer
Production & Packaging	Yes	No
Loading at origin (Sellers's Premise)	Yes	No
Transport goods to port	Yes	No
Documentation & export customs clearance (Origin to port)	Yes	No
Loading port costs (Landing, THC)	Yes	No
Load goods onto the vessel	Yes	No
Main Carriage (Freight Cost) to destination port	Yes	No
Risk transfer point	When goods are loaded on vessel	Yes From loading onward

Insurance (Optional)	Yes No Minimum coverage	Yes Buyer can arrange additional coverage
Import custom clearance, duty, tax	No	Yes
Local transport at destination (Upto customer premises)	No	Yes
Unloading at sellers premise	No	Yes

### Example (CIF Chattogram → Rotterdam):

1. A Bangladeshi exporter sells 100 metric tons of frozen fish to a Dutch importer under CIF Rotterdam Port terms.
2. **Seller (Bangladeshi Exporter):** Collected and packed the fish in Khulna, transported them by truck at own cost to Chattogram port, paid port handling charges, completed export customs, loaded the goods on board, paid the freight, and arranged marine insurance coverage.
3. **Buyer (Dutch Importer):** Unloaded the goods at Rotterdam port, paid import duties, and arranged transport and unloading to their warehouse in Rotterdam.

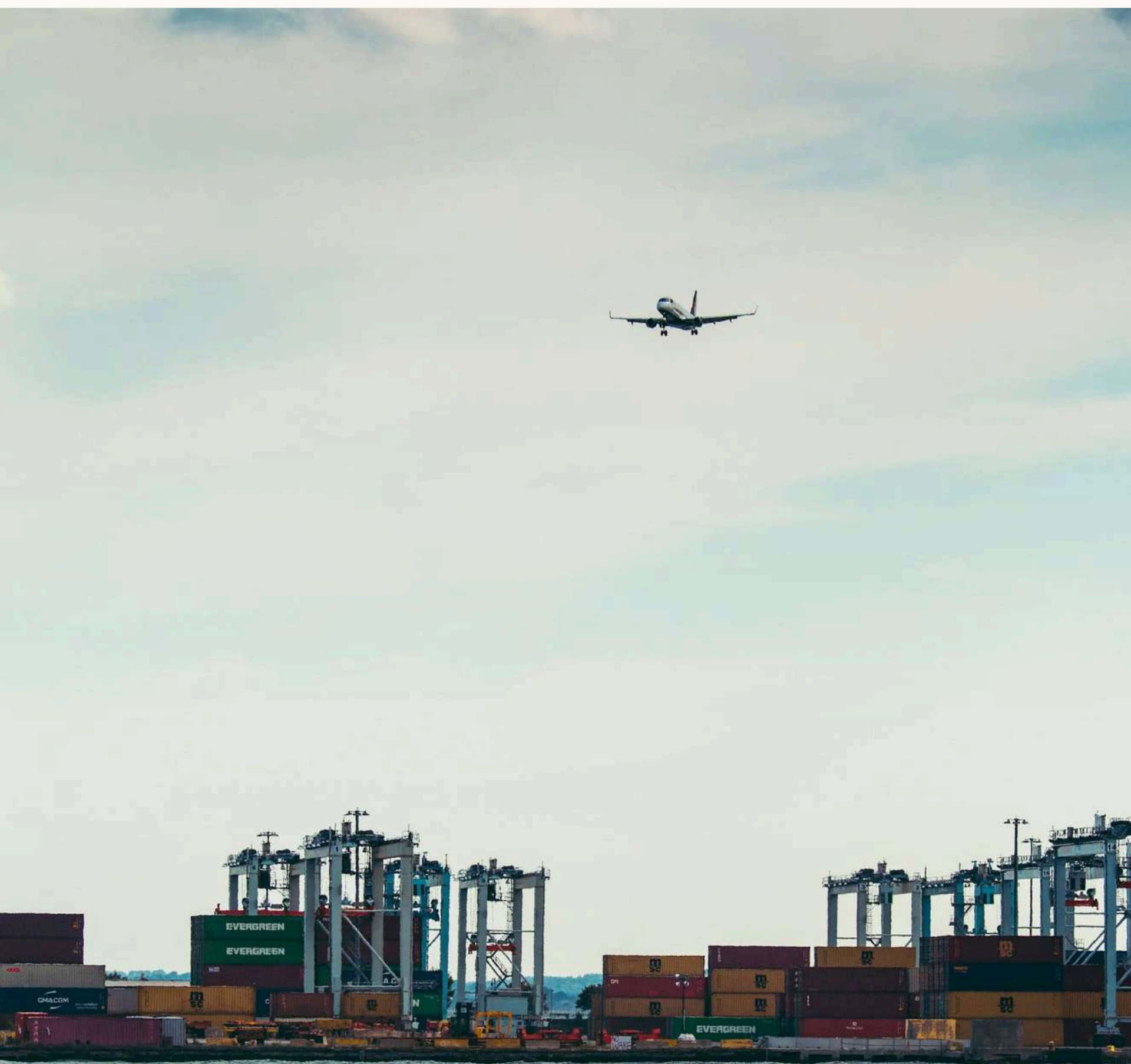
### Key Points

CIF, like CFR, applies only to sea and inland waterway transport. CIF is widely used for international trade by sea.

## CFR vs CIF

**CFR:** The seller bears all costs up to the destination port, but insurance is the buyer's responsibility.

**CIF:** The seller bears all costs up to the destination port plus arranges minimum insurance coverage for the goods.





	Sea and Inland Waterway Transport				Any Mode of Transport					Any Mode of Transport	
Incoterm	EXW	FCA	FAS	FOB	CFR	CIF	CPT	CIP	DAP	DPU	DDP
	Obligation & Charges										
Loading On Carriage	Buyer	Buyer	Buyer	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller
Main Carriage Charges (Freight Cost)	Buyer	Buyer	Buyer	Buyer	Seller	Seller	Seller	Seller	Seller	Seller	Seller
Insurance	Negotiable	Negotiable	Negotiable	Negotiable	Negotiable	Seller	Negotiable	Seller	Negotiable	Negotiable	Negotiable
Destination Terminal Charges	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Seller	Seller	Seller	Seller	Seller
Destination Custom Clearance, Duty & Taxes	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Seller
Delivery at Destination	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Seller	Seller	Seller
Unloading At Destination	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Seller	Seller

## Explanation of 11 Incoterms in the context of Bangladesh

Term	Full Form	Seller's Responsibility Ends At	Common Use in Bangladesh
EXW	Ex Works	Seller's premises	Rarely used due to buyer's burden
FCA	Free Carrier	Named place (e.g., port or warehouse)	Used in air/road shipments
FAS	Free Alongside Ship	Port of shipment	Used for bulk cargo at Chittagong port
FOB	Free On Board	Onboard the vessel	Very common in sea freight
CFR	Cost and Freight	Destination port	Popular for garments and textiles
CIF	Cost, Insurance & Freight	Destination port	Most widely used in Bangladesh
CPT	Carriage Paid To	Named destination	Used in multi-modal transport
CIP	Carriage & Insurance Paid To	Named destination	Less common, but growing up
DAP	Delivered At Place	Buyer's location	Used in high-value imports
DPU	Delivered at Place Unloaded	Buyer's location (unloaded)	Rare, but useful for turnkey projects
DDP	Delivered Duty Paid	Buyer's location (duties paid)	Risky for sellers, rarely used

## Common Mistakes and Misunderstandings in Incoterms

Over the years, many exporters, importers, and even some professionals have misused Incoterms. These mistakes often lead to disputes, unexpected costs, and shipment delays. Understanding these common errors can help businesses avoid costly consequences.

### Common mistakes include

#### 1. Using Wrong Incoterms for the Mode of Transport

**FOB and CIF for Air Freight:** Many shippers in Bangladesh use FOB or CIF for air cargo. Technically, these terms are meant for sea freight only. Correct alternatives would be FCA (instead of FOB) and CIP (instead of CIF).

#### 2. Confusion over Export and Import Clearance

**Under EXW** the buyer is responsible for export clearance. But in practice, sellers in Bangladesh often expect the forwarder to handle it, which creates conflict.

**Under DDP** sellers sometimes forget they must pay for all import duties and taxes at the destination. This causes financial loss when costs were underestimated.

#### 3. Insurance Misunderstandings

**Under CFR**, many assume the seller provides insurance. In fact, the seller only covers freight cost; the buyer must arrange insurance.

**Under CIP**, sellers must provide insurance up to 110% of the contract value (minimum). Some exporters ignore this, causing disputes with buyers.

#### **4. Risk vs. Cost Confusion**

Many think that the party who pays the freight also bears the risk. This is not always true. For example, under CFR, the seller pays freight but the risk passes once goods are loaded on board.

#### **5. Incomplete or Vague Contracts**

Simply writing “FOB” or “CIF” without naming the exact port (e.g., “FOB Chattogram Port, Bangladesh”) leads to disputes. Incoterms must always be accompanied by a named place/port.

#### **Key Points**

- Most Incoterms disputes arise not from the rules themselves, but from misuse and
- misunderstanding. Clear contracts, proper Incoterm selection, and awareness of responsibilities can save businesses money, time, and reputational damage.





Thank you so much for taking the time to read this book. I hope you found the information useful and gained some insights that will help you in your journey.