财务与金融英语

Lesson 8
International trade terms

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Introductory Questions…

- What are the advantages of international trade?
- Most countries believe in **free trade**. What is this?
- What are **imports** and **exports**?
- The purchase of a good or service from a seller from another country.
- The sale of a good or service by a business to a firm in another country.

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Benefits of International Trade

- **Access to a wider variety of goods and services ;**
- **Access to goods that may be much better quality or cheaper;**
- **Trade provides the chances to access far bigger markets - more sales mean opportunities for expansion and possibly more jobs;**
- **Expansion can mean the opportunity to benefit from economies of scale, which might mean prices can be made more competitive;**
- **Larger firms have greater opportunities for research and development - the quality and range of products can improve;**
- **For a country, greater opportunities to trade can mean increases in economic activity and as a result economic growth;**
- **For poor countries, the chance to trade might help them to be able to break out of a cycle of poverty.**

Discussion questions

- What are China's major **exports** and **imports**?
- Which industries in China would find it difficult to compete if there was completely **free trade**?
- Which parts of the economy are **protected** by the government?
- Do you know of any **tariffs** on goods from abroad?

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1. Trade Terms & Price


Seller's Warehouse
EXW
Export License
Transportation
Insurance
Customs Clearance
Shipping On Board
CIF
Unloading
Import License, Customs Clearance
DDP
Buyer's Warehouse

Definition of Trade Terms

The trade terms refer to using a brief English concept or abbreviation to indicate the formation of the unit price and determine the responsibilities, expenses and risks borne by two parties as well as the time of the passing of the property in the goods.

《INCOTERMS 2000》

Group E Departure	EXW Ex Works	工厂交货
Group F Main Carriage Unpaid	FCA Free Carrier FAS Free Alongside Ship FOB Free On Board	货交承运人 装运港船边交货 装运港船上交货
Group C Main Carriage Paid	CFR Cost and Freight CIF Cost Insurance and Freight CPT Carriage Paid To CIP Carriage Insurance Paid To	成本加运费 成本保险费加运费 运费付至 运费保险费付至
Group D Arrival	DAF Delivered At Frontier DES Delivered Ex Ship DEQ Delivered Ex Quay DDU Delivered Duty Unpaid DDP Delivered Duty Paid	边境交货 目的港船上交货 目的港码头交货 未完税交货 完税后交货

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Trade Terms in Common Use

FOB（…named port of shipment）

❖Seller's Obligations

1. Responsibilities

A. Deliver the goods

B. Clear the goods for export

C. Load the goods on the ship arranged for and named by the buyer

D. Send shipping advice immediately

E. Deliver related documents or equivalent electronic data

2. Expenses

All the expenses before the goods have been shipped on board

3. Risks

All the risks before the goods pass the ship's rail at the named port of shipment.

❖Buyer's Obligations

1. Responsibilities

A. Designate the ship and notify the seller

B. Make insurance

C. Pay the price

D. Clear the goods for importing

E. Take delivery of the goods

2. Expenses

All the expenses after the goods have been shipped on board

3. Risks

Risks after the goods have been passed the ship's rail

Trade Terms in Common Use

- **CFR（…named port of destination）**

❖ **Seller's Obligations**

1. Responsibilities

A. Deliver the goods

B. Clear the goods for export

C. Charter a ship or book shipping space

D. Load the goods

E. Send shipping advice immediately

F. Deliver the documents or equivalent electronic data

2. Expenses

Expenses before the shipment, Loading charges, Regular freight necessary to bring the goods to the named port of destination.

3. Risks

Same as FOB

CIF（...named port of destination）

1. Insurance

❖ Insurance Coverage

If otherwise stipulated in the contract, the seller may insure ICC(C) or equivalent coverage.

❖ Insurable Amount

If otherwise stipulated in the contract, the insurable amount should be at least 110% CIF value.

2. Risks

Same as FOB, CFR

3. Unloading charges

Same as CFR

4. Sales by documents

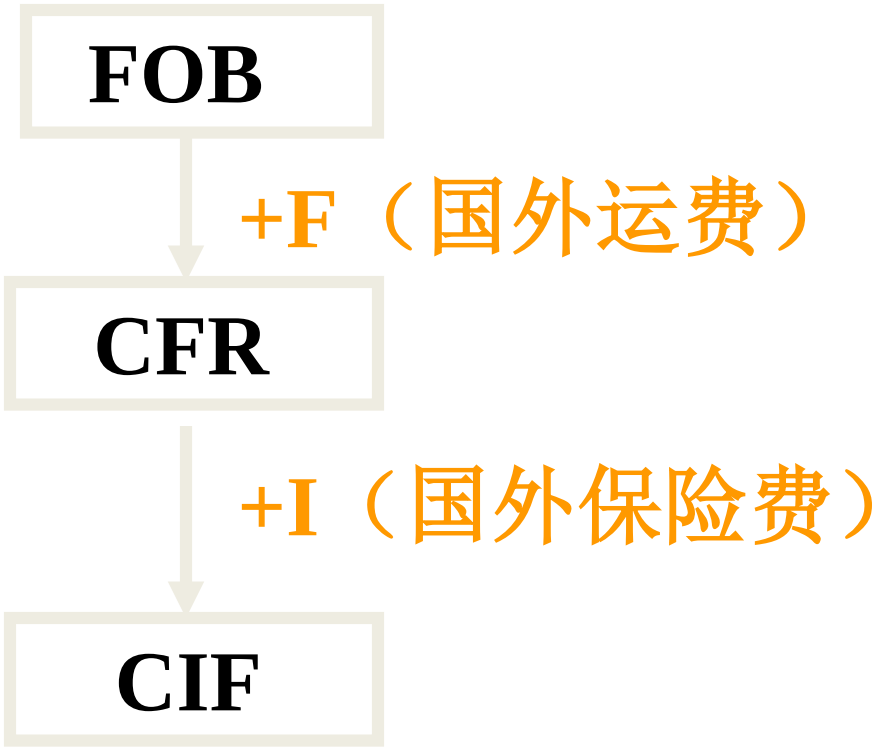
How to use FOB、CFR、CIF?

When exporting CIF

When importing FOB

1. Similarities and Differences between FOB, CFR,CIF

2. Price under FOB, CFR,CIF



FOB=Cost of goods

+Domestic expenses+Profits

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FCA(...named place)

❖ Seller's Obligations

1. Responsibilities

A. Deliver the goods

B. Clear the goods for export

C. Deliver the goods to the carrier named by the buyer

D. Notify the buyer immediately

E. Deliver the documents of equivalent electronic data

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2. Expenses

Expenses before the goods have been delivered to the carrier.

3. Risks

Upon delivery to the carrier.

If delivery occurs at the seller's premises, the seller is responsible for loading.

If delivery occurs at any other place, the seller is not responsible for unloading.

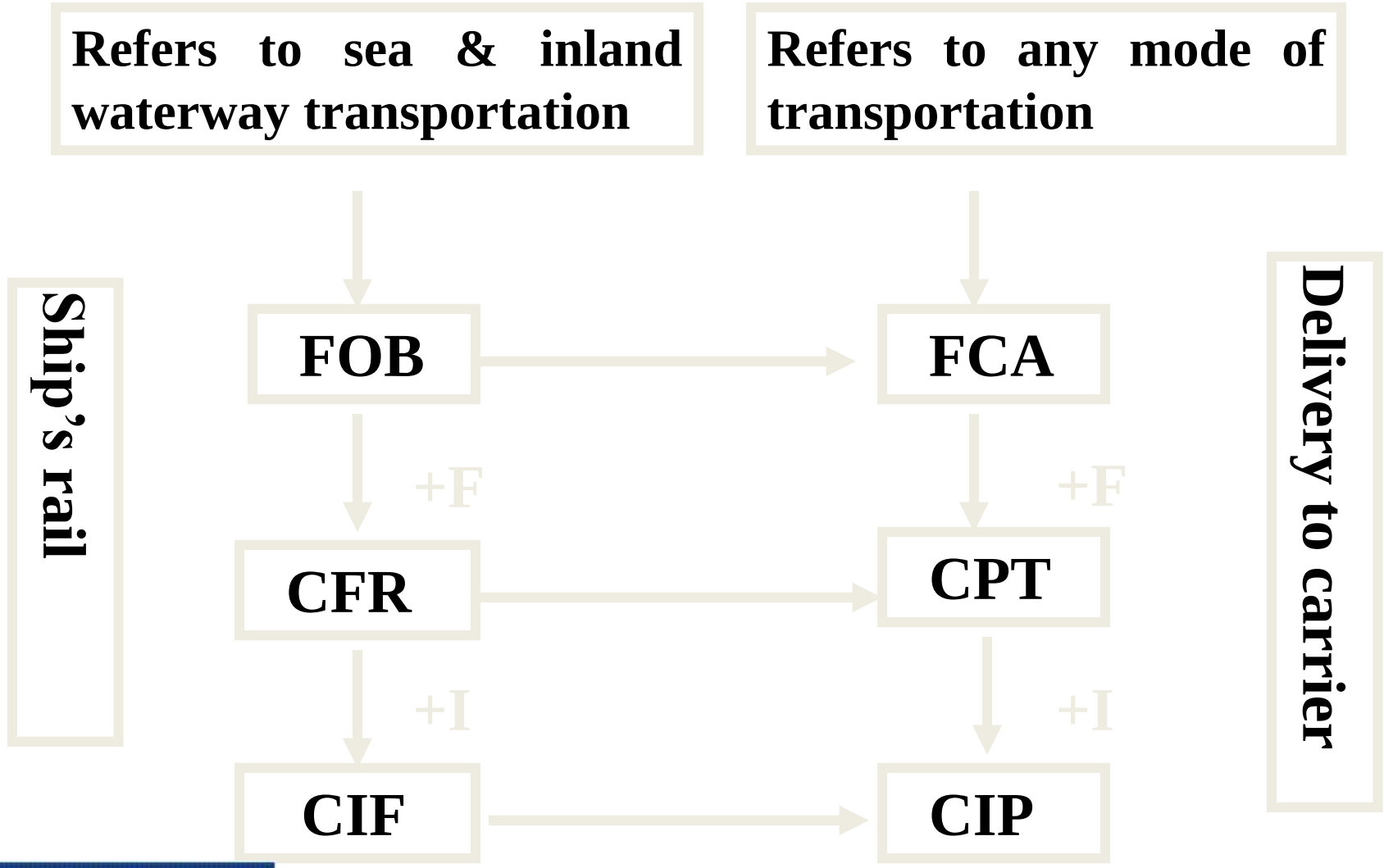
- CPT（…named place of destination）

CPT=FCA+F(国外运费)

- CIP（…named place of destination）

CIP=CPT+I（国外保险费）

Relationship between terms in common use



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Other Trade Terms

Group E

EXW（…named place）

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 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. This term should not be used when the buyer cannot carry out the export formalities directly or indirectly. In such circumstances, the FCA term should be used, provided the seller agrees that he will load at his cost and risk.

Group F

FAS…(named port of shipment)

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 only be used for sea or inland waterway transport.

Group D

DAF（…named place）

The seller delivers when the goods are placed at the disposal of the buyer on the arriving means of transport not unloaded, cleared for export, but not cleared for import at the named point and place at the frontier, but before the customs border of the adjoining country. The term "frontier" may be used for any frontier including that of the country of export. However, if the parties wish the seller to be responsible for the unloading of the goods from the arriving means of transport and to bear the risks and costs of unloading, this should be made clear by adding explicit wording to this effect in the contract of sale. This term may be used for all modes of transport when the goods are to be delivered at a land frontier.

DES(…named port of destination)

The seller delivers when the goods are placed at the disposal of the buyer on board the ship not cleared for import at the named port of destination. The seller has to bear all the costs and risks involved in bringing the goods to the named port of destination before discharging. This term can only be used when the goods are to be delivered by sea or inland waterway or multimodal transport on a vessel in the port of destination.

DEQ(…named port of destination)

The seller delivers when the goods are placed at the disposal of the buyer not cleared for import on the quay (wharf) at the named port of destination. The seller has to bear all the costs and risks involved in bringing the goods to the named port of destination and discharging the goods on the quay (wharf). The DEQ term requires the buyer to clear the goods for import and to pay for all formalities, duties, taxes, and any other charges upon import. This term can only be used when the goods are to be delivered by sea or inland waterway.

DDU(...named place of destination)

The seller delivers the goods to the buyer, not cleared for import, and not unloaded from any arriving means of transport at the named place of destination. The seller has to bear all the costs and risks involved in bringing the goods thereto, other than, where applicable, any "duty" (which term includes the responsibility for and the risks of the carrying out of customs formalities, and the payment of formalities, customs duties, taxes, and other charges) for import in the country of destination. Such "duty" has to be borne by the buyer as well as any costs and risks caused by his failure to clear the goods for import in time. This term may be used for all modes of transport.

DDP(…named place of destination)

The seller delivers the goods to the buyer, cleared for import, and not unloaded from any arriving means of transport at the named place of destination. The seller has to bear all the costs and risks involved in bringing the goods thereto including, where applicable, any "duty" (which term includes the responsibility for and the risks of the carrying out of customs formalities, and the payment of formalities, customs duties, taxes, and other charges) for import in the country of destination. While the EXW term represents the minimum obligation for the seller, DDP represents the maximum obligation for the seller. This term may be used for all modes of transport.

- Thank you!