LOGISTICS

Incoterms 2020: From FOB to DDP Without Surprises

A buyer & seller field manual for cross-border B2B

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Table of Contents

1. Why Incoterms exist
2. The four families
3. FCA — the modern workhorse
4. CIF — the C-family trap
5. DDP — the disguised liability
6. Negotiation playbook

Chapter 1 — Why Incoterms exist

Incoterms — short for International Commercial Terms — are a set of 11 three-letter codes published by the International Chamber of Commerce (ICC). They define the precise moment at which risk, cost, and the obligation to obtain customs clearance pass from seller to buyer.

They are not a contract themselves. They are a shorthand that, when written into a sales contract or a purchase order, automatically pulls in a body of rules every seasoned trader is expected to know.

Because they do not vary by country (only by version year), they have become the lingua franca of cross-border B2B. The 2020 edition is the one currently in force, and it differs in three meaningful ways from 2010 — most importantly, DAT was replaced by DPU.

> **Key insight:** Always cite the version. "FCA Santos, Incoterms 2020" is unambiguous. "FCA Santos" alone is not.

Chapter 2 — The four families

The 11 terms divide into four families, alphabetised by their first letter. The E-family contains only EXW. The F-family — FCA, FAS, FOB — keeps main carriage at the buyer's expense. The C-family — CFR, CIF, CPT, CIP — bills the seller for main carriage but transfers risk earlier. The D-family — DAP, DPU, DDP — keeps both risk and cost with the seller until arrival.

A common rookie mistake is to assume the C-family transfers risk on delivery to the buyer. It does not. Under CIF, risk passes when goods cross the ship's rail at the load port, even though the seller pays the freight to the discharge port.

Risk-transfer point per family

FAMILY	TERM	RISK PASSES AT
E	EXW	Seller's premises
F	FCA	Named place of delivery
F	FOB	On board vessel at load port
C	CFR	On board vessel at load port
C	CIF	On board vessel at load port
C	CPT	Handover to first carrier
D	DAP	Named destination, unloaded by buyer
D	DPU	Named destination, unloaded by seller
D	DDP	Named destination, customs cleared by seller

Chapter 3 — FCA — the modern workhorse

FCA — Free Carrier — replaced FOB as the default term recommended for containerised cargo. Why? Because FOB technically requires the seller's risk to extend to "on board" the vessel, but in modern container terminals the seller hands the box to the carrier days before it is loaded.

Under FCA 2020, the buyer can instruct their carrier to issue an on-board bill of lading marked "shipped on board" — closing the documentary gap that previously forced sellers to either pre-finance via FOB or expose themselves to disputes.

For Saudi buyers importing from Brazilian ports, FCA "Santos terminal" with named container yard is now the most common and disputeless option.

Chapter 4 — CIF — the C-family trap

CIF — Cost, Insurance and Freight — sounds like the seller delivers to your port. They do, in a sense, but with a catch: risk passes at load port. If the vessel sinks halfway, the buyer files the insurance claim, not the seller.

The insurance the seller must arrange under CIF is "minimum cover" (Institute Cargo Clauses C). Many buyers wrongly assume "all risks". If you want all-risks cover, instruct CIP with Clauses A.

> **Key insight:** CIF = freight paid by seller, insurance arranged by seller (Clauses C), but risk transferred at load port.

Chapter 5 — DDP — the disguised liability

DDP — Delivered Duty Paid — is the maximum obligation for sellers. They handle every cost and every risk until goods arrive at the buyer's door, with import customs cleared and import duty paid.

It sounds convenient for buyers. But it routinely creates problems: many sellers cannot legally act as importer of record in foreign jurisdictions. In Brazil specifically, only an entity with a CNPJ can clear imports. A Saudi seller cannot "DDP" into Brazil without local representation.

For most cross-border B2B between GCC and Brazil, DAP (or DPU if unloading is wanted) is the cleanest D-family choice.

Chapter 6 — Negotiation playbook

When you see EXW from a Brazilian supplier, push back. EXW shifts every export-related obligation to you, including obtaining the despacho aduaneiro — a process you legally cannot run without a Brazilian customs broker. Insist on FCA at the supplier's gate instead.

When you receive CIF from a Brazilian seller for the first time, ask three questions: which Incoterms version, what insurance clauses, and which port is named. Without all three, the term is ambiguous and any dispute will burn six months in arbitration.

If you are the seller and the buyer requests DDP, counter with DAP and offer to recommend a customs broker. Brokering on behalf of the buyer is fine; becoming the importer of record almost never is.