

Why not to use the incoterms ddp and exworks to export from usa give 3 example

[Business](#)



Why not to use the INCOTERMS " DDP & Exworks" to export from USA? The importance of commercial abbreviated terms in international transportation businesses cannot be overstated. These are useful in underscoring the time at which the buyer takes a certain delivery and the individual that arranges for the relative transportation. Further, the terms are useful in highlighting the place that the payment is made, the price, cost of insurance and freight and so forth. Thus various terms underscore different meanings that have diverse implications on both the sender and the buyer. Seemingly, the terms DDP and Exworks have certain implications that can compromise the economic wellbeing of the sender whenever they are employed when exporting products. For this reason, the USA should refrain from using the terms when exporting from the country.

The term Delivered Duty Paid that is commonly abbreviated as DDP has far reaching implications on the seller of the products, whom in this case is represented by the US exporters. To begin with, it places immense costs on the seller that can otherwise be avoided. In this case, it is worth acknowledging that profit making is at the core of any business transaction. To attain this, costs should always be kept minimal. According to recent research, use of DDP implies that all costs pertaining to on carriage, pre-carriage and main carriage would be shouldered by the seller (Editor 59). For example, the US exporters of vehicle parts to Japan would be required to pay for the on carriage, pre carriage as well as main carriage costs. Comparatively, this would be more expensive than if they would not have quoted the term DPP on the freight.

Fundamentally, Exworks is employed in notifying the buyer that the

respective products which are packed well to meet the export standards are available to the individual buying them, at a specific time and named place. In this respect, it should be appreciated that the buyer is solely responsible the clearance of the exported products (Editors 76). Notably, the buyer may not be in position to carry out and complete all the export formalities either directly or indirectly. This can have direct negative impacts on the exporters who are required to adhere to export compliance regulations at all times. Since the inherent risk is uncertain, the exporters should simply not use the term when exporting from the USA. For example, if the word Exworks is included on the fruits being exported to South Africa, it implies that the exporters would be required to inform the receiver that the goods are packaged well. Supposing the package gets damaged along the way, the exporter would assume responsibility for the same.

The USA exporters should not use the term DPP when exporting from the country because this would require them to assume the entire responsibility of export clearance. Likewise, the additional duties waste not only time but also financial resources that could have otherwise been saved. Costs that are associated with applicable duties, fees and taxes can be saved if the exporters refrain from using this term. For example, an exporter sending electronic devices to any country would be required to pay for the associated taxes, fees and duties. This can be costly especially considering that relative fees, taxes and duties are high.

In sum, the employment of the terms DDP and Exworks has various negative implications on the USA exporters. As it has come out from the preceding analysis, the terms place additional costs on the exporting party.

Undoubtedly, such costs compromise the profit making ability of the country. Also worth mentioning are the economic risks that are associated with the use of terms. Seemingly, besides the financial costs, the procedural risks that stem from compliance concerns are immense. Further, other relative costs associated with applicable taxes, duties and fees can be kept at bay if employment of the terms is kept at bay.

Work Cited

Editors. Incoterms 2010: ICC rules for domestic and international trade terms. USA: ICC Pub, 1999. Print. Available at: http://books.google.co.ke/books/about/Incoterms_2010.html?id=VnZOkvrM4A0C&redir_esc=y