

## INCOTERMS 2020: MAIN CHANGES

*Olegario LLamazares\**

The new Incoterms 2020 are being drafted in the International Chamber of Commerce (ICC) as the body that publishes them since 1930. In the last decades, there has always been a revision of Incoterms Rules coinciding with the first year of each decade 1990, 2000, 2010, which is the latest version and currently in force.

Incoterms 2020 are being drafted by a Committee of Experts (Drafting Group) that for the first time include representatives from China and Australia, although most of the members are European. This Committee meets periodically to discuss the different issues that come from the 150 members (mainly Chambers of Commerce) of the International Chamber of Commerce.

The new Incoterms are expected to appear in the last quarter of 2019, simultaneously with the centenary of the International Chamber of Commerce, and will enter into force on January 1, 2020.

Some of the new issues and changes that would be evaluated to be included in the new edition of the Incoterms 2020 are:

### **Removal of Incoterm FAS**

FAS (*Free Alongside Ship*) is an Incoterm very little used and, in fact, does not contribute almost anything to FCA (*Free Carrier Alongside*) that is used when the merchandise is delivered at the port of departure in the exporter's country. With FCA, the exporter can also deliver the goods at the dock, as in FAS, since the dock is part of the maritime terminal. On the other hand, if FAS is used and there is a delay in the arrival of the ship, the merchandise will be available to the buyer at the dock for several days and, on the contrary, if the ship arrives in advance, the merchandise will not be available for shipment. Actually, FAS is only used for the exportation of some commodities (minerals and cereals) and, in this sense, the Drafting Committee is evaluating the convenience of creating a specific Incoterm for this type of products.

### **Unfold FCA in two Incoterms**

FCA is the most used Incoterm (about 40% of the international trade operations are carried out with this Incoterm) since it is very versatile and allows the delivery of goods in different places (seller's address, land transport terminal, port, airport, etc.) that, most of the times, are in the seller's country. The Committee is thinking about the possibility of creating two Incoterms FCA; one for terrestrial delivery and another for maritime delivery.

## **FOB and CIF for container shipping**

The modification made in the edition of Incoterms 2010 that when the merchandise does not travel in a container, Incoterms FOB and CIF should not be used, but their counterparts FCA and CIP are not being applied by the vast majority of exporting and importing companies, nor by agents involved in international trade (freight forwarders, logistics operators, banks, etc.). This is due to the fact that FOB and CIF are two very old Incoterms (FOB was already used in England at the end of the XVIII century), and the International Chamber of Commerce has not made an effort to transmit this change adequately, which is very important, since approximately 80% of the world trade is made in a container. In the Incoterms 2020 version, it is possible that FOB and CIF can be used again for container shipping, as was the case with Incoterms 2000 and earlier versions.

## **Creation of a new Incoterm: CNI**

The new Incoterm would be denominated as CNI (*Cost and Insurance*) and would cover a gap between FCA and CFR/CIF. Unlike FCA, which would include the cost of international insurance on account of the seller-exporter, and as opposed to CFR/CIF that would not include freight. As in the other Incoterms in "C," this new Incoterm would be an "arrival Incoterm," i.e., the risk of transport would be transmitted from the seller to the buyer at the port of departure.

## **Two Incoterms based in DDP**

As with FCA, DDP (*Delivered Duty Paid*) also generates some problems due to the fact that the customs duties in the importing country are paid by the exporter-seller, regardless of the place of delivery of the goods. For this reason, the Drafting Committee is considering creating two Incoterms based on DDP:

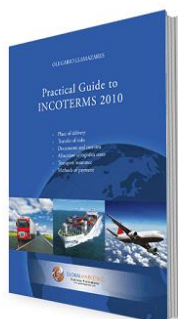
- **DTP (*Delivered at Terminal Paid*)**: when the goods are delivered to a terminal (port, airport, transport center, etc.) in the country of the buyer, and the seller assumes the payment of customs duties.
- **DPP (*Delivered at Place Paid*)**: when the goods are delivered at any place other than a transport terminal (for example, at the buyer's address), and the seller assumes the payment of the customs duties.

In addition to the elimination and creation of some Incoterms, the Drafting Committee is analyzing other issues to include in the new version of the Incoterms 2020. Among them are:

- Transportation security.
- Regulations on transportation insurance.
- The relationship between the Incoterms and the International Sale Contract.

Over the next few months, the Committee will meet periodically to address these and other issues that will eventually be incorporated into Incoterms 2020. Hopefully, the version of Incoterms 2020 that comes into force on January 1, 2020, will serve to facilitate international trade between exporters and importers, adapting to the changes that have occurred in the last decade.

The new Incoterms 2020 would take effect on January 1, 2020, and this version drafted by the International Chamber of Commerce includes some changes in relation to previous versions of Incoterms Rules.



To obtain the eBook about Incoterms Rules click here:  
[Practical Guide to Incoterms](#)

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# NEGOTIATION AND ETIQUETTE GUIDES IN 70 COUNTRIES

How to negotiate and do business in  
**BRAZIL**

**Introduction**  
Brazil is the fifth largest country in the world and the 15th in terms of population. It is a great agricultural power and a major exporter of commodities. Brazil's main exports include soybeans, iron ore, ethanol, coffee, sugar, gold, and copper. Brazil is one of the few countries that are an industrial industry: mostly automobile. Brazil is the largest of the 'big four' power nations: Tom Copeland in China are considered as Brazil.



**KEY FACTS**

POPULATION: 191.1m  
AREA: 8,511,965 sq km  
FORM OF GOVERNMENT: Federal republic (28 states and 1 Federal district)  
GDP PER CAPITA (PPP): USD 1,300  
COUNTRY RISK RATING (Global Risk): Medium-High (AA- to A- B+ C- D)  
CURRENCY: Real (R\$) + 100 cents  
OFFICIAL LANGUAGE: Portuguese

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- Business environment
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- Religion
- Capital
- Main cities
- Telephone code
- Internet code
- National holiday

*Negotiation and Etiquette in Brazil*

How to negotiate and do business in  
**CHINA**

**Introduction**  
China is the most populous country in the world. It is a great agricultural power and a major exporter of commodities. China's main exports include soybeans, iron ore, ethanol, coffee, sugar, gold, and copper. China is one of the few countries that are an industrial industry: mostly automobile. China is the largest of the 'big four' power nations: Tom Copeland in China are considered as Brazil.



**KEY FACTS**

POPULATION: 1,339.9m  
AREA: 9,596,961 sq km  
FORM OF GOVERNMENT: Communist Party of China (CPC)  
GDP PER CAPITA (PPP): USD 1,000  
COUNTRY RISK RATING (Global Risk): High (AA- to A- B+ C- D)  
CURRENCY: Yuan (RMB) + 100 cents  
OFFICIAL LANGUAGE: Chinese

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*Negotiation and Etiquette in China*

How to negotiate and do business in...  
**RUSSIA**

**Introduction**  
Russia is the largest country in the world. It is a great agricultural power and a major exporter of commodities. Russia's main exports include soybeans, iron ore, ethanol, coffee, sugar, gold, and copper. Russia is one of the few countries that are an industrial industry: mostly automobile. Russia is the largest of the 'big four' power nations: Tom Copeland in China are considered as Brazil.



**KEY FACTS**

POPULATION: 142.4m  
AREA: 17,098,246 sq km  
FORM OF GOVERNMENT: Federal republic (81 Federal administrative districts)  
GDP PER CAPITA (PPP): USD 1,000  
COUNTRY RISK RATING (Global Risk): High (AA- to A- B+ C- D)  
CURRENCY: Ruble (RUB) + 100 kopecks  
OFFICIAL LANGUAGE: Russian and others (Chechen, Ukrainian, Armenian, etc.)

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*Negotiation and Etiquette in Russia*

How to negotiate and do business in  
**AUSTRALIA**

**Introduction**  
Australia is the sixth largest country in the world. It is a great agricultural power and a major exporter of commodities. Australia's main exports include soybeans, iron ore, ethanol, coffee, sugar, gold, and copper. Australia is one of the few countries that are an industrial industry: mostly automobile. Australia is the largest of the 'big four' power nations: Tom Copeland in China are considered as Brazil.



**KEY FACTS**

POPULATION: 22.5m  
AREA: 7,688,280 sq km  
FORM OF GOVERNMENT: Federal republic (6 states, 2 territories and 8 independent territories)  
GDP PER CAPITA (PPP): USD 23,500  
COUNTRY RISK RATING (Global Risk): Low (AA- to A- B+ C- D)  
CURRENCY: Australian dollar (AUD) + 100 cents  
OFFICIAL LANGUAGE: English

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*Negotiation and Etiquette in Australia*

How to negotiate and do business in  
**GERMANY**

**Introduction**  
Germany is the seventh largest country in the world. It is a great agricultural power and a major exporter of commodities. Germany's main exports include soybeans, iron ore, ethanol, coffee, sugar, gold, and copper. Germany is one of the few countries that are an industrial industry: mostly automobile. Germany is the largest of the 'big four' power nations: Tom Copeland in China are considered as Brazil.



**KEY FACTS**

POPULATION: 82.3m  
AREA: 357,021 sq km  
FORM OF GOVERNMENT: Federal republic (16 states in Länder)  
GDP PER CAPITA (PPP): USD 37,500  
COUNTRY RISK RATING (Global Risk): Low (AA- to A- B+ C- D)  
CURRENCY: Euro (EUR) + 100 cents  
OFFICIAL LANGUAGE: German

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*Negotiation and Etiquette in Germany*

How to negotiate and do business in...  
**JAPAN**

**Introduction**  
Japan is the 11th largest country in the world. It is a great agricultural power and a major exporter of commodities. Japan's main exports include soybeans, iron ore, ethanol, coffee, sugar, gold, and copper. Japan is one of the few countries that are an industrial industry: mostly automobile. Japan is the largest of the 'big four' power nations: Tom Copeland in China are considered as Brazil.



**KEY FACTS**

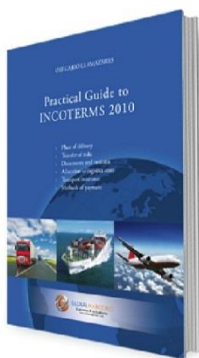
POPULATION: 127.1m  
AREA: 377,837 sq km  
FORM OF GOVERNMENT: Constitutional monarchy (17 prefectures)  
GDP PER CAPITA (PPP): USD 29,400  
COUNTRY RISK RATING (Global Risk): Low (AA- to A- B+ C- D)  
CURRENCY: Yen (JPY) + 100 cents  
OFFICIAL LANGUAGE: Japanese

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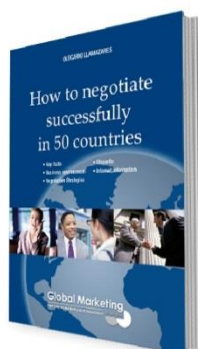
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*Negotiation and Etiquette in Japan*

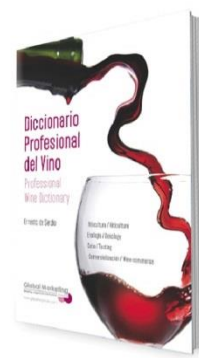
## BOOKS & EBOOKS



*Practical Guide to Incoterms 2010*



*How to negotiate in 50 countries*



*Professional Wine Dictionary*

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