

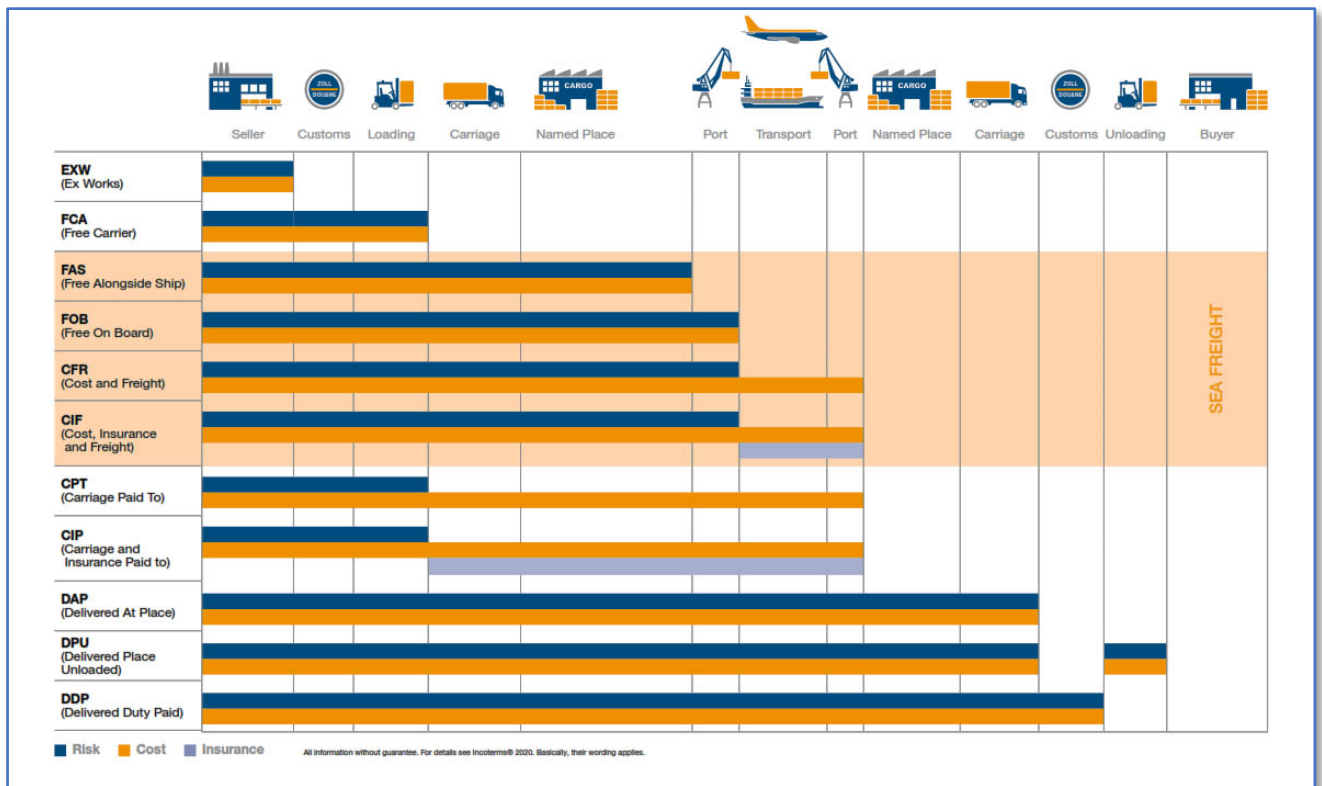


Incoterms® 2020 : now released

This Information Paper provides an overview on the new Incoterms® 2020 which will enter into force on 1st January 2020.

Date: November 2019

The International Chamber of Commerce – ICC - organization has released the Incoterms® 2020 which will enter into force on 1st January 2020.



1. What are Incoterms® rules?

ICC’s Incoterms® rules are the world’s essential terms of trade for the sale and buy of goods. The Incoterms® rules are there to guide you. The Incoterms® rules provide specific guidance to individuals participating in the import and export of global trade on a daily basis. Incoterms® is a registered trademark of ICC to protect the intellectual property rights contained in this resource. They state the responsibilities of buyers and sellers, especially for cross-border transactions, and provide the parties with an internationally consistent interpretation of their obligations, thus helping to avoid misunderstandings and litigation.

2. Who publishes the Incoterms®?

Since its founding in 1919, ICC has been committed to the facilitation of international trade. Different practices and legal interpretations between traders around the world necessitated a common set of rules and guidelines. As a response, ICC published the first Incoterms® rules in 1936. ICC has been maintaining and developing them ever since. This newest Incoterms® 2020 edition will help prepare business for the next century of global trade.

3. Why use Incoterms® rules in international trade?

Although other clauses for global trade exist around the world, such as the Harmonized Tariff Schedule of the United States, Incoterms® rules are global and universal providing clarity and predictability to business.

4. Main differences between the 2010 and 2020 Incoterms®?

Although the layout of the text is very different from Incoterms® 2010, there are very few substantive changes to the meaning of the rules.

The most important changes are:

- The rule DAT Delivered at Terminal (DAT) has been renamed Delivered at Place Unloaded (DPU)
- For Carriage and Insurance Paid (CIP), the level of freight insurance provided is now Institute Clauses (A), and not the lower level Institute Clauses (C). For Cost Insurance and Freight (CIF), the level of freight insurance provided has remained unchanged at Institute Clauses (C).

The rationale is that in general, manufactured goods will require a higher level of insurance cover than commodities

In all cases, the parties may choose to specify a different level of insurance cover within their commercial agreement

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All freight insurance usually excludes consequential loss, e.g. the knock-on effects of buyer missing a contract deadline or a sales season. This risk can sometimes be included by agreement with the insurer.

The risks to be covered should be discussed and then incorporated into the commercial agreement.

The diagram shows that Incoterms 2010 both CIF and CIP map to Institute Cargo Clauses (A), (B), and (C). Incoterms 2020 CIF maps to Institute Cargo Clauses (A), (B), and (C). Incoterms 2020 CIP maps to Institute Cargo Clauses (A) and (B).

	Institute Cargo Clauses		
	(A)	(B)	(C)
Fire, explosion	✓	✓	✓
Vessel sinking	✓	✓	✓
Jettison	✓	✓	✓
Breakage, theft	✓	✗	✗
Washing overboard	✓	✓	✗
War, strikes	✗	✗	✗

Source : IncotermsExplained.com

Cost allocation:

The detail of the precise allocation of costs between seller and buyer has been improved. This is to respond to user feedback that there were increasing disputes about the allocation of costs, especially those in or around the port or place of delivery.

The broad principle is that the seller is responsible for costs incurred up to the point of delivery, and the buyer is responsible for costs beyond that.

5. Incoterms® 2020 can be purchased online

The text (ICC Publication 723) can be obtained from various ICC online bookstores:
<https://icc-switzerland.ch/publications/list-of-publications>

6. How can I learn more about Incoterms® 2020?

There are many trainings available in international trade. Make sure you use one who is up to date and familiar with ICC Incoterms® 2020. The ICC has accredited trainers and training courses.



Supply Chain Operations SA, based in Switzerland, is a specialized healthcare supply chain consultancy firm created in 2011 to serve the bio-pharmaceutical and medtech industry. We bring more than 120 years of end-to-end supply chain expertise to our valued customers.

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