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Incoterms 2020 to be Launched in September 2019

International Chamber of Commerce's ("ICC") registered trademark International Commercial Terms ("Incoterms") are essential for the international sale of goods and therefore, regular updates to Incoterms are necessary in order to meet the commercial life's needs. The latest update to the Incoterms was published by the ICC in 2010 and Incoterms 2010 is still in effect.

The Drafting Committee which for the first time includes representatives from China and Australia, has been founded under the ICC to review the Incoterms. Revisions have been made during the drafting process in order to make sure that the Incoterms are clearly and accurately reflected in the current trade practices. The new Incoterms 2020 are expected to be launched on 17 September 2019 in Argentina by the ICC. Users of the Incoterms will have enough time to adopt and prepare their businesses until the new Incoterms 2020 enters into force on 1 January 2020.

The ongoing discussions about the new Incoterms suggests us that the possible amendments are focusing on FAS, FCA, EXW and DDP Incoterms.

Possible Amendments

◆ Removal of FAS (Free Alongside Ship)

FAS terms are not preferred frequently by traders in the international trade except for carriage of bulk commodities. FAS terms can be replaced with FCA (Free Carrier Alongside) and therefore, it is likely that the Drafting Committee has considered removing FAS Incoterm.

◆ Expansion of FCA (Free Carrier Alongside)

FCA operates around 40% of global trade as being one of the most used type of Incoterms for offering flexibility with the delivery location and being applicable for all types of transportation. One of expected changes of the Incoterms 2020 is the division of FCA into two categories: one for land and the other one for maritime delivery.



◆ Removal of EXW (Ex Works)

The EXW are also expected to be removed on the grounds that they do not serve for foreign trade in general. EXW is usually preferred by enterprises with little export experience or which are not willing take responsibility for after-sales logistic services. Therefore, removing EXW from Incoterms and leaving it to domestic trades may be an option for the Drafting Committee.

◆ Two Incoterms Instead of DDP

DDP (Delivered Duty Paid) might split into two Incoterms. Under the DDP, the customs duties at the importing country are paid by the seller regardless of the location of delivery. Therefore, using DDP terms causes some issues such as responsibility for the import customs' procedure. For this reason, the Drafting Committee may consider the creation of two distinct Incoterms based on DDP: DTP (Delivered at Terminal Paid) and DPP (Delivered at Place Paid). If such change is brought, the seller will still be responsible for the custom duties, but the final delivery place will be clarified.

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