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Recommendations and standards:

Recommendations for approval

Recommendation N°5: Abbreviations of INCOTERMS

Summary

Ensuring that everyone on the supply chain and logistics chain have common trade terms for the transfer of responsibility and liability is essential in international trade. The International Chamber of Commerce (ICC) developed such a tool as early as 1953, which was adopted as the UN Recommendation N°5 in 1974. This revision has been developed in close collaboration with the ICC with its 2020 update. This recommendation provides an overview of these terms; for more detailed applications, it is suggested to consult the material developed by the ICC.

Document ECE/TRADE/C/CEFACT/2020/10 is submitted by the Bureau to the twenty-sixth session of the Plenary for decision.

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I. Preamble

1. The United Nations, through the United Nations Centre for Trade Facilitation and Electronic Business (UN/CEFACT), supports activities dedicated to improving the ability of business, trade and administrative organizations, from developed, developing and transitional economies, to exchange products and relevant services effectively.
2. Its principal focus is on facilitating national and international transactions, through the simplification and harmonization of processes, procedures and information flows, and so contribute to the growth of global commerce.¹
3. The UN/CEFACT program of work emphasises the need for developing recommendations, which simplify and harmonize the current practices and procedures used in international transactions. Within this context, the role of UN/CEFACT is to secure the quality, relevance and availability of code sets and code structures to support its objectives, including managing the maintenance of UNECE Recommendations related to codes. UN/CEFACT has prepared this latest revision of the code list for Recommendation N°5 based on Incoterms ® 2020 as published by the International Chamber of Commerce (ICC).
4. Globalization of the marketplace is taking place rapidly with companies sourcing components in one part of the world, assembling them in another and selling them in yet another. The trend towards transacting business electronically is leading to an increase in the flow of physical goods, and smaller and more frequent shipments of goods and commodities.
5. This globalization of markets has resulted in the growing need for even more efficient and effective information flows across international markets. The solution is to use common procedures and processes based on globally agreed standards. This requires precise mechanisms to define the data and for creating common coding systems to represent specific data items.
6. Incoterms ® 2020 acknowledges the increased use of intermodal transport by distinguishing between terms to be used in any mode or modes of transport and terms to be used in sea and inland waterway transport. The order in which the two Incoterms ® 2020 rules DAT (Delivered at Terminal) and DAP (Delivered at Place) are presented have been inverted so that DAP, where delivery happens before unloading, now appears before DAT. The name of the rule DAT has been changed to DPU (Delivered at Place Unloaded), emphasising the reality that the place destination could be any place and not only a terminal. Incoterms ® 2020 allows for the use of electronic communications to fulfil documentary obligations when this is agreed upon by the parties, or when it is customary.
7. This sixth edition of Recommendation N°5 supersedes and replaces the fifth edition (ECE/TRADE/C/CEFACT/2011/5, May 2011).

II. Recommendation

8. At its sixth session, in March 2000, UN/CEFACT agreed to adopt the following Recommendation. A list of the countries and organizations represented at this session can be found in the UN/CEFACT Report of the Sixth Session (TRADE/CEFACT/2000/32).
9. **The United Nations Centre for Trade Facilitation and Electronic Business (UN/CEFACT) recommends that the abbreviations of the trade terms annexed here be accepted and used by Governments, international organizations and the global business**

¹ From the mission statement of UN/CEFACT.

community whenever these trade terms are referred to in abbreviated form and mutually promote their use in support of a common approach to trade facilitation.

10. This recommendation implies the following:

- that participants in international trade and transport accept and implement the 3-letter abbreviations as an alphabetic code for Incoterms ® 2020;
- that Governments, international organizations and national trade facilitation bodies accept and encourage the implementation of the 3-letter abbreviations as an alphabetic code for Incoterms ® 2020.

III. Scope

11. This Recommendation establishes a common code list for the trade terms known as Incoterms ® 2020. The code list is identical to the trade term abbreviations contained in the ICC publication 723: Incoterms ® 2020, which entered into force 1 January 2020.

IV. Field of application

12. The purpose of Incoterms is to provide a set of international rules for the interpretation of the most commonly used trade terms in foreign trade. Trade terms are used to indicate the division of tasks, costs and risks in the delivery of goods from a seller to a buyer. Thus, using Incoterms, uncertainties caused by varying interpretations of terms in different countries can be mitigated.

13. This Recommendation applies in cases where a coded representation is required to specify trade terms for information exchange between parties involved in international trade and transport. Incoterms ® 2020 applies to contracts of sale and may in turn be reproduced in contracts of carriage, manifests and customs documents.

V. Definitions

14. The following definitions have been adopted for the purposes of this Recommendation:

code: a character string that represents a member of a set of values.

code list: a complete set of code values for a data item.

document: recorded permanent data containing information.

facilitation: the implementation of measures leading to the simplification, standardization and harmonization of the formalities, procedures, documents and operations inherent in international trade transactions.

formality: a set of requirements of an official, commercial or institutional nature.

harmonization: the alignment of national formalities, procedures, documents, information and operations to acceptable international commercial norms, practices and recommendations.

intermodal transport: the movement of goods in one and the same loading unit or vehicle that uses several modes of transport in succession without handling of the goods themselves in changing modes.

multimodal transport: the carriage of goods by at least two different modes of transport.

procedure: the steps to be followed in order to comply with a formality, including the timing, format and transmission method for the submission of required information.

VI. Maintenance and updating

15. This Recommendation shall be maintained by UN/CEFACT in close consultation with the International Chamber of Commerce Commission on Commercial Law and Practice.

16. Proposals for updating the Recommendation should be addressed to the United Nations Centre for Trade Facilitation and Electronic Business (UN/CEFACT), United Nations Economic Commission for Europe, Palais des Nations, CH-1211 Geneva 10, Switzerland or to uncefact@un.org.

17. Draft revisions to this Recommendation shall be issued by UN/CEFACT when required and shall be made available on the UN/CEFACT website.²

18. Draft revisions shall be subject to a public comment period of at least two months. UN/CEFACT heads of delegation shall be notified of the availability of a draft revision and the period for comment. Following the conclusion of the comment period, UN/CEFACT shall address all comments received. Depending on the comments received, a new draft revision shall be issued or a final revision for approval prepared.

19. Final revisions to the body text of this Recommendation shall be approved by the UN/CEFACT Plenary and shall be made available on the UN/CEFACT website.

20. Final revisions to the code lists of this Recommendation shall be approved by UN/CEFACT and submitted to the UN/CEFACT Plenary. These revisions shall be made available on the UN/CEFACT website.

² www.unece.org/cefact

Annex: Incoterms ® 2020

<i>INCOTERMS FOR ANY MODE OR MODES OF TRANSPORT</i>	
EX WORKS (insert named place of delivery) EXW	DELIVERED AT PLACE (insert named place of destination) DAP
A L'USINE (lieu convenu de livraison à insérer)	RENDU AU LIEU DE DESTINATION (lieu de destination convenu à insérer)
FREE CARRIER (insert named place of delivery) FCA	DELIVERED AT PLACE UNLOADED (insert named place of destination) DPU
FRANCO TRANSPORTEUR (lieu convenu de livraison à insérer)	RENDU AU LIEU DE DESTINATION DECHARGE (lieu de destination convenu à insérer)
CARRIAGE PAID TO (insert named place of destination) CPT	DELIVERED DUTY PAID (insert named place of destination) DDP
PORT PAYE JUSQU'A (lieu de destination convenu à insérer)	RENDU DROITS ACQUITTES (lieu de destination convenu à insérer)
CARRIAGE AND INSURANCE PAID TO (insert named place of destination) CIP	
PORT PAYE, ASSURANCE COMPRISE, JUSQU'A (point de destination convenu à insérer)	
<i>INCOTERMS FOR SEA AND INLAND WATERWAY TRANSPORT</i>	
FREE ALONGSIDE SHIP (insert named port of shipment) FAS	COST AND FREIGHT (insert named port of destination) CFR
FRANCO LE LONG DU NAVIRE (port d'embarquement convenu à insérer)	COUT ET FRET (port de destination convenu à insérer)
FREE ON BOARD (insert named port of shipment) FOB	COST, INSURANCE AND FREIGHT (insert named port of destination) CIF
FRANCO A BORD (port d'embarquement convenu à insérer)	COUT, ASSURANCE ET FRET (port de destination convenu à insérer)