

Incoterms® 2020 Rules

December 4, 2019

The fourth of Mercado's six-part training series on global trade dealt with the all-important subject of the 2020 update to Incoterms® Rules. First published by the International Chamber of Commerce in 1936, Incoterms® govern the relationship between an international seller and buyer of goods, and their responsibilities around delivery of merchandise, transportation costs, customs costs, and operational responsibilities related to the shipment of goods.

The 60-minute presentation kicked with a review of the fundamental aspects of Incoterms® Rules and the essential concepts that do not change from update to update. In particular, this part of the presentation focused on the need to include a negotiated Incoterms® Rule in an international sales contract and that said Incoterms® must be explicitly understood by the seller and buyer. From there, the presentation moved on to a comparison and update on what has changed between the Incoterms® 2010 publication versus the 2020 version.

One big enhancement to the Incoterms® 2020 publication is the more explicit treatment of the costs that either the seller or buyer can incur when shipping goods. With a breakdown of costs for each Incoterms® Rule, participants in the webinar were able to gain a more granular understanding of all the costs involved in international goods movement, and how Incoterms® determine who pays for what. Within that framework, attendees also gained insights into who, between the seller and buyer, is responsible for the risk of loss or damage to the goods as they move across the global supply chain.

The presentation wrapped up with an in-depth analysis of each rule and how (if at all), Incoterms® have changed with the 2020 update. Of particular focus was the treatment of the Free Carrier term, as well as the new Incoterms® Rule known as, "Delivered at Place Unloaded" (DPU). Within the analysis, many real-world examples were provided from both an import and export perspective. It was during that period of the webinar that a bevy of questions poured in and Mercado was able to clarify many fundamental points for all participants.

Import Move (Webinar #5) airs live on December 18, 2019 with a subject closely related to Incoterms® Rules — international transportation and customs compliance. With a particular focus on international air and ocean freight, as well as the classification and valuation of goods for customs clearance, this webinar will tie in all previous topics to create a truly integrated approach to importing into the United States.