



**Economic and Social
Council**

Distr.
GENERAL

TRADE/CEFACT/2000/10
25 January 2000

ORIGINAL : ENGLISH

ECONOMIC COMMISSION FOR EUROPE

COMMITTEE FOR TRADE, INDUSTRY AND ENTERPRISE DEVELOPMENT

Centre for the Facilitation of Procedures and Practices
for Administration, Commerce and Transport
Sixth session, 27-30 March 2000
Item 5 of the provisional agenda

DRAFT REVISED RECOMMENDATION NO. 5

ABBREVIATIONS OF INCOTERMS
ALPHABETIC CODE FOR INCOTERMS 2000

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Submitted by the UN/CEFACT Codes Working Group (CDWG) *

This draft revised recommendation is submitted to the Centre for approval.

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I. PREAMBLE

The United Nations through UN/CEFACT (United Nations Centre for the facilitation of procedures and practices for administration, commerce and transport) supports activities dedicated to improving the ability of business, trade and administrative organisations, from developed, developing and transitional economies, to exchange products and relevant services effectively. Its principal focus is to facilitate international transactions, through the simplification and harmonisation of procedures and information flows.¹

The UN/CEFACT work-program emphasises the need for developing recommendations, which simplify and harmonise the current practices and procedures used in international transactions. Within this context, the role of the UN/CEFACT Codes Working Group (CDWG) is to secure the quality, relevance and availability of code sets and code structures to support the objectives of UN/CEFACT, including managing the maintenance of UN/ECE Recommendations related to codes. The CDWG prepared Recommendation No. 5 based on Incoterms 2000 as published by the International Chamber of Commerce (ICC).

Globalisation of the marketplace is taking place rapidly, with companies sourcing components in one part of the world, assembling them in another part of the world and selling them in yet another. The trend towards transacting business through electronic means is leading to more physical goods flows with smaller and more frequent shipments of goods and commodities. This globalisation of markets has resulted in the growing need for even more efficient and effective information flows. The solution to achieving effective information flows across international markets lies in the use of common procedures and processes based on the use of globally agreed standards. Inherent in this approach is the need for precise mechanisms to define the data and for common coding systems to represent specific data items.

Incoterms 2000 takes account of the increased use of intermodal transport by providing for the delivery of goods from seller to buyer at any point in the transport chain instead of concentrating as in past editions of Incoterms, on the moment the goods cross the "ship's rail". The term FCA (Free Carrier) gives a clear definition of the seller's delivery obligation in the country of export, irrespective of the mode of transport.

This fourth edition of Recommendation No. 5 supercedes and replaces the third edition (ECE/TRADE/202, January 1996).

¹ From the mission statement of UN/CEFACT

II. RECOMMENDATION

At its sixth session in March 2000, UN/CEFACT agreed to adopt the following Recommendation. A list of the countries and organisations present at this session can be found in Annex 1.

The Centre for the facilitation of procedures and practices for administration, commerce and transport (UN/CEFACT) recommends that the abbreviations of the trade terms annexed hereto, be accepted and used by Governments, international organizations and business whenever these trade terms are referred to in abbreviated form and mutually promote their use in support of a common approach to trade facilitation.

This implies:

1. *For participants in international trade and transport:*
 - to accept and implement the 3-letter abbreviations as an alphabetic code for Incoterms 2000;
2. *For Governments, international organisations and national trade facilitation bodies:*
 - to accept and encourage the implementation of the 3-letter abbreviations as an alphabetic code for Incoterms 2000.

III. SCOPE

1. This Recommendation establishes a common code list for the trade terms known as "Incoterms 2000". The code list is identical to the trade term abbreviations contained in the ICC publication 560, Incoterms 2000 (effective January 2000).

IV. FIELD OF APPLICATION

2. 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. Thus, the uncertainties of different interpretations of such terms in different countries can be mitigated

3. 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 2000 applies to contracts of sale and may in turn be reproduced in contracts of carriage, manifests and customs documents.

V. DEFINITIONS

4. 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: The complete set of code values for a data item.

document: Recorded permanent data containing information.

facilitation: The implementation of measures leading to the simplification, standardisation and harmonisation of the formalities, procedures, documents and operations inherent to 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 which uses successively several modes of transport without handling of the goods themselves in changing modes.

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

procedure: 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

5. This Recommendation shall be maintained on behalf of UN/CEFACT by the UN/CEFACT Codes Working Group and the International Trade Procedures Working Group (ITPWG) in close consultation with the International Chamber of Commerce commission on International Commercial Practice.

6. Proposals for updating this Recommendation should be addressed to the Trade Facilitation Section, United Nations Economic Commission for Europe, Palais des Nations, CH-1211 Geneva 10, Switzerland.

7. Draft revisions to this Recommendation shall be issued by the CDWG and the ITPWG when required and shall be made available on the Web page under:
<http://www.unece.org/cefact/>

8. 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, the CDWG and ITPWG shall address all comments received. Depending on the comments received, a new draft revision shall be issued or a final revision for approval shall be prepared.

9. Final revisions of this Recommendation shall be approved by the UN/CEFACT Plenary.

ANNEX 1

INCOTERMS 2000

EX WORKS (... named place)	EXW	CARRIAGE AND INSURANCE PAID TO (... named place of destination)	CIP
A L'USINE (... lieu convenu)		PORT PAYE, ASSURANCE COMPRISE, JUSQU'A (... point de destination convenu)	
FREE CARRIER (... named place)	FCA	DELIVERED AT FRONTIER (... named place)	DAF
FRANCO TRANSPORTEUR (... lieu convenu)		RENDU FRONTIERE (... lieu convenu)	
FREE ALONG SHIP (... named port of shipment)	FAS	DELIVERED EX SHIP (... named port of destination)	DES
FRANCO LE LONG DU NAVIRE (... port d'embarquement convenu)		RENDU EX SHIP (... port de destination convenu)	
FREE ON BOARD (... named port of shipment)	FOB	DELIVERED EX QUAY (DUTY PAID) (... named port of destination)	DEQ
FRANCO BORD (... port d'embarquement convenu)		RENDU A QUAI (DROITS ACQUITTES) (... port de destination convenu)	
COST AND FREIGHT (... named port of destination)	CFR	DELIVERED DUTY UNPAID (... named place of destination)	DDU
COUT ET FRET (... port de destination convenu)		RENDU DROITS NON ACQUITTES (... lieu de destination convenu)	
COST, INSURANCE AND FREIGHT (... named port of destination)	CIF	DELIVERED DUTY PAID (... named place of destination)	DDP
COUT, ASSURANCE ET FRET (... port de destination convenu)		RENDU DROITS ACQUITTES (... lieu de destination convenu)	
CARRIAGE PAID TO (... named place of destination)	CPT		
PORT PAYE JUSQU'A (... lieu de destination convenu)			

ANNEX 2

THE GOLDEN RULES OF INCOTERMS

2.1 Explicitly incorporate Incoterms into your sales contracts, eg. "FOB Liverpool Incoterms 2000". Always include the words "Incoterms 2000" in your contracts. Incoterms 2000 came into effect as of January 2000 and applies to any date thereafter.

2.2 Have access to a copy of the full text of the terms and set of definitions, contained in the ICC publication "Incoterms 2000". This can be obtained directly from the ICC Secretariat in Paris, from a local ICC National Committee, or from an international business bookstore or local chamber of commerce. Refer to the ICC Web site:
<http://www.iccwbo.org/>

2.3 Recognize the 13 valid Incoterms, and refer to them by their 3-letter abbreviations. Incoterms are divided into four categories. Each category is identified by the first letter of the Incoterms contained thereunder.

E-TERMS - Departure Terms

- EXW – EX WORKS

F-TERMS - Shipment Terms, Main Carriage Unpaid

- FCA – FREE CARRIER
- FAS – FREE ALONGSIDE SHIP
- FOB – FREE ON BOARD

C-TERMS - Shipment Terms, Main Carriage Paid

- CFR – COST AND FREIGHT
- CIF – COST, INSURANCE AND FREIGHT
- CPT – CARRIAGE PAID TO (named place)
- CIP – CARRIAGE AND INSURANCE PAID TO (named place)

D-TERMS (Arrival Terms)

- DAF – DELIVERED AT FRONTIER
- DES – DELIVERED EX SHIP
- DEQ – DELIVERED EX QUAY
- DDU – DELIVERED DUTY UNPAID
- DDP – DELIVERED DUTY PAID

2.4 Distinguish between those Incoterms which should be used exclusively for traditional maritime transport (eg. bulk goods and commodities loaded over the ship's side), and the more general Incoterms which are appropriate for all modes of transport, particularly containerised and multimodal transport:

All modes of transport

- EXW – EX WORKS
- FCA – FREE CARRIER
- CPT – CARRIAGE PAID TO (named place)
- CIP – CARRIAGE AND INSURANCE PAID TO (named place)
- DAF – DELIVERED AT FRONTIER
- DDU – DELIVERED DUTY UNPAID
- DDP – DELIVERED DUTY PAID

Maritime and inland waterway transport

- FAS – FREE ALONGSIDE SHIP
- FOB – FREE ON BOARD
- CFR – COST AND FREIGHT
- CIF – COST, INSURANCE AND FREIGHT
- DES – DELIVERED EX SHIP
- DEQ – DELIVERED EX QUAY

2.5 Understand that Incoterms are meant for use in the contract of *sale* between buyer and seller, which should not be confused with the related contract of *carriage* between the shipper and carrier / transporter. Traders should give precise directions to their transporters as to the Incoterm they have chosen in a particular contract of sale; this will ensure that the contract of carriage is in conformity with the contract of sale.

2.6 Understand that Incoterms basically cover the transfer of risks and costs between seller and buyer and certain customs and insurance responsibilities. However, several other important conditions of a sales contract may need to be specified in addition to Incoterms. Traders are therefore advised to:

- Specify how delivery will take place, and specifically who must load and who must discharge.
- Specify how much insurance coverage you want, and the geographical and time extent of the insurance coverage (where and when coverage begins and ends).
- Specify any necessary limitations on what kind of transport is appropriate (ie. refrigerated containers, not carried on deck, etc.).
- Make sure that your contract contains force majeure, exoneration, or time-extension clauses if you are responsible for customs clearance or foreign delivery at an inland point.

2.7 Understand that CIF, CFR, CIP and CPT are NOT "arrival contracts"; they are "shipment contracts". This means that the point of transfer of risk with these C-terms is the same as with F-terms: in the country of departure.

2.8 Understand that FOB (Free On Board) is only appropriate where the seller fulfils his obligation to deliver when the goods have passed over the ship's rail at the named port of shipment. The FOB term requires the seller to clear the goods for export. This

term can be used only for sea or inland waterway transport. Where goods are handed over to the carrier for subsequent entry into the ship, for example when the goods are containerised or loaded in lorries or wagons, the term FCA should be considered.
