

Recommendation 5

ABBREVIATIONS OF INCOTERMS ***Alphabetic Code for Incoterms 1990***

At its third session, in October 1974, the Working Party on Facilitation of International Trade Procedures agreed on the need for an internationally established standard for transmitting in coded form the widely used and accepted trade terms established by the International Chamber of Commerce known as “INCOTERMS 1953”. It was also agreed that there was a need for an international standard for abbreviations of these trade terms. The Working Party adopted the following Recommendation:

RECOMMENDATION

The Working Party on Facilitation of International Trade Procedures,

Being aware of the need of an international code for ADP use applicable to internally accepted trade terms and of an international standard for abbreviations of such trade terms,

Recommends that the abbreviations of the trade terms annexed hereto be accepted and used by Governments and international organizations whenever these trade terms are referred to in abbreviated form and that their general acceptance and use is promoted;

Further recommends that the abbreviations be used for coding purposes until a code of trade terms has been agreed for modern data transmission and processing of information pertaining to international trade.

At the third session of the Working Party representatives attended from:

Austria; Belgium; Bulgaria; Canada; Czechoslovakia; Denmark; Finland; France; German Democratic Republic; Germany, Federal Republic of Hungary; Italy; Netherlands; Norway; Poland; Romania; Spain; Sweden; Switzerland; Union of Soviet Socialist Republics; United Kingdom; and United States of America. Representatives from Japan and Nigeria participated under Article 11 of the Commission’s terms of reference.

The session was attended by representatives of the following international organizations: General Agreement on Tariffs and Trade (GATT); International Air Transport Association (IATA); International Chamber of Commerce (ICC); International Chamber of Shipping (ICS); International Federation of Freight Forwarders Associations (FIATA); International Maritime Organization (OMI); International Organization for Standardization (ISO); International Union of Railways (UIC); Office central des transports internationaux ferroviaires (OCTI). Also present at the invitation of the secretariat were staff officials of the Council for Mutual Economic Assistance (CMEA); the European Communities (EC) and the European Free Trade Association (EFTA).

The list of codes for abbreviations of INCOTERMS was included in the Trade Data Elements Directory (UNTDDED) and subsequently completed by the addition of terms which came into force in 1967, 1976 and 1980. The revised list of abbreviations of INCOTERMS is based on ICC Publication No. 460 “INCOTERMS 1990” and entered into force on 1 July 1990.

Recommendation No. 5, third edition, adopted by the Working Party on Facilitation of International Trade Procedures, Geneva January 1996, ECE/TRADE/202 [Edition 96.1].

INCOTERMS 1990

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

THE GOLDEN RULES OF INCOTERMS

1. Explicitly incorporate Incoterms into your sales contracts, as by the specific mention “FCA....Incoterms 1990”. Always include the words “Incoterms 1990” in your contracts.

2. Have access to a copy of the full set of definitions, contained in the ICC publication “Incoterms 1990”. These can be obtained directly from the ICC Secretariat in Paris, from a local ICC National Committee, or from an international business book store or local chamber of commerce.

3. Recognize the 13 valid Incoterms, and refer to them by their 3-letter abbreviations:

- EXW – EX WORKS
- FCA – FREE CARRIER
- FAS – FREE ALONGSIDE SHIP
- FOB – FREE ON BOARD
- CFR – COST AND FREIGHT
- CIF – COST, INSURANCE AND FREIGHT
- CPT – CARRIAGE PAID TO (named place)
- CIP – CARRIAGE AND INSURANCE PAID TO (named place)
- DAF – DELIVERED AT FRONTIER
- DES – DELIVERED EX SHIP
- DEQ – DELIVERED EX QUAI
- DDU – DELIVERED DUTY UNPAID
- DDP – DELIVERED DUTY PAID

Note that the terms “FOB Airpot” and “FOR/FOT” (free on rail/free on truck) have been replaced by the more general term FCA. Avoid other non-standard variations, such as “franco (named place)”, “free (named place)”, or C&F.

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

Maritime – Only use FAS, FOB, CFR, CIF, DES and DEQ for traditional maritime transport (goods lifted over the ship's side).

Containerized/multimodal/general – Use EXW, FCA, CIP, CPT, DAF, DDU and DDP for all modes of transport.

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.

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:

- a) Specify how delivery will take place, and specifically who must load and who must discharge.
- b) Specify how much insurance coverage you want, and the geographical and time extent of the insurance coverage (where and when coverage begins and ends).
- c) Specify any necessary limitations on what kind of transport is appropriate (i.e., refrigerated containers, not carried on deck, etc.).
- d) 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.

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.