

Incoterms® 2020 and football team

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Abstract:

Incoterms are the International Chamber of Commerce (ICC) rules that explain the trade terms in the contract for sale of the goods. Incoterms® 2020 includes 11 rules and officially take effect from January 1, 2020 to replace Incoterms® 2010.

Football is the King and the most attractive sport around the world, playing under the Football Law of the International Federation of Association Football (FIFA). The official and most popular football matches regulate the number of players per team on the stadium is 11 players.

Incoterms rules are often difficult to understand, remember and use effectively. The article gives a way of looking at the 11 Incoterms® 2020 rules like 11 players in a football team so that businesses can easily understand, remember and use more effectively.

Keywords: Incoterms, football.

Introducing Incoterms

Incoterms are rules of the International Chamber of Commerce (ICC) to explain the trade terms in contracts of sale. Incoterms was first published with the 1936 version and has been continually revised to accommodate changes in commercial practices with 1953, 1967, 1976, 1980, 1990, 2000, 2010 and 2020 versions.

Incoterms 2000 classify the 13 Incoterms into four groups, namely E, F, C and D (the group name is the first letter of the terms) are sorted in ascending order of the seller's obligation.

Incoterms®¹ 2010 replaces Incoterms 2000 (with 13 terms) by replacement of 03 terms (DAF, DES, and DDU) by DAP rule², and of DEQ term by DAT rule, so consist of 11 rules.

Incoterms® 2020 remain 11 rules as Incoterms® 2010 with the replacement of the DAT by DPU.

¹ Since version 2010, signal ® is added to "Incoterms" (Incoterms®) in order to show "Incoterms®" is a registered trademark of the International Chamber of Commerce

² Since Incoterms® 2010, ICC replaces "term" with "rule". E.g. "FOB rule" replaces for "FOB term"

Like Incoterms® 2010, 11 Incoterms® rules 2020 are divided into 2 groups:

Some common mistakes when using Incoterms

(1) Not used for domestic contracts

"Incoterms" stands for "International commercial terms", and Incoterms were first published to apply to international trade. However, Incoterms can also be applied to domestic contracts by reference in the contract. In practice, international sales contracts that require goods to be transported from one country to another mostly use Incoterms while domestic sales contracts very rarely use Incoterms.

(2) Using abbreviations not found in Incoterms

In practice, many people have abused various abbreviations of the term "Cost and Freight" such as: C&F, C and F, CNF, C+F, CF. When such abbreviations are used in a contract of sale, the parties may understand that it stands for "Cost and Freight", but may not agree on the obligations of the parties as in the Incoterms CFR rules.

(3) Inappropriate rules being used for the chosen mode of transport

Table 1: Groups of Incoterms 2000

Group E- Departure	EXW- Ex Works
Group F- Main carriage unpaid	FCA- Free Carrier FAS- Free Alongside Ship FOB- Free On Board
Group C- Main carriage paid	CFR- Cost and Freight CIF- Cost, Insurance and Freight CPT- Carriage Paid To CIP- Carriage and Insurance Paid To
Group D- Arrival	DAF- Delivered At Frontier DES- Delivered Ex Ship DEQ- Delivered Ex Quay DDU- Delivered Duty Unpaid DDP- Delivered Duty Paid

Table 2: Groups of Incoterms® 2020

Rules for any mode or modes of transport	Rules for sea and inland waterway transport
EXW- Ex Works FCA- Free Carrier CPT- Carriage Paid To CIP- Carriage and Insurance Paid To DAP- Delivered At Place DPU- Delivered At Place Unloaded DDP- Delivered Duty Paid	FAS- Free Alongside Ship FOB- Free On Board CFR- Cost and Freight CIF- Cost, Insurance and Freight

In practice, in many cases, the parties use a rule for sea and inland waterway transport for a mode of transport other than sea or inland waterway transport, such as FOB Tan Son Nhat Airport. A survey showed that 17% of respondents used FOB rule for ocean containers transport, 10% for air transport and 22% for railway or road transport. (Jonathan Davis, 2021)

(4) Not updating to new versions of Incoterms

So far, the International Chamber of Commerce has published 9 versions of Incoterms, however, many businesses still have the habit of using trade terms explained in the old versions, not in the latest version. A survey of 1,000 forwarders in 2014 found that no less than 14% of those surveyed were still using C&F (replaced by CFR from Incoterms 1990) and 23% were using DDU (replaced by DAP from Incoterms® 2010). (Stapleton et al., 2014). Another survey showed that over half the respondents reported using outdated versions of Incoterms® rules rather than the current 2020 version. (Jonathan Davis, 2021)

Although the new version does not invalidate the previous version, that is, the parties can use any version of Incoterms by referring to it in

the contract of sale. However, later versions are revised and supplemented to be more suitable with commercial practice and also more rigorous and clear than previous versions.

(5) Use only 1 or 2 rules for every transaction

Businesses tend to use only 1 or 2 Incoterms rules in all import and export transactions. For example, all export transactions default to FOB terms, and imports default to CIF terms. The lack of flexibility to change Incoterms rules according to the market situation, needs and capacity of customers has made enterprises lose benefits and face many risks in import and export transactions.

Incoterms® 2020 correspond to the football team

Arranging 11 Incoterms® 2020 rules in 4 groups E, F, C and D such as Incoterms 2000, one could find a close accordance with 11 players in 4 lines in the football team: Goalkeeper, Defenders, Midfielders and Forwards.

Let's assume a tactical arrangement of the football team according to the following principles:

(1) The lower/ higher seller's obligations in the rules correspond to the lower/ higher player's position in the football team.

(2) Rules can be used for any mode or modes of

Table 3: Incoterms® 2020 Football team

Group	Line	Rule	Position
E	Goalkeeper	EXW	Goalkeeper
F	Defenders	FCA	Central Defender
		FAS	Left Defender
		FOB	Right Defender
C	Midfielders	CFR	Left Midfielder
		CIF	Right Midfielder
		CPT	Defensive Midfielder
		CIP	Attacking Midfielder
D	Forwards	DAP	Left Forward
		DPU	Right Forward
		DDP	Striker

transport match players in the central area. Rules can be used only for sea and inland waterway transport mode match players in the wings.

(3) Tendency for left wing defense, right wing attack (because most players are right-footed, usually right wing stronger than left). Rules with a higher/ lower obligation of the seller correspond to the players at the right/ left.

There is a look matching 11 Incoterms® 2020 rules and 11 players in the football team as shown in table and layout below:

Goalkeeper EXW

EXW is the Incoterms® rule which imposes the least set of obligations on the seller because the seller has just delivers the goods to the buyer at his promise (works, factory, farm, warehouse...) or another named place and not obliged to load the goods on any collecting vehicle, nor to clear the goods for export (if applicable). EXW rule is considered as a goalkeeper which stands at the lowest position in the team.

Small businesses, inexperienced in exporting are suitable for selling under EXW to limit risks. However, the business will not be able to control the goods in the same way as the goalkeeper cannot control the ball as it moves on the pitch.

Wing Defenders FAS and FOB

FAS and FOB rules are to be used only for sea and inland waterway transport, in which FAS seller (Free Alongside Ship) has lower obligations than

FOB seller (Free On Board). Therefore, FAS is a left defender with a lower position than FOB is a right defender.

Center Defender FCA

FCA rule may be used for any mode or modes of transport and place of delivery can be at the seller's premises or another place. Just like that, FCA will be a center defender, can get back to the goal area to support goalkeeper or go out to sweep (sweeper) or to launch offensive (playmaker) like a fullback.

When shipping by containers or not by sea and inland waterways, FCA will be a suitable substitute for FAS and FOB. Similarly in football, when it is necessary to switch from defense or or attacking at wing to the center, the task needs to be transferred from the wing defenders FAS or FOB to central defender FCA.

Wing midfielders CFR and CIF

CFR and CIF rules are to be used for only sea and inland waterway transport and the CFR seller (not obliged to contract insurance for goods) has a lower obligation than CIF seller (obliged to contract insurance for goods).

Corresponding to football, player CFR takes on the role of left midfielder who plays in lower position, while player CIF plays the role of right midfielder who plays in higher position in the field.

Central Midfielders CPT and CIP

CPT and CIP rules may be used for any mode or

Layout 1: 11 players in Incoterms® 2020 football team



modes of transport, in which the seller in CPT rule (not obliged to contract insurance for goods) has a lower obligation than in CIP (obliged to contract insurance for goods). So in the football team, CPT takes on the role of defensive midfielder who usually plays in lower position- while CIP plays the role of attacking midfielder who usually plays in higher position.

When delivering by container or transport mode is other than sea and inland waterway, CFR and CIF rules are inappropriate, so CPT and CIP rule should replace it respectively. Similarly, in football, when it is necessary to switch from defense or attacking at sideline to the center, the task needs to be transferred from the wing defenders CFR or CIF to central defenders CPT and CIP, respectively.

Striker DDP

Contrary to the EXW seller who has a minimum obligation, the DDP seller has the maximum obligation in delivering cleared for import goods at the destination to the buyer. Therefore, player DDP will stand in the center and at the highest position of the team as a striker.

The striker DDP is easy to fall into an offside position when receiving the ball, so the DDP seller is also vulnerable to the risk of not being able to

clear the import of goods into the buyer's country.

Wing Forward DAP and DPU

The DAP seller's obligations (Delivered At Place not unloaded) are lower than that of the DPU seller (Delivered at Place Unloaded), so DAP is a left wing forward with lower position and DPU is a right wing forward with higher position.

If the seller wants to bear the risk and costs of unloading, DPU should be used instead of the DAP. Like in football, intending to approach the goal closer, the forward DAP should pass the ball from the left to the right to forward DPU.

In the case the seller is unable to obtain import clearance directly or indirectly, DAP or DPU should be used instead of DDP. The same in football, if the DDP striker is unable to score a goal (because of being attached, or offside), the ball should be passed to the forwards DAP or DPU to shoot a goal.

Some recommendations for businesses

(1) Use Incoterms for both domestic and international sales contracts

Incoterms can be used for both international and domestic contracts just as the FIFA rules of football apply regardless of whether it is an international or domestic football match.

The use of Incoterms for domestic contracts helps

businesses save time, costs and effort in negotiating, drafting contracts and prevent disputes. Besides, businesses will be familiar with and effectively use Incoterms, which will make export or import transactions more efficient in the future.

When using Incoterms for domestic contracts, the provisions on import and export customs clearance are no longer valid. The DPU rule thus becomes the rule with the maximum seller's obligation. Thus, in the football team, the forward DPU will become a striker instead of DDP.

(2) Use the abbreviation of trade terms in the contract identical to the abbreviation of the Incoterms rules

Each player on a football team is registered with a specific name and number. Likewise, each Incoterms rule is officially abbreviated by three capital letters. When specifying trade terms in a contract, it is important to use the correct abbreviation of the relevant Incoterms rule to ensure that the rule will be used to interpret the trade terms of the sales contract.

(3) Use Incoterms rules which are appropriate to the applicable mode of transport

In the football team, FAS and FOB rules are 2 wing defenders and CFR and CIF rules are 2 wing midfielders. Similarly, FAS, FOB and CFR, CIF rules are only suitable for sea and inland waterway transport when delivering goods at the port of loading. When the mode of transport is road, rail, air or multimodal transport, the rules FAS, FOB to FCA, CFR to CPT and CIF to CIP should be replaced. This replacement does not change the basic obligations of the seller and the buyer, but also helps the provisions of Incoterms become more relevant to the mode of transport.

(4) Use the latest version of Incoterms to be consistent with current commercial practice

The football rules are always changed to better suit and respond to reality, such as applying VAR technology to football. Incoterms are also always updated with new versions to suit commercial practice. Therefore, businesses should also use the latest version (currently Incoterms® 2020 to meet the requirements of current commercial practice.

(5) Flexible use of Incoterms rules in accordance with the capabilities, needs of the parties and the market situation

The Football Team Incoterms® 2020 with 1-3-4-3 tactic, plays an attacking football (3 forwards), controlling central area (4 midfielders) and represents the total football (4 midfielders can advance to support for forward line or back to support for defender line). The coach of a football team needs to get all 11 players involved in the attack and defense depending on his own teams as well as the opposing team's strengths, weaknesses, and on the situation in the match.

Similarly, businesses should also focus on using the 4 rules of group C to control the process of transporting goods to the destination. In addition, businesses also need to flexibly switch to using both E, F or D group rules depending on their own and customers capabilities, as well as other factors such as commodity, transportation and insurance market situation, risks in the journey, regulations on customs clearance, etc.

In summary, by attaching 11 Incoterms® 2020 rules to the football team, helping Incoterms® users who are football fans can easily understand, remember and use Incoterms more effectively in domestic and commercial transactions and international ●

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