

Client Alert

October 2019

New Incoterms 2020 Has Been Released

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The Incoterms rules were first introduced by the International Chamber of Commerce ("**ICC**") in 1936 to simplify communication terms and establish commonly accepted definitions and rules related to the delivery of goods between trading partners worldwide. Following the introduction of Incoterms, these Incoterms were renewed several times, i.e., in 1957, 1967, 1976, 1980, 1990, 2000 and 2010.

Finally, in September 2019, the ICC released a new version of Incoterms, i.e., Incoterms 2020 which will become effective on 1 January 2020. While Incoterms 2020 is currently the most up-to-date version of the trade terms, the existing Incoterms 2010 is still in effect for those using them. In other words, unless a contract is entered into on or after 1 January 2020 then Incoterms 2020 will apply to the contracts unless stipulated otherwise.

The Introduction of Incoterms 2020 provides more detailed guidance on how to elect appropriate Incoterms for relevant transactions. However, as previous practice, traders are free to adopt the Incoterms as they believe suitable for their business.

There are few substantive changes in Incoterms 2020 from Incoterms 2010. Some Incoterms were renamed and the others were removed. Some new Incoterms are also established to accommodate the business development and real practice.

For the next few months, the drafting committee will regularly meet to evaluate and address issues related to among other matters (i) transportation security, (ii) regulations on transportation insurance and (iii) the relationship between Incoterms and the International Sale Contract that will be included into Incoterms 2020. Some said, it is expected that Incoterms 2020 will better facilitate international trade and cope with dynamic changes of trading in the last decade.

One key take away is that the business actors may need to review and re-consider their supply chain structure if they want to follow Incoterms 2020.



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