

Positive Changes and Remaining Shortcomings of Incoterms®2020

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Abstract: With the deepening of reform and opening up, China has become the world's second largest economy. The huge volume of trade highlights the importance of understanding and familiarizing oneself with relevant trade rules. International Commercial Terms published by the International Chamber of Commerce is currently the most widely accepted and authoritative commercial practice in the world. When parties enter into international trade contracts, they often refer to relevant trade terms to regulate some of the rights and obligations of buyers and sellers. Therefore, it is necessary to study this general rule. The International Chamber of Commerce officially launched *Incoterms®2020* in January, 2020, which requires both trading parties trade with each other according to it. By analyzing the positive changes and remaining shortcomings of *Incoterms®2020* will have a significant impact on both sides of trade. And how to correctly select and apply *Incoterms®2020* in the contract based on specific trade scenarios in negotiation and contract negotiation work will enable domestic trade enterprises and practitioners to prepare in advance for the use of the new general rules, thereby reducing the probability of improper use of trade terms and reducing transaction risks and additional costs caused by improper use of trade terms. As is mentioned above, the paper is organized for the purposes of providing reference and inspiration for parties engaged in international commercial activities both domestically and overseas.

Keywords: *Incoterms®2020*, Changes, Insufficiency, Trade terms.

1. Introduction

The continuous development of the global economy has led to a dramatic increase in space and efficiency when trading goods, and the complexity has also increased accordingly. In order to facilitate the parties to enter into contracts and reduce misunderstandings and disputes, the International Chamber of Commerce first compiled standard trade terms for the parties to choose from in 1936. To reflect the latest developments in international trade, it has been revised 71 times so far. *Incoterms®2020* announced in September 2019 has officially come into effect on January 1, 2020. The International Chamber of Commerce believes that citing this rule in goods sales contracts can clearly define the corresponding obligations of the parties in terms of risk, cost, transportation, and customs clearance arrangements, thereby reducing the possibility of potential legal disputes.

2. Introduction and Historical Evolution of Incoterms

The International Commercial Terms (Incoterms) are rules for interpreting the most commonly used trade terms in international trade, compiled and revised by the International Chamber of Commerce, an international civil society organization. The purpose is to promote the development of international trade and investment by formulating unified international rules, guidelines, and standards. Currently, Incoterms, as one of the most widely accepted and applicable commercial practices in the international community, has a significant impact on industries such as e-commerce and international shipping practices.

Since Incoterms first publication in 1936, the International Chamber of Commerce has published revised versions in 1957, 1967, 1976, 1980, 1990, 2000, and 2010, respectively,

with the aim of adapting to significant changes in business practice rather than simply facilitating user use. The first version of Incoterms rules focused on commodity trading and ship side delivery, with the boundary point for risk transfer being when goods cross the ship's rail. After World War II, international railway transportation developed rapidly. Therefore, in 1957, when the Incoterms were first revised, two terms specifically for railway transportation were added, namely, FOR (Free on Rail) and FOT (Free on Truck). The 1967 version added transaction rules for the seller to be responsible for delivering goods, while the 1976 version added the term FOB for air transportation. In the 1980 version, the term Free Carrier (Named Point) was added to address the delivery issue of goods in container transportation. This term was abolished from previously applicable terms for specific modes of transportation in the 1990 version and modified to the current commonly used term FCA (Free Carrier). At the same time, the 1980 version also added the term CIP for inland transportation, which corresponds to the maritime term CIF. It can be seen that all previous revisions of Incoterms rules mainly reflect the development of goods trade, especially transportation, to adapt to changes in business practices. The birth of *Incoterms®2010* is different from the reasons for the changes in the aforementioned rules. The main reason for the revision is that the 2000 version of the rules is not clear enough, and there are often errors in using maritime terms for inland transportation in practice. Therefore, in *Incoterms®2010*, all 11 terms were divided into two categories, which is terms applicable to all modes of transportation and terms applicable to sea and inland waterway transportation. The former is mainly used for trade in manufactured goods, while the latter is mainly used for commodity trading. The purpose of adopting this classification is to enable contracting parties to choose appropriate trade terms.

3. Background and Features of *Incoterms*®2020

From *Incoterms*®2020, the scale and complexity of international trade have further expanded and improved, and changes in the international situation have also made the risks faced by goods trade more unpredictable. The latest revisions mainly take into account the increasing attention of the international community to safety issues in the transportation of goods, the need to flexibly arrange insurance based on the nature of the goods and transportation methods, and the requirements of banks for shipped bills of lading in specific goods sales financing under FCA terminology. Meanwhile, *Incoterms*®2010 did not specify the identification issue for multiple carriers. In its introduction and relevant user explanations, it is clearly stipulated that the use of different trade terms in the presence of multiple carriers may have an impact on the delivery time of goods, in order to solve the problem of carrier identification in multimodal transportation. In order to emphasize the differences in unloading responsibilities between DAT and DAP, the previous DAT (Delivered at Terminal) will be modified to DPU (Delivered at Place Unloaded), and the DPU term will be adjusted after DAP based on the order of the seller's responsibility from small to large.

After the latest revision, there are 7 terms applicable to all modes of transportation, namely 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). There are four terms applicable only to sea and inland waterway transportation, namely FAS (Free Alongside Ship), FOB (Free On Board), CFR (Cost and Freight), and CIF (Cost, Insurance and Freight). Modified *Incoterms*®2020 is more detailed, the rule structure arrangement is more reasonable, and it is more conducive for the parties to choose appropriate trade terms, making international trade more efficient and orderly. As a widely accepted international practice, Incoterms do not have a general mandatory effect, unlike international treaties or domestic laws and regulations signed by China. Unless the parties explicitly use Incoterms in the contract or agree to refer to their rules, the rules do not necessarily have binding force between the parties. Furthermore, Incoterms cannot replace the international trade contract itself. Although it stipulates many rights and obligations of buyers and sellers, especially general rules related to delivery, risk transfer, cost sharing, transportation, insurance, import and export customs clearance, they do not include core content such as product description, price and payment of goods, and selection of transportation methods in international trade contracts. However, if the parties choose the Incoterms in international trade contracts, There is no need to conduct detailed negotiations on the specific matters involved in the rules. The agreed Incoterms can become an important component of the international trade contracts negotiated by the parties. As an international commercial practice, *Incoterms*®2020 does not affect the effectiveness of the old version of the rules, nor will it completely replace the application of the old version of the rules. The parties have the right to decide whether to agree to apply the new version or an old version of the rules in the international trade contract. If the parties do not have a clear version of the applicable rules and adopt the standard contract model after the new version takes effect, the latest version of the rules will be applied by

default. Therefore, if the parties intend to avoid the application of the new version of the rules, they must clearly choose to apply a certain version of the rules to avoid unnecessary disputes.

4. Changes of *Incoterms*®2020

Compared to the version in 2010, *Incoterms*®2020 not only has made significant adjustments to the ranking of obligations between buyers and sellers (see table below), but its obligations have also undergone substantial changes. They can be manifested in the following nine aspects.

4.1. On Board Annotated Bill of Lading Under FCA

According to *Incoterms*®2020, the FCA term is used for single or multiple modes of transportation. Assuming that the goods are picked up by a road transport vehicle designated by a foreign buyer in Shijiazhuang, Hebei (inland location), it is not realistic to expect the carrier to issue a bill of lading with an on board notation for shipment in Shijiazhuang, as there is no seaport in Shijiazhuang and the vessel cannot arrive there for shipment. But if the seller chooses to export to Shijiazhuang in FCA and the bank collection or letter of credit requires the seller to submit a bill of lading with an on board notation, the bill of lading must indicate that the goods have been loaded on board at Tianjin Port and also indicate that the goods have been received and ready for shipment in Shijiazhuang. To meet the potential needs of both buyers and sellers for shipped bills of lading when using FCA terminology for export, *Incoterms*®2020 provides optional mechanisms for the first time in FCA. If the goods are shipped in FCA and the transaction is carried by sea, the seller or buyer, or more likely the issuing bank of the letter of credit, requires the use of an on board annotated bill of lading. However, delivery under FCA is completed before the goods are loaded on board, and it is uncertain whether the seller can obtain the on board bill of lading from the carrier, as the buyer designates the carrier under this term. According to the transportation contract, the carrier may only issue an on board bill of lading after the goods are actually loaded on board. In order to meet this situation, *Incoterms*®2020 provides an additional option in FCA for A6/B6, According to FCA's A6 regulation, that is, "If the buyer instructs the carrier to issue a transportation document under B6 to the seller, the seller must submit this document issued by the carrier to the buyer. The buyer and seller can agree that the buyer must instruct their carrier to issue an on board bill of lading to the seller after the goods are loaded on board, and then the seller is obligated to submit the on board bill of lading to the buyer through a bank." The International Chamber of Commerce also recognizes that although the combination of on board bills of lading and FCA delivery may not be appropriate, it can still meet the obvious needs in trade. However, it should be emphasized that even if this optional mechanism is adopted, the seller does not have any obligation to the buyer under the transportation contract.

The advantage of the above changes is that while meeting the seller's obligation to complete delivery inland, it can not only provide the seller with a bill of lading to control the payment, ensuring that the payment will not be lost, but also provide the buyer with proof that the goods have been loaded on board, controlling the carrier and the goods. At the same

time, the issuing bank also has a pledge guarantee for the payment it undertakes.

Comparison of *Incoterms*®2010 and *Incoterms*®2020 in Obligations between Buyers and Sellers

<i>Incoterms</i> ®2010	<i>Incoterms</i> ®2020
A1/B1 General obligations	A1/B1 General obligations
A2/B2 Licenses, authorizations, security clearances and other formalities	A2/B2 Delivery/Taking delivery
A3/B3 Contracts of carriage and insurance	A3/B3 Transfer of risks
A4/B4 Delivery/ Taking delivery	A4/B4 Carriage
A5/B5 Transfer of risks	A5/B5 Insurance
A6/B6 Allocation of costs	A6/B6 Delivery/transport document
A7/B7 Notice to the buyer/ seller	A7/B7 Export/import clearance
A8/B8 Delivery document/Proof of delivery	A8/B8 Checking/packaging/markings
A9/B9 Checking-packing-marking/Inspection of goods	A9/B9 Allocation of costs
A10/B10 Assistance with information and related costs	A10/B10 Notices

4.2. Different Types of Insurance Insured Under CIF and CIP

In *Incoterms*®2010, both CIF and CIP stipulates that the seller is obligated to insure the goods at their own expense. This insurance must at least comply with the (C) insurance of the ICC(UK) or similar minimum insurance ICC (C).

ICC (C) in the UK is the smallest coverage, while ICC (A) insurance is the insurance with the largest coverage. In *Incoterms*®2020, during formulation period, it is suggested that the insurance coverage under CIF and CIP should be changed from ICC (C) insurance in the UK to (A) insurance, in order to increase the insurance coverage for the buyer's benefit. Of course, this will increase the seller's premium expenses, thereby increasing the price of the goods and potentially reducing the seller's competitiveness. On the contrary, the suggestion to continue maintaining ICC (C) insurance is equally strong, especially for traders involved in bulk commodity sea freight transactions. After extensive discussions, the International Chamber of Commerce has decided to specify different minimum risks in CIF and CIP. CIF is more likely to be used for maritime bulk commodity trade, although both parties can still freely agree on higher risks, maintaining ICC's (C) or similar risks as an implied position. In CIP terminology, according to *Incoterms*®2010, the seller must now purchase ICC (A) insurance or similar insurance, although both parties can still freely agree on lower insurance.

Although the above changes may lead to an increase in the cost of insurance premiums for sellers under CIP, the current global premium rate is constantly decreasing, making this cost negligible. Sellers can allocate this cost to the price of the goods and pass it on to the buyer, providing higher risk protection for the buyer without increasing the burden on the seller.

4.3. Under EXW, FCA, DAP, DPU, and DDP, Own Transportation Tools Used for Goods Transportation

In *Incoterms*®2010 and previous rules, it has always been established that in the case of goods being transported from the seller to the buyer, the goods will be transported by a third-party carrier hired by the seller or buyer for this purpose based on different terminology used. However, there are still

problems in formulating the second and *Incoterms*®2020. Although the *Incoterms*®2020 have made many positive changes that are closer to international trade and transportation practices on the basis of the *Incoterms*®2010, the applicability of FOB in container transportation business remains unresolved. Under FOB terms, when the goods are safely loaded on board at the port of shipment, the risk is transferred from the seller to the buyer, and the seller completes the obligation of delivery. However, when the goods are transported in containers, the seller loses control of the goods when it sends the goods into the container yard at the port according to the instructions of the carrier designated by the buyer or the freight forwarder. Afterwards, the goods are actually controlled by the carrier designated by the buyer or the freight forwarder. The seller actually lost control of the goods much earlier than the risk transfer and completion of delivery time. It is obviously unfair for the seller to share the risk while unable to control the goods. In addition, the corresponding insurance purchased by both the buyer and seller may not cover the risk of containerized goods entering the storage yard to the safe loading area. Once the goods are insured within this interval, the international transportation cargo insurance purchased by the buyer will not compensate the buyer if the buyer does not enjoy the insurance benefits. The seller is not the legal holder of the insurance policy purchased by the buyer, and the insurance company will not compensate the seller. Even if the seller purchases land transportation cargo insurance, it may become invalid due to the safe arrival of the goods at the storage yard. It is precisely because of the above issues that the International Chamber of Commerce emphasized under the *Incoterms*®2010 that container shipping should use FCA instead of FOB. However, this issue has not been resolved under the *Incoterms*®2020. Fortunately, the issue of the need for sea freight bills of lading under FCA has been resolved in *Incoterms*®2020. In future container transportation transactions, both parties should artificially increase the use of FCA and gradually abandon FOB. However, considering the limited circulation of the previous version of the *Incoterms*, it may not be possible to change the preference and misuse of FOB by both buyers and sellers in the next 10 years' updated version. Therefore, it is still hoped that the International Chamber of Commerce can advance the risk transfer point of container transportation under FOB from safe loading to safe entry into the yard through explanatory forms in future versions of the general

rules, in order to better meet the needs of international trade and transportation practices. In *Incoterms®2020*, the International Chamber of Commerce realized that in some cases, especially for large companies, although goods need to be transported from the seller to the buyer, they can still be transported without hiring a third-party carrier. For example, it cannot prevent the seller under group D terms from using the seller's own means of transportation to arrange the transportation of goods without outsourcing transportation to a third-party carrier. Similarly, transactions under EXW and FCA cannot prevent the buyer from using their own means of transportation to collect goods from the seller's location and transport them to the buyer's location. *Incoterms®2010* did not address this issue, while *Incoterms®2030* takes into account these possibilities, not only explicitly allowing for the formation of transportation contracts, but also allowing for the arrangement of only the seller or buyer's own means of transportation to transport the goods. For example, under the terms of Group D, the seller can either sign a transportation contract or arrange the transportation of goods using their own means of transportation (The seller must contract or arrange at its own cost for the carriage of the goods to the named place of destination). The result of the above changes is that in the sales contract under the aforementioned terms, there is no transportation contract for goods to be transported by a third-party carrier, thereby avoiding disputes or disputes between the cargo owner and the carrier, simplifying international trade transaction procedures, and saving costs.

4.4. Modify DAT to DPU

In *Incoterms®2010*, the only difference between DAT and DAP is that under DAT, when the goods arrive at the transportation terminal, which is the final unloading place, the seller must unload the goods from the arriving transportation vehicle before completing the delivery. That is, the seller bears the unloading responsibility and costs. However, under DAP, the seller places at the disposal of the buyer the goods available for unloading on the transportation vehicle that arrives at the destination, meaning that the seller is not responsible for unloading or bearing its costs. Instead, the buyer is responsible for unloading and bearing its costs. At this point, the seller completes its delivery obligation. Now the International Chamber of Commerce is working on *Incoterms®2020*, which two modifications were made to DAT and DAP. Firstly, the order in which these two terms are presented is reversed, and the DAP where delivery occurred before unloading now appears before DAT; Secondly, the name of DAT has been changed to DPU (Delivered At Place Unloaded). This change emphasizes that under DPU, the destination can be anywhere, not just the transportation terminal. But if the location is not at the transportation terminal, the seller shall ensure that the intended delivery location is a place where unloading can be carried out, that is, the seller shall bear the unloading responsibility and costs at that location. This change is most suitable for liner transportation and Chinese-European train transportation, where the seller can fulfill their delivery obligations at a location other than the transportation terminal.

4.5. The Relationship Between the Sales Contract and its Subsidiary Contracts

In *Incoterms®2020*, a new concept is proposed, named Ancillary Contracts of Sales Contracts. The trade contracts signed by both parties always involve transportation,

insurance, and even letters of credit related to this. Therefore, the buyer and seller also need to sign transportation contracts, insurance contracts, etc. These other contracts related to sales contracts are generally referred to as their subsidiary contracts. So, what is the role of in these ancillary contracts? The International Chamber of Commerce clearly states that *Incoterms®2020* does not form a part of this ancillary contract. If trade terms are included in these subsidiary contracts, *Incoterms®2020* only restricts certain aspects of the sales contract. For example, if the trade contract chooses the FOB, in the transportation contract related to it, it only means that the buyer may have to pay the freight to the carrier, and there is no other reference. Under FOB, according to transportation conventions, the container is loaded on board by the carrier rather than the seller. For example, if the trade contract chooses the CIP term, in the insurance contract related to it, it only means that the seller may have to purchase the highest risk of ICC(A) insurance or similar highest risk, and there is no other reference. Under CIP, according to insurance practices, if the buyer rejects the goods, refuses payment, or returns documents, the buyer does not have an insurable interest in the goods during transportation.

Therefore, the provisions of *Incoterms®2020*, such as those regarding transportation or transport documents (A4/B4 and A6/B6), or insurance (A5/B5), do not bind the carrier, insurer, and involved bank. The carrier is only bound by the transportation contract it has signed and issues transportation documents, and does not need to issue documents that comply with transportation documents required in *Incoterms®2020*. Similarly, the insurer only needs to issue a policy that matches the insurance contract signed by the policyholder, rather than complying with transportation documents required. Banks only review the documents required by the letter of credit, not the requirements of the sales contract. Carriers, insurers, banks, etc., who are not parties to the sales contract and therefore are not the parties involved in *Incoterms®2020* and are not bound by this rule, but this does not equate to *Incoterms®2020* has no impact on these ancillary contracts. The import and export of goods are carried out through a series of contracts, and the sales contract and its subsidiary contracts are interrelated and connected with each other. For example, a sales contract generally requires the submission of a transportation document issued by the carrier to the seller/shipper under the transportation contract, and the seller/shipper/beneficiary may wish to receive payment under a letter of credit based on this transportation document. Since the starting point is the sales contract, ensuring that the different parts of this series of contracts are interconnected is in line with the interests of both the seller and the buyer, and trade can proceed smoothly. Therefore, when applying *Incoterms®2020*, the sales contract should be linked to its subsidiary contract, otherwise it is likely to generate disputes. For example, the import trade contract chooses FOB and the transportation method is air transportation, while the buyer and the insurer sign an insurance contract conditional on EXW. If the goods leave the seller's warehouse but are stolen before being loaded, there may be a dispute as to whether the buyer can claim compensation from the insurer. It can be seen that the appropriate application of trade terms also has an impact on the ancillary contract of the sales contract. In *Incoterms®2020*, the clear identification of the relationship between sales contracts and their subsidiary contracts is conducive to guiding traders to correctly handle these different contracts that are interrelated, interconnected, but

also have differences. It provides useful guidance for reducing or even eliminating disputes between traders and carriers, insurers, or banks.

4.6. Expenses

In *Incoterms*®2020, fees of the new ranking term now is displayed in A9/B9 for each term. Previously, various expenses appeared in different parts of each term. For example, FOB from *Incoterms*®2010 refers to the expenses related to obtaining delivery documents in the title of A8, which names "Delivery Documents", rather than in the title of A6 named "Cost Division". And in *Incoterms*®2010, A9/B9 lists all expenses divided by each specific term. Therefore, in *Incoterms*®2020, A9/B9 compared to *Incoterms*®2010, the A6/B6 section is longer, with purpose of providing users with a one-stop cost list, so that the seller or buyer can find all the expenses they will be responsible for under specific terms in one place. However, each cost item can also be found in its own terms, such as FOB, where costs related to obtaining delivery documents still appear in A6/B6 and A9/B9. The International Chamber of Commerce's consideration for this is that users interested in finding a specific breakdown of document costs may be more inclined to search for specific terms related to delivery documents rather than general terms that list all costs. This change by the International Chamber of Commerce provides convenience for the buyer and seller to further confirm what fees they will bear in the contract.

4.7. Including Safety Requirements in Transportation Obligations and Costs

In *Incoterms*®2010, safety requirements were standardized in A2/B2 (security clearance) and A10/B10 (safety information) for each term. At the beginning of the 21st century, security related issues became very common. Due to its connection with transportation requirements, a clear division of obligations related to safety has been added to A4 (transportation) and A7 (customs clearance) for each term. The costs incurred by these requirements are now shown in the expense clause, A9/B9.

4.8. Horizontal Display of the Obligations of Buyers and Sellers

Incoterms®2020 is the first version that includes a horizontal display, which brings all similar clauses together, allowing traders to clearly see the differences in handling the same issues in 11 terms. Now it is easier for traders to see the difference between the delivery place of FCA and of DAP, and the difference between the cost items borne by the buyer for CIF and for CFR. The International Chamber of Commerce hopes the horizontal display of *Incoterms*®2020 can further help traders choose the trade terms that are most suitable for their trade needs.

4.9. Explanation for Users

In *Incoterms*®2010, the usage instructions that appear at the beginning of each term are now appearing as the user explanation. These explanations explain the fundamental principles of each term. For example, when to use, when to transfer risks, and how to divide costs between buyers and sellers are much more detailed than any previous version. The purpose of the explanation is to help users choose appropriate terms more accurately and efficiently in specific transactions. The disputes arising from *Incoterms*®2020 terminology

provide guidance for resolving contracts and providing explanations for matters that may be needed by consultants.

5. Remaining Inefficiency of *Incoterms*®2020

Although the *Incoterms*®2020 have made quite a few positive changes that are closer to international trade and transportation practices on the basis of the *Incoterms*®2010, the applicability of FOB in container transportation business remains unresolved. Under FOB terms, when the goods are safely loaded on board at the port of shipment, the risk is transferred from the seller to the buyer, and the seller completes the obligation of delivery. However, when the goods are transported in containers, the seller loses control of the goods when it sends the goods into the container yard at the port according to the instructions of the carrier designated by the buyer or the freight forwarder. Afterwards, the goods are actually controlled by the carrier designated by the buyer or the freight forwarder. The seller actually lost control of the goods much earlier than the risk transfer and completion of delivery time. It is obviously unfair for the seller to share the risk while unable to control the goods. In addition, the corresponding insurance purchased by both the buyer and seller may not cover the risk of containerized goods entering the storage yard to the safe loading area. Once the goods are insured within this interval, the international transportation cargo insurance purchased by the buyer will not compensate the buyer if the buyer does not enjoy the insurance benefits. The seller is not the legal holder of the insurance policy purchased by the buyer, and the insurance company will not compensate the seller. Even if the seller purchases land transportation cargo insurance, it may become invalid due to the safe arrival of the goods at the storage yard. It is precisely because of the above issues that the International Chamber of Commerce emphasized under the *Incoterms*®2010 that container shipping should use FCA instead of FOB. However, this issue has not been resolved under the *Incoterms*®2020. Fortunately, the issue of the need for sea freight bills of lading under FCA has been resolved in the *Incoterms*®2020. In future container transportation transactions, both parties should artificially increase the use of FCA and gradually abandon FOB. However, considering the limited circulation of the previous version of *Incoterms*, it may not be possible to change the preference and misuse of FOB by both buyers and sellers in the next 10 years' updated version. Therefore, it is still hoped that the International Chamber of Commerce can advance the risk transfer point of container transportation under FOB terms from safe loading to safe entry into the yard through explanatory forms in future versions of the general rules, in order to better meet the needs of international trade and transportation practices.

6. Conclusion

Incoterms®2020 responded to some practical issues in international trade by modifying rules and adding user explanations to increase the practicality and operability of trade terms. Formally, *Incoterms*®2020 will make appropriate adjustments to the internal structure of the rules, highlight the importance of delivery and risk transfer, and consolidate all costs into one regulation. Adjustments have also been made to different terms in terms of content, such as adding the option for carriers to issue on board bills of lading under FCA, expanding the default insurance risk range under

CIP, allowing parties to arrange transportation using their own means of transportation, requiring sellers to comply with transportation safety and packaging obligations, and expanding chain transactions to all other modes of transportation other than sea freight.

Affirming and agreeing with *Incoterms®2020* on the basis of the positive impact of on international trade, some shortcomings of this rule cannot be ignored. It is still necessary for the parties to international trade contracts to further refine and clarify in the contract, and try to avoid unnecessary disputes caused by unclear contract agreements, in order to ensure the smooth development of international trade order and transactions.

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