

INTERNATIONAL CONTRACT FOR SALE OF GOODS: 10 KEY CLAUSES

By definition, International Sales of Goods Contracts imply that the sellers and buyers are located in different countries. This presents an obvious potential for confusion, as most commercial law is country specific, reflecting national trade practices, values and public policy. However, some general advice is possible for several reasons.

In first place, there are many similarities among the different bodies of national contract law. Some national laws are consolidating into regional law, as seen in the European Union. There is an ever-increasing trend toward international standardization, such as ISO Standards, the Harmonized System, Incoterms and the [United Nations Convention on Contracts for International Sale of Goods \(CISG\)](#).

Since many countries allow their companies considerable freedom of contract, well-managed companies must have a good [International Sales of Goods Contract template](#), adapted to their characteristics and taking into account whether it is for the sale (export) or for the purchase (import) of goods in foreign markets.

The 10 clauses that, at least, have to be included in a good international sales contract are summarized below.

PRODUCT

The contract goods should be specified at least to the degree that they can be identified. Naturally, greater precision describing them reduces the potential for misunderstanding. If the product is very complex (for example, machinery), a detailed description can be made in an annex of the contract.

QUANTITY

In most cases, a quantity can be expressed in actual terms (units, kilos, etc.) When this cannot be done at the time of contract is drafted, a quantity range should be established. Some industries work with generally accepted commercial tolerances. Also, letters of credit can structures to provide plus-or-minus 10% tolerances by using the word “about”.

DELIVERY

The time and place of delivery should be established as clearly as possible. [Incoterms Rules](#) published by the International Chamber of Commerce provide an excellent reference point as they are widely used throughout the world, allocate major tasks between seller and buyer, and indicate the point where seller responsibility for the condition of contract goods ends.

When delivery takes place on the seller's side and the seller arranges main carriage transport – as with the “main carriage paid” – as happens in many Incoterms (CIF, DAP or DDP) – the mode of transport should be specified as it affects the time and place the goods the goods actually become physically available to the buyer.

PRICE

Depending on the nature of the product and the degree of precision that can be applied to quantity and delivery, the price may or may not be expressed in fixed terms. In situations where the price depends on other factors, all such factors and their relationship to the price should be clearly recited so as to leave no doubt. Any applicable currency should be specified.

It is often useful to separately itemize the price charged for the goods and the price of any seller supplied non product services such as insurance and freight. There are two reasons for this. First, doing so reinforces the chosen delivery term (Incoterms) by clearly indicating what is and is not indicated in the total selling price; second, countries differ in their treatment on non-product charges for ad valorem duty valuation purposes.

PAYMENT TERMS

How, when, where and in what currency is the buyer to pay for the contract goods? If other than money, as in countertrade, is a separate contract to be referenced?

TRANSFER OF OWNERSHIP

This should be specified in the sales contract, except for vessel shipments made under a negotiable marine bill of lading where both ownership and possession rights reside in the original shipment document.

The most used text is the following:

"Seller and buyer agree that ownership of the contract goods will pass to the buyer upon payment of the price to the seller".

Depending on the payment terms, this clause could imply a retention of title situation that would require compliance with the formalities in the buyer's country.

INSURANCE

If any Incoterm other than CIF or CIP is used, the parties should determine outside of the Incoterms who is responsible for providing insurance cover. Be sure to address this question of insurable interest. With CIP or CIF, the seller is required to insure, but the level of coverage should be determined outside the Incoterm if minimum cover (free of particular average or London Institute “C” Clauses) is inadequate.

GOVERNMENT REQUIREMENTS

Before drafting the contract, the following questions have to be asked: Is the pre-shipment inspection required? Does the Administration of the buyer's country impose additional requirements that the seller must formalize (such as obtaining certain customs documents)? The Administration of the seller's country imposes requirements to be formalized by the buyer (such as obtaining an export license)?

DISPUTE RESOLUTION

If dispute arises, how should they be solved? Litigation is by no means the only route, nor is it necessarily the best one. Arbitration is an attractive alternative that allows the parties a greater say in how their case is judged. Ms arbitrations take place under the auspices of an arbitration institution offering a pre-established set of rules to govern the procedure. One of the more experienced with a worldwide outreach id the [ICC International Court of Arbitration](#).

APPLICABLE LAW

Sellers and buyers are generally free to decide upon the body of law that applies to their international sales contracts. Choice of law can present a sticky negotiation point, since each party is normally familiar with and thereby biased towards its own national law. As the name implies, The United Nations developed its Convention on Contracts for the International sale of Goods (CISG) to cover these situations. The CISG automatically applies whenever both seller and buyer are domiciled in countries that have adopted the Convention. Should such parties prefer to use another body of law, they may do so by specifying this in the sales contract.



To obtain the Model of International Sale Contract in different languages click in:

- [International Sale Contract \(English\)](#)
- [International Sale Contract \(Spanish\)](#)
- [International Sale Contract \(French\)](#)
- [International Sale Contract \(German\)](#)
- [International Sale Contract \(Portuguese\)](#)
- [International Sale Contract \(Italian\)](#)

NEGOTIATION AND ETIQUETTE GUIDES IN 70 COUNTRIES

How to negotiate and do business in
BRAZIL

Remember! Brazil is the third largest country in Latin America with over 200 million people. It is a great agricultural producer and a major exporter of commodities. Brazil is one of the few countries that are an industrial industry: mostly metallurgy. Coffee is the traditional "green" industry. Tom, Catherine or Clara are recommended in Brazil.



KEY FACTS

POPULATION 201.1m

AREA 8,511,965 sq km

FORM OF GOVERNMENT Federal republic (28 states and 1 Federal district)

GDP PER CAPITA (PPP) USD 12,386

COUNTRY RISK RATING (Global Risk) Medium to High (A- to B+)

CURRENCY Real (R\$) = 100 cents

OFFICIAL LANGUAGE Portuguese

LANGUAGE FOR BUSINESS Portuguese, Spanish and English (ESL) in Miami and Washington (DC)

RELIGION Catholic (70%), Protestant and Evangelical (25%), Muslim and traditional (5%)

CAPITAL Brasilia (Br)

MAIN CITIES São Paulo (São Paulo), Rio de Janeiro (Rio de Janeiro), Belo Horizonte (Belo Horizonte)

TELEPHONE CODE 55

INTERNET CODE .br

NATIONAL HOLIDAY 1st September

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Negotiation and Etiquette in Brazil

How to negotiate and do business in
CHINA

Remember! Fast-paced, performance-oriented and a complex approach to the negotiation process are the main characteristics of the Chinese. The Chinese are very pragmatic and do not like to waste time. They are very interested in the negotiation process. It is not a matter of price, but of the relationship. The Chinese are very interested in the negotiation process. It is not a matter of price, but of the relationship. The Chinese are very interested in the negotiation process. It is not a matter of price, but of the relationship.



KEY FACTS

POPULATION 1,398m

AREA 9,800,000 sq km

FORM OF GOVERNMENT Communist Party of China (CPC) - 1 administration region

GDP PER CAPITA (PPP) USD 6,100

COUNTRY RISK RATING (Global Risk) High (A- to B-)

CURRENCY Yuan (RMB) = 100 cents

OFFICIAL LANGUAGE Chinese

LANGUAGE FOR BUSINESS English

RELIGION No official religion, but Confucianism, Taoism and Buddhism

CAPITAL Beijing (Be)

MAIN CITIES Shanghai (Shanghai), Hong Kong (Hong Kong), Shenzhen (Shenzhen), Guangzhou (Guangzhou), Chengde (Chengde)

TELEPHONE CODE 86

INTERNET CODE .cn

NATIONAL HOLIDAY 1st October

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How to negotiate and do business in...
RUSSIA

Remember! The most important factor in negotiating in Russia is the relationship. The Russian are very interested in the negotiation process. It is not a matter of price, but of the relationship. The Russian are very interested in the negotiation process. It is not a matter of price, but of the relationship. The Russian are very interested in the negotiation process. It is not a matter of price, but of the relationship.



KEY FACTS

POPULATION 142.4m

AREA 17,098,243 sq km

FORM OF GOVERNMENT Federal republic (81 Federal administrative districts)

GDP PER CAPITA (PPP) USD 10,500

COUNTRY RISK RATING (Global Risk) High (A- to B-)

CURRENCY Russian Ruble (RUB) = 100 kopecks

OFFICIAL LANGUAGE Russian and other (Chechen, Ukrainian, Armenian, etc.)

LANGUAGE FOR BUSINESS English

RELIGION Russian Orthodox, Protestant, Muslim (20% of the population adheres to the official religion)

CAPITAL Moscow (Mo)

MAIN CITIES Saint Petersburg (St. Petersburg), Novosibirsk (Novosibirsk), Yekaterinburg (Yekaterinburg)

TELEPHONE CODE 7

INTERNET CODE .ru

NATIONAL HOLIDAY 1st June

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How to negotiate and do business in
AUSTRALIA

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KEY FACTS

POPULATION 22.6m

AREA 7,688,000 sq km

FORM OF GOVERNMENT Federal republic (6 territories and 8 independent states)

GDP PER CAPITA (PPP) USD 23,244

COUNTRY RISK RATING (Global Risk) Low (A- to A+)

CURRENCY Australian Dollar (AUD) = 100 cents

OFFICIAL LANGUAGE English

LANGUAGE FOR BUSINESS English

RELIGION Protestant (20%), Catholic (20%)

CAPITAL Canberra (Ca)

MAIN CITIES Sydney (Sydney), Melbourne (Melbourne), Brisbane (Brisbane)

TELEPHONE CODE 61

INTERNET CODE .au

NATIONAL HOLIDAY 26th January

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How to negotiate and do business in
GERMANY

Remember! The German are very interested in the negotiation process. It is not a matter of price, but of the relationship. The German are very interested in the negotiation process. It is not a matter of price, but of the relationship. The German are very interested in the negotiation process. It is not a matter of price, but of the relationship.



KEY FACTS

POPULATION 82.6m

AREA 357,021 sq km

FORM OF GOVERNMENT Federal republic (16 states in Länder)

GDP PER CAPITA (PPP) USD 39,789

COUNTRY RISK RATING (Global Risk) Low (A- to A+)

CURRENCY Euro (EUR) = 100 cents

OFFICIAL LANGUAGE German

LANGUAGE FOR BUSINESS English and German

RELIGION Protestant (49%), Catholic (28%)

CAPITAL Berlin (Be)

MAIN CITIES Frankfurt (Frankfurt), Munich (Munich), Cologne (Cologne), Düsseldorf (Düsseldorf)

TELEPHONE CODE 49

INTERNET CODE .de

NATIONAL HOLIDAY 3rd October

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Negotiation and Etiquette in Germany

How to negotiate and do business in...
JAPAN

Remember! The Japanese are very interested in the negotiation process. It is not a matter of price, but of the relationship. The Japanese are very interested in the negotiation process. It is not a matter of price, but of the relationship. The Japanese are very interested in the negotiation process. It is not a matter of price, but of the relationship.



KEY FACTS

POPULATION 127.1m

AREA 377,975 sq km

FORM OF GOVERNMENT Constitutional monarchy (47 prefectures)

GDP PER CAPITA (PPP) USD 29,446

COUNTRY RISK RATING (Global Risk) Low (A- to A+)

CURRENCY Yen (JPY) = 100 cents

OFFICIAL LANGUAGE Japanese

LANGUAGE FOR BUSINESS English

RELIGION Shinto and Buddhism (80%), Christianity (2%)

CAPITAL Tokyo (To)

MAIN CITIES Yokohama (Yokohama), Osaka (Osaka), Nagoya (Nagoya), Fukuoka (Fukuoka), Sapporo (Sapporo)

TELEPHONE CODE 81

INTERNET CODE .jp

NATIONAL HOLIDAY 23rd December

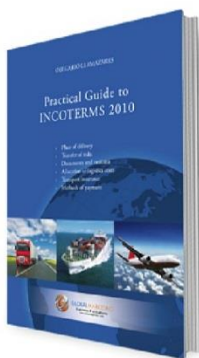
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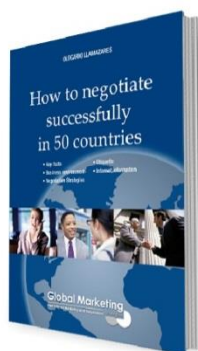
GLOBAL MARKETING
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Negotiation and Etiquette in Japan

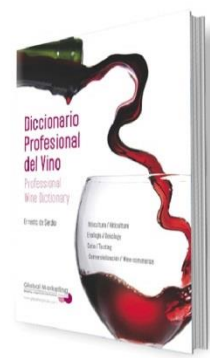
BOOKS & EBOOKS



Practical Guide to Incoterms 2010



How to negotiate in 50 countries



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