

Export Control Coordinators Organization
June 28, 2007

SANDIA'S USE OF INCOTERMS 2000 CLAUSES FOR INTERNATIONAL TRANSACTIONS

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This information is provided as a general summary of requirements and information that may be applicable to international shipping. While the information may assist in the identification of matters to consider, it should not be construed as a comprehensive representation of all Incoterms nor used as conclusive guidance for any specific transaction. Coordination with Legal counsel is advised.

HOW DO YOU SPECIFY THE RESPONSIBILITIES AND RISKS FOR INTERNATIONAL TRANSACTIONS?

- **INCOTERMS** are the most commonly accepted terms of sale in international business
- Responsibilities and risk are negotiated terms of a contract/agreement
 - Responsible for arranging and paying for shipping
 - Responsible for clearing Customs including:
 - Performing administrative matters related to clearance and customs formalities and import and/or export regulations
 - Paying the duties, taxes and administrative costs

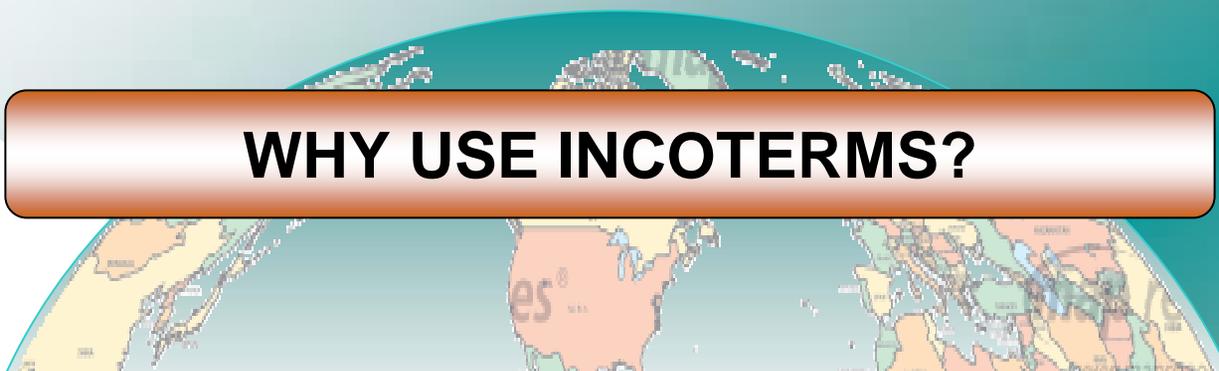
COMPARISON OF THE UNIFORM COMMERCIAL CODE & INCOTERMS 2000

| UNIFORM COMMERCIAL CODE (Domestic Transactions) | INCOTERMS 2000 (INTERNATIONAL TRANSACTIONS) |
|---|---|
| Transfer of title to the goods presumed by use of term but can be negotiated by seller and buyer. | Transfer of title not specified by use of the Incoterms; should be stated separately. |
| Risk and title transfer are presumed to transfer simultaneously but can be negotiated by seller and buyer. | Risk transfer based on Incoterm selected; title transfers based on agreement between seller and buyer. |
| Five different terms; F.O.B. is the most commonly used term with specified locations stated, and modifications. | Thirteen different terms are possible with specified locations stated, i.e. ex-works seller's warehouse. |
| Based on Uniform Commercial Code adopted by each state, becoming a state law. | An agreement adopted by the International Chamber of Commerce then incorporated into seller and buyer agreements. |

***Contract language should state whether
the terms are UCC or INCOTERMS***

WHAT ARE INCOTERMS 2000?

- **INCOTERMS stand for International Commercial TERMS**
- **Define the responsibilities and risks for shipping/delivery of international transactions**
- **Developed and published by the International Chamber of Commerce (ICC)**
- **First established in 1936, updated periodically with the latest version being “INCOTERMS 2000”**
- **INCOTERMS are the most commonly accepted terms of sale in international business and have been adopted by most countries**
- **They closely correspond to the U.N. Convention on Contracts for International Sale of Goods and are endorsed by the U.N. Commission on International Trade Law (UNCITRAL).**
- **Used at Sandia for purchase orders involving international transactions**



WHY USE INCOTERMS?

- **Reduces uncertainties and different interpretations of trade terms with a universally accepted vocabulary**
- **Reference to a proper INCOTERM in a contract clearly defines each party's obligations, costs and risks in the international transactions**
- **Reduces the risk of misunderstanding, disputes, and litigation**
- **Reduces delivery delays**

THIRTEEN INCOTERMS

All modes of transport including multi-modal

EXW – Ex Works

FCA – Free Carrier

CPT – Carriage Paid To

CIP – Carriage and Insurance
Paid To

DAF – Delivered at Frontier

DDU – Delivered Duty Unpaid

DDP – Delivered Duty Paid

Sea and inland waterway transport only

DES – Delivered Ex Ship

DEQ – Delivered Ex Quay

FAS – Free Alongside Ship

FOB – Free Onboard

CFR – Cost and Freight

CIF – Cost, Insurance, and
Freight

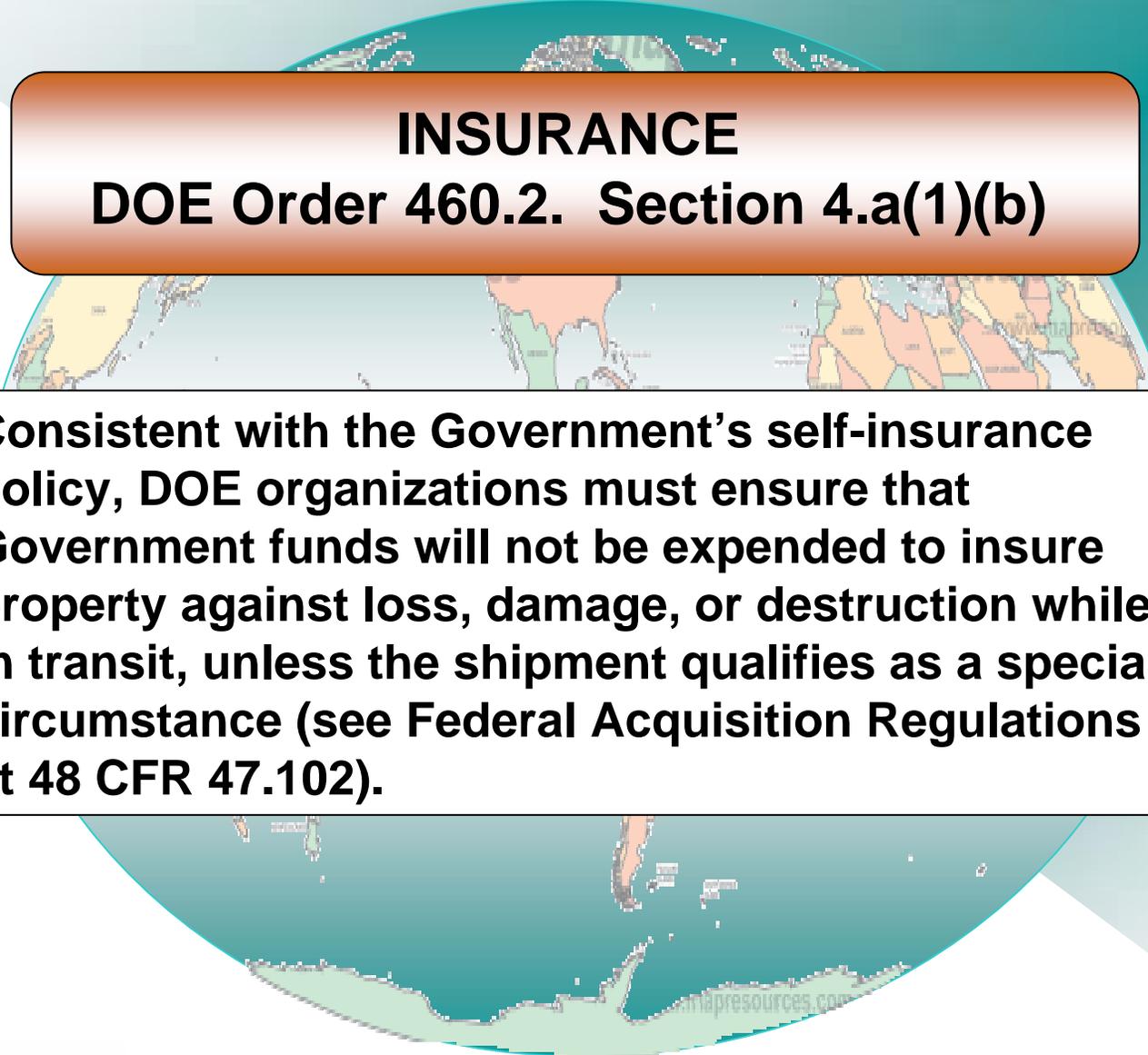
ELEVEN TERMS COVERED BY INCOTERMS

1. **Inland freight in Seller's country; Delivery to the carrier or frontier**
2. **Customs clearance in Seller's country**
3. **Payment of customs charges and taxes in Seller's country**
4. **Loading the main carrier or means of conveyance**
5. **Main carriage/freight**
6. **Cargo (marine) insurance**
7. **Unloading from the main carrier or means of conveyance**
8. **Customs clearance in Buyer's country**
9. **Payment of customs duties and taxes in Buyer's country**
10. **Inland freight in Buyer's country**
11. **Other costs and risks in Buyer's country**

WHAT INCOTERMS COVER

INCOTERMS address defined obligations imposed on the parties of an international transaction such as:

- 🌐 **Import/Export licenses and government imposed formalities**
- 🌐 **Packing and marking for international transportations**
- 🌐 **Documentation required for the transport, transfer and Customs clearance of goods**
- 🌐 **Proof of delivery**
- 🌐 **Taxes, duties, consular fees, terminal charges, arrival & destination charges**
- 🌐 **Insurance, when elected**
- 🌐 **Loading and**
- 🌐 **International and inland transport**
- 🌐 **Risk of loss or damage**
- 🌐 **Buyer's obligation to take delivery**



INSURANCE

DOE Order 460.2. Section 4.a(1)(b)

Consistent with the Government's self-insurance policy, DOE organizations must ensure that Government funds will not be expended to insure property against loss, damage, or destruction while in transit, unless the shipment qualifies as a special circumstance (see Federal Acquisition Regulations at 48 CFR 47.102).

WHAT INCOTERMS DO NOT COVER

- How or when title to the goods transfers
- Protect a party from his/her own risk of loss for all segments of the shipment
- Cover the goods before or after delivery
- Define the remedies for breach of contract
- Terms of payment that dictate when you get paid
- Specify details of the transfer, transport, and delivery of goods
- Intangible goods like computer software
- Incoterms applies to the contract of sale and not the contract for transportation (carriage)

CLAUSES TO TRANSFER TITLE OF GOODS

- 🌐 **All tangible property belongs to DOE/NNSA**
- 🌐 **Cost of goods can be charged when the title to the property is transferred**
- 🌐 **Title transfers at the place of origin or upon delivery to destination:**

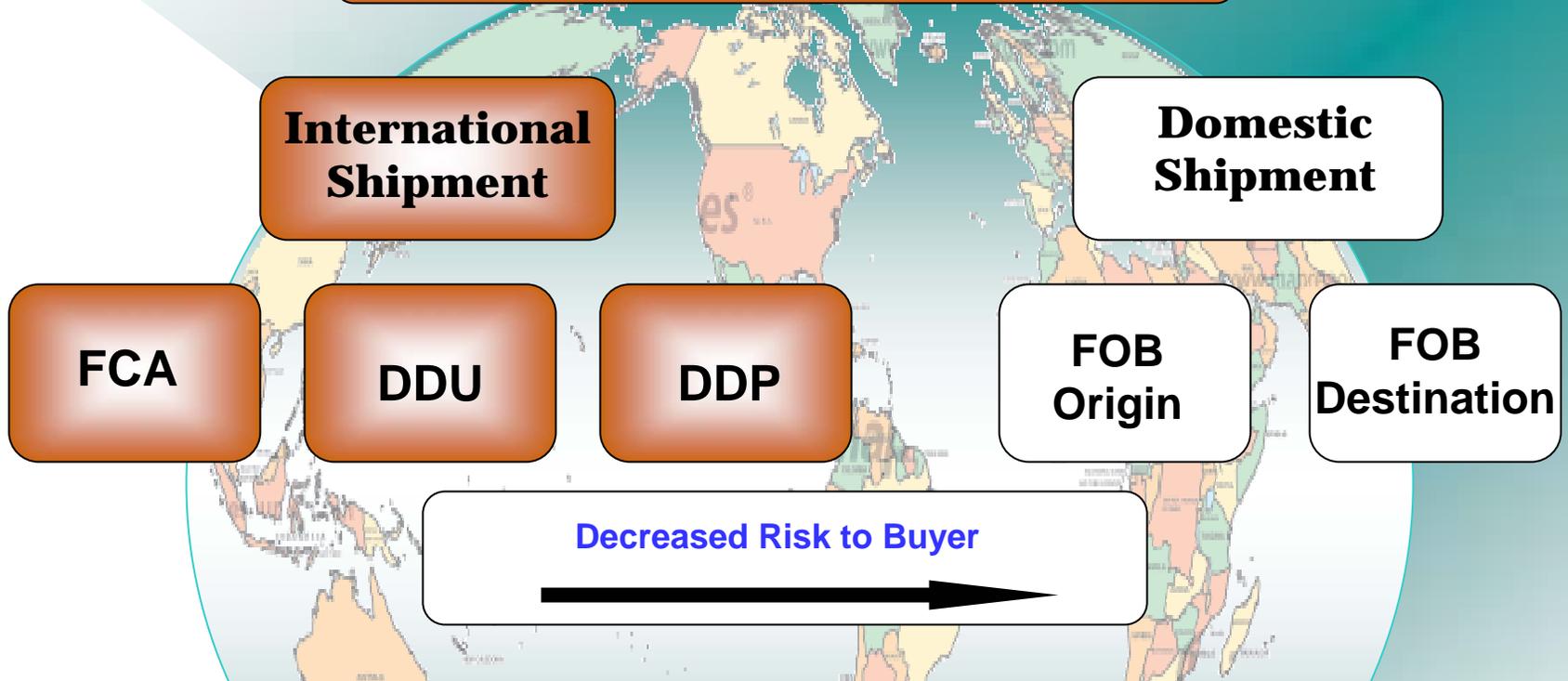


WHICH CLAUSE SHOULD I USE?

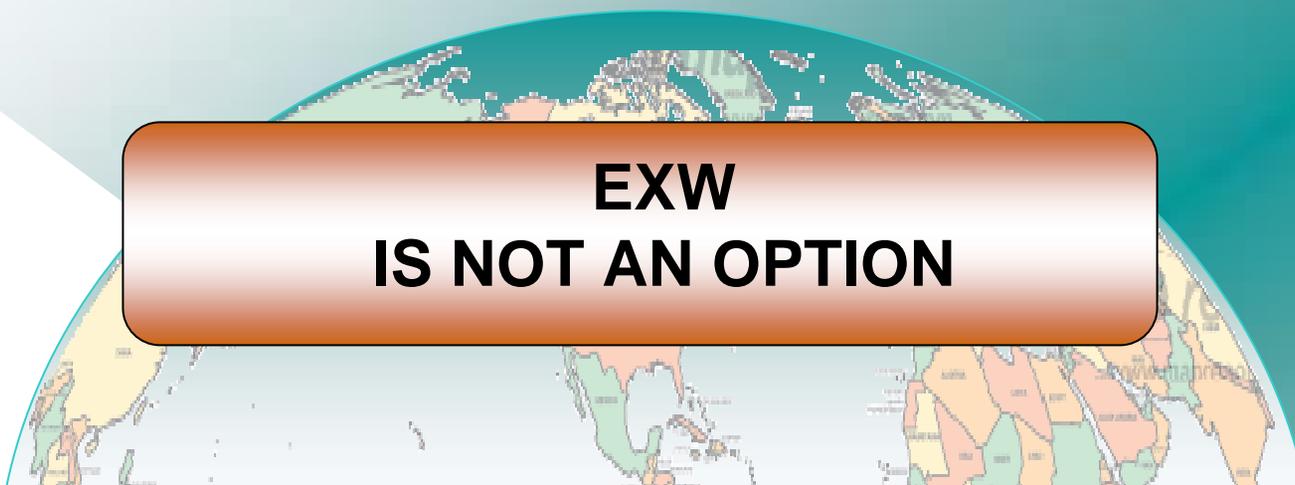
THE BIG QUESTION



SNL STANDARD CLAUSES



- 🌐 ***All Buyers can use these standard clauses***
- 🌐 ***Contracts with foreign companies must be negotiated by the SNL International Procurement organization***
- 🌐 ***If any of these standard clauses is not agreeable to seller, an International Buyer would negotiate another INCOTERM clause with seller.***



EXW IS NOT AN OPTION

- **The buyer is responsible to getting required export licenses from the foreign country**
- **All responsibility and risk are incurred by the Buyer**

FCA – Free Carrier [Named Place]

Seller:

- **Obtains the Export License**
- **Arranges delivery of the goods to the buyer's carrier**
 - **If delivery point is at the Seller's facility, the Seller must load the goods onto the Buyer's collecting carrier**
 - **If not delivering at the Seller's facility, there is no obligation to load**

Buyer:

- **Gives sufficient notice to the Seller of the carrier and delivery point**
- **Arranges carriage to named place of destination**
- **Obtains import licenses and arranges import formalities**

Risk of loss or damage passes to US DOE when the seller delivers the goods to the carrier

DDU – Delivered Duty Unpaid [Named Place]

Seller:

- **Obtains the export License, if required**
- **Arranges for and pays carriage to the named point of destination**

Buyer:

- **Obtains import licenses and arranges import formalities**

Risk of loss or damage are to the seller until delivery of the goods to the named place of destination

DDP – Delivered Duty Paid [Named Place]

Seller:

- 🌐 **Obtains the Export License**
- 🌐 **Arranges for and pays freight costs of carriage to the named point of destination**
- 🌐 **Obtains import licenses and pays for import clearance**

Buyer:

- 🌐 **Accepts and unloads the goods**

Risk of loss or damage are to the seller until delivery of the goods to the named place

DOMESTIC SHIPMENTS

FOB Origin:

- 🌐 Buyer takes title at named place of origin.
- 🌐 Buyer arranges for carriage to named place of destination.

FOB Destination:

- 🌐 Seller arranges for carriage to named place of destination.
- 🌐 Buyer takes title at named place of destination.

If shipped from outside the U.S., Seller will obtain import licenses and arranges import formalities.

Procurement Card (P-Card)

- **Simply a credit card**
 - **No procurement Terms & Conditions:**
 - Exporter responsibilities
 - Import Responsibilities
 - Carriage charges
- **Prohibited for items and transportation involving imports and exports**
- **Consequences:**
 - Violation of internal processes
 - Additional shipping/delivery/storage fees
 - Delays in receipt



QUESTIONS/COMMENTS

More Information:

<http://www.export911.com/e911/export/incoMode.htm#xOutline>

<http://www.i-b-t.net/shop/pc-26-2-the-ibt-guide-to-incoterms-2000-reference-book.aspx>