Incoterms® 2020 Guide

Complete Reference for International Trade

Introduction

Incoterms® 2020 (International Commercial Terms) are a set of 11 standardized trade terms published by the International Chamber of Commerce (ICC). They define the responsibilities, costs, and risks between buyers and sellers in international transactions. Understanding Incoterms is essential for successful B2B trade with Polish suppliers.

The 11 Incoterms® 2020 Rules

Group 1: Rules for Any Mode of Transport

EXW – Ex Works
Seller makes goods available at their premises. Buyer assumes all costs and risks. Common for factory pickups in Poland.

FCA – Free Carrier
Seller delivers goods to carrier nominated by buyer. Risk transfers when goods are loaded. Popular for Polish manufacturing exports.

CPT – Carriage Paid To
Seller pays transport to named destination. Risk transfers when goods handed to first carrier.

CIP – Carriage and Insurance Paid To
Like CPT but seller also pays insurance. Minimum insurance coverage required.

DAP – Delivered at Place
Seller delivers when goods are ready for unloading at named destination. Very common for Polish supplier deliveries.

DPU – Delivered at Place Unloaded
Seller delivers and unloads at named place. Only Incoterm requiring seller to unload.

DDP – Delivered Duty Paid

Seller assumes maximum responsibility including import duties and taxes at destination.

Group 2: Rules for Sea and Inland Waterway Transport Only

FAS – Free Alongside Ship
Seller delivers when goods are placed alongside vessel at port. Used for bulk cargo.

FOB – Free on Board
Seller delivers when goods pass ship's rail. Most common for Polish maritime exports. Risk transfers to buyer once goods are on board.

CFR – Cost and Freight
Seller pays freight to destination port but risk transfers once goods are on board.

CIF – Cost, Insurance and Freight
Like CFR but seller also provides minimum insurance coverage. Popular for overseas shipments.

Choosing the Right Incoterm for Polish Suppliers

Most Common for Polish B2B Trade:

• **EXW** – Factory pickup, lowest cost but highest buyer responsibility
• **FCA** – Balanced option, clear transfer of responsibility
• **DAP** – Seller handles delivery, buyer handles import customs
• **DDP** – Maximum convenience for buyer, seller handles everything
• **FOB** – For sea freight from Polish ports (Gda■sk, Gdynia, Szczecin)

Key Responsibilities Matrix

Incoterm	Export Clearance	Main Carriage	Insurance	Import Clearance	Unloading
EXW	Buyer	Buyer	Buyer	Buyer	Buyer
FCA	Seller	Buyer	Buyer	Buyer	Buyer
CPT	Seller	Seller	Buyer	Buyer	Buyer
CIP	Seller	Seller	Seller	Buyer	Buyer
DAP	Seller	Seller	Buyer	Buyer	Buyer
DPU	Seller	Seller	Buyer	Buyer	Seller
DDP	Seller	Seller	Seller	Seller	Buyer
FOB	Seller	Buyer	Buyer	Buyer	Buyer
CIF	Seller	Seller	Seller	Buyer	Buyer

Best Practices for Polish Trade

• **Always specify Incoterms 2020** in contracts to avoid confusion with older versions
• **Define the exact location** – e.g., 'FCA Manufacturer's warehouse, Warsaw'
• **Consider total landed costs** – cheaper Incoterms may have hidden costs
• **Verify insurance coverage** – some Incoterms provide minimal insurance only
• **Understand Polish export procedures** – may affect delivery timelines
• **Factor in EU customs union benefits** – simpler for EU buyers

Common Mistakes to Avoid

■ **Using outdated Incoterms** – Always specify '2020' version
■ **Vague delivery location** – 'Warsaw' is not enough, specify exact address
■ **Mixing maritime terms for air/truck** – FOB/CIF only for sea freight
■ **Assuming seller handles import** – Only DDP includes import duties

■ **Underestimating EXW complexity** – Buyer must handle Polish export clearance

Source: International Chamber of Commerce (ICC), Incoterms® 2020 Official Rules