3. Entering the EU Market

3.1 Market Access

It is important to understand how to access your targeted European market as well as any potential barriers that may exist. The mechanisms an exporter uses to sell speciality food in the Caribbean may be completely inappropriate to the target market. Research will be essential to understanding the target market and it is strongly advised that novice exporters consult with the appropriate national, regional and international sources to properly navigate the export process.

Reference: Agri-Food Trade Service, Agri-Food Regional Profile, European Union 27, July 2010 Preferential duty regime for African, Caribbean and Pacific states (ACP)

Between Europe and the Caribbean, a preferential duty free regime exists for Caribbean goods exported to Europe. As part of the African, Caribbean and Pacific (ACP) group of states, trade relations between the Caribbean, other ACP countries and the EU are governed by the ACP-EU Partnership Agreement, concluded in Cotonou on 23 June 2000 for a period of 20 years. In this agreement, the ACP States and the EU decided to replace the existing trade provisions with new trading agreements, known as Economic Partnership Agreements (EPAs), progressively removing barriers to trade and enhancing co-operation in all areas related to trade.

As a result, today, the ACP States are covered by one of three preferential duty regimes:

- Comprehensive Economic Partnership Agreement (EPA): for those ACP countries, which have concluded the relevant negotiations for a comprehensive Economic Partnership Agreement. The Forum of Caribbean States (CARIFORUM) region is the only ACP region to have concluded such an Agreement at the time of writing.

- Interim Economic Partnership Agreements ("EPA Market Access Regulation"): for those ACP countries, which have concluded the relevant negotiations for an interim Economic Partnership Agreement.

- Relevant arrangement under the Generalized System of Preferences (GSP): for those ACP countries, which have not concluded the relevant negotiations for a comprehensive or interim Economic Partnership Agreement.

At the end of 2007, a first comprehensive Economic Partnership Agreement (EPA) was initialed with CARIFORUM. The Agreement was signed in October 2008 and is provisionally applied as from 29 December 2008. This trade and development agreement covers trade in goods, services and investment as well as a wide range of other trade-related areas. Sustainable development and regional integration are major themes running through the agreement, which includes development cooperation provisions and links into the EU Aid for Trade Strategy. It is also important to note that the CARIFORUM-European Community (EC) Economic Partnership Agreement (EPA) maintains the duty free access provisions into the EU market for all CARIFORUM goods. Under the EPA, quotas which previously existed in the EU market for some CARIFORUM goods were also removed immediately with the exception rice and sugar which were slated to be quota free as of 1 January, 2010 and 1 October, 2015 respectively.

CARIFORUM signatory countries to the EPA are Antigua & Barbuda, Bahamas, Barbados, Belize, Dominica, Dominican Republic, Grenada, Guyana, Jamaica, Saint Lucia, Saint Vincent & the Grenadines, Saint Christopher & Nevis, Suriname, and Trinidad & Tobago.

For their part, CARIFORUM States will reduce tariffs on imported EU goods, but not to the same extent or at the same pace as Europe. The EPA Rules of Origin (RoO) are based on the structures and principles of those contained in the Cotonou Agreement, with slightly improved adjustments to the qualifying conditions of a number of products. (Ex. of these products are certain bakery products, jams and jellies, fruit juices, beverages and garments.) It should also be noted that various non-competitive and sensitive manufactured products have been excluded from tariff liberalization in CARIFORUM states.

3.2 Market Entry Strategies

While the absence of internal borders and restrictions on most forms of intra-EU commerce makes the European Union an attractive single market, it is important to keep in mind that the market is a differentiated one, with specific supply and demand needs varying from Member-State to Member-State. A pan-European business strategy is critical but exact market entry strategies should be considered on a country-by-country basis. Ref: EU Member States' Country Commercial Guides.
Methods of Market Entry.

The traditional means of market entry fall into three broad categories: direct exports, indirect exports/partnerships/alliances/foreign direct investment (FDI).

1. **Direct Exports**: Market and sell directly to the client.

It has advantages because it can: give a higher return on your investment than selling through an agent or distributor; allows you to set lower prices and be more competitive; and gives you close contact with your customers. A Caribbean food company may sell its products directly to end users in the EU such as hospitals, schools or businesses. In this scenario, the manufacturer is responsible for shipping, payment collection, and product servicing unless other arrangements are made.

However, there are disadvantages to direct exporting since you do not have the services of a foreign intermediary, therefore you may need a longer time to become familiar with the market; and your customers or clients may take longer to get to know you, and such familiarity is often important when doing business internationally.

2. **Indirect exports**: You market and sell to an intermediary such as a foreign distributor.

The EU distributor is a merchant who purchases goods from an exporter (at a wholesale price) and resells it for a profit. The foreign distributor generally provides support and service for the product, thus relieving the manufacturer of these responsibilities. The distributor usually carries an inventory of products and a sufficient supply of additional product and also maintains adequate facilities and personnel for normal servicing operations. Distributors typically handle a range of non-conflicting but complementary products. However, end users do not usually buy from a distributor; they typically buy from retailers.

A Caribbean food company may also sell directly to an EU retailer, although in such transactions, products are generally limited to select product lines. This method relies mainly on traveling sales representatives who directly contact foreign retailers, although results might also be achieved by mailing catalogs, brochures, or other literature. The direct mail approach has the benefits of eliminating commissions, reducing traveling expenses, and reaching a broader audience.

You can also retain a foreign agent or representative who does not directly purchase the goods. The representative uses the company's product literature and samples to present the product to potential buyers. A representative usually handles many complementary lines that do not conflict. The sales representative usually works on a commission basis, assumes no risk or responsibility, and is under contract for a set period of time (renewable by mutual agreement). On the other hand, an "agent" means a representative who normally has authority, perhaps even a power of attorney, to make commitments on behalf of the firm being represented (it is important that any contract states whether the representative or agent does or does not have legal authority to obligate the firm). For many new exporters, an intermediary may be the best way to enter a market.

3. **Partnerships/alliances/foreign direct investment:** Another option is a partnership at home or abroad or alternatively, establishing a commercial presence in the overseas target market (FDI).

A well-structured partnership can benefit both parties in the following ways: Your partner can complement your capabilities and provide the expertise, insights and contacts that may make the difference between success and failure. Each company focuses on what it does and knows best. Both partners share the risk.

In a partnership, you can also pool ideas and resources to help keep pace with change as well as approach several markets simultaneously. Your partner may provide technology, capital or market access that you might not be able to afford on your own. Strategic alliances can also be very profitable. One of the easiest ways to export is to form an alliance with a company that has a product or service that complements your own. Then you can save money by using the other company’s distribution and marketing expertise.

Alternatively, establishing a commercial presence or production hub in the overseas market via a subsidiary of your existing enterprise may also be a viable option for some producers. The major deterrent to this approach is the considerable amount of capital which might be initially required and therefore, this approach may not suit smaller and less endowed producers. However, for the producer for which this approach is feasible, establishing a commercial presence in a European market can generate considerable benefits as it eliminates costs and uncertainties associated with transportation from the Caribbean to Europe. It also makes it much easier to supply the specific and other European markets directly. As a result of the EPA, any producer that establishes a commercial presence in Europe can also move certain key personnel to the market.

Some producers may prefer not to establish a production hub abroad and in such a case, consideration could be given to setting up a marketing office in one or more EU country or even entering into a licensing arrangement with an EU producer to manufacture your product. Once the exporter has a commitment to the market and anticipates considerable business activity in Europe, a marketing office can act as the importer of the parent company's product and is the principal developer of all sales related activities. As is the case in establishing a production hub, setting up a marketing office would also allow the firm to move certain key personnel such as managers to the marketing office in Europe.

3.3 Using an Agent or Distributor

Companies wishing to use distribution, franchising and agency arrangements need to ensure that the agreements they put into place are in accordance with EU and Member-State national laws. Council Directive 86/653/EEC establishes certain minimum standards of protection for self-employed commercial agents who sell or purchase goods on behalf of their principals. In essence, the Directive establishes the rights and obligations of the principal and its agents, the agent's remuneration, and the conclusion and termination of an agency contract, including the notice to be given and indemnity or compensation to be paid to the agent.

http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=CELEX:31986L0653:EN:HTML