

Unit 9 International Market

Topics: EU trade, international markets, trade documents, trade fairs

Skills: trade fair participation, renting, launching a marketing campaign, orders.

The **European Union** is the world's biggest trader, that is, the largest exporter and importer of goods and services, accounting for 20% of global imports and exports. The EU has established a [single market](#) across the territory of all its members with a monetary union, the [eurozone](#), using a single currency comprises 17 member states. In 2010 the EU generated an estimated 26% (16.242 billion [international dollars](#)) share of the [global gross domestic product](#) making it the largest economy in the world. It is the biggest trading partner to several large countries such as [China](#), [India](#), and the [United States](#). The European Union represents all its members at the [World Trade Organization](#) (WTO).

The EU is committed to the **liberalisation of world trade**, trading under the **free trade policy**. The EU typically uses [European Union Association Agreements \(AAs\)](#) in its trade relations with non-member countries. These are international treaties between the EU and non-member states. In return for political, economic, trade, or [human rights](#) reforms the non-member country may be offered [tariff-free](#) access to some or all EU markets ([industrial](#) goods, [agricultural](#) products, etc.), and financial or technical assistance. AAs are based on two EU policies: [Stabilisation and Association Process](#) (SAP) and [European Neighbourhood Policy](#) (ENP). The countries of the [western Balkans](#) are covered by SAP and the EU signs with them "Stabilisation and Association Agreements" (SAA). The countries of the [Mediterranean](#) and the East European EU neighbours are covered by ENP. Both the SAA and ENP AP are based mostly on the EU's [acquis communautaire](#).

- **SAP** covers [Croatia](#), [Macedonia](#) and [Montenegro](#), applicants [Albania](#) and [Serbia](#), potential candidates [Bosnia and Herzegovina](#) and [Kosovo](#).
- **ENP** covers [Morocco](#), [Algeria](#), [Tunisia](#), [Libya](#), [Egypt](#), [Jordan](#), [Lebanon](#), [Syria](#), [Israel](#), the [Palestinian Authority](#), [Moldova](#), [Ukraine](#), [Georgia](#), [Armenia](#), [Azerbaijan](#), [Belarus](#), and [Russia](#) (through the formation of [EU-Russia Common Spaces](#)).
- A **free trade area (FTA)** is a [trade bloc](#) whose member countries have signed a **free trade agreement (FTA)**, which eliminates [tariffs](#), [import quotas](#), and preferences on most (if not all) [goods](#) and services traded between them. If people are also free to move between the countries, in addition to FTA, it would also be considered an [open border](#).
- [Free Trade Agreement](#) provisions are signed with other states and [trade blocs](#) in the world like [Chile](#), [Mexico](#), [South Africa](#) and others.

To improve foreign trade relations, the EU has established a [Market Access Strategy](#) which consists of two instruments: [Market Access Partnership](#) (cooperation between the Commission, Member States and businesses) and **Market Access Database, MADB** an interactive, free online service with information on import tariff and internal taxes, import formalities (e.g. customs procedures) with samples of all the necessary forms, and the most important trade barriers faced by EU exporters abroad.



Community regulations ensure the free movement of goods, capital, work and services between EU member states. This means that no customs procedures are required for exporting goods from Hungary to another EU member state or for importing goods from a member state to Hungary. However, all EU countries are members of the **EU VAT area**. A value-added tax (VAT) is a form of [consumption tax](#) paid by the importer/buyer. As a consumption tax, the EU VAT taxes the consumption of goods and services in the EU VAT area. For example, if a Hungarian enterprise acquires goods from a VAT-registered Spanish business it pays VAT at Hungarian rates. If the Hungarian company dispatches goods to the same Spanish business, that is the Spanish company buys/imports goods from Hungary, the VAT is paid by the Spanish customer at Spanish rates.

Although each member state has different **national VAT law**, its VAT legislation must comply with the provisions of **EU VAT law**. For example different rates of VAT are allowed in different EU member states. However Directive 2006/112 requires Member states to have a **minimum standard rate** of VAT of 15% and one or two reduced rates not to be below 5%. Some Member States have a 0% VAT rate on certain supplies- these Member States would have agreed this as part of their EU Accession Treaty (for example, newspapers and certain magazines in Belgium). The current maximum rate in operation in the EU is 27% (Hungary), though member states are free to set higher rates.

Doing business with other non-EU member states is much more complicated. For instance, the following trade documents may be required when exporting goods into an EU member state from a third country:

- Commercial invoice
- Customs Value Declaration
- Freight Insurance
- Freight documents
- **Customs Import Declaration SAD form** – a common import declaration form for all EU Member States
- Packing List
- Certificate of Origin
- Insurance certificate

The next list contains the documents that may be required for importing into Croatia.

- Customs Declaration form
- Invoice/Commercial invoice
- Packing list
- Certificate of Origin
- Customs Value Declaration
- Freight documents (**waybill, CMR waybill, CARNET TIR book**)
- [EUR 1](#) for originating goods (goods value of over 6,000.00 EUR) or invoice declaration for lesser values.
- Insurance certificate





Hungary-Croatia
IPA Cross-border Co-operation Programme

Training material for the SPEAK THE SAME project (HUHR/1001/2.2.3/0002/02)

- Importers of wine products must obtain a “quality certificate” from the Croatian Institute of Viticulture and Enology before placing their product on the market. The Institute of Viticulture and Enology also issues so-called “control stamps” that must be placed on each wine bottle.
- Certain imports (food, cattle, consumer goods, medicines, etc.) must be accompanied by special certificates (sanitary certificate, veterinary and phytopathological certificate, certificate of quality). Certificates are issued by competent institutions, dependant on the type of goods.

22% VAT is chargeable on goods entering Croatia in the normal way and at the same rate as on domestic supplies. Certain goods attract special excises, including oil derivatives, tobacco products, beer, nonalcoholic drinks, and certain new imported cars.

Trade Fairs

The **B2Fair project** helps SMEs to participate in **matchmaking events** on international trade fairs, fostering new trade relations between the old and new EU member countries. Combining two marketing instruments, matchmaking and tradefair participation, by organizing b2b- meetings on international tradefairs, is the basis for the b2fair concept. A partner network of 34 **Euro Info Centres** of the European Commission, covering almost all European countries, guarantees an international platform for SMEs willing to cooperate.

This way companies can go international while benefiting from a whole range of business support services. Registered firms which participate in the event either as exhibitors or visitors can preview other companies’ profiles, so they can choose and decide upon the companies they wish to meet at the event. They can thus establish beforehand a personal planning of appointments which can be drawn from an online catalogue of all participating companies of the matchmaking event.

Meeting planning is done in a systematic way: A few days prior to the event, the company will receive a preliminary meeting planning on the basis of its requests and those of other participating companies interested in its **cooperation proposal**. In general, meetings last 30 minutes; 25 minutes for the business conversation and 5 minutes for the breaks in between meetings in order to prepare yourself to the next appointment. On an average, companies have the possibility to arrange up to 10-12 business meetings per day. They can even double or triple the number of meetings if they participate in the matchmaking event with two or more company representatives.



The project is co-financed by the European Union through the Hungary-Croatia IPA Cross-border Co-operation Programme

Speaking

Dialogue 1: Trade fair attendance

Role A: You are Franciska/Ferenc Nagy, producer of Hungarian quality wine. It is the first time that you have intended to exhibit your products at the London International Trade Fair 12-14 May. Call the organizer of the event to inquire about the terms and conditions of renting a stand. Discuss the following points:

- Expenses of renting a stand
- Accessibility
- Accommodation
- Registration deadline
- Ask for an application form

You are starting the phone conversation.

Role B: You are Jackie/Jack Smith, one of the organizers of the London International Trade Fair. You will receive a phone call. Discuss the following points:

- ask about the inquirer's company profile
- ask about his/her purpose of participation
- There are two rental options. Companies can rent:

A, space only without equipment at £275/per sq.m.

B, an all-inclusive package at £326/per sq.m., including: a pre-built stand with walls, lights, nameplates, shelving and a counter, which you just need to 'dress'.

In addition, a premium of 20% is charged for the the most frequented central stands.

- The venue is ExCel, the international exhibition and conference centre. It is easily accessible. It is a five-minute drive from London City Airport. A map can be downloaded from your website. You are located alongside Royal Victoria Dock just 4 miles east of Tower Bridge and just a few minutes drive from Canary Wharf.
- There is plenty of accommodation (mostly 3-or 4- star hotels near the site. On request you can arrange hotel booking, too, which is free of charge.
- Exhibitors can register until the 30th of March.
- You can send the application form by email.

Your partner is starting the phone conversation.

Dialogue 2: Newspaper advertisement

Role A: You are Sarah/Sam Taylor, a senior marketing specialist of a British software company. You want to launch an advertising campaign in Hungary and you are interested in newspaper advertisements. Call HVG, Hungarian Weekly Economy, one of the leading Hungarian economic magazines and inquire about the following:

- Ask about the full page advertisement fees.
- You find them too expensive. Ask about further options in a lower price range.
- Ask about the possible discounts. During your advertising campaign you would like to place advertisements in the magazine regularly.
- You also want to know how you can send your advertisement to the company.
- Ask about terms of payment.

You are starting the phone conversation.

Role B: You are Sára/Sándor Kovács, an executive of the Advertising Department of HVG, weekly magazine. You will receive a phone call from Sarah/Sam Taylor, a senior marketing specialist of a British software company. Answer his/her questions using the following information.

- A full page black and white advertisement costs HUF 1 500 000, a coloured one HUF 2 900 000. A junior coloured page ad (113mmx163 mm) costs HUF 2 500 000. For cover page you charge a 30% premium.
- A medium-price category is 57mmx120 or 85x85 mm amounts to HUF 270 00 (black-and-white) and HUF 450 00 (coloured).
- For regular advertisers you give a 15% discount off the total sum.
- The client can send advertising material by email, post, fax or submit personally. The date of submission is 3 weeks before publishing. For delayed submission a penalty fee of 30% is charged.
- Payment by bank transfer 2 weeks in advance, for regular advertisers payment is made in monthly instalments.

Your partner is starting the phone conversation.

Dialogue 3: launching a market campaign

Role A: You are the managing director of a medium-sized company specialized in locally produced organic products. You established your company two years ago and as a result of hard work and wise decisions sales have started taking off. Seeing the growing demand, you would like to promote the sales of your products in the neighbouring country. You would like to turn to a marketing agency and inquire about their services. Phone the marketing agency and inquire:

- tell about your intention
- tell the budget line you would like to allocate for the campaign
- brainstorm ideas about different ways of advertising
- suggest at least two trade promotion techniques
- ask where your partner thinks the products could be marketed
- listen to your partner's comments and try to set up a draft marketing plan
- ask for a price list for the mentioned services
- you think it over and promise to call back in a week's time.

You are starting the phone conversation.

Role B: You are a senior manager of a marketing agency. A foreign company is phoning you to inquire about marketing ideas and your services. Answer the phone call according to the following:

- ask how you may help
- ask how much the company would like to spend on the campaign
- ask if (s)he has any ideas how to promote the product
- add your ideas and say where sales promotion would be optimal
- ask your partner to send you a preliminary draft of the marketing plan as a starting point
- promise to send him/her your latest portfolio and price list.

Your partner is starting the phone conversation.

Writing task

Ordering grantwriting

You are the co-owner of a small enterprise running three confectioneries and a bakery in the county. You would like to apply for a state subsidy on green energy equipment. You would like to purchase solar panels to cut heating costs. You have been sent an offer from a tender consulting agency. You have already consulted and agreed on the price by phone. Write an order for overall application writing services at the agreed price considering the following criteria:

- refer to your former agreement by phone
- express your wish to order
- list the types of services with indication of the prices respectively
- refer to the EU application (name, number, deadline)
- set a time schedule for the services
- translation costs are included in the price
- Emphasize that the application writer will be entitled to payment on condition that the application will be accepted



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- preparing feasibility studies
- cost - benefit analysis
- environmental effect analysis
- technological plans
- administrative authority licences

3) preparing applications

- writing applications
- collecting application materials
- obtaining and completing the necessary forms
- obtaining supplements and enclosures
- submitting the applications, monitoring the projects

4) partnership

- initiating business entities into the wide range of applications of the college either as a partner or as a consortium member

5) education

- special courses for preparing projects and writing applications

