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EXPORT PROCESS TO THE UNITED STATES OF AMERICA

Degree Programme in International Business  
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## VIENTIPROSESSI YHDYSVALTOIHIN

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Tämä lopputyö käsitteli yksinkertaista vientiprosessia Euroopan Unionista Yhdysvaltoihin käyttäen EU:ssa valmistettuja miesten pukuja esimerkkihyödykkeenä. Tutkimuksen tarkoituksena oli selvittää, mistä osa-alueista vientiprosessi koostuu, mitä esteitä ja rajoituksia on olemassa tuodessa tekstiilejä Yhdysvaltoihin, miten tulliselvitys tehdään ja mitä dokumentteja siinä tarvitaan. Tutkimuksessa perehdyttiin myös siihen, miten tullidokumentit tulisi täyttää, jotta tulliselvitys sujuisi mahdollisimman mutkattomasti. Tutkimus käsitteli myös tavallisimpia vientiprosessin ongelmakohtia.

Tutkimuksen teoreettiseksi perustaksi valittiin Michael Porterin kansojen kilpailuedun teoria sekä David Ricardon suhteellisen edun teoria. Tutkimus toteutettiin lähinnä kirjoituspöytätyönä. Tutkimuksessa käytettiin lähteinä Suomen ja Yhdysvaltojen tullien julkaisuja sekä ajankohtaisimman tiedon saamiseksi Internet-sivustoja.

Tutkimustulosten perusteella voidaan todeta vientiprosessin olevan monisäikeinen. Prosessissa on otettava huomioon molempien maiden lainsäädäntö ja kansainvälisen kaupan yleiset normit. Rajoitukset ja säännökset vaikuttavat jo vientiprosessin alussa hyödykkeiden pakkaamiseen ja merkintään. Tulliselvityksen tekemistä varten käytetään usein apuna huolintaliikkeitä, koska yrityksillä ei aina ole riittävästi tietoa tai resursseja.

EU:ssa valmistetut tekstiilituotteet eivät tarvitse erillistä alkuperätodistusta tai viisumia. Eurooppalaisiin tekstiileihin ole kohdistettu kiintiöitä kun ne tullataan Yhdysvaltoihin. Tutkimuksessa todettiin, että CN-nimikkeistöä käytetään sekä EU:ssa että Yhdysvalloissa. Tutkimuksessa selvitettiin, paljonko miesten puvuista pitäisi maksaa tuontitulleja ja mihin nimikkeeseen ne kuuluisivat.

Voidaan todeta, että johtuen tulleista ja kalliista työvoimasta Euroopan Unionissa valmistetut vaatteet eivät pysty kilpailemaan edullisella hinnalla Yhdysvalloissa. Muun muassa Pohjois-Amerikan vapaakauppasopimus takaa meksikolaisille tekstiileille tullittomuuden. Tutkimus antaa perustiedot miten tulliselvitys tapahtuu Suomen ja Yhdysvaltojen välillä.

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This thesis focused on the export process from the European Union to the United States of America. The European made men's suits are used as an example product. The aim of this study was to find out the steps of the export process, what the regulations and restrictions are subject to the textile imports in the United States, how the customs declaration is made and which documents are needed. The study also showed how the customs documents are supposed to fill in completely and correctly so that the declaration would be as smooth as possible. The study also focused on the most common problems in the export process and how to avoid them.

The theoretical basis of this study was Michael Porter's competitive advantage theory and David Ricardo's comparative advantage theory. The study was conducted as a desk study. Finland's and the United States customs publications were used as sources and to get the up to date information the web pages of the Customs and international trade organizations were utilized.

According to the results of this study the export process can be said to be complex. In the process the legislation of both countries and the norms used in international trade have to be taken into account. The regulations and restrictions have impact as early as on the first steps of the process, how the merchandise is labeled and packed. Because the customs declaration requires knowledge on the legislation customs brokers are often used.

The textile products made in the European Union do not need a certificate of origin or a visa and are not subject to any quotas. The study found that the CN classifications are both in the EU and in the USA. The study found out how high the import duties and fees would be for men's suits and under which tariff they should be classified.

Due to high duties and expensive labor costs clothes made in the EU cannot compete in price in the United States markets. For example the North American Free Trade Agreement ensures duty free entry for Mexican textile products. The study offered basic information on the customs declaration between Finland and the United States.

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# 1 BACKGROUND OF THE STUDY

## 1.1 Background of the thesis

The biggest reason why the thesis was written about export process to the United States of America was my internship placement, in the Finnish Customs and the fact that I studied one semester in the USA, Missouri State University. I got interested in the customs documentation and how is it possible to move goods around the world. In the European Union it seems to be really easy, because of the freedom of the movement of goods, and practically what companies need to do related to the Customs is to give the Intrastat information. The European Union is seen as a one market from the legislative point of view and it facilitates the trade between members. In marketing the variety of cultures has to be of course taken into account. Exporting to the third countries is a bit more complex procedure and there are more documents to handle with. The regulations change and develop all the time and it is sometimes difficult even for professionals to keep up with the changes.

The United States' legal system as such is complex and so are the customs procedures. There are the federal law and every state's own laws which need to be taken into consideration. There are several separate regulations concerning import products and many organizations are involved in the process. Especially after 9/11 the inspections have tightened and keeping the goods in a smooth flow requires extra attention. This thesis will discuss what the steps of the export procedure are and then concentrate on the customs declaration part.

## 1.2 Research problem

The research problem of this thesis is how to handle the exportation process to the United States of America and especially the export/import documents when the

goods are sold Delivered Duty Paid, Incoterms 2000. In order to answer the main question, the following sub-problems need to be addressed:

1. What are the steps of exportation?
2. Which documents should be filled in and how are they used?
3. What happens in the Finnish Customs during the export procedure?
4. How the goods should be packed?
5. What happens to the goods and documents in the United States?
6. What are the import restrictions in the United States and what kind of duties should be paid?
7. How to make sure that the flow of goods would happen as smoothly as possible?

Michael Porter's diamond model and competitive advantage theory as well as Ricardo's comparative advantage theory will be used to understand why do countries trade in the first place. The study will also discuss why it would or would not be beneficial for a Finnish company to export textiles to the United States.

### 1.3 Research method

The research method of this thesis is qualitative method, in-depth analysis of the contents of the references. Many of the sources of this thesis are public publications or government's web pages and documents. To ensure the reliability of this study the Internet sources are checked in case of any up-dates. Other information is carefully collected from various as recent sources as possible.

Qualitative analysis is often divided to inductive and deductive analysis according to the logic of concluding. Inductive analysis means that the conclusions are made from individual cases to generalized, where as deductive analysis is made vice versa, generalizations are expected to apply also to an individual case. In this study the deductive analysis is used. The general legislation on exportation is studied and then concentrated on individual case, the export process of men's suits. According to Half-

penny qualitative research methods are seen as softer, more flexible and inductive than quantitative research method. (Tuomi J. & Sarajärvi A. 2002, 95-97.)

There are three qualitative research data gathering techniques: participant observation, interview, social artefact and content analysis of which the latter will be used in this study. In the contents analysis the most interesting subjects are chosen first. Then the sources are evaluated concerning these subjects by coding frame, dividing to themes, classifying and separating from rest of the material. In this thesis the coding, classification and dividing to themes, aims to find the logic of the export process. The most important and often the most difficult part is to outline the extent of the subject. (Tuomi J. & Sarajärvi A. 2002, 74, 83, 86, 93-95.)

A content analysis answers to who, why, how, what, to whom, to what extent and with what effect. This study aims to explain who has to do which tasks for export and who for imports. It is studied which regulations concern the process of textile imports to the USA and who/which organization has given them and how are they enforced. Are there any exemptions and why these laws are set? (Metsämuuronen. 2001, 53-54.)

## 2 WHY TO EXPORT?

### 2.1 Theoretical basis, why do countries export and import?

“Exports are the industrial cross-border supply of goods, services and intellectual property rights (patent rights, utility models, designs, trademarks, copyrights) to foreign customers”. (Grafers & Schlich 2006, 15) During the past 50 years the world economy has grown, the infrastructures and data interchange have changed the world. Both new driving and restraining forces to global integration have emerged. Companies are now planning international, multinational and global strategies. Countries trade internationally for two reasons, first because they are different from



each other and have different resources and second because they want to achieve economies of scale in production. (Krugman & Obstfeld 2005, 10, Green & Keegan 2003, 20.)

Comparative advantage theory by R. Torrens and later improved by David Ricardo explains why it is beneficial for two parties to trade. The theory is based on the ratio between how easily two countries can produce different goods, what is the productivity of labour, not on the absolute cost of manufacturing. The trade-offs can be explained by opportunity cost. The opportunity cost is the number of product A that could have been produced with the resources used to produce a given number of product B. If the USA could produce 10 airplanes or 500 cars with the same resources where as Japan could produce 6 airplanes or 700 cars, it makes sense that Japan would export cars and the USA airplanes. To the United States the opportunity cost for producing cars would be 10 airplanes. (Krugman & Obstfeld 2005, 11, Griffin & Pustay 1999, 87-89.)

“A country has a comparative advantage in producing a good if the opportunity cost of producing that good in terms of other goods is lower in that country than it is in other countries” (Krugman & Obstfeld 2005, 12) In the Ricardian model has to be taken in account that labour is valued differently in different countries. For example Finland has way higher wages than Thailand. The prices of internationally traded goods are determined by demand and supply. The benefits of specialization should be thought as companies think about outsourcing; it is an indirect method of production for a country. The example of producing goods A and B is a simplified theory; in reality countries produce hundreds of goods. The main pattern in any case is that the goods will be produced where it is cheapest to do it. So if in Finland the unit labour requirement times the wage rate is higher in producing TVs than in China, the TVs would be made in China. By having a relative comparative advantage, not absolute advantage, in producing some goods a country or region should specify into certain goods and export. Logically it is beneficial for both parties to do what they do the best and efficiently and trade. The effects of transportation costs and regulations change the situation and explain why some goods are nontraded even if another country would be more efficient in producing them. If the transportation costs increase the price to the same level as it would be home made, there is no use to trade

and each country will produce that good for itself. The lack of strong national cost advantages or high transportation costs will create nontraded goods. Tight regulations, duties and quotas will also reduce the tendency towards specialization. The theory would work perfectly if there was free world trade and also the competition would be unregulated. The interpretations of this theory are lively and change due to technological changes effecting trade. (Krugman & Ostfeld 2005, 16-17, 19, 27-31, Griffin & Pustay 1999, 89-91.)

International business has become easier due to regional economic agreements and harmonizing and standardizing the legal system. There are a lot of preferential agreements like free trade areas, customs unions, common markets and economic unions. World Trade Organization was established in 1994 during the Uruguay Round and the General Agreement on Trade and Tariffs (GATT) was signed by more than 120 nations to promote and protect free trade. The European Union as such has promoted free trade among its members and between other nations by signing trade agreements. The North American Free Trade Agreement NAFTA was signed between the United States, Canada and Mexico in 1993. All these agreements are driving forces to trade. Even if people around the world are very different we still share some cultural universals, motivations and behaviour. There are markets which do not exist in nature if they are not created, like soft drinks or tobacco products. Technology has developed rapidly during last decades and now people can order through Internet pretty much anything they can think of. The national and cultural boundaries are vanished. Not just the Internet has made huge progress, but also communication and transportation technology have developed and the costs for ordering from thousands of miles away have decreased tremendously. By being able to use the economies of scale a company can cut its production costs. A company can utilize its resources better in global markets and gain leverage by getting the knowledge from more than just a single market. Some countries offer subsidies to their companies and so they promote the exports. The foreign trade zones give the possibility to export the goods in to a country and then process it into a product subjected to a lower tariff. In the United States the foreign trade zones are popular and there are more than two hundred of them. For some branches of industry countries have created government owned agencies to assist their domestic firms to arrange the financing of export sales. All these and others in addition are the driving forces to global integration and in-

creasing international business. (Green & Keegan 2003, 21-27, Griffin & Pustay 1999, 225-228.)

Even if there are strong driving forces there are restraining forces as well. One of them is management myopia. A company can be too ethnocentric and not see the possibility of expanding internationally. International business requires always more effort than the local markets and it may be an unknown and scary field for managers to engage to. Previous market failures or experiences will make the step harder to take. Even if the WTO has been able to lower the borders of free trade by GATT and other trade agreements there still are national controls to make the trade more complex. Countries want to protect their own companies and local business and they want to maintain the control over the market access. The tariff barriers have been removed from high income countries but there are several non-tariff barriers (NTBs) which still hinder the trade. (Green & Keegan 2003, 27-28.)

Countries may impose import quotas and limit the quantity that may be imported in a certain period of time. Tariff-rate quota limits the amount of import that may enter the country with lower tariff rate, the exceeding amount will be subjected to a higher tariff. A country may restrict its exports to a certain destination or the UN for example can impose embargos. Countries can protect their markets by high product standards and testing or by restricting the access to the distribution networks. A country may use public-sector procurement policies or impose local-purchase requirements. Investments and currency can be controlled. These governmental laws, regulations and procedures are now becoming the restrictions for trade and international competition. (Griffin & Pustay 1999, 214-225.)

There are several factors impacting countries' import volume. Small countries usually have to import more due the lack of natural resources. The United States imports more in money than Belgium, but in the percentage of national income Belgium exceeds the USA almost six times. Also if the per capita income is high, the purchase power is higher and so the likelihood of buying imported products increases and the need for imports grow. The size of population with the purchase power determines the demand. The exchange rates have huge impact on the imports. If for example the U.S. dollar has strong position compared to the euro, the importation is more likely

than if the currency rate would be vice versa. This also affects to the price of imported products and the price of domestic goods relative to the imports. The price elasticity and government restrictions and availability of foreign exchange are also determinants of the import volume. (Seyoum 2000, 355.)

As Michael E. Porter describes there are several reasons why some countries have a competitive advantage in a certain field of business. He found four interactive factors that are called a diamond: factor conditions, demand conditions, relating and supporting industries and firm strategy, structure and rivalry. A company needs support from a nation to create the competitive advantage. Of course a firm has to have the basics: core competence, strategy and rivalry to survive. Factor conditions such as nation's human resources, physical resources, knowledge, capital and infrastructural resources are the starting point. A company has to be able to get skilled workforce, certain natural resources if it is a manufacturing company, adequate level of technology and infrastructure available. A nation's economy is a factor too, because it determines the amount, cost and type of capital available. It is easier for firms with low capital costs to compete with the firms of higher capital cost. (Keegan & Green 2003, 382-383, Pirnes & Kukkola 2002, 70-72.)

In Porter's diamond theory demand condition factor includes the position in the home market and how it is compared to global competition. The composition of home demand either helps or hinders the company in succeeding in international trade. If the customers in the home market are very demanding and want high quality and innovations it is easier to fulfill customers' needs abroad too. If the home market grows fast it sets more challenges to face. Companies have to adapt to new technologies fast and it may create the need to expand locally or internationally. Related and supporting industries determine if the business branch has a competitive advantage internationally as a whole. When there is a wide knowledge on close business areas, clusters, they push each other. It creates the opportunity of effective and efficient supply chains and coordination. (Keegan & Green 2003, 384-385.)

Finland is highly dependent on international trade, exports counts almost for forty per cent and the value of imports thirty per cent of the GDP. Finland has been engaged in the European Union trade policy since it became a member in 1995 of the

Union. Open Finnish markets create opportunities to trade internationally, but on the other hand it also tightens the competition in domestic markets. As Finland's markets are small, way smaller than the USA's, small and medium size businesses have to start trade internationally earlier. This can be a competitive advantage because it creates more jobs and increases the knowledge on foreign markets. The isolation far in the north brings a challenge for Finnish companies because it increases the transportation costs. Of Finland's exports over fifty per cent is aimed to European Union and nine percent to the United States. Finland's economy is based on four main supporting industries; electronic, metal, forestry and chemical industry. These industries are so called clusters, they are supported by each other and there is a wide knowledge on the business area. Finland invests a lot in research and development and education in general. Skilled labor is seen as one the most important competitive advantages Finland has in international markets. Due to the high costs of labor and long geographical distance to the United States it becomes clear that also in textiles Finland has to lean to high quality and is not able to compete with price even if Finland's productivity could be high. Finland's open business culture and the predictability in negotiations as well are seen as benefits in international trade. (Kansainvälistyminen, 2007)

The interactive diamond and the idea of Porter's national competitive advantage and sustainable development in the competitiveness evoke further researches. The World Economic Forum ranks countries annually according to their global competitiveness and Morgan Stanley conducted a research ranking the companies according to their sustainable competitive advantage. 125 of the ranked companies were located in the United States and three companies in Finland. The World Economic Forum released the Global Competitiveness Report 2006-2007 in September 2006, where Switzerland, Finland and Sweden were ranked as the world's most competitive economies. The ranking showed the competitiveness of macroeconomics, high technology, innovations and education. Finland's most problematic factors were high taxation and restrictive labor regulations where as the advantages were ethical behavior of firms. The United States were left to sixth place, but it is still regarded as a highly competitive economy with technological innovations and research centers. The weaknesses were macroeconomic imbalances and the institutional environment. (Keegan & Green 2003, 388-389, Global Competitiveness, 2007.)

There are several reasons why a company would want to start up their export business. The reasons vary by company and the branch they work in. One of the reasons is growth. Home markets are too small and there is no room to expand and so it is logical to expand abroad to a market where demand still exists. This is a very common reason in Finland since the market is relatively small and for specialty products the market is even smaller. When entering foreign market, company's competitors will also change and in a preferential situation it will enhance company's competence in home market by up-to-date product development and by more efficient practices or marketing methods. This is one way also to strengthen company's position in the home market. Exporting means bigger volumes than before and companies might benefit from economies of scale or they can even their seasonal changes. Sometimes exporting can start with few individual orders and continue with a grown interest. Expanding abroad can be used as well for enhancing the company's image. (Fintra 2001, 9-10, Karhu 2002, 18.)

## 2.2 Company's prerequisites to exporting

A Company has to fulfill many prerequisites before it starts to export. Expanding to exports is much more complex than just operating in the home market. An internationalizing company has to have a working network for supply, distribution and other supporting services. Language and culture might be different, customer market behaviour will vary, and the whole environment is different. There will be differences in financial issues like taxation, country's development in economy, currency, demographics, infrastructure and political environment. Documents used in international trade are different and more of them are required than in local trade. A company needs professionals to handle the export process. (Pirnes & Kukkola 2002, 89-90, Karhu 2002, 25, 30-32.)

Because internationalization requires more resources and is a higher risk than operation in the home market it requires critical and careful consideration. A company should be financially stable and it should consider how much the start up phase needs

investments. To ensure the on time deliveries the stock level might have to be increased and more capital will be tied up. Most probably a company has to invest more into personnel, production equipment, stocking and marketing. It also should consider the changed terms of payment due to international money transfers which take more time. Tight competition can lead to reduced prices in the foreign market and the gross profit will decrease. The product itself may have to be adjusted to the new customer's needs and a company should be able to offer additional benefits, support and after sales functions like customer service, guarantee and spare parts, as well or preferably better than its competitors. After the analysis the possible exporting decision has to be made, and the strategy and the functions have to be chosen. (Karhu 2002, 19-24, 29.)

### 3 STEPS OF THE EXPORTATION PROCESS

#### 3.1 Marketing

Marketing is in key position in international business. Through marketing operations the company finds out the potential customer base, ensures that consumers can get the information about the company and its products and convince the customers to purchase the product. By marketing and market research a company makes sure that customer's hopes and needs are fulfilled in the market. In international business in marketing a company has to have the knowledge on the business environment, culture, legislation, values, taboos and customer behaviour. (Selin 2004, 107-108.)

Before entering the market a market research should be conducted. The best way in a foreign market would be to give the task at least partly to a local company. First the market potential should be found out: estimation on the demand, consumer behaviour, channels and communication media. A new company needs to have information on the competitors in the area and what are their intentions and capabilities. Resource information, prescriptive information like laws, taxes and dividends, foreign ex-

change as well as the general conditions in the market needs to be researched. (Green & Keegan 2003, 222.)

Whenever exporting the characteristics and the regulations subject to that certain product should be reviewed. Not only the legal frame requirements should be reviewed but also if the product itself should be adapted to the market and which way to beat the competitors products. Is the product some way superior in price, quality or as a brand/concept? When the product is adapted the market segment and the volume must be decided. To whom the product will be marketed, how it will be marketed and how large the demand base is wanted to be. In the case of the USA a company is advised to start with a state or just with few states. Customer market behaviour will vary from state to state and similar behaviour should not be expected. It is wise to let a local company to do a market research in the area aimed at. (Johnson 2002, 239-240, Maaraportti Yhdysvallat 2006.)

According to Lasse Baldauf from Finpro there are several pros in the USA market. It is a huge and diversified market with over 300,000,000 consumers, but whom can be reached with one language. The USA is one of the top countries in high-tech and lot of innovations and trends are set there. The market has its cons too. Competition in this market is thight and it requires a lot of resources and effort to stay in the market. The legislation may vary from state to state and finding the right distribution channels is a challenge. Also the culture is diversified and there are a lot of subcultures. A company has to be prepared to alter its products to the customers' needs and be ready to put a lot of thought in marketing. The mix of branding, pricing, promoting and selecting the marketing channels are important in the USA due to tight competition. (Maaraportti Yhdysvallat 2006; Population, Census Bureau.)

Roger's diffusion theory describes well the purchase process to which marketers should have impact on. The first stage is to get consumers aware of the new product. Next step is to gain consumers interest and then make them to evaluate the product's benefits in relation to current product. Trial is the fourth stage of the diffusion theory, customers often want to try first before buying the product, especially if it is a expensive purchase. In the case of men's suits it would be the try on, if it fits and if the proper size is found and if it feels and looks great on the customer. Adoption is the



last phase. The purchase is made but the decision about the future is yet undecided, if the consumer changes the old brand to new one. (Green & Keegan 2003, 156.)

In this study European made men's suits are taken as an example of an export product. First to characterize the product it has to be considered that it is a consumer product and often purchased in small amounts. By buyer orientation it is a low risk product, but still the consumer is highly involved in the purchase. The suit has to be fit and so the consumer wants to try it on, touch it and feel it. Suits may be, depending on the quality and preference how long to wear it, either durable or nondurable. In a case of European/Finnish made suits they would be rather high quality and so could be considered as durable.

A Finnish company cannot compete in price when clothing is in question. The USA imports a lot of clothing and textile from Mexico where the work force is cheap and thanks to NAFTA tariffs are low or non-existent. Textiles imported from member countries of the United States-Caribbean Basin Trade Partnership Act (CBTPA) are very cheap. The CBTPA has a preferential treatment for textile and apparel articles and they may enter the United States free of duty or restrictions on quantity if certain conditions are met. Countries like i.e. Bahamas, Barbados, Dominican Republic, Guatemala, Jamaica, Panama and Trinidad and Tobago belong to the CBTPA. Textiles are also imported from Asia due cheap production costs, but they are often subject to quotas. When a US company establishes subsidiaries in those countries it may have cheap production costs, still use its own brand and ensure the quality. European clothing companies succeed when they are trendy, unique and have a brand. Clothes imported from the EU are often targeted to people with high incomes. Upscale brands like Gucci, Dolce & Gabbana, Armani or Luis Vuitton can maintain their status in the market even if they are expensive, just because they are trendy and have a great history. (Importing to the United States 2006, 98-101.)

Men's suits made in Finland/the EU, would be marketed only to white collars, business men with high incomes and sense of style. The product should be top quality, but the image would be the most difficult to create. A brand is the image, experience and expectations in the consumers mind of a certain company and its product. Everything in the product itself and relating matters have an impact to this mental image.

High quality of service and after service, up scale clientele, preferable publicity and fine packaging, support the idea of a high quality product. Consumer is ready to pay more of high quality but also of a popular brand because it brings added value. Some countries like Italy and France have the advantage of country of an origin as a brand element. The perceptions in top fashion and design of Italy and France as the leader countries are part of the image and brand equity.

One way to get the attention in the US market would be to get one of the celebrities to wear the suit or at least to promote it. Suits from global brands like Gucci and Armani are used during normal work days but they are even more suitable for big events and due to the brand, they are very expensive. Middle class in the United States have great purchase power and they love to show off. For a new European men's fashion brand the segment might be middle class, white collar, men of age from 20 to 50. Business people who cannot always afford to wear an Armani, still want to be classy and wear European style. The prices of the high quality Scandinavian suits could vary between 500 to 4000 dollars taken into account the expensive work and transportation costs. The price would then be higher than for example cheap Mexican suits but not as expensive as top designer suits.

### 3.2 Export plan

When a company has the interest to export it has to go into details and analyze its organization, its products capabilities and create an export strategy. Planning is a very important part of the export process because it will give an outline of the future and what still has to be done or improved. It is essential to use time and effort in the planning phase and risk analysis; it might save the company from many unpleasant surprises. (Fintra, vientiopas 2000, 23-24.)

One important phase is to benchmark, to find out whom your future competitors will be and in which parts you are better than they are and what you should develop. If you are only as good as they are, why should customers buy from you and not from the locals? What do the customers expect and would it be possible for us to exceed

their expectations and gain market share from competitors? A company has to assess its financial situation and its capacity, how much of the production it can devote to export and how big financial risk it can afford. (Fintra 2001, 15-17.)

The product itself has to be analyzed. Does it violate any of the restrictions or regulations of the target country and can it physically be transported, or how expensive the appropriate packing and transportation will be? A company has to think about how extensive the process will be, what the goals are, the actions to reach the goals and who/whom will take the responsibility. It is important that even the top management is committed to the process. An export plan should include at least these parts:

- The business idea
- Financing
- Budget
- Schedule
- The ability to carry risks
- Human resources
- The market share and position in home markets
- Product itself
- Product research and development
- Export strategy and marketing
- The analysis on market environment in the target country

Then finally there should be a plan how everything should actually be executed. After the implementation the company should know how to measure, develop and supervise the process. Every decision made should have good grounds and the plan should be realistic. (Fintra, Vientopas 2001, 11-14, Karhu 2002, 94-98.)

In his book *Export-Import Theory, Practices and Procedures* Belay Seyoum mentions ten most common mistakes of potential importers in the United States. (Seyoum 2000, 354.) One of the mistakes is the failure to have the sufficient knowledge of the process and market before starting the business. Other mistakes would be the lack of sufficient knowledge on the product to be imported, on the import restrictions and of

the costs of the importation process. All the costs involving the obtaining, importing and marketing the product should be acknowledged. Seyoum mentions also the inability to develop an appropriate price structure and neglecting the seek of quality products at the lowest possible price. The importers may trip when trying to maintain good relationships with suppliers, banks, custom brokers and with other intermediaries. The importer should ensure the smooth flow of goods in the whole supply chain. The insufficient working capital or unwillingness to modify the product to meet the regulations and consumers preferences can mess up the whole business. One of the most important investments is to give enough time and effort to develop the business.

### 3.3 Transportation and distribution network

The export transportation is a whole logistical chain which is an important factor in the competition and pricing. Transportation has always risks and it creates additional expenses and to ensure the good service the most efficient and effective mode of transportation should be chosen. During transportation there is always the risk of delays, damages, different disorders in warehousing, problem in the legally valid documentation and with insurance. The goods can be damaged, become obsolete or get stolen or just vanish. By planning the transportation well and minimizing all the risks the exporter can ensure the smooth flow of the goods. An exporting company may use a forwarding agent because they have the experience and broad networks all over the world. The drawbacks of using middle men are reduced control and increased costs or decreased profit margin, but by being involved in the whole logistic chain and not just in the inspection of the goods more control can be gained. By using suitable packing materials and marking the risk of damaged goods can be decreased. When transporting through European Union area it should be remembered that the directive obligates the packing materials used to be recyclable. (Selin 2004, 183-185.)

The mode of transportation depends on the product itself, amount/weight, the route used, how fast the delivery should be done and how reliable it should be. The shipping costs in exports are around 15% of the sales price. To the United States of

America the transportation in practice would be made by using combined transportation when exporting clothes. In Europe the transportation might be done by truck and CMR, International Waybill, would be used. Crossing the ocean could be done by airways, when Airway bill would be used as the transportation document, or by sea using the Bill of lading. When it comes to clothes the mode would be chosen depending on how fast the delivery should be done and how much the company is ready to pay for it. Top fashion clothes would require airway shipment, because they are valuable, often light and subjected to fast seasonable changes. Where as classical men's suits, if not top fashion, could be shipped as ocean freight. They would not be as expensive or urgent to ship. (Selin 2004, 186.)

The cargo should be insured. In the case of Incoterms 2000 Delivered Duty Paid the seller would be in charge of the insurance. The Institute Cargo Clauses are used in the export transportations. The ICC are divided into 3 groups of which the A-group is the most comprehensive and the C-group covers only the minimum necessities. The insurance is often calculated as CPT/CFR + 10% of the value of the goods. The whole insurance depends on how high risks does the product impose, how well it is packed, what is the mode of transportation, how long the transportation is, if there are environmental factors, if there are any special risks and how comprehensive the insurance will be. (Selin 2004, 200.)

The importance of the distribution network depends of the mode of export, if the export is direct or if middlemen are used. In any case the supply network should work flawless to ensure the highest value to the customer. Tight cooperation with partners in the supply chain ensures smooth flow of goods. When beginning to export it is wise to search information. There are several organizations in Finland that help companies to set up their exports and train them like Finpro, Chambers of commerce, the Ministry of Trade and Industries and several consulting companies. They may know companies that want to cooperate in exports, possible buyers or partners in the destination country, forwarding agents specialized to certain countries and whole sellers interested in certain products. (Fintra, vientikaupan asiakirjat 2004, 20-1.)

### 3.4 Terms of delivery

Incoterms 2000 are international terms of delivery created by the International Chamber of Commerce (ICC). The ICC was found in 1919 and it has established its position as an expert in economical matters. Incoterms were created to standardize the international trade and make it easier, the first Incoterms were published in 1936. (Räty 2006, 10-11.)

The latest Incoterms were published in 2000 and there were 13 terms of delivery. By using Incoterms the trading parties do not have to list all the terms anymore, they can just use one the Incoterms which will determine the duties of the buyer and the seller. These terms are general and a part of a contract. They can be altered and seller and the buyer can have additional terms. Incoterms' ten articles define how the contract is implemented, who takes care of the licenses and formalities, who makes the transportation agreements and takes the insurance, how the delivery is conducted, when the risk is transferred, how the expenses are shared, what kind of notices should be given, if the goods are inspected who is in charge and if there are other obligations. These 13 terms are divided into 4 groups; E, F, C and D. Where as E is the simplest to the seller, and D is the most demanding. The Incoterms are: EXW, FCA, FAS\*, FOB\*, CFR\*, CIF\*, CPT, CIP, DAF, DES\*, DEQ\*, DDU, DDP. The terms marked with a star are limited to sea and inland waterway transport. This study will concentrate to the term Delivered Duty Paid which would be the full service to an American customer. The exporting party would do the customs declaration, pay the duties and carry all the risks. (Räty 2006, 19)

In the United States of America the Revised American Foreign Trade Definitions (RAFT's) are similar to Incoterms, but there are some radical differences. The RAFT's were published in 1941 by the USA Chamber of Commerce and there are 11 different sentences of terms of delivery. There are abbreviations looking like Incoterms like ex-factory, FOB plant or landed. The RAFT's are:

I EX (Point of Origin), factory, mill, mine, warehouse ect. This term is equivalent to EXW Incoterms 2000.

II FOB

II-A FOB (named inland carrier at named inland point of departure) The seller is responsible of loading the goods and getting a clean transport document. Insuring the cargo transfers to the buyer.

II-B FOB (named inland carrier at named inland point of departure) freight prepaid to (named point of exportation). When the seller gets clean transport document in the inland point of departure the insurance/risk transfers to the buyer.

II-C FOB (named inland carrier at named inland point of departure) freight allowed to (named point). Risk transfers like in II-A, the buyer includes the freight costs until the named point of destination, but reduces the freight costs in the beginning of the transportaion.

II-D FOB (named inland carrier at named point of exportation) Seller has the risk until the named point of exportation.

II-E FOB VESSEL (named port of shipment). Like FOB Incoterms 2000.

II-F FOB (named inland point in country of importation). This term is like DDP Incoterms 2000 but the risk transfers to the buyer in the named point in the country of importation.

III FAS (free along side) VESSEL The seller delivers the goods, pays the transportation and carries the risk until along side vessel. The buyer will do the export declaration and carries the risks and costs from that on.

IV C & F (cost and freight, named point of destination) The risk transfers to the buyer when the goods are given to the carrier and have Received For Shipment Bill of Lading or Ocean Bill of Lading.

V CIF (cost, insurance, freight; named point of destination) Seller pays for the ocean freight insurance but the risk transfers to the buyer at the port of exportation.

VI EX DOCK (named point of importation) Seller is responsible for everything until the dock of importation.

(Pehkonen 2000, 104-106.)

Nowdays the USA Chamber of Commerce, as many organizations in international trade, recognize Incoterms and advise also American companies to use them as the terms of delivery. As a foreign company it is always wise to make sure of which terms of delivery and which nomenclature is used and how it is interpreted. (Räty 2006, 24, Johnsson 2002, 32-35.)

## 4 EXPORT PROCESS AND DECLARATION IN THE EU

Finland is a part of European Union and the customs union that handles 19% of the world trade. The member countries practice common custom tariffs and the EU's legislation as well as the national Customs legislation. All exports from the EU have to go through customs declaration at the place of exportation. In Finland the Customs works for the Ministry of Finland. The Customs ensure the legal flow of goods, collect taxes and duties and protect the trade. In the export the goods are sold outside the customs union and they need to be declared. The laws considering export declaration are in the Customs Code art. 161-162. (Customs 2007.)

The documents for export are prepared based on the UN Layout Key. The declaration consist of the SAD-document's pages 1 and 3, commercial invoice, possible export licences or permits and the documents possibly used to gain benefits, like preferential treatments based on the country of origin (i.e. EUR.1, FORM A, A.TR.1 Turkey) or getting agricultural subsidies. Sales to outside the European Union is value added tax free. For this reason the exporter gets one page of the SAD as a proof of export and with that he can apply for VAT refund. (Vienti kolmansiin maihin, Tullihallitus 2006.)

### 4.1 What is SAD and how to use it?

In a normal exportation process the exported goods should be presented to the nearest customs office and set to an export procedure. The export declaration is given with the Single Administrative Document and commercial invoice should be enclosed. Only for dispatches under 3000 euros the export declaration may be given in the customs at the destined border. If the products will be given any benefits in the destination country by the origin, the certificate of origin, EUR1, should be drawn up at this point at the latest. (Vienti kolmansiin maihin, Tullihallitus 2006.)



The SAD was first introduced in 1988. The SAD is the documentary basis for customs declarations in the EU and its aim was to reduce the amount of requested documentation, rationalize and standardize the data. Now it is used in trade with third countries and in the movement of non-EU goods within the EU. It is composed of a set of eight copies of which the first and third pages are used in exportation, regardless of the mode of transportation used. (SAD, European Union 2006.)

The National Board of Customs has released a publication No. 181 (01.10.2004), which is the instructions how to fill out the form. The instructions are based on the Council Regulation (EEC) No. 2913/92, of 12<sup>th</sup> of October 1992 which establishes the Community Customs Code. According to the article 62, all the information in the customs declaration needed to apply the regulations related to the certain customs procedure should be given. The other legal texts on EU level concerning the use of SAD are the Commission Regulation (EEC) No. 2454/93 and Commission Regulation (EC) 2286/2003. In Finland's national law the SAD form and its use have been instructed in the publication of the National Board of Customs No. 81/1997 and the use of additional page in exportation is instructed in the publication of the National Board of Customs No. 351/1995 and 158/1997. (SAD, European Union 2006, Tullihallitus, N:o 181 2004, 6-7.)

The form should be filled out typing or when a private person gives the declaration he or she can fill out the form with clear handwriting. In Finland Finnish or Swedish should be used or when the form has partly been filled out in the export country, export country's official language can also be approved. If so, custom authorities are entitled to request for translation. Before leaving the SAD to the customs it should be signed by the declarant or representative and made sure that it is appropriately filled out. The declarant fills out the spaces with serial numbers. (Tullihallitus, N:o 181 2004, 6-7.)

In exportation the declarant fills out the columns A, 1-8, 14-15, 17-26, 28, 29-35, 37-38, 40-41, 44, 46, 48, 50 and 54. When additional pages are used in those pages columns 1-3, 31-35, 37-38, 40-41, 44 and 46 should be filled out by the declarant. (Tullihallitus. 2004. Tullihallituksen tiedotuksia N:o 181, page 12) Appendix 1 demonstrates how a SAD should be filled out when exporting 20 men's suits. Men's suits

are under tariff group 62, clothing other than knitwear. Men's suits made out of cotton fabric would be under tariff 62 03 19 10 00, but in the export only the CN classification, the first eight digits, is used. See the appendix 1. It is a filled SAD document for men's suits. The SAD was obtained from the Finnish Customs. (Tullin Käsikirja II, Käyttötariffi osa 1 2005, 62-1 – 62-4.)

#### 4.2 Commercial invoice and Pro Forma invoice

Commercial invoice is the most important single export document. It gives the needed information to the seller, buyer, forwarder, insurance company, customs, bank ect. For this reason the seller should take enough copies for every party. It should be written in the language of the country of the buyer, in this case in English, or in one of the languages used in international trade. Sellers have to be careful in preparing the invoice because if there are errors or it does not include all the required information it may result delays in merchandise release, the detention of the goods, or a claim against the importer for domestic value. (Fintra, vientikaupan asiakirjat 2004, 10-1, Importing to the United States 2006, 57.)

Commercial invoice to the United States should be given in three to the consignee. The U.S. Customs officials require getting the original commercial invoice. Commercial invoice should include at least the information of the seller (name, address, contact information, bank information, VAT-number and the trade register number), buyers name and address, name and address of the consignee and the billing address if it is not buyer's. The invoice should be numbered and dated. The date and number of the order should be in the invoice. It should also contain UVN (foreign trade number), the time and the terms of delivery and terms of payment. Commercial invoice includes the number and quantity and kind of packages, volume, net and gross weight, the name of the product and the TARIC code. The unit and total price, discounts and extra costs should be stated in the invoice. In exports outside the European community there should be a statement "supply of goods outside the Community VAT 0% (6<sup>th</sup> VAT directive, Art. 15)" (Fintra, vientikaupan asiakirjat 2004, 10-2.) The invoice should indicate the country of origin. If required by the country of

import the invoice should be signed and if needed there should be the names and addresses of the forwarders. (Fintra, vientikaupan asiakirjat 2004, 10-1, 10-2, 10-3.)

The United States have some requirements concerning commercial invoice. In addition to the information mentioned above, the invoice has to include the name of the port of the destination, if the goods are not sold before shipping, the place and time of the shipping and the value in the currency that the products would normally be sold. The requirements indicating the product are also more exact, name of every single kind of product, quality information and the number or symbols with which the producer or seller sells the goods in the exporting country should be in the invoice. All the expenses like freight, insurance, commissions and packing costs should be separated as well as the export subsidies and returns of taxes or duties in the invoice. The U.S. customs should be able to see the Free On Board value. Also the expenses of the use of moulds, tools and planning, if not included in the price should be in the invoice. The USA does not require the invoice to be signed but there should be the name of the person who is responsible of the trade. Packing list is not required if the Commercial invoice includes all the necessary product information. (Finpro, Laivauskäsikirja 2006, 465-466.)

Pro Forma invoice looks a lot like Commercial Invoice, but it does not include terms of payment and it does not oblige to pay. Pro Forma invoice is needed often for customs purposes or when letter of credit is used. In the case of letter of credit the buyer needs a Pro Forma to open the letter of credit. Buyer might need a Pro Forma also to obtain an import permit. It is needed also in the case of free samples, free goods or orders delivered after the main delivery and which are in the commercial invoice. Customs need Pro Forma invoice to assess the value of the goods and the applicable duties. Pro Forma includes the sentence "value for customs purposes only". (Fintra 2004, 10-4.)

### 4.3 Simplified exportation and EDI-declaration

For a written application Customs may admit a permit for simplified export declaration. In a simplified export the declaration is given to the Customs in two phases, B declaration and additional X declaration. In the first phase, B declaration, only the necessary information is given and the document is taken to the place of export. In the second phase the company gives the additional information to the customs. (Fintra, vientikaupan asiakirjat 2004, 14-4, 14-5.)

EDI-declaration (Electronic Data Interchange) means that the customs declaration is given electronically. ECS (Export Control System) will be used in Finland and in the EU in 2008. In EDI the customer will fill in the necessary information, same as given in SAD, and send it electronically to customs where it is checked and approved or failed. This will facilitate the declaration because the declaration can be made at any time and the declarant can physically be anywhere and he has to show the document only if asked. First the system will cover only the simplest exports and the system needs time to develop. Customers will probably not be the only ones to benefit from this innovation, the customs aim to reduce costs this way in the declaration process. One of the cons is the lack of standards in the Community. Transferring to EDI also creates challenges for the legislation. (Tullihallitus 4/2005, 10-11.)

### 4.4 Export restrictions, duties and bans on export from the EU

There are some products which are under Customs closer surveillance and the exporter is obliged to present an export license. European Union Council has given a regulation N:o1334/2000 on dual-use items and technology which are enumerated in the appendix 1. Presenting the export license is exporter's duty and to make sure that in the final destination that product will not be used for weapon of mass destruction. The export of chemical and biological technology (CWC), missile technology (MTCR) and nuclear technology (NSG) have restrictions. The EU and UN have announced a list of countries subjected to economic sanctions or injunction of export of

weapons. These countries are often war zones or in a political disagreement with EU and UN. (Ulkoasiainministeriö 2004, 9.)

So far there are no export duties in the European Union and the exports from the community are not subjected to value added tax. The Commission is free to impose export duties. In 1997 there were export payments on durum wheat and wheat flour. If there will be new duties or equivalent payments they would be announced in the European Union's official papers L-series and also in the Board of Customs News. (Vienti kolmansiin maihin, Tullihallitus 2006.)

## 5 IMPORTING TO THE USA

### 5.1 Basic information about the United States of America

The United States of America counts for 9 629 091 square kilometres and is the third largest country in the world. It is divided into 50 states and Washington D.C., Puerto Rico, American Samoa and Virgin Islands. In October 2006 according to the U.S. Bureau of the Census the population of the United States was over 300 000 000 residents. The population has grown steadily for over the past hundred years. The U.S. is still the biggest economy in the world and in 2005 it's GDP per capita was 42 130 US dollars. (Population, Census Bureau, Finpro, maaprofiili 2006.)

Because the country is so large the distances are also long. The United States of America is located between 38°54'N latitude and 77°02'W longitude. Because the country is so large also the distances are long and the different parts of the country can differ by nature and culture amazingly. The USA has four (Eastern standard time, Central, Mountain and Pacific) time zones. The country has huge natural resources and it is one of the top producers of minerals, coal, natural gas, petroleum, uranium, metals and sulphur. (Nieminen & Väyrynen 1999, 20-22, Garrington 2002, 16-19, 20-21; Maaprofiili, Finpro 2006.)

The US political system is divided into three branches: the executive branch, the legislative branch and the judicial branch. The head of the executive branch is the president George W. Bush, who was re-elected 2004 and who is the 43<sup>rd</sup> president. The president has a vice-president but in the US there is no prime minister. The president leads the politics and has relatively lot of power. The president proposes the government bills to Congress, has the right for veto, is the commander-in-chief of the armed forces, nominates the judges of the Supreme Court, is able to make agreements with foreign states, is the leader of his party and chooses the cabinet with the advice and consent of the Congress. The legislative branch contains bicameral Congress which is divided into the Senate and the House of Representatives. The Senate has 100 members, two from every state, and the House of Representatives has 435 members. The Congress creates the laws, prescribes federations taxes and how they are used, wages a war and carries out the agreements made with foreign countries. The Judicial branch consists of the Supreme Court, located in Washington D.C., and of the Federal Courts. In the US (except Louisiana) the common law system is used. The decisions of especially Supreme Court and other courts in similar cases before are used as a guidance. (Nieminen & Väyrynen 1999, 267-272, Tamminen 1999, 114-117.)

This world's largest economy is based on capitalism. The biggest trading partners to the USA are Canada, the EU, Mexico and Japan. As a percentage of U.S. national income imports have exceeded exports since late 1970's but in the late 1990's imports started to grow even faster. The import of goods in 2003 were 1 257 121 million dollars, in 2004 1 469 704 million dollars and in 2005 1 673 455 million dollars. These numbers are huge, but when compared to the GDP they are relatively low due to domestic production and own natural resources and huge demand increases also the need for export. In 2005 the trade balance was beneficial to Finland by over 2000 million dollars. During year 2000-2005 Finland has always had surplus in the trade balance with the USA. Finland exported goods and services to the USA with value more than 4300 million dollars. Imports to the USA has grown steadily from the 90's until today. Finland takes part as an EU member to promote the trade with the USA according to the principles of New Transatlantic Agenda (1995) and the Transatlantic Economic Partnership. In June 2005 in the EU-USA summit meeting was agreed on

promoting economic integration and trade through standard cooperation. (Foreign trade, Census Bureau 2006, Yhdysvallat, 2007)

Companies have to pay taxes to federation, states and to counties. Because the taxation varies by states and counties it is hard to perceive the whole country's taxation system. For that reason companies often use consultants or lawyers to help with the taxation. The corporation taxation of federation on companies registered in the United States is progressive. From interests, dividends, rents, royalties and from other revenues of the trade is paid 30% of withholding tax, unless the company's mother country has not agreed on the lower tax rates with the USA. States may use progressive or steady taxation on companies. The steady taxation can vary from four to 9.99 percent and the steady taxation varies between one to twelve percent. (Niemi-nen & Väyrynen 1999, 293-295, Maaprofiili, Finpro 2006.)

## 5.2 Business culture

In marketing the cultural differences have to be taken into account. In Finland things are very different than in the US. A culture is a way of living, heritage that is transmitted through social institutions. Culture includes conscious and unconscious values, ideas, attitudes, beliefs, aesthetics, symbols and human behaviour. There is physical culture and the abstract culture. Geert Hofstede has defined culture as "the collective programming of the mind that distinguishes the members of one category of people from those of another". In marketing these things have to be understood and if possible used to ones benefit. By ignoring the culture a company may do a big mistake and by hurting values in the other culture it may lose the market. (Green & Keegan 2003, 134-135.)

Communication and language are two of the problems companies engaged in international business will have to face and they are crucial in marketing. A language is a tool in communicating with customers, distributors, suppliers and others in the chain. By using native speakers companies can avoid costly blunders caused by incorrect translations. The verbal language is relatively easy to learn but in different cultures

the non-verbal language may be different too, they both are important in face-to-face negotiations. Also spoken language may be phased or sequenced differently. Even if the United States' official language is English marketers have to take into consideration if also Spanish should be used due to the huge Hispanic group of people living in the United States. There are so many subcultures that when target market is being decided subcultures have to be considered. There are not only a lot of Hispanic or Chinese, but also gangs or other groups with a subculture and their own slang. (Green & Keegan 2003, 142-143.)

Cultures can be divided into low- and high-context cultures. The United States and most of the North European countries can be classified as low-context cultures where the verbal communication carries most of the communication and where messages are specific. This means there is a lot of paper work to do and lawyers should be present because everything should be in written. In a low-context culture people like to have their own private space and the time perspective is monocronic and linear, time is money and one thing should be done at a time. (Green & Keegan 2003, 147)

Geert Hofstede has created five cultural dimensions: power distance, individualism versus collectivism, masculinity versus femininity, uncertainty avoidance and time orientation. The power distance measures the equality between the members in a society, Finns have lower power distance than Americans. Finnish people do not have as strong social classes as the United States. Individualism in a culture tells the degree to which individuals are integrated into groups and if they put the groups benefit first or not. Both Americans and Finns are more individualistic than collectivistic. Third dimension, masculinity versus femininity, describes the social roles men and women should have. Where as Scandinavians are used to equality between sexes, American still have the differentiation that men are suppose to be the competitive parties concerned with material issues where as women take care of the children. Of course this is changing in the United States and more and more women are seen in business life and in politics. Uncertainty avoidance measures the extent the society is comfortable with unclear or unstructured situations. In uncertainty avoidance Finns and Americans are similar even if the Americans may tolerate a bit more of uncertainty. In the last dimension, long term orientation, the Americans where ranked high with the sense of immediacy. These dimensions help us to understand



the differences and some of the reasons cultures have. By understanding these things can be managed and marketers can gain insights to create culturally appropriate consumer brand images. (Green & Keegan 2003, 149-151, Griffin & Pustay 1999, 347-356.)

The business culture in the United States is based on European cultures and it has been developed especially by white men. The “American dream” was based on the belief that hard work would be rewarded. Hurry and impatience are normal and fast decisions can be seen as a competitive advantage. It is important to be on time and the general rule in business is to be punctual. To Americans time is money and even if small talk is part of their culture in business meetings it will be rather short. (Tamminen 1999, 136,144-145.)

The culture is individualistic, so they are typically outnumbered in negotiations but they place a high value on informality and equality of the negotiation participants. Americans are short-term orientated, so they like to go straight down to business after the necessary small talk and may seem to be impatient. Silence is one of the great differences between Finns and Americans. Americans are uncomfortable with silence where as in Finland it may mean several things. Americans like openness in the negotiations and tenacity and hard sell attitude. (Green & Keegan 2003, 146.)

Advantages in the USA business are huge amount of alternatives, possibilities, obsession on greatness, use of time, accepting failures, need and talent to improvise and constant search for innovations and continuous development. It is also easy to access because there is only one language used, English. Of course due to the high number of Spanish speaking Latinos and Chinese people these languages should be taken into account. USA markets change all the time and you have to understand why some products are bought and some are not. Being on the pulse of time is extremely important if you want to survive in the huge USA market. You have to keep in motion, seek for new innovations and develop new products and services which customers need or at least think that they need. In United States you have to be ready test new ideas, and if one new product out of ten succeeds the result will be good. People are encouraged to take risks and are rewarded for succeeding but normally not punished

for failing either. (Tamminen 2000, 184-185, Nieminen & Väyrynen 1999, 146-147, 152-155.)

Because the economy is based on capitalism, workers are inner entrepreneurs. Individualism has a strong effect on business culture and contributing to one's own career is the first priority for the employee. The USA is a universalistic country. Universalist people are focused more on obeying rules and not to relationships. This can be seen also in the management. To universalists a deal is a deal and lawyers are present when writing a contract. In importing it is important to have a written purchase agreement. Even when the purchase is done orally it is still recommended to formalize it in a written agreement. This is extremely important in international business, because disputes may become costly and in written form both parties can be sure that they have understood the agreement in the same way. If any disagreements may arise parties can add to their agreement the nationality of the court where settlements shall take place, especially because in the United States the common law system is used where as in Finland is the civil law. (Tamminen 1999, 140, Trompenaars & Hampden-Turner 1997, 29, 118, 186-190, Johnson 2002, 280-281.)

The USA is said to be the paradise of popular culture; TV, movies, music, sports ect. An American study has shown that a typical American uses eight hours per day following media, including TV, radio, records, newspapers and the Internet. There are approximately 1500 daily papers published in the United States, 12 000 commercial and 1600 non-commercial radio stations and 65% of American households have cable channels which send programs 24 hours a day. This gives more perspective into marketing. (Tamminen 2000, 121-133.)

### 5. 3 The Customs clearance of goods imported to the USA

There are 325 ports of entry in the United States of America of which 20 are managed by Customs Centers. The U.S. Customs and Border Protection declare over 69 000 truck, rail and sea containers in a day and over 79 000 shipments of goods are approved for entry. The U.S. Customs Service administers the Tariff Act of 1930.

They enforce some 400 laws and regulations on international traffic and trade and CBP gathers almost 84 million dollars of fees, duties and tariffs in a day, which makes it the second largest revenue generator in the federal government. (Importing to the United States 2006, 5, About us, CBP 2006.)

The goods imported to the United States are subjected to import duties, non-tariff barriers, restrictions, inspections and in some cases to preferential treatments.

All the commercial merchandise imported to the United States are subjected to a certain customs procedure. In general the clearance consists of the entry, inspection, appraisement, classification and liquidation. The Customs naturally wants to help the expedite movement of goods in international trade, but it is preferable to gain the import process information well in advance so that the movement is as smooth as possible. There are continuing enactment of new laws and review of import methods, so the best way to keep up is to follow the changes online or ask form the nearest Customs office. The better the customs documents are filled the easier it is for the customs officer to handle the imports and then release the merchandise. (Importing to the United States 2006, 27-30, 130-156, Import requirements, CBP 2006.)

Informal entry is used for personal shipments, commercial shipments and mail shipments for consumption when the value of the merchandise is 2000\$ or less. Goods subjected to visa or quota restrictions will not get the possibility of informal entry. In informal entry customs bond is not required where as in the formal entry the shipments are supported by a surety bond to ensure the payment of the duties. In informal entry the goods are liquidated at the spot. By having a bond the importer can take the possession of the merchandise before the payment of the duties, taxes and fees. In informal entry the inspector will determine the classification number for the imported goods and complete the Customs forms used. (Seyoum 2000, 358, 362, Import requirements, CBP 2006.)

Within fifteen calendar days an Entry/Immediate Delivery or the Entry Summary document should be filed for the goods at the port of entry or in case of customs bond shipments at the port of destination. If the entry is not made within 15 days, the goods are placed to a general order warehouse to be held unclaimed and on the importers expense. If the imported goods have not been claim in six months, they will

be sold at an auction. When importer has a customs bond, he can file for immediate release by filing Entry/Immediate Delivery form. Some qualified customs brokers may file the information electronically. The entry documents generally consists of an Entry Manifest (Form 7533)/ Immediate Delivery (Form 3461), Entry Summary and a commercial invoice or pro forma invoice, a bill of lading, packing list and other relevant documents on the merchandise. "Goods may be entered by the owner, purchaser, his authorized regular employee or by a licensed customs broker." The clearance of imported goods for personal use may be done personally. The U.S. Customs does not require an importer to have a license or permit, but they do ask for the importer number which is either the IRS (Internal Revenue Service) business registration number or in the case of individuals, the social security number. (Seyoum 2000, 357, Johnson 2002, 311, Importing to the United States 2006, 29-30.)

The importer should remember his responsibility of the correct importation information given to the customs even if a customs broker has been used. He is also responsible that his goods being imported meet the admissibility requirements and that the proper permits have been obtained in advance. The United States is part of the World Customs Organization and uses the international six-digit Harmonized Coding System (HS) nomenclature. The HS is used in its almost 170 members as the basis for taxation, rules of origin, customs tariffs, statistics and controlling some goods. The imported goods have to be classified correctly according to the HS System, given the customs declaration value and if preference is filed, all the necessary documents should be given at the time of the declaration. The Harmonized Tariff Schedule of the United States (HTSUS) is has been used to describe and code the merchandise since 1988. It is issued by the United States International Trade Commission. The tariff procedures have been simplified by times, but there still are more than 8000 classifications of which 3,600 are restricted by quotas and other control mechanisms. The classifications are organized into ninety-six chapters and twenty sections. The HTSUS System is in line with most of the countries of the world and the first eight digit numbers are used with more than 100 of countries. They are created to facilitate the trade and the classification is made according to the goods essential character. The tariff can include even ten digits but the last four are used for every nation's individual tariff and data collection purposes. (Green & Keegan 2003, 295, Seyoum 2000, 361-364, Import restrictions, CBP 2006, WCO 2006.)

The tariff system is divided into seven columns, A-G. Column A contains the headings and B subheadings. Column C describes and specifies the merchandise and then the quantity unit used for the duty is mentioned. The tariff system provides either single rate of duty or two or more rates applicable to different countries according to the trade agreements. The single tariff rate tells the applicable duty to all countries and preferential tariffs (under column E and F) whereas two-column tariff includes the special duty rates (under column G). The column G corresponds with 2 meaning it will state the non Most Favored Nation countries. The United States gives the MFN treatment to all WTO members, only North Korea, Iran, Cuba and Libya are subjected to the column 2. (Green & Keegan 2003, 298, 300.)

The customs valuation for the product is done by using the transaction value, transaction value of an identical or similar merchandise, deductive value or computed value. Transaction value is the actual price paid by the buyer to the seller excluding international freight, insurance and other CIF charges. Sometimes the transaction value cannot be used as the basis of the customs valuation, for example when the trading parties are related or the transaction value cannot be determined. In these cases either deductive value or computed value can be used. Deductive value is the resale price of the imported product, with reductions of commissions and profits and general expenses, transportation and all the expenses processed after the importation including duties and taxes. Computed value is calculated vice versa. It is calculated by the materials, labour costs, profits and other general expenses added by the customs according to a similar product. The price should always be converted into USD. When the documents are prepared properly and the payment of estimated duties is paid the merchandise may be released. (Green & Keegan 2003, 301, Seyoum 2000, 364-368.)

The Section 304 in the Tariff Act of 1930 requires that the country of origin is clearly marked with the English name. The country of origin may affect to the duty rate payable or if the goods are subjected to an import quota. (Johnson 2002, 260.) “The country of origin is determined to be the one where the product was substantially transformed in its current state.” (Seyoum 2000, 368.)

Import duties are not the only obstacle to get into the USA markets. The USA has several non-tariff barriers, such as prohibited imports, imports prohibited without a license or requiring a permit, imports with labeling, marking and other requirements, imports limited by absolute quotas or by tariff quotas and the Buy American Act of 1933. The Federal Trade Commission is in charge of the importation of textiles, wool and fur products. (Seyoum 2000, 330-334.)

Because of the customs bonds and fastening the declaration it is advantageous to use a customs broker. They know the recent regulations and they may be able to speed up the process by transmitting the information to CBP electronically by the Customs Automated Commercial System. A list of permitted brokers may be asked from a local Customhouse: In the San Francisco Bay area there were 146 permitted brokers in August 2006. Manual release of goods will take from few hours up to few days whereas brokers can do it in an hour or few hours. In San Francisco after March 1<sup>st</sup> 2003 a importer has to contact CBP office by phone if he needs assistance in classifications or duty rates. Making sure that you have the right information is before coming to the Customhouse to file a formal entry is preferred to avoid the delays in releasing the merchandise. To enter the Customhouse to file the entry on one's behalf you have to have a photo identification and inform the guards. Office consultation with the Commodity Specialist Team is only by appointment. (CBP, San Francisco, Import requirements, CBP 2006.)

### 5.3 How to choose the declarant?

If the company does not have a subsidiary or an affiliate or has obtained a customs bond from a surety company approved by the U. S. Customs Border and Protection (CBP) and appointed a own representative in the United States in the state of the port of entry who is authorized to accept service of process if there are any court action commenced against the foreign importing company, it has to use a customs broker or a agent. Using a representative could reduce the risks for a new exporter because the new environment, culture, legislation, norms and product regulations. On the other hand there are some cons in using a representative as the lack of control, feedback

from the customers and own experience. If the company does not use a representative depending on the company's own expertise and the amount of its imports it should consider using a customs broker. Using middlemen like distributors, commissioners or wholesalers and using Incoterm that transfers the responsibility of the import declaration to the other party would eliminate the problem. If the case is direct export and term of delivery DDP New York the exporter is in charge of the import declaration in the United States. (Pirnes & Kukkola 2002, 83, Johnson 2002, 250.)

Even big exporters in the United States use customs brokers, because the regulations change all the time and it is hard to keep up-dated. Using a customs broker may even be more cost efficient than training own personnel to handle the customs procedures and documentation and establishing own customs bonds. Choosing the most appropriate customs broker can be difficult. As a textile importer a company would have to find a permitted customs broker specialized in textiles with a high level of expertise and with financial stability. To speed up the process the customs broker should have the possibility to use the Customs Automated Commercial System (ACS). The importing company has to be very careful in choosing the customs agent and be convinced of the expertise provided because if they make a mistake, the importer will be liable for it. For this reason the importer is called the principal. Only if the broker acts as the importer of record it would carry the responsibility, but because of the high risk the broker normally asks the importer to sign an Owner's Declaration to relieve itself from this responsibility. The brokers often want to add sentences to the power of attorney that will protect the broker. A lawyer should read the power of attorney, make modifications and make sure that the broker agrees to hold the importer harmless from any penalties, costs or damages due to the broker's negligence. The importer should give an importer's letter of instruction to the brokers as guidance what is expected on each importation to reduce the risk of misunderstandings. If the broker neglects its responsibilities or refuses to perform its services as required by law the can ask the U.S. Treasury Department Customs Service to revoke the broker's license. (Johnson 2002, 244, 250.)

## 5.5 Import duties

Depending on the applicable tariff schedule and the country of origin all the goods imported to the USA are subjected to either a duty or a duty-free entry. There are three different kind of possible duties. The ad valorem duty is the most often applied and it is a percentage amount of the value of the imported goods. Specific duty is based on quantity or volume of the goods. Compound duty is the combination of ad valorem and specific duties. The USA has many preferential trade agreements and all the GATT members are entitled to the Most Favoured Nation treatment. There are also countries like Cuba, Iran and North Korea which are denied the benefit of low rates and are required to have an import license. Some of the rates are also based solely on the product, products like artwork, craft, jewelry and household appliances have no import restrictions where as certain narcotics, food products grown or produced in disease-ridden regions or products that infringe on intellectual property rights are generally prohibited. The duties applicable are set out in the customs tariff. (Seyoum 2000, 329, 334-336.)

Due to the subsidies some countries pay to their domestic firms to promote trade, there are countervailing duties. It is an ad valorem tariff on imported goods which have benefited from subsidies. The meaning of countervailing duty is to counter the impact of subsidy and offset the advantage the exporter would get. Antidumping laws protect the country from being discriminated by pricing practises of foreign firms. In the USA the Section 301 is an effective law that protects it from unfair trade practices of foreign firms. Temporary surcharges have been levied to give additional protection for local industry and as a response to balance-of-payments deficits and variable import levies have been set to protect some agricultural products. (Griffin & Pustay 1999, 229-231, Green & Keegan 2003, 303.)

Antidumping duties are also a form of additional import duties. When suppliers sell the product under the price it changes of it in its own country the imported products may be subjected to antidumping duties and penalties. The final comparison made if price discrimination has occurred is the EXW price between the price charged from foreign and domestic customers. By antidumping regulations and duties countries try



to protect their local industries against price discrimination. (Griffin & Pustay 1999, 230, Johnson 2002, 255.)

In textiles the Harmonized Tariff Schedule (HTS) classification is made according to the fabric and the use. For example men's suits made of silk have different tariff number and duty than suits made of cotton. To make sure of the applicable tariff number company can contact an import specialist in the U.S. Customs Service at the port of entry or request a binding ruling from the Office of Regulations and Rulings, National Commodity Specialist Division. Another way to find the HTS number is to review the Harmonized Tariff Schedule of the United States which can be found from CBP's or United States International Trade Commission's websites. Men's suits made of cotton in the EU would be classified to the tariff schedule 6203191000. Since only the first six digits are the same in the EU and in the United States, the right tariff in the US would be 6203191010 for jackets with the textile category number 333 and for trousers 6203191020 with the category number 347. Following is an example of the HTSUS classification and how it is supposed to be read:

62 Not knitted or crocheted apparel

6203 Men's or boy's suits, ensembles, suit-type jackets, blazers, trousers, bib and brace overalls, breeches and shorts (other than swimwear:

620319 --- Of other textile materials:

62031910 --- Of cotton

6203191010 --- Jackets imported as parts of suits

6203191020 --- Trousers, breeches and shorts imported as parts of suits

(Market Access Database, Duty)

According to the tariff schedule the duty rate for the jackets made in the EU would be 13,2% of FOB value and for the trousers as well. It is the general duty rate in the Harmonized Tariff Schedule of the United States 2007. For Canada, Mexico, Bahrain, Chile, Israel, Jordan and Singapore there would not be any duty and for Australia the duty would be 11,8% and for Morocco 5,4%. In the column 2, for North Korea, Iran, Cuba and Libya, the duties would be 90%. The duty rate is the MFN rate, applicable to all Most Favored Nation- members. Jackets and trousers should be filed

in dozens and in kilograms. In addition to duty there is a Harbour Maintenance fee of 0,125 percent add valorem and \$2 if FOB is less than \$2000 (informal entry) or 0.21% if FOB value is equivalent or greater than \$2000 with a minimum of \$25 and maximum of \$485. This applies to both jackets and trousers. (Market Access Database, Duty 2006, HTSUS 2007)

In 2004 the European Union exported products starting with the code 6203 to the United States with 356 132 000 euros. In the year 2005 the number was 20 000 000 euros smaller, but during both years the exports to the US were tens of times bigger than imports of these products. To get an idea how the amount is divided in the EU, for example in the year 2005 Italy exported 6203 products to the US worth of almost 30,000,000 euros whereas Finland exported the same products only worth of 4,993,000 euros. The United States actually exported to Finland these textiles more than Finland to the US. This shows how challenging it would be for a Finnish company to gain market share in this field, but yet it also encourages with the fact that there has been exporting before. (Market Access Database, Statistical 2006)

## 5.6 Importation bonds

The importation bonds work in the USA similarly as in Finland; the biggest difference is that in Finland the bond has to be purchased through the National Board of Customs. All textiles imported to the US require a customs bond. A written and signed customs bond insures to the U.S. Customs Service a satisfactory performance of the payment of duties and other customs fees even if the importer goes bankrupt. The bond, a single transaction bond or a continuous bond, should be purchased from a CBP-approved insurance company. The importer has to file an application and undergo a credit investigation, and show financial stability. For a single transaction the amount is in maximum three times the value of the goods and for continuous bond the amount is usually equal to 10 percent of the total customs duties paid for the previous year but in minimum of 50 000 dollars. (U.S. Customs Service, San Francisco, Bonds 2006, Johnson 2002, 244.)

The Customs bond (Customs Form 301) consists of three parties, the principal, surety and the beneficiary which is the U.S. Customs Service. The principal gives the Customs bond to the Customs Service and the surety agrees to pay a specific sum of money to the Customs Service if the principal fails to perform the required obligation satisfactorily. The sum, liquidated damages, in the bond is equivalent to the sum the U.S. Customs Service would suffer if the principal would not fulfill his obligations. In general the surety is liable to pay the liquidated damages, but if the principal agrees to submit the entry documents to the Customs and fails, the principal and surety are both equally liable. The surety is primarily and jointly liable on the bond, but it has a claim against the principal. (U.S. Customs Service, San Francisco, Bonds 2006.)

Customs bonds insuring the repayment of an erroneous payment of a drawback claim are filed with the Regional Commissioner of Customs who is to pay that drawback claim. The type of Customs bonds vary by the Customs transactions and legal obligations to the Government. The most common Customs bond is secured by a corporate surety that is authorized by the Financial Management Service. Another possibility is to use personal sureties. For a Customs bond two sureties, United States citizens and residents are financially checked to qualify. (U.S. Customs service, San Francisco, Bonds 2006.)

### 5.7 Import restrictions on textiles

The United States requires import permits for some products like agricultural commodities. Textiles produced in a WTO member country and imported to the US after January 1, 2005 do not need any licenses, visas or import permits whereas textiles imported from countries like China, Vietnam, Russia and Ukraine are highly regulated by quotas/visas. A proof of the country of origin is normally not needed and the requirement of Textile Declaration was eliminated in 2005. For textiles classified in HTSUS in chapters 50 through 63 and some others, the US Customs require having a Manufacturer Identification Code (MID) that includes information on manufacturer's country of origin, name and address. Imported textiles have to meet the requirements

of Consumer Product Safety Commission requirements for flammability. They also have to have labels indicating the country of origin, specify the content and instructions for care. (MID, UPS 2006, Finpro 2006, 466, U.S. Customs Service, San Francisco 2006.)

### 5.8 Inspections on imported goods, labeling and packing requirements

The examinations on the goods being imported are made to determine the value of the goods and dutiable status, if the information i.e. amount given on the invoice is correct, proper marking, correct invoicing, making sure the shipment does not contain any prohibited articles and that the requirements of federal agencies are met. Because of smuggling the goods may be examined carefully; containers, pallets, boxes and the goods itself are examined to prevent the entry of prohibited narcotics. How the examination is made, depends on the goods. On bulky goods or in simple small cases the examination may be done on the docks, at container, cargo terminals or in importer's premises, but in some cases goods are examined in the Customs laboratory. (Importing to the United States 2006, 38.)

Packing information can be obtained from shipping manuals, carriers and forwarding agents. What is the best way to pack the goods depends on the mode of transportation. To fasten the customs procedures the items should be packed so that the quantity and marks can be clearly indicated in the invoice. Importer can work with Customs to develop packing standards to facilitate possible examination. Any wearing apparel, fabric or interior furnishing textile cannot be imported to the United States if they do not meet the requirements of the Flammable Fabrics Act, this prevents the imports of highly flammable fabrics. All the textile products should be stamped, tagged, labeled or otherwise marked according to the Textile Fiber Products Identification Act if they are not subjected to Section 12 of the Act. This means there has to be mentioned the generic names and percentages by weight of the constituent fibers present in the textile fiber product. If there are i.e. ornaments or fibers less than five percent they are designated as "other fibers". The name or registered identification number issued by the Federal Trade Commission of the manufacturer, or the name of the person marketing the textile product has to be stated in the label. Every item or its

package should be marked clearly with a country of origin, marking with the European Union is not accepted in the United States. In men's suits this would be printed to the care label: "Made in Finland or Product of Finland". If there are several countries included in the manufacturing process, the country in which the product is made into its current form would be the country of origin. The country of origin mark is compulsory. If the product wool, it is subjected to the Wool Products Labeling Act of 1939. The label has to include the percentages of the total fiber weight, as in other textile products, but in the order 1. wool, 2. recycled wool and 3. each fiber (more than 5%) other than wool. Articles that are bearing counterfeit trademarks or are piratical of a registered trademark or copyright are subject to seizure and forfeiture. If there are wooden packing materials used like pallets, it should be considered that the United States requires them to be in accordance to the UN's ISPM No. 15 standard and they have to have the Phytosanitary Certificate. (Finpro 2006, 469-470, Importing to the United States 2006, 41, 141-142, 144.)

"Textiles and textile products are considered trade-sensitive and as such may be subject to a higher percentage of examinations than other commodities." This is reasonable also due to strict quotas and visa requirements on textiles. If in the examinations have been noticed that the goods do not match with the documents the duties may be increased. For this reason the importer should always be of the correct classification and describe the values and amount correctly. If the mistake is determined as deliberate neglect, the importer liable for a fine or a penalty. (Importing to the United States 2006, 38.)

## 6 DOCUMENTS REQUIRED IN IMPORTING TO THE USA

### 6.2 Commercial and transport documents

Before commercial invoice the sales agreement is made between the buyer and the seller and it can be said to be the most important single document in an export sales transaction. The export/purchase agreement is a formal contract governed by law. The agreement is often gone through long negotiations, exchange of documents like price lists, requests for quotations and offers to purchase, purchase orders and sales confirmations, offers and acceptances. Both the seller and buyer will sign the contract and it states the conditions when the seller agrees to ship the goods and the buyer to purchase them. When the products are ready for shipment, the seller will prepare the commercial invoice, which is sent directly to the buyer or through banking channels. It is the formal statement for payment for the buyer. The commercial invoice has to be in English when it is used in the entry to the United States and it has to contain the information discussed before in chapter 4.2. Even the merchandise are shipped as free, the U.S. Customs Service still wants to know the value. Then a Pro Forma invoice for customs purposes should be drafted, but it should not be mixed with the Pro Forma that is sent to the buyer before the commercial invoice as a pre-information of the amount payable. (Johnson 2002, 114, 281, 284-285.)

A packing list is not required by U.S. Customs laws, but often the buyer requests the seller to include one with the merchandise. If there is a packing list available it has to be filed with the U.S. Customs Service. Also if the commercial invoice does not include all the information required there should be a separate packing list. The biggest difference between packing list and commercial invoice is that the packing list does not include the price information. (Johnson 2002, 309, Finpro 2006, 466, Fintra, vi-entikaupan asiakirjat 2004, 10-4.)

Bills of lading are contracts between carrier and shipper and they serve as evidence that the carrier has received the shipment and has agreed to transport it to the destination in accordance with the usual rate schedule. Bills of lading contain the informa-

tion such as marks, numbers, quantity and weight as the shipper provides to the carrier. An air waybill is used when the mode of transportation is air. The carrier issues the air waybill and gives it to the shipper as a receipt and it can also serve as certificate of ownership. Air waybills are non-negotiable and issued in one original and cannot be used as a collection instrument when using letter of credit or documentary collection as the term of payment. In the United States the Customs requires that the importer of record making entry of the goods present a properly endorsed bill of lading with the other customs entry documents in order to establish that the importer of record has the right to make the entry of the goods. (Johnson 2002, 119, 305, Seyoum 2000, 155.)

In ocean shipments the bill of lading is normally issued in three originals and one of them is sent to the buyer to obtain the possession of the merchandise. Ocean bill of lading is negotiable, meaning it can be bought, sold, or traded. This way the exporter can certain the payment if the buyer could not pay. When the bill of lading straight and the consignment is agreed make to the overseas customer it is not negotiable. When the letter of credit is used the bill of lading has to be clean and the evidence shown to the bank. The steamship company will make sure the Unique Bill of Lading Number will be added to the bill of lading. The U.S. Customs Service has a Container Security Program to enhance the security in the ocean shipments. European countries have agreed on this program and 24 hours before loading the vessel the information on each bill of lading has to be given through the Automated Manifest System to the U.S. Customs Service. This Automated Manifest System is also used in air shipments, but the information has to be given only 4 hours prior entering the United States. (Seyoum 2000, 156, Johnson 2002, 118-119, 305, Finpro 2006, 467.)

## 6.1 Customs documents

To clarify the whole import process see appendix 5. The picture shows the steps of the importation process and the order the documents are used. When the marketing has been successful and the exporting company writes a contract on a purchase they will agree upon the terms of delivery and payment and other details. This information will be mentioned in the commercial invoice. The exporter will make sure that

its products meet the destination country's requirements and they are appropriately packed for the delivery and have all the necessary marks. If the term of delivery is DDP New York, Incoterms 2000, the exporter will take care of the insurance, transportation documents needed and filing the SAD document and obtaining needed certificates and representing it to the customs at the port of exportation. In the case of men's suits the SAD and commercial invoice are enough. (Johnson 2000, 306.)

The exporter also has to make sure it has all the documents, licenses and certifications for the import process. European made suits do not need any additional certifications if not separately asked. When the merchandises arrive to the United States an Entry/Immediate Delivery form (Customs form 3461) should be filed and customs bonds taken care of. See the appendix 2 (Obtained form the US Customs Service, San Francisco) of an empty form 3461, Entry/Immediate Delivery. It contains almost the same information Entry Summary which is discussed more carefully later. In the first column should be written the date the shipment has arrived to the USA and to the second the date when the documents are filed with Customs. Third column is the same as block 2 on Entry Summary (E.S.) and column 4 can be left blank because it will be assigned. Column 5 is the same with Entry Summary's block 5 and when using a single entry bond to the column 6 should be written just X. Columns 7 and 8 will be blank and number 9 is similar as 12 in E. S. If the ultimate consignee and importer are the same to column 10 should be written "same" and the column 11 is for the importer as the block 11 in the E. S. The column 12 should be left blank. Column 13, voyage/flight/trip can be seen from the shipping documents and 14 is the same with block 25 in E.S. To column 15 indicates the name of shipper and the 16 is similar with block 26 on Entry Summary. Columns 17 and 18 will be left blank and to 19 should be written the total value of the shipment rounded to the nearest dollar. Column 20 is same as block 29 in E.S. but it should contain a short description of the merchandise. 21 should be left blank and 22 is as block 19 on E.S. To the column 23 should be printed the total number of cartons in 24 the tariff numbers should be listed for each line as in E.S.. Column 25 is for the country code of the country of origin. The country of origin is the country where the merchandise were manufactured, produced or grown or in the case of merchandise consisting of material from several countries, the country of origin will be the country where the product underwent a substantial transformation. If the document covers merchandise from more than one



country the word "MULTI" should be written and specified the countries according to the ISO code on each line number. In the column 26 list the manufacturer's ID number for each line number and complete 27 as instructed on E.S.. (Johnson 2002, 306, 501, Customs Service, San Francisco 2006.)

Based on the form 3461 the CBP estimates if an examination is needed or if the goods can be released. After the first approval or waiving the examination, paying of estimated duties or providing the bond the merchandise can be released and the Entry Summary filed which is the main import document will be filed to provide the additional information. If there is no Entry/Immediate Delivery form filed, the Entry Summary will be referred as a live entry. The importer has to handle the procedure with a reasonable care to meet the Customs requirements. Reasonable care means in general that the importer has obtained the needed knowledge on the customs documents, is able to fill them full, complete and accurate. Importer has to have the access to HTSUS and title 19 of the code of Federal Regulations (the Customs Regulations), know the products imported and that they meet other agency requirements, make sure the correct tariff classification can be provided (merchandise are in accordance with 19 U.S.C. 1484). The importer has to be able to provide the reliable value information, the price payable, rebates, tie-ins and indirect costs. The reliable measures should be taken to ascertain the correct country of origin and especially textiles importers should be aware of the section 333 of the Uruguay Round Implementation Act. According to the Act the Secretary of Treasury is authorized to publish a list of manufacturers, suppliers and exporters who have violated the 19 U.C.S. § 1592 by using false or fraudulent documentation, transshipment or labeling. The importer is also reliable of obtaining the information if its products are subjected to a quota/visa and obtain the trade history of the exporting country. (Johnson 2002, 311, 457-463.)

Appendix 3 (Obtained form the US Customs Service, San Francisco) shows a blank Entry Summary, Customs form 7501 and appendix 4 (Obtained form the US Customs Service, San Francisco) is a sample of a complete Entry Summary provided by San Francisco Customhouse, Customs Service. As the filling of the form 7501 is explained, the men's suits as in the SAD filed are used as an example. The block one is for eleven digit entry number assigned to the filer. First three digits, entry filer code, are supposed to be placed on the left side of the block, next seven numbers in

the block, a hyphen, and the last number. The second block is for the entry type code. Here are some examples of the entry type codes and the others can be found from [www.cbp.gov](http://www.cbp.gov) from the directive 3550-061:

Free and dutiable entry for consumption	01
Quota/Visa entry for consumption	02
Free and dutiable informal entry	11
Informal quota entry (other than textiles)	12
Warehouse entry	21
Warehouse withdrawal for consumption	31

For the formal entry for EU made men's suits the code 01 would be used if the merchandise were wished to get released. The block three, entry summary date is filed with Customs in the form month, day and year and it will be stamped. This block shall not be printed before the presentation of the Entry Summary. The proper import specialist team number, three digit code, will be written to the upper right corner of this block. Block four consist of the entry day in form month, day and year. Block five contains the three digit numeric code for the U.S. port where the goods were entered. Block number six is for the bond number that identifies the surety company and the block seven tells the bond type: 8 = continuous bond, 9 = single transaction bond. Block eight is for importer's own reference number. Block nine is the ultimate consignee name and address, if the consignee is the same as the importer of record this block can be left blank. In the right lower corner there is a space indicating the state of the ultimate destination as know in good faith at the time of Entry Summary filing. If there several ultimate destination states the one with the biggest aggregate value should be reported. The state will be reported according to two-letter postal codes, NY = New York or CA = California. Block ten, consignee number, means either IRS, Social Security or Customs assigned number of the consignee. If the number is same as the importer of record word "same" is sufficient. Block eleven is for the importer of record's name and address and twelve is for importers IRS, Social Security or Customs assigned number. In block 13 the exporting country shall be indicated by using the International Standard ISO 3166 country codes. If there are many countries of export the word "multi" is sufficient, but in each line number (block 28) the right country of export shall be indicated with a prefix E. Country of

origin in block 15 is reported also by using the ISO3166 country codes. For Finland the ISO3166 code is FI. Block 16 is used if there are some documents not available at the time of the Entry Summary filing. The I.T. number can be obtained from the CF 7512 or the air way bill number. I.T. Date should be given in form month, day and year. It is the date of the In Bond Entry number or the Transit Air Cargo Manifest. In block 19, depending of the mode of transportation used, either the bill of lading number or air waybill number should be given. The two-digit code in block 20 indicates the mode of transportation, i.e.:

- 10 – Vessel, non-container
- 11 – Vessel, container
- 21 – Rail, container
- 40 – Air, non-container
- 41 – Air, container
- 50 – Mail

In the case of fashion men's suits the mode of transportation would most probably be 40, non-container air shipment when the air waybill number would be used as well. Block 21 is for the manufacturer or shipper identification number and it is required for all entry summaries. Block 22 is for the IRS, Social Security, or Customs assigned number of the person/firm to whom liquidation will be refunded. Importing carrier means the Vessel name or IATA number for air shipments with which the merchandise were transported from the foreign port of lading to the first U.S. port/airport. Block 24 indicates the foreign port of lading, listed in the Department of Commerce Schedule K, in which Helsinki would get the code 40525 and Turku 40587. If the merchandise are transported via air block 24 is left blank. Location of the goods means the pier or site where the goods are available for examination, and in the case of an air shipment the flight number should be recorded. U.S Port of unloading in block 26 is written in form of a four digit code from the Schedule D. For example New York City district code would be 10 or San Francisco port 2809 and district 28. Block 27 is for the import date in form month, day, and year. Block 28, line number begins with 001 and continues with 002, 003... Under the block 29, description of merchandise is the specific information. In block 30 is written the short description of the merchandise, the HTSUS classification number and if required a

category number and/or manufacturer's identification number. In the case of men's suits block 30 would be written as follows: Men's jackets as parts of suits, 6203.19.10.10, GRI (General Rules of Interpretation), CAT 333 (the textile category number). In block 31 first is mentioned the gross weight in kilograms and then the manifest quantity meaning the use of the smallest exterior package unit number. With the men's jackets it could be 15KGS, 8 CTNS if the shipment contains 8 cartons. Block 32 is for net quantity in HTS units if specified for the item number. If the two unit quantity is shown in the HTS, as for the men's jackets and trousers it is, it would be written: 2 doz. 15KGS. Block 33 A. indicates the entered value, for jackets with currency rate 1,3 would be 3076 dollars. 33 B. (CHGS) charges include the aggregate costs in U.S. dollars of freight, insurance and all other costs from the foreign port to placing it alongside the carrier at the first U.S. port of entry. The value is whole numbers and identified with letter C. 33 C. tells if the parties of the transaction are related (as defined in Section 402). The word "related" is marked with a "Y" and not related with "N". Block 34 A. is for the duty rate for the classifies item, for men's jacket 13,2%. 34 B. is used if there are antidumping or countervailing duties and C. is for the tax rate as designated in the HTS, for men's jackets value added duty 0.125 %. 34 D. is for the Visa number if needed. In block 35 the duties and taxes are counted to dollars and cents and in block 37 totals. For entries subjected to payment of fees or antidumping duties the block 39 summary can be used which is located from block 30 to 32. In the case of the men's jackets it would be filed as:

#### BLOCK 39 SUMMARY

Merchandise processing fee (499)	\$25.00
	\$ 25.00

The merchandise processing fee would be 25 dollars, because it is the minimum for over 2000 dollar value shipments. The number 499 after merchandise processing fee is the applicable collection code. In block 41 the declarant signs the Entry Summary and takes the responsibility that the information filed is correct, adds his title and date of the signature. (Johnson 2002, 493-523, Directive3550-061 CBP 2006, Schedule K 2007, Schedule D 2007.)

## 7 CONCLUSIONS

The theories of Michael Porter and David Ricardo both explain why countries export and why it is meaningful to the world economy. The export process to the United States of America includes many steps, starting from the selling company's strategies and finally getting the product to the customers/end-users. Between these two there are the customs declaration processes in the EU and in the USA borders. After a Finnish company has investigated its possibilities and resources to start to market its products abroad it can decide to export. The export documents include the documents for customs, commercial documents and transportation documents. A sales agreement is written between the seller and buyer and details about terms of delivery are agreed on. In the trade with the USA the exporter has to be sure which term to use and if it is according to the Incoterms 2000 or the RAFTs. The Incoterms 2000 determines which party is responsible for the customs declaration. Delivered Duty Paid New York, the Finnish company would be responsible of doing both export and import declarations. To do the import declaration in the United States it should either use a customs broker or meet the certain conditions discussed before.

In Finland the declaration would be done by using Single Administrative Document and commercial invoice. The selling company would make sure its men's suits would meet the requirements of U.S. Customs and Federal regulations. The suits would have to be correctly labelled and packed according to Flammable Fabrics Act and Textile Fibre Products Identification Act. The merchandise can be subject to customs examination both in the EU and the United States. To complete the export documents the product would be classified according to the Combined Nomenclature codes. As the first eight digits are the same in the EU and in the USA, only two last numbers would have to be found for the import declaration from the HTSUS. The CN classification in the EU would be 62031910. Sales to the United States would not be subject to value added tax in Europe.

The entry to the United States would be done by using commercial invoice, bill of lading, Customs Bond, Entry/Immediate Delivery, Customs Form 3461 and Entry Summary, Customs form 7501. These forms include basically the same information

as SAD. In the United States according to HTSUS the code would be separately to jackets 6203191010 and for trousers 6203191020, and they would be subject to duty rate 13,2% of the Free On board value and 0,125% add valorem tax. Working with Customs, both Finland's and United States', can help to speed up the process. Filing the documents complete and correct and using electronic data interchange can make the process smoother.

It has to be taken into consideration that this study is only a scratch what international business holds inside. This study did not include the warehousing operations, the use of Free Trade Zones and neither different terms of payment or terms of delivery. This is a simplified version of exportation process and will not be accurate for a long time due to continuous changes in both the EU's and United States legislations, for example the HTS went through considerable changes in the beginning of 2007. The progress of standardizing international trade can be seen in the history and in acts of the WTO, EU and the United States.

The resources used in this study can be seen as reliable. The literal resources were selected according to their publishing year. The oldest resource, A Basic Guide to Importing from the US Customs Service, published in 1996, was used only for perceiving the big picture. The Internet was used to gain the resent information on subject. Most of the information from Internet was gotten from the Finland's and the United States' customs web pages which are often up-dated. Even if the regulations change fast, the study offers an outline for the customs declaration and documentation when exporting to the United States of America.

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An interview:

U.S. Customs Service, San Francisco. An interview conducted 11<sup>th</sup> of January 2007 by the author at the Service Desk, 2<sup>nd</sup> Floor. San Francisco Customhouse, 555 Battery Street, 94111 San Francisco, CA, USA.

## APPENDICES

## Appendix 1

EUROOPAN YHTEISÖ					A LÄHETYS-/VIENTI-MÄÄRÄTOIMIPAIKKA						
LÄHETYS-/VIENTIMÄÄRÄMAAN KAPPALE	1	6	2 Lähettäjä/Viejä Nro FI1234567-7	1 ILMOITUS EX A							
	Name and address of the exporting company					3 Lomakkeen nro	4 Tavaraluett. määrä				
	8 Vastaanottaja Nro Fashion Group New York					5 Tav. eritt. määrä	6 Kplimäärä	7 YMP 1222333			
	14 Ilmoittaja/Asiamies Nro if forwarder is used					9 Maksuliikenteestä vastaava Nro					
	18 Kuljetusvälineen tunnus ja kansallisuus lähettäessä/saavuttaessa ABC-123					10 1. määrämaa/viim. läh. maa	11 Ostom./Tuotantom.	12 Arvotietoja		13 YMP	
	21 Aktiivisen kuljetusvälineen tunnus ja kansallisuus rajalla VESSEL					15 Lähetys-/Vientimaa Finland		16 Alkuperämaa The United States of America	17 Määrämaan koodi US		
	25 Kuljetusmuoto rajalla					19 Kontti FI 0		20 Toimitusehto DDP New York		24 Kauppat. luonne	
	26 Sisämaan kuljetusmuoto					22 Val. laji ja laskutettu kokonaissumma DE USD 10 000,00		23 Muuntokurssi 1,200		24 Kauppat. luonne 1 1	
	27 Lastauspaikka/Purkauspaikka					28 Maksu- ja pankkitietoja 8000,00					
	LÄHETYS-/VIENTIMÄÄRÄMAAN KAPPALE	1	6	29 Poistumis-/saapumistoimipaikka DE	30 Tavarán sijaintipaikka O Turku		31 Kollit ja tavarán kuvaus ABCD1234 20 NAR Men's suits, 100% cotton				
32 T. eritt. järj. nro 1					33 Tavarán koodi 62031900						
34 Alkuperämaan koodi a FI b					35 Bruttopaino (kg) 25		36 Etuuskoht.				
37 MENETTELY 1000					38 Nettopaino (kg) 22		39 Kiintiö				
40 Yleisilmoitus/Edeltävä asiakirja if used, like warehousing no					41 Muu paljous 20NAR						
42 Tavarán hintä					43 AM-koodi		45 Arvonoikaisu				
44 Lisätietoja/Esitetyt asiakirjat/Todistukset ja luvat Number of the commercial invoice "RET. EXP." when the 3 <sup>rd</sup> page confirmed by the customs is wanted back					46 Tilastoarvo 8000,00						
47 Verolaskelma					48 Maksun lykkäys If Custom's registered company B MERKINNÄT KIRJANPITOA VARTEN		49 Varaston tunnistetiedot				
50 Passituksesta vastaava Nro					Allekirjoitus						
51 Aiotut rajatoimipaikat (ja maat) Valtuutettu edustaja: Paikka ja aika:					C LÄHTÖTOIMIPAIKKA						
52 Vakuus ei voimassa					Koodi 53 Määrätoimipaikka (ja maat)						
D/J LÄHTÖTOIMIPAIKAN/MÄÄRÄTOIMIPAIKAN TARKASTUS					Leima:						
Tarkastuksen tulos: Kiinnitetyt sinetit: lukumäärä tunnus: Määräaika (päivämäärä): Allekirjoitus:					54 Paikka ja päiväs 31.12.2007 Ilmoittajan/asiamiehen allekirjoitus ja nimi Signature and Name of the declarant						

Appendix 2

TABS: ▼

DEPARTMENT OF THE TREASURY  
UNITED STATES CUSTOMS SERVICE

Form Approved  
OMB No. 1515-0069

**ENTRY/IMMEDIATE DELIVERY**

19 CFR 142.3, 142.16, 142.22, 142.24

1. ARRIVAL DATE		2. ELECTED ENTRY DATE		3. ENTRY TYPE CODE/NAME		4. ENTRY NUMBER	
5. PORT		6. SINGLE TRANS. BOND		7. BROKER/IMPORTER FILE NUMBER			
		8. CONSIGNEE NUMBER				9. IMPORTER NUMBER	
10. ULTIMATE CONSIGNEE NAME				11. IMPORTER OF RECORD NAME			
12. CARRIER CODE		13. VOYAGE/FLIGHT/TRIP		14. LOCATION OF GOODS—CODE(S)/NAME(S)			
15. VESSEL CODE/NAME							
16. U.S. PORT OF UNLADING		17. MANIFEST NUMBER		18. G.O. NUMBER		19. TOTAL VALUE	
20. DESCRIPTION OF MERCHANDISE							
21. IT/BL/AWB CODE		22. IT/BL/AWB NO.		23. MANIFEST QUANTITY		24. H.S. NUMBER	
						25. COUNTRY OF ORIGIN	
						26. MANUFACTURER NO.	

U.S. GOVERNMENT PRINTING OFFICE: 2001-648-272

**27. CERTIFICATION**

I hereby make application for entry/immediate delivery. I certify that the above information is accurate, the bond is sufficient, valid, and current, and that all requirements of 19 CFR Part 142 have been met.

SIGNATURE OF APPLICANT

**X**

PHONE NO.

DATE

29. BROKER OR OTHER GOVT. AGENCY USE

**28. CUSTOMS USE ONLY**

OTHER AGENCY ACTION REQUIRED, NAMELY:

CUSTOMS EXAMINATION REQUIRED.

ENTRY REJECTED, BECAUSE:

DELIVERY AUTHORIZED:

SIGNATURE

DATE

Paperwork Reduction Act Notice: This information is needed to determine the admissibility of imports into the United States and to provide the necessary information for the examination of the cargo and to establish the liability for payment of duties and taxes. Your response is necessary.

Statement Required by 5 CFR 1320.21: The estimated average burden associated with this collection of information is 15 minutes per respondent or recordkeeper depending on individual circumstances. Comments concerning the accuracy of this burden estimate and suggestions for reducing this burden should be directed to U.S. Customs Service, Paperwork Management Branch, Washington, DC 20229, or the Paperwork Reduction Project (1515-0069), Office of Management and Budget, Washington, DC 20503.

Customs Form 3461 (010189)

Appendix 3

DEPARTMENT OF THE TREASURY  
UNITED STATES CUSTOMS SERVICE

ENTRY SUMMARY

Form Approved OMB No. 1515-0065

1. Entry No.		2. Entry Type Code		3. Entry Summary Date	
4. Entry Date		5. Port Code			
6. Bond No.		7. Bond Type Code		8. Broker/Importer File No.	
9. Ultimate Consignee Name and Address		10. Consignee No.		11. Importer of Record Name and Address	
				12. Importer No.	
		13. Exporting Country		14. Export Date	
		15. Country of Origin		16. Missing Documents	
		17. I.T. No.		18. I.T. Date	
19. B/L or AWB No.		20. Mode of Transportation		21. Manufacturer I.D.	
22. Reference No.		23. Importing Carrier		24. Foreign Port of Lading	
25. Location of Goods/G.O. No.		26. U.S. Port of Unlading		27. Import Date	

**EST-4**

28. Line No.	30. T.S.U.S.A. No. / ADA/CVD Case No.		31. Gross Weight / Manifest Qty.		32. Net Quantity in T.S.U.S.A. Units	33. Entered Value / CHGS / Relationship			34. T.S.U.S.A. Rate / ADA/CVD Rate / I.R.C. Rate / Visa No.			35. Duty and I.R. Tax		
	A.	B.	A.	B.		A.	B.	C.	A.	B.	C.	D.	Dollars	Cents

<p>36. Declaration of Importer of Record (Owner or Purchaser) or Authorized Agent</p> <p>I declare that I am the  <input type="checkbox"/> Importer of record and that the actual owner, purchaser, or consignee for customs purposes is as shown above. OR <input type="checkbox"/> owner or purchaser or agent thereof.</p> <p>I further declare that the merchandise  <input type="checkbox"/> was obtained pursuant to a purchase or agreement to purchase and that the prices set forth in the invoices are true. OR <input type="checkbox"/> was not obtained pursuant to a purchase or agreement to purchase and the statements in the invoices as to value or price are true to the best of my knowledge and belief.</p> <p>I also declare that the statements in the documents herein filed fully disclose to the best of my knowledge and belief the true prices, values, quantities, rebates, drawbacks, fees, commissions, and royalties and are true and correct, and that all goods or services provided to the seller of the merchandise either free or at reduced cost are fully disclosed. I will immediately furnish to the appropriate customs officer any information showing a different state of facts.</p> <p>Notice required by Paperwork Reduction Act of 1980: This information is needed to ensure that importers/exporters are complying with U.S. customs laws, to allow us to compute and collect the right amount of money, to enforce other agency requirements, and to collect accurate statistical information on imports. Your response is mandatory. (Continued on back of form.)</p>	U.S. CUSTOMS USE		TOTALS	
	A. Liq. Code	B. Ascertained Duty	37. Duty	
	C. Ascertained Tax	38. Tax		
	D. Ascertained Other	39. Other		
	E. Ascertained Total	40. Total		

41. Signature of Declarant, Title, and Date

Appendix 4

DEPARTMENT OF THE TREASURY  
UNITED STATES CUSTOMS SERVICE

ENTRY SUMMARY

U.S. CUSTOMS FORM 3462 (REV. 10-1-80)

1. Entry No.	2. Entry Type Code 01	3. Entry Summary Date CST #
4. Entry Date 11/10/97	5. Port Code 2809	
6. Bond No. 891	7. Bond Type Code 9	8. Broker/Importer File No.
9. Ultimate Consignee Name and Address	10. Consignee No. SAME	11. Importer of Record Name and Address H. Wester 789 Turnbull Avenue San Francisco, CA 93412
		12. Importer No. 95-123456789
	13. Exporting Country CN	14. Export Date 10/13/97
	15. Country of Origin CN	16. Missing Documents
	17. I.T. No.	18. I.T. Date
19. B/L or AWB No. EISU050700379200	20. Mode of Transportation 10	21. Manufacturer I.D. CNSHASCN3365SHA
23. Importing Carrier EVER ULTRA 0706-014E	24. Foreign Port of Lading 57079	25. Location of Goods/G.D. No. Q738 MARINE TERMINAL
26. U.S. Port of Unloading 2811	27. Import Date 11/06/97	22. Reference No.

**SAMPLE**  
(formal entry)

CA  
State

28. Line No.	29. Description of Merchandise			33. A. Entered Value B. CHGS C. Relationship	34. A. T.S.U.S.A. Rate B. ADACVD Rate C. I.R.C. Rate D. Viaz No.	35. Duty and I.P. Tax	
	30. A. T.S.U.S.A. No. B. ADACVD Case No.	31. A. Gross Weight B. Manifest Qty.	32. Net Quantity in T.S.U.S.A. Units			Dollars	Cents
001	Table Lamp 9405.20.9000 MPF	140 KGS 10 CINS	30 no	2340 C135	3.9%	91	26
002	Magazines 4902.90.2060 MPF	12 KGS 1 CIN	75 no	75	FREE	0	00
	<u>BLOCK 39 SUMMARY</u>						
	Merchandise Processing Fee		(499)	\$25.00			
	Manual Surcharge		(500)	3.00			
	Harbor Maintenance Fee		(501)	3.02			
				\$31.02			
				TEV: 2415			

36. Declaration of Importer of Record (Owner or Purchaser) or Authorized Agent	U.S. CUSTOMS USE		TOTALS
I declare that I am the <input checked="" type="checkbox"/> Importer of record and that the actual owner, purchaser, or consignee for customs purposes is as shown above. OR <input type="checkbox"/> owner or purchaser of agent thereof. I further declare that the merchandise <input checked="" type="checkbox"/> was obtained pursuant to a purchase or agreement to purchase and that the prices set forth in the invoice are true. OR <input type="checkbox"/> was not obtained pursuant to a purchase or agreement to purchase and the statements in the invoice as to value or price are true to the best of my knowledge and belief.	A. Lq. Code	B. Ascertaind Duty	37. Duty 91 26
	C. Ascertaind Tax	38. Tax	
	D. Ascertaind Other	39. Other	31 02
	E. Ascertaind Total	40. Total	122 28

I also declare that the statements in the documents herein filed fully disclose to the best of my knowledge and belief the true prices, values, quantities, rebates, drawbacks, fees, commissions, and royalties and are true and correct, and that all goods or services provided to the seller of the merchandise either free or at reduced cost are fully disclosed. I will immediately furnish to the appropriate customs officer any information showing a different state of facts.

Notice required by Paperwork Reduction Act of 1980: This information is needed to ensure that importers/exporters are complying with U.S. customs laws, to allow us to compute and collect the right amount of money, to enforce other agency requirements, and to collect accurate statistical information on imports. Your response is mandatory. (Continued on back of form.)

41. Signature of Declarant, Title, and Date  
OWNER 11/10/97

## Appendix 5

## THE IMPORT PROCESS TO THE UNITED STATES OF AMERICA

