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IMPORTATION OF ORIENTAL FOOD TO FINLAND

Cases: Swan Import & Tigris Oriental Market

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ABSTRACT

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Oriental foods are traditionally prepared meals using recipes or in a style resembling those used in countries of East Asia, including Chinese, Japanese, Thai, Korean, etc. The need to import oriental food arises from the continuous migration of people from middle and far eastern nations to Finland which is expected to bring a foreseeable market demand of oriental food in the near future. This thesis therefore, aims to provide in-depth information about the importation of oriental food to Finland. Adequate information about the stages in the importation process, challenges and factors that affect each stage of oriental food importation was provided in the thesis. The introductory part explains the concept of international trade and how it has influenced globalization in the last decades as well as comprehensive explanation about the reasons behind the importation of oriental food to Finland, relevant theories were provided on the importation process in the theoretical framework and two case companies were presented in the empirical study.

The purpose of this research is to gain practical understanding and to describe the process and procedures involved in oriental food importation to Finland. This is intended to be an instruction manual or guidebook to young entrepreneurs who might be interested in such trade and have no prior knowledge about the implementation.

The research was conducted using a descriptive qualitative approach because of the nature of my research problem and I really want to understand the situation from the point of view of my respondents who are professionals with many years experience in the business. Personal interviews as well as email interviews were used in the research to obtain a clear picture of all the steps, challenges and the whole experience in the import process.

Based on the obtainable data from my respondents, it became obvious that the importer must have a sound knowledge of the oriental food products as a good starting point in the importation process. After carefully analysing the results, I concluded that the importer must clearly understand the importance of each stage in the importation process; none of the stages should be handled with levity because the seemingly unimportant stage can cause great damage and jeopardise the whole process. Also, legislation and clearance procedures in Finland is highly bureaucratic, hence it is advisable for start-up business with little capital base to import the oriental products from distributors in other EU member states.

Key words oriental, importation, import process and international trade

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TIIVISTELMÄ

Tekijä Ogundipe Samuel Johnson

Opinnäytetyön nimi Importation of oriental food to Finland
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Perinteiset itämaiset ruoat on valmistettu Itäisen-Aasian, kuten esimerkiksi Kiinan, Japanin, Thaimaan ja Korean reseptein. Tarve itämaisten ruokien tuontiin lisääntyy jatkuvan Lähi-idän ja Kauko-idän maista Suomeen virtaavan muuttoliikkeen myötä, ja nyt oletetaan tämän tarpeen kasvavan huomattavasti lähitulevaisuudessa. Tämä opinnäytetyö tähtää tarjoamaan kattavasti tietoa itämaisten ruokien tuonnista Suomeen. Tarvittava tieto tuonnin haasteista, tasoista ja tasoihin vaikuttavista tekijöistä esitellään opinnäytetyössä. Esitysosiossa kerrotaan kansainvälisen kaupan konseptista ja kuinka se on vaikuttanut globalisaatioon viime vuosikymmeninä ja esitetään myös syyt itämaisen ruoan Suomeen tuontiin. Teoreettisessa viitekehyksessä käydään läpi tuontiprosessin oleelliset teoriat ja empiirisessä osassa esitellään kaksi yritystä

Tämän tutkimuksen tarkoituksena on saada käytännön käsitystä itämaisten ruokien Suomen tuonnista sekä kuvata tähän liittyvää prosessia ja toimenpiteitä. Työn on tarkoitus toimia myös käyttöohjeena tai ohjekirjana nuorille yrittäjille, jotka voisivat olla kiinnostuneita tämän kaltaisesta kaupankäynnistä, mutta joilta puuttuisi aikaisempi kokemus vastaavan toteutuksesta.

Tutkimus toteutettiin käyttämällä kuvailevaa laadullista tutkimusta. Tapa valittiin tutkimusongelman luonteen vuoksi. Halusin myös ymmärtää tilanteen vastaajieni näkökulmasta, he kun ovat monivuotisen kokemuksen omaavia ammattilaisia. Henkilökohtaisia haastatteluja sekä sähköposti haastatteluja käytettiin tutkimuksessa, jotta saavutettaisiin selkeä kuva kaikista vaiheista, haasteista ja tuontiprosessin koko kuva.

Vastaajilta saatujen tietojen perusteella kävi selväksi, että tuontiyrityksellä on oltava kattavasti itämaisten ruoka tuotteiden tuntemusta tuontiprosessin hyväksi lähtökohdaksi. Analysoituani tarkoin tuloksia, tulin johtopäätökseen, että tuontiyrityksen on selvästi ymmärrettävä tuontiprosessin jokaisen tason tärkeys; yhtäkään tasoa ei tule käsitellä harkitsemattomasti, sillä huolimattomuus saattaa aiheuttaa suurta tuhoa ja vaarantaa koko prosessin. Lainsäädäntö ja lupa käytännöt ovat Suomessa erittäin hallinnollisia, siksi onkin suositeltavaa aloittelevan yrityksen, jolla on vähän pääomaa, keskittävän itämaisten tuotteiden tuonnin jossain muussa Euroopan Unionin jäsenvaltiossa sijaitsevan jakelijan kautta.

Key words oriental, importation, import process and international trade

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Vaasa, February 15 2010.

Ogundipe Samuel Johnson

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1 INTRODUCTION

This Thesis will focus exclusively on how oriental food products can be imported to Finland, and I will look into the factors to be considered in the importation process, custom documentation and clearance procedures as well as making the right choice of delivery modes during sales terms. In this chapter, I will discuss about background information in international trade, aim and objective of the studies, research problems, limitations of the study and finally, the research methods used in the study.

1.1 Background

1.1.1 Concept of International trade

According to Reem Heakal, “international trade is the exchange of goods and services between countries” (URL><http://www.investopedia.com/articles/03/112503.asp>, 18.01.2010) ; for example the Nokia phone is produced in Finland and is available all over the world as a result of international trade. International trade makes it possible for goods or services produced in one part of the world to reach other parts within a short period of time. International trade has a long history in world trade and of course it is the back bone for building global economy. The Fundamental reason for international trade is to make the most effective use of natural resources by exchanging products which are in excess in one domestic market to other products which are less available or more cheaply produced elsewhere; this explain the theory of comparative advantage (BCC: 1997, pg7). You can walk into a supermarket in the United Kingdom, United States, Canada, Australia, Finland, Nigeria and any country you reside to buy varieties of products which are originally produced in other parts of the world, without the need for you to travel to those countries. This has made the world a global village and facilitate easy accessibility to quality and standard in life, therefore people in different parts of

the world feel comfortable and enjoy a homely experience because they have access to almost everything they want irrespective of where it was produced.

The history of trade is traceable to “trade by barter” where you exchange the products you have in excess with that which you do not have with a neighbour within the same country or abroad. This was quite difficult and challenging as there was no standard measurement to calculate the worth of one product against the other; that was a big constraint in the success of trade. The advent of money as a standard was the beginning of expansion and the spontaneous development in international trade.

(URL><http://chestofbooks.com/finance/economics/Economics1-Economic-Principles/Chapter-5-Trade-By-Barter.html>, 18.01.2010)

International trade involves several parties as opposed to old believes that it only involves the person, entity or governmental body who transfer the goods or services across its own national border (exporter) and the person, organization or governmental body who receives the goods in a different location or country (importer). Some of the parties involved in international trade are; export authorities, import authorities, freight forwarders, customs brokers, freight carriers, the government regulatory agency, chamber of commerce, insurance companies, inspection services and many more (Hinkelman: 2002, pg 15). All these parties mentioned above are very important at different stages in the movement of goods from one part of the world to the other but their functions and activities will not be discussed in this introductory chapter, the details of their role and activities will be explained in the next chapter when I will look into the theoretical framework. The continuous interest in international trade has a great influence on the development of globalization and rapid growth of the world economy as can be explained by the spontaneous growth in the economic situation of China, India and the Asian tigers in the last decades. There is a successive economic integration of Asia and the western world and the growth rate is expected to increase in the future which will be a medium to strengthen business relationship between the two regions and results in a sustainable development of global economy.

1.1.2 Food: an important part of culture

This thesis focuses mainly on food importation. It is important to know that food is an essential part of a daily life and it is obviously inevitable as it is one very special aspect of cultural value associated with a group of people in different communities across the globe, Michman & Mazze even clearly stated in their book that “whilst it is possible to adapt to foreign cultures as people migrate from their primary settlement to a foreign location, it is still a subject of difficulty for them to change their eating habit” for example the Cuban American have keen interest for black beans and will love to eat it irrespective of the location they find themselves. This is a great secret behind the success of the food industry because as people migrate from one place to another, there is opportunity to move their local cultures; most especially food, to the foreign location and thus food is being spread across the globe, a good example is the Chinese and Japanese cuisines that can be obtained almost in every parts of the world. (Michman & Mazze: 1998, pg 155 – 156)

There are several factors to be considered for the choice of a sub cultural group as a target market in the food industry but size should not be a discouraging factor because a larger market can be penetrated through the small target group with a good market campaign and advertisement. The importer of such food products only need to convince the entire market that the food could be taken by anybody irrespective of your race or culture; with good advertisement, he/she will be able to meet the need of the target market and also penetrate into a bigger market share (Michman & Mazze: 1998, pg 156). A good example of the above theory is the case of oriental food in Finland, the main target market are people from Asia but during my internship last year, I noticed that the Finnish people are now patronising most of the oriental foods (Tofu, Thai Vegetables, Soya sauce & Jasmine rice) which I believe is due primarily to the inter-marital relationship between the Asians and the Finns, and word of mouth from the Asians, resulting in what I term “occidental and oriental cultural mix”.

1.1.3 The Oriental & Oriental foods

The word “oriental” is a derivative of “eastern”, which was first used to refer to Mesopotamia, Persia and India but later definitions of oriental includes all the far and middle east Asian nations including China, Japan, Korea, Thailand, Burma, Malaysia e.t.c. Therefore, Oriental is referred to anybody or anything that comes from the East though it is argued that some of the Chinese and Japanese American see it as offensive yet it is a widely acceptable term. (URL><http://www.urbandictionary.com/define.php?term=oriental>, 27.02.2010)

The people from the east of Europe generally called the orient as explained above usually retain their identity even after staying abroad for several years, they are very special people with rich culture values, and some of their culture is having close relations with those of Africans. It will be stereotypic to generalise that people from Asia are Muslims, though it is a fact that those from the Middle East like Iran, Pakistan, and Saudi Arabia are mostly Islamic, yet it will be an over-statement and unjustifiable to generalize the assumptions because there are Christian Asians, Naturalist and also varieties of gods and idolatry being practised in the east or Asia. It is important to state here that Asians have religious prohibition from eating certain foods, so importers should take note of this important factor. (Yu: 2002)

Oriental food are traditionally eastern foods that are prepared using recipes or in a style resembling that used in countries of East Asia, including Chinese, Japanese, Thai, Korean, etc. The most popular and continental oriental foods originates from Malaysia, China, India, Japan and Indonesia and this foods can be found all over the world; for example, there are many Chinese, Japanese Thai restaurants all over metropolitan cities in the united states and even here in Finland. Orients are typically vegetarians and are cooking specialist with great pride for their food which is fully blended into their culture. List of some of the popular oriental food in categories can be obtained on page 55-56 of this thesis. (URL><http://www.orientalfood.com/culture/regional/feastintheeast.shtml>, 26.02.2010)

1.1.4 Concept of Importation

The concept of importation is enveloped around the word “import”, this will be later explained in the next chapter, but as an introduction to the subject, the term import is used to explain a commodity or goods whatsoever that is conveyed from one place to another usually involve crossing of national borders; an example could be that you bought some food products online from a Chinese store and the food products is transported from China to Finland , it must first cross the border of Finland before it get to your office or place of receipt. The food product you bought is the “Import” and the process or the commercial activities of conveying the food is “importation” therefore we can simply say that importation is an act of bringing or carrying goods or services from a foreign country.(URL><http://wordnetweb.princeton.edu/perl/webwn?s=importing>, 26.02.2010)

It is important for an importer (one who imports) to obtain relevant information about the products to be imported from the concerned authorities in his home country as well as the country of export before thinking about importation. In the case of food importation, labelling and parking requirements must be known and apart from specific restrictions that may be directly applicable to certain food products, there are general certification requirements that must be considered before importing to EU or Finland. More information about health certificates and import documents requirements are handled in the second chapter of this thesis. It is the responsibility of the importer to ensure that the food products to be imported complies with the EU Hygiene and safety requirement and relevant documents obtained, otherwise, if the foods does not meet the required standards and it is imported, it could lead to delay in the import process and also cost additional expenses or even seizure of the foods product and this could result in a great financial lost. (URL><http://www.food.gov.uk/foodindustry/imports/#branch0>, 26.02.2010)

1.1.5 Food importation into EU

The European Union pays much attention on the food that is imported from third countries of which Asia is one; this is because of health related issues. When importing food products from outside EU, the food must pass through customs inspection post for confirmation that it is not under any restriction and that it conforms to the required health and safety standard; the importer is therefore expected to possess some health certificates and also the licence from the Common Agricultural Policies (CAP) before importing into the EU. The food enforcement and health authorities at the port of the EU member state where the food is imported sometimes carry out physical inspection on the food and also confirms that the importer possess relevant health certificates (e.g. veterinary health certificates in the case of animal products and Phytosanitary certificates for plant products) before the goods is permitted for free circulation within the EU. (URL>http://www.food.gov.uk/foodindustry/imports/imports_advice/outside_eu_imports, 26.02.2010)

The physical inspection of the food by the health authority might involves looking, smelling or tasting the food, testing temperatures, checking wrapping and labelling, or laboratory testing. This is really a crucial issue and time consuming for example when rice is imported from Thailand to Finland, it undergoes laboratory test which takes about two weeks before the importer is allowed to sell to the customers after it has been confirmed hygienic. The labelling and packing issues is different in the EU compared to the third country, the importer should endeavour to confirm the labelling rules in the EU and the country of import and ensure that he gives the instruction to the seller before the goods is shipped to the EU border to avoid delays of lost. More information about labelling can be found in the second chapter of this thesis.

1.1.6 Problems and Challenges in food importation

Food importation from foreign countries requires several scrutiny before it is allowed to enter into the EU, several measures has been put in place to ensure

safety and security of the European populace yet the food enforcement authorities are still facing severe challenges from lack of cooperation from the parties involved in the importation of food from third countries as a result of forgery of some of the required health certificates and non compliance of the plants and animals products imported into the region. In order to curb the illegal practices, the EU from 1st January 2006 continued the implementation of the regulation (EC) No 882/2004 and more clearly defined that a competent authority must provide a guarantee that the food from third countries meets the standard of the European food law most especially the Phytosanitary requirement. (European Commission: 2006)

In order to further tackle the impending challenges on food importation into the EU, the importers of food of plants and animal origin from third countries are requested to meet the requirements of HACCP control procedures (Hazard Analysis and Critical Control Point) for risk assessment and to avoid hazard to public health, it is therefore a standard measures by the EU in all the member states that the importer must submit the food imported for laboratory verification that the food meets the EU food law and it is safe to be released for free circulation in the community. (European Commission: 2006)

The importers and exporters are also faced with problems of perish-ability and financial loss as a result of delay in food transportation from third countries. Some food products when imported from Asia (e.g. Thailand) can be in transit for more than two months and when it finally gets to the customs, it could stay for more days, weeks or even months depending on the compliance of the import with customs requirements, some of the food products may expire before it is finally cleared and released to the importer and therefore loss is incurred. It is therefore advisable that the importers should consider the nature of the food when choosing the transportation mode, the food should be well packaged considering the temperature changes between the importing and the exporting countries and finally, the importer must make sure that the food is in compliance with the EU food law and that all required certificates are in place to reduce or even avoid this problem that is impeding the success of the food importation.

1.1.7 Why importing oriental food to Finland?

Finland is a western nation with absolutely different culture and value compared to that of Asians, why then is it important to import oriental food to Finland may be one question ringing in your mind? The answer to these is very simple; It is explained above that food is an important part of culture and people tend to remain associated with their eating habits even when they are abroad, so the Asian that are presently living in Finland are not exemption to the rule. The present population of Asians in Finland may not be as big as one would expect to be enough for such market but the good news is that the people are still very much acquainted with their culture and are always ready to patronize the food, therefore, they can be a niche market through which a marketer can penetrate into the Finnish larger market with the help of advertisement or positive word of mouth.

According to statistics Finland, People from the east are continuously moving to Finland and gaining finish residence which means they will be here for the rest of their lives. The very interesting part of their residents in Finland is that some of them are getting married to the Finns and thus establishing a kind of cultural mix which is now a present trend that is causing some Finns to develop a special interest in the oriental food, consequently, there will be an increased demand of the oriental foods against the low availability. This “need base” is the major reason why it is essential to import oriental food to Finland and it has developed a huge interest in me because I see a business opportunity which could be a great benefit for young entrepreneurs who are interested in the importation of Asian foods to Finland. (URL>http://stat.fi/til/muutl/2008/muutl_2008_2009-05-20_tie_001_en.html, 18.10.2009)

1.1.8 Personal Motivation

In my first year in Vaasa University of Applied Sciences, I studied foreign trade in practice and the course gave me an overview of how to do successful business in international trade, this was the primary motivation that led to my choice of practical training company. In the summer of 2009, I worked as a trainee at Swan

Import; a trading company that specializes in the importation and sales of oriental food located here in Vaasa. My experience during the training period serves as an “eye opener” and this propelled my interest and I think it will be a great opportunity to research more into the studies to gain a more detailed knowledge and expertise in the field which will be a huge benefit for me in the future and to other young scholars that may want to invest in oriental food.

1.2 Aim

The aim of this thesis is to search up-to-date information which will help me to effectively describe how oriental food products can be imported to Finland and to provide practical answers to all my research problems from a real life business situation.

This bachelor thesis is intended to serve as a guide book to young entrepreneurs who might be interested in importation of oriental food to Finland and do not have prior knowledge of what to do and how to do them. All basic information of how to get started, choosing the right suppliers, payment options, custom clearance and documentations will be discussed in the study.

I also believe that the success of the thesis will help me personally in the future because I will like to invest in the oriental business if I have enough capital and the thesis will then be a preparation manual for me to facilitate and guide me through my business experience.

1.3 Research Problem

Based on the scope of my study, I have designed the research problems that will guide me through the theoretical framework of my studies. Below are the research questions;

- i. What are the processes and procedures involved in oriental food importation to Finland?
- ii. What are the factors to be considered in the importation process?

Detailed answers to the above questions will be an excellent tool to the successful importation of oriental food to Finland and will build a foundational confidence on the reader who is interested in the trade.

1.4 Limitations

This thesis will be limited to the case study of companies operating in oriental business here in Vaasa; it is true that there are many other companies in Finland operating in this business area but for convenience and financial purpose, I will focus on Vaasa alone in this thesis but that will not undermine the reliability and validity of the research because I will critically analyse the given information with a good theoretical studies.

I will only depend on the information from the Finnish custom's website and the email interviews to obtain reliable data about the custom clearance and required documents for the importation of oriental food; as this is a bachelor thesis, the difficulty to get the "top shot" of the Finnish custom for an extensive face-to-face interview and time limitation may be a big constraint but I am sure that the website as well as the email interviews will provide adequate information needed to complete my research and I will try to also seek information from different information sources in order to achieve the most valid result.

In this research, only the import side of the story will be discussed, nothing will be discussed about the export side and I will concentrate on importation of oriental food not the whole food industry because I really want to get the specific documentation and other information that are directly related to oriental food importation to Finland.

1.5 Methodology

The research studies will be carried out using both secondary and primary source of information. The secondary data is based on well grounded background information sourced from different literatures and publications that have already researched into the related topics. The validity and reliability of the result will be

determined based on the connection between the reviewed literatures and the practical cases used as well as the feasibility of the result after the research. I will finally analyse the situation with a good sense of judgement based on my previously acquired skills in foreign trade courses.

The research will be mainly qualitative as a result of the nature of the researched area and this will be conducted using extensive interview with the owner of Swan import, Tigris oriental market, other oriental food companies in Vaasa and the Finnish customs information centre. These entrepreneurs will provide different views of the situation and that will give me the opportunity to avoid bias analysis of the studies. In a nutshell, this is a snowball sampling because the oriental companies in Finland are not active on the databases so I decide to depend on referrals from the already known companies so I have included a question in my interview questions to help me; “who are your competitors”?, answers to that question will give me clues about other companies operating in oriental food in Vaasa and they will all be interviewed. Though the companies in Vaasa is not a projection of the whole population of oriental food companies in Finland but because of financial requirements, I will concentrate only on the companies in Vaasa and I am sure the information obtained from these companies will depict the actual situation of the process and procedures of oriental food importation to Finland.

2 THEORETICAL FRAMEWORK: IMPORT PROCESS

This chapter will focus on theoretical overview of the proposed study. I will start to discuss the whole process and procedures in Importation as well as the conditions and factors that affect the choice of foreign suppliers in importation business, after which I will mainly concentrate on the European business environment and trade with third countries. I will also discuss about Finland as a nation and how importation business is carried out. I will discuss specifically on the importation from eastern nations to Finland and the Finnish custom procedures.

It is important to explain the meaning of the term import before discussing the whole processes involved in importation. The term import is a derivative of any activities that involves bringing goods and services into the port of a nation from a foreign location. There are always two parties involved in this exchange of goods and services; the buyer and the seller. The buyer is known as the “importer” and he/she could be an individual, organization or government located in the country of import while the seller is known as the “exporter” who is located in a foreign location from where the goods or services are imported. The goods or services that is transferred from one country or region to another is known as the “Import” and this must be done through a legitimate procedure otherwise the import is said to be a smuggled commodity which is against the national laws. From the perspective of the seller, the goods or services is regarded as export while the buyer regards the goods as the import and it is usually imported by the buyer for the purpose of sale to the local market where the products is on demand and may either be unavailable or very expensive if produced or purchased from the domestic manufacturers. (Nelson: 2000, pg 4)

As said in the introductory chapter of this thesis that international trade involves the exchange of goods and services between nations, it is now obvious that the whole process of international trade revolves around Import and export activities. One of the most important parties in import or export of goods is the custom authority that are present in both the importing and exporting countries to ensure

that the imported or exported goods meet the required national standards and to collect relevant quotas, duties and tariffs on the goods coming in or going out of the country. As this thesis only focuses on the import side of the story, only the import process will be covered, the process and all the activities involved in each stage are outlined below:

2.1 Knowing your Product

Importing from a foreign country does not have a particular starting point as it depends on several factors and the situation of the importer but one of the most common starting points is that the importer must know his products; You should ask yourself certain questions before venturing into an importation business, like “what product do I want to import?”, “why do I need to import this products?”, “will I be profitable with this product?” “Who are my customers and where are they located?” these questions require a sincere and accurate answer as it will determine the success of the business in the long run. To effectively answer the questions, you must conduct a market research to get up-to-date data about the market condition and the consumers need at that period before you can know what products is actually required to meet the market need and determine the profitability of the business and also you must know that one key factor to be considered is the supplier, where is the supplier located and what is your accessibility to the supplier (s) and you must think about the competitors that are already in the business before you. To overcome the competitors, you must think of what additional values you can add to the product to bring uniqueness to your offering. (BCC: 1997, pg19 - 33)

The next is to consider financial issues, you must know if you have enough capital to venture into the business; how much do you have in cash and what financing option can you obtain to support your business ventures so that you can be sure of adequate cash flow in the business and continuous purchase of the products because you should understand that you will not start making profits immediately you start the business, you need sometimes before you can breakeven, infact, you need some money to get some documentations and licenses that will guarantee

that you are legally permitted to import the products into the country. Further information about the documents and licenses will be discussed later in the thesis.

2.2 Supplier search and selection

This is a critical stage in the importation process and it has huge financial implication and so it is a great challenge for an importer to choose the right and trusted suppliers. The importer's goal is to get the right products at the right time with lowest possible cost. It is obvious that trust is the strength of any relationship, the importer should source for supplier who can be most trusted to avoid being fraud, aside the trust in the relationship that will be established, the importer should strive to get suppliers in a location with the cheapest labour cost and carefully calculate the sum of all the incremental costs to obtain the final landed cost and therefore choose the most profitable suppliers. The most effective sources of information to get reliable suppliers will be through specialized trade magazines, attending trade shows, going through export/import directories, contacting foreign embassies or even travelling.

It will be very wise for an importer to choose suppliers from countries that have political stability and good transportation network to home country with good trade agreements in order to pay as little duty as possible. This is because profit is the ultimate target of a business and to be profitable as an entrepreneur, you have to reduce cost as much as possible and provide best quality products to your customers; establishing a sound and trusted relationship with a foreign supplier will be a good starting point. (Weiss: 2000, pg 54 – 55)

2.2.1 Costs

For effective evaluation of the landed cost, the importer should carefully consider the components of the landed costs which are as follows;

- i. Quoting
- ii. Documentation
- iii. Handling

- iv. Inland Freight
- v. Export Clearance International Freight
- vi. Import Costs for License and registrations
- vii. Import Clearance
- viii. Duty, Taxes, etc.
- ix. Warehousing
- x. Inland freight and on-forwarding
- xi. Repacking, Remarking, or Relabeling
- xii. Further processing, Refinements, or Manufacturing
- xiii. Black Money

These parameters will help the importer to compare the cost implications involved in different suppliers and then he/she will be able to make the best choice at the end of the financial and situational analysis of the suppliers. (Thomas: 2004, pg 3)

2.2.2 Products specifications

It is the duty of the importer to make sure that the exporter is well experienced and able to meet the specific requirement stipulated on the demands; this can be easily known by considering the prior business transactions of the exporter because if the exporter fails to meet the specified requirement, the products the importer will receive becomes different from expectations and that will obviously leads to customers dissatisfaction and will eventually result in a big loss for the importer which could jeopardize future business opportunities.

2.2.3 Timing and Delivery

According to Bishop Jeremiah the Hermit, time is the most valuable assets on earth because every human endeavours anchor on it. To be successful in business,

you must know how to respect time that is why timing and delivery is one of the key qualities that must be possessed by the chosen supplier. Delivery delays or wrong timing could lead to a great frustration for the importer and that will simply cause shortage of inventory, loss of sales and unavailability of products for customers. An importer should be aware of this and check the business and credit history of all the suppliers and confirm from their old customers or local authority registers before making a choice of supplier, my advice for any importer is that you do not choose a supplier just because it offers cheap products, think about all other conditions including delivery and make the most use of all information to be able to choose the most profitable suppliers who are ready to follow the rules of the game. (Thomas: 2004, pg4)

2.3 Discuss order with supplier

This stage will involve financial commitment so the importer must take a careful consideration of any commitment in each stage and must check all details over and over again before signing any document or establishing a contract with the supplier. The discussion can be in the form of emails, fax, airmails or telephone conversation and you must state clearly the products you want and all necessary conditions that must be met in the process. During a discussion with the foreign supplier, it is important to obtain relevant information about the laws governing importation from the supplier's country, failure to get accurate information about the foreign laws may result in prohibition of importation or even great financial loss for the importer which will peradventure affect the importer's profit.

Export control, licenses and quota restrictions are some of the conditions that you must understand as an importer and it is important to confirm the information obtained from the potential supplier with a third party which could be attorneys, banks or government agencies in the foreign locations. This information must be confirmed and all necessary conditions and laws must be adhered to before reaching a purchase conclusion with the supplier of your choice as an importer. (Johnson: 2002, pg 242) The importer should in addition to the above discuss the price or products, payment terms and conditions with the supplier and be satisfied with the conditions therein before making an agreement with the supplier.

2.4 Establishing a sales contract

International trade like any other business venture involves great risk and an importer or exporter must be aware of this so as to avoid great frustration that may arise from ignorance. In order to minimize the risks, it is good to establish a contractual agreement between the parties involved in the business transaction and each party should oblige to fulfil the due responsibility within a stipulated time to avoid chaos and loss of profits by either of the parties involved. The profitability of both parties is then anchored on certain requirements that must be understood by the parties e.g. International payment methods, intellectual property rights, choice of governing laws and jurisdiction as well as export and import routines. (Shippey: 2003, pg53)

The terms of the contracts must be clearly stated to know who is responsible for what in the business transaction and the movement of goods from the origin to the destination. The key terms used in international contracts are:

- i. Warranties; a warranty is an assurance from the supplier that the supplied goods are without defect in whatever form from the point of dispatch. It then become a responsibility of the supplier to either compensate the buyer or replace defected goods without costing the customer any financial commitment, provided the importer give a written notice immediately the goods are received. The cost of warranty claim is totally borne by the manufacturer or exporter of such defected goods and this might lead to loss of confidence in the exporter, which is why it is imperative for every honest manufacturer or exporter to make sure the goods are delivered in the best quality. It should be noted that warranty terms are binding on the involved parties but does not necessarily mean a breach of contract when not adhered to. (BCC: 1997, pg199 - 202)
- ii. Conditions: conditions are in-depth terms that must be carried out otherwise it becomes a breach of contract. Both parties must agree clearly from the beginning of the transaction how they want to interpret any given terms. For more detailed information about the contract of sales, it will be

wise to check the sales of goods Act before establishing a contract with a foreign supplier. (BCC: 1997, pg202)

It is good for the importer and exporter to understand the differences in the interpretation of international contracts in different countries and to avoid conflicts of law, the two parties must agree and specify in the contract which country's law they will use in the transaction. It should also be agreed in the contract which jurisdiction of trial they will apply should any case arise but it is a general rule to use the most closely related law to the contract. Aside the use of high court in the settlements of dispute which may take several months before a conclusion is reached, it is also possible to use the arbitration laws and both parties must agree to accept the decision of the arbitrator. (BCC: 1997, pg204)

Several conditions is taken into consideration when drafting an international contracts, the essential part of it is that any amendment to such contract conditions must be agreed upon by both parties in advance before such changes can be made. It is good to consult a legal advice when drafting an international contract between exporter and importer. Below is a list of contents of a contract conditions:

i. Preambles

In the condition of sales, "the company" is used to connote company name and address and "the buyer" connotes the organization or person who purchase goods from the company

ii. Property

The property is either the documents that entitle transfer of ownership or the goods purchased. This will not be delivered to the buyer until the date of full payments of the invoice price or the date when the associated risk is fully transferred to the buyer

iii. Carriage

It becomes the responsibility of the buyer to obtain every necessary document and license to ensure the successful importation of the goods into his/ her country

iv. Storage

If the buyer fails to give proper instruction about the delivery or make a special request for delivery delays, the company will make arrangement for the storage wherever it fits and the buyer will be responsible for the charges that arise as a result of the storage and insurance.

v. Warranty

The warranty as been earlier explained in the previous page

vi. Indemnity

“If the goods design is according to express instruction of the buyer for the manufacturing then the payer is liable to indemnify the company against all claims, damages, costs and expenses that arises as a result of the infringement of copyright, trademark, registered design or similar rights of any third party” (BCC: 1997, pg210)

vii. Trademarks

The company must give a written consent before any trademark on the goods can be removed or erased

viii. Force Majeure

In the case of force majeure, the company is not liable to pay for loss of profit or trade which may be due to late or non-delivery; the company should however notify the buyer immediately

ix. Severance

A severed condition is always regarded as invalid or unenforceable at law from every other condition in the contract of sales and so all other conditions remain valid

x. Proper law

As said earlier, it is important to use the law that is closely related to the condition of contracts so as to ensure convenience of interpretation. (BCC: 1997, pg210 - 211)

2.5 Choosing Payment methods

Payment is a very important part of an international transaction and it involves plenty of risk that is why all the involved parties must carefully choose the best payment methods for their transactions. There are varieties of factors that affect which methods fits in to what situation and most of the time each parties is trying to avoid the credit risk implication of an international payment. In view of these, certain questions crosses the mind of the involved parties e.g. who will finance the transaction? What currency is most suitable for payment? What are the political and legal risks? Who will bear transportation costs and risks? What is the cost of each payment methods? and many more. Having invested so much to manufacture the products, the exporter want to avoid any additional costs and want to get paid for the products as soon as possible, on the other hand, the buyer want to receive the goods or be sure that he/she will receive the goods in good condition before payments is made. This conflict of interest is then a critical challenge in international transaction and so, it is important to have a sound knowledge on each payment option and be able to choose the most beneficent to both parties involved. (Hinkelman: 2003, pg1 - 4)

Some of the influencing factors to the choice of payment method are highlighted below;

- i. Level of competition and commercial practices in the exporter's or importer's business line

- ii. The financial situation of both the exporter and the importer
- iii. Length and duration of the business relationship between the exporter and the importer
- iv. Credit availability to motivate the importer
- v. Risk of non-payment after the good is shipped
- vi. The political situation and level of restriction in the countries involved

The payment option is in four main categories and each category will be explained below;

2.5.1 Cash in advance

As the name implies, it means that the importer must make payment to the exporter before the goods is shipped. This method favours the exporter because of the immediate access to fund and an excellent cash flow for smooth running of the business but it is risky for the importer who has no assurance that the goods will be delivered after the exporter receives payment that is why it is good that both parties are honest in such transaction. Butterworth advised that cash in advance should be used by an exporter who is new in the business especially when it involved first attempt or a trial order from an importer. Importers are however advised to embrace the cash in advance for the first transaction in order to encourage the exporter and create an atmosphere of trust provided there is a thorough check on the exchange control restriction in the country of export. Cash in advance is most commonly paid by drawing a bank draft in favour of the exporter in a first class bank of the exporting country.

Also, cash in advance can be made using the cash on delivery (COD) method, it works with a simple process; the exporter delivers Ex-Work (EXW) (the INCO terms will be discussed in the next chapter) to the forwarder that is assigned by the importer in exchange of a banker's draft drawn in his/her favour from a reputable first class bank, and an FCR (Forwarders Certificate of Receipt) as a confirmation that the forwarder has received the goods from the exporter in good condition.

There must be a prior agreement between the exporter and the importer as well as the forwarder and the exporter must send a proforma invoice containing all relevant information relating to the payment and exchange of goods to the importer. (BCC: 1997, pg 117)

2.5.2 Open account

This method is used between exporter and importer with long time business relationship and mutual trust. The exporter delivers the goods to the importer without receiving immediate payment. An agreement is made either to receive the payment in the end of the month that succeeds the delivery date or any other agreed time. This is regarded as the easiest payment method and the least risky for importer and the riskiest for the exporter. It is good that the exporter gets a credit insurance to cover the loss should the importer fails to make payment for the goods. Because of the associated risk in an open account, it is good for the exporter to always opt for possible alternative before agreeing to open account.

It is a great opportunity for the importer without enough capital if the exporter agrees to use the open account terms because the importer has the opportunity to receive the goods and sell them before making payment. The payment is usually done through issuance of bank draft, checks or wired directly to a specified account by the exporter.

It is not advisable for an exporter to use the open account terms if the trading relationship with the importer is new, the exporter should allow adequate time to build trust in such relationship before venturing into such dangerous payment option that could ruin the business when there is huge payment default. The exporter must confirm the ability of the importer to make payment before making this payment option (Hinkelman: 2003, pg15)

2.5.3 Documentary collection

This method of payment works almost the same way as the Cash on delivery method where the shipping line or the postal service act as intermediary for the collection of payment from the importer or buyer upon delivery of goods. While

in a Cash on Delivery method (COD), cash is collected from the importer in exchange of the goods, in a Documentary collection it is rather a transfer of document of title known as the bill of Lading which entitles the importer the right of ownership of the goods. Also, instead of the shipping company or postal service as in the case of COD, Banks act as intermediaries for the transfer of documents in the documentary collection but not in any way acting as a surety, the burden of non-payment is never borne by the banks. Two banks are always involved and it is not necessary that the banks are of the same parents, one of the banks is in the country of import and the second in the country of export. (Hinkelman: 2008, pg 38)

Documentary collection follows a simple procedure, Firstly, the exporter (seller) and the buyer agrees on the terms and condition of sales and they appoint the collecting/remitting banks and the list of documents required for the transfer of ownership. After they have both agreed, the seller ships the goods to the buyer also known as the drawee in exchange of the bill of lading collected from the shipping company. Secondly, the seller hands over the all stated documents in the agreement to the remitting bank in the country of export and gives instruction on the condition that must be met before documents is transferred to the collecting bank. The remitting bank follows the instruction of the seller and sends the packaged documents to the collecting bank in the buyer's country giving instruction that the collecting bank should only give the documents to the buyer on two conditions; either upon the payment of the agreed amount known as document against payment (D/P) or after the buyer confirm and guarantee to make the payment on a stated date, this is known as Document against acceptance (D/A). Not until the payment is made or acceptance of an agreed date, the buyer cannot have access to the goods. (Hinkelman: 2008, pg 40 & 2003 pg 14)

Immediately the collecting banks confirm that the documents are in accordance with the collection orders, the bank notifies the buyer about the collection and hands over the documents to the buyer as soon as every necessary condition regarding the payment is fulfilled. The buyer then sign the sight draft after making cash payment or if otherwise available he signs the acceptance documents

(D/A) and then takes possession of the goods. After the payment is made to the collecting bank, the bank either makes an immediate payment or waits till the promised date by the buyer before payment is forwarded to the remitting bank that in turn pays the seller. The buyer and the seller is exposed to great risk in the payment method because both banks involved does not assume any credit risk and if goods are shipped directly to the buyer, payment may not be made and that pose a great credit loss to the seller that is why it is advisable to either ship the documents in the name of the seller's agent in the importing country or in the name of the collecting bank. Also, if the buyer confirms that the goods are not in the right quality as promised by the seller after payment is made, it may be difficult to retrieve the loss from the seller. (Hinkelman: 2008, pg 41-43)

2.5.4 Documentary Letter of credit

A documentary letter of credit is a letter of guarantee and promise written by the buyer's bank to the seller to make payment of a credit amount to the seller as long as all attached condition to the payment is fulfilled by the seller. This is the most commonly used payment method because of the credibility and protection against risk for both buyer and the seller. The banks also act as intermediary in this case to receive payments and transfer documents of title but unlike the documentary collection, the banks involved in a letter of credit agreement are a guarantor and surety for payments and transfer of documents. The credit worthiness of the banks is the most important security for this method of payment. (Hinkelman: 2008, pg 50)

There are several types of documentary letter of credits but the most commonly used are the standard documentary credit and the specialized credits. The standard credits can be either revocable which entitles the buyer to cancel the transaction at any point in the transaction process without the ultimate consent of the seller or irrevocable which does not give the buyer opportunity to cancel the transaction. Also, standard credit can be confirmed or unconfirmed; a third bank can be involved for the guarantee of payment in a confirmed credit but in an unconfirmed, only the issuing bank guarantees payment. The specialized credit

includes standby credits, back-to-back credits, red clause credits, transferable credits and many more. (Hinkelman: 2008, pg 50)

To be able to use letter of credit as a medium of payment, the buyer and the seller must make a prior agreement in their contract in the onset of the transaction and specify the banks intended to use as the advising bank which is usually the seller's bank, also all necessary documents needed in the transaction must be clearly specified. After agreement is made, the buyer will open a documentary credit account with the issuing bank (buyer's bank) and uses the seller as the beneficiary, all required documents and conditions for the payment transfer will be clearly stated. Then the issuing bank forward the documentary credit to the advising banks as stated in the credit and immediately the advising bank receives the document, the seller is informed, should the seller disagree with anything in the documentary credit, he/she can request for amendment from the buyer and if the buyer is pleased with the condition of amendment, the issuing bank is notified for the amendment who amends the agreed condition and forward the amended documents to the advising bank. (Hinkelman: 2002, pg 81-84)

Finally, I must stress here that this is the most secured payment method in international trade though it also involves little flaws, in order to avoid unnecessary delays, it is important to check all the information written in the documentary credit over and over again before sending to the banks because any spelling errors may jeopardize the smooth process and may lead to frustration, delay and loss of huge amount of money.

2.6 Delivery of goods

It is expedient for an importer to know the importance and financial involvement as well as timing of the movement of goods from the country of export to the destination country where it is needed. International transportation of goods is more complex than domestic transportation so special attention must be paid to avoid unnecessary loss as a result of ignorance. The nature of goods is one crucial thing you must consider before agreeing the mode of transport with your forwarder especially for edible goods or goods that perishes within a short time.

Also, cost implication must be weighed and the cheapest possible mode of transportation that complies with other factors mentioned above must be chosen. An importer must be aware of the transportation connections that exist between the country of export and the country of import and must understand the conditions of the port of destination. (BCC: 1997, pg 50-51)

It is wiser and practical for the buyer and seller to agree on what mode of transportation will be used as early as when the term of sales will be drawn because transportation is not simply moving the goods from the origin to destination, the agreed mode of transportation and carrier will determine how goods will be packaged, transport payment liabilities, type of insurances, transfer of responsibilities between buyer and seller, delivery time and documents requirement. As soon as the two parties agree on one mode of transportation, the forwarder and carriers should be notified immediately so that planning can be made on what documents should be prepared and when the goods should be conveyed from the agreed location for delivery to the buyer. (Wood, Barone & Murphy: 2002, pg 346)

2.7 Making your choice of Transportation

In the earliest history of mankind transportation was not how it is today, the migration of people from one location to another as well as continuous quest for globalization in international trade as necessitate the development in international transportation so as to facilitate the movement of goods and to ensure speedy delivery. The transportation modes in this days business are thus as follows; road transportation, rail transportation, sea transportation, inland water ways, pipelines, air transportation and intermodal transportation which involves more than one transportation mode in one shipment. Whilst the road freight transportation, inland waterways and pipeline as continued to experience a steady increase especially within the EU community, rail transport has diminished. The table below shows the changes in the use of the various transportation modes within the European Union for the movement of goods between 1970 and 2000. (Rushton, Croucher & Baker: 2006, pg 359 & 360)

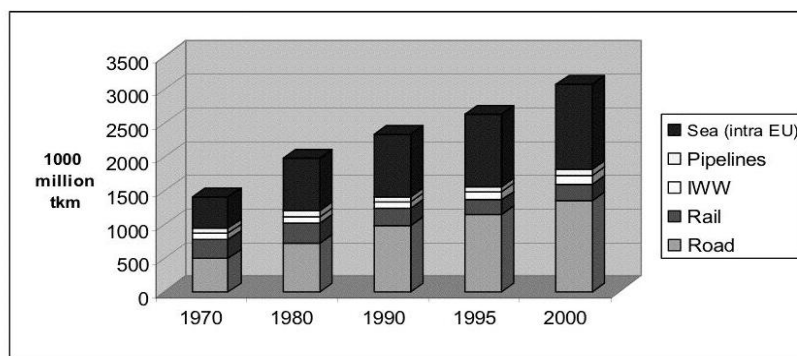


Figure1: Rushton, Croucher & Baker: 2006, pg360, Freight transport in the EU-15 by modes between 1970 and 2000.

An importer that wants to do a profitable business must pay keen interest to this section of my thesis as it will help you to realise what you should consider before making your final choice about which transportation mode to use for the delivery of your goods. According to Ruston, there are four factors that an importer before making your choice of transportation, the diagram below depicts the four factors;

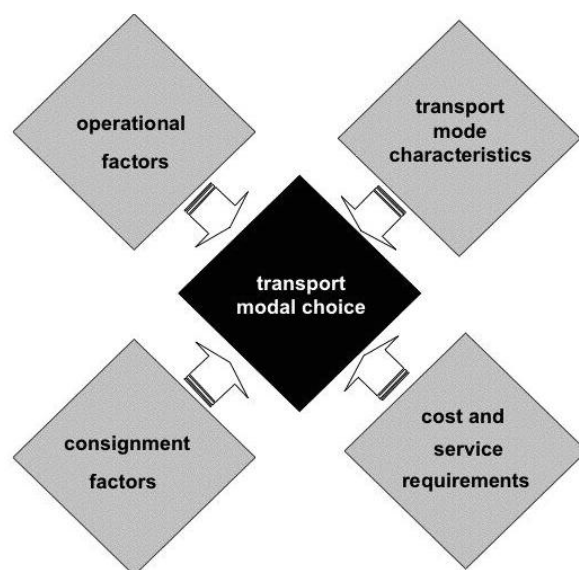


Figure 2: Rushton, Croucher & Baker: 2006, pg362, Modal choice: selection process.

Operational factors are external factors that can influence the speed of delivery and total cost you spent on a particular shipment, though they are not directly related to the distribution of goods but their impact can be enormous in some cases. Some of these factors are; available transport infrastructure, trade barriers,

export control and licences, laws and taxation, economic condition of both export and import country, available communication system, culture and climate. Whilst it is possible to use road freight transportation to transport goods within the European community, it is an obvious fact that you cannot use the same mean to transport your goods to a country in Africa because of the available infrastructure does not permit that, then you will have to consider other alternatives. Some countries have unstable economic situation and one can hardly predicts what happens next, delivery of goods to such countries requires a fast means of transportation to ensure quick delivery and avoid losses that may result from exchange rate fluctuation or change in governments regulations and document requirement. My advice for every importer who is interested in importation business is that you should take these factors into consideration and be sure you understand the situation of both countries and the additional cost implications before making your decision. (Rushton, Croucher & Baker: 2006, pg 363)

In some cases, the situation of the buyer can influence the decision of modal choice; for example, what mode of transportation is most accessible to customer warehouse or storage facilities and what the size of customer's order is. Some modes of transportation are suitable for larger consignments while some are suitable for smaller so you should consider the size of your consignments before making modal choice as well as the conditions stated on the term of sales. (Rushton, Croucher & Baker: 2006, pg 364)

The physical nature of the goods also influences the modal choice, some mode of transportation require special packaging cost and insurance fee for certain goods and all the modes of transportation must be compared to this effect. some modes charge by cubic meters (space) while others charge by weight, if you are importing heavy goods that does not occupy much space it is important to use the mode that consider space rather than weight of the goods to be imported, for example airfreight charges by weight, so it is not advisable to use airfreight for heavy goods. If you are importing expensive goods (e.g. Gold, diamond) , it is important to use the safest mode of transportation irrespective of the cost to be sure you will get your goods in good condition and at the right time. Also, you

should consider your product category, if you are importing perishable or time constraint product, you should rather consider speed of delivery rather than cost in your modal choice and if your product is hazard related then you must use the mode of transport specified by law for the conveyance of such products and finally if your products are fragile such as glass or plasma screen, then you must consider using the modal choice that will get the products to you in good condition and take insurance on such products for risk sharing. (Rushton, Croucher & Baker: 2006, pg 366)

2.8 Transport documents

According to Hinkelman, the word “document” has a Latin origin *documentum* which is interpreted as official paper. A document can be further regarded as a proof or evidence of ownership of properties or rights. In international trade, documents are not only an evidence of ownership or transfer of rights, it also serves so many other purposes, for example the *certificate of origin* is used to prove the country of origin of the shipment to concerned authorities for duty payment purposes, *inspection certificate* is used to show the evidence that the goods in shipment are in good quality and of numbered quantity, and so many other documents that will be later discussed in this chapter. The definition of documents has been re-modified to include fax and electronically transferred papers which are not necessarily in printed forms throughout the transactions. (Hinkelman: 2002, pg1)

The role of documents in international trade is too important to be neglected; improper documentation may cause great delays to the delivery of goods to a customer and may attract additional cost which can tarnish the image of the exporting company, that is why some exporters outsource experts to handle their trade documents or rather purchase a system that is dedicated to manage the export process, though there is risk of losing control of the process to the outsourcing agent. (Alan: 2008)

To the exporter, documents are used for record purposes, as a receipt of shipments, export clearance and to provide information to concerned authorities in the shipment. To the importer, documents are also used for record purpose, receipt of purchase, confirmation of shipment against the order as well as custom clearance requirement. (Hinkelman: 2002, pg2)

For the Shipping line and the freight forwarder, documents serve as manuals of instruction for the proper handling of the shipment from the origin to the destination country as well as for record keeping. The Bank uses documents as instruction for collection and disbursement of funds such as the case of documentary letter of credit explained earlier in this thesis where the banks act as intermediary between the seller and the buyer. The insurance company uses document for risk evaluation and to value a shipment as well as tracking purposes during coverage claims. The country of export and import and the regulatory agencies, documents provide proof of rights to export or import, duty payments, statistic purposes and evidence that the goods will not create any harm to the country. (Hinkelman: 2002, pg2)

2.8.1 The Key Documents of International Trade

As a matter of fact, there are thousands of documents involved in international trade transactions as stated by many scholars and all the documents are very important, but for the movement of goods, there are 5 main documents involved as explained by Hinkelman, this documents and their usage are thus as follows:

- i. The Commercial Invoice; It is an important accounting document usually issued by the seller or exporter. It carries very important information like name of the seller and buyer, invoice number, transportation mode, transaction and shipping date, delivery and payment terms, description and list of goods sold, quantities, prices and discount. It is evidence from the contained information that the document is indeed of great importance and must be carefully handled, all information therein should be checked for accuracy because any incorrect information could be disastrous and could eventually cause great delays or denial of rights. (Hinkelman: 2002, pg5)

- ii. The Bill of Lading; It is an important transportation document issued by the shipping company that will convey the goods to the exporter who is regarded as shipper in this context. The bill of lading must be duly signed by the captain, agent or owner of a vessel and it acclaims the receipt of the goods, contract of carriage as well as the obligation of the carrier or shipping line to deliver the goods to the agreed port in a destination country where it will be delivered to the lawful holder of the bill of lading. From the above explanation, a bill of lading can be concluded to be a receipt for merchandise and a title document which gives right to the holder to take possession of the goods. (Hinkelman: 2002, pg5)
- iii. The Certificate of Origin; It is a very important documents which the importer must present to the custom authority as a proof of the country where the goods are imported, it is sometimes used to reduce or eliminate duties if the goods originated from a country that has preferential treatment with the destination country. It is issued to the buyer by the seller, local exporting country chamber of commerce and other relevant agencies. (Hinkelman: 2002, pg5)
- iv. The Export Declaration; It is issued by the country of export to the exporter who then use it by the exporter as an official statement to the export authorities for the identification of the seller, buyer, goods shipped, date of issuance, country of origin, country of final destination, quantity and description of the goods and every other shipping details. The document is used by the export country to regulate export, for fee assessment and to compile trade statistics. (Hinkelman: 2002, pg5)
- v. The Import Declaration; It has a similar purpose as the export declaration but used in the import country. It is also used it by the importer as an official statement to the import authorities for the identification of the seller, buyer, goods shipped, date of issuance, country of origin, country of final destination, quantity and description of the goods and every other shipping details. The document is used by the import country to regulate

import, for fee assessment and to compile trade statistics. (Hinkelman: 2002, pg5)

2.8.2 Import Documents

Since this thesis mainly focuses on the import side of the story, only the import documents will be mentioned so as to prepare the mind of the reader who is a prospective importer to what is expected. Documents' accuracy will save you from stress, difficulty and extra cost, import documents requirements varies from one country to another and also depends on the nature of the goods you are importing. General examples of import documents are; Import licence and permit, commercial invoice, bill of lading, certificate of origin, import declaration and inspection certificates. Some countries also make special request for Consular invoice, insurance certificate, bank draft and foreign exchange documentation. (Hinkelman: 2002, pg3)

Generally, only the commercial invoice, bill of lading, certificate of origin and import declaration is enough to complete your custom clearance and take possession of your goods, but certain goods has special restrictions or requirement and some countries has special demands that is why you should always expect more than just the aforementioned documents. To avoid unnecessary surprises, it is always good to consult a professional advice about the particular goods you want to import, the country of origin and your country requirement before you embark on any commitment, with this you can be sure of a smooth business transaction.

2.8.3 Finland's import document requirements

Finland is a country in northern Europe and a member of the European Union, therefore the import documents requirement is influenced by the unified requirement of the EU member states as well as the national policy on goods importation and the kind of agreement that exist between Finland and the country from where the goods is being imported. It is important to know that Finland is not an exception to the rule, the nature of the goods you are importing is also

taken into consideration to determine what document is required in Finland. Goods within the EU is regarded as community goods and therefore do not go through custom clearance procedure in Finland but an intrastate statistics notice must be submitted in Helsinki for record purposes, but goods from outside EU must go through custom clearance and the following documents are required:

Basic Documents

i. Bill of Lading (or Airway Bill)

The original copy and one clear photocopy is required for custom clearance (Hinkelman: 2002, pg134)

ii. Commercial invoice

The original copy and 5 photocopies are required. (Hinkelman: 2002, pg134)

iii. Packing List

This contain information for the identification of the content of the shipment, it is issued by the exporter. You must submit one original and one photocopy. (Hinkelman: 2002, pg134)

iv. SAD customs Declaration

It simply means Single Administrative Documents, it contains all the necessary information standardized and expressed in the EU codes and it must be declared by a residence of the EU. The original and 2 photocopies are required for custom clearance. (Hinkelman: 2002, pg134)

Special Documents

These documents are not required for all transaction; they are specially requested if situation demands. These are:

i. Certificate of Origin

It is sometimes required for certain controlled goods or to be used to get tariff reduction. The original copy and 5 copies are required for custom clearance (Hinkelman: 2002, pg134)

ii. Import License

This is used to maintain import quotas in the EU on certain restricted goods. The original and 2 copies are required (Hinkelman: 2002, pg134)

iii. Inspection Certificate

It is needed for processed foods, so be prepared to present this certificate when importing processed food to Finland. The original and one photocopy must be presented. (Hinkelman: 2002, pg134)

iv. Phytosanitary Certificate

It is needed when importing plants or plant products as an indication that the imported products are free from disease. The original and one copy is required. (Hinkelman: 2002, pg134)

v. Insurance Certificate

It is only needed is required by the importer or exporter, it is a proof that you have adequate insurance on the imported goods. The original and one photocopy are required. (Hinkelman: 2002, pg134)

vi. Proforma Invoice

It is only needed if requested by the customer as explained earlier in this thesis when I was discussing method of payment under open account method. The original and 5 copies required. (Hinkelman: 2002, pg134)

vii. Sanitary Certificate

It is needed when importing live animals or animal products, it is an evidence that the imported animal or products is healthy and without disease. The original and one copy are needed. (Hinkelman: 2002, pg134)

viii. Special Certificates

This are required when importing “textiles, iron and steel, fishmeal, milk, eggs, fowl, lard, meat by-products, animal glands, heads and skins, precious metals and stones, weapons, Vehicles of all types, timber, textiles and alcoholic beverages” (Hinkelman: 2002, pg134). The original and 1 photocopy is needed

ix. Wine certificate

It is needed when importing “some wine, sparkling wines and vermouth”
The original and 1 copy is required. (Hinkelman: 2002, pg134).

2.9 INCO terms

When drawing a sales contract, it is important to understand all the stated conditions before establishing an agreement and finally signing the papers. One of the most difficult aspects of an international contract is the misuse of INCO terms which always lead to disagreements between the buyer and the seller. To help my reader avoid this problem in future business transactions, I will be discussing what INCO terms is all about and how it can be used efficiently and effectively.

Hinkelman defines INCO terms as “A codification of international rules for the uniform interpretation of common contract clauses in export/import transactions involving goods” INCO term is developed in Paris by the international chamber of commerce (ICC), the term was first published in 1936 and the most recent is the Inco terms 2000 with 13 different terms(Hinkelman: 2002, pg105). INCO term is an acronym which is being interpreted as International Commercial Terms, it specifies the obligations and transfer of responsibilities in a sales contract and whose responsibility is the contract of carriage, it also determines “who pays for what” and when risk is transferred from the seller to the buyer. (ICC: 2000, 560)

The thirteen Inco terms are three letter words and they are grouped into four categories, each category specifies either the buyer or the seller is having the carriage responsibilities and at what point the responsibility is transferred, It is a general rule that the risk and cost is transferred to the buyer when the seller delivers at the named place or point agreed in the sales term. (URL>http://www.geo-logistics.com/WTR_Customs/incoterms.asp, 26.01.2010) Below are the categories and explanation:

EXW is the only term in “E” category; it is interpreted as Ex-works. It places highest cost responsibility and greatest risk on the buyer because the buyer is responsible for the delivery of the goods and contract of carriage from the seller’s premises or another named place. This is not advisable for a buyer except for unavoidable reasons. If the seller is to be responsible for the loading at departure (which is not his primary responsibility) it should be stated in a separate clause. (URL><http://www.iccwbo.org/incoterms/preambles/pdf/EXW.pdf>; 25.01.2010)

The second category comprises of the “F” terms which are FCA, FAS and FOB. In this category, the seller is responsible for the delivery of the goods to a named carrier by the buyer after which responsibility is transferred to the buyer. FCA is an acronym for Free Carrier and can be used with all modes of transportation, before you buy this term as an importer, you should understand that the responsibility of the exporter is limited to clearing the goods for export and delivering it at a named place to a carrier specified by the buyer, you should further understand that the seller is only responsible for the loading and unloading of the goods if the named place is the seller’s premises, otherwise, the responsibility for unloading at the other named place is borne by the buyer. With “Free alongside Ship” (FAS), the seller clears the goods for export, delivers when the goods is conveyed to the named port of shipment and placed alongside the vessel, all cost and responsibilities are transferred to the buyer from this point to the destination country. FAS can only be used for sea or inland waterway transport unlike the FCA which can be used in all modes. You should only buy the “Free On Board” (FOB) if you have agreed with the seller not to deliver the goods across the ship’s rail; in this case, the seller delivers when the goods pass

the ship's rail at the named port of shipment after which all responsibility for loss or damages to goods is transferred to the buyer. Free On Board can only be used in sea or inland waterway transport. (URL> <http://www.iccwbo.org/incoterms/id3040/index.html>, 26.01.2010)

The third category is the "C" group and it comprises CFR-Cost and Freight, CIF- Cost Insurance and Freight, CPT-Carriage Paid To, and CIP- Carriage and Insurance Paid To. In the "C" category, the seller is responsible for the contract of carriage i.e. the sellers pays the cost of carriage but the responsibility of loss or damage of goods is borne by the buyer. CFR- Cost and Freight indicates that the seller is responsible for the delivery of the goods pass the ship's rail and clears the good for export. All the delivery related cost to the named port of destination is borne by the seller but the seller is not responsible for the risk of loss or damages of the goods; that is borne by the buyer. CIF- Cost Insurance and Freight is similar to the CFR just that the seller needs to obtain insurance premium to cover the risk of loss and damages of the goods during delivery. The seller only gets a minimum coverage so if the buyer wants a greater coverage, which should either, is agreed with the seller or he can personally obtain the insurance. Both CFR and CIF are used in sea and inland waterway transport. CPT places a greater responsibility on the seller because the seller delivers the goods to the carrier nominated by him and is responsible for the cost of carriage to a named destination and every other cost arising after the goods have been delivered; also the seller clears the goods for export. If the delivery involves more than one carrier then the risk is transferred once delivery is made to the first carrier. CPT can be used for all modes of transportation. The CIP works like the CPT with additional responsibility for the seller because apart from the above responsibilities in the CPT above, the seller also needs to contract and pay for insurance premium against the buyer's risk that may arise from loss or damages of goods during delivery. It should be noted that the seller will only obtain a minimum insurance coverage; if the buyer needs a greater coverage he should separately discuss that with the seller or directly with

insurance company. This is used in all modes of transportation. (URL> <http://www.iccwbo.org/incoterms/id3040/index.html>, 26.01.2010)

The “D terms” occupies the fourth category and it comprises of DAF- Delivered At Frontier, DES- Delivered Ex Ship, DEQ- Delivered Ex Quay, DDU- Delivery Duty Unpaid and DDP- Delivery Duty Paid. In the “D” category, the seller is responsible for all the risk and cost involved in the delivery of the goods to the place of destination. DAF- the seller is responsible for the cost of delivery of good to the named frontier in the destination country to the disposal of the buyer but customs duty is not paid by the seller and the goods is not unloaded, the seller also clears the goods for export and not for import. DAF is suitable for all modes of transportation but the delivery frontier is always land. With DES, the seller is responsible for all the cost and risk of delivering the goods to the named port of destination but the risk of discharging is borne by the buyer. DES is used if the destination port is sea or inland water ways. In DEQ, the seller delivers the goods to the disposal of the buyer at a named Wharf or quay and is responsible for the delivery cost and all associated risks. Unlike the DES, the seller is also responsible for the cost of discharging the goods if DEQ tem is used. DEQ is suitable for sea or inland water way when the goods is to be delivered on a quay. With DDU, the responsibility of delivery of the goods to the buyer at a named destination is borne by the seller but the custom duties are not paid by the seller. The risk is transferred at delivery. DDU can be used with all modes of transportation. DDP is the last term in the “D” family and it places the greatest responsibility on the seller, infact it is a reverse of the EXW so the term is expected to be used by experienced seller who has the ability to carry out all the involved formalities. All the cost and responsibility to the point of destination is borne by the seller, clears the goods for import and pay all custom duties BUT not unload the goods from the vessel at the named place of destination. (URL> <http://www.iccwbo.org/incoterms/id3040/index.html>, 26.01.2010)

2.10 European business environment

Pascal Fontaine in his book; “European in 12 lessons”, stated that EU is the world leading trading power as a result of the prominent role it plays in international trade, this statement is justifiable if we should consider the trade relationship that exist between the European nations and the rest of the world, a good example is relationship with the ever growing Chinese economy and the African emerging market ,though the United states is a big economy that must not be neglected in this context of world trade. Respect for human right, rich cultural diversities, strong but competitive market environment, Political stability, free enterprise, social solidarity, single currency and integrated economy are some of the undeniable values that keep the EU on the leading track in world trade and this facilitate trade and business interaction both within and outside the region and also provide a bedrock of opportunities for an uninterrupted and dynamic development in economic activities. (Pascal: 2006, pg 5 – 7)

The European Union at the moment consist of 27 member states governed by the European council (main decision making body), the European Parliament and the European Commission. The monetary policy is managed by the European central bank located in Frankfurt in Germany. The activities of the European Union encompasses solidarity policies, regional aid, convergence, regional competitiveness and territorial cooperation amongst others; the main objective is to achieve a more integrated economy and improve their competitiveness in the global market whilst striving to reduce the poverty and unemployment level as much as possible. Generally, European business environment is regarded as stable, innovative and responsive to the global market need and as a result, it is an attractive business location with flexible trade policies and agreement that foster international competitiveness. (Pascal: 2006)

2.10.1 Trade within EU single Market

As i explained in the introductory chapter, food products from third country must undergo health check and relevant certifications must be obtained by the importer

after which the health authorities will either accept the food for free circulation or rejects or prohibit the importation. Once the health authority approves the importation, correct duties must be paid by the importer or its agent and the food is released to them. The food is therefore free to be transported from one part of the EU to the other without any further control or certification requirement because it is then regarded as community product. The EU has one of the most flexible economies in the world; the free movement of labour and trade has created an economic balance and increased prosperity within the region and it was recorded that the region experienced 2.17 million extra jobs created and 2.15% increased prosperity between 1992 and 2006 which is equated to an overall increase of €240 billion. Also, the single market has drastically reduced unnecessary bureaucracy that was associated with individual country with the advent of standardized procedures in place and this has facilitated investment and ease of doing business; infact trade within the region has increased by 30% since 1992. Business men are now open to a huge potential market with large customer size; standard of living of people has increased with access to quality life and good products and services that evolve from innovative and competitive market players. (URL>http://ec.europa.eu/internal_market/benefits_en.htm, 26.01.2010)

Goods within the EU are regarded as community goods and enjoy free movement from one part to the other and this gives great relieve to international traders, there are only few exception from free movement placed on goods that can be hazardous to public health, poses environmental threat and abuse of customer right. To this effect, the EU has designed a standardized legislation to monitor the movement of such goods. Traders interested in this kind of business line must understand the required documentation and level of restriction as well as the technicalities involved before embarking on it. Community goods do not pass through custom clearance but in order to keep statistical record, an INTRASTAT statistics notice must be filled and submitted to the custom authority .Intrastat system simply means statistical declaration on the movement of goods within the EU and the goods must be physically transported for statistical reporting, it can be done electronically or in a paper form; in Finland, the declaration can be submitted on the internet by using the TYVI service brochure provided by Itella

information Oy. (URL>http://ec.europa.eu/enterprise/policies/single-market-goods/files/homepage/2007_5598_en.pdf, 26.01.2010)

2.10.2 EU Trade agreements with third countries

The purpose of trade agreement is to strengthen trade relationship between the EU and the rest of the world and to promote international trade as well as foster development and economic growth in the developing nations. There are almost 30 preferential agreement used by the custom in order to reduce duty paid on goods or to obtain a duty free import on about 4,800 products from 131 designated beneficiary countries and territories. Only the countries that are part of the preferential agreement can enjoy the lower or duty free trade, other countries have to pay the full charges, in order for your goods to be treated as thus, you must proof the country of origin of the goods, and this can be done using the EUR1 movement certificate (Certificate of origin) or in EFTA trade by a specific clause included in the commercial invoice. (URL>http://www.ustr.gov/Trade_Development/Preference_Programs/GSP/Section_Index.html, 29.01.2010)

Some countries do not receive any preferential treatment when importing to Europe and these are industrialized nations; Canada, United State of America, Japan, Taiwan and New Zealand. Goods originating from these countries require full custom duties for clearance. All international trade between the EFTA (European Free Trade Association) and EEA (European Economic Area) is duty free; EEA consist of all the 27 member states of the EU and EFTA consist of Norway, Switzerland, Liechtenstein and Iceland. Also trade in the Baltic zone (Estonia, Latvia and Lithuania) and agricultural goods is free within the EU (except few restrictions) and this is monitored by the Common Agricultural Policy (CAP) that provides subsidies for agricultural products. Asides the Free Trade Agreements (FTA), EFTA also has a Joint Declaration on Co-operation (JDC) with some countries; Algeria, Peru, Ukraine, Mongolia, Mauritius and Mercosur. The aim of the JDC is to promote a harmonized trade development between the

partners and to create a free competition and liberalized trade relations. (URL><http://www.efta.int/content/free-trade/jdc-countries>, 29.01.2010)

The Generalized system of Preference (GSP) was instituted on January 1, 1976, by the Trade Act of 1974, to encourage and promote economic development of the developing nations in international trade. The GSP system gives preferential treatment to 35 developing nations and 21 non independent regions in the world. Any country that falls within these categories can enjoy a reduced tariff or duty free when trading with the EU. (URL> <http://www.ustr.gov/trade-topics/trade-development/preference-programs/generalized-system-preference-gsp>, 29.01.2010)

There is also a LOME agreement which regulates the EU trade relationship with ACP countries (African, Caribbean and Pacific group of states); the ACP consists of 79 states; 48 African nations, 16 Caribbean nation and 15 Pacific nations. The OCT countries (Overseas Countries and Territories) also benefits from trade relationship with the EU but have constitutional dependence on only four of the member state of the EU which are Denmark, France, the Netherlands, and the United Kingdom. (URL>http://europa.eu/legislation_summaries/development/overseas_countries_territories/index_en.htm, 29.01.2010)

2.10.3 Importation from outside EU

Any goods coming from outside the EU are regarded as goods from third country and must pass through custom clearance, all duties (customs duty, VAT and excise duties if needed) must be paid before it is released for free circulation.

There must be express permission of the custom authorities before the goods can be loaded or unloaded from the vehicles or containers by which it is conveyed to the country. Value Added Tax (VAT) is generally 22% of the value of goods imported but 12% is the VAT paid on food products, Customs duty is determined by the classification code and customs tariffs applied. Goods arriving in the EU member states from a third country must first be taken to the local customs

authorities for inspection; the inspection is carried out by presenting a declaration with all required information for the identification of the goods. (Kähkönen Ilkka; email interview, 28.01.2010)

All customs procedures in the EU required the importer, exporter or his/her agent to possess the Single Administrative Documents (SAD) to carry out the declaration; this declaration form must be filled thoroughly and must be signed by the declarant and all documents (e.g. Commercial invoice, Packing list, Customs value Declaration-D.V.1, Form A or certificate of origin, Import licence) required for the customs procedures must accompany the declaration form SAD. The commercial invoice of the goods is very important because it provides the customs with information about the price of the goods and other related information needed for the valuation of the goods and duties to be levied on the goods. Some other items are defined in the community customs code that are also included in the customs value e.g. transport and insurance cost and the cost for loading and handling in connection with transport to the place where the goods are imported into the customs territory of the community. The custom valuation legislation comes from the World Customs Organization (WCO) agreement. More information about the customs value can be obtained in Articles 28 to 36 of the customs code and Articles 141 to 181a. Once the goods passed through customs procedures and all duties paid, the goods are thereafter released for free circulation. (Kähkönen Ilkka; email interview, 28.01.2010).

2.10.4 Import restrictions

It is important to note that import that is liable to restrictions requires an import license and the common customs tariffs; you can obtain the license from the customs board by application. A quota import license includes the right to import at a lower duty (Licenses are regulated and advised by the Agency for Rural Affairs Ma-vi) (Kähkönen Ilkka; email interview, 28.01.2010). When importing products in food and drink categories, the importer is expected to obtain the Common Agricultural Policy (CAP) license. Also an importer involved in importation of live animals or animal products, fruits and vegetables, plants, and

organic produce are expected to obtain health certificates to ensure that the goods are free of diseases. Phytosanitary certificate is also required for goods transported in wooden packaging. An anti-dumping duty can be charged if goods are sold more cheaply abroad than on the domestic market. It is the ultimate responsibility of the importer to obtain necessary license from relevant authority before importation because lack of adequate license will not be taken as an excuse and may delay or prohibit the importation of such goods which could lead to a great financial loss. (URL>

<http://www.businesslink.gov.uk/bdotg/action/detail?type=RESOURCES&itemId=1078086183>, 29.01.2010)

2.10.5 Introduction to Tariff and the Combined Nomenclatures

Tariff has always been confusedly interpreted as an additional duty that is levied on goods exported from or imported to the country, this is a wrong notion because tariff is not what they think it was, it is an informative manual that provide international trader with exceptional information about all issues relating to goods and the applicable duties. The Tariff provides traders with up-to-date information about the EU online customs database generally called TARIC (Tariff Intégré Communautaire). With the Tariff manual, you can fill the customs papers accurately and understand the commodity code which is a 10 digit number for goods imported from third country and 8 digit numbers for goods exported outside the EU or the community goods.(URL> <http://www.businesslink.gov.uk/bdotg/action/layer?topicId=1078053532&r.s=e&r.l1=1079717544&r.lc=en&r.l3=1078078994&r.l2=1079840669&r.i=1078086183&r.t=RESOURCES>, 29.01.2010)

The EU nomenclature is a harmonized customs tariff list which contains information about duties and clearance regulations on any goods type, you should be sure you enter the right code for your import so as to get an accurate information on duties to be paid and get to know if you will need an import license for the goods you are importing. Each member state is free to include its national supplementary regulations to the custom tariff. The Finnish customs tariff manual consists of the Harmonized system's nomenclature (HS), the EU

combined nomenclature (CN) and the EU integrated tariff (TARIC). The HS system is made up of the four-number headings and six number subheadings of the customs tariff manual whilst the CN nomenclature system contains eight number headings which are obtainable by simply removing the last two digits from the TARIC nomenclature. (URL> <http://www.businesslink.gov.uk/bdotg/action/detail?r.s=sc&r.l1=1079717544&r.lc=en&r.l3=1078053532&r.l2=1079840688&r.i=1078053842&type=RESOURCE&itemId=1078053832&r.t=RESOURCES>, 29.01.2010)

2.10.6 Binding Tariff Information (BTI)

The BTI system was created by the European community as a helping tools for importer and exporter to obtain the right tariff clarification on goods imported or exported. The BTI is only issued when the importer or exporter makes a request for it and it is issued by the HM revenues and custom authorities (HMRC) of the member states, for example, the National Boards of customs is the authority that issues the BTI in Finland(Kähkönen Ilkka; email interview, 28.01.2010). You can apply for the BTI by filling the C103 application form from the tariff classification service. The BTI is legally binding and valid up to six years from the date of issue. (URL> <http://www.businesslink.gov.uk/bdotg/action/detail?r.s=m&r.l1=1079717544&r.lc=en&r.l3=1078053532&r.l2=1079840688&r.i=1078053832&type=RESOURCES&itemId=1078053852&r.t=RESOURCES> , 29.01.2010)

2.11 Custom Formalities in EU and Finland

The Customs formalities is an important aspect of the whole importation process that requires special attention if you want your importation process to run smoothly. In this section of my thesis, I will be talking about some of the customs formalities in the EU and in Finland and your obligation as an importer.

2.11.1 Customs Debt

According to the Art 4 (9) of the Community Customs Code (CCC) Customs debt is defined as the obligation of an importer or exporter to pay the customs duty that is directly related to the specific goods exported or imported in accordance with the community provision in force. Information about these kinds of duties is obtainable in the Community Customs Tariff (CCT); therefore an importer/exporter is only liable to customs debt if it is so stated in the CCT for the specific goods imported or exported. (URL> http://ec.europa.eu/taxation_customs/customs/procedural_aspects/general/debt/index_en.htm, 01.02.2010)

In a normal situation, the customs debt is incurred when customs declaration is made and a request for the release for free circulation is accepted. The declarant is the person liable to pay the customs debt even if represented by another person. In the case when goods are smuggled into the customs territory without legal permission, customs debt is incurred at the time when the goods are introduced into customs territory and the person that introduced it is liable to pay customs debt. (URL> http://ec.europa.eu/taxation_customs/customs/procedural_aspects/general/debt/index_en.htm, 01.02.2010)

2.11.2 Temporary Storage

Temporary storage is necessary for all non community goods that are imported into the EU member states from the period of customs supervision of the goods until the goods is approved for free circulation. The goods at this point are either stored in a storage facility operated by the importer (or storage-keeper) or in a warehouse under direct control of the customs. In a situation where the goods are to be kept under temporary storage in another customs location or office, transit procedures will be used for the clearance of the goods, if the imported goods is a perishable product (e.g. food), the customs may grant permission to the exporter during the temporary storage for the preservation of the food whilst still in

storage. The temporary storage may last the maximum of 45days for the goods imported on sea from the date on which the summary declaration is lodged or 20days for other modes of transportation, if the storage limit is exceeded, there are three possibilities, the customs may remove the goods to a place under their supervision, sell the goods or destroy them. (URL>http://ec.europa.eu/taxation_customs/customs/procedural_aspects/general/temporary_storage/index_en.htm, 01.02.2010)

2.11.3 Temporary Importation

Temporary importation simply means that some goods under certain condition may be imported or used within the community without payment of duty or VAT and later re-exported in the same condition it was primarily imported. Declaration of such goods requires only oral declaration but in some cases Customs authority may request that the importer fills the inventory form which is available on the customs webpage as a support to the oral declaration made In order to facilitate your temporary importation, it is good to use the ATA carnet also as a supporting documents.

(URL>http://ec.europa.eu/taxation_customs/customs/procedural_aspects/imports/temporary_importation/index_en.htm, 01.20.2010)

The ATA carnet is an acronym for a combination of English and French words which are “Admission Temporaire/Temporary Admission”; the ATA carnet can be used for a maximum of one year for temporary importation of goods to the EU without payment of tax or custom duty, and it is an international document that can be used in different countries. Goods that are used for trade fairs, exhibitions, commercial samples and professional equipment are covered with ATA carnets but do not cover perishables goods or consumable items or goods for processing or repair. (URL> <http://www.iccwbo.org/ata/index.html?id=2924>, 01.02.2010)

2.11.4 Inward Processing

Inward processing is a customs procedures whereby raw materials or semi manufactured goods imported to the European Community by a community

manufacturer are being processed for the purpose of re-exporting them. The manufacturer in this case is not required to pay customs duty or VAT for the material used. The duty and VAT avoidance in the inward processing can occur in two ways, in the first option, the duty will only be suspended and in the second option, the manufacturer will first pay the duty and it is later repaid to him/her.(URL>

http://ec.europa.eu/taxation_customs/customs/procedural_aspects/imports/inward_processing/index_en.htm, 02.02.2010)

2.11.5 Processing under Customs Control

While still under the control of the customs, some goods are used for further processing to produce goods with lower customs duty rate before being released for free circulation. This gives opportunity to have a reduced duty rate and it is introduced in the community to encourage processing facilities. A good example is the PVC that has a duty rate of 8.3% but processed under customs control to produce film screen with 2.7% duty rate. (URL> http://ec.europa.eu/taxation_customs/customs/procedural_aspects/imports/customs_control/index_en.htm, 02.02.2010)

2.11.6 Customs Warehousing

Customs warehousing is a customs arrangement that permit the importer to keep a non community goods within the community for a stated period of time for further processing or preservative purpose which is expected to undergo further distribution. This gives opportunity to the importer to decide when he/she will pay the customs duty or re-export the goods. While in the premises of customs warehouse, the goods can be either processed under customs control as explained above or can undergo inward processing. (URL> http://ec.europa.eu/taxation_customs/customs/procedural_aspects/imports/customs_warehouses/index_en.htm, 02.02.2010)

2.11.7 Free Zones

Some areas are regarded as “Special” within the customs territory of the community; these areas are known as free zones. When goods are placed in the free zone, irrespective of whether the goods are community or non community goods, no customs duty, VAT or any other import charges will be paid on the goods. During importation of non community goods, if the goods is placed in the free zone area, such goods is not considered as imported into the customs territory of the community at that time it is still in the free zone area unlike some community goods in the free zone area that are already considered as exported even when in the free zone area. The purpose of the free zones is to facilitate the customs formalities for importer and no declaration is needed to be lodged for goods placed in the free zone because the free zone is only used for the storage of the goods till it will be released for free circulation, hence, customs declaration is therefore imperative when the goods are been released from the free zone. Some free zones have fences around them and closely supervised by the customs authority while others works like other customs warehouses already explained above. (URL>

http://ec.europa.eu/taxation_customs/customs/procedural_aspects/imports/free_zones/index_en.htm, 02.02.1010)

2.12 Finland and Foreign Trade

Finland has a sophisticated economy that rely mostly on foreign trade, more than 50% of the economy is mainly export and Finland is one of the world leaders in innovation and information technologies, a good example is the Nokia communications which is leading in world mobile phone markets. Finland has a big forest reserve and is doing well wood production as well as engineering and manufacturing sectors, the nation has succeeded in building a highly educated workforce and in the past years spent hugely on research and development, as a matter of fact, Research and development constitute 3.5% of its GDP.

(URL>http://www.worldinformation.com/index.php?option=com_content&view=article&id=1392&Itemid=717, 05.02.2010)

2.12.1 Import

Finland is a member of the EU and the nation enjoys duty free trade with other European member states as well as trade agreements with third countries: this facilitates the trade relationship between Finland and the rest of the world. Finland import mainly from other European countries; 16.2% of its import came from Germany in 2005, 14.1% from Sweden, 13.9% from Russia, 6.2% from The Netherlands, 4.6% from Denmark, 4.3% from The United Kingdom and 4.2% from China. The main import products are; foodstuffs including grain, fuel and petroleum products, chemicals, transport equipment, machinery, textile yarn and fabrics, industrial raw materials like iron and steel.

(URL>http://www.worldinformation.com/index.php?option=com_content&view=article&id=1392&Itemid=717, 05.02.2010)

2.12.2 Export

As said earlier, more than 50% of the Finnish economy is dependent on export and the two most important export sectors are forestry products and information technology. Finland ranks second in world largest export of forestry products, other export products includes mobile phones and wireless network technology, vehicles, machinery and equipment, biotechnology, chemicals. Finland export mainly to the following destinations; Russia 11% of export in 2005, Sweden 10.7%, Germany is 10.5%, the United Kingdom is 6.6%, the United States is 6.2% and The Netherlands is 8.4 % of the total exports.

(URL>http://www.worldinformation.com/index.php?option=com_content&view=article&id=1392&Itemid=717, 05.02.2010)

2.12.3 Evira: Importation of food to Finland

Evira is a Finnish Food Safety Authority which provides relevant information about the food importation to Finland and all the required legislation that is expected to be fulfilled by the food importer in Finland. According to Evira, food

of animal origin can only be allowed in the European market after it has been approved by the veterinary border inspection posts (BIPs) on the external borders of the European Union. The veterinary inspection posts in Finland are located in Helsinki (port), Vantaa (airport), Hamina (port) and Vaalimaa (road). The Department of Food and Health of the Ministry of Agriculture ensures that the foodstuffs of plant and animal origin originates from an approved country of origin, the consignment has been granted a health certificate in the country of origin, and the products in the consignment are from establishments in third countries approved for export by the EU Commission before it is permitted entrance into Finland and pass through the control posts. (URL> http://www.evira.fi/portal/en/food/information_on_food/import_of_food_and_animal_by-products_from_non-eu_countries/veterinary_border_control/, 02.03.2010)

When foodstuffs of animal origin are imported from third country, the importers must notify the arrival of the import consignment at the latest on the preceding working day by sending the completed first page of the Common Veterinary Entry Document (CVED) to the appropriate border inspection port. Border controls outside of normal working hours must be arranged specially with the border veterinarian. If the food products of animal origin imported to Finland arrives in another EU member state (known as first destination), the control post in that ports must carry out inspection on the imported foods and ensure it is good for free circulation, information about the inspected food is then forwarded to Evira to keep track of the statistics of such importation in the national register. (URL> http://www.evira.fi/portal/en/food/information_on_food/import_of_food_and_animal_by-products_from_non-eu_countries/veterinary_border_control/, 02.03.2010)

2.12.4 Population

Finland is a nation located in Northern Europe with four other countries (Sweden, Norway, Denmark and Iceland) collectively known as the Scandinavian, the capital city is Helsinki and the present President of Finland is Tarja Halonen, The currency is the Euro since Finland is a member of the EU and Finland is doing well in International Market. Finland population is growing steadily, more

foreigners are migrating to Finland in recent years either for studies, work, businesses or as refugees, it was recorded at the end of 2008 that the population of Finland is 5 236 314 people, 2 612 000 are male and 2 715 000 are female, the mean age of male is 39.6 years and female is 42.5 years, more females lives above 100 years than male. (URL> http://www.stat.fi/tup/suoluk/suoluk_vaesto_en.html, 04.02.2010)

2.12.5 Age structure and Language

In the end of 2008, 16.7 % of the total population are between the age of 0 and 14 years, 66.5% of the total population are between the age of 15 and 64 years and 16.7% are above 65 years. There are two official languages in Finland (Finnish, Swedish) all of which are very important to be successful in business and communication. 90.5% of the people in Finland speak Finnish, 5.44% speaks Swedish, 0.03% speaks Lappish, 0.92% speaks Russian, and 2.66% speaks other languages of which English is included. (URL> http://www.stat.fi/tup/suoluk/suoluk_vaesto_en.html, 04.02.2010)

2.12.6 Religions

There are different religious views in Finland and according to statistics Finland, the highest percentage of the people in Finland are Lutheran (80.7%), 1.1% are orthodox, others are 1.3% and 16.7% have no religious affiliate. This is quite questionable because nothing is said about Islamic religions which I believe also have a share in the total population and I think it should be more than 1.3% that is assigned to other religions. (URL> http://www.stat.fi/tup/suoluk/suoluk_vaesto_en.html, 04.02.2010)

2.12.7 Banking in Finland

As part of the euro area, the Banking system in Finland is influenced by the Euro system which is a composition of the national central banks (NCBs) and the European central banks (ECB) located in Frankfurt, Germany. The Eurosystem makes decision and see to the implementation of single monetary currency in the euro area, the system also ensures price stability and protects household

purchasing power in the euro area. Market price and macro economic development is affected by the key interest rate used as an instrument by the Euro system to make monetary decisions in the euro area and ensure price stability; the Bank of Finland (national central bank) is also part of the decision making in the Eurosystem. (URL> <http://www.bof.fi/en/rahaspolitiikka/index.htm>, 05.02.2010)

Banking is very easy and simple in Finland, most of the banking activities can be carried out on the Internet and the use of cards for transaction is becoming increasingly important, the central bank (Bank of Finland or Suomen Pankki) oversees the monetary decisions in the country, Other banks include; Nordea Bank Finland, Nordic investment Bank, Oso Bank, Sampo Plc, Finnish Bankers' Association and Savings Bank Association. (URL> http://www.worldinformation.com/index.php?option=com_content&view=article&id=1394&Itemid=716, 05.02.2010)

3 INTRODUCTION TO CASE COMPANIES

This chapter will introduce the reader to the two case companies used in this research, basic information about the companies, list of products, suppliers' information and owners' information will be discussed. The purpose is to provide a general overview of the case companies to the reader, the name of the case companies are Swan Import and Tigris oriental shop, Swan Import will be regarded as case 1 and Tigris oriental shop will be regarded as case 2.

3.1 Basic Information for case 1

Swan Import is a trading company (one man business) that specializes in the importation and sales of Fresh, Dried and frozen foods (Oriental) products to Finland. The company is located at Varasokatu 7 65100 Vaasa, Finland, it is owned by Mr. Moe Swan and jointly managed with his wife.

3.2 Products

There are varieties of products in the company but the list will be provided in categories:

3.2.1 Vegetables

Kai Choi, Egg Plant, Tong Ho Thin, Suen Sum, Betel Leaf, Mango tout, Green Radish, Sugar Cane, Lotus seeds, Spring Bamboo, Winter Bamboo Fresh, Yam bean, Lemon Grass, Guichai Flower, European Grass, Lotus root, Holapa Leaf, Ginger, Banana Leaf, Cha-om Leaf, Fry onion, Red and green chilli e.t.c.

3.2.2 Bulb and Tubers

Sweet potatoes, Garlic, Ginger, Coriander, Cassava, and Yams

3.2.3 Fresh Tofu

Green Plantain, Sour Mango, Tofu Vacuum, Super Tempeh, e.t.c

3.2.4 Fruit preservatives

AROY-D products e.g. Sugar cane in syrup, Rambutan and pineapple in syrup, Papaya in Syrup, Guava in Syrup, Lycheese in Syrup, Fruit cocktail in Syrup, Pickled lime, Plums in salty water, Lotus seeds, Tamarind leaves, Bitter melon, Preserved Cabbage, Sour Pickled green Mustard e.t.c

3.2.5 Bamboo Preservatives

Bamboo shoots strips, Sour Bamboo shoots, Bamboo shoots tips vacuum, Bamboo shoots whole, Bamboo Shoots slices, Oyster mushrooms with curry e.t.c.

3.2.6 Dried Food Preservatives

Dried golden mushrooms, Tung ku Mushrooms, Black Fungus, Pearl barley, Fried garlic, White dried plums, Red dried plums, Fried red onions, Soya mince, Soya chunks e.t.c.

3.2.7 Fish and Meat Preservatives

Sardines in tomato sauce with chilli and some other sauces, Cashew nuts, Black bean, Red beans, Red Kidney beans and some others preservatives are available in Swan import.

3.2.8 Rice

This constitute to 49 percent of the whole business at SWAN IMPORT. they have varieties of rice products in the shop e.g. sticky rice, Basmati rice, Long Jasmine rice, Broken rice, Brown rice, among others.

3.2.9 Noodles and Vermicelli

Rice noodles, Rice vermicelli, White Large tapioca pearls, dried noodles, Mung bean vermicelli, and various indomie flavors.

The company has several other oriental food products so the above list is not exhaustive, it will be more interesting to visit the shop at Varasokatu to discover

the wide range of products at SWAN IMPORT which is sold at a very convenient prices.

3.3 Suppliers

All the food products are imported from outside Finland, most of these comes from Thailand, China, Philippines, Vietnam, Indonesia, India, Singapore, Korea, Nigeria, Ghana, and Ethiopia. The main suppliers are in Holland and Sweden. Holland Suppliers are: Asia Express food, KAITAK, and Heuschen & Schrouff while Sweden Suppliers are Qibbla Halal kött and Sevan AB. The company supplier from Thailand is Chai Udom rice mill factory co. LTD.

The Company is a family business owned by Mr. & Mrs. Moe Zaw Swan, the company has one sales person (Mr. Thwin Win Htay) who distributes the oriental food products across various cities in Finland. The company has a good storage facility for the oriental foods and plans to expand this storage for future business prospect. The main customers are Asians and Africans but there is recently an increasing number of Finns and other Europeans who also patronize the oriental foods.

3.4 Basic Information for case 2

Tigris Oriental shop has a long history in oriental business; it is located in the heart of Vaasa city and has varieties of products related to the case one above. Tigris oriental shop has had two trade names in the past, it started as Niilin Poika in the early 90's and then was the first oriental shops in Vaasa, and it was sold to other trades in 1998 that changed the name to Alforat shop. This company continued to thrive in the oriental business until the demise of one of the partners and the only surviving partner is the present owner of the company who changed the name to Tigris oriental shop in 2005. The name of the present owner is Raedkasim Mohamed.

3.4.1 Products

The company has varieties of products in the stocks and they are quite related to the case one mentioned above unfortunately the company does not have their product catalogue at the moment so that I can easily list out the products.

3.4.2 Suppliers

Tigris oriental import its oriental products mainly from England and Sweden, the England suppliers are Indian companies located in London city namely Trs and Natco while the Sweden supplier is Sevan. Mr. Raedkasim claims to import more regularly from Sweden than from England and has a very good business relationship with his suppliers.

4 EMPIRICAL STUDY

This chapter will focus on the research practicalities; I will start with discussion about different types of research methods, followed by specific information about the particular research method used to carry out my data collection, I will state the reasons why I choose the method and then discuss about the validity and reliability of the results. Finally, I will give an extensive analysis of the results of my interviews. It is important to stress that the empirical study was carried out to examine the process and procedures involved in oriental food importation to Finland from real life cases.

4.1 Research Methods

Research methods are the systematic approach used for the orderly collection of data which is done mainly to obtain valuable and reliable information to provide a genuine answer to our research problem or questions. This collection of data can be carried out using different scientific techniques such as structured, semi-structured or unstructured interviews as well as surveys and observations. There are two major types of research methods namely, qualitative and quantitative research, this meaning of this two methods, differences between them and when it is good to use either of the two or both will be further explained in this chapter. (Pervez, Kjell & Ivar: 1995, pg 83)

4.1.1 Qualitative Research

Qualitative research is an unstructured but flexible research for which the researcher is trying to find out the process of getting things done from the point of view of the respondents. Data is usually collected through interviews and observations in a qualitative research. The Researcher needs to be well experienced and avoid biases during analysis of the collected data and information obtained should be valid from reliable sources. The situation should be analysed critically and the researcher must be able to think abstractly and apply vast theoretical knowledge in his judgement. (Pervez, Kjell & Ivar: 1995, pg 84)

Qualitative research is not unconnected to the research problems and the reasons why the study is conducted because it is advocated that a qualitative research should be used when the researcher is trying to gain a better understanding on a topic he/she had only little knowledge about or to reveal the true situation of a person's experience, functions or behaviour (Pervez, Kjell & Ivar: 1995, pg 85). Qualitative research can be conducted on the basis of individual interview, case study or with a focus group; the individual interview can be nondirective which gives the respondent freedom to give free opinion about the given topics in a relaxed ambience, it can also be semi structured in which the researcher tries to limit the discussion to a specific study area or topics. Laddering, hidden-issue questioning and symbolic analysis are the three techniques used to conduct in-depth interviews. The focus group is always in the form of a discussion where the researcher is in the midst of group of respondents; he introduces them to the topic and allows everybody to express individual views about the situation. (Kumar: 2000, pg 142-143)

4.1.2 Quantitative research

A quantitative research is a structured research carried out by using sampling techniques (e.g. surveys) to obtain large amount of data that can be analysed using statistical or mathematical data which will enable the researcher to understand the present situation and able to forecast future events or quantities.(URL><http://www.businessdictionary.com/definition/quantitative-research.html>, 08.02.2010).Unlike the qualitative data where the researcher can manage with small amount of respondents, quantitative research methods requires as much respondent as possible to be able to justifiably quantify the result. The researcher has structured questionnaires to be distributed to targeted respondents who only have to choose from the available options. The survey methods used in a quantitative research can either be through telephone interviews, personal interviews or mail interviews but in this case the respondent is limited to the available options of choices stated by the researcher which is a big disadvantage because of the rigid nature.

4.1.3 Differences between Qualitative and Quantitative methods

Many scholars and researchers have argued that both qualitative and quantitative research are closely related and can be jointly used to carry out a research, however, there still lies some obvious differences in the process and purpose why one is used against the other though the difference between the two methods is not just about quantification as some scholars may think (Pervez, Kjell & Ivar: 1995, pg 83). The table below show the differences between qualitative and quantitative research method;

QUALITATIVE METHODS	QUANTITATIVE METHODS
<ul style="list-style-type: none"> • Emphasis on understanding 	<ul style="list-style-type: none"> • Emphasis on testing and verification
<ul style="list-style-type: none"> • Focus on understanding from respondent's point of view 	<ul style="list-style-type: none"> • Focus on facts and/or reasons of social events
<ul style="list-style-type: none"> • observation and measurements from natural settings 	<ul style="list-style-type: none"> • Controlled measurement
<ul style="list-style-type: none"> • Interpretation and rational approach 	<ul style="list-style-type: none"> • Logical and critical approach
<ul style="list-style-type: none"> • Subjective "inside view" and closeness to data 	<ul style="list-style-type: none"> • Objective "outsider view" distance from data
<ul style="list-style-type: none"> • Explorative oriented 	<ul style="list-style-type: none"> • Hypothetical-deductive; focus on hypothesis testing
<ul style="list-style-type: none"> • Process oriented 	<ul style="list-style-type: none"> • Result oriented
<ul style="list-style-type: none"> • Holistic perspective 	<ul style="list-style-type: none"> • Particularistic and analytical
<ul style="list-style-type: none"> • Generalization by comparison of properties and contexts of 	<ul style="list-style-type: none"> • Generalization by population

individual organism	membership.
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Table 1: Pervez, Kjell & Ivar: 1995, pg84. Difference between qualitative and quantitative research.

4.2 Research design

The research design is a master plan used to build an interconnection between the conceptual research problem and the empirical research. The research design gives a framework or structure that will guide the researcher to choose the best methods that is most suitable for the research which will in the end influence the quality of the empirical research and even the result (Pervez & Kjell: 2005, pg 56). The research design can be exploratory, descriptive or causal depending on the research problems to be researched.

4.2.1 Explorative Research

Explorative research is used when the researcher have very little or no prior knowledge of the research problem, in this case the researcher is trying to investigate an unknown matter to provide a reliable and valid answer to the research question or problem; the researcher is therefore searching for information to answer why and how an event occur. To be able to effectively carry out an explorative research, the researcher needs to be inquisitive, be a good observer, have strong quest to get information and construct a theorizing explanation. (Pervez & Kjell: 2005, pg 58).

4.2.2 Descriptive Research

A descriptive research is used when the research problem is easily understandable with a clear focus. The researcher in this case is trying to gather enough information to be able to describe “what” the situation is in a concise manner. The researcher must start with a clear definition of all the details in the problem and

the key information that is targeted; this will be a road map throughout the research. To be able to get accurate measurement of the results, the researcher must look for a group of people or organizations to be interviewed that falls within the same category or line of business, he will determine the procedures to carry out the research, construct a set of questions and all the people interviewed in the same way. One can simply conclude that a descriptive research is a well structured research with precise rules and procedures. (Pervez & Kjell: 2005, pg 58-59)

4.2.3 Causal research

The research problem in a causal research is also clear and well structured but unlike the descriptive research, the causal research is trying to investigate the cause and effect; if a particular occurrence is the direct reason for the results obtained. The researcher is confronted with a task to proof if the cause actually resulted in an effect and to what degree. Example; a company experience an increase in sales after reducing the price of their products and they try to find out if the increase in sales is actually as a result of the price reduction, the question now for the researcher will be “is price reduction the cause of an increase sales?”. (Pervez & Kjell: 2005, pg 59-60)

4.2.4 Descriptive qualitative research

The descriptive qualitative research simply explains a research that is conducted using a qualitative process in a descriptive approach. I have decided to use this philosophy in my empirical study based on the nature of my research problem. As explained earlier, the qualitative process is adopted when the researcher wants to gain a better understanding of some functions or human behaviour that relies on the opinion of the respondents, the descriptive approach is used when the researcher has previous knowledge of the research problem but trying to gather enough and reliable information in order to provide answer that describe the real situation. Thus a descriptive qualitative research is the most suitable for my research because I have a previous knowledge about my research problem but want to gather adequate information that will help me to effectively describe how

Oriental food is imported to Finland, and I depend solemnly on the opinion and information from the respondents who are professionals in the business.

4.2.5 Method of data collection

The data for this empirical study was collected using face-to-face and email interviews. The face-to-face interviews was used because I need to have an extensive discussion with the entrepreneurs in my case companies in order to get as much information as possible from their professional knowledge and such is best carried out with direct and personal contacts. In order to limit the discussion within the scope of my research topic, semi-structured interviews was used and 34 questions was prepared as guidelines for the interview. The questions were based on the literature reviews and they provide a picture of the whole import process. The email interview was used with the Finnish customs who claim that they do not have enough resources to do big assignments and suggested that I should send my interview questions through email.

In the beginning of the process, I plan to interview as much people as possible that are involved in the oriental business in Finland so I visited the website of the trade register to get the contact information of the companies in this line of business, I checked also the business information system (BIS) but unfortunately it was only one company that was found (Soumen Oriental) without appropriate contact details. On the 1st of February I called the office of the trade register; I was told that I can only get additional information with some charges. I ended the conversation because of the financial demand which was not available so i decided to use alternative means to get the required information.

I visited the chamber of commerce in Rastuvankatu on 1st of February to get contact information of companies but was redirected from the office to Viexpo. The lady in Viexpo was able to give me two contacts; ruokatieto@ruokatieto.fi and info@etl.fi, I mailed this contacts that same day. I also visited Ely-keskus and discuss with Mr. Henrik Granqvist, our discussion lasted for more than 45 minutes, he claimed that the company actually provide financing for SMEs but

only on exports, he was really willing to help and check several databases with me but we could not get any company contacts except for Swan import.

I finally concluded to send emails to other financing companies' on 2nd of February. Some of the emails contacted are; finnvera@finnvera.fi, kirjaamo@tem.fi, neuvonta.kaupparekisteri@prh.fi, info@finpro.fi and tommy.simon@pkt.fi. I received replies from most of the companies, Finnvera claim that the contact information of their customers cannot be shared with a third party, Finpro said they are involved only in export companies, etl, said they are involved with only domestic food companies and other databases referred me back to the trade register. These limitations and inactiveness of the oriental food companies on the internet was the reason why I decided to restrict my interviews to companies in Vaasa.

4.3 Validity and reliability

In the context of research, validity means true and accurate thus a research is said to be valid if the observed score is equal to the true score. Pervez and Kjell argued that this is not always the case, they claim that there is always variation but it is the function of the researcher to try to minimise the difference. Reliability measures the consistency of a research; for example, a research was conducted for 5 different times in a company to know the level of satisfaction of the employees and the respondents were randomly selected, 75% of the respondent express satisfaction in all the 5 times the research was conducted. The research is said to be reliable because of the consistency of the result not minding other factors that influence the responds of the employees. This research may not be valid but reliable. It should be noted that valid results are always reliable but reliable result may not be valid. (Pervez & Kjell: 2005, pg 81)

The research I conducted about the importation of oriental food to Finland can be said to be valid and reliable; the degree of validity is a question of my personal judgement based on previous experience in the studies and the connection of the results with the literature reviews, the reliability is confirmed based on the consistency in the information obtained from the entrepreneurs who were

interviewed at different time in different places yet provided related responses to each questions asked. I must finally stress that the companies interviewed does not represent the total population of oriental food companies in Finland as earlier explained so this results cannot be generalized because there may be variation in the business practices by other companies in the business line which may question my results yet, I believe the result is valid and reliable because I am only describing how oriental food is imported to Finland based on the case companies and not setting a generalized standard.

4.4 Analysis of result

This research was carried out using two case study companies here in Vaasa and attempt was made to sample information from other companies that are also involved in the business line. These companies are absent on the internet so the number 9 question in my interview was “who are your competitors”, with that I was able to confirm that five companies are operating in oriental business in Vaasa namely ; Swan Import, Tigris Oriental shop, Asian Market, Afro Market and Oy Ab Niilin Poika ltd. My case companies are Swan Import and Tigris Oriental shop, I was also able to interview Mr. Nabil Salem who owns the Niilin Poika, I was not able to interview the Asian market and Afro Market; the owner of the Asian Market said she could not share her company’s information and the owner of the Afro market speaks only Finnish and Swahili, the language barrier becomes an obvious limitation.

In the end I had a personal interview with the three companies; Mr. Raedkasim Mohamed (Tigris oriental Shop) was interviewed on 2nd of February 2010, between 1030hrs and 1200hrs, Mr. Nabil Salem (Niilin Poika) on the same day between 1345hrs and 1500hrs and Finally Mr. Moe Zaw Swan (Swan Import) was interviewed between 1700hrs and 1700hrs. The first four questions in the interview structured questions were general information about the name of the respondents, number of employees working with them , how many years they have been doing the business and their motivations for the business. I asked these questions in order to gain a personal relationship with the respondents and to have a better understanding of the business, past, present and the future plans. The last

30 questions were structured around the import process obtained in the theoretical framework and this will be analysed in the sub-topics below.

4.4.1 Product knowledge

The fifth question in the interview was “how do you decide what products to be imported?” the three respondents gave almost the same answers, One of them said he simply imports what he thinks people need and further import is upon customer’s request, the next said he imports based on personal experience because he comes from Asia and has long years of experience and the last respondent said he had been working with his grandfather who was also a trader and knows the list of foods associated with the Asian culture, he further stressed that he travels a lot and gets information from big merchants around the world who do the same business. In the question eight in my interview, the respondents said their customers are from Finland, Sweden, Africa, and mostly Asia.

The above responses really show that the respondents have strong products knowledge and motivations for the business, they know who their customers are, and they understand their needs and introduce them to new products. They all comes from Asia and understand the culture very well and it is not surprising that the customers are really satisfied because they get what they what in the right place and at the right time. Also the respondent seems to understand the financial requirements of the business and they have enough capital for the start-up of the business and further financing was obtained from bank loan and Financing from Finnvera. Having a clear understanding of your customer’s need and want is the beginning of success in business because you are sure of a good demand when the products becomes available in the market; these companies have done so well with their long experience in Asian culture, they understand what their customers’ needs are and they provided exactly that.

4.4.2 Product labelling, marking & Packaging

The Food safety agency has set up certain rules to ensure that food and food materials are closely monitored and are in accordance with the required standards

for health and safety of the consumers. The agency is concerned with the food containers, how it is prepared and also the contents of the food itself. The label on the food content is one sure way to get accurate information about the enclosures therefore there are certain rules that must be obeyed by manufacturers in producing products labels and packaging. (URL><http://www.food.gov.uk/foodlabelling/>, 02.03.2010)

Some companies give false advertisement and product description on their product marking which is quite misleading and against the consumer right, some consumers are allergic to some products contents and if such content is not mentioned on the products labels, the consumer will blindly consumes it and this could lead to severe illness or even death in some cases; this is really an unethical practice. In order to protect consumer and to give them confidence that they are buying what they actually wanted the EU established the labelling legislation in accordance with council directive 2001/13/EC and further amended in 2001 by commission directive 2001/101/EC (URL>http://ec.europa.eu/food/food/labellingnutrition/foodlabelling/comm_legisl_en.htm, 02.03.2010)

The food labelling regulations in 1996: the legislation was set up to ascertain that food products are marked or labelled with certain requirements such as: the name of the food, a list of ingredients (including food allergens), the amount of an ingredient which is named or associated with the food, an appropriate durability indication (e.g. 'best before' or 'use by'), any special storage conditions or instructions for use, the name and address of the manufacturer, packer or retailer, and the place of origin (where failure to do so might mislead) (URL><http://www.food.gov.uk/foodlabelling/ull/>, 02.03.2010)

Food compositional legislation: This legislation ensures that the compositions of certain food products are clearly and completely labeled on the products marking without any additional information that could false fully mislead the consumer to purchase what is not actually wanted and that could lead to unexpected illness. Such food with special compositional requirements are; bread and flour, cocoa and chocolate, soluble coffee, evaporated and dried milk, fruit juice, honey, infant

formula , jams, meat products: sausages, burgers and pies, natural mineral waters, spreadable fats, and sugars. (URL> <http://www.food.gov.uk/foodlabelling/ull/>, 02.03.2010)

The European marketing standards: These define what can be properly described as: canned sardines and tuna, olive oil, alcoholic spirit drinks: whisky, gin, and so on, eggs in shell, organic food, fresh fruits and vegetables (for more information visit the Rural Payments Agency website at the link below), foods of designated geographic indication or origin, such as Parma ham, West Country e.t.c (URL> <http://www.food.gov.uk/foodlabelling/ull/>, 02.03.2010)

The issue of product packaging is becoming increasingly important in the world. It is an obvious fact that the foods inside a package have contact with the package and it could be contaminated by the package which will pose a health danger on the consumer. In order to avoid such occurrences, the new European Framework Regulation (EC) No. 1935/2004 on Materials and Articles Intended to come into Contact with Foodstuffs lays down the general requirements with which products container or package must comply. All product packages e.g. Adhesive on fruits, Aluminum containers, Plastic containers, Bisphenol-A (BPA), Phthalates e.t.c must be treated such that it has not contaminable contents and cannot reduce the quality of its content. The importer is therefore advised to ensure that the products to be imported from third countries meets the EU requirements on labeling, Marking and Packaging otherwise, the food may be prohibited from gaining entrance into the community. (URL><http://www.food.gov.uk/foodlabelling/packagingbranch/>, 02.03.2010)

4.4.3 Choosing Suppliers

The questions from 11 to 17 seek to find out how the respondents search information about the suppliers and how they establish relationship with them. My observation from their responses was that they mainly depend on the internet and the product label as a source of information. Information about suppliers was also obtained from the old owner of the companies, one of them even claimed that he just try several suppliers that offer same products and when customers comment

on each products he will decide which of the suppliers has the best quality product. The last respondent depends on price, products varieties and how the suppliers arrange transportation as the factors he considers before making his choice of which supplier is the best.

In my opinion, all the respondents sourced information from good channels but it will be safer if they use some forms of national registers on trade and reliable business magazines as their source of information in order to be sure about the supplier's background and business situation so as to avoid fraud. The factors considered by the last respondents is the best option, it could be very dangerous to use trial purchase in this business line before deciding the most suitable supplier. You cannot base your judgement only on price of the products, some suppliers offers cheap but not quality products, some supply cheap and quality products but the transportation arrangements will consume so much money that you will end up spending more than you expect and your products can even be delayed in delivery thus, it is imperative to consider the three factors; price, product quality and delivery arrangement before choosing your supplier.

The relationship with the suppliers always start with prepayment and after they have been doing business together for about six months they give them the option to buy and pay within 21 days after the purchase is made. Mostly their suppliers are based in Sweden, Holland and England, only one of the respondents has suppliers in India, Thailand and china. They all have more than one supplier because only one supplier cannot have all the products in the stock but they try to keep the number of suppliers at a minimum. They make their orders through email and phones especially with the Europe suppliers because calling is becoming very cheap in Europe and when you call, you can be sure that the supplier has a clear understanding of your order unlike the fax which leads to lots of discrepancies as claimed by the respondents.

4.4.4 Sales Contract

This is one of the most important stage in the importation process, it is important that the two parties involved in the contractual agreement to clearly state what

he/she wants in terms of payments, documentations, carriage, risk transfer during transportation and settlement of disputes in case of unexpected occurrences. This has led to frustration when the contract is unprofessionally handled and companies may lose their international reputation that is why it is advisable to seek professional advice when drawing a sales contract. In order to understand how my case companies deal with this issue, question 18 to 20 were included in my interview; My observation from their responses is that they do not really have a complex discussion about the issue with their supplier, once they decide the supplier from whom they want to buy their products, the only things they confirm were the products qualities, payment terms and the carriage, they were all not aware about the issue of unexpected occurrences and settlements of dispute.

I tried to find what they have done or will do if accidents occur on in transportation or transportation delays as a result of customs procedures, one of them said it has never happened throughout his years in the business and he was not expecting such to happen, he further said his products comes from other parts of Europe and he does not need the customs clearance. The next respondent said he had only once experienced it, some of the products sent to him were already expired before it was delivered to him and some were badly damaged in transit, immediately he noticed that, he called the supplier about the situation and they apologized for the loss and inconvenience, the amount was deducted from his invoice though he lost the transportation cost and the products was not available for customers at the right time. The last respondent seems to clearly define the issue with his suppliers; he gave an example that when there is force majeure and the products (vegetable) damage in transit, the supplier does not need to repay the full cost of the vegetable to him, they will give a certain amount as compensation, he also said they discuss clearly about when risk is transfer from the supplier to him and finally, in case the product is not in the promised quality, he can file a complaint within a stated time agreed in the contract

My personal observation after the interview is that the companies need improvement in the way they draw their contracts, they seem to be unaware with certain issues in international sales contract which might be due to the size of the

companies at the moment, notwithstanding, I will advice that the issue of sales contract should be taken very serious irrespective of the size of the company, it must be clearly stated how they plan to settle dispute and all necessary conditions related to documentations, payments, insurance and risk transfer must be well documented and explained with the suppliers before signing an agreements, it is important to seek professional guidance and assistance in this case because this might results in huge loss as the companies grow bigger and have greater financial commitments in their importation.

4.4.5 Payment of orders

The choice of the best payment methods is subjects to certain factors, available legislation and infrastructure between the country of import and export must be taken into consideration as well as the cost of making payments. I ask the companies which payment option they use in their purchase and why they choose those methods, two of them said they pay through the internet banking (with IBAN and SWIFT code) and payment is made after three weeks of purchase except for a company in Germany and England who gets the payments before shipment is made, the last company make payments through internet banking within the EU and Use Letter of credit when purchase is made in India, China and Thailand.

I tried to find out why they choose those payment methods and their level of satisfaction, they all express satisfaction to the payments methods adopted owing to the fact that internet payments is the fastest, cheapest and the most convenient for them, they do not need to go to the banks, they do it by themselves at the most convenient times; it cost only 20cent to transfer money to any account in the euro area but to Sweden it is discouraging because it is more expensive, Nordea bank charge €7.50cent and Osuspanki charge €6.90 cent, this is one challenge of doing business with Sweden and sometimes they tend to import from Holland instead but when you consider the transportation cost, Sweden may be a better option.

The company that use letter of credit said he used that because it is the most efficient payment method for intercontinental trade because of the bank

involvement will minimise the risk and place both the importer and exporter on a safe platform.

It is evidence above that three payment methods were adopted by these entrepreneurs; Cash in advance is used for a specific company both in Germany and in England, Open account method is used based on trust with most of their suppliers and documentary Letter of credit for the companies in Asia. From my point of view, these companies have chosen the best options, though the cash in advance is very risky for them and it may be difficult to get their money back in case of default, yet it is understandable because that is the supplier company's policy in England and the companies were claimed by the importers to have good reputations and honesty. The open account which entitles them to make payment after 21 days put them in the control shoe and they can be sure everything is in good shape before payment is made; this option has no risk with the importing companies but places the exporter in the greatest risk because the importer can influence the situation.

Finally, I quite agree that the Letter of credit is the best option of payment with Asian suppliers, considering the unstable legislation in some of those countries and political instability, if other payment option is adopted, the importer may not have the opportunity to state the conditions that the supplier or exporter must fulfil before payment is released. Also, the distance between the importer and the exporter who may not get to see each other throughout their business relationship and the uncertainty in the honesty and fair business practice of either of the concerned parties are justifiable reasons that a secure payment method is required. I am sure that any wise investor needs reliable and trusted financial institution who will guarantee a smooth business experience, hence the letter of credit is undoubtedly the most suitable payment option that fits in to such scenario.

4.4.6 Delivery of goods

It is quite obvious that after goods are purchased from the supplier, they need to be transported to the importer by an agreed means by both parties, the choice of which channel to be used, who is responsible for contract of carriage, when is risk

transferred from the export to the importer is anchored on certain factors that will be ironed out under this topic. I tried to know the situation from my respondents and question 23 to 28 of my interviews helped me to achieve maximum result.

The first two companies said they use road transportation in their importation and most of the time it is the suppliers that are responsible for the contract of carriage to Helsinki where ownership title and risk is transferred to the importing companies, also since the supplier arrange for transportation, he/she is responsible for obtaining insurance coverage to a named place in Helsinki. They both said the reason for choosing road transport is that it is the cheapest for them and also there is easy access for road transportation to and fro Europe. One of the two further said that he drives by himself to Sweden during summer with his company's van to transport the goods from the Supply's factory. Some of the transport companies used is DSV Transport Company located in England, Scandic logistic company in the Scandinavia region, Wickman logistic in Finland and Williamson in both Finland and Sweden.

One of the first two respondents claim that he is not aware with the issue of insurance, immediately he finalize his purchase with the supplier, he contact a transport company of his choice and inform them about the carriage of his goods, he believe the transport companies must have obtained insurance coverage on his goods. He gives instruction to the transport company about the location of the supplier's factory, the nature of the goods and the condition of carriage, and then they agree on price, time of delivery and where the goods are to be delivered. The contact is usually made on the telephone; it is then the responsibility of the transport company to deliver the goods in good condition from the supplier's factory to the importer's warehouse. He explained that he obtained the contact information about the transport companies from the internet and referrals from either the suppliers or other transport companies.

The third respondent have a wider scope of experience, he uses three modes of transportation in his importation; Road, airfreight and sea freight are the three modes used. He use the road transportation for goods imported from Sweden and Holland, both seas and air freight for the goods imported from Thailand, India and

China, the reason for the road transport is the same as mentioned by the respondent, he chose the sea transportation when importing rice from Thailand because of the weight of the rice, no road or rail connection leads to Thailand from Finland, he is left with only two options, either the air or the sea and it is reasonable to use the sea because it could cost a fortune to import a cargo of rice from Thailand by any company. He imports Vegetable by air owing to the nature of the products; vegetables perish within a short time so it needs to be transported with a very fast means of transportation.

In the importation of Rice and Vegetable, three transport companies are involved, the first one is arranged by the supplier from Thailand, China or India to Helsinki or Turku harbour, the second is responsible for the customs clearance and the last transports the goods from Helsinki or Turku to the company's warehouse in Vaasa. This respondent has no knowledge about Incoterms as he claimed but from my observation, this kind of transport arrangement from Asia to Helsinki is very close to CIF (Carriage Insurance and Freight) because the respondent told me that the supplier is responsible for the contract of carriage, export clearance, chooses the transport company and obtains insurance on the imported goods, the respondent also takes additional insurance coverage. When importing rice as it is evidence that the supplier or exporter is only obliged to take minimum coverage for the goods.

My personal judgement about the transport arrangements adopted by these companies is that they have all chosen the right modes of transport in all the cases mentioned, I must stress that a good knowledge of Incoterms is needed as the business grows larger especially when more products are imported from Asia. They all claimed that the supplier is responsible for the contract of carriage, this could cause great delays and some goods may be damaged in transit, the supplier may decide to use the cheapest possible transport company and it takes time to get the cheapest and goods are delayed in stock during those times, also this company may not be competent in handling the goods in terms of packaging according to the nature of the goods, hence there is a possibility that the products are either delayed or badly damaged in the process which is not healthy to any business because the customers will be disappointed and lots of money may be lost in the process. My

advice is that the importers arrange the transportation companies by themselves especially for import within Europe so that they can be in control of the delivery.

Lastly, for importation from Asia, CIF may not be the best option, the respondent that uses this claim that it takes two months for the Rice to arrive in Helsinki or Turku Harbour, Such is quite a long time for edible goods, I will suggest an FCA (Free Carrier) where the importer himself will choose the transport company and be responsible for the carriage, in this case, he can dictate the delivery time and possibly the goods can arrive earlier in a better condition as against the CIF earlier explained.

4.4.7 Transport documents

There are several documents used across the globe in international trade, it is important to have clear understanding of which documents is needed for your transportation and customs clearance purposes. Some documents are generally needed in all transportation and some are according to the nature of goods imported and the trade relationship between the export and import countries. In the case of my respondents, all of them imports food products and two of them import only from other EU countries, during the interview, one respondent said he only need is company's ID when he calls the supplier to make an order, the ID is needed for the supplier to confirm that he is a tax payer and that the company is duly registered, the second respondent said he use the commercial invoice, Parking list and tax number. The commercial invoice contains information about the product specification and the amount to the paid for the goods and the parking list contains the list of products imported from the supplier, as explained by the first respondent, the second respondent confirms that the tax number is needed as a proof that he pays tax.

The last company that import from Asia has a different experience, he said the documents needed depends on the products imported but when he import Rice and Vegetables which are the only products he import at the moment, the following documents are required for customs clearance purpose and to claim his goods when it arrives; Commercial invoice (1 original plus 3 copies), Parking list (1

Original plus 3 copies, Full set of Ocean bill of lading plus 3 non-negotiable copies, inspection and Fumigation certificates issued by international inspector, Phytosanitary certificate issued by the department of Agriculture, certificate of Origin, Insurance policy or certificate covering institute cargo clause A, and newly introduced health certificates in Finland for agricultural products Mavi and AGRIM certificate.

According to my previous studies in foreign trade, all the above documents cannot be excused otherwise it will lead to unnecessary delays during customs clearance if any of them is not available both the original and the required number of photocopies. It is therefore important for an importer to handle all the documents with care most especially the ocean bill of lading, some of them are written as “TO ORDER” in the section of the name of beneficiary, if not properly handled or misplaced, the ownership title of the imported goods will be lost and will be automatically transferred to anyone that presents the bill of lading at the port of discharge. All the health certificates are evidence that the imported goods is disease free and cannot endanger the health of the community, the commercial invoice is needed for the calculation of duties and the certificate of origin (not needed in all cases) is provided to enjoy a reduced tariff as a result of trade agreement between the partner countries.

4.4.8 Customs Clearance

Customs clearance is a very important stage in international trade, it determines if the goods will be permitted to cross the border of the country and be release to the importer or his agents for free circulation, the success or failure of the whole import process in then determined by the custom authority. It is advisable that the importer consult relevant authorities to confirm the national legislation governing the goods to be imported, you should understand if there is any quota restrictions on the goods from the country of export, the trade relationship between your country and the country you want to import the goods from and be sure you have

all relevant information about the required documents before making your order with the supplier.

As I have previously explained, two of the three companies interviewed import from other European countries, therefore they do not need customs clearance or payment of duty because Finland is an EU member state and the goods are regarded as community goods. The goods only need to be registered by filling the INTRASTAT statistics notice to keep statistical records of the inbound and outbound of goods in the country which might be needed to measure the balance of trade of the country. The only one company that import from Asia (Thailand, India and China) needs to go through customs clearance before his goods can be released to him. He has never handled the customs clearance by himself; he has contracted it to a logistic company here in Finland known as Backman trummer. It is also possible that the supplier (exporter) will carry out the import clearance and payment of duty but the DDP (Duty Delivery Paid) will be purchased instead of the CIF (Carriage Insurance and Freight) that is always used by my respondent.

The respondent said immediately after he confirms the shipment of the goods the delivery date, venue and time, he inform the transport company (Backman trummer). All he needs to do is to present them with the required documents as agreed with the exporter and also make payment. Payment to the transport company is calculated based on the value of the commercial invoice, VAT and transportation cost; he claim that the amount he always pay to the transport company for the clearance of the goods is about 40 percent of the total purchase value of the goods imported. He does not know how the clearance is done but when the goods arrives at the destination port in Helsinki or Turku, the transport company are responsible to carry out the clearance and make his goods available to him, sometimes the goods are released the same day it arrives in Finland if all relevant documents are presented and the right duty paid otherwise there will be delay and if the goods last for more than one week within the custody of the customs, it will attract additional cost or be placed under demurrage.

In order to avoid the demurrage or additional cost, I have advised in the beginning of this section that the importer visit relevant authorities to know what is expected

for customs duty, I must add that if you personally carry out the customs clearance as an importer, you will need to check the TARIC manual to get the commodity code and obtain accurate information about the duty to be paid or visit the National Boards of customs in Helsinki to obtain a binding tariff information which is always valid for six years and will help you on proper clarification of your goods for custom clearance purposes.

Finally, once the goods have successfully passed through the customs clearance and all duty paid, it is released for free circulation. In my case company, after the transport company (Backman trummer) has completed the clearance, the goods are released to my respondent, he told me that he sometimes arrange for another transport company to transport the goods from Helsinki or Turku to Vaasa after it has been successfully cleared.

On the 1st of march, 2010, I conducted an interview with Backman trummer to obtain the process of customs clearance from their point of view, two people were interviewed; telephone interview with Mr. Martin Bonn and Email Interview with Mr. Henri Gustafsson, below is how customs clearance is carried out by Backman trummer:

When the goods arrives at a Finnish harbor or airport (usually Helsinki), Backman trummer gets the clearance documents (commercial invoice and maybe some other documents, like a certificate of origin), usually from the receiving customer. The second stage is that a representative of Backman trummer feeds the data obtained from the customers (e.g. amount, gross/net weight, value and CN-code of the food products) into their system which compiles a customs declaration. After the customer information has been correctly filled into the system in Backman trummer's office, it will be sent to the Finnish customs electronically. When the customs receives the electronic data, the customs system processes the declaration and spits out a decision, either the goods are OK for import, in which case the customs document also serves as an invoice for the duties to be paid (amount varies depending on what kind of food stuffs are being imported), or the import request is denied. When the import request is denied, Backman trummer is notified by the customs and in responds; they will have to provide some additional

information for customs based on the request before the duty is paid and the food product is cleared for free circulation. (Henri & Martin; interview, 01.03.2010)

According to Mr. Henri, The process usually takes less than an hour, but in case the customs officials wish to take some samples of the foods and analyze them, the process may then be delayed for as long as a month, until customs get the results from the analyzing laboratory. After the result is out and the food is confirmed to be in compliance with the EU food law, the customs inform Backman trummer to pay the duties and then the food is cleared and released to the customer or importer. (Henri & Martin; interview, 01.03.2010)

5 CONCLUSION AND RECOMMENDATION

The quest to gain a better understanding of the import process of oriental food to Finland was my primary motivation to conduct this research and my aim was to describe the process from a real life situation. At the end of the empirical study, i was able to achieve the research aim and objectives from the data obtained from my case companies and each steps involved in the process were clearly explained in my analysis of result.

I noticed that some stages in the import process were not taken so serious by my respondents and this could lead to unexpected occurrence and could jeopardize the business experience as the company grow larger. I will advice a new entrepreneur to be vigilant to the slightest information and make the most use of it, avoid any negligence and take every stage as important; you should always admit that no stage in the process is more important than the other. It all starts from what products you want to import and why you want to import them, conduct a research about your locality and be sure you know your customers and understand their actual need before thinking of where you will import the products. Endeavour to understand the legislation of your country as regards the products as well as for the country you plan to import from. All documents should be carefully handled and do your best to understand the customs requirements, you may seek professional advice before signing any agreement with your chosen suppliers.

It became obvious to me that there are so much bureaucracy in the Finnish system as regards foreign trade, it is important to get your mind prepared for this big challenge and do not be discouraged because you will get used to the system as you grow stronger and gain more experience in foreign trade. I discovered that one way to reduce the level o bureaucratic requirement is for you to start your importing from distributors within the EU; you will escape the customs clearance and so much documents requirements, you can get the list of suppliers from reliable databases and business journals. This is possible because Finland is a

member of the European Union and movement of goods within the member states does not require payment of duties and customs clearance. Also, you will enjoy a reduced transportation cost and get your products faster against the long time it takes for goods to arrive when imported directly from Asia.

As the business grows larger, direct importation from Asia will be a better option because you will need to import in large quantities and the price is far cheaper compared to the amount you will get it from the EU distributors and suppliers. Also, some products may not be available within the EU and you will expressly depend on direct importation from the source but then you need to apply professional knowledge when dealing with the issue of transportation arrangement so that the experience can be profitable in the long run.

From my personal experience and information obtained during data collection, I realized that you can save transportation cost if you buy your products from a single supplier but that does not mean that you should depend on one supplier for your business. If a supplier has variety of products, it is better to make a single order from such than buying from several suppliers and spending so much on transportation cost from each supplier. Transportation is calculated based on pallet, half of a pallet is regarded as full pallet for payment purpose, you will always pay full transport cost even if your goods is not a complete pallet, that is why it is important to always make your order from a single supplier at a time where you can buy full pallets from the same store and manage your business in the most cost effective way.

The issue of insurance is very important; you should understand that the transport company is only responsible to obtain a minimum insurance coverage of your goods irrespective of the agreed terms of sales. Some businesses has collapsed as a result of ignorance, you need to manage risk at the maximum, always obtain additional insurance on your imported goods aside the one obtained by the arranged transport company either by you or the supplier especially when importing from Asia when the goods will be imported through the sea and will be in transit for some weeks and sometimes months, you should be aware that some damages to your goods could be catastrophic and the loss may be irreparable if

not preventive measure is taken beforehand that is why an insurance is a good option for risk sharing and a professional business practice.

The issue of financing is becoming increasingly important in these days businesses most especially since the inception of the global financial crisis. Export credit agencies and other financial institutions around the world provide financing for businesses and same is happening in Finland. You should be aware that you can still do your business if you have an excellent business idea but do not have enough capital to kick off, all you need to do is to contact the financing companies for example in Finland we have the Ely-keskus, Finnvera, Finpro and even banks like Nordea and Osuspanki. You must have with you a good business plan that clearly explain the what, why, where, when and how of your prospective business, unfortunately you may not get 100% loan in Finland, according to all my respondents, you must have at least 25% of the total cost of the business in addition to your business plan before you can be sure of getting financing for your business.

According to one of my respondents, you can get as much as 75% of your business financial requirement from financing. An example of how the financing works, you can get like 30% directly from Finnvera financing, Finnvera can in addition provide support in the form of guarantee for bank loan which may account for another 25% of your business financial requirements and the rest financial needs can be obtained from direct loan from the bank though that is not so easy as claimed by the respondents but it is possible if you have a good collateral or if you have a proof of your business viability and profitability.

Finally, it is important to know that the trade relationship between Finland and Asia is just on the growing stage and that is affecting the ease of doing such business as importation of oriental food to Finland, nevertheless, there is a better future because as the trade relationship becomes stronger, the process of importation will become easier and the more enjoyable. Also, the business is quite profitable as confirmed by my respondents, it is quite obvious that food industry is one of the very few industries that are not affected by this global recession, food is a necessity and inevitable thus the demand for it is on the increase and so much

profit is associated with it. The present situation of oriental business in Finland may not be as profitable as expected but statistics shows that foreigners are increasingly coming to Finland every year, some for temporary visit, as refugees, for business purpose, for studies and some for settlements, most of whom are from Asia, such trend is a positive sign for future prospects of oriental business and any wise investor interested in this business line should be “Just In Time” to enter into oriental market in Finland before it is crowded and becomes less profitable. NOW IS THE TIME!!!

5.1 Recommendation for further studies

I have been discussing only about the import side of the story throughout my thesis but i think it will be a complete business experience if an importer has a clear understanding of what happens in the export side. I will therefore recommend a further study about food export from Asia to Finland as a compliment to my research.

The food products are imported to Finland to be sold, in order to help the importer about his business establishments, I will also suggest a further research on Finnish legislation on the establishments of such companies that deals with food from Asia and how the ease of doing business can be improved.

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4. Interview

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7 APPENDICES

Appendix 1. Explanation of terms

Appendix 2. Interview questions for Finnish Customs

Appendix 3. Interview questions for the case companies

Appendix 4. Map of Finland

Appendix 5. Map of Asia

APPENDIX 1

Explanation of Terms

Oriental	From the east (east refers to middle and far East nations; see appendix 5)
EU	European Union
D/A	Document against Acceptance
D/P	Document against Payment
SAD	Single Administrative Documents
Importer	Use interchangeably with the word “buyer”
Exporter	Use interchangeably with the word “Seller”
FTA	Free Trade Area
JDC	Joint Declaration on Co-operation
OCT	Overseas Countries and Territories
WCO	World Customs Organization
CN	Combined Nomenclature
TARIC	Tariff Integre Communautaire (information for import or export product classification)
HS	Harmonized System
CCT	Community Customs Tariff
CCC	Community Customs code
ATA	Admission Temporaire/Temporary Admission
AD	After Death (used when talking about history or date)

Interview questions for Finnish Customs

Dear Sir,

I am a Bachelor degree student of Vaasa University of Applied Sciences and I am writing my Thesis on "Importation of Oriental food to Finland". I will like to obtain up-to-date information from your professional and practical experience about the custom formalities. Any information given will be strictly confidential and will be used only for the purpose of the thesis. I will appreciate your opinion regarding the matter.

1. What is your experience with oriental food clearance?
2. What form of custom clearance does the food undergo?
3. How do you carry out the custom procedures and clearance?
4. What documents is required for clearance of oriental food for example soya sauce and vegetables?
5. How long does the customs clearance take?
6. Is there a uniform procedure for all food products coming from Asia to Europe/Finland, or are they different?
7. How do you calculate the duties and tariff on food from Asia?
8. What is custom value declaration?
9. Is there a quota restriction on foods products from Asia? if yes, what?
10. How do you handle the issue of VAT payment?
11. How does trade agreement affect custom clearance procedures?
12. What is the difference between goods from outside EU and those within EU in term of custom clearance?

Please feel free to add comments beyond the scope of the questions given above.

Thank you for taking your time to respond to my questions

Interview questions for the companies

Dear Sir,

I am a Bachelor degree student of Vaasa University of Applied Sciences and I am writing my Thesis on "Importation of Oriental food to Finland". I will like to obtain up-to-date information from your professional and practical experience about the procedures involved in oriental food importation. Any information given will be strictly confidential and will be used only for the purpose of the thesis. I will appreciate your opinion regarding the matter.

1. What is your name or company name sir?
2. How many people are working with you?
3. How many years have you been in this business?
4. What are your motivations in oriental food business?
5. How do you decide what product(s) to be imported?
6. From which country or countries do you import? Why?
7. How often do you import in a year?
8. Who are your customers and how do you reach them?
9. Who are your competitors in your city?
10. How do you get financing to support your business?
11. What factors do you consider when searching for suppliers?
12. Where do you source information about reliable suppliers? E.g. Internet, national database, business magazines?
13. How do you establish a business relationship with your supplier? E.g. after one successful purchase, after a year...
14. Do you have more than one supplier? If yes why?
15. Who are your suppliers?
16. How do you make your order with suppliers? e.g. email, fax, telephone e.t.c.?
17. How do you deal with the issue of language and cultural differences with your supplier?
18. What happens if the goods or part of the goods is bad or damaged

19. How do you settle dispute (If any) with your suppliers?
20. Do you seek any professional advice/assistance in your importation? How and why?
21. Which payment option do you use? Why? (E.g. open account, Letter of Credit...)
22. Are you always satisfied with the payment option selected?
23. How do you manage importation risk? E.g. Take Insurance or.....?
24. Do you employ agents to handle the delivery of your goods? Why?
25. How do you get the agents and to what extent is their responsibilities?
26. Are you familiar with INCOTERMS and do you use them in your sales term?
27. Do you understand how it works? Please explain your opinion?
28. What determines your choice of mode of transportation of your goods?
29. What documents do you use in your importation and how do you get them?
30. Please explain how you carry out custom clearance and payment of duties and taxes?
31. How long does your goods stay with the customs before it is released?
32. What can you say about doing business in Finland?
33. What is your general impression about the profitability of oriental business in Finland?
34. Am I permitted to publish your company background information in my theses?

Please feel free to add comments beyond the scope of the questions given above.

Thank you for taking your precious time to respond to my questions!!!

MAP OF FINLAND



Source: <http://www.mapsofworld.com/finland/maps/ /map-finland.jpg1>

MAP OF ASIA



Source: <http://www.lowvisionsolutions.com/images 1>