

Saimaa University of Applied Sciences
Faculty of Business Administration, Lappeenranta
Degree Programme in International Business

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Export-import Procedures between Russia and Finland. Case: Company X, Exporting Kitchen Equipment from Russia to Finland.

Thesis 2014

Abstract

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The aim of this study was to understand all customs procedures, steps in transporting kitchen equipment, define exporting, importing and transporting problems in delivering kitchen equipment, and get to a structured view of how to transport kitchen equipment from Russia to Finland and avoid problems which can occur.

This work consists of two parts: theory part, which includes the chapters about transporting modes, Incoterms, nomenclature codes, international trade, documentation, export import formalities; and empirical part, which is based on the qualitative research. Information for this study was gathered from literature, reliable internet sites, and interviews.

As a conclusion the author gives a brief instruction on how to import combi steamers into Finland from Russia, and which documents are needed.

Keywords: logistics, export, import

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1 Introduction

1.1 Background of the thesis

Nowadays the logistics sector is growing. It is an important part in the international economy. In this study delivery procedures from the Russian Federation to Finland are researched.

In the delivery process from Russia to Finland problems exist. It is important to understand that not only customs problems obstruct the delivery and selling of Russian kitchen equipment in Finland, but also getting certificates for products and choosing the type of delivery, for example, can cause difficulties.

1.2 Objective of the thesis and study questions

The objective of the study is to describe export and import procedures and practices in general and specially in the case of company X: exporting kitchen equipment from Russia to Finland.

The study questions which are investigated in this work are: what are the international trade procedures in theory; what are the procedures in the case of company X; and what are the main potential problems in customs clearing?

1.3 The study method and structure

The work is divided into two parts. The first part is a theory part, which describes international trade, terms of delivery, payments, packaging and customs procedures and documents.

The second part is empirical and based on a qualitative research. The research comprises interviews with Finnish companies, which will be mentioned in the references, the Ukraine company ACCA-B and Finnish customs authorities.

In this work both primary and secondary data are used: professional books, articles, internet sources and the author`s report on the summer placement in JSC Chuvashorgtechnika, which sells kitchen equipment.

2 International Trade

Global markets are increasingly integrated nowadays. In order to be competitive companies think about international trade, about possibilities to export or import. They need to operate in global markets. Some companies create special programmes, some just export or import in order to stay alive on the market. The theme of competitiveness is embedded in international trade. It is vital for companies to think globally so that customers can trust them. Companies do their best to attract new customers. The way of the product from the producer to the end customer is long: from the concluding an export contract to the unloading of goods in the consignee warehouse. (Stern 2009, Reuvid and Sherlock 2011.)

Different countries have different places in the international trade arena. Certain political decisions influence international trade. Countries can artificially create a change in the volume of export and import, and change the prices for different goods. (Stern 2009, Reuvid and Sherlock 2011.)

In international trade there are different modes of trade: free trade and protectionism. Free trade is a mode of regulating when the government does not regulate the market. The government, of course, can impose different rules for transporting and trading, but it leaves a chance for markets to develop independently. This helps international trade to increase the turnover between the countries in the free trade zone and become economically more advantageous. (Stern 2009, Reuvid and Sherlock 2011.)

Protectionism presents the opposite situation. The government intervenes in the trade: it can limit imports in order to increase the demand for domestic goods. One of the possibilities to decrease imports are high import tariffs. (Stern 2009, Reuvid and Sherlock 2011.)

Applying import tariffs has a long history. Import tariffs can become a barrier for importing if they are too high. When the international trade relationships are balanced and smooth, it is important to have rules for applying import tariffs. The first organization, which united 44 countries in an agreement on fixed import tariffs, exchange rates and convertible currencies, was GATT (General Agreement on Tariffs and Trade), established in the year 1947 after the Second World

War. Nowadays this organization is much bigger and is called WTO (World Trade Organization). A membership in WTO supposes that the same tariffs apply to all WTO members. WTO nowadays has 155 members; Finland and Russia are members in WTO. Countries can increase tariffs on particular products if the quantities of such products in the country are high and can cause decreasing demand for domestic produces. (World Trade Organization 2014.)

All tariffs are applied to the goods at the border. Depending on the goods movement, tariffs are divided into import, export and transit tariffs. Import tariffs protect national producers from the impact of foreign goods. Import tariff is the most important one for governments. The task for the export tariff is to limit exporting of goods and raw materials from the country. Transit tariffs are not often used in the current world trade. If they are applied they perform a regulatory role in the transit of goods. (Ramberg 2008.)

Another economic and political union is the European Union (EU). The EU unites twenty seven member states from the year 2007. Finland is a part of the EU. The EU Parliament, which is situated in Brussels in Belgium, is elected every five years. The EU maintains and builds peace between the member states, promotes security and social solidarity, and preserves the European identity. The EU sets definite targets to be achieved in employment, innovation, education, social inclusion, in climate and energy. The EU has partnership and cooperation agreements with the Russian Federation: EU-Russia environmental cooperation, agreement on readmission with Russia, and facilitating the issuance of short-stay visas with Russia, for example. (Saarainen 2013.)

Import, export and transit procedures are coordinated by governments. All formalities such as paying duties and controlling the border movement are coordinated by custom authorities. Moreover, in order to secure the countries, methods which defend people from threats are used. Secure functions are performed by the custom. (Sokol 2004.)

International logistics is a part of international trade. Logistics can be defined as the process of planning, implementing and managing the movement and storage of raw materials, work in progress inventory, finished goods and the asso-

ciated information from the point of origin to the point of consumption (Rushton 2007, p. 4). International logistics is the logistic operations which are made across borders (Trent and Liewellyn 2009).

This work reviews not the whole process of logistics, but one part of it: transportation, which is the physical movement of goods, both inbound and outbound, including the collection of product and its delivery to the end user (Rushton and Walker 2007, p. 4).

3 Terms of delivery, Incoterms 2010

The most important element in international trade is the transfer of goods from the seller to the buyer, which is called delivery. Terms of delivery cover a significant number of different operations that can and should be performed by both buyer and seller. (Ramberg 2008.)

In order to simplify and unify responsibilities in delivery procedures both in domestic and international transporting from the seller to the buyer, the International Chamber of Commerce has developed a complex set of international rules for the interpretation of commercial terms and expressions, which are called Incoterms. During the years different additions and amendments have been added to the Incoterms in order to keep them in level with changing economy. The first set of rules were Incoterms 1936. (ICC Incoterms 2010).

Incoterms is the basis for delivery procedures. They help to make on agreement on issues such as who is responsible for vehicles (in question) regarding delivery of goods, who handles customs clearance for export and import of goods, who provides the license, when the risk of accidental loss or damage for goods transfers from the seller to the buyer, when the seller fulfills his/her contractual obligations to the buyer, or who delivers the goods. The rules determine who bears the costs which are associated with transporting of goods from the exporter to the importer, or which transport mode is used for transporting of goods. (ICC Incoterms 2010).

In order to prevent misunderstandings, it is important to ensure that in every case where parties intend to use Incoterms in their contract of sale, a clear reference to the current Incoterms version should be made. For example, the last Incoterms 2010 are adapted for using not only in foreign transporting, but also in domestic. "The Incoterms rules, the ICC rules on the use of domestic and international trade terms, facilitate the conduct of global trade. Reference to an Incoterms 2010 rule in a sale contract clearly defines the parties' respective obligations and reduces the risk of legal complications." (ICC Incoterms 2010.)

The latest Incoterms 2010 were entered into force on 1 January 2011. The expansion of free zones and the increasing of electronic communications in business transactions were taken into account. The total number of Incoterms was reduced from 13 to 11. (ICC Incoterms 2010.)

The rest of this chapter is based on the ICC Incoterms 2010 book.

The Incoterms clarify all risks and responsibilities of the seller and buyer. Incoterms 2010 are possible to divide into two main groups: Incoterms for any mode of transport and Incoterms for sea and inland waterway transport. In the first group there are seven Incoterms: EXW, FCA, CPT, CIP, DAT, DAP and DDP. In the second group there are four Incoterms: FAS, FOB, CFR and CIF.

Incoterms define the following responsibilities between parties: place and time of transferring risks from buyer to the seller; place and time of goods unloading; allocation of payment responsibilities, i.e. who pays the necessary expenses and fees; custom import and export fees and who obtains export and import licenses; who is responsible for goods transportation, who takes care of loading and unloading operations, who takes packaging responsibilities; who makes the goods inspection; and which documents should be provided by parties.

The first group includes the Incoterms which are intended for all transportation modes.

EXW: the main characteristic of this condition is that the seller does not bear any responsibility for transporting of goods. In this case responsibilities are transferred to the seller's premises.

With FCA, the seller is responsible to arrange the transportation of goods (after the customs clearance), but not directly to the buyer, only to be at the seller's disposal, in accordance with the contract of carriage.

In group C, the seller agrees to contract the carriage, but does not assume the risk of accidental loss or damage of goods and does not bear any additional costs after goods have been loaded on the vehicle at the departure point. The risk for goods passes to the buyer from the seller at the seller's departure point, but the seller is responsible for the shipping. It is important to take into account the fact that the time of shipment is provided, but the time of delivery is open; only preliminary information on the arrival of goods is provided.

CPT is the mode in which the seller is obliged to deliver goods to the agreed point of delivery. The buyer bears all costs for the goods arrival to the point of destination.

With CIP, the seller's obligations are similar to CPT, but the seller must, in addition, provide cargo insurance against the buyer's risk associated with the loss or damage to goods in transit, so the seller pays the insurance. Typically the insurance covers only a minimal amount of liability.

The terms in group D provide the seller with the obligation to deliver goods to a certain destination at a certain date.

With DAP, the seller's obligations are considered fulfilled when goods are delivered to the buyer from the seller to the agreed place.

DAT suggests that seller is responsible for delivering of goods to a specific terminal and for handling all export formalities.

In the case of DDP, goods must be sent to the seller from the buyer to the point of destination, which is specified in the sales contract. The seller independently carries out customs clearance for import and pays all customs duties.

The second group consists of four Incoterms: FAS, FOB, CFR and CIF. They regard for sea and inland waterway transport.

FAC means that the seller delivers goods to the location where they are placed alongside the vessel at the named port of shipment. After this all costs and risks are the responsibility of the buyer. The FAS term requires the seller to clear goods for export, but it should be clearly indicated in the contract of sale.

FOB means that the seller delivers goods up to the point where they pass the ship's rail at the named port of shipment. After this all costs and risks of loss or damage should be carried by the buyer. The buyer is responsible for clearing goods for export.

In the case of CFR, the seller must pay all costs and freight in order to deliver goods to the named port of destination but the risks of loss or damage, as well as any additional costs occurring in delivery, are transferred from the seller to the buyer. The CFR term requires the seller to clear goods for export.

In the CIF term, the seller is responsible for placing goods on board of the vessel in the agreed place of destination. After this all risks are transferred to the buyer.

4 Payment terms

For every business it is important to get money for supplied goods or services. It is the main idea of the usual business enterprises. The risk of unpaid goods or services always exists, so different terms of payment and modes of money transfer are used. (Reuvid and Sherlock 2011, p. 322.)

“Terms of payment are the time allowed for payment to be made, ie the credit period allowed. This is usually expressed as sight payments, where no credit period is allowed, or in blocks of 30 days, eg 60, 90, 180 days, etc, following a date specified in the contract, which could be from sight of documents or from date of shipment or from the invoice date.” (Reuvid and Sherlock 2011, p. 322.)

“Method of payment is the means by which the money will be paid, and the exporter has a range of choices that offer varying degrees of security.” (Reuvid and Sherlock 2011, p. 322.)

By the choice of payment terms and method of payment it is possible to influence not only the security and reliability of payment but also the competition in the market. The method of payment is important also, because customers would like to pay by using reliable sources or banks. The term of payment is defined by the relationship between seller and buyer, and the market. In weak markets, sellers are afraid of risks and would like to have the money before the goods are delivered or left for delivery. (Reuvid and Sherlock 2011, p. 322.)

Payment methods include the following, from the least to the more secure one: open account, documentary collections (bills of exchange), documentary letters of credit and cash in advance. The most secure method of payment is in advance, so for the seller is the best choice, but it is not competitive. This type of payment is not secure for the customer, so the customer is sometimes afraid of paying in advance. (Reuvid and Sherlock 2011.)

Bills of exchange and documentary letters of credit are methods in which banks are involved. Bill of exchange is a payment method which suggests that the bank is in the process and it is a secure way of payment because the bank collects all documents and does not return them to the seller before the payment is provided. This type refers to documents against payment. Also such a payment term can refer to documents against acceptance. "In the case of the termed bill, the overseas bank will not collect payment in return for the documents but will instead release the documents against acceptance of the bill. This usually requires only a signature, of the drawee, and often a company stamp. The credit term of the bill is known as the tenor and when this expires, ie 90 days later, the bill is said to have matured and will be presented for payment." Bills of exchange against payment are more secure than against acceptance. (Reuvid and Sherlock 2011.)

Documentary letter of credit is a more reliable way for the seller; it is a modified mode of bill of exchange. In this case the bank guarantees the payment to the seller. It is a reliable way of getting the money, but on practice, banks often reject this mode due to the documentary discrepancies. (Reuvid and Sherlock 2011.)

In export-import operations, open account is often used as the method of payment. For the buyer, open account is a profitable form of paying, because the risk of not getting the goods is small. It is used in countries where the level of uncertainty in the market is low, for example, in the EU and the USA, and the term suggests that the buyer should pay the goods price before the due date. (Reuvid and Sherlock 2011.)

5 Transportation

Transportation can be defined as the movement of goods from one location to another, to the customer's hands, and it is the most expensive process in the supply chain. The main aim of transportation is to deliver goods to a prescribed destination with a minimum cost. (Bhatnagar 2009, p.195.)

Transportation (delivering of goods) is a risky procedure, because a delay of goods can cause problems with further goods selling. It is important to think about insurances, types of transporting, packaging, and the route. Documents are a crucial part of the importing-exporting procedures: contract of sale, bills of lading, payment-related documents, and insurance documents. (Hinkelman 2008.)

Transportation is important for companies, especially for companies which do this internationally. International transportation is more expensive than domestic and has difficulties. Before executing the transportation of goods abroad, a lot of matters should be agreed on: who handles the transporting (define the Incoterm), which mode of transport is the best one to use, where to cross the border, what route is the most effective one, how much time it is possible to spend for delivery. All this is important to understand and choose the right way for delivering. (Bhatnagar 2009.)

When companies choose the mode of transportation, route and insurance, they think about the cost. Companies would like to find the optimal way of transporting by spending the smallest amount of money. Transportation costs represent the highest single cost element in a logistics system. Transportation is influenced by such main factors as: the location of the firm's plants, warehouses,

vendors, and customers; inventory requirements; packaging required; materials-handling equipment at the manufacturer, such as loading and unloading equipment and the design of the receiving and shipping docks; and customer service goals. (Johnson and Bade 2010.)

According to Johnson and Bade (2010) all this influences to the transportation cost. Moreover, by understanding this it is possible to choose the right way to transporting, the right transport mode. There are seven modes of delivery: sea, railway, road, mixed type, plane, post and courier delivery. The following description of each mode is based on a book by Jouni Karhunen (2004) and the Guide to Export-Import Basis by Professor Jan Ramberg (2008).

All vehicles have different characteristics, different usages, and different length and width. For all are applied different laws, taxes and fuels. In Finland, according to the law all trucks are grouped into N1, N2 or N3. Group N1 includes trucks which take no more than 3500 kg of goods, N2 3500-12000 kg and N3 trucks more than 12000 kg. (Karhunen 2004.)

International transportation by road is transportation when the road transport crosses more than one country. For transportation of goods between countries, legal entities and individuals should have a permission. Such a permit it is possible to get from the authorities in the country, which or through the vehicle is going. International freight transport and traffic are controlled by the following regulations: Convention on Road Traffic, Vienna Convention on Road Signs and Signals, Customs Convention on the International Transport of Goods, Convention on International Transport of Goods Under Cover of TIR Carnets (TIR Convention) and CMR Convention (Convention on the Contract for the International Carriage of Goods by Road).

Sea delivery is mainly used for intercontinental transportation of goods. Ships can transport a high amount of goods: any cargo and in any quantity. This mode is not expensive, but is not the fastest one either. Sea transportation can be regular transportation, which suggests that transportation is on a regular basis according to a timetable. Also, transportation can be on an agreement basis,

which means that it is possible to order a whole ship or cargo space on board, and in this case the time, price and place depend on the agreement.

Railway is a mode which is often used when delivering big amounts of goods and for parcel goods. It is not the most expensive way of transporting, it has acceptable prices, and it is regular as seasons, weather or night time do not influence its regularity. Railway transportation is a convenient mode. Often big companies and producers have their own rolling stocks. Moreover, railway transportation is reliable and has a shorter path compared, for example, with river transport.

Air delivery has a high level of cargo safety and has the possibility to arrange transportation over long distances at a high speed of delivery. This type of delivery can be made in more than one stage. It is an expensive way of delivery, but is the fastest.

Combined way of delivery consists of two or more modes, for example truck delivery and railway transport. Nowadays many transporting companies use this type of transporting. For example, goods from China are often transported by airplanes from China to the Finnish airport in Vantaa and after this the goods are delivered by trucks to the Vaalimaa customs and then to Moscow, for example.

Delivering by post can be useful for transportation of small amounts of goods: before 30 kilos, to some countries even before 10 kilos, for example dangerous goods and plants the post does not accept to the transportation. This method is simple and is not expensive.

Courier delivering is a fast and convenient way of transporting, which is made door to door deliveries, but also as post transportation it is convenient and reliable only for small amount of goods. (Karhunen 2004, Ramberg 2008.)

6 Packaging

Packaging is a mode of preserving and transporting goods. Packaging is needed for the containment, protection, handling, delivery and presentation of

goods. Society, consumers and manufactures influence to the packaging characteristics. From the point of society the packaging should be environmental friendly, from the manufacturer point the cost of the packaging should be small and from the consumer point the packaging should preserve goods from damages. (Yam 2009, Uniform Regulations 2012.)

Transport and storage of containerized cargo requires the use of specialized rolling stock and warehouses. The container improves the safety of the cargo, reduces transportation costs and the costs of handling. Besides the standard structural design, another mandatory feature of containers for international circulation in freight transport is the availability of appropriate codes, labels and other elements for the purpose of identification. In the absence of such requirements, the container cannot be qualified as an international standard container. (Yam 2009, Department for Business Regulations and Skills 2013.)

Different goods should be packaged in different ways in order to avoid damages to goods. Not only the type of the product determines the packaging, but also environmental issues: weather conditions have an impact on goods and packaging materials influence the environment.

In food transportation packaging has a high impact. "Dressed poultry often carries salmonella organisms (which are killed in cooking), but the organisms survive in the wooden crates and spread to vegetables if they are transported later in the same crate." (Johnson 1986, p. 380.)

The characteristics the packaging should include: safety, environmental properties associated with the not causing significant damage to the environment, reliability which is the ability to retain the needed properties and integrity for a long time, compatibility which means the not changing the characteristics of the packaged goods, and economic efficiency which determines the packaging cost, operation cost and cost of disposal. (Yam 2009).

7 Customs procedures

Customs procedures are major part of international goods transportation. Customs procedures are the various methods available to traders to clear goods through customs. The procedure is selected according to the trader's intended use of goods. (Truel 2010, p. 100.)

Customs procedures consist of export and import procedures. In countries these procedures can vary due to differences in laws and regulations. Import and export can be a difficult procedure without information on the other country's customs rules. Before starting exporting or importing, it is important to know everything about the goods: what type of goods, a spare part or raw materials for example. Lack of information can be the result of import prohibition, because "some products are subject to special export limitations and procedures" and in order to avoid problems, additional costs and delays it is important to think about all procedures and regulations in advance (Johnson and Bade 2010.)

Importing is the process of clearing goods for further use or selling in a foreign country. "One of the advantages of importing is that it provides a relatively low-cost entry into international trade. It is possible to begin brokering import trade transactions even with the most minimal of office facilities. Some very successful import traders started out with nothing more than a table-top and a telephone. Other importers started up when they discovered attractive, low-cost products while travelling in foreign countries and realized that these products had great market potential in their home country." (Ramberg 2008, p.19.)

Exporting means the process of transferring goods or services to another country. More often goods are exported without the purpose of being delivered forward to a third country. However they can be exported temporarily, for example in the case of an exhibition, so they should be returned in the same condition after using in the another country. (Finnish customs 2014.)

Import procedures vary according to the purpose why they are imported to a certain country. Import procedures are divided into seven groups: release for free circulation, customs warehousing, transit, temporary importation, outward

processing, inward processing and processing under customs control. The purpose of goods importing influences the custom duties and formalities. (European Commission 2013.)

Release for free circulation means that goods are imported to the EU for further free trading, and import duties are applied (European Commissions 2014). This type of a customs procedure is reviewed in this work.

7.1 Harmonized Commodity Description and Coding System

One of the important institutes which controls and supports customs procedures is the World Customs Organization (WCO), which was created in the year 1952 as the Customs Co-operation Council (CCC). It unites 179 customs administrations. Finland and Russia are in this organization. (World Customs Organization 2012-2014.)

The WTO vision is to divide borders, but connect customs. This organization is responsible for supporting the customs administrations in the countries who are partners in this organization. This organization applies different conventions and provides technical and guidance support to customs administrations in order to promote secure trading for protection of the society. The main difference to WTO is that WCO is responsible only for the international customs and border control matters, but WTO is an organization which controls international trade in a broad way by conducting a variety of international agreements. (World Trade organization 2014.)

WTO simplify and harmonize customs procedures. It is important for mutual trading relationships to have common rules and types of behavior. WTO rules help to teach how to carry out customs procedures in a common way, regarding the laws of all member countries. (World Trade organization 2014.)

Countries which sign the Agreement on Tariffs and Trade should adhere duties shown in column three in the Harmonized Commodity Description and Coding System, which are applicable from 1 January 2006. (General Agreement on Tariffs and Trade 1994).

In 1983 WCO created and published the Harmonized Commodity Description and Coding System, which supposes that special codes (HS) are applied for goods. This code helps to identify the custom tariffs for the product. (World Customs Organization 2012-2014.)

Combined nomenclature is identifying products by using the HS codes. Goods are identified by using a heading, which is possible to find in the Commission Regulation No 1719/2005. If goods may be placed under more than one heading it is necessary to classify them by using a more precise heading. The combined nomenclature system includes twenty-one groups of products and every type of product has the own number: the first six numbers identify the heading of goods and the next four are subheadings. (Official journal of the European Union 2005, World Customs Organization 2012-2014.)

7.2 Exporting from Russia

Nowadays Russia is a part of the Eurasian Economic Commission, which is a permanent supranational regulatory body of the Customs Union and the Common Economic Space. Customs Union is a form of trade and economic integration of the Russian Federation, Belarus and Kazakhstan, which provides a unified customs territory. Within this single custom territory customs duties and economic restrictions should not be applied for goods and services. Parties share a common customs tariff and other common measures which regulate trade with third countries. For example the Ukraine is not part of the Union, but Russia and Ukraine have a simplified type of transporting goods and services: they have different consensual agreements. Ukraine and Russia have a mutual agreement about a free trade zone, which was signed on 18 October 2011 in Saint Petersburg. On these territories, in accordance with the agreement of a free trade zone, the parties do not apply customs duties and other payments if the export of goods has been done within the customs territory of the other party or the import of goods originated from the customs territory of the other Party. There is a difference with importing into Finland, which is a part of EU. (Eurasian Economic Commission 2014, KPMG 2011, Federal Custom Service 2010.)

Russia exports goods to different countries, for example to EU and CIS countries. Exporting and importing procedures are coordinated by custom authorities (Russia briefing 2014). Sometimes it is not possible to export or import due to, for example, export restrictions. In regards safety, export control is a set of measures which ensure the implementation of the present Federal Law, other federal laws and other normative legal acts of the Russian Federation on the implementation of foreign economic activity in respect of goods, information, services, and intellectual property, which can be used for development of weapons of mass destruction, their means of delivery, and other kinds of weapons and military equipment; or in the preparation and (or) acts of terrorism (FSTEC of Russia 2013.)

Trade restrictions can be quantitative or total. Such restrictions may be imposed in the cases of: shortage of goods in the domestic market; for anti-dumping measures to protect the domestic market; and government political and economic relationships with other countries. In Russia, the Federal Service for Technical and Export Control (FSTEC of Russia) controls export restrictions. This organization implements the state policy particularly regarding to export and control functions. It conducts export control in accordance with the Russian law and the orders of the Ministry of Defense; develops a list of goods which are restricted for exporting; information and intellectual property, which is subjected to export control. (FSTEC of Russia 2013.)

Foreign trade is the main component of foreign economic relations. It is important to regulate foreign trade with the help of customs tariffs, international standards and special export import regulations (Reudvid and Scherlock 2011).

7.3 Importing procedures in Finland

In regards importing procedures or releasing goods for free circulation in the EU, it is possible to distinguish four stages: presenting of entry summary declaration, arrival of the transport at the customs office, presentation of goods and placing goods under the customs procedures. All four stages include definite actions and definite documents. (European Commission 2014.)

In the first stage, the main action is to present the entry summary declaration to the entry customs, in the present case it means to the Finnish customs. The declaration should be lodged by the owner of goods or their representative. For the declaration lodging, a special time slot is accepted. For goods which are transported by road the time slot is equal to one hour before entering Finland. It should be lodged in advance in order to avoid delays at the customs: where officers check if there are any risks with the entering of the goods which are declared in the entry summary declaration. Information about the number of items, consignor, consignee, and weight of goods should be included. (European Commission 2014.)

7.3.1 Customs clearance

Customs clearance is one of the primary topics of this study. Success of the company depends largely on the speed at which cargo crosses the border. Customs clearance is an enormously important aspect. The procedure of customs clearance should be completed on time and without delays. In order to achieve this, it is important to provide all required information, to take all documents, and to use broker services if it is needed. In order to avoid problems at the customs it is important to gather all relevant information about customs rules in export and import procedures. (Sokol 2004.)

Customs clearance requires collecting documents and making all payments and duties for goods. These documents are the basis for the customs when making the decision about export and import release. Customs clearance includes actions such as customs clearance itself, payment of applicable duties and performing various other administrative actions aimed to cargo legalization. (Sokol 2004, European Commission 2014.)

It is possible to define some steps in customs clearance: notifying of the customs authorities about an intention to move goods across the border, providing of all necessary documents for customs clearance and registration of all these documents, registration of customs declaration, validation of nomenclature codes determined in the HS System country of origin certificate (possible to get from the producer of goods), providing all documents regarding the goods, and

paying customs duties and VAT. The final step is border control, where the last controlling should be done. (European Commission 2014.)

7.4 Customs broker and outsourcing

Using of the custom broker depends on the import or export amount and on the own personal expertise. "If the importer has sufficient personnel with sufficient expertise, these people can be trained to handle the importing procedures and documentation themselves." Often also large importers use custom brokers as the outsourced service. If the company decides to use the outside professional, the selection of the broker can be difficult. "There are many customs brokers with varying levels of expertise and various levels of financial stability. More important, some customs brokers are more familiar with certain types of products." Custom brokers are acting on behalf of the power of attorney. (Johnson and Bade 2010, p. 256.)

"Outsourcing can be defined as the strategic use of external specialized service providers to execute and manage activities or functions that are normally seen as non-core of the business." (Rushton and Walker 2007, p.4.) Custom formalities can be outsourced to customs brokers. "Customs Broker is an intermediary who is entitled on behalf of the organization to perform any operations for customs clearance, as well as perform other functions which are required from the Client." (Broker management handbook 2002.)

Customs brokers act on a power of attorney. It is important to give clear instructions to customs brokers: shipping details (arrival date, carrier, exporting country etc.), customs details (HTS number, descriptions, values, origin of goods, manufacturer/shipper, other government agency requirements (payments of duties), and delivery information (to whom the delivery is made, carrier, other instructions). (Johnson and Bade 2010, p. 256.)

Regarding to Russian law customs broker can only be a licensed organization and is engaged in customs clearance of goods. Customs clearance is a prerequisite for border crossing, so this procedure should be carried out every time when a company imports or exports goods. Customs clearance includes such tasks as communication with customs authorities, providing a full package of

documents for the export or import delivery, registration of export - import declaration of goods, and product certification. This eliminates a lot of problems which can arise at the border. The role of the customs broker in a company's operations is important. It is important to know all aspects of transporting, also all changes in laws. (Broker management handbook 2002.)

Code definition is the direct responsibility of the customs broker, but its accuracy is controlled by the customs authorities. The main criteria which used in classification are the material from which products are made and the functions that goods perform.

7.5 Customs warehouses

“Warehousing is the management of materials while they are in storage. It includes storing, dispersing, ordering and accounting for all materials and finished goods from the beginning to the end of the production process.” (Bhat 2010, p.624).

Customs warehouses are used for storage of goods which are awaiting customs clearance. Customs warehouses are used when the custom clearing takes time or when goods wait for needed licenses or permits. Goods may be delivered from customs warehouses only when the Customs office gives the permission. If the process of waiting and clearing is not done fully, it is possible to change the place of goods only with the permission of customs authorities. (Finnish customs 2013.)

7.6 Documents needed for customs clearing

A significant role in trade practices, involving sellers and buyers and increasingly the forwarders is played by a system of trade-transport documentation that enables the parties to confirm performance of the contract, to make and receive payments, arrange transportation and other operations related to the delivery of goods from the seller to the purchaser, and to transfer ownership of goods. When goods are transported across the border, it is necessary to apply for custom clearance from customs authorities and pay applicable duties. In the international trade process there are many different documents used; documents

assure that goods are sold, that the goods are shipping in the right order and condition, that the buyer or their representative gets the goods, that customs formalities are executed, that there is an insurance and so on. Documents are everywhere; they are the basis for formalities and for solving unclear situations. (Hinkelman 2008, p. 8.)

In the context of international trade, a document can serve many purposes, including: proof of shipment ownership (the negotiable bill of lading), evidence of a sale (the commercial invoice), country of origin (the certificate of origin), proof of insurance coverage (the insurance certificate or document), and reassurance of the quality or quantity of goods in a shipment (the inspection certificate) (Hinkelman 2008, p. 8).

Documents in international trade serve different roles. From the points of view from different parties the aim of the documents can vary. Such parties can be: exporter, importer, shipping company, banks, insurer, country of export and import. For all these parties some documents roles are common: documents for all parties provide proof of ownership of goods at any time and place throughout the transaction. (Hinkelman 2008, p. 2.)

The table below describes documents roles for different parties, it is based on the Hinkelman book 2008. This table tells what roles documents provide for different organizations which are involved in the transporting of goods.

Exporter

- *an accounting record of a transaction*
- *a receipt for goods` shipped*
- *means for export clearance*
- *Instructions*

Importer

- *an accounting record of a transaction*
- *ordering and shipping prove*
- *customs clearance prove*

Shipping company and the trade forwarder

- *an accounting record of a transaction*
- *handling instructions*
- *instructions on where and how to ship goods*

Banks

- *instructions and accounting tools for collecting and disbursing payments*

Insurer

- *the means for evaluating risks*
- *shipping value for defining the point of loss in a coverage claim*

Country of export

- *necessary proof of the right to export*
- *accounting tool for assessing duties and fees*

Country of import

- *proof of the right to import*
- *statistical and census information regarding to the imported goods*
- *evidence that imported goods do not harm the health and safety of citizens*
- *accounting tool for assessing duties and fees*

Figure 1. Documents roles for different parties.

Regards to Hinkelman 2008 it is important to understand for whom documents are addressed in order not to be in the situation when documents should be redone.

All documents are possible to classify into two groups: exporting and importing documentation, and four subgroups: shipping documents, customs clearing documents, insurance and commercial papers. Moreover, documents also vary from country by country. Nowadays countries try to unify all documents in order to make agreements and transactions clear for everyone. (Hinkelman 2008.)

Export documents are documents which are used for exporting goods from the country. They consist of commercial invoice which identifies the seller and buyer, date of purchase and shipping date, mode of transport, Incoterm, terms of payment, description of goods and price; bill of lading which describes shipping and transportation conditions, and claims the possession of goods; shipper's export declaration which is issued by the exporter and is presented to export authorities for identifying the seller, buyer, goods shipped, date of issuance, country of origin, country of final destination, quantity and description of goods; packing list which is also issued by exporter and identify the consignor and consignee, total packages in the shipment, package and container contents, weights, dimensions, marks and numbers, and helps to check goods in the received shipment; certificate of origin which indicates the country of origin; and insurance documents which assure that goods are insured. Moreover, there are other documents which can be important in special cases: instruction documents such as forwarder's instructions, shipping instructions, stowage instructions, bank instructions; export licenses, permits and inspections; and special transport documents. (Hinkelman 2008.)

Export and import documents are interrelated. In most cases the same documents which are used in exporting are used in importing. Export documents are documents which are used for importing into the country they are also consist of: commercial invoice, bill of lading, packing list, certificate of origin, and insurance document. Instead of export declaration, import documents have the import declaration, which is issued by the importer or the broker and identify the seller, buyer, goods shipped, date of issuance, country of origin, country of final destination, quantity and description of goods. It is required by the importing country and is used for controlling import and applying custom duties for goods. (Hinkelman 2008.)

Similar to export documents, import documents also consist of special documents for definite cases: import license, dangerous goods description, exchange control documents, inspection certificate, phytosanitary certificate which is needed in most cases for Ukraine custom authorities (Boyarina 2014), fumi-

gation certificate, veterinary certificate, public health certificate, ATA Carnet, and free sale certificate. (Hinkelman 2008.)

7.7 International standards

Standards can be defined as a model for making and using goods which is established by the government and customs authorities. Standards fulfill a variety of functions. They convey information, allow interoperability between products and processes, guarantee minimum levels of quality and safety, and result in economies of scale by reducing variety. They are prerequisites for collecting taxes. Customers rely on standards because international standards define rules also for product safety. (Guasch et al 2007.)

Standards are different; they are classified according to their functions. Some standards establish common technical procedures and rules. Others define characteristics of two or more entities, for example ISO 216, which defines the A4 format used in most of the world except for North America. Comparability standards are used to connect a number of disparate private and public entities, for example regulations for electricity distribution standards. Minimum quality and safety standards allow consumers to assess the quality or safety of a product before purchasing it. The best-known quality standards, the ISO 9000 standards of the International Organization for Standardization (ISO). (Guasch et al 2007, p. 15.)

The aim in using standards is to increase productive and innovative efficiency (Guasch 2007, p. 15). According to Guasch, all classified are divided into comparability, measurement and quality standards.

Measurement standards include technical language to compare physical attributes of products and to communicate product characteristics. Comparability standards are used for possibility to use products in different countries, for example in the case of electricity comparability (230 V, 220 V, 110 V). Quality standards evaluate if the product fulfills technical requirements, for example ISO standards. (Guasch et al 2007.)

International standards influence customs procedures and the customs duties which are applied. In the case when the product is not in compliance with the standards, a negative decision of entry to the importing country can be made. It is important for companies to be aware of standardization requirements in order to import goods and be competitive in the market. Companies which retail products should examine the supplier on the question of standards. (Guasch et al 2007.)

”Supplier certification is a detailed examination of the policies and capabilities of a supplier. The certification process verifies that a supplier meets or exceeds the requirements of a buyer. This is particularly important when buyers are seeking to establish long-term relationship with suppliers. Certified suppliers are sometimes referred to as world class suppliers. Buyers can eliminate much or all of the inspection and testing of goods delivered by certified suppliers. For certification suppliers, some companies rely on standard industry certifications such as ISO 9000, which is perhaps the most widely used international certification.” (Bhat 2010, p. 631.)

ISO (the International Organization for Standardization) is a worldwide federation of national standards bodies. ISO 9001 is the most popular international standard that defines the requirements for quality management systems, covers company structure, responsibilities, processes, procedures and resources. It helps to continuously improve the quality of products or services offered by a company, and guarantees that products comply with specified requirements. Nowadays companies, clients, retailers, and wholesalers, among others, trust companies which act in compliance with ISO standard 9001. It focuses on the effectiveness of the quality management system in meeting customer requirements. (ISO.)

7.8 Rules of origin

Rules of origin have an influence on customs tariffs and are regulated by the WTO (World Trade Organization 2014). Depending on the country of origin, customs tariffs can be as follows: basic, preferential and maximum. Complexity in the establishing country of origin occurs when the production of goods in-

volves two or more countries. Principles for determining the country of origin are based on international practice. These criteria have been identified in the Kyoto Convention. (Sokol 2004.)

There are several documents which confirm the rules of origin. Declaration of origin is the document which is written in free form and declares the origin of goods. Documents which contain a statement of the origin country can serve this purpose. Such a statement should be made by the manufacturer, seller or exporter in connection with the export of goods. Such documents include: commercial documents (invoice), shipping or packing lists, transport documents (bill of lading). (Sokol 2004.)

One of the certificates of origin is ST1. This document clearly indicates the country of origin and is issued by the competent authorities in the exporting country (Chambers of Commerce). This certificate should include: a written statement of the sender that the product satisfies the criterion of origin; a written certificate from the competent authority of the exporting country that the information provided in the certificate corresponds to reality; the name and address of the exporter, the name and address of the importer; quantity of goods; type of transportation and the route; packaging issues, labeling and numbering; gross and net weights. The certificate is submitted to customs authorities of the Russian Federation in a printed form in the English and Russian languages. The certificate ST1 is valid for 12 months from the date of issue. In addition, there are other certificates: certificate of origin for steel supplied into the EU; certificate of origin for textiles supplied into EU countries. (Boyarina 2014.)

8 Empirical study: Company X

In the empirical study the author uses qualitative methods: interviews with Finnish companies, a Ukraine company, Finnish custom authorities and with JSC Chuvashorgtechnika. Moreover, the research which was done by the author during the summer placement in JSC Chuvashorgtechnika in 2011 is used.

In this part the author describes company X, the import and export procedures of this company, reviews possible transporting and customs problems and gives

guidelines for importing combi steamers into Finland, which products are made by JSC Chuvashorgtechnika.

8.1 Case company X

As was researched by the author during the summer placement in JSC Chuvashorgtechnika, combi steamers are not produced in Finland, but they are purchased from Spain, Italy and the UK. The following companies sell professional kitchen equipment, combi ovens, in Finland: Resta-Manda-Impex Oy, Ravintolalaiteet Barro OY, Seinajoen PK-Myynti OY and Selecta Oy among others.

Company X is going to resell combi steamers produced by JSC Chuvashorgtechnika in Finland. In order to do this the case company needs to import the combi steamers to the territory of the EU.

For successful selling of combi steamers in Finland, company X should be attractive for customers: in quality of products, price and time. Price and time are dependent not only on the price which the supplier indicates, but also on the reseller's operations such as delivering combi steamers to Finland. For successful delivering and further selling it is important to minimize costs for delivery and import procedures. For this purpose research should be done and delivery procedures should be analyzed.

As regards the international delivering of combi steamers from Russia to Finland, their exporting and importing (releasing for free circulation in the EU) various factors have an influence on the: the supplier and product characteristics, comparability with international standards, delivery procedures (mode of transportation and the terms of delivery), packaging and needed documents.

As it is possible to learn from Nomenclature Codes for combi steamers, a certificate of conformity (also called the Certificate of Compliance) is required. This is a document which confirms that the product quality or safety conforms with the requirements which are established for this product in the technical regulations, codes of practice, existing standards and other documentation. Combi steamers have a Certificate of Compliance № C-11, 00111, which is valid from 11 Febru-

ary 2013 to 15 March 2015. As regards exporting and importing, this certificate plays the role of an international standard, which gives customers proof of the quality of combi steamers. This is a prerequisite for choosing the supplier, also for finding customers, and making the international delivery.

Other factors which influence the delivery of combi steamers are: the supplier, product characteristics and packaging, delivery procedures and needed documents. These will be reviewed later in this study.

8.2 Supplier and kitchen equipment description

Goods suppliers are a vital link in the supply chain. Late deliveries of parts or materials missing or defective items can disrupt production schedules, increase inventory costs and cause late deliveries of end products. Suppliers influence international deliveries by corresponding with international standards for quality, comparability and measurement standards.

The producer of kitchen combi steamers is JSC Chuvastorgtechnika, which has been successfully doing business in kitchen equipment for more than 50 years, taking the leading position in this segment. Using high-precision metal-working machinery of such firms as Mazak (Japan), Codatto (Italy), Chemsal (Italy), Sillem (Italy), Messer (Germany), Salvagnini (Italy), Finn Power (Finland) and Amada (Japan), the company can produce products of high quality, continuously expand the range of products, respond to changing market conditions, and increase production and quality (JSC Chuvastorgtechnika 2010.)

"Combi steamers are kitchen machines and are used for cooking food in different modes: convection (up to 270° C), steam (up to 100° C), low temperature steam (from 30° to 98° C), and warming up. Steamers are used in catering establishments as independently or in-line. All components are made from stainless steel AISI 304. The machine is equipped with a program mode of 110 programs with four stages of preparation. Also it is equipped with the humidity control." (ABAT Catering Equipment 2008-2013.)

"Low power consumption (3.2 kWt) essentially reduces operation costs. The construction of the device allows washing the internal surface with a water. No

additional tools are required to remove a fat filter and guide rails.” (ABAT Catering Equipment 2008-2013.)

Combi steamers can be called the heart of the professional kitchen. Combi steamers can replace several types of technological equipment - stove, frying, convection ovens, boilers, or pans. A feature in combi ovens is the ability to retain almost all nutrients in the cooked products. (JSC Chuvashorgtechnika 2010.)

Combi steamers are the optimal equipment for the restaurant, school and kindergarten kitchens. They save cooking time, power and kitchen area by combining several types of heat treatment, using a variety of menus and can give more free time for creative chef aspirations, reduce energy costs, and make it possible to accept more clients. Combi ovens are profitable for people and for the company budget. (JSC Chuvashorgtechnika 2010.)

Combi steamers have a warranty card. Typically, the warranty card inside the product package has a phone number to contact for warranty repairs. When the manufacturer outsources the warranty repairs, this phone number might be a direct line to the repair vendor. In this case, the manufacturer assigns the items to a vendor at production time. (Chukova et al 2005, p. 699.)

The warranty for combi steamers is defined by JSC Chuvashorgtechnika. The combi steamers of JSC Chuvashorgtechnika have their own guarantee rules. Steamer lifetime warranty is one year from the date of commissioning. The warranty period for the temperature controller is equal to two years from the date of commissioning. Guaranteed storage life is one year from date of manufacture. The lifetime of the combi steamer is equal to ten years. (Russia JSC Chuvashorgtechnika 2013.)

Manufacturer or organization which has a contract with JSC Chuvashorgtechnika on warranty and repairing service is responsible for the elimination of identified defects: the repairing or replacement of defective parts of combi steamers. The guarantee repairing or replacement is not done if the warranty card was not provided or if storage, transportation, installation and operation regulations and rules were not followed. The guarantee does not cover spare parts such as

lamps. If it is not possible to eliminate all defects the manufacturer should replace the defective combi steamer. (Russia JSC Chuvashorgtechnika 2013.)

Warranty policies are important for international delivering of combi steamers. They are a part of reverse logistics. Company X should analyze how to manage reverse logistics, but this study does not include such issues.

8.3 Delivering and releasing for free circulation in the EU

Deliveries of combi steamers can be divided into three stages: choosing the Incoterm type, which means that the mode of delivery, time and place must be chosen; getting to know about clearance procedures including nomenclature code, customs tariffs and documentation; and acquainting oneself with possible problems in transportation, which is part of risk management.

In order to make a delivery, case company X is going to use road transportation, trucks. Choosing of the border crossing point is important, because sometimes it can happen that certain products can be transported only through a certain border crossing point. (Boyarina 2014.)

Company X uses the Incoterm FCA for goods deliveries. “Free Carrier” means that the seller delivers the goods to the carrier or another person nominated by the buyer at the seller’s premises or another named place. The parties are well advised to specify as clearly as possible the point within the named place of delivery, as risk passes to the buyer at that point. (ICC Incoterms 2010.)

When using FCA, the buyer should pay the price of goods as provided in the Contract of Sales. All import formalities procedures should be done by the buyer. The consignee takes care of the carriage and the insurance at their own expense and risk. Before the carriage the buyer notifies the seller about the carrier and the mode of transport which is used and sends a copy of the power of attorney by e-mail, it is important to report such information in advance. (Boyarina 2014.)

The truck with the driver who has the power of attorney from company X takes the kitchen equipment from the premises of Chuvashorgtechnika in Cheboksary. The seller, JSC Chuvashorgtechnika, clears all goods for export and pack-

ages them according to packaging terms. The company has their own licensed brokers. A copy of the power of attorney should be left in JSC Chuvash-torgtechnika by the driver. Risks are transferred from seller to the buyer when goods are delivered to the agreed point within the agreed period. JSC Chuvash-torgtechnika has no obligation for further customs formalities, paying duties or paying VAT. The seller must provide the buyer with all documents of delivery including commercial invoice, goods specifications, certificate of origin ST 1, cargo customs declaration (CCD), and certificate of examination, which is based on the certificate of origin. Consignor clears the documents for export, and pays all duties, taxes and other charges upon export. Moreover, it is the seller's responsibility to do all checking operations, to pay the costs of all pre-shipment inspections requested for export procedures, and to package all goods according to the package requirements. (Boyarina 2014.)

Kitchen equipment which is produced by JCS Chuvash-torgtechnika should be packaged and maintained in right conditions. The packaging is made from wood in order to be environmentally friendly and not pollute the nature. Storage of combi steamer must be in a transport container of the manufacturer at a temperature not lower than +5 ° C. Storage of packaged combi steamers in the premises of JSC Chuvash-torgtechnika should not exceed 12 months; when storage time is more than 12 months, the owner is obliged to repackage the steamer products. (Andreeva 2014, Russia JCS Chuvash-torgtechnika 2013.)

A packed steamer should be transported by using rail, river or road transport in accordance with the rules of transportation on these modes of transport. Marine and other modes of transport can be used only with special agreement between JSC Chuvash-torgtechnika and the buyer. Loading and unloading of combi steamers must be done carefully. Storage of packed steamers must not comprise more than two blocks of combi steamers in height. (Andreeva 2014, Russia JCS Chuvash-torgtechnika 2013.)

By the Incoterm FCA, the seller does not oblige to provide the consignee with the insurance, but on the seller's request and at their expense the insurance can be provided. If delivery is failed, the seller should notify the buyer on the buyer expenses. (ICC Incoterms 2010.)

In order to avoid risks inherent in international transactions, a professional approach to the way of transporting, to the customs procedures, to the packaging and warehousing is needed. Of course, it is not possible to know everything, so 3PL or outsourcing can help. In some cases, in order not to lose money, it is important to delegate some tasks to another company. (Boyarina 2014.)

The role of a custom broker in the case of transporting kitchen equipment can be important. It is important to know all aspects of transporting, also all changes in laws, for example. Sometimes it is more reliable to outsource some tasks. JSC Chuvashorgtechnika has their own customs brokers. Company X does not have them and is going to use licensed organizations for this purpose. This work will be outsourced.

8.4 Validation of nomenclature codes determined in the HS System country of origin certificate

As stated in previous chapters, validation of nomenclature codes is important for exporting and importing goods in order to pay all duties according to laws and rules.

For describing the combi steamers as per the Harmonized Commodity Description and Coding System in this study, interviews with Finnish customs authorities, a Russian custom broker and the Ukraine company ACCA-B were done.

The Harmonized Commodity Description and Coding System was created in order to simplify the customs procedures and unify the products by using standard codes. In practice it does not work as suggested and as written. Countries modify this code system and, as a result, codes for the same products are different. For example, the code for combi steamers is not the same. It is hard to identify the Finnish code based on the Russian nomenclature code. In order to manage this, it is necessary to ask a professional.

In order to get the right product code the best way in Russia is to ask licensing custom brokers. Different customs brokers are focused on different products. In order to define the product group and code, the customs broker should get answers to particular questions. During the interview such information was asked

as follows: from what material goods are made, product description, what is the purpose of use, the capacity, and if the products are aimed to use by an organization or an individual.

Combi steamers are identified as per the Commission Regulation No 1719/2005 under the heading: Machinery and mechanical appliances; electrical equipment; parts thereof; sound recorders and reproducers, television image and sound recorders and reproducers, and parts and accessories of such articles, and its subheading: nuclear reactor, boilers, machinery and mechanical appliances; and parts thereof. (Official Journal of the European Union 2005.)

When goods are exported from Russia, they have the code: 8419818009. In this group belong products which are used for cooking or heating, or for making hot drinks. This group comes under the main group 84: nuclear reactors, boilers, machinery and mechanical appliances; and their parts. The subgroup 8419 includes machinery, plant or laboratory equipment, not electrically heated equipment (excluding furnaces, cameras and other equipment), equipment for the treatment of materials during temperature changes, such as heating, roasting, distilling, rectifying, sterilizing, pasteurizing, steaming, drying, evaporating, condensing or cooling (except machinery and equipment used for domestic purposes); and thermal water heaters instantaneous or storage water, nonelectric. (Ljashenko 2011, ISSA 2013.)

It was found out that the combi steamers, trade mark Abat, produced by JSC-Chuvashorgtechnika, do not have any export duty. The products are subjected to sanitary and epidemiological supervision at the border customs. (ISSA 2013.)

When combi steamers are imported into Finland, the code is 8419 81 80 90, and also categorized as others (Kähkönen 2014).

In Finland goods imported from outside the EU customs territory should be declared. When the customs gets from the carrier notification of the goods arrival, the customs declaration should be given. (Gavrilov 2014.)

Customs duties are defined by the customs by using the product specifications which are based on the combined nomenclature. The combined nomenclature,

together with the rates of duty and other relevant charges, and the tariff measures included in the Taric or in other Community arrangements shall constitute the common customs tariff referred to in Article 9 of the Treaty, which shall be applied on the importation of goods into the Community. (Finnish Customs 2014.)

Goods value is defined on the actual product price and shipping price (for example, freight and shipping charges to the destination, insurance) if they are included in the price. The import custom duty for combi steamers is 1.7 percent. (Kähkönen 2014.)

When goods are imported to the EU, VAT is charged. It is calculated on the custom product value with the shipping price and all import statutory charges and other charges are included in the taxable amount. (Kähkönen 2014.)

8.5 Possible customs problems.

Which problems can occur at the customs and transporting of combi steamers? For example, there can be problems with packaging. At the border goods can be opened, so the packaging will be broken and then it can be a problem to package the goods again in compliance with all packaging regulations and without destroying the products.

All problems can be classified into three groups: documentary problems, crossing border place problems, transportation problems and force majeure.

Problems can concern documents. As was said above, documents are an essential part of the importing and exporting operations. Documentary problems can occur when not a professional approach is applied to this stage of work (wrongly prepared documents), although such problems can occur even when employees are specialists (misunderstandings of laws and rules). Documentary problems and border crossing problems are interrelated. Without well prepared documents it is not possible to export or import goods. As was said above problems can occur if rules are misunderstood. For example, goods come to Finland from Italy with required certificates. In order to export the goods from Finland to Russia a MRN declaration should be made, but at this stage a problem ap-

pears: according to new regulations the company which sends the goods, not the forwarding company as required earlier, should make the declarations. (Gavrilov 2014.)

"In the Risk Management Guide, the World Customs Organization (WCO) defines a risk as 'the potential for noncompliance with Customs laws'. From the business perspective non-compliance with Customs laws will translate into three types of risks: regulatory risk arising from laws and regulations, fiscal risk concerned with the collection of duties and taxes, and security risk linked to the integrity of the supply chain." (Truel 2010, p. 24.)

"Operational: Production interruption or production shutdown, delay of a project from its critical path, disruption of the supply chain, loss of sales, increase in inventory costs, late delivery penalties. Financial: recalculation of duty and taxes, retroactive duty and taxes assessment, financial penalties, penalties interests, increase in transaction costs, late payment, cash flow and working capital deterioration." (Truel 2010, p. 24.)

"Reputation: Customs risk reported through the accounts, negative press coverage, loss of customers and trading partners, negative impact on credit rating, loss of shareholders and market confidence." (Truel 2010, p. 24.)

Problems can occur by misunderstandings concerning different customs. When goods come from Germany under MRN declaration this declaration, it can be inaccessible for the Finnish customs. In this case delays on the border can occur. This problem can be solved by checking the declaration visibility in the customs system and reporting about this declaration in advance to Finnish customs authorities. (Gavrilov 2014.)

Force majeure involves political and ecological problems. The Investopedia 2014 gives the following definition of force majeure: "A French term literally translated as 'greater force', this clause is included in contracts to remove liability for natural and unavoidable catastrophes that interrupt the expected course of events and restrict participants from fulfilling obligations."

For example, a situation when another country makes such actions which obstruct moving goods into one country can be named as force majeure. On 20 April 2014 Russian customs made a change into the custom rules so that from this day onwards it is not possible to move goods from Finland through the Torfjanovka crossing border place under TIR Carnet. Such a change creates long queues of trucks with TIR Carnet signs, which causes delivery delays to the end or intermediary companies, the customers. (Finnish Customs 2014.)

8.6 Research conclusion

Conclusions from this study are presented in a table view. Figure 2 describes international delivery operations when transporting kitchen equipment from Russia to Finland.

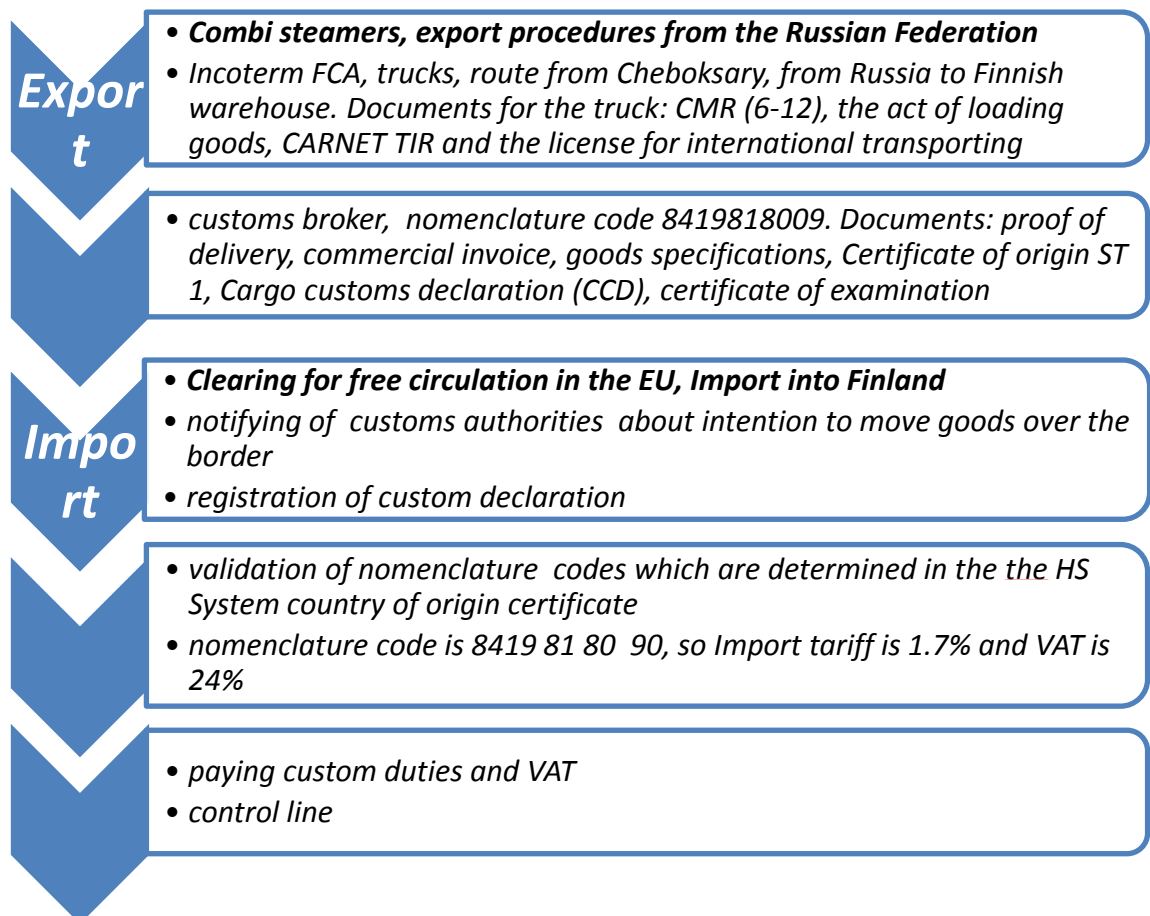


Figure 2. Conclusions from the study.

In delivering combi steamers from Russia to Finland it is possible to define three main factors which influence the success of transporting: reliable supplier, doc-

umentation and secure outsource organizations (customs broker, transportation company).

For successful importing into Finland it is important to carry out particular actions: find out the product`s nomenclature code, get to know duty tariffs, additional requirements and restrictions on import and obtain necessary import permits or licenses before the importation of goods.

9 Conclusion

International trade involves goods and services transactions between countries. In this process there are different stages: transportation, payments, additional aspects such as packaging, guarantees and insurance, customs clearance, further using or selling.

Finland can be a good place for selling the kitchen equipment of JSC Chuvash-torgtekhnik. There are two main parts which should be covered: customs procedures and delivery of goods; and finding customers. In this work the delivery and customs procedures and related problems were analyzed.

As it was stated in chapter eight, It is possible to define three main elements in delivering kitchen equipment from Russia to Finland which influence the success of transporting: reliable supplier, documentation and secure outsource organizations (customs broker, transportation company).

All these elements are interrelated; moreover, they are influenced by one more stage which was not described in this work – further selling of goods in Finland. Every stage in the delivering process adds value to the product and the product becomes more expensive. The main task in the delivering is to minimize costs and time, as time is the second important factor after costs. As the chosen Incoterm defines: goods should be delivered to the place at a certain agreed time. In the situation when, for example, delivery is delayed the goods may not be needed any more and money can be lost.

In conclusion, it is possible to say that goods should be delivered in compliance with all agreements and rules between countries, by using the cheapest and

most convenient way for delivery, reliable mode of transport and in time. Of course sometimes problems can obstruct the delivery, but in most cases a reliable and problem free delivery depends on the delivery plan and complying with all rules and paying all duties.

After delivery to the certain point of destination, goods (combi steamers) are ready for selling or using, but this topic will be covered in other studies for other purposes.

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