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New Trade Possibilities for Pakistan in
Finland
Carpets and Rugs

Thesis

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Commissioned by Al-Mumtaz Carpets Silk Route Inc.		
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<p>Abstract</p> <p>The objective of this thesis was to establish the export plan for Pakistani Textile companies to export their products in Finland. Two Pakistani companies were looking for more international customers particularly from the countries where they had not being exported their textile products (carpets and rugs) but they has no experience of doing trade business of their goods in Scandinavian market specially Finland. Being an international trade student with textile knowledge background I took this topic as a challenge for me to create a possible export plan.</p> <p>The secondary objectives were to find out the potential customers from Finland for Pakistani carpets and rugs manufacturing company and to discover how the exportation from Pakistan to Finland could takes place.</p> <p>Qualitative research method was used in this research study. The data was gained from the questionnaires sent to four commissioner companies, two from Pakistan and two from Finland through email and one phone call interview of Pakistani manufacturer. Theoretical information was mostly collected from online resources, books and websites of the companies</p> <p>The thesis research was successfully completed hence two Finnish importers were found and they were interested to try business with chosen Pakistani carpets companies. The whole export process and documents was described step by step which the commissioned companies could follow if interested. Additionally the study would be helpful and beneficial not only for commissioned companies but also other companies interested in engaging any kind of trade business with Finnish companies.</p>		
Keywords import/export, carpets & rugs, documentation, Pakistan, Finland		

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THEORETICAL FRAMEWORK

1 INTRODUCTION

Pakistan is the 26th largest economy behind the United States, China and India in terms of purchasing power parity (PPP) in dollars and for Gross Domestic Product (GDP) it is ranked as 38 largest in the world. Yet, the undocumented economy of Pakistan is estimated to be 36% of its overall economy when calculating per capita income is not taken into consideration (Economy of Pakistan 2015).

The primary economy is based on agriculture with the leading crops includes wheat, cotton, rice and sugarcane and hence the country is the third largest cotton, onion and milk market. The textile industry in Pakistan is the largest manufacturing industry. About 70% of textile product goes for exporting and this industry occupied almost 40% employed labour force. Pakistan is the 8th largest exporter of textile products in Asia. The country is the 4th largest producer of cotton and has the third largest spinning capacity in Asia. This sector contributes 8.5% to the GDP for the country. Therefore, this sector mainly in carpets needs to catch more and new export markets to maintain their economy in this competitive market (Economy of Pakistan 2015).

The economy of Pakistan is one of the fastest growing economies of the world and it has potential to be one of the large economies in the world in the 21st century. The base of the economy of Pakistan is semi-industrialized and the primary export commodities are textiles, sports goods, leather goods, chemicals and carpets and rugs and the main industry includes textiles and apparel, food processing, pharmaceuticals, construction materials, chemicals, cement, mining, machinery, steel, engineering, automobiles, paper products, fertilizer etc (Economy of Pakistan 2015).

By knowing about these facts, opportunities and possibilities, both the countries Pakistan and Finland could have a prosperity and benefit doing trade with each other. As a Pakistani, I know about the quality products of Pakistan, especially textile goods and I also have some business family background, so I am well aware of Pakistani business culture and customs.

During last three years I, have been studying International Business in Finland hence I have some idea about Finnish business culture, too. This is the reason which gives me interest to import goods from Pakistan to Finland. As the product qualities and EU standard marking creates some problems to importing goods from Asia to Europe, I would try to research also regarding the challenges, hindrances and opportunities which Pakistani and Finnish companies could face while importing textile goods from Pakistan to Finland. However, the main purpose of this thesis is to provide textile companies in Pakistan, an easy access to sell their carpets in Finland and to have new market and customers. For that reason, this research work aims to provide good information regarding trade of textile products between the two countries.

One more purpose for tapping new market is to aim to build new trade relationship between two international companies; one is residing in Finland and another in Pakistan. This gave me interest about the thesis work: A guide to Pakistani textile companies entering Finland. "Al-Mumtaz Carpets" and "Silk Route Inc." are the case companies from Pakistan for my thesis. They are famous for their vast varieties of beautiful textile products and their designs. They have no dealings with Finland or any other Scandinavian countries at the moment and that is why they are interested in the possible entry of this new untapped market. "Vallila Interior Contract Oy" and "Finarte Oy" are two other possible importers from Finland.

The major problem arise for the economy of Pakistan in the recent past years undergo from domestic political disputes, growing population and spreading trade gap as import is continuously rising as compared to export expansion. As the textile is major export commodity, so the liberalisation in the international textile trade already earns prosperity and interest for export of the country and is also looking for profit from free trade in agriculture and textiles (Daily Times 2015).

I chose this thesis topic for import of textile product from Pakistan because of the reason that I have one bachelor's degree of textile engineering from Pakistan already. The textile engineering education gave me comprehensive knowledge of textile and by combining my second international business

degree; it could be a great chance for me to be a successful business man in field of trade for textiles. So for the reason of my personal interest I selected this research topic of importing textile products from Pakistan to Finland which I hope will help me so much in near future when I would be in practice of trade.

Another reason for my interest in this research is that I already know that here is a great demand for carpets and rugs in Finland and all Nordic countries. On the other hand Pakistan is very rich in textile and carpet manufacturing so I decided to go in deep study that whether there could be an import possibility or not. So the aim of this research is to understand, describe and analyze the import process of textile goods from Pakistan to Finland.

2 RESEARCH PROBLEM

2.1 Research questions

The starting point of any research effort is some idea or observation that attracts attention and initiates speculation (Ghauri 2010, 40). The main purpose of this research is to describe, understand and analyze the import process of textile product from Pakistan to Finland. The textile Industry of Pakistan is very large and this sector contributes 8.5% to the GDP for the country. Therefore, this sector mainly in carpets needs to catch more and new export markets to maintain their economy in this competitive market. The research questions are the following:

- a) What are the international trade risks, challenges and limitations while importing from Pakistan?
- b) What is the trade relation of Pakistan with the EU and specifically with Finland?
- c) What are the trade agreements and current situation of trade between the two countries?
- d) What is the market situation of carpets and rugs in Finland?
- e) What are the steps, customs, trade documents, export/import criteria involved in international trade?

- f) What could be the channel of distribution of goods in Finland after importing from Pakistan?

2.2 Research process

This research process started with an idea of exporting carpets/rugs from Pakistan to Finland. Qualitative research method has employed in this process which has been achieved by collecting and analysing of useful data by observing trade process and the responses from case companies.

Four personnel from two different case companies and two importer companies were interviewed. They were asked to respond to some general questions about their companies and businesses in which they are involved. The results of the research were reliable because they comprised the skills, experiences and thoughts of the interviewees. The research was conducted by the perception and involvement of both Pakistani and Finnish companies.

The whole thesis is divided into two main parts. The first part is the theoretical framework which gives a general overview of the thesis and discusses methods used, introduces of case companies, provides information about carpets and rugs, international trade and documentations, trade agreements and relation of Pakistan with Finland and EU, customs and distribution channel.

The second part is the empirical analysis used to prepare this thesis. It includes the analysis of results and the practical experiences of interviewees. The information helps to create the whole export process which is designed in empirical part.

At the end there is conclusion part of this thesis and recommendations for case companies and others who could read this thesis for future business.

2.3 Research method

This thesis is focused on trade and importing operation so qualitative research method is used to study and evaluate the findings and the results. The main reason of using qualitative research method in this thesis is the objective and nature of the topic to create an export plan. This thesis is basically focused on textile companies named Al-Mumtaz Carpets and Silk

Route, Inc, so interviews would be required with these two companies, and in this case qualitative method is well suitable.

The sources used were mainly books, journal articles, online data sources such as government official websites and publications, website of firms and catalogues. The theoretical part in this thesis was mainly drafted from textbook, and web pages are also very important because it gives up to date information regarding my thesis research.

Qualitative research method is used in this thesis. It is a method of inquiry employed in different research and academic disciplines. Qualitative method is basically preparatory research and it can be done over various methods includes conducting interviews, observations, active personal participation and focusing of relative group which helps to examine the behaviour, underlying reasons, opinions, attitude, motivation and experience of the interviewee. Qualitative research gives observations of the problem which helps to evolve the idea for the solution (Flick 2011, 12, 123).

In this thesis both primary and secondary data were used for designing an export plan. Primary data is the observation and experience collected by the researcher where as secondary data are the information and other's thoughts which can be collected from books and other internet sources. Secondary data was very useful not only to find information to solve this research problem, but also to better understand and explain the research problem. The secondary data was based on theory and showed the Pakistani and Finnish business culture, economy, trade and textiles. The primary data was collected through questionnaires and a phone call interview. The interviewees were the Finnish importers Vallila and Finarte and Pakistani manufacturers and exporters Al-Mumtaz Carpets and Silk Route Inc.

2.4 Data collection

The data was collected by qualitative research method. Two questionnaires were designed, one for Finnish importer company and one for Pakistani exporter company. Each questionnaire was sent to two different importers and exporters for precise result findings. The data collected was useful to

evaluate the knowledge of the trading business regarding Pakistan and Finland. The data was collected in various forms:

a) Primary data

- Questionnaires; send to four management personnel, two in Finland and two in Pakistan. All are engaged in textile and trade business. More information about personnel and companies is discussed in chapter three.

b) Secondary data

- Library books; thesis relied on different books also relevant to the field of exporting and readily available at the library at Kyamk
- Internet website; provided much of the information since it is readily available and easy to access the internet
- Direct observation and previous study background by the author

2.5 Conceptual framework

A conceptual framework or literature work is a detailed or systematic approach with many contexts and variations. Conceptual framework is used to compose visionary and theoretical perception and organize ideas (Ghauri 2010, 29).

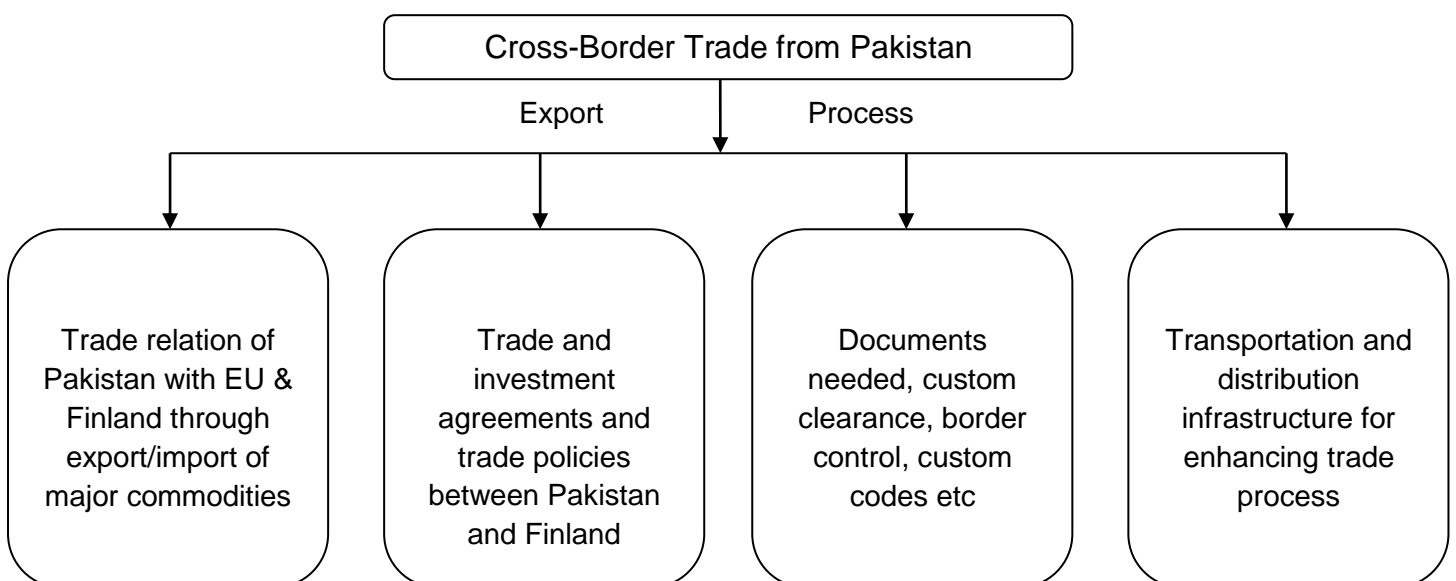


Figure 1. Trade Process for Pakistan and Finland

The figure 1 shows the conceptual illustration of the thesis that is discussed in the research work and will be used by importing of textile goods from Pakistan to Finland. Payment terms of the import process and market situation of Finland for carpets and rugs would also be discussed.

3 INTRODUCTION TO CASE COMPANIES

3.1 Pakistani companies

3.1.1 Al-Mumtaz carpets

Al-Mumtaz Carpets is the exporter based manufacturer of beautiful designed hand-knotted carpets and rugs. It is located in the city of Lahore, Pakistan. They are specialised in Pakistani and Afghani style handmade carpets and rugs but they also manufacture machine made carpets and rugs according to the nature of demand. The average per annum sale of carpets is approximately 3,500 square meters and the average business turnover is approximately 15 million Pakistani rupees (Ex rate 126947.04 Euro as on 16 April 2016). Al-mumtaz carpets are already engaged in international business with Japan, Turkey, China, Spain and Greece (Bizbilla 2016). More information can be found in the attached questionnaire in Appendix 3.

3.1.2 Silk Route Inc.

Silk Route Inc. was established in 1954, situated in north-east of Punjab Province in Pakistan. It is one of the biggest and famous manufacturers and wholesaler of handmade carpets and rugs in Pakistan. They manufacture vast range of varieties of carpets and rugs which are durable, fast colour, fine and shiny carpets. Silk Route Inc. carpets and rugs are very famous not only in Pakistan but their customers span on a large area in more than twenty countries in North America, Europe and Asia. The manufacturing units are in Pakistan but they have international offices in US/Canada, UK/Europe and in Australia. The average per year sale of Silk Route Inc is about 10,000 square meters with the business turnover of around 10 million Pakistani Rupees (Ex rate 84631.363 Euro as on 16 April 2016) per year (Pak Wholesale Rugs

2015). More information is available in the attached questionnaire in Appendix 3.

3.2 Finnish companies

3.2.1 Vallila Interior

Vallila Interior was founded by a Swiss man, Otto Berner in 1935. Since then it has become famous as a leading runner in Finnish interior design. They specialize in interior home design accessories, home textiles, carpets and rugs. The headquarters of Vallila are located in Helsinki, Finland. They have established leading import and export sales divisions within Europe, Asia and the USA. Vallila Interior is a famous company in Finland having the average business turnover of around 20 million Euro per year. (Vallila Interior 2016). More information is available in attached questionnaire in Appendix 3.

3.2.2 Finarte Oy

Finarte Oy is Finland based carpets and rugs designers and retailers in Finland. They have been collaborating with Indian handicrafts manufacturers for more than 20 years. Finarte Oy is dealing with many different Asian styles of carpets and rugs in Finland. Finarte Oy has manufacturing units in Biswan and Varanasi, India. It has the capacity of average per annum sale of about 50,000 square meters with average business turnover per annum around 1000,000 Euro (Finarte Oy 2016). More information is available in attached questionnaire in Appendix 3.

4 DESCRIPTION OF THE FIELD

4.1 Background of carpets

Carpets are a unique field of textile family. It is like a textile floor covering being fixed to the whole floor surface covered from wall to wall. During the early ages people used to cover the floors of their residence with grass, animal skins or later with woven reed mats. These earlier coverings were then replaced by woven mats of cotton and wool when people learned lately that how to spin these fibres.

The first general carpet was woven in 3000 B.C. by the Egyptians by sewing brightly coloured woollen cloth pieces onto linen base. From these early stages, the weaving of carpets with the help of looms to its highest art was started in Turkey, India, Iran and China. During these times, a knot out of pile thread was made by the weavers followed by a row of knots that was tightly beaten down to the base as cotton, linen or hemp was using as a foundation of the carpet and silk or wool was use to make the luxurious pile (CRI 2015).

The history of import of carpets and rugs in Europe eagerly started from 1300 A.D. when one of the Middle East Company named Moorish weaver first export their readymade carpets to France. After that England and France both imported Persian carpet weavers and lately in 1700 A.D. they established Wilton and Axminster as a carpet making towns. In 1801, a handloom device for carpet making was invented by Joseph M. Jacquard in which punch cards were used to up to six varieties of yarn colours in textiles. This was supposed to be the revolution in carpet industry all over the world and was adopted for carpet looms in 1825 (CRI 2015).

4.2 Pakistani carpets

The carpet manufacturing in Pakistan started just after its independence in 1947 and soon it became famous around the world for its speciality in uniqueness and style. Australian wool yarn are now being widely used in carpets and rugs manufacturing in Pakistan with high knot density which is very similar to silk carpets but it is more stronger durable at lower price and looks much stylish and better feels in touch.



Figure 2. Major carpets / rugs production areas (Carpet Encyclopedia)

As can be seen in Figure 2, the most production areas of carpets and rugs in Pakistan are Karachi, Lahore and Rawalpindi. Two types of carpets which are mass produced in these areas are Mori carpets and Persian style carpets. Ninety percent of Mori carpets have Bokhara like and Turkmenistan patterns. Pakistani carpets are sold around the world under different names like Bahawalpur, Karachi, Hyderabad, Peshawar, Multan and Quetta carpets (Carpet Encyclopaedia 2015).

At present, hand knotted carpets and rugs are one of the country's leading export products around the world and so to Europe also. Hand knotted rug manufacturing is supposed to be a second largest cottage and small industry in Pakistan and the craftsmen have the ability to produce many different types of designs such as guls, medallions, tracteries, paisleys and geometric designs in many combinations. There are many types of Pakistani carpets and rugs which are very famous around the globe and these are mention below:

- Bokhara
- Pak Persian
- Pak Gabbeh

- Jaldar
- Chobu
- Lahore
- Shwal
- Caucasian
- Khotan
- Patchwork
- Ferahan
- Kazak

Hand knotted carpets and rugs are produced today all over Pakistan with major centres located in big cities (Wikipedia 2015).

4.3 Carpet construction

Carpet is a textile product which is made of dyed pile yarns; a primary support where all the yarns get sewn, a secondary supportive base that gives strength to the carpet. These primary and secondary bases which are mostly made of woven and non-woven polypropylene and are bound together with the help of adhesives and sometimes foams are used underneath the carpet with the help of adhesives to give softer and luxurious feel. The performance, durability and look of a carpet are determined by its material and construction which could be either cut or loop or the combinations of these two. Around ninety five percent of the carpets today are pile yarns which are made of synthetic polymers where as in some carpets wool yarns are also used which is more expensive compared with synthetic yarns (Goswami 2009, 318).

4.4 Carpet manufacturing

Carpets can be made in two ways, either by hand or machine. One of the most important differences between hand-made and machine-made carpets is that handmade carpets hold a wonderful unique look and impression. Machine made carpets are cheaper compared with handmade and the production is fast. Below the machine-made carpet process is described.

4.4.1 Yarn preparation

The manufacturing process starts from the synthetic yarns which can be either in staple fibre form or bulk continuous filament form. A number of bales of staple fibres are blended together in a hopper to mix and make all the fibres uniform. Then slivers are made by the carding machine from the web form of these fibres after lubrication of the fibres which is in the form long loose ropes. Then these slivers are pulled and spun into a strong thin long single yarn. The bulk continuous filament and single ply yarn filament are twisted together to form two-ply yarn for the process of tufting. These yarns are then heat set at 270-280 degree Fahrenheit to maintain its curly shape and then transported to tufting machine for tufting process which is punching these yarns into the base of ground fabric to create many uncut loops (Crawshaw 2002, 34).

4.4.2 Tufting the carpet

Before the tufting process, sometimes the yarns are dyed through vat dyeing process. In the tufting process the yarn is placed on the creel bars behind the tufting machine then the yarns directed to the tufting needle with the help of nylon tubes. The tufted yarns then plough in the primary base with the help of needle to form into a loop. A flat hook also called looper then catches and releases the loop so only the needle pulls back up and the whole process then repeats thousands time to make a carpet form. In the opposite direction, a looper fixed with knife that functions like a scissors cuts the loops to form a cut pile. Several hundred square yards of carpets can be produce in a day by one tufting machine as it can be seen in Figure 3 (Crawshaw 2002, 35).

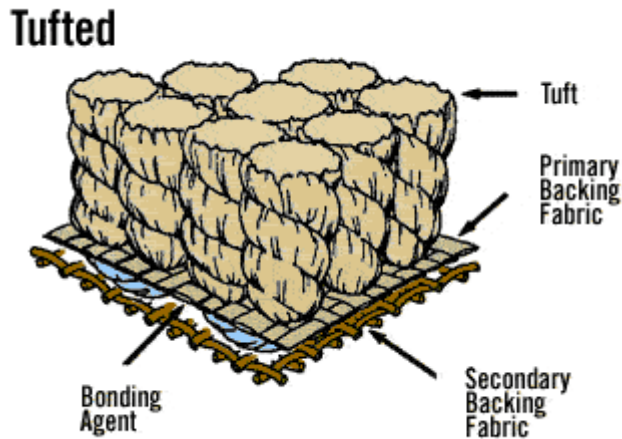


Figure 3. Tufting of carpet (Carpet and rug institute CRI)

4.4.3 Dyeing

After the tufting process, the carpets are dyed either of one solid colour or printing on the surface. There are several methods for dyeing the carpets and for solid colour, in one of the method continuous rolls of carpets are formed by sewing the carpets together. These rolls are then fed in vat dye bath, which is filled with a mixture of water, vat dyes and chemicals and the bath is heated at the desired vat dyeing temperature. The carpet continues to be dipped in the dye bath for the required time and then the carpet steam fixed for colour, rinsed and washed first with hot and then cold water. Printing is carried out with the help of screens for which carpets are passed under the screen roles with pigments which transfer the pigments on the surface of carpets according to the required design (Crawshaw 2002, 35).

5 INTERNATIONAL TRADE

Exchanging the goods and commodities beyond national boundaries is called international trade. International trade impacts on all the actions and movements of the country such as jobs, poverty reduction. It also influences the whole business environment and relations within countries. To flourish the economy of the country, international trade plays a very important role to source the revenue. It is important for developing countries like Pakistan to increase their international trade in order to generate the economy and to compete in today's competitive market. Trade has played a very vital role in

Pakistan's economy since independence. The textile products are dominating on all the products exported from Pakistan.

5.1 Import and export

“Export is the industrial cross-border supply of goods, services, and intellectual property rights (trade mark, copyrights, and utility models, patent) to foreign customers (Grafers and Schlich 2006, 15).

The exports are something when the individuals or a nation sold out goods and services where as when the goods and services purchased by individuals or nation it is called imports. International trade is a game where everyone wins from the origin to the final consumer. International trade is the key aspect of the economy for any country in today's world because imports bring goods and profit while exports generate huge profits and international trade also creates the job opportunities. Import/Export is not just exchange of physical goods but they also include service provided by cruise lines, international airlines, and entertainment (Rugman, Collinson, & Hodgetts 2006, 6).

The role of middle man is however also very important in international trade and import/export business. A personal export/import business is that someone or a firm works as an international middleman who allows the foreign made goods to be sold in other cross border country (Nelson 2009, 3).

Any company/manufacturer which is not yet involved in exporting or importing could be a potential business partner for the international buyers. That is reason the medium sized textile company is chosen for this thesis. It was found out that there are many SME's textile carpet manufacturers in Pakistan which has not yet access to the international market mainly to Nordic countries and they are willing to involve in international trade.

Finland is much technology based and industrialized country and its economy depends mostly on exports. Trade from Finland contributes 85% of the GDP. Due to the scarcity of natural resources and water land, this country imports raw material but exports wide ranges of products from wooden products, paper, packaging and packing material, metal, mechanical

and electronic goods. Information and technology goods contribute well in Finland economy (Global trade 2014).

5.2 Trade risks

There are risks in every area of life so as in international trade also. International trade transaction is not supposed to be simple and straightforward unless few important things are confirmed like the delivery of goods has taken place, trade transaction has been fulfilled and the payment is received by the seller. Problems may arise even in clear simple transactions (Grath 2008, 9). International trade is insecure compared with domestic trade just because international trade is very complex. However; there are some laws and regulations that protect the transaction and the whole trade process.

In order to settle certain disputes there are some trade practise and conventions mentioned in the form of International Chamber of Commerce (ICC) publications to make the whole trade process secure for all the trade parties (the seller and the buyer). It is very essential before going into international transactions for both buyer and seller to have the knowledge of these practices. According to International Chamber of Commerce (ICC) publications there are possibly five different types of international trade risks.

- Product, production and transport risk
- Legal and political risk
- Cross-cultural risk
- Commercial risk
- Financial risk

It is important to know that in the worst case, all above mentioned risks could occur possibly in the same overall trade transaction. For instance, while selling or exporting any product to the customer in Finland from Pakistan, there may be straight commercial risk and many other risks. There is a wide difference of economic environment between Pakistan and Finland. The cultures of Pakistan and Finland are quite different as well as the legal environment of both the countries are also quite different from each other.

Therefore a risk cannot be avoided, and one should be prepared to manage every possible risk while trading between two countries. Moreover there may also be a great risk of damage, theft and loss while trading as well as for the importer the risk of not receiving the quality goods as expected therefore mutual understanding for both the buyer and seller while signing the contract is very important to minimize the risks (Grath 2008, 9-11).

While doing trade from Pakistan it is very significant to have a good relation with Pakistani suppliers on the individual level because relationship and trust play a very important role in business to Pakistani suppliers. There is always a risk of cross-cultural clash in international trade business because of varied cultural heritage of different countries. It can affect business through attitudes, symbols, behaviours, ideas and values as the business principals of one country may be considered unethical in other countries because of the culture diversity. As I noticed as a Pakistani student, the Finnish socio-culture is quite different from Pakistan, in that in Pakistan people normally are talkative, discuss families and want to have personal relation in normal and business environment where as in Finland, people are normally shy and feel uncomfortable with the long conversations.

Commercial or purchase risk is also very important to take into consideration which means the buyer or seller may not be capable of fulfilling the contract terms and obligations or being bankruptcy. To avoid this kind of risk in advanced countries, there is an organization named "Organization for Economic Cooperation and Development (OECD)". This organization helps to provide the seller with good information for potential and serious buyers which may minimize the risk while dealing with the buyer. The website shows that Finland is the member of OECD so there could be less risk for the Pakistani exporter to trade with Finnish customer (OECD 2016).

Political and legal risks that may arise by the political or economic environment of the country cannot be neglected. Finland's political and legal system is stable having liberal economic environment whereas there is a problem of corruption in Pakistan's political and legal system that may influence on the international export. This should be taken into account when doing business with Pakistani exporter. There may also be a potential risk of

currency fluctuation and is very common in international trade business. Both buyer and seller can avoid this type of risk by the involvement of the bank which offers the foreign transaction currency on a predetermined rate in order to prevent the future currency fluctuation (Grath 2008, 24).

6 TRADE RELATIONS

6.1 EU – Pakistan trade relation

With the globalization, it is getting easier for the individual buyer or supplier to do and expand their business where ever in the world. In order to facilitate and provide the smooth path for the businesses, different policies and bilateral trade agreements plays a very vital role. Between the countries, these bilateral agreements are assumed to be very fruitful because the main aim of these agreements is to gain mutual trade development and overall progress in different areas of economies by improving the efficiency, prosperity and profitability.

There are around 600 multinational or foreign hold companies in Pakistan because of its liberal and open investment policy in South Asia region. Foreign companies enjoy benefits while doing business with Pakistan because of no restriction on the outflow or inflow for remittances of profits, debt service, capital gains or expenses for imported inputs. Ease of doing business in Pakistan ranked 107 among 185 countries (World Bank 2015).

The European Union is considered the most significant trading partner to Pakistan, capturing the trade rate of 21.2% of overall total exports from Pakistan. Between the years 2007-2011 the trade relation of EU and Pakistan expanded by 4.7% every year. Pakistan's major commodity exports to EU are mainly textiles and leather exports which is about 75% of total exports. On the other hand, the major import commodities from EU to Pakistan are mainly comprises on machinery (mechanical or electrical) with pharmaceuticals and chemical products (European Commission 2015).

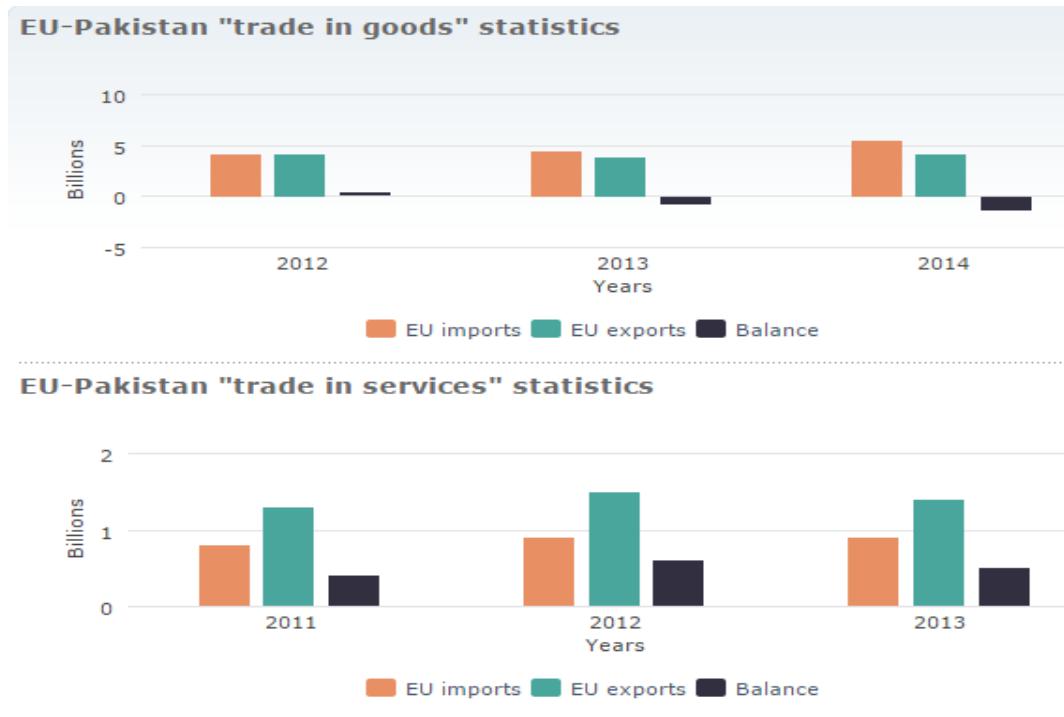


Figure 4. EU trade with Pakistan (European Commission 2015)

An association has been formed by both EU and Pakistan in order to promote bilateral trade and increasing opportunities. The purpose of this association is to meet the trading challenges between EU and Pakistan and to form bilateral trade policies and agreements. The EU considers Pakistani exports with immense trading opportunities for EU region by allowing exports from Pakistan to EU under reduced tariffs through Generalized Scheme of Preferences of EU. With this GSP, over 78% of Pakistani products enters EU region at preferential rates with quota free (European Commission 2015).

6.2 Finland – Pakistan Trade

Ministry of Foreign Affairs in Finland has the policy to promote imports to Finland through Finnish Government's Development Policy Program (FGDPP) along with Finnish Government's Trade Policy Program. In accordance with these policies, I think it would be favourable in this case of our research because it could give trouble less routes and remove any obstacles to business trade relations to export to Finland.

Finland Pakistan Business Council (FPBC) was established in 1985 in Helsinki by business people of Finland and Pakistan to enhance the

businesses of Finland and Pakistan to the next generation. It is a non-governmental organization which is registered in both countries and aims to monitor and encourage the business people of two countries and trade relationship between Finland and Pakistan. FPBC has already organized couple of business and trade events in Helsinki and Islamabad and the third Finland-Pakistan Business Summit is going to held on 9th February 2016 at Lahore Pakistan (Finland Pakistan Business Council 2016).

There is good potential in different sectors of both countries and hence the private sector or small companies have a great opportunity to work forward using bilateral trade with each other. At this stage there is no convincing bilateral trade between two countries. Finnish companies' total investment was just \$3.8 million in the year 2013. Total imports from Finland to Pakistan were \$188 million and total exports from Pakistan to Finland were worth only \$52 million which is not significant at this stage (Pakistanintheworld 2013).

Larger commodity exports from Pakistan to Finland mainly comprised textile industry such as woven and cotton fabrics clothing and other textile goods, sports and gymnastic goods, kitchen cutlery and other appliances, dental medical and other electrical equipments. In contrast exports from Finland to Pakistan mainly comprised heavy machinery and heavy industrial tools, motor engines and other electrical equipments, paper and paper board items, chemicals (Pakistanintheworld 2013).

6.3 Trade agreements

Trade agreements are special valuable arrangements among two or more countries in order to promote and facilitate the commerce across borders. It is true that international trade becomes easy because of the establishment of global and regional trade agreements. The trade agreements can undergo in three different categories (Weiss 2008, 230).

- Free trade areas: all the tariffs and quota barriers are eliminated by member countries to trade with each other smoothly but keep their own national barriers.

- Custom unions: to trade with each other all the tariffs and quota barriers are eliminated by member countries but they agree on one common external tariff.
- Common markets: reduction or elimination of barriers by custom union to provide free movements of labor and capital.

It is clear and obvious to import the goods if a country cannot produce goods to meet the domestic demand. There is a case when a country has the potential and capacity of producing the goods or services, but still they import them because of several reasons:

- The goods imported may be cheaper than produced domestically
- A wide range of goods can be obtained from globally
- Imported goods may be of better quality, design and features.

For Pakistani trade and economics, regional trade agreements play a very important role for their overall trade involvement. So, Pakistan has joined a number of regional trade agreements which include:

- Pak-Afghan Transit Trade Agreement
- Agreement on South Asia Free Trade Area
- Pak-Malaysia Trade Agreement
- Pak-China Trade Agreements
- Pak-Sri Lanka Free Trade Agreement
- Pak-Iran Preferential Trade Agreement
- Pak-Mauritius Preferential Trade Agreement
- Pak-Indonesia Preferential Trade Agreement (Government of Pakistan 2015)

Majority of them are regional and bilateral. The government of Pakistan has already signed important trade agreements with some other countries like US, European Union, Brunei, Jordan, Morocco, Singapore, the Gulf Cooperation Council, Canada, Switzerland, Nepal, Turkey and Russia. The trade relation between Pakistan and European Union has improved in the past decade only with the help of Free Trade Agreement (FTA) since

Pakistan is very important trade partner for European Union no matter how much tariff is charged on import and export from Pakistan (Bilaterals 2015).

The economy of Finland in the world can be assessed by the Global Competitiveness Report 2014-2015 according to their productivity and prosperity, which is considered the most authentic assessment report of worldwide national competitiveness. The report shows the national competitiveness of the country with the understanding of the policies, macroeconomics environment competitiveness, health and education, goods and labour market efficiencies, business sophistication, institutions, high technology and innovation, the level of productivity of the country and infrastructure of the country (World Economic Forum 2016).

According to the Global Competitiveness Report 2014-2015, Finland ranks number 4 while Switzerland is at the top number 1 position followed by Singapore and United States. It shows that Finland has stable government and innovative driven economy with lack of corruption. Pakistan ranks 129 it is mostly because high level of corruption in government sector, primary health and education problem and the lack of infrastructure and technology readiness in every aspect of life where as market size and population is the competitive advantage of Pakistan.

6.4 Export Regulations

Trade Development Authority of Pakistan TDAP established on November 8, 2006 is the ministry that monitors, manages and controls the overall trade from Pakistan to worldwide. Total exports of carpets and rugs from Pakistan to the world and to Finland can be seen in the table 1 which is taken from the statistics published by Trade Development Authority of Pakistan (Trade Development Authority of Pakistan 2016).

Table 1. Carpets and Rugs exports from Pakistan (TDAP) value in '000\$

MAJOR ITEMS	2014-15	2013-14
Woolen Carpets & Rugs (Hand Knotted)	16792	18405
Woolen Carpets (Machine Made)	46	-
Tapestry Cloth	-	-
Other Floor Coverings	397	235
TOTAL	17235	18640
FINLAND	78	66

6.5 Current situation of trade between Pakistan and Finland

Pakistan and Finland are engaged in trade to both ways since so many years. The amount of export from Pakistan to Finland is not much as to other countries but the reality is that the amount of export and import fluctuates every year depends on many conditions. During the last year, the overall export from Pakistan to Finland is decreased. Table 2 shows the total current situation of exports from Pakistan to Finland.

Table 2. Overall exports from Pakistan to Finland (TDAP) value in '000\$

COUNTRY	JULY-AUGUST		CHANGE %
	2014-15	2013-14	
FINLAND	10091	13842	-27.10

7 CURRENT MARKET SITUATION OF TEXTILES AND CARPETS/RUGS IN FINLAND

Finnish Textile & Fashion (Finatex) is federation for maintaining, promoting and improving textiles, fashion and clothing sector in Finland. They work together with the Finnish textile enterprises to build up their image of the textile industry in Finland and to compete in global market and with the import/export of textile goods from and to Finland. According to the data

provided by Finatex the textile industries in Finland are mainly involved in production of clothing, knitted and woven fabrics, socks, leather, value added textiles, yarn and fabrics. The buyer's bargaining power is at medium level in Finland hence there are many carpets and rugs buyers in Finland.

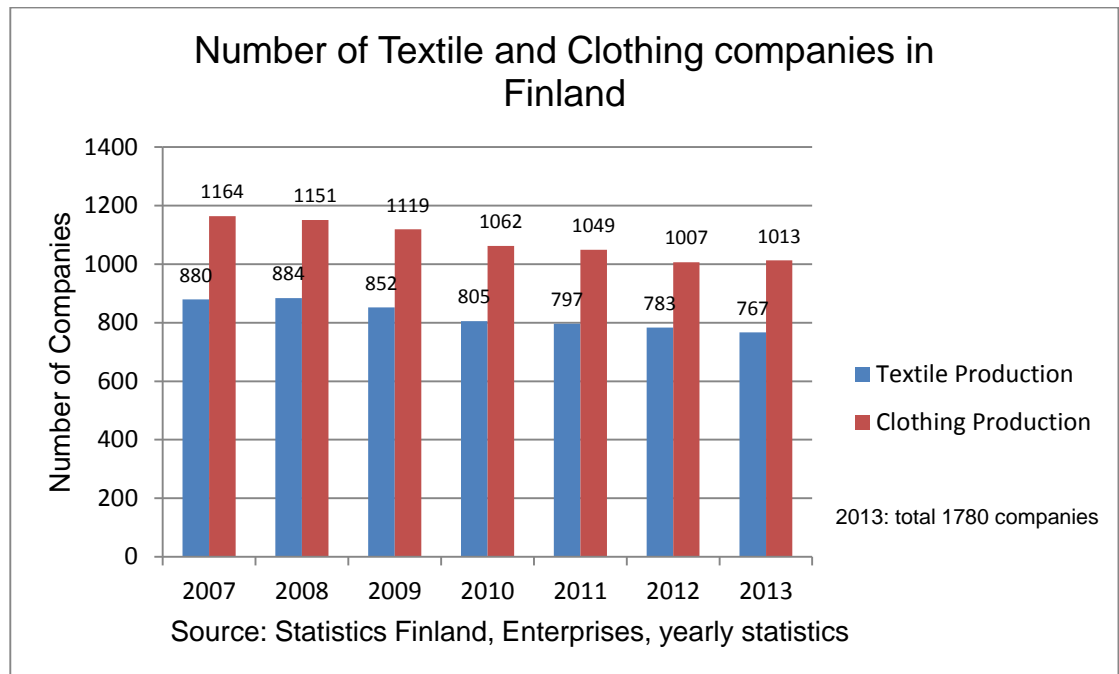


Figure 5. Total Number of textile companies in Finland (Statistics Finland)

Figure 5 shows the total number of textile companies in Finland as of the year 2013 there were total of 1780 companies. The graph clearly shows that the number of companies is decreasing every year because of several reasons and one of the main reasons is high raw material cost, so it is preferred to import textile goods from outside rather than to produce in Finland (Suomen Tekstiili & Muoti 2015).

This declining number of Finnish owned textile and clothing companies result in creating the space for the products in Finland to be market from the companies outside Finland. This gives the opportunity for the textile companies from other countries to export textile products in Finland. It would be a positive point for the textile company in Pakistan to get a chance to sell their products in Finland. One more picture shown below gives another possibility for Al-Mumtaz Carpets and Silk Route Inc. to get their products in Finland market.

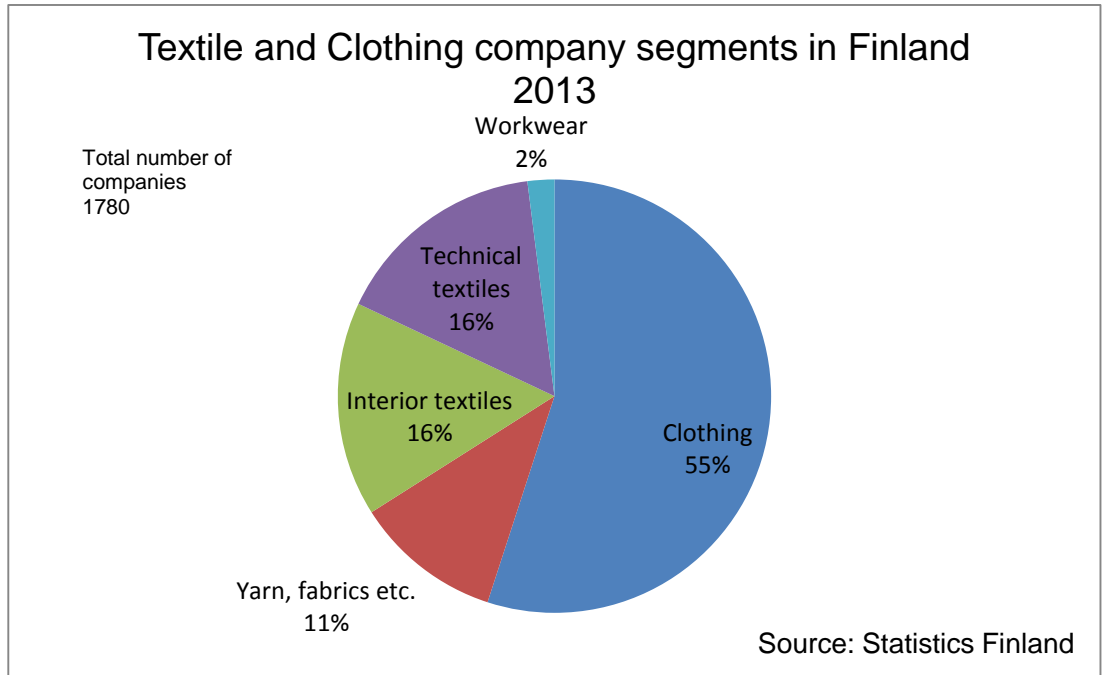


Figure 6. Textile companies by segments in Finland (Statistics Finland)

Figure 6 clearly shows the textile companies in Finland by segments as in the year 2013. We can easily see from the figure that there are not any companies who are engaged in the production of carpets and rugs in Finland. As we know that carpets and rugs are very popular in Finland so the demand is fulfilled from the imports from outside. That is why it could be another wonderful chance for Al-Mumtaz Carpets and Silk Route Inc. (Suomen Tekstiili & Muoti 2015).



Figure 7. Finland's textile trade 2014 (Statistics Finland)

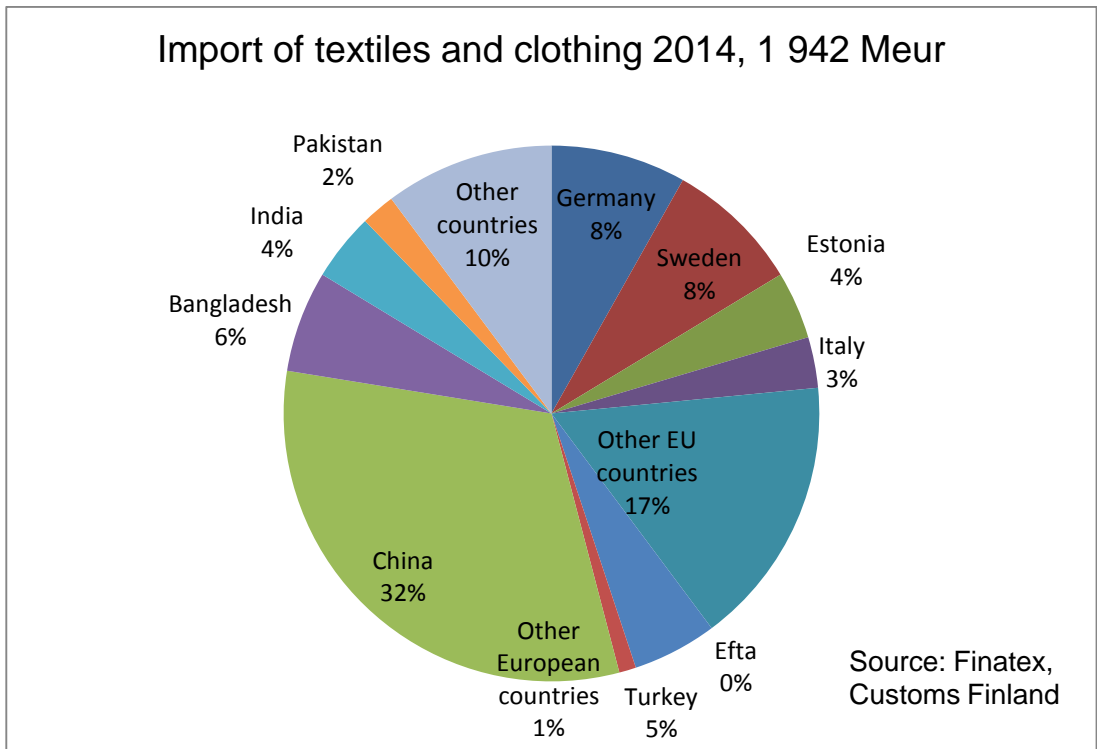


Figure 8. Textile imports 2014 in Meur (Finatex)

Figure 7 shows the import and export of textile goods from Finland. Figure 8 shows that Pakistan is already engaged in exporting their textiles and textile made ups product to Finland. In that means exporting carpets to Finland by selected carpet companies from Pakistan would be a great opportunity to capture the big Finnish and later to Scandinavian market.

7.1 Hand knotted carpets/rugs

There is no domestic production of hand-knotted or machine-made carpets and rugs in Finland. The carpets and rugs proportions made of other textile materials are also getting popular in Finland during the past few years besides the consumption of hand knotted carpets which is dominated by woollen carpets and rugs. Before, it was 95% of all hand knotted carpets and rugs. In the year 2006, the consumption of carpets and rugs in Finland were declined to 91 % which was around 1126 metric tonnes and it was around 1110 metric tonnes in 2007 declined to 85% of total consumption of all hand knotted carpets (Finnish Chambers 2008).

7.2 Woven carpets/rugs

There is no more production of woven carpets and rugs in Finland. In 2001 the woven carpets and rugs consumption was 3655 metric tonnes and it was fluctuated to 2538 metric tonnes in the year of 2003. The fluctuation of the consumption of woven carpets in Finland still continued in the year 2006 and 2007 as apparently it was 3207 metric tonnes and 2900 metric tonnes respectively (Finnish Chambers 2008).

7.3 Finnish consumer characteristics

Nearly every home and office in Finland has carpets and rugs which become more subject to fashion trends. The research indicated that for decorating a room or lounge, carpets and rugs are most often chosen material, which limits how expressive they could be. Finns likes and prefer natural and neutral coloured carpets and rugs having simple designs on them without too much strong patterns. It can also be seen that after a strong decline period, Finns now prefer more wall-to-wall carpeting and even rugs in their homes, rooms, corridors and offices.

Most Finnish importers of hand knotted carpets demand special Finnish designs made on carpets and rugs, which are agreed on a contract. Because of this contract, the Finnish importers ensure that the patterns and colours on carpets and rugs correspond to whatever running on fashion in Finland at that time because the Finnish people buying behaviour towards the carpets and rugs or other decoration items changes according to the change of fashion (Finnish Chambers 2008).

7.4 Possibilities in Finland

There is no any big competition of the sales of carpets and rugs in Finnish market, as there are not many big companies engaged in selling of this product. However, it would be a challenging task for the fresh entrance of Pakistani carpets and rugs in Finnish market, but in fact it is not impossible. Carpet Company needs to maintain their quality and commitment in order to gain and keep the stable demand in long run future in Finland and nearby market. The product should attain good impression among the Finnish customers in the market and in that means the satisfied voice of the customers can build a good image of the Pakistani carpets which could be quite beneficial for the near future in order to capture a big market. It would also be suggested to the Pakistani carpet company that they should physically participate in trade fairs and business exhibitions in Finland. They can promote their products by presenting in fairs and exhibitions to the introductory customers and it would suppose to be a good start also.

8 IMPORT PROCESS AND DOCUMENTATION

8.1 Customs

The European Union is the biggest trader of the world. Trade in European Union is mainly controlled by customs as the custom activity cares for 20% of world imports and customs declaration in EU is over 100 million every year. Custom union is a single trading area that plays a very important role in world trade as it assures the free movement of goods, protects society and environment, culture and collect taxes and import duties for the economy. As

Finland is a member state of European Union so it follows the EU legislation for trading customs and common customs tariffs (Finnish Customs 2015).

8.2 Customs classification

Customs classification is very important factor, as the import duty pay is determined by customs classification. This classification in European Union is organised by Harmonized Commodity Description and Coding System and is known as HS Combined Nomenclature. This system contains eight digit code subdivisions having six digits of HS Nomenclature. For importing the goods to EU this 8 digit code has to be declared when applying in customs in order to determine the custom duty percentage and for statistical purpose. The HS combined Nomenclature gives the complete information about the good being imported in EU (European Union Commission 2015).

For imports and custom clearance in EU, carpets and rugs are found in Chapter 57 under combined nomenclature headings in between 5701 to 5705. Each type of carpet has different custom code and import duty percent for each type of carpet can be seen from these codes (Finnish customs 2015).

Table 3. CN of carpet family (Finnish customs)

Hand knotted carpets made of wool	5701.10
Hand knotted carpets made of other textile materials	5701.90
Kelem and Suomac type woven rugs	5702.10
Woven rugs without pile	5702.59
Woven rugs without pile made of wool	5702.91
Woven rugs without pile made of other textile materials	5702.99
Broadloom carpets with pile (wall to wall carpeting)	5702.31
Machine woven pile carpets (Wilton and Axminster)	5702.41
	5702.49
Tufted carpets	5703

Full list of CN is attached in appendix 1.

8.3 Customs documents

8.3.1 Commercial and pro forma invoice

Commercial invoice contains all the basic information like name and address of the exporter and importer, issue date of documents, exporter's reference number, and all the description of goods, total price, quantity, unit price, and trade incoterms. Commercial invoice is different from pro forma invoice in the means that it serves as the price quotation issue from exporter to importer which helps the importer to open letter of credit and import documents (Hinkelman 2008, 6).

It is the document which shows the commitment that the goods will be selling from the exporter to the importer as per agreed terms and conditions. It is sent by the exporter to the importer mentioning all the details of sale agreement before the purchase order has been issued by the importer. Once the pro forma-invoice is issued the purchase order and letter of credit from bank is opened on behalf of this document (Donna, Thomas 2010, 64).

8.3.2 Single administrative document

In international trade, Single Administrative Document (SAD) is an important document that was first introduced in 1998 for the purpose of reducing the amount of trade documents and standardizing the data. It is the main custom declaration and is used by the trader to declare and maintain declarations of exports, imports and transit of the goods. SAD is not obligatory while trading within European Union but is used by the customs when the goods enter or leave to European territory and is mainly used for agricultural non European goods in EU. For custom procedures in Finland, SAD is also used for being part of European Union and is available online than can be used and filled by the trader. According to Finnish custom rules, all the goods must be fulfilled custom procedures arriving from non EU countries which are then inspected by customs and then followed by filling of SAD form by the importer or agent for custom clearance (Hinkelman 2008, 70, 134).

8.4 Tariff/Duty/Import fees

Tariff and duty both are form of taxes imposed by government on goods imported from other country. Tariff is a form of tax charged on the transported goods from one country to another for protective purpose of domestic goods and revenue purpose of the country's economy. Duty is a kind of tax levied by a state and often associated with customs. It is an indirect tax which is imposed by the government while trading goods or services across international borders from one country to another (DifferenceBetween 2016).

Tariff and duty are charged on the total value of the goods which includes insurance and freight of imported goods along with custom clearance on the arrival destination port. Tariff/import duty is used to restrict the trade in order to protect the country's own economy hence results in increasing the value of the goods or services. The amount of tariffs are depends on different products and importing countries (Schmitz 2012, 11). Tariffs or import duties also charged on goods when they are imported from non EU country to the EU at any destination.

A TARIC database is offered by European Commission where the amount of tariffs and duties on different goods are mentioned. For Import and Export across European Union the TARIC is an integrated Tariff and is multilingual database for all measures related to EU Customs. TARIC assigns each product a particular code and it helps to find out the information like country of origin and product codes can be seen by all member states and taken into consideration while importing or exporting the goods across the EU (European Commission 2015).

Custom duty is the percentage of customs which is charged on the value, weight or dimension of the goods. Different products have different duty and the rates can be found on TARIC database. Transportation cost is also added in the total price of the goods in order to calculate the custom value and the VAT is also paid by importer which can be calculated on total value of goods including import duty, transportation cost and other duties (European Commission 2015).

Pakistan is one of the developing countries and enjoys general system of preference (GSP) benefits. GSP is a scheme which allows wide ranges of industrial and agricultural products special access to EU markets originated in certain developing countries. Under GSP system, some products imported into EU are eligible for reduced or zero rates of custom and duties. According to Minister for Foreign Affairs of Finland from 2004, EU also imposes some form of trade barriers on goods which are imported from outside EU. There is no more trade barrier on imports of textile and clothing between WTO countries. Both Pakistan and Finland are the members of WTO, so a company willing to export textiles from Pakistan to EU should not worry of any quotas or any trade barrier (Ministry of external Affairs Finland).

8.5 Shipping documents

8.5.1 Bill of Lading

In an international trade, the bill of lading or B/L is very important commercial document. B/L can be negotiable or non-negotiable and they are of different types such as marine bill of lading or multimodal bill of lading. B/L acts as a contract of carriage between the shipper and the carrier. It shows the commitment stating all the terms of the contract of carriage that the goods will be safely reached at the port of destination from port of shipment. It is also the evidence of the receipt that shows that the goods have been loaded on the vessel with certain quantity and condition as per defined in contract of carriage (Branch 2006, 357-358). An example of bill of lading is attached in Appendix 2.

8.6 Transportation and terms of delivery

Transportation of goods also requires the transport documents that serve as the contract of carriage with the transportation company. They are different from commercial documents and are very important for both exporter and importer because without which the payment and delivery of goods and import transaction cannot be done. The transport documents serve as evidence that the goods have been shifted to the carrier. They act as a proof of the contract of carriage and also claim the freight bill which includes transport costs and other necessary details.

Efficient transport use and selection of suitable mode lowers shipping and logistics costs. The selection of modes of transport depends on the types, nature, weight and quantity of goods, as well as the delivery terms. For the case of this thesis, the transportation of goods from Pakistan to Finland can be done by multi modes of transport. In the case of Finland, multi modal transport mode may be used for transporting of goods. Road transport like trucks may be used in Pakistan (using CRM road way bill) then border can be cross by using two transport modes either by Air (Air way bill) or by sea (bill of lading). In most of the cases, sea transport is much better for shipment the goods because it is much cheaper than other modes (Branch 2006, 52-57).

In order to prevent the risk for loss of goods, the cargo needs to be insured during transportation. Insurance cost depends on many factors like modes of transport, cargo security guard availability, transport routes, packaging etc. There are different rules of transport terms and types are published by International Chamber of Commerce (ICC). The latest one was published in 2010. These ICC incoterm rules are being used in domestic and international trade. Incoterms rules set the buyer's and seller's obligation throughout the whole trade process which can be fulfilled by the buyer or the seller or sometimes by the intermediaries like freight forwarder, transport carrier or the person proposed by the buyer or seller (International Chamber of Commerce Incoterms 2010, 120).

There are some additional contracts are also required along with contract of sale in an international trade transaction. Seller is obliged to move the goods from their location to the buyer's specified location. Thus, the arrangement and payment of the transport is needed. This shows that there are three parties involved in the whole international trade process; the exporter, the importer and the transport carrier. The most important purpose of incoterms rules is to eliminate the confusion by defining the roles of each party in relation to the contract of carriage which may arise by involving of the three parties (Ramberg 2010, 13).

The incoterms rules mention that the seller is obliged to conclude the contract with the main carrier under the terms that starts with the letter C or

D, whereas the buyer is obliged to do so under the letter E or F. However, the seller is responsible under the terms C or D to ensure that the goods are received by the buyer from the carrier at destination. The Figure 9 describes:

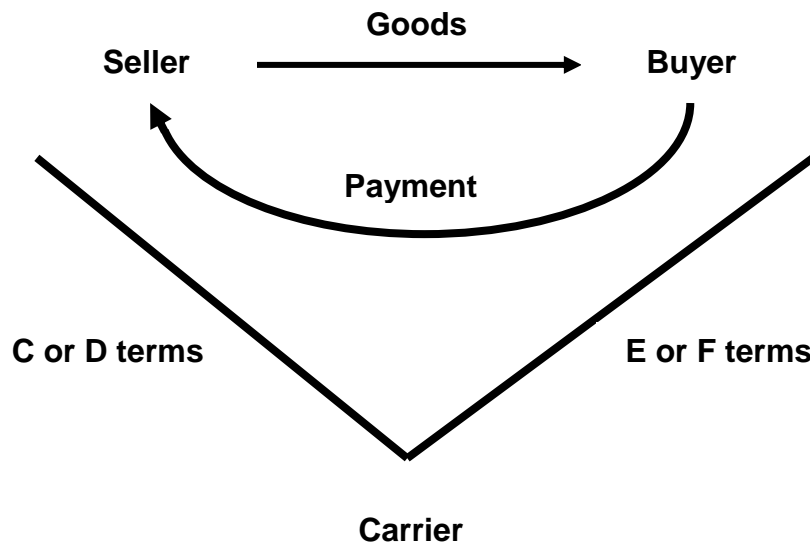


Figure 9. Different Incoterms 2010 (ICC Guide to Incoterms 2010)

8.7 Freight forwarder

A freight forwarder is an agent or a company who acts as an intermediary among shippers and transport companies for the carrier space for goods. The forwarder formulates and organizes the shipments or transportations on behalf of shippers to shift the goods from manufacturer to the market, customer or at the desired point of distribution. A freight forwarder is also called a non-vessel operating common carrier (NVOCC). The role of freight forwarder is very important in international trade as almost all importers and exporters use the services of forwarders while trading across international borders. The freight forwarder service normally includes: taking inland transportation follow up, making of export and shipping documents, warehouse arrangements, cargo space booking, freight and insurance charges negotiation and claiming insurance of cargo. They also help exporters in preparing of price quotation upon advising them on freight costs, consular fees, port charges, insurance cost and cost of special documents (Branch 2006, 241, 245-246).

The cost of transportation may differ which depends on the selection of modes of transport, nature of goods and destination port or buyers specified point. The involvement of freight forwarders may benefit for the exporters, as the forwarders may arrange efficient arrangements for the shipment. In the case of this thesis, there could be two possible transportation ways while importing goods from Pakistan to Finland that are either Sea or Air ways. Both Air and Sea ways will be preferred according to the situation and demanded for selected goods for importing because for less amount Air ways would be preferred and for bulk quantity Sea ways would be cheaper.

8.8 Terms of delivery

When the contract for trade is done between the buyer and the seller, certain issues have to be agreed among them for example, actual goods and their specifications, terms of payment, price and delivery of goods from seller to buyer. Deliver of the goods is very important factor in international trade as more than half of the process is depended on delivery of goods. Several matters are essential in delivery of goods which includes: delivery and receiving of delivery, division of costs, and contract of carriage, transfer of risk, documents, import/export formalities, packing, inspection and information. The terms of delivery are needed here as the parties may either agree on these issues every time they go in international trade or they may just use the terms of delivery, which defines the mutual obligations of both the parties (Gardner 2012, 8). The contents of contract of sale are shown in Figure 10.

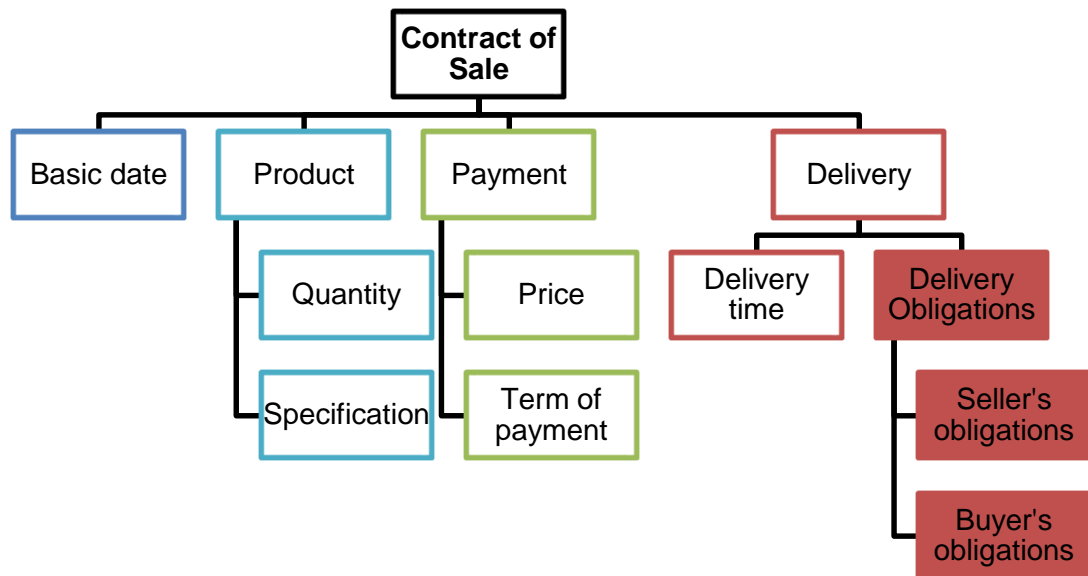


Figure 10. Contents of sales contract (Gardner 2012)

8.9 Methods of payment

In order to compete and to succeed in today's competitive global market against international competitors, interesting sales terms with appropriate payment methods should be offered by the exporter to their customers. For the exporter, getting full and on time payment and to reduce the payment risk is the most important thing for each export sale so the convenient payment method should be selected carefully. The payment term reduces the risks of political and economical conditions in importer's or exporter's country, currency regulations, foreign exchange risks and customs (Hinkelman 2008, 3).

The payment agreement between exporter and importer that how and on which term payment will be done, is the most sensitive period. However payment terms are depends on the nature of goods, relationship between exporter and importer, company's measures, geographical location and distance, the stability of the countries involved in trade and currency used Seyoum 2000, 225).

In an international transaction there are basically five primary payment methods which are in favour of export or in importer simultaneously. The Table 4 describes the payment risk.

Table 4. Risk category in payment terms (Trade Payment Methods)

	Least Secure	Less Secure		More Secure	Most secure
Exporter	Consignment	Open Account	Documentary Collections	Letter of Credit	Cash in Advance
Importer	Cash in Advance	Letter of Credit	Documentary Collections	Open Account	Consignment

8.9.1 Consignment

In an international trade payment system, the consignment is the variation of open account. In this payment term the payment does not sent to the exporter until the goods have been sold or resold by the foreign distributor to the final customers. The importer, who is also called the consignee, keeps the goods until he/she is satisfied with all the terms of sales and is responsible to pay the exporter after the goods have been sold. The exporter has no control on the sales and is dependent on the sales of the goods in consignment terms of sales hence it is very risky for the exporter. An international consignment transaction is very risky because it is only a contractual arrangement with the foreign distributor or agent, who receives, manages and sells the goods on behalf of the exporter who just keeps the title of the goods until they are sold. Appropriate insurance of the goods can help the exporter to cover the goods while these are on transit and to mitigate the non payment risk (Hinkelman 2008, 11).

8.9.2 Cash in advance

Cash in advance is the most secure payment methods as the exporter can avoid credit risk because payment is received before transferring of ownership of goods. Under this payment method, the importer pays cash in advance before receiving the goods. Cash in advance puts the risk on the importer and great protection to the exporter because the exporter still holds the goods in their factory or warehouse and receives all the cash payments before. This payment does not guarantee the shipment of goods or the delivery of goods from the exporter. In some cases the importer hardly used

cash in advance payment once they receive any assurance that the goods will be shipped by the exporter with the quality and quantity of the goods meets as per to the sales contract. In some cases, the importer and exporter use cash in advance payment because they have good long term business relationship. There are also some cases where importer and exporter undergo cash in advance payment where the manufacturing process of the goods is customized by the importer, specialized or lengthy process so the exported asks some of the payment in advance. Thus this process is too risky and expansive for foreign buyers (Hinkelman 2008, 11-12).

8.9.3 Open account

The open account payment method means the goods are manufactured and delivered to the importer before the payment is done by the importer. Normally, the payment is made in 30 to 90 days. Open account method for payment is used in many countries where there has been a long term and secure working relationship between the buyer and the seller. The open account payment method is preferred payment method for majority of the importers because this method puts the risk on exporters. This method should not be used unless the exporter thinks the importer is credit worthy also the destination country is politically and economically stable. Open account payment method is suitable only if the exporter and importer know and trust on each other (Hinkelman 2008, 15).

8.9.4 Letter of credit

Since past many years the letter of credit has been supposed to be a keystone of international trade and plays a very important in today's world trade. It is a very important document issued by the bank which guarantees that the exporter will receive the full payment unless all the delivery conditions have been met. The main purpose of the letter of credit payment method is that, it gives security for both buyer and seller with the involvement of the bank like the seller will not ship the goods without the assurance of the payment by the bank. This is very important factor, while this payment method is most widely used by the exporter and importer now a day. For any new company which is planning to enter into international trade, they need to

understand the letter of credit payment mechanism. A letter of credit is a document which is issued by the bank at the request of importer in favour of the exporter. LoC makes the assurance and guarantees that the importer will pay the agreed amount of money to the exporter within the specified period of time. This document benefits for both the exporter and importer with its unique characteristics. However before choosing the bank the exporter and importer must check the credibility and stability of their banks because the bank is obliged to pay for goods on behalf of the exporter (Hinkelman 2008, 13). An example of letter of credit is attached in Appendix 2.

8.9.5 Documentary collections

The documentary collection (also called draft) is the payment method which is employed in two cases. Either the importer does not accept the cash in advance method or the exporter does not accept the open account method. With this method, the exporter makes the shipment of the goods and draws a draft or bill of exchange through intermediary bank on the importer. The draft is basically an unconditional order to make a payment under certain terms. Both the banks acts as intermediaries between the exporter and importer and they act according to the instruction received. With this method, the exporter first sends the draft to remitting bank or the importer's bank. The remitting which acts as an intermediary bank then sends that draft to the collecting bank of importer. The collecting bank which is also acts as an intermediary makes the necessary documents available for the importer and sends it to the importer who checks the documents and then makes the payment. The title documents then released to the importer once the draft is paid so that the importer could have possession to receive of the goods. Both the importer and exporter are protected as the title of goods is not released to the importer until the draft is paid (Hinkelman 2008, 14).

9 CHANNELS OF DISTRIBUTION

A distributor is a dealer, who acquires the goods from a manufacturer or export at the highest possible discount under its own name and then resells it to the retailers for profit. A process of the passage of goods from

manufacturers to the end users is called channel of distribution by which the producer puts their product in the market. Choosing the appropriate distribution channel is important as it impacts the whole sales output.

Distribution channel consist on following intermediaries:

- Consumers
- Producers
- Selling agents
- Wholesalers
- Distributors
- Retailers
- Value added reseller
- Internet (Frank Bradley, 2005, 303).

Role of intermediaries is also very important in today's international trade distribution to enhance the performance of entire distribution channel system. For export process of carpets from Pakistan, role of intermediaries could be very useful as it would be beneficial by following ways:

- makes sure the availability of the product of the buyer in Finland by coordination among importer and exporter.
- reduce the cost of market transaction
- could make the bridge of buyers and sellers in other countries also by establishing good customer relations.
- provides the support to importer and exporter by cooperating in physical distribution and logistics support (Frank Bradley 2005, 303).

There are four different types of channels for distribution shown below, which could be used in our case to bring of carpets from Pakistani manufacturer to Finnish end user market.

EMPIRICAL PART

10 EXPORT PLAN

10.1 Direct export entry mode

To expand Pakistani Carpet Companies into Finnish and other Scandinavian market, there are four possible methods for Al-Mumtaz Carpets and Silk Route, Inc to consider: direct exporting, licensing, joint venture, and direct investment. Direct export entry mode is the best method in order to apply in our case, as it brings them benefits such as to minimize risks and investment, maximizing scale and speed of entry, reduce many expenses, gain net income, receive direct feedback and create relationship with customers.

10.2 Sales strategy

The quality and design should be according to the demand of the buyer. It is also recommended that Al-Mumtaz Carpets and Silk Route, Inc should be corporate with the Vallila Interior and Finarte Oy which are two famous and powerful buyers in Finland. The main advantage with this cooperation is the benefits from excellent distribution channels throughout Finland.

10.3 Exporting volume

Currently, Al-Mumtaz Carpets and Silk Route Inc. has not yet engaged the business of exporting their carpets to Finland, and according to interviewees from Finnish companies there is a market of carpets and rugs in Finland. In this context, it shows that the market share for these companies' products exporting to Finland in the next five years will be a good approach. But there is a fact that Al-Mumtaz Carpets and Silk Route Inc. will have to highly compete with local and international competitors which own the biggest market shares and have a great value sale in Finland since recent years.

The demand volume of the carpets and rugs imported in Finland is about 60,000 tons per year. So the company has to be prepared to take the market share and export bigger volume to Finland if demanded.

11 EXPORT PROCESS OVERALL DESCRIPTION

After checking the demand for the product in Finland, buyer first checks or contact the suppliers of carpets and issues a purchase plan. The whole export process is expressed in different stages below.

Stage 1: Supplier selection

Once the supplier in Pakistan receives the purchase plan from the buyer, they check the demand in purchase plan and send an offer to the buyer. This offer also represents as a commitment from the supplier to the ethical principles and must be stated with the purchase price for both sales and transport packaging price.

Stage 2: Expressing the contractual terms

a) Delivery terms

Both exporters and importers should first have to agree that whoever is responsible for what before go further in that whole export process. Finarte Oy prefers using FOB and CIF incoterms while Vallila Interior prefers using EXW incoterms 2010 when importing goods from outside European Union countries.

On the other hand Al-Mumtaz Carpets prefers using CIF whereas Silk Route Inc. uses any sea or air incoterms depends on the choice and deal with the customers.

In this case while import from Pakistan, the incoterm used will be FOB or CIF Karachi port or port Qasim (Answer from questionnaires).

Vallila Interior and Finarte Oy obligations under FOB and CIF incoterms are thus to take the delivery of the goods when loaded on the ship at the named port of shipment, to arrange and pay for the carriage, to get the import licence if needed, to fulfil the import formalities and to pay for the goods.

Besides under the obligations FOB and CIF incoterms, Al-Mumtaz Carpets and Silk Route Inc. has the following obligations to fulfil: to deliver the contracted goods on board into the vessel at the named port of shipment by the buyer, to pay all the costs and bear risks until the goods loaded into

vessel, to pay all the insurance, to provide the customary clean shipping documents as a proof of delivery of the goods, to provide export licence and pay export duty if required.

b) Payment terms

Finarte Oy uses open account and documentary collections payment terms, whereas Vallila Interior prefers just open account payment terms in order to deal with Pakistani Exporter Company.

On the other side Al-Mumtaz prefers letter of credit and cash in advance payment terms and Silk Route Inc. prefers open account and documentary collections payment terms.

Open account payment term is more useful by all the parties. It corresponds that Finnish buyers will pay for its invoices thirty days after import date when importing goods from Pakistan, and also that is the date when the ship containing goods from Pakistan arrives at the port of destination in Finland. The Finnish buyers have to check the compliance of the invoice according to the contract agreement (Answer from questionnaires).

Stage 3: Transport arrangement

According to the requirements of FOB Incoterm, Vallila Interior and Finarte Oy are to organize the main transportation.

a) Contacting freight forwarders

The services of freight forwarders are used most of the time by Vallila Interior and Finarte Oy just to get the benefits from their knowledge and experience of the import/export procedures. They have to contact the freight forwarders for the arrangement of the shipments and provided them for the forwarding instructions (Answer from questionnaires).

b) Notifying to exporter

The specification of FOB says that the Pakistani Exporter is responsible for the delivering of goods to the named and agreed port of shipment: Karachi port or port Qasim. It would be considered that Al-Mumtaz Carpets or Silk Route Inc. will achieve its obligations when the goods are loaded on to the

ship. Therefore Vallila Interior or Finarte Oy is responsible for notifying the seller of the chosen vessel for the transportation.

Stage 4: Securing the transport

a) Packing the goods

Al-Mumtaz Carpets and Silk Route Inc. should be careful as responsible parties during the shipment of the goods and they have to make sure that the goods are packed and shipped properly. Carpets and rugs are rolled in the plastic bags and then loaded into containers (Answer from questionnaires).

b) Insuring the goods

The obligations regarding insurance does not imply with FOB incoterms other than CIF which implies the insurance of the goods all the way through the sea transport till the named port of destination. However basic insurance is required for maritime transportation in case of FOB incoterms.

Stage 5: Preparing the shipment

According to FOB Incoterm, Al-Mumtaz Carpets or Silk Route Inc. has to carry out the customs export formalities. In order to get an export permit, the export licence would require for them to obtain.

When all the customs clearance formalities are done, the Pakistani exporters have to load the goods on the vessel at the named port of shipment. At this very moment, Finnish buyers start bearing the risks and the cost of the import operation.

Stage 6: Shipping the goods

When the delivery of goods has been taken, then the actual shipment takes place. Goods are moved from the Pakistani port of departure – Karachi port / port Qasim, Karachi. According to one shipping line it takes around fifty days for the goods to be shipped from Pakistan to Finland depends on the number of shipment and weather (Website of Hamburg Sud Liner Services 2012).

This step is very important because the most important document in sea transportation, the bill of lading is issued to the exporter by the carrier or the freight forwarder to the buyer.

Stage 7: Import formalities proceedings

When the goods arrive at Helsinki port, Vallila Interior or Finarte Oy or their forwarding agent has to deal with all the customs import formalities. They have to present VI1 certificate and other documents in order to get entry into free circulation in to the EU territory (European Commission).

a) Customs declaration

The importer has to fill the Single Administrative Document in order to get European Customs declaration. This European customs declaration contains the information of the imported shipment like description of the goods, their codification and their value. This information is necessary because it enables to calculate the import and excise duties and the value added tax if imposed which are to be paid by the importer.

b) Import duties

Tax is imposed on any product which is imported to EU territory (except the products from exempted countries).

Stage 8: Invoice payments

Payment for the invoices is the last step related to the import process. Vallila Interior/Finarte Oy has to pay to their supplier, their freight forwarder and the insurance company.

Payment transactions should be done in 30 days prior to the import date. However open account payment term, which the company prefers is not guaranteed as the letter of credit method of payment, it is a payment term based on trust between each other.

11.1 Export process chain from Pakistan

After a detailed discussion with Faisal Saeed Khan from Al-Mumtaz Carpets, he explained the whole export process from Pakistan's perspective that how they export goods from Pakistan. According to him, the whole export process is described in Figure 11.

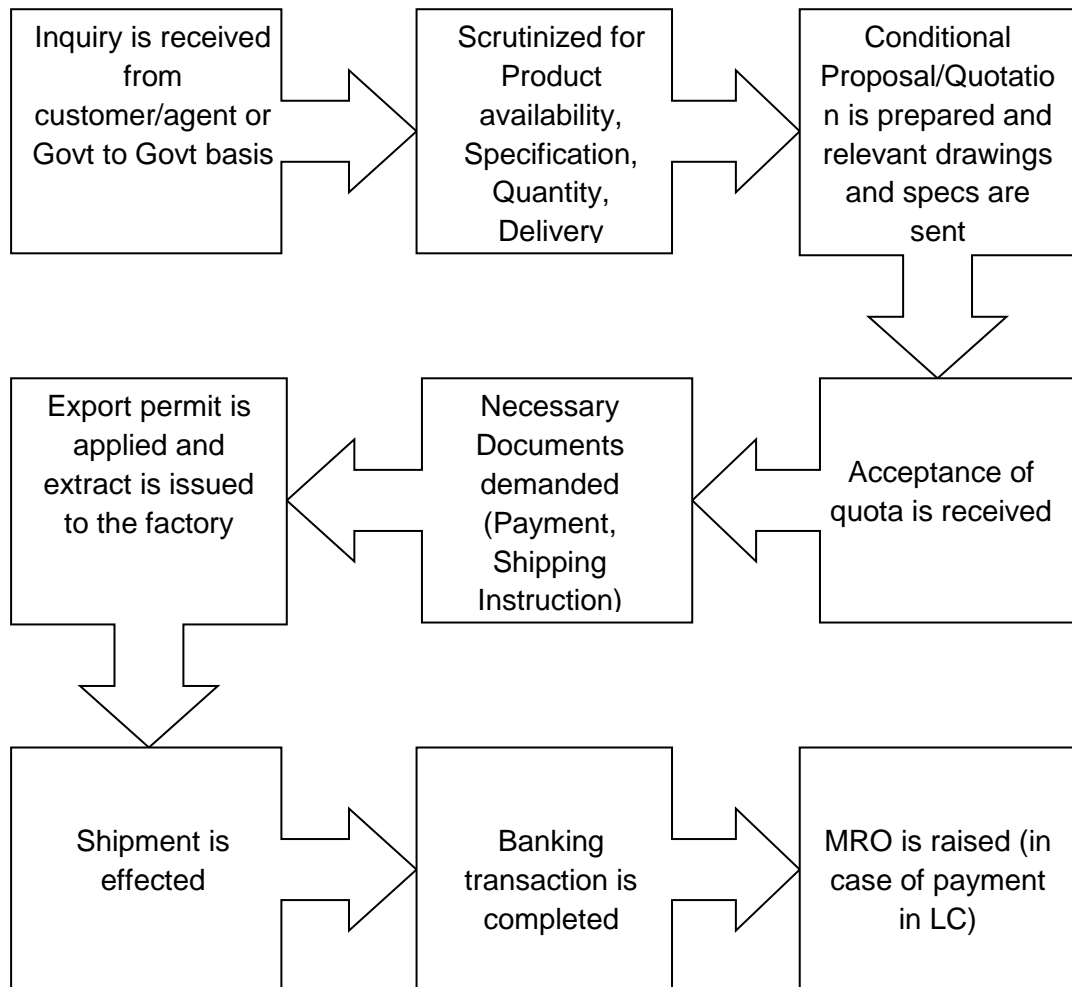


Figure 1. Overall export process from Pakistan (Interview from supplier)

As can be seen in Figure 11, the very first step of exporting process is receiving of the inquiry either directly from the buyer or from the agent/buying house/middleman. Some of the companies already have potential permanent buyers who order the products multiple times so once they received the inquiry; the company immediately starts the production according to the quantity demanded.

In the other case, the exporter or manufacturer first analyses the inquiry and checks for the availability of the product that is the required product already available in the stock or not. Product specification, the availability of raw material, the required quantity, the delivery time and date everything is calculated and discussed with all the departments of the factory. Requests for the samples may also be sent to the supplier so that the samples must be delivered to the importer within a desired period of time. The exporter or supplier has to take care of all the import formalities.

Quotation or conditional proposal for the order is prepared after detailed scrutinized of the inquiry sent from the buyer. The quotation includes all the cost, delivery time and all relative and important information regarding the whole order. Some buyers also needs preproduction samples in order to check the quality of the product so if required the company sends the specs to the buyers.

Once the buyer checks the quotation and satisfies with all the cost, delivery terms and affirms the quotation, and then they send the acceptance on the quotation to the manufacturer after necessary negotiations if needed. The importer and exporter undergo with the necessary documentations required for the whole trade process and then the exporter starts the manufacturing process.

For international trade with third world countries, the main document which importer need is the End Use Certificate which is a public document written undertaking by an importer or buyer and is required by the law of importing country. Whereas exporter needs the export permit document from the Pakistani state that they are allowed to export their products to the desired country.

After all the required necessary document and production is finished, the shipment is ready to dispatch. Here at this stage the logistics and incoterms are effected and the choice of particular incoterms has already been agreed by the buyer and seller in the quotation before. Once the shipment is ready or dispatched already, both the buyer and seller settled with the banking transaction or payment is done on the agreed conditions.

The timeline in Figure 12 shows the selection phase between the carpets and rugs from the buyer's perspective. It represents the whole time period of the trade of products.

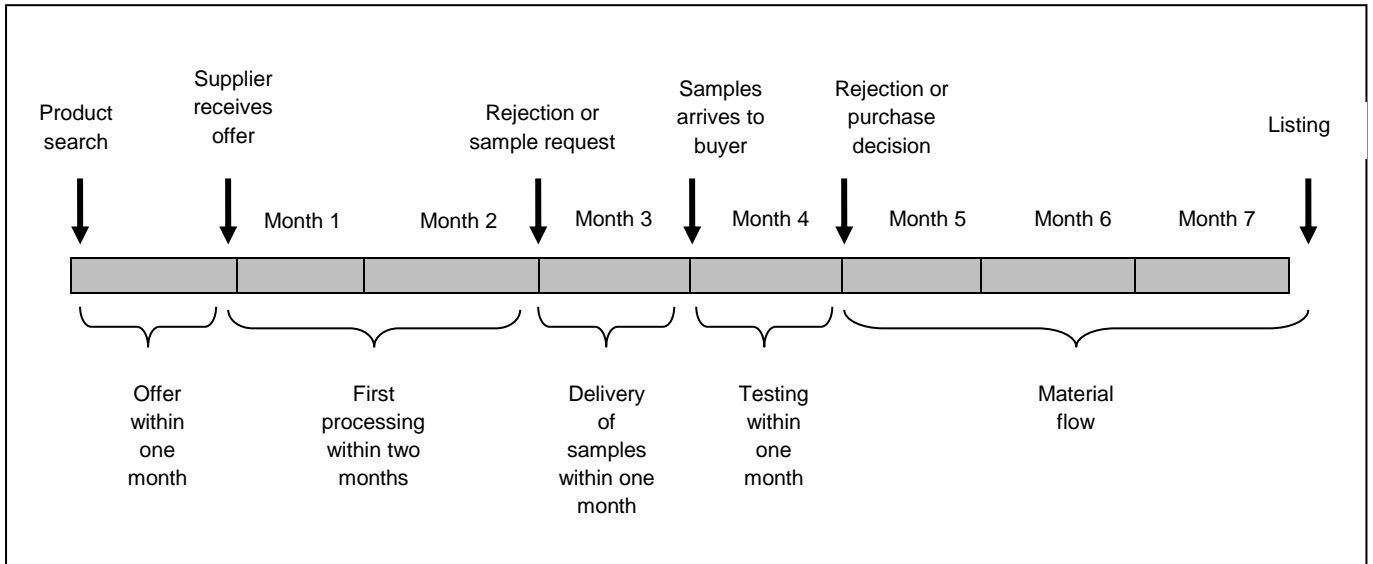


Figure 12. Timeline for selection phase

Under agreed terms and conditions of the contract, supplier has to deliver the goods to the buyer within the agreed and specific time.

11.2 Export supply chain from Pakistan to Finland

In the Figure 13, the whole transport and export chain is shown from factory in Pakistan to the customer or importer in Finland. It shows that how the finished product starts to travel from the factory to the end user in the destination country.

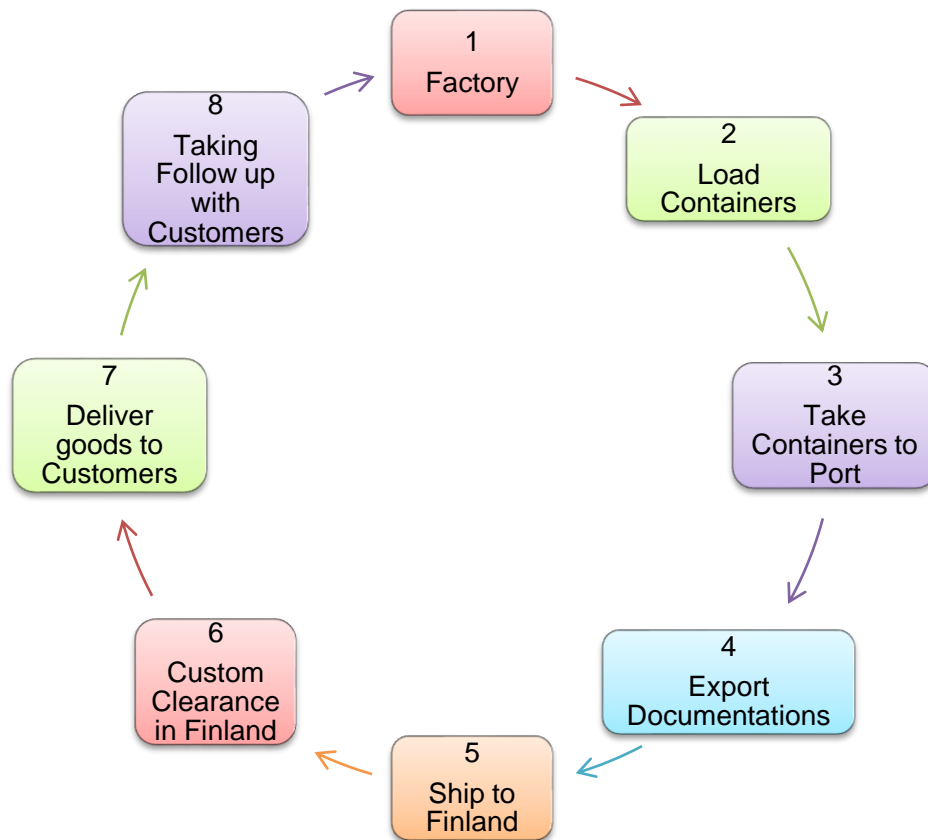


Figure 13. Export supply chain

Full questionnaires with the answers are attached in Appendix 3.

Another figure 14 shows the customs and transportation from Pakistan to European Union. The larger arrow shows the overall import process from carpet producer heading to Finnish importer.

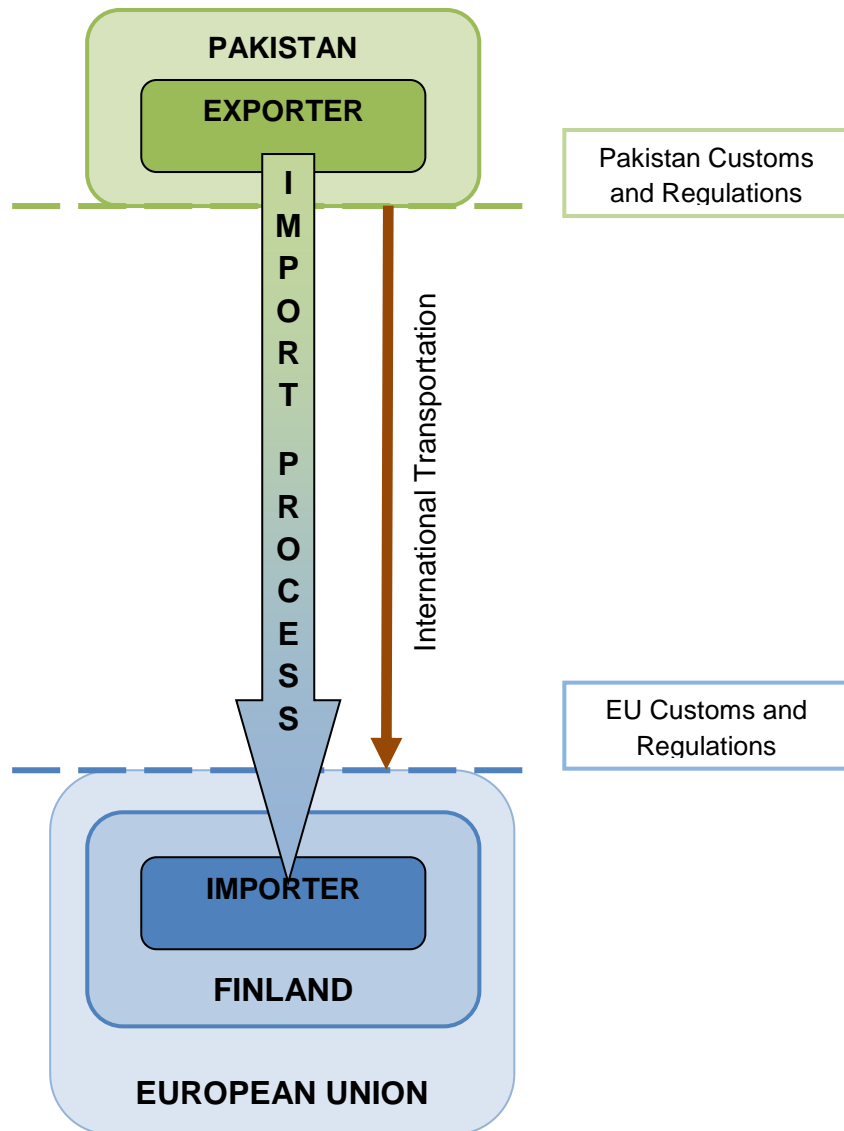


Figure 2. Export transportation (interview)

Figure 14 presents an arrow which starts from Pakistan, where the carpets and rugs manufactured or processed and imported from. There the product “Carpets and Rugs” have to comply with domestic regulations according to classification, labelling and export practices.

The arrow is then crossing the Pakistani border, involving the country’s customs in the process. The responsibility of customs in the country of origin is to check the compliance of goods with legal export practices from Pakistan.

Then the import process is represented by the main arrow which crosses the border of European Union. The common regulation of EU area is represents in this frame.

The figure also shows the intervention of European Union customs upon the crossing of the arrow to EU area. At this stage EU customs are responsible to collect the import duty and taxes of the imported goods. They also check and confirm the compliance of the imported goods with EU regulations.

Last, the main arrow ends at the destination country which is Finland and here the product might have to comply with additional import regulations.

The smaller arrow represents the international transportation from Pakistan to the European Union. This small arrow takes the issues like packaging of the products, means of transport and terms of delivery.

11.3 Export documentation “Pakistan”

The list of basic documents which would be required for Al-Mumtaz Carpets and Silk Route Inc. to export carpets from Pakistan:

- National Tax Number (NTN)
- Current Bank Account used for opening of LC purpose
- Membership of Pakistan Chamber of Commerce & Industry or any export organization for Certification of Origin
- Export license if needed

To clear the export cargo from the Pakistani port, the custom officials required some other necessary documents apart from above mentioned basic documents and are listed below:

- Goods Declaration (G.D.) or Single Administrative Document (SAD)
- Form “E” for declaration of export goods and foreign exchange
- Exporters Packing List
- Exporters Invoice
- Contract between Exporter and Importer
- Sale Tax Invoice
- Bill of Lading
- Letter of Credit

- Certificate of Origin
- NOC or Export License
- NTN Certificate of Exporter
- Loading Program
- Sales Tax Registration
- Mate Receipt
- Tally Sheets (Answer from questionnaires)

12 SWOT ANALYSIS OF PAKISTANI CARPETS & RUGS

12.1 Strengths

Quality is first when we talk about the strength of Pakistani carpets and rugs. There are many experienced and highly qualified weavers and designers who weave handmade or even machine made carpets and rugs in Pakistan. Pakistan is very famous for excellent quality textile and carpet production and a very prominent exporter since last six decades. Carpets and rugs are very important things for decorating homes, as it is a trend throughout the world that people decorates their houses in affordable prices.

It has been discovered during my research that Finnish people are also very keen for traditional arts and designs. They don't normally compromise with quality and design, but price is very important to take into consideration so they also look for cheaper product with good quality and design. For Pakistani carpets, people can find at reasonable price with beautiful and unique arts, colour and design, so hopefully they will choose Pakistani carpets and rugs for their homes. Carpets and rugs weavers in Pakistan have the capability to manufacture as per demand and Finnish taste. One another Strength is that they are already selling their carpets in EU and outside Asia so it would be a great move for them.

12.2 Weaknesses

Although Pakistan is doing business with most European Union countries since so long, but still there is not any old and deep business relationship with Finland. So this could be the weak side of Pakistani carpet industry that

they have very weak knowledge of business networking with Finland as well as utilization of modern technology. Furthermore, they are lacking in marketing and advertising techniques in Finland that how to enter this new market because for both countries English is not their first language so there could be language barrier as well among the business partner of both countries.

12.3 Opportunities

It is assumed for Pakistani textile and carpet industry that European Union market is the most promising market for their products as export of textile products to EU region helps so much in contributing the country's GDP. Beside the EU market there is also Scandinavian market which Pakistani industry has not get in touch up to. Beside Scandinavian market, there is also the possibility to enter the big Russian market.

It has been observed that there is a high demand for different designs of traditional handmade carpets and rugs for decorating home and offices in Finnish and nearby market and this could be the opportunity for beautiful Pakistani carpets and rugs to gain the interest of local Finnish buyers as well as other international buyers. Furthermore there is also the opportunity for Pakistani exporters to open manufacturing unit in Finland by bringing just cheap and expert labour from Pakistan. Several other new opportunities could be created for other industries to enter and market their products from Pakistan to Finland.

12.4 Threats

At the beginning, it would be difficult for Pakistani carpets to enter the Finnish and Scandinavian market and compete with existing competitors in terms of design and most importantly in terms of price as the cost could increase for Pakistani suppliers because of overall economic environment. There are already carpets and rugs available in Finland from international suppliers such as Columbia, India, China, Ecuador and Nepalese carpets and this highly availability from existing international suppliers could threat at the beginning for Pakistani carpet industry to enter and capture Finnish market.

13 CONCLUSION

The primary objective of this thesis was to find out the import process of Pakistani hand-made and machine made carpets and rugs in Finland. Whereas to discuss suitable entry method, distribution channels, SWOT analysis were the secondary objectives. The objective of the thesis was somewhat achieved as the finding of this thesis can provide the guidelines for case companies and any new company which is willing to know about Finnish market.

This thesis research aimed to establish trade route between Pakistani carpet and rugs Manufacturer Companies (Al-Mumtaz Carpets and Silk Route Inc.) and the Finnish companies (Vallila Interior and Finarte Oy). Furthermore, it was also aimed to determine from logistics point of view all the processes which are involved in getting textile products (carpets and rugs) from Pakistan to its end users in Finland.

The defined process of this thesis will guide the Pakistani case companies in how to make contact and create a trade business relationship with the Finnish and other Scandinavian companies. The outcome of the thesis aims to give access to Vallila Interior and Finarte Oy to new imported textile products for the customers in Finland and it could open up the big Finnish market for the future import of Pakistani products. For Al-Mumtaz Carpets and Silk Route Inc. this thesis work will create and open the possibility to expand into the Finnish and Scandinavian market and lay a roadmap for future export of other companies and products also.

In order to find out the procedure of exporting carpets from Pakistan to Finland, first I covered the theory review on international trade, focusing on exporting from the perspective of small and medium sized textile exporter. All the necessary aspects which play role in international trade were discussed including all related documents, customs issues, payments and transportation.

In my opinion, Al-Mumtaz Carpets and Silk Route Inc. will have more customers from Finland if they able to provide good quality products and according to the demand that are readily needed in Finland and they should

use at the best, affordable and reliable transport mode that would result in the products available to the customers on time.

The Finnish market has a lot of untapped potential. There is high earned population who used to travel outside Finland just to get their new and desired brands. If foreign companies such as the case companies of this thesis entered this market, it would be beneficent for both of the Pakistani company (getting new market and sales) and the Finnish company (in the form of tariffs).

One another important thing, which should also be the positive point that the small population size of Finland is more favourable for the small and medium size companies who have not engaged yet in the mass production because the order quality and quantity might be comparably smaller in Finland than other countries in Europe. Somehow this would be favourable for small and medium size companies in Pakistan who trying to find potential small market such as Finland.

After the research conducted it was also noticed that there are basically two different ways in Finland to sell the carpets and rugs. The first one and that is the traditional method is to show the carpets and rugs to the Finnish buyers or importers in the warehouse of the exporters of their own country or in the trade fairs in Finland to individual customers. The buyers who are mainly wholesalers or importers or large chain retailers choose the carpets of their choice for the shipment to Finland.

The second way is the production of carpets and rugs on contract basis with identical sizes and patterns according to the demand of wholesalers or retailers from Finland. The demand is basically from the Finnish market and it transmits through retailers and wholesalers to the manufacturer. However, it is also in the practice by some exporters that they come to Finland with their samples of carpets and rugs and sell directly to the retailers and individual shops or customers.

To sum up, Pakistani textile and carpet companies are generally has such potential for developing successful trade with Finland. Finally, I would say that this thesis work is not only implemented for case companies but it could

also be handy and helpful for those businessmen who wish to start an import/export business between Pakistan and Finland or any other Scandinavian country. This thesis work would be beneficial for the chosen textile companies and other firms in both countries because once the trade will begin among these two countries, new doors of opportunities will be open with great business relationships and all concerns partners will learn the opportunities for exporting. Moreover it is also very important to say that after the research this thesis could allow me to work as a middle man of the carpet products from Pakistan and Finland.

I would like to mention also that this thesis work helps me a lot to better understand the knowledge of how really a practical international trade export process should be done and it would be helpful for me in the future as well if I got to engage in import export business.

14 RECOMMENDATIONS

It is recommended that the Pakistani case companies in this thesis should take one step forward and connect with the Finnish companies. As it would be the first step for Pakistani companies to enter this new market where their product might possibly flourish. It is also recommended that the export is the best way to entered potential Finnish market and later to the nearby big Scandinavian market. At this stage direct export to the case companies would be well suitable. But in the future, if the business expands in this region for Pakistani exporters, the indirect export would be recommended as there is less risk and simplest by the involvement of agents.

It is also suggested for Al-Mumtaz Carpets and Silk Route Inc. to open representative office in Finland in near future. The office would be a good idea because it would be needed for better deals with the customers and to expand and deal with other clients, storing important documents of companies, solving complaints. It would be great to open representative office in Metropolitan area in Finland which is Helsinki, Espoo or Vantaa.

I believe if Al-Mumtaz Carpets and Silk Route Inc. start supplying their products to Vallila Interior and Finarte Oy, as it would benefit both Al-Mumtaz

Carpets and Silk Route Inc. in many ways they might not imagine. The reason is that Finnish people like unique designs and styles and Pakistani carpet manufacturers have the potential and ability to fulfil such demands.

It is also recommended for the Pakistani companies who intend to enter the Finnish market to fulfil all the legal requirements proposed by EU. They are also advised for the personal visit to Finland and meet with the Finnish carpet companies in order to establish a long term and strong business relationship.

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APPENDICES

Appendix 1/1

FULL LIST OF COMBINED NOMENCLATURE

SECTION I	LIVE ANIMALS; ANIMAL PRODUCTS
SECTION II	VEGETABLE PRODUCTS
SECTION III	ANIMAL OR VEGETABLE FATS AND OILS AND THEIR CLEAVAGE PRODUCTS; PREPARED EDIBLE FATS; ANIMAL OR VEGETABLE WAXES
SECTION IV	PREPARED FOODSTUFFS; BEVERAGES, SPIRITS AND VINEGAR; TOBACCO AND MANUFACTURED TOBACCO SUBSTITUTES
SECTION V	MINERAL PRODUCTS
SECTION VI	PRODUCTS OF THE CHEMICAL OR ALLIED INDUSTRIES SECTION VII PLASTICS AND ARTICLES THEREOF; RUBBER AND ARTICLES
SECTION VIII	RAW HIDES AND SKINS, LEATHER, FURSKINS AND ARTICLES THEREOF; SADDLERY AND HARNESS; TRAVEL GOODS, HANDBAGS AND SIMILAR CONTAINERS; ARTICLES OF ANIMAL GUT (OTHER THAN SILKWORM GUT)
SECTION IX	WOOD AND ARTICLES OF WOOD; WOOD CHARCOAL; CORK AND ARTICLES OF CORK; MANUFACTURES OF STRAW, OF ESPARTO OR OF OTHER PLAITING MATERIALS; BASKETWARE AND WICKERWORK
SECTION X	PULP OF WOOD OR OF OTHER FIBROUS CELLULOSIC MATERIAL; RECOVERED (WASTE AND SCRAP) PAPER OR PAPERBOARD; PAPER AND PAPERBOARD AND ARTICLES THEREOF
SECTION XI	TEXTILES AND TEXTILE (Chapter 57: Carpets and Rugs)
SECTION XII	FOOTWEAR, HEADGEAR, UMBRELLAS, SUN UMBRELLAS, WALKING STICKS, SEAT-STICKS, WHIPS, RIDING-CROPS AND PARTS THEREOF; PREPARED FEATHERS AND ARTICLES MADE THEREWITH; ARTIFICIAL FLOWERS; ARTICLES OF HUMAN HAIR
SECTION XIII	ARTICLES OF STONE, PLASTER, CEMENT, ASBESTOS, MICA OR SIMILAR MATERIALS; CERAMIC PRODUCTS; GLASS AND GLASSWARE
SECTION XIV	NATURAL OR CULTURED PEARLS, PRECIOUS OR SEMIPRECIOUS STONES, PRECIOUS METALS, METALS CLAD WITH PRECIOUS METAL, AND ARTICLES THEREOF; IMITATION JEWELLERY; COIN
SECTION XV	BASE METALS AND ARTICLES OF BASE METAL
SECTION XVI	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
SECTION XVII	VEHICLES, AIRCRAFT, VESSELS AND ASSOCIATED TRANSPORT EQUIPMENT
SECTION XVIII	OPTICAL, PHOTOGRAPHIC, CINEMATOGRAPHIC, MEASURING, CHECKING, PRECISION, MEDICAL OR SURGICAL INSTRUMENTS AND APPARATUS; CLOCKS AND WATCHES; MUSICAL INSTRUMENTS; PARTS AND ACCESSORIES THEREOF
SECTION XIX	ARMS AND AMMUNITION; PARTS AND ACCESSORIES THEREOF
SECTION XX	MISCELLANEOUS MANUFACTURED ARTICLES
SECTION XXI	WORKS OF ART, COLLECTORS' PIECES AND ANTIQUES

SAMPLE OF BILL OF LADING

Bill of Lading

TRAILER/CAR NUMBER: _____
BILL DATE: _____

TO		FROM	
Consignee		Shipper	
Street		Street	
Destination		Origin	
City/State/Zip		City/State/Zip	
Route:		Special Instructions:	
FOR PAYMENT, SEND BILL TO		SHIPPER'S INSTRUCTIONS	
Name			
Company			
Street			
City/State/Zip			

NO. SHIPPING UNITS	TIME	DESCRIPTION OF ARTICLES SPECIAL MARKS & EXCEPTIONS	WEIGHT	RATE	CHARGES

REMIT C.O.D.	C.O.D. AMOUNT: \$	C.O.D. FEE PREPAID COLLECT
TO: ADDRESS:	If this shipment is to be delivered to the consignee without recourse on the consignor, the consignor shall sign the following statement: The carrier shall not make delivery of this shipment without payment of freight and all other lawful charges. _____ (Signature of Consignor)	TOTAL CHARGES \$
NOTE: Where the rate is dependent on value, shippers are required to state specifically in writing the agreed or declared value of the property. The agreed or declared value of the property is hereby specifically stated by the shipper to be not exceeding \$ _____ per		Freight Charges are collect unless market prepaid CHECK BOX IF PREPAID
RECEIVED subject to the classifications and tariffs in effect on the date of the issue of this Bill of Lading, the property described above in apparent good order, except as noted (contents and condition of packages unknown), marked consigned and destined as indicated above which said carrier (the word carrier being understood through this contract as meaning any person or corporation in possession of the property under the contract) agrees to carry to its usual place of delivery as said destination. If on its route, otherwise to deliver to another carrier on the route to said destination. It is mutually agreed as to each carrier of all or any of said property, over all or any portion of said route to destination and as to each party at any time interested in all or any said property, that every service to be performed hereunder shall be subject to all the Bill of Lading terms and conditions in the governing classification on the date of shipment. Shipper hereby certifies that he is familiar with all the Bill of Lading terms and conditions in the governing classification and the said terms and conditions.		
Shipper	Carrier	
Per	Per	Date:
Mark with "X" or "RQ" if appropriate to designate Hazardous Materials Substances as defined in the Department of Transportation Regulations governing the transportation of hazardous materials. The use of this column is an optional method for identifying hazardous materials on Bills of Lading 172.201(a)(1) (ii) of Title 49, Code of Federal Regulations. Also when shipping hazardous materials, the shipper's certification statement prescribed in section 172.204(a) of the Federal Regulations, as indicated on the Bill of Lading does apply, unless a specific exception from the requirement is provided in the Regulation for a particular material.		

Find more forms for your business at www.entrepreneur.com/formnet.

SAMPLE OF LETTER OF CREDIT

**EXHIBIT C
IRREVOCABLE LETTER OF CREDIT**

TO: TOWNSHIP OF RAPHO DATE: _____
 971 North Colebrook Road L/C #: _____
 Manheim, PA 17545 AMOUNT: _____

FROM: _____ EXPIRATION DATE: _____
 _____ PHONE: _____

ON BEHALF OF: _____
 Name of developer

 Address

 Phone

_____ (hereinafter called "Bank") hereby issues to the Township of Rapho (hereinafter called "Municipality") on behalf of _____ (hereinafter called "Developer"), its irrevocable letter of credit (hereinafter called "Letter") in the amount of _____ (\$_____).

This Letter is issued on behalf of Developer and is intended to secure the completion of the public improvements shown in the final plan and related documents submitted by developer prepared by _____, dated _____, Project No. _____ and intended for immediate recording (hereinafter called "Final Plan").

This Letter shall expire _____ (not prior to one year after its date) and shall thereafter be automatically renewed, without amendment being issued, for successive one year period(s) upon such date and each anniversary of such date, unless at least 30 days prior to such date or each anniversary of such date, Bank notifies Municipality in writing by certified mail to the address stated above that Bank elects not to renew this Letter.

For each one-year period that this Letter of Credit is automatically extended beyond the expiration date, the amount of this Letter of Credit shall be increased by an additional ten percent (10%) for each one-year period beyond the first anniversary date from the posting of this Letter of Credit.

QUESTIONNAIRES

QUESTIONNAIRE FOR EXPORTER OF CARPETS AND RUGS

Please find here a questionnaire regarding exporting of textile products (carpets and rugs) from Pakistan. Please fill this questionnaire and try to answer as much as possible and add any information which you seem to be relevant.

A. Background Information

Name: Faisal Saeed Khan

Company: Al-Mumtaz Carpets

Position in the Company: Partner

B. Company Information

Q 1: What kind of business your company is engaged?

A: Manufacturers and Exporters of Hand-knotted Carpets & Rugs

Q 2: Please specify general overview of your business?

A: Carpets Exports

Q 3: What types of carpets do you make and sell?

A: Bokhara Pak Persian Pak Gabbeh
 Jaldar Chubo Patchwork
 Others, please specify Silk Touch Jaldar and fine quality carpets

Q 4: How much is the average per annum sale of your carpets? In square meters

A: Approximately 3,500 Sq. Meters

Q 5: What is your average business turnover per annum? In Pakistani Rupees

A: Approximately 15 Million PKR

C. International Business

Q 6: Have you done any international business before?

If Yes, with which country?

A: Japan, Turkey, China, Spain, Greece

Q 7: Do you export your products to Europe?

A: Yes No

D. Trade Process

Q 8: How do you market your products internationally? Which channel do you use?

A: Through personal contacts, exhibitions etc.

Q 9: Have you used any consultant or middleman while exporting goods from Pakistan?

A: Yes No

Q 10: If the buyer asks for the samples. Will you provide it?

A: Yes No

Q 11: How do you find the international buyers for the first time? Fair Trade, e-mail

A: e-mail Fax Telephone
 Personal contact Middleman
 Fair Trade Others, please specify

Q 12: Have you visited any trade fairs in Europe or any where international? If yes, how is your experience?

A: Domotex Hanover during last year's with good experience in our trade.

Q 13: Have you been benefited with any EU-Pakistan trade agreements?

A: Not yet

Q 14: How do you ship your products to Europe? Which incoterms do you use?

A: a. CIF b. _____ c. _____
d. _____ e. _____ f. _____

Q 15: What are the international trade risks you face while exporting?

A: Timely payment of export bills is of great concern for us

Q 16: Which payment term you prefer to use?

A: Letter of Credit Open Account
 Documentary Collections Cash in Advance

Q 17: What are the most important challenges/obstacles with the exportation of carpets and rugs from Pakistan?

A: The cost of manufacturing of carpets in Pakistan has increased many-fold and there is a tough competition regarding prices of the commodity in the international market. Due to recession and other economic problems world over, export of carpets has declined during the recent past.

E. Entering to Finnish Market

Q 18: Are you interested to enter or sell your products in the Finnish market?

A: Yes No

Q 19: What are your expectations and opinions on this time entering to the Finnish market?

A: We intend to export carpets to the Finish companies of repute who could import our carpets against advance payments or other through secure mode of payments.

Q 20: If Possible, could you please explain in short the whole process from receiving of orders till shipment of goods?

A: There are many ways to select hand-knotted carpets. For example, a buyer visits our show room personally and selected the carpets, which can be sent to him. The second way is that the client asks us to e-mail pictures of carpets and after viewing them, gives order for shipment. Shipments can be made by air or sea as per requirement of the importer. Of course, freight difference between air and sea will be added on the price of the goods.

Q 21: Any other information you would like to add/mention?

A: We have provided you the maximum information, which we are sure, will assist you in doing the needful at your end.

QUESTIONNAIRE FOR EXPORTER OF CARPETS AND RUGS

Please find here a questionnaire regarding exporting of textile products (carpets and rugs) from Pakistan. Please fill this questionnaire and try to answer as much as possible and add any information which you seem to be relevant.

A. Background Information

Name: Aamer Mukhtar Chaudhry

Company: Silk Route Inc.

Position in the Company: CEO

B. Company Information

Q 1: What kind of business your company is engaged?

A: Manufacturing and Exports of Handmade Carpets & Rugs

Q 2: Please specify general overview of your business?

A: _____

Q 3: What types of carpets do you make and sell?

A: Bokhara Pak Persian Pak Gabbeh
 Jaldar Chubo Patchwork
 Others, please specify All of the above

Q 4: How much is the average per annum sale of your carpets? In square meters

A: 10,000 Meters

Q 5: What is your average business turnover per annum? In Pakistani Rupees

A: 10 Million PKR

C. International Business

Q 6: Have you done any international business before?

If Yes, with which country?

A: US, Australia, Canada, UK, Germany, France

Q 7: Do you export your products to Europe?

A: Yes No

D. Trade Process

Q 8: How do you market your products internationally? Which channel do you use?

A: Internet

Q 9: Have you used any consultant or middleman while exporting goods from Pakistan?

A: Yes No

Q 10: If the buyer asks for the samples. Will you provide it?

A: Yes No

Q 11: How do you find the international buyers for the first time?

A: e-mail Fax Telephone
 Personal contact Middleman
 Fair Trade Others, please specify

Q 12: Have you visited any trade fairs in Europe or any where international? If yes, how is your experience?

A: Germany, it was great

Q 13: Have you been benefited with any EU-Pakistan trade agreements?

A: No

Q 14: How do you ship your products to Europe? Which incoterms do you use?

A: a. Sea b. Air c. _____
d. _____ e. _____ f. _____

Q 15: What are the international trade risks you face while exporting?

A: Payment

Q 16: Which payment term you prefer to use? Letter of Credit and Cash in Advance

- A: Letter of Credit Open Account
 Documentary Collections Cash in Advance

Q 17: What are the most important challenges/obstacles with the exportation of carpets and rugs from Pakistan?

A: Production is getting tougher

E. Entering to Finnish Market

Q 18: Are you interested to enter or sell your products in the Finnish market? YES

- A: Yes No

Q 19: What are your expectations and opinions on this time entering to the Finnish market?

A: Get new customers

Q 20: If Possible, could you please explain in short the whole process from receiving of orders till shipment of goods?

A: After and inquiry we send photos and customer makes selection. We receive payment and ship the rugs.

Q 21: Any other information you would like to add/mention?

A:

QUESTIONNAIRE FOR IMPORTER OF CARPETS AND RUGS

Please find here a questionnaire regarding importing of textile products (carpets and rugs) from Pakistan. Please fill in this questionnaire and try to answer as clearer as possible and add any information which you seem to be relevant.

A. Background Information

Name: Larissa Immonen

Company: Finarte (India) Oy

Position in the Company: Project Manager

B. Company Information

Q 1: What kind of business your company is engaged?

A: Importing and selling rugs

Q 2: Please specify general overview of your business?

A: Finnish design rugs from India, clients mainly in Finland

Q 3: How many types of carpets and rugs are listed in your company?

A: Numerous

Q 4: Who are your main suppliers of readymade carpets and rugs?

And from which countries?

a: _____ Country. India

b: _____ Country. India

c: _____ Country. _____

Q 5: How much is the average per annum sale of your carpets? In square meters

A: 50 000

Q 6: What is your average business turnover per annum? In Euros

A: 1000 000 Euros

C. Interest on trade with Pakistan

Q 7: Are you currently selling any Pakistani carpets in Finland?

A: Yes No

Q 8: How interested would you be in buying any carpets and rugs from Pakistan?

A: Yes, I am interested No, I am not interested
 I might be interested

D. Main interests and priorities

Q 9: What are your criteria of purchasing?

A: Price Quantity Quality Payment
 Guarantee Other, please specify

Q 10: Have you used any consultant or middleman while importing from Pakistan or other outside EU countries?

A: Yes No

Q 11: Do you normally ask for samples from the suppliers?

A: Yes No

E. Trade Process

Q 12: How do you contact the international suppliers?

A: e-mail Fax Telephone
 Personal contact Middleman
 Trade Fairs Others, please specify

Q 13: Which incoterms would you like to use while importing carpets and rugs from Pakistan?

A: a. FOB b. CIF c. _____
d. _____ e. _____ f. _____

Q 14: Which payment term you prefer to use?

A: Letter of Credit Open Account
 Documentary Collections Cash in Advance

Q 15: Do you directly contact shipping companies or work with freight forwarders?

A: Shipping companies *Freight forwarders*

Q 16: What are the most important challenges/obstacles with the import of carpets and rugs to Finland?

A: Lead time and quality

Q 17: Does the challenges of import vary from country to country?

A: *Yes, it varies* No, it does not vary much

F. Finnish Market

Q 18: Which carpets and rugs are of high demand in Finland?

A: *Hand-made* Machine-made

Q 19: Which shape and design of carpets and rugs the Finnish customers mostly like?

A: a. Nordic/fashionable colors b. Rectangular c. Good wool
d. _____ e. _____ f. _____

Q 20: Is the demand of carpets and rugs increasing annually in Finland?

A: Yes *No, it is same like previous years*
 No, it is decreasing annually

Q 21: What are the primary consumer market of carpets and rugs in Finland?

A: *Private households* Offices
 Shops Other public places

Q 22: Any other Information you would like to add/mention?

A:

QUESTIONNAIRE FOR IMPORTER OF CARPETS AND RUGS

Please find here a questionnaire regarding importing of textile products (carpets and rugs) from Pakistan. Please fill in this questionnaire and try to answer as clearer as possible and add any information which you seem to be relevant.

A. Background Information

Name: Maiju ROHKEA

Company: Vallila Contract OY

Position in the Company: Project assistant @ sales & purchasing

B. Company Information

Q 1: What kind of business your company is engaged?

A: Construction of hotels, offices and cruise ships

Q 2: Please specify general overview of your business?

A: fabrics / furniture / carpets / lighting sales / Curtain etc sewing and installing

Q 3: How many types of carpets and rugs are listed in your company?

A: Contract collections made to customers requirements, Standard collections of carpets, Design rugs from several manufacturers

Q 4: Who are your main suppliers of readymade carpets and rugs?

And from which countries?

A: a. Jacaranda Country. UK

b. Ruckstuhl Country. Switzerland

c. Kymo Country. Gemany

Q 5: How much is the average per annum sale of your carpets? In square meters

A: N/A

Q 6: What is your average business turnover per annum? In Euros

A: 20 million Euros

C. Interest on trade with Pakistan

Q 7: Are you currently selling any Pakistani carpets in Finland?

A: Yes No

Q 8: How interested would you be in buying any carpets and rugs from Pakistan?

A: Yes, I am interested No, I am not interested
 I might be interested

D. Main interests and priorities

Q 9: What are your criteria of purchasing?

A: Price Quantity Quality Payment
 Guarantee Other, please specify Lead time

Q 10: Have you used any consultant or middleman while importing from Pakistan or other outside EU countries?

A: Yes No

Q 11: Do you normally ask for samples from the suppliers?

A: Yes, Sometimes No

E. Trade Process

Q 12: How do you contact the international suppliers?

A: e-mail Fax Telephone
 Personal contact Middleman
 Trade Fairs Others, please specify

Q 13: Which incoterms would you like to use while importing carpets and rugs from Pakistan?

A: a. EXW b. _____ c. _____
d. _____ e. _____ f. _____

Q 14: Which payment term you prefer to use?

A: Letter of Credit Open Account
 Documentary Collections Cash in Advance

Q 15: Do you directly contact shipping companies or work with freight forwarders?

A: Shipping companies *Freight forwarders*

Q 16: What are the most important challenges/obstacles with the import of carpets and rugs to Finland?

A: Long lead times

Q 17: Does the challenges of import vary from country to country?

A: *Yes, it varies* No, it does not vary much

F. Finnish Market

Q 18: Which carpets and rugs are of high demand in Finland?

A: *Hand-made* Machine-made

Q 19: Which shape and design of carpets and rugs the Finnish customers mostly like?

A: In the contract business this varies

Q 20: Is the demand of carpets and rugs increasing annually in Finland?

A: Yes *No, it is same like previous years*
 No, it is decreasing annually

Q 21: What are the primary consumer market of carpets and rugs in Finland?

A: *Private households* *Offices*
 Shops *Other public places*

Q 22: Any other Information you would like to add/mention?

A: Rugs sold in the markets and dept stores

PICTURES OF PAKISTANI HAND MADE CARPETS AND RUGS FROM CASE COMPANIES



Beige Bone Persian Tabriz from Pakistan



Beige Bone Persian Tree of Life from Pakistan



Beige Brown Oriental Caucasian from Pakistan



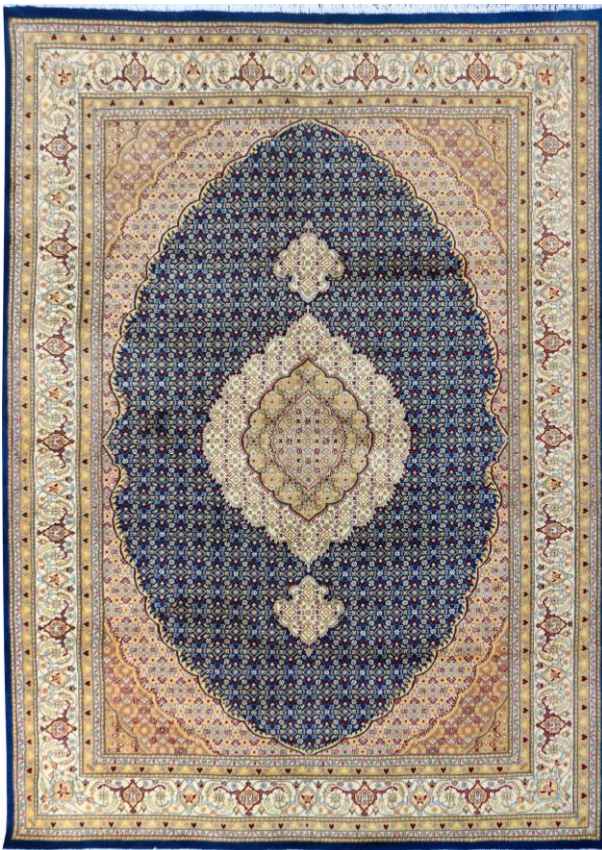
Beige Persian Isfahan from Pakistan



Black Persian Kirman from Pakistan



Brown Oriental Gabbeh from Pakistan



Dark Blue Persian Tabriz from Pakistan



Maroon Oriental Jaldar from Pakistan



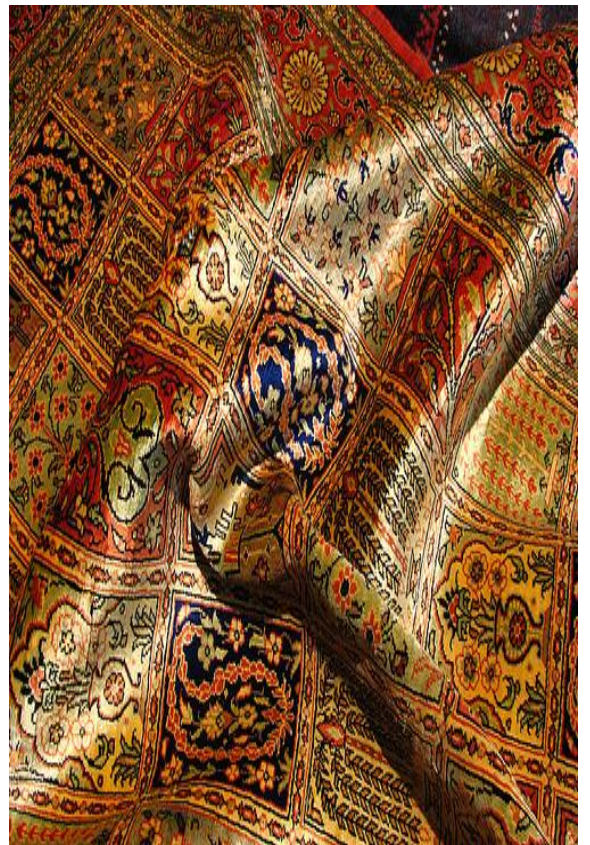
Multi coloured Oriental Patchwork from Pakistan



Navy Blue Oriental Kazak from Pakistan



Deep Red Oriental Kazak from Pakistan



Pak Persian from Pakistan



Beige Bone Oriental
Bokhara from
Pakistan



Beige Tan Oriental
Ferahhan from
Pakistan



Beige Tan Oriental
Ferahhan from
Pakistan