

**Exporting to the United States
Import Rules and Procedures**

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Glossary

BEA	Bureau of Economic Statistics
BDC	Beneficiary Developing Country
BIT	Bilateral Investment Treaty
CAFTA-DR	Central America Free Trade Agreement – Dominican Republic
CBP	Customs and Border Police
CFR	Code of Federal Regulations
CPSC	Consumer Protection Safety Commission
EPA	Environment Protection Agency
FA	Fiscal Year
FDA	Food and Drug Administration
FTA	Free Trade Agreement
FTC	Federal Trade Commission
GSP	Generalized System of Preferences
HTS	Harmonized Tariff Schedule
LDC	Least Developed Countries
MPF	Merchandise Processing Fee
NAFTA	North American Free Trade Agreement
PN	Prior Notice
TEU	Twenty Foot Equivalent
TIFA	Trade and Investment Framework Agreement
USDA	United States Department of Agriculture
USITC	United States International Tariff Commission
USTR	United States Trade Representative
YoY	Year over Year

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1.0 US Economy & Trade

The United States of America is the largest economy in the world in nominal GDP terms. The nominal GDP stood at \$18,860.8 billion (first estimate) for the year 2016¹. The country remains the top ranking destination for foreign direct investment. For FY 2015, planned FDI to the USA was estimated at 439.2 billion USD². The services sector (including government services) contributed approximately 80% of the GDP and manufacturing, 12.5% in 2015.³ Finance, transport and telecommunications are the major contributors in the services sector. The US was ranked 8th of 190 economies in the World Bank's 2016 report on 'Ease of doing Business'⁴.

The US is the leading importer and the second leading exporter of goods and services in the world. For the period, January –November, 2016, the US imported goods worth \$2.2 trillion USD which is lower by 2.8% compared to its imports for the same period in 2015.⁵ Primary imports include automobiles, telecommunication equipments and petroleum products. For a breakup by product category of imports for FY 2016, see Annex-I. Top 15 importing countries account for 79.7% of the total US imports.

Exports				Imports			
Country	November 2016 YTD	% of Total	Rank	Country	November 2016 YTD	% of Total	Rank
Total All Countries	1,327.00	100		Total All Countries	2,005.20	100	
Top 15 Countries	975.3	73.5		Top 15 Countries	1,597.20	79.7	
Canada	244.8	18.4	1	China	423.4	21.1	1
Mexico	211.8	16	2	Mexico	270.6	13.5	2
China	104.1	7.8	3	Canada	254.8	12.7	3
Japan	57.6	4.3	4	Japan	120	6	4
United Kingdom	51.1	3.8	5	Germany	104.6	5.2	5
Germany	45	3.4	6	Korea, South	64.5	3.2	6
Korea, South	38	2.9	7	United Kingdom	49.6	2.5	7
Netherlands	37	2.8	8	France	43.2	2.2	8
Hong Kong	31.9	2.4	9	India	42.6	2.1	9
Belgium	29.9	2.3	10	Ireland	41.5	2.1	10
France	28	2.1	11	Italy	41.1	2.1	11
Brazil	27.7	2.1	12	Vietnam	38.8	1.9	12
Singapore	24.5	1.8	13	Taiwan	35.9	1.8	13
Taiwan	23.4	1.8	14	Malaysia	33.6	1.7	14
Switzerland	20.5	1.5	15	Switzerland	33.1	1.7	15
	All Other Countries	351.7	26.5	All Other Countries	408	20.3	

¹ <https://www.bea.gov/newsreleases/national/gdp/gdpnewsrelease.htm> National Income and Product Accounts Gross Domestic Product: Fourth Quarter and Annual 2016 (Advance Estimate)

² <https://www.bea.gov/newsreleases/international/fdi/2016/fdi0716.htm> 'New Foreign Direct Investment in the United States, 2014 & 2015'

³ WTO, US Trade Policy Review, 2016

⁴ <http://www.doingbusiness.org/rankings>

⁵ <https://www.bea.gov/international/index.htm> 'U.S. Trade in Goods and Services, 1992-present'

1.1 Top 25 Imports of the U.S.

Title: US Imports Products: Top 25 Chapters (HS 2 codes) Origin: All Countries Total Period: 2015, 2016 Units: Value in Millions of USD			
HS (2-digit) Category	2015	2016	% Change 2016/2015
85 - Electrical or Electronic Machinery and Equipment	\$ 327,637.86	\$ 331,000.14	1.03
84 - Nuclear Reactors, Boilers, Machinery and Mechanical Appliances	\$ 322,174.12	\$ 308,919.97	-4.11
87 - Motor Vehicles, Trailers, Bicycles, Motorcycles and Other Similar Vehicles	\$ 279,288.39	\$ 280,862.08	0.56
27 - Mineral Fuels, Mineral Oils, Bituminous Substances and Mineral Waxes	\$ 191,068.42	\$ 154,109.98	-19.34
30 - Pharmaceutical Products	\$ 85,567.74	\$ 92,024.87	7.55
90 - Optical, Medical, Photographic, Scientific and Technical Instrumentation	\$ 77,237.11	\$ 79,772.50	3.28
71 - Pearls, Precious Stones or Metals, Coins and Jewellery	\$ 59,343.87	\$ 66,332.66	11.78
94 - Furniture, and Stuffed Furnishings; Lamps and Illuminated Signs; Prefabricated Buildings	\$ 56,925.59	\$ 59,096.02	3.81
29 - Organic Chemicals (Including Vitamins, Alkaloids and Antibiotics)	\$ 50,998.97	\$ 48,780.57	-4.35
39 - Plastics and Articles Thereof	\$ 47,878.04	\$ 48,084.42	0.43
61 - Knitted or Crocheted Clothing and Articles of Apparel	\$ 46,865.59	\$ 43,980.94	-6.16
62 - Woven Clothing and Articles of Apparel	\$ 39,237.07	\$ 37,379.93	-4.73
73 - Articles of Iron or Steel	\$ 36,465.52	\$ 31,783.13	-12.84
88 - Aircrafts and Spacecrafts	\$ 35,180.48	\$ 30,829.77	-12.37
95 - Toys, Games, Sporting Goods and Other Goods for Amusement	\$ 29,823.14	\$ 29,156.00	-2.24
64 - Footwear	\$ 27,659.87	\$ 25,634.09	-7.32
40 - Rubber and Articles Thereof	\$ 26,511.29	\$ 24,872.21	-6.18
22 - Beverages, Spirits and Vinegar	\$ 21,274.31	\$ 22,456.26	5.56
72 - Iron and Steel	\$ 26,335.19	\$ 21,220.88	-19.42
44 - Wood and Articles of Wood (Incl. Wood Charcoal)	\$ 16,967.59	\$ 18,622.99	9.76
76 - Aluminum and Articles Thereof	\$ 17,390.05	\$ 18,139.59	4.31
03 - Fish, Crustaceans, Molluscs and Other Aquatic Invertebrates	\$ 14,618.06	\$ 15,489.79	5.96
48 - Paper, Paperboard and Articles Made From These Materials	\$ 15,703.21	\$ 15,354.76	-2.22
08 - Edible Fruits and Nuts	\$ 14,017.05	\$ 15,262.25	8.88
63 - Other Made-Up Textile Articles and Worn Clothing	\$ 14,186.96	\$ 13,962.60	-1.58
Sub-total	\$ 1,880,355.49	\$ 1,833,128.40	-2.51
Others	\$ 361,308.23	\$ 356,054.48	-1.45
Total (All Products)	\$ 2,241,663.72	\$ 2,189,182.90	-2.34

1.2 Imports from Pakistan



Pakistan's exports to the United States have hovered between 3.6-3.7 billion USD since 2012. FY 2016 saw a drop in exports; the YoY loss for FY 2016 was 7% as compared to 2015 (\$254 million). Pakistan's exports in key categories and a YoY comparison for each category for the year 2016 is given below.

CATEGORY (HS 6)	2013	YOY	2014	YOY	2015	YOY	2016
		CHANGE				CHANGE	
630260 - Cotton Terry Towels and Household Linen of Cotton Terry Fa	\$495,835	3.05%	\$510,967	-1.84%	\$501,588	-1.50%	\$494,065
611020 - Sweaters, Sweatshirts and Waist-Coats - Knitted - Cotton	\$237,585	-0.84%	\$235,600	-10.16%	\$211,632	-15.24%	\$179,387
630231 - Bedsheets, Pillowcases and Bed Linen (Incl Sets) - Woven, Not	\$228,257	2.22%	\$233,332	-4.71%	\$222,336	-3.65%	\$214,232
620462 - Womens/Girls Trousers, Overalls and Shorts - Woven - Cotton	\$203,668	-12.78%	\$177,632	2.60%	\$182,249	4.22%	\$189,945
630710 - Industrial Shop Towels (Floor/Dish Cloths, Dusters and Cleanin	\$173,654	3.87%	\$180,370	9.96%	\$198,342	-11.30%	\$175,926
620342 - Mens/Boys Trousers, Overalls and Shorts - Woven - Cotton	\$169,430	-10.53%	\$151,591	14.32%	\$173,299	-1.20%	\$171,228
610910 - T-Shirts, Singlets and Other Vests - Knitted - Cotton	\$168,361	-21.56%	\$132,068	2.25%	\$135,046	3.01%	\$139,109
630221 - Bedsheets, Pillowcases and Bed Linen (Incl Sets) - Woven, Prin	\$139,880	-16.70%	\$116,525	4.09%	\$121,294	-18.56%	\$98,783
610510 - Men's/Boys Shirts - Knitted - Cotton	\$128,734	1.94%	\$131,231	-9.18%	\$119,185	-21.24%	\$93,865
611595 - Hosiery, of Cotton,Knitted or Crochated, Nes	\$92,982	5.88%	\$98,452	0.47%	\$98,910	-8.76%	\$90,244
630210 - Bedsheets, Pillowcases and Bed Linen (Incl Sets) - Knitted or C	\$76,064	4.44%	\$79,443	1.13%	\$80,337	-2.85%	\$78,045
940490 - Quilts, Bedspreads, Cushions and Pillows	\$73,733	-5.54%	\$69,645	-9.08%	\$63,319	-22.93%	\$48,797
570110 - Carpets - Wool/ Fine Hair - Knotted	\$67,930	3.39%	\$70,232	-11.28%	\$62,309	-18.61%	\$50,715
901890 - Instruments and Appliances Used in Medical, Surgical or Veterin	\$66,632	8.30%	\$72,162	16.62%	\$84,155	-3.54%	\$81,173
610120 - Mens/Boys Overcoats, Ski and Wind Jackets - Knitted - Cott	\$64,042	-6.97%	\$59,576	-13.19%	\$51,717	-33.17%	\$34,565
390760 - Polyethylene Terephthalate	\$50,293	-64.17%	\$18,020	7.01%	\$19,284	99.21%	\$38,415
420310 - Articles of Apparel or Clothing (Except Gloves) - Leather	\$49,526	-14.64%	\$42,274	-4.69%	\$40,290	-12.00%	\$35,454
621142 - Womens/Girls Coveralls, Smocks and Garments Nes - Woven -	\$43,745	4.70%	\$45,803	2.77%	\$47,073	-4.09%	\$45,148
610462 - Womens/Girls Trousers, Overalls and Shorts - Knitted - Cotton	\$35,712	5.54%	\$37,692	-28.95%	\$26,781	-24.28%	\$20,279
630391 - Curtains (Incl Drapes), Interior Blinds and Bed Valances - Wov	\$35,402	13.54%	\$40,195	22.08%	\$49,069	-17.96%	\$40,256
621600 - Gloves, Mittens and Mitts - Woven	\$35,018	21.37%	\$42,501	4.23%	\$44,300	-50.21%	\$22,056
610342 - Men's/Boys Trousers, Overalls and Shorts - Knitted - Cotton	\$32,895	40.72%	\$46,290	29.44%	\$59,916	-37.10%	\$37,689
711319 - Articles of Jewellery - Precious Metals (Other than Silver)	\$30,969	-86.27%	\$4,252	242.40%	\$14,559	249.10%	\$50,826
130232 - Mucilages and Thickeners Derived from Locust Beans and Seed	\$30,303	-40.01%	\$18,178	-34.49%	\$11,908	-49.00%	\$6,073
420329 - Gloves, Mittens and Mitts - Not For Sports - Leather	\$30,140	26.03%	\$37,985	31.42%	\$49,918	-6.74%	\$46,552
611596-Hosiery , of Synthetic Fibres, Knitted or Crochated, Nes	\$26,295	61.11%	\$42,363	-15.34%	\$35,864	-19.51%	\$28,867
520852-Cotton (>85%) Fabrics-Plain Weave-Printed-100-200 G/M2	\$29,301	5.32%	\$30,859	16.47%	\$35,940	-17.42%	\$29,681
611610- Gloves, Mittens and Mitts - Knitted-Impregnated, Coated or Co	\$23,215	24.44%	\$28,889	12.49%	\$32,497	-8.91%	\$29,601
170230- glucose and glucose Syrup (<20% fructose)	\$20,996	24.54%	\$26,149	15.27%	\$30,143	-3.66%	\$29,040
Sub-total	\$2,760,788	-1.71%	\$2,713,677	0.63%	\$2,730,750	-4.79%	\$2,600,016
Others	\$927,399	3.37%	\$958,642	0.71%	\$965,403	-12.36%	\$846,081
Total (All Products)	\$3,688,186	-0.43%	\$3,672,319	0.65%	\$3,696,153	-6.77%	\$3,446,097

1.3 US- Trade Agreements

The United States has a system of international investment agreements built on trade and investment framework agreements (TIFAs), bilateral investment treaties (BITs), and free trade agreements with investment chapters. TIFAs contain details about consultation procedures and cooperation between the United States and its partners on a broad range of issues, including market access, labor, and the environment.⁶ The United States currently has 55 TIFAs in force, including one with Pakistan.

The US has executed multiple international trade agreements, both regional and bilateral. International Trade Agreements in the US are considered congressional/executive agreements that require approval by majority vote in each House of Congress. The US has free trade agreements with Israel, Jordan, Singapore, Chile, Morocco, Australia, Bahrain, Oman, Peru, Colombia, Korea and Panama. Additionally, NAFTA (North American Free Trade Agreement) and CAFTA-DR (Central America Free Trade Agreement-Dominican Republic) are regional free trade agreements. Most recently, the US withdrew from the Trans-Pacific Partnership, which it signed in February 2016. The US has not concluded a new FTA since the USA-Panama FTA in 2012.⁷

1.4 Generalized System of Preferences (GSP) Program (GSP)⁸

The United States also extends unilateral preferences to developing countries and LDCs (least developed countries) under the GSP Program, the African Growth and Opportunity Act (AGOA) and the Caribbean Basin Initiative. Pakistan is among the developing countries that have a GSP program with the United States. The present authorization for GSP is valid until the end of 2017. India, Thailand, Brazil, Indonesia, and the Philippines were the leading exporters to the United States under the GSP program in 2015. The main GSP items (by import value) were motor vehicle parts, ferroalloys, monumental or building stones, precious metal jewelry, electric motors and generators.⁹

⁶ WTO, US Trade Policy Review, 2016

⁷ *ibid*

⁸ GSP Guidebook <https://ustr.gov/sites/default/files/GSP-Guidebook-September-16-2016.pdf>

⁹ WTO, US Trade Policy Review, 2016

1.4.1 Key elements of the GSP Program

Approximately 3,500 different products from Pakistan are eligible to enter the United States duty-free under the GSP program. However, most textiles and apparel articles, watches, footwear, work gloves, and leather apparel, steel, glass, and electronic articles are excluded from GSP treatment. The complete list of GSP eligible items and associated MFN duty rate is available (167 pages) at <https://ustr.gov/sites/default/files/GSP-eligible-for-all-countries-2016.pdf>. Pakistan's utilization of the GSP has remained low; in 2015, only 5% of Pakistan's exports to the US qualified for GSP treatment.

1.4.2 Eligibility for GSP Treatment

To be eligible for GSP treatment:

- a. The product must be included on the list of GSP-eligible articles; Articles eligible for GSP treatment are identified in the current edition of the Harmonized Tariff Schedule of the United States (HTSUS), which is published by the U.S. International Trade Commission (USITC). The complete HTSUS can be downloaded from the USITC web site at <http://www.usitc.gov/tata/hts/index.htm>. There is also a searchable version of the HTSUS available at the USITC website. It must be imported directly from a Beneficiary Developing Country (for example, Pakistan).
- b. The BDC must be eligible for GSP treatment for that article. The eligibility of a product is determined by the presence of the letter 'A' in the 'Special' tariff column of the (HTSUS) at an 8-digit level. The letter A+ indicates that the privilege is reserved only for the LDCs and is not applicable to Pakistan.
- c. For an imported article to be GSP-eligible, it must be the growth, product, or manufacture of a BDC, and the sum of the cost or value of materials produced in the BDC plus the direct costs of processing ***must equal at least 35 percent*** of the appraised value of the article at the time of entry into the United States. The merchandise must be imported directly from any beneficiary country into the customs territory of the United States. The cost or value of materials imported into the beneficiary developing country may be included in calculating the 35-percent value-content requirement of

the GSP only if such materials are substantially transformed in the beneficiary developing country into a new and different intermediate article of commerce, which is then transformed a second time in the production of the final good. Direct costs of processing means costs directly incurred in the processing of the good. These include all actual labor costs involved with production of the good, dies, molds, tooling, and depreciation on machinery and equipment, R&D and costs of inspecting and testing the merchandise. General expenses such as salaries, insurance, advertising etc. are not considered direct costs of processing.

- d. ***The exporter/importer must request duty-free treatment*** under GSP by placing the appropriate GSP Special Program Indicator (SPI) (A, A+, or A*) before the HTSUS number that identified the imported article on the appropriate shipping documents (CBP Form 7501). ***If GSP is not claimed on the entry summary, there are other ways to claim it.*** One way is to file a Post Entry Amendment with Customs at least 20 working days prior to liquidation of the entry. Another method is to file a protest. A sample of CBP Entry Form 7501 used for entry of merchandise, can be found on the CBP [web site](http://www.cbp.gov/sites/default/files/documents/CBP%20Form%207501_0.pdf) at: http://www.cbp.gov/sites/default/files/documents/CBP%20Form%207501_0.pdf
- e. The documents required by the Customs and Border Protection must be furnished. While the types of documents required may vary on a case-to-case basis, examples of the types of documents that should be available to establish and document a GSP claim are GSP Declaration, Bill of Materials, Invoices, Purchase Orders, Production records kept in the ordinary course of business, Payroll information to document labor costs, Factory Profile and Affidavit with supporting documentation. The documentation necessary to substantiate a GSP claim must be kept readily accessible, should CBP request it. Records may be requested from the importer of the products for which GSP is claimed, from the foreign exporter, or both. The substantiating documentation must be kept for a period of five years.

2.0 Exporting to the United States

The sections below give an overview of restrictions on imports, duties and fees as well as other requirements for goods imported from outside the US for commercial purposes. Products that are relatively easy to export to the USA include leather goods, leather hides and saddlery, luggage, musical instruments, paper and paper products, sporting goods, artificial flowers, jewelry, gems, pearls and gemstones, optics and optical goods, plastics and plastic products, household appliances, artificial fur, glass and glass products, utensils, ceramic tiles, art, machine tools, rubber and rubber products, brushes, base metals, hand tools, cork, lighting fixtures, stone and stone products, umbrellas, wallpaper, and cutlery. Products that have special requirements include alcoholic beverages, paints and related products, motor vehicles, meat and meat products, radioactive materials, explosives and fireworks, prepared foods, drugs, textiles and textile products, toys, guns, arms and related products, aircraft and aerospace products, fertilizers, dairy products, live animals, poultry, poultry products and eggs.

2.1 Imports-Prohibitions, Restrictions or Special requirements¹⁰

There are also restrictions on the importation of certain trademarked and copyrighted articles¹¹. The following items must comply with applicable regulations of other agencies.

a. Art materials	a. Conform to the provisions of the Labeling of Hazardous Art Materials Act
b. Bicycle Helmets	b. To meet regulations issued under the Federal Hazardous Substances Act, bicycle helmets must meet CPSC's Safety Standard
c. Biological materials	c. Prohibited unless they have been propagated or prepared at an establishment with a U.S. license for such manufacturing issued by the Secretary of the Department of

¹⁰ <https://www.cbp.gov/sites/default/files/documents/Importing%20into%20the%20U.S.pdf>

¹¹ Customs Publication No. 549 U.S. Customs and Protection of Intellectual Property Rights

<p>d. Cheese, milk, and dairy products*</p> <p>e. Cigarette lighters and multi-purpose lighters equipment</p> <p>f. Flammable fabrics</p> <p>g. Foods, cosmetics, etc. *</p> <p>h. Foods, drugs, cosmetics, and medical devices *</p> <p>i. Fruits, vegetables, and nuts *</p> <p>j. Gold and silver</p> <p>k. Livestock and animals</p> <p>l. Matches, fireworks, knives</p> <p>m. Meat, poultry, egg products, and fish and fish products</p> <p>n. Obscene, immoral, or seditious matter and lottery tickets</p>	<p>Health and Human Services</p> <p>d. Subject to requirements of the Food and Drug Administration and the Department of Agriculture</p> <p>e. Compliance with the child-resistant safety standard</p> <p>f. Conform to applicable flammability standard under the Flammable Fabrics Act</p> <p>g. Prohibits the importation of articles that are adulterated or misbranded and products that are defective, unsafe, filthy, or produced under unsanitary conditions</p> <p>h. Subject to the requirements of the Public Health Security and Bio-Terrorism Preparedness and Response Act of 2002</p> <p>i. Import requirements relating to grade, size, quality, and maturity</p> <p>j. Articles made of gold or alloys thereof are prohibited from importation into the United States if the gold content is one half carat divergence below the indicated fineness</p> <p>k. Inspection and quarantine requirements of the Animal and Plant Health Inspection Service (APHIS)</p> <p>l. Certain matches, fireworks, and knives are prohibited</p> <p>m. Subject to USDA regulations and must be inspected by the Food Safety and Inspection Service (FSIS)</p> <p>n. Certain books, writings, advertisements, circulars, or pictures containing these are prohibited</p>
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<p>o. Pesticides</p> <p>p. Products of convict or forced labour</p> <p>q. Seeds</p> <p>r. Textile products *</p> <p>s. Toxic substances</p> <p>t. Toys and children's articles*</p> <p>u. Wood packing materials *</p> <p>v. Wool *</p>	<p>o. The regulations require importers to submit to CBP an EPA Notice of Arrival that the EPA has reviewed and approved before the importation arrives in the United States (Prior Notice)</p> <p>p. Merchandise produced, mined, or manufactured, wholly or in part by means of the use of convict labour, forced labour, or indentured labour under penal sanctions is prohibited from importation</p> <p>q. Provisions of the Federal Seed Act of 1939 and regulations of the Agricultural Marketing Service govern the importation into the United States</p> <p>r. Must be stamped, tagged, labelled, or otherwise marked with the specific information</p> <p>s. Imports will not be released from CBP custody unless proper certification is presented to CBP indicating that the import "complies with" or "is not subject to" TSCA requirements</p> <p>t. Compliance with applicable regulations issued under the Federal Hazardous Substances Act</p> <p>u. Import regulations require wood packing material to be treated and marked</p> <p>v. Must be tagged, labeled, or otherwise clearly marked with specific information</p>
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* Product categories and requirements detailed further in document

2.1.1 Quota Enforcement and Administration

Import quotas control the amount or volume of various commodities that can be imported into the United States during a specified period of time. Quotas are announced in specific legislation or may be provided for in the Harmonized Tariff Schedule of the United States (HTSUS). More information on quota enforcement and administration is available on the link <https://www.cbp.gov/trade/quota>

2.2 Import Licensing Requirements

A license or permit from the responsible agency may be necessary to import alcoholic beverages, animal and animal products, certain drugs, firearms and ammunition, fruits, nuts, meat and meat products, milk, dairy, and cheese products, plants and plant products, poultry and poultry products, petroleum and petroleum products, and vegetables. Import licenses, are imposed under various statutes for various purposes and are enforced by six agencies. Given the nature of Pakistani exports to the US, USDA may be the most relevant in terms of import licensing requirements.

1. Departments of Agriculture,
2. Department of Commerce (steel),
3. Department of Energy (natural gas),
4. Department of Interior (fish and wildlife)
5. Department of Justice (firearms, explosives, and drugs),
6. Department of Treasury (alcohol and tobacco).

2.3 US Ports

Ports of entry conduct the daily, port-specific operations like clearing cargo, collecting duties and other monies associated with imports, and processing passengers arriving from abroad. Port personnel are the face at the border for nearly all cargo carriers and people entering the United States. Ports of entry are the level at which CBP enforces import and export laws and regulations and implements immigration policies and programs. Port officers also perform agricultural inspections to protect the USA from potential carriers of animal and plant pests or diseases that could cause serious damage to America's crops, livestock, pets, and the environment. Some of the important

sea freight ports of the United States are Long Beach/Los Angeles, Galveston/Houston, Texas, San Francisco/Oakland, California, Seattle/Tacoma, Washington, New York, New York, Jacksonville , port Everglades & Miami, Florida and Charleston, South Carolina. The Los Angeles port handled 17.1% of the nationwide loaded TEUs and 39.6% of the west coast loaded TEUs.¹²

2.4 United States Customs and Border Protection (CBP)

Before September 11, 2001, the major responsibility of the former U.S. Customs Service was to administer the Tariff Act of 1930. After 2001 Customs was merged with other border enforcement agencies to become U.S. Customs and Border Protection. CBP became the premier border enforcement agency with the mission of homeland security. CBP is additionally responsible for assessing and collecting duties, taxes and fees resulting from international traffic and trade. CBP also deals with fraudulent activities intended to avoid the payment of duties, taxes and fees, evasion of legal requirements of international traffic and trade, illegal international trafficking in arms, currency, and acts of terrorism at U.S. ports of entry.

2.4.1 The Process of Entering Goods into the USA¹³

When a shipment reaches the US, the importer (or his/her customs broker) will file entry documents for the goods with the port director at the goods' port of entry. Imported goods are legally entered after the shipment has arrived within the port of entry, delivery of the merchandise has been authorized by US Customs, and estimated duties have been paid.

It is the importer's responsibility to arrange for examination and release of the goods. Goods may be entered for consumption, entered for warehouse at the port of arrival, or they may be transported in-bond to another port of entry and entered there under the same conditions as at the port of arrival. Arrangements for transporting the merchandise in-bond to an in-land port may be made by the importer or his/her designated broker or agent. Unless the merchandise arrives directly at the port where it is to be entered, there may be additional fees by the carrier for transportation to that port. Arrangements of entry must be made at the US Customs port of entry prior to the arrival of the goods. A shipment may only be entered by the owner, purchaser, or a licensed

¹² <https://www.portoflosangeles.org/maritime/stats.asp>

¹³ <https://www.cbp.gov/sites/default/files/documents/Importing%20into%20the%20U.S.pdf>

customs broker. When the goods are consigned “to order,” the bill of lading, properly endorsed by the consignor, may serve as evidence of the right to make entry. If the shipment is arriving by air an air waybill may be used for merchandise. In most instances, entry is made by a person or firm certified by the carrier bringing the goods to the port of entry. This entity (i.e., the person or certified firm) is considered the “owner” of the goods for customs purposes. The document issued by the carrier for this purpose is known as a “Carrier’s Certificate.” In some cases, entry may be made by means of a duplicate bill of lading or a shipping receipt. When the goods are not imported by a common carrier, possession of the goods by the importer at the time of arrival shall be deemed sufficient evidence of the right to make entry.

2.4.2 Entry of goods

Informal Entry: Informal entry can be used for most imports valued at \$2,000 or less (if the goods are not included under a quota and a few other exceptions). Informal entry is a short customs clearance procedure of shipments of small value.

Formal Entry: Formal entry is applied to all shipments \$2,000 or more in value. A licensed Customs Broker should be used to clear all formal entry shipments. The paper work for a formal entry is much more complex than for an informal entry. Usually a Customs Broker can submit the necessary entry documents electronically by way of the Automated Broker Interface system (ABI) before the shipment has actually arrived, using the bill of lading, packing slips, importer’s EIN (Employer Identification Number), a power of attorney and relevant invoices.

2.4.3 Determining Duty Rates

All goods imported into the United States are subject to duty or duty-free entry in accordance with their classification under the applicable items in the Harmonized Tariff Schedule of the United States (HSTUS). When goods are dutiable, *ad valorem*, *specific*, or *compound rates* may be assessed.

Ad Valorem Rate: Type of rate most often applied as a percentage of the value of the merchandise, such as five percent ad valorem.

Specific Rate: Specified amount per unit of weight or other quantity, such as 5.9 cents per dozen.

Compound Rate: Combination of both ad valorem and specific rates, such as 10 percent ad valorem plus 0.7 cents per kilo.

Free of Duty or *Dutiable Rates* of duty for imported merchandise may vary depending upon the country of origin. Most merchandise is dutiable under the most-favored-nation—now referred to as normal trade relations—rates in the General column under column 1 of the tariff schedule. Merchandise from countries to which these rates have not been extended is dutiable at the full or “statutory” rates in column 2 of the tariff schedule. Free rates are provided for many subheadings in columns 1 and 2 of the tariff schedule. Duty-free status is also available under various conditional exemptions which are reflected in the Special column under column 1 of the tariff schedule. It is the importer’s responsibility to show eligibility for a conditional exemption from duty. One of the more frequently applied exemptions from duty applicable to Pakistan occurs under the Generalized System of Preferences (GSP).

The harmonized tariff system offers duty rates. In addition to the Harmonized Tarriff Schedule available on the USITC website, the website also offers an interactive Tariff Database that offers an idea of the duty rate for a product. The actual duty rate of the item imported may be different due to the attributes of the product. CBP has the final authority in determining duty rates. For very specific duty information on products, Importers may request a *binding ruling* from the CBP.

2.4.3.1 *Binding Rulings*¹⁴

The CBP offers the Binding Rulings program under which the CBP issues binding advance rulings and other legal decisions with regard to the import of merchandise into the United States. Advance rulings allow the importers to understand how the CBP will treat the transaction/import. For example, a ruling letter may inform the importer about the tariff classification or appraised value of merchandise, exclusion of merchandise from entry etc. It is important to note that in the Binding Rulings Program, the tariff classifications are binding but the duty rates are not.

The CBP requires the following information to process a binding ruling:

- a. The names, addresses and other information of all interested parties (if known)
- b. Manufacturer ID code (if known)
- c. The port(s) at which the merchandise will be entered (if known)
- d. A description of the transaction; for example, an import of a product from a certain country

¹⁴ <https://www.cbp.gov/sites/default/files/documents/Importing%20into%20the%20U.S.pdf>

- e. A statement that there are, to the importer's knowledge, no issues on the commodity pending before CBP or any court
- f. A statement as to whether classification advice has previously been sought from a CBP officer, and if so, from whom, and what advice was rendered, if any
- g. A request for a tariff classification should include a complete description of the goods. Samples, drawings, other illustrative material that can further elaborate the products, costs, uses of the prospective import, any other information that can help the CBP understand the product better.
- h. Importers will generally receive an answer in 30 days. The initial ruling received can be protested.

2.4.4 CBP Recommendations for Faster Clearance of Merchandise¹⁵

The CBP suggests the following for faster clearance of merchandise.

1. All information required on customs invoices must be filled out.
2. Invoices should be prepared carefully and typed clearly. There should be sufficient space between lines and the data should be within each column.
3. Invoices must contain information that would appear on a well-prepared packing list.
4. Each package should be marked and numbered so it can be identified and corresponded with marks and numbers on the invoice.
5. Show a detailed description on your invoice of each item of merchandise contained in each individual package.
6. Country of origin marking must be conspicuous unless goods are specifically exempted from such marking requirements.
7. Compliance with provisions of any special laws of the United States that may apply to your goods, such as laws related to food, drugs, cosmetics, alcoholic beverages, radioactive materials, and others.
8. Work with CBP to develop packing standards for commodities.
9. Consider shipping on a carrier participating in the Automated Manifest System (AMS).
10. Consider working with a licensed customs broker who participates in the Automated Broker Interface (ABI).

2.4.5 Packaging-Requirements and Ways to Expedite Inspection¹⁶

¹⁵ <https://www.cbp.gov/sites/default/files/documents/Importing%20into%20the%20U.S.pdf>

¹⁶ <https://www.cbp.gov/sites/default/files/documents/Importing%20into%20the%20U.S.pdf>

Working with CBP to develop packing standards that will permit effective CBP examinations with a minimum of delay, damage, and cost. A critical aspect in facilitating inspections is how the cargo is loaded.

- Loading cargo into pallets or consolidated units facilitates CBP examinations and allows for quick cargo removal.
- Loading up the container to leave space at the top of the container and an aisle down the center to allow access by a narcotic detector dog is advised by the CBP. It helps CBP officers to decide which packages should be examined and whether other requirements are met. NOT packing a combination of different types of goods. Combination packaging makes it impracticable for CBP officers to determine the quantity of each type of product in an importation. Such packing can also lead to a variety of other complications in the entry process.
- The CBP advises against comingling-combining articles. If required, the combination packaging must be orderly with a separate invoice for each type of goods. Comingled lots run the risk of being assessed at the highest rate of duty applicable to items in the lot if CBP officers can not readily determine the quantity and value of each item in the lot without physically separating them.
- The U.S. strictly monitors packaging materials coming into the country to protect agriculture industries from insects and pests. All raw wood used in packaging, including pallets, must comply to the ISPM15 standard (International Standards for Phytosanitary Measures #15)
- To demonstrate compliance, all raw materials need to show the ‘debug’ symbol, 2 letter country code and unique number of the manufacturer: Example: DB - HT
GB - FC0000
- These standards do not apply to plywood, particle board or plastic.
- Show the exact quantity of each item of goods in each box, bale, case, or other package.
- Put marks and numbers on each package and reflect these marks and number on the invoice opposite the itemization of goods contained.

2.4.6 Customs-Trade Partnership Against Terrorism (C-TPAT) ¹⁷

¹⁷ <https://www.cbp.gov/sites/default/files/documents/Importing%20into%20the%20U.S.pdf>

A C-TPAT certification may be useful for Pakistani companies that have presence in the US and work as importers of Pakistani goods. C-TPAT is a voluntary, joint government-business partnership to help add to supply chain and increase border security launched by the CBP in 2001. Over 11000 companies are registered with the C-TPAT. Nearly half of the certified companies are importers. Some of the advantages of getting C-TPAT certified are listed below:

- Access to the Free and Secure Trade (FAST) lanes at land borders and moving to the front of inspection lines
- Lower potential of CBP exams and exemption from certain exams.
- Shorter wait at the border
- Access to the Status Verification Interface (SVI)
- Access to the Free and Secure Trade (FAST) Lanes at the land borders
- Assignment of a CBP Supply Chain Security Specialist (SCSS) to the company
- Eligibility for other U.S. Government pilot programs such as the U.S. Food and Drug Administration (FDA) Secure Supply Chain (SSC) program
- The potential to participate in the Importer Self-Assessment Program (ISA)

There are no fees associated with the C-TPAT program. However, there may be costs associated with operational improvements required for certification/compliance.

2.4.7 Trade Show Supplies/Products

The CBP recommends the following for entry of products be exhibited at trade shows.

- a. Official documentation, date and location of the Trade Show, proof of being an exhibitor
- b. Documentation indicating value of items
- c. Mark items "Not for Sale" or mutilate the items
- d. Check with the government agency that regulates your product for any possible restrictions or required documentation (if applicable)
- e. Obtain the HTSUS code for your items
- f. The United States allows for the temporary importation of commercial samples, professional equipment and certain advertising materials by a nonresident individual.

g. For supplies/goods valued over \$2,500, a Temporary importation under bond on Carnet is recommended. The ATA Carnet is an international Customs document that a traveler may use temporarily to import certain goods into a country without having to engage in the Customs formalities usually required for the importation of goods, and without having to pay duty or value-added taxes on the goods. Carnets are a security that participating countries accept as a guarantee against the payment of Customs duties that may become due on goods temporarily imported under a carnet and not exported as required. “ATA” stands for the combined French and English words “Admission Temporaire-Temporary Admission.”

2.5 Charges/Fees on Imports¹⁸

Fees collected by CBP

Fee/charge	Amount	Other
Merchandise Processing fee 1. Formal Entry	0.3464% of the customs value (not including duty, freight, or insurance charges), with minimum and maximum of US\$25 and US\$485, for formal entries	Imports under FTAs or preferential agreements or arrangements may be exempt from the Merchandise Processing Fee. MPF is not applied to express and postal shipments of less than US\$800 value.
2. Informal Entry (i.e. commercial shipments worth no more than US\$2,500 and personal shipments, are not subject to the ad valorem rate.)	Instead of the Ad Valorem rates, flat rates are applied depending on whether the entry or release: <ul style="list-style-type: none"> • is entirely automated (US\$2) • is manual, but not prepared by CBP staff (US\$6) • requires any 	

¹⁸ WTO, US Trade Policy Review, 2016

	preparation by CBP personnel (US\$9).	
<p>COBRA fees</p> <p>These are collected for various customs services including issuance of broker permits, treatment of dutiable mail packages and the processing of private vessels, commercial trucks, passengers and cargo.</p> <p>Fees vary by mode of arrival and may be assessed per crossing or annually.</p>	<p>Commercial Vessel: US \$437-\$5,955 (max)</p> <p>Air/Sea Passenger: \$5.5 per arrival</p> <p>Dutiable Mail: \$5.5 per dutiable packet</p>	<p>These fees are likely to be built into the cost of shipping by the shipping line/carrier.</p>
Harbor Maintenance Tax	0.125%	Applicable to all commercial imports arriving by vessel, admissions into foreign trade zones, domestic cargo shipped through a port, and cruise ship passengers.

Agriculture Fees¹⁹

The Animal and Plant Health Inspection Service (APHIS), part of the U.S. Department of Agriculture (USDA), collects Agriculture Quarantine Inspection (AQI) fees.

Fee	Purpose/Legal basis	Rate
AQI Aircraft Clearance	Agricultural quarantine and inspection services/ Food, Agriculture and Conservation Act of 1990	US\$225.00 per arrival
AQI Commercial Cargo Vessel	Agricultural quarantine and inspection services/ Food, Agriculture and Conservation Act of 1990;	US\$825.00 per arrival

¹⁹ WTO, US Trade Policy Review, 2016

AQI Treatment	Agricultural quarantine and inspection services/Food, Agriculture and Conservation Act of 1990	First year: US\$47.00, Second year: US\$95.00, Third year: US\$142.00, Fourth year: US\$190.00, Fifth year: US\$237.00
Mango Import Assessment Information	Mango research, promotion, consumer/7 CFR 1206.42	US\$0.0075 per pound
Paper and Packaging Import Assessment	Paper and packaging research, promotion and consumer information/7 CFR 1222.52	US\$0.00000386 per kg
Cotton Import Assessment	Cotton research, promotion and consumer information/ Cotton Research and Promotion Act of 1989 & 7 CFR 1205	Varies according to the product and HTS number
Watermelon Import Assessment	Watermelon research, promotion and consumer information/ Watermelon Research and Promotion Act 7 CFR 1210	Varies according to the product and HTS number

2.6 Labeling & Marking Requirements

Several American agencies have labeling and marking requirements for imports entering the United States. Goods may be denied entry if they do not meet these requirements. Following are some of the agency-specific requirements for entry of goods into the US. CBP requires the country of origin markings to be placed on products. U.S. customs laws require that each article produced abroad and imported into the United States be marked with the English name of the country of origin to indicate to the ultimate purchaser in the United States what country the article was manufactured or produced in. These laws also require that marking be located in a conspicuous place as legibly, indelibly and permanently as the nature of the article permits. Articles that are otherwise specifically exempted from individual marking are also an exception to this rule. If the article – or its container, when the container and not the article must be marked – is not properly marked at the time of importation, a marking duty equal to 10 percent of the article’s customs value will be assessed unless

the article is exported, destroyed or properly marked under CBP supervision before the entry is liquidated.

Although it may not be possible to identify the ultimate purchaser in every transaction, broadly stated, the “ultimate purchaser” may be defined as the last person in the United States who will receive the article in the form in which it was imported. Generally speaking, when an article is imported into and used in the United States to manufacture another article with a different name, character or usage than the imported article, the manufacturer is the ultimate purchaser. If an article is to be sold at retail in its imported form, the retail customer is the ultimate purchaser. A person who subjects an imported article to a process that results in the article’s substantial transformation is the ultimate purchaser, but if that process is only minor and leaves the identity of the imported article intact, the processor of the article will not be regarded as the ultimate purchaser. When an article or its container is required to be marked with the country of origin, the marking is considered sufficiently permanent if it will remain on the article or container until it reaches the ultimate purchaser. Exemptions to the marking provisions are available at the link below:

2.6.1 Textile Products²⁰

Labeling requirements are enforced by the Federal Trade Commission (FTC) for textile and wool products and care labels for clothing. All textile fiber products imported into the United States must be stamped, tagged, labeled, or marked with the following information as a requirement of the Textile Fiber Products Identification Act.

- The generic names and percentages by weight of the constituent fibers present in the textile fiber product, exclusive of permissive ornamentation, in amounts greater than five percent.
- Constituent fibers must be listed in order of predominance by weight. Any fiber or fibers present in amounts of five percent or less must be designated as “other fiber” or “other fibers” and must appear last in this list.
- The name of the manufacturer, or the name or identification number issued by the Federal Trade Commission of the person(s) marketing or handling the textile fiber product. A word trademark, used as a house mark, that is registered with the United States Patent Office may be used on labels in lieu of the name otherwise

²⁰ FTC ‘Threading your way through the labeling requirements under the Textile & Wool Act’, <https://www.ftc.gov/tips-advice/business-center/guidance/threading-your-way-through-labeling-requirements-under-textile>

required if the owner of such trademark furnishes a copy of the Patent Office registration to the Federal Trade Commission prior to use.

- The name of the country where the product was processed or manufactured.
- A commercial invoice is required for each shipment of textile fiber products worth more than \$500.
- Labeling requirements and products they apply on for textiles are given below:

Labeling requirements apply	Labeling requirements do not apply
<ul style="list-style-type: none"> • Clothing, except for hats and shoes • Handkerchiefs • Scarves • Bedding, including sheets, covers, blankets, comforters, pillows, pillowcases, quilts, bedspreads and pads (but not outer coverings for mattresses or box springs) • Curtains and casements • Draperies • Tablecloths, napkins and doilies • Floor coverings: rugs, carpets and mats • Towels, washcloths and dishcloths • Ironing board covers and pads • Umbrellas and parasols • Flags with heading or that are bigger than 216 square inches • Cushions • All fibers, yarns and fabrics, but not packaging ribbons • Furniture slip covers and other furniture covers • Afghans and throws 	<ul style="list-style-type: none"> • Upholstery or mattress stuffing that is not reused. If the stuffing is reused, the label must say so. • Outer coverings of upholstered furniture, mattresses and box springs • Linings, interlinings, filling or padding used for structural purposes. If used for warmth, though, the fiber must be disclosed. In addition, if you state the fiber content of linings, interlinings, filling or padding, the products are not exempt. • Stiffenings, trimmings, facings or interfacings • Backings of carpets or rugs and pads or cushions for use under carpets, rugs or other floor coverings • Sewing and handicraft threads • Bandages, surgical dressings and other products subject to the federal Food, Drug and Cosmetic Act • Waste materials not used in a textile product • Shoes, overshoes, boots, slippers and all outer footwear. • Headwear, including hats, caps or anything worn exclusively on the head

<ul style="list-style-type: none"> • Sleeping bags • Antimacassars (doilies) • Hammocks • Dresser and other furniture scarves • Socks and hosiery 	<p>except woolen caps</p> <ul style="list-style-type: none"> • Textiles used in handbags or luggage, brushes, lampshades, toys, feminine hygiene products, adhesive tapes and adhesive sheets, cleaning cloths impregnated with chemicals, or diapers
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The disclosure requirement applies only to fibers in yarns, fabrics, clothing and other household items. If part of the product is made from a non-fibrous material, such as plastic, glass, wood, paint, metal or leather, these do not have to be included on the label. That includes the contents of zippers, buttons, beads, sequins, leather patches, painted designs, or any other parts that are not made from fiber, yarn, or fabric. Fibers comprising 5% or more of the fiber weight should be disclosed. Fibers of less than 5% weight, except recycled wool or wool, may be disclosed as other fiber or other fibers and not by their generic name of fiber trademark.

Trim, linings (unless used for warmth), small amounts of ornamentation and the threads that hold the garment together, may not require labeling although the label may need to disclose that the stated fiber content is exclusive of decoration or ornamentation.

The FTC provides information about labeling requirements including requirements under the US Fair Packaging and Labeling Act. The act applies to consumable goods. Other regulations apply to textiles, clothing, wool, fur and leather. The FTC's publication "Threading Your Way Through the Labeling Requirements Under the Textile and Wool Acts", is a user-friendly source of information on these rules and is available at www.business.ftc.gov/documents/bus21-threading-your-way-through-labeling-requirements-under-textile-and-wool-acts.

The labeling requirements do not apply until the products are ready for sale to consumers. Items shipped or delivered in an intermediate stage of production and not labeled with the required information must include an invoice disclosing the fiber, country of origin, manufacturer or dealer identity, and the name and address of the person or company issuing the invoice. If the manufacturing or processing of the products is substantially complete, the products are considered ready for sale. Even if small details like hemming, cuffing or attaching buttons to garments are yet to be finished, the products still would require labeling.

2.6.2 Wool Products²¹

Products that contain any amount of wool such as clothing, fabric, blankets, yarns and other items are covered by the Wool Act and Wool Rules. There is overlap between the Wool and Textile requirements. Wool products are any products that contain a portion of wool, including recycled wool. Some products exempted from the Textile Act and Rules such as socks, slipper and hats are covered by the Wool Act if they contain wool. Carpets, rugs or mats, upholsteries which are covered by the Textile Act and Rules are exempt under the Wool act and rules even if they contain wool. Articles manufactured more than 20 years prior to imports are also exempted from the tagging and labeling requirements given below.

- a. The percentage of the wool product's total fiber weight, exclusive of ornamentation not exceeding five percent of the total fiber weight of:
 - Wool,
 - Recycled wool
 - Every fiber other than wool if the percent by weight of such fiber is at least five percent
- b. The aggregate of all other fibers. The percent of the wool product's total weight composed of any non-fibrous loading, filling, or adulterating matter.
- c. The name of the manufacturer or importer. If the importer has a registered identification number issued by the Federal Trade Commission, that number may be used instead of the individual's name. A commercial invoice is required for each shipment of wool products exceeding \$500 in value. The provisions of the Wool Products Labeling Act apply to products manufactured in the United States as well as to imported products.

Most imported articles of foreign origin arriving in the United States are required to be marked identifying their country of manufacture. The marks must be in the English language, as legibly, indelibly and permanently as the nature of the article will permit and must be of adequate size. This requirement informs the ultimate purchaser of the article in the United States where the article was manufactured, processed or grown. Below are labeling requirements for certain product types.

²¹ FTC: Threading your way through the labeling requirements of the Textile & Wool Act <https://www.ftc.gov/tips-advice/business-center/guidance/threading-your-way-through-labeling-requirements-under-textile>

2.6.3 Food and Pharmaceutical Products²²

Labeling for food stuffs and pharmaceuticals should be submitted to the US Food and Drug Administration for approval, before shipments are made. The FDA regulates food labeling in the United States. The FDA also provides labeling requirements for dietary supplements, cosmetics, drugs (both prescription and over-the-counter), medical devices, devices that emit radiation and animal foods. Manufacturers must list all ingredients in order from most to least prevalent and also list nutritional information.

- FDA does not have a pre-market approval system for cosmetic products or ingredients, with the important exception of color additives and cosmetics and products and ingredients.
- FDA maintains the Voluntary Cosmetic Registration Program (VCRP) for cosmetic establishments and formulations. This program is voluntary, but it is highly recommended.
- FDA's labeling requirements are extensive and can be found on www.fda.gov. A summary of some import food labeling requirement is given below. These requirements are not exhaustive. Any product that is to be imported should be researched in greater depth using the information on the FDA website and exploring necessary inspections associated with the product to be imported.

Food must be labeled in the following manner:

- Place the statement of identity, or name of the food, and the net quantity statement, or amount of product, on the Principal Display Panel (PDP) of the product and on the alternate to the principle display panel.
- The Nutrition Facts label may be placed together with the ingredient list and the name and address (name and address of the manufacturer, packer, or distributor) on the PDP.
- Unless the name given is the actual manufacturer, it must be accompanied by a qualifying phrase which states the firm's relation to the product (i.e., "manufactured for "or "distributed by").
- Street address must be included if the firm's name and address are not listed in a current city directory or telephone book. For products

²² <https://www.austrade.gov.au/Australian/Export/Export-markets/Countries/United-States-of-America/Doing-business/Tariffs-and-regulations>

manufactured outside the US, only the city and country of origin are required to be listed.

2.6.4 Special marking requirements for certain products

The following articles and their parts are expected to be marked legibly and conspicuously to indicate their origin by die-stamping, cast-in-the-mold lettering, etching (acid or electrolytic), engraving, or by means of metal plates that bear the prescribed marking and that are securely attached to the article in a conspicuous place by welding, screws, or rivets:

- a. Knives
- b. Clippers
- c. Shears
- d. Safety Razors
- e. Surgical Instruments
- f. Scientific and Laboratory Instruments
- g. Pliers
- h. Pincers
- i. Vacuum Containers

2.6.4 Commercial Food Products

The USDA regulates U.S. commercial food supply, its packaging and labeling through the Food Safety and Inspection Service (FSIS). The FSIS Labeling and Consumer Protection requirements are available at the following link: <https://www.fsis.usda.gov/wps/portal/fsis/topics/regulatory-compliance/labeling>.

Most labels on retail packages of meat or poultry must be pre-approved by the FSIS. The Labeling procedures are further detailed on the FSIS website at [www.fsis.usda.gov/Regulations & Policies/Labeling Procedures/index.asp](http://www.fsis.usda.gov/Regulations%20&%20Policies/Labeling%20Procedures/index.asp)

Further information on some products relevant to Pakistan is given below:

▪ **Fruits, Vegetables, and Nuts²³**

Certain agricultural commodities, including: fresh tomatoes, avocados, *mangoes*, limes, oranges, grapefruit, green peppers, Irish potatoes, cucumbers, eggplants, dry onions, processed dates, prunes, walnuts, filberts raisins, and olives in tins must meet United States import requirements relating to grade, size, and quality. These

²³ https://www.aphis.usda.gov/import_export/plants/manuals/ports/downloads/fv.pdf

commodities are inspected; an inspection certificate must be issued by USDA's Food Safety and Inspection Service to indicate import compliance. Additional restrictions may be imposed by the USDA's Animal and Plant Health Inspection Service, under the Plant Quarantine Act, and by the Food and Drug Administration under the Federal Food, Drug and Cosmetic Act. Imported foods regulated by the FDA, such as confectionery, dairy products, poultry, eggs and egg products, meats, fruits, nuts and vegetables, are also subject to other agencies' requirements

2.6.5 Pesticides, Fungicides, Chemicals

The EPA (www.epa.gov) deals with protection of the environment in the U.S. If your product contains chemicals that may come under the U.S. *Toxic Substances Control Act*, it may need special labeling.

Any product that purports to be a pesticide, fungicide, rodenticide or anti-microbial agent is subject to the U.S. *Federal Insecticide, Fungicide and Rodenticide Act* (FIFRA), which is under the authority of the EPA. (This excludes products associated with cosmetics or over-the counter drugs, which are under the FDA.) More information on labeling is available in the EPA's Label Review Manual, to www.epa.gov/oppfead1/labeling/lrm/chap-03.pdf. The rules governing the FIFRA are in Title 40, Part 152 of the CFR. For details, refer to www.gpo.gov/fdsys/search/pagedetails.action?collectionCode=CFR&searchPath=Title+40%2FChapter+I%2FSubchapter+E%2FPart+152&granuleId=&packageId=CFR2007title40vol1&oldPath=Title+40%2FChapter+I%2FSubchapter+E%2FPart+152&fromPageDetails=true&collapse=true&yrcord=162, which will allow you to reference the document online.

2.6.6 Consumer Products Safety Commission (CPSC)

The CPSC, at www.cpsc.gov, is responsible for the proper labeling of various hazardous substances and articles. The CPSC oversees compliance with the requirements of the CPSIA (Consumer protection Safety Information Act, detailed in Section 3 of the document) These rules can be found in Title 16, Part 1500 of the CFR; for details, refer to www.gpo.gov/fdsys/pkg/CFR-2012-title16-vol2/pdf/CFR-2012-title16-vol2-sec1500-135.pdf . The CPSC is also responsible for the labeling requirements of flammable products.

3.0 Legislation and Agencies

3.1 Important Laws²⁴

Exporters should be aware of the following laws and requirements to be fulfilled while exporting products to the US.

3.1.1 The Public Health Security & Bio-Terrorism Preparedness & Response Act

All food imported into the United States, for human and animal consumption, is subject to the requirements of this Act. The products subject to the provisions of this act include food, drinks, chewing gum and products used as components for consumable products. Under the BTA, manufacturers and shippers register the facilities from which they export food and food products to the U.S. with the Food and Drug Administration. Manufacturers and shippers must also provide the FDA with prior notification (PN) for any food shipment covered by BTA regulations. Failure to provide the PN will result in refusal of the food importation, which could cause the shipment to be held, delayed, exported or destroyed. More information on BTA and requirements is available at www.FDA.gov

3.1.1 The Import Milk Act

Permits are required to import cheese, milk and dairy products subject to the provisions of this act. The imports are overseen by the FDA and the USDA. The imports are governed by the Import Milk Act.

3.1.2 Federal Food, Drug and Cosmetic Act

Import of food, drugs, devices, and cosmetics is governed by provisions of the Federal Food, Drug, and Cosmetic Act. The FDA administers this Act. The act prohibits import of articles that are adulterated or misbranded and products that are defective, unsafe, filthy, or produced under unsanitary conditions. The term misbranded includes statements, designs, or pictures in labeling that are false or misleading or that fail to provide the information required in labeling. The Act also prohibits the importation of pharmaceuticals that have not been approved by the FDA for admission into the United States. Imported products regulated by the FDA are subject to inspection at the time of

²⁴ <https://www.austrade.gov.au/Australian/Export/Export-markets/Countries/United-States-of-America/Doing-business/Tariffs-and-regulations>

entry. Shipments found not to comply with its laws and regulations are subject to refusal; these shipments must be brought into compliance, destroyed, or re-exported.

3.1.3 Flammable Fabrics Act

All apparel, fabric/interior furnishings, mattresses & mattress pads, carpets and rugs, childrens' sleepwear etc. must conform to US flammability standards.

3.1.4 Agricultural Act

Pursuant to Section 204 of the Act, imported textiles and textile products may, in addition to labeling requirements, also be subject to quota, visa, export-license or other entry requirements, including declarations that identify the fabricated components.

3.1.5 Toxic Substances Control Act (TSCA)

This act regulates the manufacturing, importation, processing, commercial distribution, use or disposal of any chemical substances or mixtures broadly defined in Section 3 of TSCA. Section 3 specifies that certain substances be excluded from the definition of "chemical substance" based upon their use. These substances include, but are not limited to foods, drugs, cosmetics and active ingredients in pesticides. Importations will not be released from CBP custody unless proper certification is presented to CBP indicating that the import "complies with" or "is not subject to" TSCA requirements, or it has already been identified as a food, drug, or active pesticide ingredient.

3.1.6 Consumer Product Safety Improvement Act

CPSIA expanded and introduced new certification requirements for consumer goods imported into the United States for consumption, warehousing or for distribution in commerce. These certificates are required to accompany all imports. However, it is the responsibility of the shipper to comply with the requirements.

Commodities Covered

Consumer goods regulated by the CPSC include but are not limited to arts & crafts supplies, bicycles, children's cribs & other children's furniture, children's clothing, electrical items, fire safety equipment, holiday decorations, home heating equipment, household products, indoor air purifiers, outdoor power equipment,

playground equipment, pool & spa equipment, recreational & sports equipment and toys.

CPSC administered mandatory standards

Consumer products manufactured on or after 2008, which are subject to a Consumer Product Safety Commission (CPSC) administered mandatory safety standard, rule, ban, or regulation is subject to the requirement of a certificate. Types of Certificates Required Under this Act

- **Third Party Test Certificates for children’s products:** Children’s products are generally defined as a consumer product designed or intended primarily for children 12 years of age or younger. Importers of such products will be required to have a product tested by a CPSC accredited independent or third-party test facility. Based on such testing, a certificate will be issued evidencing compliance.
- **General Conformity Certificates for all other products:** The CPSIA also requires domestic manufacturers or importers of non-children’s products to issue a General Certificate of Conformity (GCC). These GCC’s apply to products subject to a consumer product safety rule or any similar CPSC rule, ban, standard or regulation enforced by the Commission. The general conformity certificate must certify, based on a test or a reasonable testing program that a product complies with all standards or regulations applicable to the product. The certificates must accompany the shipment of such products. The certificate is not required to be filed with the entry, but must be furnished upon request to the CPSC and CBP.

CPSIA has identified new standards for certification of consumer products. These standards follow different requirements and timelines that should be considered in the certification: **Lead Standards** that began February 2009: including paint and other surface coatings and **Phthalates Standards** that began February 2009.

3.2 Relevant Agencies

Questions about	Agency
Import regulations affecting all products entering the U.S.	U.S. Customs and Border Protection (CBP) www.cbp.gov
Agricultural commodities, meat and live animal products, dairy products, dietary supplements, cosmetics, drugs (both prescription and over-the-counter),	Food and Drug Administration (FDA) www.fda.gov U.S. Department of Agriculture (USDA) www.usda.gov

medical devices, items that emit radiation and animal foods	
Consumer products safety regulations and voluntary standards	Consumer Products Safety Commission (CPSC) – www.cpsc.gov Federal Trade Commission (FTC) www.ftc.gov
Products that may be considered toxic or hazardous to the environment such as pesticides, fungicides, rat poison or antimicrobial agents	Environmental Protection Agency (EPA) www.epa.gov
Patented and trademarked products	U.S. Patent and Trademark Office (USPTO) – www.uspto.gov
Tax collection and tax laws	Revenue Service (IRS) www.irs.gov
Safety-related certification, validation, testing, inspection, auditing, advising and training services	Underwriter Laboratories (UL) www.ul.com

4.0 Business practices

- A business suit is advisable for meetings. Business attire varies by industry/market. For example, the IT industry tends to dress more casually than financial services.
- It is advisable to have US presence. Buyers in the United States are more comfortable dealing with Pakistani companies that have US offices, agents, warehouses etc.
- Consider investing in a professional website, brochures etc. that convey information on the capabilities and experience of the company. A professional designed website is a must in today's world. Importers are unlikely to take a company seriously which does not have a website. The content of the website should address key questions a buyer may have i.e. MoQs, shipping time, production capacity, compliance with standards, certifications, past clients, existing customers, volume of exports, office locations, licenses, registration, memberships of associations, etc.
- It is useful to have a US Phone number. Services such as Vonage or Magic Jack can provide this option at a fairly low cost.
- Plan the appointments at least six weeks in advance. Businesses have their calendars booked months in advance. It is useful to confirm the appointments 24-48 hours in advance of the appointment.
- Buyers will expect to know pricing, logistics, production capacities, M.o.Qs during a meeting.
- Follow up emails should be prompt and comprehensive.
- Contract details, delivery times must be honored.
- The US clients expect the highest standards of customer service. The US buyers/companies have a multitude of choices when it comes to sourcing and will change suppliers if they experience poor customer service or quality.

4.1 Written communication

- Avoid sending unsolicited sales faxes to businesses in the US. US law prohibits sending faxed sales messages without the prior approval of the importer/buyers. Buyers do not like to waste fax paper and receive unwanted faxes.²⁵

²⁵ Guide to successful marketing and selling to US importers, US Embassy Bangladesh, <http://www.bdembassyusa.org/uploads/US%20Market%20Tips.pdf>

- Avoid email addresses such as gmail.com, Hotmail.com, yahoo.com etc. American businesses are used to business email addresses and are suspicious of free email addresses. Not having an appropriate business email may be considered lazy and unprofessional.
- Most companies do not respond to phone calls. However, the option to leave voicemails exists. It is important to have a rehearsed, succinct 30 second message to leave a voicemail. Be mindful of the American pronunciation of words. For example, words such as route (ra-u-t not root), schedule (skedul not shed-ule). Z is pronounced zee and not 'zed' by Americans.
- When emailing sales letters start with something that will catch the buyer's attention for ex. Last year our company exported 3 million USD worth of to California. Research indicates that buyers rarely read past the 1st paragraph.
- While communicating, avoid using phrases that may be construed as flattery such as 'your good self', 'your esteemed company', 'dear respected sir'. Keep the communication concise, clear and modern. Avoid pushing an expectation, (i.e. Looking forward to your favorable/prompt response' or 'ASAP'). Avoid using terms like 'thanking you in anticipation, thanking you in advance'. Use 'yours sincerely' instead of 'yours faithfully'. Avoid using 'to whom it may concern' when emailing or sending letters to prospective buyers. Do not use abbreviations. Avoid using "B. Rgds" for "Best Regards" and "Thx" for "Thank You".
- Avoid spelling and grammatical errors in emails/sales letters.

4.3 Business Guides for more information²⁶

More information on doing business with the United States is available through various free business guides. These cover subjects such as legal guidelines, accounting, information on tax laws etc. Some are listed below:

- a. Baker & McKenzie: Legal Guide to Doing Business in the US
- b. Deloitte: International Tax & Business Guide for the USA
- c. Ernst & Young: The Inbound Guide to US Corporate Tax
- d. Gallet Dreyer & Berkey, LLP: Doing Business in the USA
- e. HLB International: Doing Business in the United States
- f. KPMG: Investing in the US:

²⁶ <https://www.austrade.gov.au/Australian/Export/Export-markets/Countries/United-States-of-America/Doing-business/Tariffs-and-regulations>

5.0 Dispute Resolution

5.1 Precautionary Measures

While exporting, Pakistani businesses occasionally run into companies or individuals engaging in fraudulent practices. Here are some helpful tips for protecting yourself engaging in an import/export transaction.

- Ask for their legal business name and name of company owner
- Get all offers in writing and independently verify credentials. You can do so by running a business search on the appropriate Secretary of State website to see if they are an officially registered US business and to obtain more details. For example, if the company you wish to do business with is located in California, you can run a search on the following website: <https://businesssearch.sos.ca.gov>
- The EIN, Employer Identification Number is available for publicly listed companies free of cost but for private companies, a paid search may determine whether the company is a valid company or not.
- Do not fully trust information you find on independent websites. Government websites which typically end in “.gov” will give you the most up to date and reliable information.
- Look for possible red flags:
 - Missing contact and location information on their website. One can ascertain the veracity of the location information on google maps. For example if the company lists their address as Encino, CA, it is not an actual street address and just a city and state. Also be aware of companies that only give a P.O. Box number. Additional location information must be requested.
 - Outdated copyright footer
 - Sales person not disclosing his/her last name and phone number
- Try to get payment through an irrevocable letter of credit or cash on delivery.
- Beware of fine prints, and the terms and conditions buttons on websites.

5.2 Dispute Settlement Options

If despite careful research, disputes still arise, the following measures can be taken for dispute resolution:

- **Report the Fraud to Law Enforcement**
 - **Local Law Enforcement** – Contact the local law enforcement office where the company you conducted business with is located and file a police report.
 - **District Attorney** – Contact the local District Attorney’s Office.
 - **State Attorney General** – Contact your state’s Attorney General’s Office to report the fraud. Find contact information at www.naag.org
 - **Federal Law Enforcement** – Contact the local FBI Field Office or submit an online tip at www.tips.fbi.gov. Look up the local field office www.fbi.gov/contact-us/field.
- Report the Fraud to the Federal Trade Commission
 - **Federal Trade Commission**—Contact the FTC's Complaint Assistant.
 - Lodging a complaint with the FTC will also enter the fraud into the Consumer Sentinel Network so that law enforcement can stop ongoing fraud and track these crimes. Please note that this process will **not** initiate a criminal investigation of your case.
 - Complaining to the Better Business Bureau.

5.3 Means of Dispute Resolution

The United States legal system offers 4 ways to settle disputes: Litigation, Arbitration, Mediation and Collaborative Law.

5.3.1. Litigation

The federal court system has three main levels: district courts (the trial court), circuit courts which are the first level of appeal, and the Supreme Court of the United States, the final level of appeal in the federal system. There are 94 district courts, 13 circuit courts, and one Supreme Court throughout the country. <https://www.justice.gov/usao/justice-101/federal-courts>

The Judicial Process

U.S. litigation has some unique features not present in most other legal systems. These include class actions, punitive damages, and contingency fees. Each of these features is briefly described below. More complete descriptions can be found on this link: <http://www.metrocorpounsel.com/articles/3664/explaining-us-commercial-litigation-system-foreign-executives-and-lawyers>

Class Actions: In federal court, and in most state courts, a plaintiff is allowed to sue as a representative of a large class of people who have all been injured in the same way by the

same actions of a defendant. If certain conditions are met, the law will allow one or more shareholders or buyers to sue as representatives of the whole class, without all the other members of the class formally becoming parties to the lawsuit.

Punitive Damages: In certain kinds of cases, juries are also entitled to award punitive damages, which are intended to punish the defendant for certain types of improper conduct. Some states place very strict limits on a jury's ability to award punitive damages, while in other states punitive damage awards by juries are much more common.

Contingency Fees: Unlike lawyers in the rest of the world, United States lawyers are permitted to represent a client based on a contingency fee agreement. This means that instead of billing for his or her time as the case progresses, or a flat fee, the lawyer's fee is "contingent" on some recovery after trial or by settlement. In that case the lawyer receives a percentage of the recovery (one-third is typical); but if the case is lost, the lawyer gets nothing. This, however, is very rare and it is hard to find lawyers that work on a contingency basis.

Litigation is a cumbersome and expensive process. It required hiring an Attorney who bills by the hour. For claims smaller than \$4,000, you may consider filing a claim in the Small Claims Court.

Small Claims Court

Small claims court is a special court where disputes are resolved quickly and inexpensively. The rules are simple and informal. Lawyers are not allowed to represent parties in hearings at the Small Claims court but either party may consult a lawyer before or after court. Anyone aged 18 years or older may sue in the Small Claims Court. In general, an individual cannot ask for more than \$10,000 in a claim. Businesses and other entities cannot ask for more than \$5,000. The limit on businesses does not apply to sole proprietors who are treated as 'natural persons' or individuals. One may file as many claims as you want for up to \$2,500 each but one can only file 2 claims in a calendar year that are for more than \$2,500.

5.3.2. Arbitration

Arbitration in the U.S. is governed by U.S. Arbitration Act, 1996. It provides for settlement of disputes through an institutional arbitration body or any other specialized entity, in the U.S. or abroad. The parties are allowed to establish place of arbitration as well as the language. Arbitration options may be listed in the contract.

5.3.3. Mediation

The Mediation Act 2015 establishes important rules on use of mediation in U.S. and provides parties with an adequate level of predictability and assurance as to the institute's advantages, procedures, possible consequences, etc. It encourages mediation regardless of the commencement of court litigation.

None of the options listed above offer guaranteed results. Pakistani businesses may have greater risk in the US than US businesses in Pakistan for the following reasons:

- a. None of the options above may get the exporters' money back.
- b. Litigation, the most expensive of options, will culminate in a judgment only. Even if the Pakistani businesses win their case, there is no guarantee of payment/ execution of judgment if the defendant declares bankruptcy or does not have the capacity to pay.
- c. The Better Business Bureau/Federal Trade Commission and some of the other options listed above may result in negative consequences for a fraudulent company but will not result in recovery of lost funds by the complainant.
- d. Unlike Pakistan, where the Government authorities tend to step in to resolve disputes faced by foreign companies with Pakistani companies, the US Government does not intervene or influence a private dispute. A common misperception amongst Pakistani businesses is the expectation that Commercial Sections/Consulates can persuade the host country's government to intervene in the case of fraud against the Pakistani companies. Such a notion is incorrect and the US agencies do not take any responsibility for fraud committed by a private firm.
- e. An out of court settlement may be affected by hiring a lawyer and making a strong case as long as the respondent/defendant has the capacity to pay. However, as stated earlier, lawyers' fees in the US are expensive.

