



# IMPORT GUIDE FOR THE USA



@pakistantic

***Trade & Investment Division***

**Consulate General of Pakistan  
Los Angeles, California USA**

## Disclaimer

*This guide is a continuous collaborative effort of this Division over the last few years. This guide has been compiled and updated based on the information retrieved from official websites of the various organizations of the US Government and other reliable sources, and the information which is available in the public domain.*

*The sole purpose is to guide the Pakistani exporters about the US import requirements. It is, however, strongly advised that any intended person or company who wish to export to the USA, may consult the relevant regulation(s) and standing orders in vogue, as this booklet will be updated on periodical basis.*

*Any query, amendment(s) in this booklet may please be sent at [tic.losangeles@commerce.gov.pk](mailto:tic.losangeles@commerce.gov.pk).*

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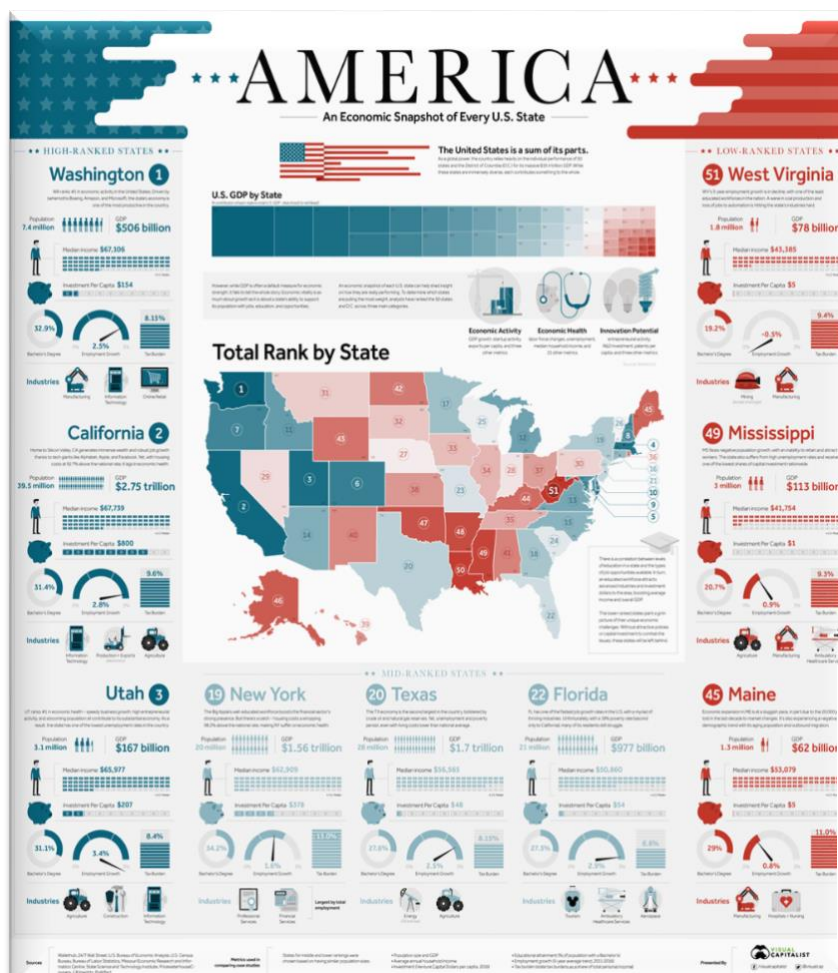
## Acronyms

BEA	Bureau of Economic Statistics
BDC	Beneficiary Developing Country
BIT	Bilateral Investment Treaty
BTA	Bioterrorism Act
CAFTA-DR	Central America Free Trade Agreement - Dominican Republic
CBP	US Customs & Border Protection
CFR	Code of Federal Regulations
COBRA	Consolidated Omnibus Budget Reconciliation Act
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

## 1.0 US Economy and Trade

The United States of America is the largest economy in the world in nominal GDP terms. The nominal GDP stood at \$21.43 trillion (advance estimate) for the year 2019<sup>1</sup>. The country remains the top-ranking destination for foreign direct investment. Expenditures by foreign direct investors to acquire, establish, or expand U.S. businesses totaled \$296.4 billion (preliminary) in 2018. Expenditures were up 8.7 percent from \$272.8 billion (revised) in 2017 but were below the annual average of \$338.1 billion for 2014–2017. As in previous years, acquisitions of existing businesses accounted for a large majority of total expenditures.<sup>2</sup> The services sector (including government services) contributed approximately 80% of the GDP and manufacturing, 12.5% in 2015.<sup>3</sup> Finance, transport and telecommunications are the major contributors in the services sector. The US was ranked 8<sup>th</sup> of 190 economies in the World Bank's 2016 report on 'Ease of doing Business'<sup>4</sup>.

The US is the leading importer and the second leading exporter of goods and services in the world. In 2019, the US imported goods worth \$2.52 trillion USD which is



<sup>1</sup> <https://www.bea.gov/news/2020/gross-domestic-product-fourth-quarter-and-year-2019-advance-estimate> 'Gross Domestic Product, Fourth Quarter and Year 2019 (Advance Estimate) (accessed on 24 March 2020)

<sup>2</sup> <https://www.bea.gov/news/2019/new-foreign-direct-investment-united-states-2018> 'New Foreign Direct Investment in the United States, 2018'

<sup>3</sup> WTO, US Trade Policy Review, 2016

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

lower by 42.6 billion compared to its imports in 2018.<sup>5</sup> Primary imports include automobiles, telecommunication equipment and petroleum products. For a breakup by product category of imports for the period 2018-2019 and see Table 1.1. Top 10 importing countries accounted for 69.2% of the total US imports. For breakdown of the top 10 countries and their market share, refer to table 1.2.

**Table 1.1: Top 25 Imports of the U.S.**

Title: US Imports			
Products: Top 25 Chapters (HS 2 codes)			
Origin: All Countries Total			
Period: 2018, 2019			
Units: Value in Millions of USD			
HS (2-digit) Category	2018	2019	% Change 2019/2018
84 - Nuclear Reactors, Boilers, Machinery and Mechanical Appliances	378,481.51	371,134.35	-2%
85 - Electrical or Electronic Machinery and Equipment	360,624.92	346,322.69	-4%
87 - Motor Vehicles, Trailers, Bicycles, Motorcycles and Other Similar Vehicles	300,647.62	305,127.54	1%
27 - Mineral Fuels, Mineral Oils, Bituminous Substances and Mineral Waxes	232,731.35	201,253.80	-14%
30 - Pharmaceutical Products	115,701.82	127,611.33	10%
90 - Optical, Medical, Photographic, Scientific and Technical Instrumentation	92,219.16	95,558.02	4%
94 - Furniture, and Stuffed Furnings, Lamps and illuminated Signs, Prefabricated Buildings	67,136.82	62,395.36	-7%
39 - Plastics and Articles Thereof	59,087.24	57,666.81	-2%
71 - Pearls, Precious Stones or Metals, Coins and Jewellery	60,019.52	57,472.57	-4%
29 - Organic Chemicals (Including Vitamins, Alkaloids and Antibiotics)	53,536.27	53,557.01	0%
61 - Knitted or Crocheted Clothing and Articles of Apparel	46,138.27	46,653.60	1%
73 - Articles of Iron or Steel	41,119.99	38,985.33	-5%
62 - Woven Clothing and Articles of Apparel	37,767.81	38,078.77	1%
88 - Aircrafts and Spacecrafts	31,641.94	34,784.71	10%
95 - Toys, Games, Sporting Goods and Other Goods for Amusement	32,994.89	32,563.53	-1%
40 - Rubber and Articles Thereof	28,473.27	28,538.36	0%
64 - Footwear	26,567.37	27,098.16	2%
22 - Beverages, Spirits and Vinegar	25,072.96	26,468.64	6%
72 - Iron and Steel	29,632.42	23,407.19	-21%
76 - Aluminum and Articles Thereof	23,546.37	21,567.70	-8%
08 - Edible Fruits and Nuts	17,415.90	18,130.65	4%
44 - Wood and Articles of Wood (Incl. Wood Charcoal)	21,373.88	18,118.18	-15%

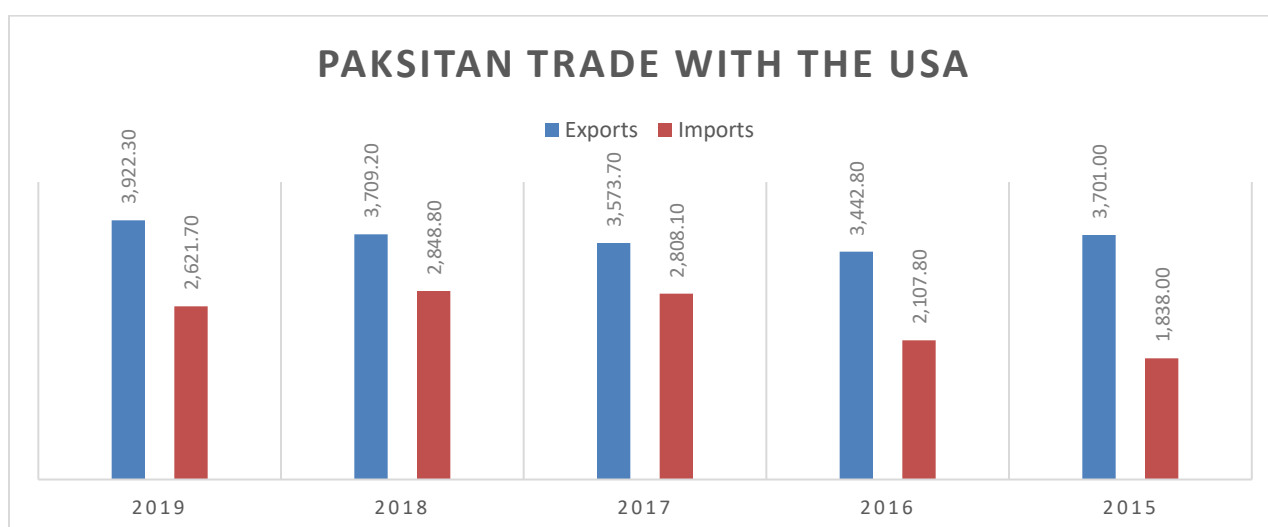
<sup>5</sup> <https://www.bea.gov/news/2020/us-international-trade-goods-and-services-december-2019> 'U.S. International Trade in Goods and Services, December 2019'

03 - Fish, Crustaceans, Molluscs and Other Aquatic Invertebrates	17,531.27	17,474.73	0%
48 - Paper, Paperboard and Articles Made From These Materials	17,096.27	16,336.63	-4%
63 - Other Made-Up Textile Articles and Worn Clothing	15,506.54	16,039.02	3%
Sub-total	2,132,065.38	2,082,344.65	-2%
Others	410,667.88	416,057.57	1%
Total (All Products)	2,542,733.26	2,498,402.22	-2%

**Table 1.2: Top 10 US Trade Partners**

Exports				Imports			
Country	2019	% of Total	Rank	Country	2019	% of Total	Rank
Total All Countries	1,645,174	100		Total All Countries	2,498,402	100	
Top 10 Countries	1,048,472	63.7%		Top 10 Countries	1,728,016	69.2%	
Canada	292,382	17.8%	1	China	452,243	18.1%	1
Mexico	256,374	15.6%	2	Mexico	358,126	14.3%	2
China	106,627	6.5%	3	Canada	319,736	12.8%	3
Japan	74,653	4.5%	4	Japan	143,636	5.7%	4
United Kingdom	69,157	4.2%	5	Germany	127,462	5.1%	5
Germany	60,296	3.7%	6	Korea, South	77,511	3.1%	6
Korea, South	56,897	3.5%	7	Vietnam	66,680	2.7%	7
Netherlands	51,233	3.1%	8	United Kingdom	63,187	2.5%	8
Brazil	43,083	2.6%	9	Ireland	61,768	2.5%	9
France	37,771	2.3%	10	India	57,665	2.3%	10
All Other Countries	596,702	36.3%		All Other Countries	770,387	30.8%	

## 1.1 Pakistan exports to the US



Source: US Census Data



Pakistan's exports to the United States have hovered between \$3.5-3.9 billion since 2015. In 2019, it was a golden year as exports reached its highest peak of the decade at over \$3.9 billion; the YoY gain for 2019 was 6% as compared to 2018 (\$213 million). Pakistan's exports in key categories and a YoY comparison for each category for the period 2016-2019 is given below:

Top 25 products (HS6 codes) Value in thousands of U.S. dollars	2016	YOY Change	2017	YOY Change	2018	YOY Change	2019
630260 - Cotton Terry Towels and Household Linen of Cotton Terry Fabrics	493,182.60	2%	503,846.40	-4%	484,252.62	-1%	479,167.12
611020 - Sweaters, Sweatshirts and Waist-Coats - Knitted - Cotton	179,643.42	-2%	175,910.54	30%	228,103.18	12%	256,534.95
620462 - Womens/Girls Trousers, Overalls and Shorts - Woven - Cotton	189,972.55	12%	212,722.83	6%	224,529.32	9%	244,905.54
630231 - Bedsheets, Pillowcases and Bed Linen (Incl Sets) - Woven, Not Printed - Cotton	213,960.55	0%	213,872.82	4%	223,119.98	6%	237,421.18
620342 - Mens/Boys Trousers, Overalls and Shorts - Woven - Cotton	171,210.03	15%	197,243.32	0%	198,207.84	5%	207,228.49
630710 - Industrial Shop Towels (Floor/Dish Cloths, Dusters and Cleaning Cloths)	176,002.31	4%	182,728.21	8%	196,915.90	-3%	191,860.94
610910 - T-Shirts, Singlets and Other Vests - Knitted - Cotton	139,165.82	-15%	118,192.42	4%	122,886.50	32%	161,721.68
630221 - Bedsheets, Pillowcases and Bed Linen (Incl Sets) - Woven, Printed - Cotton	98,896.23	-4%	95,396.85	7%	102,187.35	10%	112,851.73
611595 - Hosiery, of Cotton, Knitted or Crocheted, Nes	90,218.98	-2%	88,222.17	16%	102,747.16	3%	105,828.92
901890 - Instruments and Appliances Used in Medical, Surgical or Veterinary Sciences Nes (Incl Parts)	81,116.35	-2%	79,465.05	9%	86,926.54	20%	104,720.42
630210 - Bedsheets, Pillowcases and Bed Linen (Incl Sets) - Knitted or Crocheted	78,006.36	11%	86,949.11	8%	93,868.73	6%	99,776.88
520852 - Cotton (>85%) Fabrics - Plain Weave - Printed - 100-200 G/M2	29,682.91	25%	36,976.82	-2%	36,307.88	115%	78,085.68
420329 - Gloves, Mittens and Mitts - Not For Sports - Leather	46,717.66	4%	48,357.92	21%	58,372.98	23%	71,566.01
711319 - Articles of Jewellery - Precious Metals (Other than Silver)	50,826.04	5%	53,615.05	-10%	48,344.47	43%	69,299.85
390761 - Poly(ethylene terephthalate), having a viscosity number >= 78 ml/g, in primary forms		100%	51,217.17	55%	79,366.00	-24%	60,090.78
610510 - Men's/Boys Shirts - Knitted - Cotton	93,748.74	-13%	81,359.67	-8%	75,102.90	-20%	59,784.01

940490 - Quilts, Bedspreads, Cushions and Pillows	48,771.95	-8%	44,699.35	0%	44,705.58	9%	48,737.24
570110 - Carpets - Wool/ Fine Hair - Knotted	50,714.73	-18%	41,532.87	-1%	41,303.23	1%	41,643.43
610342 - Men's/Boys Trousers, Overalls and Shorts - Knitted - Cotton	37,719.27	-20%	30,227.27	51%	45,619.82	-11%	40,826.70
610120 - Mens/Boys Overcoats, Ski and Wind Jackets - Knitted - Cotton	34,558.44	-12%	30,293.50	4%	31,445.60	14%	35,864.62
621142 - Womens/Girls Coveralls, Smocks and Garments Nes - Woven - Cotton	44,873.28	-2%	44,063.88	0%	43,926.30	-19%	35,731.34
611610 - Gloves, Mittens and Mitts - Knitted - Impregnated, Coated or Covered With Rubber or Plastics	29,580.24	5%	31,202.09	6%	33,216.92	3%	34,286.63
621600 - Gloves, Mittens and Mitts - Woven	22,049.28	29%	28,523.53	2%	29,141.32	3%	29,926.13
420310 - Articles of Apparel or Clothing (Except Gloves) - Leather	35,340.93	-11%	31,495.56	-10%	28,346.37	4%	29,447.87
630790 - Made Up Articles of Textile Materials Nes (Including Dress Patterns and Shoe Laces)	19,559.51	32%	25,911.45	-2%	25,479.31	13%	28,896.98
Sub-total	2,455,518.18	3%	2,534,025.85	6%	2,684,423.77	7%	2,866,205.10
Others	988,101.87	5%	1,040,050.50	-1%	1,027,610.74	3%	1,056,129.71
Total (All Products)	3,443,620.05	4%	3,574,076.34	4%	3,712,034.52	6%	3,922,334.80

## 1.2 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. The United States currently has 57 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 16 free trade agreements in force with the following 20 countries: Australia, Bahrain, Canada, Chile, Colombia, Costa Rica, Dominican Republic, El Salvador, Guatemala, Honduras, Israel, Jordan, Korea, Mexico, Morocco, Nicaragua, Oman, Peru, Panama and Singapore. Additionally, the new NAFTA (North American Free Trade Agreement) 2.0 also known as USMCA (United States - Mexico - Canada) which has yet to be ratified by Canada and CAFTA-DR (Central America Free Trade

Agreement-Dominican Republic) are regional free trade agreements.<sup>6</sup> Most recently, the US and Japan entered an FTA effective January 2020 regarding market access for certain agricultural and industrial goods, with plans to pursue subsequent negotiations for an expanded free trade agreement. The United States has completed negotiations of a regional, Asia-Pacific trade agreement, known as the Trans-Pacific Partnership (TPP) Agreement after withdrawing from it in 2017 and is still in negotiations of the Transatlantic Trade and Investment Partnership (T-TIP) with the European Union, with the objective of shaping a high-standard, broad-based regional pact. There is an array of controversy surrounding the proposed agreement as negotiations are not considered by other countries to be transparent. President Trump is scheduled to travel to India at the end of February, 2020 to meet with Prime Minister Modi and negotiate a potential FTA that would eliminated U.S. tariffs on steel and aluminum imports from India as well as the restoration of special preferential trade benefits under the Generalized System of Preferences, which was suspended in June of 2017 and to give the U.S. greater access to the Indian market for dairy products and medical devices, and lower Indian tariffs on information technology products.<sup>7</sup>

### 1.3 Generalized System of Preferences (GSP) Program (GSP)

The United States also extends unilateral preferences to developing countries and LDCs (least developed countries) under the GSP Program<sup>8</sup>, 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.<sup>9</sup>

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<sup>6</sup> <https://ustr.gov/trade-agreements/free-trade-agreements>

<sup>7</sup> <https://ustr.gov/trade-agreements/free-trade-agreements>

<sup>8</sup> <https://ustr.gov/issue-areas/trade-development/preference-programs/generalized-system-preference-gsp>

<sup>9</sup> [https://www.wto.org/english/tratop\\_e/tpr\\_e/s350\\_e.pdf](https://www.wto.org/english/tratop_e/tpr_e/s350_e.pdf)

### 1.3.1 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 (158 pages) is available at <https://ustr.gov/sites/default/files/gsp/GSP%20eligible%20products%20for%20all%20BDC%20June%202018.pdf>.

### 1.3.2 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 website at: <https://www.cbp.gov/document/forms/form-7501-entry-summary-continuation-sheets>
- 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 requirements<sup>10</sup>

There are also restrictions on the importation of certain trademarked and copyrighted articles<sup>11</sup>. 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

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

<sup>11</sup> 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>Secretary of the Department of 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>
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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>n. Certain books, writings, advertisements, circulars, or pictures containing these are prohibited</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>
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	v. Must be tagged, labeled, or otherwise clearly marked with specific information
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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>

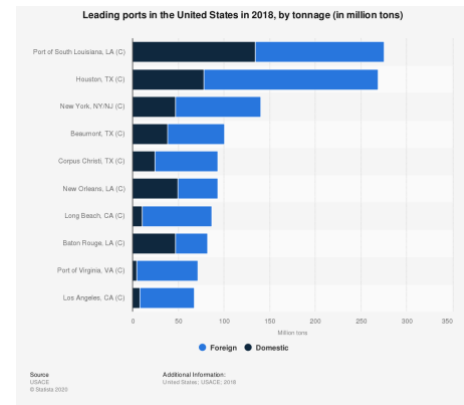
## 2.2 Import Licensing Requirements

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 as mentioned below. Given the nature of Pakistani exports to the US, US Department of Agriculture, and particularly, Animal and Plant Health Inspection Service (APHIS) is the most relevant in terms of import licensing requirements. The e-permits can be access on [https://www.aphis.usda.gov/aphis/resources/sa\\_epermits/eauth-epermits](https://www.aphis.usda.gov/aphis/resources/sa_epermits/eauth-epermits).

- I. Departments of Agriculture
- II. Department of Commerce (Steel)
- III. Department of Energy (Natural Gas)
- IV. Department of Interior (Fish and Wildlife)
- V. Department of Justice (Firearms, Explosives, and Drugs)
- VI. 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, 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.<sup>12</sup>



## 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. The 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. The 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.



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

### 2.4.1 The Process of Entering Goods into the USA<sup>13</sup>

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 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 enough 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.

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

**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 Tariff Schedule available on the USITC website (<https://www.usitc.gov/>), 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<sup>14</sup>

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
- 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 Merchandise<sup>15</sup>

The CBP suggests the following for faster clearance of merchandise.

1. All information required on customs invoices must be filled out.

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

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

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 Inspection<sup>16</sup>

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

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

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) <sup>17</sup>

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. Please note that CTPAT is temporarily suspending applicant submissions from January 1, 2020 through June 1, 2020. CTPAT will be updating the Eligibility Requirements and the Security Profile with the new Minimum Security Criteria (MSC)<sup>18</sup>. 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)

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

<sup>18</sup> <https://www.cbp.gov/border-security/ports-entry/cargo-security/ctpat>

- 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 Imports

### Fees collected by CBP<sup>19</sup>

According to the US Customs and Boarder Prorecion website, it is their responsibility under the Trade Facilitation Agreement, entered into force 2015 to publish fees and charges other than import and export duties and other than taxes within the purview of Article III of GATT 1994 imposed by Members on or in connection with the importation or exportation of goods.

The aforementioned information on fees and charges is published in accordance with Article 1 of the Agreement by the US authorities. These rates are subject to adjustment and as such there may be a lag time between rate release and update.

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<sup>19</sup> <https://www.cbp.gov/trade/basic-import-export/user-fee-table>

Fee	Authority to Collect and Spend	Where and How Fee is Collected	Nature of Spending from Funds	Amount of Fee
COBRA: Commercial Vessel Fee	19 USC 58c, 19 CFR 24.22, applicable Federal Register notices	At time and place of vessels arrival in U.S.	Inspectional overtime/excess preclearance costs/fee-related positions, equipment	\$468.32 @ arrival NTE \$6381.77 per vessel/ per calendar yr.
COBRA: Commercial Vehicle (Truck) Fee	19 USC 58c, 19 CFR 24.22, applicable Federal Register notices	At time and place of vehicles arrival in U.S.	Inspectional overtime/excess preclearance costs/ fee-related positions, equipment	\$5.85 @ arrival or \$107.17 annual decal (calendar year)
COBRA: Rail Car Fee	19 USC 58c, 19 CFR 24.22, applicable Federal Register notices	Remitted monthly by railroads to CBP	Inspectional overtime/excess preclearance costs/fee-related positions, equipment	\$8.84 @ arrival or \$107.17 per calendar year payment
COBRA: Private Aircraft/Vessel Fee	19 USC 58c, 19 CFR 24.22, applicable Federal Register notices	At time of arrival in U.S.	Inspectional overtime/excess preclearance costs/fee-related positions, equipment	\$29.47 annual decal (calendar year)
COBRA: Air/Sea Passenger Fee	19 USC 58c, 19 CFR 24.22, applicable Federal Register notices	Part of ticket price; remitted quarterly to CBP	Inspectional overtime/excess preclearance costs/fee-related positions, equipment	\$5.89 per arrival; passengers arriving from U.S. territories and possessions, and adjacent islands are exempt from payment (10-1-97)
COBRA: Cruise Vessel Passenger Fee	19 USC 58c, 19 CFR 24.22, applicable Federal Register notices	Part of ticket price; remitted quarterly to CBP	Inspectional overtime/excess preclearance costs/fee-related positions, equipment	\$2.07 per arrival, vessel passengers only from Canada, Mexico, U.S. territories and possessions, and adjacent islands
COBRA: Ferry Passenger Fee	19 USC 58c, 19 CFR 24.22, applicable Federal Register notices	Part of ticket price; remitted quarterly to CBP	Inspectional overtime/excess preclearance costs/fee-related positions, equipment	\$2.07 per arrival, vessel passengers arriving aboard a ferry operating south of 27 degrees latitude and east of 89 degrees longitude
COBRA: Dutiable Mail Fee	19 USC 58c, 19 CFR 24.22, applicable Federal Register notices	Paid as part of customs entry process	Inspectional overtime/excess preclearance costs/fee-related positions, equipment	\$5.89 per dutiable package
		At recipients residence or local post office		

COBRA: Broker Permit Fee	19 USC 58c, 19 CFR 24.22, applicable Federal Register notices	CBP Port office where broker is located	Inspectional overtime/excess preclearance costs/fee- related positions, equipment	\$147.89 annually
COBRA: Barge/Bulk Carrier Fee	19 USC 58c, 19 CFR 24.22, applicable Federal Register notices	At time and place of arrival in U.S.	Inspectional overtime/excess preclearance costs/fee- related positions, equipment	\$117.88 @ arrival NTE \$1607.50 per calendar yr.
Merchandise Processing Fee (MPF)	19 USC 58c, 19 CFR 24.22, applicable Federal Register notices	Paid as part of customs entry process	Offset to CBP commercial operations budget	Formal entries: \$26.79 min./ .3464% ad valorem/ \$519.76 max.; \$3.21 manual surcharge;
				Informal entries: \$2.41, \$6.43, or \$9.64
Harbor Maintenance Fee (HMF) Imports	Public Law 99-662	Paid as part of customs entry process	Operation and maintenance of Army Corps projects	.125% ad valorem of merchandise
HMF: Domestic Movements	Public Law 99-662	Beginning April 27, 1998, exporters were advised to stop payment of the fee	Operation and maintenance of Army Corps projects	.125% ad valorem of merchandise
HMF: FTZ Admissions	Public Law 99-662	Paid quarterly to bank lockbox in Chicago	Operation and maintenance of Army Corps projects	.125% ad valorem of merchandise
HMF: Cruise Vessel Passengers	Public Law 99-662	Paid quarterly to bank lockbox in Chicago	Operation and maintenance of Army Corps projects	.125% ad valorem of transportation cost
Agriculture: Beef Imports Assessment	7 CFR Part 1260	Paid quarterly to bank lockbox in Chicago	Beef research, promotion, consumer information	Varies according to Harmonized Tariff Schedule number
Agriculture: Honey Imports Assessment	Honey Research, Promotion and Information Act of 1984; Public Law 98- 590 7 CFR 1240	Paid as part of customs entry process	Honey research, promotion, consumer information	Varies according to Harmonized Tariff Schedule number

Agriculture: Cotton Imports Assessment	Cotton Research and Promotion Act of 1989 7 CFR 1205	Paid as part of customs entry process	Cotton research, promotion, consumer information	Varies according to Harmonized Tariff Schedule number
Agriculture: Potato Imports Assessment	Food, Agriculture and Conservation Act of 1990 7 CFR 1207	Paid as part of customs entry process	Potato research, promotion, consumer information	Varies according to Harmonized Tariff Schedule number
Agriculture: Mushroom Imports Assessment	Food, Agriculture and Conservation Act of 1990 7 CFR 1209	Paid as part of customs entry process	Mushroom research, promotion, consumer information	Varies according to Harmonized Tariff Schedule number
Agriculture: Watermelon Import Assessments	Watermelon Research and Promotion Act 7 CFR 1210	Paid as part of customs entry process	Watermelon research, promotion, consumer information	Varies according to Harmonized Tariff Schedule number
Agriculture: APHIS Commercial Vessel User Fee	Food, Agriculture and Conservation Act of 1990; Also MOU	Paid as part of customs entry process	Agricultural quarantine and inspection services	\$825 @ arrival
Agriculture: APHIS Commercial Truck User Fee	Food, Agriculture and Conservation Act of 1990; Also MOU	At the time and place of vessel's arrival in the U.S.	Agricultural quarantine and inspection services	\$7.55 @ arrival or \$302 annual decal FY 2020

*Updated, as of 27<sup>th</sup> January 2020*

## 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 Products<sup>20</sup>

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

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<sup>20</sup> 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>

United States Patent Office may be used on labels in lieu of the name otherwise 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"> <li>• Clothing, except for hats and shoes</li> <li>• Handkerchiefs</li> <li>• Scarves</li> <li>• Bedding, including sheets, covers, blankets, comforters, pillows, pillowcases, quilts, bedspreads and pads (but not outer coverings for mattresses or box springs)</li> <li>• Curtains and casements</li> <li>• Draperies</li> <li>• Tablecloths, napkins and doilies</li> <li>• Floor coverings: rugs, carpets and mats</li> <li>• Towels, washcloths and dishcloths</li> <li>• Ironing board covers and pads</li> <li>• Umbrellas and parasols</li> <li>• Flags with heading or that are bigger than 216 square inches</li> <li>• Cushions</li> <li>• All fibers, yarns and fabrics, but not packaging ribbons</li> <li>• Furniture slip covers and other furniture covers</li> <li>• Afghans and throws</li> <li>• Sleeping bags</li> </ul>	<ul style="list-style-type: none"> <li>• Upholstery or mattress stuffing that is not reused. If the stuffing is reused, the label must say so.</li> <li>• Outer coverings of upholstered furniture, mattresses and box springs</li> <li>• 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.</li> <li>• Stiffenings, trimmings, facings or interfacings</li> <li>• Backings of carpets or rugs and pads or cushions for use under carpets, rugs or other floor coverings</li> <li>• Sewing and handicraft threads</li> <li>• Bandages, surgical dressings and other products subject to the federal Food, Drug and Cosmetic Act</li> <li>• Waste materials not used in a textile product</li> <li>• Shoes, overshoes, boots, slippers and all outer footwear.</li> </ul>

<ul style="list-style-type: none"> <li>• Antimacassars (doilies)</li> <li>• Hammocks</li> <li>• Dresser and other furniture scarves</li> <li>• Socks and hosiery</li> </ul>	<ul style="list-style-type: none"> <li>• Headwear, including hats, caps or anything worn exclusively on the head except woolen caps</li> <li>• Textiles used in handbags or luggage, brushes, lampshades, toys, feminine hygiene products, adhesive tapes and adhesive sheets, cleaning cloths impregnated with chemicals, or diapers</li> </ul>
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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](http://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 Products<sup>21</sup>

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

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<sup>21</sup> 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>



article in the United States where the article was manufactured, processed or grown. Below are labeling requirements for certain product types.

### 2.6.3 Food and Pharmaceutical Products<sup>22</sup>

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](http://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.

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

- 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 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

#### 2.6.5 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/LabelingProcedures/index.asp](http://www.fsis.usda.gov/Regulations_&Policies/LabelingProcedures/index.asp)

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

- **Fruits, Vegetables, and Nuts**<sup>23</sup>

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 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

### 2.6.6 Pesticides, Fungicides, Chemicals

The EPA ([www.epa.gov](http://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](http://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&ycord=162](http://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&ycord=162), which will allow you to reference the document online.

### 2.6.7 Consumer Products Safety Commission (CPSC)

The CPSC, at [www.cpsc.gov](http://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;

<sup>23</sup> [https://www.aphis.usda.gov/import\\_export/plants/manuals/ports/downloads/fv.pdf](https://www.aphis.usda.gov/import_export/plants/manuals/ports/downloads/fv.pdf)

for details, refer to [www.gpo.gov/fdsys/pkg/CFR-2012-title16-vol2/pdf/CFR-2012-title16-vol2-sec1500-135.pdf](http://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 Laws<sup>24</sup>

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 Bioterrorism Act (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](http://www.FDA.gov)

#### 3.1.2 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.

#### 3.1.3 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

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<sup>24</sup> <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.

### **3.1.4 Flammable Fabrics Act**

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

### **3.1.5 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.

### **3.1.6 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.

### **3.1.7 Consumer Product Safety Improvement Act**

The 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) <a href="http://www.cbp.gov">www.cbp.gov</a>

Agricultural commodities, meat and live animal products, dairy products, dietary supplements, cosmetics, drugs (both prescription and over-the-counter), medical devices, items that emit radiation and animal foods	Food and Drug Administration (FDA) <a href="http://www.fda.gov">www.fda.gov</a> U.S. Department of Agriculture (USDA) <a href="http://www.usda.gov">www.usda.gov</a>
Consumer products safety regulations and voluntary standards	Consumer Products Safety Commission (CPSC) - <a href="http://www.cpsc.gov">www.cpsc.gov</a> Federal Trade Commission (FTC) <a href="http://www.ftc.gov">www.ftc.gov</a>
Products that may be considered toxic or hazardous to the environment such as pesticides, fungicides, rat poison or antimicrobial agents	Environmental Protection Agency (EPA) <a href="http://www.epa.gov">www.epa.gov</a>
Patented and trademarked products	U.S. Patent and Trademark Office (USPTO) - <a href="http://www.uspto.gov">www.uspto.gov</a>
Tax collection and tax laws	Revenue Service (IRS) <a href="http://www.irs.gov">www.irs.gov</a>
Safety-related certification, validation, testing, inspection, auditing, advising and training services	Underwriter Laboratories (UL) <a href="http://www.ul.com">www.ul.com</a>



## 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.<sup>25</sup>

<sup>25</sup> 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 1<sup>st</sup> 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.

#### 4.2 Business Guides for more information<sup>26</sup>

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

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

- f. KPMG: Investing in the US:

## 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 <https://www.naag.org/>
  - **Federal Law Enforcement** – Contact the local FBI Field Office or submit an online tip at <https://www.fbi.gov/tips>. Look up the local field office <https://www.fbi.gov/contact-us/field-offices>.
- 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: <https://www.uscourts.gov/about-federal-courts/types-cases/civil-cases>

**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<sup>27</sup>. 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

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<sup>27</sup> <https://www.adr.gov/adrguide/04-statutes.html>

well as the language. Arbitration options may be listed in the contract.

### 5.3.3. Mediation

The Federal Mediation and Conciliation Service<sup>28</sup> was created by Congress in 1947 as an independent agency poised to assist and promote sound labor-management relations 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.

### 5.3.4 Collaborative Law

Collaborative law is an alternative to the common mediation law. Both are used during divorce or other family and personal matters, allowing the parties involved to sit down together before court to hash out the details.

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<sup>28</sup> <https://www.fmcs.gov/>

## 6.0 How to enter into the US Market?



First and foremost, one has the quality product to offer. US consumer is very quality conscious, and they focus on the brand also. Please ensure that your product is of the best value. Please also ensure proper labelling and packaging if you directly want to sell the product to the buyer / consumer. If you want to supply in bulk, then work out with the specification, labeling and packaging requirements of your clients to acter for his /

her needs.

You can think big but stay focused on your product and the consumer you want to sell. Attend the trade shows, either through Trade Development Authority of Pakistan or on your own, visit the market and have the first-hand experience of the consumer taste and requirements. Learn and observe what the competitors' products and how they are positioning their products.

Having a reliable US partner would be a great facilitation as he is who understands the market dynamics. Please do understand the supply chain issues of your product and try to be part of the global supply chain system to add more value to your product and get more dollars for your product.

Please do focus and put your financial and creative resources to create brand. Develop a story so the US consumer could relate to it. Focus and focus on brand development!

*\*\*\*End\*\*\**

## Contact Details

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