

Ministry of Industry and Commerce

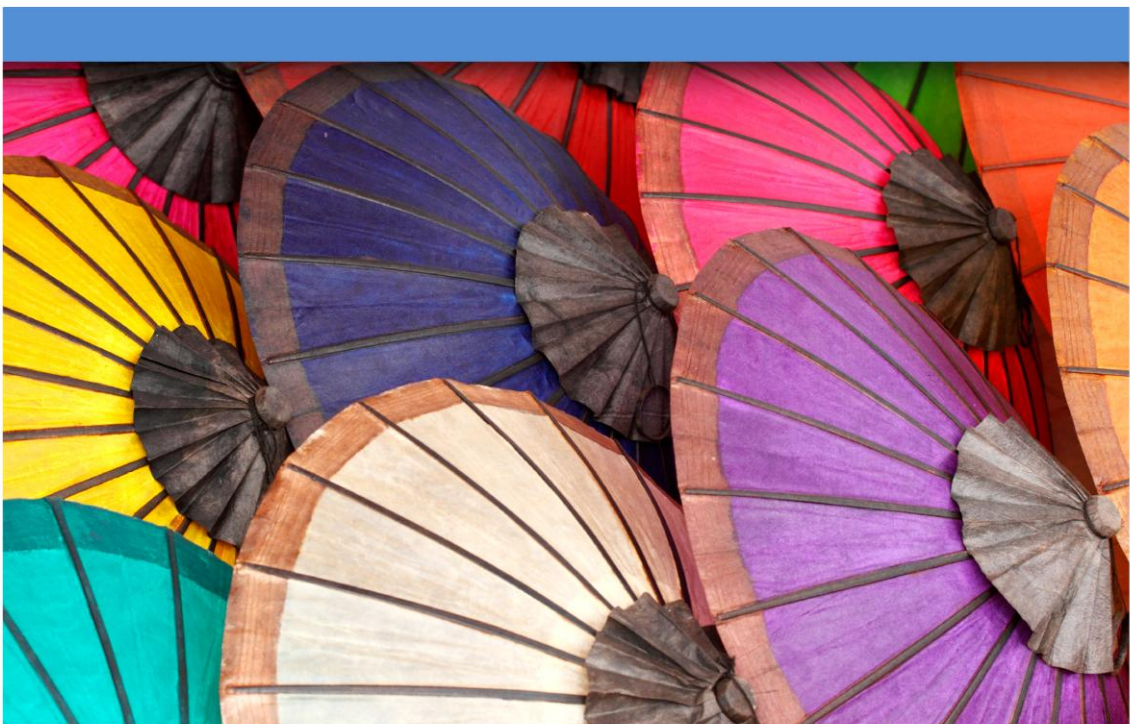


handicrafts

MANUAL

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Manual for the U.S. Handicraft Products Market
A Tool for Lao Exporters of Handicrafts Products



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and Commerce**



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Acronyms

ADVANCE	ASEAN Development Vision to Advance National Cooperation and Economic Integration
AEC	ASEAN Economic Community
ASEAN	Association of Southeast Asian Nations
BTA	Bilateral Trade Agreement
CBP	U.S. Customs and Border Patrol
CIF	Cargo Insurance Freight
C-TPAT	Customs Trade Partnership
DDU	Delivered Duty Unpaid
FOB	Free on Board
FTA	Free Trade Agreement
GSP	U.S. Generalized System of Preferences
HTS	Harmonized Tariff Schedule
HTSUS	Harmonized Tariff Schedule of the United States
ISF	Importer Security Filing
UNESCO	United Nations Educational, Scientific and Cultural Organization
U.S.	United States
USAID	United States Agency for International Development
WTO	World Trade Organization

Preface

This manual provides background and references for Lao exporters of handicrafts seeking to develop business opportunities in the U.S. market, following the normalization of economic relations between the United States and the Lao PDR. It is one of five manuals prepared by the USAID/LUNA-Lao Project and the Foreign Trade Policy Department (FTPD) of the Ministry of Industry and Commerce (MOIC). Other manuals have been prepared for textiles and apparel, agricultural products, wood products, and silk products.

The primary author of this manual is Michael Blakeley, LUNA-Lao's marketing expert, who conducted the study under the supervision of Teri Lojewski, former Project Director, and Steve Parker, current LUNA Project Director. It benefited from inputs and comments by FTPD/MOIC staff.

The LUNA Project supports the Lao PDR to draft, analyze, promulgate and implement the legal and economic policy reforms and institutional capacity building needed to accomplish the following objectives:

- Support the effective implementation of the U.S.- Lao PDR Bilateral Trade Agreement (BTA);
- Support the timely accession of the Lao PDR to the World Trade Organization (WTO); and,
- Support the Lao PDR to fulfill its commitments to the ASEAN Economic Community (AEC)

Effective implementation of these trade agreements contributes importantly to support the long-term development strategy of the Lao PDR to sustain strong, broad-based economic growth and poverty reduction with strengthened rule of law and governance.

LUNA is one of four technical assistance projects funded by the ADVANCE Project. The U.S. Agency for International Development (USAID) and U.S. State Department launched the ASEAN Development Vision to Advance National Cooperation and Economic Integration (ADVANCE) program in October 2007. It was established to deliver targeted, quick-response technical assistance on a regional, sub-regional, and bilateral level in collaboration with the ASEAN Secretariat and Member States. ADVANCE is the main U.S. mechanism for supporting public and private sector integration in the ASEAN region.

We hope that this manual will provide useful information to Lao exporters about the U.S. handicrafts market.



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Introduction

Laos exported \$41.9 million to the U.S. in 2008, which included more than \$400,000 of handicrafts.¹ The U.S. is the largest market in the world for handicraft purchases, offering the potential for Lao exporters to expand their exports of handicrafts significantly. The U.S. market for Lao handicrafts should become particularly more attractive given the major reductions in U.S. tariff rates for many handicraft goods through the implementation of the U.S.-Lao PDR Bilateral Trade Agreement.

This manual focuses on the U.S. handicrafts market, providing an overview of the market (Chapter 1), details on market characteristics (Chapter 2), an overview of U.S. import requirements (Chapter 3), an overview of exporting requirements (Chapter 4), and a listing of resources available for the U.S. market, including trade show venues (Chapter 5).

¹ Handicrafts include jewelry, wood crafts, paper products, ceramic, basketwork, leather goods, and fine art.

1. Overview of the U.S. Handicraft Market

Handicrafts are usually defined by how they are made and the end-market they serve. UNESCO's definition of artisanal products is a useful reference:²

Artisanal products are those produced by artisans, either completely by hand, or with the help of hand tools or even mechanical means, as long as the direct manual contribution of the artisan remains the most substantial component of the finished product. These are produced without restriction in terms of quantity and using raw materials from sustainable resources. The special nature of artisanal products derives from their distinctive features, which can be utilitarian, aesthetic, artistic, creative, culturally attached, decorative, functional, traditional, religiously and socially symbolic and significant.

In the U.S. market, handicrafts are typically included as part of the much larger "home accessories" market, which includes handcrafted, semi-handcrafted, and machine-made goods.³ They are usually sold as decorative accessories, furniture, or art, including items used for dining or entertaining ("tabletop") in department stores. Handicrafts are also sold in specialty retail stores, gift stores, home and office decorative accessory stores, craft and hobby stores, galleries and museums, wholesaler/distributors, and souvenir shops. Jewelry products are also a significant product category associated with handicrafts.

Because of the wide range of handicraft goods and the variety of retailers who sell them, it is difficult to describe the U.S. handicrafts market as one entity. From a marketing perspective, however, one can say that the U.S. consumer has a high appreciation for unique, handmade handicrafts; and from a business perspective, that the handicrafts trade is focused on high quality, cost competitiveness, and the ease of doing business with the suppliers.

The U.S. handicraft market includes many of the types of products produced in Laos and that are supported by the Laos Handicrafts Association:⁴ including wood crafts, jewelry, ceramic, paper, textiles and fine art. For the purposes of this guide, Laos' handicraft exports are evaluated as the products that the Association considers to be handicrafts (excluding organic food products, which are not considered a handicraft product in the United States; see Table 1). Laos exported more than \$1.3 million handicraft products in 2008, mainly to the U.S. and

² Definition adopted by the UNESCO/ITC Symposium "Crafts and the international market: trade and customs codification" - Manila, 6-8 October 1997.

³ In "Global Market Assessment for Handicrafts," a study published by USAID in 2006, handicrafts are described as part of the broader home accessories market (pg. 1). This guide uses the home accessories market as the basis for discussion of the U.S. market for handicrafts.

⁴ For more information on the Laos Handicrafts Association see: <http://www.laohandicrafts.com/>.

Asian markets, especially Thailand. About 30 percent of Lao handicraft exports went to the U.S., with jewelry accounting for more than half of those exports. The value of Laos' handicrafts exports globally and to the U.S. are presented in Table 1.

Table 1 Export Value of Laos Handicraft Exports, Global and to the United States, 2008

Product	Global Handicraft Exports \$000's	Exports to the U.S. \$000's
Jewelry	256	255
Wood Crafts	463	102
Ceramic	12	0
Paper	197	0
Basketwork	36	12
Leather Goods	287	12
Fine Art	124	60
Total	1,375	440

SOURCE: International Trade Centre www.intracen.org and U.S. International Trade Commission www.usitc.gov.

As noted, understanding the scale of the U.S. handicrafts market without a common trade indicator is challenging. Because handicrafts fit into the broader category of home accessories, however, measuring the size of the market for home accessories can provide a useful indication of U.S. demand for handicrafts. In 2007, the value of the U.S. home accessories market was estimated at \$74.2 billion.⁵ The U.S. is by far the largest market in the world for home accessories' exports – the U.S. imports significantly more home accessories than all European countries combined, with the U.S. and EU representing the largest markets for handicrafts worldwide. The value of jewelry imported into the U.S. in 2008 is estimated to have been \$8.5 billion.⁶

Given the wide range of goods that make up home accessories (handicrafts and others), many countries are considered "suppliers", each tending to specialize in certain products but none dominating the trade as a whole. For example, Asian exporters tend to dominate in accent furniture and other goods produced with tropical hardwoods, while European exporters tend to dominate in decorative accessories, such as glass or ceramic products. Jewelry, meanwhile, has many suppliers worldwide. Despite the lack of a dominant supplier of handicrafts, the industry has experienced a "commoditization" effect, whereby unique designs from one country are mass produced in another country where production costs are lower. This trend is a result of large U.S. mass market retailers diversifying and expanding their product offerings to include home accessories. As a result, larger, more cost-competitive countries such as China and India have been capturing a greater U.S. market share for handicraft-type products.

⁵ Universe Study, *Home Accents Today*, 2006.

⁶ "Jewelry (except costume) Manufacturing Industry in the U.S. and its International Trade [Q3 2009 Edition] Markets and Research", September 2009. Some jewelry from Laos may be "costume" jewelry but the author could not determine this from trade data reviewed.

The U.S. handicrafts marketplace is increasingly competitive and demanding of its suppliers. Improved trade logistics (lower transportation costs) have enabled many small foreign producers to enter the U.S. handicrafts market, causing some segments, like decorative accessories, to become saturated. Market saturation has given buyers the luxury of being more demanding with regard to the production and related services for foreign handicraft suppliers. Thus, producers are now expected not only to meet product specifications, but also to provide competitive pricing, on-time delivery, responsive communications, good packaging, and the capacity to increase production quantity while retaining standards for quality and deliverability. These demands can weigh heavily on a small artisan producer who is usually more concerned with design and quality than scale and delivery time. Nonetheless, such demands now dictate how the U.S. business of handicrafts is conducted.

Under the U.S.-Laos BTA implemented in 2005, the U.S. extended Normal Trade Relations status (NTR) to products of Laos and, accordingly, much lower tariffs than before the BTA. Pre- and post-BTA tariff rates for select handicraft products imported to the U.S. from Laos in recent years are specified in Chapter 3. The BTA greatly reduced U.S. tariffs facing Lao exporters of traditional handicrafts, opening solid opportunities for expanding exports. As part of the BTA, Laos agreed to implement a variety of reforms to its trade regime, including providing most favored nation and national treatment for products of the United States, improving transparency in rule-making, establishing a regime to protect intellectual property rights, and implementing a WTO-compliant customs regulations and procedures.⁷

⁷ The BTA is available from the USTR at www.ustr.gov/countries-regions/southeast-asia-pacific/laos.

2. U.S. Market Characteristics

The unique characteristics of the U.S. handicrafts market require producers to adapt products to follow norms and standards distinct from what may prevail in other markets. Because of the huge scale of the market, artisan producers should understand: (1) how handicrafts are sold in the United States; (2) the sourcing criteria of key industry players; and (3) trends in products and business operations. For example, consumer preferences tend to change rapidly in response to trends in color or lifestyle, and advances in technology and trade logistics have enabled buyers to do more direct sourcing that eliminate intermediaries in the supply chain. In sum, producers doing business in the U.S. market must acquire significant market intelligence.

HOW HANDICRAFTS ARE SOLD IN THE UNITED STATES

Selling Targets

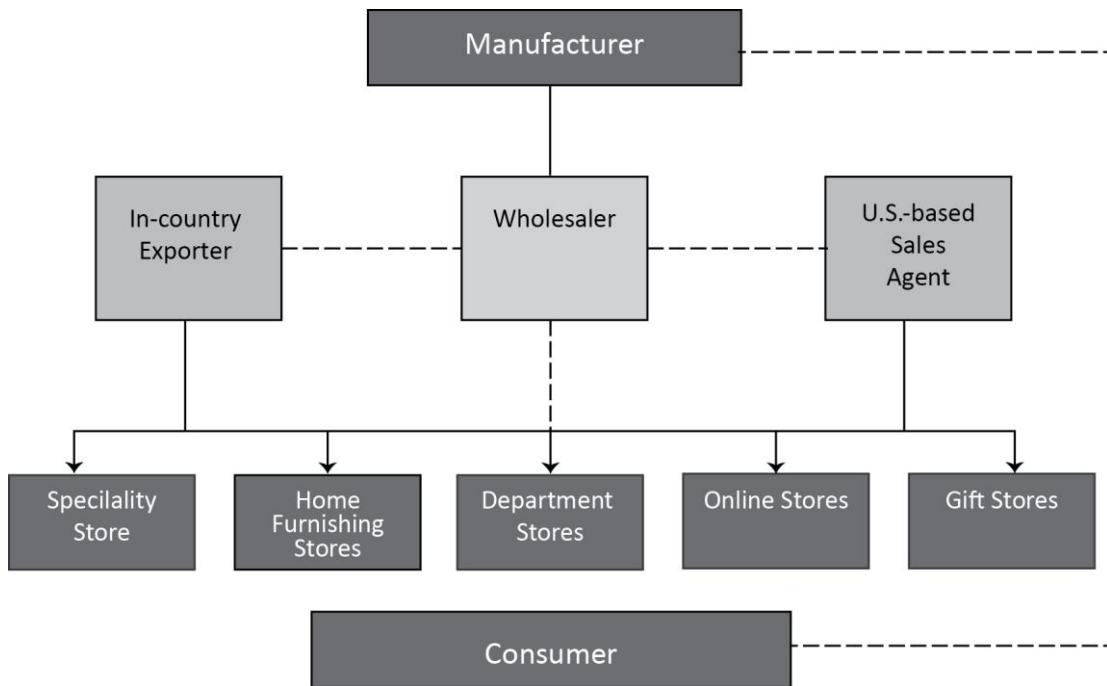
Handicrafts in the U.S. are sold largely by home accessory retailers. As shown in Figure 1, key players in the distribution channel from export to consumer include three selling targets for the producer: an in-country exporter (exporter in the exporting country), a U.S.-based wholesaler, or a U.S. retail operator for a certain type of store (e.g. department or specialty store). Internet commerce has created a fourth selling target: direct sales to the consumer. For U.S. retailers of all goods, the rise of direct-to-producer supply chains is a growing trend, one that places a new burden on artisan producers who are expected to manage export logistics. A producer who can manage as much of the export logistics function as possible has an advantage in dealing with U.S. buyers.

Retailers

The size of the retailer dictates how it procures its handicrafts inventory. For example, a boutique that manages a limited inventory and cannot afford to source directly will usually buy from a wholesaler. A department store that operates at a national level and has dozens of stores is more likely to work directly with a producer or an in-country exporter – large retailers can manage import processes, purchase on a large scale, and control costs by eliminating elements in the supply chain.

Specialty stores are typically organized around a theme, such as “modern contemporary” or “traditional French country.” Consumers shop at these stores for items, such as furniture or wood frames, of a specific style. These stores may have products from various countries and designers, but each store tends to follow the same theme. Specialty stores include chain stores with multiple locations across the United States.

Figure 1 Sales Channels for a Handicraft Product



Home furnishings stores carry all types of products, ranging from kitchen to bath to bedroom accessories. Some are national chains large enough to handle direct sourcing, while others are smaller and rely on import wholesalers. Items such as furniture and decorative ceramic accessories (e.g., bowls, vases) are most appropriate for these stores.

Department stores are large, national retailers organized by department (e.g., kitchen, bath, clothing, and electronics) and source handicraft products that complement furniture offerings. For example, the store may offer baskets or vases that complete the theme for a suite of living room furniture. These large stores do a great deal of importing, but are unlikely to source handicraft products directly because volumes may be small (less than a sea container load). In the absence of direct importing, department store will purchase from importer wholesalers.

Online stores sell goods via the internet, eliminating the need for costly physical space for retailing. Online companies such as “10,000 Villages” search the world for unique handicrafts and specialize in selling goods made by artisans. These stores tend to have narrowly focused product offerings, such as handicraft accessories, but they typically do not sell furniture or other home furnishings.

Gift stores tend to be small and specialize in selling handicrafts products, including jewelry and handicrafts that do not necessarily fit in the home accessories market space. Because of the small scale of these stores, most purchases are made through wholesalers.

In sum, while a market as large as the U.S. has a number of different types of retailers, the lines that separate which retailers sell what kind of merchandise are increasingly blurring – with different types of sellers increasingly competing against each other. Nevertheless, foreign artisan producers tend to sell to in-country exporters or wholesalers who impose relatively few requirements on suppliers other than the production of the good at a competitive price. Producers who wish to sell to specialty stores or department stores, on the other hand, must

be able to operate on a large scale and manage at least some portion of the export logistics function.

PURCHASING AND SOURCING CRITERIA

While buyers tend to apply their own set of criteria for purchasing, there are a few common themes that apply to sourcing handicrafts for the U.S. market. The following describes the main purchasing practices used in the U.S. handicraft market.

Design and Value

The main sourcing criterion for most buyers of handicrafts is design, not price. Buyers seek products with characteristics unique to a producer, region, or culture – characteristics that suit the image and feel of products that customers demand. Although U.S. buyers focus on providing customers with handicraft products that are attractive and appealing relative to current tastes, they also consider “value” –whether the product is priced in line with the quality of its materials, labor inputs, and application. The U.S. consumer has many choices in handicrafts and home accessories products, and will be able to compare similar products made from similar raw materials. In particular, price or value is a key consideration for goods at lower-end price points.

Capacity for High-Volume Production

Once large retailers commit to market a particular line of goods, buyers for the large retailers will seek producers who can guarantee sufficiently large quantities to meet national-level sales. In selecting a producer for large quantities, buyers will gauge a manufacturer’s volume capacity and access to raw materials. For smaller artisans (like most Lao handicraft producers) to sell to this type of market, it is typically preferable to work with local exporters or agents who consolidate volume from multiple producers. This requires an additional margin for the exporter who consolidates supply, but otherwise, it is almost impossible for small producers to sell into these major high-volume market segments.

Exclusivity and Formal Representation

Exclusivity and formal representation rights are also important in the U.S. market – these are where a buyer requires a foreign supplier to sell its products to the U.S. market “exclusively” through one buyer. Retailers buying directly from producers devote a great deal of time and energy to developing product lines and supply chains, and to promoting items in retail venues. To protect their investment, retailers who purchase in significant volume often request exclusivity in the U.S market. Likewise, to protect their investment in marketing and promotion, U.S.-based agents frequently request exclusivity or the right to formally represent a producer. Such arrangements have become increasingly important as retailers seek to purchase more directly from producers.

Working Conditions

To protect the reputation of sellers in the U.S. market, how a good is produced is increasingly important for U.S. buyers. Many U.S. consumers and non-government organizations monitor whether products produced in developing countries comply with local labor law, and in many cases demand working conditions that may exceed the requirements of local labor law

(abiding by what is considered fair labor standards). Producers should ensure they meet at least local labor laws. Some larger retailers who source from developing countries will have their own standards for labor and factory conditions (often more stringent than local labor law), and will not work with factories that do not meet their standards.

PRODUCT TRENDS

Market trends in home accessories follow trends in clothing and personal accessories quite closely.⁸ Demand for the output of artisan producers are also influenced by trends in lifestyle, speed to market, quality, and social and environmental awareness.

Lifestyle

Lifestyle trends constantly create new sales opportunities for handicraft producers, but also can limit sales opportunities for traditional products that do not keep up with changing styles. Consumers purchase more and more goods according to a certain lifestyle focus, such as health and fitness, environmental conscientiousness, or social justice. In response, retailers are opening stores, and designing and procuring product lines, that embody these evolving lifestyles. For example, a women's cooperative that uses reclaimed wood in creating jewelry might traditionally have sold its products to wholesalers, but may now sell directly to boutiques specializing in environmentally-conscious goods or directly through an online firm that sells only products made by women in developing countries.

Speed to Market

An important trend in fashion and home accessories is the shortening of time from design to production to shipping to retail. This "speed to market" trend focuses on how quickly a product lands on a retail shelf and how frequently products change. Today, a product's life cycle might be no more than six months. As a result, artisans must be able to increase their number of designs and to develop new designs more frequently.

Product Quality

While handicrafts are generally appreciated for their handmade aesthetic, the commoditization of the industry mentioned earlier has made uniformity in product quality important. Achieving uniformity in handmade goods is challenging. For this reason, countries that can produce quality at scale, such as China and India, have been able to capture a large share of the handicrafts market. Increasingly, producers must pay attention to strict guidelines for quality, especially for goods designed by the buyer that are expected to look exactly the same from item to item.

Social and Environmental Awareness

Because many handicrafts in the U.S. market are produced in relatively poor countries, U.S. buyers are increasingly seeking goods that meet environmental and social standards. Consumers are willing to spend more for goods whose materials come from sustainable resources and whose manufacturing practices follow fair labor standards. As the fair trade

⁸ "End-market Study for Indonesian Home Accessories," USAID 2006.

market niche develops as an aspect of the lifestyle trend described above, “fair trade” labeling is becoming an important marketing tool.⁹

BUSINESS TRENDS

As participants in a global business, handicrafts producers need to keep pace with business trends, especially if they hope to enter the largest consumer market for their products. The following are the most important trends affecting handicraft producers today.

Flattening Distribution Networks

Globalization and improved trade logistics have eliminated many traditional intermediaries in supply chains. In the past, a product might have been passed through a number of agents and wholesalers before reaching the consumer. Now, most retailers seek direct relationships with producers in order to reduce costs. As a result, producers have had to take on more responsibility in communicating with buyers in end markets and managing some, if not all, aspects of transport logistics.

Preference for Local Agents

In the absence of a direct relationship with a producer, buyers will prefer to work with local sourcing agents rather than import wholesalers. A local agent’s ability to consolidate orders from different producers and to organize shipping in-country appeals to retailers and is usually more cost effective than buying from a wholesaler who has already imported the product. Purchasing decisions (discussed below) depend on the needs of the individual buyer and the level of risk they choose in procuring goods. In addition to seeking direct clients in the U.S. market, Lao producers will benefit from identifying local sourcing agents to collaborate with.

Internet Sales

U.S. consumers are increasingly comfortable making purchases via the internet. In response, most major retailers have organized their websites to accommodate consumer purchasing. Some companies exist only in the internet space, with all their sales made via their websites. Producers may also make sales through the internet using tools such as “PayPal”, which allows a vendor (possibly the producer) to accept payment by credit card or wire transfer using a website. PayPal has enabled many artisans and producer groups to sell goods directly to final consumers in other countries. Specialty websites, such as “World of Good” (www.worldofgood.ebay.com), also provide an internet-based sales mechanism for producers to sell goods directly to consumers.

The Diminishing Mid-Price Market and Expanding Low and High-End Markets

Stores in the U.S. market usually operate at one of three price points: low, middle, and high-end. The middle-price point, especially for home accessories, has been shrinking as low-end

⁹ Fair trade products are those that comply with principles of the Fair Trade Labeling Organization (FLO), a collection of more than 20 organizations that certify products. There is no process for certifying handicrafts, but several retail operators employ the same criteria and apply it to their product sourcing. For more information about fair trade in the U.S. market, please visit the Transfair USA website: www.transfairusa.org.

mass market retailers increasingly offer a broad range of products at ever lower prices. The recent economic crisis (2008/2009) has also forced many retail chains operating in the middle-end space to close. As a result, handicraft producers may find more success in the high-end market by offering unique, high-quality items made of good raw materials. Or, if their products were traditionally offered in the middle-end markets, they may find success by focusing on cost-effectiveness and volume production for the price-sensitive low-end market.

TRADE FAIRS

In handicrafts and home accessories markets, trade fairs play a major role in sales, especially among small retailers who have a limited ability to source directly from overseas producers. Trade fairs offer buyers the opportunity to see and touch products, and to compare firsthand the offerings of different producers from throughout the world. Thus, trade fairs present an excellent opportunity for producers to interact directly with U.S. buyers, observe trends in the handicraft market, and organize direct sales to smaller buyers who lack the resources to travel to foreign countries to find new suppliers. A list of important trade fairs is presented in Chapter 5.

MARKET ACCESS FOR HANDICRAFTS

As there is no one trade category for handicrafts it is difficult to pinpoint market access problems or preferences applicable to handicrafts imported into the United States. Certain products of countries that have free-trade agreements with the U.S. or that are party to a preferential trade arrangement, like the Generalized System of Preferences (GSP) program, are granted duty-free import status.

U.S. Generalized System of Preferences

The U.S. GSP is a trade preference program for imports from developing countries.¹⁰ Currently, it provides duty-free entry for about 4,800 products from 131 developing countries and territories. In 2008, the most recent year for which data are available, the U.S. extended duty-free treatment under the program to imports worth \$31.7 billion from eligible countries. Each year, the U.S. reviews the list of articles and countries eligible for duty-free treatment. Any person may petition to request modifications to the list of countries eligible for GSP treatment. Petitions are subject to public hearings and a full review by the major executive branch departments sharing a role in U.S. trade policy. Modifications made pursuant to the annual review are implemented by Executive Order, or Presidential Proclamation.

The GSP statute sets forth eight mandatory criteria that a country must satisfy before it can be designated a GSP beneficiary.

1. The first of these mandatory criteria specifies that a Communist country may not be a GSP beneficiary unless it receives Normal Trade Relations (NTR) treatment, is a WTO member and a member of the International Monetary Fund, and is not dominated by

¹⁰ For more information on the GSP program please visit <http://www.ustr.gov/trade-topics/trade-development/preference-programs/generalized-system-preference-gsp>

international communism. By virtue of the fact that Laos is not a member of the WTO alone, it currently is not eligible to be designated as a GSP beneficiary.

In addition to the first mandatory GSP designation criterion regarding Communist countries, a country, before it can be designated a GSP beneficiary, must also

2. Not be a party to an arrangement of countries nor participate in actions the effect of which are (a) to withhold supplies of vital commodity resources from international trade or to raise the price of such commodities to an unreasonable level and (b) to cause serious disruption of the world economy.
3. Not afford preferential treatment to products of a developed country that has, or is likely to have, a significant adverse effect on U.S. commerce;
4. Not have nationalized, expropriated or otherwise seized property of U.S. citizens or corporations without providing, or taking steps to provide, prompt, adequate effective compensation, or submitting such issues to a mutually agreed forum for arbitration.
5. Not have failed to recognize or enforce arbitral awards in favor of U.S. citizens or corporations.
6. Not aid or abet, by granting sanctuary from prosecution, any individual or group that has committed an act of international terrorism.
7. Have taken or be taking steps to afford internationally recognized worker rights, including a) the right of association, b) the right to organize and bargain collectively, c) freedom from compulsory labor, d) a minimum age for the employment of children, and e) acceptable conditions of work with respect to minimum wages, hours of work and occupational safety and health.
8. Implement any commitments it makes to eliminate the worst forms of child labor.

In determining whether to designate a country as a GSP beneficiary, the President must also consider the following six discretionary criteria:

- Expression by a country of its desire to be designated as a GSP beneficiary country.
- The level of economic development, including per capita GNP, the living standards of its inhabitants, and any other economic factors that he deems appropriate.
- Whether other major developed countries are extending generalized preferential tariff treatment to such country.
- The extent to which such country has assured the U.S. that it will provide equitable and reasonable access to its markets and basic commodity resources and the extent to which it has assured the U.S. it will refrain from engaging in unreasonable export practices.
- The extent to which such country provides adequate and effective protection of intellectual property rights, including patents, trademarks, and copyrights.
- The extent to which such country has taken action to reduce trade distorting investment practices and policies, including export performance requirements, and to reduce or eliminate barriers to trade in services.

Finally, before designating a country as a GSP beneficiary, the President must consider the following four factors:

- The effect such action will have on furthering the economic expansion of the country's exports.

- The extent to which other major developed countries are undertaking a comparable effort to assist a developing country by granting generalized preferences with respect to imports of products of the country.
- The anticipated impact of such action on the U.S. producers of like or directly competitive products.
- The extent of the country's competitiveness with respect to eligible products.

Some GSP countries have "certified textile handicraft arrangements" with the U.S., where goods certified by the beneficiary country as a "handicraft" may be imported into the U.S. duty free. Examples include hand-loomed and folklore wall hangings and pillow covers, and certain hand-woven textile floor coverings.

3. U.S. Import Requirements

TARIFF TREATMENT OF GOODS IMPORTED FROM LAOS

While the process for importing goods into the U.S. is routine, the tariff rate applied to each product can vary depending on the status of the trading partner. Table 2 compares the pre- and post-BTA tariffs for handicraft products imported into the U.S. of relevance to Laos. Extension of NTR rates resulting from the BTA reduced U.S. tariff rates substantially for most handicraft products, which should make Laos handicraft exports much more competitively priced on the U.S. market.

Although tariff rates applied to imports from Laos declined as the U.S. extended NTR rates through the BTA, the BTA served only to eliminate the high rates that discriminated against imports from Laos because of the lack of economic relations between the two countries. With NTR rates, Lao exporters face the same tariff rates as exporters from almost every other country in the world. With regard to trade policy, a country's exports into the U.S. gain a competitive advantage due to lower tariff rates only as a result of U.S. free-trade or preferential-trade arrangements, where better than NTR rates are provided in line with the terms of the preferential agreement. The impact of the preference will depend on the magnitude of the NTR tariff – the higher the tariff rate, the greater the competitive impact of the trade preference. As shown in Table 2, NTR rates for some handicraft goods are high enough that exporters with preferential agreements could gain a substantial competitive advantage over Lao handicraft exporters.

Table 2 Pre- and Post-BTA Tariffs on Select U.S. Handicraft Imports from Laos

Product	HTS Code	U.S. Tariff Rate (%)	
		Pre-BTA	Post-BTA
Jewelry			
Gold or platinum jewelry	71131950	80	5.5
Silver jewelry, value over \$18/doz pcs or pts, nes	7113115080	80	5.0
Wood Crafts			
Statuettes and other ornaments, of wood, Wood marquetry and inlaid wood; caskets for jewelry, cutlery and similar articles, of wood, wooden articles of furniture not in chapter 94, nes	4420	33.3	3.2
Ceramic			
Ceramic (other than porcelain, china or earthenware) ornamental articles, nes	69139050	51.5	6.0
Ceramic sinks, wash basins etc & similar sanitary fixtures, nes	691090	60	5.7
Paper			
Articles of paper pulp, nes	48239010	30	0.0
Paper, in rolls or sheets, ctd, impreg, cov, surf-col, surf-dec or printed, nes	481190	18.5-35	0.0
Basketwork			
Basketwork and other articles of willow/wood, nes	4602194500	45	6.6
Baskets/bags nes whether or not lined with bamboo or wicker	4602110900	50	10.0
Leather Goods			
Handbags, outer surface textile material, wholly or part of braid, of cotton including cont 85% or more by weight of silk or silk waste	42022240	90	7.4
Travel, sports and similar bags, outer surface containing 85% or more by weight of silk or silk waste	4202923010	65	17.6
Fine Art			
Antiques of age exceeding one hundred years, nes	9706000060	0	0.0

SOURCE: U.S. International Trade Commission.

APPLIED TARIFFS

All goods imported into the U.S. are subject to tariffs according to their tariff classification. Tariffs are applied at the time of import and paid by the importing entity. If the importer of record is a third party, such as a freight forwarder hired by the buyer, the buyer will pay the duty as part of the payment to the third party.

In determining a unit price for purchase negotiations with the producer, buyers will factor in tariff payments. Producers should determine the applied tariff rate for a product imported into the U.S. by consulting websites.¹¹ One must determine the tariff classification for the product, which is expressed as a 10-digit code in the Tariff Schedule of the United States and which then is matched to the appropriate tariff rate.

THE IMPORT PROCESS

Buyers importing goods into the U.S. are responsible for arranging for the import or the paying of duties while ensuring compliance with all applicable import regulations. The importer usually hires third parties, such as licensed customs brokers and freight forwarders, to undertake steps in the import process and relies on the exporter to provide specific documents (see Chapter 4). In general, the U.S. import process is efficient and straightforward, as follows.

1. **File an import declaration with the U.S. Customs and Border Patrol (CBP).** U.S. regulations require that import declarations be made by licensed customs brokers who are usually hired by the importer for each transaction. In filing the declaration, the broker uses documents submitted by the exporter—either to the importing client or directly to the broker at the client’s request—at the time of shipment. Brokers use a Pre-Arrival Processing System (PAPS) to file declarations in advance of the arrival of the goods.
2. **Clear goods for entry into U.S. commerce.** After receiving the declaration, the CBP informs any other relevant agencies of actions required of them, such as an inspection at the port of entry. If no inspection or other action requiring goods to be at the port of entry is necessary, goods can be “cleared for entry into U.S. commerce” before they arrive. Clearance, however, may be delayed or prolonged if a declaration is not made correctly or if import traffic is heavy. In such cases, the sea container will remain at the port of entry “in bond,” which means the goods are not yet imported and are not eligible to be recovered by the importing party.
3. **Recover goods.** Once goods are cleared for entry, the CBP informs the customs broker, who then informs the importer client that the goods are eligible for recovery. A freight forwarder hired by the importer will recover the goods from the port and deliver them. In order to recover the goods, the freight forwarder must have a copy of the import declaration that shows the goods have been cleared by the CBP.

For imports of handicrafts products, the CBP is the only agency that has oversight at the port of entry.

¹¹ A popular website for determining tariff rates is http://dataweb.usitc.gov/scripts/tariff_current.asp.

IMPORTER SECURITY FILING

A new rule—Importer Security Filing and Additional Carrier Requirements—went into effect on January 26, 2010. Under the rule, the Importer Security Filing (ISF) Importer, or its agent (e.g., licensed customs broker), must electronically submit certain cargo information to the CBP in the form of an Importer Security Filing before merchandise arriving by vessel can be imported into the United States. The ISF Importer—the party causing the goods to arrive within the limits of a port in the United States—is usually the goods’ owner, purchaser, consignee, or agent, such as a licensed customs broker. The rule applies only to cargo arriving in the U.S. by ocean vessel; it does not apply to cargo arriving by other modes of transportation.

Eight data elements must be submitted no later than 24 hours before the cargo is laden aboard a vessel destined to the U.S.:

1. Seller
2. Buyer
3. Importer of record number / FTZ applicant identification number
4. Consignee number(s)
5. Manufacturer (or supplier)
6. Ship to party
7. Country of origin
8. Commodity Harmonized Tariff Schedule of the United States (HTSUS) number

For elements 5-8 above, ISF Importers may submit a range of acceptable responses based on facts available at the time of submission. The filing, however, must be updated as soon as more accurate or precise data become available and no later than 24 hours before the ship is due to arrive in port.

Two additional data elements—consolidator name and the location of container stuffing—must be submitted as early as possible, but no later than 24 hours before the ship’s arrival at a U.S. port.

4. Exporter Requirements

EXPORTER RESPONSIBILITIES

U.S. companies use a variety of payment terms when sourcing products overseas, and those terms affect exporters' responsibilities and requirements in ensuring sound export of merchandise. Because most major U.S. companies have an in-house entity or a third party coordinate shipments, exporters have few responsibilities when shipping under Free on Board (FOB) or even Cargo Insurance Freight (CIF) terms. But under other terms, such as Delivered Duty Unpaid (DDU), exporters not only provide documents but may also coordinate shipment, pay duties applied to merchandise when it enters the U.S., and arrange for delivery of merchandise to the customer's preferred location. Freight forwarders can manage most of these activities as well as the customs entry given their close relationships with customs brokers. U.S. sourcing executives normally use forwarders or request that the factory use them when coordinating delivery. Nonetheless, exporters should anticipate managing the activities described below.

SHIPPING DOCUMENTATION

Documentation for exports of goods is just as important as the quality of the goods themselves. Faulty information or incomplete documentation can cause transport delays. Freight forwarders and especially buyers who import regularly can often provide assistance for shipment documentation. Table 3 lists documentation required for import into the U.S. and some documents that can be requested by buyers, such as insurance or third-party inspections. As always, exporters are encouraged to confirm all documentation requirements with their buyers.

EXPORT LOGISTICS

Sending products from one country to another involves many parties—freight forwarders, transportation carriers, customs agencies, and more. Generally in the handicrafts business, finished goods are delivered to the U.S. buyer's destination. To deliver to a U.S. customer's warehouse, or to comply with Incoterms such as CIF, manufacturers should have their own logistics specialists to ensure effective coordination and efficient shipment tracking.¹² Most successful suppliers to the U.S. market have export departments staffed with English speakers familiar with documentation required to export handicrafts to the United States. The department must manage communication among three to five entities as shown in Figure 2.

¹² International Commercial Terms (Incoterms) are internationally recognized sales terms such as "CIF" (cost, insurance and freight) or "FOB (free on board).

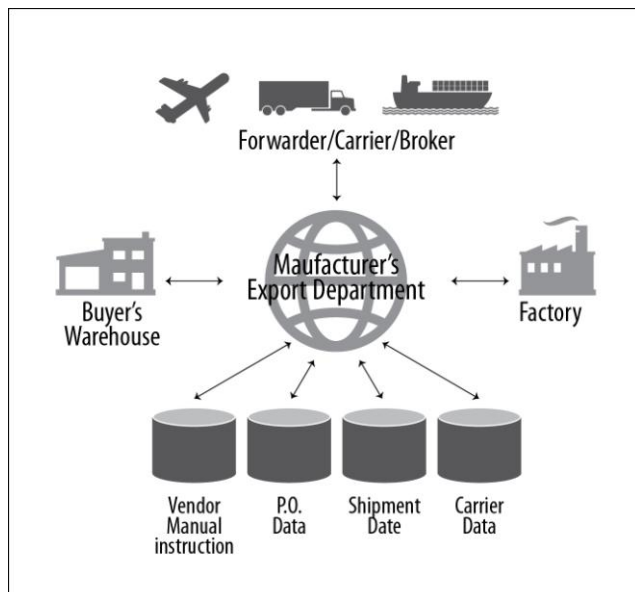
Table 3 Typical Shipping Documentation and Party Responsible for Importing into the U.S.

Documentation	Prepared By
Mandatory	
Commercial invoice	Exporter
Export packing list	Exporter
Certificate of origin	Exporter (official government document)
Inward cargo manifest	Shipping company
Bill of lading	Freight forwarder
Not Mandatory	
Shipper's export declaration	Freight forwarder
Insurance certificate	Freight forwarder
Letter of credit (if this is the agreed payment arrangement)	Importer (Buyer)

Use of Express Air Service Companies

Because handicraft products are often small and shipped in small volumes (e.g., jewelry), most exporters use specialty express air shipping services, such as Federal Express or UPS. Using such services is relatively easy, and small buyers often prefer to take delivery of products through these services. Handicrafts importers that take frequent deliveries from overseas manufacturers often have their own accounts with the express services, which allow the buyer to manage the export process directly through the service and to pay the exporter on an FOB or ex-warehouse basis rather than upon delivery. Exporters should consult their export agents and freight forwarders to identify a company in Laos that can manage express air shipments.

Figure 2 Coordinating Responsibilities of the Export Department



Cargo Security Requirements and C-TPAT

Since 2001, the U.S. Government has responded to heightened concerns about international terrorism and potential attacks on the United States. The voluntary Customs-Trade Partnership Against Terrorism (C-TPAT) program allows exporting companies to expedite cargo security clearance by implementing certain provisions and activities in factories. The program has become favorable for some importers because it can reduce delays in import processing from certain inspection requirements. For program details, contact an international shipping agent or company, export agent, or certified U.S. Customs broker, or consult the website www.cbp.gov/xp/cgov/trade/cargo_security/ctpat/what_ctpat/ctpat_overview.xml.

5. Resource Guide

The following resources can assist handicrafts exporters with their U.S. business development.

TRADE SHOWS AND FAIRS

New York International Gift Fair
www.nyigf.com

San Francisco International Gift Fair
www.sfigf.com

Atlanta International Gift and Home Furnishings Market
www.americasmart.com

High Point Furniture and Home Furnishing Show
www.highpointmarket.org

Maison & Objet, Paris¹³
www.maison-objet.com

PUBLICATIONS

Furniture Today
www.furnituretoday.com

Home Accents Today
www.homeaccentstoday.com

Furniture Style
www.furniturestyle.com

TRENDS

Pantone Color Trends
www.pantone.com

Juststyle.com
www.juststyle.com

¹³ This trade fair, along with other high-profile fairs in Europe, set trends for both the EU and U.S. markets.

TECHNICAL RESOURCES

Aid to Artisans

www.aidtoartisans.org

The Crafts Center

www.chfinternational.org/thecraftscenter)

PayPal online payment system

www.paypal.com