

Ministry of Industry and Commerce

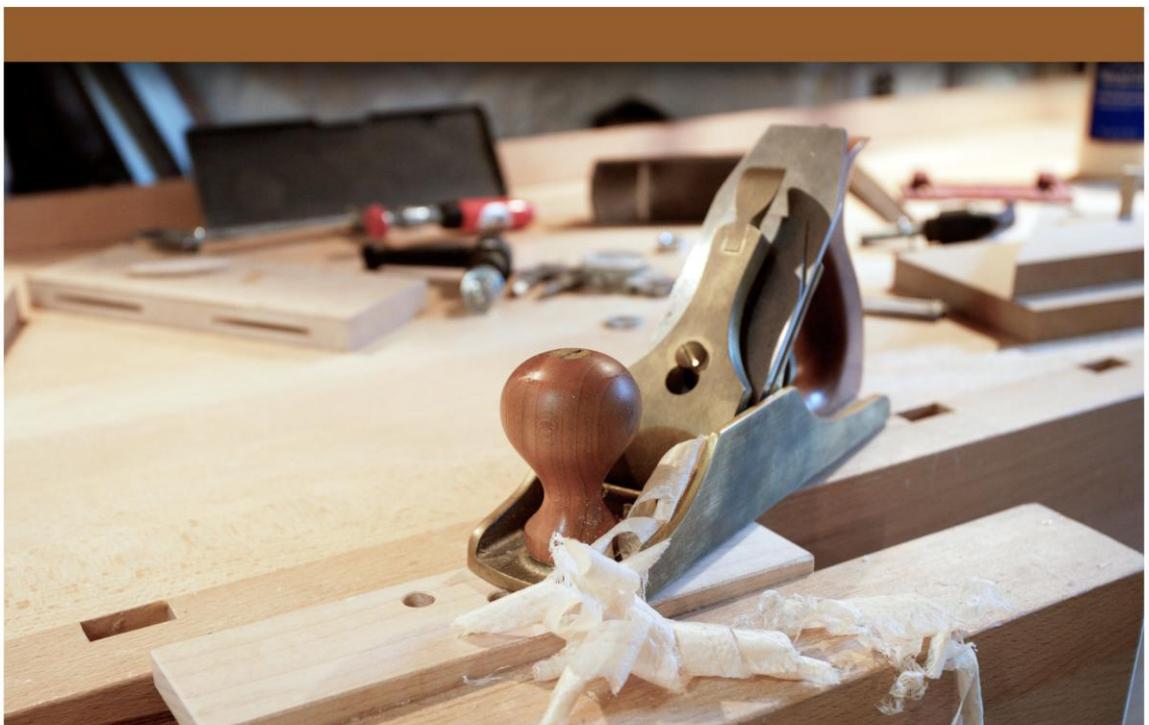


wood products

# MANUAL

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



**April 2011**

This publication was produced by the USAID-funded LUNA Project at the request of the Lao PDR Ministry of Industry and Commerce.

**Ministry of Industry  
and Commerce**



# **Manual for the U.S. Wood Products Market**

A Tool for Lao Exporters of Wood Products

## **DISCLAIMER**

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# Acronyms

ADVANCE	ASEAN Development Vision to Advance National Cooperation and Economic Integration
AEC	ASEAN Economic Community
ALSC	American Lumber Standard Committee
APHIS	Animal and Plant Health Inspection Service
ASEAN	Association of Southeast Asian Nations
BTA	Bilateral Trade Agreement
CBP	U.S. Customs and Border Patrol
CIF	Cargo Insurance Freight
DDU	Delivered Duty Unpaid
FOB	Free on Board
FSC	Forest Stewardship Council
FTA	Free Trade Agreement
GSP	U.S. Generalized System of Preferences
HTSUS	Harmonized Tariff Schedule of the United States
NAFTA	North American Free Trade Agreement
NGRC	National Grading Rule Committee
NHLA	National Hardwood Lumber Association
PPQ	Plant Protection and Quarantine
U.S.	United States
USAID	United States Agency for International Development
USDA	U.S. Department of Agriculture
WTO	World Trade Organization

# Preface

This manual provides background and references for Lao exporters of wood products 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, handicrafts, 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. agricultural products market.



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# Introduction

In 2008, the U.S. imported more than \$14 billion in wood products. Laos exported a total of \$41.9 million of goods to the U.S. market, including about \$415,000 in wood products, which were concentrated in manufactured goods such as lumber. Laos exported more than \$120 million in wood products to the world that year, revealing the potential to increase wood exports to the United States. As well, the major reductions in U.S. tariff rates from the BTA for Lao exports of wood products will make Lao exports of these products much more competitive on the U.S. market.

This manual provides guidance for exporters seeking to develop new business or increase existing business in the U.S. market for wood products. It describes characteristics of the U.S. market (Chapter 1), presents details on market characteristics (Chapter 2), presents overviews of U.S. import requirements (Chapter 3) and of related export requirements (Chapter 4), and a listing of market resources (Chapter 5).

# 1. Overview of the U.S. Wood Products Market

Approximately 30 percent of U.S. territory is covered by forests. Because of strong U.S. demand for wood products and derivatives, the American timber industry is one of the largest in the world. One third of the timber produced in the U.S. is grown in the American Northwest. The state of Washington, in the American Northwest, produces more wood than any other state in the United States. Imports also play a critical role in the market. According to the Foreign Agricultural Service of the U.S. Department of Agriculture (USDA), the U.S. imported more than \$14 billion in wood products in 2008.<sup>1</sup>

## SUPPLIERS AND PRODUCTS

The U.S. and five other countries – China, India, Brazil, Indonesia, and Canada – produce more than half of the world’s annual wood output of 3.3 billion cubic meters.<sup>2</sup> The U.S. is also one of the world’s largest importers of wood products.

Canada is the dominant supplier of imported wood products to the United States. Canadian wood currently accounts for approximately 18 percent of all timber used in the United States.<sup>3</sup> At one time in the 1990s, 98 percent of U.S. imports of softwood lumber, the category of wood products that accounts for the largest share of U.S. imports, came from Canada; currently Canada provides 80 percent of U.S. softwood lumber imports. China is also becoming significant in the wood products market. In 2006, forest products trade in China was worth \$47.1 billion, a 23 percent increase over 2005. By 2006, China had emerged as the world’s largest exporter of wood furniture, accounting for 43 and 33 percent of U.S. and European wood furniture imports, respectively.

Southeast Asia supplies about \$685 million worth (5 percent) of imported U.S. wood products (Table 1). Indonesia and Thailand are the two largest Southeast Asian wood product exporters to the U.S., with the former supplying \$294 million worth and the latter \$110 million worth.<sup>4</sup>

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<sup>1</sup> Imports from Harmonized Tariff System code 44 “Wood.”

<sup>2</sup> United States Market for Brazilian Plantation Wood, May 2008  
[http://wfi.worldforestry.org/media/publications/specialreports/US\\_markets\\_Brazil\\_Camargo.pdf](http://wfi.worldforestry.org/media/publications/specialreports/US_markets_Brazil_Camargo.pdf).

<sup>3</sup> The United States has a trade dispute with Canada centering on the claim of U.S. industry that Canadian softwood lumber is subsidized.

<sup>4</sup> U.S. Department of Agriculture’s Foreign Agricultural Service Global Agricultural Trade Service.

**Table 1 Value of U.S. Imports of Wood Products by Region, 2008**

Partner Region	Wood Products Import Value (\$millions)
North America	7,111
East Asia	3,000
South America	1,711
European Union	1,062
Southeast Asia	685

SOURCE: USDA Foreign Agricultural Service <http://www.fas.usda.gov/gats/default.aspx>

Wood flooring, the main U.S. import from Laos, is a major product category of U.S. wood imports. In 2008, U.S. imports of hardwood flooring were valued at \$47 million and of softwood flooring at \$18 million. Table 2 provides details on the values of U.S. wood product imports in 2008.

**Table 2 Value of U.S. Imports of Wood Products by Category, 2008**

Product	Value (\$millions)	Product	Value (\$millions)
Softwood lumber	3,848	Softwood siding	67
Other wood products	2,492	Prefabricated buildings	64
Builder's carpentry	1,802	Hardwood flooring	47
Hardwood plywood	1,370	Hardwood logs	20
Osب/waferboard	578	Softwood flooring	18
Hardwood lumber	536	Treated lumber	11
Softwood molding	474	Pencil slats	10
Medium-density fiberboard	451	Railroad ties	8
Hardboard	342	Pulpwood	8
Other panel products	288	Hardwood chips	4
Hardwood veneers	287	Softwood chips	2
Hardwood molding	268	Hardwood siding	1
Softwood plywood	235	Hardwood logs	20
Cooperage products	231	Softwood flooring	18
Particleboard	182	Treated lumber	11
Wood packing material	140	Pencil slats	10
Assembled flooring panels	133	Railroad ties	8
Softwood veneers	90	Pulpwood	8

Product	Value (\$millions)
Softwood logs	74
Poles	72
Softwood siding	67
Prefabricated buildings	64
Hardwood flooring	47

Product	Value (\$millions)
Hardwood chips	4
Softwood chips	2
Hardwood siding	1
Hardwood logs	20
Softwood flooring	18

SOURCE: USDA Foreign Agricultural Service, <http://www.fas.usda.gov/data.asp>.

Table 3 presents data on wood products imported from Laos into the United States.

**Table 3 Value of Laos' Exports of Wood Products to the United States, 2008**

Product	HTS Code	2008 Export Value to the U.S. (\$000's)
Nonconiferous wood flooring continuously shaped along any of its edges or faces but not on its ends	4409292560	117
Nonconiferous wood continuously shaped along any of its ends, whether or not also continuously shaped along any its edges or faces	4409290565	20
Nonconiferous woods, nes, sawn or chipped lengthwise, sliced or peeled, over 6 mm thick	4407990193	108
Keruing wood sawn/chipped lengthwise, gt 6mm thick	4407290116	25
Statuettes and other ornaments, of wood	4420100000	83
Wood marquetry and inlaid wood; caskets for jewelry, cutlery and similar articles, of wood, wooden articles of furniture not in chapter 94, nes	4420908000	19
Burial caskets of wood	4421909730	35
Articles of wood, nes	4421909740	7
<b>Total</b>		<b>415</b>

SOURCE: U.S. International Trade Commission (USITC) database.

Under the U.S.-Laos Bilateral Trade Agreement (BTA) implemented in 2005, the U.S. extended Normal Trade Relations status (NTR) to products of Laos. The BTA reduced tariff rates significantly for Lao exports to the United States. Pre-and post-BTA tariff rates for wood products imported to the U.S. from Laos in recent years are specified in Chapter 3. 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.<sup>5</sup>

<sup>5</sup> USTR at [www.ustr.gov/countries-regions/southeast-asia-pacific/laos](http://www.ustr.gov/countries-regions/southeast-asia-pacific/laos).

## IMPORT OUTLOOK

Overall demand for wood products in the U.S. has decreased since 2006, particularly since the financial crisis of 2008. On a dollar-value basis, total U.S. wood-product imports have declined by 24.3 percent since 2007, with the largest decreases in: oriented-strand board<sup>6</sup> (down 78.6 percent); hardwood panels (down 60.1 percent); softwood lumber (down 53.4 percent); and softwood moldings (down 33.4 percent).<sup>7</sup>

In 2008, U.S. imports of softwood lumber declined by 31.5 percent.<sup>8</sup> Exports of Canadian softwood lumber to the U.S. dropped by the same percentage and imports from other countries fell by 46 percent. Non-Canadian imports were especially affected by higher shipping costs, longer delivery times, less favorable currency exchange rates, and low U.S. lumber prices.

The rapid decline in the overbuilt and over-financed U.S. housing market continues to affect lumber demand in North America. Construction of new houses has declined by a massive 78 percent since 2005. Until the economy recovers, the excess inventory of houses and weak demand for new housing are likely to continue, which will continue to repress prices for related wood products.<sup>9</sup>

Imported wood products, as a share of the overall market, have actually increased despite an overall recent decrease in demand for wood products (since 2006). This can be attributed partly to restrictions on timber harvesting in the United States. In particular, harvesting of wood from federally-owned land has declined, in response to public criticism for both esthetic and environmental reasons.

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<sup>6</sup> Oriented strand board is a structural wood panel similar to plywood or other panel boards. For more information visit: <http://www.forestinfo.org/Products/eco-links/11-4EWP2001.PDF>

<sup>7</sup> "Wood Markets Monthly International Report." May 2009.

<sup>8</sup> See the Wood Products Monthly International Report at: (<http://www.woodmarkets.com/PDF/wmm/May09%202-pager.pdf> pg. 2)

<sup>9</sup> Ibid

## 2. U.S. Market Characteristics

The demand for wood products in the U.S. is highly influenced by economic growth, monetary policy (cost of financing), and international agreements. The performance of the housing sector, specifically new home building, is the leading indicator of demand for wood products. About 95 percent of homes in America are wood frame construction – this subsector accounts for 40 percent of all softwood consumption in the United States.<sup>10</sup> Whereas the U.S. once had a strong domestic wood-furniture producing sector, it is now much smaller. The U.S. is now the world's largest net importer of wood furniture.

### STANDARDS FOR LUMBER IMPORTS

Standards for wood-product imports – both for lumber and further manufactured products such as a window frame or flooring – aim to ensure that the final consumers receive a consistent product regardless of their source.

#### Softwood

All softwood lumber produced or consumed in the U.S. is subject to standards developed by the American Lumber Standard Committee (ALSC) in accordance with the *Procedures for the Development of Voluntary Product Standards* of the U.S. Department of Commerce. Through a consensus-based process, the ALSC maintains standards, establishes policies regarding grading rules, approves design values, accredits agencies to grade and inspect under those rules, and monitors the performance of accredited agencies. The accredited agencies work with mills to ensure correct grade labeling of lumber. Lumber manufacturers, distributors, and users depend on labeling to indicate the grading of structural lumber by visual and mechanical means.<sup>11</sup>

Any design values assigned to lumber must be in accordance with criteria determined appropriate by the National Institute of Standards and Technology. A separate consensus-based body, the National Grading Rule Committee (NGRC), develops and maintains nomenclature and descriptions of grades for dimension lumber that conform to the appropriate standard.

#### Hardwood

The hardwood lumber market has two main categories: grade hardwood lumber and nongraded hardwood products. The grade lumber is graded under the National Hardwood Lumber Association (NHLA) rules (or some variation of those rules). With some exceptions,

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<sup>10</sup> United States Market for Brazilian Plantation Wood, May 2008  
[http://wfi.worldforestry.org/media/publications/specialreports/US\\_markets\\_Brazil\\_Camargo.pdf](http://wfi.worldforestry.org/media/publications/specialreports/US_markets_Brazil_Camargo.pdf).

<sup>11</sup> [www.alsc.org](http://www.alsc.org).

grade hardwood lumber is graded on the basis of the size and number of cuttings (pieces) that can be obtained from a board when it is cut up and used in the manufacture of hardwood products. A higher grade will have a larger area of clear wood.

Nongraded hardwood products are lumber, cants,<sup>12</sup> or timber normally not sold under NHLA rules. Nongraded lumber is used in pallets, crossties, construction material, bridge timbers, and upholstered furniture frame stock. Some is graded for strength and durability. Railroad crossties (sleepers) and bridge timbers are usually graded for strength and durability, but there are no well-defined grading rules for pallet cants and frame stock. A growing portion of hardwood lumber is being marketed under proprietary grades developed by individual producers.

## **STRUCTURE OF WOOD PRODUCTS INDUSTRY**

The wood products market is divided into “primary” and “secondary” industry groups. Primary groups include pulp mills (for making paper), saw mills, and other entities that process raw logs into lumber or some other value-added form. Secondary groups include all entities that further manufacture a product using semi-processed wood, such as lumber or boards. Secondary manufacturers include companies that make specialized products such as musical instruments, doors, window frames, or tables.

## **DISTRIBUTION AND SALES OF WOOD PRODUCTS**

Wood products may be distributed directly by manufacturers to final consumers or indirectly through independent traders, such as importers and wholesalers, retailers, franchises, or sales agents. Traders, who specialize in trading in imported goods, buy several products from diverse factories (usually factories with short export volume) and inspect cargo in foreign ports, sometimes consolidating shipments from multiple suppliers in the same country. Agents and representatives sell products in various markets. Agents sell multiple products from multiple manufacturers, while representatives sell only one client’s products. Wholesalers sell imported and domestic products in large quantities. “Big-box” wholesalers import huge quantities of lumber for sales in retail establishments all over the United States.

## **INDUSTRY TRENDS**

The wood products industry is in the midst of a technological revolution. Computerized machines are eliminating the need for unskilled, manual labor. In sawmills, for example, raw logs are scanned by “optimized” computers that figure out how best to cut logs to get the most lumber possible – yielding less waste and more profits. Secondary manufacturers use computerized machines to mold and shape wood. They also use “robotics,” programming machines to carve intricate patterns into pieces of wood that allows for mass production of a variety of detailed wood work.<sup>13</sup>

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<sup>12</sup> A cant is a large slabbed log on the headsaw, usually having one or more rounded edges, which is destined for further processing.

<sup>13</sup> [www.woodlinksusa.org/industry](http://www.woodlinksusa.org/industry).

As with other globally-traded commodities, manufacturers and retailers of wood products are finding market niches for goods certified by a third party as being “sustainable” and as being harvested in a responsible manner. A leading certification scheme in the wood-products industry is offered through the Forest Stewardship Council (FSC), which provides internationally recognized standard-setting, trademark assurance, and accreditation services to companies, organizations, and communities interested in responsible forestry. The FSC label provides a credible link between responsible production and consumption of forest products, enabling consumers and businesses to make purchases that benefit people and the environment as well as providing ongoing business value. FSC is the fastest growing forest certification system in the world.<sup>14</sup>

## **MARKET ACCESS**

Some exporters to the U.S. benefit from a free-trade agreement or from a preferential-trade arrangement, like the Generalized System of Preferences (GSP) program.

### **Free-Trade Agreements**

Free-trade agreements (FTA) provide opportunities to import higher-value-added wood products into the United States. Many U.S. consuming industries are increasingly using wood products that were originally exported from the United States, processed overseas, and then re-imported for final processing or distribution. Flooring, kitchen cabinets, and furniture are a few of the product sectors benefiting from reduced tariffs granted through FTAs.<sup>15</sup> This trend has provided increased opportunity for foreign sawmills and manufacturers to increase business with the U.S. market.

In the U.S. market, the North American Free Trade Agreement (NAFTA) between the United States, Mexico, and Canada has an important influence on wood-products trade. Eliminating duties on manufactured wood products through FTAs have boosted the export of lumber, especially from Canada and Mexico, to the United States. Under the U.S.-Chile FTA, Chilean exports to the U.S. of logs and lumber have increased. As shown in Chapter 3, however, since the NTR tariff rates for wood products do not exceed 3.3 percent, the competitive advantage of preferential tariff schemes relative to Lao wood exports to the U.S. tends to have less of an impact than for other sectors with higher NTR tariff rates.

### **U.S. Generalized System of Preferences**

The U.S. GSP is a trade preference program for imports from developing countries.<sup>16</sup> 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

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<sup>14</sup> [www.fsc.org](http://www.fsc.org).

<sup>15</sup> International wood products association [www.iwpawood.org](http://www.iwpawood.org)

<sup>16</sup> For more information on the GSP program please visit: <http://www.ustr.gov/trade-topics/trade-development/preference-programs/generalized-system-preference-gsp>

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 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.

# 3. U.S. Import Requirements

## 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 4 compares the pre- and post-BTA tariffs for several wood products imported into the U.S. from Laos in recent years. Extension of NTR rates resulting from the BTA reduced tariff rates substantially for many Lao exports of wood products to the United States, which will make them 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 4, NTR rates for most wood products are low enough that exporters with preferential agreements gain a relatively small competitive advantage over Lao wood exporters.

**Table 4 Pre- and Post-BTA Tariffs on Select U.S. Wood Product Imports from Laos (2008)**

Product	HTS Code	U.S. Tariff Rate		2008 Lao Export Value to the U.S. (\$millions)
		Pre-BTA	Post-BTA	
Nonconiferous wood flooring continuously shaped along any of its edges or faces but not on its ends	4409292560	8%	0.0%	117
Nonconiferous wood continuously shaped along any end, whether or not also continuously shaped along any edge or faces	4409290565	33.3%	3.2%	20
Nonconiferous woods, nes, sawn or chipped lengthwise, sliced or peeled, over 6 mm thick	4407990193	\$1.27/m3	0.0%	108
Keruing wood sawn/chipped lengthwise, gt 6mm thick	4407290116	\$1.27/m3	0.0%	25
Statuettes and other ornaments, of wood	4420100000	33.3%	3.2%	83
Wood marquetry and inlaid wood; caskets for jewelry, cutlery and similar articles, of wood, wooden articles of furniture not in chapter 94, nes	4420908000	33.3%	3.2%	19

Product	HTS Code	U.S. Tariff Rate		2008 Lao Export Value to the U.S. (\$millions)
		Pre-BTA	Post-BTA	
Burial caskets of wood	4421909730	33.3%	3.3%	35
Articles of wood, nes	4421909740	33.3%	3.3%	7
<b>Total</b>				<b>415</b>

SOURCE: U.S. International Trade Commission.

## Importer Requirements to Import Wood Products

The United States Department of Agriculture (USDA) is the primary body for regulating agricultural imports to the United States. The Plant Protection and Quarantine (PPQ) division of USDA's Animal Plant Health Inspection Service (APHIS) regulates the importation of plants and plant products under the authority of the Plant Protection Act. The purpose of the PPQ's import program is to safeguard U.S. agriculture and natural resources from risks associated with the entry, establishment, or spread of animal and plant pests and noxious weeds. This program prevents the inadvertent introduction of new plant diseases and pests into the United States, which could impose economic and environmental costs in the form of crops lost to disease and implementation of extensive control measures to limit crop damage.

Because logs and wood products are particularly vulnerable to carrying pests, the USDA requires import permits for logs, lumber, and other unmanufactured wood products. Permits are also required for importation into – and transit through – the U.S. of regulated plants and plant products for consumption or propagation (planting). Current U.S. imports from Laos are manufactured wood products (hardwood flooring), which do not require a permit for importation.

The importer must apply for the permit at least 30 days before the shipment arrives at the U.S. port of entry. There is no fee for the permit. Before making a shipment, exporters should confirm with their U.S. buyers whether a permit is required. Shipments without permits could be rejected at the port of entry and would have to be sent back to exporters at their own expense.

## Other Regulations Applied to Imports of Wood Products

### ***The Lacey Act***

The Lacey Act combats trafficking in “illegal” wildlife, fish, and plants. In 2008, the Lacey Act was amended (through the 2008 Farm Bill – the Food, Conservation, and Energy Act of 2008) to expand its protection to a broader range of plants and plant products. Under the Lacey Act it is now unlawful to import certain plants and plant products without an import declaration.<sup>17</sup>

The purpose of the amendment to the Lacey Act is to prevent trade in illegally harvested lumber and to prevent trade in wood products made from illegally harvested timber. Only items classified in certain subchapters of Harmonized Tariff System (HTS) Chapters 44, 47, 48, and 94 require the filing of a plant import declaration. Wood products exported by Laos under

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<sup>17</sup> USDA Website: “Plant Health: Lacey Act” -- [http://www.aphis.usda.gov/plant\\_health/lacey\\_act/downloads/LaceyActPrimer.pdf](http://www.aphis.usda.gov/plant_health/lacey_act/downloads/LaceyActPrimer.pdf)

the HTS Chapter sub-heading of 4420 (wood marquetry) require an import declaration, whereas Lao exports under sub-heading 4407 and 4409 (wood flooring) do not. Lao exporters should determine with their U.S. clients whether a declaration under the Lacey Act is required. For more information exporters can consult the USDA website or view the “Lacey Act Primer” at: [http://www.aphis.usda.gov/plant\\_health/lacey\\_act/downloads/LaceyActPrimer.pdf](http://www.aphis.usda.gov/plant_health/lacey_act/downloads/LaceyActPrimer.pdf).

### **General Regulations Applied to Imports of Wood Products**

All tropical hardwood logs and lumber with bark must be fumigated before importation into the United States. Logs, lumber, and other unmanufactured wood products (with or without bark) from areas in Asia that are east of 60° longitude and north of the Tropic of Cancer are not allowed entry into the United States. Kiln-dried materials from the same region, however, are allowed entry with a written permit. This restricted area does not include Laos.

Some wood-product imports are subject to special requirements. Raw softwood-lumber imports, without bark, must be consigned to an approved facility operating under a valid compliance agreement with PPQ at the time they are imported and be heat treated within 30 days. The only softwood logs that can be imported into the U.S. are *Pinus radiata* and *Pseudotsuga menziesii* from New Zealand and *Pinus radiata* from Chile. These softwood log imports must also be consigned to an approved facility operating under a valid compliance agreement with PPQ at the time they are imported and be heat treated within 30 days.

## **THE IMPORT PROCESS**

Buyers importing goods into the U.S. are responsible for paying duties applied to the goods and 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 (e.g., the USDA) of any 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.

4. For imports of wood the CBP and, as discussed in the preceding section, USDA are the only agencies that have oversight at the port of entry. Also as discussed in the preceding section the relevant regulating entity within USDA is the PPQ division of APHIS.

## **IMPORTER SECURITY FILING**

A new rule—Importer Security Filing and Additional Carrier Requirements—will go 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 is the party causing the goods to arrive within the limits of a port in the United States and is usually the goods' owner, purchaser, consignee, or agent, such as a licensed customs broker. The rule applies only to cargo arriving in the United States 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 United States:

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. Related Export Requirements

## **EXPORTER RESPONSIBILITIES**

U.S. companies use a variety of payment terms when sourcing products from overseas and those terms affect exporters' responsibilities for ensuring sound export of a product. Because most major U.S. companies have an in-house entity or a third party to 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 United States, 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 specific freight forwarders or request the factory to use them when coordinating delivery of an order. 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 that regularly import wood products can often advise on and provide assistance for documentation for shipping goods. Table 5 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.

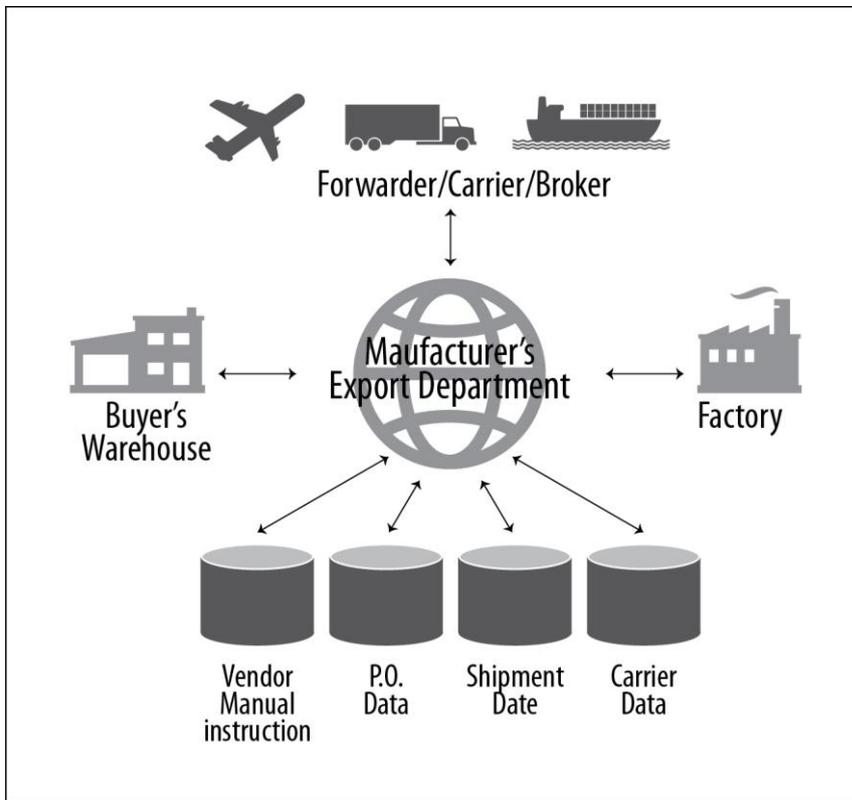
## **EXPORT LOGISTICS**

Sending products from one country to another involves many parties—freight forwarders, transportation carriers, customs agencies, and more. Generally in the U.S. wood products business, finished goods are delivered to the U.S. buyer's destination. To deliver to a U.S. customer's warehouse, exporters should have their own logistics specialists to ensure effective coordination and efficient shipment tracking. Most successful suppliers to the U.S. market have export departments staffed with English speakers familiar with documentation required to export wood products to the United States. The department must manage communication among three to five entities as shown in Figure 1.

**Table 5 Typical Shipping Documentation and Party Responsible for Importing into the U.S.**

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

**Figure 1 Coordinating Responsibilities of the Export Department**



# 5. Resource Guide

## **U.S. GOVERNMENT**

U.S. Department of Agriculture

<http://www.usda.gov>

Animal Plant Health Inspection Service (APHIS)

<http://www.aphis.usda.gov>

Plant Protection and Quarantine (PPQ)

[http://www.aphis.usda.gov/plant\\_health](http://www.aphis.usda.gov/plant_health)

Homeland Security Customs and Border Patrol

<http://www.cpb.gov>

## **STANDARDS**

American Lumber Standards Committee

<http://www.alsc.org>

Forest Stewardship Council

<http://www.fsc.org>

## **ASSOCIATION**

North American Wholesale Lumber Association

<http://www.lumber.org/>

Woodlinks USA

<http://woodlinksusa.org/industry.php>

Woods Products Manufacturers Association

<http://www.wpma.org/>

International Wood Products Association

<http://www.iwpawood.org/>

Global Wood

<http://www.globalwood.org/>