

CHAPTER 10
HANDMADE CARPETS AND RUGS

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INTRODUCTION

NAFTA will create new opportunities for manufacturers of textiles and fibres to expand sales, increase production and realise economies of scale. The three countries can also take full advantage of their complementary resources to enhance export potential.

In Canada, most product shipments in the carpet sector are manufactured by a very small number of producers. Four companies represent more than half of all domestic carpet production. Vertical integration among the fibre, fabric and apparel sectors is almost non-existent. The carpet and rug sector is capital-intensive, with most major producers vertically integrated to include yarn, carpet construction and dyeing, as well as finishing processes. Importers have approximately 20 % of the carpet market.

Low per capita income and cultural factors have made carpet and rug consumption relatively low compared to other countries. But, there has been steady growth in carpet and rug demand in Mexico since the late 1980's. With rising incomes and greater housing construction, this demand should continue to increase.

The United States currently accounts for more than half of world-wide carpet consumption. Demand levels for carpets and rugs are dependent on the strength of the domestic economy and concurrent growth of home construction. Steady growth in the US economy should improve the outlook for the replacement carpet sector. India and China have been the two largest sources of US carpet imports in recent years. Their imports are mostly woven and handloomed floorcovering, which are not directly competitive with the tufted floorcoverings produced domestically.

CANADA

Tariffs (%)

<u>Items:</u>	<u>MFN</u>	<u>GPT</u>	<u>US/Mexico</u>
Carpets, knotted	9.7	0	0-3
Carpets, hand woven	19.3	13	6-10.4
Carpets, coconut fibre	0	0	0
Carpets, woven	19.3-21.2	13-14.5	6-11.6
Carpets, not pile	9.9-21.2	0-14.5	0-10.4
Carpets, tufted	10	0	0-6
Carpets, felt, not tufted	19.3	13	6-10.4
Other carpets (including braided)	18.3	12.5	5.7-10

Standards

There are standards for labelling (outlined in the Labelling section, below) and fibre content determination. The amount of textile fibre present in a textile fibre article must be determined according to the test methods contained in the National Standard of Canada, Textile Test Methods. More information about the test methods may be obtained from the Canadian General Standards Board (CGSB), in the addresses section of this guide.

In addition, there exists a basic, minimum flammability standard for carpets and rugs. Products which do not meet the established requirements cannot be sold, advertised or imported into Canada. Information on standard, contained in the Hazardous Products Act, may be obtained from the Chemical Hazards Division at Health Canada, listed in Section III of this guide.

Labelling

Industry Canada's Textile Labelling Act and Textile Labelling and Advertising Regulations provide basic labelling requirements for consumer textile articles sold in Canada, which includes carpets and rugs. The Act prohibits a dealer from selling, advertising, or importing into Canada, consumer textile articles unless they are labelled with fibre content and dealer identification in accordance with the Act and Regulations, and from making misleading representations relating to textile fibre products.

The basic requirements are that the label have:

- fibre content information expressed in percentages by mass
 - generic name of all fibres which make up at least 5 % of the product; those making up less than 5 % may be identified as “other fibre(s)”
 - fibres listed in order of predominance
 - if reused or reprocessed fibres are used, these must be listed as such; if mixed or unknown or miscellaneous fibres are used, these must be listed as such
 - when only one fibre is contained, the words “all” or “pure” may be used instead of 100%;
- dealer identity information
 - name and address, or, for a dealer in Canada, their identification number (“CA number”), obtained by applying to Industry Canada.

Fibre content information must be in English and French, except in areas where only one official language is used in consumer purchases. Dealer identification and country of origin (when required) only need to be in one of the official languages. The province of Quebec has additional requirements concerning all products marketed therein, which should be obtained from the Office de la Langue Francaise, found under Section III of this guide.

Packaging

When a consumer textile article is sold in a wrapper, package or container and the label attached to the article is clearly visible, there is no other labelling necessary. If the label is not visible, the information required to be shown must be repeated on the package in the manner outlined above.

For all other pre-packaged products, according to the Consumer Packaging and Labelling Act and Regulations, all packages must be manufactured, constructed, or displayed in such a manner that a consumer may not reasonably be misled with respect to the quality or quantity of the product it contains. Labels on pre-packaged products must show:

- the identity and principal place of business of the person by or for whom the pre-packaged product was manufactured or produced for resale;
- the identity of the pre-packaged product in terms of its common or generic name or in terms of its function;
- such information respecting the nature, quality, age, size, material content, composition, geographic origin, performance, use or method of manufacture or production of the pre-packaged product as may be prescribed.

Questions on the Act may be directed to the Merchandise Standards Division, Industry Canada, found under Section III of this guide.

Marketing and Distribution

Canadian consumer patterns reflect a great degree of sensitivity to quality, value and service.

The retail market is dominated by a limited number of large department stores and chain stores (which usually focus on particular product lines, such as carpets or furnishings, in this case) that are also significant importers. Large Canadian retailers prefer to buy directly from foreign producers and manufacturers. Smaller retailers do not usually deal in volumes which would justify buying direct.

The latest available data suggests that the import market for carpets and rugs into Canada is US \$308 million.

Documentation

Goods imported into Canada have mandatory documentation requirements. These are:

- Form B3, Canada Customs Coding (two copies required for an automated Customs office, three if not). It is important to fill in this form properly, especially since it is here where the importer shows the tariff treatment for his goods;
- cargo control document - manifest, waybill or other approved document that must be obtained from carrier or forwarder (two copies);
- commercial invoice, indicating the buyer and seller of the goods, price paid or payable, adequate description, including quantity, of goods contained in the shipment, together with a Canada Custom invoice containing the remaining required data (two copies), or a fully completed Canada Customs invoice, or an invoice containing all data listed by Customs.

Revenue Canada requires that certain goods imported into Canada be clearly labelled as to their country of origin, in English or French; this must be clearly located on the product. If the consumer will ultimately buy the good in a container, then it is acceptable that the container only be marked. Canadian importers are responsible for ensuring that the goods they are importing comply with the marking requirements at the time they import the goods. Please verify with a Canada Customs office concerning your product's marking requirements.

Trade Associations

Canadian Carpet Institute
Ottawa, Ontario
Tel. (613) 232-7183
Fax. (613) 232-3072

Canadian Textiles Institute
Ottawa, Ontario
Tel. (613) 232-7195
Fax (613) 232-8722

Trade Fairs

BC Home and Garden Show
February
Vancouver

Canada's Home Furnishings Market
January
Toronto

Design Forum
August
Toronto

International Interior Design Exposition
November
Toronto

International Decor Showcase
March
Toronto

Metro Home Show
January
Toronto

National Home Show
April
Toronto

MEXICO

Tariffs (%)

<u>Items:</u>	<u>General</u>	<u>US/Canada</u>
Carpets, knotted	20	B+/C
Carpets, hand woven	20	B+/C
Carpets, coconut fibre	20	B+/C
Carpets, woven	20	B+/C
Carpets, not pile	20	B+/C
Carpets, tufted	20	B+/C
Carpets, felt, not tufted	20	B+/C
Other carpets (including braided)	20	B+/C

B+ - duties removed in seven stages: 20% in the first year then 10% annually to full elimination by 2001

C - duties removed in ten equal stages of 10% annually to full elimination by 2003

Standards

There are voluntary standards applicable to this sector, as found in SECOFI's Catalogue of Official Mexican Standards, Volume I, Classification A. A sampling of the range of standards applicable to this sector include determination of pile or tuft height on rugs and carpets, weight determination of total pile and tuft by unit of area on rugs and carpets, fire resistance determination for textile products, and other standards. The exporter is strongly urged to contact the Direccion General de Normas at SECOFI, the relevant Mexican sector association, or a knowledgeable Mexican importer, about the most current standards applicable to his product.

Labelling

According to Mexico's Ley de Proteccion al Consumidor (consumer protection law), all information contained on a consumer product or its labels, containers and packages must be in Spanish. These labelling requirements will be enforced at the border, meaning that compliance is effectively the responsibility of the exporter. Full original Spanish labelling is to be affixed at the point of origin.

Labels must contain specific information such as:

- name of the product or good (including a product description, if not described in the name of the product or good);

- name or trade name and address of the importer and exporter (this information may be displayed on a separate label and may be added after importation);
- country of origin of the product;
- net contents in accordance with Official Mexican Standard NOM 030-SCFI-1993;
- warnings or precautions in the case of dangerous products; and
- instructions for use, handling, and assembly of the product, if applicable (instructions may be on the label or in a separate booklet, and there must be a notice advising the consumer to read the instructions; instructions for use and assembly must be in Spanish).

When used, warranties have to be in accordance with the above Ley, specifying the location of service centres in Mexico. During the term of warranties, manufacturers or importers are required to replace “any damaged piece or component” free of charge. Instructions, manuals and warranties must be “incorporated to the product” before sale, but they will not be required for customs clearance.

The labels must be legible. The label will normally be affixed to each individual package offered for sale to consumers.

Packaging

There are no official packaging requirements for imported products to Mexico. Please check with your Mexican broker or importer for developments in this area.

Marketing and Distribution

Because of hot weather in many regions, use of carpets and rugs is only 20% of the European, US, and Canadian average. Carpet and rug consumption is mainly concentrated in major urban areas like Mexico City, Monterrey and Guadalajara.

Documentation

Goods imported into Mexico must be accompanied by standard documentation, as follows:

- commercial invoice (in Spanish, if prepared in English, the Spanish translation may follow original text on invoice or translation may accompany invoice) with original and several copies;
- packing list (if more than one package shipped) with at least four copies;

- bills of lading, including one original for importer and one for customs broker.

The invoice must be complete and accurate. It must include:

- place and date of issue;
- complete name and addresses of the buyer or importer in Mexico, and the exporter;
- description of merchandise, including marks, numbers, types, and quantities;
- price and value of shipment;
- freight and insurance charges;
- signature (manual), name, and title of exporter; and
- shipper's invoice number and customer's order number.

The invoice should be sent ahead to the importer/broker/agent, in order to obtain special permits (if necessary) if shipped by sea or land, or accompany goods if shipped by air.

The packing list includes:

- number of packages, and detailed list of goods in each package;
- net, gross, and legal weight of each package and total shipment, in metric units, along with volume or measurements of each package and total shipment.

The bill of lading has information such as:

- types of packages in shipment and their weights and measurements;
- names and addresses of the shipper and importer, or customs broker;
- ports of origin and destination;
- description of goods;
- list of charges, including freight;
- number of bills of lading in full set; and
- carrier's official acknowledgement of receipt on board of goods for shipment.

Trade Associations

Asociacion Mexicana de Fabricantes de Articulos para Regalo, Decoracion y Artesanias
(gift, decoration, and craft manufacturers association of Mexico)

Mexico City

Tel. (5) 564-8961, 564-3668

Fax (5) 574-9709

Camara Nacional de la Industria Textil
(national textile industry chamber)
Mexico City
Tel. (5) 202-2567
Fax. (5) 540-1946

Trade Fairs

AMFAR Expo Regalo (giftware)
September
Guadalajara

Manualidades: Salon Nacional de las Artes Manuales (handmade gifts)
October
Guadalajara

Sede del Regalo y Salon de la Importacion (giftware, imports)
January/August
Mexico City

UNITED STATES

Tariffs (% except where \$/m²)

<u>Items:</u>	<u>General</u>	<u>GSP</u>	<u>CBI</u>	<u>Canada/Mexico</u>
Carpets, knotted	3.9-6.6	0-3.9	0-5.1	0-5.9
Carpets, hand woven	4.9	0-4.9	0	0-4.4
Carpets, coconut fibre	\$0-0.215/m ²	0	0	\$0-0.086/m ²
Carpets, woven	3.5-10	0-10	0-10	0-9
Carpets, not pile	4.9-7.7	0-7.7	0-7.7	0-6.9
Carpets, tufted	6.6-7.6	0-7.6	0-7.6	0-6.8
Carpets, felt, not tufted	5.3	5.3	5.3	2.1-4.7
Other carpets (including braided)	0-6.5	0-6.5	0	0-5.8

Standards

Carpets and rugs may not be imported into the US if they fail to conform to an applicable flammability standard issued under the Flammable Fabrics Act, administered by the Consumer Product Safety Commission (CPSC). One of a kind carpets or rugs, such as antiques, Orientals, or hides, may be excluded from testing for flammability under the Standard, according to conditions set out by the CPSC.

Small carpets and rugs (those that are no greater than 6 feet in dimension and 24 square feet in area) do not have to meet any specific standard; they may be flammable. However, they must be labelled as such. Testing for flammability is set out in CPSC regulations for small carpets and rugs.

Labelling

If any carpet or rug, including small, has had a fire-retardant treatment or is made of fibres which have had a fire-retardant treatment, it shall be labelled with the letter "T", according to conditions set out by the CPSC.

If a small carpet or rug is flammable, the CPSC requires that the product be labelled with the statement "Flammable (Fails US Department of Commerce Standard FF 2-70): Should not be used near sources of ignition".

The Federal Trade Commission also has general requirements for consumer product labels, or packages of products, which consist of:

- the identity of the product;
- the name and place of business of the manufacturer, packer or distributor;
- country of origin (US Customs requirement).

Packaging

An important function of packaging is to pack the product in a way to enable US Customs to examine, weigh, measure, and release the goods promptly. Therefore, show the exact quantity of each item of goods in each box or other package, put marks and numbers on each package, and show those marks on your invoice opposite the itemisation of goods contained in the corresponding package.

Marketing and Distribution

Restructuring in the US carpet industry has increasingly concentrated sales, marketing, and production capacity among fewer firms, reinforcing their attempts to establish partnerships and exclusive arrangements with retailers and suppliers. In addition, these partnerships have enhanced prospects of having proprietary technologies and product characteristics that will distinguish different carpet brands. Product differentiation, not price, must play a prominent role in marketing floorcovering if success is to be achieved in this sector.

In marketing this product, the manufacturer must take into account consumer preferences for specific floorcovering types.

The size of the import market into the United States for carpets and rugs is approximately US \$770 million.

Documentation

Within five working days of the date of arrival of a shipment at a US port of entry, entry documents must be filed, which consist of:

- a commercial invoice, or pro forma invoice when the commercial invoice cannot be produced;
- packing lists, if appropriate;

- evidence of right to make entry (bill of lading, air waybill, shipping receipt, carrier's certificate);
- Entry Manifest, Customs Form 7533; or Application and Special Permit for Immediate Delivery, Customs Form 3461; or other form of merchandise release required by the district director.

A requirement of US Customs is that a good entering the United States, or its container (if the good reaches the final purchaser in a container) must be marked with its country of origin. An exception to this rule is an article which is to be processed in the US by the importer and not intended for sale in its imported form, an article incapable of being marked, or a crude substance. The manufacturer should check with US Customs to verify which situation applies to his product.

Trade Associations

Carpet & Rug Institute
Dalton, Georgia Tel. (706) 278-3176
Fax (706) 278-8835

Oriental Rug Importers Association
Secaucus, New Jersey Tel. (201) 866-5054
Fax (201) 866-6169

Trade Fairs

American Society of Interior Designers Expo of Design Sources
July
Various

New York Home Textiles Show
April/October (biannual)

OASIS Gift Show
January, August
Phoenix, Arizona

SOURCES OF INFORMATION ABOUT THIS SECTOR

“Encyclopaedia of Associations: National Organisations of the US, Vols. I & II”, Gale Research Inc. (Washington), 1994.

“Industry Profile: Textiles”, Industry Canada, 1990.

“MEXICO Business, The Portable Encyclopaedia for Doing Business with Mexico”, World Trade Press (San Rafael, California), 1994.

“1995 Tradeshow Week Data Book”, Tradeshow Week: New Jersey, 1994.

“North American Free Trade Agreement Opportunities for US Industries: NAFTA Industry Sector Reports”, US Department of Commerce, International Trade Administration, 1993.

“US Industrial Outlook: Chapter 9 - Textiles”, United States Department of Commerce, International Trade Administration, 1993.