
**GUATEMALA: PRODUCTS & MARKETS
FOR EXPORT GROWTH**

FINAL REPORT

**VOLUME I:
OVERVIEW AND APPENDICES**

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**PROJECT OVERVIEW
VOLUME I**

OVERVIEW AND APPENDICES

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I. INTRODUCTION TO THE PROJECT AND RESEARCH METHODOLOGY

A. Introduction

In February 1990, Ernst & Young was awarded a contract under the Private Enterprise Development Support Project II of the U.S. Agency for International Development to undertake research and recommend products/markets for Guatemalan Export Growth. The Guatemalan Non-Traditional Products Exporters Guild (referred to as the Guild) was the beneficiary of this assistance.

The objectives of the project were to:

1. assist the Guild in identifying non-traditional and primarily non-agricultural, products and new markets for export from Guatemala, and
2. provide profiles and recommendations regarding the most promising products and markets.

B. Research Methodology

In order to assist the Guild in identifying those products most feasible for export and export expansion, an initial reconnaissance of Guatemala's productive capacity was done. Simultaneously, market research was conducted in the United States to examine the primary and secondary markets for some of Guatemala's current exports, while assessing opportunities for expanded production and for modifications to the current product lines. The research also examined the potential for exports of entirely new product lines to current and new markets for Guatemala. Previously prepared studies and their findings were also reviewed.

Based on the initial reconnaissance, market research, and document review, ten to twenty products with apparent potential were identified within each of ten industrial sectors: Electronics, Metal/Mechanical, Textiles, Wood, Leather, Plastics, Rubber, Lithography, Agro-industry, and Style Hardgoods. This initial selection was made by matching Guatemala's apparent, current and potential productive capacity with the opportunities initially identified in the market research.

Each product was then screened for strengths and weaknesses, using the following general factors/criteria:

- Market Demand
- Market Accessibility
- Labor Content of Production
- Technology Considerations
- Quality Control Considerations
- Source and Availability of Raw Materials
- General Transportation Factors
- Competition

It is important to note that these analyses concentrated on market demand, with production capacity considered an important but secondary factor.

The above-described screen determined the twenty-five products with the greatest export or export expansion potential. To select the top ten markets to profile, a demand analysis of the products was conducted. This analysis examined the products, applying the above described preliminary screening criteria in greater depth, and evaluating these products against additional pivotal demand factors: market trends, volume requirements, branding and packaging requirements, potential trade barriers, tariff and regulatory factors, and other environmental considerations. In addition, service requirements, both during transport of the product and in the marketplace, were assessed.

Based on the results of the demand analyses, the most promising U.S. markets for ten Guatemalan product lines were selected for profiling in greater detail. The profiles of the selected markets include the results of the market demand analysis as well as the following information:

- Statistics on historical and current volumes, prices and other pertinent supply-demand factors
- Import entry procedures, regulations, and quality standards
- Primary and secondary trade channel structures, including descriptions of key players, and trade terms (type of sales, etc.)
- Commercial practices, standards and norms for the products in the trade channels of the selected markets
- Comparative advantage factors
- Potential market niches
- Characteristics and profiles of possible joint venture, investment and/or marketing partners (local agents, distributors, representation agreements)
- Outline of recommended export strategy

In addition, factors which would expedite the producers', exporters' and investors' familiarity with, and ability to trade in the selected markets, were identified.

A brief summary of each of the ten markets selected for profiling is provided in Section II of this Document. The complete versions of the profiles are provided under separate cover.

Demand analyses were prepared for each of the fifteen products not selected for profiling, and are included in Volume II of this Project Overview. The analyses describe the product, its usage, and summarize market demand and structure. Brief conclusions provide advice and indications regarding steps which Guatemalan manufacturers could take to pursue exports of these fifteen product lines. Many interesting lessons and opportunities are identified in these summaries. An overview of these analyses is included in Section III of this Document.

In conjunction with the preparation and presentation of the market profiles and demand analyses, approximately fifteen U.S. business people were identified as experts and/or buyers willing to come to Guatemala to participate in presenting market information within their respective areas of expertise. They were also interested in meeting with Guatemalan manufacturers to explore potential business relationships. Although not originally incorporated within the scope of this project, the Guild decided to invite the experts to Guatemala. Approximately eleven will participate in the final presentations of the profiles and will meet with current and/or potential manufacturers to discuss opportunities for exports. A brief company profile on the confirmed experts at the time of this writing is included in Section IV of this Document.

Section V of Volume I presents conclusions regarding constraints and opportunities which are common to entering many of the markets examined in this project. Key points which should be considered when exporting into the U.S. market are included in view of their importance.

Three appendices are attached to Volume I. Appendix A provides information on the Caribbean Basin Economic Recovery Act (CBI) and related U.S. Trade Practices. Specifically, information as to those products not eligible for consideration under the CBI, conditions for qualification for CBI status, documentation requirements, and other tariff conditions, are provided.

Appendix B provides information on the applicable U.S. duties for the twenty five products identified as promising for Guatemalan Exports. Appendix C provides general information on the International Trade Commission, other trade-related U.S. Government Agencies, and the U.S. Unfair Trade Practice Laws.

The following chart summarizes the outputs of this project.

Sector	15 Demand Analyses	10 Market Profiles	Market Expert/ Buyer
Electronics & Data Processing		Data Processing	Mr. Len O'Laughlin Saztec International
Metal/ Mechanical	Armored Vehicles		
Metal/ Mechanical	Re-furbished Industrial Valves		Mr. M.L. McFatter Valve Supply Company
Metal/ Mechanical		Slip-top Lithographed Decorative Containers	Mr. Norbert Nelson Norbert Nelson, Inc.
Metal/ Mechanical	Bicycle Parts		
Metal/ Mechanical		Metal Garden and Patio Furniture	Mr. E.Z. Johnson Keller Industries, Inc. Mr. David Fernandez Austram, Inc.
Metal/ Mechanical		Utility Sheds	Mr. David Fernandez
Textiles	Kitchen Textiles		Mr. Norbert Nelson
Textiles	Soft-sided Luggage (cotton duffel/ novelty bags)		
Rubber		Mud Flaps	Mr. John Turner General Tire International (retired)
Rubber	Rubber Gloves		
Rubber	Swim Fins		
Rubber	Medical Devices		
Style Hard Goods	Christmas Ornaments		Ms. Clorinda Barone Associated Merchandising Corporation
Plastic	Eye Glass Frames		
Plastic		Plastic Bins and Containers for Material Handling	
Leather Products	Tool Belts/ Holders		

Leather Products		Saddles	
Leather Products	Hand Bags and Accessories		
Wood Products	Picture Frames		Mr. Norbert Nelson
Wood Products		Wood Housewares	Mr. Norbert Nelson
Agro-industry		Natural and Ethnic Processed foods	Mr. John Willsie Ambrosia International Mr. Steve Hoffman New Hope Communications
Agro-industry	Snack Food		
Lithography		Greeting Cards	
Lithography	Game Boards & Boxes		
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II. SUMMARY OF THE TEN MARKET PROFILES

The ten market profiles prepared for presentation to the members of the Guild for Non-traditional Exports were selected from eight different industry sectors. The following is a summary of the ten markets which have been profiled.

A. Off-Shore Data Processing Services

Data processing is the means of converting information from "hard" or paper form into an electronic form. Last year, in the United States, revenues from electronic database services were estimated to exceed US\$6.2 billion. In addition, a growing number of companies use data entry service companies with facilities outside of the United States. Off-shore data entry is done throughout the Caribbean, the Philippines, and other regions where there is a comparative advantage, primarily in terms of labor cost. Off-shore data processing by United States firms employs roughly 3,500 workers in the Caribbean Basin.

Data entry jobs that are considered less time sensitive, those which generally require a turn-around time of 3 to 10 days, pose the greatest opportunities for Guatemalan companies. Some of the most important factors that U.S. service companies consider in choosing off-shore data entry partners are: turn around time, quality of output, reliability of communications and transportation, price, language capabilities and political stability.

B. Slip-top Lithographed Decorative Containers

Decorative containers are sold by the giftware industry or used as packaging for specialty foods. These containers are generally made of tin or lead-free steel, are reusable, decorated and come with removable lids. They are widely distributed by giftware wholesalers, retail outlets, and specialty food sellers such as gourmet food distributors, as well as department stores for gift food packaging.

Giftware distributors comprise a large part of the market for decorative containers. They generally require that a manufacturer offer a range of different containers with a similar lithographic pattern or theme. Food manufactures, on the other hand will specify a pattern, shape and size for the container. In both cases the design component of the product as well as the price are primary factors in the buying decision.

The costs of setting up lithographic printing plates and machine tooling can be high. Therefore, in order to amortize costs, most manufacturers require that the giftware distributor purchase large quantities of the cans, ranging from 4,000 to 10,000. The Guatemalan industry may have a special opportunity to compete for short production runs if it can produce them at lower costs.

C. Utility Sheds

Utility sheds are used for on-premise storage of garden or other equipment by households in the United States. Although some utility sheds are made of wood, this profile focuses on the market for fabricated metal utility sheds in the United States. Demand is steady with approximately 2.1 million households purchasing tool sheds each year. Most tool sheds sold are made of metal and are sold in a "knock-down" style, ready for assembly by the purchaser.

Currently, the industry for fabricated metal utility sheds is reportedly dominated by one large manufacturer who produces a few standard models. However, opportunities exist for high quality, well designed products that will appeal to American consumers in terms of both form and function. In addition to tool sheds, other products that offer privacy as well as storage space are "storage" fences, which are useful for concealing trash cans or other equipment. Utility sheds are sold through a variety of marketing channels, some of which could provide smaller-scale entry opportunities to Guatemalan manufacturers.

D. Metal Garden and Patio Furniture

Patio furniture is used out doors or in enclosed terraces and can be made of wrought iron, cast iron, and cast or extruded aluminum. Total sales of metal furniture in the United States reached US\$2.44 billion in 1989. The types and styles of furniture in the market range widely in terms of price and design. This profile focuses on higher quality furniture, such as cast aluminum or cast iron and wrought iron, that is sensitive to durability and design requirements.

Given the competitive cost of skilled labor to work metals in Guatemala, this industry has the opportunity to win market share from competitors exporting to the United States from Europe and elsewhere. Designs must be carefully researched to meet customer preferences. Teaming up with a marketing partner in the United States who can also offer technical assistance in terms of product specifications and design will help ensure successful access to the market.

E. Mud Flaps

Mud flaps are rectangular sheets of rubber or plastic that are fitted behind the wheels of trucks to prevent a spray of mud or rocks from hitting the truck or damaging vehicles following it. All medium and heavy trucks in operation in the United States must use mud flaps behind each set of wheels. Approximately 257,000 medium to heavy trucks are sold in the United States each year. In addition to mud flaps used on new trucks, flaps are replaced, on average, every three years during the life of a truck. Thus, about 2 million replacement pairs of mud flaps are sold each year.

The key to being able to enter either the original equipment manufacturer market or the replacement market is price competitiveness. Furthermore, over 75% of mud flaps sold are customized to bear a logo or advertisement. Production runs are often 50 or fewer pairs. Guatemalan manufacturers could have an advantage because short-run, customized products such as mud flaps sold in the United States have a higher labor content.

F. Plastic Bins for Materials Handling

Plastic bins, or totes as they are called by the industry, are box-shaped containers used in materials handling. Materials handling is defined as the movement of goods both during the manufacturing process and in final shipment. Plastic totes help contain materials as they are carried either by hand or along automated conveyors during processing.

While most bins in the market are treated as a commodity product, there is an increasing demand for customized bins with special dimensions or properties such as high strength, heat resistance or an anti-static lining to fit specialized manufacturing or storage needs. Over the next year, manufacturing firms will spend an average of US\$710,000 on materials handling equipment, totaling US\$32 billion. Modernization of materials handling equipment could generate a need for newly designed bins to fit the new materials handling system. In order to enter the market, Guatemalan companies should locate a partner familiar with new technologies in the industry, who understands the distribution channels and can provide contacts to factory managers making the purchasing decisions. This partner might be either another plastics manufacturer, a materials handling system design consultant, or a supplier of other materials handling equipment.

G. Saddles

Most saddles used in the United States are classified as either Western or English. Western saddles are viewed as more common, everyday-use saddles, while English saddles are used for showing, jumping and other special recreational activities. In general, quality and design are critical to the production and marketing of saddles. Although reliable statistics on the market are not available, the market for Western saddles is strong and believed to be larger than the market for English saddles.

Imports plays an important role in the English-style saddle market, while they are almost non-existent in the western saddle market. Price is an important consideration for imports. Currently the United States imports saddles from India, Pakistan, Australia, Argentina, and Europe. However, some manufacturers interviewed said that the quality of the saddles at the lower end, those from India and Pakistan, needed to be improved. These manufacturers are interested in considering importation

of English-style saddles from Guatemala, and would like to see samples. Several manufacturers interviewed also expressed interest in sourcing Western saddles from Guatemala, if they were distinct in style and design from those currently being produced in the United States, and if they were priced competitively.

Guatemala saddle manufacturers should also consider producing related accessory products to saddles, such as wool horse blankets, braided horse straps, whips, hand-engraved silver ornaments, halters, etc. Given the interest expressed in these items by most manufacturers contacted, it would be an excellent way to initially enter the saddle-related market while modifications to and expansion of saddle production capabilities are being made.

H. Wood Housewares

Wood housewares are style housewares, giftware, and decorative accessories. Style housewares include salad bowls, cheese boards, ice buckets and bread boxes. Small functional furniture (such as step stools, pot racks, and wine racks) are also included in this category. With the exception of inexpensive colonial pine lines, style is generally "slick" and well-finished, consisting of mostly machine-made and machine-finished products. Regardless of market levels, the wood must be dimensionally stable and dry.

Wood housewares are widely distributed through department stores and chains, independently owned housewares and gift stores, kitchen and gourmet shops, and mail order catalogs. A U.S. trading partner is necessary to sell to the major retailers when a new manufacturer is entering the market. Retailers will tend to mark products up 100%. Catalog distributors will ask manufacturers to participate in the cost of the catalog by offering discounts of 10 to 20%. The key competitive factors are distinctive design, particularly at the high end, that meet U.S. tastes, and competitive pricing. Successful penetration of the market could be achieved by working through a manufacturer's representative with strong links in the market.

I. Natural and Ethnic Processed Foods

The foods reviewed in this demand analysis include processed fruits, vegetables, specialty cookies and crackers, salted and roasted nuts and seeds, and potato chips and similar snack products. The products selected are characterized by convenience, small portion sizes, and increased storability as compared to fresh food. The value of canned fruits, vegetables, and processed foods sold in the U.S. grew 11.4% to US\$28.3 billion in 1989. One of the fastest growing sectors of the processed foods market is the natural and organic foods sector. Natural food is food that has not had the principal nutrients removed in processing and does not contain additives or chemical preservatives. It may be produced or stored with the use of chemicals.

U.S. processed foods distribution channels are the following: supermarkets (46.8%), grocery stores (15.7%), miscellaneous outlets (24.1%) and convenience stores (12.6%). The U.S. market for processed foods is a complex and diverse one. Ethnic foods represent a growing sector in the U.S. Sales of such products as refried beans, spices, soups, vegetables, and sauces from Mexico and Central American countries have grown over the past years. In order to achieve success, Guatemalan producers should focus on those products in which they have a production cost or climatic advantage. Many Guatemalan processors may already be selling products that would be marketed as "natural food" or as "ethnic food" in the U.S. A key element in the export of food to the U.S. is to make sure that products meet specific standards and certifications, and can still be produced within cost parameters acceptable to entry into the U.S. market.

J. Greeting Cards

The greeting card product line consists of cards designed for everyday use and seasonal cards, wrapping paper, and paper party goods, such as table clothes, napkins, cups, and plates. Greeting cards may be as simple as a small card that is attached to a gift or as ornate as cards that play music or have blinking lights. The total market for greeting cards in the U.S. is about US\$3.7 billion, and is growing at a rate of about 7% per year.

The Hispanic population is one of the fastest growing ethnic groups in the U.S. It is estimated that the Hispanic population has US\$70 billion of purchasing power. Consequently, Guatemalan greeting card producers may want to focus on the market for Hispanic/Latin American greeting cards in the U.S. American Greetings Corporation, a major card company, surveyed buyers in the Hispanic market and found that the cards sold are considered inferior in terms of variety, design, quality of images, and over use loud colors. Also the type of messages and images printed on the cards need to reflect the special preferences of people of Hispanic origins whose tastes have been affected by exposure to American culture. Guatemalan producers could attempt to design and produce more suitable cards to adequately meet the demands of American Hispanic customers as a means of entering the U.S. greeting card market.

III. SUMMARY OF THE FIFTEEN DEMAND ANALYSES

Fifteen demand analyses were prepared for those products which did not meet the criteria for selection as one of the ten product markets to profile. The following is a summary of these analyses.

A. Armored Vehicles

Armored vehicles are extensively safeguarded vehicles that transport individuals who need extreme protection or large amounts of valuables.

Armored vehicles consist of cars or vans that have been customized with very thick bullet-proof glass or customized trucks with heavy steel armor and trustworthy locking devices. The number of armored cars, vans and trucks currently in operation in the U.S. for non-military purposes is estimated to be in the low thousands. Attention to the specific demands of each customer, and an extraordinary sensitivity to quality, is very important in this business. Due to the craftsmanship involved in the armoring process (all of the cutting and fitting is done by hand), highly skilled Guatemalan craftsmen at comparatively low wage rates, will help increase Guatemala's likelihood to be an off-shore source for armored vehicles to the U.S. market. The most appropriate avenue for entry into this market would be through linking with an U.S. manufacturer in order to gain a reputation for quality, reliability and effectiveness.

B. Refurbished Industrial Valves

Industrial valves are used to control the flow of fluids in industrial processes. They are used in oil refineries and also have applications in chemicals, food processing, paper, and water and sewerage industries. The entire demand for valves, pipes and fittings in the U.S. was US\$10.3 billion in 1988. Imports of lower cost valves have taken an increasingly large share of the market because of their price competitiveness. However, the cost of refurbishing a valve can be significantly lower than the price of a new one. This is a good example of a labor intensive service in the repair of high value goods that Guatemalan industry is capable of performing.

C. Bicycle Parts

While it is often capital intensive and complex in terms of design and specifications to produce a complete final product for the U.S. market, Guatemalan industry is well positioned to supply component parts to U.S. manufacturers in some sectors. The bicycle industry is one such sector. The bicycle market in the U.S. has grown significantly over the past decade and total demand currently exceeds US\$1.4 billion annually. Imports have attained an increasing share of the U.S. market, primarily due to labor cost advantages. Over half of the bicycles sold are imported. While the manufacture of entire bicycles is an increasingly complex and competitive industry, the manufacture of some of the more labor intensive components, such as frames, may offer market entry opportunities for Guatemalan manufacturers. In addition, special attachments to bicycles such as child carrying trailers, special bicycles, or carts for street vendors, are strong possibilities since they are not currently mass produced in the U.S., and are labor intensive.

D. Kitchen Textiles

Kitchen textiles are woven products used in the home. These include dish towels, hot pads or mitts, aprons, and table top items such as place-mats and table clothes. The top five major manufacturers in the U.S. each

sell between US\$15-20 million each year. The total market is estimated at over half a billion dollars. The greatest demands are for dish towels, hot pads and hot mitts, which are nicely styled and designed to meet U.S. specifications and tastes. These products are very sensitive to design trends and new designs are introduced to the marketplace at least twice a year. Under 50% of kitchen textiles sold in the U.S. are produced domestically. The kitchen textiles market in the U.S. provides Guatemalan manufacturers with a large market for their products. Furthermore, the smaller specialty retailers in the U.S. offer market niches of a size compatible with productive capacities in Guatemala. The primary challenge will be to gain access to buyers able to provide insight into the market requirements and to learn, then correctly reproduce, appropriate designs within the correct time frames for the market.

E. Soft-sided Luggage

Soft-sided luggage consists of articles made of textiles combined with leather, vinyl, or other synthetic trimmings. The overall luggage industry has seen a growth in demand due to an increased amount of travel by U.S. citizens. In 1988 the industry generated sales of approximately US\$1.5 billion. Asia currently is the leader in providing imports on textile-based soft-sided luggage to the U.S. market at a very competitive price. Luggage is distributed through manufacturers, distributors or importers, and sold through retail chains and independent stores. The quality of workmanship, as well as the raw materials used, are extremely important in determining the positioning and success of the product in the market. Guatemalan manufacturer's have the productive capacity to capture a share of the market, if they can produce a well-made product, unique in design, and at a competitive price.

F. Rubber Gloves

There are many varieties of rubber gloves including examination gloves, surgical gloves, and gloves for household use. Gloves are made of either rubber or latex. The U.S. market is currently saturated with latex examination gloves, with competitive prices driving several players out of the market. Guatemalan latex glove producers do have an advantage over the other major producing countries of Taiwan, Malaysia, and China because they can export rubber gloves duty free into the U.S. (due to the CBI). It will be difficult for any firm which has not already developed a marketing and distribution presence in the U.S. to be competitive in the short-term. However, the market bears scrutiny for the longer term, particularly if Guatemala can develop a quality glove, at a competitive price, and meeting specified medical standards.

G. Swim Fins

Swim Fins, used by professional and recreational diving and scuba enthusiasts, are experiencing a growth in demand as the sport itself is

enjoying a period of popularity. There are three basic markets for swim fins: specialty stores, general sporting good stores, and mail order. U.S. consumers are sensitive to brand names, making it important for a non-U.S. producer to join with a U.S. manufacturer, at least initially, to enter the market. Increasing production costs are encouraging U.S. manufacturers to look at off-shore production options. There does not appear to be any advantage for natural rubber products within the diving equipment industry. However, if a Guatemalan manufacturer could produce a competitively priced fin of comparable quality, a U.S. manufacturer could potentially be interested in establishing a sourcing arrangement.

H. Medical Devices

Rubber products in the medical devices industry include catheters, syringes, hypodermic needles, hot water bags, among others. U.S. imports of goods in the medical equipment industry are substantial, totalling U.S.\$2.7 billion in 1988. Mexico, the Dominican Republic, Japan and Ireland are major exporting countries to the U.S. Currently the industry is going through a period of consolidation, coupled with excess supply and price competition. Quality products, meeting strict federally regulated guidelines, are the critical factors in production and marketing. Guatemala, by having ease of access to the necessary raw materials, has potential to enter this market in the medium-term, particularly if it can join with a U.S. manufacturer who could provide the appropriate technology and assistance in meeting regulated standards.

I. Christmas Ornaments and Giftware

The Christmas ornament and accessories market includes machine blown bulbs, light strings, tinsel, and many varieties of novelty items that have Christmas seasonal themes. Approximately one-fourth of the total consumption of Christmas articles are imported, with the East Asian countries providing the bulk of the imports. Currently, one expert estimates that U.S. demand for one component of the product line, hand-crafted and hand-painted Christmas ornaments, exceeds U.S.\$30 million annually. This component of the market is viewed as one where Guatemala could compete. Two strong options for Guatemalan manufacturers are well designed and crafted ethnic ornaments and products made to U.S. buyer's designs.

J. Plastic Eyeglass Frames

General demand for eyeglass frames is considered strong and consistent. The import market to the U.S. for eyeglass frames is huge, estimated at 90% of the total market. Italy, Japan, Hong Kong and France are the top exporters to the U.S., although they must pay a 7.2% tariff. For this reason, Guatemala, particularly if it could set up a joint venture with an existing foreign producer, would potentially have a comparative

advantage in entering this market. Furthermore, labor costs are an important component of the production process, since hand assembly is required in fastening together the various parts of the frame.

K. Leather Tool Belts

Leather tool belts are devices that strap around the waist and hold tools such as hammers, drills, pliers, screwdrivers, etc. The design of the belt will vary, depending on the user's occupation. Most are made of leather with canvas inserts. Although U.S. industry statistics on the sale of tool belts are not available, demand is expected to remain stable. The construction of tool belts is labor intensive, since they are hand cut, sewn and assembled. The middle range of retail prices fall between U.S.\$15-30, with top of the line belts selling for prices in excess of U.S.\$50. The durability of the leather and the design of the belt are critical factors in the purchase decision. Guatemalan manufacturers should be able to compete in the U.S. market with this labor intensive product, especially since they can utilize local materials. The recommended approach for entering the market would be to establish contact with a sales or manufacturers representative in the hardware supply industry.

L. Women's Leather Handbags and Purses

Handbags and purses are generally made of leather, plastic, broad-woven fabrics, or a combination of the above. Quality and design are principal consideration in the purchase decision. The total industry generated sales of approximately US\$1.2 billion in 1988 with imports accounting for 70% of the new supply market. Demand is projected to grow at a rate of 1.8% over the next five years. China and Taiwan are the principal sources of imports, with Italy and France dominating the import market for higher-priced goods. Repeated discussions with retailers indicated strong interest in new sources of supply, as long as a quality handbag is produced, at a competitive price, and delivery is reliable. Given the high mark-ups made by U.S. retailers and distributors, Guatemala would have to produce and sell to the market at a relatively low cost, possibly as low as U.S.\$ 10-15 per article. Guatemala does not enjoy any advantage in exporting this product line to the U.S. under the CBI.

M. Picture Frames

Picture frames are made of wood, plastic, extruded aluminum or metal. Many frames are purchased already mounted to the original painting or print, or frames are applied by professionals. There is a growing market for "do-it-yourself" framing operations. High value-added frames, such as ornate, gilded or exotic hardwood frames, or already assembled empty frames, would be an interesting market for Guatemalan manufacturers. Demand currently exceeds supply for pre-assembled frames. Furthermore, it is an opportune time for "new players" to enter the market because the raw materials in Taiwan, a large exporting country

to the U.S., is reportedly in short supply, and legislation in other countries is also impacting supply. Assuming Guatemalan manufacturers can produce a quality product at a competitive price, they should be able to capture a share of the market.

N. Snack Foods

The leading growth products in the snack food industry are popcorn, lead by microwaveable and ready-to-eat popcorn, potato chips and tortilla chips. The main trends in this industry are increased convenience and more attention to dietary and nutritional concerns of consumers. It is believed that Guatemala, being a major source of the raw materials for such products, could effectively compete in this area if it sought to tap the growing "natural" or "healthy" food segment of the market.

O. Game Boards and Boxes

The products contained in the game industry range from family board games to children's action/adventure games, to chess and backgammon. In 1989, total shipments of games and puzzles were estimated at U.S.\$1.043 billion. Guatemalan producers, given their access to raw materials, could potentially enter this strong market through a venture with an U.S. toy producer, interested in a run size of between 5,000-10,000 sets, at a CIF cost of U.S.\$ 3-4.00. Quick turnaround time, and quality of paper and inks, are critical factors for U.S. manufacturers considering off-shore production.

IV. MARKET EXPERTS AND BUYERS INVITED TO GUATEMALA

In conjunction with the preparation and presentation of the market profiles and demand analyses, approximately fifteen U.S. business people were identified as experts and/or buyers willing to come to Guatemala to participate in presenting market information within their respective areas of expertise. They were also interested in meeting with Guatemalan manufacturers to explore potential business relationships.

The following provides basic information on nine of these business people (confirmed for travel at the time of this printing), as well as on their interest in doing business in Guatemala.

A. Off-shore Data Processing Services -- Mr. Len O'Laughlin, Saztec International, Kansas City, Missouri

Mr. Len O'Laughlin is Vice President of Operations for Saztec International. Saztec, established in 1976, is one of the largest data conversion services companies in the United States. Headquartered in Kansas City, Missouri, Saztec's principal product is data base construction, i.e. Data Entry (Coding and Keying), OCR Scanning, Image Scanning, Post

Processing, and Programming. They have had very positive and extensive experiences through sourcing from the Philippines, Singapore, Australia and Scotland. They have also sourced from China, the Caribbean, South Korea and India, where their experiences were generally less favorable.

Saztec is always seeking possibilities for reliable, quality and cost conscious domestic and off-shore vendors. Saztec's beginnings involved working with a small Filipino off-shore data entry company. Now, Saztec International has grown substantially and earned over US\$20 million in revenues for fiscal year 1989. It has developed from data entry to creating software programs and performing whatever coding, formatting and computer processing a specific job may require. One of Saztec's most impressive jobs is its US\$3.5 million, four-year contract to convert the British Library's book catalogue, consisting of 360 volumes, into a database.

B. Industrial Valves -- Mr. M. L. McFatter, Valve Supply Company, Inc., La Marque, Texas.

The Valve Supply Company, Inc. is a fabricator and refurbisher of industrial valves, mainly those used in the petroleum and chemical industries. Mr. McFatter, the President of the company, is interested in relocating the machining and fabrication portion of the company's operation to an off-shore location.

C. Utility Sheds and Metal Garden and Patio Furniture -- Mr. David Fernandez, Austram, Inc., Hillsborough, North Carolina and Mr. E. Z. Johnson, Keller Industries, Logistics Division, Miami, Florida.

Mr. David Fernandez is President of Austram Inc, established in 1983 in Hillsborough, North Carolina. Austram is a manufacturer and importer of lawn and garden accessories. Their main product line consists primarily of planters. Austram also has experience in cast aluminum furniture and residential aluminum/glass greenhouses.

Their international experience includes covering product sourcing, contract negotiation, product design, production, quality control, export packaging, development of product literature and retail packaging and transport and customs work.

Mr. E. Z. Johnson is President of Keller Industries' Logistics Division, based in Miami, Florida. The company was established in 1951 and manufactures for mass merchandisers. Their worldwide sourcing and international sales of products from Spain, Holland, the Caribbean, Canada and Mexico brought in US\$260 million in annual sales in 1989.

Keller's principal products are wooden and aluminum ladders, building components (windows and doors) and casual furniture for home and patio. Keller is also interested in sourcing extruded aluminum components and extruded plastic thread and webbing.

**D. Slip-top Lithographed Decorative Containers and Wood Housewares -
- Mr. Norbert Nelson, Norbert Nelson, Inc., New York, New York**

Mr. Norbert Nelson is President of Norbert Nelson, Inc., a style hardgoods product development and marketing consulting firm, serving the giftware, housewares, home furnishings, and accessories industries. Founded in 1978 in New York City, New York, it's main product lines are: giftware, housewares, home furnishings, and home accessories. Their international experience includes establishing international sourcing arrangements -- since 1949 roughly 20% of Mr. Nelson's experience has been overseas. Countries in which the company has conducted business include: Guatemala, Mexico, El Salvador, Colombia, Ecuador, Peru, U.S. Virgin Islands, Haiti, Puerto Rico, Bolivia, Great Britain, Ireland, France, the Scandinavian countries, West Germany, Spain, Italy, Canada, Hong Kong, Korea, Japan, and the Philippines. Mr. Nelson's interest in Guatemala is to develop sources for particular products and to establish business relationships.

Mr Nelson currently serves as the Director of the National Crafts Showroom in New York. In addition to representing approximately 200 American crafts people, this non-profit group interfaces with national, international and regional craft organizations, both public and private, and with craft cooperatives in the U.S. and abroad.

**E. Mud Flaps -- Mr. John Turner, General Tire International Company
(Retired), Boerne, Texas**

Mr. John Turner is a retired executive from the General Tire International company, where he held various high level management positions. General Tire is a manufacturer of tires, tubes and other industrial rubber products, and has annual sales in excess of US\$ 2 billion. Mr. Turner worked for General Tire as well as Firestone Tire and Rubber Company and has a total of 18 year of experience working overseas, including work in Ghana, Costa Rica, Brazil, Argentina, the Netherlands, Iran, Morocco, Ecuador, and Mexico. He has been responsible for importing tires and related products into the United States as well as procuring production equipment and raw materials for plants outside the United States.

**F. Christmas Ornaments and Giftware -- Ms. Clorinda Barone,
Associated Merchandising Corporation, New York, New York**

The Associated Merchandising Corporation (AMC) is the largest importer of general housewares for retail stores in the world. The AMC imported and merchandised approximately one billion U.S. dollars of general housewares in 1989. Ms. Barone served as AMC's Merchandising Product Director for Housewares from 1973 to 1990. She is currently a Home Furnishings Consultant to AMC.

Ms. Barone is interested in establishing relationships with export marketing and management companies (or trading companies) to source, among other things, wrought iron furniture, sand cast aluminum furniture, ceramics (lead free), Christmas ornaments (ethnic), wooden housewares, colored glass serving and drinkware, and giftware.

G. Processed Natural and Ethnic Foods -- Mr. Steve Hoffman, New Hope Communications, Boulder, Colorado and Mr. John Willsie, Ambrosia International, Inc., Punta Gorda, Florida

Mr. Steve Hoffman is the editor of the Natural Foods Merchandiser. His company, New Hope Communications, publishes this journal and the Organic Times, Delicious, and Expansion Management. These journals have a circulation of 14,000. The company is also the sponsor of two major trade shows on the East and West Coast, with up to 20,000 people attending and 845 exhibit booths. An affiliate, New Hope Research, does annual market research as well as customized research. New Hope Communications estimates its 1990 sales at US\$7.2 million.

The Natural Foods Merchandiser is focusing more attention on international trade and world markets and Mr. Hoffman's visit represents an opportunity to explain Guatemala's potential as a natural and organic foods producer to the subscribers of Natural Foods Merchandiser, in addition to promoting the natural foods industry in a new country. Mr. Hoffman is fluent in Spanish and worked for two years in Honduras in agricultural development.

Mr. John Willsie is the President of Ambrosia International, Inc., a company involved in the marketing of edible nuts, processed fruit and vegetable products. Tropical fruit products are an area that the company has given special attention to in recent years. Bulk nuts, including cashews and macadamia nuts, are also of current interest. Mr. Willsie will visit Guatemala to investigate possible business relationships with Guatemalan producers. He will work with contacts in the food-service industry in the United States on marketing trials of Guatemalan dehydrated refried beans.

V. CONCLUSIONS

Although the constraints and opportunities for entry into the U.S. market vary considerably according to the particular product line investigated, there are some common issues which are important to stress. These points are outlined below.

- Successful U.S. market entry requires a product which is designed to meet U.S. demand and standards. Most products, regardless whether they are for the consumer or industrial market, must be

tailored to precise technical specifications and design criteria dictated by the market. In short, the Guatemalan manufacturer needs to be market driven.

- The structure and channels of the various U.S. markets are well established and should be clearly understood. Guatemalan manufacturers should plug into the existing U.S. importing or distribution channels at the most logical juncture for the product line. Importers, distributors, manufacturers representatives, wholesalers, and intermediaries, in general, are part of the U.S. marketing system, and should be effectively used, not avoided.
- The importance of supplier reliability cannot be over-stressed. Deliveries of products must be on time, with the product clearly meeting or exceeding the standards set for it, i.e., technical specifications, quality, consistency, etc.
- More effort should be applied to linking the production of different factories through the services of export management and marketing companies (full service trading companies). These companies can effectively combine different fabricated or processed materials into complete product lines, designed for U.S. markets.
- More emphasis should be placed on providing selected component parts, and sub-assemblies to U.S. manufacturers. This would greatly expand the number of opportunities because it requires less comprehensive technology and capital investment than the manufacture of complete products. Guatemala has very reasonable labor costs and sufficient existing production technology to competitively produce many components in various industrial sectors. Linking with U.S. manufacturers will also reduce the required marketing effort, compared to selling a finished product.
- There is significant opportunity to expand the manufacturing service industry in Guatemala. The rebuilding of industrial valves is one good example. Guatemalan businesses can effectively apply their competitively priced, skilled labor and management to re-manufacture, assemble, or otherwise process component parts or complete products, for the U.S. markets.
- The Guatemalan manufacturer needs to recognize and be sensitive to the fact that the U.S. business partner or buyer is generally accustomed to very high quality business services and industrial infrastructure. Efforts should be made to avoid problems with long distance communications and to provide the best available accommodations and services when working with the partner or client in Guatemala. Guatemalan businesses should use their membership in organizations such as the Guild to work toward improvements in the industrial infrastructure.

Appendix A

Information on the Caribbean Basin Economic Recovery Act (CBI) and Related U.S. Trade Practices

**Information on the
Caribbean Basin Economic Recovery Act (CBI)
and Related U.S. Trade Practices.**

Guatemala is one of 23¹ beneficiary countries under the Caribbean Basin Economic Recovery Act (CBI) of 1983, in effect since January 1, 1984 for 12 years. Guatemala is also a beneficiary of the Generalized System of Preferences (GSP). Most of the below conditions are similar to the GSP, although the CBI is more liberal in several aspects.

Products Not Eligible

Under the CBI, the following categories of products are excluded from duty-free entry:

- Textiles and apparel, except those made from silk blends or vegetable fibers other than cotton (such as ramie). Bilateral agreements can be negotiated for duty-free entry of traditional hand-loomed, hand-sewn articles.
- Canned tuna
- Petroleum and petroleum products
- Footwear (disposable footwear and footwear parts, such as uppers, are eligible for duty-free entry)
- Certain leather, rubber, and plastic gloves
- Luggage, handbags, and leather flat goods
- Certain leather-wearing apparel
- Watches and watch parts, if any component originated in a communist country

Duty free entry of sugar, beef, veal, and ethanol is covered by special rules.

¹ The 23 countries, as of April 1990, are: Antigua and Barbuda, Aruba, Bahamas, Barbados, Belize, British Virgin Islands, Costa Rica, Dominica, Dominican Republic, El Salvador, Grenada, Guatemala, Guyana, Haiti, Honduras, Jamaica, Montserrat, Netherland Antilles, Panama, St. Christopher and Nevis, St. Lucia, St. Vincent and The Grenadines, and Trinidad and Tobago.

Conditions of Qualification for CBI Status

All other products qualify, so long as:

1. they are 100% grown, produced, or manufactured in one or more of the 23 qualifying countries and exported directly to the U.S.;
2. direct processing costs in one or more CBI countries total at least 35% of the article's customs value, or 20% with the additional 15% attributable to U.S.-made components; and
3. if the article contains or is made from materials originating from a non-CBI country, the final product is an article of commerce that is "new and different" from any foreign materials used in its manufacture; achieving this transformation must entail significant effort. This process is called the "substantial transformation requirement," and is enforced by the U.S. Customs Service.

Additional information on the above criteria is provided below.

Before proceeding with a CBI project, companies can obtain an advance ruling from the U.S. Customs Service on the eligibility of their product for duty free entry. An advance ruling can be obtained by writing to:

Value and Special Classification Branch
Classification and Value Division
U.S. Customs Service
1301 Constitution Ave., N.W.
Washington, D.C. 20229
(202) 566-2938

Requests for advance ruling must be in writing and provide details on the production process and on the direct costs of processing used to meet the 35% value requirement.

Products eligible for duty-free entry may still be subject to federal excise taxes. Products are required to comply with all applicable laws, regulations, and standards such as those designed to protect U.S. consumers and industry from unfair trading practices and potentially harmful or unsafe products. The International Trade Commission (ITC), for example, under section 201 of the Trade Act of 1974, will investigate to determine whether a product being imported into the U.S. is being done in such quantities as to be a substantial cause of serious injury, or the threat thereof, to the domestic industry producing that product. If the ITC makes an affirmative determination, it will recommend to the President of the U.S. several mechanisms to facilitate positive adjustment to import competition, such as increased tariffs, quotas, or adjustment assistance.

In regard to unfair import practices, the ITC will investigate complaints made by U.S. companies under section 337 of the Tariff Act of 1930. In general,

section 337 declares unlawful unfair methods of competition and unfair acts in the importation or sale of articles in the U.S., the threat or effect of which is to destroy or substantially injure a domestic industry, prevent the establishment of such an industry, or restrain or monopolize trade and commerce in the U.S. Section 337 also declares as unlawful per se the infringement of a valid and enforceable U.S. patent, copyright, registered trademark, or registered "mask" work. If the ITC determines that an unlawful act exists, it may issue an order excluding the violating articles from entry into the U.S.

The ITC and the Department of Commerce will conduct investigations into anti-dumping and countervailing duty under provisions set forth in title VII of the Tariff Act of 1930. Dumping duties equal to the margin of dumping or countervailing duties equal to the amount of the foreign subsidy are imposed if:

1. Commerce finds that dumping has occurred or a subsidy is in effect;
2. if the ITC finds material injury or the threat of such injury, or that establishment of a domestic industry is being materially retarded, by reason of such dumped or subsidized imports.

Such special duties can be imposed only if both agencies make affirmative findings. Additional information on the ITC and other trade related U.S. Government Agencies, as well as on the U.S. unfair trade practice laws, is included in Appendix C.

Calculation of Value Added:

For products that are wholly (100%) the growth, product or manufacture of CBI countries, no calculation of the direct costs of processing is required. The value added must be calculated for any product incorporating materials or components from non-CBI countries. This information must be included in the Certificate of Origin Form A (Revised) submitted to the U.S. Customs Service upon entry of the goods to the U.S. In calculating the percent of value-added, only "direct costs of processing operations" may be counted toward meeting the 35% requirement. These include costs directly incurred or reasonably allocated to the production of the article, such as:

- the cost of labor directly involved in production;
- direct supervision of the processing;
- rent for factory space (production area only, not administrative offices);
- electricity directly used in processing;
- dies, molds, tooling, and depreciation thereof;
- research and development; and
- inspection and testing.

Direct costs which are not considered part of the direct costs of the processing operations and therefore not eligible as part of the 35% value added, include:

- Administrative expenses, including supervision, rent for administrative space, electricity, etc.;
- profit;
- insurance;
- advertising; and
- salesperson's salaries.

Documentation

Normally, the U.S. Customs Service will allow an eligible CBI product to enter duty free, if accompanied by a properly completed Certificate of Origin Form A - Revised and the necessary documented evidence to provide the 35% test, if applicable. The letter "C" is inserted as a prefix to the applicable harmonized tariff schedule item number.

Other Tariff Conditions

The Tariff Schedules of the US (TSUS) items 806.30 and 807.00 provide for reduced duties of U.S.-origin products assembled or processed outside of the U.S. under certain circumstances. Custom duties are paid only on the value-added to the goods as a result of processing or assembly in the foreign location. Duty is not assessed on the value of the exported and re-imported U.S. content. Generally speaking, TSUS item 806.30 covers metal articles manufactured in the United States, exported for processing, then returned to the U.S. Processing allowed outside of the U.S. include: melting, machining, grinding, drilling, tapping, threading, etching, cutting, punching, rolling, forming, plating, and galvanizing.

Item 807 permits reduced duty treatment for operations in which components are manufactured in the U.S., assembled abroad, and then returned. Item 807 applies only when the U.S. manufactured components do not lose their physical appearance or identity in the foreign assembly process. The process may include: sewing, gluing, force-fitting, laminating, crimping, screwing, nailing, riveting, soldering, welding, or the use of fasteners.

Operations incidental to the assembly process, such as cleaning, removing rust or grease, applying preservative paint or coating, trimming or filing, are also allowed. Final calibration, testing, marking, sorting, and folding of assembled articles are considered incidental as well.

Appendix B

Applicable U.S. Duties for the
Twenty-five Products Identified as
Promising for Guatemalan Exports

Applicable U.S. Duties for the Twenty-five Products Identified as Promising for Guatemalan Exports

Product Name	HTS Number	Duty				Other Free Prog. (2)	Units to be Reported in Export Documentation
		Guat.	General	Canada			
Wood Housewares							
- Tableware, kitchenware	4419.00.80	Free (1)	5.3%	4.7%	A, IL	Report gross weight of shipments	
- Wooden ornaments	4420.10	Free (1)	5.1%	4.5%	A, IL	Report gross weight of shipments	
- Other	4420.90	Free (1)	3.0%	2.7%	A, IL	Report gross weight of shipments	
Data Processing							
- Magnetic Tapes, prep.	8523.11/12/13	Free (1)	4.2%	3.7%	A, IL	HTS No. depends on size of tape	
- Magnetic Discs, prep.	8523.20	Free (1)	4.2%	3.7%	A, IL	Provide No. of disc/tapes entering	
Lawn and Garden Furniture							
- Metal Furniture	9403.20.00.30.4	Free (1)	4.0%	3.2%	A, IL	Household use, specify gross weight	
Utility/Storage Sheds							
	9406.00.80.30.8	Free (1)	5.7%	5.1%	A, IL	Specify number of units in shipment	
Mud Flaps (truck)							
	8708.70.80.50.5	Free (1)	3.1%	2.7%	A, B, IL	Report gross weight of shipments	
Western Saddles							
	4201.00.60.00.6	Free (1)	4.2%	3.7%	A, IL	Report gross weight of shipments	
Decorative/Specialty.							
	7310.20.00.00.7	Free (1)	Free	Free	Free	Specify number of units in shipment	
Containers							
Assembly Line Material							
Handling Equip. (Plastic)	3923.10.00.00.6	Free (1)	3.0%	2.7%	A, IL	Report gross weight of shipments	
Natural & Ethnic Processed Foods							
- veget., fruits, nuts preserved in vinegar	2001.00	Free (1)	(3)	(3)	(3)	Report weight of unit in Kilograms	
- tomatoes, prep/pres.	2002.00	Free (1)	(3)	(3)	(3)	Report weight of unit in Kilograms	
- mushrooms & truffles	2003.00	Free (1)	(3)	(3)	(3)	Report weight of unit in Kilograms	
- Other veget., not pres. in vinegar, frozen	2004.00	Free (1)	(3)	(3)	(3)	Report weight of unit in Kilograms	
- Other veget., not pres. in vinegar, not froz.	2005.00	Free (1)	(3)	(3)	(3)	Report weight of unit in Kilograms	
- Fruits, nuts pres. by sugar	2006.00	Free (1)	(3)	(3)	(3)	Report weight of unit in Kilograms	

Applicable U.S. Duties for the Twenty-five Products Identified as Promising for Guatemalan Exports

Product Name	HTS Number	Duty				Units to be Reported in Export Documentation
		Guat.	General	Canada	Other Free Prog. (2)	
- jams, fruit jellies, etc.	2007.00	Free (1)	(3)	(3)	(3)	Report weight of unit in Kilograms
- fruit, nuts otherwise prep./pres.	2008.00	Free (1)	(3)	(3)	(3)	Report weight of unit in Kilograms
- fruit juices	2009.00	Free (1)	(3)	(3)	(3)	Report weight in liters
- sauces & prep. thereof	2103.00	Free (1)	(3)	(3)	(3)	Report weight of unit in kilograms
- soups & broths	2104.00	Free (1)	(3)	(3)	(3)	Report weight of unit in kilograms
- Food prepar. not spec.	2106.00	Free (1)	(3)	(3)	(3)	Report weight of unit in kilograms
Greeting Cards	4909.00.40.20.2	Free (1)	4.9%	3.9%	A, IL	Report in units of thousands
Wooden Picture Frames	4414.00.00.002	Free (1)	6.0%	5.4%	A, IL	Report gross weight of shipments
Armored Vehicles	8710.00.00	Free (1)	Free	Free	Free	Specify number of units in shipment
Bicycle Parts						Specify number of units in shipment
- frames, forks, parts	8714.91	Free (1)	4.9%	4.4%	IL	
- wheel rims and spokes	8714.92	Free (1)	6.0%	5.4%	IL	
Kitchen Textiles						
- Terry toweling fabric	5802.20.00	Free (1)	19.5%	17.5%	None	Report gross weight of shipments
- Kitchen linens (towels)	6302.59.00.00.2	Free (1)	10.0%	9.0%	None	Specify number of units/value in shipment
- table linens	6302.51 (woven)	5.5%	5.5%	4.9%	None	Specify number of units/value in shipment
- other articles	6307.10.20.	Free (1)	10.5%	9.4%	IL	Report weight of unit in kilograms
Leather Handbags & Access.						
- Handbags, under \$20	4202.21.60.	10.0%	10.0%	8.0%	IL	Specify number of units in shipment
- Handbags, over \$20	4202.21.60.	9.0%	9.0%	7.2%	IL	Specify number of units in shipment
- Leather access., belts	4203.30.00.01	Free (1)	5.3%	4.7%	A, IL	Report gross weight of shipments
- Other leather clothing accessories	4203.40.00.	Free (1)	Free	Free	Free	Report gross weight of shipments
Soft-sided luggage	4202.12	20.0%	20.0%	18.0%	IL	Specify number of units in shipment
Leather Tool Belts	4204.00.30/60	Free (1)	3.7%	3.3%	A, IL	Report weight of unit in kilograms

Applicable U.S. Duties for the Twenty-five Products Identified as Promising for Guatemalan Exports

Product Name	HTS Number	Duty				Units to be Reported in Export Documentation
		Guat.	General	Canada	Other Free	
					Prog. (2)	
Swim Fins	9506.29.00.40.9	Free (1)	4.6%	4.1%	A, IL	Report gross weight of shipments
Xmas Ornaments						
- glass	9505.10.10.00.7	Free (1)	6.6%	5.9%	A, IL	Report gross weight of shipments
- wood	9505.10.15.00.2	Free (1)	5.1%	4.5%	A, IL	Report gross weight of shipments
- plastic	9505.10.40.00.1	Free (1)	8.4%	7.5%	A, IL	Report gross weight of shipments
- other	9505.10.25.00.0	Free (1)	5.0%	4.5%	A, IL	Report gross weight of shipments
- nativity scenes or figures	9505.10.30.00.3	Free (1)	5.3%	4.7%	A, IL	Report gross weight of shipments
Industrial Valve Refurb.	9802.00.40	Free (1)	value-added	Free	B, C	Duty on Value Added, at rate of original import, but since valves come in duty free because of CBI, no duty.
Snack Foods	Same as Processed Foods	Free (1)	(3)	(3)	(3)	Report weight of unit in kgs.
(1) indicates that because of CBI, products come in duty free.						
(2) A = GSP; B = Automotive Products Trade Act; C = Agreement in Trade in Civil Aircraft; IL = U.S.-Israel Free Trade Area						
(3) Comparable duties cannot be given since each category of produce has specific requirements, exceptions, etc.						
Non-CBI beneficiary countries pay duties ranging from, on average, US 5 cents per kilogram to 35% on landed value.						

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Appendix C

The International Trade Commission,
Other Trade Related U.S. Government Agencies,
and the U.S. Unfair Trade Practice Laws

Trade Related Government Agencies

President

The President is the head of the executive branch of the Government. In general, in the area of trade, the President acts pursuant to authority delegated by the Congress. Pursuant to such delegated authority, the President oversees the negotiation of trade agreements and issues proclamations and orders raising or lowering tariffs, imposing import quotas, etc. In section 201, section 337, and Agricultural Adjustment Act cases, the President makes the final decision as to relief.

Congress

Under the Constitution, Congress has basic responsibility for trade matters. In general, through legislation, Congress delegates the task of negotiating trade agreements to the President, but retains the right to approve agreements before they become effective. Congress also delegates to the ITC and to executive agencies, such as the U.S. Trade Representative and the Departments of Agriculture and Commerce, authority to conduct injury and other trade related investigations.

The House Committee on Ways and Means and the Senate Committee on Finance are the House and Senate committees with primary responsibility in tariff and trade matters. Most trade legislation is written or heavily influenced by members of those committees. They are also the ITC's oversight committees and may request ITC to conduct section 332 studies.

U.S. Trade Representative (USTR)

The U.S. Trade Representative is the President's chief advisor on trade matters. The USTR and persons in her office negotiate trade agreements with foreign countries and oversee our GATT obligations. The USTR also provides advice to the President on relief in section 201 cases and, pursuant to authority delegated from the President, may request the ITC to conduct section 332 studies. USTR conducts section 301 investigations with respect to unfair practices or violations of international obligations by foreign governments.

U.S. Department of Commerce

Through its International Trade Administration division, Commerce also participates in the development of executive branch trade policy. Commerce provides assistance to U.S. exporters and also administers export control laws relating to high-tech products. Under the antidumping and countervailing duty laws, Commerce makes the findings as to whether there is dumping or a

foreign subsidy (countervailing) and determines the amount of any dumping or countervailing duty to be imposed.

U.S. Department of Agriculture (USDA)

Among other functions, USDA administers the price support and other farm programs provided for by Congress. Under section 22 of the Agricultural Adjustment Act, the Secretary of Agriculture may ask the President to ask the ITC to investigate whether imports are interfering with a USDA program. The President may impose a fee or quota on such imports, but may not do so unless he asks the ITC to conduct an investigation. He may impose a fee or quota regardless of the ITC finding.

U.S. International Trade Commission (ITC)

The ITC is an independent factfinding agency that provides assistance to the President and Congress in trade and tariff matters. The ITC does not make trade policy or negotiate with foreign countries. At the request of the Congress or the President, the ITC conducts studies under section 332 with respect to trade matters. At the request of industry, of the Congress or the President (or USTR), or on the ITC's own motion (depending on the statutory provision), the Commission conducts import injury investigations under section 201 of the Trade Act of 1974, section 337 and the antidumping (section 731) and countervailing duty (section 701) provisions of the Tariff Act of 1930, and section 22 of the Agricultural Adjustment Act. The ITC is the basic author of the U.S. tariff schedules, but the schedules are administered by the Customs Service, which is part of the Treasury Department.

U.S. Courts

ITC decisions under the antidumping and countervailing duty laws may be appealed to the U.S. Court of International Trade (CIT) in New York, and the decisions of that court may be appealed to the U.S. Court of Appeals for the Federal Circuit (CAFC) here in Washington. ITC section 337 decisions may be appealed directly to the CAFC.

U.S. Industry

Industry can file petitions under sections 201 and 337 with the ITC in addition to antidumping and subsidy (countervailing duty) petitions, which are filed with Commerce and ITC (must be filed with both). Also, industry can file under section 301 with USTR.

Trade Remedy Assistance Activities

Private Industry & Interest Groups

1. Can file unfair trade (701, 731), fair trade (201), agricultural adjustment (22) and intellectual property cases (337) with the ITC.
2. Can ask the USTR and congressional committees to request a 332 study.
3. Can ask the USTR to conduct a 301 investigation.

International Trade Commission

1. Conducts unfair (701, 731) and fair trade (201), agricultural adjustment (22) and intellectual property (337) investigations according to trade law.
2. Performs 332 studies at the request of USTR or appropriate congressional committees.

Department of Agriculture

Requests the President to ask the ITC to investigate whether agricultural imports interfere with U.S. agricultural programs (22).

Department of Commerce

Determines subsidy (701) and antidumping (731) margins in unfair trade cases in conjunction with the ITC's investigation.

Legislative

Congress

1. Through legislation, delegates trade authority and jurisdiction to the President, the USTR, the ITC, and various departments such as Agriculture and Commerce.
2. Passes trade laws

Senate Finance Committee

House Ways & Means Committee

1. Oversees ITC.
2. Requests 332 studies from the ITC.
3. Drafts trade laws for congressional vote.

Judicial

Court of International Trade (CIT)

Upon appeal by parties, reviews ITC and Commerce decisions on unfair trade cases (701-subsidy, 731-dumping).

Court of Appeals for the Federal Circuit (CAFC)

Upon appeal by parties, reviews unfair trade decisions by the CIT and 337 decisions by the ITC.

Executive

President

1. Determines relief, if any, on fair trade (201) cases.
2. Requests ITC to investigate whether imports interfere with U.S. agricultural programs (22). The President then determines relief, if any.
3. Issues cease and desist or exclusion orders on intellectual property (337) cases.

U.S. Trade Representative (USTR)

1. Advises the President on remedy action after the ITC has found serious injury to a U.S. industry by reason of fairly traded imports (201).
2. Advises the President on remedy action after the ITC has found that agricultural imports are interfering with U.S. agricultural programs (22).
3. Requests 332 studies from the ITC.
4. Conducts 301 or "super" 301 investigations.

Agricultural Adjustment (Section 22)

Question: Are imports interfering with U.S. agricultural programs?

Initiators: President, following request from Secretary of Agriculture

Where: Directly with USITC

Relief: Recommend quotas or higher tariffs to the President

Fair Trade (201)

Question: Are increased imports a substantial cause of serious injury?

Initiators: Domestic industry or U.S. Government

Where: Directly with USITC

Relief: Recommend quotas or higher tariffs to the President

Subsidy or Countervailing (701)

Question: Are subsidized imports causing material injury?

Initiators: Domestic industry or U.S. Government

Where: Simultaneously with:

- Department of Commerce; does subsidy exist?
- USITC; does material injury by reason of subsidized imports exist?

Relief: Invoke duty equal to subsidy

Antidumping (731)

Question: Are imports that are being sold in the United States at prices lower than "Home Market" prices or lower than cost of production causing material injury?

Initiators: Domestic industry or U.S. Government

Where: Simultaneously with:

- Department of Commerce; does dumping exist?
- USITC; does material injury by reason of dumped imports exist?

Relief: Invoke duty equal to dumping margin

Intellectual Property (337)

Question: Are there unfair methods of import competition that are injuring a U.S. industry or restraining or monopolizing U.S. trade and commerce?

Initiators: Domestic industry or U.S. Government

Where: Directly with USITC

Relief: Exclude imports or order violators to cease and desist; both subject to Presidential veto and appeal to CAFC

332 Studies

Activity: Make investigations on international trade matters and on probable effects of implementing trade agreements

Initiators: Congress, the President, and USITC

Where: Directly to USITC

**GUATEMALA: PRODUCTS & MARKETS
FOR EXPORT GROWTH**

FINAL REPORT

**VOLUME II:
DEMAND ANALYSES**

*Bureau for Private Enterprise
U.S. Agency for International Development*

*Prepared for: USAID/Guatemala
and
The Non-Traditional Products
Exporters Guild of Guatemala*

Prepared by: Ernst & Young

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**PROJECT OVERVIEW
VOLUME II**

DEMAND ANALYSES

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INTRODUCTION

The following fifteen demand analyses were prepared on those products which met the criteria for the initial screen of twenty-five products deemed appropriate for export or export expansion. These products, however, did not meet the requirements for selection as one of the top ten most promising export products.

From ten to twenty products with apparent potential were identified within each of the ten industrial sectors: Electronics, Metal/Mechanical, Textiles, Wood, Leather, Plastics, Rubber, Lithography, Agro-industry, and Style Hardgoods. This selection was based on an initial matching of Guatemala's apparent, current and potential productive capacity with the results of a simultaneous market research effort in the United States. The market research examined the primary and secondary markets for some of Guatemala's current exports, while assessing opportunities for expanded production and for modifications to the current product lines. It also examined the potential for exports of entirely new product lines to current and new markets for Guatemala.

Each product was screened for strengths and weaknesses, using the following general factors/criteria:

- Market Demand
- Market Accessibility
- Labor Content of Production
- Technology Considerations
- Quality Control Considerations
- Source and Availability of Raw Materials
- General Transportation Factors
- Competition

It is important to note that these analyses concentrated on market demand, with production capacity considered as an important but secondary factor.

The above-described screen determined the twenty-five products with export or export expansion potential. To select the top ten markets to profile, a demand analysis of the products was conducted. This analysis examined the products, applying the above described preliminary screening criteria in greater depth, and evaluating these products against additional pivotal demand factors: market trends, volume requirements, branding and packaging requirements, potential trade barriers, tariff and regulatory factors, and other environmental considerations. In addition, service requirements, both during transport of the product and in the marketplace, were assessed.

Based on the results of the demand analyses, the most promising U.S. markets for ten Guatemalan product lines were selected for profiling in greater detail.

The following demand analyses provide a description of the fifteen products not selected for profiling. Each analysis describes the product, its usage, and summarizes market demand and structure. Brief conclusions provide advice and indications regarding steps which Guatemalan manufacturers could take to pursue exports of these fifteen product lines. Many interesting lessons and opportunities are identified in these brief analyses.

Industry Sector:

Metal/Mechanical

Demand Analyses:

1. Armored Vehicles
 2. Refurbished Industrial Valves
 3. Bicycle Parts
-

ARMORED VEHICLES

Product Description:

Armored vehicles are extensively safeguarded vehicles that carry individuals who need extreme protection or large amounts of valuables like jewelry or money to be delivered to banks. Armored vehicles consist of cars or vans that have been customized with very thick bullet-proof glass and customized trucks with heavy steel armor and trustworthy locking devices. They are primarily used by bank courier services, important government officials, and wealthy business people. Due to the craftsmanship involved in the armoring process (all of the cutting and fitting is done by hand), highly skilled Guatemalan craftsmen at comparatively very low wage rates will help increase Guatemala's likelihood to be an off-shore source for armored vehicles to the U.S. market.

Market Demand and Structure:

Armored vehicles can be purchased from a vehicle manufacturer that provides the chassis and contracts out for the armoring of the vehicle or, in other instances, the producer will handle both the building of the chassis and the armoring. The marketing and selling of the armored vehicles is generally to be carried out by in-house sales executives of the manufacturer. Neither the U.S. Department of Commerce nor the U.S. International Trade Commission maintain statistics on sales of armored vehicles, and most industry insiders closely guard such information. One source indicated that it is unlikely that more than 150 of the armored bank vehicles are sold per year. The number of armored cars and vans currently in operation in the U.S. for non-military purposes is estimated to be in the low thousands. The demand for armored vehicles remains stable but the size of the market is limited. Attention to the specific demands of each customer is very important in this business.

In gaining access to the market the producer must be extraordinarily sensitive to quality and use the most current technology. A company that produces or manufactures a faulty product is at risk of not being able to find other opportunities in this market.

The high labor content of production provides an advantage to the producer that has highly trained, low cost labor. Armored vehicles are not price sensitive items because people or companies that can afford to buy them are willing to spend large sums of money for the necessary protection. Guatemala has duty-free entry to the U.S. market. The technology requirements for armoring cars and vans are quite basic, while the capital and technology requirements for producing armored truck bodies are more demanding.

Conclusion:

In general, Guatemala's greatest source of competition in entering the U.S. market will be the U.S. producers. The U.S. industry is small and has been resistant to foreign penetration in the domestic market. Guatemalan firms have some experience in modifying existing vehicles, armoring them for use as protective vehicles. The greatest obstacle to Guatemala's entry is the fact that customers require a reliable, high quality product and are most likely to buy from an established manufacturer with a long-standing reputation for quality. The most appropriate avenue for entry into this market would be through linking with a U.S. manufacturer in order to gain a reputation for quality, reliability and effectiveness. This will be in most cases a medium to long term effort.

REFURBISHED INDUSTRIAL VALVES

Product Description:

Valves are a key part of the valve and pipe fittings industry. The valves that this analysis focuses on are refurbished valves, sometimes referred to as surplus valves, which are rebuilt valves usually originally manufactured in the U.S. Such valves tend to be both high-quality and high-tech. The refurbishing is very labor intensive and thus U.S. producers are interested in exploring the opportunity of rebuilding the valves offshore. The rebuilt valves, that this analysis focuses on, are primarily used in oil refineries, but also have valuable applications in many other industries like the chemical, food, pulp and paper, and water and sewage industries. The Harmonized Tariff Schedule for valves is 9802.00.40.

Market Demand and Structure:

The valve and pipe fitting industry is a multi billion dollar industry that is predominantly supplied in the U.S. by domestic producers. In 1988 apparent demand for valves and pipe fittings was approximately \$10.3 billion, of which approximately \$1.2 billion was imported. The value of imports to the U.S. rose 20% in 1988 over 1987. Recently, the growth in imports from West Germany and Japan has slowed while U.S. purchases from Mexico and the Far East have increased significantly. The refurbished valve producer typically sells its valves to a supply house that services, for example, an oil refinery with all of its supplies.

The demand for valves, because of their applications in so many industries, tend to be sensitive to the general economic condition of the country, although refurbished valves will be slightly more sensitive to the fortunes of the oil industry. But good opportunities exist beyond the U.S. market. The export market includes nations throughout the world that are making improvements to their infrastructure or developing refining facilities or chemical plants. Because of valves' critical role in most applications and their low price, if a valve breaks, it will be replaced, which guarantees continuing demand. The valve being an industrial component, is strictly function oriented and the purchaser of these valves will strictly be interested in performance and durability, not appearance as in some other items. Guatemalan valve rebuilders will benefit from the duty-free status that refurbished valves receive under the Caribbean Basin Initiative while products from other countries pay duties ranging from 3% to 8%. The refurbishing of valves is a very labor intensive process that requires genuine craftsmanship rather than expensive high-technology equipment. Thus, Guatemala should be an excellent location for such activities.

The valve industry has very rigorous quality control standards. Complete books are devoted to describing the very stringent specifications of the industry. The predominant materials for making valves are steel alloys.

Transport usually occurs by boat by container load. Trucking the valves from Guatemala to Texas where the oil industry is concentrated, is also a possibility.

The companies that refurbish valves tend to be smaller than the new valve producers. A refurbisher is likely to have annual sales of between one and five million dollars. A new valve manufacturer is more likely to be in the range of 25 to 50 million dollars. The main competition will come from the U.S. valve producers. Japan, West Germany, South Korea, and Mexico are the key non-U.S. suppliers to the market.

Mr. M.L. McFatter of Valve Supply Company, Inc., La Marque, Texas, is interested in looking into the opportunity of having a Guatemalan firm refurbish his multi-million dollar stockpile of valves. A Guatemalan company needs to either have the skilled labor required (welding or machining) or be willing to devote time and energy to develop the level of skills such that they can refurbish valves to a high standard.

Conclusion:

We believe that this is a good immediate opportunity which can also serve, over the medium term, to open the door for other, similar business ventures. Mr. McFatter has been invited to Guatemala to discuss the establishment of a valve refurbishing operation. See Appendix D, Volume I - Project Overview for more information.

BICYCLE PARTS

Product Description:

The bicycle parts that this analysis focuses on are: frames, rims, and handlebars rather than the more capital intensive parts like derailleurs and gear shifts. Bicycles in the U.S. are primarily for recreational usage, although messenger services in urban areas use cyclists to courier packages. The market is segmented into a few groups. Bicycles for children usually have simpler brake and gear shift mechanisms than bicycles for adults. Children's bicycles are typically used until the child reaches his/her twelfth or thirteenth birthday; after that age most children will be buying a bicycle that has a style similar to that of an adult bicycle. Adult bicycles have until recently fallen into two basic categories: racing or traditionally styled. Today an important component of the bicycle market is for city bicycles and mountain bicycles which are collectively referred to as "all terrain bicycles" or ATBs. ATBs have very thick wheels and more upright handle bars, but as opposed to the traditional bicycles that have one to three speeds, the ATBs typically have ten speeds and are capable of going at high speeds which helps them appeal to a broad segment of the market. Additionally, these bicycles provide a more comfortable ride because the rider places less stress on the back because he/she is not leaning forward like one does on a racing bicycle, plus the seat is more padded. ATBs because of their thicker wheels and thicker frames provide a sturdier ride than the less shock resistant racing bicycle. The Harmonized Tariff Schedule number for bicycle parts is 8714.91/92.

Market Demand and Structure:

The bicycle producer has four major channels whereby the product reaches the consumer. Department stores (i.e., Sears), sporting goods stores, bicycle specialty shops, and mail order are the key distributors of bicycles to consumers. Except for servicing a large department store like Sears, most bicycle producers use manufacturer's representatives to sell their products to the retailers. The lower end bicycle is usually sold through all channels except for the specialty shop. The high end bicycles are mostly sold through the specialty shops with smaller amounts purchased through mail order and sporting goods shops. In 1988 imports accounted for 54% of the U.S. bicycle market, approximately \$735 million, compared with only 20% in 1978. In 1987, Taiwan accounted for 76% of the unit sales and 65% of the total import value or \$477 million. Total shipments of bicycles in the U.S. in 1988 was approximately \$1.35 billion. In the mid 1980s the bicycle industry went through a boom period. Today demand is basically steady. The U.S. Department of Commerce comments in their U.S. Industrial Outlook that "the long term prospects for this industry are positive. Women's greater participation in bicycling, a favorable demographic trend, and the

increasing attention to health and fitness should dictate a hearty and promising bicycle market in the future." The product mix at the low and middle ends of the market has changed from the standard ten speed racing bicycle toward all terrain bicycles (ATBs).

The assembly of wheels and the components requires significant hand labor, whereas producing the frames is rather capital intensive. According to the Department of Commerce "labor costs have been particularly important to the shift to imports. The lightweight tubing and other components on ATBs need to be lugged together in order to maintain strength, but lugging is labor intensive and consequently cost-prohibitive for U.S. manufacturers of mass production bicycles." To compete with the Taiwanese and Koreans in the mass bicycle market, a heavy investment in capital is required in order to possess the appropriate technology. Steel and aluminum are the key raw materials for frames for the low and middle price range bicycles and other metals are used for more expensive bicycle frames.

There are no duties to impede Guatemala's market access under the CBI, but the competition is faced with paying duties ranging from 4.9% to 6%. The key competition comes from the Far East, Taiwan, Japan, Korea, and most recently the People's Republic of China where Schwinn, a very large American producer, has opened a large plant. Japan, France and Italy are major exporters of high quality lightweight bicycles. The U.S. Department of Commerce expects that "imports should continue to rise, although higher labor costs in current suppliers could shift production to other developing countries where labor is cheaper."(U.S. Industrial Outlook, 30th Edition page 43-11)

The market for bicycle trailers, attachments predominantly for young children or for holding packages, appears to have large margins with significantly smaller runs. Two American companies currently producing these items are the Cannondale company, a maker of expensive sporting bicycles, and the Burley Design Cooperative in Oregon. These trailers retail for \$250 and up. Another segment of this market that may be easier to penetrate than the mass market is for three wheeled utility bicycles, which have fairly short runs and are often customized. Demand for such bicycles would be greatest in the few largest cities in the U.S. where street vendors on bicycles are most common. Demand for such bicycles is likely to be proportionately greater outside the U.S.

Conclusion:

Guatemala should attempt to penetrate the non-mass-produced segments of the U.S. bicycle market. Guatemalan producers would benefit from visiting trade fairs to learn about the latest styles popular in the U.S. and to meet U.S. and other foreign manufacturers.

Industry Sector:

Textiles

Demand Analyses:

1. Kitchen Textiles
 2. Soft-sided Luggage
(Cotton/Woven Duffel/Novelty
Bags)
-

KITCHEN TEXTILES

Product Description:

Kitchen textiles are classified as a component of the house furnishing industry, SIC 2392, in particular, the home fashions component of the housewares category. Kitchen textiles are also produced for institutional purposes. The products that fit within the kitchen textile category include:

- dish towels (the most important item of the line; terry cloth products are highly preferred over flat weaves and are usually decorated with silk screen and applique)
- hot pads (insulated) --very important item
- hot mitts (insulated) -- very important item. Often, mail order channels are used for unusual items.
- aprons (relatively low volume)
- table-top items, including cloths, napkins, and place-mats (weak in demand in comparison to above items, except for place-mats, which are high volume but tend to be coordinated in design with other kitchen items.)

Styles range from contemporary through "country" designs, from formal European and antique designs to nouveau, novelty designs. In reality, there is no limit to design potentials. Most designs are short-lived. On average, new designs are introduced to the marketplace at least twice a year. The products are very sensitive to trends. For the low price items, style is significantly less important; for medium ends of the line, style and decorative features assume an importance equal to price. If a product is successful, the style could easily experience stable demand for a couple of years.

Cotton is the primary material used in the production of the product, with a smaller proportion being made from cotton/polyester blends.

Market Demand and Structure:

Market demand for kitchen textiles is high and consistent. Currently, kitchen textiles are estimated at about a half billion dollar industry in the U.S. alone, with the top five major players each generating easily \$15-\$20 million volume in sales annually.

Some of the key players in the kitchen textile industry are listed below. As can be seen by some of the addresses, a large number of the kitchen textile industry in New York is located in one building, at 295 Fifth Avenue.

<p>Barth and Dreyfuss: 295 Fifth Ave New York, N.Y. 10016</p>	<p>Medium to high end priced, promotional manufacturer. They are also an important chain store supplier.</p>
<p>Hedaya 295 Fifth Ave. New York, N.Y. 10016</p>	<p>Similar in structure to Barth and Dreyfuss.</p>
<p>Fallani and Cohen: 295 Fifth Ave. New York, N.Y. 10016</p>	<p>Service the higher end, department and specialty store retailers. They are considered the style leaders.</p>
<p>NOW Designs 540 Hampshire Street San Francisco, California, 94110.</p>	
<p>Boston Warehouse 59 Davis Ave Norwood, Massachusetts, 02062</p>	
<p>Franco Manufacturing 295 Fifth Ave. New York, N.Y. 10016</p>	

Kitchen textiles are considered a business onto itself. It is a very high volume business, since the product wears out relatively quickly and is frequently replaced by the consumer, for style as well as practical reasons. It is highly competitive at all price and style levels, except at the very top end (high price) of the product line.

There are currently about 200 manufacturers and importers of kitchen textiles in the U.S., with the top 35 having million dollar annual sales volumes. Most manufacturers also import part of their product lines. Under 50% of the kitchen textiles sold in the U.S. are produced domestically. Imports play an increasingly important role in the industry, primarily because the fabric material can be produced (woven) more cheaply abroad. The most important off-shore suppliers to the trade include:

- Brazil -- largest towel exporter (especially of terry-cloth towels) to the US market
- China -- has the largest share and is growing
- Taiwan -- an important producer, especially in regard to items which are printed or have a sewed-on component

- Hong Kong -- same as Taiwan
- Haiti and other Caribbean Basin Countries -- small share of the import market
- India -- a major player in the specialty store mail order channel

The major intermediaries in the distribution channel for kitchen textiles are manufacturer representatives and distributors. They sell to buyers of the national chains, by far the most important retailers of kitchen textiles--Sears, Walmart, K-Mart, Caldors, etc. Second in importance, at least in volume considerations, are speciality store chains, such as Linen & Things and Bed, Bath and Beyond. A U.S. trading partner is necessary to sell to the major retailers when an unknown manufacturer is entering the market.

A minimum import order would be one 20 foot container. However, some specialty design shops and chains, for example Crate and Barrel, Pottery Barn, Williams-Sonoma, etc., will occasionally request a special design, or carry two to three patterns. This could be an important outlet for a single manufacturer, with estimated annual sales (wholesale) of up to US\$150,000.

Import distributors will mark-up the product about 100%, but for larger retailers, prices are flexible and discounts play an important role in price negotiations. Direct import programs for major customers are fairly common to achieve profitability at minimum mark-ups.

There is a wide range of prices for kitchen textiles. For example a hot pad mitt can sell for less than US\$1.00 to over \$10.00 depending on the style, design, and quality. Potential exporters must therefore study the competitive offering to determine where best their price should fit, vis-a-vis the pricing level. The importer-distributor partner is an important source of comparable pricing levels.

Off-shore Production, Labor and Technology Considerations:

A critical factor in being considered for off-shore production is whether the country is currently a producer of terry cloth toweling. Even though there is a high labor content involved in the manufacturing of kitchen textiles, it is more important for the manufacturer considering off-shore production to have access to the prime materials. Therefore, it is not considered practical to do a drawback for sewing alone. U.S. production facilities are becoming more automated in the areas of decoration and embroidery, with heavy investments being made in computer-operated equipment for embroidering and printing in an effort to meet highly competitive prices.

Quality Control/Packaging Standards:

Fiber content labeling of the product is required. Most retailers will also require a merchandise bar coding label. The product may require packaging, especially if it is being sold to the major retail chains. Given that the product is purchased by the container load, transportation should not be a major factor for a Guatemalan manufacturer.

Import Duties:

Kitchen linens, such as towels, would be imported free of duty under the CBI. Comparative duties for other exporting countries would be 10% duty on the landed value. The Harmonized Tariff Schedule (HTS) Number for kitchen towels is 6302.59.00.00.2.

Table linens, such as place-mats, napkins, etc. are not included under the CBI, and would therefore be charged an import duty of 5.5%. With the exception of Canada (4.9%), all other exporting countries of table linens would be charged the same duty. The HTS Number for table linens is 6302.51.

Other articles included under the category of kitchen textiles, in general, would be imported free of duty. In all cases, however, the tariff and HTS should be verified prior to shipping.

Conclusion:

The easiest route for a Guatemalan producer wishing to enter the market should be to connect with an importer-distributor group. In addition to assuming the distribution function, the importer will also provide style, design and product configuration guidance. Importers also have major market center showrooms, and tend to sell, as in other gift trades, through "reps" and their own direct sales forces.

Guatemala does have a local supply of toweling material, and it would be of potential interest to a manufacturer/importer seeking off-shore production opportunities. It does have experience in cut and sew operations, and has export experience in related products. The artistic and product development capabilities of the local work-force would also serve Guatemala well in this area.

SOFT SIDED LUGGAGE

Product Description:

The luggage industry, classified under SIC code 3161, produces a wide assortment of products including suitcases, briefcases, hand luggage, duffels and tote bags, as well as novelty bags. Materials used in the production include grain leather, laminated plastics, and various textiles and fabrics, often combined in a single product to gain more versatility and different "looks". The combination of materials is mostly encountered in the case of soft sided luggage, where textiles are combined with leather, vinyl, or otherwise synthetic trimmings. This combination contributes to the product aesthetically as well as in durability. In the United States, only about 20 percent of finished goods are actually made entirely in leather.

Market Demand and Structure:

The luggage industry has been growing in recent years due to the increased amount of travel by U.S. citizens. The industry has also greatly benefitted from the devaluation of the dollar which has allowed for an increase in exports and a decrease, although of only 5.5%, in imports. The industry generated sales of approximately \$1.5 billion in 1988. An estimated 54% of all luggage sold in the U.S. was imported. The major foreign players in the industry are Taiwan, South Korea and China with a share of 80% of the quantity and 75% of the value of imported products. Other important importers are Italy and France for higher priced goods. While traditionally Asia supplied the mass segment of the market, in recent years an increasing quantity of designer luggage of all types has been manufactured in the Orient. Imports of textile based soft sided luggage from Asian suppliers continue to be covered by individual bilateral quotas under the Multi-Fiber Agreement (M-FB), which were adopted to limit shipments of certain luggage products made with textile and other natural or manmade materials. It is forecasted that imports will continue to dominate the luggage, and within that, the soft sided luggage industry, at least in the foreseeable future.

Labor costs account for a high proportion of total manufacturing cost in this industry. The quality of workmanship, as well as the raw materials used are extremely important in determining the positioning and success of the product in the market. Success in the industry seems also directly related to costs competitiveness with the Orient. This is especially true at the low-medium range of the market. As one moves toward the higher end of the market, the style and design of the product, the quality and precision of sewing, the quality of the textiles and fabric employed, their prints and color combination, gain in importance while price, although still important tends to play a secondary role.

Most sales of luggage are made at the retail level. Among the selling channels available to a manufacturer, distributor or importer are luggage departments of departments stores and chains, luggage specialty shops, and sporting goods stores for lighter luggage items. A small percentage of sales is

made through mail order catalogues. The majority of luggage is distributed to these outlets by wholesales and distributors. The largest manufacturers will go directly to department stores buyers, especially in the case of large chains, but will tend to utilize distributors for the smaller outlets.

Imports are brought into the United States by importers and distributors who will tend to net an average of 50 percent over the landed cost. As a rule of thumb, the mark-up will average 50 percent at each level of the distribution channel. Among the importers are the following companies:

York Luggage, Corp
P.O. Box 38
Lambertville, New Jersey 08530
Purchasing Manager: Carol Alparone
Phone: (609) 397-2044

Apex Leather Manufacturing Co.
27 Honeck Street
Englewood, New Jersey 07631
Phone: (201) 567-6666

Import Duties:

Guatemala is a beneficiary country of both the Generalized System of Preferences (GSP) and the Caribbean Basin Economic Recovery Act (CBI). Under the CBI, textiles, except those made from silk blends or vegetable fibers other than cotton, are excluded from duty-free entry. The normal duty for soft-sided luggage is 20%. The Harmonized Tariff Schedule Number for the product category is 4202.12

Conclusion:

As analysis of the market for soft sided luggage indicates that there is a potential for Guatemalan products, especially if somewhat unique in design and well made. In the industry there is in fact the tendency to always look for new ideas and original items. Price will be a critical consideration for the importer or distributor. Stiff competition will be encountered from the Orient which can supply products, mostly for the mass market, at extremely low prices. In addition to price, quality, design, reliability in delivery, are the key determinant for importers considering new sources of products.

Industry Sector:

Rubber

Demand Analyses:

1. Rubber Gloves
 2. Swim Fins
 3. Medical Devices
-

RUBBER GLOVES

Product Description:

There are several varieties of rubber gloves including: examination gloves, surgical gloves, and latex gloves for household uses. Examination gloves are used by physicians, dentists, nurses, and lab technicians among others to prevent disease from spreading to the patient or to the examiner. Surgical gloves are used by surgeons and must be sterilized, while examination gloves only need to be clean. Examination and surgical gloves are single use gloves while household gloves are multi-use gloves. Rubber gloves are in the fabricated rubber products industry with an SIC number of 3069 and a Harmonized Tariff Schedule number of 4015.11.00.00.2.

Market Demand and Structure:

Imports to the U.S. of rubber gloves were close to \$400 million in 1988, but fell off sharply in 1989 due to overcapacity. Several of the major health care companies in the U.S. have built very large factories in Malaysia and Indonesia. Independent importers are sources of gloves from non-U.S. companies. Manufacturers' representatives will service most of the retail outlets (drugstores and supermarkets, where both sterile and unsterile gloves are available). Rubber gloves (surgical or examination) are a mass market product with very little variation between the products. Most surgical and examination gloves are purchased by hospitals. Most hospitals have vendors or local supply houses that carry several manufacturers' products and provide a whole range of products to the hospital. Groups of several hospitals will often do their purchasing together from a distributor to get lower prices. Some manufacturers have exclusive supply contracts with individual hospitals and do sell direct. There are also national hospital supply companies, like the American Hospital Supply Corporation, that distribute for the manufacturer.

Sterile rubber gloves have to be individually wrapped and kept free of contamination as they are transported from the producer to the end-user. A less quality sensitive part of the market for rubber gloves are gloves intended for household uses. Such gloves often have a cloth inner-lining with a latex exterior to protect the user from chemicals and abrasives. A key producer of household gloves is Playtex. Household gloves are usually bought in drugstore or super markets. Research and chemistry laboratories also use rubber gloves; these will usually be supplied by a local distributor.

In 1987 and 1988 there was a severe shortage of latex examination gloves. Recognizing this huge excess of demand over supply, a huge number of companies poured into the market. By 1989 the market was

flooded with gloves and the market suffered from an extreme condition of oversupply (one industry analyst reckons that there was about one and a half years worth of additional supply). This extreme oversupply, which still largely exists, fostered fierce competition and thus few firms have been able to remain profitable in this environment. In the short term, the next year or so, firms are likely to suffer severe losses. The losses should drive enough firms out of business that the oversupply will be sharply curtailed. Currently there is pessimism about the prospects in the near term with uncertainty about the market two to three years from now. Firms that can continue to produce in the short term are those that can survive low prices for the next two to three years while strongly focusing on maintaining or improving their product's quality. A key feature of today's market is that there is almost no price differential between high and low quality examination gloves. Thus the poor quality gloves are not finding willing buyers. Industry insiders comment that good quality latex gloves take at least a year of manufacturing experience to achieve.

Guatemalan latex glove producers will have the advantage of duty free access to the U.S. market whereas the general tariff rate is 3.7%. Latex gloves are fairly labor intensive because they require substantial testing. One industry analyst that we spoke with is concerned that the quality of rubber grown in Central America is a bit lower than Asia which will make it more challenging to equal Malaysian standards.

Two years ago the big producers were Taiwan (controlling 1/3 of the market), Malaysia, and China. Both Taiwan and China have mainly left the market after suffering extreme losses. The Taiwanese gloves were cheap and rather low quality. Industry analysts comment that the Taiwanese completely lost their reputation in the past two years. Today the competition is coming from Malaysia and Thailand. Baxter Travenol and Johnson & Johnson among others have very large factories in Asia and have a tight grip on the market. Currently the world capacity for latex gloves far exceeds demand and makes it very difficult for a new player to penetrate the market. Most U.S. firms that entered the latex glove market in 1988-9 have gone out of business. Profit margins are currently thought to be negative.

Conclusion:

In the short term, sales into the U.S. market for latex gloves will be difficult for any firm that has not already developed the marketing and distribution channels. The market will likely remain a large one with the most efficient producers surfacing and solidifying their positions over the next few years.

SWIM FINS

Product Description:

Swim fins are flat rubber shoes with the front expanded into a paddle to enhance underwater self-propulsion and are used by skin divers. They are used by both professional and recreational divers. Deep sea diving is a sport that's popularity has grown considerably in the U.S., but its growth has been limited by the travel cost for most North Americans to get to the prime diving locations. The Harmonized Tariff Schedule Number for swim fins is 9506.29.00.40.9.

Market Demand and Structure:

The dive equipment industry, that includes dive equipment and dive wear, probably has annual sales in excess of \$100 million. There are three basic markets for swim fins: diving equipment specialty shops, general sporting goods stores, and mail order. Most manufacturers sell directly to the retail dive shops rarely using a manufacturers' representative. Most of the dive shops carry the full line of a manufacturer's products. The dive shops tend to have the higher end fins which are seldom available at the discount sporting goods stores. The sporting goods stores that carry high end fins will tend to have a small selection of high end fins.

The U.S. consumers are very sensitive to brand names, which makes it very important for a new non-U.S. producer to join with a U.S. manufacturer rather than trying to go it alone. But an overseas supplier is not restricted to providing fins to only one U.S. manufacturer or importer. Thus, a supplier that makes a successful entry into the market might find several manufacturers interested in signing supply contracts. U.S. manufacturers have recently been shifting production from the U.S. to Taiwan and Italy. Swim fins are a seasonal item with most purchases occurring in the spring and summer which causes some producers to cease production of fins for several months a year.

The labor costs are the major reason that U.S. manufacturers are interested in sourcing overseas. Another advantage of producing swim fins in Guatemala would be that Guatemalan swim fins would enter the U.S. market duty-free because of the Caribbean Basin Initiative whereas the general tariff on swim fins is 4.6%. Two technological capacities are required for making fins: 1) producing the compound (blending the rubber) which requires a press and 2) making the molding (i.e. doing the tooling - this is the real skill required to make fins). The parameters that most manufacturers set out for quality control mostly relate to the rubber before it is molded. One of the manufacturers informed us that he performs three tests on the rubber: the shore-hardness test, a test of the

flexibility of the rubber and an evaluation of the rubber's response to extreme heat or cold.

Most manufacturers have moved away from natural rubber because natural rubber fins reportedly wear down faster, are heavier and have higher raw material costs. There is some debate whether natural or synthetic rubber is more flexible. There is only a small segment of the US market being supplied with natural rubber fins. The general trend in dive equipment is toward synthetic rubber and silicone based products and long term success using natural rubber may be difficult. There is one manufacturer that we contacted, ScubaPro in Rancho Dominguez, California, that makes natural rubber fins and is interested in sourcing from overseas. Currently the trend is away from natural rubber, but it is a renewable resource whereas the petroleum based synthetics are not. Possibly as the American consumer becomes more environmentally conscious the demand for natural rubber products will increase.

Conclusion:

If Guatemala can produce a competitively priced fin of comparable or better quality than the market standard, then U.S. dive equipment manufacturers will be interested in sourcing.

MEDICAL DEVICES

Product Description:

Products in the medical devices industry include catheters, syringes, hypodermic needles, hot water bags, I.V. equipment, rubber tubing for drainage, and drainage bags. Such devices are primarily used by physicians in hospitals, and some items like hot water bags and uridoms are used by individuals outside the hospital. Medical devices are a subgroup in the larger medical instruments industry. The Harmonized Tariff Schedule Number for medical devices is 9018.39.00.

Market Demand and Structure:

U.S. imports of goods in the medical equipment industry in 1988 totaled \$2.7 billion. The U.S. has a trade surplus in medical equipment. Imports of surgical and medical instruments increased by 13.8% over the prior year to \$773 million in 1988, as offshore manufacturing by U.S. firms accelerated. The U.S. Commerce Department predicts that "standardized high-volume products such as syringes, hypodermic needles, and I.V. equipment are likely to be strongly affected by severe price pressure. ...Also, the trend toward industry consolidation is accelerating as companies seek to sell large quantities of medical equipment, often through supplier alliances, to fewer delivery sites. This allows firms to increase efficiency and broaden their product and distribution base."(U.S. Industrial Outlook, 30th Edition, page 32-1) Many of the U.S. producers like Baxter Travenol and Abbott Laboratories make a full range of products to supply most of the needs of a hospital, with the exception of some of the heavy diagnostic equipment which is more apt to come from a manufacturer like General Electric or Siemens.

The end-user is mainly supplied in one of two ways. Most hospitals have vendors or local supply houses that carry several manufacturers' products and provide a whole range of products to the hospital. Several hospitals will often do their purchasing in a group from a distributor to get lower prices. Some items like hot water bags and syringes will be purchased by the consumer or patient in a drug store or a medical supply store. Abbey Medical is one of the larger medical supply store chains in the U.S. Drug stores typically obtain their products through distributors. Also some product lines like surgical stapling devices and other surgical instruments require a specialist salesman, who is a trained technician that strictly services only a couple of products. This salesman/technician often will be in direct contact with the users (i.e. doctors). Other items, for instance those that need to be sterilized, cannot be kept in inventory for long periods of time and thus are more apt to be ordered directly from the producer. Medical devices have FDA critical safety requirements that they must meet. Guatemalan

medical device exports to the U.S. have duty-free status under the Caribbean Basin Initiative. Foreign competition must pay a duty of 4.2%.

Obtaining market accessibility is based on producing a faultless high quality product at a competitive price. Rubber and plastic are the primary raw materials for medical devices. Garnering a portion of this market will likely require cooperation with a U.S. manufacturer that can provide appropriate technology.

Sterilized items require special care in their transportation and they also need to be individually packaged in paper and the container that holds the items must be protected from contamination (i.e. moisture and tearing). These are labor intensive processes which favor producers with lower cost labor.

In the medical devices industry Guatemala will face competition from Mexico, the Dominican Republic, Japan, and Ireland among others. Mexico is the leading exporter to the U.S., exporting approximately \$25 million in the most recently reported year. Ireland, Japan, and The Dominican Republic have each had annual exports to the U.S. of about \$12 million worth of catheters and similar goods. The advantages of CBI and performing subassembly operations for large U.S. manufacturers are considered key reasons for the Dominican Republic's considerable export volume in this category. Baxter Travenol and Abbott Laboratories are two of the largest producers in this category, both of which have large offshore capacity in Mexico and Ireland.

Conclusion:

The Guatemalan manufacturer should focus on one product rather than trying to make a whole range of medical devices. The market is large enough such that being even a small supplier of catheters will be a good sized business. Also, by focusing on one product it will be easier to develop the high quality that meets the standards demanded by the U.S. consumer.

Industry Sector:

Style Hardgoods

Demand Analysis:

Christmas Ornaments and Giftware

CHRISTMAS ORNAMENTS AND GIFTWARE

Product Description:

The Christmas ornaments and accessories market includes machine blown bulbs, light strings, tinsel, and many varieties of novelty items that have Christmas season themes. Such items are purchased for residences, community buildings, offices, stores, and churches. Consumers typically make an initial purchase of the basics (lights, strings, and bulbs) and in subsequent years they become more interested in the novelty items. Christmas ornaments are categorized by the Harmonized Tariff Schedule as follows: glass ornaments (9505.10.10.00.7), wood ornaments (9505.10.15.00.2), plastic ornaments (9505.10.40.00.1), other material ornaments (9505.10.25.00.0), nativity scenes or figures (9505.10.30.00.3). Guatemala can export Christmas ornaments duty-free, whereas the general tariff that most non-Caribbean Basin Initiative countries face ranges from 5.1% for wood ornaments to 8.4% for plastic ornaments.

Market Demand and Structure:

U.S. apparent demand for Christmas ornaments in 1987 was about \$460 million. The U.S. imported approximately \$140 million worth of Christmas ornaments. The East Asian countries were the primary exporters to the U.S. U.S. producers are out of the market for most low cost items, although they have continued to be key suppliers of tinsel. The analyst at the U.S. International Trade Commission (ITC) estimates that the U.S. demand for hand crafted and hand painted Christmas ornaments exceeds \$30 million a year. The Asian producers of hand painted ornaments usually do large runs of about 100,000. These items are less differentiated and less detailed than the hand crafted products made by the U.S. craftsmen.

The ITC reports that a typical handcrafted ornament sells in the U.S. for \$25 and higher and that there is significant demand for ornaments with ethnic themes. Christmas ornaments are purchased from several retail establishments including: specialized Christmas shops, department stores, greeting cards stores, like Hallmark, and there is also a limited mail-order market. Most of the Christmas ornament producers both import and manufacture. A large chain like Hallmark is apt to have a centralized purchasing and distribution mechanism and they will probably have direct communication with the producer or importer. An executive of the producing firm will sell to the large retailer or chain. The large chain stores also use manufacturers' representative to purchase some of the smaller run items. The distributor or manufacturers' representative often has his own showroom in which he may display several manufacturers lines. The

exporter thus has three basic channels to penetrate the U.S. market: an importer, a manufacturers' representative, or a buyer at a large retail store.

Obviously, Christmas ornaments are a seasonal item. The transactions between the manufacturer and the wholesaler tend to occur in January and February, with the products reaching the warehouse usually no later than June.

The raw materials come from all around the world. Ornaments have been made from a huge variety of materials: plastic, paper, glass, straw, wool fluff, and various injection moldings. It is essential that all products meet fire proof regulations. Initial orders are usually shipped by boat or the lowest cost freight available. Reorders of successful products will be delivered airfreight.

Conclusion:

For the Christmas season novelty items, producing an appealingly designed product is the key. Therefore, native Guatemalan (ethnic) designs can find a niche in the U.S. market. Guatemala may also be able to competitively produce, non ethnic, items designed by U.S. buyers that require significant labor in the production process. Many of the novelty items are rather ornate and considerable labor is involved, while the machine made items are rather capital intensive by comparison. See Appendix D, Volume I for information about Christmas ornament sourcing by Clorinda Barone of the Associated Merchandising Corporation.

Industry Sector:

Plastics

Demand Analysis:

Plastic Eyeglass Frames

PLASTIC EYEGLOSS FRAMES

Product Description:

The products contained in the eyeglass industry include plastic and metal frame glasses, prescription glasses with special lenses to correct vision problems, sunglasses with dark lenses to shield eyes from the bright sun, protective glasses or goggles for use in industrial activities and sporting activities. This analysis focuses only on the frames, not on the lenses.

Market Demand and Structure:

The import market to the U.S. for eyeglass frames was valued at more than \$260 million in 1989. According to the Optical Manufacturers Association more than 90% of frames are imported. Consumers buy prescription eyeglasses from retail superstores like Pearle Vision Centers or Lenscrafters, that have labs on the premises that fit and assemble within a few hours, or laboratories that are affiliated with an optician. For non-prescription sunglass frames there are many other outlets for consumers to choose from: department stores, sporting goods shops, and many other small retailers.

Because manufacturers want to sell in large quantities it is unlikely that the manufacturer will sell directly to the optician's lab. Instead the manufacturer will sell to a distributor or a local supply house that supplies opticians' labs and other small outlets. The large chains are more likely to deal directly with the manufacturers. Protective glasses for industry tend to be purchased by the company for its employees. Most companies will not purchase in large enough quantities to benefit from dealing direct with the manufacturer and will make purchases from a local supply house. Although, a company that has very specialized demands for protective eyewear is more likely to deal directly with the manufacturer.

Italy contributed more than a third of the total imports to the U.S., Japan one-fifth and Hong Kong and France in a close competition for the number three exporter position. The largest source for the lower cost frames is the far East. Presently neither the Mexicans nor any other Latin American country have significant exports to the U.S. Most imports are coming from highly developed countries. Plastic eyeglass frames exported from Guatemala to the U.S. enjoy duty-free access to the U.S. market under the Caribbean Basin Initiative, whereas the general tariff is 7.2%. This should increase the chances of a joint-venture with an existing foreign producer. Molding the plastic is the capital intensive part of the process. The greater labor component is in the hand assembly and fastening together of the various parts of the frame. The U.S. Food

and Drug Administration (FDA) has quality control standards that must be met. The American National Standards Institute sets voluntary standards as well.

Conclusion:

Because it is a style driven market with considerable expenditure on sophisticated design the Guatemalan producer should try to find a European or Japanese manufacturer who is willing to transfer technology and is interested in taking advantage of Guatemala's duty-free access under the CBI.

Industry Sector:

Leather

Demand Analyses:

1. Leather Tool Belts/ Holders
 2. Women's Leather Handbags and Purses
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LEATHER TOOL BELTS

Product Description:

Leather tool belts are devices that strap around the waist and hold tools such as hammers, drills, pliers, screwdrivers, etc. Basically, tool belts enable a worker to have greater access to tools on site, eliminating the need to frequently return to a home-base location or their means of transportation. Tool belts used by professionals (electricians, construction workers, carpenters, repairmen, etc.) are usually made of leather and canvas. Plastic tool belts, which are significantly less expensive than the leather ones, are more likely to be used by consumers who occasionally do work around the house.

Tool belts worn by workers in different trades will vary slightly, with the belt tailored according to the needs of the worker. Overall, tool belts are fairly homogeneous products, i.e. not highly differentiated. The Harmonized Tariff Schedule number for leather tool belts is 4204.00.30/60.

Market Demand and Structure:

Tool Belts are mainly sold through wholesale supply houses, hardware stores, home improvement centers and, occasionally, mail-order catalogues. Wholesale supply houses usually buy directly from the manufacturer. Most of the small retailers use distributors. In the U.S., national hardware chains such as Ace and True Value Hardware operate as both retailers and distributors, i.e. they own hundreds of stores while also having a significant number of franchises to whom they sell merchandise, including tool belts. There are also thousands of independent hardware stores that sell tool belts.

Generally, independent distributors and commissioned manufacturers' representative will service the independent stores. The National Retail Hardware Association estimates that there are 25,300 hardware stores in the U.S., having retail sales of about \$16.1 billion, 10,700 home improvement centers with retail sales of about \$40.4 billion, and Do it Yourself lumber yards, with approximately \$33 billion in sales. Neither the U.S. Department of Commerce nor the U.S. International Trade Commission maintain statistics on sales of tool belts in the U.S.

Demand for tool belts is expected to remain stable. Because tool belts are function-oriented items, consumers are looking for versatility and function-related styles. Tool belts are primarily differentiated by the number and types of functions each serves (level of specialization) and in the quality of leather and workmanship. The durability and strength of the leather is also important. Strength, convenience of closures,

flexibility, and water resistance are the critical quality features that the belt must have.

Production and Price Consideration:

The production of leather tool belts has a high labor content, because these items are cut and sewn and hand assembled with fasteners and rivets. Also, putting in the fasteners and rivets is labor intensive. The basic raw materials are cowhide and metal for the rivets, fastenings, and closures.

A typical leather tool belt retails in the U.S. for between \$15 and \$30, with top of the line tool belts selling for prices in excess of \$50. The Caribbean Basin Initiative exempts Guatemalan tool belt exports to the U.S. from paying a duty, while the general tariff is 3.7%.

Competition:

Klein appears to be the most important manufacturer in the tool belt business. They state that they do not import any tool belts. Sears, under their Craftsman brand name, also handles a popular line of tool belts.

Conclusion:

Guatemalan manufacturers should be able to compete in the U.S. market with this labor intensive product, that can utilize local leather. Establishing a linkage to the U.S. market through a manufacturer's representative in the hardware supply industry, appears to be a sound approach for new producers.

WOMEN'S LEATHER HANDBAGS AND PURSES

Product Description:

Women's leather handbags and purses are classified under SIC code 3171, consisting of establishments primarily engaged in manufacturing women and children's handbags and purses of leather and other materials, except precious metals. Handbag and purses are generally made of leather, plastics, broad-woven fabrics, or a combination of the above. Handbags serve both a fashion accessory and utility function. Quality and design are principal considerations in the purchase decision, in addition to price. Most women own a minimal of five handbags, usually in a variety of sizes, shapes and colors.

Market Demand and Structure:

The women's handbag and purses industry generated sales of approximately \$1.22 billion in 1988. This was an increase of 12.4% over the previous year; most of this growth was satisfied by imports. Demand is projected to grow at a rate of 1.8% over the next five years. The market is dominated by imports--imports controlled 70% of the new supply market for leather handbags and purses in 1988, up from 68.1% in 1987. China overtook Taiwan as the principal source of supply, capturing an estimated 44.4% of the U.S. market in terms of quantity, and 27.8% in terms of its value in 1988. Other important suppliers are Taiwan and South Korea for lower priced merchandise, and Italy and France for higher priced goods. Imports of textile handbags and purses from major Asian suppliers continue to be covered by individual bilateral quotas under the Multi-fiber Agreement (M-FB). It is forecasted that imports will continue to dominate the women's handbag and purse industry.

Labor costs are a high proportion of total production costs in the luggage and personal leather goods industries. The technology involved in their production is not very sophisticated, although volume is important, as well as minutes of production time. The quality of workmanship and raw materials are very important in determining whether the product will sell. The leather should be well cured in order to appeal to the U.S. market.

Most purchases of handbags are made at the retail level by consumers. Department stores and specialty stores, either leather or dress accessory related, are the major outlets for sales. The Complement, a specialty retail outlet for middle to high quality leather goods, is a major player on the east coast of the U.S. A small percentage of sales are through catalog. High quality leather bags will be sold in specialty luggage shops. The less expensive bags will often be sold as an ensemble item, with scarves and belts. The majority of handbags and

purses are distributed by wholesalers and distributors. Some large manufacturers will go direct to department store buyers, but will utilize distributors for the smaller outlets. Small, specialty manufacturers occasionally will be vertically integrated, owning their own store fronts. These manufacturers, however, are not known for their longevity in the marketplace.

Imports are predominantly brought into the U.S. through importing/distributors, who then sell to the large and small retail outlets. The rule of thumb is for a 50% mark-up in each level in the distribution channel. Several U.S. importers expressed an interest in learning more about the opportunity to source from Guatemala. They were:

Textan Western Leather Co.
Yoakum, Texas
512-293-2314

Would be very interested in quality articles, at a reasonable price.

Eastern Case
5207 Flushing Ave.
P.O. Box 8
Maspeth, New York 11378
(718) 386-4000

Are particularly interested in attache cases for women, although would consider an assortment of articles. Would pay between US\$12-15.00 for a medium-quality case. Indicated that Guatemala would have to compete with prices from the Orient.

York Luggage, Corp.
P.O. Box 38
Lambertville, New Jersey 08530
(609) 397-2044

Are primarily involved with luggage, although they do import leather handbags and purses. They have had a negative experience in importing from a Central American country, although they would be interested in considering Guatemala. "They are always looking for new items."

Canvas and Leather Bags, Co.
260 Spagnoli Rd.
Melville, N.Y. 11747
(516) 752-1118

They have imported from Haiti in the past, but with a less than successful outcome. They are interested, but would have to be nurtured before making any purchases.

For an importer, it is reiterated that a potential Guatemalan supplier would have to ensure a quality product, at a competitive price, and reliable delivery. Responsiveness to orders is also critical.

Style and design are important, although Guatemala currently has the ability to duplicate styles from Europe with some ease. The purse is a very important fashion item. Compared with most other fashion items, purse styles are rather durable.

Import Duties:

Leather handbags and purses do not enjoy any advantages under the CBI. The normal duty for handbags under US\$20.00 landed value is 10%. The Harmonized Tariff Schedule Number is 4202.21.60. The duty for handbags with a landed value over US\$20.00 is 9%. The Harmonized Tariff Schedule Number is the same. Only Israel is allowed to import this product category duty free, whereas Canada pays a reduced tariff, 8% and 7.2% respectively. Of note though is the possibility for a drawback operation in leather handbags and related items, which would result in duty being paid only on the value added in Guatemala. Mexico is currently importing a large amount of unfinished goods that are assembled, finished and eventually re-exported to the United States. Guatemala could potentially position itself to do the same.

Conclusion:

There is interest in Guatemalan leather goods, particularly if they are tastefully designed, use good quality leather, and are prepared to meet the quality standards of the U.S. consumer market. Price will be a critical consideration, since a stiff competitor in the market is the Orient, which is producing medium quality products at a very low price. Since Guatemala does not have an advantage in regard to shipping costs, it would have to beat the Orient in regard to the quality of the leather and raw material costs. Quality, design, price and reliability of supply are important determinants for importers considering a new supply of leather handbags and purses. Guatemala would have to meet these conditions prior to entering the market. It is believed that they could potentially do so, although prices charged would have to be considerably lowered than those currently quoted by the local manufacturers. Price would be offset by greater volume, and once Guatemala became recognized as a quality and reliable supplier of such articles, other products, such as leather accessories, would become of interest to importers.

Industry Sector:

Wood Products

Demand Analysis:

Picture Frames

PICTURE FRAMES

Product Description:

Picture frames are made out of wood, plastic, extruded aluminum, or metal and are used to frame pictures and mirrors. Most frames purchased by the consumer already have had the picture or print mounted. But there is also a sizable market of consumers, galleries, and corporations who want to select the frame for the picture. The market has ready-made frames that tend to be "price" merchandise and are produced by semi-automatic machinery both in the U.S. and abroad. Currently there are almost no hand carved frames; instead there are "mud" (plaster) appliques on frames which are then painted, gilded, etc. to resemble hand carving. Exotic hardwood and hand carved frames would be geared to the very top end of the market.

Market Demand and Structure:

In the U.S. there is a \$60 million import market for picture frames. The market is decentralized which provides many channels for the new producer to take to get the product to the market. Picture frames are commonly sold in several types of stores. The low cost frames are sold in retail poster and frame shops in malls, in discount stores, in department stores and occasionally in specialty frame shops. The distribution system for picture frames typically is a manufacturers' representative or an in-house salesperson will sell to a mid-sized retail chain and it is likely that an executive of the producing firm will service the accounts of the few national chains. Large firms employ their own salesman on salary. Smaller distributors tend to use manufacturers' representatives at a 3% to 10% commission rate. Representatives are reportedly disappearing and selling has become more dependent on printed catalogues and other illustrative material placed in the hands of retailers.

Custom framing is basically a small industry. Of the companies involved in custom framing most appear to be involved in all aspects of the trade: importing and distributing, machining lumber, finishing, and often the construction of frames to standard sizes. Typically, they sell on an as-needed, special order basis to picture galleries and custom frame shops that order material for a particular job.

Now appears to be an opportune time for "new players" to enter the market because the raw material in Taiwan is reportedly in short supply and Thailand is preparing legislation against the export of raw moldings and lumber. Exotic hardwoods are highly desirable to the U.S. market, but increasingly unobtainable. One large vendor reports that Greenpeace and other ecological and environmental groups in Europe are working against the stripping of the rain forests of the Amazon by

boycotting the sale of tropical hardwoods. Such boycotts have adversely impacted the Italian producers who appear to "own" the top end of the molding market. Thus, buyers in the U.S. are looking for new sources for exotic and tropical hardwoods and will buy lumber in any form from raw boards to finished molding. U.S. buyers seem eager to connect with new sources...of which Guatemala could be one. Wood picture frames have duty-free access to the U.S. market under the CBI. The foreign competition must pay a 6% duty.

The import sector produces both labor intensive and industrially automated product lines. Assembling the complete frame is labor intensive. The technology requirements are low for the small run frames. The highly automated ready made frames are more capital intensive. An importer or even a large retailer, can, for a few thousand dollars, enter the frame making business with efficient equipment. Quality control is extremely significant to penetrate the picture frame market, especially at the top end. In particular, warp prevention and precise cutting must be carefully dealt with.

In 1987 the largest exporters to the U.S. of picture and mirror frames were Taiwan, Mexico, and Thailand with Italy being a key exporter in the high quality segment of the picture frame market. Both Taiwan and Italy are significant exporters of decorative molding for picture frames. Taiwan produces, at best, very good quality moldings. Their exports include "burnished" moldings which are machine produced and simulate carving. Italian moldings tend to be more expensive and better finished.

The low cost mass produced moldings are mainly produced in the U.S. The low cost frames are not labor intensive. The competition from the highly automated producers catering to the lower end of the market will be very fierce. Some of the key players in the U.S. are the Bainbridge company of Paramus, New Jersey; Larsen-Juhl of Norcross, Georgia; and the Hallmark Corporation of Kansas City, Missouri. The Bainbridge company is probably the largest producer making all sorts of products for the industry with their Nurre Caxton Division an important player in the import of wood frame material. The Hallmark Corporation appears to be the largest maker of quality, small frames to be sold through the gift trade and stationery trades.

Conclusion:

For machine molding, the market appears open to the introduction of fine quality hardwoods. These can be offered finished or raw and reaching interested trading partners seems quite feasible. The producer must be able to provide knives for molding machines which meet purchasers specifications. This is a small industry but, at this moment, one in which one or more Guatemalan manufacturers can probably capture a decent share of the market.

The producers interested in exporting to the U.S. will have to provide samples of various woods and prices. Initially the producer should try to enter the market with samples of semi-finished and finished moldings. Subsequently, samples of hand carved frames and finished frames can be introduced for testing. In this trade it is not judged feasible to go directly to the retailer as they are typically too small to be able to purchase feasible quantities. Also, it is worth noting that the annual trade shows, Art Expo and Frame-o-Rama, are probably not important as points of entry to the trade.

Industry Sector:

Agro-Industrial

Demand Analysis:

Snack Foods

SNACK FOODS

Product Description:

Snack foods are just that -- foods consumed for the purpose of snacking, usually in-between meals. They come in a variety of types, quantities and categories, primarily snack versus natural.

Market Demand:

Data on the salted snack industry show that total sales increased from \$9.877 billion in 1987 to \$10.28 billion in 1988, a 4.1% increase. The leading growth products within this group are popcorn, lead by microwaveable and ready-to-eat popcorn; potato chips; and tortilla chips.

The following are the 1988 dollar sales (in US\$ millions) and the percentage change from the previous year for the main snack food categories:

Potato chips	\$3,598	4.8%
Tortilla chips	\$1,844	2.4%
Corn chips	\$521	-2.2%
Ready-to-eat popcorn	\$270	23.3%
Microwaveable popcorn	\$872	28.4%
Unpopped popcorn	\$238	-7.8%
Extruded snacks	\$649	-0.8%
Pretzels	\$430	2.4%
Snack nuts	\$1,211	-6.7%
Meat snacks	\$126	-0.8%
Pork rinds	\$71	11.4%
Party mix	\$123	21.8%
Potato sticks	\$50	15.3%
Onion rings	\$8	4.5%
Variety packs	\$269	12.1%

Snack nut sales fell by 6.7% in 1988 to \$1.2 billion. The only nut which experienced an increase in volume was the heavily-advertised almond segment, which increased by 8.9%. Volumes of peanuts and cashews were reduced and macadamia nuts shipments fell by 22.2% in 1988.

One market research firm estimates that overall U.S. cracker sales were nearly \$3 billion in 1988 and that the market will reach \$3.37 billion at the retail level by 1993. Rice cakes is one of the fastest growing cracker-related products, with retail sales growing by 32% in 1988.

Surveyed snack food manufacturers indicated that these outlets distributed the following percentages of 1988 sales: supermarkets (\$2

million or more in annual sales) - 46.8% of sales, grocery stores (full line stores with less than \$2 million in annual sales) - 15.7%, convenience stores - 12.6%, schools, institutions, Restaurants, and other food service outlets - 8.3%, other outlets (wholesalers, other companies, company owned stores, etc.) - 6.5%, drug and mass merchandise stores - 4.6%, membership stores - 2.6%, and vending machines - 2.9%.

Trends and Market History:

The main trends in this sector are increased convenience, and more attention to dietary and nutritional concerns of consumers.

Trends in the cookie and cracker market are reduced use of tropical oils and fats. Manufacturers have added oat bran and whole wheat and are featuring no salt and low salt varieties to meet the public's health concerns.

The U.S. Snack Food Association surveyed its members about trends in packaging. A growing trend is to use packaging to make health and nutrition claims regarding cholesterol, the absence of salt, low oil content, natural content, and other claims.

The following types of packaging are used in the U.S.: metallized, foil, transparent, white glassine, chocolate glassine, white or chocolate coextruded, canisters, and boxes. More than half of the manufacturers surveyed were seeking longer shelf life, biodegradable and reclosable packages. Those surveyed looked for an average shelf life of nine to 10 weeks for potato chips, ready to eat popcorn, and extruded snacks. Tortilla chips, corn chips, and snack nuts require an average shelf life of 11 to 12 weeks. The shelf life required for pretzels and microwaveable popcorn is more than twenty weeks.

Other Important Considerations:

A 1988 survey of snack food producers showed the following percentages of surveyed company expenses: commodities and ingredients (30.7%), salaries (16.7%), packaging materials (14.0%), general and administrative (9.4%), processing equipment (7.9%), transportation and delivery (10.0%), advertising and promotion (5.9%), and profit before taxes (5.4%). The processing of snack foods is already fairly automated and there are no anticipated technological changes that would make this industry less labor-intensive. Packaging of snack foods is a dynamic aspect of production. Packaging is changing to meet environmental concerns and consumers interests in convenience and health. Most U.S. snack foods are processed in the United States.

U.S. Food and Drug Administration regulations governing snack food production and marketing are found in Title 21, Code of Federal Regulations and include regulations on nutrition information, food

labeling, food standards, good manufacturing practices for foods, low-acid canned foods, acidified foods, food additives, and sanitation. These regulations can be obtained at the address below.

The FDA does not require prior approval of a label or a product before it is used in the U.S. marketplace. However, foreign producers who want to test a label or product container in advance of usage in the U.S. market may send a sample or artistic layout and specifications to the following division of FDA:

FDA
Attention: William Carter
Center for Food Safety and Applied Nutrition
200 C Street SW
Washington, D.C. 20204

Although there is currently a trend towards consolidation, there are many companies in this industry. The following is a list of some of the major firms in the industry: Frito Lay, Inc., General Foods Corporation, R.J. Reynolds, and Borden Inc.

Two U.S. processed food industry businessmen have been invited to Guatemala to establish contacts with the processed food industry in conjunction with this market analysis. Please refer to Volume I of the Project Overview for information about Mr. Steven Hoffman and Mr. John Willsie.

Conclusion:

The greatest opportunity for Guatemalan producers is in the processing of foods which are available locally at competitive prices. Importers and distributors can serve to identify the products in greatest demand as well as provide vital linkages to the U.S. market.

Industry Sector:

Lithography

Demand Analysis:

Game Boards and Boxes

GAME BOARDS AND BOXES

Product Description:

The products contained in the game industry range from family board games to children's action/ adventure games to puzzle games to word games, to standard games like chess or backgammon. Game boards are purchased by individuals for recreational use and institutions like schools for educational uses. The Harmonized Tariff Schedule number for game boards and boxes is 9504.90.60.00.0.

Market Demand:

In 1989, total shipments of all games and puzzles was estimated by the Toy Manufacturers of America to be \$1.043 billion. Electronic games (at \$250 million) were the dollar volume leaders, followed in dollar volume by family board games (\$158 million), children's action games (\$142 million), and children's board games (\$124 million). Game boards are predominantly sold in toy stores, bookstores, and to a lesser extent in department stores and grocery stores for items like playing cards and puzzles. Toys R Us is the largest retailer of toys. Parker Brothers, Selchow and Righter, Hasbro, Milton Bradley and Pressman. are five of the largest toy manufacturers.

The market can be split into: 1) hot selling fads which have a brief period of high sales and then experience a severe drop-off in sales; 2) items of proven popularity, like Monopoly and Trivial Pursuit, that will remain strong sellers for years to come; 3) standard games like chess or backgammon that are not trademarked by any one company; and 4) other games that are designed to appeal to a more narrow market.

The large producers will sell directly to the major customers and use distributors or wholesalers, like K&B, who will buy and resell the games to smaller toy stores. Often the large distributors have their own retail outlets (30 to 40) in which they sell directly to the consumer. Normal runs for larger producers tend to be 100,000 sets and runs of one-half million sets are not uncommon.

The run size of a standard game (i.e. chess) is likely to range from 25,000 to 50,000. Smaller companies sometimes license a large company to market and distribute their games for them. An example is the hugely popular Trivial Pursuit game that Horn Abbott licenses to Selchow and Righter. Selchow and Righter's greater financial muscle, excellent distribution channels, and marketing expertise make the product a hot seller and presumably provide stronger revenues to Horn Abbott than they could have derived from going alone.

Large U.S. producers make boards with raw materials such as fiber and folding board in the U.S. because it is automated with relatively low labor content. Another reason that U.S. producers have not gone offshore is raw material costs. It has been cheaper to buy paper, pressboard and folding board in the U.S. than overseas.

Guatemalan producers are likely to find market accessibility easiest via ventures with small U.S. producers. The small producer that wants a run size of between 5,000 to 10,000 sets seems to be the party most interested in sourcing overseas because small runs are not as cost effective in the U.S. Typically the small U.S. producer is looking for a landed cost for a normal folded game board of \$3.00-4.00.

Another critical concern of small producers interested in offshore sourcing is quick turnaround time. The response of small producers to the idea of sourcing overseas has been "show me a product and a price and we'll talk." After meeting the expected quality standards for a given price range product, cost becomes the determining factor. Guatemala has the advantage of duty-free access to the U.S. market under CBI while exports from non-exempted countries are assessed a 4.6% duty.

Conclusion:

The greatest opportunity for Guatemala game board and box producers will be in providing a source of small run (low-quantity) products to small-scale U.S. manufacturers. It is important for Guatemalan producers to visit trade fairs, and meet buyers and impress upon them their capability for short turn around periods and quality output. Guatemalan capacity to produce paper and inks locally should be an important plus in developing business opportunities, as long as quality levels meet or exceed U.S. standards.

Appendix A

To obtain the telephone number for U.S. companies listed by city and state, locate the state and city on the area code table below and dial the corresponding area code + 555 1212 and give the name of the company and city to the operator. In the case that the city is not listed in the table below, call any of the area codes corresponding to the company's state + 555 1212 and the operator can provide the correct area code to dial for further information.

place	area code	place	area code	place	area code	place	area code	place	area code	place	area code
Alabama		Florida		Kansas City	913	St. Joseph	816	Winston-Salem	919	Tennessee	
all locations	205	Boca Raton	407	Ottawa	913	St. Louis	314	North Dakota		Chattanooga	615
Alaska		Ft. Lauderdale	305	Topeka	913	Springfield	417	all locations	701	Knoxville	615
all locations	907	Hialeah	305	Wichita	316	Montana		Ohio		Memphis	901
Arizona		Hollywood	305	Kentucky		all locations	406	Akron	216	Nashville	615
all locations	602	Jacksonville	904	Ashland	606	Nebraska		Alliance	216	Texas	
Arkansas		Key West	305	Dade Park	812	Abbott	308	Canton	216	Amarillo	806
all locations	501	Miami	305	Frankfort	502	Lincoln	402	Cincinnati	513	Arlington	817
Bahamas		St. Petersburg	813	Lexington		North Platte	308	Cleveland	216	Austin	512
all locations	809	Orlando	407	Fayette	606	Omaha	402	Columbus	614	Beaumont	409
Bermuda		Tampa	813	Louisville	502	Nevada		Dayton	513	Corpus Christi	512
all locations	809	Tallahassee	904	Sheibynille	502	all locations	702	East Liverpool	216	Dallas	214
California		West Palm Beach	407	Winchester	606	New Hampshire		East Palestine	216	El Paso	915
all locations	809	Georgia		Louisiana		all locations	603	Girard	216	Fort Worth	817
Anaheim	714	Atlanta	404	Baton Rouge	504	New Jersey		Lodi	216	Garland	214
Bakersfield	805	Columbus	404	Lake Charles	318	Atlantic City	609	Lorain	216	Houston	713
Burbank	818	Macon	912	New Orleans	504	Camden	609	Manetta	614	Irvine	214
Huntington Beach	714	Rome	404	Shreveport	318	Elizabeth	201	Massillon	216	Lubbock	806
Long Beach	213	Savannah	912	Maine		Hackensack	201	Newark	614	Pasadena	713
Los Angeles	213	Waycross	912	all locations	207	Jersey City	201	Niles	216	San Antonio	512
Riverside	714	Hawaii		Maryland		Newark	201	Ravenna	216	Waco	817
Sacramento	916	all locations	808	all locations	301	Paterson	201	Salem	216	Utah	
San Diego	619	Idaho		Massachusetts		Trenton	609	Steubenville	614	all locations	801
San Fernando	818	all locations	208	Boston	617	New Mexico		Toledo	419	Vermont	
San Francisco	415	Illinois		Framingham	508	all locations	505	Youngstown	216	all locations	802
San Jose	408	Alton	618	New Bedford	617	New York		Zanesville	614	Virgin Islands	
Santa Ana	714	Aurora	312	Plymouth	508	Albany	518	Oklahoma		all locations	809
Van Nuys	818	Casey	217	Springfield	413	Babylon	516	Muskogee	918	Virginia	
Canada		Decatur	217	Worcester	617	Binghamton	607	Oklahoma City	405	Alexandria	703
London, Ont.	519	Elgin	312	Michigan		Buffalo	716	Tulsa	918	Chesapeake	804
Montreal, Quebec	514	Highland Park	312	Adnan	517	Elmira	607	Oregon		Hampton	804
North Bay, Ont.	705	La Grange	312	Ann Arbor	313	Greenwich	518	all locations	503	Newport News	804
Ottawa, Ont.	613	La Saie	815	Battle Creek	616	Hempstead	516	Pennsylvania		Norfolk	804
Quebec, Quebec	418	Mt. Vernon	618	Detroit	313	Monroe	914	Allentown	215	Portsmouth	804
Thunder Bay, Ont.	807	Peoria	309	Escanaba	906	Mt. Vernon	914	Altoona	814	Richmond	804
Toronto, Ont.	416	Rockford	815	Flint	313	New York City		Chester	215	Roanoke	703
Trois Rivières, Quebec	819	Springfield	217	Grand Rapids	616	Bronx	212	Ene	814	Virginia Beach	804
Val d'Or, Quebec	819	Indiana		Jackson	517	Brooklyn	718	Harnsburg	717	Winchester	703
Colorado		Evansville	812	Kalamazoo	616	Kennedy Int'l Airport	718	Hershey	717	Washington	
Aspen	303	Fort Wayne	219	Lansing	517	La Guardia Airport	718	Johnstown	814	Olympia	206
Boulder	303	Gary	219	Lvonia	313	Manhattan	212	Paoli	215	Pullman	509
Colorado Springs	719	Hammond	219	Monroe	313	Queens	718	Philadelphia	215	Seattle	206
Denver	303	Indianapolis	317	Saginaw	517	Staten Island	718	Pittsburgh	412	Spokane	509
Pueblo	719	Kokomo	317	Sault Ste. Marie	906	Niagara Falls	716	Punxsutawney	814	Tacoma	206
Vail	303	Michigan City	219	Sterling Heights	313	Peekskill	914	Reading	215	Vancouver	206
Connecticut		South Bend	219	Warren	313	Poughkeepsie	914	Scranton	717	Walla, Walla	509
all locations	203	Iowa		Minnesota		Rochester	716	Swarthmore	215	West Virginia	
Delaware		Cedar Rapids	319	Albert Lea	507	Schenectady	518	Upper Darby	215	all locations	304
all locations	302	Council Bluffs	712	Claremont	507	Stamford	607	Valley Forge	215	Wisconsin	
District of Columbia		Davenport	319	Duluth	218	Syracuse	315	West Chester	215	Bay City	715
Washington	202	Des Moines	515	Minneapolis	612	Troy	518	Wilkes-Barre	717	Beloit	608
Florida		Dubuque	319	Rochester	507	Utica	315	Puerto Rico		Madison	608
all locations	302	Mason City	515	St. Paul	612	White Plains	914	all locations	809	Milwaukee	414
District of Columbia		Sioux City	712	Mississippi		Yonkers	914	Rhode Island		Wyoming	
Washington	202	Kansas		all locations	601	North Carolina		all locations	401	all locations	307
Florida		Dodge City	316	Missouri		Charlotte	704	South Carolina		South Dakota	
all locations	302	Independence	816	Jefferson City	314	Durham	919	all locations	803	all locations	605
District of Columbia		Joplin	417	Greenboro	919	Greensboro	919	South Dakota			
Washington	202	Kansas City	816	Raleigh	919	Raleigh	919				

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