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PREPARED BY

Business
Analysis
&
Systems
Information
Corporation

PO Box 147
Washington, Virginia 22747
(703) 675-3410

EMPLOYMENT GENERATION THROUGH INDUSTRY & COMMERCE

VOLUME II

Industrial Investment Promotion

and

Assistance to Small Industry

Contract AID Lac-C-1268

Volume II

EMPLOYMENT GENERATION - EXPORT INDUSTRY PROMOTION AND ASSISTANCE TO SMALL ENTERPRISE

The two direct instruments for generating employment, programs for the establishment of new industry and for assisting in the growth of small enterprise, are described herein. The creation of these instruments constitutes two of the six activities which make up the project. In order to indicate the place of these activities in the total project, an overview of the total project precedes the activity descriptions.

The four indirect instruments which support these activities, are described in Volumes I and III.

Analysis underlying the design of the direct instruments was carried out by:

Tim Rose, Ph.D	-	Information Specialist
John Wall	-	Staff Analyst
Jamie Daniel	-	Industrial Analyst
John B. Crane, Ph.D.	-	Market Economist
Federico Gesio, Ph.D.	-	Market Economist

under the direction of BASIC senior management.

Frank S. Skowronski
President
BASIC

VOLUME II

EMPLOYMENT GENERATION - EXPORT INDUSTRY

PROMOTION AND ASSISTANCE TO SMALL ENTERPRISE

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OVERVIEW OF PROJECT

The project consists of five major activities to be undertaken with the guidance and participation of the CDB; (1) a Small Business Assistance Program; (2) a DFC restructuring program; (3) a labour intensive export program; (4) a program for technology information services and applications research; and (5) creation of a loan fund for small industry, a sixth, project coordination is considered essential to the project success.
The activities are designed to bring about efficient delivery of services to increase industrial and commercial employment in the LDCs. In the interest of cost effectiveness, and best utilization of scarce resources, the "motor" of each activity will be regional organization. Those organizations, strengthened and partially restructured, will assist in the re-design and re-organization of LDC entities in such a form as to facilitate effective division of responsibility between the regional entities and the LDC cooperating agencies.

The CIC will have dual responsibilities in this project, reflecting its regional mandate to promote industrial development and to provide T/A to industry. Its first responsibility will be to identify foreign companies for relocation in the LDCs and to assist the LDCs in creating the ambience, institutions and procedures to facilitate such relocation.

A second responsibility, will be to organize a unit and set procedures to provide business counselling services to small enterprise in the LDCs. The delivery system will be manned by CIC staff, with additional field support provided by the U.S. Peace Corps Volunteers. In addition to counselling, the Corporation will coordinate the delivery of "production" related technical services to the small enterprise community; and in conjunction with the DFCs, prepare individual entrepreneurs for utilization of DFC loan funds.

The suitability of the C.I.C., as an executing agency is, however, conditioned by the following concerns:

(1) The corporation has not achieved financial viability, and is unlikely to do so unless fresh capital is injected into its operations, and new criteria and procedures are instituted for the performance of its function as a provider of equity and specialized lending.

(2) Given the foreseeable financial position of the C.I.C., (even with additional capital injections) it is unlikely that profitability and cash flow generation will be adequate to support the investment promotion effort, after the termination of the AID Grant funding. Therefore it is essential that the Investment Promotion effort be self financing.

The investment promotion function would be a felicitous link to the corporation's ability to identify profitable equity situations. However, unless the C.I.C. is brought to a state of viability, it cannot avail itself of the advantages of the linkage, and the investment promotion effort would itself be jeopardizad.

Various LDC governments have advanced plans to establish individual investment promotion programs. It is expected that the LDCs will utilize part of their available funding to subscribe to the C.I.C. services for "migrant" firm identification.

A system of preferences would be established to give each LDC, in turn, first option on dealing with potential relocating firms, so identified. It will be incumbent upon the individual LDC export promotion offices to develop and utilize appropriate mechanisms and procedures to respond to and negotiate with firms identified on their behalf.

(3) The role of the C.I.C. as a T/A channel to small businesses is also jeopardized by the financial plight. Should the hoped-for turn around in the C.I.C. financial position occur within the four year period for this project, it is still unlikely that the Corporation could or should bear the costs of the T/A function. Cost recuperation devices described elsewhere in this paper will accompany the initiation of this project.

The CDB will be responsible for three regional activities. It will stimulate and participate in DFC reform, by institution policy, procedural, and structural changes; while, in some instances, temporarily operating responsive DFCs under a "Trust" arrangement.

A Technical Information Unit to be organized within the CDB, will provide a wide range of technical information and applications research in support of the main components of the project and as a service to all public and private agencies involved in production in the Caribbean. Individual projects will, in many instances, be reviewed by the Technical Information Unit, to assure that capital outlays financed by the fund produce the greatest employment effect commensurate with technical consideration.

To provide financial resources to the DFCs, and through them to the small business community, the CDB will administer a special small business loan fund, 60% of which will be earmarked for the LDCs and 40% for the MDCs. The fund will be designed primarily to support labour intensive private sector projects and will finance both fixed and working capital outlays.

I. ACTIVITY DESCRIPTION

A. Labour Intensive Export Industry

Labour intensive export industry in the Far East is experiencing cost pressures of sufficient intensity to induce many firms to search for new production locations. The Eastern Caribbean has already attracted such industry, and the operation of the plants has been notably successful. Additional market possibilities exist. Preliminary discussions with Venezuelan Government technical entities point to the possibility of adjustments in that market to accomodate increased purchases of goods from Caribbean countries, and thus to extend the production potential of the LDCs.

The activity herein described is designed to respond to new market opportunities and Caribbean production advantages, thus accelerating the flow of labour intensive industry to the LDCs. At the same time, the project will attempt to induce a greater degree of local ownership of new firms established to serve export markets.

Five types of industrial activities are anticipated:

1. "Enclave" industry.
2. Joint-venture between foreign firms and Caribbean entities.
3. Wholly-owned local firms producing under license.
4. Wholly-owned local firms producing under contract.
5. Organized "Cottage industry".

1. Role of Caribbean Investment Corporation

It would not be economically justified for individual LDC's to attempt to set up the relatively expensive administrative mechanisms necessary for indentification of sources of foreign investment and of foreign markets. This will be carried out be a single entity which will carry out the search abroad while facilitating the specific responses of LDC's to the opportunities presented. The responsibility for the activity will be vested in the Caribbean Investment Corporation (CIC), which under its organizational mandate is charged with supplying critical equity to ventures throughout the Eastern Caribbean, and to provide technical assistance to nascent industry.

A Regional Investment Promotion Division (RIPD) will be established within the Caribbean Investment Corporation, which will act as the channel for introducing foreign firms to potential locations in the Eastern Caribbean. The Division will have the capability of identifying probable foreign industrial participants and of assisting Eastern Caribbean countries to create the ambience and

procedures necessary to facilitate the re-location of production to those countries.

To achieve greater Caribbean ownership in export production facilities, the CIC will, as appropriate, take equity positions in export industries as a joint venture partner with selected foreign firms. Such equity will be subsequently divested to Caribbean investors. It will prepare appraisals of such joint-ventures and will seek to enlist the financial participation of DFCs and the CDB in joint-ventures and/or domestically owned operations serving the export market.

2. Functions

The division will carry out the following functions:

(a) Assistance in the organization of "investment promotion units" in each of the LDCs, and arrangement for formalized and effective interface between these and the RIPD.

(b) Initiation, with the LDC investment promotion units, of a system of data collection appropriate to the promotion function. Such data would be continually updated and utilized for anaylsis at several levels of sophistication.

(c) Preparation of a standard system of procedures for discussion, exploration and negotiation with potential foreign investors; and of a system of follow-up service to, and progress reporting on, the industrial establishments started under the program.

(d) Training of LDC personnel in industrial search techniques.

(e) Establishment of industrial search and identification mechanisms.

(f) Provision of liaison links between technical assistance personnel and LDC investment promotion personnel.

(g) Acting as information channel between potential foreign investment entities, the LDCs, the CDB, and private sector entities.

(h) Recommending as to nature and extent of CIC or local investment in joint ventures.

These functions will be carried out by an expanded CIC staff with AID-provided technical assistance.

Techniques for "migrant" firm identification were tested under AID

contract, the spring and summer of 1978. Of thirty-six firms identified and contacted, twenty-two indicated positive interest in transfer of facilities. Of these, eight are carrying out comparative cost analysis, and four are preparing for discussions with the Barbados and St. Lucia Industrial Development Corporations. The eight firms, collectively, are considering the establishment of plants which would employ 4,700 to 7,000 persons.

The techniques of identification and contact utilized during the test period will be continued: first with AID-provided technical assistance, and later with CIC's own resources. Technical assistance will be provided for a period of about 1 1/2 years.

The existing "pipeline" of identified companies will provide the basis for immediate activation of the CIC Investment Promotion Division, and will serve as a vehicle for training both CIC and LDC personnel.

The CIC will, through its identification and contact system, continue to expand the "pipeline", channel such information to the LDC units, and assist them in presentations and negotiations.

The CIC will be instrumental in assisting the LDC's investment promotion entities, in organizing, establishing procedures, and appropriate staffing. It will draw upon the experience of the Barbados Industrial Development Corporation (BIDC) in structuring the LDC investment promotion agencies and the technical and administrative instruments. However, the BIDC mechanisms will be modified to facilitate the division of function between the CIC and the LDC agencies. Present investment promotion work being carried out by the British Development Division for St. Vincent may be replicable throughout the Eastern Caribbean.

3. Training

Training will be carried out primarily by Consultants, and will focus upon two activities:

- Identification, evaluation, and contact with, potential "migrant" firms.
- Methods of presentation of local conditions, factors, and data, to business executives; along with a business "start-up" assistance package.

The first training phase will be carried out abroad, and the second carried out in St. Lucia and Barbados.

(A) The "migrant" firm indentification training phase will be carried out in the U.S. and will include the following technical elements:

(a) Use of import statistics for identification of products undergoing significant price and supply changes;

(b) Use of source data to identify firms in the Far East which fabricate the products identified;

(c) Use of company reports, 10K forms, and other information, to gauge position of the firms identified;

(d) Use of factor cost data for comparison of Far East/ Caribbean cost structures;

(e) Preparation of material for use by company analysts and/ or to assist smaller companies in their analysis;

(f) Preparation of company officials for visits to LDC investment promotion agencies;

(g) Preparation of reports and briefing material for use by LDC investment promotion agencies.

It is expected that two CIC staff members would receive detailed training in the U.S. in these techniques.

Subsequently, selected representatives who have LDC investment promotion reponsibilities will receive similar training. The training is intended to enable them to understand and react to the forces facilitating company migration, and to better prepare them for their role as promoters and negotiators.

The training of the CIC contingent is planned to take place over a six month period, during which period formalized instruction would be supplemented by intimate involvement with case work. Upon the completion of the training period the officers should be able to continue to build up the "pipeline" and to participate as case officers in the transfer of productive entities to the Caribbean.

The training of the LDC contingents will occur over a period of one year, the training will be integrated into the consultant activities supporting the "migrant" firm identification effort. Small groups of trainees (one from each LDC) will be integrated into the process and supervised in identifying firms suitable for inducement to their territories. The trainees will act as "case officers" charged with carrying out all phases of activities required to bring about

establishment of a plant(s).

(B) The training of LDC personnel in the establishment and operation of investment promotion agencies will concentrate on the following technical and administrative concerns:

(a) Compilation, presentation and usage of pertinent statistical data, and commercial information.

(b) Incentives, their value and limitations.

(c) Facility creation.

(d) Creation of appropriate ambience.

(e) Financial instruments and financial institutions.

(f) Governmental/local business community cooperation.

(g) Scheduling and organizing visits for potential investors.

This training will commence immediately after CIC has made appropriate arrangements with participating LDC agencies, and will continue intermittently over a one year period. Formal training will be supplemented by on-the-job training and seminars.

4. Staff and T/A Requirements

Personnel requirements are shown in the following matrix:
Person months (3 1/2 year program)

Function	C.I.C	LDC(8 agencies)	T/A entities
Firm Identification	84	(54)	21
Promotion Support	(6)	336	12
Training	(6)		15
Secretarial	42		

Note: Figures in ()'s indicate secondary time allotments subsumed under non-bracketed time allocations.

The CIC is expected to add two new staff members who will have key positions in this program. They are expected to be highly qualified with backgrounds in economics, business, and management.

Each LDC is expected to employ similarly qualified, full time personnel to carry out activities specified at their respective investment promotion center. The quality, appearance, attitudes and energy level of personnel assigned to these duties are crucial

The program of technical assistance to Industrial Development Corporations will be initiated in St. Lucia and in either Antiqua or St. Vincent. St. Lucia has informally indicated its interest in receiving such assistance. The others will be invited to participate by the CDB, and their participation will be determined by their response and degree of commitment to the technical and administrative requirements.

The agency charged with responsiblity for investment promotion in St. Lucia is the national Development Corporation which at present also functions as a DFC. NDC is concerned with all aspects of industrial development: infra-structure installations, promotion abroad, management training, local enterprise development, assisting in the identification of industrial opportunities, and aiding entrepreneurs in the presentation of project proposals for purposes of raising the necessary funds.

As a result of planned DFC mergers, the Corporation is expected to relinquish its DFC function and operate solely as an investment promotion agency.

At present, key personnel consist of the Director and a foreign representative currently based in New York. The Director has been involved in efforts to attract foreign-owned enterprise to St. Lucia. Approximately ten firms have been among the 17 new manufacturing enterprises registered under the fiscal incentives laws during his tenure.

The foreign representatives is well qualified but lacks experience.

The re-organization of the NDC presents excellent prospects for effective delivery of T.A. There is a sufficiently extensive experience base to build upon, which provides a unique opportunity for appropriate structuring of the organization.

The St. Vincent Development Corporation was established in 1970. During the ensuing period, twenty-nine firms have been granted special status under its incentive ordinance. With the aid of a consulting firm financed by the UK Ministry of Overseas Development, the VDC (DEVCO) is preparing an effort to attract foreign investment in labour intensive industries. At this time, no evaluation of the agency is available. Its participation, if any, will depend upon subsequent evaluation and determination as to the compatability of its present program with the efforts planned under this project.

The Antigua Industrial Promotion and Development function is carried out by an Office in the Ministry of Economic Development. The ministry maintains Trade and Tourism Offices in England, the U.S.A., and Canada. The combined budget of its four offices totals US $62.8 thousand. The program will extend to Antigua, after evaluation has established its needs and appropriate cooperative working mechanisms are agreed upon.

B. Small Enterprise Technical Assistance Program

The Caribbean Investment Corporation (CIC) will carry out a program of technical assistance to small enterprises in the eight LDCs of the region. This program will be directed from CIC headquarters in St. Lucia, with four sub-offices in other LDCs, and will be staffed by CIC personnel, assisted by U.S. Peace Corps business management specialists.

1. Role of the CIC

The CIC's Small Enterprise Technical Assistance Program (SETAP) will be sesigned to:-

- Initiate and maintain information and data on small enterprises in the LDCs, for its own purposes and to meet the needs of other agencies which have responsibilities to small enterprise.
- Improve management skills and small enterprise operations.
- Provide a channel for the dissemination of technical information and for the acquisition of production skills.
- Help small enterprises needing loan or equity capital to prepare sound project applications for CIC or DFC financing.
- Identify new market opportunities and assist small enterprises to take advantage of them.

This CIC program will assume prime responsibility for, and will substantially expand on, the technical assistance responsibilities now carried out by the DFCs. It is expected that the CIC field staff will process 1700 applications for assistance during the three and a half year life of the project, with 840 small enterprise applications receiving some form of extended counselling.

2. Functions

(a) Small Enterprise Surveys

After a short, intensive course in conducting surveys (see section on Training), the SETAP staff will supervise and participate in a survey of small enterprises in the LDCs. The survey may require the recruitment of short-term temporary employees. The surveys will develop an information base on the numbers, size, and type of small enterprises, and on their needs for technical and financial assistance. The results of the survey will help CIC direct its efforts toward the geographic and functional areas where resource allocations may be most effective.

In the course of making the survey, SETAP will contact local

business and govenmental organizations to facilitate cooperation in carrying out the survey, and to lay the ground work for later marketing efforts.

(b) Management and Operating Assistance

Assistance to small enterprises will be given by CIC staff counsellors and Peace Corps volunteers operating under their direction. They will operate from CIC field offices, which may utilize DFC facilities.

The individual small enterprise owner/manager requesting technical assistance will be asked to supply information in a written application, with relevant supporting data where available, during an interview with a counsellor. This procedure will help to determine (a) the acceptability of the applicant and (b) the type and level of technical assistance needed. If the applicant meets the criteria for acceptance in the program, a preliminary assessment will made to define the major constraints facing his business and to devise a work plan for the enterprise.

Initial assistance will be limited to a defined period, during which the counsellor will suggest alternative actions that can be initiated by the client. These may include the implementation of specific management systems and/or suggestions for use of technical information.

If extended help is needed, it may include assistance in:

- Implementing changes recommended in the initial assessment, e.g. rationalization of operations, installing simple management and bookkeeping systems, or altering production options of the enterprises.
- Securing specialized short-term consultants to resolve management problems beyond the counsellor's capabilities, and for dealing with production problems.
- Assistance in obtaining financing.

(c) Loan Application Assistance

While Small enterprises often require additional financing, the DFC's and the CIC generally have difficulty in finding well-conceived projects for financing. The CIC counsellors will help to bridge the gap by identifying situations that justify adding loan or equity capital to expand operations, and by assisting the owner/manager to structure the project and prepare the necessary loan applications. The counsellor would monitor the project through loan disbursement to ensure proper utilization.

(d) Internal and Regional Market Identification

The CIC will identify untapped or unsatisfied markets for potenial new industries, and for expansion of existing enterprise within each LDC. Analysis will establish a rationale for the location of such industries. The CIC in its export indentification function will solicit information from foreign firms relocating in the LDC's, concerning their needs for supply of secondary inputs in the manufacturing process. The counsellors will seek to generate such supplies through small local enterprises. The analysis will be made available to the public and SETAP will, as appropriate, assist in the feasibility study, planning, financing, and implementation phases of the project.

The CIC will commission special studies of specific industries (such as fishing). The recommendations generally would include business opportunities derived from expansion of operations, or from expanded markets. The SETAP counsellors will help to publicize such studies, and to assist firms that wish to enter into its suggested operations.

Through its contact with foreign markets, the CIC Export Industry Promotion Division will funnel specific requests from foreign manufactures interested in organizing "cottage" industry and small operations in the LDC's, and from foreign buyers wishing to establish contacts with local "contact producers" who would be qualified to take orders for export. SETAP counsellors will be available to supply any technical assistance requested to respond to these possibilities.

(e) Follow-up

SETAP will periodically contact past clients to evaluate the value of services received. The evaluations will be recorded and used for cost/benefit analysis, and improvement in the nature and delivery of its services.

3. Staffing and Technical Assistance Requirements

The CIC will create a new department responsible for the SETAP program. It will be headed by a Program Manager, and will include SETAP professional field staff with additional field support supplied by Peace Corps volunteers.

All SETAP professional staff will be recruited by CIC as full-time employees under normal personnel policies. A full time senior officer will operate as Program Manager and will be responsible for recruitment and training of personnel, establishment of procedures, inter-agency liaison and deployment of personnel.

He will be assisted in these duties by a full time A.I.D. advisor with broad experience in industrial surveys and in the design and operation of technical assistance delivery systems to small enterprises.

Four full time staff officers will operate as Case Officers, from field offices to be established in the LDC's. Each Case Officer will be responsible for coordinating the activities within the jurisdiction of his field office. The Case Officer will perform the duties of a small industry counsellor, in which duties he will be assisted by one or more of a pool of 16 Peace Corps volunteer counsellors. The Peace Corps volunteers will be chosen on the basis of specialized business skills. The field staff will be assigned to the LDC's in accordance with the program requirements; however, no LDC will be without at least one counsellor at any time. These assignments are subject to change as technical assistance needs vary among LDCs.

4. Training

After recruitment, the field staff (counsellors and Peace Corps volunteers) will participate in a series of training activities to extend their knowledge and skills in areas relevant to the conditions and problems in the LDCs. The training program will consist of four components to be given in the following order:

(a) Research Surveys: The Small Business Technical Assistance advisor attached to CIC will conduct an intensive seminar on survey research for the case officers. The seminar will cover preparation, implementation, and analysis of specific research surveys to measure the size and nature of the market for technical assistance in the LDCs. The survey will be carried out by the field teams as the first step in familiarization with and analysis of the small business communities in the LDCs. The survey results will be used as the basis for planning the Small Business Consulting training (see item (d) below), and for the assignment of program resources among LDCs, and for the formulation of policies and procedures within SETAP.

(b) CIC Internal Training: CIC staff in St. Lucia will give a short course of about two weeks to review the techniques of project management and project feasibility study.

(c) Special DFC Seminars: CDB will conduct training for the case officers and Peace Corps volunteers, covering the credit instruments available to small enterprises through the DFCs and the appraisal procedures used, and to be given jointly to DFC and CIC officers in the same classes.

(d) Small Business Consulting: An outside training organization will be contracted to develop and implement a program of approximately three months to familiarize the CIC case officers and Peace Corps volunteers with the specific requirements of small enterprise consulting, as it relates to the LDCs. The program will consist of two phases; first a series of short, formal courses at Saint Lucia, followed by on-the-job training in each group's assigned region.

5. Program Self-financing

It is planned that the Small Enterprise Technical Assistance Program will be self-financing before or shortly after the termination of the project funding. Self-financing instruments will take one or more of the following forms:

(a) Adding one percentage point to all interest-bearing financing from the CIC and DFCs.

(b) Utilizing the wide spread available from concessionary loan funds from foreign sources as growing efficiency and volume of funding progresses.

(c) Transferring the local government subventions currently paid to the DFCs as they move towards viability, to the CIC program.

II RATIONALE

A. Role of Industry

With the exception of Belize, which consciously chose to limit the role of tourism in its economic growth strategies, the LDC's were pre-occupied with development of that sector during the 1960's and 1970's. A series of measures, taken individually in some instances and collectively in others, set the stage for a program of industrial development; but only within the past few years have the LDC's begun to shift from a passive to an active role in pursuit of industrialization. Collectively, the Governments established the C.I.C., charged with providing equity to new and expanding industry. With an injection of new capital, the Development Finance Corporations undertook to provide lines of credit for, and to assist industry to, utilize those lines. Technical Assistance has been sought from foreign agencies and the U. N., to assist in the operation of agencies connected with industrial development, and to find market outlets for Caribbean Production. Industrial infrastructure was improved by the construction of industrial estates and port modifications, which were financed by the Caribbean Development Bank.

Individually, the LDC Governments, which had already passed incentive laws, began to shift their attention to export oriented industry, developing specialized agencies for their promotion and, meanwhile, encouraging and providing protection for domestic market industries which were not shielded by transport costs. Further, the recognition that industrialization was the only viable method of absorbing the growing ranks of unemployed, gave additional impetus to the decision to focus on development of industry.

At this juncture, it is reasonably clear that the LDC's intend to compete for external investment in the industrial sector. No regional organization has emerged to coordinate or assist this effort. Encouraged by the relative success of the Barbados I.D.C., the East Caribbean LDC's now appear to be establishing agencies similar to that institution, and to emulate its search for foreign enterprise.

1. Nature and Performance of the Industrial Sector

The industrial sector of the LDC's serves a small regional market and tiny domestic markets. Total output for 1976 was estimated to be only U. S. $38.1 million or 18% of total GDP for the eight countries. (See Table # 1.) The sector employed 15,600 workers, of a total work force of 159,000 in 1970. Employment estimates for 1976 indicate a decline to a level of 15,800 (excluding Belize). This decline accompanied a decline in industrial product from constant

U. S. $40.5 million to U. S. $38.1 million over the same period (excluding Montserrat and Belize). (See Table # 1 .)

Without a generous resource endowment, handicapped by a limited entrepreneurial and managerial pool, and serving small and occasionally precarious markets, the industrial establishments tend to be small, generally high cost, and frequently marginally viable. The 1970 census for the seven countries (less Antigua) listed 6,381 persons who owned a business or farm with paid help. Less than 10% of these were in manufacturing. Thus, the experienced industrial entrepreneurial/managerial pool appears to comprise somewhat more than 600 persons.

The most experienced management, and the potential source of new industrial entrepreneurs, are the merchants, who also command considerable wealth. They have, to date, figured marginally in new industry development. With appropriate incentives, these could provide the leadership in LDC industrialization.

The bulk of existing manufacturing firms is extremely small. In Belize, Antigua and St. Vincent, where reasonable recent data on 240 plants is available, 55% of these employ 0-4 workers, 14% 5-9; 17% 10-25; and only 14% have more than 25 workers. (See Table 3 .) This contrasts significantly with Barbados where 60% of the existing plants employ 25 or more workers, and only 15% employ 0-9.

Some indication of the marginality of manufacturing firms may be derived from tax records. From data available for several of the ECCM countries it appears that only 16% of the firms operating therein have incurred income tax liabilities. The firms enjoying exemption under the incentive laws are too few in number to account for this phenomena, and the outlook for capital accumulation from existing firms is hardly encouraging.

Other than agricultural processing plants, most of the firms presently operating in the ECCM produce a range of products which are largely non-tradeable goods, i.e. low value to volume. Although some efforts have been made to develop facilities which can replace certain imports, e.g. a shoe factory in Antigua, tradeable goods production suffers from lack of entrepreneurial vision and from lack of organized and current market information. Further, industrial allocations under the CARICOM Agreements have been plagued with problems as the result of premature and technically faulty decisions. Thus, uncertainty continues to impede the establishment of regional industries which could operate with economies of scale. The uncertainty is compounded as the restrictions on intra-regional trade, which occur as "temporary" external trade adjustments, are put into effect by member countries.

The LDC Governments appear to believe that the most promising avenue for industrial growth lies in external trade. The belief is predicated upon the comparatively low labor rates of the ECCM countries, their relative proximity to North American and South American markets, and the opportunities for participation in European markets under the LOME agreements. Barbados, the MDC which most nearly approximates conditions in the LDC's, has demonstrated that labor intensive, export oriented, industry can be successfully established. The LDC's, which in varying degrees share the endowments of Barbados, should be able to emulate the Barbadian experience. There are, however, significant opportunities for intra-regional and domestic production. The Governments, conscious of these possibilities, have been increasingly concerned with the channeling of technology, appropriate to the tasks at home, to the agricultural and industrial sectors, and are seeking linkages between local industry and tourism and agriculture.

The achievement of successful programs for "enclave" export industry, requires, however, that the government be able to maintain wage stability in a particularly stable ambience. Further, the policies of investment promotion must take into account the absorptive capacity of the LDC's, which limits the types and size of enclave industry which can be sited therein. Moreover, the probability that growth of enclave industry would tend to exacerbate the imbalance in domestic and foreign ownership patterns, should be of some concern to the governments of the LDC's.

Of particular importance, the Barbados experience has shown that "incentive" induced export industry continues to be the major source of new investment. (See Tables 4,5 & 6.) During the period 1974-1977, more than U. S. $15 million was invested in Barbados in "incentive" industries, producing 3400 jobs and a capital/labor ratio of U. S. $4,412. Significantly, investment for expansion of existing facilities, which totalled U. S. $1.7 million during three of the four years, produced 1491 new jobs at a capital/labor ratio of U. S. $1140. These remarkably attractive ratios have since been rendered even more attractive by the institution of multiple shifts in many plants -- some now work continuously, around the clock.

2. Outlook for Industry

The last five years have seen the LDC governments increasingly focusing on industrialization; however, clear policy lines have not yet evolved to a point where consistent programs, backed with adequate resources, have been put into effect. The implicit policy of concentration on production for extra-regional export, has begun to yield some concrete results. St. Lucia has activated an

industrial promotion agency and is actively contacting potential foreign investors. St. Vincent is, with the aid of British Consultants, to undertake a similar effort. In varying degrees the other LDC's are moving in the same direction. Foreign observers of the ECCM are unanimous in applauding these efforts, which promise to yield the most rapid results in terms of output, employment and foreign exchange earnings.

Yet, the pursuit of this policy should be accompanied by attention to several caveats. The representation of the LDC's as domiciles for foreignowned plants, will be conditioned by the overall reputation of the region, and the nations which comprise it. Should one or more countries prove inept or unready to respond to the requirements of foreign investors, damage could be done to all.

Conversely, competition among the LDC's could result in terms of entry unfavourable to the overall economic development of the LDC's. In addition, selectivity must be exercised in respect to the size of the plants to be established. It is clear that plants whose work force makes up too high a proportion of the domestic work force, will jeopardize both themselves and the economy of an LDC in event of cutback or other untoward events. Further, reliance on one industrial sub-sector will introduce a potential destabilizing factor in the LDC economies. It will be important for the LDC's to consciously set up priorities and guidelines to obtain an industrial mix which will reduce the impact of cyclical events in each sub-sector.

The identification of potential foreign investors is a costly, complicated process. It is unlikely that the LDC's could or should undertake this aspect of investment promotion individually. A collective effort would be less expensive, more intensive, and would permit the LDC's to carry out the effort within a regionally cohesive program. The most important effort of LDC Governments should be to provide a cooperative ambience in which their individual investment promotion offices may function, with assurance of the responsiveness of all other governmental elements which impinge on successful industrialization.

In the process of encouraging enclave industry, means will be sought to inject local ownership into the new facitlities where such is feasible and appropriate. The extremely low degree of capital intensity of these industries makes them ideal vehicles for a capital deficit area. Their promise of success should make them attractive investments for local entrepreneurs.

The promotion of intra-regional industry will call for clarification of existing regional and domestic policies, and above all, for recognition of the comparative advantage vested in each country. These need detailed technical study, including identification of marketing channels. It is likely that impediments to successful regional industries are derived, in substantial part, from marketing rigidities.

Given the informational base which will be developed in the industrial promotion agencies, these could be given responsibility for developing the marketing information, and otherwise charged with assisting in the establishment of such industries. However, a regional coordinating body would be indispensable to oversee this effort. The C.I.C. could provide an appropriate regional body for carrying out foreign investor identification and for coordinating the regional industry development effort. Should this organization be unable to accept these responsibilities, arrangements with other regional organizations could be improvised.

B. Small Manufacturing and Services Industries

The definition of small industry used by the Barbados Institute of Management and Productivity is generally accepted, for programming purposes, throughout the Eastern Caribbean. According to the BIMAP, small enterprise is one which has at least two of the following characteristics: less than 25 employees, less than U. S. $25,000 in fixed capital, or less than U. S. $25,000 in annual sales. The definition was formulated as a guide to eligibility of firms for subsidized technical assistance. The Development Finance Corporation, on the other hand, in determining eligibility for small industry loans, define eligible firms as those with a net worth which does not exceed U. S. $55,600.

As noted previously, the bulk of industrial establishments in the LDC falls under the BIMAP definition. Similarly, of the identified service industries, more than 92% would be classified as small industry. As noted in the Industrial Production Statistics Workshop held in Barbados in June on 1978, "The Statistics of small scale enterprise is perhaps the most deficient area of industrial production statistics in the Caribbean". The statistics used herein are estimates derived from National Provident Fund records, and occasional reports produced by LDC Governments and other agencies. These indicate that approximately 89% of all commercial and manufacturing enterprises can be classified as small enterprise in the eight states. For St. Lucia, for which more precise and detailed data has been gathered for the purposes of this project, the total is 265, of which 83 are manufacturers and 192 are commercial.

1. Importance of Small Enterprise

Small scale enterprise has played a major role in the industrialization processes of Japan and of other Far Eastern nations, which had conditions similar, in some respects, to those prevalent in the present day Caribbean. Until the rise of high technology enterprises which now characterize Japanese industry, her major exports to the West were produced by enterprises averaging about twelve employees.

For the LDC's, with their limited market, the role of small enterprise may be of special importance as import substitution producers, especially for agrobased industries which lend themselves readily to small scale operation. In this capital scarce area, small-scale industry provides a direct canalization of private saving into productive operations, and, as these are generally labor intensive, such an enterprise has a disproportionately high employment generation effect.

In addition, small scale enterprise possesses locational flexibility, and may be readily adapted to unique local conditions. Moreover, such enterprise is usually locally owned, and in an area where foreign ownership of industry is substantial, it facilitates a more equitable ownership pattern and provides a vehicle for the development of entrepreneurial and management skills.

Of growing importance will be the role of small scale enterprise as direct producers for the external export market. Small scale producers and organized cottage industry, if properly programmed, may contribute substantially to employment generation through participation in already identified special markets. It may well be expected that such enterprise may also establish linkages with large scale firms as sub-contractors, and as providers of maintenance and repairs. Approximately 1500 services and manufacturing firms make up the resource pool from which it is expected that, with adequate assistance, export production will be increasingly generated.

2. Problems and Needs

There are two categories of problems facing small business in the Caribbean. The first one derived from the nature of the markets to be serviced and from the productive processes used to respond to market possibilities. The second is derived from the lack of business skills of the managers of such enterprises. From the conjunction of these limitations arises a third: the irresponsiveness of banks to the financial needs of businessmen, so handicapped.

The first problem is shared by small business with larger firms in the Caribbean, and may be alleviated to some degree by a providing better marketing information, on one hand, and appropriated technological information and assistance, on the other. A wide range of technology remains unavailable to the small producer, and existing technological adaptations are required to adjust production optimally to the small local and regional markets.

The problem arising from a lack of business skills is not susceptible to mechanistic solution. In part, it is an inheritance of an education system which has stressed academic attainment, while relegating business and vocatinal training to minor roles in the education system. Nevertheless, the presence of a reasonably well educated work force, facilitates the training of managers and workers. U. S. firms in Barbados, for example have found training of both workers and managers relatively easy and have frequently achieved productivity rates substantially higher than in similar U. S. domiciled firms. The talent pool appears to be available, but no consistent program for imparting management skills presently exists in the LDC's. Technical assistance is provided by various agencies as an adjunct to their other activities, e.g. some DFC's provide counseling services to small enterprises. None, however, are programmed to relate management improvement priorities to establishments which have defined growth possibilities. Neither has been the policy of the counseling services to shift able managers/entrepreneurs from unprofitable and marginal activities to production or services which promise success. Moreover, little provision is made for linking management training to the technology used, or to be utilized, by the firms. Technical assistance provided without regard to these considerations frequently is without positive results; indeed, not an inconsiderable number of the firms go out of business after receiving assistance. It appears that technical assistance is focused on firms in trouble, rather than those with success probabilities. Given the relatively high cost of technical assistance to small business, it is essential that it be targeted more precisely, and with greater skill. Further, given the range of business/technical requirements for effective aid to small enterprise, it is doubtful that any ECCM state can afford the maintenance of a pool of T. A. personnel possessing the wide range of skills necessary. A regional approach to small enterprise assistance is one instance where, through economies of scale, certain forms of technical assistance services can be delivered at lower costs.

Demand for credit by small enterprise is, according to industry spokesman, high; effective demand, as reflected in DFC and commercial bank lending, is low. The DFC's report loans of only U. S.

$1.2 million to manufacturing. Commercial banks' records do not differentiate between small and large industries, but it is estimated by some members of its banking community, that about 10% of the total industrial portfolio of U. S. $13.8 million is in small industry loans, and slightly more than 10% of its commercial portfolio of U. S. $36.4 million is in small enterprise loans. Thus, commercial banks' credit to small enterprise is estimated at approximately U. S. $4.0 million.

Commercial bank credit emissions to small busniness is largely for working capital and well secured loans for other purposes, and made available to established bank customers. Venture capital is seldom available. The conservative policies of the banks make it virtually impossible to lend for new projects for small business, when the expansion envisaged by the small businessman represents a doubling or tripling of his liabilities, and the loan exceeds his net worth.

The DFC's have not to date, been able to tap the unfulfilled demand because of cumbersome procedures which combine the worst features of development and commercial banking.

3. Labour Intensive Export Industries

Labour intensive export, presently carried out mainly by "enclave" industries, presents excellent opportunities for small enterprise in the LDC's. Many specialized products depend upon small specialized production facilities, or conversely on widerspread organized cottage industry. Initial investigation of potential small enterprise production possibilities for extra-regional sales, resulted in proposals by specific buyers for goods valued at over U. S. $2.0 million.

These included items presently capable of being produced by existing small firms in St. Lucia and Dominica, as well as items for cottage industry fabrication in the majority of the LDC states. The job creation effect of the proposed production could exceed 400 new positions. It is evident that the possibilities for introduction of labour intensive operations for small industry are probably in excess of the LDC's capacity to respond, but even partially effective response would absorb a considerable number of workers and make substantial contributions to current account positions of the LDC's.

Labour intensive export industries, if developed in response to specific market requirements, provide an array of benefits, direct and indirect. Foreign buyers frequently are able to provide training in production and management techniques. This source of technical assistance to small producers is unexcelled. It is production

and cost oriented, and involves technology transfer of a nature specifically adapted to the production at hand. Substantial portions of the fixed Capital may be provided by the buyers. Of greatest importance is the provision of ready, well-defined, and committed marketing channels.

The major problem preventing small firms from entering into this form of production is the lack of knowledge of potential buyers and of the arrangements which can be made with them. The investment promotion officers in the LDC's, through regional coordinated efforts should be able to establish the information channels required.

Table 1

SELECTED EASTERN CARIBBEAN LDCs
GDP IN INDUSTRY SECTOR
(Current US $000s)

Country	1971	1972	1973	1974	1975	1976
Antigua	6,050	6,954	7,330	7,763	8,207	7,623
Dominica	2,594	2,671	2,723	2,955	2,896	3,214
Grenada	3,208	3,212	3,541	3,227	4,427	5,541
St. Kitts/Nevis/ Anguilla	2,266	2,833	3,456	4,078	4,404	4,493
St. Lucia	5,685	6,575	7,857	8,681	9,757	10,524
St. Vincent [1]	2,147	4,014	4,834	5,366	5,849	6,726
Montserrat	NA	NA	NA	NA	NA	NA
Belize	NA	NA	NA	NA	NA	NA
TOTAL	21,950	26,259	29.741	32,070	35,540	38,121
(Constant 1976 US $000)						
Antigua	10,689	11,475	10,795	9,610	9.110	7,623
Dominica	4,542	4,543	4,289	3,634	3,097	3,214
Grenada	6,277	5,927	5,647	3,979	4,980	5,541
St. Kitts/Nevis/ Anguilla	4,355	5,133	5,692	5,264	5,153	4,493
St. Lucia	9,734	10,622	11,224	11,283	10,390	10,524
St. Vincent [2]	4,559	8,045	7,697	6,818	6,506	6,726
Montserrat	NA	NA	NA	NA	NA	NA
Belize [3]	7,016	7,943	8,292	9,610	NA	NA
TOTAL (less Belize)	40,156	45,745	45,344	40,588	39,236	38,121

Source: Report No. 2044a, CRB Regional Economic Survey of Eastern Caribbean Common Market Countries, Latin America and the Caribbean Regional Office. May 22, 1978 - World Bank.

1/ Industrial GDP at factor cost.
2/ St. Vincent 1971 & 1972 estimates are not comparable due to different methods of estimating.
3/ Industrial GDP at factor cost, 1973 prices, includes electricity and water.

TABLE 2

MANUFACTURING/TOTAL LABOR FORCE COMPARISONS IN SELECTED LDC's

Country	Manufacturing Employment 1970	Manufacturing Employment Latest Available Data	Total Employment 1970	Total Employment Latest Available Data
Antigua	2,139	1,510	18,575	19,254
Belize	4,596	N/A	31,465	N/A
St. Lucia	2,153	N/A	26,583	39,610
Grenada	2,068	N/A	25,980	N/A
St. Vincent	1,632	1,374	20,990	N/A
Dominica	1,545	N/A	19,677	14,000
St. Kitts	1,286	1,600	12,369	21,000
Montserrat	203	N/A	3,769	1,406
TOTAL	15,622		159,408	

Sources:

1970 Total Employment and Total Manufacturing Data from 1970 Census of the Caribbean.

Total Employment Latest Available Data from National Provident Fund Employee Registrations, except Antigua from Statistics Division, Ministry of Planning, Development, and External Affairs (1975-1978).

Manufacturing Employment Latest Available Data:

Antigua: Statistics Division - Ministry of Planning, 1974.
St. Vincent: Estimates from UNIDO Report on St. Vincent, 1976.
St. Kitts: Annual Report of the Department of Labour, 1976.

Table 3

MANUFACTURING EMPLOYMENT IN
SELECTED EASTERN CARIBBEAN COUNTRIES
(For Various Years)

	No. of Industrial Enterprises			
No. of Employees	Barbados (1975)	Belize (1974)	Antigua (1977)	St. Vincent (1976)
0 - 4	23	53	23	56
5 - 9			13	20
10 - 25	36	10	8	24
25+	90	17	7	9
Total No. of Enterprises	149	80	51	109
Total Manufacturing Employment	8,290	n/a	1,510	1,252
Average Employment per Industrial Enterprise	56	n/a	30	11
BIMAP Definition of Small Business as % of Total Enterprises	40%	79%	86%	92%

Sources:

Belize: Annual Report of the Labour Department for the year 1974.
Antigua: Antigua Statistical Year Book 1977, Statistical Division Ministry of Finance.
St. Vincent: Estimates on Value Added in the Industrial Sector of St. Vincent in 1976. Tetsuo Yamada UNIDO, September 1977.
Barbados: Preliminary (unpublished) result of 1975 Establishment Survey, Statistical Services.

TABLE 4

INVESTMENT AND EMPLOYMENT UNDER
BARBADOS INVESTMENT PROMOTION SCHEME

Year 1/	New Enterprises Operating	New Investment (US$)	New Employment	Average Investment Per Job (US$)
1973/74	9	5,227,500	1,262	4,150
1974/75	6	973,250	345	2,800
1975/76	5	1,185,500	698	1,700
1976/77	13	7,642,750	1,131	6,762
1977/78	12	N/A	1,544	N/A
Total 1976/77	33	15,034,000	3,436	4,375

1/ Fiscal Year, April 1 - March 31.

Note: Investment and Employment figures include expansion of operations in existing industries previously admitted under the Investment Incentive Scheme.

Table 5

INVESTMENT AND EMPLOYMENT UNDER BARBADOS INVESTMENT PROMOTION SCHEME

(US $000)

Year	1973/74	1974/75	1975/76	1976/77
New Enterprises	6	NA	6	13
$Investment In New Enterprises	4,066	NA	882	7,448
Employment In New Enterprises	399	NA	170	991
Average $Investment Per Job Investment	10.2	NA	5.2	7.5
Expansion Of Existing Enter	NA	NA	6	3
$Investment In Expansion	1,162	NA	304	200
Employment from Expansion	823	NA	528	140
Average $Investment Per Job From Expansion	1.4	NA	.6	1.4
Total $Investment For the Year	5,228	973	1,186	7,648
Total Employment Generated	1,222	290	698	1,191
Average $Investment Per Job	4.3	3.4	1.7	6.4

Note: Investment figures include working capital. Source: Barbados Investment Development Corporation.

TABLE 6

BARBADOS INVESTMENT PER EMPLOYEE
UNDER INCENTIVES SCHEME
(U. S. $000's)

Year	Investment Per Employee
1966	1.9
1967	.9
1968	.1
1969	1.1
1970	.5
1971	2.1
1972	.6
1973	4.3
1974	3.4
1975	1.7
1976	6.4

Note: An exchange rate of EC$2.0 = US$1 is used in this table.

TABLE 7

NUMBER OF BUSINESS ENTERPRISES
BY CATEGORY IN SELECTED LDC's
(Estimated)

Country	Number of Employees	Number of Manufacturers	Number of Commercial Establishments	Number of Manu. & Comm. Establishments Employing Less Than 25	Number of Manu. & Comm. Enterprises Employing Less Than 50	Total Number of Employees
1. St. Kitts	750	N/A	N/A	N/A	N/A	21,000
2. St. Lucia	1,312	83	223	265	26	39,610
3. Belize	1,676	139	300	322	10	N/A
4. St. Vincent	901	109	639	N/A	N/A	22,700
5. Antigua	1,351	51	N/A	N/A	N/A	18,389
6. Dominica	934	N/A	N/A	N/A	N/A	14,000
7. Grenada	N/A	N/A	N/A	N/A	N/A	26,000
8. Montserrat	150	N/A	N/A	N/A	N/A	1,406
	7,074					143,105

Sources: Information obtained from National Provident Fund, Establishment Surveys, and UNIDO and World Bank Economic Studies

TABLE 8

LIST OF COMMERCIAL ENTERPRISES
ON ST. LUCIA, 1978

NAME	NATURE OF BUSINESS	NUMBER EMPLOYED
Amur Ambroise Ltd.	Grocery, Liquor Shop & Bakery	51
F. H. Johnson & Sons Ltd.	Retail Hardward	25
Sunbuilt Ltd.	Building Construction Supplies	14
Habib Hanna & Co.	Dry Goods Retail	2
Theodore's Drug Store	Drug Store	2
Regis Durg Store	Drug Store	4
Shipwreck Shops	Retail Handicrafts/Souvenirs	25
Charles Arlain	Dry Goods	4
Bata Shoe Co.	Footwear	17
Joseph's Boutique	Drygoods Store	2
Concreto Centrifugado S. A.	Construction	62
Singer Sewing Machine Co.	Sewing Machines	5
Stanthur Co. Ltd.	General Merchants	25
Claudius Chase	Grocery & Liquor Store	4
Peter & Co.	Wholesale/Retail Merchants	74
Carasco & Sons Ltd.	Merchants	9
Lafayette Fruit & Produce	General Merchants	122
West Indies Tractor Co.	Heavy Equipment Dealers	11
Terco Ltd.	Heavy Equipment Dealers	16
Choc Estate	Estate/Garage	55
E. Marcellin & Co.	General Merchants	15
Catholic Supply House	Bookshop	2
J. Q. Charles Ltd.	Drygoods, Grocery General Merchants	285
Y. De Lima	Jewelers	31
O. D. Brisbane	Commission Agents	10
Caribbean General Agency	Manufacturers Representatives	2
J. McFarlane	Drygoods Store	2
St. Lucia Marketing Board	Marketing Local Produce	10
Marthias Grocery	Grocery	2
Michael Daher	Drygoods Merchants	2
J & S Marketing	Marketing Local Produce	5
Monplaisir Supplies	Building Supplies	9
Time Store	Drygoods Store	2
Nicholas Chreiki	Drygoods Store	3
M & C Limited	General Merchants	295+
Caricom Agencies	Commission Agents	3
Valence Reviere	Grocery Retail	2

TABLE 8 (Con't.)

LIST OF COMMERCIAL ENTERPRISES
ON ST. LUCIA, 1978

NAME	NATURE OF BUSINESS	NATURE EMPLOYED
Danish House	Boutique, Drygoods	3
Clive St. Croix	Grocery Shop	3
Jabra Tomey	Drygoods Store	1
Christian Literature Crusade	Bookshop	2
Elias Habib	Drygoods	2
Singh's Drug Store	Drug Store	2
A. F. Valmont & Co	General Merchants	70
Reynold James & Co.	Commission Agents	12
Amana Regrigeration Ltd.	Refrigeration Repair/Sales	6
Chauso Enterprise Ltd.	Retailing Petroleum/ Service Station	6
Sunshine Bookshop	Bookshop	3
Joseph JnBaptiste	Wholesale/Retail Market	6
Cox & Company Ltd.	General Merchants	7
Eupa's Garage	General Merchants	7
St. Lucia General Transport Ltd.	Petrol Service Station	4
Mailings Compto	Liquor Retail	1
St. Lucia Perfumes	Boutique	1
The Sewing Centre	Haberdashery	4
Atwell Dalgliesh (St. Lucia) Ltd.	Commission Agents	3
Dixie Store	Drygoods Store	1
Caricom Marketing	Commission Agents	5
Linmore International House	General Merchants	15
Lunita Compton	Drygoods Store	3
Habib Tomeh	Drygoods Store	3
Clara's Grocery	Grocery Retail	4
Marie P. Daniel	Grocery Restaurant	3
Frankie Leonce	Liquor Retail/Wholesale	9
Foster's Gas Station	Petrol Retail	6
Goodwill Fishermen's Corporative Soc.	Consumer Cooperative	5
Central Sales	Commission Agents	5
Recaii's Supermarket	Supermarket	6
I. E. Fenton (St. Lucia) ltd.	Commission Agents	5
International Foods & Trading Co.	Office Equipment/Sales/ Service	4
Fort-Charlotte Super Centre	Grocery/Retail	2
Dinah's Original	Boutique	1

TABLE 8 (Con't.)

LIST OF COMMERCIAL ENTERPRISES
ON ST. LUCIA, 1978

NAME	NATURE OF BUSINESS	NUMBER EMPLOYED
Caribbean Office Machines	Office Equipment, Sales & Services	2
Star Agency	Commission Agent	3
Iris Richardson	Liquor Retail	2
Marwan Chreiki	Drygoods	4
Top Fashions	Drygoods	4
Saide Thome	Drygoods	4
Crick's Esso Station	Petrol Station/Garage	4
Cimpex Ltd.	Commission Agents/Retailers	20
Vide Boutielle Consumer Co-op	Consumer Co-Operative	6
W. B. Hutchinson	Commission Agents	5
St. Lucia Foods Limited	Food Market	10
Renwick & Gedd3s Grant Ltd.	General Merchants	18
Super Centre Food Fair	Supermarket	40
Mona James	Grocery Shop	2
Copaco Limited	Road Construction Materials	6
Pamela Burt	Drygoods Retail	1
Dunes Ville Enterprises	Grocery Retail	6

TABLE 9

LIST OF INDUSTRIAL ENTERPRISES
ON ST. LUCIA, 1978

NAME	NATURE OF BUSINESS	NUMBER EMPLOYED
Windward Islands Pkg. Company	Cardboard Box Factory	105
A. L. S. Lambert	Electronics	6
Annius Electronics	Electronics	6
Art Centre	Garments	10
Art Printery	Stationery	9
Bagshaws of St. Lucia Ltd.	Screen Printing	12
Bottlers St. Lucia Ltd.	Beverages & Ice Cream	43
Brown Holdings & Development Ltd.	Engineering	—
Built-in-Furniture	Furniture	--
Cadasse Brothers Enterprises	Bakery	17
Carib Processors Ltd.	Margarine & Lard	--
Cardevco	Furniture	--
Caricom Marketing Ltd.	Production of Plastics	--
Carib Toy Co. Ltd.	Wooden Toys	--
Clay Brick Project	Brick Manufacture	--
Copra Manufacturers Ltd.	Coconut Products	--
Du Boulay's Botteling Co.	Aereated Drinks	--
Electronics Ltd.	Electronics	--
Exotic Garments	Garments	--
Fine Timbers Ltd.	Timbers	48
Filbrandt-Fricot Associates	Peanut Butter, Coffee	--
Floissac Holdings Ltd	Ice Cream	12
Fashionaire Limited	Garments	60
Harlin Industries	Household Hardware	13
Hess Oil Refinery	Petroleum Storage, Refining	250
Holiday Foods Ltd.	Snack Foods	26
Intercontinental Distilleries	Alcoholic Beverages	24
J. & S. Marketing Ltd.	Garment Pringing	--
Speedwell Engineering	Welding	--
K. B. Designs	Wrought Iron Furniture	--
Kegee Garments Ltd.	Garments	25
Lithographic Press	Printing	6
Lina Products (St. Lucia) Ltd.	Garments	--
Luciarest Products	Mattresses	18
Northrock Limited	Quarrying/Crushing Operations	11

TABLE 9 (Con't.)

LIST OF INDUSTRIAL ENTERPRISES
ON ST. LUCIA, 1978

NAME	NATURE OF BUSINESS	NUMBER EMPLOYED
Majestics Ltd.	Barbed Elastic Products	80
Manumatics Ltd.	Electronics	100
Master Designs Ltd.	Wrought Iron Furniture	--
Mayfair Fashions Knit Ltd	Garments	120
Modern Furniture Enterprises Ltd.	Furniture	--
Morrils Furniture	Furniture	20
National Plastics	Plastic Sheets and Bags	--
Palm Tree Foods Ltd.	Cooking Butter	18
Pennakool Co. Ltd.	Beverages	--
Roses Enterprises	Garments	36
Self-Help Manufacturers	Furniture	--
Stylerite Garment Factory	Garments	--
St. Lucia Bay Rum Co.	Toilet Water, Colognes	10
St. Lucia Cigarette Factory	Cigarettes	--
St. Lucia Bandag Ltd.	Tyre Retreading	12
St. Lucia Canners Ltd.	Beverages & Confectionery	26
St. Lucia Distilleries Ltd.	Alcoholic Beverages	--
St. Lucia Flourmilling Co. Ltd.	Flour & Animal Feed	--
St. Lucia Ice Factory	Ice	4
St. Lucia Industries Ltd.	Plastic Bags, Raincoats	--
St. Lucia Liquers Ltd.	Liquers	--
St. Lucia Optical	Spectacles	--
St. Lucia Garment Factory	Garments	--
Techni Profucts Ltd.	Electronics	--
Teeanty Products Ltd.	Garments	--
Ferrand's Dairy	Ice Cream, Milk Products	24
ViGlass Ltd.	Fibreglass Items & Car Body Filler	50
Voice Publishing Co. Ltd.	Printing	--
V. H. Roots Ltd.	Lead Acid Batteries	--
Winera (Windward Island Packaging Company Ltd.)	Cardboard	--
Wallis Press	Stationery	--
Windward Islands Gases	Industrial Gases	--
Windward & Leeward Brewery Ltd.	Beer, Malta & Stout	60
West Indies Handicraft Centre	Needlework and Printing	--
N. Y. Daher	Tobacco/Factory Cigarettes	--
Gov't Timber Industry	Timber Processing	--
Morne Bakery	Bakery	--
Williams Bakeries	Bakeries	50
Madge of St. Lucia	Garments	3
Starry's Bakery	Bakery	8

TABLE 10

LIST OF SERVICE ENTERPRISES
ON ST. LUCIA, 1978

NAME	NATURE OF BUSINESS	NUMBER EMPLOYED
E. LaForce	Building Construction	11
Sapphire Club	Restaurant/Night Club	5
Carib Travel Agency	Travel Agency	5
Walcott's Construction Co.	Building Construction	32
Anse Chastanet Hotel	Hotel	28
Jules Plumbing Service	General Plumbers	13
Villa Hotel	Hotel	15
Lovell & Sims	Architects	2
St. Lucia Rental Co. Ltd.	Rental of T. V. Sets -- Sale of Household Appliances	7
St. Lucia T. V. Service	Commercial T. V. Service	5
Blyth & Blyth (W.I.) Ltd.	Consulting Engineers	7
Coopers & Lybrand	Chartered Accountants	10
The Last Wagon	Restaurant/Bar	10
Peat Marwick Mitchell & Co.	Chartered Accountants	32
St. Lucia Electricity Services Ltd.	Electricity Services	154
Clarke's Theatre	Cinema	7
J. C. Collymore & Co.	Building Construction	21
Flamingo Cafeteria	Cafeteria	3
St. Lucia Employers Federation	Employers Federation	3
La Dainty	Restaurant/Bar/Guest House	9
St. Lucia Yacht Services	Yacht Services	12
G. A. Guard	Land Surveying	6
D & N	Hairdressing Salon	5
Holiday Inn	Hotel	125
King's	Drygoods Retail	4
The Wicki-Up	Restaurant	7
Monrose's Parlour	Restaurant	7
Freddy's Garage	General Mechanics	13
East Winds Inn	Hotel	17
St. Lucia Tourist Board	Tourist Promotion	7
Monica Giraudy (Monica's)	Hairdressing Salon	3
Golden Inn	Restaurant	3
Gajadhar's Garage	Motor Garage	3
Ivan John	Tyre Repair Shop	2
Edgewater Beach Hotel	Hotel	3
Radio Caribbean	Commercial Radio Station	11
Ornan Monplaisir	Land Surveyor	6
Ron Engineering & Construction	Construction	13
Calabash Restaurant	Restaurant	11
Caribbean Cleaners Ltd.	Laundry	20

TABLE 10 (Con't.)

LIST OF SERVICE ENTERPRISES
ON ST. LUCIA, 1978

NAME	NATURE OF BUSINESS	NUMBER
Kimlan's	Restaurant	10
Leo J. Alexander	Surveying	4
The Crusader	Printers	3
Kiatrai Hotel	Hotel	4
J. St. Pierre & Sons Ltd.	Building Contractors	17
St. Lucia Broadcasting Corporation	Radio Station	20
Hurricane Hole Hotel	Hotel	29
B. Williams	Building Contractor	12
Colton Enterprises	Office Cleaners	10
Caribbean Decorating Services Ltd.	Decorators	--
Peppino's	Restaurant	5
Nu-Tyre Ltd.	Tyre Retreading	7
St. Lucia Modern Motors	Mechanics	4
Halcyon Days Hotel	Hotel	330
Malabar Beach Hotel	Hotel	60
Ray's Refrigeration	Refrigeration Mechanic	3
Planter's Inn	Guest House	1
Marie-Ann George	Restaurant/Bar	3
Hawker Elecgrics	Electrical Contractor	13
Michael O'Brian	General Mechanic	3
J. W. Skeete & Co.	Chartered Accountants	4
Quantity Surveyors Ltd.	Quantity Surveyors	3
Robert Johnson Construction	Building Construction	24
Hunte's International Ltd.	Packing & Shipping Agents	15
The Ruins	Restaurant	4
Rain	Restaurant/Boutique	10
Wallace Sanchez	Shipping Agents	4
Green Parrot	Restaurant/Night Club	27
Halcyon Beach Club	Hotel	120
Vigie Cafeteria	Restaurant	3
Neville A. Crane	Land Surveyor	4
Far East Restaurant	Restaurant	6
La Toc Hotel	Hotel	400
Moses Henry	Contractor	5
La Luna nuera	Restaurant	10
St. Lucia Bandag	Tyre Retreading Service	11
Cenac's Garage	General Mechanics	15
St. Lucia Stevedores	Stevedoring	380
St. Lucia Chamber of Commerce	Chamber of Commerce	3
St. Lucia International Travel Service	Travel Agents	5

TABLE 10 (Con't.)

LIST OF SERVICE ENTERPRISES
ON ST. LUCIA, 1978

NAME	NATURE OF BUSINESS	NUMBER EMPLOYED
George & Associates	Construction Management	5
Aircraft Services	Aircraft Handling Agency	9
Texaco W. I. Limited	Petroleum Dealers	--
Marina Bay Services	Refrigeration/Air Conditioning	10
Milton T. Mayers	Building Contractor	25
W. B. Paul	Quantity Surveyor	1
Elford Bradley	Construction	20
Robertson Ward Associates	Architects	3
Office Equipment	Xerox Copy Service	4
Inter-Island Consultants	Architects	5
Brown Holdings	Building Construction	60
Steven Yachts	Yacht Charter Service	12
Imbert Jeremie	Building Contractor	5
J. F. Modest	Surveying	5
Prout's Heavy Equipment Workshop	Workshop	4
Flick (St. Lucia) Ltd.	Termite Control Service	6
Rentokil (St. Lucia) Ltd.	Pest Control Service	10
Engineering Services	Refrigeration/General Repair	6
Caribbean Consulting Engineers (St. Lucia)	Consulting Engineers	6
Kier Limited	Wharf & Bridge Construction	55
Cloud's Nest Hotel	Hotel	3
Wooden Spoon	Restaurant/Bar	3
Halycon	Hotel	50
Rodney Bay Limited	Land Development	17

TABLE 11

LIST OF FINANCIAL & RELATED ENTERPRISES
ON ST. LUCIA, 1978

NAME	NATURE OF BUSINESS	NUMBER
Hewannora Enterprises	Real Estate Development	7
Kirpalani Investments	Marketing/Investments	20
St. Lucia Cooperative Bank Ltd.	Commercial Bank	24
American Life Insurance Co.	General Insurance	2
Bank of Nova Scotia Ltd.	Commercial Bank	51
J. E. Bergasse & Col. Ltd.	Insurance & Commission Agents	36
Royal Bank of Canada	Commercial Bank	30
J. R. Hunte & Co. Ltd.	Insurance/Real Estate	13
Barclays Bank, D. C. O.	Commercial Bank	--
Barbados Mutual Life Insurance Co.	Insurance Company	3
W. L. Edgecombe	Insurance Agents	9
Canadian Imperial Bank of Commerce	Commercial Bank	26
St. Lucia Mortgage Finance Co.	Finance Company	7
British Fidelity Insurance Co.	Insurance	20
Pilgrim Agencies	Inusrance/Commission Agents	3
Chase Manhattan Bank	Commercial Bank	18
First National Insurance Co.	Insurance	28
St. Lucia Insurance Agencies	Insurance & Agencies	3
Vieus-Fort Brokerage Ltd.	Brokerage Company	29
Motor & General Insurance Co. Ltd.	Insurance	3
Great Northern Insurance Company	Motor Insurance	4
Demerara Mutual Life Insurance	Insurance	2
B. E. P. International	Customs Brokerage	3
The Family Guardian	Insurance	17

TABLE 12

LIST OF COTTAGE INDUSTRIES OR HANDICRAFT ENTERPRISES ON ST. LUCIA, 1978

NAME	NATURE OF BUSINESS	NUMBER EMPLOYED
Felix Paul	Wrought Iron Works	3
Choiseul Handicraft Centre	Handicraft	10
Ebony Enterprises Ltd.	Dressmaking Shop	2
Noah's Arcade	Retail Shop (Handicraft)	7
Castries Craft Centre	Handicraft	--
Design St. Lucia	Batik, Tie-Dye (Garments)	--
Clement Etienne	Wrought Iron	2
Arthur Jacobs	Arts & Crafts	--
Morne Arts & Crafts	Handicraft	--
Movement for the Promotion of Leathercraft	Leatherwork	--
N. F. Pompelis	Woodworking	--
George Ausman	Woodworking	--
Marshall	Woodworking	--

C. Demonstration of Export Industry Possibilities

The export industry promotion effort anticipates the willingness of companies owning production facilities in the Far East, to transfer such facilities to one or more LDC's in the Caribbean. It also assumes that U.S. companies wishing to penetrate foreign markets through locational advantages in the LDC's, would also be interested in establishing production units there. A further assumption is that countries in Latin America, notably Venezuela, which have expressed interest in increasing trade with the Caribbean, would be willing to open up a portion of their market to the LDC's under some form of trade preference.

These assumption were tested during the project design period. At the same time the procedures utilized were documented to identify requirements for continuing the efforts in a formal program.

The test, carried out during the spring and summer of 1978, identified thirty-six firms, which were considered prime candidates for transfer of production to the Caribbean. Of these, twenty-two indicated positive interest in transfer of these, eight are presently completing comparison cost analyses, and four are preparing for discussions with Caribbean investment promotion agencies.

In working level discussions with the Venezuela Institute of Foreign Commerce, and the Ministry of Development, it was concluded that a number of products fabricated in the Caribbean could, by virture of lower production cost and locational advantage, successfully compete against present sources. These products, which in 1977 had a CIF value of U.S. $62,969,000, are shown below (page 94). Technicians within the cities agencies indicated a willingness to recommend to high authority that some form of duty preferences be extended to Caribbean industries initiating such production.

The procedures followed in the test fall into five steps:

1. Identification of products fabricated in the Far East which are undergoing severe upward price shifts, and for which the market share of Far Eastern procedures is diminishing.

2. Identification of specific companies which operate facilities producing the products identified in (A) above.

3. Evaluation of each company as a candidate for location in the Caribbean.

4. Contact with and preliminary negotiations with each company.

5. Alerting of Caribbean Investment Promotion Agencies to developments, and transferring responsibility for continued negotiations to those agencies.

These five steps are detailed below:

STEP 1 - IDENTIFICATION OF PRODUCTS

U.S. Import Analysis Relevant to Caribbean Export Potential

During the past ten years Japan and other Far Eastern countries has lost its competitive advantage in the production and export of many commodities which require only a low or medium level of technology in their manufacture. Its market share of the exports of many such goods to the U.S.A. has fallen drastically. One major cause is the rising labor cost per unit of output of medium and low technology products in contrast to the labor efficiency in capital intensive industries with the latest modern technology. Similar phenomena are occurring in certain other Far East countries as they move upwards from a low or medium level of technology to a higher, more capital intensive level.

It should be mentioned, too, that rising labor costs per unit of output are not the only cause of certain Far East countries losing their competitive edge in the export of many products. Higher transport and insurance costs and greater cost burdens because of bureaucratic interventions are additional causative factors.

Objectives:

1. To identify those specific products imported form Japan into the U.S.A. during recent years, where Japan has suffered a declining share of the market and, in some cases, has experienced and absolute decline in physical volume and in value.

2. To identify those nations which are gaining an increasing share of the market at Japan's expense and to present the magnitude of these increasing shares. For this purpose statistics for the years 1972 and 1976 will be furnished.

3) To identify from the hundreds of commodities imported from Japan and other foreign countries, especially Far East countries, those specific products which could most feasibly be manufactured in the Caribbean area.

4) To formulate and prepare a routine analytical procedure to be used in training Caribbean personnel for continuing and expanding the type of import and analysis and procedure followed in this report.

Analytical Framework. The analytical method followed to achieve the objectives of this report is as follows:

1) Review all of the more than 10,000 commodities imported into the U.S.A in 1972 and 1976 and select and prepare a list of those in which Japan was the leading or an important supplier in 1972 and a less important supplier, either absolutely or relatively, in 1976.

2) From the above list (109 commodities) select those (34) commodities which offer the best prospects for being produced in the Caribbean area, using the following major criteria for selection:

   a. Size of decline of Japan's market share

   b. Size of increase of other suppliers' market share

   c. Total dollar volume of imports in 1972 and 1976 from all foreign suppliers, plus individual value figures for Japan and its principal competitors.

   d. Average customs value per pound or other physical unit from all foreign suppliers as well as the customs value per unit for Japan and each of its principal rivals.

   e. The difference between customs values and c.i.f. values by commodity, thus measuring the effect of insurance and freight differentials in affecting the feasibility of production in the Caribbean area.

Analysis

The evaluation, presented herewith, consists of the presentation, tabulation and analysis of statistical data for the 34 commodities into the U.S.A. from Japan which were considered to be most feasible for production in the Caribbean area. The data about them is shown in four tables, plus Supplementary Table 19.

Table 13 simply lists the 34 commodities by their official names

as they appear in the U.S. Government foreign trade documents FT246 and FT 135.

Table 13 provides the import data on each of the 34 commodities for the years 1972 and 1976. It shows the total customs value for all foreign suppliers collectively and the customs value for Japan separately. Then it shows Japan's share of the total market in 1972 and 1976. In each case, Japan is seen to have suffered a large decline in its market share between 1972 and 1976, the decrease varying widely from commodity to commodity.

Table 14 contains data on 14 of the 34 products;* which supplement those given in Table 13 . They show not only the dollar value of each of the 14 imports from Japan for the years 1972 and 1976, but also the value of each of the 14 supplied by each of Japan's principal competitors. The two right-hand colums show both Japan's share of the market in 1972 and 1976 and the market shares of its leading rivals during the same years. Hence, one can note at a glance the countries whose market shares increased most rapidly by 1976, as well as those which registered smaller or no gains at all.

Table 15 differs from the preceding 2 tables in that it covers only 8 of the 14 commodities selected earlier. The two Government documents, FT 246 and 135, contain additional statistical information on these 8 products, giving physical quantities as well as values. Hence, value per unit, in pounds, dozens, pairs, etc., can be computed not only for Japan but also for some of its leading competitors. These values per physical unit are contained in Table 16. In addition, Table 15 gives both customs value and c.i.f. (cost, insurance, and freight) value for each product imported into the U.S.A from each foreign country, permitting the computation of c.i.f./customs value ratios. The customs value normally represents the list price there plus insurance and freight charges to the port of entry into the U.S.A. Hence, if the customs value for imported product A is $100 and the c.i.f. value is $108 percent of the customs value. This normally indicates that the insurance and freight charges to get the commodity from its foreign source to a port of entry in the U.S.A. is 8 percent of the customs value.

These c.i.f. value/custom value ratios are significant for they help determine the advantages which could accrue to products manufactured and imported from the Caribbean because of their being closer to the American market, with resulting lower insurance and freight charges.

*. Similar data for the remaining 20 of the 34 products (products numbered 15 to 34) are given in supplementary Table 19.

Supplementary Table 19 contains statistical data on 20 of the 34 products imported into the U.S.A. from Japan during 1972 and 1976. These 20 were considered to possess good prospects for production in the Caribbean area, and like the 14, show that Japan's market share declined between 1972 and 1976, but usually not so much. For those wishing to examine more than the first 14 of the 34 commodities covered in detail in the main body of this report, it is recommended that they consult the supplimentary statistical data in the Supplementary Table.

Table 13. List of 34 Selected Commodities Imported into the U.S.A. in 1972 and 1976, Where Japan Was An Important Supplier and Suffered A Substantial Decline in Market Share. (Government code numbers shown)

1.	6327220.	Wood Forks, Spoons, Household Utensils and Parts NSPF
2.	6328870.	Blinds, Shutters, Screens and Shades of Wood, With or Without Their Hardware
3.	7006005.	Footwear Exc U.S. Type, Oxford Ht., Rub/Fabrc, Child and Infant PR
4.	7021020.	
	7021220.	Headwear Not Knit Of Cotton
5.	7030500.	Headwear of Man-Made Fibers Wholly or Part Braid
6.	7043220.	
	7043535.	Gloves Lace or Net A Oth Orn Man-Made Fiber Pre-Exist Fabric
7.	7053530.	Gloves, Horse or Cowhide, With Fourchettes or Sidewalls
8.	7062240.	Cotton Handbags Not Pile or Tufted NES
9.	7062340.	Handbags Veg Fiber Exc Cot Not Pile or Tufted NES
10.	7062370.	Luggage A Flat Goods Veg Fib Exc Cot Not Pile Or Tufted NES
11.	7250610.	Guitars, Suitable for Playing Without Electric Amplifiers
12.	7253200.	Drums
13.	7311520.	Fishing Rods
14.	8210820.	Chairs, Wood NSPF, Including Folding
15.	6327340.	Wood Boxes, Chests, Cases for Jewels
16.	6328140.	Tool Bodies and Handles of Wood
17.	6462640.	Brads, Nails of I/S NES
18.	6505620.	Tablespoons and Table Ladles with Base Metal
19.	6505640.	Spoons and Ladles of Base Metal
20.	6542000.	Household and Sanitary Wares of Base Metal
21.	6762010.	Electronic Calculating Machines
22.	7006055.	Footwear, EXC, U.S. Type,Child.
23.	7043240.	Gloves, Lace or Net,etc.
24.	7053510.	Gloves, Horse or Cowhide
25.	7060860.	Luggage, Bags and Cases

26. 7113700. Thermometers
27. 7151517. Clocks NOV 47 Hrs.
28. 7161600. Watch Movements
29. 7200220. Clock Movements
30. 7227200. Photo Flash Liting Apparatus
3]. 7250620. Stringed Musical Instruments
32. 7250520. Matches, Natural Wood Stems
33. 6463000. Brads, Nails, Spikes
34. 7084550. Eyeglasses and Goggles

Comments on Table 13. It will be noted that the first 14 of the 34 commodities listed in Table 13 fall into three classes: Those made largely of wood, those made largely of base metals and those classified as miscellaneous manufactures. These first two classes, wood products and base metal products, are examples of low or medium technology and are relatively labor intensive, rather than capital intensive. The miscellaneous manufactures, however, comprise goods produced at various levels of technology and include various kinds of wearing apparel and accessories. It may be observed, too, that all 14 products listed are consumer rather than capital goods. The list contains household furnishings, kitchen wares and recreational and sporting goods.

Table 14

List of 34 Selected Commodities Imported Into the U.S. in 1972 and 1976, Where Japan Was An Important Supplier and Suffered A Substantial Decline in Market Share

	1972			1976		
Commodity Code No.	Total Value All Ctys.	Japan Only	Japan's Share	Total Value All Ctys.	Japan Only	Japan's Share
6327220. Wood Forks, Spoons, Household Utensils 1/	$31,868,000	$10,479,000	32.9%	$41,780,000	$ 2,650,000	6.3%
6328870. Blinds, Shutters, Screens and Shades 1/	2,613,000	798,000	30.6%	6,388,000	550,000	8.6%
7006005. Footwear, U.S. Type	13,750,000	2,089,000	15.2%	68,662,000	2,059,000	3 %
7021020. 7021220. Headwear Not Knit of Cotton	4,096,000	2,786,000	68.0%	7,567,000	390,000	5.1%
7030500. Headwear of Man Made Fibers	6,588,000	4,016,000	61.0%	6,016,000	1,914,000	31.8%
7043220. 7043535. Gloves, Lace or Net and Other Ornament	1,483,000	414,000	27.9%	5,050,000	---	0 %
7053530. Gloves, Horse, or Cowhide	8,527,000	2,566,000	30.1%	15,581,000	1,295,000	8.3%
7062240. Cotton Handbags	1,454,000	379,000	26.1%	5,579,000	---	0 %
7062340. Handbags, Veg. Fiber	2,405,000	957,000	39.8%	15,611,000	318,000	2.0%

1/ Data are for the year 1977 instead of 1976

Table 14(Continued)

List of 34 Selected Commodities Imported Into the U.S. in 1972 and 1976, Where Japan Was An Important Supplier and Suffered A Substantial Decline in Market Share

	1972			1976		
Commodity Code No.	Total Value All Ctys.	Japan Only	Japan's Share	Total Value All Ctys.	Japan Only	Japan's Share
7062370. Luggage and Flat Goods	$ 7,887,000	$ 5,193,000	65.8%	$13,709,000	$ 956,000	6.9%
7250610. Guitars	18,373,000	12,220,000	66.5%	20,805,000	10,323,000	49.6%
7253200. Drums	5,082,000	3,937,000	77.5%	8,551,000	1,338,000	37.9%
7311520. Fishing Rods	5,223,000	2,804,000	53.7%	14,420,000	4,541,000	31.5%
8210820. Chairs, Wood, NSPF, incl. Folding 1/	30,610,000	6,296,000	20.6%	90,161,000	1,079,000	1.2%
7053510. Gloves, Horse or Cowhide	936,000	458,000	48.8%	2,420,000	276,000	11.4%
7060860. Luggage, Bags and Cases	3,517,000	906,000	25.8%	7,587,000	327,000	4.3%
7084550. Eyeglasses and Goggles	1,253,000	667,000	53.2%	3,348,000	606,000	18.1%
7113700. Thermometers	1,118,000	638,000	58.8%	2,453,000	753,000	30.7%
7151517. Clocks NOV 47 Hrs.	5,338,000	1,518,000	28.4%	5,784,000	990,000	17.1%
7161600. Watch Movements NES	786,000	430,000	54.7%	1,637,000	299,000	18.3%
7200220. Clock Movements	14,024,000	7,950,000	56.7%	32,859,000	9,924,000	29.3%

1/ Data are for the year 1977 instead of 1976

Table 14 (Continued)

List of 34 Selected Commodities Imported Into the U.S. in 1972 and 1976, Where Japan Was An Important Supplier and Suffered A Substantial Decline in Market Share

Commodity Code No.	1972 Total Value All Ctys.	1972 Japan Only	1972 Japan's Share	1976 Total Value All Ctys.	1976 Japan Only	1976 Japan's Share
7227200. Photo Flash Liting Apparatus	$16,378,000	$13,226,000	80.7%	$35,065,000	$18,533,000	52.9%
7250620. Stringed Musical Instruments	2,028,000	1,660,000	81.4%	3,634,000	1,947,000	53.6%
7550520. Matches, Natural Wood Stems 1/	2,000,000	859,000	42.9%	3,152,000	707,000	22.4%
6327340. Wood Boxes, Chests, Cases for Jewels 1/	10,317,000	8,754,000	84.9%	23,784,000	10,129,000	42.6%
6328140. Tool Bodies and Handles of Wood 1/	2,926,000	406,000	13.8%	3,704,000	116,000	3.1%
6462640. Brads, Nails, of I/S NES	23,991,000	18,906,000	79.0%	46,861,000	26,653,000	57.0%
6463000. Brads, Nails, Spikes	6,661,000	5,849,000	88.0%	8,654,000	5,897,000	68.0%
6505620. Tablespoons and Table Ladles with Base Metal	1,257,000	1,035,000	82.0%	1,160,000	676,000	58.0%
6505640. Spoons and Ladles with Base Metal	1,442,000	1,232,000	85.0%	1,566,000	984,000	63.0%

1/ Data are for the year 1977 instead of 1976

Table 14 (Continued)

List of 34 Selected Commodities Imported Into the U.S. in 1972 and 1976, Where Japan Was An Important Supplier and Suffered A Substantial Decline in Market Share

	1972			1976		
Commodity Code No.	Total Value All Ctys.	Japan Only	Japan's Share	Total Value All Ctys.	Japan Only	Japan's Share
6542000. Household and Sanitary Wares of Base Metal	$ 9,270,000	$ 7,400,000	80.0%	$ 7,297,000	$ 4,760,000	65.0%
6762010. Electronic Calculating Mach.'76 Data recorded in 3 pts 6762012,-14,-16	22,590,000	8,232,000	37.0%	63,051,000	13,181,000	21.0%
7006055. Footwear, Exc. U.S. Type, Child	2,593,000	840,000	32.4%	4,382,000	226,000	5.2%
7043240. 7043545. Gloves, Lace or Net Etc	1,433,000	347,000	24.3%	11,576,000	161,000	1.4%

1/ Data are for the year 1977 instead of 1976

Comments on Table 14. Comments on Table 14 will be of two types: (1) those covering the 34 products as a group and (2) those covering individual products or a few closely related ones.

An examination of the first 14 of the 34 as a group shows that Japan in 1972 was a leading supplier to the U.S.A., in each case its market share ranging from 15% for U.S. type footwear to 68% for headwear and 77% for drums. In the case of 5 of the 14 products Japan was not only a leading supplier but was responsible for well over 50% of these imports in the U.S.A.

An inspection of the right-hand column showing Japan's market share in 1976 contrasts sharply with its share in 1972. In each case, Japan's share fell off sharply. For two products, cotton handbags and lace gloves, its share had fallen to zero while for three other products--footwear, handbags of vegetable fiber, and chairs--its share had dropped to a mere 3 percent or less.

In the case of two products, where it was the number one supplier by a wide margin in 1972, it had dropped to the level of a minor supplier by 1976. These were product no. 4, headwear, and product no. 10, luggage and flatgoods. Its market share of headwear dropped from 68% in 1972 to only 5% in 1976, while during the same interval, its share of luggage fell from 66% to only 7%. In 1972, Japan's market share was under 20% for only one of the 14 products listed, while in 1976, its share was less than 9% for 10 of the 14.

The three most important of the first 14 imports to the U.S.A., in Table 14, in terms of the customs value in 1976, were wood forks, spoons and household utensils; and U.S. type footwear. The value of these three imports from all foreign suppliers and from Japan separately was as follows:

	All Countries	Japan	Japan's Share 1972	Japan's Share 1976
Wood chairs	$90,161,000	$1,079,000	20.6%	1.2%
Footwear	68,662,000	2,059,000	15.2%	3.0%
Wood forks, etc.	41,780,000	2,650,000	32.9%	6.3%

In terms of dollar volume, the next four most important imports were handbags, $15.6 millions, gloves, $15.6 millions, luggage, $13.7 millions, and guitars, $20.8 millions. It will be noted that between 1972 and 1976, Japan's market share of handbags fell from 40% to 2%, of gloves (horse or cowhide) from 30% to 8%, and of guitars, from 66% to less that 50%. An inspection of all 14 products shows that guitars were the product where Japan came closest to maintaining its market share.

In the case of each of the 14 products the dollar volume imported into the U.S. increased substantially between 1972 and 1976. The increase resulted from both inflationary price rises and larger physical volumes. The larger extent of the increase in dollar volumes is especially evident in the case of wearing apparel, accessories and wood chairs. The percentage increases in the value of the imports of these products between 1972 and 1976, in round numbers, were as follows:

no. 3.	footwear	400 percent
no. 6.	gloves, lace	300 "
no. 8.	handbags, cotton	300 "
no. 9.	handbags, veg. fib.....	500 "
no. 13.	fishing rods	200 "
no. 14.	chairs, wood	200 "

In all cases but one the dollar value of imports in 1976 was substantially greater than in 1972. The only exception was product no. 5, headwear of man-made fibers, where sales declined less than 10%, amounting to $6.5 million in 1972 and $6.02 million in 1976.

In contrast to its leading competitors, Japan suffered a decrease in its dollar volume between 1972 and 1976 for each of the 14 products except one -- fishing rods. Here its sales grew from $2.8 millions to $4.5 millions at the same time that its market share was falling from 53.7% in 1972 to 31.5 percent in 1976. Total imports from all foreign suppliers rose from $5.2 millions in 1972 to $14.4 millions in 1976.

Table 15

Final Selected List of 14 Commodities Imported From Japan Into The U.S., Showing Total Customs Values and Dollar Values and Market Shares Of Leading Suppliers, 1972 and 1976. (For the three wood products, 1971 and 1977)

6327220. Wood Forks, Spoons, Household Utensils

	Customs Value		% Share of Market	
Country	1972	1977	1972	1977
Japan	$10,479,000	$ 2,650,000	32.9%	6.3%
China T	9,060,000	23,578,000	28.4%	56.4%
Phil R	2,365,000	3,899,000	7.4%	9.3%
Hg Kong	1,780,000	1,443,000	5.6%	3.5%
Italy	1,227,000	605,000	3.9%	1.4%
Thailand	919,000	3,373,000	2.9%	8.1%
Total	$31,867,000	$41,780,000		

6328870. Blinds, Shutters, Screens and Shades

	Customs Value		% Share of Market	
Country	1972	1977	1972	1977
Japan	$ 798,000	$ 550,000	30.6%	8.6%
China T	664,000	2,740,000	25.4%	42.9%
Spain	409,000	----	15.5%	00.0%
Hg Kong	291,000	1,345,000	11.1%	21.1%
Mexico	216,000	228,000	8.3%	3.6%
Total	$2,613,000	$6,388,000		

7006005. Footwear U.S. Types

	Customs Value		% Share of Market	
Country	1972	1976	1972	1976
Japan	$ 2,809,000	$ 2,059,000	15.2%	3.0%
Kor Rep	7,557,000	51,093,000	55.0%	74.4%
China T	2,653,000	12,009,000	19.3%	17.5%
Germ.	134,000	1,027,000	1.0%	1.5%
Total	$13,750,000	$68,662,000		

7021020 and -220. Headwear Not Knit Of Cotton

	Customs Value		% Share of the Market	
Country	1972	1976	1972	1976
Japan	$ 2,786,000	$ 390,000	68.0%	5.1%
Hg Kong	664,000	3,573,000	16.2%	47.2%
Kor Rep	299,000	990,000	7.3%	13.1%
China P	8,000	925,000	0.2%	12.2%
Total	$ 4,096,000	$ 7,567,000		

Table 15 (Cont.)

7030500. Headwear of Man-Made Fibers				
	Customs Value		% Share of Market	
Country	1972	1976	1972	1976
Japan	$ 4,016,000	$ 1,914,000	61.0%	31.8%
China T	2,258,000	3,295,000	34.3%	54.8%
Kor Rep	24,000	473,000	0.4%	7.9%
Hg Kong	23,000	115,000	0.4%	1.9%
Total	$ 6,588,000	$ 6,016,000		

7043535 ('72), -220 ('76) Gloves, Lace or Net and Other Ornament				
	Customs Value		% Share of Market	
Country	1972	1976	1972	1976
Japan	$ 414,000	--	27.9%	0.0%
Phil R	598,000	$ 2,521,000	40.3%	49.9%
China T	265,000	1,335,000	17.9%	26.4%
Haiti	--	589,000	0.0%	11.7%
Hg Kong	137,000	--	9.2%	0.0%
Total	$ 1,483,000	$ 5,050,000		

7062240. Cotton Handbags				
	Customs Value		% Share of Market	
Country	1972	1976	1972	1976
Japan	$ 379,000	--	26.1%	0.0%
Italy	218,000	$ 351,000	21.8%	6.3%
Hg Kong	269,000	3,506,000	18.5%	62.8%
W. Germany	95,000	--	6.5%	0.0%
Kor Rep	38,000	315,000	2.6%	5.6%
Phil R	1,000	453,000	0.0%	8.1%
Total	$ 1,454,000	$ 5,579,000		

7062340. Handbags, Vegetable Fiber				
	Customs Value		% Share of Market	
Country	1972	1976	1972	1976
Japan	$ 957,000	$ 318,000	39.8%	2.0%
Italy	771,000	1,217,000	32.1%	7.8%
Hg Kong	213,000	1,131,000	8.8%	7.2%
China T	161,000	5,983,000	6.7%	38.3%
Phil R	93,000	5,833,000	3.8%	37.4%
Total	$ 2,405,000	$15,611,000		

7062370. Luggage and Flat Goods				
	Customs Value		% Share of Market	
Country	1972	1976	1972	1976
Japan	$ 5,193,000	$ 956,000	65.8%	7.0%
China T	1,464,000	9,673,000	18.6%	70.6%
Kor Rep	1,015,000	1,311,000	12.9%	9.6%
France	66,000	--	0.8%	0.0%
Phil R	--	975,000	0.0%	7.1%
Total	$ 7,887,000	$13,709,000		

Table 15 (Cont.)

7053530. Gloves, Horse or Cowhide With Fourchettes or Sidewalls

Country	Customs Value 1972	Customs Value 1976	% Share of Market 1972	% Share of Market 1976
Japan	$ 2,556,000	$ 1,295,000	30.1%	8.3%
Phil R	2,966,000	3,992,000	34.8%	25.6%
Mexico	1,952,000	4,658,000	22.9%	29.9%
China T	532,000	1,704,000	6.2%	10.9%
Hg Kong	280,000	1,171,000	3.3%	7.5%
Kor Rep	169,000	2,413,000	2.0%	15.5%
Total	$ 8,527,000	$15,581,000		

7250610. Guitars

Country	Customs Value 1972	Customs Value 1976	% Share of Market 1972	% Share of Market 1976
Japan	$12,220,000	$10,323,000	66.5%	49.6%
China T	3,026,000	2,933,000	16.5%	14.1%
Kor Rep	1,893,000	6,436,000	10.3%	30.9%
Spain	255,000	432,000	1.4%	2.1%
Total	$18,373,000	$20,805,000		

7253200. Drums

Country	Customs Value 1972	Customs Value 1976	% Share of Market 1972	% Share of Market 1976
Japan	$ 3,938,000	$ 1,338,000	77.5%	39.1%
Mexico	519,000	268,000	10.2%	7.6%
U.K.	338,000	521,000	6.6%	14.7%
W. Germany	137,000	144,000	2.7%	4.1%
China T	46,000	1,127,000	0.9%	31.7%
Total	$ 5,082,000	$ 3,551,000		

7311520. Fishing Rods

Country	Customs Value 1972	Customs Value 1976	% Share of Market 1972	% Share of Market 1976
Japan	$ 2,804,000	$ 4,541,000	53.7%	31.5%
China T	1,358,000	5,355,000	26.0%	37.1%
Kor Rep	384,000	3,231,000	7.3%	22.4%
Jamaica	588,000	528,000	11.3%	3.7%
Total	$ 5,223,000	$14,420,000		

8210820. Chairs Wood NSPF, Incl. Folding

Country	Customs Value 1972	Customs Value 1976	% Share of Market 1972	% Share of Market 1976
Japan	$ 9,015,000	$ 1,079,000	20.4%	1.2%
Yugoslav	12,953,000	32,743,000	29.3%	36.3%
China T	1,838,000	15,892,000	4.2%	17.6%
Total	$44,174,000	$90,161,000		

Comments on Table 15 Table 15 covers 14 of the 34 products shown in Table 14, but provides additional important information. It shows the principal foreign suppliers competing with Japan, the value of their sales to the U.S. for 1972 and 1976, and how these compare with Japan's sales. This enables the analyst to see what kinds of suppliers are rapidly invading the U.S. market at Japan's expense and at what rate they have expanded their share of the market since 1972.

The rapid decline of Japan and the rise of rival countries in supplying the U.S. market is vividly illustrated by the first wood products listed -- wood forks, spoons and household utensils (no. 1 in Table 15.) While Japan's share of this market dropped from 32.9 percent in 1972 to only 6.3 percent in 1977, China T (Taiwan's) share doubled, rising from 28.4% in 1972 to 56.4 percent in 1977. Japan was the number one supplier in 1972 but dropped to fourth place in 1976, being surpassed by China T, the Philippine Republic, and Thailand.

The same situation occurred in the case of wood chairs (no. 14), Japan falling from the number 2 position in 1972 to a minor position in 1977. China T rose from a minor supplier in 1972 ($1.8 million) to the number 2 supplier in 1977 ($15.0 million). Its share of the market climbed from 4.2% to 17.6 percent. Yugslavia remained the the number one supplier in both 1972 and 1976, its market share rising from 29% to 36% in 1976.

If each of the 14 commodities in Table 15 is studied, it will be seen that, time and again, the four countries rapidly increasing their share of the market at Japan's expense were China T, the Korean Republic, the Philippine Republic, and Hong Kong.

In 1972, Japan was the number one supplier of 10 of the 14 commodities shown, no. 2 supplier of 3 and no. 3 supplier of one. In 1976, Japan was the no. 1 supplier of only two of the 14 commodities: guitars and drums. Even here, its market share for guitars had dropped from 66.5% to 49.6%.

By 1976, China T had become the number one supplier of 6 of the 14 commodities listed and no. 2 supplier of an additional three. It occupied third or fourth place for the remaining five. Other suppliers which occupied first place in 1976 for one or more products were as follows:

1. Cotton handbags	Hong Kong.....	62.8%	in 1976
2. Headwear	" "	47.2%	" "
3. Lace gloves	Phil. R.	49.9%	" "
4. Footwear, U.S. Type	Kor. Rep.	74.4%	" "
5. Gloves, horse or cowhide ...	Mexico	29.9%	" "
6. Drums	Japan	39.1%	" "
7. Guitars	"	49.6%	" "
8. Wood chairs	Yugoslavia	36.3%	" 1977

Important suppliers in 1976 of 2 of the 14 products listed were the communist countries, Yugoslavia and the Peoples Republic of China (China P). Yugoslavia was the no. 1 supplier of wood chairs in both 1972 and 1976. China P, on the other hand, was a negligible supplier of cotton headwear in 1972 but the third leading supplier in 1976. In 1972, China P supplied only two tenths of one percent of the U.S. makret but by 1976 this had grown to 12.2 percent. Hong Kong by 1976 had supplemented Japan as the leading supplier and was responsible for 47.2 percent of all cotton headwear shipped to the U.S.A.

Attention should be called to product 6, lace gloves, where Japan was the second leading supplier and Hong Kong the fourth leading supplier in 1972. By 1976, both countries had droppped completely out of the market. The Philippine Republic, the leading supplier, increased its share of the market from 40% in 1972 to 50% in 1976. It is interesting to note that Haiti, a non-supplier in 1972, was the third leading supplier in 1976, accounting for nearly 12 percent of the entire market. Presumably other areas in the Caribbean should be able to duplicate Haiti's feat.

Certain European countries, important suppliers of handbags and luggage in 1972, had experienced a substantial decline in their market share by 1976. In the case of cotton handbags, W. Germany's share fell from 6.5% to 0 percent, while Italy's share dropped from 21.8 percent to 6.3 percent. France, a minor supplier of luggage in 1972, had dropped out of the market completely by 1976.

Spain, third leading supplier of blinds, shutters, screens and shades in 1972, had dropped out of the market completely by 1976, while Japan's share fell from 30.6 percent to 8.6 percent. China T took over the major part of the market, its share rising from 25.4% in 1972 to 42.9% in 1976.

An inspection of product 12, drums, shows the shares of Japan and Mexico falling while those of the U.K., W. Germany and China T were rising, the most dramatic increase being that of China T. Its market share climbed from less than one percent in 1972 to nearly 32 percent in 1976.

Table 16

Eight Of The Final 14 Selected Commodities Imported From Japan Showing Customs and C.I.F. Values, Number Of Units, Value Per Unit, And Ratio Of C.I.F. To Customs Values For Leading Suppliers, Year 1976 Except For Wood Chairs Imported, Where Figures Are For 1977.

8210820. Chairs, Wood NSPF, Incl. Folding

Country	Customs Value	Number	Customs Value Per Unit	c.i.f.	c.i.f./ Customs Value
Japan	$ 1,079,000	80,000	$ 13.49	$ 1,178,000	109%
Yugoslavia	32,743,000	2,576,000	12.71	35,402,000	108%
China T	15,892,000	1,494,000	10.64	18,231,000	115%
Singapore	4,051,000	506,000	8.01	4,407,000	109%
Italy	5,767,000	291,000	19.82	6,720,000	116%
Denmark	6,120,000	176,000	34.77	6,543,000	107%
Romania	3,133,000	506,000	6.19	3,715,000	118%
Total	$90,161,000	16,928,000	$13.01	$100,506,000	111%

7006005. Footwear, U.S. Types

Country	Customs Value	Pairs	Customs Value Per Unit	c.i.f.	c.i.f./ Customs Value 1/
Japan	$ 2,059,000	271,000	$ 7.59	$1,937,000	
Kor. Rep	51,093,000	12,527,000	4.01	29,167,000	
China T	12,009,000	2,856,000	4.20	9,689,000	
Germany	1,027,000	91,000	11.29	1,040,000	
Phil R	966,000	370,000	2.61	540,000	
Total	$68,662,000	16,520,000	$4.16	$43,768,000	

7030500. Headwear of Man-Made Fibers

Country	Customs Value	Dozen	Customs Value Per Doz	c.i.f.	c.i.f./ Customs Value
Japan	$ 1,914,000	229,000	$8.36	$ 2,235,000	117%
China T	3,295,000	599,000	5.40	3,819,000	116%
Kor Rep	473,000	78,000	6.06	565,000	119%
Hg Kong	115,000	16,000	7.19	132,000	115%
Phil R	103,000	25,000	4.12	177,000	133%
Total	$ 6,016,000	954,000	$6.31	$ 7,013,000	117%

1/ Customs values for footwear are the American selling prices, not list price abroad as usually.

Table 16 (Continued)

704 -220 ('76) Gloves, Lace or Net and Other Ornament

Country	Customs Value	DPR	Customs Value Per DPR	c.i.f.	c.i.f./ Customs Value
Japan	Negligible.	No values shown			
Phil R	$2,521,000	164,000	$15.37	$2,653,000	105%
China T	1,335,000	304,000	4.39	1,505,000	113%
Haiti	589,000	58,000	10.16	604,000	103%
Salvador	452,000	41,000	10.98	460,000	102%
Total	$5,050,000	599,000	$8.43	$5,399,000	107%

7053530. Gloves, Horse or Cownide with Fourchettes or Sidewalls

Country	Customs Value	Doz Pair	Customs Value Per DZ PR	c.i.f.	c.i.f./ Customs Value
Japan	$1,295,000	63,700	$20.33	$1,379,000	106%
Mexico	4,658,000	298,700	15.76	4,658,000	100%
Phil R	3,992,000	133,200	29.97	4,204,000	105%
Kor Rep	2,413,000	137,900	17.50	2,573,000	107%
China T	1,704,000	152,500	11.17	1,810,000	106%
Total	$ 15,581,000	924,100	$16.86	$16,234,000	104%

7062240. Cotton Handbags Not Pile or Tufted NES

Country	Customs Value	Number	Customs Value Per Unit	c.i.f.	c.i.f./ Customs Value
Japan	None	None			
Hg Kong	$3,506,000	4,185,000	$ 0.84	$3,988,000	114%
Phil R	453,000	171,000	2.65	510,000	112%
Italy	351,000	65,000	5.40	392,000	112%
Kor Rep	315,000	165,000	1.91	349,000	111%
Colomb	256,000	64,000	4.00	275,000	107%
Total	$5,579,000	4,926,000	$1.13	$6,289,000	113%

Table 16 (Continued)

7250610. Guitars, Suitable for Playing Without Electric Amplifiers

Country	Customs Value	Number	Customs Value Per Unit	c.i.f.	c.i.f./ Customs Value
Japan	$10,323,000	300,000	$ 34.41	$11,123,000	108%
Kor Rep	6,436,000	642,000	10.03	7,512,000	117%
China T	2,933,000	184,000	15.94	3,331,000	114%
Spain	432,000	5,000	86.40	496,000	115%
Total	$20,805,000	1,161,000	$ 17.92	$23,197,000	112%

7311520. Fishing Rods

Country	Customs Value	Number	Customs Value Per Unit	c.i.f.	c.i.f./ Customs Value
Japan	$4,541,000	1,404,000	$ 3.23	$4,884,000	108%
China T	5,355,000	2,137,000	2.51	5,940,000	111%
Kor Rep	3,231,000	1,224,000	2.64	3,414,000	106%
Jamaica	528,000	157,000	3.36	535,000	101%
Haiti	401,000	344,000	1.17	413,000	103%
Total	$14,420,000	5,365,000	$2.69	$15,585,000	108%

Comments on Table 16. In Table 16 additional data are presented relating to 8 of the final commodity imports listed in Tables 1, 2 and 3. Both customs and c.i.f. values are shown for the year 1976 not only for Japan alone but for the more important suppliers which are its competitors for the U.S. market. Physical quantities as well as values are shown for each commodity for each supplier, and customs values per unit are presented in column 4. In column 6 the ratios of c.i.f. values (cost, insurance and freight) to customs values (normally list price at factory in the country of origin) are shown. The reason why only 8 of the final 14 products are shown in Table 16 is because the statistical tables in foreign trade documents FT 246 and Ft 135 include physical quantities for only 8 of the fourteen.

Two facts stand out clearly in Table 16. First, there is a wide range in value per unit for the same class of product from country to country in 1976 and this would also be true if the figures for earlier years were shown. Second, the ratio of c.i.f. to customs value varies among countries, as well as among commodities, the differential between the two values resulting in part from comparative distances from the U.S.A.

Normally the c.i.f. values should exceed the customs values by the insurance and freight charges which must be added to the list price at point of origin. But such is not always the case, since sometimes list price at point of origin is not available. In such cases, customs sometimes uses a complicated formula. The ratio of c.i.f. to customs values for certain products imported from Mexico must be treated with caution. The two values are often identical, suggesting that there are no insurance or freight charges. This situation is found in the case of imports of gloves of horsehide or cowhide which are listed in Table 16. One government official in Commerce stated that the ratio of c.i.f. to customs values shown in foreign trade documents, in the case of certain commodities imported from Mexico defies reason, the c.i.f. values sometimes being LESS than the customs values. In some cases, this official stated, the customs values used were the retail price in the United States: In such instances, the customs values would be larger than the c.i.f. values. (See footwear, U.S. types, in Table 16.) The best procedure is probably to ignore c.i.f. /customs value ratios if the two values are alike or c.i.f. is less than customs value.

If one examines the first commodity in the table, wood chairs, it will be noted that the value per chair ranges from $6.19 in Roumania to $34.77 in Denmark. The average for all of the seven suppliers shown is $13.01. The value per chair supplied by Japan comes quite close to the overall average, $13.49, compared with $13.01. Perhaps the most significant fact to note is the value

per chair for China T and Singapore, where the respective figures are $10.64 and $8.01, well below the $13.49 figure for Japan. Since they greatly increased their share of the market between 1972 and 1977, at the expense of Japan, it is reasonable to suppose their products compared favorably with the former.

Although Roumania was a fairly important supplier and its chairs were valued at $6.19 each, far below the overall average of $13.01, its market share was only a little over 3 percent in 1977 and the ratio of c.i.f. to customs values of its chairs was well above those of other suppliers: 118 percent, compared with the overall ratio of 111 percent. A study of the seven c.i.f. customs value ratios suggests a negative correlation between the size of the ratio and the customs value per unit -- the higher the customs value per unit, the lower the ratio of the two values. This observed correlation exists for most of the 8 commodities shown in Table 16.

Time did not permit any comprehensive analysis of the relationship of distance from market to difference between c.i.f. and customs values for each of the 34 products studied. But, assuming that freight rates are primarily based on costs of transportation -- a safe assumption if vigorous competition exists among carriers -- then the greater the distance, the greater would be the difference between c.i.f. and the customs value. The significance of this principle would lie in the difference of distances from the market, existing among the various foreign suppliers of products imported into the U.S.A. New suppliers in developing countries close to the U.S. market should have a distinct advantage in cost over competing suppliers in the Far East, a much longer distance from the U.S. market.

An example illustrating the relevance of the distance factor in influencing competitive ability may be seen in Table 16 in the case of cotton handbags. The c.i.f. values for handbags supplied by Hong Kong and the Philippine Republic are 14% and 12% respectively above the customs values, while for Colombia, which lies much closer to the U.S. market, the c.i.f. value is only 7 percent above the customs value.

A second example which illustrates the importance of the distance from market is observed in the case of lace gloves. China T shows a customs value, c.i.f. ratio of 113%, while the ratio for Haiti and Salvador is only 103% and 102% respectively. This indicates that the insurance and transport charges for shipments from China T, which lies several thousand miles from the U.S.A., are 14% of the customs value, while the charges for similar shipments from nearby Haiti and San Salvador are only 3% and 2% of customs

value. The tremendous difference in distances from the U.S.A. market largely explains the big differences in insurance and freight costs.

Two conclusions can be reached from an examination of the data in Table 16. First, suppliers in the Far East are at a disadvantage in competing for the U.S. markets with suppliers in the Caribbean because of the great differences in distance from the market. The differential advantage of the Caribbean area suppliers would appear to amount to between 5 and 10 percent.

The second conclusion is that Far East countries with a low or middle level of technology can compete successfully with Japan for the U.S. market in the case of many products. These products appear to compare favorably in quality with those produced in Japan and to be able to be produced often at prices 25% to 35% below those in Japan.

General Conclusions of the Report

An examination of 109 commodities imported from Japan, selected from 10,000 commodity imports, led to the conclusion that 34 of the 109 offered very good prospects for profitable production in the Caribbean area.

It was observed that many of the 34 products, which earlier had been supplied to the U.S. market by Japan, were now being successfully supplied by countries with a generally low or medium level of technology. Several of these were Far Eastern countries such as China T (Taiwan), S. Korea and the Philippine Republic. A few were countries in southeast Europe. It was, therefore, concluded that areas in the Caribbean producing a low or medium levels of technology could compete successfully for the American market with Far Eastern countries.

The above conclusions do not preclude the possibility of certain capital-intensive products being successfully manufactured in areas of generally low or medium levels of technology. Examples of this can be observed in certain East Asian and Southeast Asian countries as well as Latin America.

Data Base

Relevant collateral data follow:

Supplementary Tables

17 List of 109 Products Imported from Japan into the U.S., 1972 and 1976.

18 List of 20 of the 34 Products Given Earlier in Tables 13 and 14 Showing Customs Values, Market Share For Each Leading Supplier, Value per unit for 15 of the 20 Products for the Years 1972 and 1976. Values in dollars.

19 Summary of Trade Between the U.S. and Japan, 1970-1977 presented in Four Tables with Comments.

Table 19a Trade Between the U.S. and Japan, Annually, 1970-77, Measured in Millions of Dollars, Customs Values from 1970-73, and f.a.s. 1974 on.

Table 19b U.S. Trade with Japan Divided Into Three Classes: Agricultural, Non-agricultural and Manufacturing, in Millions of Dollars, 1970-76, Customs Values, 1970-73 and f.a.s. values, 1974-76.

Table 19c Classes of Commodities Imported from Japan, 1972-76, Annually, by Value, which Experienced a Downward Trend or no Consistent Uptrend.

Table 19d Other Manufactured Goods Imported from Japan, 1972-76, Which show a Downward Trend or no Steady Upward Trend, Measured in Millions of Dollars, Customs Values, 1972-73, f.a.s., 1974-76.

Supplementary Table 17

List of 109 Products Selected from 10,000 Products Imported from Japan into the U.S., 1972, 1976.

6323000. Wood Staves, Casks, Barrels, & Tight Heads of Softwood, Hogsheads & Coopers Products NES

6324040. Wood Doors, With or Without Hardware

6327220. Wood Forks, Spoons, Household Utensils and Parts NSPF

6327340. Wood Boxes, Chests, Cases for Jewls,ETC , NES Lined With Textiles

6328120. Wood, Paint Brush and Roller Handles

6328140. Tool Bodies, and Handles of Wood, Include If For Knife, Fork, Broom, Etc., Compressed Wood

6328870. Blinds, Shutters, Screens and Shades of Wood, With or Without Their Hardware

6463000. Brads Nails Spiker Staples and Tacks I/S 1 PC Constr NES

6462640. Brads Nails of I/S NES 1 PC Cons RD WR In Adv LG.065AOV DIA

6464100. Rivets of Base Metal NES

6465600. Nuts of Iron or Steel, NES

6505620. Tablespoons & Table Ladles With Base Metal EX ST or N-MET Handle

6505640. Spoons & Ladles With Base Metal Ex ST or NMET Hand NES

6512100. Hammers and Sledges With Heads Not Over 3.25 Lbs. Each

6513300. Pencil Sharpeners, Lead and Crayon Pointers and Parts

6513700. Screwdrivers

6514740. Iron or Steel Hand Tools

6515500. Hand Tools, NES

6526000. Bells of Base Metal Non Electric and Parts NES

6542000. Household and Sanitary Wares of Base Metal NES Not Coated

6571000. Malleable Cast Iron Articles Not Alloyed Not Coated Etc

6762010. -12, -14, -16. Electrnic Cal Mach Emp Solid State Circuitry in the Cal Mech

6881500. Insulated Electrical Conductors With Fittings NES

7001500. Moccasins, Leather

Supplementary Table 17 (continued)

7003530.	Moccasins, Soled, Leather, for Men
7004510.	Ftwear, Leather, NES, Casual, For Women, Over $2.50 Per Pair
7004505.	Ftwear, Lea, Athlc, NES, Exc Men, Youths, Boys, Ov $2.50 Pr.
7006005.	Ftwear, U.S. Type, Oxford Ht. Rub/Fabrc, Men, Youth Boys PR
7006035.	Ftwear Exc U.S. Type, Oxford Type, Rub/Fabrc, Men, Youth, Boys PR
7006055.	Ftwear. Exc U.S. Type, Oxford Ht., Rub/Fabrc, Child and Infant PR
7021020. 7021220.	Headwear Not Knit of Cotton
7024020.	Paper Headwear Not Cap NES BLEA O Col N Sew Blck O Trim
7030500.	Headwear of Man-Made Fibers Wholly or Part Braid
7031500.	Headwear of Man Made Fiber Not Part Braid, Not Knit
7037000.	Headwear of Reinforced or Laminated Plastics
7043220. 7043535.	Gloves Lace or Net A Oth Orn Man-Made Fiber Pre-Exist Fabric
7043240. 7043545.	Gloves Lace or Net and Other Ornamented Man-Made Fiber NES
7044510.	Gloves Not Woven Cotton No Fourchettes or Sidewalls
7044525.	Gloves and Glove Linings NES Mach-Knit Cotton Fabric Not Orn
7048520.	Gloves Man-Made Fib Knt From Pre-Exist Knt Fab N Lce N Orn
7049000.	Gloves Man-Made Fiber N Lce Etc Glove Lining Not Knt No Orn DPR
7053510.	Gloves, Horse or Cow Hide, No Fourchettes or Sidewalls
7053530.	Gloves, Horse or Cow Hide, With Fourchettes or Sidewalls
7053550.	Gloves, in Part Horse or Cow Hide, No Fourchettes or Sidewalls DPR
7053560.	Gloves, in Part Horse or Cow Hide, Fourchettes or Sidewalls, DPR
7060500.	Billfolds, Letter Cases and Other Flat Goods, Leather NES
7060820.	Handbags or Pocketbooks, Womens or Girls NES
7060840.	Luggage, Bags and Cases, NES, Fitted, Leather Except Reptile

Supplementary Table 17 (continued)

7162400. Watch Movements NES, Over 1 to 1.2 Inch, 2 to 7 Jewels

7200210. Clock Mvts. Under 1.77 Inch, NOV 47 Hr. Battery, 0-1 Jewel

7200220. Clock Mvts. Under 1.77 Inch, NOV 47 Hr. Electric, 0-1 Jewel

7200230. Clock Mvts. Under 1.77 Inch, NOV 47 Hrs NES, 0-1 Jewel

7227200., -10, -20, -30. Photo Flash, Liting Apparatus Inc Electronic Stroboscopic

7201620. Clock Movements NES, Over $5 to $10, Electric Etc, No Jewels

7202400. Watch Cases of Silver, Part Precious Metal or Set Etc.

7203420. Clock Cases NSPF

7207510. Watch Assemblies and Subassemblies NES, Dutiable at 22.5%

7221800. Enlargers and Camera-Enlgrs, Lens Not Chief Value

7223000. Camera Enlarger Parts With Lens Chief Value of Each

7224000. Slide and Still-Picture Projectors

7225600. Photographic Splicers, Editors Etc NSPF, and Parts Thereof

7227500. Photo Light Meters

7233200. Photographic Papers, Blue and Brown Print, and NSPF

7250610. Guitars, Suitable for Playing Without Electric Amplifiers

7250620. Stringed Musical Instruments, NSPF

7253200. Drums

7254000. Percussion Musical Instruments NSPF

7254600. Electronic Fretted Stringed Musical Instruments

7254740. Electronic Musical Instruments NSPF

7255000. Music Boxes

7255200. Musical Instruments NES

7260500. Cases for Musical Instruments

7261000. Metronomes, Pitch Pipes, Tuning Forks and Tuning Hammers

Supplementary Table 17 (continued)

7252500. Mutes, Pedals, Dampers, Stands Etc For Musical Use

7265500. Parts NES For Stringed Musical Instruments, NSPF

7266500. Brasswind Instrument Part

7302900. Rifles Valued Over $25 Not Over $50 Each

7310500. Snelled Hooks

7310600. Fishhooks NSPF

7311000. Fish Baskets or Creels

7311520. Fishing Rods

7550520. Matches, Natural Wood Stems Not Over 100 Per Container

7925000. Articles of Shell NSPF

8210820. Chairs, Wood NSPF, Including Folding

Comments on Supplementary Table A. The above list of 109 products imported from Japan contains the names of nine wood products, 14 products of base metal, and a wide variety of other commodities, ranging from electronics and electric calculators to cameras, clocks, thermometers, drums, eyeglasses, rifles, and snelled hooks. Heavily represented are wearing apparel, accessories and clocks and watches. Of the 109 products, 23 are different kinds of wearing apparel, 14 are watches and clocks or parts thereof, and 13 are musical instruments or equipment.

Supplementary Table 18. List of 20 of the 34 Products Given Earlier in Tables 13 and 14, Showing Customs Values Market Share for Each Leading Supplier, Value Per Unit for 15 of the 20 Products for the Years 1972 and 1976.

6327340. Wood Boxes, Chests, Cases for Jewels

Country	Customs Value 1972	Customs Value 1977	% Share of Market 1972	% Share of Market 1977	Val/lb. 1977
Japan	$11,372,000	$10,129,000	83.9%	42.6%	$2.57
China T	920,000	10,773,000	6.8%	45.3%	1.22
Hong Kong	109,000	447,000	0.8%	1.9%	2.69
Italy	243,000	956,000	1.8%	4.0%	7.19
Korea Rep.	- - -	317,000	0.0%	1.3%	2.76
TOTAL	$13,548,000	$23,784,000			$1.71

6328140. Tool Bodies and Handles of Wood

Country	Customs Value 1972	Customs Value 1977	% Share of Market 1972	% Share of Market 1977
Japan	$ 406,000	225,000	13.9%	4.0%
Brazil	862,000	424,000	29.6%	7.6%
Canada	554,000	834,000	19.0%	15.0%
Indonesia	- - -	531,000	0.0%	9.5%
Malaysia	262,000	1,381,000	9.0%	24.8%
China T	154,000	664,000	5.3%	11.9%
TOTAL	$ 2,916,000	$ 5,568,000		

6462640. Brads, Nails of I/S NES

Country	Customs Value 1972	Customs Value 1976	% Share of Market 1972	% Share of Market 1976	Val/lb. 1976
Japan	$18,906,000	$26,653,000	79%	57%	21¢
Canada	1,844,000	6,510,000	8%	14%	22¢
Korea	16,000	7,550,000	0%	16%	18¢
Poland	1,278,000	1,701,000	5%	4%	14¢
Yugoslv	- - -	1,401,000	0%	3%	14¢
TOTAL	$23,991,000	$46,861,000			20¢

7550520. Matches, Natural Wood Stems, Value and Gross Boxes (GBX)

Country	Customs Value 1972	Customs Value 1976	%Share of Market 1972	%Share of Market 1976	Val per GBX 1976
Japan	$ 859,000	$ 707,000	42.9%	22.4%	$2.75
Sweden	780,000	1,828,000	39.0%	58.0%	1.42
Belgium	284,000	- - -	14.2%	0.0%	--
Italy	42,000	- - -	2.1%	0.0%	--
Kor Rep	- - -	427,000	0.0%	15.5%	$16.42
TOTAL	$ 2,000,000	$ 3,152,000			$1.95

Supplementary Table 18 (Continued)

6463000. Brads, Nails, Spikes and Gross Boxes, GBX

Country	Customs Value 1972	Customs Value 1976	% Share of Market 1972	% Share of Market 1976	Val/GBX 1976
Japan	$ 5,849,000	$ 5,897,000	87.8%	68.1%	29.6¢
Kor Rep.	2,000	1,180,000	0.0%	13.6%	20.6¢
Canada	510,000	940,000	7.6%	10.9%	30.0¢
Poland	4,000	123,000	0.0%	1.4%	19.9¢
TOTAL	$ 6,661,000	$ 8,654,000			28.2¢

6505620. Table Spoons and Table Ladles with Base Metal, Val. and No.

Country	Customs Value 1972	Customs Value 1976	% Share of Market 1972	% Share of Market 1976	Val/Unit 1976
Japan	$ 1,035,000	$ 676,000	82.0%	58.0%	17.5¢
China T	43,000	199,000	3.4%	17.1%	10.6¢
France	49,000	- - -	3.9%	- -	- -
W. Germany	33,000	- - -	2.6%	- -	- -
U. K.	25,000	- - -	2.0%	- -	- -
TOTAL	$ 1,256,000	$ 1,160,00			17.6¢

6505640. Spoons and Ladles with Base Metal, Val.in Dollars No.

Country	Customs Value 1972	Customs Value 1976	% Share of Market 1972	% Share of Market 1976	Val/Unit 1976
Japan	$ 1,232,000	$ 984,000	85.4%	62.8%	16¢
China T	22,000	232,000	1.5%	14.8%	13¢
Hong Kong	63,000	188,000	4.4%	12.0%	8¢
TOTAL	$ 1,442,000	$ 1,566,000			15¢

6542000. Household and Sanitary Wares of Base Metal

Country	Customs Value 1972	Customs Value 1976	% Share of Market 1972	% Share of Market 1976
Japan	$ 7,400,000	$ 4,760,000	79.8%	65.2%
Hong Kong	603,000	655,000	6.5%	9.0%
Italy	476,000	197,000	5.1%	2.7%
China T	174,000	825,000	1.9%	11.3%
W. Germany	118,000	238,000	1.3%	3.3%
TOTAL	$ 9,270,000	$ 7,297,000		

Supplementary Table 18 (Continued)

6762010. Electronic Calculating Machines, Value in Dollars, Val.No.

Country	Customs Value 1972	Customs Value 1976	% Share of Market 1972	% Share of Market 1976	Val/Unit 1976
Japan	$89,627,000	$162,975,000	94.4%	68.5%	$13.99
Hong Kong	974,000	24,252,000	1.0%	10.2%	7.13
China T	291,000	10,785,000	0.3%	4.5%	7.35
Kor Rep	339,000	9,473,000	0.3%	4.0%	15.71
Mexico	662,000	13,521,000	0.7%	5.7%	17.80
TOTAL	$94,930,000	$237,983,000			$12.06

7006055. Footwear, EXC U.S. Type, Child and Infant, Dollar, PRS.

Country	Customs Value 1972	Customs Value 1976	% Share of Market 1972	% Share of Market 1976	Val/PR 1972	Val/PR 1976
Japan	$ 840,000	226,000	32.4%	5.2%	$0.51	$0.56
China T	583,000	2,712,000	22.5%	61.9%	0.63	0.80
Kor Rep	803,000	1,118,000	31.0%	25.5%	0.44	1.07
Italy	44,000	102,000	1.7%	2.3%	3.14	4.08
Hong Kong	113,000	79,000	4.4%	1.8%	0.38	0.41
TOTAL	$ 2,593,000	$ 4,382,000			$0.54	$0.84

7043545. Gloves, Lace or Net

Country	Customs Value 1972	Customs Value 1976	% Share of Market 1972	% Share of Market 1976	Val/Doz. PR 1972	Val/Doz. PR 1976
Japan	$ 349,000	161,000	24.3%	1.4%	$5.37	$7.00
Phil. Rep	8,000	5,374,000	0.5%	46.4%	7.27	6.94
China T	661,000	4,985,000	46.1%	43.1%	4.79	4.27
Kor Rep	185,000	565,000	12.9%	4.9%	3.19	4.31
Hong Kong	223,000	422,000	15.6%	3.6%	3.72	3.80
TOTAL	$ 1,433,000	$11,576,000			$4.42	$5.23

7053510. Gloves, Horse or Cowhide, No Fourchettes or Sidewalls Dollar, DPR

Country	Customs Value 1972	Customs Value 1976	% Share of Market 1972	% Share of Market 1976	Val per DPR 1976
Japan	$ 458,000	$ 276,000	48.8%	11.4%	$12.94
Kor Rep	113,000	847,000	12.1%	35.0%	7.70
China T	122,000	579,000	13.0%	23.9%	9.12
Hong Kong	81,000	552,000	8.7%	22.8%	14.23
Mexico	- - -	88,000	0.0%	3.6%	19.56
TOTAL	$ 936,000	$ 2,420,000			$ 9.96

Supplementary Table 18 (Continued)

7060860. Luggage, Bags and Cases, Value in Dollars

Country	Customs Value 1972	Customs Value 1976	% Share of Market 1972	% Share of Market 1976
Japan	$ 906,000	327,000	25.8%	4.3%
Italy	738,000	2,083,000	21.0%	27.5%
Canada	531,000	1,384,000	15.1%	18.2%
Hong Kong	43,000	210,000	1.2%	2.8%
Colomb	62,000	1,186,000	1.7%	15.6%
TOTAL	$ 3,517,000	$7,587,000		

7084550. Eyeglasses and Goggles, Value in Dollars, Val/DPR

Country	Customs Value 1972	Customs Value 1976	% Share of Market 1972	% Share of Market 1976	Val/DPR 1976
Japan	$ 667,000	$ 606,000	53.2%	18.1%	$10.27
Italy	165,000	118,000	13.2%	3.5%	19.67
Australia	114,000	166,000	9.1%	5.0%	6.92
Mexico	- -	942,000	0.0%	28.1%	25.46
Canada	43,000	702,000	3.4%	21.0%	8.67
TOTAL	$ 1,253,000	$3,348,000			$11.87

7113700. Thermometers, Value in Dollars

Country	Customs Value 1972	Customs Value 1976	% Share of Market 1976	% Share of Market 1976
Japan	$ 658,000	$ 753,000	58.8%	30.7%
Germany	154,000	245,000	13.8%	9.6%
Mexico	- - -	712,000	0.0%	29.0%
Kor Rep	52,000	207,000	4.7%	8.4%
Hong Kong	43,000	111,000	3.8%	4.5%
TOTAL	$ 1,118,000	$2,453,000		

7151517. Clocks, NOV 47 HRS, JWL 0-1, Non-electric, Small, NES, Value Dollar, No.

Country	Customs Value 1972	Customs Value 1976	% Share of Market 1972	% Share of Market 1976	Val/Unit 1972	Val/Unit 1976
Japan	$ 1,518,000	$ 990,000	28.4%	17.1%	$3.92	$5.50
Germany	3,766,000	1,621,000	70.5%	28.3%	2.30	3.82
Hong Kong	4,000	1,264,000	0.3%	21.8%	2.87	4.66
China T	- - -	878,000	- -	15.2%	- -	2.94
Singapore	- - -	833,000	- -	14.4%	- -	5.51
TOTAL	$ 5,338,000	$5,784,000			$ 2.63	$4.22

Supplementary Table 18 (Continued)

7161600. Watch Movements NES, over 1.2 to 1.7 Inch, 0-1 Jewel, Value Dollar, No.

Country	Customs Value 1972	Customs Value 1976	% Share of Market 1972	% Share of Market 1976	Val/Unit 1972	Val/Unit 1976
Japan	$ 430,000	$ 299,000	54.7%	18.3%	$4.39	$54.54
Kor Rep	24,000	1,071,000	3.1%	65.4%	4.80	11.75
Hong Kong	1,000	96,000	0.1%	5.9%	3.71	5.07
Malaysia	- - -	65,000	- -	3.9%	- -	11.88
China T	232,000	- - -	- -	- -	4.00	- -
TOTAL	$ 786,000	$1,637,000			$3.79	$12.63

7200220. Clock Movements, under 1.77 Inch, Nov 47 HRS Electric, 0-1 Jewel, Value Dollar, No.

Country	Customs Value 1972	Customs Value 1976	% Share of Market 1972	% Share of Market 1976	Val/Unit 1972	Val/Unit 1976
Japan	$ 7,950,000	$ 9,924,000	56.7%	29.3%	$5.15	$6.44
Hong Kong	2,669,000	9,525,000	19.0%	28.1%	3.55	4.51
China T	2,577,000	6,122,000	18.4%	18.1%	3.95	4.87
Singapore	607,000	4,999,000	4.3%	14.8%	2.45	3.41
Kor Rep	143,000	1,848,000	1.0%	5.5%	3.49	5.37
TOTAL	$14,024,000	$33,859,000			$4.30	$4.71

&227200. Photo Flash Liting Apparatus, Incl. Electronic-Stroboscopic

Country	Customs Value 1972	Customs Value 1976	% Share of Market 1972	% Share of Market 1976
Japan	$13,226,000	$18,533,000	80.7%	52.9%
Kor Rep	10,000	6,909,000	0.1%	19.7%
Hong Kong	159,000	4,325,000	1.0%	12.3%
Singapore	369,000	1,118,000	2.3%	3.2%
Germany	2,182,000	2,480,000	13.3%	7.1%
TOTAL	$16,378,000	$35,065,000		

7250620. Stringed Musical Instruments, NSPF, Value in Dollars, No.

Country	Customs Value 1972	Customs Value 1976	% Share of Market 1972	% Share of Market 1976	Val/Unit 1976
Japan	$1,660,000	$1,947,000	81.4%	53.6%	$26.67
Kor Rep	81,000	1,288,000	3.9%	35.4%	18.40
China T	58,000	93,000	2.9%	2.6%	2.59
Italy	31,000	159,000	1.5%	4.4%	159.00
W. Germany	86,000	- - -	4.2%	- -	- -
TOTAL	$2,028,000	$3,634,000			$19.43

Supplementary Tables 19

Table 19a Trade Between the U.S., and Japan, Annually, 1970-77, measured in millions of dollars, customs values from 1970-73 and f.a.s. from 1974 on

Year	Imports from Japan	% Change from prev. yr.	U.S. exports to Japan	% Change from pr. year	Trade Deficit Imports-Exports
1970	$ 5,875.4		$ 4,651.9		-$ 1,223.5
1971	7,258.8	+23.6	4,054.8	-12.8	- 3,204.0
1972	9,064.1	+24.9	4,962.9	+22.4	- 4,101.2
1973	9,676.2	+ 6.8	8,313.1	+67.5	- 1,363.1
1974	12.338.2	+27.5	10,678.5	+16.4	- 1,659.7
1975	11,267.9	- 8.7	9,562.7	-10.5	- 1,705.2
1976	15,504.3	+37.6	10,143.9	+ 5.7	- 5,360.4
1977	18,694.0	+20.6	10,522.1	+ 3.7	- 8,171.9
8 year total	$89,678.9		$62,889.9		-$26,789.0

Table 19a shows the annual value of overall exports and imports between the U.S. and Japan for each of the eight years from 1970 to 1977 inclusive. It will be noted that the value of U.S. exports to Japan each of the eight years reviewed was less than the value of imports. Hence, the U.S. suffered a trade deficit each year and a total trade deficit of 26.8 billion dollars for the entire period. The U.S. trade deficit for the two year period, 1976 and 1977, was greater than its trade deficit for the six preceding years combined.

In terms of volume of trade, measured in dollars, the table reveals that Japan experienced a steady upward trend year by year except for 1975, when it declined by over 8 percent. U.S. exports to Japan declined nearly 13 percent in 1971 over the preceding year and by over 10 percent in 1975. U.S. exports to Japan grew by a little over 10 percent between 1975 and 1977. During the same time interval, however, imports from Japan grew by over 65 percent.

Supplementary Tables 19(Continued)

Table 19b U.S Trade With Japan Divided Into Three Classes: Agricultural, Nonagricultural and Manufactured in millions of dollars, 1970-76, customs value, 1970-73 and f.a.s. value, 1974-76

Year	EXPORTS agric.	EXPORTS nonagric.	EXPORTS manuf.	IMPORTS agric	IMPORTS nonagric.	IMPORTS manuf.
1970	1,213.7	3,395.9	1,951.5	37.3	5,838.1	5,591.3
1971	1,073.0	2,939.0	1,904.2	46.7	7,212.1	6,943.4
1972	1,427.3	3,483.2	2,213.1	53.4	9,010.7	8,658.8
1973	2,997.7	5,179.7	3,132.3	57.1	9,619.1	9,209.4
1974	3,478.9	7,084.8	3,979.8	70.1	12,268.1	11,780.9
1975	3,081.9	6,341.5	3,211.5	63.9	11,204.0	10,868.5
1976	3,563.1	6,464.4	3,652.5	76.3	15,427.9	15,042.1
1976 total:		10,143.9			15,504.2	

Table 19b, shows trade between the two countries divided into only three broad categories of goods: agricultural, nonagricultural and manufactured. It reveals that U.S. exports of agricultural commodities to Japan grew the fastest between 1970 and 1976, nearly tripling. They rose from 1.2 billion dollars in 1970 to nearly 3.6 billion dollars in 1976. Exports of U.S. manufactured goods during the same period increased much more slowly, from 1.9 billion dollars to 3.7 billion, which is not quite double. Meanwhile, imports of manufactures from Japan climbed from 5.6 billion dollars in 1970 to over 15 billion dollars in 1976, a rise of 168 percent. For the year 1976, U.S. total exports to Japan were 10.1 billion dollars and total imports 15.5 billion dollars, resulting in a U.S. trade deficit of over 5 billion dollars.

Supplementary Tables 19(Continued)

Table 19c. Classes of Commodities Imported from Japan, 1972-1976, annually, by value, which experienced a downward trend or no consistent uptrend. (Two categories of goods omitted)

(millions of dollars)

Commodity	customs value 1972	customs value 1973	f.a.s. value 1974	f.a.s. value 1975	f.a.s. value 1976
Manmade fibers	17.3	19.3	24.2	13.3	13.5
Other crude materials, inedible	30.2	43.2	62.1	41.0	38.2
Typewriters	23.0	31.2	27.2	22.8	34.5
Sewing machines, domestic	71.8	60.5	65.2	56.2	72.2
TV receivers	305.2	275.7	250.4	250.8	586.3
Transister radios	243.3	271.0	261.9	196.1	311.9
Radiophonographs other radios & parts	151.2	155.5	107.8	92.7	159.6
Electric bulbs	23.4	19.5	14.6	11.1	16.3
Motorcycles	605.8	479.8	821.3	614.7	414.&
Other motor vehicles and parts	174.0	114.7	92.2	54.1	62.4
Bicycles & parts	103.5	120.9	162.2	44.8	72.3
Civilian aircraft	10.8	23.1	20.1	8.6	5.3

Table 19c shows 12 Classes of Commodities Imported from Japan annually from 1972 to 1976 which experienced a downward trend or no consistent or pronounced up-trend. These 12 were found by scanning the 94 classes of commodities presented in the special U.S. government study, OBR 77-49*. This special study first divided all imports into six major categories, then subdivided the six into 94 subclasses of products. Table 19c presents 12 of these 94 subclasses.

Seven of the 12 classes of commodities imported experienced absolute declines in value from 1972 to 1975, followed by a substantial rise in 1976. Two commodities, typewriters and sewing machines, exhibited neither an up or down trend during the five year period. Motorcycles, as well as bicycles and parts, showed a downward trend from 1974,

* "United States Trade with Major Trading Partners, 1970-76, OBR 77-49," published September 1977.

Supplementary Tables 19 (Continued)

especially motorcycles, the import value of which declined from 821 million dollars in 1974 to only 415 million dollars in 1976.

If we compare the 1972 import values with only the 1976 values and ignore the intervening years, it will be noted that six of the 12 commodities showed lower values in 1976. These were manmade fibers, electric bulbs, motorcycles, bicycles and parts, civilian aircraft and other motor vehicles and parts (new passenger cars excluded).

Supplementary Tables 19 (Continued)

Table 19d Other Manufactured Goods Imported from Japan, 1972-1976, which show a downward trend or no steady upward trend, measured in millions of dollars, customs values, 1972-73, f.a.s. values, 1974-76

Commodity	millions of dollars				
	1972	1973	1974	1975	1976
Other wood manuf. except furniture	29.9	27.9	22.5	14.9	19.9
Paper & manuf.	30.0	23.4	23.5	16.1	21.9
Textile yarns & thread	31.6	23.4	41.6	19.3	34.1
Cotton fabrics, woven	67.2	41.2	29.3	18.7	31.1
Wool fabrics, woven	10.7	9.4	6.6	11.9	12.6
Floor coverings	15.2	13.6	9.5	8.4	12.8
Other textiles except clothing	100.5	88.3	75.6	77.7	91.0
Ceramic tile	28.6	33.3	31.7	15.1	21.5
Glass	26.2	25.1	23.7	18.5	24.8
Table flatware & cutlery	51.8	59.0	54.2	50.6	67.6
Household utensils of base metals	35.9	38.4	23.9	18.3	27.1
Travel goods, handbags & small leather goods	44.6	40.6	22.3	14.5	23.0
Clothing, total	310.0	248.9	183.4	155.3	214.4
" , not knit or croch.	161.3	165.9	83.8	77.1	109.4
Clothing, leather	18.4	12.6	9.0	4.6	6.5
Footwear, total	55.4	22.6	15.2	13.8	17.1
" , Rubber, plastic or vl.	36.8	7.3	2.8	1.9	1.2
Footwear, Fabric, uppers w. rubber or plastic	12.2	8.9	6.8	5.7	7.5
Scientific measuring ' controling instruments	29.7	34.6	41.6	34.6	39.3
Toys & games	75.1	67.6	47.4	39.6	63.2
Sound recorders, reproduc.& access.	544.9	593.6	521.9	448.9	733.5
Mus. Inst & pts.	60.1	63.0	67.8	51.7	59.8
Art. of plastic & rubber mats.	71.1	63.7	57.1	38.4	56.7
Furniture	28.4	25.6	15.9	10.4	13.4

Supplementary Tables 19 (Continued)

Table 19c has, as its source, the special government report OBR 77-49 noted previously. This report shows imports from Japan into the U.S. from 1970-1976 consolidated into 77 commodity classes. Of these 77, thirty are shown under the comprehensive category, Machinery and Transport Equipment and thirty under the category, Other Manufactured Goods.

Table 19d shows 24 of the 30 commodities listed as Other Manufactured Goods but covers only the five year period, 1972-1976.

Twenty of these 24 classes of commodities, or 80 percent, showed a steady downward trend from 1972 through 1975, with several then experiencing an upturn in 1976. But even with improvement in 1976, nineteen of the 24 products showed lower volume in terms of value in 1976 than in 1972.

The greatest percentage declines in annual values between 1972 and 1976 were registered by wood manufactures, paper manufactures, woven cotton fabrics, travel goods, handbags and small leather goods, various kinds of clothing, footwear and furniture. These classes of commodities suffered declines ranging from 30% to 65%, or even more, in a few cases.

STEP II COMPANY IDENTIFICATION

In order to identify these Far Eastern manufacturers of the products selected in Step I, a search was begun of the following informational sources:

American Register of Importers and Exporters 1977
90 West Broadway/NY NY 10007
Association of Home Appliance Mfg.
20 North Wacker/Chicago, IL 60606
BSC - Buyer Supplier Communications Co.
18 South Michigan Ave./Chicago, IL 60603
Chicago Buyers Guide 1978
The Chicago Assn. of Commerce and Industry/130 South Michigan Ave./ Chicago, IL 60603/ 312/786-0111
Consumer Electronics 1978 Annual Review
Consumer Electronics Group/ Electronics Industries Assn./ 2001 Eye Street NW/ Washington, DC 20006/ 202/457-4919
Also publish 1978 International Summer Consumer Electronics Show Directory, McCormick Place, Chicago, IL
Consumer Electronics Products
Electronic Representatives Association/ 233 E. Erie St./ Chicago, IL 60611/ 312/649-1333
Consumer Electronics Show Daily News
Audio Mirror Publications, Inc./ 415 Lexington Ave./NY NY 10024
Dun and Bradstreet
World Marketing Guide/ 299 Park Ave./ NY NY 10017
Electronics Buyers Guide
McGraw Hill/ 1221 Ave. of the Americas Bldg./ NY NY 10020/ 212/977-1221
Electronics Industry Telephone Directory
Harris Publ./33140 Aurora Rd./ Cleveland, OH 44139/ 216/248-8540
Electronics Retailing
United Technical Publ./ Div. Cox Broadcasting Corp./ 645 Stewart Ave./ Garden City, NY 11530
The Esoteric Buyers Guide
High Fidelity Trade News, June 1978
Financial Times
Business Publ. Div./ PO Box 4015/ Grand Central Station/ NY NY 10017
Illinois Manufacturers Directory 1978
Manufacturers News Inc./ 3 E. Huron St./ Chicago, IL 60611 312/337-1084
MART
Morgan-Grampian Publ. Co./ Berkshire Common/ Pittsfield, MA 01201
National Directory of Addresses and Telephone Numbers 1977
Bantam Book, Nicholas Publ. Co./ 666 Fifth Ave./ NY NY 10019

Periodicals: Business Week, Chicago Sun Times, Chicago Tribune, Fortune, Wall Street Journal

City Directories

RL Polk and Co./ Publ./ 6400 Monroe Blvd./ Box 500/ Taylor, MI 48180/ 313/292-3200

Thomas Register 1977

World Trade Academy Press, Inc.

50 E. 42nd St./ NY NY 10017 / 1978 - American Firms, Subsidiaries and Affiliates in Taiwan, Korea, Japan, Mayłasia / Compiled by Juvenal L. Angel, Director

The search was intended to identify both Far Eastern producers and U.S. buyers from Far Eastern sources, in numbers sufficiently large for demonstration purposes. From the source data, approximately seventy importers and fifty producers were selected. These are as follows:

Products on Preferred List	U.S. Importers	U.S. Manufacturers in the Far East
Wood products: Forks, spoons household items blinds, shutters chairs, boxes, chests, tool bodies & handles, matches	Knomark, Inc. Earl A. Denton Exclusive Products Belf & Lustig Felix Glatz Importers H. Roth & Sons Romanelli Imports Heyman Housewares H & P House Furniture Cross Imports Milton Gumpert Dudley Kebow, Inc.	Weyhaeuser, Inc.
Footwear	Uniroyal Overseas Trading Company	Benco Int'l Importing Morse Shoes Inc. Oriental Trading Co. H. H. Brown Shoe Co.
Headwear & Gloves	Portis Bros. Hat Co. Windsor Gloves Lawrence L. Lewent A. Barra Richter-Friedlander Co. Frank C. Siegel Irving L. Hartman Robt. J. Brown Peter . Barth	Holiday Fair Inc.

Products on Preferred List	U.S. Importers	U.S. Manufacturers in the Far East
Musical Instruments	Eddie Bell R. Cram & Co. Alfred Dronge Music Co. Gintar Lab Inc The Harmony Co. Sorkin Music Co., Inc. Denton Cottier & Daniels Pacific Music Supply Co.	Westheimer Importing & Mfg. Co.
Optical Goods	New Era Optical Co. The House of Vision Geo. E. Koch	American Optical Corp.
Fishing Rods	H. L. Peters, Inc. F. J. O'Hara & Sons	Berkley & Co. Regent Sporting Goods Ajay Enterprises
Handbags and Luggage	Aigner Inc. Allura Imports Inc. Dofan Handbags Ralph Dorzbach Charles D. Gross Kingport Ltd. Chas. T. Wilt John Wind Imports Garay & Co.	Holiday Fair Inc.
Metal Products: Brads, nails, spikes, table-spoons, ladles, housewares	E. Kesseler Co. Eugene Fleischer R. H. Newmark O. B. Distributors Frederick Troger The Laird Williams Co. Ajax Hdwe. Mfg. Michael Co. Maryland Bolt & Nut Co. Wesco Hdwe.	
Watches, clocks and movements	R. Gsell & Co. Harman Demmler Imports Popper Watch Co. Hampden Watch Co. Products Exchange Co. Pacifice Transducer Corp. Chas. Doppelt Co. A. C. Becken Co.	

MISSING PAGE

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STEP III PREPARATION FOR CONTACT

The producing companies identified in Step II were then evaluated in terms of their stability, operational problems, shift in market shares, etc. This was done by review of form 10-K, when available, and of company reports, discussions with intermediate level personnel, other companies in the same business, and trade journals.

In the case of U.S. importers, those companies which had a record of active assistance to their producers were considered high priority candidates.

The conditions and circumstances in the various LDC's which appeared most favorable and appropriate for each company, were reviewed and the data prepared for presentation to the companies. The relevant type data is summarized below:

A. GENERAL INFORMATION

1. Political Status
2. Area in km^2
3. Population
4. Capital City
5. Luggage
6. Climate
   - Air temperature
   - Average relative humidity
   - Rainfall
7. Currency
   - Fixed Parity

B. FOREIGN TRADE

1. Exports without Re-Exports

   of which in %:
   - Mineral Fuels etc.
   - Sugar and Molasses
   - Fruit and Vegetables
   - Food and live animals

2. Total Exports and Imports classified by SITC Sections

   0 - Food and live animals
   1 - Beverages and Tobacco
   2 - Crude Materials
   3 - Mineral, Fuel, etc.
   4 - Mineral and vegetable oils and fats
   5 - Chemicals
   6 - Manufactured goods (by material)
   7 - Machinery and Transport Equipment
   8 - Miscellaneous manufactured goods
   9 - Others

C. BREAKDOWN OF IMPORTS - SITC - SECTIONS 6 AND 8

61 - Leather Manufactures
62 - Rubber Manufactures
63 - Wood and Cork
64 - Paper & Paper Products
65 - Textiles
66 - Minerals (non-metallic, e.g. cement, glass)
67 - Iron and Steel
68 - Non-ferrous metals
69 - Metal Manufactures

C. BREAKDOWN OF IMPORTS, Continued

81 - Sanitary installation,etc.
82 - Furniture
83 - Travel Goods
84 - Clothing
85 - Footwear
86 - Professional and Scientific Instruments
89 - Miscellaneous

D. TRANSPORTATION

1. Road Network

of which paved

2. Sea Ports

- Deep Water Ports
- Other Ports
- Port Facilities
- Port & Lighterage Charges per ton

3. Shipping Connections and Rates

- International Connections
- Regional Connections
- Freight Rates
  Cargo rates vary with commodity (preferential rates for main export products); typical rates for general merchandise are (US $ per ton):
  - to U.S.A.
  - to Europe
  - to West Indian Islands

E. MANUFACTURING COST FACTORS

1. Electricity

- Voltage and Frequency
- Industrial Tariff
  a) Monthly charge per KVA installed
  b) Consumption charge per KWH

2. Water Charge per cbm

3. Telecommunications

International Telephone and Telex connections

4. Wages and Salaries (per month)

Local Management
Supervisors/Clerks
Skilled labor
Semi-skilled labor
Unskilled labor
Social charges approximately

5. Duties on Raw Materials and Goods

- CARICOM External Tariff
  Generally ad valorem:
  Raw Materials
  Intermediate Goods
  Finished Goods
  Machinery

E. MANUFACTURING COST FACTORS, Continued

6. Period of Transition to CARICOM External Tariff

- Trade within CARICOM
- Quantitative Import Restrictions
- Construction Costs Including Office Space

7. Taxation

- Company Tax
- Personal Income Tax
- Percentage of Tax Payable

F. INDUSTRIAL INVESTMENT INCENTIVES

1. Tax Holiday
   - local value added
     10 - 24%: 25 - 49%: 50% and more
   - Enclave Industries

2. Exemption from Import Duties

3. Other Allowances after Expiry of Tax Holiday Period
   - Tax relief on export profits(for exports outside CARICOM)
   - Investment Allowance
   - Write-off of losses incurred during tax holiday period

4. Provision of Factory Space
   - Industrial Estates
   - Approximately monthly rent per m^2

G. GENERAL REGULATIONS CONCERNING FOREIGN INVESTORS

1. Restrictions regarding repatriation of capital and profits

2. Local Participation Requirements

3. Work Permits for Expatriate Personnel

4. Acquisition of land by Foreigners

5. Double Taxation Agreements

6. German Investment Incentives

7. Export to EEC Countries

H. INDUSTRIAL PROMOTION AND FINANCING INSTITUTIONS

1. Industrial Promotion
   - Administration of Incentives
   - Project Identification, Promotion & Provision of Factory Space

H. INDUSTRIAL PROMOTION AND FINANCING INSTITUTIONS, Continued

2. Industrial Financing

- Local
  No. of Commercial Banks
- Regional
  CDB - Caribbean Development Bank, Barbados
  CIC - Caribbean Investment Corporation, St. Lucia
  CDC - Commonwealth Development Corporation, Barbados & Kingston

3. Chambers of Commerce

I. EXISTING INDUSTRIES WITH EXPORT POTENTIAL

J. PLANNED INDUSTRIES WITH EXPORT POTENTIAL

STEP IV CONTACT AND PRELIMINARY NEGOTIATIONS

Thirty-six companies were selected for contact. These and the results of such contact are shown in the following table:

INITIAL CONTACTS & RESULTS

COMPANY	INITIAL RESPONSE	COMMENTS
Advanced Micro Devices 1/	Positive	Will discuss in early Fall.
Signetics Corp. 1/	Negative	
Monolithic Memories 1/	Pending	
Varian Associates 1/	Negative	
Zenith Radio Corp. 1/	Positive	
Integrated Circuits Pkg. 1/	Positive	Ready to talk end of August.
Litronix Inc. 1/	Negative	
Motorola 1/	Positive	
Ampex 1/	Negative	
Bunker Ramo 1/	Negative	
Hewlett Packard 1/	Negative	
National Semiconductor 1/	Negative	
Fracom/Revafone	Pending	Talk again next year; just bought in Japan.
Regency Electronics	Negative	Pulling back all off-shore.
Vanco 2/	Negative	
Shure Brothers Inc. 2/	Negative	
Waller Electronics	Pending	Talk next year.
Levi Strauss Int'l 1/ 4/	Positive	Talk after July 15.
Loveable Co. 1/	Positive	
Manhattan Shirt Co. 1/	Pending	
Enro Shirt Co.	Negative	
Brittania 1/	Pending	
Clothing Far East 1/	Positive	
Marshall Mancillas Int'l 2/	Positive	Talk after July 5.
Bucilla 2/	Positive	
Saxton Products Inc.	Positive	
Belden Corp.	Pending	Would be interested next year.
Aurora Cord & Cable 2/	Positive	
George Diamond & Co.	Positive	
Carlson Tool & Machine Co. 3/	Positive	
Farley Candy Company	Pending	
Lanzi Candy Company	Pending	
M. J. Holloway & Co.	Negative	
Ferrara Candy Co.	Pending	
Curtiss Candy Co.	Negative	Might be interested later.
Sunbeam Corp.	Positive	Talk again July 12.

See footnotes next page.

1/ Company with substantial investment in manufacturing facilities in the Far East.

2/ Company now purchasing through agents or by contract from Far East producers.

3/ Company needing to cut costs in labor intensive operations so they can be more competitive with European manufactures of the same machinery as they try to keep and expand their export market.

4/ New operation to serve the Caribbean market.

The companiers were contacted by mail and telephone with the calls made to those officers who had direct responsibility for overseas operations. Subsequent meetings frequently included other senior management personnel.

In the course of initial contacts the locational advantages of the LDC's were presented in light of the company's problems. Inevitably it was necessary to reassure management in respect to political stability in the area and in regard to the "free enterprise ambience." There was a tendency to treat the area as a single entity, and the negative press reports on certain Islands carried over, in the minds of management, to all Islands. Fortunately, the Barbados experience provided compelling evidence of the possibility of success in the Caribbean. Of particular interest were the remarkable productivity rates recorded for Barbados, which gave strong indication of the trainability and performance of the work force.

From the contacts, discussions, and subsequent follow-up interviews and information services, the following firms responded as indicated:

Name of Company	Product	Degree of Interest	Approx. Plant Size	Workers Anticipated
Advanced Micro Devices	Integrated circuits	Good	25,000 sf	300-500
Zenith	BW TV or stero equip.	Good	analysis underway	3,000
Integrated Circuits Packaging	Integrated circuits	Fair		250 on each of 3 shifts
Motorola	Communications	Good but not immediate		2,000
Levi Strauss	Wearing Apparel	Good		400
Aurora Cord & Cable	Aluminum Castings	Good Good	analysis underway	75

Name of Company	Product	Degree of Interest	Approx. Plant Size	Workers Anticipated
George Diamond & Co.	Electronic Hardware	Good	4,000 sf	20-50
Carlson Tool	Brush Making Machinery	Good		5-12
Bucilla	Cloth Models	Good	Awaiting Information	400

Progress with these companies and factors affecting progress are as follows:

Diamond and Carlson is being provided with cost substitution analyses.

Zenith is beginning its own exonomic analysis and looking at market data for both black and white TV sets and stereo equipment.

Advanced Micro Devices has grown from eight employees nine years ago to a workforce of 4,500 and sales of $93,000,000. They have large plants in Penang and Manila and are now building in Texas. They state that planning for the Caribbean will not commence until September.

Integrated Circuits Packaging has a large facility in Korea; their initial high interest has been dampened by the success of a new telephone product which they introduced at the June Consumer Electronics Show. They're inundated and have asked that further discussion be delayed until they catch up, possibly the end of August.

Levi Strauss has as its goal the self sufficiency of every area. The Caribbean is now being supplied from Puerto Rico but they are considering the opening of a plant elsewhere in the Caribbean. The decision will be made in about two months. Further discussions will occur after the Director of Planning returns from Mexico.

Aurora Cord and Cable buys aluminum castings from Taiwan in the amount of $100,000 per year. AC & C owns nearly $1/2 million in molds which are used by various contractors who do the castings. In addition to language, time, and communication problems, AC & C has concern about the length of time needed for shipping from Japan. First, they have to carry a very large inventory; 2) working capital is tied up in a line of credit from 75-90 days each time a shipment is ready to leave Taiwan. The partners need to discuss the proposal again, prior to making a firmer commitment.

George Diamond & Company wants to grow. They're now furnishing major electronics manufacturers with parts which they make or import. They have a market for the electronic hardware, cables, and switches in Puerto Rico, and want to expand that market.

Carlson Tool exports their brush-making machinery all over the world. This small but unique company has a labor intensive replacement part which is used by all its customers. They see a plant in the Caribbean as one way to be able to meet the stiff competition for a similar product from Belgium and Germany, and they see it as a step closer to South America, their next goal for expansion. The President of Carlson Tool plans to be in the Caribbean the first week in August to initiate discussions with St. Lucia Industrial Promotion Corp.

Motorola is undergoing some management changes and in re-evaluating their Far Eastern operations. They are utilizing data supplied to them under this project to carry out some cost comparison work and intend to review possibilities in Martinique as well as the LDC's.

Bucilla has requested further information on the willingness and ability of organizations in the LDC's to organize a "cottage industry" production system for products it wishes to purchase. These involve fabrication of models for use in store displays. Production would be dispersed over 600 households.

In addition, silk screening of home decorations is required by Bucilla in substantial amounts.

Negotiations are proceeding with the above companies, and regular contact is maintained with them.

STEP V TRANSFER OF INORMATION AND COMPANY DATA TO CARIBBEAN INVESTMENT PROMOTION UNITS

At a point where it was clear that the companies selected had wide responses reflecting a serious interest in setting up facilities in the Caribbean, the BIDC and the St. Lucia IDC representatives were notified and arrangements made for them to take over negotiations. That point was considered to be reached when a company began or asked assistance to begin a cost-comparison exercise.

At present the BIDC and the St. Lucia Industrial Development Corporation have been put in contact with Carlson Tool. Zenith, George Diamond and Co., Aurora Cord and Cable, and the Bucilla Corp.

Carlson Tool had indicated its willingness to proceed with detailed planning; George Diamond is delayed by internal management changes; Zenith is still carrying out cost comparison exercises; Aurora Cord and Cable is carrying out cost comparison exercises; and Bucilla is awaiting reports on cottage industry organizational possibilities in the LDC's and on the capacity of two small silk screen companies in Dominica and St. Lucia.

Note: Other companies on the preferred list remain interested and are maintaining contact with project personnel. It is expected that these cases may be activated immediately upon initiation of the project.

D. Venezuelan Market Possibilities

Preliminary investigations of market possibilities for Caribbean production were carried out with the cooperation of several Venezuelan government agencies, including the Institute of Foreign Commerce and the Ministry of Development, and of private sector organizations including the Chamber of Commerce of Valencia.

From import records, products produced primarily in the Far East were examined in light of Venezuelan markets, cost shifts, and Venezuelan tariff structure.

A list was derived, of products deemed appropriate for special treatment by Venezuela.

These products, by present source, value, and Venezuelan custom charges, are shown in Tables # 20 and # 21.

Technicians in the Ministries, aware of Venezuelan interest in improving trade with the Caribbean nations, state that they are willing to recommend special custom concessions for the bulk of the products listed. These would also be highly competitive because of locational and production cost advantages in the Caribbean.

It is expected that discussions between the CDB officials and Venezuelan authorities may result in opening Venezuelan markets for some of the products listed, and induce investment by Venezuelan companies in the Caribbean.

TABLE 20
POTENTIAL PRODUCTION
IN CARIBBEAN FOR VENEZUELAN MARKET
BY PRESENT SOURCE AND VALUE

PRODUCT	TOTAL IMPORTS U. S. $	PERCENTAGE OF TOTAL %
EDUCATIONAL TOYS:	3.811.117,00	100
Japan	514.947,00	14
Hong Kong	229.335,00	6
Taiwan - Formosa	61.783,00	2
Mainland China	14.558,00	0
ELECTRICAL EDUCATIONAL TOYS:	1.876.616,00	100
Japan	527.577,00	28
Hong Kong	521.540,00	28
Mainland China	45.730,00	2
Taiwan - Formosa	14.650,00	1
Phillipines	8.605,00	0
TENNIS BALLS:	234.914,00	100
Sweden	76.600,00	33
United States	61.886,00	26
Japan	13.863,00	6
Mainland China	3.147,00	1
Hong Kong	2.332,00	1
Taiwan - Formosa	4,00	0
DIVING MASKS:	165.738,00	100
Italy	43.296,00	26
Japan	20.480,00	12
FACE MASK FOR BASEBALL:	38.190,00	100
United States	23.459,00	61
Japan	9.008,00	24
Hong Kong	979,00	3

PRODUCTS	TOTAL IMPORTS U. S. $	PERCENTAGE OF TOTAL %
BASEBALL BATTING HELMETS:	34.916,00	100
United States	28.853,00	83
Japan	4.461,00	13
Hong Kong	1.603,00	5
BOXING GLOVES:	69.365,00	100
Palistan	30.183,00	44
Mexico	18.723,00	27
Japan	4.031,00	6
Hong Kong	1.930,00	3
GUITARS:	535.026,00	100
Spain	294.749,00	55
Japan	103.808,00	19
Mainland China	55.432,00	10
Taiwan - Formosa	22.849,00	4
South Korea	3.011,00	1
Hong Kong	2.502,00	1
RECORD PLAYERS:	288.804,00	100
United States	130.506,00	45
Japan	28.119,00	10
Mainland China	64,00	0
MAGNETIC TAPE PLAYERS:	3.046.485,00	100
United States	1.444.210,00	47
Japan	1.292.694,00	42
Panama (Canal Zone)	292.099,00	10
Hong Kong	2.198,00	1
Mainland China	1.702,00	1
VARIOUS SOUND RECORDING AND PLAYBACK MACHINES:	8.250.271,00	100
Japan	5.684.666,00	69
United States	1.191.713,00	14
Hong Kong	43.690,00	1
Singapor	19.353,00	0
China - Taiwan	19.201,00	0

PRODUCTS	TOTAL IMPORTS U. S. $	PERCENTAGE OF TOTAL %
VIDEO CASSETTES:	878.874,00	100
Japan	597.751,00	68
United States	233.582,00	27
LOUD SPEAKERS:	1.219.341.00	100
Japan	701.734,00	58
United States	210.584,00	17
SOUND AMPLIFERS:	1.011.462,00	100
Japan	899.970,00	89
United States	105.340,00	10
ELECTRIC CALCULATORS:	3.170.609,00	100
United States	1.120.600,00	35
Japan	505.264,00	16
Hong Kong	89.072,00	3
Mainland China	25.994,00	1
ELECTRONIC CALCULATORS:	8.810.758,00	100
Japan	3.001.329,00	34
Singapore	975.670,00	11
Hong Kong	147.869,00	2
Taiwan - Formosa	32.889,00	0
Mainland China	15.548,00	0
South Korea	353,00	0
SOUND CAMERAS:	835.977,00	100
Japan	420.819,00	50
United States	230.956,00	28
Hong Kong	4.183,00	1
SOUND PROJECTORS (10mm film):	495.234,00	100
Japan	200.816,00	41
United States	180.320,00	36
Hong Kong	3.654,00	1

PRODUCT	TOTAL IMPORTS U. S. $	PERCENTAGE OF TOTAL %
FLASH UNITS FOR CAMERAS:	319.954,00	100
United States	110.132,00	34
Malaysia	54.869,00	17
Singapore	50.823,00	16
Hong Kong	18.939,00	6
FIXED LENS CAMERA (box type):	1.044.983,00	100
United States	424.558,00	41
Japan	78.480,00	8
Hong Kong	22.296,00	2
Mainland China	2.285,00	0
Taiwan - Formosa	1.193,00	0
Singapore	113,00	0
MANUAL ALARM CLOCKS:	281.090,00	100
United Kingdom	130.040,00	46
Japan	38.156,00	14
Hong Kong	17.589,00	6
Taiwan - Formosa	7.006,00	2
Mainland China	1.193,00	0
ELECTRONIC WATCHES (without coating and precious metal):	15.160.923,00	100
Japan	3.894.981,00	26
United States	2.232.482,00	15
Panama	1.348.707,00	9
Hong Kong	1.292.847,00	9
Mainland China	58.268,00	0
Taiwan - Formosa	42.802,00	0
South Korea	10.406,00	0
SUNGLASSES:	608.382,00	100
Japan	457.870,00	75
Hong Kong	7.851,00	1
Singapore	1.483,00	0

PRODUCT	TOTAL IMPORTS U. S. $	PERCENTAGE OF TOTAL %
COVERS AND CASES FOR COMPASSES AND COMPONENTS:	373.150,00	100
United States	105.333,00	28
Hong Kong	93.262,00	25
Mainland China	17.566,00	5
Japan	15.894,00	4
ELECTRIC IRONS (domestic):	771.752,00	100
United States	340.820,00	44
Singapore	15.640,00	2
Mainland China	8.645,00	1
Japan	8.048,00	1
Taiwan - Formosa	100,00	0
ELECTRIC FANS:	4.979.237,00	100
Japan	2.004.117,00	40
Hong Kong	1.143.270,00	23
Taiwan - Formosa	615.234,00	12
Mainland China	30.761,00	1
ELECTRIC BLENDERS:	3.768.085,00	100
United States	1.163.324,00	31
Japan	350.329,00	9
Hong Kong	53.288,00	1
Mainland China	2.130,00	1
CHRISTMAS TREE BULBS AND ATTACHMENTS:	469.726,00	100
Taiwan - Formosa	240.417,00	51
Mainland China	202.062,00	43
Hong Kong	8.960,00	2

TABLE 21

VENZUELAN IMPORT DUTY BY PRODUCT

Customs Code	Description of Merchandise	Import Tax by Percent of Value
42.03	Women's suits and accessories of national artificial or regenerated leather	
	01.00 Protective work clothes:	
	01 Gloves	150
	02 Belts	150
	99 All others	150
	89.00 Others:	
	01 Gloves	
	01 For baseball and softball	150
	02 For boxing	25
	99 All others	150
	99 All others:	
	01 Suede jackets	150
	99 All others	150
84.52	Calculating machines; accounting machines, cash registers, franking machines, ticketing machines with totaling mechanisms	
	01.00 Electric calculators	3
	02.00 Electronic calculators	3
	03.00 Other calculating machines	3
	04.00 Accounting machines	3
	05.00 Cash registers:	
	01 Manual cash registers	3
	99 All others	3
	89.00 Others	3
85.06	Electric machinery for domestic use (with motor)	
	01.00 Vacuums	45
	02.00 Floor waxing machines (including vacuum cleaner combinations)	45
	03.00 Food crushing and mixing machines, juices:	
	01 Blenders	45

Customs Code	Description of Merchandise		Import Tax by Percent of Value
	99	All others	45
	04.00	Fans	45
	89.00	Others (maximum weight of 20 kgs):	
	01	Lunch meat cutters	45
	99	All others	45
	90.00	Parts and accessories	45
85.12	Water heaters; bathroom heaters, and immersion heaters, space heaters and similar products; electric apparatus for hair grooming (hair dryer, blowers, etc) electric iron; electrothermal apparatus for domestic use, heating resistors distinct from above.		
	01.00	Water heaters, bath heaters and immersion heaters:	
	01	Waters heaters with capacity less than 30 liters.	75
	02	Water heaters with capacity greater than 30 liters	75
	03	Instant water heaters for showers	75
	04	Faucet heaters	45
	99	Others	45
	02.00	Space heaters and similar heaters:	
	01	Stoves	45
	99	All others	35
	03.00	Hair care products:	
	01	Dryers:	
		01 Professional	80
		99 All others	80
	99	All others	45
	04.00	Electric irons:	
	01	Domestic use	45
	99	Others	35
85.14	Microphones and stands, loudspeakers and low frequency electric amplifiers		
	01.00	Microphones:	
	01	Microphone stands and pedestals	1
	99	All others	1
	02.00	Loudspeakers	5

Customs Code	Description of Merchandise	Import tax by Percent of Value
	03.00 Low frequency electric amplifiers:	
	01 For Telephones	1
	99 All others	5
	04.00 Sound amplifying equipment	5
	90.00 Spare parts:	
	01 For microphones	1
	99 All others	1
90.01	Lenses, prisms, mirrors and other optical equipment without mounts excluding glass articles without optical grounding; polarized material in sheets or plates	
	01.00 Eyeglass lenses including contact lenses	5
	02.00 Lenses prism, mirrors and other optical elements	5
	03.00 Polarized material in sheets or plates	5
90.02	Lenses, prisms, mirrors and other optical elements of any material, mounted, for instruments and apparatus with the exclusion of articles of the same material not optically ground	
	01.00 Lenses	5
	89.00 Others	5
90.03	Eyeglass Frames and similar articles and parts for frames	
	01.00 Plastic frames:	
	01 Machine dyed	135
	99 Others	135
	02.00 Frames of precious metals and common metals plated with precious metels:	
	01 Precious metals:	
	01 With precious stones and semi-precious	150
	99 All others	100

Customs Code	Description of Merchandise	Import Tax by Percent of Value
	02 Of common metals, plated with precious metals:	
	01 Gold or silver plated	100
	99 All others	85
90.07	Photographic apparatus, flash units for cameras	
	01.00 Photographic apparatus for industrial use or special construction for professional use	
	01 For mechanical use	5
	02 For aerial photography	5
	03 For Mircorfilms	5
	04 Utilized in print shops and preparation of chassis for printing	5
	99 All others	5
	02.00 Photographic apparatus for other uses:	
	01 Of fixed focus (box type)	5
	99 All others	5
	03.00 Flash units	5
	90.00 Replacement parts	1
90.08	Movie Apparatus (movie and sound, including combination, projections, with or without sound reproduction)	
	01.00 Movie cameras including built in sound register:	
	01 For film of 10 mm or less	3
	02 For film of between 10 mm and 20 mm.	3
	99 All others	3
	02.00 Projectors with or without sound capability:	
	01 For film of less than 10 mm	3
	02 For film of between 10 mm	3
	99 All others	3

Customs Code	Description of Merchandise	Import Tax by Percent of Value
	01 Record players (with built in	
	03.00 Apparatus for sound recording or reproduction	
	90.00 Replacement parts:	
	01 For movie cameras	1
	99 All others	3
90.09	Fixed projection apparatus, photo reducers or amplifiers	
	01.00 Fixed projection apparatus:	
	01 For micro films	3
	99 All others	3
	02.00 Photographic amplifiers and reducers	3
	90.00 Parta and accessories	1
91.01	Pocket watches, electronic watches and similar products (including time keepers of that type)	
	01.00 With cases of precious metal or ordinary metal plated with precious metal including precious and semi-precious stones:	
	01 With precious and semi-precious stones	100
	99 All others	25
	02.00 With common metal gold plated or silver plated:	
	01 With precious or semi-precious stones	100
	99 All others	15
	89.00 Others:	
	01 With common metal cases without precious metals:	
	01 With precious or semi-precious stones	80
	99 All Others	10
	99 All others:	
	01 With precious or semi-precious stones with or without precious metal	80
	02 With precious metal	15
	99 All others	5

Customs Code	Description of Merchandise	Import Tax by Percent of Value
91.02	Other watches including alarm clocks with small volumne mechanism	
	01.00 Electric:	
	01 Of precious metals or of these metals or with cases of these materials:	
	01 With precious or semi-pre - cious stones	100
	99 All others	25
	02 Of common metals with a precious metal:	
	01 With precious or semi-precious stone	100
	99 All others	15
	03 Of common metals without precious metals:	
	01 With precious or semi-precious stone	80
	99 All others	10
	99 All others:	
	01 With precious or semi-precious stones	80
	02 With precious metals	15
	99 All others	5
92.02	Other musical instruments with strings	
	01.00 String instruments for harps	3
	89.00 Others:	
	01 Guitars	35
	99 All others	35
92.11	Photographs, dictaphones and other apparatus for recording and reproduction of sound including turn tables, tape players with or without sound pickup; apparatus for recording and reproduction of images and sound in television by magnetic processing	
	01.00 For recording sound	10
	02.00 For sound reproduction:	

Customs Code	Description of Merchandise	Import tax by Percent of Value
	01 Record players (with built in sound systems activated by tokens or coins:	
	02 Other record players:	
	01 To 4 kilograms of weight	50
	99 All others	175
	03 Turn tables:	
	01 With automatic record changes	175
	99 All others	50
	04 Tape players	5
	99 All others	5
	03.00 Various apparatus (for recording and reproducting of sound):	
	01 Dictaphones	10
	99 All others	5
	04.00 Apparatus for the recording and reproduction of images and sound in Television by magnetic processing	1
97.06	Articles and mechanisms for outdoor plays, gymnatics, athletics and other sports with the exclusion of articles for games	
	01.00 For gymnastics and athletics:	
	01 Medicine balls	20
	99 All others	30
	02.00 Balls:	
	01 For tennis	20
	99 All others	20
	89.00 Other:	
	01 For water sports	
	01 Masks of rubber for diving	20
	02 Fins of rubber for diving	100
	99 All others	20
	02 Roller skates	25
	03 Baseball and softball masks	20
	04 Bats (except of wood) for baseball and softball	40
	05 Pins and ball for bowling	30
	06 Wood bats for baseball and softball	70
	99 All others	20

Customs Code	Description of Merchandise	Import tax by Percent of Value
97.01	Wagons and wheeled vehicles for infant play such as bicycles, tricylces, skates, mechanical horses, pedaled cars and dolls, wagons and similar products	
	00.01 Bicycles	100
	00.99 All others	60
97.02	Dolls of all types	
	01.00 Dolls:	
	01 Of wood	200
	99 All others	200
	90.00 Accessories:	
	01 Clothing	200
	99 All others	150
97.03	All other toys; reduced models for recreation	
	01.00 Of Cloth material:	
	01 Of educational character	1
	99 All others:	
	01 Electrical	15
	99 All others	150
	02.00 Of plastic or rubber material:	
	01 Of educational character	1
	99 All others:	
	01 Electrical	15
	99 All others	150
	03.00 Of common metal	
	01 Of educational character	1
	99 All others:	
	01 Electric	15
	99 All others	50
	89.00 Other	
	01 Of educational character	1
	99 All others:	
	01 Electrical	15
	99 All others	150

Customs Code	Description of Merchandise		Import Tax by Percent of Value
97.05	Articles for fun and parties, accessories for dances and surprises, articles and accessories for Christmas trees and similar products for Christmas parties (artificial trees)		
	01.00	Trees and other articles and accessories for Christmas	150
	89.00	Others	150

E. ASSISTANCE TO SMALL INDUSTRY AND COMMERCE

The nature and level of effort of technical assistance to small enterprise is based on experience of The Barbados Institute of Management and Productivity (BIMAP). During the period 1973 to 1976, with the collaboration of the Manitoba Institute of Management and the InterAmerican Foundation, BIMAP serviced 236 small enterprises. These, shown in the following table, are used to determine probable distribution of clients for the proposed program.

Travel, manufacturing and services appear to be the chief demand sources for T. A. The T. A. program will be staffed with personnel knowledgeable in these areas, and course materials will be prepared to reflect these demand patterns.

The specific business skills most needed are derived from a more limited sample of BIMAP clients. These indicate that the nature of T. A. provided reflects the following pattern:

Type	Percent
Accounting	30
Marketing	24
Inventory	19
Production	9
Costing	5
Management	7
Plant Layout	4
Finance	2
	100%

This distribution will also influence the courses to be prepared and the counseling content of the T. A. program. The great need for marketing help substantiates observers who have maintained that lack of market knowledge is a major constraint on the development of small business in the Caribbean.

Costing of the program is based in large part on the BIMAP experience which had an average per case cost of U. S. $987. In the following table costs are shown for the BIMAP/MIM program and the BIMAP/IAF program.

COST PER CLIENT
BIMAP SMALL BUSINESS PROGRAM
1973 - 1976
(U. S. $)

Program	Year	No. of Clients Serviced	Budgeted Cost	Cost/Client
BIMAP/MIM	1973	39	$ 20,400	$ 523
BIMAP/IAF	1974	178	50,050	281
	1975	102	50,159	491
	1976	39 1/	54,454	1,396
Average Cost				$ 987
Small Business Program Total	1973-76	275	$175,063	$ 637

MIM - Manitoba Institute of Management
IAF - InterAmerican Foundation
BIMAP - Barbados Institute of Management and Productivity
SBDP - Small Business Development Program

1/ 1976 total of clients assisted taken from reports submitted by BIMAP to the Inter-American Foundation for the January-June period -- no new clients were accepted in the program after that date.

2/ This 3 year program total is less the sum of the clients serviced per year because some clients were assisted during a period falling in 2 or more calendar years.

Source: BIMAP internal documents

The average cost of U. S. $987 is derived from number of clients' firms compared to total program costs. However, many clients received multiple services. A total of 255 service units were rendered over the course of the program, yielding a service unit cost of U. S. $637.

III. ADMINISTRATIVE RESOURCES

A. Caribbean Development Bank

1. Present State

The CDB, which is recognized as an associate institution of CARICOM, was established in 1970 by 16 regional member countries and the U. K. and Canada. The United States is not a member of the Bank but has contributed a total of US$ 42.3 million to the CDB in the form of concessionary loans, the earliest of which was for US$ 10 million in 1971. Venezuela and Columbia became members of the Bank in 1973 and 1974 respectively. The Bank's Charter states that the main objective of the Bank is to contribute to the economic growth and development of its member countries in the Caribbean, and to promote economic cooperation and integration within the region. The Charter places major emphasis on the Bank's role in meeting the needs of its LDC member countries.

The Board of Governors is the highest policy-making body of CDB and is composed of representatives from each member country (except Montserrat, British Virgin Islands, Cayman Islands, and Turks and Caicos Islands, who collectively elect one governor). The Board of Governors meets annually. Voting power is roughly proportionate to shares subscribed, with a slight weighting in favour of the LDC's.

The Board of Directors is composed of 11 members appointed for renewable two-year periods. The non-regional members are represented by two of the 11 directors. The Board of Directors meets at least every two months and is responsible for general policy and the direction of Bank operations, approval of Bank administrative budget, and submission of financial statements for Board of Governors' approval. All loans, guarantees, and other long-term investments by the CDB require Board of Directors' approval.

The current President of the Bank is Mr. William Demas, formerly the Secretary General of both CARIFTA and CARICOM. As of April 1977, the Bank staff totalled 114, of which 58 were professionals drawn from 19 countries. Of the professionals, 6 were recruited under a UNDP-financed scheme formerly executed by IBRD, but now being executed by the CDB. AID has provided two technical assistance advisors (housing), Canada, two (fisheries) and New Zealand, three (agricultural engineering, livestock, agribusiness). The Bank has an on-going program for the training of its professional staff through attachments to the World Bank, the Inter-American Development Bank, and other relevant institutions.

The CDB is organized under three operational and four support divisions, all of which report directly to the President. The largest of the three operational divisions, in terms of staff and lending volume, is the Agricultural Division, which presently has 15 professionals located at the Bank and 7 Farm Improvement Officers permanently assigned to LDC institutions. The two other operational divisions are the Industry Division and the Technical Division, each with a staff of ten professionals. The latter division is responsible for infrastructure, transportation, and housing projects, and also assists the other divisions in technical matters.

The operational divisions are complemented by four support divisions: Economics and Project Analysis, Finance, Administration, and Legal. The Economic and Project Analysis Division, with staff of 10, is responsible for the economic appraisal of projects. In addition, a plan has recently been formulated whereby the Project Analysis Division will undertake detailed analysis of the economies of its member countries, sector studies, and identification of regional integration projects, with the objective of formulating a more effective lending strategy.

The CDB Industry Division, one of three operational divisions within the CDB, is charged with preparation of industrial and tourism projects and project evaluation. It advises upon and supervises execution of related projects. The division is staffed by a technical specialist and six specialists in small industry loans, industrial projects, and hotel projects. These are assisted or supplemented by consultants provided by international donor agencies. At present, one industrial consultant from the German Technical Assistance Agency is employed in the division, and a three man team supplied by the ITC of Geneva is engaged in developing new export outlets for Caribbean production.

Divisional staff play a wide range of roles in project development; these may, and often do, include initiation of project ideas, preparation of feasibility studies, and participation in the management of firms financed by the CDB. The Chief of the Division is a member of the Board of Directors of the Caribbean Industrial Corporation, and the small industry officers work closely with the Loan Supervision Unit of the CDB and with the staff of DFCs throughout the region.

The CDB channels credit, from ordinary capital, Special Development Funds, and other special funds, to entities in member states. The Industry Division carries out evaluation of specific projects which would involve the use of such funds, and assesses the potential effective demand for lines of credit being considered for

disbursement to the DFCs. The small industry officers monitor progress of such loans, and assist where appropriate in resolving problems encountered by the DFCs.

From 1971 to 1977 the CDB approved a total of US$ 26.0 million in loans to the industrial sector, and disbursed US$ 9.8 million. The momentum of lending has increased annually. New loan approvals in 1971 were only .9 million, then rising at an average annual increase of 70% per year to a high of US$ 11.10 million in 1977, yielding a total industrial portfolio in excess of US$ 26.0 million for the seven year period. Projections made by the Industry Division anticiapate that as much as US$ 95.0 million may be approved over the next five years.

Of total lending, industrial sector loan approvals through financial intermediaries or governmental agencies was in excess of US$ 22 million. Industrial Estates absorbed more than US$ 7.0 million; small industry loans intended for DFC sub-lending totalled US$ 4.4 million; and US$ 10.6 million was loaned to DFCs for on-lending to larger industrial projects. The remaining industrial lending was made directly to the end user. U.S.$ 3.0 million was approved for investment by the government of St. Vincent's in the sugar industry and US$ 0.7 million was approved for direct lending to two private sector firms. Practically all SIC and Industrial Estates lending utilized special development funds, while general industrial credit drew US$ 4.6 million from ordinary capital resources, US $1.4 million from Special Development Funds, and US$ 4.6 million from other special funds.

2. Role in the Project

The CDB, as borrower and administering agency, will have primary responsibilities for overall administration and coordination of the entire project. The CDB will coordinate the efforts of other local and regional institutions involved in the implementation of individual sub-projects. In addition, the CDB will be responsible for coordinating technical assistance to participating enterprises.

Overall coordination of the Employment Generation Project will rest with CDB management, and the precise form and responsibility for such coordination will be determined by management. It is expected, however, that major responsibility for the bulk of the project will devolve upon the Director of the Industry Division.

The success of the project will depend upon the perceptions of the LDC governments and participating agencies, and their willingness and ability to respond to the opportunities presented and the resources offered by the project. It will be incumbent upon the CDB to be able to insure that such resources are forthcoming at the appropriate time, that the LDC agencies are made fully aware of the implication of their commitments, and that those commitments are indeed made.

Prior to the initiation of the project, the Industry Division will assist management in preparation for negotiations with the agencies expected to participate in the project, and will assist in arranging for appropriate agreements with those agencies. It will then assist CDB management in channeling appropriate assistance to the project participants.

During the course of the project the Industry Division, working in conjunction with the Loan Supervision Unit, will monitor progress, recommend adjustments in the nature of assistance, as required, and will maintain contact with key personnel of the LDC agencies. In the event of non-compliance with undertakings, the Division would advise CDB management on appropriate actions, including resource shifts.

The Industry Division will maintain and review the activities of the CIC Small Enterprise Assistance Program and the Promotion of Export Industries Program, and will recommend, adjust, modify, or alter these programs as required to meet project objectives. The CIC, as the agency responsible for the operation of both the

SETAP and RIPD programs, will submit formal reports at critical junctures in its program, for review and approval by the CDB, which at its option will release funds for each successive stage of the program. Those critical progress points will be defined by the CDB, and will generally coincide with the completion of one subactivity, the results of which will determine the next course of events.

Shortly after the initiation of the Small Enterprise Assistance Program, the Director will submit the targets for each activity to be undertaken. After completion of the survey, the final targets for the program will be prepared and forwarded to the CDB. Similarly, program targets for the Export Industries program will be set, using information and experience derived from the "Test period" and the assessment of BICD past experience.

It is assumed that each sub-project manager (Director of SETAP and Director of CIC Export Industries program) will personally discuss with the Industry Division the program performance to date, on a quarterly basis. Modifications and adjustments in program targets and operating procedures will be made through collaboration between the CDB and the responsible agency. The substance of those discussions will be communicated to the President of the CDB on a regular basis.

B. Caribbean Investment Corporation

1. Present State

The Caribbean Investment Corporation (CIC) was established in 1973 by inter-governmental charter as a special financial institution for the purpose of promoting industrial development, including agro-industry, tourism and integrated agricultural and industrial complexes. The CIC headquarters was established in Castries, St. Lucia, in March, 1974. The activities of the CIC are designed to facilitate the flow of financial resources from the MDCs of the region to the LDCs.

It is empowered to: make equity investments in industrial enterprises in the LDCs; guarantee suppliers' credit; provide technical assistance in the preparation and analysis of projects; and, under a blanket clause, perform all functions which it deems compatible with the objectives of the institution.

The CIC is primarily a source of venture capital for those projects and enterprises deemed, by CIC Management, to contribute to the economic and industrial growth of the LDCs. The CIC provides a complement to the debt financing functions of the Caribbean Development Bank and its affiliated DFCs.

Since its inception in 1973, the CIC has changed from a passive receiver of proposed projects, to an active agent for creating investment opportunities by seeking out feasible projects, evaluating them, and assisting in their implementation.

The share capital is authorized to a value of US $5,770,000. Of an initial issue of US $1.9 million, 82% (US $1.55 million) was paid in by the end of 1977. It is expected to be fully subscribed by year end 1983. The private sector has so far subscribed up to 54% of its projected allotment.

Late in 1977, equity capital was supplemented with borrowing from two sources. The Caribbean Development Bank opened a Line of Credit for US $1,260,000 in favour of CIC, of which approximately one half had been drawn down by the end of the year. The loan agreement contained the following restrictions: no individual sub-loan can total more than US $150,000; adequate provision must be made for bad debts; a reserve fund will be established when net income turns positive. The loan is to be repaid in forty years on a semi-annual basis at a one half of 1% interest service charge with the first payment due in 1980.

In November, the Corporation also signed a loan agreement with the European Investment Bank for one million European Units of Account to be drawn upon as required to make equity and quasi-equity investments. The repayment scheduled is conditional upon the profitability of projects and investments funded by this source. The loan calls for a maximum repayment period of 25 years; interest charges are 2% per annum with a four year grace period.

The shareholders are represented in the management of the CIC by a Board of Governors, composed of a minister nominated by each of the Member States, and four governors representing the private sector appointed by the Caribbean Association of Industry and Commerce (CAIC), of which two must be residents of the LDCs.

All the powers and functions of the Corporation, except those relating to financial operations, are vested in the Board of Governors. The Board may delegate functions to the Board of Directors, except in matters relating to membership, capital stock, charter amendments, renumeration for directors, disposition of profits from operation, and approval of the Statement of Accounts.

The operation of the Corporation is controlled by a Board of Directors, consisting of: four directors appointed by each of the governments of the MDCs, two directors appointed by the governments of the LDCs, and four directors selected by the CAIC, with the proviso that at least two be residents of the LDCs. Each of the directors will hold office for three years and may be re-appointed upon expiration of his term. The chairman is selected from among the representatives of the LDCs. The Board of Directors, which meets a minimum of four times a year, has the final authority to: make operating decisions as regards the disposition of CIC resources in investment loans and technical assistance; control the financial operations of the Corporation in regard to borrowing, budgeting and accounting; appoint professional and administrative staff.

As an associate member of CARICOM, the CIC participates actively in the work of CARICOM by staff representation on CARICOM standing committees, technical study groups, missions and special meetings. The Corporation was represented at a meeting of the West Indies Associated States (WISA) and East Caribbean Common Market (ECCM). At the local level the Corporation works with DFCs of Member States in project identification, evaluation, and financing. With this extended network of outside contacts, the Corporation is made sensitive to local economic policies and developments. It cooperates with the ECCM "Industrial Allocation Scheme" of assigning responsibility for the establishment of cer-

tain types of industries to a specific country, by targeting its investment funds for industries assigned to those States.

The duties of chief operating officer are performed by a General Manager, located in the CIC main office of St. Lucia. He supervises a full time staff of thirteen, exclusive of foreign advisors. The staff includes Finance Officer, Accounting Officer 1, Accounting Officer II, Librarian/Research Assistant, Senior Secretary, Secretarial Staff (5) and Support Staff (3).

Generally, all CIC administrative support work is carried out by CARICOM national staff, while all of the investment analysis, project monitoring, and evaluation and technical assistance work of the Corporation is performed by short-term consultants recruited and paid for by international organizations.

CIC has utilized the services of two UNDP/UNIDO experts as Financial Management Advisors, whose principal duties are to assist companies which have received CIC investment funds. These advisors assist in implementing financial and accounting systems, monitoring the firm's performance, identifing problem areas, and introducing appropriate corrections as necessary. The Corporation also has available the services of an industrial engineer, for technical appraisal of new projects and of production systems and control procedures necessary for efficient operation of selected firms. Several important advisory posts are currently vacant, but support has been obtained from various international organizations, and these should soon be filled. These include a Project Analyst, who will prepare and analyze investment loan applications and assist in the promotion and negotiation of new industries, including joint venture schemes with foreign partners; and an Economic/Marketing Studies Advisor, who will collect and compile data relevant to the economic and marketing conditions (employment, production, etc.) in the LDCs, leading to decisions on the direction and timing of investments by CIC.

Corporate investments in projects are based upon appraisals of the financial viability of the project, the ability of the project to contribute to industrial and economic development of the LDC, and the creation of employment opportunities.

Before committing funds in any particular project, the Corporation requires that the conditions enumerated below be fulfilled:

(1) The owners of the proposed enterprise must assume a fair share of the risk by investing a significant portion of their resources;

(2) The proposed management must satisfy the CIC that it is capable of directing all the functions of the enterprise;

(3) Analysis must show that adequate markets and marketing arrangements exist;

(4) Adequate proof of collateral must be given, if required;

(5) The proposed enterprise must be owned by residents of the LDCs, or in the case of a joint venture of the LDCs and MDCs of the CARICOM region, it must provide that control rests in the hands of CARICOM nationals.

(6) The enterprise must be incorporated in an LDC.

CIC financing may be used for any of the following, singly or in combination: working capital; machinery and equipment acquisition; building, construction, and expansion of existing operations; and acquisition of existing enterprises.

The CIC will not as a normal policy make non-convertible loans. The size of CIC permissible investment ranges from a low of US $7,500 to a high of US $150,000 in any single enterprise. It is not allowed to acquire more than one third of the enterprise's total share capital, or more than 10% of its own capital.

The main focus of the CIC's investment operations has been to support productive enterprises. An investment limit of 25% of the CIC's total outstanding commitments has been placed on tourism projects. Loan repayment periods are permitted to vary according to the use to which the loan is to be put, and according to cash flow projections for the enterprise, but will usually not exceed ten years. Interest rates charged are variable and based on such factors as the degree of risk, form of financing, loan size, and current cost of capital. The CIC seeks adequate security through debentures, promissory notes and mortgages for its loan. As a further safeguard, the CIC normally reserves the right to nominate one or more individuals for the Board of Directors of the enterprise concerned. Refinancing is a service not normally extended.

All investment loans and guarantees to be made by the CIC to any enterprise, must be approved by the Corporation's Board of Directors. A formal application in writing, containing the information on the following points, is required: market survey results; cost estimates; technical feasibility analysis; sales projects; cash flows; and other information bearing on the anticipated profitability of the enterprise. The Board then weighs the applica-

tion first on the basis of sound investment criteria, and only after the project has proven its viability will it be judged in terms of its economic development effect. When assistance is required for the proper persentation of the above material, the CIC will provide assistance for a small fee (prior to 1977 this service was free of charge).

The CIC's formal letter of offer, giving the conditions under which the CIC will participate in the enterprise, must be accepted within thirty days. Upon approving the application, and normally, nominating one or more directors to the enterprise's board, the CIC maintains a close relationship with the enterprise by requiring it to maintain records and accounts and to submit periodic reports to the CIC on its operations, as well as to allow visits by CIC personnel.

The CIC views its role as encouraging entrepreneurship in the LDC's by supplying what is currently a scarce resource in the area-venture capital. The primary concern of the CIC is to provide those individuals offering viable business proposals, with a source of start-up funds in the form of share capital. Once the new enterprise (or expansion) has established its ongoing profitability, and when market for sale of its shares is sufficiently strong, the CIC will attempt to turn over its investment, to provide funds for new projects.

In 1977 CIC authorized twenty separate equity investments, totaling US $895,000, and averaging US $45,000 per investment. Twelve convertible loan commitments were made, valued at US $303,000. Disbursements averaged 69.5% of authorizations, with equity at 75%, and convertible loans at 65%. Ten out of the total of twenty-seven enterprises receiving CIC funding, utilized more than one type of investment instrument, the majority being combinations of equity and convertible loan financing. This represents an average authorization per firm of US $46,800. By industrial activity, this enterprise average breaks down as follows: Industry, US $35,000; Agro-Industry, US $71,000; and Tourism, US $52,000.

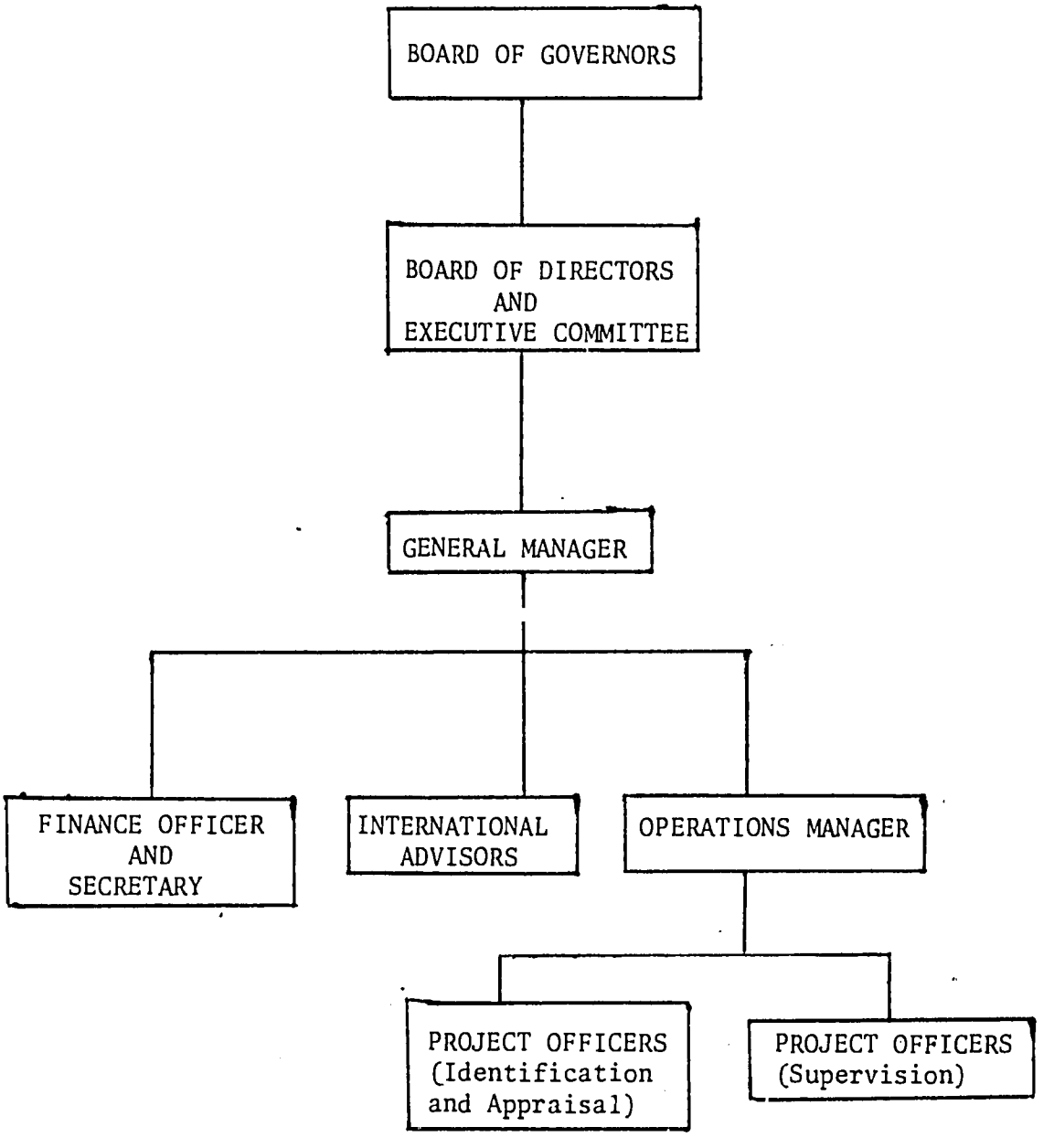
In total net investments authorized, the CIC divided its resources as follows in 1977:

Sector	% of Total Investment of Projects	% of No. of Projects
Industry	49%	63%
Agro-Industry	39%	26%
Tourism	12%	11%
	100%	100%

The CIC financing by dollar value is evenly distributed among the Leeward and Windward Islands with the exception of St. Lucia, which has received almost double the investments of any other LDC. An examination of US dollar investment per capita by the CIC shows that the Leeward Islands received from three to six times more financing than the other LDCs. There is no relationship between either of the above measures of CIC investment flow and the per capita GNP of the CARICOM LDCs.

CARIBBEAN INVESTMENT CORPORATIO

Proposed Organization Chart



2. Role in the Project

The Caribbean Investment Corporation will play a central role in the development of two sub-projects: the Small Enterprise Technical Assistant Program and the Export Industries Program. Because of its regional mandate, the CIC is ideally suited to provide the central control necessary for effective small enterprise assistance, and efficient, low-cost-extra-regional investor identification and development.

The CIC will establish two new operating divisions within its management structure. The Regional Investment Promotion Division (RIPD) will be responsible for identifying potential industrial projects within the Eastern Caribbean LDC's, identifying and analyzing project alternatives, identifying and locating firms for relocation from the Far East to the Eastern Caribbean and conducting all support functions necessary for the development of these projects. The RIPD will coordinate its efforts with the Small Enterprise Technical Assistance Program Division which will offer support in project identification and data collection along with its functions of providing management counselling and access to loan funds for small enterprises in the LDC's.

The RIPD will function as the sole agency responsible for the "outreach" program to foreign firms. This will involve the use of product and firm location techniques to be developed by AID sponsored Technical Assistance and applied by the CIC. This procedure will provide the CIC with a tool for identifying specific products which have the potential to be efficiently produced in the LDC's and marketed in the U.S., Europe or South America. Using this information the CIC will then identify and locate those forms with the greatest potential for relocating their production operations in the Eastern Caribbean. The CIC representatives will initiate and maintain contact with the potential investors and direct them to the appropriate agency for examination of a particular LDC.

The CIC will participate in the formation and personnel training of individual "investment promotion units" in each LDC, which will primarily serve to provide the potential investor with information requested on the particular LDC, and will take over the "management" of these investors after their regional interest has been established by the CIC. The CIC will, at this stage, act in a supporting role to the LDC agencies, by providing information requested by the company officials prior to visiting an LDC agency, and by transmitting to the LDC agency information available to the CIC concerning the company. Prior to full program operation by these LDC agencies, the CIC will act as a resource base for them by initiating a system

of data collection relevant to the investment promotion function. The objective of the data bank will be to collect and maintain information which will be requested by any company analyzing a possible relocation in the region.

The CIC will also make available to the LDC agencies other services in support of the investment promotion function. The services will be: coordination of relations between the SETAP program with its related functions, such as sector analysis and managment counselling; identification of potential industrial projects and feasibility study assistance where applicable; equity purchase in projects to achieve greater regional participation in company decision making; and, with its liaison to the CDB and DFC's, facilitation of the financial participation of these institutions on joint venture and domestic industrial projects.

The Small Enterprise Technical Assistance Program (SETAP) will be organized with field offices in the LDC's, through which an integrated program of assistance, aimed at the growth of income and employment in small business, will be offered. The operation of this program will provide the various agencies participating in the project with access to knowledge and data gained by the SETAP field personnel through working with the target group, the small enterprise community, on a daily basis. SETAP will also supply a channel which will direct the services provided by these agencies to the needs of the small enterprise community.

SETAP will perform the following specific functions within the project: (1) gather baseline data on small enterprises within the region through an establishment survey; (2) establish and maintain a data bank on small enterprise by all participating agencies; (3) conduct management counselling sessions with individual owner/manager's, (4) assist the owner/manager in the preparation of required loan application information and provide continuing assistance in the efficient utilization of the funds thus secured; (5) perform or contract for the performance of sectoral analyses; (6) identify potential products to be produced and/or marketed in the LDC's and prepare the necessary feasibility studies; (7) identify and collaborate with the TIU in securing information and short-term specialized consulting services for small enterprises; (8) collaborate with the RIPD and LDC agencies in identifying and assisting potential joint-venture projects and partners.

Project impact on the target will be jointly evaluated by the CIC and the USAID three months after delivery of Technical Assistance by the CIC and its cooperating agencies to each small enterprise selected. The three month evaluation will be carried out by the personnel who have provided technical assistance. A large sample of the enterprises reviewed will be re-evaluated after an elapsed

time interval of nine months following the first evaluation. These will be monitored annually for a two year period.

The evaluation will measure changes in income, product value, employment markets, and other direct and indirect economic and business indicators.

(1) Baseline Data: Exonomic and business data will be compiled in the survey, which will indicate level and direction of the small business assistance activity. This data will be augmented during the delivery of T.A. to program.

(2) Target Levels: Overall target levels will be established after completion of surveys on each LDC, and individual target levels will be established prior to the delivery of specific inputs to each enterprise scheduled to receive assistance.

The CIC will continually review the functioning of these Divisions and make the required modifications and adjustments to improve performance. The CIC will establish lines of communication with the other participating agencies to ensure coordination within the project. Periodic management audit reports will be made to the CDB Industry Division.

C. Barbados Institute of Management and Productivity

1. Present State

Barbados Institute of Management and Productivity was established in 1970 as a non-profit cooperative venture of the Government and the private sector for the purpose of providing such services as necessary to improve management skills in the private and public sectors, and to contribute to the enlargement of the country's management pool. These objectives were to be achieved by three lines of activity; viz. research, training and consulting. It began operations in 1972, supported by subscription fees of private firms and the Central Bank and matching funds provided by IDC. It was expected to be supported by continuation of subscriptions, plus fees earned from consultancy operations and training.

The Agency is governed by a Board of Trustees, which is responsible for policy, budget approval and recuitment of professional staff. An executive trustee is charged with operations of the agency and with recruitment of administrative staff. The trustee is aided and advised by an advisory council comprised of representatives of the major business organizations, and by a Planning and Priorities Committee.

The Agency is structured to accommodate five areas of operations: research, external training, internal training, corporate affairs, and business advisory services. Research provides member companies, government organizations and national entities, with specialized reports, e.g. export performance, manpower surveys, national finance estimates. Internal training is concerned with the provision of management training courses at BIMAP, external training, with design and provision of courses to meet company needs. Corporate affairs is concerned with improvement and evaluation of BIMAP. Business Advisory Services designs, promotes and implements projects for improvement of management systems of individual organizations.

Internal training, which takes the form of lectures, case studies, group projects, etc., were provided to 1544 persons from 1975 through July 1978. External training, during the same period, was given to 740 persons from 49 companies. Consulting services were provided to approximately 15 firms per year. The organization is staffed by 20 full time and part time professionals. An additional 11 professionals are expected to be recruited during 1978/79.

BIMAP, with the assistance of the Manitoba Institute of Management (MIM), initiated a program of Technical Assistance to small businesses in 1973. The Technical Assistance was provided in three

phases: a research interview, a counselling and assistance phase and, after a suitable interval, an audit phase. Approximately 53 small businesses responded to advertisements and were involved in the program. Of these, 39 participated in all three phases. A subsequent analysis of the program indicated that the assistance priorities of the firms were as follows: accounting, 29 firms; marketing, 23 firms; inventory controls, 16; production, 9; costing, 5; layouts, 4; production systems, 7; and financing, 2. Approximately 87% of the firms implemented some portion of the recommendations made. Fourteen of the firms were involved in manufacturing and, of these, two were able to secure loans in the amount of US $32,500.

Following this experiment, BIMAP, in 1974, utilizing a fund of US $200,000 provided by the Edna McConnell-Clark Foundation through the Inter-American Foundation,set up a loan guarantee program for small business borrowing, which would be linked to the BIMAP Small Business Development Program. Over a period of three years, the program serviced 236 firms, and assisted in the procurement of 34 loans, with a total value of BD $339,470. Defaults on these loans were insignificant. Prior to the program, conventional wisdom held that financing was not a significant problem area for small business. The fact that 14% of small business served by the BIMAP program required better access to financing sources, substantially alters that view. However, the program confirmed the high cost of providing assistance to small industry, and it also confirms the high cost of credit procurement for small businesses from commercial sources. Average cost of services per client were US $655, and average size of loans made was approximately US $5,900.

Unfortunately the programs were not sufficiently well documented to provide the range of desirable information which it might have generated; thus, job creation data is not available; nor is information available on the special characteristics of the participating firms, nor on the short and long term results of such assistance.

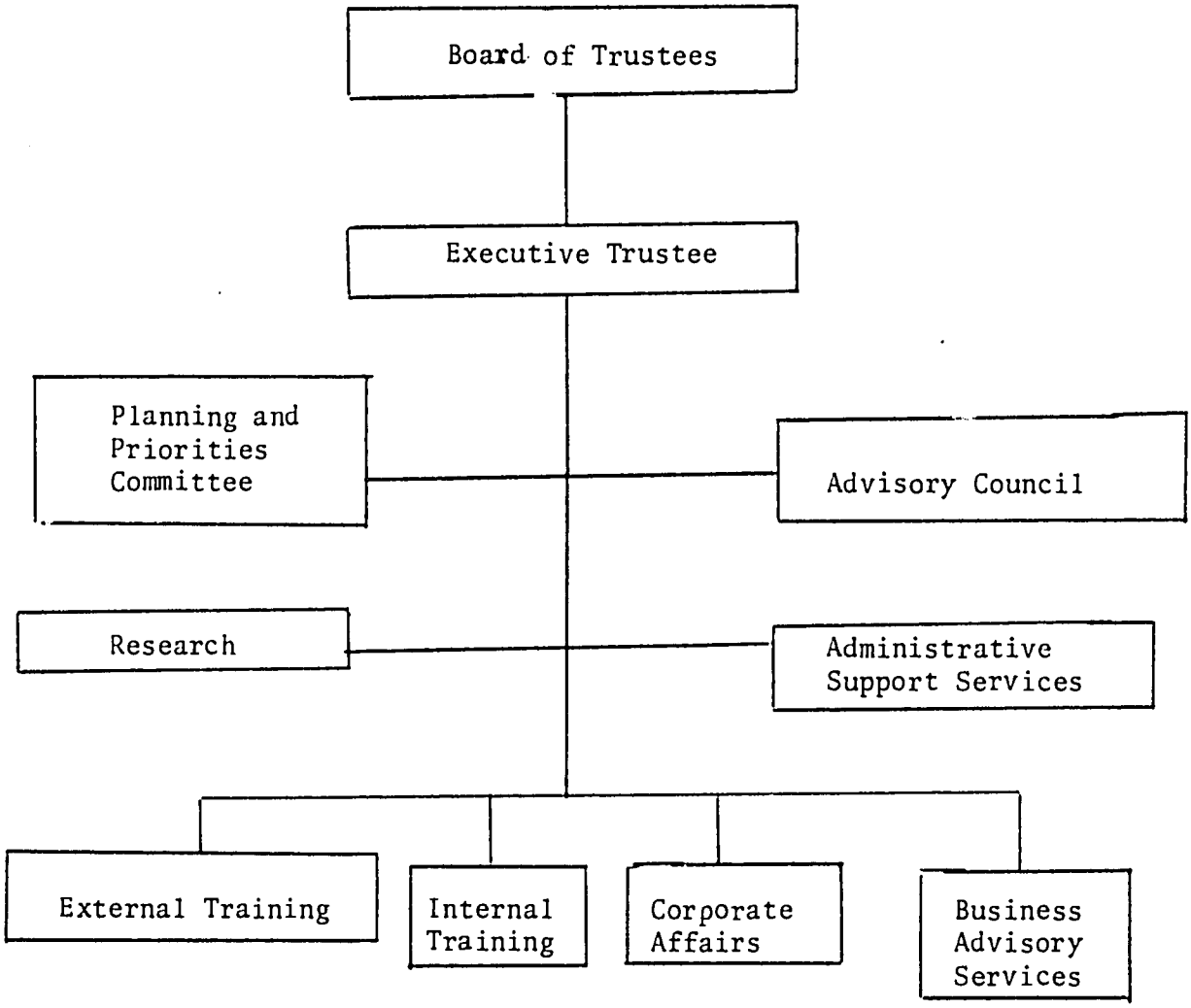
Further strengthening of BIMAP is anticipated from bilateral assistance currently being discussed with CIDA. A four year program will involve 9040 person/days of effort, and is budgeted at Can. $960,000. BIMAP may also be the recipient of funds from a loan being discussed between the IBRD and the Government of Barbados. Under terms of the loan, BIMAP would receive funding of US $250,000 for equipment, preparation of course materials, fellowships, and possibly additional training facilities.

BARBADOS INSTITUTE OF MANAGEMENT AND PRODUCTIVITY

IV. Proposed Management Structure

A: Effective Date - 1st October 1978

B: Organization Chart (See Below)



2. Role in Project

Barbados Institute of Management and Productivity will play a dual role in the development and operations of the Small Enterprise Technical Assistance Program.

The CIC will contract BIMAP to train volunteers. BIMAP will design a training program which will familiarize the teams with the economy and the small enterprise community of the region in each team's area of assignment.

BIMAP will then remain available throughout the operation of the program to assist the CIC in specific consulting projects where their knowledge and experience in management systems and economic analysis can be utilized. This may involve work with particularly complex management counselling projects. It will also involve analysis of sectors of the LDC economy which are identified by the case officers as being potential areas of development within the LDCs. The goal of this analysis will be to present data to be used in the development of specific industrial projects.

D. Barbados Industrial Development Corporation (BIDC)

1. Existing State

The Barbados Industrial development Corporation was established in 1965 as a statutory body supported principally by government revenues, for the purpose of promoting industrial development in Barbadoes, by stimulating, facilitating and undertaking the development of industry and hotels. The agency gives priority to projects which produce in high degree, one or more of the following effect: (a) increased employment; (b) decreased imports; (c) increased exports; (d) raised productivity and efficiency. The Corporation maintains its main office in Bridgetown, Barbados, with a branch office in New York, responsible for promoting foreign investment in Barbados.

Management

The administration of the BIDC is the responsibility of a Board of seven members appointed by the government, with the support of a full time salaried staff. The Board establishes policy and reviews recommendations and reports on Corporation's performance through six standing committees which correspond to the existing administrative and operating divisions.

A General Manager advises the Board in the administration of the Corporation and executes its policies and decisions. He is assisted by an executive staff of 15 division managers and assistants and 40 persons undertaking clerical, secretarial and general service functions.

Organization

The Corporation operates under four divisions, each one supervised by a manager who reports directly to the General Manager. The Investment Division is responsible for encouraging the development of local industry and attracting foreign investment to Barbados.

The Investment Division is also responsible for a program of attracting foreign invention and providing training services to production workers and management in new enterprises. While the majority of enterprises provide their own in-plant training, the Corporation provides some financial assistance for technical skill training of workers in two local training institutes. To support the managerial improvement, the Corporation provides financial as-

sistance to the Barbados Institute of Management (BIMAP). BIMAP offers courses in management at its own facilities, and in-plant training at the premises of interested companies.

The Factory Construction Division assists the activities of the Investment Division by providing a necessary service to industries, in-plant location, building construction, maintenance, and planning for expansion. The BIDC maintains 7 industrial estates at various points on the island, where 87 companies have production operations. The buildings are constructed or adapted to meet the specifications of the occupants. The land and buildings are owned by BICS and leased to the companies.

The Corporation maintains a fluctuating staff of between 150 and 200 persons employed to construct and maintain factory buildings. Total factory space provided amounts to slightly more than 1 million square feet, and several new facilities are nearing completion.

The Handicrafts Centre has responsibility for developing the modernization and expansion of the handicraft sector of the economy. The aim is to provide direction to production and marketing activities of individual artisans and small enterprises, to put them on a commercially viable basis. The Division has a full-time staff of 20 persons.

This division was created in 1974, when the BIDC absorbed the previously independent Government Handicraft Center. The Center currently employs between 64 and 70 workers, who produce a variety of products on a piece rate basis, for sale in local retail outlets. Apart from retail sales, the Center has recently begun an effort to register independent "Cottage Workers", with the goal of providing them with central marketing service for wholesale sales. Currently 116 persons have registered for this service. The Center also uses its staff and facilities to provide training in various crafts; it produced 78 graduates in 1977.

Responsibility for export promotion was transferred to BIDC by the Government in 1975, and the Export Promotion Division was fully staffed in 1976. The major efforts of the Division have been concerned with information gathering, in order to measure export performance in existing industries, before embarking on new programs and projects. However, this Division was not able to create an autonomous organization called the Export Promotion Agency to perform this function.

The results of the Investment Divison's efforts to stimulate investment and employment by attracting new industry or expanding

existing industry are summarized below:

Year	Investment (U. S. $000)	Employment Generated
1974/75	973	345
1975/76	1,186	698
1976/77	7,648	1,131

Preliminary data indicate that for the reporting year (1977-78) new jobs created reached 1,544. Total investment figures are not known. The majority of this investment comes from foreign sources (principally the U. S.). In the year 1976/77, U. S. $6.9 million, of a total of U. S. $7.6 invested in manufacturing facilities commencing operations, came from foreign sources, with 8 of these companies being wholly foreign owned, 2 wholly Barbadian owned, and 3 being joint venture operations.

The Investment Division of BIDC, the center of focus for this project, is staffed by a Manager and Assistant Manager with three persons based in the New York office. The total budget available to the BIDC has risen to approximately U. S. $805,000 per year. A summary table of income and expenditures appears below:

	(U. S. $000)		
Income	1974/75	1975/76	1976/77
Government Appropriation	727	615	650
Net rental income	63	24	63
Other income	4	109	151
Total Income	794	748	864
Expenditure			
Staff salary	144	175	228
Operations	23	22	25
Promotion	35	8	21
New York Office	338	197*	203
Other Expenditures	85	218	328
Total Expenditures	625	610	805
Additions to Income	(23)	1	16
Surplus for the year	146	139	74
Accumulated surplus (end of year)	608	747	821

*Decline reflects closing of Toronto Office.

2. Role in Project

The Barbados Industrial Development Corporation will serve as a model for the development of the structure and operations of the LDC investment promotion units (IPU) and the CIC Regional Investment Promotion Division (RIPD). The BIDC is a government agency which promotes foreign industrial investment in Barbados. This function will be divided between the CIC and the IPUs according to regional and country specific responsibility. With its history of success in attracting foreign investment to Barbados, the BIDC can serve as a model for the regional system to be established.

Because of the regional nature of the system, and the involvement of a number of distinct agencies, certain modifications in the BIDC model will be made, including: (1) clearly defined division of responsibilities between agencies; (2) lines of communication between agencies to facilitate the smooth transition of investor contact from one agency to the next; (3) assured access and rapid transfer of information between agencies; (4) established systems for control of operations and evaluation of program progress. These program elements will be developed as the system of identification and response is more clearly defined during the training stage.

The BIDC will also act as a resource base for the investment promotion portion of the project. Its primary role will be to act as a technical resource base for the Regional Investment Promotion Division (RIPD) to be established within the Caribbean Investment Corporation, and the "investment promotion units" to be established in the LDCs. This function will be carried out by acting as a testing vehicle for new investment promotion procedures to be replicated in the LDCs, and by provision of limited training to LDC personnel.

This LDC training will consist of the exchange of information during short visits and stopovers of LDC agency personnel in Barbados.

E. LDC Agencies

1. Existing State

The Eastern Caribbean region has recognized the need to diversify its exports, based on industrial expansion, to earn the foreign exchange necessary to finance required imports. It is clear that lack of industrial development is an ever more acute problem in the LDCs of the region. In an attempt to promote industrial development within the region, all countries, including the LDCs, have established a system of "fiscal incentive", which provides tariff and tax reductions or exemptions to approved manufacturers. The aim of this legislation is to attract foreign investment capital, by lowering the costs of operation in the region, as well as by encouraging domestic production vs. importation of finished goods.

The Manual for the Administration of the Fiscal Incentive Scheme, published by the CARICOM Secretariat, assigns the responsibility for the administration of the scheme, to a body designated by the authorities of that country. The designated administrator will evaluate applications, make a determination of acceptance or rejection, and appraise the performance of enterprises enjoying these benefits.

In all the CARICOM states, the authority for decision making has been taken by the ministry concerned with trade and industry.

The responsibility for the promotion of these incentive packages in the LDCs, is passing from the trade industries to specially created agencies. In several cases this function has been given to the local DFC, with the resultant strain on limited resources. In others, such as Belize, a special unit operates within the Ministry of Trade and Industry to perform this function. In the MDCs of the region, independent Industrial Development Corporations (IDCs) have already been established. No LDC has yet created an industrial development corporation with structure and resources similar to those existing within the MDCs.

Information is lacking regarding both the resources allocated to this investment promotion function, and its relative success. Because there does not exist an independent agency in any LDC similar to the BIDC, no assessment of staff and financial resources devoted to this activity can be made. The only LDC where any figures are available on the fiscal incentives granted, is Belize, where, for the years 1973-75, they are given as follows:

Year	No. of firms granted concessions	Value of Investment (US $million)	Employment Created
1973	5	.83	519
1974	2	.12	21
1975	1	.63	12

The agency charged with responsibility for investment promotion in St. Lucia is the National Development Corporation, which at present also functions as a DFC and manages two industrial estates on the island. The NDC is concerned with all aspects of industrial development: infrastructure, installation, promotion abroad, management training, local enterprise development, assisting in the identification of industrial opportunities, and aiding entrepreneurs in the presentation of project proposals for purposes of raising the necessary funds.

Key personnel consist of the Director and a foreign representative currently based in New York. The Director has been involved in efforts to attract foreign-owned enterprise to St. Lucia.

At present, the NDC operates with a budget slightly in excess of US $90,000, including expenses related to a New York branch office, with total salary expenses of US $25,000. The Corporation expanded its promotional activities, with a 13-fold increase in these expenditures, to US $16,000, in 1976. Between 1971 and 1974, 17 new manufacturing enterprises were granted fiscal incentives, 7 of which are foreign owned. Among major industries attracted, were a brewery, a clothing manufacturer, a food processor and a box manufacturer.

The St. Vincent Development Corporation was established as a government agency in 1970. Its function is to stimulate, facilitate and undertake the industrial development of the country. It has the dual function of promoting foreign investment in St. Vincent, and of giving financial assistance to local industrial development projects as a DFC. During the period of its existence, 29 firms have been granted status under the incentive ordinances. Presently the Corporation is receiving assistance from a private consulting firm, financed by the British Ministry of Overseas Development, in preparing a program for attracting labor intensive industries. The Corporation currently employs 3 full time senior staff members, including the General Manager with a total administrative budget of slightly more than US $50,000.

The Antigua Industrial Development Board is an independent agency working with the cooperation of the Ministry of Economic Development in attracting foreign investment. The Ministry absorbed the functions of industrial promotion which belonged previously to an

office of industrial promotion and development. In 1975, the last year of an independent industrial development office, US $48,000 was allocated for this function. In 1976, the Ministry of Economic Development expended US $116,000 in operating funds. The government maintains offices of Trade and Tourism in London, New York and Canada. No figures are available for Antigua concerning the investment made under the incentive legislation.

2. Role in Project

The project will utilize the existing LDC investment promotion units, and will assist in their modification where required, so that they can provide potential investors with all information and guidance required for them to make a positive decision on relocation into the Eastern Caribbean. The responsibilities for developing new investment in the region will be divided between the CID Regional Investment Promotion Division and the LDC Investment Promotion Units. The RIPD will be primarily responsible for identifying products whose production can be efficiently relocated from the Far East to the Caribbean, and for finding and contacting firms with potential for such relocation. The contacted firms will then be passed to the individual IPU, when specific LDC information and contact is requested by the firm.

The process of reorganizing and upgrading of IPUs will begin in two selected LDCs; the St. Lucia National Development Corporation, and either the St. Vincent or the Antigua IPU. St. Lucia has informally indicated its interest in receiving such assistance. The others will be invited to participate by the CDB, and their participation will be determined by their response and degree of commitment. All DFCs now performing investment promotion functions, will be divested of these responsibilities.

Together with the CIC, the LDC IPUs will initiate a system for rapid and accurate collection and transfer of data. The agencies will make use of the survey data to be collected by the CIC small enterprise program, and other sources of data such as relevant government ministeries. This data will consist of various economic and company statistics relevant to the investment promotion function, including the following elements:

(1) tax rates
(2) exchange controls
(3) funding availability and cost
(4) ownership limitations
(5) certain bureaucratic procedures (company registration, etc.)
(6) trade preferences
(7) imports on raw materials and equipment
(8) shipping costs
(9) labor productivity and wages
(10) labor force education and training
(11) labor force statistics (turnover, etc.)
(12) exporting of finished goods

(13) employment of foreign nationals
(14) experience of other foreign firms
(15) factory space and costs
(16) LDC and CARICOM Market data

Where this data is not currently available the agencies will initiate procedures for its collection. The data will be periodically updated for analysis and effective presentation to prospective investors.

The CIC will work with the LDCs in the preparation of a standardized system of assistance to foreign investors, from the product research stage, to the construction and operation of the industrial facility. The LDC IPUs will support the "migrant firm" identification procedure, and will assist the management of the prospective investor, when he requests contact with a particular LDC. The IPU will continue the discussions and provide the investor with the information necessary for feasibility studies. The IPU will facilitate access to government ministries, and will assist in the preparation of documents required for the registration of the firm, the acquisition of local financing, for access to local labor markets and employee training, for status under the fiscal incentive legislation and for exchange control and import-export documentation. The IPU will provide the firm with channels of communication to the local business community, and will assist it in securing the services required to begin operation, such as construction or leasing of suitable factory space, and installation of machinery. The IPU will maintain contact with the firm, both for information gathering purposes, and to ensure smooth operation of the facility.

IV. TECHNICAL REQUIREMENTS

A. Central Coordination Industry Division

1. Existing Capacity

The Industry Division has the capacity to carry out its coordination role. The Division is exceptionally well led, and has a very well qualified staff of professionals, with experience in industry, small business assistance, technology transfer, and industrial lending.

The Director, Dr. Kurleigh King, formerly worked for the BIDC and BIMAP and is thus well acquainted with the objectives and operations of agencies performing similar functions. He has recently (June 1978) completed a report on the Caribbean Investment Corporation. The report analyzed and made recommendations concerning the organizational structure and management of the Corporation which was submitted to the CIC Board of Directors.

One of the most successful programs of assistance being carried out by the Industry Division, with characteristic competency, is the provision of technology advice and assistance to Industry Officers and private concerns throughout the Region. Utilizing limited resources, the Technical Officer of the Division has become a de facto clearing house for technical information. This function, which will be included in the Technology Information Unit to be established under the project, provides a solid base upon which appropriate technology functions may be rapidly expanded.

Technical assistance in supporting the Coordination function will be provided in the project.

2. Additional Resources Required

a. Personnel

It is anticipated that no additions to staff will be required in the Industry Division of the CDB to provide adequate coordination, control, and evaluation of the various sub-projects comprising this project.

The work load will be heaviest during the first year of the project with the consequent strain on staff time of the Division. Assistance in the performance of these extra duties will be given by Technical assistance from an AID sponsored consultant.

The CDB Industry Division will require some technical assistance by a short term advisor, for the coordination of the various programs within the project. Technical assistance costs are expected to be as follows:

First Year	US $
Consultancy fees 56 days @ $350 day inclusive	$19,600
International travel 1 round trip @ $400	400
Caribbean travel 4 round trips @ $50	200
Per diem 72 days @ $50	3,600
Ground transportation 56 days @ $10	560
Total First Year	$25,000

Second Year	
Consultancy fees 22 days @ $350	$ 7,700
International travel 1 round trip @ $400	400
Per diem 30 days at $50	1,500
Ground transportation 22 days @ $10	220
Total Second Year	$10,000

Contingency fees of US $55,000 are provided to meet unexpected technical assistance needs during the $3\frac{1}{2}$ years of the project.

B. Promotion of Export Industries

1. The Caribbean Investment Corporation

a. Existing Capacity

The Caribbean Investment Corporation will play an important role by managing 2 project support programs: the Small Enterprise Technical Assistance Program (SETAP) and the Regional Investment Promotion Division (RIPD). With regard to the latter, the CIC currently has as a member of its staff an ITC/CDB Export Marketing Officer. His duties are to assist CIC client firms in export marketing and to assist with export marketing aspects of project appraisal work. Plans are to recruit an additional Marketing Officer for the Project Implementation and Development Division, who will work with the Export Marketing Officer.

These officers will be fully occupied working with current CIC clients. The proposed RIPD will have enlarged regional non-CIC client responsibilities which will necessitate the creation of the new Division and additions to current staff, as well as training and technical assistance in new techniques and methodologies in investment promotion.

The CIC will require professionals in industrial product marketing, preferably in the export field, as additions to staff. The new personnel will be given training in investor identification techniques and response mechanisms, for the presentation of the Eastern Caribbean as an ideal location for manufacturing operations. Technical assistance will be required for developing and conducting training, initiating actual investor identification, and during the initial formation and operation of the RIPD and LDC investment promotion units.

The past performance of the Corporation has raised serious doubts about its viability and the adequacy of its management, personnel, management structure, and operations procedures. Of particular concern is the apparent lack of an effective project appraisal system. The future of the Corporation is now being assessed by appropriate authorities.

The imposition of additional responsibilities on an agency which is already having operating difficulties, would normally seem unwarranted. However, in this case, the additional responsibilities would not involve additional outlays from its own funds, and thus would impose no new financial burdens on the Corporation. The new responsibility for coordination of investment promotion

provides a new source of investment possibilities for the Corporation. In general, these possibilities, which will arise in part from the promotion of joint-ventures by the CIC, foreign investors, and local investors, should provide more secure and more profitable avenues for CIC investment than was formerly the case.

b. Additional Resources Required

The CIC will add a Regional Investment Promotion Division to its present management structure. This new division will require the recruitment of two staff members, training for the new staff, technical assistance, and additional financial resources.

Personnel

The CIC will require two additional staff memvers: an investor identification officer and an investment promotion officer. These are expected to be mature, experienced persons, with backgrounds in industry, finance, economics, business, or management. Salary outlays for these officers are espected to total U.S.$ 182,000 or U.S.$ 26,000 per year for each new officer.

Operating Costs

The operation of the program office will require the recruitment of a secretary, purchase of office supplies, communication (postage, telephone and tele), rental of office space, and design and printing of promotional materials.

During the first year, office promotional efforts and expense for the program are expected to be relatively high, and a slight decline will occur during the subsequent years.

A table of budgeted cost figures is given, in U.S.$, below:

	Year			
	1	2	3	4
Secretary Salary	$ 1,500	$ 3,000	$ 3,000	$ 1,500
Office Supplies	1,000	1,000	1,000	500
Communications	4,000	6,000	6,000	3,000
Office Rental	1,200	2,400	2,400	1,200
Promotional Cost	5,000	7,500	5,000	2,500
	$12,700	$20,400	$17,400	$ 8,700

The total cost, rounded, is expected to be U.S.$ 60,000.

Equipment

Office equipment will be required during the first year of the program to support operations. The equipment to be purchased will include office desks and chairs, filing and shelving systems, a typewriter, and copying equipment. The total cost of this equipment is expected to be U. S. $10,000.

Travel

The CIC staff members will be expected to travel extensively both to the U. S. and around the Caribbean to receive training in investor identification techniques, to perform training of LDC promotional agency staff, and to perform various promotional activities both in the U. S. and the Caribbean. Details of the travel budget for the CIC staff are given below:

First Year:

International Travel

Carib.-D.C., 2 rnd. trips @ U.S. $400	U.S.	$ 800
Equivalent D.C.-Chi., 20 rnd. trips @ U.S. $150		3,000
Ground transp. 60 days @ U.S. $20/day		1,200
Per diem 365 days x U.S. $50		18,250
Sub-total	U.S.	$24,000

Caribbean Travel

Air fare 4 rnd. trips x 6 mos. @ $50		1,200
Ground transportation - taxi		400
Per diem 48 days x U.S. $50		2,400
Sub-total	U.S.	$ 4,000
Total	U.S.	$28,000

Second Year:

International Travel

Carib.-D.C. 5 rnd. trips @ U.S. $400	2,000
Equivalent D.C.-Chi., 5 rnd. trips @ U.S. $150	750
Ground transportation-taxi	250
Per diem 40 days @ U.S. $50	2,000
Sub-total	$ 5,000

Caribbean Travel

Air fare 30 rnd. trips @ U.S. $50			1,500
Ground transportation - taxi			1,000
Per diem 150 days @ U.S. $50/day			7,500
Sub-total		U.S.	$10,000
	Total	U.S.	$15,000

Third Year:

Same as second year	Total	U.S.	$15,000

Fourth Year:

International Travel

Carib.-D.C., 12 rnd. trips @ $400			4,800
Equivalent D.C.-Chic. 10 rnd. trips @ U.S. $150			1,500
Ground transportation - taxi			600
Per diem 60 days @ U.S. $50			3,000
Sub-total		U.S.	$ 9,900

Caribbean Travel

Air fare 30 rnd trips @ U.S. $50		U.S.	$ 1,500
Ground transportation - taxi			1,000
Per diem 150 days @ U.S. $50			7,500
Sub-total		U.S.	$10,000
	Total	U.S.	$20,000

The travel expenses will rise in the final year of the program, as technical assistance is withdrawn and the CIC staff assumes responsibility for program generation. The total travel budget will be U. S. $78,000.

Technical Assistance

The CIC's Regional Investment Promotion Division will be created under the auspices of this program. The Division will require technical assistance in the development of standardized techniques and mechanisms to perform its function and trainaing of personnel to be recruited to operate the Division. The technical advisors will consist of a Market Economist to develop techniques for prod-

uct and company identification, two Industrial Analysts to develop techniques in company analysis for use in preparation of a presentation to identified companies, and a Promotion Specialist to develop LDC data collection mechanisms and promotional materials.

The technical assistance is expected to absorb 660 man days at $300 per day (inclusive of all consulting overhead costs) for a total of U. S. $198,000.

The performance of the technical assistance function will require extensive traveling. Details of the TA travel expense budget is given below:

First Year

International Travel

N.Y.-Carib. 3 rnd. trips @ $450	U.S.	$ 1,350
P.R.-Carib. 3 rnd. trips @ $250		750
Per diem 140 days @ $50		7,000
Sub-total	U.S.	$ 9,100

Caribbean Travel

Air fare 14 rnd. trips @ $50		700
Per diem sustained in Int'l travel		---
Sub-total	U.S.	$ 700

U. S. Travel

Equivalent D.C.-Chi., 19 rnd. trips @ $180		3,500
Per diem, 95 days @ $50/day		4,750
Car rental, 95 days @ $20/day		1,900
Sub-total	U.S.	$10,150
Total TA travel	U.S.	$20,000

Second Year

International Travel

N.Y.-Carib., 2 rnd. trips		900
P.R.-Carib. 2 rnd. trips @ $250		500
Per diem 70 days @ $50		3,500
Sub-total	U.S.	$ 4,900

Caribbean Travel

Air fare, 14 rnd. trips @ $50		700
Per diem subsumed in Int'l travel		---
Sub-total	U.S.	$ 700

U. S. Travel

Equivalent D.C.-Chic., 10 rnd. trips @ $180		1,800
Per diem, 50 days @ $50		2,500
Car rental, 50 days @ $20/day		1,000
Sub-total	U.S.	$ 5,300
Total TA travel	U.S.	$11,000

Total technical assistance related travel is U. S. $31,000 giving a total technical assistance cost of U. S. $229,000.

2. Barbados Industrial Development Corporation

a. Existing Capacity

The BIDC has acquired extensive experience in investment promotion activities during the 13 years of its existence, and may be utilized as a model for the CIC and the individual LDC investment promotion units. The BIDC has an office in New York to actively seek out potential investors from the U.S. BIDC has also begun a program to identify and encourage cottage industry producers by providing a centralized marketing service. The Corporation assists the investor in determining factory space requirements and will either construct or lease space according to the specifications.

The BIDC has available professional staff, with experience in investment promotion activities, who can play a valuable role in the project by testing the "migrant firm" identification and contact techniques in an Eastern Caribbean setting. No training or technical assistance will be given to BIDC other than their role in testing new investor identification techniques.

b. Additional Resources Required

None.

3. The LDC Investment Promotion Agencies

a. Existing Capacity

It is clear even from the limited data available, that the capacity of the LDCs to promote their fiscal incentive schemes is limited. Responsibility for investment promotion is not clearly defined within the governments, and sufficient resources and skills are not available for effective promotional activities. Some degree of co-ordination of effort among the LDCs, and structural reorganization, with financial and staff additions within each investment promotion unit is required. In some cases independent agencies will have to be created.

Because of the necessity for complete reorganization of the investment promotion activity within the LDCs, and the additional resources and procedural modifications to be made; new personnel, training of the existing and additional personnel, and technical assistance during start-up operations of the RIPD and LDC agencies, will be required. Each LDC will be examined for the type of reorganization to be made, and for the need for additional personnel. Both existing, where available, and new, personnel will participate in the training program. Technical assistance will be needed for development and implementation of the training program.

b. Additional Resources Required

To be determined.

C. Assistance to Small Enterprise

1. Caribbean Investment Corporation

a. Existing Capacity

The present condition of the CIC and the resources available to it, do not allow the Corporation to offer effective managerial assistance to its clients. Two UNIDO advisors and their counterpart are attempting to develop and implement financial systems for generation of performance data in client companies, on a periodic basis. However, the advisors do not have sufficient budget to make the necessary personal visits, and the basic augmenting data in the companies is too poorly recorded for proper financial statement preparation. Other problem areas such as marketing, management, etc. are not given attention.

With the anticipated level of effort in this project, a new division within the CIC will have to be created. None of the existing CIC personnel will be shifted to this Division. It is anticipated that the new staff will not have sufficient training or experience in small enterprise technical assistance programs. Training and technical assistance will be provided to improve staff qualifications and overall performance of the new unit.

b. Additional Resources Required

Personnel

The CIC will require 5 additional staff members: a Program Director to organize and coordinate the operation of the program, and 4 case officers to carry out the technical assistance through field offices in the Eastern Caribbean region. The individuals recruited are expected to be mature and capapable individuals with strong backgrounds in business management and knowledge of the region. They shall have good analytic minds and good problem solving capabilities, with the ability to act independently and be sensitive to the different backgrounds of the individuals with whom they will be dealing, and with the political conditions of the region. The salary outlays for these staff members are expected to total US$ 165,000, or US$ 14,000 for the Director, and an average of $ 9,000 for the case officers.

Operations

The Small Enterprise Technical Assistance Program will operate as a new division within the management structure of the CIC. Financial resources required to support the Program will be allocated as fol-

lows:

Main Office	1st	2nd	3rd	4th
		(US$) Years		
Data Bank	1,000			
Office Supplies		2,400	2,400	1,200
Communications	3,600	6,000	6,000	3,000
Office rental	1,200	1,200	1,200	600
Promotion	6,000	3,000	3,000	1,500
Secretary	2,500	3,000	3,000	1,500
Sub-total	18,600	15,600	15,600	7,800

Field Offices		Years		
		2nd	3rd	4th
Secretaries		4,000	8,000	4,000
Office Supplies		1,600	2,000	1,000
Communications		2,400	3,600	1,800
Office Rental		2,400	4,800	2,400
Sub-total		10,400	18,400	9,200
Total	18,600	26,000	34,000	17,000

Total operating costs for the program will be $85,600.

Equipment

The program will require the purchase of office equipment to support the operations of the Program. The equipment to be acquired consists of desks and chairs, files and shelving and a typewriter. The total cost to be absorbed during the first year in the case of the main office and the second year in the case of the field offices will be US$ 10,000, $ 6,000 for the main office and $ 4,000 for the four field offices.

Travel

Extensive travel will be required by both the Director and the Case Officers. (Additional financial resources will be required to support travel at the following expected levels:)

First Year	(US$)
Director	
Air fare 20 round trips @ $50	$1,000

	cont'd.	US$
Ground transportation - taxi	400	
Per diem 20 days @ $50.	1,000	
Total	$2,400	Total $2,400

Second Year

Director

Air fare 12 round trips @ $50	$ 600	
Ground transportation - taxi	200	
Per diem 24 days @ $50	1,200	
Sub-total	$2,000	

Case Officers

Air fare 24 round trips @ $50	$1,200	
Ground transportation - taxi	400	
Per diem 48 days @ $50	2,400	
Sub-total	$4,000	

Training

Air fare 4 round trips	$ 200	
Per diem 56 days	2,800	
Sub-total	$3,000	Total $9,000

Third Year

Director

Air fare 8 round trips @ $50	$ 400	
Ground transportation - taxi	100	
Per diem 20 days @ $50	1,000	
Sub-total	$1,500	

Case Officers

Air fare 24 round trips @ $50	$1,200	
Ground transportation - taxi	400	
Per diem 48 days @ $50	2,400	
Sub-total	$4,000	Total $5,500

Fourth Year

Director

Air fare 8 round trips @ $50	$ 400	
Ground transportation - taxi	100	
Per diem 20 days @ $50	1,000	
Sub-total	$ 1,500	

Case Officers

Air fare 24 round trips @ $50	$1,200	
Ground transportation - taxi	400	
Per diem 48 days @ $50	2,400	
Sub-total	$4,000	Total $5,500

Travel expenses over the life of the project will total US$ 22,000.

Training

The newly recruited case officers and Peace Corp Volunteers are expected to have a solid foundation in the technical requirements of their positions, and will need training in the adaptation of this knowledge to small business counselling and the procedures required to administer and conduct such counselling. It is expected that the case officers and Peace Corp Volunteers will receive training from a local agency hired on a contract basis. Estimated cost of the contract is given in the following table:

8 man/months of instructor time @ US$ 150 inclusive of overhead	$26,000
Instructor per diem 240 days @ $50	12,000
Travel 24 round trips @ $50	1,200
Total value of training contract	US$40,000

Survey

A survey of small enterprises in the eight LDCs will be required for development of a small enterprise data bank to be used by the CIC and other agencies participating in the project, for design of the small enterprise counselling training course content, and for design of the policies, procedures, and resource allocation during the operation of the program. Detailed information regarding small enterprises is not now available from any source. The survey will be conducted by the Case Officers and Peace Corps Volunteers, but additional resources will be required:

Materials (including computer time)	US$ 3,000
Air fare 20 round trips @ $50	2,400
Per diem 720 days at $50	36,000
Additional resources such as part-time help	3,500
	US$44,900

Total cost of the survey is expected to be US$ 45,000.

Special Studies

The program will require the contracting of certain specialized skills. This will include the contracting of experts in skills not available within the program, such as economic analysis skills for sector studies. The cost to acquire these specialists is expected to be as follows:

Second Year	
100 man days @ $150 inclusive	US$ 15,000
Third Year	
100 man days @ $150 inclusive	15,000
Fourth Year	
40 man days @ $150 inclusive	6,000

The total cost of these special studies will be US$ 36,000.

Technical Assistance

Technical assistance will be required during the design and operations phases of the Small Enterprise Technical Assistance Program. The technical assistance will be supplied by a Small Enterprise Program advisor who will assist in the development of training courses, and in design of policies and procedures for the Program. It is expected that the advisor will be employed for 260 work days, at a cost of US$ 350 per day for a total cost of $91,000. The advisor will require travel and living allowance support, as shown below:

International travel - 2 round trips @ $400.	US$ 800.00
Caribbean travel - 16 round trips @ $50	800.00
Per diem and living allowance	
180 days @ $50 plus living allowance	14,500.00
Moving & miscellaneous expenses	9,500.00
Sub-total	US$25,600.00

In addition to the AID sponsored technical assistance advisor, the Program will require additional short term consultancy on an ad hoc basis to supply technical assistance in production processes and industrial technology. It is estimated that the cost of these services will be as follows:

Second Year

50 man days @ $150 inclusive	US$ 7,500
Air travel 30 round trips @ $50	1,000
Per diem 40 days @ $50	2,000
Sub-total	US$ 10,500

Third Year

100 man days @ $150 inclusive	US$15,000
Air travel 30 round trips @ $150	1,500
Per diem 80 days @ $50	4,000
Sub-total	US$20,500

Fourth Year

50 man days @ $150 inclusive	US$ 7,500
Air travel 20 round trips @ $50	1,000
Per diem 40 days @ $50	2,000
Sub-total	US$10,500

The total cost of special technical assistance is expected to be US$ 40,500 giving a total technical assistance cost to the Program of US$ 157,000.

2. Barbados Institute of Management and Productivity

a. Existing Capacity

The Barbados Institute of Management and Productivity has substantial experience in small business Technical Assistance delivery, and has reasonably well qualified staff. They are in a position to respond effectively and rapidly, to train small business counsellors to standards set by outside agencies. The basis for programming such training would be derived from extensive surveys in the LDCs. The surveys would, it appears, be more effectively carried out by the agency concerned with final deliveries of Technical Assistance to the LDCs. The CIC would contract with BIMAP to prepare and carry out training courses and on-the-job training of their personnel. Similarly, this organization could muster professional staff for carrying out specific studies on an ad hoc basis.

Until such time as the effects of internal changes, presently being made in BIMAP, can be evaluated, its potential role for this project must be limited. It is probable that the agency, after assistance expected from Canadian sources, may play a larger and more formalized role for providing Technical Assistance to the LDCs. Technical assistance will be required for BIMAP to undertake the training function. Any new personnel will be the responsibility of BIMAP under the contract between itsself and the CIC.

b. Additional Resources Required

None.

3. LDC Agencies

a. Existing Capacity

There is no coordinated program of technical assistance to small enterprise being offered to the Eastern Caribbean LDCs. The DFCs offer limited technical assistance in the preparation of loan applications, but the majority of DFCs are not properly staffed to offer a counselling service covering all areas of management. The operation of this project will remove all non-banking functions, including the provision of technical assistance from the DFCs.

There are several LDCs offering these services. Little information is available giving the details of these programs, but several individuals within the CDB expressed the opinion that the impact was negligible. The U.S. Peace Corps has several individual volunteers in the LDCs offering management counselling. The information derived from the survey will be utilized to help to establish a coordinated program within that country. Where applicable, their personnel may participate in the training sessions for CIC case officers and U.S. Peace Corps volunteers.

b. Additional Resources Required

To be determined.

V. IMPLEMENTATION PLANS

The implementation descriptions, which follow the implementation schedules, are organized to correspond with the schedules.

A. Investment Promotion

1. Implementation Description.

The investment promotion activity will be divided into two program elements. (1) identification of foreign firms which would have interest in establishing LDC operation; and identification of foreign buyers of products competitively producable in the LDCs; and (2) the elaboration of responsiveness of the LDCs. The first will be carried out abroad primarily by consultants while training CIC and LDC personnel. The second will be carried in the LDCs primarily by CIC and LDC personnel, with the advice and involvement of consultants. The activities will be scheduled, with flexibility, but are expected to adhere generally to the schedules shown in the implementation schedule.

I. Investor Identification.

1. Formation of CIC Regional Investment Promotion Division.

The division will be established within the CID and will identify and introduce foreign firms to potential locations in the Eastern Caribbean. The Division will assist the LDCs in the creation of investment preparation units which will handle the relocation of firms to LDCs within the region.

a. Recruitment of Division Director.
The Director of the Industry Division and the CIC General Manager will set the terms and conditions of employment for the Division Director and initiate recruitment according to the job description, and qualifications. The Director and CIC General Manager will review the candidates and advise the CIC Board of Directors for final selection. The Director will immediately assume responsibility for Division activities.

b. Recruitment of Staff.
The initial responsibility of the Director will be to set the terms and conditions of employment for the professional staff and to begin recruitment according to job description and qualifications. In addition, the staff recruited should have the ability to make convincing presentations to groups, and be able and willing to perform research and analytic tasks. Extended travel, and in some cases relocation, will be necessary. The staff will be supervised by and report to the Division Director. The Director will review the candidates and make final selections. One of the new staff members will be assigned the duty of working with the LDC agency during the process of strengthening the organization.

c. Design of Division Policies and Procedures.

Prior to training of the staff in performance of investor location and response techniques, the Division Director will work with the CIC General Manager to establish an organizational structure and administrative system.

A tenative structure for the division will be prepared, subject to modification, as Division personnel are trained to use identification and response mechanism. The Director will establish contacts with other participating organizations and governments, for formation of investment promotion units and initiation of information flows.

2. Identification of likely products.

This will be carried out by consulting a market economist periodically over a period of a year and a half. A wide range of import statistics will be reviewed along with customs reports; trade publications and periodicals will furnish supplemental information. As the technique is perfected and backlog created the CIC and LDC staff will be trained in the process and will subsequently assume responsibility.

a. Review of Import Data.
Analysis of import statistics published by the U.S. Bureau of the Census will be carried out by the market economist in the U.S. He will review published documents to locate imported products experiencing upward price pressure and supply shifts. He will produce a list of these products with support data.

b. Review Supplemental Information.
The Consultant will examine trade association data, selected customs firms, and other material as needed, to supplement and confirm conclusions drawn from import statistics.

3. Identification of firms producing these products.
the list of products provides the basic data for locating potential firms. Data will be examined from foreign registeries, trade journals, government reporting agencies, trade associations. Interviews will be held with leaders in the appropriate industrial fields and with accounting and consulting firms operating in appropriate fields of specialty. This activity will initially be performed by consultants, as procedures are perfected. Training of CIC and LDC staff will take place and they will eventually assume responsibility.

a. Examination of published data.
Trade directories, trade association material and customs forms will be examined to establish a master list of producers of identified products, and importers of these products. From the master list, a more in-depth analysis will identify those most likely to be interested in new locations and/or sources of supply. A list of "highly likely" producers and buyers will be constructed.

4. Evaluation of Identified Firms.

Consultants will procure data from appropriate official and non-official sources, on company operations, problems, key personnel, markets, overseas experience etc. The data will be analyzed and utilized to prepare an effective approach to the Company. The techniques developed by the Consultant will be used in training the CIC/LDC personnel to perform these functions independently.

a. Securing of Company Data.
The consultants will examine published documents from a variety of sources, and conduct interviews with knowledgeable individuals which will provide data for a, profile of the "highly likely" companies in terms of their management, operations and problems.

b. Analysis of Data.
The consultants will analyze the company profile data to determine, in light of the special circumstances of each company, the strengths and weaknesses of relocation in the Eastern Caribbean, the management officers who would make such a decision, and the problem areas within the country, particularly in terms of their Far East production.

c. Preparation of Approach to Potential Firms.
Using the company analysis, the consultants will prepare an approach to the identified "highly likely" firms. They will identify company officers to be contacted and prepare a presentation outlining the advantages of relocation in the LDCs as a solution to production problems. The presentation will make use of company data and data concerning the LDCs that would assist the company in assessing possible relocation.

5. Contacting of Potential Investors.

During the first year of the program, the consultants will, by mail and phone and personal visits, make contact with and present the advantages of location in the LDC. Subsequently this will be done by a CIC representative. Information will be presented in detail, and offers to assist in feasibility work will be made. This will be followed up with a series of renewed contacts, new information, and assistance, to the key officers of the firm, in presenting the possibility of a move to an LDC to the Board of Directors and others.

Invitations will be extended to the chief operating officers and to key technical personnel to visit the LDCs under consideration.

a. Initial Approach.
The overseas operations officers of the companies identified as potential investors will be contacted by mail and phone. An offer will be made at this time to present the advantages to the company of a Caribbean location, during a personal meeting.

b. Personal Contact.
During the initial personal contact, the consultants will outline the advantages of location in the LDCs in terms of the circumstances of that companies present operations. The objective will be to establish suffieient interest on the part of company officials to have them ask for more detailed information.

c. Presentation of LDC Material.
During subsequent contacts with company officials, the consultants will present detailed information concerning the political stability of the region and favorable experience of other companies. The standardized package of information concerning LDC customs duties, tax exemptions, legal requirements etc. will be supplemented in response to requests by the company.

6. Contacting of Buyers of Products.

This exercise will paralled the preceeding activity. However, approaches will be made to buyers immediately after identification is made, and information derived from the contact will be communi cated to the CIC for dessemination to the LDCs.

a. Identification of Buyers.
From the identification of products suitable for production in the LDCs, the consultants will develop a list of improters/buyers of these products. Using customs forms, trade directory, etc., they will prepare a list of those lekely to be looking for new sources of supply.

b. Initial Contact.
The consultants will initiate contact with the buyers after a through analysis of LDC production capabilities in regard to identified products. The objective here will be to present the buyers with the advantages of contract production in the LDC. The consultants will analyze information on LDC manufacturing, to determine if production is feasible, and, if so, existing capacity, shifting of product lines, or local initiative in developing production capability.

7. Training, Outside the Caribbean.

Early in the first year of the project, two CIC officers will receive training in the process of investor identification. The consultants will integrate the CIC officers into the consultant's team and they will work on all tasks involved in investor identification.

a. Product Identification.
The trainees will receive training in: analysis of U.S. import data, familiarization with and use of trade statistics, trade publications etc; Far Eastern source data, company analysis techniques, and other data sources for such analysis. They will learn to use this data to make conclusions as to those imports most likely to experience shifts in sources of supply.

b. Firm Identification.
The CIC officers will receive training in actual product analysis of raw materials and labor intensity of the production process and company analysis, to determine quality, problems and perspective of manufacturers of the products deemed potentially viable in the Caribbean.

c. Presentation to Firm.
The CIC officers will receive training in using the data obtained, to prepare a presentation of advantages in Caribbean location, including detailed economic, tax, customs, etc., data. The others will make selected contacts and prepare supervised presentations.

d. Follow-up Presentation and Asisstance.
Standardized machanisms will be developed by the consultants for communicating and accomodating reasonable informational requests and other needs of interested companies.

8. Technical Assistance Abroad.

Technical assistance abroad will consist of direction and participation in identification of potential "migrant" firms operating in the Far East, through product and production analysis. The T/A team will include a market economist, two contact officers, and a industrial promotion specialist. During the course of carrying out the program the team will train CIC and LDC personnel in all techniques and procedures. This will be done in informal seminars and on-the-job training. The LDC personnel will "manage" a course, from point of identification, to assistance in their country of origin.

a. Market Analysis.
The market economist will examine import statistics, to determine products from the Far East experiencing upward price pressures and

consequent shifting in supply source. He will prepare a master list of these products.

b. Production Source Analysis.
The Market Economist will analyze the products on the master list, to prepare a list of products where production in the Caribbean would be feasible. This would be determined by analysis, of raw materials as to availability in the Caribbean, and of the measures of labor intensity in the production process.

c. Company Analysis.
The two contact officers will take the feasible product list and develop a list of companies producing these products in the Far East and importing them into the U.S., and of importers/buyers who would likely to be interested in new sources of supply or locations for production.

d. Contact and Negotiation with Company.
From the lists of highly lekely buyers for the Caribbean production and of manufacturers for relocation in the LDCs, the contact officers will make an in-depth analysis of company management and operations, to prepare a presentation of the advantages of Caribbean location/purchasing, which will address the specific needs of the company. Contact will be made and negotiations will be ocnducted.

e. Training of CIC personnel.
Upon recruitment by CIC of professional staff, they will receive detailed training in the U.S. by the Technical assistance advisors, using the techniques for identification and contact developed prior to and during the initial months of the project. They will manage the contact with previously identified companies, under the supervision of the consultants.

II. Elaboration of LDC Response.

9. Preparation of information for foreign investors.

The consultants and CIC staff will review available documents and solicit information from relevant LDC agencies concerning the economic, business, tax, customs, exchange control, and other areas; for access by staff in the preparation of presentations to companies, and in reply to requests by them for specific information on the Caribbean.

10. Agreements with LDC governments.

The CIC staff member charged with assisting the LDCs agencies in strengthening their operations, will initiate his activities in the St. Lucia, Antigua and St. Vincent investment promotion agencies. Organizational assistance will be made to other LDC agencies on an ad hoc basis.

The Director of the participating investment promotion agencies will, in order to insure the appropriate compliance with all legal and administrative practices of the LDC Governmental agencies, enter into agreement with each agency. These areeements will detail the formal and informal methods of compliance, and will serve as a reliable guideline for potential investors.

11. Assistance to Investors.

The investment promotion agency, with the assistance of the CIC and consultants will prepare a standard system of investor assistance. The system will cover all informtional and guidance needs of investors, from the day they are first approached by LDC representatives, until they are fully operational for an extended period.

a. Prepare standard system.
The consultants and CIC staff will assist the LDC agencies in the preparation of: a standard system of data collection and updating, which will support the promotion activity; a standard system of procedures for contact and negotiation with potential investors; a standard system of follow-up and reporting on industries established in the LDC.

b. Analyze Company.
The LDC personnel will work with the CIC staff and consultants in analysis of the potential investors. The objective of this exercise is to familiarize them with the operations of the company so that tehy can prepare information and material which the company management will need, to adequately assess the feasibility of relocation.

c. Negotiations.
The LDC personnel will work with the CIC staff and consultants during the process of negotiating with interested investors. The LDC representatives will enter the process when the company has asked to be put in touch with a particular LDC. The LDC personnel will be prepared to meet its requests for additional information and assistance, in understanding and preparing documentation required by the LDC government.

d. Company formation.
The LDC personnel will assist the company management, after a relocation decision has been made, with legal requirements pertaining to registration of the company submission of proper documentation for classification under various fiscal incentive legislation, importation of machinery and raw materials, and plant construction and labor force recruitment and training.

e. Financing.
The LDC agency personnel will assist the investing company in locating local financing for starting and operations. The LDC agencies,

using their links with the CIC, will provide the investor with potential joint venture partners and contacts with local debt financing institutions.

f. Importing.
The LDC personnel will assist the investor in arranging for the importation of machinery and raw materials to begin operation. This will involve provision of information concerning air freight and shipping costs and schedules, documentation required, storage and local transportation, and installation of machinery.

g. Personnel Training.
The LDC agency staff will assist the company in recruiting qualified production supervisory and management personnel. Where specific training is required, they will assist in making arrangements with a local technical or management training institute, or they will assist the company in developing its own program.

h. Production.
The LDC agency staff will assist the company in securing the provision of services required in the factory operation, and will encourage the use of local subcontracting where possible; and, with CIC assistance they will develop the capabilities in local or regional firms to perform subcontracting activities. The LDC agency will maintain close contact woth the company, to collect data relevant to the promotion function, and to assist in the solution of problems of local origin.

12. Training in the LDCs.

Training will be provided by CIC-provided consultant. It will consist of on-job-training in data collecting, analysis, and presentation.

Industrial Development Agency staff will be exposed to the theory and practice of locational analysis, and business philosophy and practice. These will be the basis for specific components in the development of a response mechanism, which will provide persuasive information to potential investors, and, of an assistance package to those investors who decided to locate in one of the LDCs.

a. Data Collection and Analysis.
The CIC consultant will assist the LDC agency staff in securing access to informtion utilized in the promotion avtivity. A rapid response to situations and requests is essential, and depends on a determination of necessary data, collection, storage and retrieval, continuous updating, and adequate lines of communication for rapid transmission to participating agencies. The LDC agencies will use existing sources, develop their own, or encourage the government and trade associations to improve their information gathering.

b. Presentation of Data.
The LDC agency staff will act as case officers in the management of individual companies, from identification to start-up. The trainees will be supervised in the organization of support data to be presented to a petential investor. The goal is to direct his interest to a particular LDC, by rapid response to his request for assistance and an active campaign of promotion.

c. Assistance to Investors.
The LDC agency staff will be trained to maintain contact with the investor and to develop a system of rapid response for his needs in dealing with other government agencies and the local business community, during preparation for start up, and during actual production operation.

13. Technical Assistance in LDCs.

A consultant will spend one year working with the industrial promotion agencies in St. Lucia, St. Vincent and Antigua. He will advise and participate in data collection and analysis, development of presentation documents, investor assistance packages, and governmental procedural adjustments.

During his term he will train specialists to carry out activities. He is expected to leave behind a standard response mechanism.

a. Collection, Analysis, and use of Business And Economic Data.
The LDC agency staff will be integrated into the consultant team, and will participate in the collection and analysis of data. The firms will require detailed information concerning economic and business activity in the LDCs. The staff will be assisted in selecting relevant data, and, in obtaining data where it does not currently exist.

b. System of LDC response to potential or participating firms.
The consultant will develop a system of LDC agency response to interested investor . This system will contain: access to information and rapid response to requests for assistance; procedures in contacting and managing potential investors; scheduling and managing personal visits by potential investors.

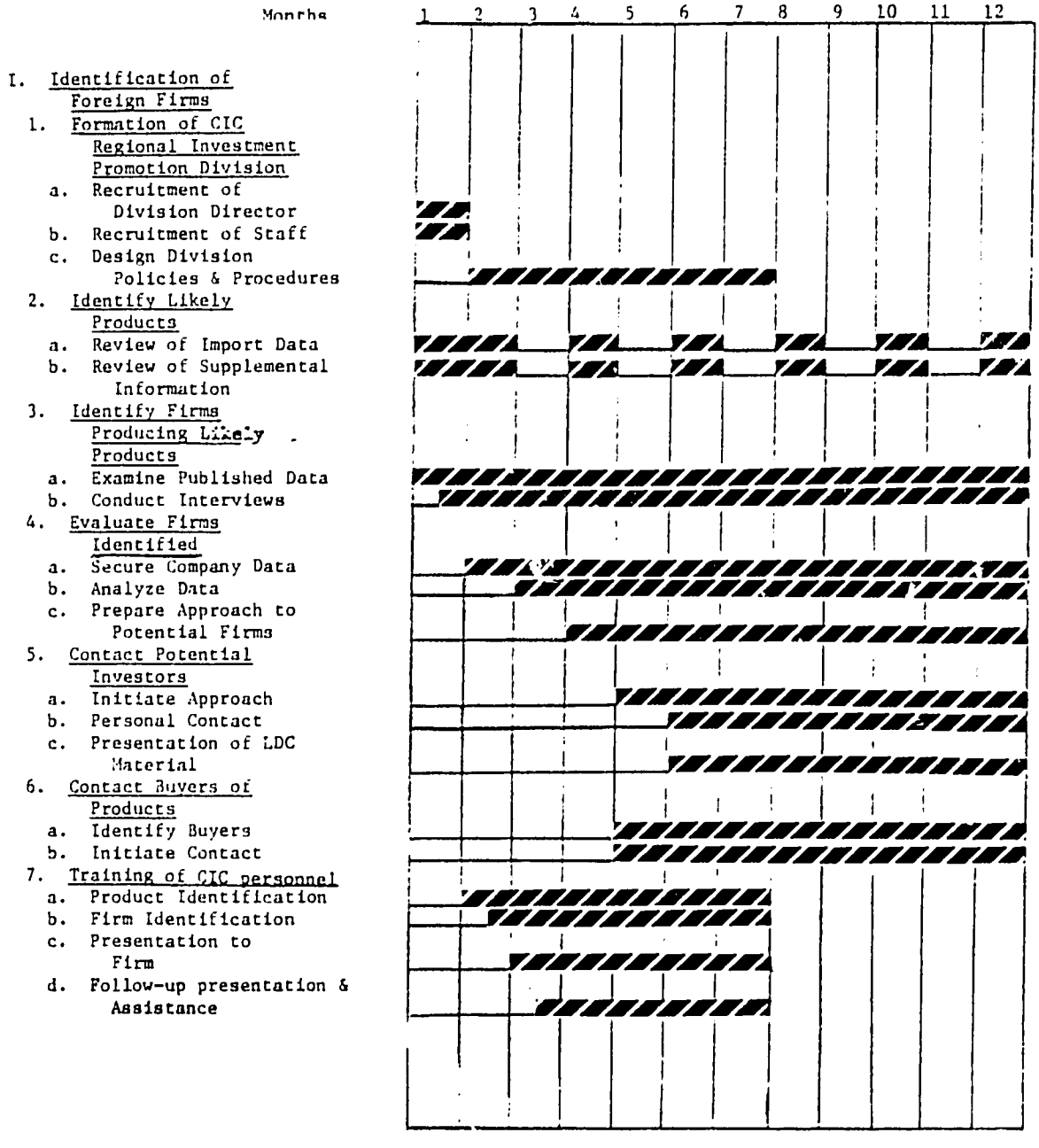
c. System of assistance during start up and operation.
The consultant will develop the methods and capacity within the LDC agency to respond to requests for assistance during the initial phases of investment, involving government relations and documentation, financing, auxiliary services and products, labor force etc.

d. Training of LDC personnel.

The LDC agency staff will receive training similar to that of the CIC staff, in product and company identification, through supervised participation in the process. Formal training will be supplemented by on-the-job training, in a timely and adequate response to investor interest.

Implementation Schedule - Year 1

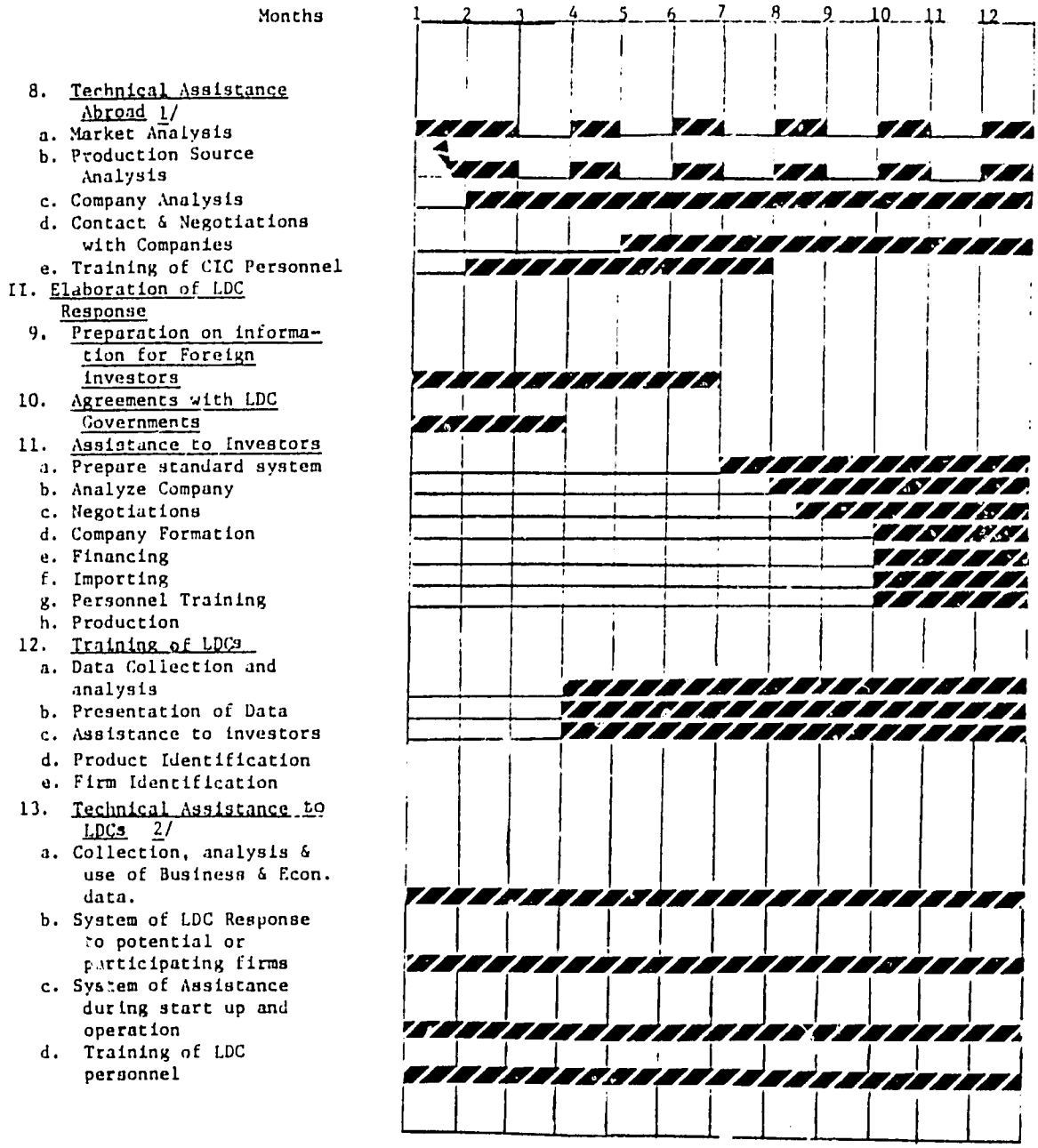
INVESTMENT PROMOTION ACTIVITIES



Continued

Implementation Schedule - Year 1

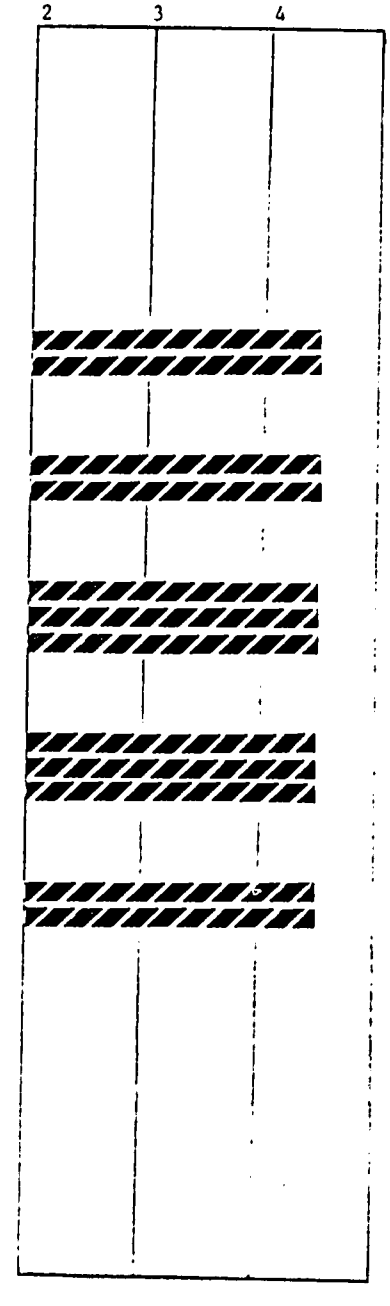
INVESTMENT PROMOTION ACTIVITIES



1/ Activities 1 through 7 will be carried out by Technical Assistance shown under 8.
2/ Activities 9 through 12 will be carried out by Technical Assistance shown under 13.

IMPLEMENTATION SCHEDULE - YEARS 2 thru 4
INVESTMENT PROMOTION ACTIVITIES

Years



I. IDENTIFICATION OF FOREIGN FIRMS

1. Formation of CIC Regional Investment Promotion Division

   a. Recruitment of Division Director
   b. Recruitment of Staff
   c. Design Division Policies & Procedures

2. Identify Likely Products

   a. Review of Import Data
   b. Review of Supplemental Information

3. Identify Firms Producing Likely Products

   a. Examine Published Data
   b. Conduct Interviews

4. Evaluate Firms Identified

   a. Secure Company Data
   b. Analyze Data
   c. Prepare Approach to Potential Firms

5. Contact Potential Investors

   a. Initiate Approach
   b. Personal Contact
   c. Presentation of LDC Material

6. Contact Buyers of Products

   a. Identify Buyers
   b. Initiate Contact

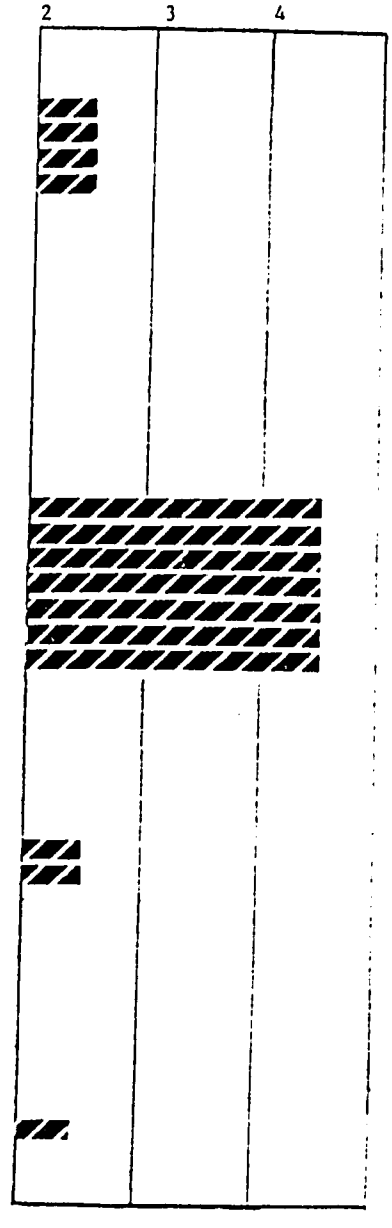
7. Training of CIC personnel

   a. Product Identification
   b. Firm Identification
   c. Presentation to Firm
   d. Follow up Presentation & Assistance

Continued

Implementation Schedule - Years 2 thru 4

INVESTMENT PROMOTION ACTIVITIES



8. Technical Assistance Abroad 1/

   a. Market Analysis
   b. Production Source Analysis
   c. Company Analysis
   d. Contact & Negotiations with Companies
   e. Training of CIC Personnel

II. ELABORATION OF LDC RESPONSE

9. Preparation of Information for Foreign Investors

10. Agreement with LDC Governments

11. Assistance to Investors

   a. Prepare standard system
   b. Analyze Company
   c. Negotiations
   d. Company Formation
   e. Financing
   f. Importing
   g. Personnel Training
   h. Production

12. Training of LDCs

   a. Data collection and analysis
   b. Presentation of Data
   c. Assistance to investors
   d. Product Identification
   e. Firm Identification

13. Technical Assistance LDC's 2/

   a. Collection, analysis & use of Business & Econ. data
   b. System of LDC response to potential or participating firms
   c. System of Assistance during start up and operation
   d. Training of LDC personnel

1/ Activities 1 through 7 will be carried out by Technical Assistance shown under 8
2/ Activities 9 through 12 will be carried out by Technical Assistance shown under 13

B. Small Enterprise Technical Assistance Program

1. Personnel Recruitment and Assignment

Upon creation of the Small Enterprise Technical Assistance Program, the CIC will begin recruiting professional staff for the Program. The Director will be recruited first and will assume full responsibility for the program development and operation. His first priority will be to set the terms and conditions of employment and to recruit the Program Case Officers. At the same time, the process of Peace Corps Volunteer recruitment will be initiated.

a) Director

The CIC General Manager will set the terms and conditions of employment of the SETAP Director, and initiate a search in the Caribbean region according to the job qualifications and description shown elsewhere herein. A review of the candidates will be made by the Director of the Industry Division of CDB and by the CIC General Manager. Final approval will be made by the CIC Board of Directors.

b) U.S. Peace Corps Volunteers

Because of the extensive lead-time necessary for the recruitment and Peace Corp training of the volunteers, the SETAP Director will immediately initiate the process by contacting the Caribbean Peace Corps office in Barbados. He will present desirable qualifications, job description and other project material, to support a request for recruitment in the U.S. Upon selection of a group of appropriate candidates by the Peace Corps, Washington, the Program Director will be notified so that he may interview the candidates for assignment to the Program. The Director will determine suitability, using similar criteria to that for the Case Officers. The volunteers chosen will then be processed and assigned to the Caribbean.

c) CIC Case Officers

The Program Director will initiate canvassing of the Caribbean region for individuals qualified according to the specific job descriptions. Terms of reference for employment will be set. Candidates will be reviewed in terms of demonstrated practicality, broad knowledge of management, ability to maintain a high energy level, social conscience, evidence of auxiliary skills such as banking, industrial engineering, social psychology.

Case Officers, should be highly qualified and paid accordingly. Initial contracts offered to them will be on a trial basis. Provision for salary increases will be made.

2. Establishment of Linkages with Other Organizations

An important early responsibility for the Director will be to set the conditions of Program operation within the project as a whole. He will discuss with the Director of the Industry Division, and with other participating organizations, the coordination of the project and market identification functions. The initial discussions will focus on channels for exchange of information, identification of possible problem areas and recommendations. Personal visits will be made to LDC governments to establish information flows. Linkages will be established with the following project participants and outside organizations.

CDB Industry Division

The Program Director and Industry Division Director will establish procedures for periodic reporting and evaluation of the Program, with progress on a quarterly basis. Information required will be laid out, e.g., the number and nature of technical assistance assignments, level of effort, performance of support functions, etc. Targets will be set on a quarterly and annual basis. Results of follow-up evaluations of verifiable benefits to the client, will be analyzed. Modifications in Program structure and operations will be made where indicated.

CIC

The Program Director will work with the CIC General Manager to establish reporting, accounting, budgeting, and control procedures for the Program within the CIC structure. Procedures will be established for communicating CIC investment targets and the Program's role in assisting in the attainment of these targets.

RIPD

Formal lines of communication will be established with the Division, for transmission of small enterprise information relevant to their investment-promotion activities.

DFC's

The Program Director will work with the CDB Industry Division to select data to be obtained from the survey, which will be used to set goals and adjust staff and operating criteria. Discussions will be held concerning the relationship of the small

enterprise program to the DFC's with regard to certain DFC non-banking functions which the program will assume.

Outside Organizations

There will be several organizations, of a regional and local nature, that should be made aware of the existence of the Program for inclusion as sources or recipients of Program information or services. A personal visit will be made by the Director, to each LDC ministry of industry, to begin the legal process of permission for Program Operation, and to establish a two-way flow of industrial data. He will contact the local trade associations, to request their participation in publicity for the survey and the counselling services within the business community.

3. Design of Policies and Procedures

The Director, with the assistance of the AID sponsored Small Enterprise Consultant will design a system, operational and administrative procedures, and controls for the Program. This process will be undertaken over an extended time-period, as new information becomes available through the survey and other sources. The draft structure will be tested to the extent possible, during the on-the-job training. The design will emphasize active marketing, flexibility in resource allocation, decentralized authority, and efficient and accurate record keeping.

a) Prepare Organization

The Director will organize his operation to reflect the specific resource needs of each LDC and link his organizational structure to that of participating agencies. The organization should not be rigid, but should be readily adaptable to changing needs and conditions.

b) Prepare Program Policies and Procedures

The Director, with input from the Industry Division Director, will prepare a framework for the operation of the Program, giving its functions. He will establish the objectives of each technical assistance function and the means of its achievement. Program targets will be set for the life of the project; tentative, scheduling and priorities will be set; and defined authority will be given to case officers in making program decisions.

c) Prepare Budgeting and Control Systems

The Director, with T.A., will develop the necessary budget preparation systems, which will include a field office budget prepared by case officers, plus an administrative budget.

d) Prepare Reporting and Self-Evaluation

The field offices will follow a pre-set format for filing periodic reports on their activities. This function is important for maintenance of the data bank, for use by participating organizations, and for CDB Program evaluation. Reporting should contain relevant economic and business data, as well as technical assistance activities, and will be submitted to the CIC at least every quarter. Evaluation of completed T.A. projects will be made, for assessment of the progress of the Program in terms of benefits obtained by clients. An important element in the program is the development of a standardized system of record keeping and reporting.

4. Design and Implementation of an Establishment Survey

The consultant will design the survey, train the Case Officers in its implementation, supervise the performance of the survey by the Case Officers, tabulate the data received, and perform necessary analyses for the design of the program structure, operation, and training. The raw data will be forwarded to project participants and LDC governments for use in their programs.

a) Arrange Permission with Local Governments

During personal visits to each LDC, the Director will contact the Statistical Services Unit or the Ministry of Industry for their cooperation and assistance (particularly in securing interviewers) in the survey. A written agreement of permission, enumerating responsibilities, will be obtained. A counterpart from the relevant ministry will be assigned to interface with the Program team. Access to existing industry data will be requested for use in the survey.

b) Arrange Collaboration with Local Trade Associations

During personal visits to each LDC, the Director will contact trade associations,such as the local Chamber of Commerce, to solicit their cooperation in publicizing the survey.

c) Plan Survey

The Small Enterprise Consultant, with the Program Director and Industry Division Director, will determine the data to be obtained in the survey. He will decide on methodology, prepare an interview manual, and draft a questionnaire. Using estimates of total market size, he will determine parameters, and the mapping and scheduling of the survey. The Case Officers will assist in the process by collecting the industry and commerce data required.

d) Train Teams in Survey

The Small Enterprise Consultant will train the Case Officer-PCV Teams in the practice of conducting an establishment survey. This will include a brief description of survey theory. The team will be responsible for the actual performance of the survey. Due to the uncertainty in the time required to recruit the PCV's, it may be necessary to train the case officers to conduct the surveys without the assistance of all the Peace Corps Volunteers. Should additional personnel be required for the survey, temporary interviewers will be recruited and trained

e) Conduct Survey

Upon completion of training, the teams will conduct the survey in locations corresponding to the areas of their eventual assignment. Upon arrival, the team will immediately contact the government counterpart, to finalize the schedule. The team will also contact the trade associations, to announce the survey and programs to the business community. Final details will be made in mapping and scheduling of interviews. Interviews with small enterprise managers will be conducted, and the questionnaires will be collected. The consultant will make periodic visits to the survey sites, and will be available to help solve any problems in implementation of the survey. Raw data (completed questionnaires) are delivered to the CIC and the small enterprise consultant for analysis.

f) Analyze Data

The Small Enterprise consultant will receive questionnaires for tabulation on pre-set forms. Tabulation will be performed to CIC specifications, as well as for the CDB/OFC and RIPD, and forwarded to the latter organizations for their own analyses. Analysis will be performed to determine the small enterprise contribution to the economy, its present condition in terms of nature and size, major problem areas, and other considerations deemed relevant to the Program. From this analysis, conclusions will be drawn as to:

resource allocation; program targets by various industry classifications; nature of T.A., and level of effort; training requirements; and refinement of program procedures to best meet established objectives and targets. A written report will be presented to the CIC and CDB Industry Division on the results of the survey.

5. Training of Program Personnel.

The Case Officers and Peace Corps Volunteers will receive training in the various program elements: project feasibility study and analysis; small enterprise lending; and small enterprise management counselling. The first two training elements will be conducted by the CIC and the CDB, respectively, while the latter element will be contracted out to an experienced training organization within the region. The design of the training will be directed by the Program Director and the Consultant.

a) Establish Training Requirements.

The Small Enterprise Consultant will draw on information contained in the survey report, to develop an instructional framework and course content designed to respond to LDC conditions.

b) Contract with a Training Organization.

A contract will be let to the training agency which can best respond to the training requirements established for the program. It will be understood that such training will be closely monitored by CIC personnel.

c) Train in Feasibility and Project Analysis

The CIC will prepare a short course in investment identification and appraisal. The teams will become familiar with project feasibility studies and processing and analyzing CIC investment/loan applications.

d) Train in Small Enterprise Lending

Immediately following completion of the course in project analysis, the teams will participate, with selected DFC loan officers, in a course on DFC lending procedures, and will examine the role of the CIC in providing technical assistance in support of DFC lending. The CDB Loan Supervision Unit will conduct the courses.

e) Train in Small Enterprise Counselling

The training will consist of two phases: a period of short formalized courses in a classroom environment and a short period of on-the-job training in small enterprise technical assistance counselling. The short formalized courses will be offered at a site chosen by the CIC, and will be conducted by instructors contracted through BIMAP or some other training agency. Each instructor will be assigned a specific team and will work with that team through both phases of the training. The courses will be constructed to contain the following elements: (1) the economy of the Eastern Caribbean and the LDC of assignment, (2) the role of small enterprise in the Eastern Caribbean and LDC, (3) the environment of small enterprise including condition, characteristics and problems, (4) management information systems in small enterprise (accounting and finance), (5) product costing for small enterprise, (6) plant layout for small enterprise, (7) marketing for small enterprise, and (8) counselling the small enterprise owner/manager. Detailed course content will be prepared by the contractor, with the assistance of the Small Enterprise Consultant, based on the information from the establishment survey.

The second phase of training will immediately follow the conclusion of the classroom phase. The team, accompanied by the instructor, will begin a period of on-the-job training in the assigned LDC. The firms to be counselled will be selected during the establishment survey and will be aware of their responsibility in working closely with the instructor and team. Each team member will be assigned a firm to counsel. The team member will conduct the analysis of the firm, to establish the major problem areas and their priorities; will develop recommendations for improved operation; and work with the owner/manager in implementing the recommended adjustments. The progress of each project will be supervised by the instructor. The teams will meet periodically to discuss the progress of their projects. Interaction and support by team members will be encouraged. The results of each counselling project will be reviewed by the instructor at the conclusion of the training phase, and this information will be used in making adjustments to the technical assistance program.

6. Operation of the Program

The Case Officers and Peace Corps Volunteers will be assigned according to the needs determined from the survey. Upon completion of the training all necessary steps will be taken to establish offices and secure equipment and support staff:

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make recommendations for activities, not necessarily previously contemplated by the client. This review process is intended to avoid indiscriminate use of assistance resources to enterprises whose growth possibilities are too doubtful.

d) Prepare Budget

The Case Officer will prepare Program targets for the period up to the end of the first calendar year. The targets will show the number of charts to be assisted, estimations of type of assistance, and level of effort to be expended. Using this data he will prepare expense budgets for the same period. Subsquently, targets and budgets will be submitted to the Program Director semi-annually. These budgets will be consolidated by the Director and submitted to the CIC Board of Directors and the Director of the Industry Division for approval.

e) Prepare Program

At the end of the first year of operation, each field office will submit an evaluation report which will describe the activities of the Program during that period, and the results obtained, including changes in the performance of the firms assisted. Quarterly Reports will subsequently be submitted and each six month report should indicate performance relative to targets previously set. Evaluations will be performed regularly on some fixed percentage of clients counselled. The objective will be to discover possible modifications in the operation of the Program and to improve its performance. The information will be summarized and delivered to the CIC Board of Directors and the CDB Industry Division.

7. Technical Assistance

The development and operation of this Program by the CIC, will require the assistance of an AID sponsored technical advisor in small enterprise development. He will work with the Director of the Program. His duties will involve: design of the Program structure, policies, procedures and operations; design and implementation of an establishment survey in the eight LDC's; and design of training methodology and content.

a) Start-up Operations

The Small Enterprise Consultant will arrive at the CIC office after the hiring of the Program Director. The Director will prepare for the arrival of the consultant by securing office equipment and secretarial services to support their activities. The Consultant will collaborate with the Director to (1) design a small enterprise data bank, (2) produce a preliminary design for the operation of the Small Enterprise Technical Assistance Program.

b) Survey

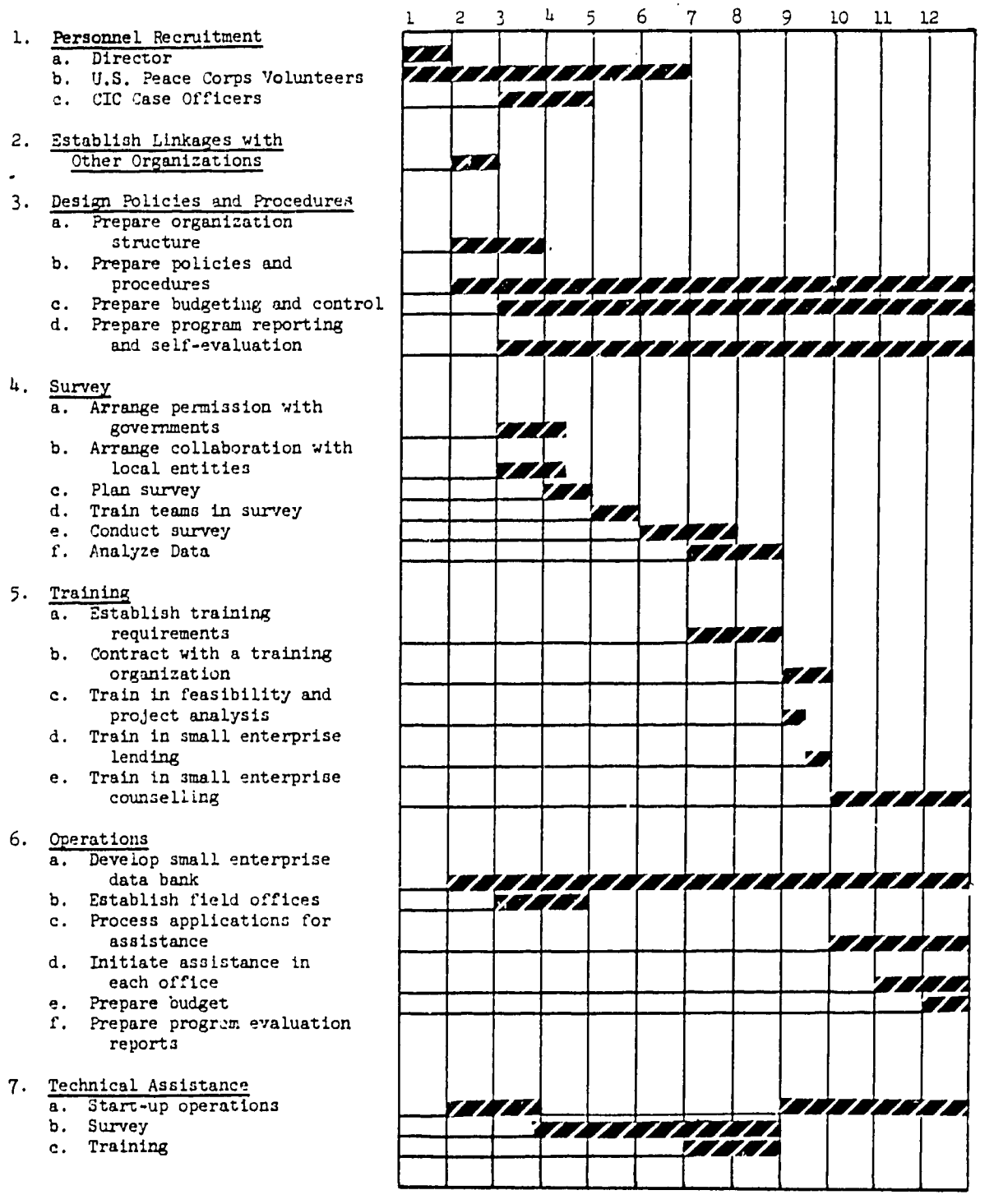
Upon completion of the Preliminary Program Design and successful negotiations with the LDC governments for assistance in undertaking the survey, the Small Enterprise Consultant will develop survey plans and a draft interview manual and questionnaire. He will then train the teams in supervising and conducting an establishment survey, using testing of the draft questionnaire as the principal instructional tool. As the teams conduct the surveys in their respective LDC, the Consultant will be visiting the sites for supervision and assistance. Upon completion of the survey and receipt of raw data, he will tabulate the data according to the specifications of the participating agencies, and analyze the data for the CIC purposes of training and program development.

c) Training

The Consultant will assist the Program Director in developing a Request for Proposal for the provision of management counselling training services to the teams. The CIC Director and the CDB Industry Division Director will select the contractor, and the Consultant will work with him to develop methodology a curriculum of instruction.

Implementation Schedule - Year 1

SMALL ENTERPRISE TECHNICAL ASSISTANCE PROGRAM



Implementation Schedule - Years 2 Thru 4

SMALL ENTERPRISE TECHNICAL ASSISTANCE PROGRAM

1. Personnel Recruitment
   a. Director
   b. U.S. Peace Corps Volunteers
   c. CIC Case Officers

2. Establish Linkage with Other Organizations

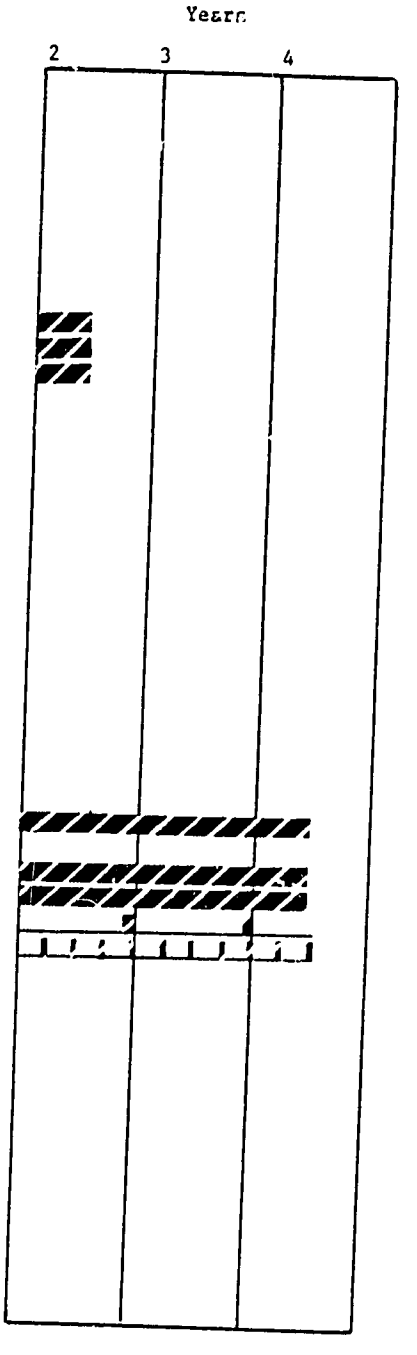
3. Design Policies and Procedures
   a. Prepare organization structure
   b. Prepare policies and procedures
   c. Prepare budgeting and control
   d. Prepare program reporting and self-evaluation

4. Survey
   a. Arrange permission with governments
   b. Arrange collaboration with local entities
   c. Plan survey
   d. Train teams in survey
   e. Conduct survey
   f. Analyze data

5. Training
   a. Establish training requirements
   b. Contract with a training organization
   c. Train in feasibility and project analysis
   d. Train in small enterprise lending
   e. Train in small enterprise counselling

6. Operations
   a. Develop small enterprise data bank
   b. Establish field offices
   c. Process applications for assistance
   d. Initiate assistance in each office
   e. Prepare budget
   f. Prepare program evaluation reports

7. Technical Assistance
   a. Start up operations
   b. Survey
   c. Training



VI. BUDGET REQUIREMENTS

TABLE 22

BUDGET

By Activity, Agency and Year
(U. S. $000)

	YEARS								
	1		2		3		4		
CARIBBEAN DEVELOPMENT BANK	AID	CDB	AID	CDB	AID	CDB	AID	CDB	TOTAL
Industry Div. Supervision	25.0	-	25.0	-	20.0	-	20.0	-	90.0
- T/A	25.0	-	10.0	-	-	-		-	35.0
- Contingency	-	-	15.0	-	20.0	-	20.0	-	55.0
CBD Total	25.0	-	25.0	-	20.0	-	20.0	-	90.0
CARIBBEAN INVESTMENT CORPORATION									
CIC Export Ident. and Production	251.0	30.0	101.0	37.0	50.0	35.0	30.0	25.0	559.0
- Personnel	30.0	22.0	30.0	22.0	30.0	22.0	10.0	16.0	182.0
- Operating Costs	5.0	8.0	5.0	15.0	5.0	13.0	-	9.0	45.0
- Travel	28.0	-	15.0	-	15.0	-	20.0	-	93.0
- Equipment	10.0	-	-	-	-	-	-	-	10.0
- T/A	178.0	-	51.0	-	-	-	-	-	197.0
CIC Small Enterprise	213.5	4.0	131.5	23.0	98.0	27.0	52.5	11.5	561.0
- Personnel	40.0	-	40.0	10.0	40.0	10.0	2.2	3.0	163.0
- Operating Costs	5.0	4.0	13.0	13.0	17.0	17.0	8.5	8.5	92.0
- Travel	2.0	-	9.0	-	5.5	-	5.5	-	50.0
- Training	40.0	-		-		-		-	40.0
- T/A	116.5	-	10.5	-	20.5	-	10.5	-	166.0
- Survey	45.0	-		-		-		-	28.0
- Special Studies	-	-	15.0	-	15.0	-	6.0	-	40.0
CIC Total $	464.5	34.0	231.5	60.0	148.0	62.0	82.5	36.5	1,120.0

TABLE 23

CDB COORDINATION

BUDGET BY ELEMENT & YEAR
(U.S. $000)

ELEMENT	YEAR 1	2	3	4	TOTAL
Technical Assistance	25	10	-	-	35
Contingency	-	15	20	20	55
Total $	25	25	20	20	95

TABLE 24

CDB COORDINATION

SOURCE OF FUNDS
(U.S. $000)

ELEMENTS	AID GRANT	AID LOAN	TOTAL AID	CDB	PROGRAM TOTAL
Technical Assistance	35	-	35	-	35
Contingency	55	-	55	-	55
Total	$ 90	-	90	-	90

TABLE 25

EXPORT INDUSTRIES PROGRAM

BUDGET BY ELEMENT & YEAR
(U.S. $000)

ELEMENT	YEAR 1	2	3	4	TOTAL
Personnel	52	52	52	26	182
Operations	13	20	18	9	60
Equipment	10	-	-	-	10
Travel	28	15	15	20	78
Technical Assistance	178	51	-	-	229
Total $	281	138	85	55	559

TABLE 26

EXPORT INDUSTRIES PROGRAM

SOURCE OF FUNDS
(U.S. $000)

ELEMENT	AID GRANT	AID LOAN	CDB	TOTAL
Personnel	100	-	82	182
Operations	15	-	45	60
Equipment	10	-	-	10
Travel	78	-	-	78
Technical Assistance	229	-	-	229
Total	$ 432	-	127	559

TABLE 27

SMALL ENTERPRISE TECHNICAL ASSISTANCE PROGRAM

BUDGET BY ELEMENT & YEAR
(U.S. $000)

	YEAR				
Element	1	2	3	4	Total
Personnel	40.0	50.0	50.0	25.0	165.0
Operations	9.0	26.0	34.0	17.0	86.0
Equipment	5.0	4.0	-	-	9.0
Travel	2.0	9.0	5.5	5.5	22.0
Training	-	40.0	-	-	40.0
Survey	45.0	-	-	-	45.0
Special Studies	-	15.0	15.0	6.0	36.0
Technical Assistance	116.5	10.5	20.5	10.5	157.0
Total $	218.5	154.5	125.0	64.0	561.0

TABLE 28

SMALL ENTERPRISE TECHNICAL ASSISTANCE PROGRAM

SOURCE OF FUNDS
(U.S. $000)

ELEMENT	AID GRANT	AID LOAN	CDB	TOTAL
Personnel	142	-	23	165
Operating Costs	43	-	42	86
Equipment	10	-	-	10
Travel	22	-	-	22
Training	40	-	-	40
Survey	45	-	-	45
Special Studies	36	-	-	36
Technical Assistance	157	-	-	157
Total	$ 496	-	65	561

TABLE 29

TECHNICAL ASSISTANCE BUDGET

SMALL ENTERPRISE TECHNICAL ASSISTANCE PROGRAM

ITEM	MAN MONTHS	A.I.D. GRANT (U.S. $000)
Personnel Recruitment	1.0	10.0
Design of Policies and Procedures	5.0	48.5
Survey	4.0	38.5
Training	2.0	19.5
Sub-total	12.0	116.5
Short Term Production Consulting	9.0	40.5
Total	21.0	$ 157.0

TABLE 30

TECHNICAL ASSISTANCE BUDGET

LABOR INTENSIVE EXPORT INDUSTRY

ITEM	MAN MONTHS	A.I.D. GRANT (U.S. $000)
Identification of Migrant Firms and Training of CIC and LDC Personnel	18	149
Development of Investment Promotion Units in LDC's and Training of Personnel	12	80
Total	30	$ 229

END