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OPPORTUNITIES FOR EXPANSION OF EXPORT MANUFACTURING IN COSTA RICA

VOLUME 1 -- COMPETITIVE POSITION IN 806/807 TRADE

Report to:

Ministro de Exportacion e Inversiones

and

USAID/Costa Rica

International Parks, Inc.
P.O.Box 986
Flagstaff, Arizona 86002, U.S.A.

November 18, 1983

Contract Number 515-0198-C-00-3316-00

I. INTRODUCTION

This report provides three approaches to the search for new export opportunities for Costa Rica.

1. The first is a selection of product opportunities based on comparative advantage of labor cost and freight cost in comparison with 21 other suppliers of labor intensive products to the United States under Articles 806/807 of the U.S. Tariff.

2. The second is a listing of supplier countries of 177 current high-tariff U.S. imports which will enter under zero tariff only from CBI beneficiary countries. These were selected by us in an earlier study. Our data show customs value, duty, and freight costs against which Costa Rican costs can be compared.

3. The third is a sourcing study of about 30 Agricultural product groups which can be produced in Costa Rica to show U.S. imports in 1982 from all sources by country, and by district of unlading in the U.S and costs of freight and insurance, duty, FAS price and calculated landed price. The latter work is to be used as an input into a major study by CINDE of new opportunities for exports of these agricultural products.

1. COMPETITIVE ANALYSIS OF 806/807 TRADE

Volume I of this report presents the results of our analysis of Costa Rica in competition with 21 other leading developing countries as a supplier of labor-intensive goods to the United States.

The objective was to find products/product groups in which Costa Rica has an apparent advantage over the others with respect to its overall labor cost and transport cost to the U.S. market, to estimate the magnitude of the advantage, and to show the relative size of each market opportunity.

We used the database of The Flagstaff Institute under subcontract to supply comparisons of labor and transport cost for products entering the U.S. under Articles 806/807 of the U.S. Tariff from the competing nations as described in the Statement of Work (Appendix 1).

The work was carried out at Flagstaff during September-November, 1983. Our field report of September 9, 1983 contains the information requested in the Statement of Work about availability and rental costs of factory space in Costa Rica. We attempted to learn the identities of the Costa Rican firms with apparent excess capacity described in our earlier report of July 12, 1983 to ROCAP/LAC/DR under Contract No. LAC-0619-C-00-3042-00 but were informed by ROCAP that ECOAGRO, the firm which provided the list, had agreed not to identify respondents in its original agreement with USAID. Accordingly we could not take into account the possibility that some of these firms might be able to export if given limited technical assistance.

2. U.S. HIGH-TARIFF OPPORTUNITIES UNDER THE CBI

Volume II presents a printout of the computer analysis of U.S. import data tapes for 1982 showing the relative amounts imported from source countries and the estimated FAS price per pound of product as well as freight, insurance, and duty paid by each. The 177 product groups were selected from a listing of all products entering the U.S. in 1982 with effective ad valorem tariffs of 10% or more. Dutiable value of these imports totalled $2151 million in 1982. The criteria for selection were as follows:

1. All goods excluded by CBI legislation were excluded.
2. All goods currently entering the U.S. under GSP were excluded on the basis that they could be provided by many other LDC's at zero duty.
3. All high technology goods typically produced in advanced nations, such as dyestuffs and stainless steels, which appear to be beyond the reach of CBI countries at present were excluded.
4. The remaining 177 groups are those which only CBI countries will be able to supply at zero duty. These are not too complex nor capital-hungry for CBI production and have individual import volumes above $1 million per year.

3. SELECTED AGRICULTURAL PRODUCTS

Volume III contains the printout of source countries and districts of unlading in the U.S. for the major agricultural products selected for further study by CINDE.

II. SUMMARY

Some 143 product groups (as defined by 7-digit TSUSA number) show an overall positive margin for labor cost and freight in favor of Costa Rica in comparison to 21 competing Developing Countries in serving the U.S. market for 806/807 imports in 1982 according to the computer model developed by The Flagstaff Institute.

About 82 of these product opportunities lie in the general fields of electrical and electronic goods. Apparel accounts for 27; watches/clocks/instruments, 10; games/dolls/toys, 8; transport equipment, 7; and footwear/luggage/handbags/jackets, 5. Costa Rica already participates in 26 of the categories.

Within the opportunity group, Costa Rica accounted for about 0.34% ($8 million) of total value added by the 22 competing countries in 1982 of $2456 million.

It is evident that Costa Rica competes most strongly with the newly industrialized countries of Asia for the U.S. 806/807 market among the 143 product opportunities. Dutiable value for Taiwan, Hong Kong, Korea, Malaysia, and Singapore totalled $1577 million, or 64% of total U.S. imports of the opportunity group. The overall net margins in favor of Costa Rica are $10 per pound or more, and the total margin as per cent of dutiable value is in the range of 15% - 50% which indicates that a significant share of dutiable value can be accounted for by the Costa Rican advantage.

The data show, however, that Costa Rica faces competition in the future from smaller and lower-cost LDC's in the Caribbean Basin where its overall net margin is negative. Also, the larger, but less developed, Asian countries, such as the Philippines, Thailand, and Indonesia, can provide competition in the future if their present advantage holds as they grow in exports.

Further analysis of the data indicates that about $1.6 million of present Costa Rica value-added under 806/807 is vulnerable because of higher costs than competing countries. The 41 products are mostly in the apparel category, although mocassins, artificial bait and flies, and mounted piezoelectric crystals are also included. (See details in Appendix 3).

Our analysis of sensitivity of 806/807 trade to Costa Rican entry-level wages shows that the 1982 wage of US$ 0.76 per hour actually worked including all fringe benefits permitted access to about 60% of the U.S. total market for dutiable value from all LDC's. Reduction to $0.50 would allow access to 75%, while increases to $0.90 and $1.10 would reduce Costa Rica' advantage to 38% and 26% of the market. The position of Costa Rica in each case in 63 industry categories (out of the 120 examined) is shown.

III. APPROACH

Conceptually, our approach is to use the highly detailed import statistics of the United States under Articles 806/807 to provide a measure of the relative competitive positions of various developing countries for some 3000 product groups. This is an extension of regular work of The Flagstaff Institute to measure competition among Less Developed Countries (LDC's) to supply labor inputs under Tariff Articles 806/807 and GSP as shown by the recent article in its Journal (Appendix 2).

A. MEASURING THE MARGIN

We examine competition by 7-digit product group (TSUSA), 4-digit industry group (SIC), 5-digit trade group (SITC), and by country, expressing the competition in terms of the cost of adding value in COUNTRY X compared to the cost of adding value in Costa Rica. Taking into account the actual freight costs, we then derive a total margin for labor and freight differences in dollars per pound of product delivered to Chicago, U.S.A.

B. SELECTING OPPORTUNITIES

This provides an array of products with positive and negative margins. Those with a positive margin for Costa Rica and value added under 806/807 totalling more than a million dollars in 1982 from all suppliers are rated as "opportunities". (A million dollars of value added per year represents an opportunity for about 100-200 jobs depending on the product). In the sense that the labor/freight cost factor appears favorable they are, indeed, opportunities -- especially when compared to items with negative margins. But further analysis and research must be done to determine the extent to which funds for promotion are to be committed to each opportunity.

C. SENSITIVITY TO CHANGES IN ENTRY-LEVEL WAGES

Leaving the entry-level wages of the 21 competing countries constant, we vary the Costa Rican entry-level wage in the computer above and below its present cost of US$0.76 per hour actually worked including all fringe benefits. The levels chosen were $0.50, 0.70, 0.90, and $1.10 per hour. (See Tables 3 and 3A.)

Analysis of the impact of such wage changes by major product group provides a measure of the sensitivity of each group to such changes and is useful in determining promotion strategy. For those product groups in which Costa Rica might compete with the other developing countries, the potential market share of the total U.S. market is shown at each wage level -- using the total value added abroad under 806/807 by all developing countries in 1982 as 100%.

D. PRESENTATION

The usefulness of the information derived from the above is twofold: First, there is the value of an overall summary which can help in the general planning for development. Second, there is a myriad of product detail presented in accompanying tables which can be used in the practical everyday carrying out of promotion.

We have attempted to present a useful summary for planning purposes while not ignoring the degree of explanatory detail required for clear understanding of how to use the tables. Each set of tables is prefaced by a chart explaining the layout.

IV. FINDINGS

A. FAVORABLE MARGIN PRODUCTS UNDER 806/807

About 143 TSUSA product groups show a net positive margin for labor and transport costs favoring Costa Rica at its current entry-level wage of US$ 0.76 per hour actually worked including all fringe benefits. Details of the competition for each product among the 21 less-developed countries (LDC's) included in our analysis are found in Appendix III.

In developing the list, we used the following definitions:

Major Opportunity - Positive Margin Product with more than $1 million of Dutiable Value (value added) by all competing LDC's.

Minor Opportunity - Positive Margin Product with less than $1 million of DV by all competing LDC's.

Minor Problem - Negative Margin Product of less than $1 million of DV by all competing LDC's, or of negligible participation by Costa Rica in 1982.

Significant Problem - Negative Margin Product of over $1 million of DV by all competing LDC's, with participation by Costa Rica in 1982.

Details of the competitive position of Costa Rica with respect to Minor Opportunities, Minor Problems, and Problems are provided in Appendix 3.

A summary of the overall Costa Rican position is shown in Table 1.

TABLE 1 -- OVERALL COSTA RICAN POSITION VS COMPETITION

TYPE	1982 806/807 VALUE ADDED, $ MILLION		
	COSTA RICA	21 COMPETING LDC'S	TOTALS
MAJOR OPPORTUNITIES	8	2448	2456
MINOR OPPORTUNITIES	2	53	55
MINOR PROBLEMS	1	11	12
SIGNIFICANT PROBLEMS	<1	10	10
UNCLASSIFIED		1011	1011
SUBTOTAL	12	3532	3544
OTHER LDC'S		442	442
TOTAL ALL LDC'S	12	3974	3986

B. OPPORTUNITIES BY TYPES OF PRODUCTS

Out of about 143 TSUSA product opportunities, about 82 can be classified as electrical/electronic. Apparel accounts for 27; watches/clocks/instruments, 10; games/dolls/toys, 8; transport equipment, 7; and footwear/luggage/handbags/jackets, 5. Costa Rica already participates in 26 of the categories. However, it does not participate in the remaining 117 product groups as yet. Details of each important product opportunity, minor product opportunity, minor product problem and significant product problem are shown in Appendix 3.

C. COMPETITION BY COUNTRY IN THE OPPORTUNITY GROUP

Table 2 shows the competition in the opportunity group with each of the 21 competing countries. In terms of value added Costa Rica accounts for 0.34% of the total U.S. 806/807 imports in 1982 from the 22 competing LDC's in the opportunity group.

The data leave little doubt that Costa Rica competes most strongly with the newly industrialized countries of Asia for the U.S. 806/807 market in which it has favorable margins. The Dutiable Value for Taiwan, Hong Kong, Korea, Malaysia, and Singapore in these product groups in which Costa Rica has an advantage of labor and freight cost to Chicago total $1577 million, or 64% of total U.S. imports of the opportunity group. The overall Net Margins in favor of Costa Rica are $10 per pound or more, and the total margin as % of DV is in the range of 15-50% (indicating a significant share of DV can be accounted for by the Costa Rican advantage.)

The data also show, however, the Costa Rica faces competition in the future from smaller and lower cost LDC's in the Caribbean Basin where its overall net margin is negative. Also the larger, but less developed, Asian countries, such as the Philippines, Thailand, and Indonesia, can provide competition in the future if their present advantage holds as they grow in exports.

TABLE 2 -- COMPETITION BY COUNTRY WITH 21 LDC'S FOR COSTA RICAN SELECTED OPPORTUNITY PRODUCTS

COUNTRY	DUTIABLE VALUE, 1982 $ MILLION	OVERALL NET MARGIN $/POUND	APPROXIMATE MARGIN AS % OF DV MARGIN
1. Barbados	25	15.61	40
2. Belize	-	-	-
3. Brazil	15	(4.84)	-
4. Taiwan	238	22.89	45
5. Colombia	6	0.23	2
6. Dominican Rep.	23	0.80	20
7. Guatemala	-	-	-
8. Haiti	18	(1.32)	-
9. Hong Kong	365	16.46	50
10. Honduras	4	(2.81)	-
11. Indonesia	36	(49.25)	-
12. Jamaica	6	1.26	30
13. Korea	144	9.52	30
14. Malaysia	428	7.78	16
15. Mexico	436	3.68	10
16. Panama	-	-	-
17. Philippines	236	(3.62)	-
18. St. Lucia	1	(0.24)	-
19. El Salvador	31	3.49	18
20. Singapore	402	33.07	45
21. Thailand	34	(2.76)	-

E. SENSITIVITY TO INCREASES IN THE ENTRY-LEVEL WAGE

Table 3 shows for each selected level of Costa Rican entry-level wage, as measured in U.S. Dollars per hour actually worked including all fringe benefits, the available market share of U.S. 806/807 imports from all (not just the 21) LDC's in 1982.

Markets are defined as ranges of TSUSA numbers representing broad product groups. Wages of US$0.50, 0.70, 0.90, and $1.10 per hour are used. The current entry-level wage is US$0.76 per hour worked including fringes (see Table 3A).

The Dutiable Value in each case is that for which Costa Rica has a total positive margin based on labor and freight cost over the rest of the LDC's for 806/807 goods delivered to Chicago.

EXAMPLE:

Compare the high sensitivity to wage changes of TSUSA 3760000 - 3779999 -- Garters, Suspenders, and Body Support Garments (Brassieres) -- which drops from an 80% market share at $0.70 per hour wage to 30.4% share at $0.90 per hour with the low sensitivity of TSUSA 6760000 - 6779999 -- Office Machines -- which drops from 98.5% market share at $0.50 per hour wage to 66% share at $1.10 per hour.

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TABLE 3 -- ESTIMATED WAGE SENSITIVITY, SELECTED COSTA RICAN 806/807 PRODUCTS, 1982

TSUSA RANGE	TOTAL DV ($000)	DESCRIPTION	ENTRY LEVEL WAGE: $0.50/HR DV ($000)	% OF ALL LDCS	$0.70/HR DV ($000)	% OF ALL LDCS	$0.90/HR DV ($000)	% OF ALL LDCS	$1.10/HR DV ($000)	% OF ALL LDCS
2000000 - 2999999	21747	WOOD/PAPER/PRINTED M	26	.1	0	.0	0	.0	0	.0
3500000 - 3549999	234	LACE, NETTING, ORNAM	198	84.6	0	.0	0	.0	0	.0
3550000 - 3599999	51	WADDING, FELTS, ETC.	46	90.2	46	90.2	0	.0	0	.0
3630000 - 3639999	455	BEDDING	0	.0	0	.0	0	.0	0	.0
3640000 - 3699999	21	TAPESTRIES, LINENS,	18	85.7	0	.0	0	.0	0	.0
3720000 - 3739999	264	MUFFLERS, SCARVES, S	263	99.6	263	99.6	263	99.6	0	.0
3740000 - 3759999	11	HOSIERY	8	72.7	0	.0	0	.0	0	.0
3760000 - 3779999	50862	GARTERS, SUSPENDERS,	43922	86.4	40630	79.9	15452	30.4	5229	10.3
3780000 - 3799999	76523	UNDERWEAR	60426	79.0	46785	61.1	28650	37.4	20827	27.2
3800000 - 3849999	70505	OTHER WEARING APPARE	63483	90.0	52454	74.4	26204	37.2	11940	16.9
3850000 - 3859999	495	MISCELLANEOUS TEXTIL	441	89.1	441	89.1	0	.0	0	.0
3860000 - 3899999	4173	TEXTILE PRODUCTS NSP	3285	78.7	2512	60.2	1516	36.3	24	.6
5000000 - 5999999	5021	NONMETALLIC MINERALS	385	7.7	385	7.7	282	5.6	282	5.6
6560000 - 6599999	484	METAL PRODUCTS NSPF	14	2.9	0	.0	0	.0	0	.0
6600000 - 6639999	112638	BOILERS, NON-ELECTRI	3600	3.2	3600	3.2	1132	1.0	1037	.9
6700000 - 6739999	19687	TEXTILE, LAUNDRY, SE	19683	100.0	19683	100.0	19640	99.8	19640	99.8
6740000 - 6759999	4293	MACHINES FOR WORKING	691	16.1	0	.0	0	.0	0	.0
6760000 - 6779999	315600	OFFICE MACHINES	310914	98.5	300940	95.4	229238	72.6	208250	66.0
6780000 - 6799999	42342	OTHER MACHINES	40727	96.2	7230	17.1	7114	16.8	6559	15.5
6820000 - 6826999	86797	GENERATORS, MOTORS,	61592	71.0	57523	66.3	14738	17.0	13366	15.4
6827000 - 6829499	893	MAGNETIC DEVICES	25	2.8	25	2.8	0	.0	0	.0
6829500 - 6831999	6633	BATTERIES	579	8.7	503	7.6	502	7.6	37	.6
6833000 - 6835999	3808	MOTORIZED HOUSEHOLD	589	15.5	479	12.6	0	.0	0	.0
6836500 - 6838999	217	AUTO LIGHTING EQUIPM	217	100.0	217	100.0	146	67.3	146	67.3
6840000 - 6846199	43843	THERMAL HOUSEHOLD AP	41176	93.9	39750	90.7	33551	76.5	33551	76.5
6846200 - 6846999	9467	TELEGRAPH, TELEPHONE	3758	39.7	3399	35.9	29	.3	29	.3
6847000 - 6849999	16576	MICROPHONES, SPEAKER	16231	97.9	16231	97.9	14669	88.5	14634	88.3
6850000 - 6856999	939071	RADIO/TV TRANSMITTIN	473281	50.4	376954	40.1	72250	7.7	59644	6.4
6857000 - 6857999	25492	ALARMS	24877	97.6	24822	97.4	19432	76.2	6084	23.9
6858000 - 6858999	56095	CAPACITORS	53629	92.3	52885	91.0	9937	17.1	5296	9.1
6859000 - 6859999	85758	SWITCHES, RELAYS, FU	82720	96.5	77756	90.7	9222	10.8	7469	8.7
6860000 - 6862199	34754	RESISTORS	21017	60.5	20367	58.6	3152	9.1	3152	9.1
6862200 - 6862999	214	AUTO VOLTAGE REGULAT	188	87.9	188	87.9	80	37.4	80	37.4
6863000 - 6873499	18058	ELECTRIC LAMPS	17648	97.7	16914	93.7	2363	13.1	1467	8.1
6873500 - 6880399	1137775	ELECTRONIC TUBES, TR	1093710	96.1	1057637	93.0	697003	61.3	335838	29.5
6880400 - 6881999	91036	INSULATED CONDUCTORS	39091	42.9	2915	3.2	1260	1.4	1101	1.2
6882000 - 6883999	10428	UNINSULATED CONDUCTO	10154	97.4	5131	49.2	3318	31.8	674	6.5
6884000 - 6899999	50026	ELECTRICAL ARTICLES	46043	92.0	40435	80.9	24401	48.8	19495	39.0

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TABLE 3 (contd)-ESTIMATED WAGE SENSITIVITY, SELECTED COSTA RICAN 806/807 PRODUCTS, 1982

TSUSA RANGE	TOTAL DV ($000)	DESCRIPTION	ENTRY LEVEL WAGE: $0.50/HR DV ($000)	% OF ALL LDCS	$0.70/HR DV ($000)	% OF ALL LDCS	$0.90/HR DV ($000)	% OF ALL LDCS	$1.10/HR DV ($000)	% OF ALL LDCS
6920000 - 6939999	105961	MOTOR VEHICLES	73752	69.6	72070	68.0	468	.4	468	.4
6940000 - 6959999	2895	AIRCRAFT AND SPACECR	2123	73.3	2123	73.3	656	22.7	36	1.2
6960000 - 6999999	19268	PLEASURE BOATS, FLOA	14427	74.9	13154	68.3	13154	68.3	13154	68.3
7000000 - 7019999	20041	FOOTWEAR	6549	32.7	4237	21.1	3743	18.7	2027	10.1
7020000 - 7039999	4283	HEADWEAR AND HAT BRA	1048	24.5	638	14.9	169	3.9	167	3.9
7040000 - 7059999	7157	GLOVES	6926	96.8	5704	79.7	1434	20.0	837	11.7
7060000 - 7079999	12813	LUGGAGE, HANDBAGS, B	5014	39.1	3917	30.6	3052	23.8	2636	20.6
7080000 - 7089999	440	OPTICAL ELEMENTS,SPECT	425	96.6	425	96.6	9	2.0	9	2.0
7090000 - 7099999	11206	MEDICAL INSTRUMENTS	2111	18.8	1962	17.5	60	.5	0	.0
7110000 - 7149999	32043	MEASURING, TESTING,	29448	89.7	12296	37.4	1498	4.6	1498	4.6
7150000 - 7219999	99585	WATCHES, CLOCKS AND	98064	98.5	70769	71.1	59204	59.5	56576	56.8
7220000 - 7239999	3986	PHOTOGRAPHIC EQUIPME	3962	99.4	3962	99.4	3962	99.4	3962	99.4
7240000 - 7249999	6479	MOTION-PICTURES, REC	1928	29.8	70	1.1	70	1.1	70	1.1
7250000 - 7259999	636	MUSICAL INSTRUMENTS	519	81.6	519	81.6	519	81.6	519	81.6
7310000 - 7319999	1430	FISHING TACKLE	987	69.0	403	28.2	227	15.9	0	.0
7340000 - 7369999	93502	GAMES AND SPORTING G	177846	91.9	171970	88.9	171129	88.4	170605	88.2
7370000 - 7399999	47633	MODELS, DOLLS, TOYS,	30301	63.6	29246	61.4	28331	59.5	22956	48.2
7480000 - 7499999	116	ART FLOWERS,MILLINER	11	9.5	0	.0	0	.0	0	.0
7500000 - 7509999	30	COMBS,HAIR ORNAMENTS	27	90.0	20	66.7	20	66.7	20	66.7
7600000 - 7649999	4	PENS, PENCILS, LEADS	2	50.0	2	50.0	2	50.0	2	50.0
7720000 - 7739999	887	SPECIFIED RUBBER AND	286	32.2	228	25.7	0	.0	0	.0
7740000 - 7899999	2194	ARTICLES NSPF OF RUB	2186	99.6	215	9.8	13	.6	3	.1
7900000 - 7909999	21	MISCELLANEOUS PRODUC	6	28.6	6	28.6	6	28.6	0	.0
7910000 - 7919999	7017	ARTICLES OF FUR AND	6062	86.4	5752	82.0	98	1.4	0	.0
8000000 - 8999999	1566	SPECIAL CLASSIFICATI	1	.1	1	.1	0	.0	0	.0
TOTALS:	3985913		2998667	75.2	2668839	67.0	1523370	38.2	1051396	26.4

XA-AAA-506-A
ISN 52797

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VOLUME II -- U.S. HIGH TARIFF OPPORTUNITIES UNDER THE CBI

(Revised 22 November 1983)

Report to:

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International Parks, Inc.
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November 18, 1983

Contract Number 515-0190-C-00-3316-00

V ATTRACTING NEW HIGH TARIFF PRODUCTS

THE SITUATION

Current draft CBI legislation calls for the elimination of all tariffs on U.S. imports from beneficiary countries of those items not excluded by the legislation itself. Certain nontraditional exports currently entering the U.S. from other countries under high tariffs might be produced efficiently in CB countries, especially given the extra margin created by eliminating the tariff.

ANALYSIS

U.S. import data for 1982 show that about $21 Billion of million-dollar high tariff goods with duties charged at 10% ad valorem equivalent or more entered from all sources during the year. A breakdown of entries by major product area is shown in Table 4.

Our analysis of this list was based on the following:

1. Eliminate all goods excluded by CBI legislation including goods under quotas.

2. Eliminate all goods currently entering under the GSP program at zero duty rate. The argument for this is that other countries will continue to supply the U.S. market with GSP goods in competiton with CB countries, hence the opportunity provided by tariff elimination will not be as great. A second argument is that GSP opportunities have been around since 1976, and if goods are not already supplied from CB countries under GSP, there may be good competitive reasons.

3. Eliminate all high technology goods requiring complex or capital-intensive integrated industries for successful operation. In this way, we eliminated organic chemical intermediates, dyestuffs, alloy steel, complex metal products such as ball bearings, and motor vehicles -- all of which appear beyond the reach of Central America at this time. This is not to say that there will not be opportunities in these items, only that it is unlikely that funds invested in the attraction of these industries will be productive in the short term.

TABLE 4: UNITED STATES 1982 IMPORTS OF HIGH TARIFF GOODS* AND SELECTED OPPORTUNITIES FOR CARIBBEAN BASIN EXPORTS

TSUSA RANGE	NAME	IMPORTS 1982, $MM	SELECTED FOR CB, $MM
100-199	ANIMAL/VEGETABLE PRODUCTS	1358	745
200-299	WOOD/PAPER/PRINTED MATTER	308	85
300-399	FIBERS, TEXTILES, APPAREL	7436	-
400-499	CHEMICALS	1346	-
500-599	NONMETALLIC MINERAL PRODUCTS	835	518
605-607	PRECIOUS METALS	182	-
607-612	IRON & STEEL	1790	-
612-644	OTHER METAL PRODUCTS	66	-
646-648	NAILS, SCREWS, LOCKS, HDWARE	20	20
648-652	TOOLS, CUTLERY, FORKS, SPOONS	337	43
652-660	MISCELLANEOUS METAL PRODUCTS	56	-
668-682	MACHINES AND PARTS	628	-
682-683	GENERATORS, MOTORS, TRNSFRMRS	59	-
683-684	LIGHTING EQPT, APPLIANCES	31	-
685-686	RADIO/TV TRNSMTTRS/RECEIVERS	43	38
687-688	ELECTRONIC TUBES, SEMICONDUCT	47	36
688-688	WIRING HARNESSES	52	-
692-694	MOTOR VEHICLES	1439	-
700-706	FOOTWEAR, HEADWEAR, GLOVES	1879	-
708-715	OPTICAL, MEDICAL, INSTRUMENTS	683	2
715-722	WATCHES/CLOCKS/TIMING DEV.	157	153
722-728	PHOTO EQ, MUSICAL INST; FURNTR	143	-
730-731	ARMS AND AMMUNITION	46	30
731-732	FISHING TACKLE	95	78
732-734	WHEEL GOODS	85	82
734-737	GAMES AND SPORTING GOODS	29	-
737-740	MODELS, DOLLS, TOYS	564	143
740-745	JEWELRY, BEADS	360	34
745-748	BUTTONS, BUCKLES, FASTENERS	22	20
748-791	MISCELLANEOUS	259	112
	OTHER	584	12
	TOTALS	20931	2151

* MILLION DOLLAR MINIMUM IMPORT, EFFECTIVE DUTY RATE 10% AD VALOREM OR GREATER.

We are left with a group of products which currently pay high duty to enter the U.S., which only the CB countries will be able to supply at zero duty, which are not too complex or capital-hungry to be produced in the near future, and which have an import volume over $1 million per year each (a level large enough to justify research into whether they might be viable). These are summarized in Table 4 and shown in detail in Table 5. The total of these products is $2.1 billion, or 10% of the total U.S. import of high-tariff goods in 1982.

The size of the potential market for the top ten product groups (many with more than one TSUSA number) is shown below:

ITEM	U.S. IMPORTS, 1982 $MM
1. WINES, CHAMPAGNE	225
2. EARTHENWARE PRODUCTS, CHINA	210
3. GLASSWARE	177
4. CLOCKS/WATCHES	153
5. DOLLS	137
6. TOMATO PRODUCTS	112
7. CERAMIC TILE	105
8. BICYCLES AND PARTS	98
9. PLYWOOD PRODUCTS	74
10. TOBACCOS	69
TOTAL	1360

OR 63% OF SELECTED U.S. IMPORTS

SUGGESTED APPROACH

What is wholly new about CBI is illustrated in the above ten product groups. With the exception of tobacco, none of the product groups has been exported in appreciable quantities before from CB countries. Now, because of an increase in the margin available for production by the amount of reduction in the duty (at least 10% of value, fob, and frequently more), it is necessary to consider the feasibility of manufacturing them in CB countries.

While it is true that the new margin may be insufficient to justify local manufacture, given other variables in the competitive equation, and, even if it is sufficient, manufacturers

must be convinced to invest rather than stay where they are, it is also true that the CBI will force a reappraisal of the competitive structures of the above industries, as well as others.

To force such reappraisal should be the main goal of any efforts to promote new industry by CB countries. Those firms which already enjoy the U.S. market are the prime prospects for promotion. One or more of them in each industry might be persuaded to establish a new facility in Central America, for example, in order to gain an advantage over competition. They know the market, know how to produce the product, and represent the most rapid way to build new enterprise in CB countries.

The suggested approach, therefore, is to contact firms in each of the above industries with an explanation of how the CBI will affect the potential for their business. The existing counterpart promotion institutions, such as GUATEXPRO, should be used to establish this contact, carry out the necessary research as to whether the new tariff margin will, indeed, make it possible for a firm to compete from Central America, and move ahead to attract firms to their respective countries in competition with each other.

Following contact with a few of the most important firms in each industry, it may become clear that there are obstacles to be overcome in local infrastructure, or in transport, in order to make the investment worthWhile in certain cases. This is the bread and butter of promotion organizations -- problem solving to capture a potential customer -- and should be carried out by them, perhaps with occasional support from ROCAP for research on general infrastructure problems.

IMPORTANT NOTE REGARDING THE TABLES:

Since Canada and Mexico are contiguous with the United States, exporters from these countries are not required to file documents with U.S. Customs disclosing the shipping weight, transport mode, or cost of freight and insurance.

Thus, the IA245 data tapes from Bureau of Census, U.S. Department of Commerce used to create the tables do not contain weight and freight information for Canada and Mexico. We report the General Customs Value to show the dollar amounts of Mexican and Canadian exports under each item, and include these in the total dollar amounts imported, but the items expressed in "dollars per pound" do not contain any inputs from Mexico or Canada.

HIGH TARIFF ITEMS SUBJECT TO CBI INCENTIVES

TSUSA	PRODUCT	IMPORTS 1982,$	DUTY RATE, %av
1132000	FISH STICKS, BREADED, NOT COOKED, N/OIL	1612749	10.00
1142040	CRABMEAT, EX SNOW CRAB, PREPD, CANNED	13347039	11.56
1178875	CHEESES AND SUBSTIT.,NSPF,OVER $0.25/LB	23145740	10.13
1369300	ONIONS,NSPF,FRESH,CHILLED,OR FROZEN	24324556	11.79
1379520	ASPARAGUS, FRESH OR CHILLED,NOT FROZEN	10591912	25.00
1379575	VEGETABLES,FRESH OR CHILLED,NSPF	1822086	25.00
1416520	TOMATO PASTE	73982906	13.71
1416540	TOMATO SAUCE, INCLUDING PULP	5396805	13.61
1416600	TOMATOES PREPARED/PRSRVD, EX PASTE/SAUCE	32867783	14.70
1418300	CORN IN AIRTIGHT CONTAINERS	2060218	15.60
1418610	POTATOES, FROZEN	4398970	14.70
1419200	ARTICHOKES, PREPARED/PRSRVD,EX FROZEN	10741963	17.50
1419300	ASPARAGUS, PREPARED/PRSRVD,EX FROZEN	3642477	17.64
1442009	STRAW MUSHROOMS,PREPRD/PRSRVD EX FROZEN	2211448	16.33
1442027	MUSHROOMS, WHOLE,PREPD,EX FROZEN,NOV 9OZ	3186635	20.32
1442031	MUSHROOMS, SLICED,PRPD,EX FROZEN,NOV 9OZ	8414547	19.99
1442037	MUSHROOMS,PREP,EX FROZEN,NOV 9 OUNCES	6293667	23.26
1442043	MUSHROOMS,WHOLE,PREPD,EX FROZEN,OV 9 OZ	1532720	20.30
1442047	MUSHROOMS,SLICED,PREPD,EX FROZEN,OV 9 OZ	1505142	21.43
1442053	MUSHROOMS,PREP,EX FROZEN,NSPF,OVER 9 OZ	18887206	25.25
1454600	FILBERTS,SHELLED,BLANCHED,OTHERWISE PRPD	2641314	17.30
1472200	LIMES,FRESH OR IN BRINE	1917188	12.29
1473140	ORANGES,EX MANDARINS AND TANGERINES,FRSH	3079454	10.17
1477700	GRAPES,PREPD,EXCEPT DRIED	1614440	13.60
1480600	MANGOES, FRESH,ENTERING JUNE 1-AUGUST31	14550451	10.70
1482800	WATERMELONS,FRESH,ENTRD APRIL 1-NOV 30	6518663	20.00
1492840	PLUMS,PRUNES,PREP/PRES,NSPF,NOT CANNED	1642457	17.68
1500500	FRUIT MIXTURES,PREP/PRES,NSPF	2843944	19.67
1525000	FIG PASTE AND PULP	3712899	12.08
1653000	CITRUS JUICE,NES,NOT CONCD,NOV 1% ALCOHL	5799078	10.69
1653540	ORANGE JCE,CONCD,UNMIXED,NOV 1% ALCOHOL	59635097	232.57
1653570	CITRUS JUICES,NSPF,CONCD,NOV 1% ALCOHOL	6761391	50.31
1654400	PINEAPPLE JUICE,NOT CONCD,NOV 1% ALCOHOL	8944867	18.24
1671020	CHAMPAGNE,OT SPKLNG WINES,$6 OR LESS/GAL	3969009	35.18
1671040	CHAMPAGNE,OT SPKLNG WINES,OVER $6/GALLON	82005635	10.19
1673020	WINE,NOV 14% ALC,CONTS NOV 1 GAL,NOV $4/	143361910	14.10
1673520	SHERRY,IN CONTAINERS OF 1 GAL OR LESS	17044383	12.10
1687600	BRANDY,NES,NOV 1 GAL,NOV $13/GALLON	2677909	24.32
1687800	BRANDY,NES,NOV 1 GAL,OV $13 PER GALLON	30254233	12.17
1688000	BRANDY,NES,CONTNRS OV 1 GAL,NOV $9/GAL	3752909	15.08
1691400	RUM, IN CONTAINERS OVER 1 GALLON	1177992	83.90
1693800	VODKA, IN CONTC NOV 1 GAL.,OV $7.75/GAL.	2882638	198.24
1702800	CIGARTE LEAF,NOT STMD,ORNTL/TURK,NOV 8.5	10788538	212.21
1703210	CIGRTE LEAF TOB,NOT STMD,FLUE CURED	6841573	15.28
1703230	CIGARTE LEAF TOB,NOT STMD,BURLEY	1208116	65.15
1703240	CIGARTE LEAF TOB,NOT STMD,NES	1550355	21.18
1706020	CIGAR LEAF SCRAP TOBACCO	3445026	184.18
1706040	SCRAP TOBACCO EX CIGAR LEAF	1249124	244.12
1706500	CIGARETTES	4185771	35.96

HIGH TARIFF ITEMS SUBJECT TO CBI

TSUSA	PRODUCT	IMPORTS	DUTY RATE
1708045	TOBACCO,EX SMOKING TOB,MFCTD OR NOT,NSPF	39303128	48.48
1751800	FLAXSEED, LINSEED	13402884	14.17
1782000	HYDROGENATED OILS,FATS,ETC.,NSPF	4058447	11.78
1829200	EDIBLE PREP NSPF,CONTNG OV 5.5% BUTTERFT	1164712	18.50
2066700	WOOD BLINDS,SHUTTERS, NES,W/WO HARDWARE	11216067	11.05
2402360	PLYWOOD, FACE OF HARDWOOD,NO FNSH O CLR	66461216	10.08
2402520	PLYWOOD WITH FACE PLY OF HARDWOOD	6123211	15.50
2402540	PLYWOOD WITH FACE PLY OF SOFTWOOD	1132074	15.50
2453010	HARDBOARD, FACE FNSHD,W PRESSD SURFACE T	1108907	13.48
5322020	CERAMIC MOSAIC TILE,BLK SHEETS,NOV 300 T	11441098	23.12
5322400	CERAMIC FLOOR AND WALL TILE, GLAZED	105142145	22.61
5322700	CERAMIC FLR/WALL TILES, EX MOSAIC,NT GLZ	13543852	23.76
5332000	FG ERTHNWR, HOTEL/REST,NOT HOUSEHOLD	4386249	24.99
5332200	ERTHNWR FG HSEHLD TABLWR, NOV $38/SET	4588076	19.21
5332900	STEINS W/PERM ATTCHD PEWTER LIDS,NO SETS	1035127	10.60
5333000	MUGS & OTH STEINS N AVAIL IN SETS, NSPF	36986561	13.95
5333200	ERTHNWR CANDY BOXES, PUNCH BWLS,DISHES	4755433	10.70
5333900	ARTCLS OF FINE GRAINED EARTHENWARE, NSPF	24697185	19.52
5335200	HOTEL,RESTRNT WARE OF NON BONE CHINA,ETC	6540808	44.31
5336200	CHINAWARE, NON BONE, SPEC SETS NOV $56	9078631	49.29
5336400	CHINAWARE, NON BONE,SPEC SETS V OVER $56	73678538	14.78
5337400	MUGS & OTHER STEINS NT AVAIL IN SETS	7175722	20.97
5337600	CANDY BXES, DECNTRS, BOWLS, NSPF,NT SETS	2629834	17.58
5337800	NONBONE CHINA TBLEWRE,SPEC HIGH VALUE	13312272	15.27
5337900	NONBONE CHINA TBLWRE,NSPF,SPEC MDM VALUE	21399639	27.29
5403000	GLASS GLOBULES/BALLS NOV 1 MM DIAM,SOLID	1632706	18.00
5404300	GLASS RODS,TUBES,TUBING,NT PROCSSED,NES	1265741	12.87
5461120	TUMBLERS,GOBLETS,STMWRE,NT OVER $1 EACH	3092742	21.38
5461140	GLASSWARE,NSPF, VALUED NT OVER $1 EACH	2805319	20.89
5461320	TMBLRS,GOBLTS,STMWR A TBLWR VALUE $1-3	21267548	14.42
5461340	GLASSWARE,NSPF,VALUED $1-3 EACH	9637390	14.38
5461820	TMBLRS,GBLTS,STMWR A TBLWR VALUED $3-5 E	5045519	11.19
5461840	GLASSWARE,NSPF,VALUED $3-5 EACH	4570859	10.90
5463540	GLASSWARE,COLORED,NSPF,WTH BUBBLES,SEEDS	2395580	20.00
5463800	GLASSWARE,NES,PRSSD,TEMPRD,H-HOLD,FD/BEV	24317255	12.53
5465220	TUMBLRS,GOBLTS,STMWR, VAL NOV $0.30 EACH	1317275	46.38
5465260	GLASSWARE,NSPF,EX TABLE,VALUE NOV $0.30E	1229924	47.15
5466020	TMBLRS,GOBLTS,STMWRE, VAL $0.30-3.00 EA	37095658	33.97
5466040	TABLE, KITCHEN,COOKWRE VAL $0.30-3.00 EA	12945229	33.35
5466060	GLASSWARE,NSPF,VALUE $0.30-3.00 EACH	17359282	31.14
5466220	TMBLRS,GBLETS,STMWR,CUT O ENGRVD,V $3-5E	1070665	22.94
5466240	TABLE,KITCHEN,CKWRE,GLASS CT/ENGR V$3-5E	1539242	18.32
5466260	GLASS TBLE KIT COOKWR,CUT/ENGR,V $3-5 EA	1237450	26.39
5466440	TBLE KITCH COOKWRE GLASS CUT/ENG,V OV $5	1171667	22.34
5466460	GLASSWARE, CUT/ENGR,NSPF,VAL OV $5 EACH	1525872	40.26
5466620	TMBLRS,GBLETS,STMWR NT CUT/ENGR,V $3-5 E	2361688	15.88
5466640	GL TBL KIT COOKWR NT CUT/ENGR, V $3-5 EA	3382567	19.05
5466660	GLSWR NSPF NT CUT/ENGR, VAL $3-5 EACH	5006271	15.96
5466820	TMBLRS,GOBLTS,STMWRE,VAL $3-5 EACH	1010328	15.16

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HIGH TARIFF ITEMS SUBJECT TO CBI

TSUSA	PRODUCT	IMPORTS	DUTY RATE
5466840	GL TBL KIT COOKWR NT CUT/ENGR,V OV $5NSP	3824121	21.60
5466860	GLASSWARE,NSPF,NT CUT/ENGR,V OVER $5 EA	9147701	15.15
6464920	LAG SCREWS OR BOLTS OF IRON AND STEEL	6173876	12.67
6464940	WOOD SCREWS OF IRON OR STEEL,NES	13593848	12.60
6488200	SLIP-JOINT PLIERS, NSPF	10154431	17.01
6500820	KNIVES,STST HNDL,NO NI,NOV 10%MN,U $0.25	5631092	22.88
6503820	FORKS,STST HNDL,NO NI,NOV 10% MN,U $0.25	11630108	24.30
6505420	SPOONS,STST HNDL,UNDER $0.25,NOV 10.2 IN	15293111	19.11
6852725	CITIZENS BAND TRANSCEIVERS,EX HNDHLD,DC	31796052	18.66
6852735	CITIZENS BAND TRANSCVERS,EX HNDHLD,AC/DC	6239737	24.96
6873512	TV PICTURE TUBES,COLOR, 12 INCHES A UNDR	5101269	14.99
6873513	COLOR TV TUBES,13 INCHES	9253737	15.00
6873514	COLOR TV TUBES, 14/15 INCHES	4286845	15.00
6873518	COLOR TV TUBES, 18/19 INCHES	11216410	14.52
6873520	COLOR TV TUBES, 20 INCHES AND OVER	6411449	14.97
6874300	OTHER TV PICT TUBES, LARGER THAN 16.4 IN	10803734	12.09
7119300	BICYCLE SPEEDOMETERS AND PARTS THEREOF	1653769	24.30
7152950	CLOCKS,NES,OV $2.25-5.00,NONELECTRIC	2192185	23.15
7153305	CLOCKS,NES,OV $10,BATTERY OPERATED	1847809	16.09
7153325	CLOCKS,NES,OV $10,ELECTRIC,EXCEPT BATTRY	1163332	15.36
7153350	CLOCKS,NES,OVER $10,NONELECTRIC	10925994	15.01
7155700	CLOCKWORK MECHANISMS,NSPF,VAL OV $10 EA	5011260	14.53
7156400	TIME SWITCHES, VAL OV $2.25-5.00 EACH	2358038	11.14
7156800	TIME SWITCHES,VAL OV $10 EACH	2069408	17.26
7161040	WATCH MOVEMENTS,NOV 0.6 INCH, 0-1 JEWEL	11918919	20.82
7161810	WATCH MOVEMENTS,OV 0.6 NOV 0.9 IN,0-1 JW	3519259	14.35
7161830	WATCH MOVEMENTS,OV 0.6 NOV 0.9 IN,0-1 JW	3269298	18.16
7161870	WATCH MOVEMENTS,OV 0.9 NOV 1.77 IN,0-1 J	7912500	11.75
7162040	WATCH MOVEMENTS,NOV 0.6 INCH,2-7 JEWELS	8736355	11.20
7162740	WATCH MOVEMENTS,OV 0.6 NOV 0.9 IN,2-7 JW	5197054	13.71
7200210	CLOCK MVMNTS,UND 1.77 IN.,NOV 47HR BATRY	18948461	13.84
7200230	CLOCK MVMNTS,U 1.77 IN,NOV 47 HR NES,	2245362	10.66
7201425	CLOCK MVMNTS NES,OV $2.25-5.00,ELEC,NES	1499793	21.18
7201625	CLOCK MVMNTS,NES,$5-10,ELECTRIC,NES	1759287	20.51
7201825	CLOCK MVMNTS,NES,OV $10,ELECTRIC, NES	7334487	17.12
7201850	CLOCK MVMNTS,NES,OV $10, NONELECTRIC	16623529	15.24
7202000	WATCH CASES,OF GOLD OR PLATINUM OR BOTH	1239641	12.61
7202400	WATCH CASES, OF SILVER, PART PRECIOUS MT	6288977	27.43
7202800	WATCH CASES,NSPF,	4834440	13.89
7202900	WATCH BEZELS,BACKS, AND CENTERS,NSPF	4835137	11.55
7203420	CLOCK CASES,NSPF	2950312	11.28
7203440	CLOCK CASE PARTS NSPF	1043409	11.52
7204040	WATCH AND CLOCK DIALS, U 1.77 IN.,NSPF	2155167	19.72
7204200	CLOCK DIALS 1.77 IN. OR MORE WIDE	2487513	10.45
7207540	WATCH ASSEMBLIES AND SUBS BWH,DUT 22.5%	1962336	17.21
7208600	ASSBLIES AND SUBS NES FOR CLOCKS,NES	1485314	12.56
7209000	WATCH PARTS, NSPF	4990783	21.40
7209400	CLOCK PARTS,NSPF	4202516	12.24
7301900	PISTOLS AND REVOLVERS, VAL OV $8 EACH	22557122	12.72

HIGH TARIFF ITEMS SUBJECT TO CBI

TSUSA	PRODUCT	IMPORTS	DUTY RATE
7306100	PISTOL OR REVOLVER PARTS	7274148	16.96
7311520	FISHING RODS	39143896	14.27
7311540	FISHING ROD PARTS, NES	4600810	12.73
7312200	FISHING REELS, VAL OV $2.70 NOV $8.45 EA	23075837	10.45
7316500	ARTIFICIAL BAITS AND FLIES	11512678	10.60
7320600	BICYCLES NOV 19 INCH WHEELS,VAL OV $8.33	6652776	11.42
7321220	BICYCLES,19-21 IN. WHEELS,VAL OV $13.333	23158700	10.94
7321240	BICYCLES,21-25 IN. WHEELS,VAL OV $13.333	4436904	11.00
7322400	BICYCLES, OV 25 IN. WHEELS,NES,OV $16.66	4093859	11.00
7324130	BICYCLE DERAILLEURS,COMPLETE SETS,	6647193	11.69
7324150	OTHER BICYCLE PARTS NEPF IN FOREGOING	6255167	11.62
7324205	BICYCLE SADDLES	4253791	14.20
7324210	BICYCLE PEDALS	3786408	14.22
7324220	BICYCLE HUBS,NSPF	3786408	14.22
7324230	BICYCLE PARTS NSPF	19098367	14.23
7372415	DOLLS,EX STUFFED,OV 13 IN.,W/WO APPAREL	27181385	11.36
7372425	DOLLS,EX STUFFED,UP TO 13 IN.,W/WO APPAR	110067515	12.27
7372700	PARTS OF DOLLS,NSPF	5388496	11.56
7403500	WATCH BRACELETS OF MTLS NSPF,V OV $5/DOZ	31892074	29.73
7408000	CHAINS OF BASE MTL FOR JWLRY OV $0.30/YD	1637758	21.30
7453200	BUTTONS,ACRYLIC A/O POLYESTER RESINS	4043185	18.97
7456100	PLASTIC FASTENING BARBS,NOV $0.20/DOZEN	2051364	24.94
7457200	SLIDE FASTENERS VAL OV $0.04 EACH	9673033	18.32
7457450	SLIDERS,W/WO PULLS	2191540	30.80
7457490	PARTS OF SLIDE FASTENERS, NSPF	2521957	31.19
7553500	FERROCERIUM AND OTHER PYROPHORIC ALLOYS	1083625	11.54
7600520	BALL-POINT PENS AND BALL-POINT PENCILS	28184883	15.36
7600540	FOUNTAIN PENS, INCL. STYLOGRAPHIC PENS	5242921	12.81
7723000	WEARING APPAREL NSPF OF RUBBER/PLASTICS	63176495	12.08
7725700	BICYCLE TUBES	15491438	15.01