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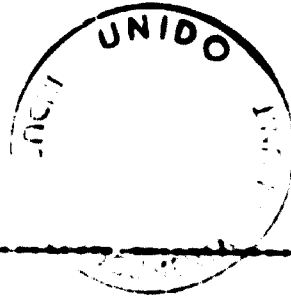
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REPORT ON JOINT EXPLORATORY MISSION
TO NICARAGUA

21 November - 21 December 1973

(UNIDO part for a joint final mission report)

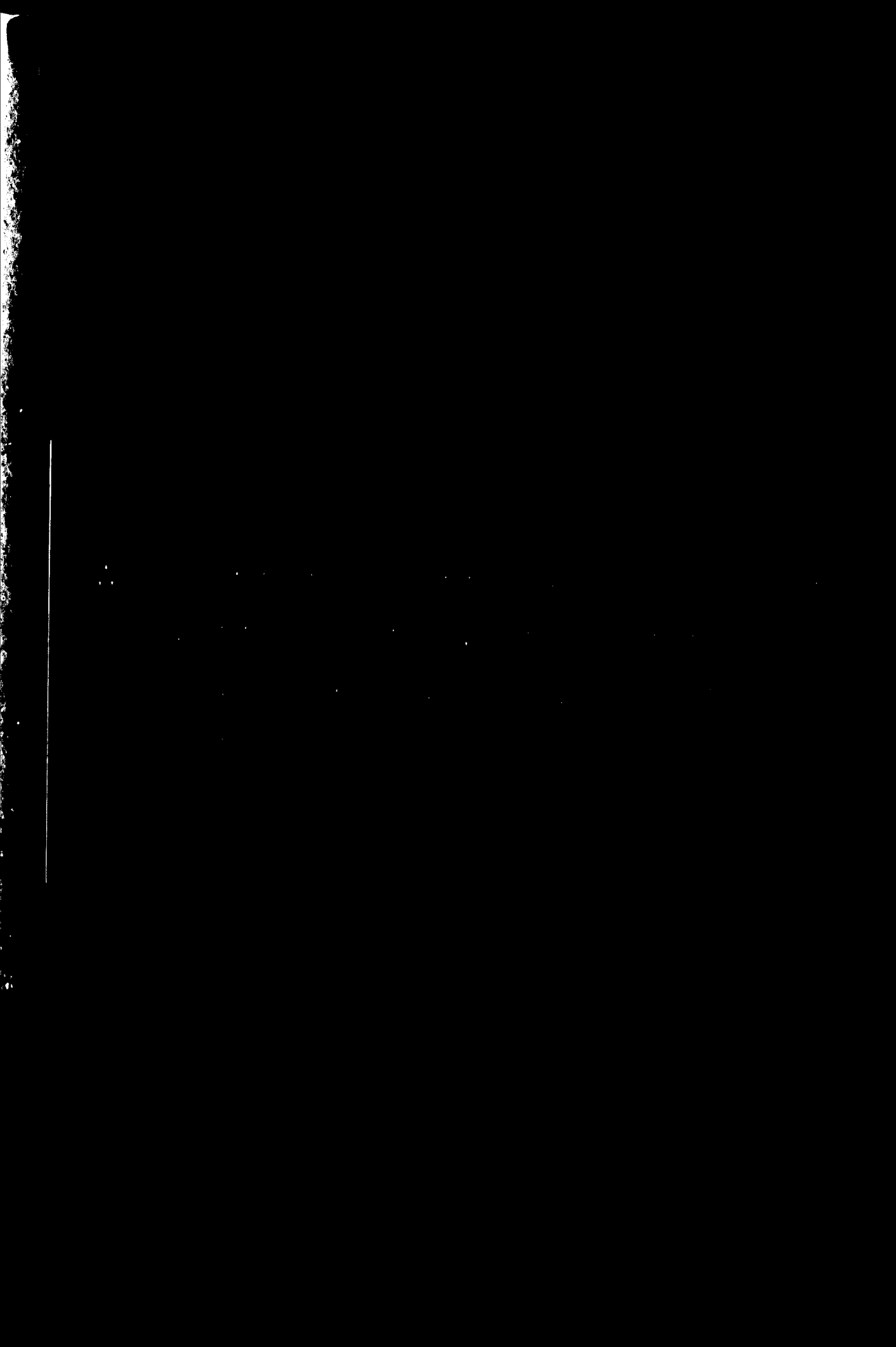
by

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(TS/USC/73/001/11-01/14)

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I. GENERAL

The objective of my visit to Nicaragua was to participate as UNIDO - Product Adaptation Expert in a Multi-Agency Exploratory mission of UNIDO-UNCTAD-GATT-ITC-ICAITI-ICEM. The basic idea of the joint mission was to find out where and on what terms assistance might be given to local Nicaraguan industrial production with a view to exporting. To find suitable measures, first of all together with the other members of the mission, I explored the general economic and foreign trade situation of Nicaragua (meetings with the Ministry of Commerce and Industry, with the Central Bank, the Chamber of Industries, the National Development Organization INFONAC, the Export Promotion Agency EXPORTEMOS). The second step was to visit Nicaraguan industries in order to identify their needs in adapting their products for export. Finally, my task was to indicate fields for necessary assistance (UNIDO), to outline proposals for assistance by UNIDO and to discuss with the respective Nicaraguan Government Authorities the above-mentioned proposals. The final instruction given to me was to assist in preparing the joint mission report.

Before going to Nicaragua, I was asked to participate (as a sort of stop-over) for two days in the Second Consultation Meeting for Product Adaptation for Export Industries in Brussels. The more for half a day, and for co-ordination of the joint mission, I visited ITC/UNCTAD/GATT in Geneva, and by the end of the joint mission - participated in doing the joint final report in Geneva.

II. GENERAL FOREIGN TRADE SITUATION

A detailed picture of the present foreign trade structures of Nicaragua will be found in the joint mission report, including basic information on export goods, quantities, FOB prices, destination of exports and main politico-economic obstacles found for Nicaragua's exports. These questions have mainly been studied and prepared by ITC-UNCTAD-GATT-Expert Mr. Ramon Rivcira. In the partial report presented here, only the main topics on Nicaragua's export industries or exports are repeated (situation in December 1973):

- Actually the Governmental Authorities have knowledge of about 252 national and foreign commercial or industrial firms of all size and quality. From those 252 "empresas de toda clase" by the end of 1973 some 173 have been interviewed by

Centro Nicaraguense de Promoción de Exportaciones (EXPORTEMOS), and among them 98 firms (57%) exported goods. Actually Nicaragua is exporting about 146 different items of agricultural, forestry, fishery, handicraft, industrial or other goods, whereas 45 items of goods produced in Nicaragua for the moment are not considered to be exportable. EXPORTEMOS interviewed the 173 firms on the technical standard of all kind of their production, too, and found out that international norms and standards are already applied for 49 per cent of the Nicaraguan products, that for 43 per cent of all Nicaraguan production own norms or quality controls are used by the private companies, and that 8 per cent of the national production would not be bound to any norms. About 50 per cent of the industrial or handicraft products already produced in Nicaragua and already being under regular norm and quality control, actually are realized under foreign licence.

According to EXPORTEMOS the main problems of Nicaragua's export firms are less of technical or quality character, but mainly due to general economic problems:

- Product calculation and export pricing;
- Transport cost;
- Problems with Central American Market;
- Export duties and taxes (MEIC'S);
- Lack of experience on overseas markets and shortage of foreign trade intelligence support.

The joint mission found out that many small and medium-size industrialists, and a few of the major industries, claimed that due to insufficient export policies and export co-ordination very high potentials of additional exports are not realizable. In several cases producers of cotton ready-made clothes, argued, that due to the important Nicaraguan exports of raw cotton or semi-finished cotton items their manufacturing capacities were not fully employed. Similar observation was made in the field of oilseeds (oil-mills), hides and skins (tanning and leather industries), timber and precious woods (furniture exports), even for meat and fishery products. The EXPORTEMOS - Enquetes revealed in detail current problems for the 191 Nicaraguan industrial products available for national and overseas markets by the end of 1973:

- According to all interviewed firms about 50 items among the 191 goods suffer from insufficient, irregular raw material disponibility, and the firms declared, that for 16 items only they might themselves assure a better input-flux in 1974.

- For 22 items of Nicaragua's industrial production the shortage of skilled manpower is considered to be the main handicap, and for only 6 items the firms in question feel that they might help themselves.

- Packing or bottling problems are the main difficulties for 15 Nicaraguan industrial makes, and for 6 items foreign assistance would be required.

- In 8 cases insufficient quality is due to problems with technical plants or equipment, where of only two might be solved by the efforts of producers themselves.

- For 8 items major inexperience of markets or too low demand mean the most difficult problems.

Actually, 76 Nicaraguan or foreign industrial firms in the country plan expansion of their industrial export production. Sixty-nine expansion projects are already running, 22 are under feasibility study and 11 are kept in general future conception.

The main Nicaraguan export goods are to be seen in table 1, whereas specific exports of industrial goods are to be seen in table 2.

- 6 -
Table 1

Export of Nicaragua
(1,000 US\$, FOB)

<u>Item</u>	<u>1972</u>	<u>Estimates 1973</u>	<u>Plannings for 1974</u>
Vegetable oils and cottonseeds	4,578	3,510	5,095
Cotton	62,900	60,942	115,040
Sugar	15,200	12,890	16,257
Bananas	4,000	7,140	7,140
Coffee	33,000	47,277	36,290
Shrimps and lobster	8,700	7,500	9,368
Fresh beef	38,300	50,447	52,540
Timber, cut and sawn	4,645	5,600	6,670
Milk products	2,600	3,173	3,600
Chemical products	13,307	16,015	17,315
Resin and gum	2,883	2,936	3,201
Tobacco	3,200	3,611	3,792
Textiles, clothes	4,632	4,832	5,500
Cottonseed cake and meal	4,500	5,456	5,660
Other items	48,055	49,850	62,636
Total	250,500	285,179	350,104

Source: Exposición del Gobierno de Nicaragua a la Novena Reunión del C.I.A.P., Managua, 3 - 7 December, 1973, Tab.4.

Table 3

Export of Nicaraguan industrial products
(1,000 C. Ret. : C. = 1 US\$)

<u>Sector</u>	<u>1971</u>	<u>1972</u>
Foodstuffs	389,200	542,962
Beverages	-	406
Tobacco	3,500	4,333
Textiles	40,600	47,929
Shoes, clothes	14,400	14,448
Wood and cork products	36,400	46,375
Furniture, parts of furniture	3,500	2,723
Paper, paper products	2,100	2,940
Printing industries	700	504
Leather, leather goods	7,100	8,443
Rubber, rubber products	4,200	3,829
Chemical products	101,500	126,140
Petrol and petrochemical products	2,800	11,221
Non-ferrous minerals	11,200	13,412
Basic metals	53,200	55,930
Machinery, electrical goods	2,200	4,179
Transport material	-	7
Other industrial exports	5,600	5,376
Total	679,700	892,157

Sources: Chamber of Industries, Managua, 1973.

Nicaragua from the point of view of the joint mission does not yet follow a clearly defined export development policy, and the UNIDO member of the mission was convinced that before any deeper Export Product Adaptation Programme might be opened, priority would have to be given to most urgent governmental steps, such as amendments of the custom duty system, better co-ordination of export tax schedules, pricing for raw materials for national industrial input, and export, marketing training for diversified exports, etc. Actually the Government of Nicaragua is preparing a sectoral reform of its foreign trade policy (e.g. EXPORTEMOS is re-organized and the Central Bank's foreign trade and export industries section seems to be expanded by staff and budget in 1974).

Within these reforms, according to the UNIDO Experts observation, early in 1974 a specialization of the two Nicaraguan organizations will develop. This Nicaraguan re-organization might allow a most useful placement of experts of UNIDO and UNCTAD/GATT/ITC, each working in his specific field, however, promoting Nicaragua's economy in good co-operation (table 3).

Table 3

Future functions of export promotion agencies in Nicaragua

(a) EXPORTEMOS

1. General market and trade information;
2. Assistance to cost and calculation problems;
3. Fairs, exhibitions, commercial missions, general export promotion.

(b) Central Bank (Department of Technical Investigations)
in co-operation with the Chamber of Industries (CADIN)

1. Planning of industrial export production;
2. Control and diversification of industrial export production;
3. Industrial export production quality control.

III. EXPORT PRODUCT DEVELOPMENT AND QUALITY CONTROL

The UNIDO members of the joint mission found, that generally speaking, Nicaraguan industrial export products might be divided into three major groups, needing no, few or very much assistance for export product development.

A. For about 120 among the 191 different industrial export goods no UNIDO assistance at all would be required or recommended. This applies to 97 industrial products that now already are produced according to international norms, to about 10 per cent of the 82 industrial makes underlying own quality criteria of the (multinational) companies producing in Nicaragua, or even to some 10 very specific industrialists that for several reasons prefer to export goods and qualities without any official higher FOB value (be it to save export duties or by taking advantage of present boom prices for raw material imports, e.g. to the USA).

In other cases no quality, labelling, input or cost of aging efforts at all are in the interest of the producers (and this will apply to a large part of the 51 Nicaraguan items already produced under foreign license).

B. More or less 50 different industrial export items for the moment must urgently be improved or adapted, and in almost every case the industrialists, contacted by the joint mission are willing to accept any useful advice. However, the most perfect Export Product Adaptation Programme for the moment will not reach high efficiency for the following reasons:

- Often the home market for the product, even if of medium standard, guarantees better prices than potential export outlets. The more, for selling these products on the national market less know-how and commercial or banking red tape is required, an important fact, having in mind the low technical training of most small-scale and middle industrialists.

- In very specific cases the best raw material qualities are exported, leaving only low or reject qualities of input to the small and medium national industrialists. As already the small and medium industry's insufficiency in technical equipment and skill has to be considered, no immediate changes may be expected. Only a general upgrading campaign, being part of a consequently directed export development programme, might help to overcome the problems.

- In cases, where the raw material or national marketing arguments are not of priority, other typical difficulties have been observed, such as credit problems, lack of interest for technical innovation, reduced production due to earthquake - losses or infrastructural problems.

The UNIDO member of the joint mission feels, that in most cases a short advisory contact of an expert might help to overcome quality problems faced by these producers, if at all in this stage such a programme might be justified or supported.

C. Only 8 per cent of the 191 industrial export goods are not subject to any norms or quality control, and the UNIDO Expert observed that this mainly concerned the handicraft or arts items.

The national development agency INPOMAC and socio-economic development organizations, such as FUNTE, already look after the general promotion of the small and smallest manufacturers and handicraft men.

The idea of industrial product quality control or upgrading industrial export goods is not new to Nicaragua. Any additional UNIDO effort in this field has to observe some important facts:

- The Central Bank of Nicaragua has a special Department for Technological Research, and a Laboratory for Foodstuff Control. Numerous reports on the need of quality control or upgrading industrial export goods have been published and distributed by the Bank's technical branches (and the Bibliographies of the Central Bank's report alone fill two volumes, covering more than 2,000 points).

The problem, however, is that in Nicaragua so far no national law obliges industrialists to co-operate with the laboratory, and that any quality certificate just has facultative value. The actual budgetary situation of the laboratory seems to be most difficult.

- Most of the big industrial firms (foreign branch companies) have their own quality control departments (laboratories), or are under the supervision of foreign technical inspectors (e.g. sent by the multinational mother concerns).

- Finally, other organizations, such as ICAITI, Guatemala, for years have already developed specific industrial product quality or upgrading norms, corresponding to world market or Central American Common Market criteria.

- Last but not least, the Government has printed and distributed instructions concerning quality or quality control, however, these instructions are neither regularly supervised nor possible in many cases. A National Institute of Quality Control (mainly to protect the Nicaraguan consumer) was created and several preparatory sessions took place, however, according to information from the Ministry of Commerce and Industry, no step has been taken to carry out these efforts after the earthquake.

- Furthermore, the national, bilateral and international programs and quality development activities seem not at all to be coordinated or practically exploited. Two examples may illustrate the situation. According to the joint mission research, since 1969 at least 12 foreign missions or individual experts came to Nicaragua in order to give advice on quality control or standards of industrial export goods. However, the official partners in Managua were not able to give even a list of these experts and branches of economy visited by them. Also a number of industrial firms claimed that they never received any advice or document as the results of these missions intended to help them. For the UNIDO member of the mission it was embarrassing not to be informed about the Regional Export Product Development Seminar for the Central American Foodstuff Industries, held by UNIDO and ICAITI in Guatemala in 1970. The meeting especially concerned processing, packing and quality aspects of these industries, and many of the Nicaraguan firms visited by the joint mission have participated in Guatemala. Neither UNIDO, nor the (nearly established) UNDI office in Managua told the UNIDO member about this Regional Conference, and it was just on the occasion of a leading Nicaraguan industrialist's protests that information and documents were obtained ("Once again foreign highbrows that want to 'develop' our products ... you are the thirteenth mission this year to visit me ...").

IV. CRITERIA FOR PROJECT WITHIN UNIDO'S EXPORT PRODUCT DEVELOPMENT PROGRAMME

The UNIDO member of the joint mission is convinced that for the moment, and unless (together with eventual assistance by UNCTAD-GATT-ITC) the foreign trade policy of Nicaragua is considerably varied, no proper Export Product Adaptation Programme for the country would be justified. This negative observation refers to the usual large programme, covering many years and including many experts.

However, there is urgent need in some 12 to 15 exporting Nicaraguan small-scale and medium-size factories to upgrade their manufactures. The problem will be that these 12-15 industrial firms produce about 40 different items so that either an excellent generalist or a group of short-term experts would have to cover all the different branches among the small group of potential firms. The latter solution certainly will be too extensive in finance and staff.

This is why the UNIDO member of the joint mission would like to recommend to send a generalist (very experienced all-round industrial economist) to Nicaragua for six months at the first phase.

During these six months the expert might not only give the most urgent assistance to Nicaraguan export industries, but also prepare a long-term project step by step and according to realization of the announced reforms of the foreign trade policy and export infrastructure. The UNIDO member of the joint mission had recommended, that the first phase of the expert's mission to Nicaragua should be considered as a key to develop a 36 months programme. The initial 6 months expert might later become the project manager of a larger team of short-term advisers. This idea was well accepted during discussions with Nicaraguan officials and institutions as EXPORTEMOS, Central Bank and Chamber of Commerce.

The next few months will bring important changes in Nicaragua's foreign trade organization. According to the situation by the end of 1973 it is recommended that the UNIDO Programme should be attached to the Central Bank of Nicaragua, where the "Departamento de Investigaciones Tecnológicas" (DIT) will be the most efficient section for any export product upgrading activities.

Following the recommendations of the UNIDO members of the joint exploratory mission, the future UNIDO expert on export product adaptation first of all might assist to those industrial firms, whose actual production - even without a reform of the foreign trade policy - might be upgraded be it with "hard means", be it by better use of existing capacities, processing plants, or more skillful finish of goods. This expert will not be expected to assist the major industries, that already follow up the specific quality or technical requirements of foreign buyers, but he would concentrate in smaller and middle-size factories in the tannery, leather, wood processing, furniture, foodstuffs and confection branches. Other export-oriented industries needing help for export product development may be printing houses, soap producers, handicraft centres (related programmes of FUNDE).

During the first 6 months step of the Export Product Development Programme the same UNIDO Expert should realize the following activities, in order to prepare a successful long-term mission (to be conducted later):

- Collect all available information, documents, statistical reports, Nicaraguan laws, Central American and ICAITI norms or any other data, having importance for the long-term Export Product Development Programme.

- Give an intermediate report by October 1974, indicating the latest situation of Nicaragua's foreign trade policy and infrastructure for exports, explaining the latest industrial policy priorities of the Government, selecting new products for successful diversification of already existing industrial capacities with orientation towards exports, and commenting the result or difficulties of the first phase of the project.

- As far as UNIDO headquarters accept this, the UNIDO Expert should see his advisory mission in the common export promotion framework of joint UNCTAD-GATT-ITC-UNIDO terms.

(The UNIDO member of the joint exploratory mission feels, that even a very highly qualified UNIDO Expert or Project Manager for the Export Development Programme will fail, if his adaptation and diversification efforts are not combined with the activities foreseen by UNCTAD-GATT-ITC, as far as export training, marketing advice, national and regional foreign trade reforms or co-ordination are concerned. If it is correct, that the transfer of new industrial technology and technical export product adaptation mean an important condition to conquer new markets (UNIDO), it remains a fact that a nation as Nicaragua has to face many problems for exports that not even with the most successful UNIDO advice might be solved, e.g. foreign trade barriers of all kinds, priorities of balance of payment criteria, training of foreign trade officials, reforms of custom duty regulations, of Central American and other Common Market decisions, etc. All these aspects will be examined by the UNCTAD-GATT-ITC experts, and their success, in turn, depends on the high efficiency of the UNIDO part of the Programme).

- Finally the UNIDO Expert will have to contribute largely to the Industrial Free Zone - Project Las Mercedes, Managua, be it by contributing to select the right type of industrial production, be it by helping existing Nicaraguan producers to qualify for manufacturing under the conditions of an Airport - Industrial Free Zone.

- Other activities of the Expert will be to select fields of export-oriented industrial production where in the middle or long-run, specific firm or sectoral aid is necessary and where one or more specialists would be required (special industries services).

This same refers to pre-feasibility reports on the diversification of industrial production or to the planning of new industrial projects. The production of cattle-feed from Nicaraguan raw materials and industrial by-products (cottonseed, oil-mill expellers, yucca, maize, meal from slaughterhouse by-products), as well as middle-size units for pharmaceutical products made of Nicaraguan medical plants might be examples of such activities. Last but not least, by the time Nicaraguan industrial firms might ask for UNIDO assistance when looking for international sub-contracting.

As a matter of fact, the UNIDO member of the joint exploratory mission was asked by several Nicaraguan industrialists for assistance to get subcontracting agreements.

The UNIDO Expert to be sent to Nicaragua should have the following qualifications:

- Well established experience in the implementation of quality control systems and institutions, and ability to help to diversify industrial export production within the general framework of upgrading existing production.

- He should be a senior expert, having experience in Latin or Central America, as far as productivity relations, measures to improve efficiency, industrial and laboratory technology, packing, transport, storage, conservation, national and international norms are concerned. He should be able to advise in complicated matters, such as presentation of the same export product to different markets, adapting the product for example to Indian or West-European standards.

- The Expert will have to co-ordinate his Programme with other UNIDO or UNCTAD-GATT-ITC activities, and he will have to plan Nicaragua's later participation in Consultation Meetings on Export Product Adaptation, aid to specific factories, Fellowship Programmes or Advisory Groups in product development.

V. INDUSTRIAL ESTATES AND INDUSTRIAL FREE ZONE

Reconstruction, diversification and extension of export-oriented industrial infrastructure are considered to be priorities of future Nicaraguan development conceptions. The joint UNIDO-ITC-CIIE-ICAIFI mission on many occasions observed, that both - national development agencies and banks as well as national and foreign industrialists - urge a clear and speedy realization of the main targets in this field. Improving Nicaragua's export potential for industrial goods to a large extent will depend on the availability of new export-oriented industrial estates and of an industrial free zone.

The Government of Nicaragua in several documents of basic character has confirmed the need and even the definitive decision to create efficient industrial estates or specific infrastructure for private industrial units. We cite just some of the main planning or declarations in this context reference is made to the following documents:

- (a) "Plan Nacional de Reconstrucción y Desarrollo"
Vol. II, Programas, projectos y actividades seleccionadas del Plan Operativo para 1974, Cap. II
Comite Coordinador de Planificación Nacional
Managua, 12 November 1973.
(Details on latest concepts for industrial priorities, industrial decentralization, industrial free zone and general industrial estates).
- (b) "Programa de Reubicación Urbana y Descentralización Industrial y Comercial"
Ministry of Economics, Industry and Trade,
Managua, March 1973.
(Industrial estates in Leon, Granada, Masaya and Carazo).
- (c) Report of Mr. Juan José Martínez L., Minister of Economy, Industry and Trade. "Exposición del Gobierno de Nicaragua a la Novena Reunión del CIAP", 3-7 December 1973.
(Industrial infrastructure and industrial export development policies).
- (d) Draft of a UNDP Country Programme 1973-1976 for Nicaragua
(Version presented in August 1973).
- (e) UNIDO Project No. Nic/73/008 concerning industrial estates in different parts of Nicaragua. (Report Mr. Carlos Martín Alcala).

Several government agencies or promoting institutions since 1972 have studied political, economic, social and financial aspects of industrial estates and of an industrial free zone in Managua and other places. Detailed reports are available at INFONAC, Banco Nacional de Nicaragua, Banco Central, Cámara de Industrias, Exportemes, and Ministry of Defence. However, so far the most perfect Nicaraguan reports on all main arguments in favour of the "Zona Libre Aeroportuaria de Managua", including the most useful comparison with internationally well established airport-connected free zones (e.g. Shannon, Ireland), have been worked out in 1972:

- (f) Comité Coordinador de Planificación Nacional,
"Informe de la visita a Zona Libre del Aeropuerto Internacional Shannon, Irlanda, efectuado por Lic. Lucia Medina, Mayor G.N., Franklyn A. Wheelock G. e Ing. Salvador López S.",
Ref. No. CAI-65-72, 21 March 1972.
- (g) "Informe de la Visita a Zona Libre del Aeropuerto Internacional Shannon Irlanda, 7-16 Febrero 1972",
Ministry of Defence, 25 February 1972, Franklyn Wheelock G.,
Mayor Inf. G.N., Admcr. Aeropuerto Las Mercedes.
- (h) "Desarrollo de Zona Libre Industrial del Aeropuerto de Shannon Irlanda",
Ministry of Defence, Ref. No. CAI-45-72, 10 March 1972,
Ing. Salvador López S., Asesor del Comité Coordinador de Planificación Nacional.
(A comparative study).
- (i) It was undertaken, that in December 1972 a complete feasibility study concerning the industrial free zone was presented to the Government of Nicaragua "Estudio de Factibilidad Técnica y Económica, Zona Libre Aeropuerto Las Mercedes, Managua", by Sintex & Heilmann, Consulting Engineers, Managua. This study, according to the Nicaraguan Minister of Defence, does not only consider all general social, labour and infra-structural facts, but already mentions a number of national and foreign industrial firms willing to settle in the Industrial Free Zone. INFONAC, too, mentioned that about 20 firms asked to establish factories in the Industrial Free Zone.

Accelerated UNIDO assistance to establish the Industrial Free Zone would be highly appreciated by the Government of Nicaragua.

The UNIDO member of the joint exploratory mission, however, urgently recommends the co-ordination of the eventual Industrial Free Zone Project with other UNIDO programmes concerning the establishment of four industrial zones (having no tax and custom duty privileges). In theory, national and foreign investors at present still willing to settle in the four industrial zones might delay their projects

in order to get into the very highly appreciated Industrial Free Zone. On the other hand, discussions in Geneva on December 11-21, 1973, showed, that UNCTAD-GATT-ITC do not at all support the project of an other Industrial Free Zone in the Central American Region.

The UNIDO Expert for the Industrial Free Zone might work in the following fields:

- Establish a final feasibility study for the industrial free zone in connexion with promotion of export-oriented industries;
- Realize a cost-benefit analysis of the Industrial Free Zone;
- Advise on the selection of industries suitable for being established in the free zone, taking into consideration the national development plans, the availability of domestic raw material resources, export market elements, and main conditions resulting from the INFOMAC industrial priorities scheme, ITC export marketing strategies for Nicaragua and UNIDO recommendations for export product adaptation;
- Recommend promotional incentives and privileges for stimulating the establishment of export-oriented industries (Central American Common Market and oversea trade conditions);
- Recommend organization and management systems for the Industrial Free Zone to ensure smooth operation along the lines of stimulating export production industries;
- Advice on workable measures to attract suitable and proper entrepreneurs, especially from foreign countries;
- "Trouble shooting" for public and private participants in the Industrial Free Zone (e.g. administrative problems of foreign investors);
- Advice in linkage of the Industrial Free Zone with other development programmes in or in favour of Nicaragua diversified expansion;
- Evaluation of industrial potential for international contract manufacturing industries settled in the Free Zone (subcontracting).

The UNIDO member of the joint mission feels that the development of an Industrial Free Zone near "Las Mercedes" would be the most useful extension of Nicaragua's export infrastructure, however, prudent co-ordination with other development programmes and with the UNCTAD-GATT-ITC convention will be of basic importance.

The UNIDO member of the mission also thinks that a selection of types of export goods, subcontracting and foreign financial investment, including specific technical management advice, for the Industrial Free Zone will be under UNIDO responsibility, however, that any suitable foreign trade policy to be recommended to the Government of Nicaragua in this field will be function of good inter-agency co-operation.

It should here be remarked that there is no example anywhere on record of a situation where any Industrial Free Zone has had any negative influence on industrial development or international trade in the same area. Multiplication of Industrial Free Zones is a healthy development leading to extended free trade. Such Free Zones do not damage Customs Unions, investors naturally consider their own interests first, but if there were any large risk elements involved, they would not invest. Thus Free Zones have built-in safeguards against uneconomic or unwise investments.

Contacts with Selected Mexican Industries

Firm	Area of concern/products	UNIC assistance received
Electronics (Procesadores S.A., Mexq.)	Television sets, radio and gramophone sets	Company already involved in UNIC program; working with UNIC staff. To be used for existing product development. Machine tools, however, for international relations being sought in Mexico City.
Muebles y Decorados, S.A., Mexq.	Hand-made furniture, radio, furniture, interior products	Visit arranged in 1965. UNIC staff advised company to contact UNIC (Mexico City) office. UNIC staff will provide technical assistance and information on UNIC program.
Procesadora Industrial de Maderas, S.A., Mexq.	Wooden doors, profiles, etc.	Company already involved in UNIC program; UNIC staff providing technical assistance and information on UNIC program.
Talleres de Muebles Mecanogramas S.A., TAMPILA, Grana.	Wooden furniture, etc.	Company already involved in UNIC program; UNIC staff providing technical assistance and information on UNIC program.

Contracts with selected Nicaraguan industries (continued)

<u>NAME</u>	<u>Branch of economy/products</u>	<u>UNIDO assist. req. received</u>
<u>Fabrica de Camisera, "Puma", Managua</u>	Cotton and mixed-fiber shirts, trousers, jackets, sport dresses	Interest was explained for new international markets; strong arrangements; UNIDO information on international contract (cost reduction) is required; this company is now located in private very good quality factory, will however accept only good quality raw advice. Minimum: 50,000 units of shirts weaving.
<u>Fabrica "La Francesa", Managua</u>	Tannery, blue-suit leathers, exotic kids and skins	Export market for UNIDO expansion; export product: exportation, high international value; venture and international contract; UNIDO information already received. Minimum: 100,000 kg leather tannery; tannery.
<u>Asciarte Corona S.A., Managua</u>	Vegetable oils	Interest in vegetable oil contract. Minimum: 100,000 kg oil. Only problem: Packing prices.
<u>Fabrica de Hilados "El Pobremita" S.A., Managua</u>	Cotton weavings (raw and spun), blue jeans fabrics	All problems were studied by SIECA; interest in UNIDO assistance. Minimum: 100,000 kg raw cotton. Existing factory to be used.
<u>INDAL Y Cia. Ltda., Managua</u>	Leading slaughter houses, fresh and frozen meat, meal from bones and blood, by-products for pharmaceutical industries	Information on normal and quality contract; interest in exports to other markets than USA. No real need for UNIDO assistance.

Contacts with selected Microenterprises Industries (continued)

DAD

Polanco de Millones
Central Bank,
Managua

Branch of economy/products

Cotton spinners and weavers

UNIDO assistance required

No production since 1972; completely equipped textile factory; low earthquake damage only; General bankruptcy of factory. Government might be interested to get UNIDO assistance to reorganize cotton textile mill. However, private property. General shortage of capital in the country.

Polanco de Johannes "Proger",
Managua

Soaps

General interest for UNIDO assistance to improve production methods. Market will not accept better quality for higher prices. Advice regarding how to use by-products, such as glycerine.

Alimentos para Animales S.A.S.,
APASA,
Managua

Cattle feed from N. America and imported inputs

General regularization of industry and similar projects. UNIDO assistance available on request.

ANNEX II

Contacts with Bicentennial Governmental Agencies and Organizations

Organizations

Ministry of National Defense and General Direction of Strategic Airport, and INPUBIC

Banco Central de Nicaragua, Departamento de Investigaciones Tecnológicas, Laboratorio, and INPUBIC

~~Ministry of~~
INPUBIC

Activities

Among others
Project "Industrial Free Zone of Las Mercedes/Matagua"

General industrial technology laboratory to control quality of industrial products

Export promotion agency

UNIDO assistance of interest

All three organizations/authorities are working on the Industrial Free Zone program. UNIDO member of the joint mission in general terms explained UNIDO conception for Free Zones. UNIDO assistance for the Matagua project highly appreciated by all concerning parts.

UNIDO Export Product Adaptation Program in general was explained; much interest to receive a UNIDO Expert, as well as assistance to expand laboratory. General request for all UNIDO documentation available (library).

Processes to give UNIDO advice would be required to diversify industrial export products, to reach higher value of export products, etc.

Contracts with Nicaraguan Governmental Agencies
and Organizations (continued)

Activities

General planning of economic and social development of Nicaragua

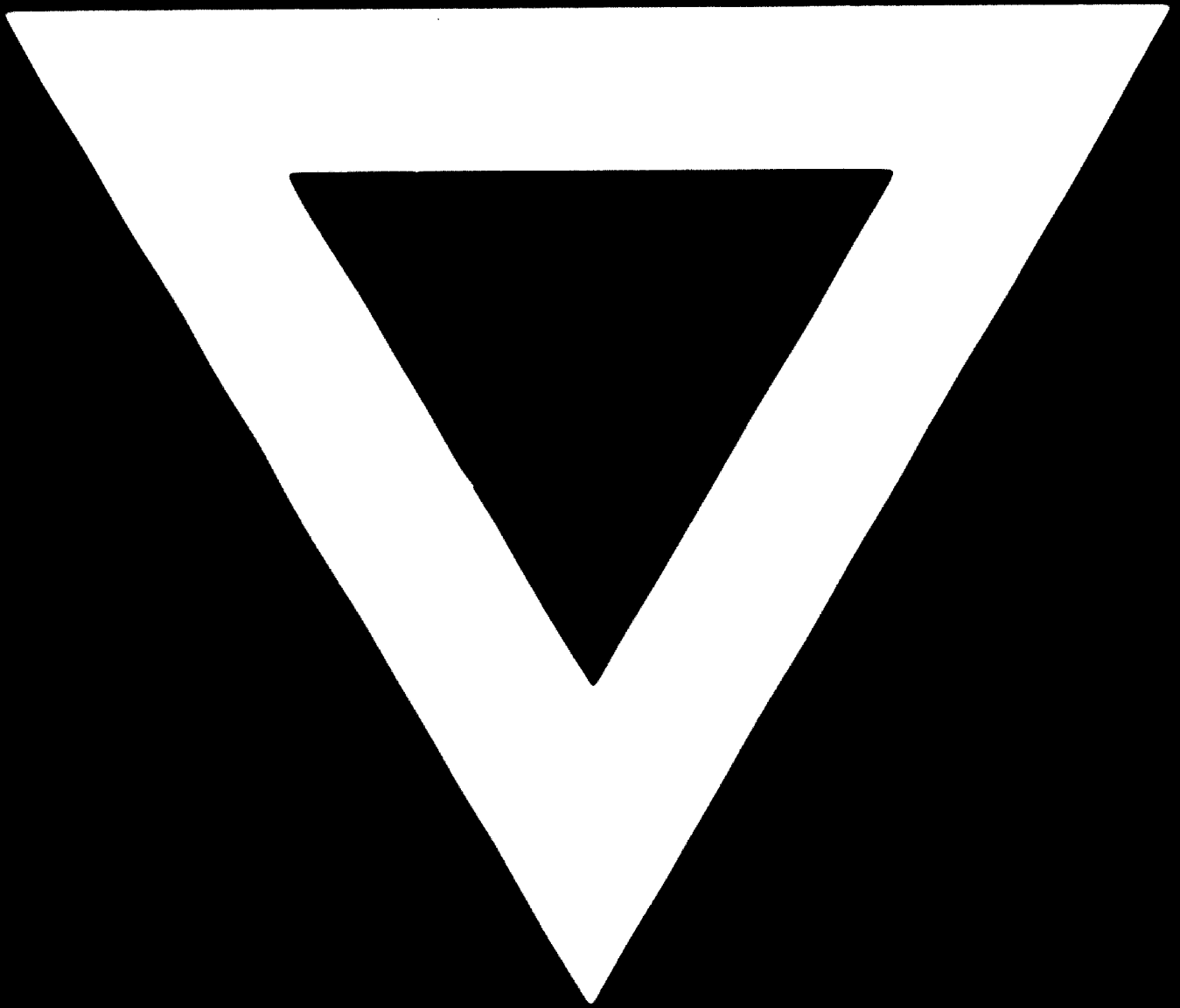
UNIDO assistance of interest

UNIDO assistance would be appreciated for:

- (a) Shoe industries:
General industrial survey on shoe production in Nicaragua, including design of exportable shoe models. Dresses, clothes.
INPOMAC would estimate UNIDO activities for major joint venture and international subcontracting in this field.
- (b) Electronic compounds/assembly
Interest for all UNIDO documents on electronic industries in developing countries.
Formation of international subcontracting wanted (Free Zone Industries Industries).
Cattle feed.
INPOMAC is interested to develop export industries for cattle feed.
UNIDO assistance welcome, including joint venture and international subcontracting services.
- (c) UNIDO and FVMA should coordinate any programs for small and medium-size industries.
Interest for UNIDO reports in this field.

Assistance to small and medium industries, as well as handicraft

**Industria Nicaraguense
de Desarrollo,
S.A.,
Managua**



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