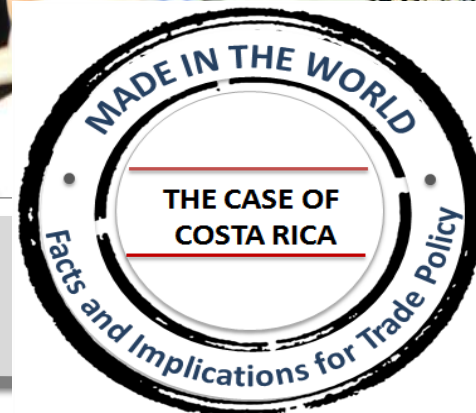


Costa Rica in GVCs

Anabel González
Minister of Foreign Trade, Costa Rica

Latin America's prospects for upgrading in global value chains
Colegio de México
March 14, 2012



The Latin American Context

•Agriculture and natural resources dominate most LA countries' export basket (minimum transformation, low unitary values, little differentiation)

Driven by surging Asian demand

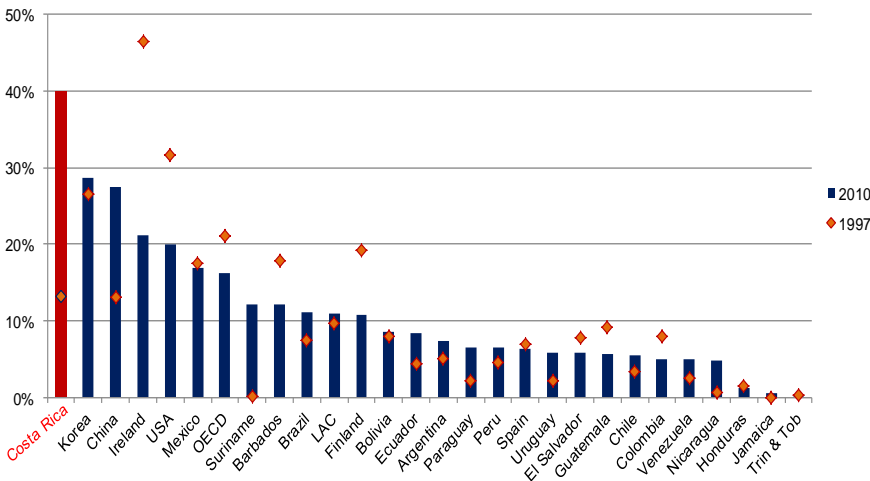
•Some participation in low-value GVC (eg. apparel)

Impacted by China *et al* and by greater trade exposure to industrialized markets

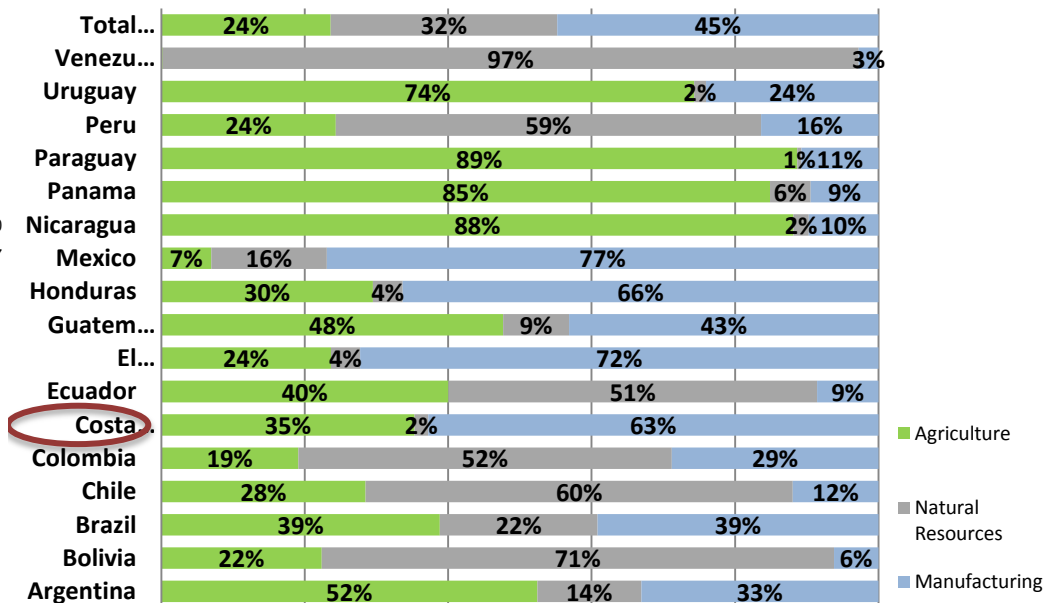
•Limited participation –by few countries- in GVC with higher technological content

The case of Costa Rica

Share of High-Tech Exports in Manufactured Exports

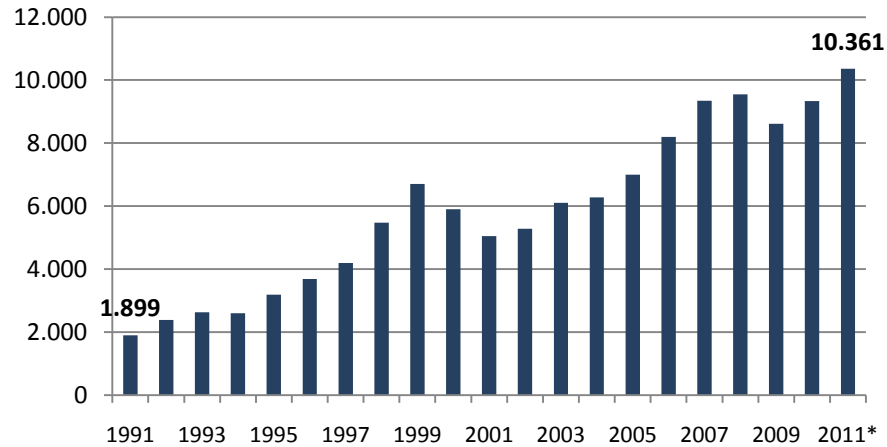


Latin America: Export Basket by Country (2009)



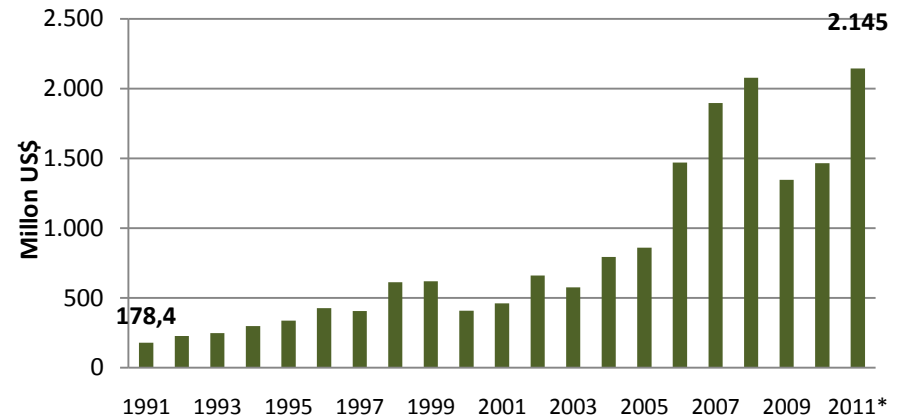
Costa Rica: Exports and FDI

Costa Rica: Exports 1991-2011



Source: COMEX, using data from PROCOMER.

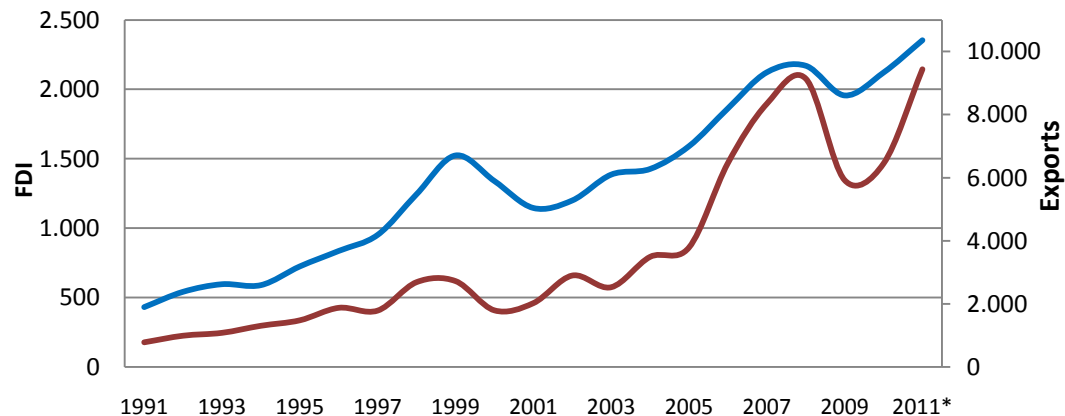
Costa Rica: FDI Inflows (1991-2011)



Source: COMEX, using data from BCCR

* Preliminary data.

Costa Rica: Relationship between FDI Inflows and Merchandise Exports, US\$ million (1991-2011)



Source: COMEX, using data from PROCOMER and BCCR.

Costa Rica: evolution of FDI

Consolidation of CR as one of the main FDI locations in Latin America

Agroindustry

Textiles & apparel

First contact centers

EQUIFAX

SYKES

Boston Scientific



IBM

HOLOGIC



NATIONAL INSTRUMENTS

CURTISS WRIGHT

1960

1982

1986

1990

1995

2000

2004

2011

Pioneer of the industrial sector

1st leading medical devices company

Blue-Chip companies

ST. JUDE MEDICAL
MORE CONTROL LESS RISK.

BRIDGESTONE

Baxter



EMERSON

Abbott Vascular

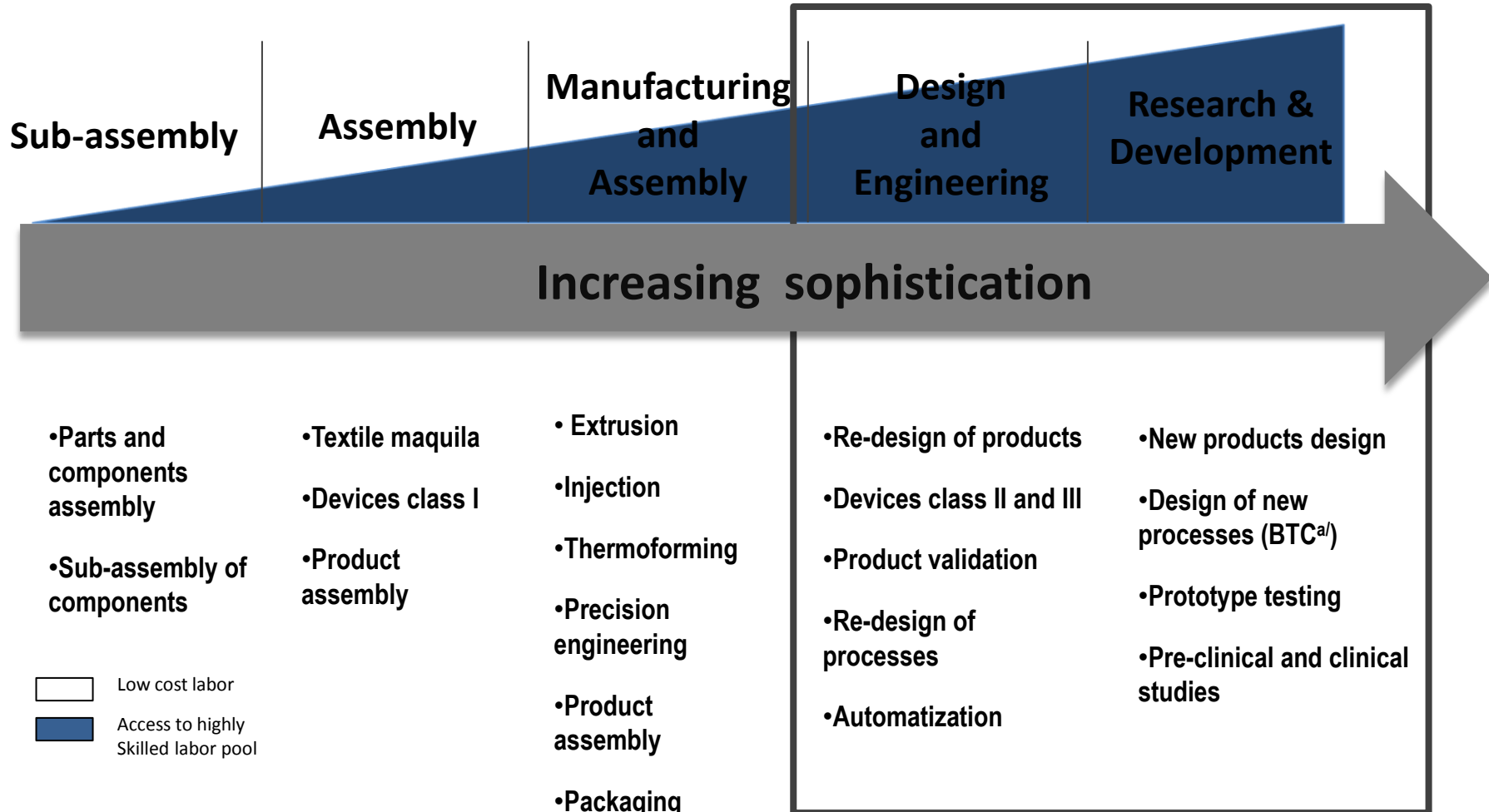
P&G

ALLERGAN Medical



ST. JUDE MEDICAL
MORE CONTROL LESS RISK.

Costa Rica: towards increased sophistication of production processes

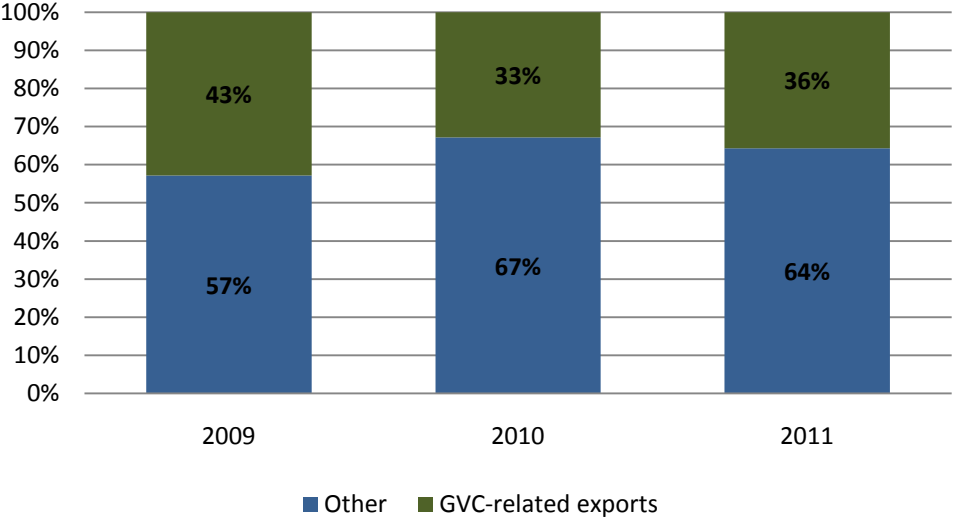


Source: CINDE, 2011.

Notes: ^{a/}Business Transformation Center.

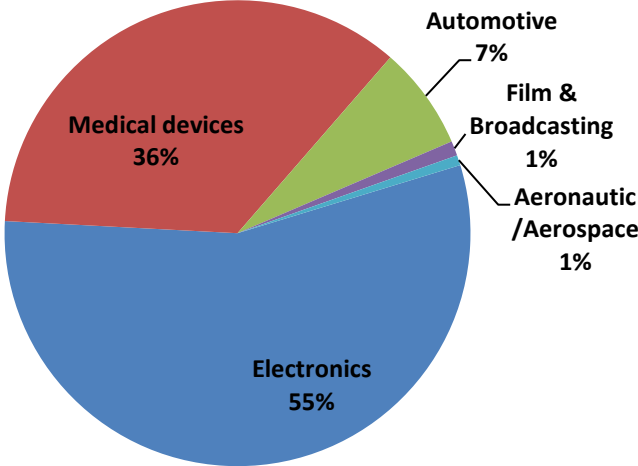
Costa Rica: participation in GVC

Costa Rica: Participation of GVC-related exports in total exports 2009-2011



Source: COMEX, using data from PROCOMER.

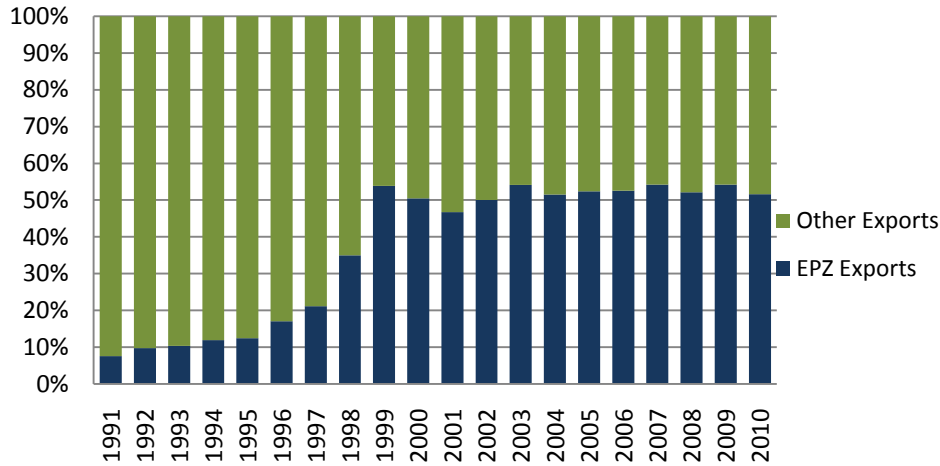
Costa Rica: GVC-related exports by industry 2011



Source: COMEX, using data from PROCOMER.

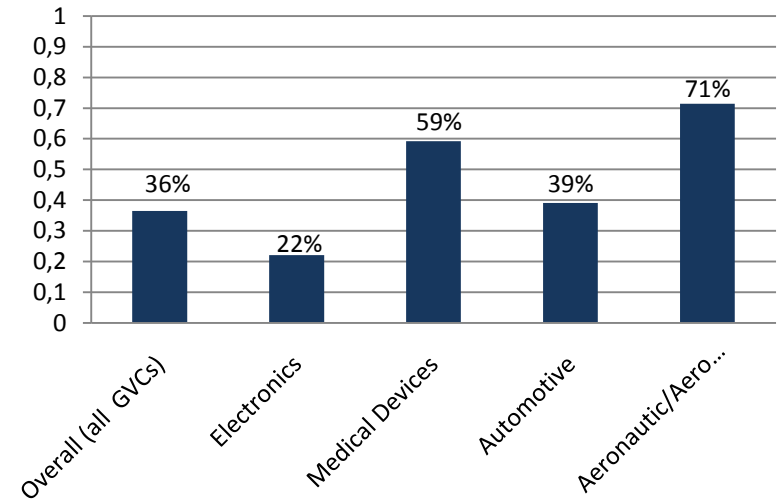
COSTA RICA: EXPORTS AND EPZ

Costa Rica: Share of EPZ Exports (1991-2010)



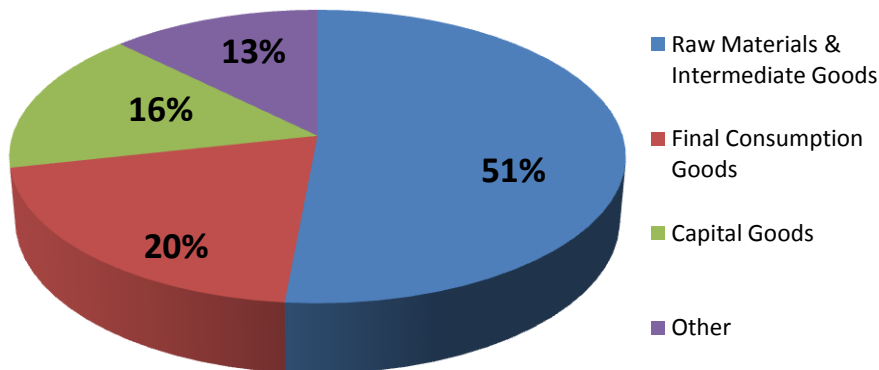
Source: COMEX, using data from BCCR and PROCOMER.

Costa Rica: Domestic Component of GVC Exports (DCE), by chain (2009)



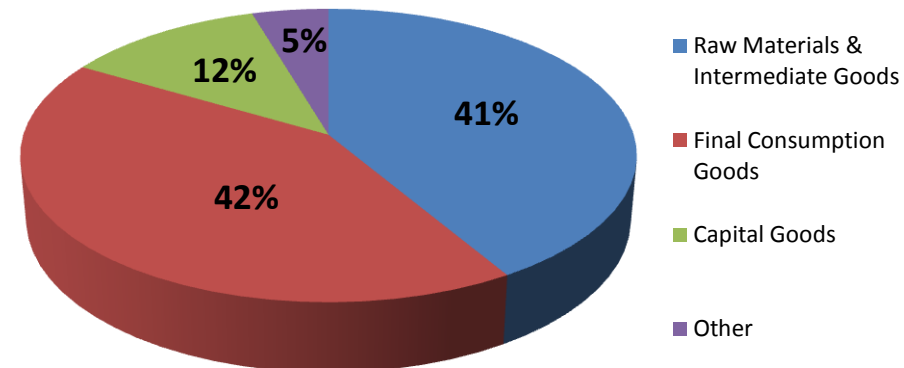
Source: Monge-Ariño (2011).

Costa Rica: Structure of Imports (2010)



Source: COMEX, using data from BCCR.

Costa Rica: Structure of Exports (2010)



Source: COMEX, using data from BCCR.

Costa Rica's: participation in GVC: Key drivers



Strategic vision Proactive and coordinated approach

- Attraction of FDI
- Interagency execution

Sound business environment

- Political and economic stability
- Export processing zone regime

Solid export platform

- WTO + PTAs with 54 countries
- Robust air transportation network

Educated work force

- Quality of educational system -1st in LatAm (WEF)
- Cost competitive

Privileged geographical location

- Middle of the Americas
- Proximity to US market

Costa Rica: What next in GVC?



Diversify

Participate in more GVC

Increase tasks performed

Expand number of firms

Strengthen

Increase local content

Promote backward linkages to local suppliers

Upgrade

The role of innovation, science and technology

Increased focus on high-skilled tasks

OPPORTUNITIES AND CHALLENGES AHEAD

opportunities

- Increased links between Asia and Latin America
- Expansion of GVC
- Off-shoring services
- Growth dynamics of emerging markets

challenges

- How to increase participation in GVC in the absence of a regional production system?
- What growth potential for US-centered GVC?
- What role for Costa Rica in GVC centered in Asia?
- What role for Costa Rica in GVC producing for emerging markets?

Domestic agenda in support of GVC

- Securing preferential access to international markets and deepening trade liberalization
- Reducing the cost and time to trade at the border and securing trade flows
- Enhancing and expanding the human resource base
- Moving towards an innovation-driven economy
- Upgrading infrastructure
- Securing the energy supply
- Better understanding CR's participation in GVC

What role for trade policy in enhancing Costa Rica's participation in GVC?

Trade liberalization

- The role of PTAs
- An enhanced ITA?
- Removal of non-tariff barriers
- Increased competition in trade-related services
- Exploring new ideas
 - Eg. an International Digital Economy Agreement?

Trade facilitation

- Simplification and harmonization of trade regulations and procedures

Protection of IPRs

A multilateral investment framework?

