Investment for development:
Towards a new generation of investment policies for inclusive growth and sustainable development

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The starting point

The case of Costa Rica

The global competitive scenario: Where do we stand today?
The starting point

• FDI is a powerful engine for growth and sustainable development

• Key points for setting the stage to maximize the benefits of FDI:
  
  A. Embedding investment policy in the national development strategy
  B. Aligning investment policy with policies in other areas
  C. Making investment policy consistent over time
2 The case of Costa Rica: Evolution of FDI

Agroindustrial Sector

First contact centers

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


Pioneer of the industrial sector

1st leading medical devices company

Blue-Chip companies
The case of Costa Rica: Evolution of FDI
Towards increased sophistication of production processes

Sub-assembly
- Parts and components assembly
- Sub-assembly of components

Assembly
- Textile maquila
- Devices class I
- Product assembly

Manufacturing and Assembly
- Extrusion
- Injection
- Thermoforming
- Precision engineering
- Product assembly
- Packaging

Design and Engineering
- Re-design of products
- Devices class II and III
- Product validation
- Re-design of processes
- Automatization

Research & Development
- New products design
- Design of new processes (BTC\textsuperscript{\textregistered})
- Prototype testing
- Pre-clinical and clinical studies

Source: CINDE, 2011
Notes: \textsuperscript{\textregistered}Business Transformation Center.

Low cost labor
Access to highly skilled labor pool
2 The case of Costa Rica: Impact of FDI
The case of Costa Rica: Impact of FDI

Costa Rica: Evolution of FDI, 1985-2011 (USD millions)

Stock of FDI, selected economies, 2010 (% GDP)

Costa Rica: Balance of payments, 1990-2010 (% GDP)

FDI, selected economies, 1985-2010 (net inflows as % of GDP)

Source: COMEX using Central Bank of Costa Rica data

Source: OECD based on IMF data

Source: OECD based on UNCTAD FDI data

Source: OECD based on World Bank data
The case of Costa Rica: Impact of FDI

Costa Rican: Evolution of exports, 1985 - 2011 (USD millions)

Source: COMEX with PROCOMER data
The case of Costa Rica: Impact of FDI

Costa Rica: Top exports 2011

- Integrated circuits and electronic microstructures (18.02%)
- Precision and medical equipment (11.92%) a/
- Banana (7.41%)
- Pineapple (6.91%)
- Gold coffee (3.56%)
- Other food preparations (2.99%)
- Pharmaceuticals (2.34%)
- Textiles (2.15%)
- Electric cables (2.09%)
- Palm oil (1.93%)

Source: Procomer, Comex, 2012
Note: a/ This sector comprises IV sets, medical prosthesis and other medical devices
The case of Costa Rica: Impact of FDI

Costa Rica: Evolution of exports in services, 2000-2011 (USD billions)

Source: COMEX based on data from Central Bank of Costa Rica
The case of Costa Rica: Impact of FDI

Costa Rica: Participation of global value chains in total exports, 2009 - 2011

Share of high-tech exports in manufactured exports, selected economies

Source: COMEX using Central Bank of Costa Rica data
## Key drivers of investment in Costa Rica

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<th>Category</th>
<th>Drivers</th>
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| **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 + 12 PTAs  
• Robust air transportation network                                         |
| **Educated work force**                      | • Quality of educational system - 1st in LA (WEF)  
• Cost competitive                                                        |
| **Privileged geographical location**         | • Middle of the Americas  
• Proximity to US market                                                  |
The new global competitive scenario: Where do we stand today?

- Opportunities from unbundling of productive processes

- Key challenges:
  - Continued attraction of FDI
  - Consolidating, growing, upgrading and harnessing investment for sustainable development

- The role of UNCTAD’s Investment Policy Framework for Sustainable Development
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