

United Nations Conference on Trade and Development

**WHAT'S NEXT FOR COMMODITY MARKETS?
INFORMAL INTERACTIVE DIALOGUE ON COMMODITY MARKETS**

Thursday, 31 March 2022, 10:00am - 6:00pm (NY)

Trusteeship Council Chamber, United Nations Headquarters, New York (and online)

**Building a sustainable and diversified export sector in a commodity dependent developing country:
the experience of Costa Rica**

By

Roberto Echandi, former Costa Rican senior government official

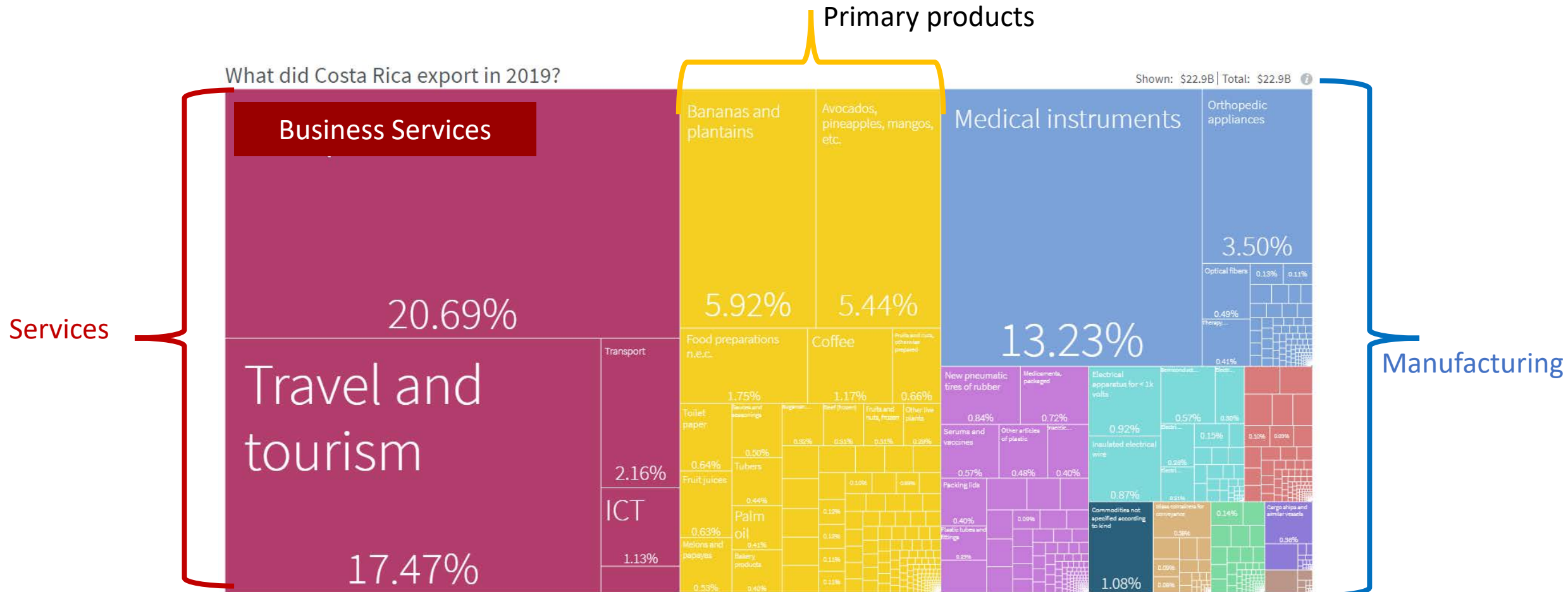
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Building a sustainable and diversified export sector in a commodity dependent developing country: the experience of Costa Rica

Dr. Roberto Echandi

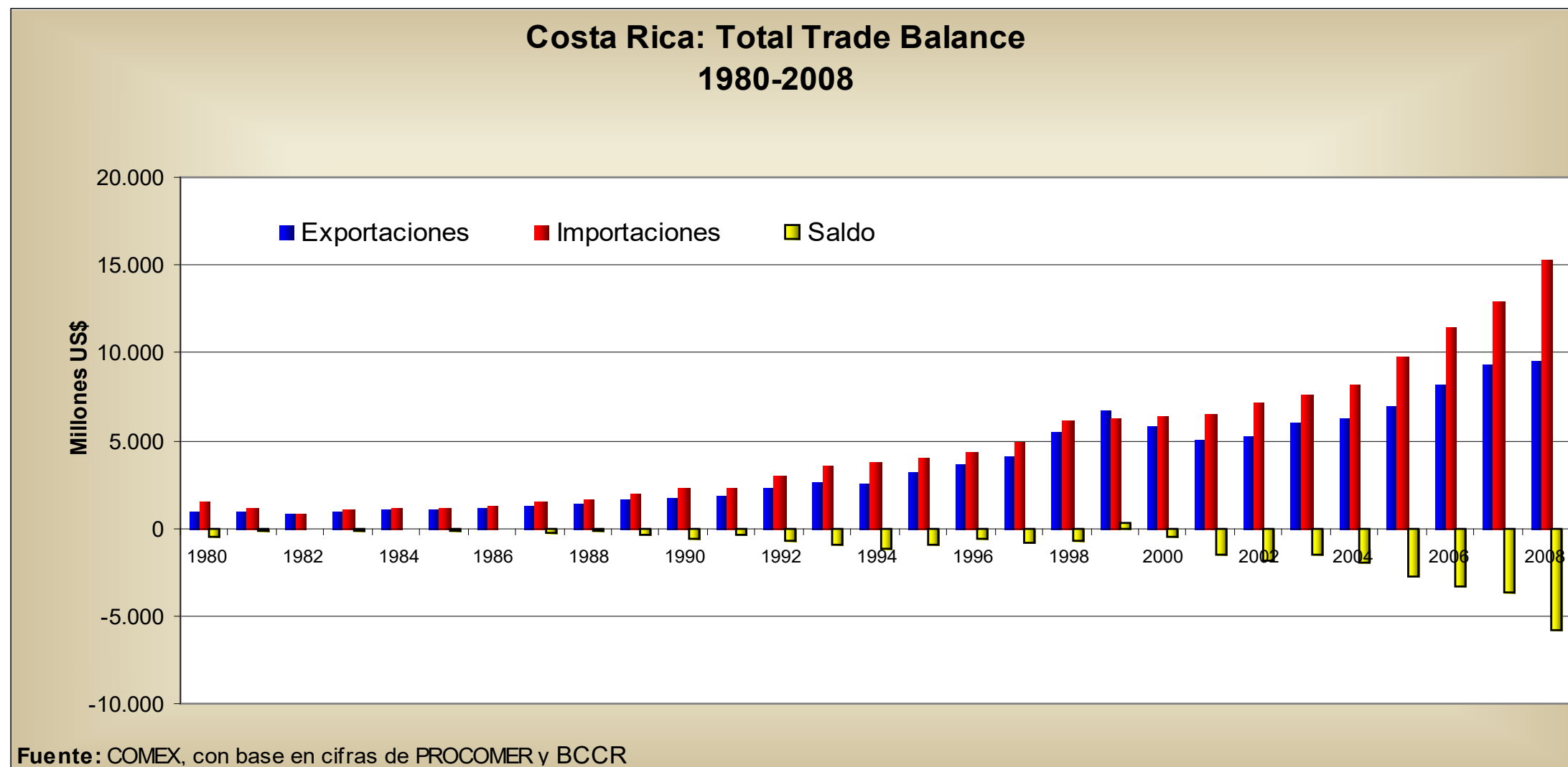
Costa Rica: a successful story of export diversification

Until the 1980s, coffee and bananas and other commodities used to represent more than 70% of Costa Rican exports
 Today, Costa Rica exports more than 4000 products and trade in services have become a major source of exports



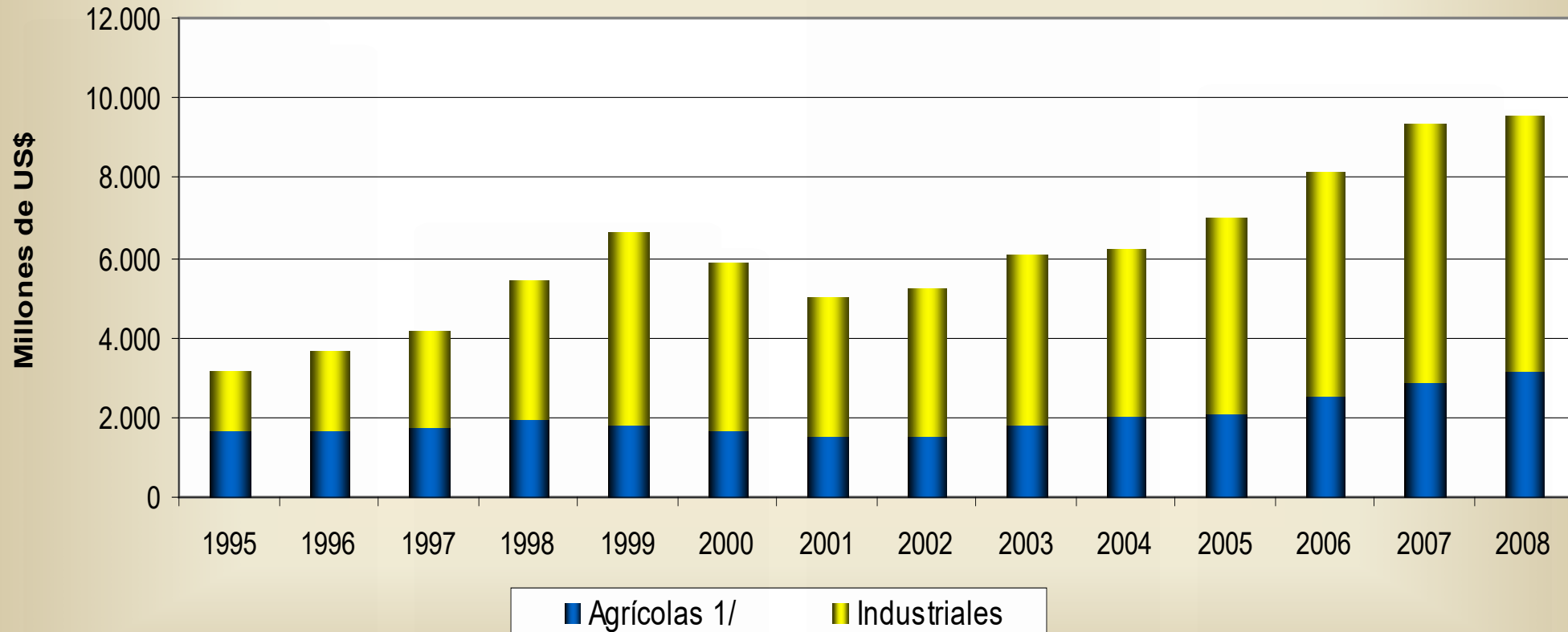
Source: Harvard-MIT Atlas of Economic Complexity

Historical evolution of exports



Historical Evolution: industrialization of exports

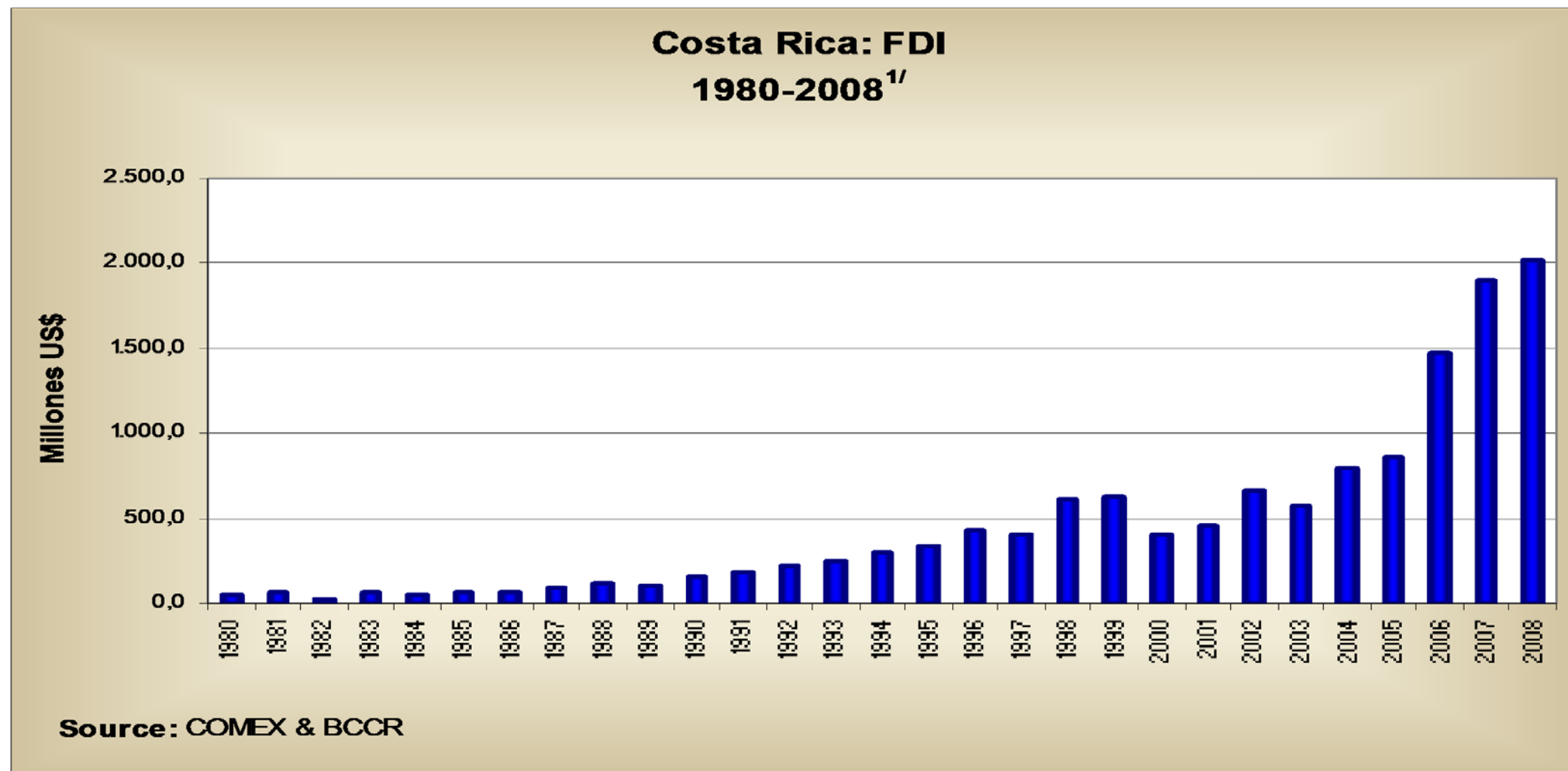
Costa Rica: Total Exports of Goods by Economic Sector
1995-2008



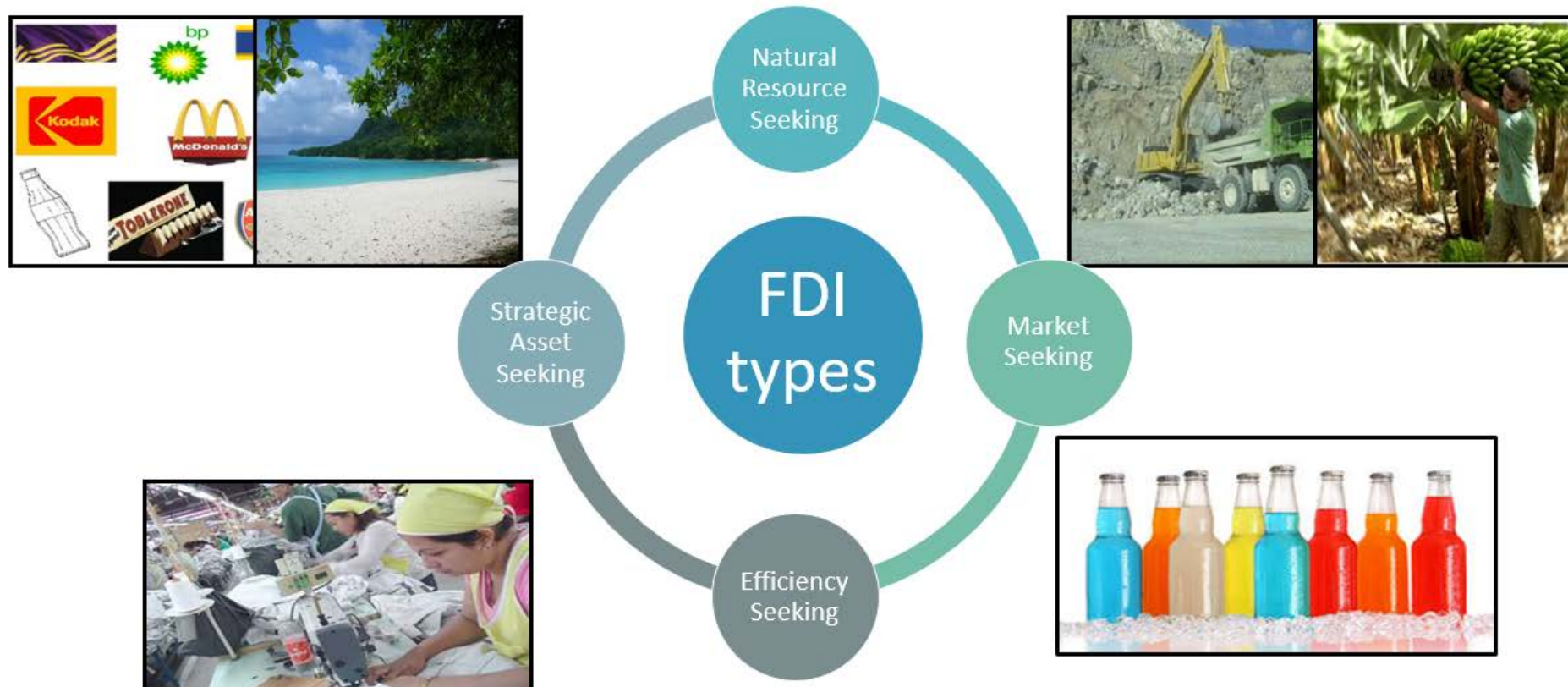
Fuente: COMEX con base en cifras de PROCOMER

1/ Las mercancías agrícolas se definen de acuerdo con el Anexo I del Acuerdo sobre Agricultura de la OMC

Historical evolution of Foreign Direct Investment



Different types of FDI generate different socio-economic, environmental and trade impacts



Efficiency-seeking FDI

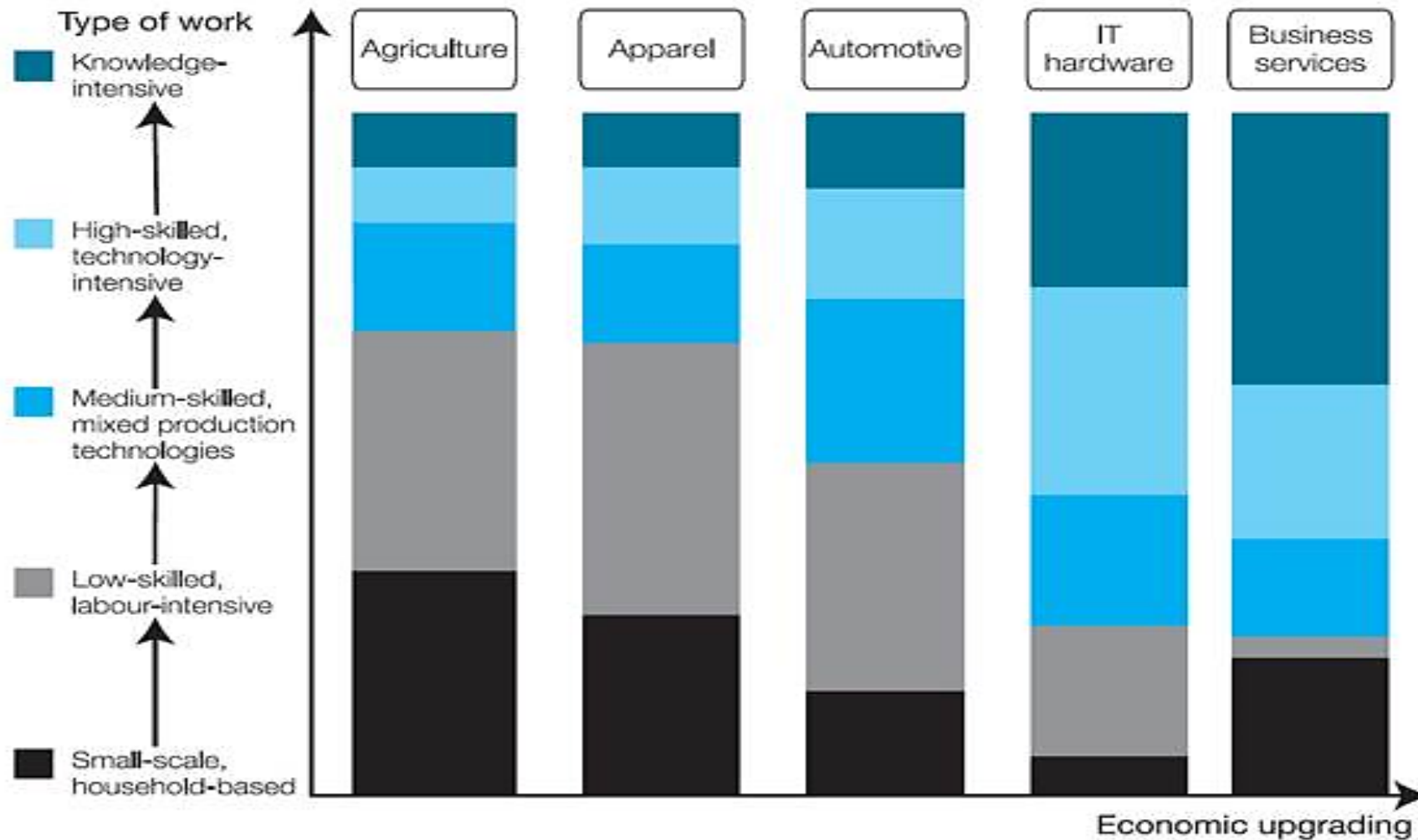
- **Factors:**
 - Investment will come provided countries enable firms to compete
 - Vicinity to greater markets may play a key role
 - Key: competitiveness
- **This kind of investment tends to be:**
 - Export oriented
 - Net generator of foreign exchange
 - Generator of jobs
 - Significant potential gains in terms of expansion and diversification of export supply of host economy and transfer of technology
- **Political economy of this type of FDI**
 - Determined by the level of competitiveness of the host country vis-à-vis other potential host countries (importance of signals)
 - Increasing controversy in home countries
- **Relationship with Trade**
 - This type of FDI generates more trade of goods and services



Efficiency-seeking FDI

- **Challenges:**
 - **Due to its potential impact to transform exports and generate new GVCs and jobs, most countries in the world are constantly seeking to attract this type of FDI.**
 - Key clear and well articulated promotion strategies
 - Competition on incentives
 - **Competitiveness and investment climate of the host country is crucial, as it has to ENABLE firms to compete on the world market**
 - Countries must enable investment entry and manage to retain FDI
 - Countries must allow movement of technical personnel, experts, traders, and people
 - **Countries must have means to ensure predictability and stability regarding export market access to investors who will turn to be importers and exporters**
 - Importance of PTAs
 - Trade logistics for goods and services become crucial
 - **Long term sustainability of model requires to foster linkages between leading firms and domestic suppliers**
 - Need to upgrade capacity of domestic private sector
 - Ensure constant human capital and skills upgrading

Why the type of investment matters? Because each type generates different kinds of jobs and value added



Thanks for your kind attention

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