

Regional Dialogue on
**Promoting Services Development and Trade
in Latin America and the Caribbean**

12–13 November 2013
Room Raul Prebisch, ECLAC, Santiago

**The Case of Services in Costa Rica:
Improving the competitiveness and
insertion in Global Value Chains**

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The Case of Services in Costa Rica: Improving the competitiveness and insertion in Global Value Chains



Francisco Monge, Deputy Director
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Costa Rica



Services: an opportunity for development



The unbundling of global production has created an opportunity for countries to drive development focusing on the tasks in which they have comparative advantages.

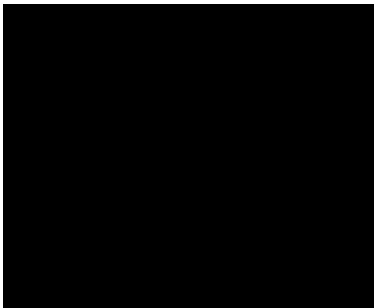
Two types of services that are important:

Services that are tradable inputs in GVCs

R&D, design, marketing, sales, business and IT processes.

Services that enhance the competitiveness of countries in GVCs

Transportation, logistics, communications, financial, etc.



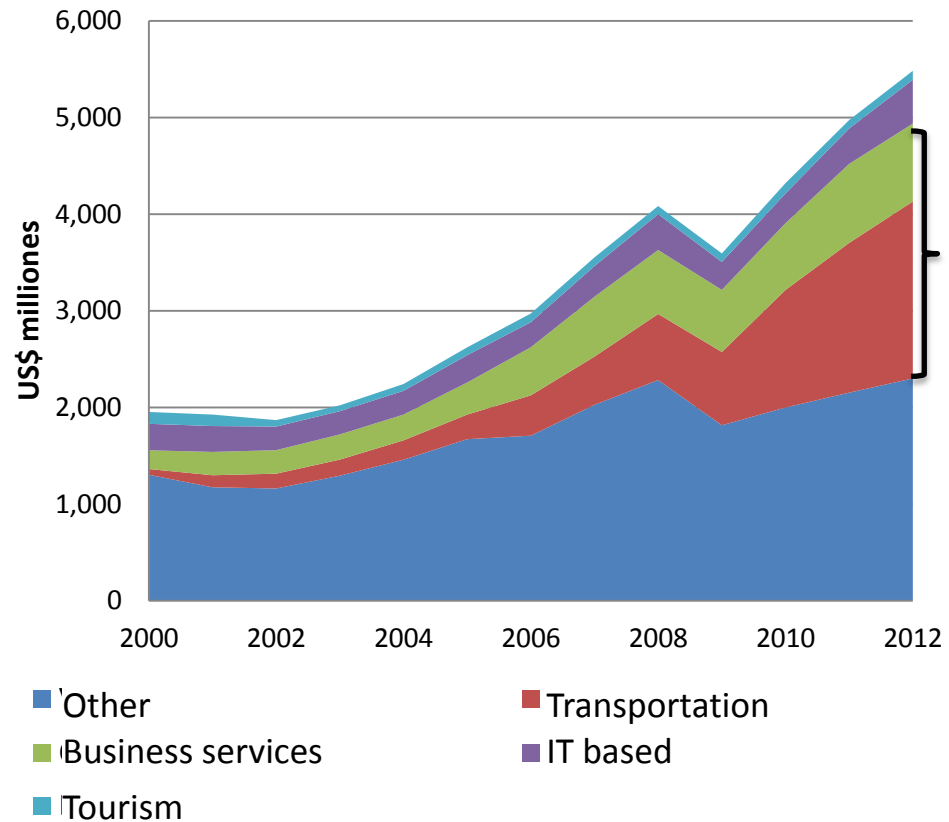
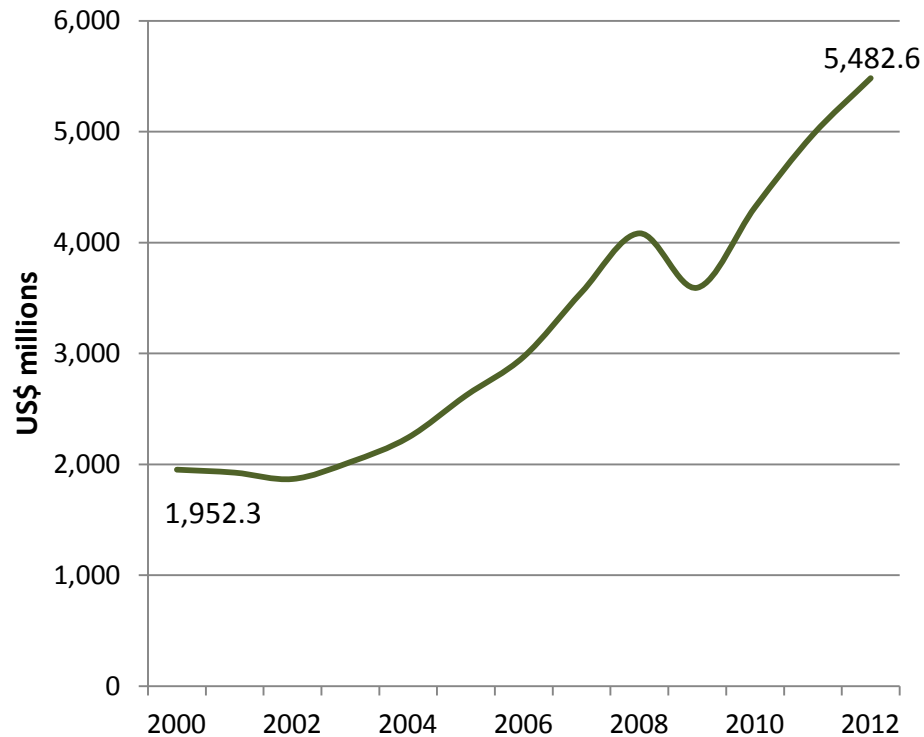
**Services
integrated
in GVCs**

The evolution of service exports in Costa Rica



Costa Rica: Service Exports (1999-2012)

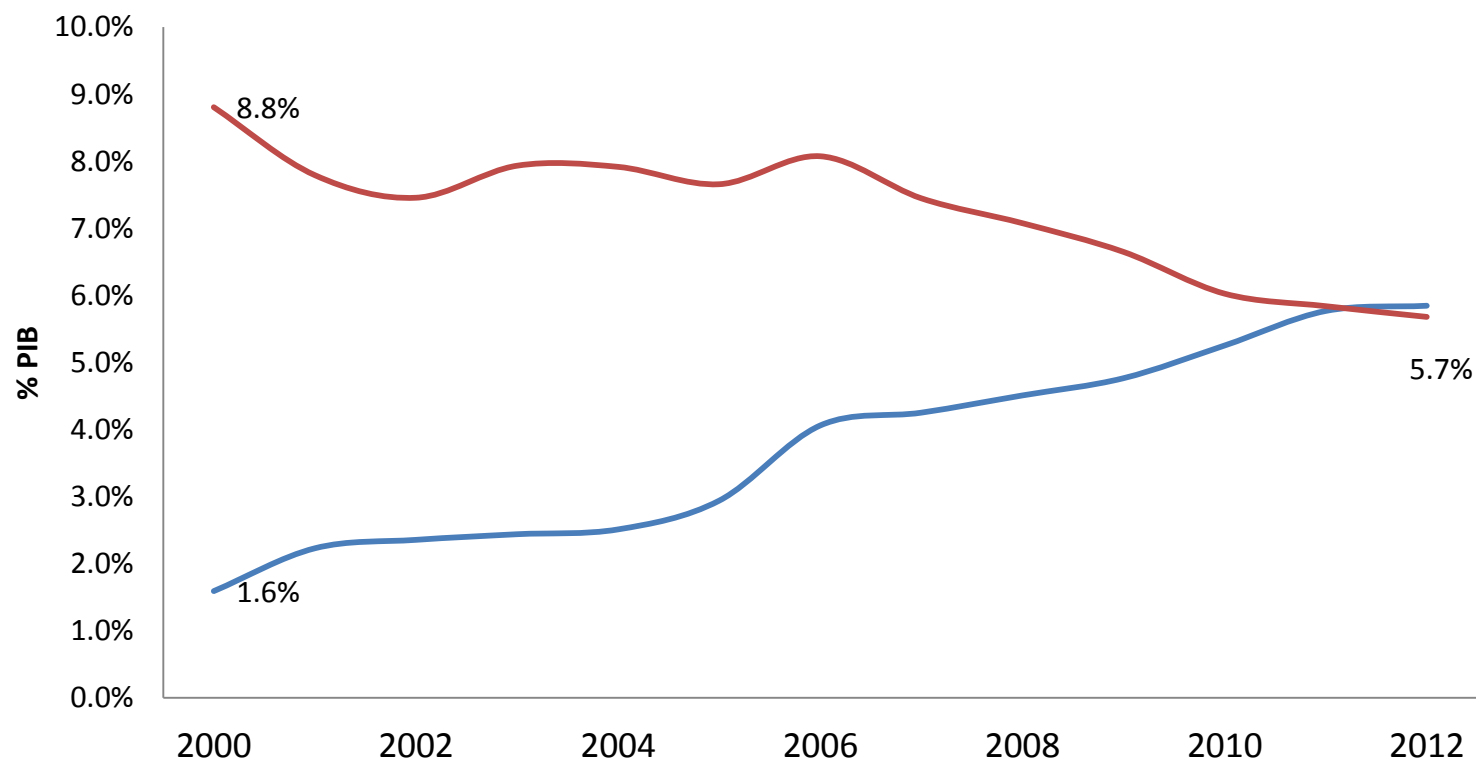
Costa Rica: Composition of service exports (2000-2012)



The evolution of service exports in Costa Rica



Costa Rica: Share of exports integrated in GDP by sector (2000-2012)



*Data from the Central Bank of Costa Rica (BCCR).

— Computer, information services and other business services
— Agriculture

Costa Rica's upgrading path in offshore services

General Business Activities

Industry Specific Activities

ITO

Broad Spectrum
(ITO, BPO & KPO)

KPO

792

\$66.1

1,123

\$51.3

10,472

\$638.2

BPO

Back Office

6,034

\$223.4

Call Centers IT

6,106

\$186

Call & Contact Centers

7,753

\$140.8

890

\$84.5

Value Added

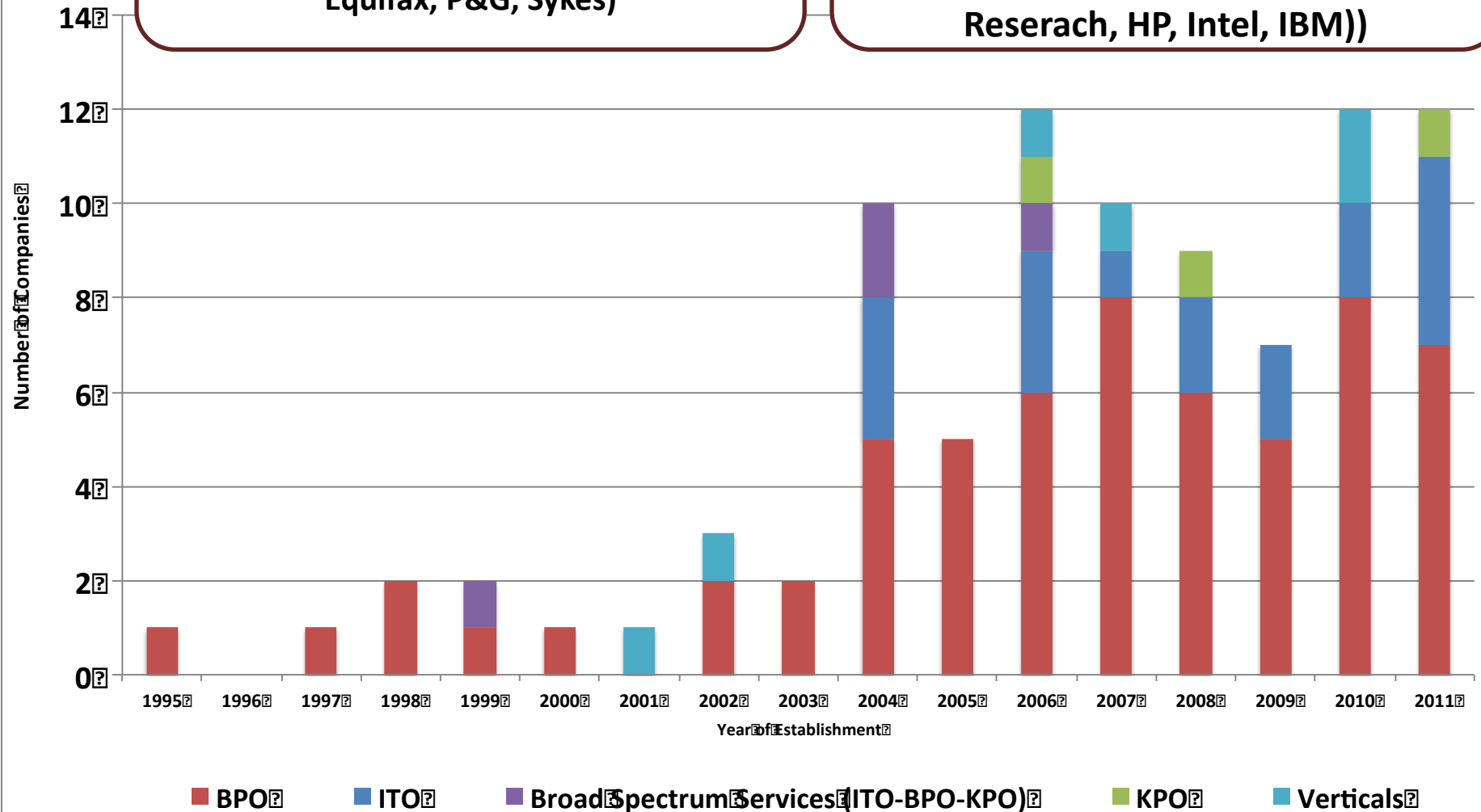
Breakdown of Costa Rica's participation in offshore services, 2011

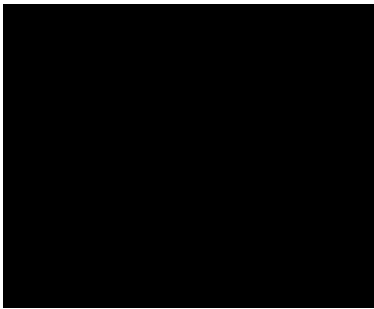
First Stage

(13 companies → Eg. Western Union, Equifax, P&G, Sykes)

Second Stage

(60 companies → Eg. Convergys, Teleperformance, AvVenta, Amba Reserach, HP, Intel, IBM))





The evolution of facilitating services

Facilitating services



High quality and low cost facilitating services are critical to competitiveness in GVCs.

In Costa Rica the opening of the telecommunication and the insurance markets in 2009 enhanced competitiveness and the facilitated insertion in GVCs

Liberalization of telecommunications market



BEFORE

Monopoly market.

7,4% of GDP in 2007.

Limited FDI (only cable internet).

Long waiting list for land lines and cell phones (1 year, with 150 requests in cell phones).

34,4% of population has cell phone in 2007.

13% of households have internet access in 2007.

9% of (non-wireless) internet connections were over 2Mb/s in 2007.

AFTER

Competitive market (119 companies).

9,1% of GDP in 2011 and 2012.

US\$913,4 million in FDI received in 2011, 2012 and the first half of 2013.

A phone line can be obtained in minutes.

116% of population has cell phone in 2012.

47% of households have internet access in 2012.

53% of (non-wireless) internet connections were over 2Mb/s in 2012.

Liberalization of insurance markets



BEFORE

Only 1 insurer in 2008

147 types of policies offered in 2009

\$612 million in total received insurance premiums in 2008

\$83 million in personal premium received in 2008

4,3 million policyholders in 2010

AFTER

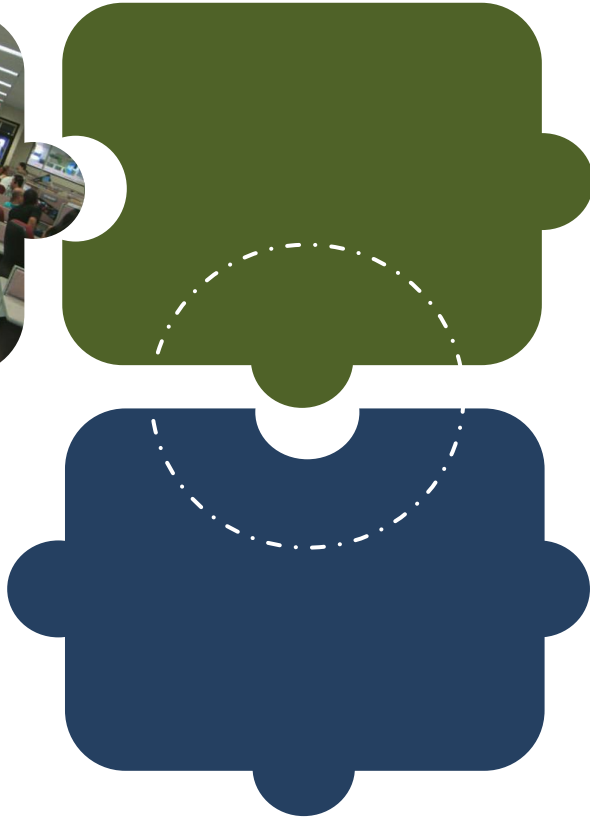
12 insurers in 2013

442 types of policies offered in 2013

\$929 million in total received insurance premiums in 2012

\$187 million in personal premiums received in 2012

5 million policyholders in 2012



**Success
factors
and
priorities
for the
future**

Costa Rica's policies to foster services in and for GVCs



Strategic vision - proactive and coordinated approach

- Attraction of FDI
- Interagency execution

Sound business environment

- Political and economic stability
- Export processing zone regime

Educated work force

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

Privileged geographical location

- Middle of the Americas
- Proximity to US time zones

Deep trade integration

- WTO + 14 PTAs
- TiSA negotiations
- Liberalization commitments stemming from CAFTA-DR

Policies moving forward



- Continued attraction of FDI in strategic niches
- Strengthening human capital
- Further liberalization of facilitating service markets
- TiSA
- Need for international investment agreement

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