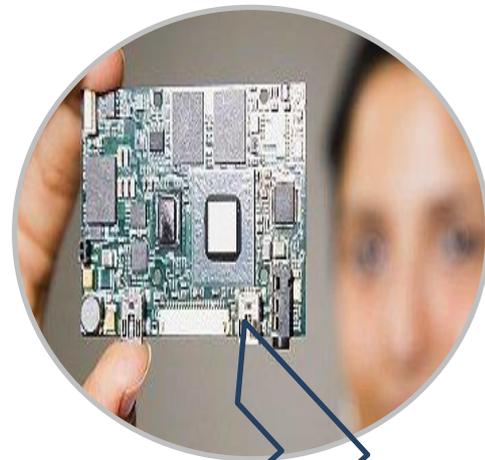


GVCs: Quo Vadis?

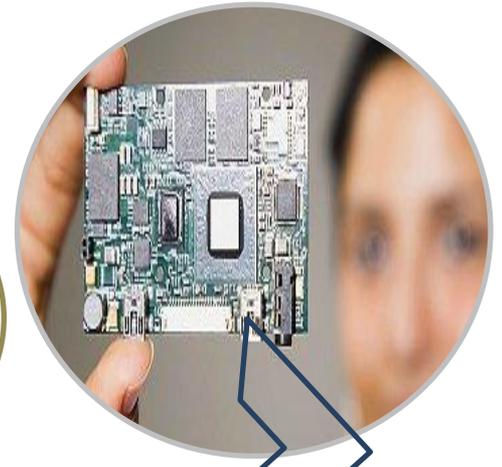
Dr. Francisco Monge
Deputy Director General
Ministry of Foreign Trade
of Costa Rica

Tokyo, 5 July 2013

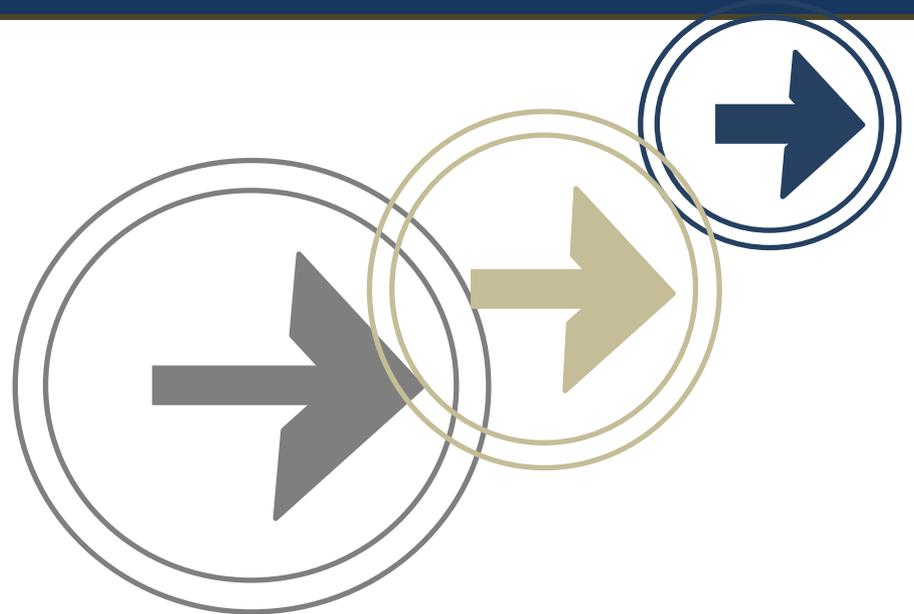


comex
Ministry of Foreign Trade
of Costa Rica

Theme 1



**FUTURE PROSPECTS FOR GVC ANALYSIS: POLICY APPLICABILITY,
LIMITATIONS, AND ISSUES TO TACKLE**



Costa Rica and GVCs

➤ Small country (4.7 million people; 51,100 km²) but highly integrated in GVCs (about 40% of goods exports)

➤ Currently integrated in several GVCs:

Offshore services

Electronics

Medical devices

Aeronautic/aerospace

Automotive

Filming devices



Costa Rica's Vision on Trade Measurement

- Measuring goods trade flows in value added complements and enriches traditional gross-value measurements
- Trade flows of goods integrated in GVCs should be measured in value-added with the aim to:
 - Avoid international double counting of exports
 - Have a clearer picture of world output structure (“China factory” or “China assembly”?)
 - Update Rules of Origin upon actual trade patterns
 - Gross-value measurements can continue to deliver relatively accurate estimates for products like agricultural commodities
- Let's not forget about improving statistics on trade in services!

Initiatives to Expand Costa Rica's Capabilities for the Analysis of GVCs

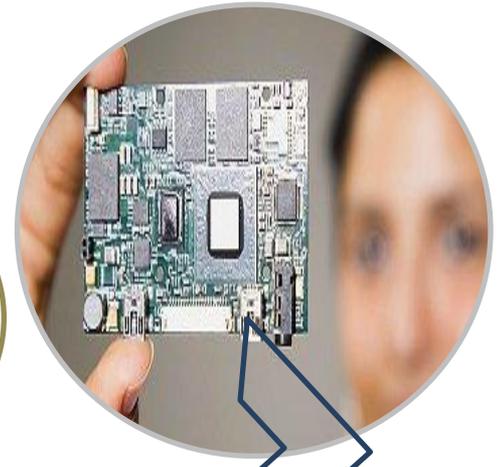
➤ Integration in international IOTs

- Construction of CR's domestic IOT (Late July 2013)
- Integration in international AIOTs (project with IDE-Jetro)
- Integration in TiVA database
- Integration in regional IOTs for Latin America (prospective project with ECLAC)

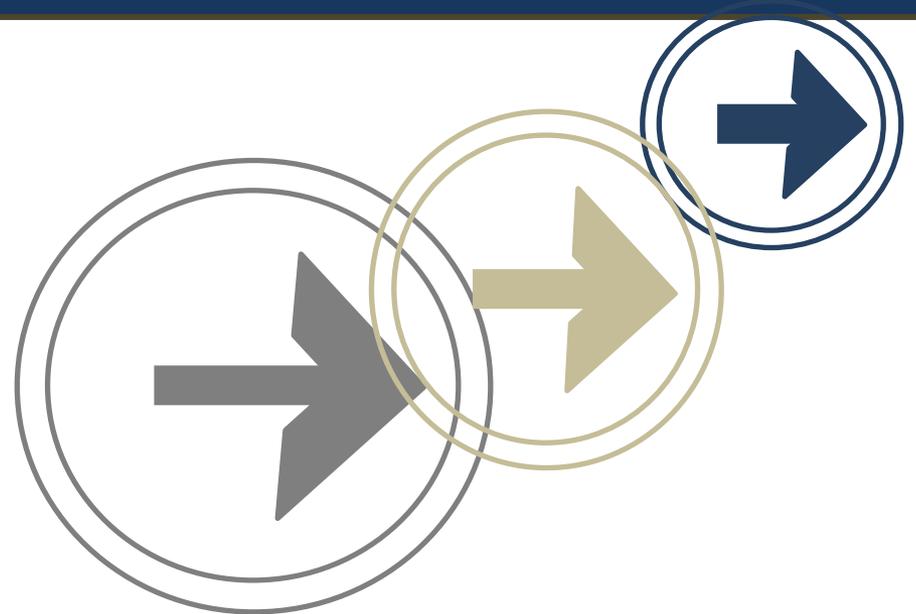
Initiatives to Expand Costa Rica's Capabilities for the Analysis of GVCs (cont'd)

- Project on micro-data linking (MDL)
 - Construction of an integrated database at the firm-level (trade + other variables)
 - Developed jointly by COMEX, the National Statistics Institute (INEC) and UN-SD
 - Preliminary version: 2nd semester 2013
 - Challenge: tackling the confidentiality issue
 - INEC is legally entitled to receive firm-level data from other agencies
 - Before releasing the data set, INEC shall replace actual firm IDs and names by encrypted IDs
 - Prospective integration in OECD's MDL initiatives

Theme 2



GVC ANALYSIS AND TRADE POLICIES: WHAT ARE THE MAIN POLICY IMPLICATIONS? WHERE SHOULD THEY BE HEADED TO?



GVCs Broadened the Focus of Trade Policy

20th century trade policy:

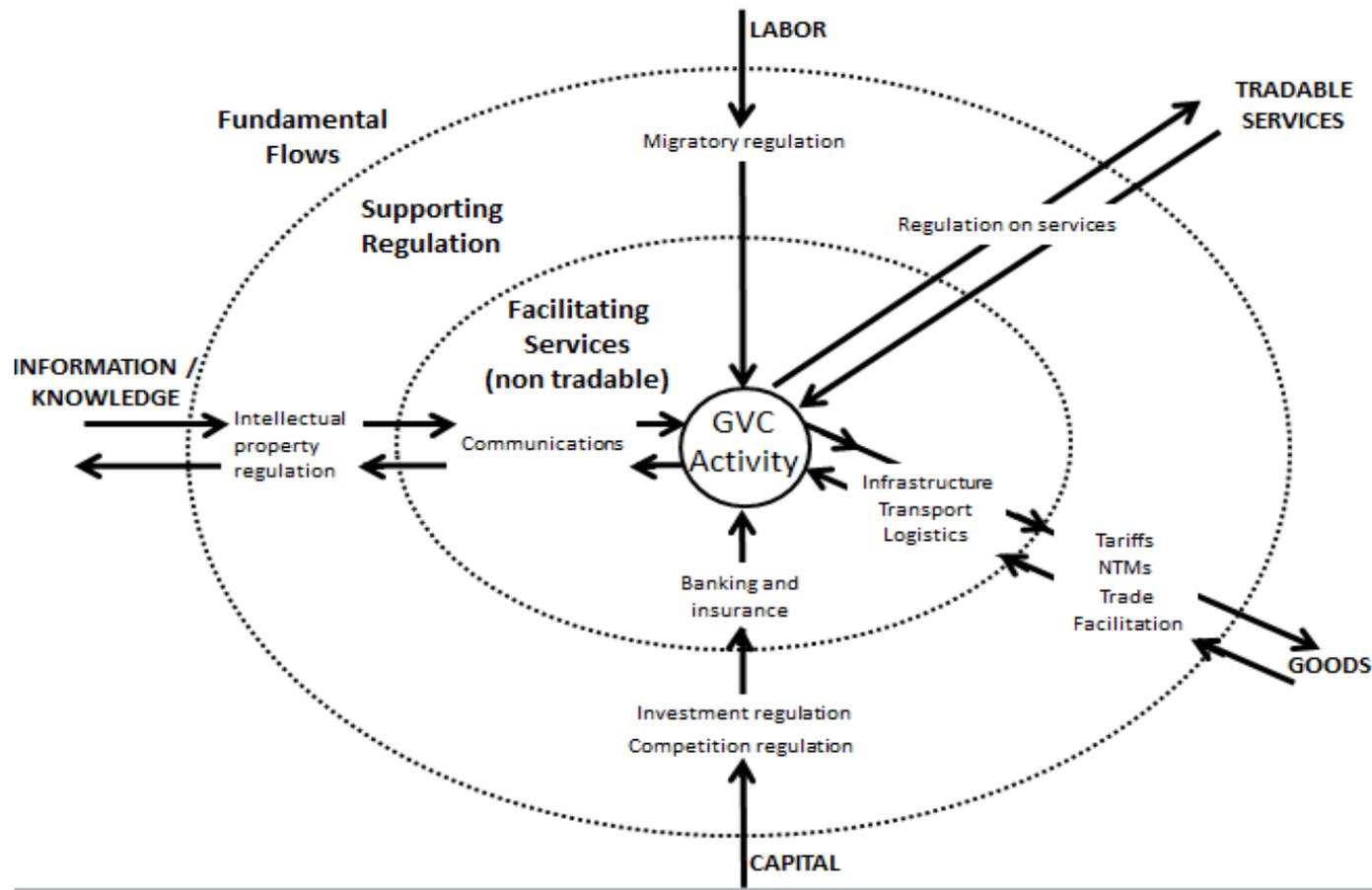
- Single flows
- Focus on final goods trade
- One-dimensional trade negotiations



GVCs Broadened the Focus of Trade Policy

21st trade policy: need for updating multilateral rules

- Multiple flows: intermediate inputs, outsourced services, knowledge, capital, labor and final goods
- Multi-dimensional trade negotiations



A Renewed Approach for Trade Policy in GVCs

- Trade policy can be the driver of comparative advantage and competitiveness (OECD, 2012)
- New approach: exports are good ... and imports are essential!
- From trade in products to trade in processes
- From selling goods to coordinating and synchronizing processes
- Trade and investment are complementary: liberalizing investment is as important as eliminating tariffs!
- The intertwining of different areas: the trade-services-investment-IP nexus (Baldwin, 2012)

What Else Besides Trade Policy?

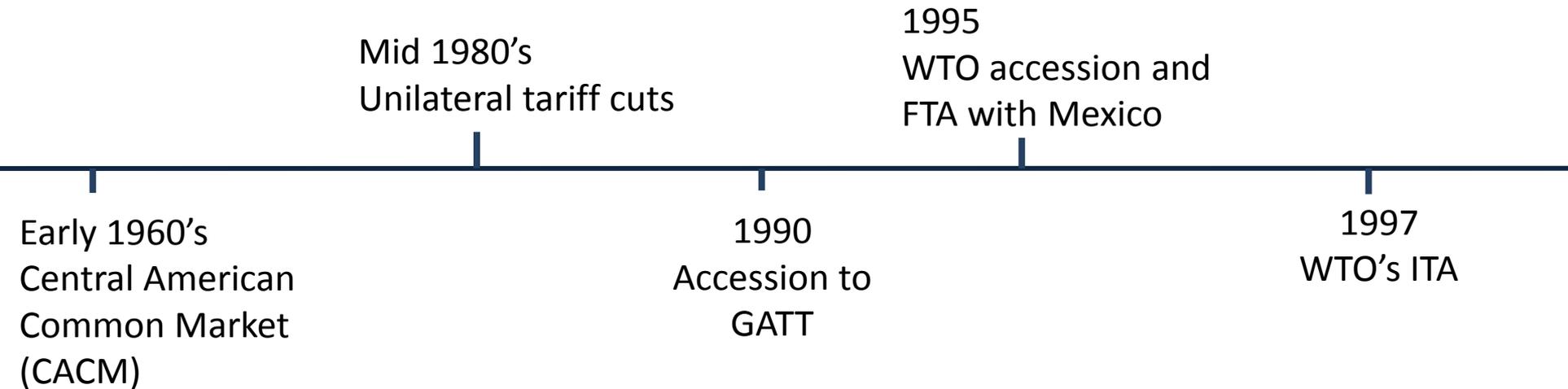
- “Moving up” (either upstream or downstream) in GVCs requires developing capabilities
- Attracting FDI
 - Importance of a sound policy environment
 - Risks of using local content requirements
- Internationalizing firms
 - Entry into export markets can drive firms to innovate
- Other policies are essential: innovation, education, labor markets, immigration, etc.

Trade Policy: A Cornerstone of Costa Rica's Development Strategy

- Integration in GVCs resulted from the outward-looking development strategy implemented
 - Trade liberalization and export platform
 - Strong focus on FDI attraction
 - Enhanced by other factors:
 - Longstanding investment in education resulted in high-skilled and easily-trainable workforce
 - Strategic location (proximity to the US; middle of the Americas; access to both the Pacific and the Atlantic)
 - Social, economic and political stability

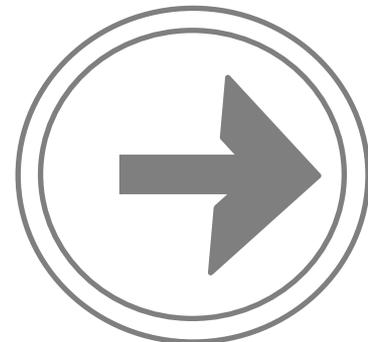


Costa Rica's Trade Liberalization Process



Today:

- 11 FTAs in force with 18 countries (US, China, Singapore, Canada, Mexico, Chile, Peru, etc.) covering 73% of total goods trade
- 3 FTAs signed and expected to enter into force shortly with 33 countries (EU, EFTA, Colombia), covering 13% of total goods trade
- Ongoing negotiations : Expanded ITA, TISA and WTO's TFA
- Prospective negotiations: Pacific Alliance and TPP



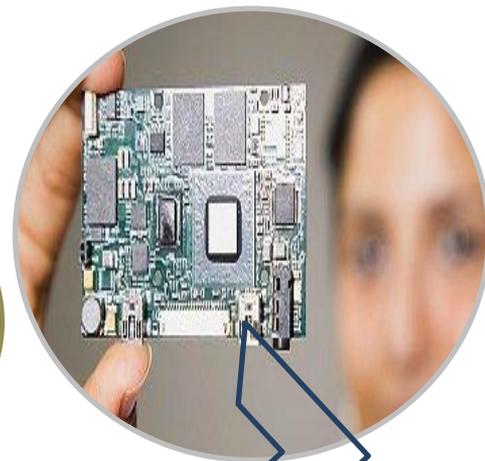
GVCs: New Opportunities for Developing Countries

Lessons learned from Costa Rica's case – applicable to (small) developing countries:

- GVCs can truly foster participation in sophisticated manufacturing and services activities
- Absence of raw materials / lack of a manufacturing “tradition” are no longer obstacles for industrialization
- Integration in GVCs pushes for improving public policies and poses challenges for upgrading
- Policies should focus primarily on trade liberalization (for both goods and services), FDI attraction/enabling (e.g. re-training and certifications), and trade facilitation

comex

Ministerio de Comercio Exterior de Costa Rica



THANK YOU !

francisco.monge@comex.go.cr

www.comex.go.cr



/comexcr

