

WORLD INVESTMENT REPORT 2002: Transnational corporation and export competitiveness

CHAPTER 4: Patterns of export competitiveness

C. Some winner countries

2. Costa Rica (Pg. 167)

Between 1985 and 2000, Costa Rica's exports grew five-fold, from \$1.1 billion in 1985 to \$5.5 billion in 2000. FDI inflows have followed the same trend, rising almost sixfold from \$70 million to \$409 million in 2000. Along with this growth in exports, an upgrading in the composition of exports has also taken place. In the case of Costa Rica's exports to North America, its main market - where its market share has doubled - primary products accounted for 65 per cent of its exports in 1985, but in 2000 their share had decreased to 24 per cent (table VI.8). On the other hand, the share of non-resource-based manufactures rose from 27 per cent to 68 per cent, with a striking gain in high-technology exports, which jumped from 1 per cent to 35 per cent. Of the 10 principal export product gains, accounting for more than three-quarters of the total, two high-technology exports (parts and accessories for computers, and semiconductors) accounted for one-third of the total exports. Costa Rica gained market share in nine of the top ten export product groups in the North American market, six of which are dynamic products.

FDI in general, and a major investment by Intel in particular, played a central role in the improvement of Costa Rica's export competitiveness. About two-thirds of the present FDI stock was accumulated during the 1990s. About two-thirds of the inflows went into the manufacturing sector and about two-thirds came from the United States. The 1998-1999 peak in inward FDI had much to do with the \$400-500 million investment project undertaken by Intel to establish a new assembly and testing facility for microprocessors. Intel's plant in Costa Rica was the 28th largest manufacturing company in Latin America by sales in 1999, and the region's 27th biggest exporter in 2000.

Table VI.8. Costa Rica's competitiveness in the North American market, 1985-2000

Product	Category	1985	1990	1995	2000
I. Market share		0.2	0.2	0.2	0.3
1. Primary products (a)		0.7	0.7	0.8	0.7
2. Manufactures based on natural resources (b)		0.1	0.1	0.1	0.1
3. Manufactures not based on natural resources (c)		0.1	0.1	0.2	0.3
Low technology (d)		0.2	0.5	0.6	0.4
Medium technology (e)		0	0	0.1	0.1
High technology (f)		0	0	0	0.4
4. Others (g)		0	0.1	0.1	0.2
II. Export structure		100	100	100	100
1. Primary products (a)		64.5	45.9	38.4	24.3
2. Manufactures based on natural resources (b)		7.9	5.4	5.9	4.8
3. Manufactures not based on natural resources (c)		26.7	47.2	53.5	68.1
Low technology (d)		20.2	40.6	43.3	25
Medium technology (e)		5.3	5.2	7.9	8.6
High technology (f)		1.2	1.4	2.3	34.5
4. Others (g)		0.9	1.6	2.3	2.8
111.10 Principal exports (SITC Rev.2)	Ah Bi	62.2	64.5	62.6	75.9
759 Parts and accessories for computers, etc.	* +	0.2	0	0.2	29
057 Fruit and nuts (not oil nuts) fresh or dried	+ *	33.9	27.2	24.1	15.5
846 Under garments, knitted or crocheted	* +	5	9.8	12.1	8.1
842 Outer garments, men's and boys' of textile fabrics	+ *	3.7	9.6	10.9	5.7
776 Thermionic valves and other semiconductors,	* +	0.3	0.1	0.1	3.8

n.e.s.						
071 Coffee and coffee substitutes		+	12.5	6	4.1	3.6
872 Medical instruments and appliances, n.e.s.	*	+	-	0.5	1.9	3.4
931 Special transactions and commodities not class.	*	+	0.8	1.3	1.7	2.6
845 Outer garments, other articles, knitted/crocheted	*	+	0.5	3.1	4	2.3
843 Outer garments, women's, and girls' of textile fab.		-	5.4	6.8	3.5	1.9
Source: UNCTAD, based on the United Nations' Comtrade database and the TRADECAN computer software of ECLAC.						
a Contains 45 basic products that are simple to process; includes concentrates.						
b Contains 65 items: 35 agricultural/forestry groups and 30 others (mainly metals, excluding steel, plus petroleum products, cement, glass, etc.).						
c Contains 120 groups representing the sum of low, medium and high technology.						
d Contains 44 items: 20 groups from the textile and garment category, plus 24 others (paper products, glass and steel, jewellery).						
e Contains 58 items: five groups from the automotive industry, 22 from the processing industry and 31 from the engineering industry						
f Contains 18 items: 11 groups from the electronics category, plus another seven (pharmaceutical products, turbines, aircraft, instruments).						
9 Contains nine unclassified groups (mainly from section 9).						
h Groups belonging (*) to the 50 most dynamic in North American imports, 1985-2000						
i Groups in which Costa Rica gained (+) or lost (-) North American import market share, 1985-2000						

Costa Rica's principal export products are parts and accessories for computers, accounting for 25 per cent of exports in 2000; they originate mainly from one foreign affiliate, that of Intel (table VI.9). Although Intel dominates Costa Rican exports, these are becoming increasingly diverse, with restructuring into other dynamic products such as medical devices (even though apparel and primary products remain important). Foreign affiliates account for a significant proportion of these new exports. Two foreign affiliates (Abbott and Baxter) account for virtually all Costa Rican exports of medical devices (representing 3 per cent of total exports). TNCs such as Sara lee and Wrangler are among Costa Rica's principal exporters of garments, and Standard Fruit is the second largest single exporter of fruit. Overall, the country's top 20 foreign affiliates accounted for nearly half of the country's total exports in 2000 (table VI.9).

There is no doubt that an active Government has been a central factor in Costa Rica's success. Efforts to upgrade the level of education, improve infrastructure, provide a friendly investment environment, and encourage the widespread use of English are combined with deliberate FDI targeting strategies. The country's IPA made careful efforts to channel FDI into electronics in order to restructure the country's comparative advantage away from garments (Mortimore and Zamora, 1998) and primary products (Costa Rica, Ministry of Foreign Trade, 1997). The results of Costa Rica's targeting have spread beyond the initial areas (electronics and medical devices) to the services sector; the latest success was the decision by Procter & Gamble to site its global business centre for the Americas there as of 2001 (Gonzalez, 2002). The IPA has thus put Costa Rica on a more dynamic development trajectory, through its active role in shaping the country's development policy (Rodríguez-Clare, 2001).

Despite this success in attracting export- oriented FDI, however, there is as yet little evidence of substantial linkages with local enterprises and embedding of the export platforms in the local economy.

Table VI.9. Costa Rica: exports by the 20 leading foreign affiliates, 2000
(Millions of dollars and percentage)

Rank	Name of affiliates	Name of parent firm	Home Economy	Industry	Value	exports
1	Componentes Intel Costa Rica	Intel	United States	Electronics	1676	25.1
2	Standard Fruit Company de Costa Rica	Dole Food	United States	Fresh fruits and vegetables	155	2.3
3	Corp. De Desarrollo Agricola Del Monte	Del Monte Foods	United States	Fruit and tree nuts	138	2.1
4	Abbott Laboratories	Abbott Laboratories	United States	Medical devices	102	1.5
5	Ind Textilera del Este S.A. (Heredia)	Sara Lee	United States	Apparel	94	1.4
6	Sawtek S.A.	Triquint Semiconductor	United States	Electronics	94	1.4
7	Baxter	Baxter International	United States	Medical devices	92	1.4
8	Manufacturera de Cartago S.A	Sara Lee Intimate Apparel	United States	Apparel	76	1.1
9	Wrangler de Costa Rica S.A	V F Northern Europe	United Kingdom	Apparel	62	0.9
10	Merck Sharp & Dohme (I.A.) Corp.	Merck	United States	Pharmaceuticals	61	0.9
11	Babyliss C.R., S.A.	Conair	United States	Electronics	57	0.9
12	Liga Agricola Industrial de La Cana	Natural resources	50	0.7
13	Coca Cola Interamerican Corporation	Coca-Cola	United States	Bottled and canned soft drinks	45	0.7
14	Conducen, S.A.	Phelps Dodge	United States	Non ferrous wire drawing	43	0.6
15	Terramix	Hultec	United States	Rubber gaskets	42	0.6
16	Warners de Costa Rica, Inc.	Warnaco Group	United States	Apparel	40	0.6
18	Remecinc S.A.	REMEC	United States	Electronics	38	0.6
19	Trimpot Electronicas S.A.	Bourns	United States	Electronics	38	0.6
20	Confecciones H.D. Lee, S.A.	VF	United States	Apparel	36	0.5
Total above					2939	44
Total exports of Costa Rica					6682	100
Source: UNCTAD, based on Costa Rica, Ministry of Foreign Trade. General Direction of Customs and Who Owns Whom CD-ROM 2002 (Dun and Bradstreet).						

Source: UNCTAD, World Investment Report, 167 and 168 pages.