Does going digital make trade more inclusive?: Lessons from Costa Rica’s trade negotiations
OUTLINE

✓ Why going digital?
✓ The challenge of going digital
✓ Multilateral and regional efforts to boost digitalization
✓ CR going digital #1: ITA (1997)
✓ CR going digital #2: CAFTA-DR
  ▪ Telecom reform
  ▪ E-commerce provisions
  ▪ Intellectual property protection
✓ CR going digital #3: Trade Facilitation
  ▪ Paperless, digital single window of foreign trade
  ▪ Central American Digital Platform
  ▪ Digital government
✓ Going beyond: newer reforms for more inclusive digitalization
✓ Widespread consensus that digital technologies reduce costs of trading (less distance and less time); particularly significant for SMEs!

✓ 2013: 85 million online buyers in Latin America (850 million in the world)

✓ 2018: online buyers in Latin America will have grown 64% to reach 140 million!

✓ However, e-commerce grows in Latin America less than in other regions with similar levels of development

✓ If Latin America would use Internet as much as in developed economies, its productivity could go up by 13% (Deloitte, 2014)

✓ Digitalization levels are rather heterogeneous among people, particularly in developing countries
✓ One reason Latin America lags behind is its poor rate of broadband penetration (only 15% of population has access)

✓ Digitalization requires:
  ▪ Higher broadband penetration
  ▪ Strong ICT infrastructure
  ▪ Supporting services to build capacities for harnessing e-commerce
  ▪ Human capital

✓ Therefore, digitalization poses two major challenges:
  ▪ The fostering issue: need to deeply aggressive (and costly) public policies (some may not be shot-term) to boost it
  ▪ The inclusiveness issue: as it increases significantly the productivity of those with access it also can expand the gaps for those without Access; “a rising tide that can lift all boats but that can also sink many”
MULTILATERAL AND REGIONAL EFFORTS TO BOOST DIGITALIZATION

✓ eTrade for All initiative:
  ▪ Joint effort by UNCTAD and IDB
  ▪ Aimed at making e-commerce a key component of development
  ▪ Demand-driven, bottom-up approach to address the needs and interests of developing countries
  ▪ Focuses on identifying gaps and providing training and capacity building

✓ Promotion of a Ministerial Declaration at the WTO to Foster e-commerce:
  ▪ Promoted by Costa Rica through the FEDs
  ▪ Aims to put development at the core of e-commerce

✓ Regional initiatives led by IDB:
  ▪ Connect Americas
  ▪ “Exporta Fácil”
  ▪ Interoperability of national single windows of foreign trade
✓ Founding member of the Agreement (criticized by some developed countries)

✓ Created conditions for attracting FDI in manufacturing of IT products and related services activities

✓ Key contributor for the structural transformation of the Costa Rican economy:
  ▪ Re-composition of goods exports: more sophisticated manufacturing, less concentration on primary goods, higher share of IT exports
  ▪ Re-composition of services exports: higher share of IT and IT-enabled services, faster growth of services exports (almost ½ of total already), became 3rd largest Latin American exporter (absolute terms) of IT and IT-related services, just behind Brazil and Argentina
  ▪ Greater Access of people (consumers) to digital technologies to foster inclusion and socio-economic upgrading
✓ Telecom reform:
   ▪ Participation of private providers was allowed in the domestic market
   ▪ Has boosted mobile telephony penetration and density, as well as access to broadband internet (mostly mobile)
   ▪ Significant upgrade of the country’s telecom infrastructure through private investment

✓ Negotiation of e-commerce provisions:
   ▪ First Costa Rica’s FTA to encompass e-commerce provisions
   ▪ Rise of the concept of “digital product” – goods meet services and bundle up
   ▪ MFN and NT-like provisions to govern trade of digital products

✓ Intellectual Property Protection
   ▪ Outstanding and comprehensive set of reforms to increase punitive standards and enhance enforcement
   ▪ Was a turning point for the country regarding IP protection and set a new standard for future FTA negotiations
### Costa Rica: Diversified and Balanced Export Basket

The graph shows the export distribution of Latin American countries by sector in 2015. The data is sourced from COMEX, based on WTO data.

#### Latin American Countries Exports by Sector (2015)

<table>
<thead>
<tr>
<th>Country</th>
<th>Agricultural Products</th>
<th>Fuels and Mining Products</th>
<th>Clothing and Textiles</th>
<th>Other Manufactures</th>
<th>Commercial Services</th>
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</table>

Source: COMEX, based on WTO data.
COSTA RICA: SHARE OF HIGH-TECH IN MANUFACTURING EXPORTS

Participation of high technology exports in total exports of manufactures

Source: COMEX, based on World Bank data.
COSTA RICA: INCREASING SHARE OF IT AND IT-ENABLED SERVICES EXPORTS

- Share of GDP:
  - Agriculture
  - Business services, computing and information technology

Source: COMEX, based on figures of PROCOMER and BCCR
COSTA RICA: OUTSTANDING SERVICES EXPORTS PERFORMANCE IN LATAM

Fuente: COMEX con base en cifras de OMC

Porcentaje de participación en el total regional.
Digital single window of foreign trade (forthcoming):
- Paperless for increased sustainability
- Runs 24/7/52 for increased efficiency and productivity (up to 80% savings of TCs)
- 100% digitalized for maximum streamlining of procedures

Central American Digital Platform (work in progress):
- Cloud-computing interface that interconnects all CA countries’ customs systems
- Streamlined communication among customs for easier regional trade and less costly controls
- Increased transparency in trade operations

Digital government
- Increased transparency to empower users
- Open-data and linked-data to enhance navigation tools and minimize the cost to access information
- Streamlining: towards unified digital procedures
- Use of digital signature (compulsory for all public institutions)
Enhanced forms of combating “digital protectionism”: modernize legal frameworks governing electronic transactions to enable free flowing of data across borders; promote cloud computing and electronic payments.

Potential of digitalization to boost inclusive development depends largely on the “analogue complements” for fighting the digital divide:

- Make regulations compatible with digitalized XXI century trade and foster domestic competition
- Foster technical and financial assistance for skills development in developing countries
- Enhance the quality of institutions

Latest features in trade negotiations to promote more inclusive digitalization:

- Online consumer protection, spam and data protection use of electronic signatures and authentication methods, facilitating cross-border data flows and promoting cooperation
- WTO’s TFA promotes the use of online customs procedures and electronic payments
Thanks

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