

Off-shoring and Employment: The case of Costa Rica

In the last decades many developing countries have opened their economy and, as a result, have started or intensified their participation in global production networks. The research programme on Costa Rica is part of a broader research programme, which tries to answer the following question: What are the circumstances which allow a country to maximize the positive and minimize the negative employment effects of participating in global production networks? Several country studies will contribute to reply to this question.

Costa Rica is a particular interesting case study. The country began participating in the global apparel commodity chain in the early 1980s—when the Reagan administration introduced the Caribbean Basin Initiative. During the 1990s, the country adopted a selective policy of promotion of high tech FDI, succeeding in attracting INTEL and other large multinational corporation. This study will analyze with detail the effects of these offshoring activities, paying particular attention to the quality and quantity of employment. The study will first describe the aggregate shifts in trade and production patterns, evaluating the weight of offshoring and its various components in the main macro-variables. A large share of the study will be devoted to the employment effects of offshoring. We will pay particular attention to the creation of linkages, the evolution of sectoral and aggregate productivity and the quality and quantity of employment. The study will also compare the impact of high tech and low tech offshoring. We will finish with a discussion of the factors behind the particular results observed, focusing on enterprise strategies, national policies and exogenous factors. They will all help us to elaborate policy recommendations.

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