

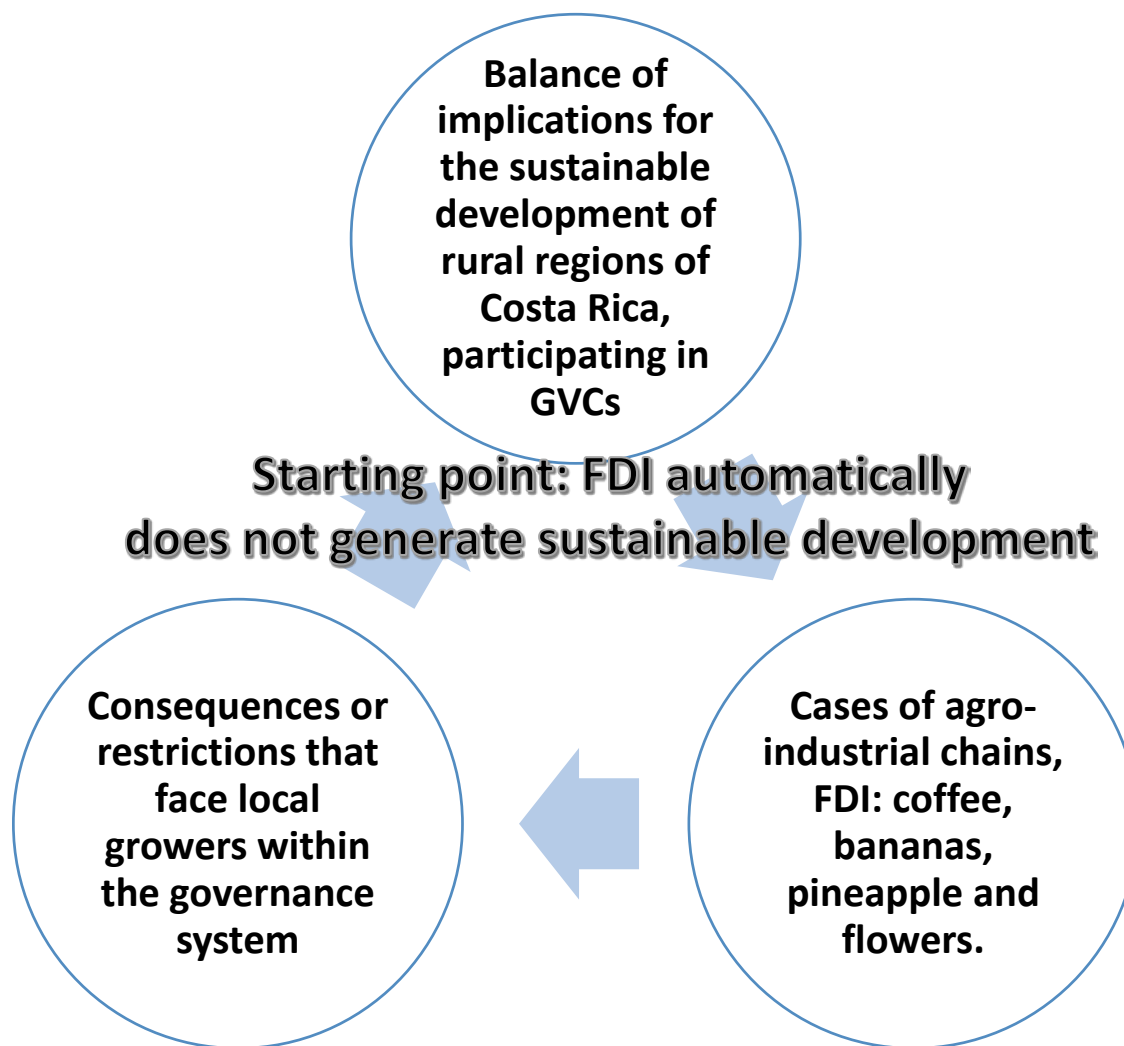


# **Sustainability in Rural territories participating in global value chains. Cases of Costa Rican agroindustrial-chains**

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# Introduction



# General characteristics

## Share of Costa Rican Exports

Agrichain	2010	2011	2012	2013	2014	2015
Banana	7,90	7,72	7,22	7,18	8,02	8,57
Pineapple	6,99	6,91	6,79	7,08	7,65	8,34
Coffee (Green)	2,73	3,59	3,62	2,62	2,44	3,17
Plants, Flowers and Foliage	1,82	1,62	1,47	1,35	1,35	1,57

Source: PROCOMER

## Products and Location

Agrichain	Products	Locations (countys)	MNCs
Banana	Mainly fresh	Matina, Pococí, Siquirres, Parrita y Corredores	Del Monte y Dole y Chiquita Brands.
Pineapple	Mainly fresh	Guácimo, Siquirres, Matina, Los Chiles, San Carlos, Sarapiquí, Guatuso, Buenos Aires, Parrita, Pérez Zeledón y Upala	Del Monte, Chiquita y Dole
Coffee (Green)	Mainly Green Coffee	Tarrazú, Dota, Naranjo, Alajuela, León Cortés	Volcafé, Neuman Kaffee Group, Ecom
Plants, Flowers and Foliage	Flowers Cut	Paraíso, San José de la Montaña, Barva	Expoflora, Floreexpo, CABH American Flower

# Approach: FDI – Sustainable Development

Gallagher, Chudnovsky, and Porzecanski, (2009): focus on spillover effects that generate multinational companies (MNCs)

- via learning and transferring of knowledge processes that allow to build skills and technological capabilities by local firms,
- as well as the transmission of the best environmental practices.

Alternatively: Our study looked at those links in the context of global chains in agro-industry, giving special attention to:

- the consequences or constraints faced by producers within a system of governance of global goods chains.

# General methodology

## *Local sustainable development*

- Sustainability triangle, in terms of local (district) indicators. SD indexes.

## *Expected benefits*

- Macroeconomic effect: export growth
- Chain level: competitiveness improvement, transference and technology assimilation Upgrading processes: human resource training, local production enchainments, entrepreneurship development, and process upgrading (transformation to a manufacturing center)

## *Costs*

- FDI attraction: added value trap, focus on comparative advantages
- Macroeconomic: import dependance
- Competitiveness: Lack of clustering, crowding out local firms, race to bottom competition on salaries, labour and environmental standards, race to top on MNC incentives

# Discussion

FDI Impact	Coffee	Banana	Pineapple	Flowers
Chain Governance	Relational	Captive	Captive	Hierarchic
Local Context				
Dimension Economic SDI	Unstable	Unstable	Unstable	Stable
Social SDI	Stable	Stable	Stable	Stable
Environmental SDI	Fragile	Fragile	Fragile	Fragile
Corporate Strategy	Export	Export	Export	Export
Expected benefits				
Export growth	Medium	Medium	Medium	Medium
Competitiveness improvement	Medium	High	High	High
Transference and technology assimilation	Medium	Medium	High	High
Human resource training	Medium	Medium	Medium	High
Local productive enchainment	High	High	Media	High
Entrepreneurship Development	Medium	Medium	Low	Medium
Transformation of manufacture centers	Low	Low	Low	Low
Costs (3)				
Added Value Trap	Medium	High	High	Medium
Focus on static comparative advantages	Medium	High	High	High
Import dependence	Media	Medium	Medium	Medium
Lack of clustering	Low	Low	Low	Low
Crowding out local firms	Medium	Medium	High	Low
Race to bottom in salaries, labor and environmental standards	Low	Medium	Medium	Medium
Race to top in MNC incentives	Medium	Medium	Medium	Medium

Source: Own elaboration based on: García & Valenciano, 2016, Valenciano, Salas & Díaz, 2013, Contreras, 2012, Murillo & Salazar, 2013.

# Final remarks

## Chain promotion

- How to promote an improved participation, or more realistically, how to avoid an impoverishing enchainment?

## Resource Development

- As suppliers of labor: training processes, and capacity-building are fundamental prevent participation in activities based on abundance and low-wage labor. As suppliers of natural resources: environmental regulations

## Explicit consideration of the chain governance

Small producers's participation in global value chains is important in the processes of growth, but participation is not enough without considering how to deal with the governance structure.

## Local and international institutions

- The national institutional framework is determining the competitiveness of small local producers.: programs of differential access to credit, technical assistance and market intelligence.
- International instruments should consider, when designing support mechanisms, the risk of supporting the governance system instead of small growers.

## Foreign direct investment: balance

- FDI in rural area is natural resources oriented; mainly cheap, fertile soils and climate factors. It is recognized the benefit in the employment generation, however in issues as environmental sustainability and social equity there is not clear evidence about the positive contribution of these companies. Local chain institutions may mean the difference.