

COMMUNICATION FROM COSTA RICA¹

Computer and Related Services

The following document has been received from the delegation of Costa Rica with the request that it be circulated to the Members of the Council for Trade in Services.

I. IMPORTANCE OF THE SECTOR

1. The computer industry in Costa Rica is of considerable economic significance owing to its high growth rate during the past few years as a local industry with high value added. For example, studies have revealed² that software production has a national value added exceeding 90 per cent.

2. The domestic computer industry has been dynamic, diversified and well accepted on international markets, and it is made up for the most part of small and medium enterprises, particularly in the case of companies focusing on software development. Moreover, it is made up of companies producing "tailor-made" application packages or systems for other companies or offering advisory services in the area of software development for other companies.

3. Almost all of the enterprises were set up during the 1990s, led by a few pioneers which began their work in the 1980s. Some 83.5 per cent of the companies are locally owned, 12.4 per cent are mixed capital companies and the remaining 4.1 per cent are foreign owned. Half of the companies are export-oriented.

4. Costa Rican software exports have undergone considerable growth over the past few years, reaching US\$50 million in 2000. This has meant that computer and related services now account for a significant share of total exports alongside other important Costa Rican exports such as hairdryers, plants and shrubs, and melons – in fact, their share is now double that of sugar exports.

5. In spite of the importance and growth potential of this sector, Costa Rican software producers face a number of barriers in other markets, in particular:

- Discriminatory tax treatment for foreigners;
- excessive capital transfer and/or repatriation taxes;

¹ This communication does not prejudice Costa Rica's position on this or other sectors or any future offer in those sectors. Costa Rica reserves the right to modify this proposal during the negotiations, and it should not be analysed as a legal text.

² Mata, Francisco and Jofré Arturo. *Informe Final Estudio de Oferta y Demanda del Recurso Humano*. June 2001. Competitiveness Support Programme for the Software Development Sector in Costa Rica.

- restrictions on or excessive requirements for temporary entry and exit of specialized technical personnel.

II. ANALYSIS OF NATIONAL SCHEDULES

6. Document S/C/W/45 of 14 June 1998 prepared by the WTO Secretariat shows a total of 62 GATS schedules containing commitments on computer and related services. The number and level of commitments of WTO Members is not satisfactory. There remain considerable restrictions with respect to commercial presence (many of them horizontal) and with respect to the movement of natural persons. These commitments must be broadened, and restrictions with respect to national treatment and market access eliminated, in particular those relating to cross-border supply, commercial presence and the movement of natural persons.

III. PROPOSAL

7. Costa Rica considers this to be a highly important sector for world economic growth and for the development of all WTO Members, in particular the developing countries. Consequently, it proposes:

- That WTO Members make new specific commitments in the computer and related services area and extend the commitments already made to cover the four modes of supply, in particular cross-border supply, commercial presence and the movement of natural persons;
 - that the commitments made should cover all of the subcategories described in the Services Sectoral Classification List (MTN.GNS/W/120), i.e.: (a) consultancy services related to the installation of computer hardware; (b) software implementation services; (c) data processing services; (d) database services; (e) other computer and computer related services. In the course of the negotiations, this classification should be reviewed in order to determine whether it corresponds properly to the progress made in the sector. This work should be based on the Central Product Classification of the United Nations (CPC);
 - that WTO Members eliminate all restrictions on national treatment and market access in the computer and related services area.
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