

FARAH STOCKMAN

# Is This the Silicon Valley of Latin America?

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**By Farah Stockman**

Ms. Stockman is a member of the editorial board and the author of “American Made: What Happens to People When Work Disappears.” She reported from San Jose, Costa Rica, for this essay.

Americans used to think of China as a place to do business, and Latin America as a place to vacation. More recently, our neighbors to the south are seen as the source of desperate migrants. That mind-set led us to the mess that we are in now. Today, the American economy is far too dependent on China for critical supplies, while imports from countries in our own hemisphere, aside from Canada and Mexico, are lagging behind, experts say. Our influence in our own neighborhood is waning.

It doesn't have to be this way. I saw evidence of that in Costa Rica, a stable democracy that is vying to become the Silicon Valley of Latin America — with active support from the United States.

Costa Rica is crucial to the gargantuan U.S. effort to reduce dependence on microchips from China, which plays an outsized role in packaging and testing the tiny gadgets that run everything from smartphones to fighter jets. More than 40 percent of the chips the U.S. Department of Defense uses for weapons systems and infrastructure rely on Chinese suppliers. More than 90 percent of all advanced chips are produced in Taiwan, a self-governing island claimed by China.

Now, Costa Rica is positioning itself to become a major hub outside Asia for packaging and testing microchips. In the 1990s, Intel built a factory near San Jose to do just that. That opened the door to more factories and industries and, as a result, an increasingly tech-oriented work force. Today, Costa Rica's biggest category of exports is no longer coffee or bananas but medical devices.



Damon Winter/The New York Times

On a recent Thursday afternoon, in a hotel ballroom outside of the capital, San Jose, President Rodrigo Chaves touted tax incentives, regulatory reforms and a 99 percent-renewable-energy grid as he rolled out a national strategy to expand the industry. “Welcome to Costa Rica, a country where thou shall not face red tape,” he boomed.

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His audience — which included the U.S. commerce secretary, Gina Raimondo; Gen. Laura Richardson, the four-star who leads the U.S. Southern Command; and top executives from Intel — enthusiastically applauded.

“We need allies closer to home,” Ms. Raimondo told me. She is in charge of doling out tens of billions in subsidies to bring the industry closer to home, an effort that is crucial to ensuring that Americans stay on the cutting edge of A.I. and other critical technologies in the future.

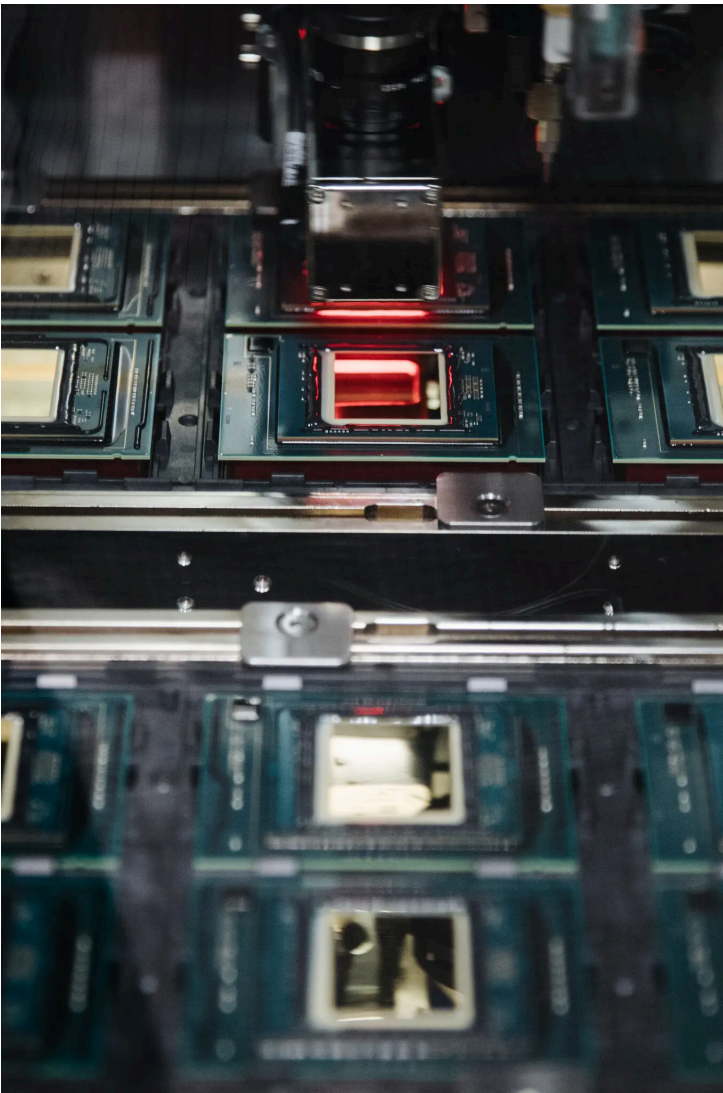


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This great reshuffling of the U.S. supply chain could be the key to building better relationships in Latin America at a time of rising isolationism in the United States, when both parties have grown skeptical of free trade and frustrated by record numbers of migrant arrivals.

While the CHIPS and Science Act is best known for its billion-dollar subsidies to build facilities on U.S. soil, it also provides modest funding for our allies. Costa Rica and Panama have received money to beef up their work forces and their infrastructure. The Dominican Republic looks poised to be next in line.

It's no accident that "building resiliency" for supply chains is a main goal of the Americas Act, the new bipartisan bill that would revamp relations with friendly neighbors and put them on a path to join the United States-Mexico-Canada Agreement, the trade agreement that replaced NAFTA.



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I have been a vocal critic of NAFTA, a view I came to while writing about American factory workers who lost their jobs when their plant moved to Mexico. Exporting our industrial base hurt American workers and U.S. national security. But the U.S.M.C.A., which passed overwhelmingly in Congress a few years ago, has gone a long way toward addressing workers' concerns. It's popular. Why not expand it? And if more trade with Latin America will build up an industrial base that would have otherwise gone to Asia, it could make our region stronger, not weaker.

Nations that trade the most with their nearest neighbors get the biggest benefits from trade while minimizing the dislocating job loss that can come with it, as Shannon O'Neil argues in the recent book "The Globalization Myth." Europe and Asia are mastering that. America is not.

When America turned to Asia for low-cost labor, that left a void in our own backyard, as Karina Fernandez-Stark and Penny Bamber noted in a recent article in *The Wilson Quarterly*. China is filling it, becoming the most important trade partner and investor in much of Latin America. Twenty-two countries in the Western Hemisphere have signed onto China's Belt and Road initiative. Chinese companies are building a deepwater port in Peru, a bridge across the Panama Canal and a space station in Argentina.

We can't blame our Latin American friends for turning to China to make investments that we won't provide. While we've been off trying to run the world, we've been elbowed out of our own hemisphere.

Supply chain diplomacy can help. Until now, Costa Rica has hedged its bets, signing onto Belt and Road while also lobbying for the chance to join the U.S.M.C.A. But the chance to be a microchip hub seems to have tipped the balance. Mr. Chaves abruptly excluded the Chinese vendor Huawei — alongside others — from building the country's 5G network, angering China.



Damon Winter/The New York Times



“Sometimes you need to make difficult decisions,” Mr. Chaves told his audience. “We’re not imagining the future; we are building it, with those with whom we share values.”

It’s smart, both geopolitically and economically, to nurture that sense of shared destiny. It won’t be a quick fix to the region’s many problems, but it can help turn the tide over time. Costa Rica, Panama and the Dominican Republic are relatively small countries with limited influence. But if their economies are booming, they can provide more opportunities to those fleeing crisis-ridden places like Haiti and Nicaragua. Fewer migrants will arrive at our doorstep.

Like any policy, supply chain diplomacy has its risks. We could be building up our future competitors. I couldn’t help but notice that San Jose seems better poised for the digital age than rural Ohio. Some technical high schools already teach an artificial intelligence curriculum, a senior Intel executive in Costa Rica told me. The industry attracts top talent and fierce loyalty. At Intel’s plant near San Jose, one factory manager told me that he “bleeds blue” — the color of the company logo.

But this factory wouldn't be competitive in the United States. Even in Costa Rica, it has struggled to compete with the low labor costs of Asia. Intel actually closed the plant in 2014 and sent its work to Malaysia, leaving a skeleton crew doing research and development. The factory reopened in 2020, after the pandemic set off a chip shortage. Intel has been expanding ever since, gobbling up space that used to be a cafeteria. Demand for chips will only increase with the rise of artificial intelligence.

How we navigate the challenges posed by A.I. — and a far more powerful China — will determine our future. We have a choice: face those challenges by ourselves, or with friendly neighbors.

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Farah Stockman joined the Times editorial board in 2020. For four years, she was a reporter for The Times, covering politics, social movements and race. She previously worked at The Boston Globe, where she won a Pulitzer Prize for commentary in 2016. [@fstockman](#)



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