



COSTA RICA

A COAST RICH IN AGRICULTURE AND TECHNOLOGY

by Katie Lyons

Export America

The United States is Costa Rica's most important trading partner. In 2001, Costa Rica imported \$2.5 billion worth of U.S. goods and services, constituting nearly half of the country's total imports. U.S. technology, products, and services are welcomed due to the proximity of the United States to Costa Rica, as well as the high quality and wide selection of competitively priced products. U.S.-style marketing techniques and malls are the norm. E-commerce is a small, growing sales channel, but it is constrained by Costa Rica's telecommunications infrastructure, lack of legislation, and inefficient local delivery services.

Historically known as a producer of bananas and coffee, Costa Rica has in recent years earned a reputation as an attractive location for foreign high-technology investment as well as a popular destination for tourists. The country's relatively well-educated and productive work force, favorable tax and customs regimes in free trade zones, and central location in the Western Hemisphere have attracted foreign investors. The 1998 opening of Intel Corporation's \$200 million microprocessor finishing and testing facility was a milestone in the country's transition to high-technology industry and was followed by large new investments by Abbott Laboratories and Procter & Gamble, among others.

FACTS AND FIGURES

Total area: 51,000 square km (slightly smaller than West Virginia)

Population: 3.8 million

Capital: San Jose

GDP: \$16 billion

GDP by sector: services 57%, industry 30%, agriculture 13%

Main industries: microprocessors, food processing, textiles and clothing, construction materials, fertilizer, plastic products

Exports: textiles, electronic components, medical equipment, coffee, bananas, sugar, pineapples

Imports: raw materials, consumer goods, capital equipment, petroleum

Languages: Spanish, but most business professionals speak English.

Sources: U.S. Department of Commerce, CIA, IMF, EIU.

Costa Rica's tourism industry has successfully marketed the country abroad and garnered this sector more foreign exchange than the traditional agricultural sector. More than 30,000 U.S. citizens are Costa Rican residents who, like the tourists, are attracted by the climate, political stability, and hospitable atmosphere.

It is predicted that by 2005 Costa Rica's export earnings will amount to \$15.7 billion, about four times the current figure. The Costa Rican Investment and Development Board (CINDE) has worked closely with the Costa Rican government and actively recruited most of the large U.S. companies now located there.

After expanding more than 8 percent annually in the late 1990s, Costa Rica's

gross domestic product (GDP) growth slowed to less than 1 percent in 2001 but is expected to increase to 1.4 percent by the end of 2002. Costa Rica has been affected by the slowdown in the U.S. economy, the decline in agricultural commodity prices, particularly for coffee and bananas, as well as the increasing costs for imported petroleum. In 2001–2002, currency devaluation increased to 9.4 percent compared to 7.4 percent for 2000–2001 and is expected to rise slightly. Roughly 60 percent of all bank deposits are in U.S. dollars. The colon is the official currency, but people are able to make payments in U.S. dollars.

Regional integration of Central American markets is progressing with the resolution of internal political conflicts, lowered tariffs and other trade



Photo courtesy of Steve Hubin

barriers, and renewed attention to economic development. Approval of the Caribbean Basin Trade Partnership Act (CBTPA) of 2000 will increase free trade between the United States and Caribbean countries. The CBTPA should also increase trade within the region for components of products destined for the U.S. market. The act proves to be especially attractive for those firms operating in the garment assembly and tuna processing industries.

Costa Rica's growing economy also attracts investors, because there are numerous free trade zones that offer tax holiday opportunities and other benefits, such as exemptions from import duties on raw materials, capital goods, parts, and components. Free trade zone

benefits are expected to phase out by 2007. Free trade zones have been incorporated in the port cities of Limón and Puntarenas as well as some locations in the Central Valley.

There are no significant trade barriers to the entry of most goods and services. However, all essential services, such as telecommunications, electricity, insurance, and petroleum, are state monopolies. Privatization continues to be a politically divisive issue in Costa Rica. Currently, the government grants few concessions to operate on behalf of the legal state monopolies, rather than opening these institutions to private participation.

In 2001, tourism earned \$1.3 billion, despite the terrorist attacks of September 11. Tourism employs of 152,000 people. Four U.S. carriers currently service Costa Rica. Tourism is a market that provides good opportunities for U.S. investors and companies. Currently there are several developments under consideration, such as Four Seasons hotels and golf courses by Jack Nicklaus and Arnold Palmer.

For more detailed information visit www.export.gov and select the link to country and industry market research, and then chose the *Country Commercial Guide* or industry-specific reports for Costa Rica. ■

BEST PROSPECTS FOR NON-AGRICULTURAL EXPORTS TO COSTA RICA

- Paper and paperboard
- Computers and peripherals
- Plastic materials
- Automotive parts
- Agricultural chemicals
- Telecommunications equipment
- Pharmaceuticals
- Construction equipment.

2003 HOLIDAY SCHEDULE

(all of these are national holidays):

January

1 New Year's Day

March

28 Holy Thursday

29 Good Friday

Easter

Holy Week, Semana Santa. Dates vary annually, but businesses will often close for the entire week proceeding Easter weekend.

April

11 Juan Santamaria Day: public holiday to commemorate the national hero who fought at the Battle of Rivas against the American invader William Walker in 1856.

May

1 Labor Day

July

25 Guanacaste Day: marks the annexation of Guanacaste from Nicaragua in 1824.

August

2 Our Lady of the Angels

15 Mother's Day and Assumption Day

September

15 Independence Day

October

14 Dia de la Raza (Columbus Day): Limón Province only, marked by a carnival, which takes place in the week prior to October 14.

15 Cultures Day

December

25 Christmas Day



TIPS FOR DOING BUSINESS

DISTRIBUTION/ESTABLISHING REPRESENTATIVES

- Although it is possible to export directly to Costa Rica, U.S. companies should find a local representative and/or establish a local sales office.
- Having a local representative is a requirement for companies that would like to participate in the government's procurement system.
- Costa Rican law provides two main forms of representation: a representative and a distributor.
- Domestic laws allow for foreign ownership of most business activities. There are a few exceptions, including legal monopolies or services to Costa Rican citizens (electrical power, broadcasting, and wholesale distribution).

MARKETING

- Direct marketing has limited success due to the difficulty in obtaining comprehensive and reliable client lists and addresses.

- Marketing in Costa Rica is similar to marketing in the United States. Costa Rica has many large franchise outlets, shopping centers, and malls.
- Sales catalogs should be translated into Spanish, and products must be priced competitively.
- Costa Rican newspapers are the best way to promote sales of products or services.

OTHER CONSIDERATIONS

- Personal Relationships: Business in Costa Rica depends heavily on establishing personal relationships with foreign suppliers.
- Work Force: Costa Rica has one of the highest literacy rates and most productive work forces in Latin America. Many employers are working together with the government to promote education in technology to help satisfy demand for labor in that sector.

BUSINESS CUSTOMS

- Costa Rican business executives place great importance on personal contact, and appointments should be made at hosts' facilities instead of hotels.
- A business suit is appropriate attire.
- Working hours are from 8:00 a.m. to 12:00 p.m. and from 2:00 p.m. to 6:00 p.m.
- The Costa Rican government has a continuous working schedule from 7:30 a.m. to 4:00 p.m.
- Banks are open from 9:00 a.m. to 3:00 p.m.



USEFUL WEB SITES

Commercial Service in Costa Rica



www.buyusa.gov/costarica

U.S. Embassy in Costa Rica

This site provides information about diplomacy, trade policy, and economic relations between the United States and Costa Rica. A significant amount of this information is in Spanish.

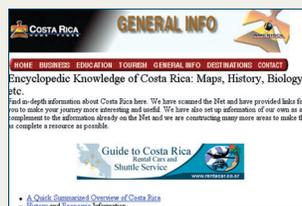
<http://usembassy.or.cr>

This bilingual Web site provides a comprehensive introduction to doing business in Costa Rica. It offers links to local service providers and information about resources from other U.S. government programs.

culture, businesses, and tourism of Costa Rica.

www.costaricaweb.com

Costa Rica Home Pages



www.amerisol.com/costarica/info.html

This site includes information on government statistics, census information, an interactive export directory, and other general information about the country.



Costa Rican-American Chamber of Commerce

This site offers information on investing and doing business in Costa Rica.

www.amcham.co.cr

Embassy of Costa Rica

www.costarica-embassy.org

The World Factbook

This publication by the CIA provides basic information about the country's government, infrastructure, population, and geography.

www.cia.gov

Costa Rican Investment and Development Board

The Costa Rican government commissioned this board to be the main promoter and advisor to foreign investors. It is a private non-profit organization that provides comprehensive information on the economy and the business environment and also aids in initial contact with potential investors.

www.cinde.or.cr



The TICO Times

This is Central America's leading English-language newspaper.

www.ticotimes.net



La Nación

This is the leading Costa Rican Spanish-language newspaper out of San Jose.

www.nacion.co.cr

Governments on the WWW

This site offers information about national institutions, foreign representatives, political parties, and tourism.

www.gksoft.com/govt/en/cr.html

Ministry of Economic Affairs, Industry, and Commerce



This Spanish-language site provides general information on the economy and industry, including statistics. The ministry also enforces the Consumer Protection Law, and the site contains the full text of the law.

www.meic.go.cr



Costa Rica Information

This provides information about businesses in Costa Rica as well as general information, such as real estate, marketing, and employment.

www.infocostarica.com

Costa Rican Stock Exchange

This Spanish-English Web site provides general information on the Costa Rican Stock Exchange. It includes a list of companies that are traded on the exchange.

www.bnv.co.cr

Costa Rica Web

This site offers information about the government, services,