



Doing Business in Costa Rica: 2008 Country Commercial Guide for U.S. Companies

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- [Chapter 1: Doing Business In Costa Rica](#)
- [Chapter 2: Political and Economic Environment](#)
- [Chapter 3: Selling U.S. Products and Services](#)
- [Chapter 4: Leading Sectors for U.S. Export and Investment](#)
- [Chapter 5: Trade Regulations and Standards](#)
- [Chapter 6: Investment Climate](#)
- [Chapter 7: Trade and Project Financing](#)
- [Chapter 8: Business Travel](#)
- [Chapter 9: Contacts, Market Research and Trade Events](#)
- [Chapter 10: Guide to Our Services](#)

[Return to table of contents](#)

Chapter 1: Doing Business In Costa Rica

- [Market Overview](#)
- [Market Challenges](#)
- [Market Opportunities](#)
- [Market Entry Strategy](#)

Market Overview

[Return to top](#)

- The United States is Costa Rica's main trading partner, accounting for over half of Costa Rica's total imports. According to U.S. Census Bureau trade data, the U.S. had a trade surplus of US\$637 million in the trade of goods with Costa Rica in 2007. This compares to a surplus of US\$288 million in 2006 and a US\$183 million in 2005, and a deficit of US\$27 million in 2004.
- Total foreign direct investment in the country topped the \$1 billion mark in 2006 (the latest available year for this data), a dramatic increase from \$861 million in 2005. The United States accounted for just under half of the total. U.S. companies like Intel, Procter & Gamble, Hewlett-Packard, Baxter and a number of franchising and service companies have invested in facilities in Costa Rica, and others have followed in the past year.
- Overall, Costa Rica's economic indicators are showing positive signs. Economic growth continues at a steady pace, with GDP rising at about seven percent in 2007, or roughly the same level (6.8 - percent) in 2006. GDP growth may decline next year to five percent due to inflationary pressures and oil prices.
- The poverty rate (16.7 percent), the unemployment rate (4.6 percent), and the external debt have all decreased in the past year. The Government recently announced that it had achieved a slight budget surplus for the latest fiscal year, the first time in over 50 years. Inflation, however, remains high, hovering at around 10 percent annually.

Market Challenges

[Return to top](#)

- Full accession to CAFTA-DR will not be achieved until Costa Rica passes a package of laws that will provide compliance to the agreement's provisions, particularly in IPR protection, and openings in telecommunications and insurance.
- As of the drafting of this report, the Asamblea had approved only six of the 12 implementing laws, and many will require a review by the Constitutional Court.

Furthermore, USTR and Costa Rica must agree on the regulations that support the package of laws. This makes it unlikely that Costa Rica will become a participating country in the Agreement by the deadline of February 29, 2008. The Government has announced it will request an extension of the deadline, although the time period involved is not known.

- Although the overall investment picture is bright, the Costa Rican Government has not enjoyed great success with many of its concession schemes for its public works projects, including the Juan Santamaria Airport in San Jose. As a result, infrastructure in many instances has deteriorated and will need to be improved if Costa Rica is to remain competitive in the regional and world economy.
- Enforcement of intellectual property laws has been lacking in many cases, due to insufficient resources and training and weaknesses in the country's criminal code. The legal process in general is often sluggish, making binding arbitration an attractive option.
- Costa Rica recognized the People's Republic of China this past year, giving greater impetus to competition from products originating from that country. Costa Rica is also part of the Central American effort to negotiate a Free Trade Agreement with the European Union.

Market Opportunities

[Return to top](#)

- Market prospects are excellent in the following sectors: auto parts, travel and tourism services, construction equipment, audiovisual equipment, hand power tools/hardware, dental equipment, and hotel and restaurant equipment.
- Future prospects in these and other sectors are likely to improve with Costa Rican participation in the CAFTA-DR. More than 80 percent of all non-agricultural goods, and more than 50 percent of agricultural products, will be duty-free immediately upon Costa Rica's accession to the agreement. In addition, Costa Rica is committed to market openings in the wireless telecommunications and Internet markets, along with insurance.
- In addition, CAFTA-DR will strengthen Costa Rica's IPR protection regime, eliminate the dealer protection regimes, allow non-discriminatory treatment for U.S. firms in government procurement bids, and provide stronger protection for investors.

Market Entry Strategy

[Return to top](#)

- U.S. products enjoy an excellent reputation for their quality and price competitiveness. Proximity to the Costa Rican market is also a major advantage for U.S. exporters who wish to visit or communicate with potential customers.

This facilitates close contacts and strong relationships with clients, both before and after the sale.

- The U.S. Commercial Service Costa Rica advises U.S. companies to consult with local research companies and legal firms to conduct the necessary due diligence before entering into contracts with local firms. These partners will be instrumental in penetrating and expanding the market for a company's exports.
- If CAFTA-DR is approved, trade should be further facilitated with the market access improvements and tariff reductions listed above.

[Return to table of contents](#)

[Return to table of contents](#)

Chapter 2: Political and Economic Environment

For background information on the political and economic environment of the country, please click on the link below to the U.S. Department of State Background Notes.
<http://www.state.gov/r/pa/ei/bgn/2019.htm>

IMPORT POLICIES

Free Trade Agreement

The United States and five Central American countries (Costa Rica, El Salvador, Guatemala, Honduras, and Nicaragua) signed the U.S.-Central American Free Trade Agreement (CAFTA) in May 2004. Since then, all the signatories, with the exception of Costa Rica, have ratified and implemented the agreement. On October 7, 2007 Costa Rica held a nation-wide referendum that ratified its participation in CAFTA-DR. However, the country must still take the necessary steps to implement the agreement by reforming its laws and regulations to meet its CAFTA-DR obligations.

Proper implementation of CAFTA-DR will not only liberalize trade between the United States and the region, but will also advance integration efforts among the countries of Central America, while removing barriers to trade and investment in the region by U.S. companies. CAFTA-DR requires the countries of the region to undertake needed reforms to alleviate many of the systemic problems in such areas including administration; protection of intellectual property rights; services, investment, and financial services market access and protection; government procurements; sanitary and phyto-sanitary (SPS) barriers; and other non-tariff barriers.

For detailed information on the CAFTA-DR agreement, please see the links to the websites at the conclusion of this chapter.

Tariffs

[Return to top](#)

As a member of the Central American Common Market (CACM), Costa Rica agreed to reduce its common external tariff to a maximum of 15 percent, with certain exceptions. Costa Rica completed its reductions with a decree published on January 6, 2000. When CAFTA-DR is fully implemented in Costa Rica, about 80 percent of U.S. industrial and commercial goods will enter the country duty-free, with most of the remainder eliminated within ten years. Textiles and apparel will become duty and quota-free immediately if they meet the Agreement's rules of origin requirements, promoting new opportunities for U.S. and Central American fiber, yarn, fabric and apparel manufacturing.

Costa Rica protects selected agricultural commodities with tariffs that significantly exceed the 15 percent common external tariff ceiling. These protected commodities include dairy products (40 to 65 percent) and poultry products (150 percent), although most tariffs on agricultural products range from one percent to 15 percent. New and used automobiles are also taxed heavily, ranging up to 54 percent of the assessed (not

actual) value of the car, depending upon the age of the vehicle. The potential taxes on imported vehicles can be viewed at:

<http://www.hacienda.go.cr/autohacienda/Autovalor.aspx>

CAFTA-DR will eliminate tariffs on virtually all agricultural products within a maximum of fifteen years (dairy and rice in 20 years, and chicken leg quarters in 17). Fresh potatoes and onions will be liberalized through the expansion of a tariff-rate quota (TRQ). The agreement also requires transparency and efficiency in administering customs procedures, including rules of origin. Costa Rica has also committed to ensure procedural certainty and fairness, and all parties have agreed to share information to combat the illegal transshipment of goods.

For more information on the provisions of the CAFTA-DR agreement, please see the following website link:

http://ustr.gov/Trade_Agreements/Bilateral/CAFTA/Section_Index.html

Non-Tariff Measures

Costa Rica levies a sales tax of 13 percent on most goods and services, whether locally produced or imported. A variable selective consumption tax is also applied to many locally produced goods and to about half of all products imported. Among the highest taxed items are arms and ammunition, costume jewelry, fireworks, new and used vehicles, and wine and beer. The current government has identified fiscal reform as one of its top priorities and has proposed a bill to introduce a value-added tax as part of its fiscal reform package. The National Assembly will likely not take any action on the bill until all the necessary laws are passed to have CAFTA-DR enter into force, which should occur in 2008.

STANDARDS, TESTING, LABELING AND CERTIFICATION

[Return to top](#)

Sanitary and phytosanitary requirements and approval processes in Costa Rica can often be cumbersome and lengthy. In addition, the Ministry of Agriculture and Livestock (MAG) enforces sanitary/phytosanitary (SPS) measures that are inconsistent with international standards and are not otherwise based on science (e.g., zero tolerance for salmonella on raw meat and poultry products).

Costa Rican customs procedures can be complex and bureaucratic despite recent laws and improvements such as the establishment of an electronic "one-stop" import and export system (TICA, as it is known in Costa Rica) which is intended to reduce significantly the time required for customs processing.

Currently, all foods, pharmaceuticals, agricultural inputs, and chemicals and cosmetics for human and animal consumption, locally produced or imported, must be tested and registered by the Ministry of Health before they are allowed to be sold. A system of standards exists, but lack of adequate laboratory testing equipment and funds prevents effective controls on local products. Costa Rica requires that all imported products be certified safe and therefore allowed for sale in the country of origin in order to be registered. Food traders have expressed concern regarding the length of time needed to register a product, which can take months to complete.

Imports of U.S. beef are currently restricted to boneless beef derived from animals of less than 30 months due to Costa Rican concerns with BSE. The U.S. Government is working with the Ministry of Agriculture to bring its BSE requirements into conformity with international standards. U.S. beef must come from plants participating in USDA's Export Verification Program.

Under CAFTA-DR, Costa Rica reaffirmed its commitment under the WTO Agreement on Sanitary and Phytosanitary Measures to apply science-based disciplines to agricultural imports. Costa Rica also agreed specifically to undertake an equivalency determination with respect to USDA's meat and poultry inspection system, which would mean individual plant approvals by the Ministry of Agriculture would no longer be required.

Government Procurement

[Return to top](#)

Costa Rica is not a party to the WTO Agreement on Government Procurement. Over the last several years, a few U.S. exporters and investors have expressed dissatisfaction with the bidding process for Costa Rican Government tenders. For example, the Government of Costa Rica (through the Comptroller General) and large state-owned enterprises have occasionally annulled and re-bid tenders after the financial analysis was completed and awards granted. The Government of Costa Rica has also substantially modified tender specifications midway through the procurement process. The bidders in these cases were forced to bear the costs resulting from these changes.

Under CAFTA-DR, the minimum amount for public tenders of central and local Government procurement will be reduced, and U.S. suppliers will be granted "national treatment" equal to local companies to bid on contracts from most Central American government entities, including key ministries and state-owned enterprises. CAFTA-DR requires fair and transparent procurement procedures, such as increased advance notice of purchases and timely and effective bid review procedures. The National Assembly recently passed legislation to comply with its CAFTA-DR obligations to ensure that bribery in trade-related matters, including government procurement, is specified as a criminal offense in Costa Rica.

Export Subsidies

[Return to top](#)

Incentives for non-traditional exports, including tax credit certificates, were phased out in 1999. Tax holidays are still available for investors in free trade zones (FTZ's), unless tax credits are available in an investor's home country for taxes paid in Costa Rica. Implementation of CAFTA-DR will require the elimination of illegal export subsidies not permitted by the WTO. Export incentives under the FTZ regime are due to be phased out in 2015 under the country's WTO obligations. While the Government of Costa Rica has considered a plan to equalize corporate income tax rates for all companies operating within the country, including companies operating in the FTZs, it has not yet done so.

INTELLECTUAL PROPERTY RIGHTS (IPR) PROTECTION

[Return to top](#)

Inadequate enforcement of Costa Rica's intellectual property laws (IP) remains a U.S. concern. However, in recognition of improvements made by the Costa Rican Government in passing new IPR laws and its access on several international IPR agreements, the United States moved Costa Rica in April 2002 from the Special 301 Priority Watch List to the Watch List, where it remains. The GOCR has not made IPR enforcement a priority because of the need to focus its limited resources on other (self-proclaimed) more important issues such as corruption investigations and violent crimes. Other attempted initiatives, including the formation of an intergovernmental intellectual property rights commission and the training of judges and prosecutors on intellectual property laws, have yet to produce significant improvements in the prosecution of IPR crimes.

As of January 2008, Costa Rica's National Assembly was debating a series of bills that will bring about meaningful changes in existing IP laws, as required by CAFTA-DR. The new laws will likely increase the criminal and civil penalties for IPR infringement and provide IPR holders with additional protections when the National Registry's Patent Office delays in issuing relevant patents. In addition, Costa Rica will need to join the International Union for the Protection of New Varieties of Plants (UPOV) and ratify the Budapest Treaty before it enters CAFTA-DR into force.

The implementation of CAFTA-DR IPR provisions will strengthen Costa Rica's IPR protection regimes bringing them into conformance with WTO norms. The agreement also criminalizes end-user piracy, providing a strong deterrence against piracy and counterfeiting. CAFTA-DR requires all member countries to authorize the seizure, forfeiture, and destruction of counterfeit and pirated goods and the equipment used to produce them. It mandates both statutory and actual damages for copyright infringement and trademark piracy. This is intended to serve as a deterrent against piracy, and ensures that monetary damages can be awarded even when it is difficult to assign a monetary value to the violation.

Copyrights

[Return to top](#)

Costa Rica's copyright law is generally adequate, but not uniformly enforced. The copyright regime was revised in 1994 to provide specific protection for computer software, and again, in 1999, to protect integrated circuit designs. The Legislative Assembly ratified the WIPO Copyright Treaty and the WIPO Performances and Phonograms Treaty at the end of 1999. Piracy of satellite television transmissions by the domestic cable television industry has been curtailed, but some apartment buildings and hotels, particularly in areas not served by major cable service providers, continue to engage in satellite signal piracy. Unauthorized sound recordings, videos and computer software are widespread. The lack of adequate funding and personnel to arrest and prosecute copyright infringers significantly hinders effective copyright protection in Costa Rica. As of January 2008, the National Assembly is debating bills designed to implement provisions of CAFTA-DR to help reduce copyright piracy.

Patents

[Return to top](#)

The Legislative Assembly ratified reforms required by the Paris Convention for the Protection of Industrial Property in 1995. The patent law extended the term of protection for a patent from 12 years to 20 years from the date of the filing of the application for all inventions. Problems remain, however, for pharmaceutical companies seeking to protect the use of data submitted for regulatory approval, in that such data are not being protected from unfair commercial use by unauthorized third parties. Costa Rica has committed under CAFTA-DR to protect test data and trade secrets submitted to the government for the purpose of product approval. Further, although there is no effective means of providing protection for plant varieties in Costa Rica's TRIPS Agreement, CAFTA-DR obligations require that Costa Rica accede to the UPOV Convention before the agreement enters into force.

Trademarks

[Return to top](#)

Counterfeiting of well-known trademarks occurs frequently in Costa Rica. Legal recourse against these practices is available in Costa Rica, but may require protracted and costly litigation. In the past Costa Rican authorities have raided businesses and confiscated property, especially clothing, that infringed on registered trademarks. The Law of Trademarks and Other Distinctive Designs, which came into effect on February 1, 2000, contains a provision that allows for the cancellation of trademarks due to failure to use them. CAFTA-DR enforcement provisions are designed to help reduce copyright piracy.

Services Barriers

[Return to top](#)

Costa Rica's insurance, telecommunications, electricity distribution, petroleum distribution, potable water, sewage, and railroad transportation industries are state monopolies. In addition, there are restrictions on the participation of foreign companies in some private sector activities, such as customs handling, medical services, prison operation, and other professions requiring Costa Rican registration and long-term residency of the persons providing the services.

Under CAFTA-DR, Costa Rica will accord substantial market access in a wide range of services, subject to very few exceptions. For Costa Rica, liberalization in insurance will be achieved through a phased-in approach with an initial opening at entry into force. In addition, Costa Rica made specific commitments in CAFTA-DR to gradually open its telecommunications market in three key areas – private network services, Internet services, and wireless services. Costa Rica has also committed to establishing a regulatory framework to help foster effective market access.

As part of the implementing agenda for CAFTA-DR, Costa Rica intends to strengthen and modernize the state monopoly telecommunications provider (ICE). The bill to accomplish this is still in debate in the National Assembly.

Costa Rica has ratified its commitments under the 1997 WTO Financial Services Agreement and accepted the Fifth Protocol of the GATS. Under this agreement, Costa Rica is committed to allow foreign financial service providers to establish 100 percent owned bank subsidiaries in Costa Rica in order to provide lending and deposit-taking

services, leasing services, credit card services, and financial information services. Costa Rica made no commitments in the WTO for the provision of securities trading, underwriting services, or any type of insurance services. However, CAFTA-DR will provide for openings in all of these areas.

Since 1995, private commercial banks have been permitted to offer checking accounts and savings deposits of less than 30 days and, since 1996, to access the Central Bank's discount window. However, private commercial banks are required to open branches in rural areas of the country or to deposit 17 percent of their checking account deposit with the Central Bank in order to qualify for the benefits of the law. CAFTA-DR will ensure that foreign banks are treated under the same rules as domestic banks. Costa Rican regulations restrict the ability of non-resident practitioners of certain professions to work on a permanent basis in Costa Rica. For example, medical practitioners, lawyers, certified public accountants, engineers, architects, teachers, and other professionals must be members of an officially recognized guild (colegio) which sets residency, examination, and apprenticeship requirements. However, under CAFTA-DR, Costa Rica agreed to allow the provision of certain professional services on a reciprocal basis and also agreed to provide for temporary licensing of professional services.

Investment Barriers

[Return to top](#)

Several U.S. investors have recently noted serious difficulties executing contracts made with the Costa Rican Government, bringing into question the validity of these contracts. The slow pace of Costa Rica's legal system (a commercial dispute in the Costa Rican courts could take 10 years to be resolved) has been cited as an investment barrier by many U.S. investors. Another concern for U.S. investors is the frequent use of "recursos de amparo" before the Costa Rican Constitutional Court, which are challenges to review the possible illegality of acts by the authorities or to review the constitutionality of legislation and regulations. Such challenges have been used at times to thwart investments or hinder the quick resolution of a disputes.

Costa Rica's constitution and the expropriation law make clear that expropriations are to occur only after full advance payment is made. The law applies to Costa Ricans and foreigners alike. However, many U.S. investors had their land expropriated 20 or 30 years ago and had to fight long and hard for adequate compensation. In one high-profile case, a U.S. investor lost control of his land for an extended period of time and was denied compensation from the Costa Rican courts after litigating the case for over 13 years.

While electrical generation and distribution remain a state monopoly, an electricity cogeneration law enacted in 1996 allowed some private-sector participation (limited to 15 percent of the total market) in the production of electricity for sale to the state monopoly, but not in its transmission. This law has since been modified to permit the private construction and operation of plants under build-operate-transfer (BOT) and build-lease transfer (BLT) mechanisms, but the operator must have at least 35 percent Costa Rican equity. Legislative proposals to open the electricity and telecommunications sectors to investment and competition were abandoned in 2000 in the wake of large-scale demonstrations against reform and a Constitutional Court ruling against legislation under discussion at the time. Existing private power producers have had their long-term,

fixed rate contracts challenged by certain Costa Rican Governmental public sector labor organizations, but these contracts ultimately were honored.

Under CAFTA-DR, all forms of investment will be protected, including enterprises, debt, concessions, contracts and intellectual property. U.S. investors will enjoy, in almost all circumstances, the right to establish, acquire and operate investments in the Central American countries on an equal footing with local investors. Among the rights afforded to U.S. investors are due process protections and the right to receive a fair market value for property in the event of an expropriation. Investor rights will be backed by an effective, impartial procedure for dispute settlement that is fully transparent. Submissions to dispute panels and panel hearings will be open to the public, and interested parties will have the opportunity to submit their views. (See links to CAFTA websites at the conclusion of this chapter).

Other Barriers

[Return to top](#)

The previous law regulating commercial representatives of foreign firms (Law No. 6209) granted local companies exclusive representation, without a signed agreement, for an indefinite period of time. In most cases, foreign companies were required to pay indemnity compensation in order to terminate a relationship with the local company. CAFTA-DR addressed these issues through a recently approved law (No. 8269) that provides comprehensive transparency requirements and specific provisions on dealer protection laws.

Web Resources:

USTR: www.ustr.gov/trade_agreements/bilateral/CAFTA

ITA: www.export.gov/fta/complete/CAFTA

FAS: <http://www.fas.usda.gov/itp/CAFTA>

[Return to table of contents](#)

Chapter 3: Selling U.S. Products and Services

- [Using an Agent or Distributor](#)
- [Establishing an Office](#)
- [Franchising](#)
- [Direct Marketing](#)
- [Joint Ventures/Licensing](#)
- [Selling to the Government](#)
- [Distribution and Sales Channels](#)
- [Selling Factors/Techniques](#)
- [Electronic Commerce](#)
- [Trade Promotion and Advertising](#)
- [Pricing](#)
- [Sales Service/Customer Support](#)
- [Protecting Your Intellectual Property](#)
- [Due Diligence](#)
- [Local Professional Services](#)
- [Web Resources](#)

Using an Agent or Distributor

[Return to top](#)

Costa Rican law provides for two main forms of representation: a representative and a distributor. It is possible for one person to be both a representative and a distributor at the same time.

A. Representative or Distributor

The governing Costa Rica law in this area is the "Law for the Protection of the Local Representative of Foreign Companies" (Law No. 6209).

A representative or a distributor is any individual or company who "in continuous and autonomous form, with and without legal representation, acts by directly placing purchase of sales orders among the local import or export firms, on a commission or percentage basis; or who prepares, promotes, facilitates and completes the sale of merchandise or services which another foreign merchant or firm renders."

A representative:

- may be a Costa Rican or a third-country, permanently and legally established within the country for at least ten years;
- must have at least three years experience engaged in any form of commerce within Costa Rica;
- must be sufficiently knowledgeable in commercial matters and recognized as being solvent and of honorable character; and
- must be duly registered as such in the Mercantile Registry of Costa Rica.

A distributor must meet the same requirements as a representative, as described above. Specifically, a distributor is defined as an individual or company that purchases goods directly from the manufacturer for the purpose of resale. Generally, a distributor signs a distribution agreement with the manufacturer and carries a stock of inventory. A distribution agreement may be exclusive or non-exclusive. It is not uncommon to find a

representative or a distributor representing multiple product lines, or operating on a regional basis in Central America.

The Costa Rican Commercial Code permits a U.S. company the opportunity to participate in public tenders directly, without a local Costa Rican representative. The only requirement is that the official representing the U.S. Company must have a Power of Attorney that must be certified by a Costa Rican Consulate in the United States. However, the process of bidding on public tenders is usually a tedious process, and best accomplished through the employment of a qualified Costa Rican representative.

B. Finding a Partner

The Commercial Service (CS), a division of the U.S. Department of Commerce (USDOC), offers assistance to U.S. companies in identifying potential business opportunities in Costa Rica. Information can be provided via the CS website, and/or counseling sessions over the telephone, via e-mail or videoconference, or by office appointment. For a complete list of CS services, please see the following website: www.buyusa.gov/costarica/en

To help U.S. companies identify appropriate local representatives, the Commercial Service offers its worldwide Gold Key Service (GKS) for those who wish to meet prospective local partners in Costa Rica through appointments set by CS personnel, or its International Partner Search (IPS) for those companies who cannot immediately visit Costa Rica or prefer to arrange their own appointments from a CS-generated list of local companies. To request these services, U.S. firms should e-mail:

San.JoseCR.office.box@mail.doc.gov

The services are also offered on a regional basis with CS posts in CAFTA countries. Please see www.buyusa.gov/centralamerica/en for more details.

Whatever method a U.S. company chooses for its partner search, the company should ask for as much information as possible from the potential partner prior to any contractual arrangements, and be prepared to provide complete information about its history, resources, personnel, product line, and previous export experience.

Once a partner has been selected, the U.S. firm should obtain at least two business and/or credit reports as part of the due diligence process. One source for company background checks, Dun and Bradstreet, has a representative offices in San Jose: Consultores de Crédito Internacionales, S.A. Tel. 011-506-232-0443, email: racsos@ice.co.cr. Another source is: COFACE Costa Rica, Tel. 011-506-290-2500, email: juandiego.fonseca@coface.co.cr

Costa Rican firms wishing to represent U.S. companies may request exclusive representation in the local market. U.S. firms should consider this issue carefully to decide if they want to retain the right to sell to other representatives/importers in the market.

U.S. companies should employ the services of a qualified Costa Rican attorney for various issues, ranging from contract advice to protection of trademarks and other intellectual property. Lists of Costa Rican law firms can be obtained from the

Commercial Section website:
(www.buyusa.gov/costarica/en/costaricanserviceproviders.html) and from the Consular Section of the U.S. Embassy in Costa Rica. (See Web Resources Section at the end of this chapter for this and other links.) Both the Costa Rican Chamber of Commerce (Cámara de Comercio) and the Costa Rican-American Chamber of Commerce (AmCham) have established International Arbitration Centers to provide alternative methods for dispute resolution. Please see Chapter 9 for contact information for these chambers.

C. Agricultural Sector

The United States is the single most important agricultural partner of Costa Rica due to its geographical proximity and the high quality and wide selection of its competitively priced products. However, competition in the local market is increasing. Costa Rica has free trade agreements in effect with several countries and blocs: Mexico (since 1995), Chile (2002), Canada (2002), and CARICOM (2005). Costa Rica is a member of the Central American Common Market, which sets low to zero duties for most agricultural products. Central America – European Union negotiations on a trade agreement began in 2007.

Most grains are imported into Costa Rica in bulk, limiting the import market to a few major players. There are two wheat mills (Molinos de Costa Rica and Fábrica de Harinas de Centroamerica), which account for the purchase of all wheat imports. Two groups of private sector importers buy almost all of the yellow corn and soybean imports. Rice is generally imported by a group of producers and millers grouped under the name Corporacion Arrocera (Rice Corporation). Rice importers outside of this group must pay higher duties. The law that created this entity allows only that entity to import duty-free when there is a rice shortage.

Import permits (other than those for phytosanitary and sanitary requirements) are not required for imports of grains, poultry, meat, dairy products or any other agricultural product, per the terms of Costa Rica's GATT accession agreement.

Costa Rica established (TRQs) for high-tariff products in conformance with its Uruguay Round commitments in July 1997. Outside of the TRQs, tariffs on "sensitive" products range as high as 150 percent for some chicken products, and 65 percent for dairy products.

The Costa Rican Government currently requires plant inspection and approval of any establishment that wishes to export to Costa Rica. Under CAFTA, Costa Rica agreed to recognize the U.S. meat and poultry inspection service, thus eliminating the plant inspection requirement upon implementation of the FTA.

A list of the major Costa Rican importers of consumer-oriented foods can be obtained by contacting the Foreign Agricultural Service (FAS) office at the U.S. Embassy, San Jose. For more information, please contact Ileana Ramirez at Ileana.Ramirez@usda.gov

D. Negotiating an Agreement with a Costa Rican Company

Once a U.S. company has selected a potential representative, the next step is to negotiate an agreement. The content of this agreement is extremely important, as it will

determine the legal basis for any relationship between the exporter and the representative. Engaging a qualified lawyer is strongly advised.

U.S. companies should pay close attention to the conditions of contract termination with representatives and distributors and be prepared to work within the prescribed guidelines. The recently approved CAFTA-DR agreement, makes provision for a new damage compensation method in the Law of Representatives of Foreign Firms. In brief, when a compensation for damages is claimed based on one of the provisions of the law, the economic damages suffered or could be suffered, must be wholly compensated, as a direct and immediate consequence of the infringement of the provision or a violation of the agreement. The regulations from the Costa Rican Civil Code shall apply to this subject-matter.

In the court proceeding to obtain damages under this law, the judge may, upon the request of one of the parties, establish an appearance guarantee, in proportion to the amount being claimed. This request can be made when it has been determined that the party of which an appearance guarantee is requested does not have enough assets in the country to respond to an award. The appearance guarantee shall consist of a deposit in cash or in securities payable to the order of the court.

Therefore, it is very important for U.S. companies to have a written agreement in place and to have that agreement reviewed, prior to signature, by a competent, qualified attorney familiar with Costa Rican law.

Establishing an Office

[Return to top](#)

In its study "Doing Business 2008" the World Bank placed Costa Rica in 113th place for starting a business, noting that the process takes 77 days and 12 procedures, including the one mentioned below.

The first step in establishing a business in Costa Rica is to obtain the assistance of a Public Notary, the only professional authorized by law to register a company. (In Costa Rica, almost all lawyers can act as a Public Notary.) Companies must be listed in the Costa Rican Mercantile Registry in order to be a legal, authorized entity. Upon registration, all information related to the new company and the persons who will manage the company must be submitted. This information includes full name, nationality, occupation, marital status, domicile, the legal form of the business being organized, purpose of the company, amount of initial capital and the manner in which this capital is to be paid, time limits for payments, domicile of the company, and any other agreements made by the founders.

An extract of the registration is then published in "La Gaceta", the official legal journal in Costa Rica. Payment on initial equity is usually nominal and must be expressed in local currency and deposited with a local bank of the Costa Rican national banking system until registration is completed. Initial equity payment is generally from US \$100 to US \$1,000.

Depending on the type of business, the company may have to acquire a municipal license or permit. A foreign company that has or intends to open branches in Costa Rica must appoint and retain a legal representative with full Power of Attorney concerning the

business or the branch. Similar to U.S. law, foreigners must become residents in order to work in Costa Rica.

Individuals interested in establishing a business in Costa Rica are encouraged to contact CINDE (the Costa Rican Coalition for Development Initiatives) and/or PROCOMER (Costa Rican Foreign Trade Corporation). Both organizations are involved in providing support and information for prospective investors in Costa Rica. Each organization maintains extensive information databases that are useful to potential investors in evaluating operating costs; taxation issues; availability of employees; and related investment questions. Please see the end of this chapter for links to these organizations, and Chapter 9 for full contact information for representatives of these organizations in Costa Rica and in the U.S.

Franchising

[Return to top](#)

Although franchising was spurred by the rise of tourism in Costa Rica, the current market for franchising has slowed due to market saturation, primarily in the fast food sector. The first franchise to enter the market was McDonald's in 1970, and others such as Pizza Hut quickly followed. Payless Shoe Source, Comfort Inn, Haagen-Dazs, Outback Steakhouse, Office Depot, Ramada Plaza, Cinnabon's, Port City Java Café, Hooters, Hyatt, Orkin, Cinnabon, Gymboree, Crown Plaza, Homewatch CareGivers, Wendy's and Dubletree by Hilton are the more recent arrivals to the Central Valley, where a majority of Costa Rica's residents live. On the other hand, other franchises, such as Rooms to Go and Blockbuster Video, were unsuccessful in Costa Rica either because of the economic conditions at the time or poor copyright protection.

Approximately thirty percent of the franchise retail businesses operating in Costa Rica are fast food/specialty food enterprises. Franchises in Costa Rica employ approximately 5,000 Costa Ricans. About fifteen percent of these franchises are locally owned, and the remaining eighty percent are foreign-owned, (and of these, eighty-five percent are U.S. franchises).

Price is a major competitive factor in this sector, as is delivery for food products. Costa Ricans are very price-conscious and savvy shoppers. They are generally aware of what items cost in the U.S. and how the same or similar items are priced in Costa Rica. While they are willing to pay slightly more for the perceived quality of an American product, they are still limited by their personal budgets.

A key factor for success in franchising in Costa Rica is the careful selection of the potential franchisee and location of the outlet. The successful franchisee should have the financial resources to enter and develop the market, as well as excellent local business contacts and an understanding of the idiosyncrasies of the local market. In Costa Rica, business contacts can greatly affect the success of a project. This factor can come into play, for example, in developing local sources of supply, expediting government approval and licensing, and in gaining access to prime locations for a franchise site.

Opportunities exist for growth and expansion of franchising in Costa Rica outside of the fast-food sector. Entrepreneurs continue to appreciate the mature business systems and proven track record that many franchises offer. Effective franchise marketing

normally entails sensitivity to the local culture, such as adding local foods to the menu or translating manuals/catalogs into Spanish. Given Costa Rica's small size, an exclusive territorial contract is often preferred. Some successful franchise operations involve investor groups who have purchased master franchise rights for the entire Central American region. Price Smart and Payless Shoe Source are prime examples of this strategy. In many cases, a local franchisee will own several different types of franchises in different industry sectors as a way to diversify their investments.

A new group of investors is emerging that includes young professionals who are familiar with U.S. business practices and who are seeking to break away from their family businesses and start their own companies. They view franchising as a way to enter into new markets. Nevertheless, franchiser support is critical to their success and make up for their lack of industry knowledge.

A potential franchisee may not attend franchise shows. Instead, the Internet is the number one source of information for local franchisees seeking potential new franchises. Potential franchisees will usually analyze the local market and determine the franchise concepts that are most attractive for the local market by using their personal knowledge of popular and successful franchises in the U.S. market. They will then typically contact ten or so different franchise companies in that market segment for comparison purposes.

The second most popular way potential franchisees make contact with franchisers is when a particular franchiser comes to Costa Rica looking for potential investors/franchisees and contacts them directly. Though it is often difficult to identify business people who have an interest in franchising, the necessary business experience and resources to develop and manage new franchise concepts, the Commercial Section of the U.S. Embassy can assist with introductions and information on strategies used to reach potential franchisees. Advertisements in major local media are also an important means to reach a wide range of potential franchisees.

Franchise royalties are subject to a 25 percent withholding tax. However, the U.S. provides a foreign tax credit for this expense. Import taxes vary depending on the item; the trend is toward lower import taxes. The following are approximate:

Value Added (sales) Tax	13 percent
Ad valorem (import duty) Tax	20-50 percent
Special import tax	1 percent

Direct Marketing

[Return to top](#)

Direct marketing has enjoyed limited success in Costa Rica. Since the country does not have a postal/mailling system with defined street names and numbers, it is difficult to obtain client lists or reliable addresses. There is no law that regulates direct marketing. In the absence of a specific law, the general law that applies to advertising and public relations agencies also regulates the direct marketing method of selling.

Joint Ventures/Licensing

[Return to top](#)

Licensing is not widespread in Costa Rica. Traditionally, foreign companies have exported to Costa Rica or set up manufacturing/assembly operations in the country, either independently or through joint venture arrangements. Foreigners may legally own Costa Rican companies, or equity therein, and may invest in all areas not expressly reserved for state or parastatal entities. Foreign corporations may be organized legally in several ways: as branches (except for banks), joint ventures, wholly-owned subsidiaries, or locally incorporated companies. Bona fide investments are encouraged and promoted actively by the Costa Rican Government.

Selling to the Government

[Return to top](#)

The Costa Rican Government procurement system is governed by the Costa Rican Financial Administration Law.

Government entities generally acquire their goods and services through public tenders, which are published in the official newspaper, La Gaceta (<http://www.imprenal.go.cr/>), and major newspapers. Certain purchases are made directly from suppliers that have pre-qualified and pre-registered with government entities.

Foreign companies may establish a representative through a Power of Attorney for a specific tender. This representative can be a Costa Rican citizen/company, a foreign resident, or Costa Rican citizen. A general Power of Attorney can also be given to an individual or company to represent the foreign company in various tenders for a specified period of time.

The local representative should be able to translate tender documents from Spanish into English and assist in preparing bid offers in Spanish. Some large projects may require the presence of U.S. company officials in Costa Rica in order to better evaluate the requirements and prepare a competitive offer to the Costa Rican Government entity.

Foreign companies may bid directly on Government tenders in Costa Rica. However, when competing for government contracts, there is a significant advantage in having a strong local partner or representative. The local representative should be established, reputable, well-known and respected in business circles, and knowledgeable about Costa Rican culture business practices. As noted earlier, the Gold Key Service of the U.S. Department of Commerce, available directly through the Commercial Section in San Jose or through the U.S.-based network of U.S. Export Assistance Centers, is an excellent, economical strategy for identifying a potential partner or representative in Costa Rica. (See "Web Resources" at the conclusion of this chapter.)

In June 1995, the Government of Costa Rica enacted Law No. 7494, which established procedures for public procurement. The regulations associated with this law were approved and published in the official newspaper "La Gaceta" in October 1995. This law and its regulations came into effect in May 1996. Various articles of the Law are periodically revised and published in "La Gaceta".

The law establishes that Government entities or ministries with a regular annual budget of more than US\$200 million are allowed to issue public tenders for purchases above US\$388,000. The entity may make purchases of between US\$ 172,500 and US\$388,000 through tenders circulated among a registered suppliers list. Below US\$172,500, the entity is allowed to make purchases among pre-selected bidders. Under CAFTA-DR, these amounts would be reduced for the procurement of goods and services, including construction services, from “central” or national and local governments (see below).

Through its tender schedule, the Government is attempting to avoid unnecessary delays in the bidding process and the payment of interest charges on undisbursed loans provided by international lenders. The system exempts tenders of US\$ 2.3 million and less made to registered suppliers from the possibility of appealing to the Comptroller's Office. The procuring entity itself must handle any complaints from the bidders. Under CAFTA-DR, U.S companies will be given “national treatment” for most Government procurement of goods and services. The agreement sets certain dollar thresholds for these procurements (\$58,550 for national governments and \$477, 000 for “sub-central” governments). For more information, please see the following website: www.ustr.gov/Trade_Agreements/Bilateral/CAFTA.

Five important government entities follow the above-mentioned guidelines: the telecommunications/electricity monopoly, the Costa Rican Institute of Electricity (ICE); the Costa Rican Petroleum Refinery (RECOPE); the Costa Rican Institute of Social Security (CCSS); the National Insurance Institute (INS); and the Government's National Procurement Department (Proveduria Nacional). These entities constitute the most important Costa Rican Government buyers/contractors to foreign companies and have traditionally been the largest generators of public tenders in Costa Rica.

The Commercial Service of the U.S. Embassy in San Jose encourages U.S. manufacturers and exporters of products and services required by the entities mentioned above to register their firms with the relevant Costa Rican Government institutions by contacting their procurement departments. More importantly, we recommend that U.S. companies interested in exporting to Costa Rica contract with a local representative who can proceed with the registration process at the government entities requiring such registration. Registration will allow the procurement departments of government institutions to invite those foreign firms to bid on tenders and to be considered for direct purchases.

Distribution and Sales Channels

[Return to top](#)

Costa Rica is often referred to as “Latin America Lite” because of the abundance of U.S. products and services that gives the country the feeling of being in the U.S. The retail distribution sector closely follows U.S. practices. Seventy-five percent (2.8 million people) of the country’s consumers live in the Greater San Jose area known as the Central Valley. Costa Ricans are accustomed to large shopping centers and malls that house retail stores, kiosks, food courts, theaters, and supermarkets.

Franchise outlets, smaller mixed-use commercial centers and hypermarket-type operations are proliferating rapidly due to increased pressure and competition from big retail stores such as Price Smart. In recent years, retail outlets have undergone a major consolidation. There are currently five large department store chains, six supermarket

chains, and countless small and medium-sized family-owned firms that compete with the larger retailers. About two years ago Wal-Mart assumed partial control of the Mas X Menos and Hipermas, MaxiMercados, and Pali Stores in Costa Rica and the rest of Central America. Rural areas are generally served by "pulperias", or general stores.

The concept of customer service is very important in Costa Rica. TV, radio, print and billboard advertising and discounting are widely accepted commercial practices.

Distribution channels do not vary significantly for food/agricultural products. Some products (for example, fresh fruits and frozen foods) require technical knowledge regarding handling due to their shelf-life requirements and need for refrigeration. Such facilities are available in Costa Rica as the country exports to other Central American and Caribbean countries. Private firms import processed consumer foods, while several wholesalers are dedicated to the import of agricultural products. Many companies, however, have incurred additional costs due to delays at Customs at clearing goods. The food product distribution chain to supermarkets and to medium and small stores is well developed. Some of the larger supermarket chains import directly.

Although it is possible to export directly to Costa Rica, U.S. firms will find it is beneficial to find a local representative and/or establish a local sales office. A local representative is critical for those companies wishing to sell to the public and private sector. Since Costa Rica is a small market equal in size to the state of West Virginia, one representative/distributor is often sufficient to cover the country.

Selling Factors/Techniques

[Return to top](#)

As in the U.S., purchases by Costa Ricans generally are based on price, quality, technical specifications, convenience, and the availability of local product support or after-sales service. The Costa Rican Government does not play a role in determining product prices, with the exception of gasoline and diesel at the pump. U.S. exporters to Costa Rica must be willing to make sales of smaller volumes than those to which they may be accustomed in larger markets, keeping in mind Costa Rica's GDP of roughly US \$26.3 billion and a population of approximately four million people. To achieve large volume sales, Costa Rica should be considered as a base firm which to sell to the larger region of Central America.

Sales catalogs and brochures, as well as the labeling of product ingredients, must be translated into Spanish. Products must be competitive for both quality and price. Payment terms for purchases above US \$ 4,000 are generally carried out through irrevocable letters of credit. Open account payment terms are reserved generally for well-known and well-established customers. Insurance of accounts receivable is available through the Export- Import Bank of the U.S. Cash payment for small purchases is a typical practice.

Business in Costa Rica, as in other Latin American countries, depends heavily on the establishment of personal relationships. The Costa Rican business community places great importance on personal contacts with foreign suppliers. New U.S.

suppliers/exporters should be prepared to travel to Costa Rica periodically and follow up with their customers and representatives regularly through contacts by fax, telephone, and/or e-mail. A patient sales approach is preferred to a "hard sell".

Electronic Commerce

[Return to top](#)

E-commerce is still underutilized in Costa Rica, a country that has lead the region in telecommunications network development and information technology initiatives. Nevertheless, there is great potential for Costa Rica to increase its use of the Internet and e-commerce. The country already enjoys a 93 percent telephone coverage; a high level of educational development (96% literacy rate), and the tradition of political stability in Costa Rican history.

Although e-commerce has an excellent potential in Costa Rica, numerous barriers stand in its way. The country lacks an approved legal framework that would enable the use of digital signatures and certificates, as well as appropriate and adequate enforcement of intellectual property protection of Internet-related works and other international laws related to Internet use. This would improve under CAFTA. Recent studies have indicated that Internet access still lags in rural areas. Perhaps, most importantly, the local market is still dominated by ICE as the sole Internet service provider (ISP) via its subsidiary's (RACSA) cable modem service and newly implemented ADSL (Asymmetric Digital Subscriber Line) service. This is in marked contrast to the relatively open ISP market in the rest of the region. Under CAFTA, Internet service would be opened up to competition as Costa Rica approves and implements the agreement.

According to a 2004 study of CAATEC, Costa Rican Advisory Commission of High Technology, although the country has well advanced in internet services in the last years, there are still some challenges: Sixty percent of the PYMES (Small and Medium Companies in Costa Rica) do not have internet and only 15 % of the ones that have internet services have wide band services. As of today, this situation has not changed much. The potential for Internet services on wide band in the country is two or three times more of the services provided currently. There are an estimated 118,853 users of wide band services in Costa Rica, which is only about 2.7 % of the total population. In this estimate by CAATEC is included the Internet connections superior to 256 Kbps and up to 4 Mbps. The cost of a connection of 4 Mbps as today is US\$169 per month in Costa Rica provided by the government institution, which contrast with the cost in the international markets, where you can find home services via fiber optic of up to 100 Mbps for a cost of US\$ 55 per month. Including all band sizes, Costa Rica has a total of 1.5 million persons using Internet services currently. There are presently 70,000 internet wide band connections in Costa Rica.

The private sector continues to increase its use at e-commerce in Costa Rica. Local companies commonly have the capability to offer services via the Internet in addition to the usual sales channels. Costa Rican public and private banks offer their clients a variety of services through Internet. There are a number of gateways specializing in marketing products and services via the Web that have emerged as well as consumer trading sites, including Mercado Libre a subsidiary of Ebay, Clasificados, Rematico.com and Economicos.com Major news media publish their papers on-line including their classified ads sections to facilitate the flow of information (see next section).

Some interesting websites:

ICE:	http://www.grupoice.com
Mercado Libre:	http://www.mercadolibre.com
Rematico:	http://www.rematico.com
Clasificados:	http://clasificados.co.cr/
Imprevia:	http://imprevia.com/
Galadia:	http://galadia.com/
Segundo Paso:	http://segundopaso.com/
Tico Flores:	http://ticoflores.com/
Villa Sol:	http://villasol.com/
Mis Churches:	http://mis-cr.com/
Clasificados en Costa Rica:	http://www.compra-venta.org/costa_rica/
Mundo Anuncio:	http://www.mundoanuncio.com/zona/costa_rica_14.html
CR Autos	http://crautos.com/
Economicos:	http://registro.nacion.com/home.do?null
Banco Nacional:	http://www.bncr.fi.cr/BN/
Banco Popular:	https://www.popularenlinea.fi.cr/bpop
Banco de Costa Rica:	http://www.bancobcr.com/
Banco Central de C.R.:	http://www.bccr.fi.cr/flat/bccr_flat.htm
Banco Uno:	http://www.bancouno.fi.cr/
Scotiabank Costa Rica:	http://www.scotiabankcr.com/
Bancredito:	http://www.bancredito.cr.com/

Trade Promotion and Advertising

[Return to top](#)

Costa Rican newspapers are among the best ways to promote sales of products or services. *La Nacion* has the largest general circulation, while the weekly *El Financiero* and daily *La Republica* are primarily business focused. *Al Día*, *Diario Extra*, and *Prensa Libre* are popular mass-market tabloids.

Depending on the target market, advertising is also effective in magazines produced by organizations like the Costa Rican-American Chamber of Commerce (AmCham), the Chamber of Commerce of Costa Rica, and other specialized chambers/ business associations. Please refer to the following links for further information. All sites will be in Spanish unless otherwise noted.

Television:

Channel 7 (Teletica Canal 7)	http://www.teletica.com
Channel 6 (Repretel)	http://www.repretel.com

Radio:

Radio Eco News	http://www.radioeco.com
Radio Monumental	http://www.monumental.co.cr

Print Media:

Capitales.com	http://www.capitales.com
Periodico La Nacion	http://www.nacion.com
Periodico El Financiero	http://www.elfinancierocr.com/edactual/
Periodico La Republica	http://www.larepublica.com
Periodico Al Dia	http://www.aldia.co.cr
Prensa Libre	http://www.prensalibre.co.cr
Diario Extra	http://www.diarioextra.com
The Tico Times (English Weekly)	http://www.ticotimes.net

Economic Publications:

Summa Magazine	http://www.revistasumma.com
Actualidad Economica Magazine	http://www.actualidad-e.com
AMCHAM Magazine	http://www.amcham.co.cr/publications_magazine.php

Promotional Advertising Agencies:

<http://www.1costaricalink.com/eng/shopping/shop-eng/adverag-6eng.html>

Other Organizations:

Costa Rican-American Chamber of Commerce	http://www.amcham.co.cr
Promotora del Comercio Exterior	http://www.procomer.com/
CINDE	http://www.cinde.or.cr/
Crececx	http://www.crececx.com/
Chamber of Commerce	http://www.camara-comercio.com/
U.S. Commercial Service	http://www.buyusa.gov/costarica/en
U.S. Consular Section	http://sanjose.usembassy.gov/conseng.html

Trade Promotion:

In addition to the U.S. Department of Commerce export promotion programs, the Commercial Service in San Jose can assist U.S. firms through trade missions, participation in local trade shows, matchmaker events, seminars, conferences, catalog shows, and business receptions. These programs are conducted periodically on a cost-recovery basis with pre-approved budgets.

There are a limited number of privately organized trade promotion events in Costa Rica, and are mainly organized by the following companies:

Explore
Visit USA
Pennwell/Coscom
Expo-Construccion
Expo-Ferretera

<http://www.explore.com>
<http://www.visitusa-cr.com>
<http://www.pennwell.com>
<http://www.construccion.co.cr>
<http://www.expoferretera.com>

Pricing

[Return to top](#)

The prices of products imported into Costa Rica are typically based on:

- the CIF value plus import taxes*,
- Customs agent fees,
- in-country transportation costs, and
- other product-related costs.

The Costa Rican Government has, however, established a "Canasta Básica", a market basket of consumer products considered essential for the traditional household: foods; household consumables; school uniforms, shoes and supplies; basic construction products; agricultural chemicals; and tools and medicines. The prices of these products are monitored to assess reflect current economic conditions. The "Canasta" is reviewed regularly and changed almost every year to reflect changes in popular consumption. Last changes done in the "Canasta Básica" were reported to be in June 2006.

U.S. export pricing generally excludes the cost of U.S. domestic marketing, allowing a lower base price and providing more latitude for negotiating margins that attract Costa Rican distributors, and maintaining competitive pricing in the market. Virtually all companies price their goods in dollars.

* (Under CAFTA, fully 80 percent of all U.S. goods and services imported into Costa Rica will be duty –free immediately.)

Sales Service/Customer Support

[Return to top](#)

Product support and after-sales service, usually provided through a local representative with the support of the U.S. exporter, is extremely important for both Costa Rican Government institutions and private purchasers.

Availability of maintenance contracts, identification of convenient repair facilities, as well as any required technical support, are expected by buyers. Service literature and contracts should be provided in Spanish. The proximity of the U.S. to Costa Rica provides U.S. exporters with the added flexibility in determining the most cost-effective and efficient product support arrangements.

Introduction

Several general principles are important for effective management of intellectual property rights in Costa Rica. First, it is important to have an overall strategy to protect IPR. Second, IPR is protected differently in Costa Rica than in the U.S. Third, rights must be registered and enforced in Costa Rica, under local laws. Companies may wish to seek advice from local attorneys or IP consultants. The U.S. Commercial Service can often provide a list of local lawyers upon request.

It is vital that companies understand that intellectual property is primarily a private right and that the US government generally cannot enforce rights for private individuals in Costa Rica. It is the responsibility of the rights' holders to register, protect, and enforce their rights where relevant, retaining their own counsel and advisors. While the U.S. Government is willing to assist, there is little it can do if the rights holders have not taken these fundamental steps necessary to securing and enforcing their IPR in a timely fashion. Moreover, in many countries, rights holders who delay enforcing their rights on a mistaken belief that the USG can provide a political resolution to a legal problem may find that their rights have been eroded or abrogated due to doctrines such as statutes of limitations, laches, estoppel, or unreasonable delay in prosecuting a law suit. In no instance should USG advice be seen as a substitute for the obligation of a rights holder to promptly pursue its case.

It is always advisable to conduct due diligence on partners. Negotiate from the position of your partner and give your partner clear incentives to honor the contract. A good partner is an important ally in protecting IP rights. Keep an eye on your cost structure and reduce the margins (and the incentive) of would-be bad actors. Projects and sales in Costa Rica require constant attention. Work with legal counsel familiar with Costa Rica laws to create a solid contract that includes non-compete clauses, and confidentiality/non-disclosure provisions.

It is also recommended that small and medium-size companies understand the importance of working together with trade associations and organizations to support efforts to protect IPR and stop counterfeiting. There are a number of these organizations, both Costa Rica or U.S.-based. These include:

- The U.S. Chamber and local American Chambers of Commerce
- National Association of Manufacturers (NAM)
- International Intellectual Property Alliance (IIPA)
- International Trademark Association (INTA)
- The Coalition Against Counterfeiting and Piracy
- International Anti-Counterfeiting Coalition (IACC)
- Pharmaceutical Research and Manufacturers of America (PhRMA)
- Biotechnology Industry Organization (BIO)
- Asociación de Compositores y Autores musicales de Costa Rica (ACAM)
- Asociación Costarricense de la Industria Fonográfica y afines (FONOTICA)

IPR Resources

A wealth of information on protecting IPR is freely available to U.S. rights holders. Some excellent resources for companies regarding intellectual property include the following:

- For information about patent, trademark, or copyright issues -- including enforcement issues in the US and other countries -- call the STOP! Hotline: **1-866-999-HALT** or register at **www.StopFakes.gov**.
- For more information about registering trademarks and patents (both in the U.S. as well as in foreign countries), contact the US Patent and Trademark Office (USPTO) at: **1-800-786-9199**.
- For more information about registering for copyright protection in the US, contact the US Copyright Office at: **1-202-707-5959**.
- For US small and medium-size companies, the Department of Commerce offers a "SME IPR Advisory Program" available through the American Bar Association that provides one hour of free IPR legal advice for companies with concerns in Brazil, China, Egypt, India, Russia, and Thailand. For details and to register, visit: **http://www.abanet.org/intlaw/intlproj/iprprogram_consultation.html**
- For information on obtaining and enforcing intellectual property rights and market-specific IP Toolkits visit: **www.StopFakes.gov** This site is linked to the USPTO website for registering trademarks and patents (both in the U.S. as well as in foreign countries), the U.S. Customs & Border Protection website to record registered trademarks and copyrighted works (to assist customs in blocking imports of IPR-infringing products) and allows you to register for Webinars on protecting IPR.
- The U.S. Commerce Department has positioned IP attachés in key markets around the world. You can get contact information for the IP attaché who covers Costa Rica at: <https://www2.focusbrazil.org.br/siteusa/index.htm> or Dorian.Mazurkevich@mail.doc.gov

IPR Climate in Costa Rica

Costa Rica is a party to the Paris Convention for the Protection of Intellectual Property; Patent Cooperation Party; Washington Treaty of Intellectual Property with respect to Integrated Circuits; WIPO Copyright Treaty (WCT); Lisbon Agreement for the Protection of Appellations of Origin and their International Registration; and the WIPO Convention.

Inadequate enforcement of Costa Rica's intellectual property laws (IP) remains a U.S. concern. While many elements of Costa Rican intellectual property laws appear to be consistent with TRIPS obligations, the country's criminal codes have certain weaknesses that limit the effective deterrence of crimes against intellectual property intellectual property.

Over the last year, Costa Rica has not taken significant concrete steps to improve the enforcement of intellectual property rights. Attempted initiatives, including the formation of an inter-governmental intellectual property rights commission and the training of judges and prosecutors on intellectual property, laws, have not produced any significant improvements in the prosecution of IPR crimes.

IPR protection is an important component of CAFTA-DR. The agreement in general, would strengthen Costa Rica's IPR protection regimes to conform with, and in many areas exceed, WTO norms, and will criminalize end-user piracy, providing a strong deterrence against piracy and counterfeiting. CAFTA-DR will require all member countries to authorize the seizure, forfeiture, and destruction of counterfeit and pirated goods and the equipment used to produce them. It will also mandate both statutory and actual damages for copyright infringement and trademark piracy. This serves as a deterrent against piracy, and ensures that monetary damages can be awarded even when it is difficult to assign a monetary value to the violation. Finally, CAFTA-DR would set time periods to protect the test data of pharmaceutical products. (At the time this section was prepared, the Costa Rican Assembly was debating the IPR law to implement the CAFTA accord. Much of the debate focused on the penalties and fines to be imposed for IPR violations.)

U.S. companies are advised to contact qualified local attorneys to register their company trademarks and other intellectual property as they enter or consider entering the local market. Both CS and the Consular Section have lists of practicing lawyers specializing in IPR and other trade issues on their respective sites (see "Web Resources" section below) or are available upon request.

Patents, trademarks, and copyright protection in Costa Rica are granted through Costa Rica's National Registry. <http://www.registronacional.go.cr/principal.htm>

Those whose intellectual property rights have been infringed may wish to hire local counsel. Criminal complaints should be registered with the local competent investigative authority, the Office of Judicial Investigators <http://ministeriopublico.poder-judicial.go.cr/servicios/denuncias/index.html>.

Most IP office contact information can be found at <http://www.wipo.int/directory/en/urls.jsp>

Due Diligence

[Return to top](#)

Before finalizing any contract, whether for a sale or representation, U.S. companies should obtain information on the bona fides of the foreign firm, including reliable business and financial references. While the Commercial Service Costa Rica does not offer such services, it can link interested companies to well-known local private sector credit-reporting services that can provide background and credit reports on companies in Costa Rica.

Local Professional Services

[Return to top](#)

Obtaining competent local legal representation is critical when one is planning to start a business, buy or sell real estate, apply for resident status, or make any type of significant investment in Costa Rica. Not only is Costa Rica's legal system (based on Roman law) considerably different than that of the United States (with its roots in English common law), but language differences present opportunities for serious miscommunications and

misunderstandings, sometimes with serious consequences. U.S. companies should retain the services of a bilingual attorney to avoid potential communication failures. In Costa Rica, many local attorneys have been trained in the U.S. and are experienced in both U.S. and local law. (Please see the Business Service Providers Section of the English version of the CS Costa Rica website at:

<http://www.buyusa.gov/costarica/en/costaricanserviceproviders.html>)

Frequent visits and communication and effective oversight of local legal representatives are also important to ensure that actions are taken in a timely manner.

Web Resources

[Return to top](#)

U.S. Government:

U.S. Commercial Service: <http://www.buyusa.gov/costarica/en>

Business Service Providers

<http://www.buyusa.gov/costarica/en/costaricanserviceproviders.html>

U.S. Consular Section: <http://sanjose.usembassy.gov/conseng.html>

U.S. Foreign Agriculture Service: <http://www.fas.usda.gov/>

CAFTA-DR:

U.S. Trade Representative: <http://www.ustr.gov/TradeAgreements/Bilateral/CAFTA>

U.S. Department of Commerce: <http://www.export.doc.gov/FTA/complete/CAFTA>

U.S. Department of Agriculture: <http://www.usda.gov>

Investment Promotion Services:

Costa Rican-American Chamber of Commerce: <http://www.amcham.co.cr>

Promotora del Comercio Exterior-PROCOMER: <http://www.procomer.com/>

CINDE : <http://www.cinde.or.cr/>

Chamber of Commerce: <http://www.camara-comercio.com/>

[Return to table of contents](#)

[Return to table of contents](#)

Chapter 4: Leading Sectors for U.S. Export and Investment

- [Agricultural Sector](#)

Commercial Sectors

- [Automotive Parts Accessories and Service Equipment Leading Sector #1](#)
- [Travel and Tourism Services Leading Sector #2](#)
- [Construction Equipment/Building Products Leading Sector #3](#)
- [Audio Visual Equipment Leading Sector #4](#)
- [Tools Hand Power/ Hardware Leading Sector #5](#)
- [Dental Equipment Leading Sector #6](#)
- [Hotel and Restaurant Equipment Leading Sector #7](#)

Automotive Parts Accessories and Service Equipment (APS) - Leading Sector #1)

Overview

[Return to top](#)

	2005	2006	2007
Total Market Size	157.6	162.0	166.0
Total Local Production	31.0	32.0	32.8
Total Exports	25.4	26.0	26.8
Total Imports	152.0	156.0	160.0
Imports from the U.S.	46.0	47.0	48.0

*Data provided in US\$ millions. The above statistics are based upon industry sources and are unofficial estimates. For more information contact: Costa Rican Customs Directorate, Ministry of Finance, at <https://www.hacienda.go.cr/msib21>

Local production is limited to small electrical and metal parts, batteries, electrical copper cable, hydraulic seals, filters (air/gasoline), steel leaf springs, aluminum and steel wheels, windshields, carpets, hoses, mufflers, bus bodies, and tires. Major U.S. competitors in this sector are Japan, South Korea, Brazil, Taiwan, and France.

Total imports in this sector are expected to increase in 2007 by 2.6 percent over the previous year to about US\$160 million.

The consensus within the local automotive parts industry is that the sector will grow at an annual rate of 3-4 percent from 2007-2009. The surge on the importation of used low cost vehicles from Asian countries Korea during the last three years led to an increase in auto parts imports from Korea, which reduced the U.S. share of market. As a result, industry sources indicate that the U.S. share of the import market is expected to improve only slightly from 2007-2009. The U.S. market share for automotive parts for 2007 was estimated to be 30 percent.

Best Prospects/Services

[Return to top](#)

Many of the cars in Costa Rican roads are imported as “used” from the United States, due to high taxes on new cars. For that reason Costa Rican importers of automotive parts and accessories purchase their products in the U.S., although a significant portion of these items is not of U.S. origin.

According to several Costa Rican importers of automotive parts, good sales opportunities continue for virtually all categories of products in this sector.

High quality, durability, availability and an assortment of vehicle parts, fast delivery, and favorable prices are the main factors for increasing U.S. sales of these products.

Opportunities

[Return to top](#)

Under DR-CAFTA, U.S. suppliers should be well positioned to expand their market share for automotive parts. CAFTA-DR better positions U.S. exporters to take advantage of this expanding market. Current import taxes for automotive parts vary from 0 to 14

percent, depending on the product. Most of these import taxes will disappear immediately with the approval of the CAFTA-DR approval.

Resources

[Return to top](#)

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Travel and Tourism Services (TRA) - Leading Sector #2

Overview

[Return to top](#)

	2004	2005	2006
Total Outgoing Travelers from Costa Rica	424,635	487,102	484,585
Costa Rican Travelers to the U.S.	146,807	160,448	151,525
U.S. Market Share	34.6 %	32.9 %	31.3 %

*Data provided by number of passengers. The above statistics are based upon industry sources and official data provided by the Costa Rican Tourism Institute. For more information contact: Costa Rican Tourism Institute, Ministry of Tourism, at <http://www.visitcostarica.com>

According to the Costa Rican Tourism Institute (ICT), it is estimated that total the amount of Costa Ricans traveling to the United States in 2007 will remain about the same as 2006. The consensus within the local travel industry is that the sector will grow at an annual rate of 4-5 percent from 2007-2009. U.S. market share of Costa Rican travelers for 2007 was estimated to be 30-31 percent.

The United States is by far the preferred destination for Costa Rican travelers. According to industry sources, the top three visited states are Florida (Miami, Orlando), California (Los Angeles), and New York (New York/New Jersey). It is not expected that in the near future the top destinations will change, primarily because the Costa Rican travelers have targeted those destinations due to different convenience factors such as: the relative proximity to those places, the airlines routes, fewer language problems (more Spanish speaking people), lower costs, and the availability of amusement parks. Although the destinations may remain the same, there may be a small increase in travelers to Orlando, Florida. The states and cities with the greatest potential for an increase in arrivals in the near future from Costa Rica are Florida (Miami, Orlando); California (Los Angeles); New York (New York/New Jersey); Texas (Dallas, Houston); Louisiana (New Orleans); Illinois (Chicago); and Nevada (Las Vegas).

Major reasons for choosing U.S. travel destinations include the proximity to the U.S., the many travel destination options, attractions for all ages, many options for shoppers, and the large and interesting trade conventions. The average expenditure per person, including accommodations, shopping, food, transportation, and others is in the range of USD 1,500 - 2,000. Current airlines serving U.S. destinations include Delta, TACA (Code-share with United), Frontier (inaugurated in November 2007; Spirit (initial operations in April 2007); Continental, American, America West, and U.S. Airways.

Economic trends, which might stimulate travel, include a) the provided CAFTA-DR approval, which will stimulate business among both countries, b) airlines and travel agencies agreements promoting U.S. tourist destinations with more attractive and more varied travel packages, and c) the relatively high cost of Costa Rican vacation packages which stimulates vacation travel outside of the country.

Costa Ricans would always be interested in a variety of inland destination packages and tourist services to explore their personal interest, including cultural activities, sports, education and business.

Resources

[Return to top](#)

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U.S. Office of Travel and Tourism Industries (OTTI)
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Costa Rican Tourism Institute, Ministry of Tourism
<http://www.visitcostarica.com>

Construction Equipment / Building Products (CON-BLD) - Leading Sector #3

Construction Equipment

Overview

[Return to top](#)

	2006	2007	2008 (estimated)
Total Market Size	74.5	126.6	105.0
Total Local Production	10.0	12.0	10.0
Total Exports	6.0	6.0	5.0
Total Imports	70.5	120.6	100.0
Imports from the U.S.	33.1	63.4	50.0

* Data in millions of dollars. The above statistics are based upon industry sources and official trade data provided by the Costa Rican Customs Directorate. Date on local production is estimated.

The construction sector has been one of the most dynamic sectors of Costa Rica's economy over the past years. The sector's growth has resulted primarily from the boom in infrastructure development in the Guanacaste and Puntarenas provinces along the Pacific Coast and in the Central Valley area surrounding San Jose. According to the Costa Rican Chamber of Construction Companies, the country's total construction activity (mainly housing, industrial and commercial buildings) increased from 3.6 million square meters in 2005 to 6.7 million square meters in 2007, an increase of more than 80 percent. (Note: the number of square meters are obtained from approved construction permits, of which more than 90 percent are actually undertaken).

Most of the construction has been concentrated in the private sector, for example, hotels, condominiums, residences, warehouses, industrial plants, offices, shopping malls, supermarkets, schools and hospitals. In the province of Guanacaste, the infrastructure development has increased by more than 130 percent over the past two years. The GDP growth of the construction sector is estimated to be 10-12 percent in 2008.

In the public sector, the Government of Costa Rica is employing the Public Works Concession Law for the development of large infrastructure projects. These projects include roads, highways, bridges, airport modernization, ports improvement, rehabilitation of the railroad system, and sewage systems, among other projects. The projects are offered to private local and foreign companies and consortiums through a public bidding process under a concession scheme (B.O.T. system), as stipulated in the Public Works Concession Law. However, the program has been plagued with legal and administrative problems since its inception and has not enjoyed a great deal of success. One permanent example, the expansion and modernization of the Juan Santamaria Airport, has experienced delays due to financial and legal problems. The construction of the highway San Jose/Caldera finally begun in January 2008, but only after 30 years of planning and failure attempts to award the project to private construction companies. Only the concession of the Port of Caldera in the Pacific has begun operations (in September 2006). The concession of the ports of Limon and Moin are expected to be

issued the first half of this year, as is the concession for the Daniel Oduber airport expansion in Liberia.

As a result of this boom in construction during the past two years, the market size for construction equipment increased from US\$38.1 million in 2005 to US\$74.5 million in 2006 and US\$126.6 million in 2007. Costa Rican companies imported US\$70.5 million of construction machinery in 2006 and US\$120.6 million in 2007. Due to the large amount of construction equipment imported over the last two years, imports are expected decline slightly in 2008. It is expected to be US\$100.0 million in 2008. These amounts are records for this small market. The annual growth rate for construction equipment import is expected to average between 15-20 percent over the next three years (2008-2010). Since there is very little local production of construction equipment, total imports are roughly equal to the size of the local market.

The United States is the largest supplier of construction equipment to the Costa Rican market. Imports from United States also achieved record levels of US\$33.1 million in 2006 and US\$63.4 million in 2007, double the previous year. U.S. imports represent a market share of roughly 50 percent of Costa Rica's total imports over the past two years. Major third-country competitors are Brazil (14.1 percent of market share), Korea (5.6 percent), Japan (5.3 percent), and Italy (5.2 percent).

Best Prospects/Services

[Return to top](#)

Construction equipment in high demand in Costa Rica are tractors, backhoes, shovel loaders, asphalt mixers, and dump trucks. U.S. construction equipment enjoy an excellent reputation in the Costa Rican market due to their high quality, availability of spare parts and maintenance and repair services through dealerships, competitive pricing, and consistent ocean and air shipping services.

Opportunities

[Return to top](#)

The Costa Rican Concessions Council is undertaking feasibility studies or preparing bid documents for several roads and highway construction, enlargement and repair projects through the Public Works Concession Model, over the next five years. The execution of these projects will require heavy construction equipment.

Radial Heredia Highway	15.0 Km
Peripheral Ring Highway	24.0 Km
San Jose-Cartago Highway	20.5 Km
San Jose-Limon Highway	156.0 Km

Ports of Limon and Moin Modernization Project. This project contemplates the modernization and enlargement of the Ports of Moin and Limon. The office in charge of the design of the project is still working on several studies (environmental impact, feasibility, marketing, etc.). Once these studies are completed, they will work on the bid document. As of the date of this report JAPDEVA (Port Authority in the Caribbean Coast) do not know or has not decided how they will structure the bid and what works they will include in the bid (or bids). This is an integral mega-project that would include not only the modernization of the existing Ports of Moin and Limon, but also the construction of a new port in a different site for containers transshipment between the Caribbean Coast and the Pacific Coast. To modernize the ports, the project

contemplates the acquisition of port handling equipment (portico cranes, straddle carriers, fork-lifts, etc.) The mega-project would also include the modernization of the City of Limon (sewage, potable water, streets, public lighting, etc.)

Recently, RECOPE, the Costa Rican Petroleum Refinery, announced the construction of a new petroleum dock for crude and processed oil in the Port of Moin in Limon. This new dock will be enable the arrival of ships that are larger than those currently arriving to that port. The project has an estimated cost of US\$50 million. RECOPE is working on the bid documents and expects to announce it early this year.

The Ministry of Public Works and Transportation is also planning the expansion of the Daniel Oduber International Airport in Liberia, Guanacaste Province. Tender requirements are expected to be released during the first quarter of 2008, and over 30 companies have reportedly expressed interest in the project. Construction is expected to start in 2008 for a new terminal of approximately 15,000 square meters at a cost of US\$16 million.

The Costa Rican Institute of Electricity (ICE) is preparing a public tender for the construction of the El Diquis Hydroelectric Project, located in the South Pacific region of the country. This hydroelectric dam will have an initial production capacity of 630 MW of electricity. The project has an estimated cost of US\$500 million. ICE is in urgent need to initiate the construction of this project due to the high demand of electricity in the country.

In the private sector, opportunities exist across a range of sectors in Costa Rica, particularly in the tourism-dominated area in Guanacaste (Pacific Coast region). In 2006-2007, several residential development complexes were announced. Nearly every major hotel chain is building new facilities or expanding existing ones, including Hilton, Hyatt, Holiday Inn, Radisson, Four Seasons, and others in Costa Rica. As an example, The Global Financial Group, a U.S. corporation, will develop the Azulera Hyatt Resort hotel, with an estimated investment of US\$300 million. Another example is the Regent hotel chain, which will invest US\$120 million in hotel development in the Papagayo area.

The firm, DWL, will develop a mega-project named Solarium, opposite the Liberia International Airport Daniel Oduber in Guanacaste. This project will consist of business offices, a free trade zone, residencies, business locations, hotel and industrial warehouses. Another residential and condominium complex, Lomas del Mar, will be developed in the Papagayo Gulf, with an estimated investment of US\$25 million. In the grand metropolitan area (the Central Valley, including the provinces of San Jose, Alajuela, Heredia and Cartago), a number of major residential and condominium complexes are being constructed.

Resources

[Return to top](#)

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Consejo Nacional de Conseciones:
<http://www.mopt.go.cr/cnc>

Cámara Costarricense de Hoteles:
<http://www.costaricanhotels.com>

Ministry of Public Works and Transportarion:
<http://www.mopt.go.cr>

Building Products

Overview

[Return to top](#)

	2006	2007	2008 (estimated)
Total Market Size	148.0	168.7	188.00
Total Local Production	100.0	90.0	100.0
Total Exports	41.0	29.5	40.0
Total Imports	89.0	108.2	128.0
Imports from the U.S.	31.8	39.2	48.0

* Data in millions of dollars. The above statistics are based upon industry sources and official trade data provided by the Costa Rican Customs Directorate. Data on total local production is estimated. The import and export statistics correspond only to the following building materials: bath, shower baths, washbasins, bidets, lavatory pans, seats and covers, flushing cisterns and sanitary ware, doors, windows, of plastics (HC 3922); Wood doors, windows, with frames, shingles and shakes (HC 4418); carpets and other textile coverings (HC 5701-5703); glass in sheets or profiles (HC 7003-7006); ceramic sinks, wash basins pedestals, baths, water closet bowls, flush tanks, urinals and similar sanitary fixtures (HC 6910); stainless steel sanitary ware, sink and wash basins, baths, (HC 7324); aluminum doors, windows and their frames, sheet metal roofing (HC 7610); door locks, locksets, etc, (HC 8301); air conditioning machines (HC 8415); bath and shower faucets, pipe valves, etc. (HC 8010/8020/8090); electric lamps and tubes (HC 8539); gypsum board (HC 6809).

The construction sector has been one of the most dynamic sectors of Costa Rica's economy over the past years. The sector's growth has been primarily attributed to the boom in infrastructure development in the Guanacaste and Puntarenas provinces along the Pacific Coast. According to the Costa Rican Chamber of Construction Companies, the country's total construction activity in housing, industrial and commercial buildings increased from 3,6 million square meters in 2005 to 6.7 million square meters in 2007, an increase of more than 80 percent. (Note: the number of square meters are obtained from approved construction permits, of which more than 90 percent are actually undertaken).

Most of the construction has been concentrated in the private sector, for example, hotels, condominiums, residences, warehouses, industrial plants, offices, shopping malls, supermarkets, schools and hospitals. In the province of Guanacaste, the infrastructure development has increased by more than 130 percent over the past two years. The GDP growth of the construction sector is estimated to be 12 percent in 2008.

The market size for building materials was US\$105.0 million in 2006 and US\$168.7 million in 2007. The market size is expected to increase to US\$188.0 million in 2008. Costa Rican companies imported US\$89.0 million of construction materials in 2006 and US\$108.2 million in 2007. The annual growth rate for building materials import is expected to average between 15 - 20 percent over the next three years (2008-2010). (Note: this data correspond only to the list of building materials described in the first paragraph).

The United States is one of the largest suppliers of building materials to the Costa Rican market, with total exports of US\$31.8 million in 2006 and US\$39.2 million in 2007, representing a market share of roughly 36 percent of Costa Rica's total imports over the past two years.

Costa Rica produces a large portion of building materials. The country has local production of iron and steel processed products, wood mills, PVC tubing, brick, asphalt and cement plants, aluminum and glass products, sand and gravel. Ceramic sanitary ware (toilets, lavatories, urinals, etc.) is manufactured in Costa Rica and exported to other countries, mainly Central America. Lumber for kitchen furniture, cabinets, closets, doors, windows, flooring, walls and other applications, is also produced in the country. Therefore, the import of these products is low. Floor coverings are dominated by ceramic tiles in 90 percent or more. This material is imported mainly from Spain, Italy, Brazil and Mexico.

For roofing, galvanized-channeled metal sheets, and tiles-clay, are the most commonly used materials. Structures are made mainly of iron rods with concrete blocks, both materials manufactured in country. Ceiling panels are mostly of fiber-cement boards, produced locally, and of gypsum board, imported. Heating or cooling systems is not needed in this tropical climate region, but commercial buildings use central air-conditioning. For homes and small offices, window room air conditioner or mini split is preferred.

Best Products/Services

[Return to top](#)

Imported building materials in high demand in Costa Rica are: gypsum board for ceiling, bath and shower faucets together with pipe valves, electric lamps and tubes, ceramic tiles for flooring and baths, door locks, locksets, architectural glass, and air conditioning equipment for commercial buildings.

Opportunities

[Return to top](#)

The market in Costa Rica presents excellent opportunities for building materials. The construction of residencies for high, medium and low-income people continue to increase all over the country. In the Central Valley, housing developers are building a number of residential complexes for medium and high-income people. Local banks offer attractive interest rates and payment systems to clients in this sector. The Costa Rican Government is also undertaking construction projects to build hospitals, schools, and buildings for office space.

In the private sector, opportunities exist across a range of sectors in Costa Rica, particularly in the tourism-dominated area in Guanacaste (Pacific Coast region). In 2006-2007, several residential development complexes were announced. Nearly every major hotel chain is building new facilities or expanding existing ones, including Hilton, Hyatt, Holiday Inn, Radisson, Four Seasons, and others in Costa Rica. As an example, the Global Financial Group, a U.S. corporation, will develop the Azulera Hyatt Resort hotel, with an estimated investment of US\$300 million. Another example is the Regent hotel chain, which will invest US\$120 million in hotel development in the Papagayo area. The firm DWL will develop a mega-project named Solarium, in front of the Liberia International Airport Daniel Oduber in Guanacaste. This project will consist of business offices, a free trade zone, residencies, business locations, hotel and industrial warehouses. This mega-project intends to accommodate most of the tourists visiting Costa Rica through the Daniel Oduber Airport in Liberia. Another residential and condominium complex, Lomas del Mar, will be developed in the Papagayo Gulf, with an estimated investment of US\$25 million. Others in Guanacaste are also being launched. In the grand metropolitan area (Provinces of San Jose, Alajuela, Heredia and Cartago), the development of a number of major residential and condominium complexes are being established.

Resources

[Return to top](#)

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Audiovisual Equipment (AUV) - Leading Sector #4

Overview

[Return to top](#)

	2004	2005	2006 (estimated)
Total Market Size	238.0	254.7	267.4
Total Local Production	-	-	-
Total Exports	10.7	11.4	12.0
Total Imports	144.9	155.0	162.7
Imports from the U.S.	399.08	427.0	448.36

* Data in millions of US\$ Dollars. The above statistics are based upon industry sources and official trade data provided by the Costa Rican Customs Directorate.

Export figures shown in 2004-2005 include re-exports. Part of the export volume also comprises some personal computers assembled in Costa Rica and exported to the Central American market.

The demand for audiovisual equipment in Costa Rica is fueled by the continuous replacement of old audiovisual equipment by many end-users, and the need of other end-users to keep up with the latest technology. Local firms interviewed stated that the outlook for the market is favorable and that imports of household audiovisual equipment will continue to grow. The market is expected to grow at an annual rate of 5-7 percent from 2006-2007.

The United States is the major supplier of audiovisual equipment and consumer electronics in general. The U.S. market share was 60.9 percent for 2005. The estimated average annual real growth rate for U.S. imports for the period 2006-2007 is 3-5 percent per year. This information is based on the expected recovery of the local economy and on estimates made based on different audiovisual equipment importers who were consulted with regard to the Costa Rican market.

Best Prospects/Services

[Return to top](#)

Costa Rican household audiovisual equipment importers are very receptive to purchasing audiovisual equipment from the U.S. for a number of reasons, including wide range of options and products, good local service, price, excellent quality, reputation, availability of spare parts, and fast delivery. The geographical proximity of Costa Rica to the U.S., friendly political relations, excellent telecommunications, accessible transportation facilities, and a widespread familiarity with American products are also important factors in the receptivity of American household audiovisual equipment in this market. "Ticos", as Costa Ricans are known; travel to trade shows every year to stay current with the technology in this industry.

End-users of audiovisual equipment include both the public and private sectors, but the highest growth potential is found in the private sector, particularly in the commercial and professional fields, universities and other educational institutions. In Costa Rica, it is possible to purchase audiovisual equipment, directly from wholesalers, as well as from

retail stores. The industry is oriented towards the individual consumer generating important and growing market demand for both brand name and generic equipment.

Opportunities

[Return to top](#)

The most promising sub-sectors for U.S. exporters of audiovisual equipment and consumer electronics are in the video projectors and the latest technological equipment.

There are more than 800 sellers of household audiovisual equipment, including importers, wholesalers, and retailers, all in strong competition to meet the demands of the different users in Costa Rica.

U.S. firms marketing their household consumer electronic products in the Costa Rican market should be prepared to offer technical training to their representatives and provide warranties and after-sale service to customers. Sales catalogs and brochures should be translated into Spanish and products must be price-competitive.

Financing is available to Costa Rican importers and distributors to purchase household audiovisual equipment, both in U.S. dollars and Costa Rican colones. Most local companies in this industry work with their own capital or with a 30-60 day credit offered by their international providers, mostly U.S. companies. According to companies interviewed, public and private banks provide financing for up to five years.

Resources

[Return to top](#)

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Tools Hand Power/ Hardware (TLC)- Leading Sector #5

Overview

[Return to top](#)

	2006	2007	2008 (estimated)
Total Market Size	40.7	52.5	63.0
Total Local Production	-	-	-
Total Exports	578.5	696.5	800.9
Total Imports	41.3	53.2	63.9
Imports from the U.S.	18.8	24.2	29.3

* Data in millions of USD. Data provided by: PROCOMER and Banco Central de Costa Rica, based on Costa Rican Customs figures.

The hand and power tools industry can be subdivided into four areas or sub-sectors, each with its own characteristics, market dynamics and outlook of future potential. These four sub-sectors are: a) construction; b) do-it-yourself; c) mechanics, and d) metalworking.

The total Costa Rican market for hand and power tools was US\$40,7 million in 2006 and is expected to reach about US\$63 million in 2008 estimating a growth rate of 50% from 2006 to 2008.

Note: Figures for local production are not included because data is not considered unreliable.

The total import market is expected to grow from US\$41.3 million in 2006 to US\$63.9 million in 2008 estimating a growth rate of 35.3% from 2006 to 2008.

Imports from the U.S. market is expected to grow from US\$18,8 million in 2006 to US\$29,3 million in 2008 estimating a growth rate of 53.8% from 2006 to 2008.

The products covered in this report and their respective harmonized codes include:

- (8202) Handsaws and metal parts thereof; blades for saws of all kinds (including slitting, slotting or toothless saw blades), and base metal parts thereof.
- (8203) Files, rasps, pliers (including cutting pliers), pincers, tweezers, metal cutting shears, pipe-cutters, bolt cutters, perforating punches and similar handtools, and base metal parts thereof.
- (8204) Hand-operated spanners and wrenches (including torque meter wrenches but not including tap wrenches); socket wrenches, with or without handles, drives or extensions; base metal parts thereof.
- (8205) Handtools (including glass cutters) not elsewhere specified or included, blow torches and similar self-contained torches; vises, clamps and the like, other than accessories for and parts of machine tools, anvils; portable forges; hand- or pedal- operated grinding wheels with frameworks; base metal parts thereof.
- (8207) Interchangeable tools for handtools, whether or not power-operated, or for machine-tools (for example, for pressing, stamping, punching, tapping, threading, drilling, boring, broaching, milling, turning or screwdriving), including dies for

drawing or extruding metal, and rock drilling or earth boring tools, base metal parts thereof.

- (8208) Knives and cutting blades, for machines or for mechanical appliances, and base metal parts thereof.
- (8467) Tools for working in the hand, pneumatic or with self-contained nonelectric motor, and parts thereof.
- (8508) Electromechanical tools for working in the hand with self-contained electric motor; parts thereof.

Best Products/Services

[Return to top](#)

The most promising sub-sectors in the Hardware market are: A) hand-operated spanners and wrenches (including torque meter wrenches but not including tap wrenches); socket wrenches, with or without handles, drives or extensions; base metal parts thereof. B) hand tools (including glass cutters) not elsewhere specified or included; blow torches and similar self-contained torches; vises, clamps and the like, other than accessories for and parts of machine tools; anvils; portable forges; hand- or pedal – operated grinding wheels with frameworks; base metal parts thereof. And C) Tools for working in the hand, pneumatic or with self-contained nonelectric motor; and parts thereof.

Opportunities

[Return to top](#)

The rise in housing construction, hotels and retirement communities continue to grow with the reduction of interest rates and the expansion of credit

Resources

[Return to top](#)

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Banco Central de Costa Rica: www.bccr.fi.cr

Camara de la Construcción, www.construction.co.cr

Expo Ferretera, www.expoferretera.com

Dental Equipment (DNT)- Leading Sector #6

Overview

[Return to top](#)

	2005	2006	2007
Total Market Size	-	3.9	0.4
Total Local Production	-	-	-
Total Exports	6.8	0.2	4.2
Total Imports	3.2	4.1	4.6
Imports from the U.S.	1.4	2.3	2.5

* Data in millions of US\$ Dollars. The above statistics are based upon industry sources and official trade data provided by the Costa Rican Customs Directorate.

Statistics are based on the following harmonized codes: 9018410000 to 9018490000. For more information contact the Costa Rican Customs Directorate, Ministry of Finance, at the following website:

[https://www.hacienda.go.cr/Msib21/Espanol/Direccion+General+de+Informatica/Arancel TICA.htm](https://www.hacienda.go.cr/Msib21/Espanol/Direccion+General+de+Informatica/Arancel+TICA.htm)

Costa Rica has a socialized health care system, known as the Costa Rican Social Security System (Caja Costarricense de Seguro Social, or CCSS). The Caja covers 29 hospitals: nine general hospitals, seven regional hospitals (one in each geographic region/province), and 13 peripheral hospitals, which vary in size. Sixteen of the hospitals are located in the Central Valley region of the country, where about one-half of the population live. Additionally, the CCSS is responsible for 505 clinics, of which 416 are small clinics with only basic equipment, known as “Equipos Basicos de Atencion Integral” (EBAIS), which provide basic medical assistance to patients in remote areas of the country. Many of these hospitals offer dental care for the general population.

There are several private hospitals and clinics in the country, mainly in the Central Valley, although the population growth in Liberia is increasing rapidly. CIMA Hospital offers the services of endodontics, pediatric endodontics, prostodontology, periodontics, orthodontia. Hospital Clínica Bíblica, provides endodontics, orthodontia, and periodontics as does Hospital Clínica Católica.

The number of small private clinics is growing constantly, as the populace looks for quick and better health services. The influx of foreigners, mainly from North America, is a contributing factor to the growth in private dental services, which have an overall reputation of high quality, at a lower price. In addition to those clinics, there are six universities in Costa Rica that offer a dentistry program; four of them offer dentistry in their school clinic services at reduced prices.

However, imports in this sector increased from US\$ TBD million in 2004 to US\$ TBD million in 2005. This increase is attributed mainly to imports in the private sector.

The United States is the largest exporter of dental and medical equipment to Costa Rica, with US\$ 1.4 million in 2005 and US\$ 2.3 million in 2006, accounting for a market share of roughly 50.0 percent of its equipment needs. Major U.S. competitors in this sector are Germany, with 6.6 percent market share of Costa Rican imports; Japan 4.8 percent; and Brazil (3.6 percent).

As a requirement for both private and government practice, all dentistry professionals must be registered in the Colegio de Cirujanos Dentistas de Costa Rica. This is a private institution which regulates the dental practice in Costa Rica. The Colegio has two incorporation periods (January and in September). From 2006-2007 there was an increase of 7.81 percent in the number of incorporations of new professional dentists. Currently, the Colegio de Cirujanos Dentistas has 3200 approved and certified members.

Best Products/Services

[Return to top](#)

The consensus within the local industry is that the U.S. market share for dental equipment is expected to grow at an annual rate of 10 percent for 2007-2009.

There is no significant local production of dental equipment for the Costa Rican market. High quality, reliability, durability, favorable prices, good maintenance service, and timely delivery are the main factors for increasing U.S. sales in the medical sector.

Opportunities

[Return to top](#)

The level of demand for dental equipment in Costa Rica is expected to rise, as most private hospitals and private clinics continue to need up-to-date equipment, virtually in all categories of products in this sector. Imported medical dental and supplies (HC 901841 to 901849) are exempted from custom duties.

Resources

[Return to top](#)

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Caja Costarricense de Seguro Social (CCSS):
<http://www.info.ccss.sa.cr/>

Hospital Cima:
www.HospitalSanJose.com

Hospital Clinica Biblica:
www.ClinicaBiblica.com

Hospital Clinica Catolica:
www.HospitalLaCatolica.com

Colegio Cirujanos de Dentistas de Costa Rica
www.colegiodontistas.org

Hotel and Restaurant Equipment (HTL) - Leading Sector # 7

Overview

[Return to top](#)

	2006	2007	2008 (estimated)
Total Market Size	\$ 92.4	\$ 105.4	\$ 122.5
Total Local Production**	\$ 87.0	\$ 90.0	\$ 94.0
Total Exports	\$ 29.0	\$ 30.4	\$ 32.3
Total Imports	\$ 34.4	\$ 45.8	\$ 60.8
Imports from the U.S.	\$ 12.7	\$ 14.7	\$17.7

* Data provided in US\$ millions. The above statistics are based upon industry sources and official trade data provided by the Costa Rican Customs Directorate. The data is based only on the import tariff classifications for the major products for the hotel and restaurant industry.

**The Local Production is an estimated amount.

This market study includes hotel and restaurant equipment and products listed in several chapters of the Harmonized System, chapters 69-70-73-74-76-85-84-85 and 94. The most important products are listed below:

Tariff Number	Description
6911100000	Chinaware
7321111010	Non-electric cooking equipment (gas)
7321111090	Non-electric commercial cooking equipment
7321119000	Barbecues, griddles
7321900000	Parts and pieces for non-electric cooking equipment
8418100000	Refrigerator-freezer units
8418220099	Refrigerators
8418300000	Freezers (No energy efficient)
8418400000	Freezers-vertical kind
8418500010	Dispensing equipment with refrigeration
8418691000	Water coolers
8418699090	Ice making machines
8418990090	Parts and pieces for refrigeration equipment
8419110000	Dispensing equipment heated (Non-electric/gas)
8422110010	Dish-washing machines
8476210000	Vending machines
8516500000	Microwave oven
8516600091	Ovens, electric cookers (Energy Efficient)
8516600099	Ovens, electric cookers (No Energy Efficient)
8516710000	Coffee makers

The above-mentioned tariff classifications include data for equipment used in the hotel and restaurant sector as well as for domestic use.

During the last two years Costa Rica has experienced a dramatic increased in the hotel and restaurant industry due to a rise in tourism. According to estimates by Costa Rican Tourism Institute the tourism/hospitality industry generated approximately US\$1.62 billion, attracting more the 1.7 million tourists, more than half of these from U.S. tourism.

The increase in tourist arrivals has stimulated the construction of new hotels and restaurants, as well as food and beverage outlets everywhere in Costa Rica and resulting in a significant growth in the supplies of the hotel and restaurant equipment. Development has been concentrated on the North and Central Pacific coast as well as the Central Valley, which includes San Jose. Based on the information given by the Chamber of Construction in regard to the square meters of hotel infrastructure this area experimented 130% growth in 2007.

The U.S. led the way in market share in 2007 at 32 percent, albeit a slight decline from the 37 percent registered in 2006. In contrast, Mexico gained market share during this time (12 to 25 percent), while China changed only a slightly (24 to 25 percent).

Best Products/Services

[Return to top](#)

Local companies in the hotel and restaurant industry have indicated that the availability of high quality hotel and restaurant equipment and supplies is vital to the health of the tourism industry. The Costa Rican industry is very receptive to purchase from United States companies due to good local service, price, excellent quality, reputation, availability of spare parts, and fast delivery. According to Costa Rican importers, good sales prospects are projected for virtually all categories of products, but particular strong market products are cooking equipment, industrial freezers and accessories for the restaurant sector, industrial laundry equipment, bedding, amenities and decorative designs for the hotel industry.

Opportunities

[Return to top](#)

According to local observers, the expected annual growth rate for the tourist industry is expected to be around 7.1 percent as the number of hotel complexes grew from 2005 to 2006 at a rate of 6.4%. Other important factors are the presence and establishment of international chain hotels that require quality products from suppliers, and the increase of tourists demanding four-to-five star hotels. As a consequence, local hotels have been forced to improve the quality of their services by improving the facilities, offering better food and amenities.

Costa Rica's approval of CAFTA reduces import tariffs since the Costa Rican government does not apply restrictions on the importation of equipment for this type of product. The tariff benefit would apply only to those products that comply with the rule of origin, so long as they are made in the U.S. or a CAFTA member country.

Local production of hotel and restaurant equipment uses mostly imported parts. There are opportunities for international companies to supply parts for the following equipment:

- Electric commercial/industrial stoves
- Ovens and ranges
- Fryers
- Cooking and warming apparatus
- Barbecues and griddles

- Freezers
- Refrigerating equipment

Meanwhile, products like refreshment dispensers, ice cube makers, blenders, commercial microwaves and food processors are not manufactured locally. Also all products related to bedding supplies enjoy good market opportunities, since local production does not have a reputation for high quality in terms of type of fabric and finishing details.

Resources

[Return to top](#)

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Costa Rican Customs Directorate Website: www.hacienda.go.cr

Cámara Costarricense de Restaurantes Website: www.cacorestaurantes.com

Cámara Costarricense de Hoteles Website: www.costaricanhotels.com

Agricultural Sectors

[Return to top](#)

Corn

Overview

[Return to top](#)

	2005	2006	2007 (estimated)
Total Market Size	605,014	646,800	615,000
Total Local Production	13,200	12,800	12,000
Total Exports	-	-	-
Total Imports	591,814	634,410	615,000
Imports from the U.S.	585,433	633,493	615,000

* Data in metric tons

U.S. corn export volume to Costa Rica increased 7.1% in 2006. However, the value of corn imports increased from US\$76.8 million in 2005 to \$87.6 million in 2006. The United States had a 99.8 percent market share in 2006. Although Costa Rica occasionally imports corn from sources other than the United States, in the recent past, the U.S. has held nearly 100 percent market share in this market. Imports are expected to decline slightly in 2007, although import value is expected to reach a record as a result of the higher price of corn.

Best Products/Services

[Return to top](#)

Although most of the imported volume is represented by yellow corn used for animal feed, imports of white corn for human consumption in the form of tortillas, has increased recently as a result of lower domestic production.

Opportunities

[Return to top](#)

The U.S. already controls nearly 100% of the market but the market has continued to grow as a result of growing local demand for animal feed.

Resources

[Return to top](#)

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[Return to table of contents](#)

Soybeans

Overview

[Return to top](#)

	2005	2006	2007 (estimated)
Total Market Size	225,070	254,322	280,000
Total Local Production	-	-	-
Total Exports	-	-	-
Total Imports	225,070	254,322	280,000
Imports from the U.S.	225,070	254,322	280,000

* Data are in metric tons and calendar years

Total soybean imports reached US\$67.1 million in 2006 as compared to US\$64.8 million in 2005, remaining in the second place on the list of Costa Rica's largest agricultural import products in terms of value. Based on preliminary data, imports from the United States are expected to almost 10 percent in 2007 as the local poultry and dairy industries continue to demand larger volumes of feed. The U.S. maintained 100-percent share of the soybean import market in 2006, but there have been occasional imports from Brazil and Argentina in the past. In 2004 for instance, Uruguay and Brazil exported soybeans to Costa Rica. Soybeans are imported primarily for meal. Soybean oil has been in surplus over the last few years, with exports to Central America providing an outlet. There is only one oilseed crusher in Costa Rica, INOLASA, located near the Pacific port of Caldera (where all bulk grains arrive).

Opportunities

[Return to top](#)

The U.S. already controls nearly 100 percent of the market.

Resources

[Return to top](#)

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Wheat

Overview

[Return to top](#)

	2005	2006	2007 (estimated)
Total Market Size	238,259	195,960	200,000
Total Local Production	-	-	-
Total Exports	-	-	-
Total Imports	238,259	195,960	200,000
Imports from the U.S.	238,259	195,960	200,000

* Data in metric tons and calendar years

The value of wheat imports from the United States declined from US\$47.9 million in 2005 to US\$44.8 million in 2006. Export volume decreased almost 18 percent in 2006 as compared to 2005. The decline was the result of higher stocks available from the larger import volume in 2005. Based on preliminary data, shipments from the U.S. during 2006 are expected to increase slightly. The U.S. maintained 100 percent market share of the Costa Rican wheat market in 2005 and 2006. The United States traditionally supplied 100 percent of the market, but Canada became a competitor in recent years. Canada exported 56,256 tons to Costa Rica in 2001, and 34,057 tons in 2002, or 16.8% of total imports. There are only two wheat mills in Costa Rica.

No wheat is produced locally. There is strong competition in the domestic market between the two local wheat mills, Molinos de Costa Rica (the largest) and FAHACASA.

Resources

[Return to top](#)

MOLINOS DE COSTA RICA, S.A.

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Rice

Overview

[Return to top](#)

	2005	2006	2007 (estimated)
Total Market Size	230,000	235,000	237,000
Total Local Production	156,000	181,000	171,000
Total Exports	-	-	-
Total Imports	173,763	156,451	183,000
Imports from the U.S.	173,513	156,451	183,000

* Market size, and local production (metric tons) are marketing years (July-June) for 2004/2005, and 2005/2006. Imports are calendar years.

After a shipment of 20,000 MT of rough rice from Uruguay in 1999, rice imports have been made primarily from the United States. Imports from the United States in calendar year 2006 amounted to 156,451 tons of rough rice (roughly 105,000 tons of milled rice equivalent), valued at US\$36.7 million. Import volume is expected to reach approximately 183,000 tons of rough rice in 2007. The majority of rice imported by Costa Rica is rough rice. Although in the past the GOCR resorted to delaying the rice import process by holding sanitary permits for a longer than normal period of time, this has not occurred during the last three years. GOCR charges US\$20 per metric ton of imported rice for phytosanitary inspection. The GOCR approved a law that allows only the rice sector to import rice duty free, whenever a rice shortage is determined (normally every year during the first half of the year).

Best Prospects/Services

[Return to top](#)

Although the largest volume of imports by far is represented by rough rice, there are opportunities for exporting milled rice in different presentations.

Opportunities

[Return to top](#)

Once CAFTA is approved a tariff rate quota of 5,000 MT, growing 5% per year, will be opened for milled rice exports from the United States.

Resources

[Return to top](#)

CORPORACION ARROCERA NACIONAL (CONARROZ)
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Fresh Fruit

Overview

[Return to top](#)

	2005	2006	2007 (estimated)
Total Market Size	n.a.	n.a.	n.a.
Total Local Production	n.a.	n.a.	n.a.
Total Exports*	876.0	1,125.0	1,227.0
Total Imports	29.9	36.1	38.0
Imports from the U.S.	8.4	9.9	11.0

* Includes exports of bananas, pineapples and melons (the three largest categories of fruits exported). Based on GOOCR statistics for 2005 and 2006.

Costa Rica's imports of fresh fruit reached a value of US\$36.1 million in 2006. \$9.9 million of this amount were imported from the United States. The leading fruit imports from the United States were grapes (\$3.9 million), apples (\$3.4 million), pears (\$772,000), and peaches (\$575,000). Chile has become a major competitor in the fruit market since that country now enjoys duty free access to the Costa Rican market for fruits competing with U.S.- origin product. Based on preliminary data, fresh fruit exports from the United States to Costa Rica are expected to increase to about \$11.0 million in 2007.

The United States and Chile are exporting almost the same products to Costa Rica, but during different seasons. Imports from Chile take place from January to July. During the rest of the year, imports come mostly from the United States, except for those fruits available year round. Costa Rica imports fresh fruits year-round, but about 70 percent of total domestic consumption of non-tropical fruits occurs during the Christmas season (October-December).

Costa Rica also signed a FTA with Canada, which came into effect in November 2002.

Best Prospects/Services

[Return to top](#)

The best prospects under this category are grapes, apples, pears, peaches and nectarines, plums and cherries.

Opportunities

[Return to top](#)

If approved, CAFTA will give the U.S. immediate access duty free to the Costa Rican market for most of the fruits mentioned above.

Resources

[Return to top](#)

FRUTAS DEL MUNDO (CORPORACION INTERFRUTD)

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Processed Fruit and Vegetables

Overview

[Return to top](#)

	2005	2006	2007 (estimated)
Total Market Size	n.a.	n.a.	n.a.
Total Local Production	n.a.	n.a.	n.a.
Total Exports	n.a.	n.a.	n.a.
Total Imports	40.0	43.6	45.0
Imports from the U.S.	9.9	10.4	12.0

* Total exports and imports based on GOCR statistics

According to information from Costa Rica's Central Bank, imports of U.S. processed fruit and vegetables totaled US\$10.4 million in 2006. These products, especially mixed fruits, mixed vegetables, yellow and sweet corn, peas, mushrooms and garbanzo beans, generate strong import demand. Chile (\$9.7 million), Canada (\$9.0 million), Guatemala (\$4.4 million), and recently China (\$3.1 million) are the main competitors of the United States in the Costa Rican processed fruit and vegetable market. The FTAs with Chile and Canada have created more competition for the United States in these product categories. Central American countries also enjoy duty-free access to the Costa Rican market. Based on preliminary data, U.S. exports of processed fruits and vegetables are expected to increase during 2007.

Best Prospects/Services

[Return to top](#)

Mixed fruits, mixed vegetables, yellow and sweet corn, peas, mushrooms, garbanzo beans and other canned beans.

Opportunities

[Return to top](#)

Tariff reductions under CAFTA will allow the U.S. to become more competitive in this market against Chilean, Mexican and Central American products. Also, CAFTA will allow the U.S. to compete against Canada in the frozen french fries market.

Resources

[Return to top](#)

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Snack Foods

Overview

[Return to top](#)

	2005	2006	2007 (estimated)
Total Market Size	n.a.	n.a.	n.a.
Total Local Production	n.a.	n.a.	n.a.
Total Exports	n.a.	n.a.	n.a.
Total Imports	50.7	66.4	70.0
Imports from the U.S.	9.5	13.8	15.0

* Total exports and imports based on GOCR data

U.S. exports of snack foods to Costa Rica totaled US\$13.8 million in 2006.

Imports of snack foods from the United States are expected to increase to \$15 million in 2007 as a result of total import growth of this product category.

The U.S. is facing increased competition in this sector as a result of free trade agreements signed with Chile, Canada and Mexico. Prospects for U.S. exports in this sector may improve if the Central American Free Trade Agreement (CAFTA) is approved. Competing products are imported mainly from Central America (Guatemala and El Salvador) and from Chile, Mexico, Argentina and Europe on a smaller scale.

Domestic production of potato chips, chocolates and other candies and cookies also provides competition for the United States. These products are also exported to Central America (with a small amount shipped to the United States).

Best Products/Services

[Return to top](#)

Salty snacks, popcorn, potato chips, mixed nuts, candies, are all good prospects in this market.

Opportunities

[Return to top](#)

Under CAFTA, the tariff on snacks will decline over time to zero, thus providing increased market access to U.S. products.

Resources

[Return to top](#)

CACIA (Costa Rican Food Industry Chamber)
<http://www.cacia.org>

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[Return to table of contents](#)

Chapter 5: Trade Regulations and Standards

- [Import Tariffs](#)
- [Trade Barriers](#)
- [Import Requirements and Documentation](#)
- [U.S. Export Controls](#)
- [Temporary Entry](#)
- [Labeling and Marking Requirements](#)
- [Prohibited and Restricted Imports](#)
- [Customs Regulations and Contact Information](#)
- [Standards](#)
- [Trade Agreements](#)
- [Web Resources](#)

Import Tariffs

[Return to top](#)

Customs duties for Costa Rica range from 1 to 15 percent ad valorem. The reduction of tariffs in recent years has been an important factor behind the growth of imports of consumer goods from the U.S. The Central America- Dominican Republic-United States Free Trade Agreement (CAFTA-DR) would eliminate tariffs on 80 percent of all U.S. exports immediately upon the implementation of the accord.

Duties on imported raw materials, bulk grains, and oilseeds have been set at one percent since 1996. Costa Rica periodically reduces the applied tariff on rough rice and beans to meet local demand. Duties on imported capital goods and most finished products are one percent and 15 percent, respectively.

IMPORT TAXES, INCLUDING VALUE ADDED TAXES, PURCHASE TAXES, UPLIFTS AND SURCHARGES, AND PROVINCIAL TAXES

A 13 percent value-added (sales) tax is imposed on the purchase of most goods and services (including imported goods) not destined for official use by central or local governments. Certain basic products (staple foods, school uniforms, etc.) are exempted.

Selective consumption (excise) taxes for many imported and domestic products have been reduced or eliminated. However, excise taxes still apply to some products imported into the country, such as whiskey, wine and beer (10 percent), new and used vehicles (ranging from 30 to 50 percent, depending on the vehicle model), and some domestic appliances, such as domestic refrigerators (ranging from 30 to 40 percent).

Certain imports are also subject to Central Bank surcharges, generally also paid on goods manufactured in Costa Rica or in the rest of Central America, unless purchased by the Central Government or local municipalities. In the latter cases, the goods would be tax exempt. A one-percent surcharge is imposed on most imports, except medicines and raw materials for human consumption and industry.

Duties and taxes are calculated as follows:

- Ad valorem duty: Levied on the CIF (cost,insurance,freight)

- | | |
|--|---|
| (variable) | value of the item reported. |
| • Selective consumption tax:
(variable) | Levied on the CIF (cost, insurance, freight) plus the ad valorem duty. |
| • Sales tax:
(13%) | Levied on the sum of the CIF (cost, insurance, freight) value, and valorem duty and selective consumption tax |
| • Surcharge (Law 6966) (1%): | Levied on the CIF (cost, insurance, freight) value only; one percent of CIF |

Trade Barriers

[Return to top](#)

There are no significant trade barriers affecting the entry of most goods and services into Costa Rica. Costa Rica continues to unify and lower its tariffs in compliance with its commitments to its Central American neighbors and its World Trade Organization obligations. Costa Rica is a member of the Cairns Group of agricultural exporters (group of countries claiming for more market opening and less customs protection to domestic agricultural production), but this position has its detractors within Costa Rica's agricultural sector. In the past, opponents of free agricultural trade have attempted to block imports of some domestically sensitive items, such as rice, potatoes, and onions, but no recent incidents have occurred.

In the Uruguay Round of negotiations, the Government of Costa Rica agreed to eliminate all import quotas and to reduce tariffs. The current maximum tariff is 46 percent on most goods, excluding those mentioned in the "Import Taxes" section of this chapter, and selected agricultural commodities which are protected, or "safeguarded," with significantly higher tariffs. There are still numerous examples of tariff protection in Costa Rica. An example of such protection is poultry products, with a 150 percent tariff, and dairy products, with a 65 percent tariff. Furthermore, at this time, pork and poultry imports from the United States are curtailed, pending an inspection and approval by the Costa Rican Ministry of Agriculture. All imported aircraft and automobiles, both new and used, are also heavily taxed.

Import Requirements and Documentation

[Return to top](#)

Arms and munitions require a license from the Costa Rican Ministry of Public Security's Department for the Control of Weapons and Explosives.

Imports are registered by the [Central Bank](#) for statistical purposes.

(From Temporary entry)

Special Import/Export Requirements and Certifications (Health, Pharmaceuticals, Pre-Shipment Inspections)

Pharmaceuticals, drugs, cosmetics, and some chemical products, such as solvents, agricultural inputs and precursor chemicals used to produce narcotic drugs, must have an import permit and registration with the Ministry of Health, which are valid for five years. Food products require registration when imported for the first time. The Ministry of Agriculture and Livestock (MAG) requires phytosanitary and animal health certificates. The Costa Rican importer must obtain the permits. Surgical and dental instruments and machines can be sold only to licensed importers and health professionals. Also, a new regulation establishes the requirement to register imported biomedical equipment and materials at the Ministry of Health.

The Costa Rican Institute of Social Security ([Caja Costarricense de Seguro Social-CCSS](#)) Procurement Department requires bar code identification in all purchases of medicines and medical supplies upon entry in the Costa Rican market. This requirement is included in the specifications of all public and private tenders issued by the CCSS for the acquisition of medicines and medical supplies.

Under CAFTA-DR, Costa Rica agreed to apply the science-based disciplines of the WTO Agreement on Sanitary and Phytosanitary Measures. Costa Rica also agreed specifically to undertake an equivalency determination for all establishments inspected by USDA's Food Safety Inspection Service, but has not made significant progress towards this objective. Costa Rica does not require pre-shipment inspections.

U.S. Export Controls

[Return to top](#)

Certain U.S. products are subject to export controls, mainly those considered sensitive for security reasons for United States. For more information, see the link to the Bureau of Industry and Security (BIS), Department of Commerce at [http:// www.buyusa.gov](http://www.buyusa.gov) (See " Web Resources" for Website link.) A Frequently Asked Questions Guide to Export Licensing Requirements for Commercial Items can be found at <http://www.bis.doc.gov/exportlicensingqanda.htm>

Temporary Entry

[Return to top](#)

Temporary entry of raw materials, intermediate products, and components used in goods destined for export, and the machinery, equipment, spare parts, and tools used to produce exported goods, are available for firms registered to operate within a free trade zone (FTZ) or under the "Regime of Active Finishing." Under the free trade zone statutes, the Government does not consider imported goods to have entered Costa Rican customs territory. The initial investment under this regime must be at least US\$150,000 for investment in FTZ's or US \$2 million outside FTZ parks. Processing, trading, and service companies are typically involved in Free Trade Zone regimes.

Under the Regime of Active Finishing, duties on inputs for goods to be exported are suspended for six months for materials and components and five years for equipment, tools, and parts. These terms can be renewed. Either regime is available to foreign or domestic investors upon application to the Ministry of Foreign Trade (Comex).

FTZ benefits has been extended to 2015 according to negotiations with WTO authorities. The Government is currently considering a package of incentives for FTZ companies.

Equipment used in construction projects, sound or film equipment used by the entertainment industry, commercial samples of significant value, etc., can be granted temporary entry by Customs upon depositing an amount equal to the duties that would have been paid if the items were imported. The amount is refunded when the item is re-exported.

Labeling and Marking Requirements

[Return to top](#)

There are no general requirements in Costa Rica for marking the origin of general merchandise. However, Costa Rican food labeling regulations follow the Codex Alimentarius and require that all domestic and imported food products contain labeling in Spanish with the following specifications: product name, list of ingredients in quantitative order, nutritional content, name, and address of importer, expiration or best-used-by date, and metric weight. Although expiration dates are required to be on all food product labels, Costa Rican importers have mixed opinions regarding their utility, and the Government of Costa Rica has been inconsistent in enforcing this requirement.

Special labeling requirements apply to pharmaceuticals, fertilizers, pesticides, hormones, veterinary preparations, vaccines, poisonous substances, and mouthwashes.

Sanitary and phytosanitary certificates are required for importing bulk grain and horticultural products. Zoosanitary (USDA/FSIS) certificates are required for importing fresh and frozen meats. Most processed food products (canned, boxed, pre-cooked) do not require phytosanitary or zoosanitary certificates, but exporters should check with their importers, who are ultimately responsible for complying with local regulations.

Prohibited and Restricted Imports

[Return to top](#)

The Government of Costa Rica prohibits the importation of used tires without rims because mosquitoes carrying yellow fever or dengue fever breed in water accumulated in rimless tires. The importation of weapons is closely regulated; only the Government may import automatic firearms.

Warranty And Non-Warranty Repairs

Costa Rican law does not exempt replacement parts from duties or taxes even if the parts are used in warranty repairs. Equipment used to make repairs can be admitted temporarily for a three-month period, renewable once, upon depositing with Customs the amount of duty that would be charged if the item were imported. The deposit is refunded upon re-export of the equipment.

Customs Regulations and Contact Information

[Return to top](#)

Costa Rican customs procedures are complex and bureaucratic, although recent improvements as electronic "one stop" import and export windows have significantly reduced the time required for customs processing. The Government of Costa Rica implemented its new TICA system which requires a seal to be randomly installed on products to monitor their delivery from the port to the purchaser. For more information please see: (<http://www.hacienda.go.cr/>)

Costa Rica generally does not require any special documentation for the entry of goods other than commercial invoices, bills of lading, and airway bills. Mail shipments require only postal documentation. Bulk agricultural products require phytosanitary certificates. Imports of cosmetics, chemicals, toxic substances, insecticides, pesticides, and agricultural chemicals require an import permit from the Costa Rican Ministry of Health. The permit can be obtained with the presentation and approval of quantitative-qualitative analysis certificates and free-sale certificates, which must be provided by the foreign exporter. A Costa Rican consul in the United States or other country of origin must authenticate these certificates. This requirement will be eliminated under CAFTA-DR.

Violations of documentation laws carry heavy fines. Consequently, great care must be taken to avoid errors and infractions.

(Don Jim: the problem with Aerocasillas is that Customs wants each consignee to make the clearance process at customs in Santamaria Airport. Till now, Aerocasillas go through the hole process and save time to its clients.)

Questions pertaining to customs issues should be addressed to:

Costa Rican Customs Office
(Dirección General de Aduanas)
Eficio La Llacuna, Avenida Central
San José, Costa Rica
Tel: (506) 522-9801
Fax: (506) 223-7334
WebPages: www.hacienda.go.cr

Information on Free Trade Zones and the Active Finishing Regime, as well as statistical information on Costa Rican trade and listings of importers and exporters, is available from the Costa Rican Foreign Trade Corporation (PROCOMER), an autonomous agency headed by the Minister of Foreign Trade. Contact information follows:

PROCOMER
Av. 3a. Calle 40
P.O. Box 1278-1007
San José, Costa Rica
Tel: (506) 299-4700
Fax: (506) 233-5755
Webpage: <http://www.procomer.com/>

Standards

[Return to top](#)

- [Overview](#)
- [Standards Organizations](#)
- [Conformity Assessment](#)
- [Product Certification](#)
- [Accreditation](#)
- [Publication of Technical Regulations](#)
- [Labeling and Marking](#)

Overview

[Return to top](#)

Standards (E.G., ISO 9000 Usage)

Costa Rican law requires the exclusive use of the metric system but, in practice, accepts U.S. and European commercial and product standards. A system of standards has not been implemented in Costa Rica due to the lack of adequate laboratory equipment and funding. In some cases, U.S. and domestic companies doing business in Costa Rica use the International Standards Organization (ISO) designation in their promotional campaigns.

As of February 2008, INTECO, the Costa Rican standards certification organization, reported that 27 companies had been granted ISO 14001 certification for environmental responsibility. Certified companies currently included banana producers, hotel operators in ecologically sensitive areas and other agrobusinesses. INTECO also reported that 75 companies had met ISO 9001 requirements and two certified with ISO 18001-2000. Certification of ISO standards is voluntary. The Government of Costa Rica does not require that foreign companies be certified with ISO (9000 and 14000) standards in order to export to Costa Rica. Likewise, Costa Rican companies are not required to be certified under ISO standards to sell their products to local and foreign markets.

The Costa Rican Ministry of Economy, Industry and Commerce (MEIC) is responsible for the formulation and implementation of the requirements and standards that local and foreign companies must follow in order to sell their products in the local market. However, these regulations are mostly related to labeling and usage instructions.

Standards Organizations

[Return to top](#)

Beside MEIC, there are no organizations in Costa Rican that develop standards. For more information, please contact Mr. Orlando Muñoz, Technical Certification Chief at omunoz@meic.co.cr or go to the website <http://www.meic.go.cr/>

NIST Notify U.S. Service

Member countries of the World Trade Organization (WTO) are required under the Agreement on Technical Barriers to Trade (TBT Agreement) to report to the WTO all proposed technical regulations that could affect trade with other Member countries. **Notify U.S.** is a free, web-based e-mail subscription service that offers an opportunity to review and comment on proposed foreign technical regulations that can affect your access to international markets. Register online at Internet URL:

<http://www.nist.gov/notifyus/>

Conformity Assessment

[Return to top](#)

The Instituto de Normas Tecnicas (INTECO) is the only entity accredited in Costa Rica at the moment that provides standards certification services to local companies:

Instituto de Normas Tecnicas de Costa Rica (INTECO)
San Pedro, Montes de Oca, Barrio Gonzalez Flores, de Muños y Nanne 400 Mts. Norte
P.O. Box 10004-1000
San José, Costa Rica
Tel. 506-283-4522
Fax. 506-283-4831
Contact: Ms. Alexandra Rodriguez, Standards Director
Webpage: www.inteco.or.cr/infogeneral
E-Mail: info@inteco.or.co

The Costa Rican organization in charge of accreditation of entities is the [Ente Costarricense de Acreditacion](#) – (ECA). The following link will show the full list of national testing organizations accredited by ECA: http://www.eca.or.cr/acr_lab.php

Below there is a list of accredited labs:

http://www.eca.or.cr/acr_lab.php?t=e

Product Certification

[Return to top](#)

The Costa Rican Ministry of Health is responsible for the registration and authorization of import permits for food products, chemical products, cosmetics, and drugs and other pharmaceutical products imported into Costa Rica. The Costa Rican Ministry of Agriculture and Livestock (MAG) is responsible for the registration and authorization of import permits for fertilizers and agricultural products imported into the country. The addresses of these ministries follow:

[Ministerio de Salud de Costa Rica](#)
Dpto. de Drogas y Estupefacientes
Controles y Registros
P.O. Box 10123-1000
San José, Costa Rica
Tel. 506-223-0333
Fax. 506-222-1420
Email: prensams@netsalud.sa.cr

[Ministerio de Agricultura de Costa Rica](#)
Dirección de Sanidad Vegetal
P.O. Box 10094-1000
San José, Costa Rica
Tel. 506-260-6190
Fax. 506-260-8291
Email: sunii@mag.go.cr

Accreditation

[Return to top](#)

The Costa Rican [Ministry of Science and Technology \(MICIT\)](#) is the Government agency that provides accreditation services thru [ECA](#) (Ente Costarricense de Acreditacion), the standards certifying organization in Costa Rica. The Ministry and ECA may be contacted as follows:

Ministerio de Ciencia y Tecnología (MICIT)
P.O. Box 5589-1000
San José, Costa Rica
Tel. 506-290-1790, ext. 137 and 124
Fax. 506-290-4967
Webpage: www.micit.go.cr
Email: micit@micit.go.cr

Ente Costarricense de Acreditación (ECA)
150 Norte de Edificio Torre La Sabana, Sabana Norte
Tel. 506-290-6075
Fax. 506-290-7125
Contact: Ms. Maritza Madriz, General Manager
Webpage: www.eca.or.cr
E-Mail: gerencia@eca.or.cr

Publication of Technical Regulations

[Return to top](#)

Official technical regulations are published in the Government of Costa Rica journal, [La Gaceta](#). Both proposed and final regulations are announced in this publication. U.S. companies interested in commenting on proposed regulations should have a representative in the country that has the ability to keep the U.S. company informed of any new regulations proposed by the Government.

La Gaceta may be accessed online at: www.imprenal.go.cr

You may contact the director of this publication at nloaiza@imprenal.go.cr

Labeling and Marking

[Return to top](#)

There are no general requirements in Costa Rica for marking the origin of general merchandise. However, Costa Rican food labeling regulations follow the Codex Alimentarius and require that all domestic and imported food products contain labeling in Spanish with the following specifications: product name, list of ingredients in quantitative order, nutritional content, name, and address of importer, expiration or best-used-by date, and metric weight. Although expiration dates are required to be on all food product labels, Costa Rican importers have mixed opinions regarding their utility, and the Government of Costa Rica has been inconsistent in enforcing this requirement.

Special labeling requirements apply to pharmaceuticals, fertilizers, pesticides, hormones, veterinary preparations, vaccines, poisonous substances, and mouthwashes.

Sanitary and phytosanitary certificates are required for importing bulk grain and horticultural products. Zoosanitary (USDA/FSIS) certificates are required for importing

fresh and frozen meats. Most processed food products (canned, boxed, pre-cooked) do not require phytosanitary or zoosanitary certificates, but exporters should check with their importers, who are ultimately responsible for complying with local regulations.

Trade Agreements

[Return to top](#)

As a member of the Central American Common Market (CACM), Costa Rica agreed in 1995 to reduce its common external tariff to a maximum of 15 percent. Costa Rica completed its tariff reduction with a decree published on January 6, 2000. Costa Rica also has signed Free Trade Agreements with Canada, Mexico, the Dominican Republic, Trinidad and Tobago, Panama, and Chile. Costa Rica has expressed an interest in signing an FTA with China after switching its diplomatic recognition from Taiwan to mainland China in June 2007. Costa Rica has also begun negotiations for an FTA for all of Central America with the European Union. Costa Rica is a founding member of the World Trade Organization (WTO) and has supported the Free Trade of the Americas.

Costa Rica has negotiated, signed, and ratified a free trade agreement with the United States, Honduras, Nicaragua, El Salvador and Guatemala as part of the Central American Free Trade Agreement (CAFTA-DR). The Dominican Republic was integrated into CAFTA-DR in August 2004. Costa Rica ratified the trade agreement in a nationwide referendum October 7, 2007. The campaign leading up to the referendum produced a divided electorate, with 51.6 percent in favor of joining the agreement and 48.4 opposed. While the other signatories have all entered the agreement into force, Costa Rica must still approve a series of laws and regulations before it implements the trade deal.

Web Resources

[Return to top](#)

U.S. Commercial Service Commercial Assistant: Gabriela Lucke
Gabriela.Lucke@mail.doc.gov

Webpage: www.buyusa.gov/centralamerican/en
Email: San.JoseCR.office.box@mail.doc.gov

Ministerio de Economía, Industria y Comercio de Costa Rica (MEIC)
Webpage: www.meic.go.cr
Email: Info@meic.go.cr

Ministerio de Comercio Exterior (COMEX)
Webpage: www.comex.go.cr

Instituto de Normas Tecnicas de Costa Rica (INTECO)
Webpage: www.inteco.or.cr/infogeneral
Email: Info@inteco.com

Ministerio de Ciencia y Tecnología (MICIT)
Ente Costarricense de Acreditación (ECA)

Webpage: www.eca.go.cr
Email: Info@meic.go.cr

Bureau of Industry and Security
<http://www.bxa.doc.gov/>

[Return to table of contents](#)

[Return to table of contents](#)

Chapter 6: Investment Climate

- [Openness to Foreign Investment](#)
- [Conversion and Transfer Policies](#)
- [Expropriation and Compensation](#)
- [Dispute Settlement](#)
- [Performance Requirements and Incentives](#)
- [Right to Private Ownership and Establishment](#)
- [Protection of Property Rights](#)
- [Transparency of Regulatory System](#)
- [Efficient Capital Markets and Portfolio Investment](#)
- [Political Violence](#)
- [Corruption](#)
- [Bilateral Investment Agreements](#)
- [OPIC and Other Investment Insurance Programs](#)
- [Labor](#)
- [Foreign-Trade Zones/Free Ports](#)
- [Foreign Direct Investment Statistics](#)
- [Web Resources](#)

Openness to Foreign Investment

[Return to top](#)

Costa Rica actively courts foreign direct investment. The administration of President Oscar Arias, which came into office May 2006, places a high priority on attracting and retaining high-quality foreign investment in Costa Rica. The Foreign Trade Promotion Corporation (PROCOMER) as well as the Costa Rican Investment and Development Board (CINDE) lead Costa Rica's investment promotion efforts through offices in Costa Rica, the United States, Europe, and the Far East.

On August 5, 2004, Costa Rica, together with El Salvador, Guatemala, Honduras, Nicaragua, and the Dominican Republic, signed the U.S. – Central America – Dominican Republic Free Trade Agreement (CAFTA-DR) with the United States. While all other signatories have ratified and implemented the agreement, as of January 2008, Costa Rica had not yet entered CAFTA-DR into force. The country still had several pieces of legislation to pass and a number of regulations to issue to become fully compliant with its treaty obligations. Once fully implemented, CAFTA-DR will improve Costa Rica's investment climate by strengthening the protection of intellectual property rights, providing a mechanism for arbitration, and opening key sectors to competition, among other initiatives.

State enterprises have previously enjoyed monopolies in the sectors of wireless and data telecommunications and insurance; however, CAFTA-DR opens these specific sectors up to market competition. As of January 2008, the Costa Rican National Assembly (the national legislature) was still discussing the key laws needed to open the insurance and wireless and data telecommunications sectors. Fixed-line telecommunications as well as energy generation and distribution remain firmly in the

control of state enterprises. Beyond these sectors, the country has a generally open international trade and investment regime.

The country's commercial code details all business requirements necessary to operate in Costa Rica. The laws of public administration and public finance contain most requirements for contracting with the state. All businesses must be registered in the national registry, thereby becoming national companies that may have national or foreign owners. The investment requirements for foreign and national persons and companies are identical. Businesses may be established starting from nothing, acquired, merged with, or taken over in much the same way as is done in the U.S. Foreign partnerships with local businesses are quite common.

The judicial system generally upholds contracts, but caution should be exercised when making investments in sectors reserved or protected by the constitution or by laws for public operation. Investments in state-protected sectors under concession mechanisms can be especially complex due to regular challenges in the constitutional court of contracts permitting private participation in state enterprise activities. Furthermore, independent government agencies can issue permits or requirements that may contradict the decisions of other independent agencies, causing significant project delays.

The Arias administration is moving ahead with efforts to build infrastructure and manage public works projects by using the 1998 concessions law. One new concession agreement for the operation of the country's principal Pacific port commenced successful operation in the latter half of 2006. However, several earlier concession agreements negotiated under the 1998 law have encountered and continue to face very serious difficulties, including cancellations when these agreements have been reviewed by the GOCR comptroller general and supreme court. The administration has proposed legislative changes to remedy defects in the 1998 law, changes which the National Assembly will likely debate after finishing its work on the implementing legislation for CAFTA-DR in early 2008.

Investors must exercise "caveat emptor," as with any business transaction, since many firms operate in the informal sector of the economy. Appropriate due diligence should confirm a company's registry and formal participation in the Costa Rican economy such as paying taxes.

While the government focuses on promoting foreign investment in export industries, foreign franchises have prospered in the domestic market over the past thirty years. Both foreigners and nationals have invested in bringing U.S. brands from a wide array of sectors to Costa Rica, including fast food (such as Taco Bell, Kentucky Fried Chicken, Pizza Hut, Domino's Pizza, Papa John's Pizza, McDonald's, Burger King, Wendy's, Subway, and TCBY Yogurt), car rentals (including Hertz, Avis, Dollar, and Budget), hotels (such as Marriott, Doubletree by Hilton, Intercontinental, Regents, Hampton Inn, and Best Western), and designer clothing boutiques (including Tommy Hilfiger, Liz Claiborne, and athletic wear brands such as New Balance). Price Smart (owned and managed by the founders of Price Club in the U.S.) has opened four Costa Rican stores since mid-1999. Wal-Mart Central America acquired a controlling share in a local grocery-store holding company in 2006 which operates 146 stores under the Pali, Maxibodegas, Mas x Menos, and Hipermas brands.

Conversion and Transfer Policies

[Return to top](#)

There are no restrictions on receiving, holding or transferring foreign exchange. There are no delays for foreign exchange, which is readily available at market clearing rates and readily transferable through the banking system. From 1983 until 2006, Costa Rica maintained a crawling peg exchange regime with the U.S. dollar. However, in October 2006, the country transitioned to a crawling band regime designed to better control inflation, a persistent problem. Dollar bonds and other dollar instruments may be traded legally. The current system was modified in November 2007 when the Central Bank lowered the band. The immediate result was an appreciation in the value of the colon to the US dollar as the exchange rate changed from ¢519:::\$1 to ¢498:::\$1, an increase of 4 percent (as of January 2008, the exchange rate was ¢494:::\$1). No restrictions are imposed on reinvestments or on the repatriation of earnings, royalties, or capital except when these rights are otherwise stipulated in contractual agreements with the government of Costa Rica. Royalties are taxed in accordance with Title IV of the Income Tax Law, No. 7092, extensively reformed in October 1988, at rates varying from 10 to 25 percent.

Expropriation and Compensation

[Return to top](#)

Expropriation of private land by the government without prompt or adequate compensation has hurt some Costa Rican and foreign investors in the past. These incidents usually involved land expropriated to create national parks, indigenous reserves, or agricultural projects for poor farmers. One long-standing case required over fourteen years to wind its way through the Costa Rican court system, only to conclude without providing compensation to the aggrieved U.S. citizen landowner.

Article 45 of Costa Rica's constitution stipulates that no property can be expropriated from a Costa Rican or foreigner without prior payment and demonstrable proof of public interest. The 1995 Law 7495 on expropriations further stipulates that expropriations can take place only after full and prior payment is made. Foreigners and Costa Ricans are supposed to receive equal treatment. Provisions include: (a) return of the property to the original owner if it is not used for the intended purpose within ten years or, if the owner was compensated, right of first refusal to repurchase the property back at its current value; (b) a requirement that the expropriating institution complete registration of the property within six months; (c) a one-month period during which the tax office must appraise the affected property; (d) a requirement that the tax office itemize crops, buildings, rental income, commercial rights, mineral exploitation rights, and other goods and rights, separately and in addition to the value of the land itself; and (e) provisions providing for both local and international arbitration in the event of a dispute. The expropriations law was amended in 1998 to expedite some procedures, particularly those necessary for acquiring land for the construction of new roads.

Invasion and occupation of private property by squatters, who are often organized and sometimes violent, occurs in Costa Rica. The squatters seek to take advantage of adverse possession devices in laws permitting occupants to receive title to unused farmland. Under Costa Rica's legal system, squatters enjoy a minimum level of legal protection after occupying a parcel of unimproved land after three months. If a

landowner has failed to take action to evict squatters after ten years of occupation, the squatters can file a legal claim and be recognized as the lawful owners of the land. The Costa Rican police and judicial system have at times failed to deter or to peacefully resolve such invasions. It is not uncommon for squatters to return to the parcels of land from which they have been evicted, requiring expensive and potentially dangerous vigilance over the land.

Dispute Settlement

[Return to top](#)

Costa Rica uses the Roman civil law system rather than common law. The jury system is not used, although judicial reform efforts have included testing the use of juries in some cases. The fundamental law is the country's political constitution of 1949, which grants the unicameral legislature a particularly strong role. The civil and commercial codes govern commercial transactions. The courts are independent, and their authority is respected. Judgments of foreign courts are generally accepted and enforced. The Constitution specifically prohibits discriminatory treatment of foreign nationals.

Monetary judgments are usually made in Costa Rican colones. However, if the dispute involves a dollar-denominated transaction, the award may first be calculated in dollars and then converted to colones for payment.

Litigation can be long and costly. The legal system is significantly backlogged, and civil suits take over five years on average from start to finish. Some U.S. firms and citizens have satisfactorily resolved their cases through the courts, while others have seen proceedings drawn out over a decade without a final ruling. The process to resolve squatter cases through the courts can be especially cumbersome. The legal owner of land can be at a disadvantage in a system that has recognized adverse possession rights acquired by squatters, especially when the disputed land is rural and is not being actively worked. Also, civil archives recording land title are at times incomplete or contradictory. Potential buyers should carefully conduct due diligence to ensure that properties are free of conflicting ownership claims.

Arbitration

Arbitration is theoretically possible under the civil and commercial codes. However, U.S. investors have experienced mixed results from such proceedings organized by local attorneys. A 1998 law governing alternative conflict resolution (Law 7727) sought to encourage arbitration and simplify the procedures under which arbitration takes place. Several arbitration centers have since been established, including one at the Costa Rican - American Chamber of Commerce. A few cases reportedly have been successfully and quickly resolved under the new law.

Costa Rica has been a member of the International Center for the Settlement of Investment Disputes (ICSID) since 1993, when it acceded to the Washington Convention. Since then, the ICSID has successfully resolved one land expropriation case. Costa Rica is also a member of the World Bank Multilateral Investment Guarantee Agency (MIGA), which provides a forum for international arbitration in investment disputes, as well as investment guarantees. Private energy producers have included international arbitration clauses in their contracts. Costa Rica has not joined the United Nations Protocol for the Compulsory Settlement of Disputes between Countries or the

New York Convention of 1958 on the Recognition and Enforcement of Foreign Arbitral Awards.

When Costa Rica enters CAFTA-DR into force, the provisions of Chapter 10 of the agreement will provide an additional avenue for aggrieved investors to pursue international arbitration. The arbitration process under CAFTA-DR is designed to be open and transparent. Under CAFTA, hearings and documents are public, and amicus curiae submissions are expressly authorized. The CAFTA investment chapter includes checks to help assure that investors do not abuse the arbitration process. The agreement includes a provision that allows tribunals to dismiss frivolous claims and award attorney's fees and filing costs.

Bankruptcy

The Costa Rican bankruptcy law, addressed in both the commercial code and the civil procedures code, is similar to corresponding U.S. law. Title V of the civil procedure code outlines creditors' rights and the processes available to register outstanding credits, administer the liquidation of the bankrupt company's assets, and pay creditors according to their preferential status. Compared to other countries in the region, Costa Rican bankruptcy laws are less flexible, and affected creditors recover proportionally less from judgments, according to World Bank analysis.

Performance Requirements and Incentives

[Return to top](#)

Three investment incentive programs operate in Costa Rica: the free trade zone system, a so-called active finishing regime, and a duty drawback procedure. These incentives are available equally to foreign and domestic investors. These incentives include tax holidays, free or subsidized infrastructure and industrial parks, training of specialized labor force, and protective tariffs in some cases.

The export processing law of 1981 established publicly operated free trade zone (FTZ) industrial parks in Santa Rosa (Puntarenas) on the Pacific Coast, and Moin (Limon) on the Caribbean seaboard. Subsequently, the law 7638 of October 30, 1996; law 7467 of December 20, 1994; and law 7830 of September 22, 1998 established the current FTZ regime as practiced in the country. Individual companies are able to create industrial parks that qualify for a Free Trade Zone status by meeting specific criteria and applying for such status with Costa Rica's Foreign Trade Promotion Authority (PROCOMER). Presently, there are 287 companies operating within eight FTZs within Costa Rica. Companies in FTZs receive exemption from virtually all taxes for eight years and at a reduced rate following this period. In addition to the tax benefits, companies operating in FTZs enjoy simplified investment, trade, and customs procedures. The tax holidays provided for investment in FTZs are scheduled to phase out in accordance with World Trade Organization (WTO) agreements by 2015. While the Government of Costa Rica has considered a plan to equalize corporate income tax rates for all companies operating within the country, including companies operating in the FTZs, it has not yet done so.

The active finishing regime, created by decree in August 1997, suspends taxes for renewable six-month periods on imported inputs of qualifying companies, and then exempts the inputs from those taxes when the finished goods using or containing them are exported. The regime also facilitates a five-year renewable suspension of taxes on capital goods used to manufacture exported goods. Companies within this regime may sell to the domestic market if they have registered to do so and pay pro rata import duties on capital equipment used for the domestic market. Finally, the drawback procedure provides for rebates of duties or other taxes that have been paid by an importer for goods subsequently incorporated into an exported good.

Right to Private Ownership and Establishment

[Return to top](#)

All private entities and persons, domestic or foreign, may establish and own businesses and engage in all but a few forms of remunerative activity. The exceptions are in sectors that are reserved for the state (legal monopolies) or that require participation of at least a certain percentage of Costa Rican citizens or residents (electrical power generation, broadcasting, professional services, and wholesale distribution). Many state-owned companies are monopolies, such as those handling insurance, telecommunications, and energy. Under CAFTA-DR the insurance and telecommunications sectors will be open for competition, effectively ending the current monopolistic market in those sectors. In other activities, such as medical services, state firms operate, but do not preclude private sector competition, which generally receives equal treatment to state companies. Three banks owned by the state receive some advantages over their 13 private competitors, namely that they cannot be forced into bankruptcy, a guarantee not afforded to private banks.

Protection of Property Rights

[Return to top](#)

Secured interests in both chattel and real property are recognized and enforced, and mortgage and title recording is mandatory. The laws governing investments in land, buildings and mortgages are generally transparent. However, there are continuing problems of overlapping title to real property and fraudulent filings with the national registry, the government entity that records property titles. The Costa Rican government does not prevent foreign title companies from operating. U.S. title firms have established operations in Costa Rica, including Stewart Title Company and First American Corp., which operates a subsidiary (First Costa Rican Title and Trust). Other U.S. title companies have announced plans to enter the Costa Rican market.

Similar to fraudulent filings, investors have faced difficulties with transactions involving property, located in indigenous protected zones, that has been represented as property without other claims or risk of expropriation. Investors should exercise appropriate due diligence when conducting transactions dealing with land in indigenous zones as they may either be unable to obtain free and clear title or risk future expropriation.

Investment in Costa Rican real estate requires care; many U.S. real estate investors have experienced problems with obtaining clean titles, adverse possession by squatters,

and unscrupulous lawyers. Problems with squatters often occur when absentee owners of undeveloped or vacant rural properties confront a Costa Rican agrarian law regime that is relatively quick to confer title to occupants of land considered "abandoned." Landowners thus should be sure to demonstrate a continuing presence on and control over their land.

Investment in beachfront property in Costa Rica faces a unique set of circumstances. Almost all beachfront is public property for a distance of 200 meters from the mean high tide line, with an exception for long-established port cities. The first 50 meters from the mean high tide line cannot be used for any reasons by private parties. The next 150 meters, also owned by the state, can only be leased from the local municipalities for specified periods and particular uses, such as tourism installation, vacation homes, etc. Investors should exercise caution and obtain qualified legal counsel before purchasing property, particularly near beachfront areas. Potential investors in Costa Rican real estate should also be aware that the right to use traditional paths is enshrined in law and can be used to obtain court-ordered easements on land bearing private title. Disputes over easements are particularly common when access to a beach is an issue.

Intellectual Property Rights (IPR)

Costa Rica is a signatory of many major international agreements and conventions regarding intellectual property. It ratified the GATT agreement on Trade Related Aspects of Intellectual Property (TRIPS), which took effect in Costa Rica on January 1, 2000. Eight bills to implement the TRIPS agreement were passed by the Legislative Assembly in 1999 and 2000. One of these bills extended Costa Rica's patent protection to twenty years. Building on the already existent regulatory and legal framework, CAFTA-DR requires Costa Rica to further strengthen and clarify its IPR regime. As of January 2008, Costa Rica's Legislative Assembly had not yet passed a series of laws that would bring the country into compliance with its CAFTA-DR obligations.

While the legal framework governing intellectual property is basically in place, Costa Rica does not adequately enforce those rights. At the beginning of 2002, the Costa Rican Government announced steps to improve intellectual property protection through a government strategy for strengthening the enforcement of IPR. Since then, the government has taken minor steps to increase enforcement efforts and to increase IPR training for judges and prosecutors. Despite these steps, enforcement of IPR remains weak. The current attorney general has publicly stated that given limited resources IPR enforcement is a low priority.

In 2002 the United States Trade Representative (USTR) moved Costa Rica from the Priority Watch List to the Watch List in its annual Special 301 Report. In 2007 Costa Rica remained on the Watch List. The USTR noted that IPR enforcement with respect to copyright piracy and trademark counterfeiting required greater priority and resources. Significant delays in judicial proceedings and a lack of official investigators, public prosecutors, and criminal and civil judges specializing in intellectual property continue to hamper effective enforcement. Since 2005 the U.S. Embassy in Costa Rica has actively recruited candidates to attend various IPR training seminars offered and funded by the United States Patent and Trade Office (USPTO).

Costa Rican laws, regulations and practices are generally transparent and foster competition, except in the sectors controlled by a state monopoly, where competition is explicitly excluded. Tax, labor, health and safety laws are not seen as interfering with investment decisions. When applying environmental regulations, the Costa Rican organization that reviews environmental impact statements has been slow in issuing its findings, causing delays for investors in completing projects.

There are several independent avenues for appealing regulatory decisions, and these are frequently pursued by persons or organizations opposed to a public sector contract or regulatory decision. The avenues include the comptroller general (Contraloria General de la Republica), the Ombudsman (Defensor de los Habitantes), the public services regulatory agency (ARESEP), and the constitutional chamber of the supreme court. The attorney general's office (Procurador General de la Republica) is frequently a participant in its role as the government's attorney.

The process has kept the regulatory system relatively transparent and free of abuse, but it has also rendered the system for public sector contract approval exceptionally slow and litigious. There have been several cases in which these review bodies have overturned already-executed contracts, thereby interjecting uncertainty into the process. Bureaucratic procedures are frequently long, involved and can be discouraging to new investors.

There are no controls on capital flows in or out of Costa Rica or on portfolio investment in publicly traded companies. Larger investors arrange their financing abroad where rates tend to be lower and lending limits are higher. Foreign investors are able to borrow in the local market, but they are also free to borrow from abroad.

Within Costa Rica, long-term capital is scarce. Dollar-denominated mortgage financing is popular and common, even for Costa Ricans who do not earn their income in dollars because of more favorable lending terms for dollar-denominated vs. colon-denominated loans. There is a small secondary market in commercial paper and repurchase agreements. The securities exchange (Bolsa Nacional de Valores) is small and is dominated by trading in government bonds. Stock trading is of limited significance and involves only a dozen of the country's larger companies, resulting in an extremely illiquid secondary market. Volume traded is often in the range of \$ 1 million per week. Stock ownership must be registered in the owner's name. Bonds may not be issued in bearer form.

Credit is allocated on market terms, although the state-owned banks are sometimes obliged to act as development banks for activities deemed to be of public interest. Credit is currently not available for intangible and or movable property such as future crops and equipment because such items can not be used as collateral under current law. The three state-owned commercial banks account for 45.5 percent of the country's financial system's assets as of June 2007. The twenty-seven private commercial banks had been steadily increasing their share of the market, but private banks have been disadvantaged by the existence of implicit state guarantees for deposits in state-owned banks.

Consolidated total assets of the country's public commercial banks were approximately USD 8.56 billion in December 2006, while consolidated total assets of the private banks were approximately USD 4.60 billion. The combined assets of all bank groups (including affiliated pension funds and brokerage houses) were approximately USD 15.07 billion as of December 2006.

Costa Rica's national council for the supervision of the financial system (CONASSIF) oversees Costa Rica's financial sector and consists of two principal components. The country's general superintendent of financial institutions (SUGEF) regulates banks and other financial institutions. The general superintendent of securities markets (SUGEVAL) oversees the securities exchange. The Costa Rican government is working to strengthen supervision of the financial sector with assistance from international donors.

Legal and accounting systems are transparent and consistent with international norms. Many well-known accounting firms in Costa Rica are affiliated with large U.S. firms.

Political Violence

[Return to top](#)

Costa Rica has not experienced significant domestic political violence since 1948. There are no indigenous or external movements likely to produce political or social instability. During the debate on CAFTA-DR, public unions opposed to the trade agreement organized strikes and marches designed to disrupt normal business activity. Although they had threatened to bring the country to a halt during a national strike in 2006, the unions were unable to mobilize the masses and, at best, the street demonstrations were an annoyance. Marches and demonstrations by these same groups in 2007 were peaceful.

Corruption

[Return to top](#)

Costa Rica has laws, regulations, and penalties to combat corruption, though the resources available to enforce those laws have been limited. Corruption became a major issue in 2004, when two former presidents and a number of officials at public institutions were placed in preventative detention on corruption charges; allegations of lower-level corruption are common, and some prosecutions have resulted. Amendments to make anti-corruption laws easier to interpret and apply, which had languished in the legislative assembly for years, were quickly passed in late 2004. In addition, as part of the implementing legislation for CAFTA-DR, in December 2007, the National Assembly amended the penal code to include harsher penalties for public corruption.

Costa Rica ratified the Inter-American Convention Against Corruption in February 1997. This initiative of the Organization for Economic Cooperation and Development (OECD) and the Organization of American States (OAS) obligates subscribing nations to implement criminal sanctions for corruption. The attorney general (Procuraduria General de la Republica), comptroller general (Contraloria General de la Republica) and ombudsman (Defensoria de los Habitantes) have mounted a common effort to combat corruption. The comptroller general, the organization of judicial investigation (OIJ), and the public prosecutors' office investigate allegations of corruption. The comptroller general is responsible for approving or rejecting auditing public contracts and detecting instances of corruption.

While most U.S. firms have not identified corruption as a major obstacle to doing business in Costa Rica, some have made allegations of corruption in the administration of public tenders. Developers of tourism facilities periodically cite municipal-level corruption as a problem when attempting to gain a concession to build and operate in the restricted maritime zone.

Acts of bribery, including those directed against government officials, are criminal acts punishable by imprisonment. Public officials convicted of receiving bribes are subject to prison sentences from two to six years, according to the Costa Rican Criminal Code (Articles 314-315, and 338-339). Entrepreneurs may not deduct the proceeds of bribes or any other criminal activity as business expenses.

Bilateral Investment Agreements

[Return to top](#)

Costa Rica has Bilateral Investment Treaties (BITs) with Argentina, Canada, Chile, the Czech Republic, France, Germany, Great Britain, Korea, the Netherlands, Paraguay, Spain, Switzerland, Taiwan and Venezuela. Awaiting ratification in the legislative assembly are BITs with Belgium, Bolivia, Ecuador, Finland, and Luxembourg. Negotiation a bilateral investment treaty with the United States was suspended in 1990, restarted in 1996, and suspended again in 1997. The investment chapter of CAFTA-DR includes all aspects of a BIT thereby making the negotiation of a separate BIT unnecessary

OPIC and Other Investment Insurance Programs

[Return to top](#)

The Overseas Private Investment Corporation (OPIC) offers both financing and insurance coverage against expropriation, war, revolution, insurrection and inconvertibility for eligible U.S. investors in Costa Rica. OPIC can provide insurance for U.S. investors, contractors, exporters and financial institutions. Financing is available for overseas investments that are wholly owned by U.S. companies or that are joint ventures in which the U.S. firm is a participant. OPIC holds a diversified portfolio of more than 300 clients. In Costa Rica, OPIC's portfolio exposure totals USD 147.6 million. The portfolio consists of projects ranging from electrical generation to home building to the manufacture of consumer products.

U.S. investors should be aware that OPIC, in accordance with statutory requirements, may not offer insurance to projects with a detrimental effect on the U.S. balance of payments or employment. These statutory requirements have led OPIC to offer only limited insurance coverage for textile and citrus investments. The Government of Costa Rica approves prospective OPIC-insured projects taking into account possible balance of payments or labor problems. Costa Rica became a member of the Multilateral Investment Guarantee Agency, a member of the World Bank group, in 1993.

Labor

[Return to top](#)

The Costa Rican labor force is relatively well educated when compared to other countries in Central America. While Costa Rica has historically placed a high priority on education and the creation of a skilled work force, long-term government investment in education fell behind during previous administrations. The country claims a literacy rate of 95 percent. The current Arias administration has committed to reversing the decline in education by fully funding the country's public educational institutions. Costa Rica's national vocational training institute (INA) and private sector groups provide technical and vocational training.

The rapid growth of Costa Rica's service and tourism sectors has created such demand for English-language speakers that foreign investors have recently faced a shortage of workers with sufficient English language skills. The arrival of companies such as Intel, Procter and Gamble, Western Union, and various call center operators has drawn down the supply of speakers of fluent business and technical English. The Costa Rican Government has made English language and computer literacy a national priority at all levels of education. Nevertheless, in 2007 only 60 percent of the newly-hired English teachers at public schools possessed an acceptable fluency in English, although this was a marked improvement from 2006, when only 55 percent of the new English teachers passed the country's English language test. Several public and private institutions are attempting to meet the demand for English-language speakers, including the 60-year-old U.S.-Costa Rican binational center (the Centro Cultural Costarricense Norteamericano), which offers general and business English courses to as many as 5,000 students annually.

Costa Rican law guarantees the right of workers to join labor unions of their choosing without prior authorization. Unions operate independently of government control and may form federations and confederations and affiliate internationally. The vast majority of unions are located in the public sector, including state-run enterprises. In the private sector, many Costa Rican workers join "solidarity associations," under which employers provide easy access to saving plans, low-interest loans, health clinics, recreation centers, and other benefits. Both solidarity associations and labor unions coexist at some workplaces, primarily in the public sector. Business groups claim that worker representation by solidarity associations provide for better labor relations compared to firms with workers represented only by unions. However, labor unions allege that private businesses use solidarity associations to hinder union organization in contravention of International Labor Organization rules.

The constitution protects the right of workers to organize. The Labor Code enacted in 1943 provides protection from dismissal for union organizers and members and requires employers found guilty of anti-union discrimination to reinstate workers fired for union activities. However, the labor courts are backlogged and the legal process can be lengthy.

Free trade zones have been established near the port cities of Limon (Caribbean) and Puntarenas (Pacific) as well as in various central valley locations. The benefits, primarily fiscal, are described in Section A.5.

Foreign Direct Investment Statistics

[Return to top](#)

Total Foreign Direct Investment Flows into Costa Rica

Year | Amount (USD million) | Percent of GDP

2006	1469	6.6%
2005	861	4.3%
2004	794	4.3%
2003	575	3.4%
2002	659	4.1%
2001	460	2.8%
2000	409	2.6%

2006 Foreign Direct Investment by Country of Origin, Percent of Total

Country | Amount (USD million) | Percent

United States	695.4	46.6%
Canada	335.8	22.5%
Colombia	72.6	4.9%
El Salvador	33.2	2.2%
Mexico	30.7	2.1%
Panama	29.2	2.0%
Netherlands	26.1	1.8%
Germany	25.4	1.7%
United Kingdom	21.4	1.4%
Italy	16.1	1.1%
Venezuela	13.7	0.9%
Japan	12.2	0.8%
France	10.9	0.7%
Argentina	10.6	0.7%
Spain	10.5	0.7%
Switzerland	9.7	0.7%
Others	115.4	7.7%

2006 Foreign Direct Investment, by Sector

Sector | Amount (USD million)

Industry	435.5
Real Estate	373.5
Services	60.9

Tourism	131.9
Commercial	57.0
Financial	343.4
Agriculture	66.1
Agro-industry	-3.2
Other	4.1

Total	1469.1

Source: Central Bank of Costa Rica

Partial List of Major U.S. Investors in Costa Rica:

 Baxter
 Bechtel
 Chiquita
 Citibank
 Conair
 Del Monte
 Hanes Brands
 Hewlett-Packard
 Hospira
 IBM
 Intel
 Kimberly-Clark
 McDonalds
 Merck
 Pfizer
 Price Smart
 Procter and Gamble
 Scott Paper
 Standard Fruit Company (Dole)
 Sykes
 Vanity Fair
 Wal-Mart
 Western Union

Web Resources

[Return to top](#)

CINDE <http://www.cinde.or.cr/>

Costa Rican-American Chamber of Commerce Conciliation & Arbitration Center

<http://amcham.co.cr/information/cica>

Central Bank de Costa Rica <http://www.bccr.fi.cr/>

[Return to table of contents](#)

Chapter 7: Trade and Project Financing

- [How Do I Get Paid \(Methods of Payment\)](#)
- [How Does the Banking System Operate](#)
- [Foreign-Exchange Controls](#)
- [U.S. Banks and Local Correspondent Banks](#)
- [Project Financing](#)
- [Web Resources](#)

How Do I Get Paid (Methods of Payment)

[Return to top](#)

Bank letters of credit are the most common and secure method of payment in international trade, including in Costa Rica. Letters of credit are strongly recommended for Costa Rica, particularly in situations where the business relationship between the U.S. exporter and the local importer is still developing. Small transactions are often handled through advance payment via bank transfers or sight drafts. The free convertibility of the colon and the absence of controls on remittance facilitate the management of open account relationships in cases where credit risk is deemed to be minimal.

How Does the Banking System Operate

[Return to top](#)

The Costa Rican financial system is composed of the Central Bank, three state-owned commercial banks, 12 private commercial banks, one workers' bank, one state-owned mortgage bank, three mutual house-building companies, eight private finance companies, and 30 savings and loans cooperatives under Central Bank supervision. There are also 30 investment and retirement funds or trusts run by both state and private commercial banks and the state insurance company.

The assets of Costa Rica's three state commercial banks amounted to USD\$ 7.7 billion as of June 2007, accounting for 45.5 percent of the US\$ 16.9 billion of assets held by all financial institutions other than the Central Bank and the state insurance entity. The assets of the private banks totaled US\$ 5.1 billion in October 2007, representing a 30.2 percent share of the national financial system. The financial services sector, including insurance, accounted for 4.9 percent of Costa Rica's GDP in 2007.

The private commercial banks have fewer holdings than the three public banks. The three largest (Scotiabank, BAC San Jose, and HSBC) together held assets worth USD \$3.2 billion as of October 2007, or 64.6 percent of the assets of all private banks. These three banks also earned 62.9 percent of all private banks' net income as of the same date. Citigroup (under the auspices of Citibank Costa Rica) is the only U.S. bank in Costa Rica and reported total assets of US\$ 119 million in October 2007. Private banks are often relatively small parts of financial groups that are also engaged in activities such as bond trading and, to a lesser extent, stock brokerage.

Government banks operate under stricter holding requirements, which limit the percentage of total assets that these entities can lend. For instance, a large portion of government bank assets must be invested in Government stocks. While private banks

have existed since the 19th century, they have only taken a more prominent role in the economy in recent years, as only state-owned banks could offer checking, passbook savings accounts, and short-term CDs to the public until the banking law was changed in 1995.

Proposals to improve the performance of the banking sector include the sale or specialization of some of the state banks. BICSA, jointly owned by two state commercial banks (Banco Nacional and Banco de Costa Rica), closed operations in Costa Rica in 2004. Banco de Costa Rica is the most profitable state commercial bank. Though rumors of possible sale of this bank continue to circulate, the Costa Rican political environment has not been conducive to the privatization of these state assets.

Private banks have been undergoing a consolidation in recent years, and the number of banks have been declining. Consolidation in this sector has already occurred in Costa Rica, with purchases of Banco Banex by HSBC, Banco Ínterfin by Scotiabank and Citicorp's purchase of Banco Cuscatlan. Further consolidation can be expected, as the size of the Costa Rican market is insufficient to sustain the number of banks that remain.

The Central Bank of Costa Rica determines and directs policies affecting the banking sector. The SUGEF (Super Intendencia General de Identidades Financieras) enforces compliance with Central Bank policies on the establishment, registration, capital requirements, and operations of financial institutions and groups. Total assets may not exceed 11 times a bank's equity, and the legal lending limit is 20 percent of total capital per customer.

Reforms in 1995 enabled private banks to offer demand deposits and granted private banks access to the Central Bank discount window and emergency loan facilities. However, these reforms also required private banks to fulfill one of two requirements: (1) open four branches in rural areas and deposit the equivalent of ten percent of demand and short-term time deposits (30 days or less) in a state-owned bank; or (2) depositing the equivalent of 17 percent of demand and short-term time deposits (30 days or less) in a state-owned bank.

Many Costa Rican banks have subsidiary or affiliated banks registered offshore. These offshore entities are not permitted to capture deposits or lend money within Costa Rica, though they cater to Costa Rican clients. Recent reforms stipulate that any SUGEF-regulated holding company or financial group owning 25 percent or more of the equity of an offshore entity must include the offshore assets on its balance sheet. However, SUGEF does not have regulatory authority over the operations or individual accounts of the offshore entities.

The Superintendency of Financial Markets (SUGEVAL) was created in 1998 to supervise and regulate the Costa Rican stock and bond markets, relieving SUGEF of this responsibility.

Foreign-Exchange Controls

[Return to top](#)

The Costa Rican colon has been freely convertible into foreign currency since 1995. Contracts may be negotiated in any currency. In October 2006, the Central Bank began

a “soft” float of the currency by operating a moving-band system whereby the value of the colon was kept between an upper and lower limit. Originally, the lower limit remained stable while the upper limit increased incrementally. After the colon remained on the floor of the band for about a year, the Central Bank began to incrementally drop that limit as well in October 2007. Currently, the band drops .06 colon per business day, and the colon continues to slowly appreciate against the dollar as it remains close to the floor of that band. There is no divergence between Central Bank exchange rates and those prevailing in the market. The Central Bank may authorize SUGEF-regulated institutions to set their own exchange rates under certain conditions. The Central Bank records inflows from exports but places no requirements on where those proceeds must be deposited. Dividends and transfers may be remitted freely.

At its discretion, the Central Bank is authorized in emergency situations to introduce and regulate the use of short-term measures to alleviate economic imbalances or liquidity crises. Such measures include imposing surcharges on imports, limiting credit growth of financial entities, increasing the minimum legal reserve requirement (up to a ceiling of 25 percent), fixing the maximum intermediation rate (the spread between lending and deposit rates), centralizing currency transactions in the Central Bank, and obligating the sale of currency derived from exports to authorized entities. These extraordinary measures can only be imposed for one year or less, and cannot be applied in a discriminatory manner among financial institutions or among sectors within the portfolio of each institution. The sum of the surcharge duties and other revenue generated by the extraordinary measures are to be used by the Central Bank to amortize the monetary stabilization account.

The local market in Costa Rica is characterized by short-term loans, high interest rates, and high spreads between deposit lending rates. As of January 2008, the local currency lending rates of the state-owned banks were 12.8 percent, and 16.5 percent by private banks for industrial borrowers. Deposit rates were approximately 7.25 percent for six-month CDs by public and private banks. The Central Bank policy is to gradually bring down real interest rates slowly and reduce the spread between deposit and loan rates. Interest rates have declined in recent years, but not the spread between deposit and lending rates. The Central Bank continues to maintain a cautious policy in order to contain inflation and protect its international reserves. The Consumer Price Index was up 8.75 percent from July 2006 to July 2007.

Costa Rican public and private banks provide a full range of trade financing services. However, the small size of the banking sector and relatively high real lending rates provide a significant advantage to those with offshore sources of credit.

U.S. Banks and Local Correspondent Banks

[Return to top](#)

All commercial banks in Costa Rica have correspondent relationships with major U.S. banks.

State-owned Commercial Banks:

Banco Nacional de Costa Rica

Banco de Costa Rica

Banco Credito Agricola de Cartago

Banks Created by Public Law:

Banco Hipotecario de la Vivienda (home building)
Banco Popular y de Desarrollo Comunal (workers' bank)

Private Commercial Banks (As of January 2008):

Banco BAC San Jose www.redbac.com
Banco General (Costa Rica) www.bgeneral.com
Banco HSBC www.hsbc.fi.cr/
Banco Cuscatlán www.bancocuscatlan.com/costarica/
Scotiabank, S.A. www.scotiabankcr.com
Banco Improsa www.improbank.com
Banco Promérica www.promerica.fi.cr
Banco BCT www.bct.fi.cr
Citibank, S.A. www.latam.citibank.com/corporate/lacrcoc/spanish/index.htm
Banco Lafise www.lafise.fi.cr
Banco UNO www.bancouno.fi.cr
Banco Cathay www.bancocathay.com

Project Financing[Return to top](#)

Government institutions in Costa Rica obtain much of their project funding from multilateral development banks, such as the Inter-American Development Bank (IDB) and the World Bank (IBRD), and from the two banks' equity investment affiliates, the Inter-American Investment Corporation (IIC) and International Finance Corporation (IFC). The Central American Bank for Economic Integration (CABEI) and the Venezuelan Petroleum Fund (consisting of accumulated interest paid on loans to buy oil from Venezuela) are other sources of project financing in the region. The Export Import Bank of the United States (EXIMBANK), the Overseas Private Investment Corporation (OPIC), and the World Bank's Multilateral Investment Guarantee Agency (MIGA) are open for business in Costa Rica. EXIMBANK provides financing for the purchase of U.S. exports and can be an important financing source for U.S. equipment used in major projects. OPIC provides direct loans to smaller U.S. enterprises, loan guarantees for larger projects, equity investment funds to start or expand overseas investment projects involving U.S. participation, and political risk insurance to protect against currency inconvertibility, expropriation, and political violence.

Government procurement and projects financed by the multilateral development banks usually require a public tendering process, pre-feasibility studies, and environmental impact assessments in accordance with Costa Rican law and the relevant bank's regulations. Successful U.S. bidders usually have local representation to ensure compliance with strictly interpreted procedures. Disbursements of loans from the multilateral development banks to the Costa Rica Government are sometimes delayed by the requirement that the legislature ratify the loans, difficulties in obtaining local currency counterpart funds required by the banks, and prolonged administrative processes.

The Costa Rican Government has used concessions as a vehicle to realize large scale infrastructure improvements. The GOCR issued a contract to rebuild and manage the

country's principal international airport, with an operating license for over twenty years to a consortium of international investors. The International Finance Corporation, a member of the World Bank Group, is participating in the financing of this project, though the project has faced serious delays due to disputes between the concession operator and the GOCR. The Government hopes to bring private investment into other areas currently monopolized by the state, such as railroads, prison construction, port management and toll road construction. Investors will be expected to obtain financing in large measure based upon their own creditworthiness and the projected cash flow of their projects. Private tourist developments, such as the Marriott Los Sueños Resort and Yacht Harbor, and the development of the Gulf of Papagayo, have attracted financing from both domestic and foreign banks.

Web Resources

[Return to top](#)

Export-Import Bank of the United States: <http://www.exim.gov>

Country Limitation Schedule: http://www.exim.gov/tools/country/country_limits.html

OPIC: <http://www.opic.gov>

Trade and Development Agency: <http://www.tda.gov/>

SBA's Office of International Trade: <http://www.sba.gov/oit/>

USDA Commodity Credit Corporation: <http://www.fsa.usda.gov/cc/default.htm>

U.S. Agency for International Development: <http://www.usaid.gov>

The World Bank: <http://www.worldbank.org/>

International Finance Corporation: <http://www.ifc.org/>

Inter-American Development Bank: <http://www.iadb.org/>

Central American Bank for Economic Integration: <http://www.bcie.org/spanish/index.php>

Central American Bank for Economic Integration: <http://www.bcie.org/english/index.php>

Costa Rican-American Chamber of Commerce / AmCham: <http://www.amcham.co.cr/>

[Return to table of contents](#)

Chapter 8: Business Travel

- [Business Customs](#)

- [Travel Advisory](#)
- [Visa Requirements](#)
- [Telecommunications](#)
- [Transportation](#)
- [Language](#)
- [Health](#)
- [Local Time, Business Hours and Holidays](#)
- [Temporary Entry of Materials and Personal Belongings](#)
- [Web Resources](#)

Business Customs

[Return to top](#)

Costa Rican business executives place great importance on personal contact with their foreign suppliers. If possible, appointments should take place at the hosts' facilities instead of a hotel room. A business suit is appropriate for most business meetings.

Handshaking is the common greeting used by visiting businessmen. Gifts are often exchanged on special occasions.

The U.S. company should have business cards, proposals, and other material printed in both English and Spanish. Titles are important and should be included on business cards. At least initially, you should address a person directly by using his or her title only. A Ph.D or a physician is called Doctor just as in the United States. For persons who do not have professional titles, it is common to show respect by calling a gentleman “Señor” (plus his first name) and a lady “Señora” (plus her first name). Children and subordinates refer to adults in this manner, and it is a sign of courtesy for people doing business with each other to refer to each other in this way unless otherwise requested by the person you are addressing.

Men should wear a conservative dark suit. In warmer climates, a jacket is optional. Women can wear a dress or skirt and blouse for formal business meetings, but it is far more common for women to wear pants to work. Costa Ricans are much more formal and serious than other Latin Americans. Therefore, you should keep jackets on during business meetings.

Travel Advisory

[Return to top](#)

Safety and Security

There have been no recent acts of terrorism in Costa Rica. Visitors to Costa Rica may experience the effects of civil disturbances such as work stoppages and strikes. Although infrequent, these acts can create inconveniences for visitors. On both the Caribbean and Pacific coasts, currents are swift and dangerous, and there are few lifeguards or signs warning of dangerous beaches. Every year eight to twelve American citizens drown in Costa Rica due to riptides or sudden drop-offs while in shallow

water. Extreme caution is advised. Adventure tourism is popular in Costa Rica, and many companies offer white-water rafting, bungee jumping, jungle canopy tours, deep sea diving, and other outdoor attractions. Americans are urged to use caution in selecting adventure tourism companies. The government of Costa Rica regulates and monitors the safety of adventure tourism companies; enforcement of safety laws is overseen by the Ministry of Health. Registered tourism companies with operating permits must meet safety standards and have insurance coverage. The safety regulations enforced in Costa Rica are not the same as safety regulations enforced in the United States.

For the latest security information, Americans traveling abroad should regularly monitor the Department's Internet web site at <http://travel.state.gov>, where the current Worldwide Caution Travel Alert, Travel Warnings and Travel Alerts can be found.

Crime

Over one and a half million foreign tourists, the majority American, visit Costa Rica annually. All are potential targets for criminals, primarily thieves looking for cash, jewelry, credit cards, electronic items and passports. U.S. citizens are encouraged to exercise the same level of caution they would in major cities or tourist areas throughout the world. Local law enforcement agencies have limited capabilities and do not act according to U.S. standards. Travelers should minimize driving at night, especially outside urban areas.

Americans should avoid areas with high concentrations of bars and nightclubs, especially at night, and steer clear of deserted properties or undeveloped land. For safety reasons, the Embassy does not place its official visitors in hotels in the San Jose city center, but instead puts them at the larger hotels in the outlying suburbs. Americans should walk or exercise with a companion, bearing in mind that crowded tourist attractions and resort areas popular with foreign tourists are common venues for criminal activities. Travelers should ignore any verbal harassment, and avoid carrying passports, large amounts of cash, jewelry or expensive photographic equipment. Tourists are encouraged to carry photocopies of the passport data page and Costa Rican entry stamp on their persons, and leave the original passport in a hotel safe or other secure place.

Travelers should purchase an adequate level of locally valid theft insurance when renting vehicles, park in secured lots whenever possible, and never leave valuables in their vehicle. The U.S. Embassy receives several reports daily of valuables, identity documents, and other items stolen from locked vehicles, primarily rental vehicles. Thefts from parked cars occur in downtown San Jose, at beaches, in the airport and bus station parking lots, and at national parks and other tourist attractions.

Travelers should use licensed taxis, which are red with medallions (yellow triangles containing numbers) painted on the side. Licensed taxis at the airport are painted orange. All licensed taxis should have working door handles, locks, seatbelts and meters (called "marias"); passengers are required to use seatbelts. When traveling by bus,

avoid putting bags or other personal belongings in the storage bins. At all times have your belongings in your line of sight or in your possession.

Thieves usually work in groups of two to four. A common scam has one person drop change in a crowded area, such as on a bus, and when the victim tries to assist, a wallet or other item is taken. The most common scam involves the surreptitious puncturing of tires of rental cars, often near restaurants, tourist attractions, airports, or close to the car rental agencies themselves. When the travelers pull over, "good Samaritans" quickly appear to change the tire - and just as quickly remove valuables from the car, sometimes brandishing weapons. Drivers with flat tires are advised to drive, if at all possible, to the nearest service station or other public area, and change the tire themselves, watching valuables at all times.

In late 2006, the government of Costa Rica established a Tourist Police force, and units were established in popular tourist areas throughout the country. The Tourist Police can assist with the reporting of a crime, which can be difficult for victims due to language barriers and the requirement that only investigative police can accept crime reports.

Visa Requirements

[Return to top](#)

Entry/Exit Requirements

For entry into Costa Rica, U.S. citizens must present valid passports that will not expire for at least thirty days after arrival, and a roundtrip/outbound ticket. Some U.S. airlines may not permit passengers to board flights to Costa Rica without such a ticket. Passports should be in good condition; Costa Rican immigration will deny entry if the passport is damaged in any way. Costa Rican authorities generally permit U.S. citizens to stay up to ninety days; to stay beyond the period granted, travelers must submit an application for an extension to the Office of Temporary Permits in the Costa Rican Department of Immigration. Tourist visas are usually not extended except under special circumstances, and extension requests are evaluated on a case-by-case basis. There is a departure tax for short-term visitors. Tourists who stay over ninety days may experience a delay at the airport when departing. Persons who overstayed previously may be denied entry to Costa Rica. Persons traveling to Costa Rica from some countries in South America and Sub-Saharan Africa must provide evidence of a valid yellow fever vaccination prior to entry. The South American countries include Bolivia, Brazil, Colombia, Ecuador and Venezuela.

The most authoritative and up-to-date information on Costa Rican entry and exit requirements, including visa information, may be obtained from the Consular Section of the Embassy of Costa Rica at 2114 "S" Street, NW, Washington, DC 20008, telephone (202) 234-2945/46 , fax (202) 265-4795 , e-mail consulate@costarica-embassy.org, web site <http://www.costarica-embassy.org>, or from the Costa Rican consulates in Atlanta, Chicago, Houston, Los Angeles, Miami, New Orleans, New York, San Juan (Puerto Rico), San Francisco, and Tampa. The Costa Rican immigration agency

maintains a web site at: <http://www.migracion.go.cr>. It is advisable to contact the Embassy of Costa Rica in Washington or one of Costa Rica's consulates in the United States for specific information regarding customs requirements before shipping any items.

U.S. companies that require travel of foreign businesspersons to the United States should be advised that visa interviews are handled through an appointment reservation system. Appointments can be arranged by calling 0-800-0521465. Business visitors are advised to plan their trips as far in advance as possible.

U.S. Companies that require travel of foreign businesspersons to the United States should be advised that security options are handled via an interagency process. Visa applicants should go to the following links.

State Department Visa Website: <http://travel.state.gov/visa/index.html>

United States Visas.gov: <http://www.unitedstatesvisas.gov/>

U.S Embassy in San Jose, Costa Rica: <http://sanjose.usembassy.gov>

Telecommunications

[Return to top](#)

ICE (Instituto Costarricense de Electricidad) is the sole provider of telecommunications, Internet and electricity services. Under CAFTA, competition will be introduced in the wireless and Internet sectors. Telephone coverage is extensive. The dominant cellular systems are TDMA and GSM. However, many U.S. visitors have experienced difficulty in using their GSM phones in Costa Rica, due to differences in the frequency band used in each country.

ICE plans to offer third-generation wireless cellular network of 1.5 million a cellular lines based on third-generation wireless technology (3G) through a \$225 million loan of the Central American Bank for Economic Integration (CABEI). At the presentation of the project, eleven 3G technology providers, including Lucent, Cisco and Motorola, have expressed their interest in participating in this tender process. ICE estimates that the new infrastructure could start operating in November 2008.

The accessibility and use of Internet is growing rapidly in the country as the state of technology improves, going from 23 percent in 2005 to 27 percent in 2007 (According to ICU). Internet usage for cellular phones is being introduced in urban areas. Internet cafes are very popular (especially in San José) and wireless connectivity in hotels and restaurants continues to expand, particularly in the Central Valley. However, in more rural areas connectivity can be limited and slow.

In 2008, RACSA, a subsidiary of ICE, offered 20,000 WiMax connections in Santa Ana, San Jose, Alajuela, Desamparados, Heredia and Cartago. ICE plans to expand the program to Curridabat, San Isidro de Coronado, Santo Domingo, San Isidro de Heredia, Barreal de Heredia, Alajuela, Ciudad Colon and Paraiso in Cartago.

ICE began in January 2008 to carry out tests in order to offer VOIP telephony in Costa Rica. Currently, the law allows Internet cafes to offer this type of calls, but all other telephone calls are a monopoly of ICE.

For more information, visit www.ice.go.cr of the Instituto Costarricense de Electricidad (ICE).

AT&T, Sprint, and MCI services are available in Costa Rica. ICE offers a limited international roaming for international cellular service. To receive this service, please dial:

0-800-111-4112	AT&T
0-800-130-0121	Sprint.
0-800-122-220	MCI.

Transportation

[Return to top](#)

Although Costa Rica's infrastructure is better than most in the region, the road system requires constant maintenance, causing strain to both vehicle and driver. There are more than 7,000 kilometers (4,400 miles) of principal highways and roads, and some 16,000 kilometers (9,600 miles) of rural roads. However, some roads can only be driven with a 4-wheel drive vehicle. Signage is often lacking and sometimes confusing. Outside of downtown San Jose, few areas have formal addresses. Costa Rica has more than 500 kilometers (300 miles) of railway track, but little of it is currently in use, and only recently, was limited service established within the populous Central Valley region. All overland cargo, except bananas from the Pacific ports and the Caribbean sector, is transported via truck.

There are also more than 100 small private landing fields serving approximately 300 registered aircrafts. Twenty international passenger airlines (including Delta, American, America West, Frontier, Continental, Spirit Air, and U. S. Airways) and fifteen cargo airlines (including Fedex and UPS) serve San Jose's principal airport, Juan Santamaría International Airport.

The Liberia International Airport (Daniel Oduber) began operations in 1995 to serve the Guanacaste beach resort area. While the airport has been upgraded to meet the current tourism boom in the Guanacaste/Gulf of Papagayo beach areas on the Pacific Coast, more needs to be done to accommodate the rising number of visitors in recent years and projections of more to come. The Government recently announced a tender to expand the visitor terminal there.

Regional airports offer regularly scheduled domestic flights to Golfito, La Fortuna, Liberia, Samara, Tambor, Tortuguero, Puerto Jimenez, Punta Islita, Nosara, Quepos, and Tamarindo. Nature Air now operates a flight to Granada, Nicaragua.

There is good taxi and public bus service in the capital city of San Jose. Official taxis are red and are the recommended means of travel for business visitors. Visitors should ensure that the taxi driver is using the meter. The official taxis have the name of the taxi company written on a yellow box on the top of the car.

Car rental service is also available from Avis, Hertz, and other well-known companies. Visitors are allowed to drive with their normal drivers license for three months.

Costa Rica's air safety oversight program is rated Category One. Costa Rica is in compliance with international aviation safety standards for oversight of Costa Rica's air carrier operations. For further information, travelers may contact the Department of Transportation in the U.S. at 1-866-835-5322, or visit the FAA website <http://www.dot.gov/>. The U.S. Department of Defense (DOD) separately assesses some foreign air carriers for suitability as official providers of air services. For information regarding the DOD policy on specific carriers, travelers may contact the Department of Defense at (703) 697-7288.

Language

[Return to top](#)

Costa Rica is a Spanish-speaking country although English is often taught in schools and used widely among business circles. However, many foreign companies have remarked that the availability of available English-speaking personnel is shrinking.

Health

[Return to top](#)

The National Healthcare System

All Costa Rican employers must cover workers and their dependents in the public healthcare system of clinics and hospitals administered by the Costa Rican Social Security Fund (Caja Costarricense de Seguro Social, or CCSS). There is private healthcare as well. A good number of doctors in both the national health system and private clinics are fluent in English, and many have had training abroad. Specialists are available in almost all branches of medicine.

Hospitals and Providers

Public hospitals such as Hospital Mexico and the San Juan de Dios Hospital, although often with inadequate infrastructure, are considered to be well-equipped. The public Children's Hospital is the most acclaimed of the public hospitals.

Private hospitals in San Jose such as CIMA and Clínica Bíblica are more like U.S. hospitals and are used frequently by foreign residents and visitors. The Consulate at the US Embassy in San Jose maintains a list of specialized English-speaking medical practitioners. In areas outside of San Jose, medical care is more limited than in the capitol city.

Doctors and hospitals often expect immediate cash payment for health services. U.S. medical insurance is not always valid outside the United States. Supplemental medical insurance with specific overseas coverage, including provision for medical evacuation, has proven useful in emergencies.

For those with long –term stays in Costa Rica, subscription to a private ambulance service is a way to access quality ambulance service with English speaking personnel in case of an emergency.

Food

- The better restaurants are careful to maintain their reputations, thus cleanliness and good food is the norm.
- It is recommended that all meats be eaten well cooked. In general, it is not advisable to eat raw fish and shellfish.
- Raw fruits and vegetables should be peeled or washed well. Lettuce should be rinsed, soaked in a Clorox and water solution (1tbsp. bleach per gallon of water), and then re-soaked in clean water. Local peanuts should not be eaten, as they are very likely to contain aflatoxins.
- Dairy products are very good in Costa Rica. Those that are packaged and sold in groceries are pasteurized.

Water

- Tap water is potable in the area of the capitol city as a general rule. However, both failure of the chlorination system and pipe breakage during earthquakes or tremors have caused episodes of water contamination.
- Tap water is not fluoridated, but the local salt has iodine and fluoride.
- Tap water and ice below the elevation of the Capitol area are from many sources, and some of them may not meet US potability standards.
- Bottled water is easily obtained.

Air Quality

- Metropolitan San Jose area air quality is reduced by vehicle emissions.
- The rainy season, from May to November is favorable to molds, and the dry season, from December to April, is dusty. The pollen count is pretty high all year due to the abundance and variety of flowering plants and grasses.

Transmissible Diseases

- Mosquitoes are responsible for Dengue Fever transmission and also, in low-lying areas, for Malaria transmission. Screens in windows and doors reduce mosquito entry. Eliminate any standing water to reduce mosquito breeding. Use repellent outdoors. Long sleeves and pants also offer protection.
- Rabies in dogs and cats is not a significant threat in Costa Rica.
- Fungal skin infections are common because of the humidity.
- AIDS and sexually transmitted disease epidemiology and prevalence patterns are similar to those seen in the USA.
- Intestinal parasites such as giardia and blastocystis hominis are common, but amoebic dysentery and severe diarrhea is uncommon.

- Upper and lower respiratory illnesses are fairly common.
- By law, proof of vaccination against Yellow Fever will be required upon entry to Costa Rica for those who have been in Bolivia, Venezuela, Brazil, Peru, Colombia, Ecuador or Angola, Benin, Burkina Faso, Cameroon, Democratic Republic of Congo, Gabon, Gambia, Ghana, Guinea, Liberia, Nigeria, Sierra Leona and Sudan.

For additional health information:

http://www.cdc.gov/travel/destinationCostaRica.aspx#mal_risk

Local Time, Business Hours, and Holidays

[Return to top](#)

Local time for Costa Rica is minus 6 hours Greenwich Mean Time (-6 GMT). Costa Rica is one hour behind Eastern Standard Time (EST), and two hours behind Eastern Daylight Time (EDT).

Typical working hours are 8:00 AM to 12:00 PM and 2:00 PM to 6:00 PM. Generally, the Costa Rican Government offices have a continuous working schedule from 8:00 AM to 4:00 PM. Most public banks are open from 9:00 AM to 3:00 PM, while private banks are usually open until 6:00 P.M.

U.S and Costa Rican Holidays (CY 2007)

Jan.	1	Tuesday -U.S./C.R. New Year's Day
Jan.	21	Monday -U.S. Martin Luther King's Birthday
Feb.	18	Monday -U.S. Washington's Day
Mar.	20	Thursday- Holy Thursday
Mar.	21	Friday- Good Friday
Apr.	14	Monday-C.R. Juan Santamaría
May.	1	Thursday-C.R. Labor Day
May.	26	Monday-U.S. Memorial Day
July.	4	Friday-U.S. Independence Day
July.	28	Monday-C.R. Annexation of Guanacaste
Aug.	15	Friday-C.R. Mother's Day
Sep.	1	Monday-U.S. Labor Day
Sep.	15	Monday-C.R. Independence Day
Oct.	13	Monday-U.S. Columbus Day
Nov.	11	Tuesday-U.S. Veteran's Day
Nov.	27	Thursday-U.S. Thanksgiving Day
Dec.	25	-U.S./ C.R. Christmas Day

Business trips to Costa Rica should not be scheduled immediately before or immediately after local holidays. Costa Rican residents tend to take vacations during school holidays, for example, from mid-December to late January, and during the month of July. Securing business appointments during these times can be difficult. The Embassy is closed on U.S. and Costa Rican holidays.

Temporary Entry of Materials and Personal Belongings

[Return to top](#)

Costa Rican laws require checked luggage to be screened and travelers to fill out customs declarations declaring the value of any item in their possession, including fruits, vegetables, meat and by-products, biological products such as vaccinations, serums, etc. The head of a family may make a joint declaration for all members residing in the same household and traveling together to Costa Rica.

No customs duties are charged on personal luggage, which includes a series of items for personal, professional, non-commercial use. For more information, please visit the web page of the Instituto Costarricense de Turismo (ICT): www.ict.go.cr

Web Resources

[Return to top](#)

U.S. Embassy in San Jose, Costa Rica: <http://sanjose.usembassy.gov/>

Center for Disease Control and Prevention's International:

http://wwwn.cdc.gov/travel/destinationCostaRica.aspx#mal_risk

Department of Transportation within the U.S <http://www.faa.gov/avr/iasa/index.htm>

State Department Visa Website: <http://travel.state.gov/visa/index.html>

United States Visas: <http://www.unitedstatesvisas.gov/>

Consular Section in the U.S Embassy in Costa Rica:

<http://usembassy.or.cr/conseng.html>

State Department Consular Information Sheet for Costa Rica:

http://travel.state.gov/travel/costa_rica.html

Costa Rican Embassy (Washington, DC):

<http://costarica-embassy.org/>

Instituto Costarricense de Turismo: www.ict.go.cr

Instituto Costarricense de Electricidad: www.ice.go.cr

Local Weather: www.espanol.weather.com

Current conversion: www.xe.com

[Return to table of contents](#)

[Return to table of contents](#)

Chapter 9: Contacts, Market Research, and Trade Events

- [Contacts](#)
- [Market Research](#)
- [Trade Events](#)

Contacts

[Return to top](#)

1. U.S. EMBASSY COMMERCIAL, AGRICULTURAL AND TRADE RELATED CONTACTS

U.S Department of Commerce-U.S.Commercial Service
Unit 2508
APO, AA 34020-9508
T: (506) 519-2000 ext. 2203 / 2207 / 2263 / 2271/ 2295 / 2299 or 220-2454
Fax: (506) 231-4783
E-mail: san.josecr.office.box@mail.doc.gov
Website: www.buyusa.gov/costarica/en

Mr. James McCarthy, Commercial Attaché
Mr. Víctor Cambroner, Senior Commercial Specialist
Mr. Emilio Cordoba, Commercial/ Administrative Assistant
Mr. Roy Fernández, Commercial Assistant
Mr. Rodrigo Rojas, Commercial Specialist
Ms. Eugenia Solera, Commercial Assistant
Ms. Gabriela Lucke, Commercial Assistant

U.S. Department of Agriculture
Foreign Agricultural Service (FAS)
Unit 2507
APO AA 34020
T: (506) 519-2000 Ext. 2333
F: (506) 232-7709
E-mail: fassjo@racsa.co.cr
Website: www.fas.usda.gov/

Ms. Katherine Nishura, Agricultural Counselor
Ms. Justina Torry, Agricultural Attaché
Mr. Víctor González, Agricultural Specialist
Ms. Illeana Ramírez, Agricultural Marketing Specialist
Ms. Rosie Murillo, Administrative Assistant
Ms. Cynthia Smith-Palliser, Marketing Clerk

U.S. Department of Agriculture

Animal and Plant Health Inspection Services (APHIS)
Unit 2522
APO AA 34020-9522
T: (506) 290-4548 F: (506) 296-3556
E-mail: John.C.Stewart@APHIS.usda.gov
Website: <http://www.aphiscr.org/>
Contact: Mr. John Stewart, APHIS Attache

U.S. Department of State-Economic Section
Unit 2501
APO AA 34020-9501
T: (506) 220-3939
F: (506) 220-2305
Website: <http://www.usembassy.or.cr/>
Mr. Whitney Witteman, Economic Officer (until MID 2007)
Mr. Mark Kissel, Economic Officer (after MID 2007)

2. AMCHAM (Local American Chamber of Commerce)

CAMARA COSTARRICENSE-NORTEAMERICANA DE COMERCIO--AMCHAM
(COSTA RICAN-AMERICAN CHAMBER OF COMMERCE (AMCHAM))
US Mailing Address: 1576 P.O. Box 025216
Miami, FL 33102-5216
International mailing address:
Apdo 4946-1000
San José, Costa Rica
T: (506) 220-2200
F: (506) 220-2300
E-mail: chamber@amcham.co.cr
Website: <http://www.amcham.co.cr/>
Contact: Ms. Lynda Solar, Executive Director

3. COUNTRY TRADE AND INDUSTRY ASSOCIATIONS IN KEY SECTORS

COALICION DE INICIATIVAS PARA EL DESARROLLO (CINDE)
(CINDE/COSTA RICAN INVESTMENT AND TRADE DEVELOPMENT BOARD)
Apartado 178-1255
Escazú, Costa Rica
T: (506) 201-28000
Fax: (506) 201-2866
Website: <http://www.cinde.or.cr/>
Contact: Ms. Gabriela Llobet: globet@cinde.org
Contact: Irvin Soto, Promotion Director: isoto@cinde.org

CAMARA DE COMERCIO DE COSTA RICA
(COSTA RICAN CHAMBER OF COMMERCE)
Apartado 1114-1000
San José, Costa Rica

T:(506) 221-0005 or 221-0124
F:(506) 223-1157/ 256-9680
E-mail: camara@camara-comercio.com
Website: <http://www.camara-comercio.com/>
Contact: Mr. Hugo Scaglietti, President

**CAMARA DE REPRESENTANTES DE CASAS EXTRANJERAS (CRECEX)
(CHAMBER OF REPRESENTATIVES OF FOREIGN FIRMS)**

Apartado 3738-1000
San José, Costa Rica
T: (506) 253-0126
F: (506) 234-2557
E-mail: crecex@racsa.co.cr
Website: <http://www.crecex.com/>
Contact: Mr. Alvaro Aguilar, President
Mr. Luis Fernando Monge, Executive Director

**CAMARA DE INDUSTRIAS DE COSTA RICA
(COSTA RICAN CHAMBER OF INDUSTRIES)**

Apartado 1003-1000
San José, Costa Rica
T: (506) 202-5600
F:(560) 234-6163
E-mail:
Website: www.cicr.com
Contact: Ms.Martha Castillo, Executive Director

**CAMARA NACIONAL DE AGRICULTURA Y AGRO-INDUSTRIA
(NATIONAL CHAMBER OF AGRICULTURE AND AGRO-INDUSTRY)**

Apartado 1671-1000
San José, Costa Rica
T: (506) 280-1569 /225-8245
F: (506) 280-0969
Contact: Ms. Gabriela Sandi, Executive Director
Website: www.cnaacr.com
E-mail: cnaacr@racsa.co.cr

**CAMARA DE HOTELES Y RESTAURANTES
(COSTA RICAN CHAMBER OF HOTELS AND RESTAURANTS)**

Apartado 8422-1000
San Jose, Costa Rica
T: (506) 248- 0990
F: (506) 222-6716
Website: www.costaricanhotels.com
Contact: Jose Antonio Benavides, Executive Director
Email: info@cchcr.org

CAMARA COSTARRICENSE DE LA CONSTRUCCION
(COSTA RICAN CHAMBER OF CONSTRUCTION)

Apartado 5260-1000

San Jose, Costa Rica

T: (506) 253-5757

F: (506) 221-7952

Website: www.construccion.co.cr

Contact: Jaime Molina, President

Email: camara@construccion.co.cr

CAMARA COSTARRICENSE DE TECNOLOGIA DE INFORMACION Y
COMUNICACION (CAMTIC)
(COSTA RICAN CHAMBER OF INFORMATION TECHNOLOGY)

Apartado 1289-2050

San Jose, Costa Rica

T: (506): 283-2205 (506) 280-4691

F: (506) 283-5482

Website: www.camtic.org

Contact: Alexander Mora, President

E-mail: info@camtic.org

4. COUNTRY GOVERNMENT OFFICES/AGENCIES

DIRECCIÓN GENERAL DE ADUANAS
(COSTA RICAN CUSTOMS OFFICE)

Address: Ave 1 y 3, calle 1era. Costado Este Ministerio de Educación.

San Jose, Costa Rica

T: (506) 233-6645 ext. 104

F: (506) 222-2547

Website:

<https://www.hacienda.go.cr/Msib21/Espanol/Direccion+General+de+Aduanas/BIENVENIDA.htm>

Contact: Mr. Desiderio Soto, General Director

E-mail: martinezlj@hacienda.go.cr

MINISTERIO DE COMERCIO EXTERIOR
(MINISTRY OF ECONOMY, INDUSTRY AND COMMERCE
AND FOREIGN TRADE, COMEX)

Apartado 28-1007

San Jose, Costa Rica

T: (506)299-4700

F:(506) 233-5755

Website: <http://www.comex.go.cr/>

Minister: Marco Vinicio Ruiz

Vice Minister: Ms. Amparo Pacheco

E-mail: pep@comex.go.cr

LABORATORIO COSTARRICENSE DE METROLOGIA
(LABELING AND STANDARDS DEPARTMENT)

Apartado 1736-2050

San Jose, Costa Rica

T: (506) 225-6544 / 224-5130

F: (506) 283-5133

E-mail: wsavala@lacomer.go.cr

Contact: Mr. Walter Savala Ortega, Coordinator

CONSEJO NACIONAL DE PRODUCCION - CNP
(NATIONAL PRODUCTION COUNCIL)

Apdo. 2205-1000, San Jose

T: (506) 257-9355

F: (506) 255-4729

E-mail: presidenc@cnp.go.cr

Contact: Mr. Guido Vega Molina, Executive President

MINISTERIO DE LA PRODUCCION
(MINISTRY OF PRODUCTION)

Apartado 1094-1000, San Jose

T: (506) 231-5311/ 232-9420 F: (506) 232-2103

E-mail: despacho@mag.go.cr

website: www.mag.go.cr/

Minister: Javier Flores Galarza

DIRECCION DE PROTECCION AGROPECUARIA
(AGRICULTURAL PROTECTION DEPARTMENT)

Apdo.70-3006- Barreal de Heredia

Heredia, Costa Rica

T: (506) 260-8300 or 260-9338 or 262-0226

F: (506) 260-8301

E-mail: direccion@protecnet.go.cr

Website: <http://www.protecnet.go.cr/>

Contact: Mr. Javier Laurent Valladares, Sanidad Vegetal (Plant Health Director)

INSTITUTO COSTARRICENSE DE ELECTRICIDAD (ICE)
(COSTA RICAN INSTITUTE OF ELECTRICITY AND TELECOMMUNICATION)

Apartado 10032-1000

San Jose, Costa Rica

T: (506) 220-7422 / 220-6375 / 220-6296

F: (506) 220-1555

E-mail: ksanchezc@icetel.ice.go.cr (secretary)

President: Mr. Pedro Pablo Quirós

Website: <http://www.ice.go.cr/>

MINISTERIO DE CIENCIA Y TECNOLOGIA
(MINISTRY OF SCIENCE AND TECHNOLOGY- MICIT)
Apartado 5589-1000, San Jose
T: (506) 290-1790 F: (506) 290-4967
E-mail: micit@micit.go.cr
Website: <http://www.micit.go.cr/>
Minister: Ms. Eugenia Flores

(COSTA RICAN INSTITUTE OF AQUEDUCTS AND SEWAGE)
Apartado 5120-1000
San Jose, Costa Rica
T: (506) 223-5555 Fax: (506) 233-7552
E-mail: erodriguez@aya.go.cr (official)
Website: <http://www.aya.go.cr/>
Contact: Mr. Everardo Rodriguez, Executive President

MINISTERIO DE OBRAS PÚBLICAS Y TRANSPORTES
(MINISTRY OF PUBLIC WORKS AND TRANSPORTATION (MOPT))
Apartado 10176 - San Jose, Costa Rica
T: (506) 222-8681, 222-2025 xt. 2600 F: (506) 255-0242
E-mail: kgonzalez@mopt.go.cr
Website: <http://www.mopt.go.cr/>
Minister: Ms. Karla Gonzalez
Vice Minister: Ms. Viviana Martin

CONSEJO NACIONAL DE CONCESIONES
(NATIONAL CONCESSIONS COUNCIL)
Apartado Postal 1808-1002
San Jose, Costa Rica
T: (506) 253-0211/253-0283
F: (506) 253-0852/524-1074
E-mail: lvargasch@mopt.go.cr
Website: www.mopt.go.cr
Vice Ministro: Luis Diego Vargas Chinchilla

DIRECCION GENERAL DE AVIACION CIVIL
(COSTA RICAN CIVIL AVIATION DIRECTORATE -DGAC)
Apartado 5026-1000
San Jose, Costa Rica
T: (506) 231-3666 / 290-0090
F: (506) 231-2107
E-mail: mperez@dgac.go.cr
Website: <http://www.dgac.go.cr/>
Contact: Ms. Maritza Perez A, Director General

INSTITUTO COSTARRICENSE DE TURISMO
(TOURISM INSTITUTE-ICT)

Apartado 777-1000
San Jose, Costa Rica
T: (506) 299-5800
F: (506)291-5648
E-mail: info@visitcostarica.com
Website: <http://www.visitcostarica.com>
Minister: Mr. Carlos Ricardo Benavides

MINISTERIO DE SALUD
(MINISTRY OF HEALTH)
Departamento de Controles y Registros (Food/Drugs Registration and Control
Department)
Apdo. 10123-1000 San Jose
T: (506) 233-0683, 223-0333
F: (506) 255-2594
Website: www.ministeriodesalud.go.cr
Minister: Ms. Maria Luisa Avila

MINISTERIO DEL AMBIENTE Y ENERGÍA (MINAE)
(MINISTRY OF THE ENVIRONMENT AND ENERGY)
Apartado 10104-1000
San Jose, Costa Rica
T: (506) 233-4533 Ext. 162 or 257-1417
F: (506) 267-0697
E-mail: diradministrativa@minae.go.cr
Website: <http://www.minae.go.cr>
Minister :Mr. Roberto Dobles Mora
Contact: Ms. Graciela Cordero, Office Manager

PROYECTOS DE IMPLEMENTACION CONJUNTA
(JOINT IMPLEMENTATIONS PROJECTS)
Apartado 7170-1000
San Jose, Costa Rica
T: (506) 290-1283 299-2846 (switchboard)
F: (506) 290-1238
E-mail: ocicgm@racsa.co.cr
Contact: Mr. Pablo Manso, Gerente

MINISTERIO DE JUSTICIA
(MINISTRY OF JUSTICE)
Apartado 5685-1000
San Jose, Costa Rica
T: (506) 280-7776 or 280-9054
F: (506) 234-7959
Website: www.mj.go.cr
E-mail: justicia@gobnet.go.cr
Minister: Ms. Laura Chinchilla

MINISTERIO DE HACIENDA
Apartado 516-1000
San Jose, Costa Rica
T: (506) 284-5200
F: (506) 233-8267
E-mail: info@hacienda.go.cr
Website: <http://www.hacienda.go.cr/>
Minister: Mr. Guillermo Zúñiga

MINISTERIO DE ECONOMIA, INDUSTRIA Y COMERCIO (MEIC)
Apartado 10216-1000
San Jose, Costa Rica
T:(506) 240-5222
F: (506) 297-1741
E-mail: informacion@meic.go.cr
Website: <http://www.meic.go.cr/>
Minister: Marco Vargas

PROMOTORA DE COMERCIO EXTERIOR
(COSTA RICAN FOREIGN TRADE CORPORATION (PROCOMER))
Apartado 1278-1007
San Jose, Costa Rica
T: (506) 299-4700
F: (506) 233-5755
E-mail: info@procomer.com
Website: <http://www.procomer.com/>
Contact: Mr. Martin Zuniga, General Manager
Contact: Mr. Gerardo Monge, Operations Manager

5. IN-COUNTRY MARKET RESEARCH FIRMS

CAMARA COSTARRICENSE-NORTEAMERICANA DE COMERCIO--AMCHAM
COSTA RICAN-AMERICAN CHAMBER OF COMMERCE (AMCHAM)
USA Mailing Address: 1576 P.O. Box 025216
Miami, FL 33102-5216
Within Costa Rica:
Apdo 4946-1000
San José, Costa Rica
T: (506) 220-2200
F: (506) 220-2300
E-mail: chamber@amcham.co.cr
Website: <http://www.amcham.co.cr/>
Contact: Ms. Lynda Solar, Executive Director

CONSULTORES DE CREDITO INTERNACIONALES
(COSTA RICAN CORRESPONDENT OF DUN & BRADSTREET INC.)

Apartado 1103- 1000 San Jose
T: (506) 232-0443 F: (506) 231-0929
E-mail: racsos@ice.co.cr
Contact: Ing. Oscar Solera Castro, General Manager- D&B Correspondent

6. MULTILATERAL FINANCE ORGANIZATIONS IN COSTA RICA

ASESORIA EMPRESARIAL LATINOAMERICANA
(Business Advisory Services-affiliated with the World Bank)
Apartado 98 - 1250 Escazú
San José, Costa Rica
T: 506) 244-4411
F: (506) 244-4411
E-mail: jmorsink@aseca-bas.com
Contact: Ms.Jennifer Morsink, General Manager

INTER-AMERICAN DEVELOPMENT BANK (IDB)
Apartado 1142 - 1007 Centro Colón
San José, Costa Rica
T:(506) 233-3244
F:(506) 233-1840
E-mail: cof-ccr@iadb.org
Website: <http://www.iadb.org/>
Contact: Mr. Fortunato Lari, Resident Representative
Mr. Jorge Requena, Representative
Mr. Matthew Jordan Tank, Infrastructure

BANCO CENTROAMERICANO DE INTEGRACION ECONOMICA – (CABEI)
(CENTRAL AMERICA DEVELOPMENT BANK (BCIE))
Apartado 10276-1000
San José, Costa Rica
T: 207-6500
F: 253-2161
E-mail: adhernan@bcie.org
Contact: Mr. Luis Varela Murillo, Regional Project Analyst

7. MULTILATERAL DEVELOPMENT BANK OFFICES WITHIN THE U.S.

INTER-AMERICAN DEVELOPMENT BANK
Commercial Service Liaison Office
1300 New York Ave, N.W
Washington, D.C. 20005
T: (202) 623-1000
F: (202) 623-3096
Website: <http://www.iadb.org/>
E-mail: geneharris@mail.doc.gov
Contact: Mr. Miguel Romero, Senior Commercial Advisor

EXPORT-IMPORT BANK OF THE UNITED STATES (EXIM)

811 Vermont Avenue, N.W.

Washington, D.C. 20571

T: (202) 565-3946

F: (202) 565-3931

Website: <http://www.exim.gov/>

Contact: Ms. Xiomara Creque, Loan Officer

OVERSEAS PRIVATE INVESTMENT CORPORATION (OPIC)

1100 New York Avenue, N.W.

Washington, D.C. 20527

T: (202) 336-8400

Website: <http://www.opic.gov/>

OPIC - Finance Department

Contact: Ms. Bobbi Paulson, Business Director

T: (202) 336-8593

F: (202) 408-9866

E-Mail: bpaul@opic.gov

OPIC - Insurance Department

Contact: Mr. Juan Carlos Rivera-Montes, Insurance Officer

T: (202) 336-8685 F: (202) 408-5142

E-Mail: jrive@opic.gov

U.S. TRADE AND DEVELOPMENT AGENCY (TDA)

Regional Director for Latin America

1000 Wilson BLVD

SUITE 1600

ARLINGTON, VA 22209-3901

T: (703) 875-4357 F: (703) 875-4009

E-mail: jmartin@tda.gov

Website: <http://www.tda.gov/>

Contact: Mr. Keith Fischeid Country Manager, Mexico and Central America

WORLD BANK

1818 H Street, N.W.

Washington, D.C. 20433

T: (202) 473-4271 F: (202) 477-6391

Website: <http://www.worldbank.org/>

Contact: Mr. Will Center, Senior Commercial Officer (to be replaced by David Fulton, summer 2008)

Ms. Donna Dowsett-Coirolo, Director for Central America

Mr. Fatin Issa, Deputy Director

8. CONTACTS IN WASHINGTON, DC

TRADE INFORMATION CENTER (TIC)
1-800-USA-TRADE (872-8723)
F: (202) 482-4473
U.S. Department of Commerce
Room 7424 - HCHB
14th and Constitution Avenue, N.W.
Washington, D.C. 20230
E-mail: tic@ita.doc.gov
Website: <http://www.ita.doc.gov/tic>

U.S. Department of Commerce-Market Compliances (MAC)
Mr. Mark Siegelman
Desk Officer
Desk Officer for Costa Rica, Room H3033
14th & Constitution Ave., N.W.
Washington, D.C. 20230
T: (202) 482-0704
F: (202) 482-0464
E-mail: _mark_siegelman@ita.doc.gov

U.S. Department of State
Luis Beal, Costa Rica Desk Officer
2201 C Street, N.W.
Washington, D.C. 20520
T:(202) 647-4980 or 647-4000
F: (202) 647-2597
Website: <http://www.state.gov/>

U.S. Department of Agriculture
Trade Assistance and Promotion Office
Foreign Agricultural Service
Stop 1052
Washington, D.C. 20250-1052
T: (202) 720-7420 F: (202) 690-0193
Website: <http://www.fas.usda.gov/>

Embassy of Costa Rica
Ambassador Tomas Dueñas
Minister Counselor for Economic and Trade Affairs: Laura Dachner
2112 S Street, NW
Washington, D.C. 20008
T: (202) 328-6628
F: (202) 234-6950
E-mail: consulate@costarica-embassy.org
Website: www.costarica-embassy.org

(The Government of Costa Rica has consulate offices in Atlanta, Chicago, Houston, Los Angeles, Miami, New Orleans, New York City and San Francisco)

Market Research

[Return to top](#)

To view market research reports produced by the U.S. Commercial Service please go to the following website: <http://www.export.gov/marketresearch.html> and click on Country and Industry Market Reports.

Please note that these reports are only available to U.S. citizens and U.S. companies. Registration to the site is required, but free of charge.

Trade Events

[Return to top](#)

Please click on the link below for information on upcoming trade events.

<http://www.export.gov/tradeevents.html>

<http://www.buyusa.gov/costarica/en/businesseventscostarica.html>

[Return to table of contents](#)

[Return to table of contents](#)

Chapter 10: Guide to Our Services

The U.S. Commercial Service offers customized solutions to help your business enter and succeed in markets worldwide. Our global network of trade specialists will work one-on-one with you through every step of the exporting process, helping you to:

- Target the best markets with our world-class research
- Promote your products and services to qualified buyers
- Meet the best distributors and agents for your products and services
- Overcome potential challenges or trade barriers

For more information on the services the U.S. Commercial Service offers U.S. businesses, please click on the link below.

<http://www.buyusa.gov/costarica/en/doingbusinesscostarica.html>

[Return to table of contents](#)

U.S. exporters seeking general export information/assistance or country-specific commercial information should consult with their nearest **Export Assistance Center** or the **U.S. Department of Commerce's Trade Information Center** at **(800) USA-TRADE**, or go to the following website: <http://www.export.gov>

To the best of our knowledge, the information contained in this report is accurate as of the date published. However, **The Department of Commerce** does not take responsibility for actions readers may take based on the information contained herein. Readers should always conduct their own due diligence before entering into business ventures or other commercial arrangements. **The Department of Commerce** can assist companies in these endeavors.