

COSTA RICA



Economic Indicators (as of 2005):

GDP PPP:	US\$ 40.32 billion
Inflation:	13.8%
Real growth rate:	3.2%; 2.7% (2006 projected)
Per capita income:	US\$9,600 (PPP \$10,000)
Currency:	Costa Rica Colon (CRC)
Exchange rate:	1 US\$ = 507 CRC (As of April 28, 2006)

Foreign Direct Investment:

- San José, the capital of Costa Rica, is also the nation's largest city.
- Although still largely an agricultural country, its economy includes strong technology and tourism sectors.
- Foreign investors are attracted by Costa Rica's political stability and high education levels.
- Free professional assistance from CINDE, a private, nonprofit organization, has expert personnel who provide complete, updated economic and business information, prepare custom-design visits to the country, help in the initial contact with suppliers and professionals, and follow-up to establish the operation.
- Costa Rica has Intellectual Property laws in accordance with WTO Guidelines.
- World competitiveness: Costa Rica ranks as the 5th High-Tech exporter of the world, according to the United Nations Human Development Report 2005.



- There are two incentive systems for foreign investments:
 - Free trade zones – designated for economic activities related to the importation of inputs and raw materials, manufacturing and assembly, or marketing and trade of products, as well as the development of export services
 - Special drawback – offers companies importing raw materials for further processing to be duty-free.

Export Incentives by System

Incentives	Free Zone System	Continuous Product Dev Program (Active Finishing Regime)	
		Full re-export	Partial re-export
Import duties on raw materials, components, packaging, machinery and equipment used in production process	100% exemption	100% exemption	100% exemption on re-exported portion. Must pay duties on products for local or Central American sale
Taxes on profits	According to location and reinvestment	Full rate	
Export Taxes	100% exemption	100% exemption	Exemption proportional to export sales
Sales and excise taxes on local purchases	100% exemption	Full rate	
Capital Taxes	100% exemption for 10 years	Full rate	
Real estate property tax (only for owners)	25%	25%	
Taxes on profit repatriation	100% exemption	N/A	
Capital repatriation	No restriction	No restriction	
Management of foreign currency	Free	N/A	
Customs service	Expedited on site	Streamlined procedures	
Sales to local market	Up to 25% of production	Not allowed	Allowed; must pay duties
Time limitation	Indefinite	6 months for raw materials, packaging, etc. 5 years for machinery, equipment, etc.	
Eligibility requirements/procedures	Initial investment of at least US\$150,000. Product must undergo substantial transformation to qualify for incentives	Present application to PROCOMER Operation Manager. Registration in Customs General Directorate	

Incentives:

- 100% exemption of taxes on profits and dividends until 2008, when CAFTA (Central America Free Trade Agreement) will take effect. The exact form in which this will happen is still under discussion. Unlike Panama, which guarantees in law that the conditions set today will continue no matter what subsequent changes arise, Costa Rica leaves the door open for adjustments.
- 100% exemption from municipal, (property), taxes, up to 10 years in some areas, but 5 years in San José.
- 100% exemption from taxes on profit remittances abroad.
- If locating out of a major city, exporting companies also can qualify for a tax credit, known as a CAT, equivalent to 2% per annum for 5 years, a total of 10%, of the value of salaries paid.

Labor:

- There are approximately 1,758,000 workers in the labor force, of which 2% are employed in industry, agriculture 20% and services, including tourism, 58%.
- Literacy rate: 96%
- Unemployment rate: 6.6%
- The Labor Law requires a ratio of 9 Costa Rican staff to every foreigner on the payroll of every company in the country.
- This law is waived for businesses operating with Free Zone status, providing the business can justify importing the foreign staff.
- Although Costa Rica's wage rates are higher than many country competitors abroad, the higher labor productivity and modern manufacturing techniques, among other advantages, often compensate for labor costs.
- Minimum wage laws are updated twice a year in Costa Rica

The following is a list of the Minimum Wages for the Private Sector, applicable from January 1st to June 30th, 2006

Job description	Minimum wage in colons	Minimum wage in US\$	
		Per month estimation	Per hour estimation
Non-qualified worker	133,466	257	1.24
Semi-qualified worker	144,825	279	1.34
Qualified worker	155,588	300	1.44
High school level technicians	167,594	323	1.55
Specialized worker	179,599	346	1.66
College technicians	206,542	398	1.91
Bachelor degree (university)	253,018	487	2.34
"Licenciatura" degree	303,630	585	2.81

Notes:

- Wages in US\$ are quoted at mid year expected rate of 519 Colon per US\$ (Based on the Central Bank of Costa Rica's Monetary Plan)
- Per hour estimation wages are for 8-hour workdays and 6-day weeks

Education:

- Costa Rica focuses on improving its educational system in two key sectors: science and technology. It believes that technical training, along with innovation and technology transfer, are crucial factors to achieve higher levels of productivity and a better competitiveness level in the global economy.
- The National Learning Institute (INA) offers free technical training in a wide variety of fields, and is able to provide tailor-made programs to meet specific manufacturing and service investors' needs.
- The America Economy Magazine considered INCAE as the best Latin American business school during 2003 and 2004.
- Costa Rica has several other technical schools and universities to help prepare professionals with the highest international standards. Even Harvard University has had an extension in Costa Rica since 1964 through INCAE, to prepare middle and upper level managers.

Training centers:

- Technical High Schools (51)
- University Foundations
- INA: Free on-site technical training
- CEFOF: Center for training trainers
- CENFOTEC: Software training

Universities:

- There are 76 universities in Costa Rica, of which, 72 are private and 4 are public
- Universidad Nacional and Universidad de Costa Rica are the two largest public universities
- Most public and private universities are located in San Jose or very close by.



The Latin American University of Science and Technology (ULACIT) campus in downtown San José



Juan Santamaria International Airport

Strategic Location and Infrastructure:

- The time zone of Costa Rica is the same as the central time of the USA. Also, a direct flight from San Jose takes 2:30 hours to arrive in Miami.
- There are 7 customs of interest for trading purposes. These are located at the borders with Panama and Nicaragua, at the main Atlantic & Pacific ports, at the Juan Santamaria International Airport and other strategic points throughout the country.
- The fact that Costa Rica has major ports in both coasts (Pacific and Atlantic) makes it attractive to 236 major carriers to operate in the country, 60% of them from Moin (in the Atlantic at Limon) and the rest from Caldera Port (Pacific shore).
- It takes 5 hours of effective transit time through customs to go to San Jose from Moin, and 6 from the Caldera Port. Tariff rates are competitive with respect to the USA, Europe and Asia.
- Although Costa Rica's infrastructure is better than most in the region, the road system is not well maintained.
- 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.
- The main airport (Juan Santamaria) is at a distance of 15 km from San Jose. The second major airport is the Daniel Oduber, located at Liberia, Guanacaste, in the northern part of the country. Both airports have been approved Class 1 by the Federal Aviation Administration of the USA.

Ideal locations for industry:

- The raw materials are mostly located on the central and western parts of the country.
- The greatest concentration of labor is in the central area of Costa Rica, some twenty or thirty miles either side of the capital city.
- Shipping agents provide collection and delivery, inter-model, and related services.
- Shipping agents are located on both sides of the country. Cross-country transport is provided by roadway only.
- State operated ports offer full services to free zone occupants in the port areas.

Guapiles

There is a new industrial estate planned for this small town which is about half way between San José and Limón-Moín. The advantage of moving to more remote areas is that these attract slightly better incentives, such as longer periods free of property taxes or free of corporate taxes if selling locally.

Limón Moín

JAPDEVA, the port authority, owns and operates a vast area of land in Limón where they lease or sell land at prices that vary according to the area required, but which are comparable with other free zones in the country. Occupants of the park have to use JAPDEVA shipping agent for services.

Real Estate:

- All individuals and private companies, local or foreign, can own land and property in Costa Rica.
- Few restrictions apply, the most important being physical occupancy and a 50-meter limit from the beach on oceanfront property.
- Potential real estate investors, and their lawyers, must first go to the National Registry for a title search, to the Ministry of the Environment and Energy for an environmental impact study, the local municipality for zoning laws and building permits, and then perhaps to other ministries and institutions for pertinent information.
- The typical lease length in Costa Rica is 3 years
- The landlord is responsible for structural and major repairs, while the tenant is responsible for maintenance.



Office buildings along the Correo Central, San Jose, Costa Rica.

Two main locations of electronic companies:

1. Technological Corridor

- Training centers: CEFOF, technical schools, universities, INA
- Seven Free Zone Parks
- Infrastructure: Redundant electrical service from several substations (San Jose, Heredia and Alajuela), fiber optic network, telecommunications infrastructure for Internet and voice phone lines, water supply, international airport, precision machining and plastic injection services, freight forwarders, in bond warehouses, and many more.
- Population: Surrounded by the nation's three largest cities-San Jose, Heredia, and Alajuela-the area has some 2.5 million inhabitants, providing ample availability of human resources from nearby populations

2. Cartago

- Training centers: Technological Institute of Costa Rica, technical school, research center, Technological Base Incubator, INA.
- Two Free Zone Parks.
- Infrastructure: Electricity, water, telecommunications, precision machining and plating services. Located 15 miles from the international airport
- Population: The Cartago area has approximately 454,000 inhabitants.

Abridged List of Companies in Costa Rica:

Microwave/Telecommunications

Sawtek
Remec
Merrimac/Multimix Microtechnology
EMC Technology/Smiths Group
L-3 Communications/Narda
Panduit
Suttle

Microprocessors/Sensors

Intel

Consumer Electronics

Conair/BaByliss
Atlas Electric/Electrolux
Saco International
Xeltron
Marysol Technologies
Panasonic

Electronic Components

Bourns Trimpot
ITT Canon
Micro Technologies
Pharos/Vishay
Current Controls
Hitronics
Magnéticos Toroid
Lucent Technologies

Refurbishing

Teradyne
Pycon
Kes System

Electrical Assembly

Phelps Dodge
Schneider/Square D
Sylvania
Bticino
Eaton/Cutler-Hammer

Automotive Components & Devices

IDI Internacional/Sylvania
Wai Semicon

Call Centers

Alienware Latin America
SYKES
Supra Telecom
Western Union
Van Ru
Qualfon
Amadeus
Language Line
UPS Supply Chain
OMNEX
Align Technologies

Software

Microsoft
Cypress Creek
Dakota Imaging
Fiserv
Avionyx
Via Information Tools

Medical

ArthroCare
Pfizer
Bayer
Hospira
Boston Scientific
PPC Industries
Baxter Healthcare

Foods

Nestlé
Sara Lee
Del Monte
Dole
Gerber



Intel - Heredia, Costa Rica



Bayer - San Jose, Costa Rica

For a complete list, please contact AsiaPac Intl.