



Centro de **EXPORTACIONES**

de la Cámara de Comercio de Puerto Rico



EXPORTAR...ES PROGRESAR
¡INSERTATE EN LOS MERCADOS INTERNACIONALES!

Costa Rica

Rodrigo Rojas
U.S. Commercial Service
Embassy of the United States of America
Commercial Specialist

EL EVENTO DE NEGOCIOS MÁS IMPORTANTE DE PUERTO RICO



OUR MISSION



- Promote the export of U.S. goods and services.
- Protect American business interests overseas.
- And especially, help SMEs to export successfully.

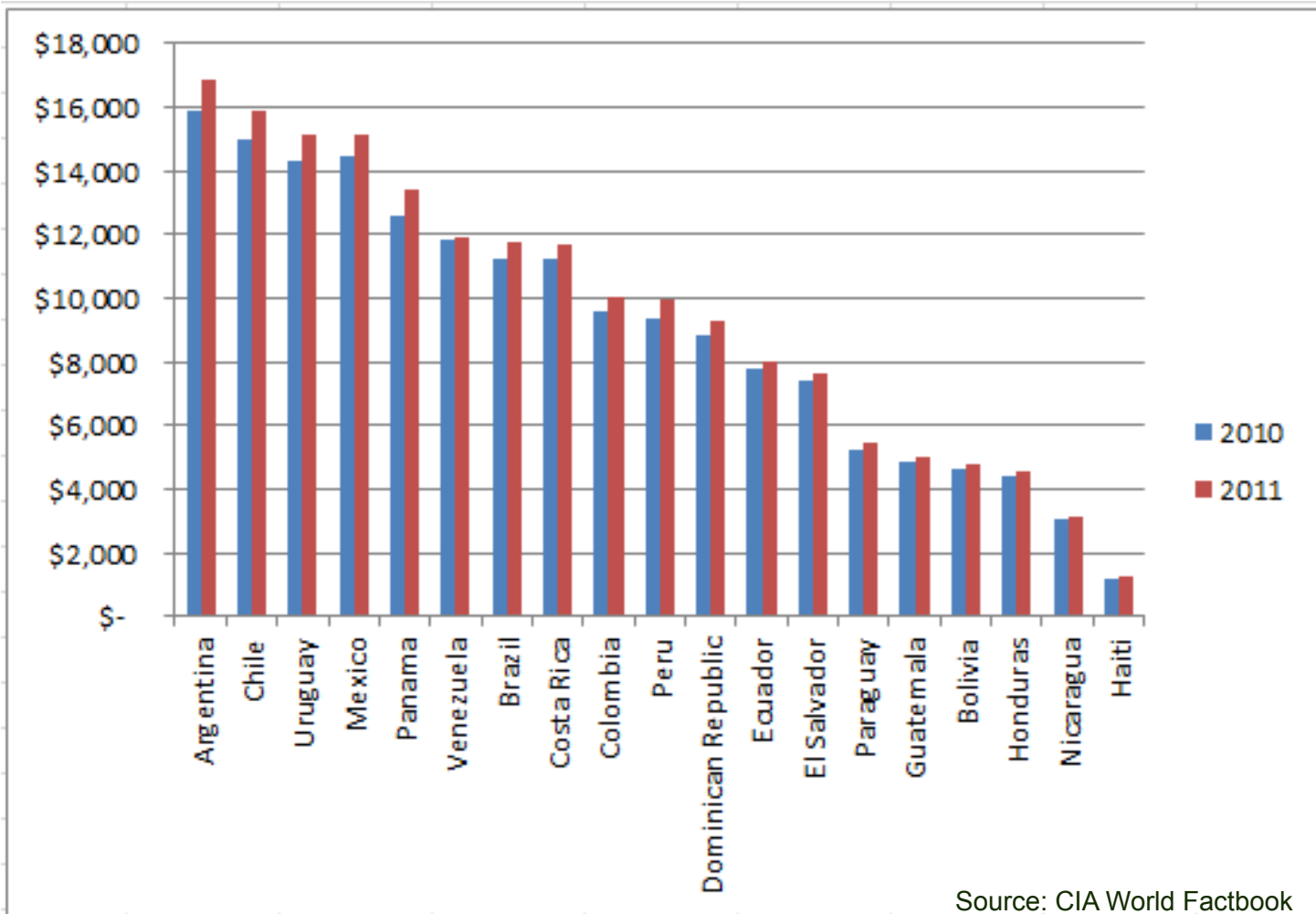


COUNTRY HIGHLIGHTS



- **\$35.8 billion GDP**
- **4.5 million people**
- **96% literacy rate**
- **English widely spoken**
- **Democratic Republic**
- **Poverty Rate: 24.2%**
- **Unemployment Rate: 7.37%**
- **US is biggest trading partner**
- **US is CR's biggest investor**

GDP PER CAPITA



COSTA RICA – THE GOOD



Facts:

- #1 Happiest country on earth**
- #1 Healthiest environment in the world**
- #1 Most bio-intense place on earth**
- #1 US Social Security checks sent**
- #1 Pineapple Exporter**
- ☺ **One of the best places in the world to live**
- ☺ **One of the best places in the world for medical care**
- ☺ **Cost of medical care**
- #5 Global Environmental Performance Index**
- #5 Cleanest country in the world**

Source:

- Dutch Sociologist**
- NASA**
- National Geographic**
- US Social Security Adm.**
- ...in the world**
- World Health Org. (UN)**
- UN (Top 25)**
- 30-70% less than US**
- Forbes**
- Yale/Columbia**

COSTA RICA – THE BETTER



- A strong, strategic partner in democracy
- Well-educated labor force
- Transparent institutions (but not necessarily efficient...)
- Business sophistication & innovation (with a big boost from US companies)
- Good governance standards
- Strategic geographic location
- Focus on new technologies (biotech, aerospace): Chinchilla priorities
- Greater legal certainty, lower duties brought about by CAFTA
- National goal to achieve carbon neutrality, creating renewable energy push
- Growing manufacturing presence in Costa Rica creating demand-pull for quality US inputs, greater general appreciation of value proposition

World Economic Forum, Global Competitiveness Index, 2010-2011; other

COSTA RICA – THE CHALLENGING



- Inefficient government bureaucracy (highly legalistic)
- Quality of the country's infrastructure
- Financing infrastructure, big-ticket items
- Security tops the list of U.S. business concerns in C.R.
- #1 in the world for U.S. stolen passports
- Entrenched competitors
- Price vs. value proposition
- Time & “Pura Vida”: Things take longer than you expect.
- 121 out of 183 – Ease of Doing Business – World Bank

World Economic Forum, World Bank, other

COSTA RICA – THE LESS BEAUTIFUL



- **Only 3.5% of the country's sewage is treated. The rest is dumped into the river systems and oceans.**
- **100 out of 139 Rail Infrastructure (WEF 2010)**
- **111 out of 139 Quality of Roads (WEF 2010)**
- **132 out of 139 Port Infrastructure (WEF 2010)**
- **Beautiful but not-yet-developed country with first-world marketing and positive word-of-mouth has, for some, led to unrealistic expectations and loss on personal and professional levels. Normal business caution.**

* The Costa Rican government is working hard to fix this and many other things.

U.S. EXPORTS TO COSTA RICA



| PRODUCTS | 2007 | 2008 | 2009 | 2010 | 2011 |
|------------------------------|------------------|------------------|------------------|------------------|------------------|
| Semiconductors | 1,041,675 | 1,359,227 | 906,656 | 679,313 | 667,881 |
| Fuel Oil | 70,493 | 317,673 | 456,147 | 552,242 | 726,600 |
| Petroleum products | 124,107 | 142,731 | 321,778 | 395,652 | 742,558 |
| Plastic materials | 222,337 | 258,532 | 178,151 | 245,491 | 276,961 |
| Computer accessories | 141,864 | 155,705 | 162,060 | 124,007 | 122,676 |
| Medical equipment | 135,919 | 144,140 | 160,588 | 200,531 | 183,175 |
| Newsprint | 210,153 | 214,290 | 151,158 | 200,220 | 181,721 |
| Telecom equipment | 98,664 | 97,507 | 129,272 | 124,901 | 161,366 |
| Electric Apparatus | 127,720 | 131,087 | 89,325 | 139,080 | 153,948 |
| Computers | 61,926 | 63,860 | 88,562 | 94,582 | 123,553 |
| Industrial Equipment | 55,372 | 79,434 | 66,183 | 67,579 | 70,298 |
| Other Household goods | 74,313 | 71,625 | 64,593 | 72,516 | 121,875 |
| Chemicals-Other | 77,492 | 89,642 | 60,932 | 78,471 | 86,349 |
| Apparel-textiles | 83,269 | 68,935 | 52,185 | 34,892 | 28,262 |
| TOTAL (All Exports) | 4,580,460 | 5,679,825 | 4,699,532 | 5,179,737 | 6,118,068 |

MARKET OVERVIEW



- **The United States is Costa Rica's main trading partner, accounting for about 40% of Costa Rica's total imports.**
- **New foreign direct investment in Costa Rica from all countries was US\$1.56 billion in 2011, US\$1.46 billion in 2010 and US\$1.35 billion in 2009. About 70% of that investment has come from the U.S. Companies like Intel, Procter & Gamble, Hospira, Boston Scientific, Abbot Vacular, Hewlett-Packard, Baxter Labs, and a number of franchising and service companies have invested in facilities in Costa Rica.**
- **Economic growth shrank slightly in 2009 (-2.5%) due to the global economic crisis. The economy experienced a rebound in 2010 with a 3.6% GDP growth rate, and a growth rate in 2011 of 3.8%. Unemployment rate was 7.37% during 2011.**
- **Inflation reached 13.9% at the end of 2008, but dropped during 2009 to 4.0% by year's end, and reached 5.8% by the end of 2010. Inflation rate was 4.74% during 2011.**

MARKET CHALLENGES



- **Recession that affected the U.S. in 2008-2009, began to be felt in Costa Rica after some lag time and has diminished the level of bilateral trade and investment activity to an extent.**
- **U.S. tourism to Costa Rica, which drives both local employment and U.S. exports to build and supply the tourist resorts, has fallen off substantially since 2008. However, by the end of 2010, both construction industry and tourism visits began to show a slow recovery.**
- **The Central America-Dominican Republic-United States Free Trade Agreement (CAFTA-DR) entered into force on January 1, 2009, bringing new interest and opportunity in trade.**

MARKET CHALLENGES



- **The Costa Rican government had not until recently enjoyed great success with many of its concession schemes for its public works projects, including the Juan Santamaría Airport in San Jose.**
- **Infrastructure, in an overall sense (e.g., roads and bridges, water/wastewater, electricity generation, airports and ports) is in substantial need of improvement.**
- **Enforcement of intellectual property laws has been lacking in many cases, due to insufficient resources and training, weaknesses in the country's criminal code, and the willingness of the Attorney General's office to prosecute IPR violators.**

MARKET OPPORTUNITIES



- **CAFTA-DR's entry into force on January 1, 2009, represents a major step forward in the trade and investment relationship between Costa Rica and the United States.**
- **More than 80 percent of all non-agricultural goods and more than 50 percent of agricultural products became duty-free immediately, on January 1, 2009.**
- **CAFTA-DR's entry into force eliminates Costa Rica's dealer protection regimes, allows non-discriminatory treatment for U.S. firms in government procurement bids, and provides stronger protection for investors.**
- **Market prospects are excellent in the following sectors: building products, hotel and restaurant equipment, and medical and dental equipment.**
- **Prospects are also good in auto parts and service equipment, drugs and pharmaceuticals, construction equipment and travel and tourism, as well as in the emerging telecommunications and insurance sectors.**

MARKET ENTRY STRATEGY



- **U.S. products enjoy an excellent reputation for quality and price-competitiveness.**
- **Proximity to the Costa Rican market is also a major advantage for U.S. exporters. agents and distributors, who typically represent U.S. exporters in the national market.**
- **CAFTA-DR is region-wide, i.e., for the countries of Honduras, Guatemala, Nicaragua, El Salvador, and the Dominican Republic, as well as for the United States and Costa Rica. This presents the opportunity to consider these markets from a regional perspective and to design a regional marketing approach, given the lowered barriers and relative proximity.**
- **The U.S. Commercial Service advises U.S. companies to consult with local market research companies and law firms to conduct the necessary due diligence before entering into contracts with local firms.**

IMPORT REQUIREMENT



- **Costa Rican Ministry of Health must test and register domestically produced or imported pharmaceuticals, feeds, chemicals, and cosmetics before they can be cleared from Costa Rican Customs.**
- **More recently, the MoH implemented the requirement to register all medical devices imported into Costa Rica, with the exemption of non-invasive products (mainly disposables).**
- **Costa Rica requires that all imported products subject to registration be certified as safe and allowed for sale in the country of origin in order to be registered at the MoH. Also most products and equipment require a Good Manufacturing Practices certificate. These certificates can be obtained at UDFDA and State Department of Health.**
- **For agricultural and animal products, meeting sanitary and phytosanitary (SPS) requirements can often be a cumbersome and lengthy process. Costa Rican Ministry of Agriculture and Livestock enforces certain SPS measures beyond international requirements (e.g., zero tolerance for salmonella on raw meat and poultry products).**

GOVERNMENT PROCUREMENT



- **U.S. companies are permitted to bid on procurements of most Costa Rican government entities, including key ministries and state-owned enterprises, on the same basis as Costa Rican suppliers (i.e., "national treatment").**
- **CAFTA-DR requires that procuring entities use fair and transparent procurement procedures, including advance notice of purchases and timely and effective bid review procedures, for procurement covered by the Agreement.**
- **Government entities are processing their procurement on line through the new system MER-LINK. At present only Costa Rican companies can signed up in this system but it is expected that foreign firms will be authorized to participate in the near future.**

SERVICE BARRIERS



- Traditionally Costa Rica's insurance, telecommunications, electricity distribution, petroleum distribution, potable water, sewage, and railroad transportation industries has been state monopolies.
- 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.
- CAFTA agreement provided the opening of the insurance market and the wireless telecommunication sectors to private competition.
- Since 1995, private commercial banks have been permitted to offer checking and savings accounts and, since 1996, to access the Central Bank's discount window.

SERVICE BARRIERS



- **Costa Rican regulations restrict the ability of non-resident practitioners of certain professions to work on a permanent basis in Costa Rica.**
- **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.**

INVESTMENT BARRIERS



- **Several U.S. investors have complained of failures on the part of Costa Rican government entities to fulfill contractual commitments, 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 can take 10 years to be resolved) has been cited as an investment barrier by many U.S. investors.**
- **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.**
- **Under CAFTA-DR, all forms of investment are protected, including enterprises, debt, concessions, contracts and intellectual property.**
- **Chapter 10 of CAFTA-DR provides for an arbitration process which is open and transparent. Hearings and documents must be made public and amicus curiae submissions are authorized.**

TYPES OF INVESTMENT DISPUTES



- **Conflict in criteria or a lack of communication between municipal governments and the national government.**
- **Government technical personnel providing conflicting guidance. Investors who proceed on the authority of one government official later find themselves accused by other government officials of violating the law.**
- **Decisions at the highest levels of government, when there are inconsistencies in the treatment of specific cases involving U.S. citizen-investors.**
- **Government officials and the courts not recognizing that lost time and lost opportunities are real costs for investors, as well as for the country.**
- **Some U.S. investors do not receive adequate property protection as squatters have invaded, claimed, and fought to occupy titled property.**

OTHER TYPES OF DISPUTES



- Investment in power generation faces challenges stemming from a state monopoly control of electrical generation and distribution.
- 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.
- The previous law regulating commercial representatives (“dealers”) of foreign firms (Law No. 6209) granted local companies exclusive representation, without a signed agreement, for an indefinite period of time, requiring the foreign company 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. 8629) that modifies its dealer protection regime to provide more freedom to negotiate the terms of commercial relations and to encourage the use of arbitration to resolve disputes between parties to dealer contracts.

SERVICES PROVIDED BY U.S. COMMERCIAL SERVICE



- **Business Counseling**
- **Gold Key Service (GKS)**
- **International Partner Search (IPS)**
- **Contact Lists**
- **International Company Profile (ICP)**
- **Trade Missions**
- **Country Commercial Guide (CCG)**
- **International Buyer Program**
- **Trade Leads**

NEGOTIATING AN AGREEMENT



- **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.**
- **Establishing an office: 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.)**
- **Franchising: Although franchising was spurred on by the rise of tourism in Costa Rica, the current market for franchising has slowed due to some market saturation, primarily in the fast food sector.**

BEST EXPORT SECTORS FOR U.S. PRODUCTS AND SERVICES



Medical-Dental Equipment

| | <u>2010</u> | <u>2011</u> | <u>2012 (E)</u> | <u>2013 (E)</u> |
|--------------------------------|-------------|-------------|-----------------|-----------------|
| Total Market Size | 90 | 97 | 102 | 110 |
| Total Local Production | 6 | 8 | 10 | 12 |
| Total Exports | 4 | 7 | 8 | 10 |
| Total Imports | 88 | 95 | 100 | 108 |
| Imports from the U.S. | 43 | 45 | 48 | 50 |
| Unit: Millions of US\$ Dollars | | | | |

BEST EXPORT SECTORS FOR U.S. PRODUCTS AND SERVICES



Construction Equipment

| | <u>2010</u> | <u>2011</u> | <u>2012 (E)</u> | <u>2013 (E)</u> |
|---------------------------------|-------------|-------------|-----------------|-----------------|
| Total Market Size | 46 | 65 | 75 | 83 |
| Total Local Production | 7 | 8 | 10 | 12 |
| Total Exports | 11 | 12 | 14 | 15 |
| Total Imports | 50 | 69 | 79 | 86 |
| Imports from the U.S. | 12 | 26 | 32 | 35 |
| Unit: Millions of US\$ Dollars. | | | | |

BEST EXPORT SECTORS FOR U.S. PRODUCTS AND SERVICES



Hotel and Restaurant Equipment

| | <u>2010</u> | <u>2011</u> | <u>2012 (E)</u> | <u>2013 (E)</u> |
|-------------------------------|-------------|-------------|-----------------|-----------------|
| Total Market Size | 93.280 | 111.960 | 122.980 | 133.010 |
| Total Local Production | 12.460 | 15.000 | 16.200 | 17.820 |
| Total Exports | 1.870 | 2.250 | 2.430 | 2.670 |
| Total Imports | 82.690 | 99.210 | 107.150 | 117.860 |
| Imports from the U.S. | 21.130 | 24.880 | 26.870 | 29.550 |
| Unit: USD thousands | | | | |

BEST EXPORT SECTORS FOR U.S. PRODUCTS AND SERVICES



Agricultural Sector: Corn

| | <u>2010</u> | <u>2011</u> | <u>2012 (E)</u> | <u>2013 (E)</u> |
|-------------------------------|-------------|-------------|-----------------|-----------------|
| Total Market Size | 90 | 97 | 102 | 110 |
| Total Local Production | 6 | 8 | 10 | 12 |
| Total Exports | 4 | 7 | 8 | 10 |
| Total Imports | 88 | 95 | 100 | 108 |
| Imports from the U.S. | 43 | 45 | 48 | 50 |
| Unit: Metric Tons | | | | |

BEST EXPORT SECTORS FOR U.S. PRODUCTS AND SERVICES



Agricultural Sector: Soybeans

| | <u>2010</u> | <u>2011</u> | <u>2012 (E)</u> | <u>2013 (E)</u> |
|-------------------------------|-------------|-------------|-----------------|-----------------|
| Total Market Size | 240,000 | 226,789 | 230,000 | 240,000 |
| Total Local Production | - | - | - | - |
| Total Exports | - | - | - | - |
| Total Imports | 240,000 | 226,789 | 230,000 | 240,000 |
| Imports from the U.S. | 240,000 | 226,789 | 230,000 | 240,000 |
| Unit: Metric Tons | | | | |

BEST EXPORT SECTORS FOR U.S. PRODUCTS AND SERVICES



Agricultural Sector: Wheat

| | <u>2010</u> | <u>2011</u> | <u>2012 (E)</u> | <u>2013 (E)</u> |
|-------------------------------|-------------|-------------|-----------------|-----------------|
| Total Market Size | 244,000 | 224,876 | 230,000 | 235,000 |
| Total Local Production | - | - | - | - |
| Total Exports | - | - | - | - |
| Total Imports | 244,000 | 224,876 | 230,000 | 235,000 |
| Imports from the U.S. | 200,000 | 174,590 | 180,000 | 200,000 |
| Unit: Metric Tons | | | | |

BEST EXPORT SECTORS FOR U.S. PRODUCTS AND SERVICES



Agricultural Sector: Rice

| | <u>2010</u> | <u>2011</u> | <u>2012 (E)</u> | <u>2013 (E)</u> |
|-------------------------------|-------------|-------------|-----------------|-----------------|
| Total Market Size | 251,000 | 248,000 | 250,000 | 255,000 |
| Total Local Production | - | - | - | - |
| Total Exports | - | - | - | - |
| Total Imports | 96,000 | 78,000 | 80,000 | 90,000 |
| Imports from the U.S. | 92,000 | 67,500 | 70,000 | 80,000 |
| Unit: Metric Tons | | | | |

CUSTOMER FOCUS



Our goal:

- Help you identify opportunities, resources
- Help you locate in-country partners
- Support your efforts to win the business

HEALTHCARE TRANSPORTATION

ENERGY AUTOMOTIVE TELECOM

- Sizable public-sector component to each business segment
- Break out public vs. private opportunities, relevant approaches
- Support critical contact identification, help to build in.
- Early project ID, potential/probable prime contractors

PROJECTS



- **Hospital Calderón Guardia** \$ 120 million (Rebuilt Tower)
- **Hospital CIMA** \$ 15 million (Guanacaste)
- **Hospital Clinica Biblica** \$ 25 million (Guanacaste)
- **Port of Moin (BOT)** \$ 1 billion (New 5-ship port)
- **Port of Moin** \$ 70 million (Modernization)
- **Port of Limon** \$ 72 million (Convert: Cruise Pt)
- **Electric Train: San Jose** \$ 350 million (Proyecto Trem)
- **SJ Metro Sewage System** \$ 250 million (Modernization)
- **Wind Energy Tender** TBD (20 MW to 50 MW)

HEALTHCARE



Hospital Calderón Guardia

- Consulting, design, construction, hospital equipment supply & maintenance of new tower.
- Build new six-floor East Tower with 204-bed capacity, 34 incubators, surgery, neonatology, gynecology, obstetrics and **radiologic services**.
Build new nutrition services building.
- Estimated cost: US \$120 million
- Project is on hold until further notice

HEALTHCARE



Hospital CIMA

- **Building new Hospital CIMA branch, as part of the Pacific Plaza Complex in Guanacaste.**
- **There are 170 qualified physicians representing over 60 specialties, a complete imaging department including open MRI, CT, X-ray, ultrasound, endoscopy, a full service laboratory, and a 24 hour pharmacy.**
- **Estimated completion: Mid-2012**
- **Estimated cost: US \$15 million**

HEALTHCARE



Hospital Clínica Bíblica

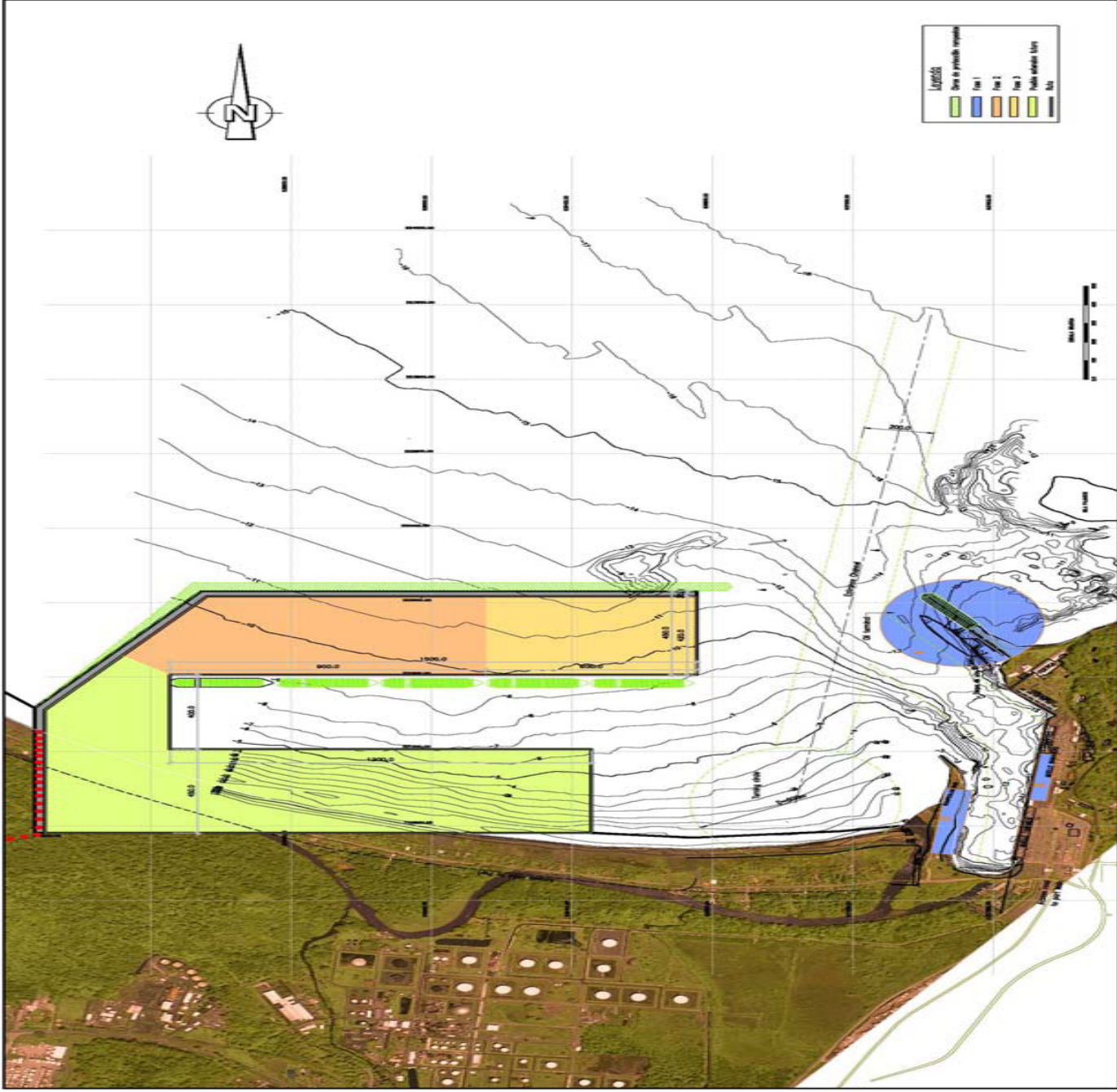
- **Construction of new hospital Clínica Bíblica branch in Papagayo, Guanacaste.**
- **Main services include: emergency room, intensive care unit, medical and surgical services, laboratory, blood bank, radiology department, physical therapy, cardiology, maternity, dermatology, 24-hr pharmacy and home delivery service.**
- **Estimated cost: US \$25 million**

TRANSPORTATION PORT



Port of Moín

- **Design/build (BOT) new 5-ship seaport at Moín, Limon province, on the Atlantic.**
- **Estimated cost: US \$1 billion**
- **Project was awarded to APM Terminals (Holland).**
- **Project offers opportunities to construction companies with experience in port projects**



LEYENDA

| | |
|--|------------------------------|
| | Zona de protección ambiental |
| | Fase 1 |
| | Fase 2 |
| | Fase 3 |
| | Área de estudio |
| | Alta |

| | |
|--|--|
| Fuente: JAPDEVA | |
| Proyecto: JAPDEVA / EVD | Escala: 1:10000 |
| | |
| PLAN MAESTRO DEL COMPLEJO PORTUARIO LIMON-MOIN | |
| PUERTO DE MOIN: PLAN MAESTRO PARA PUERTO MOIN DESARROLLO COMPLETO | |
| Autor: JAPDEVA / EVD Fecha: 2010 | Proyecto: 99-672.21 / 100 Escala: 1:10000 |

MINISTERIO DEL AMBIENTE Y AGUAS
 DIRECCIÓN GENERAL DE INGENIERÍA Y OBRAS PÚBLICAS
 DIRECCIÓN DE INGENIERÍA DE PUERTOS Y NAVIGACIÓN
 DIRECCIÓN DE INGENIERÍA DE PUERTOS Y NAVIGACIÓN
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TRANSPORTATION PORT



Port of Moín

- **Modernize and expand existing port.**
- **Estimated cost: US \$70 million**

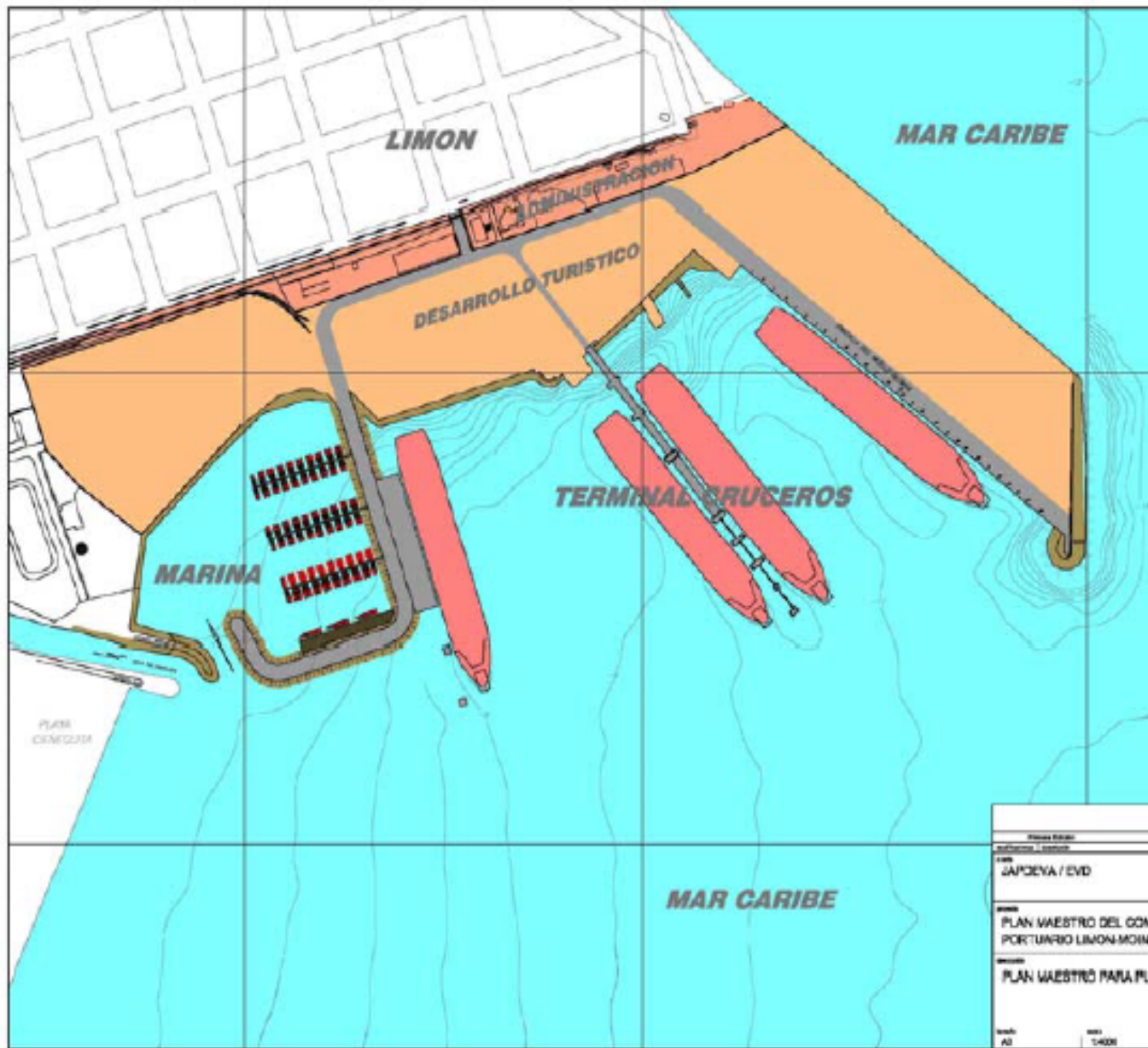


TRANSPORTATION PORT

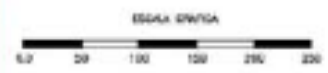
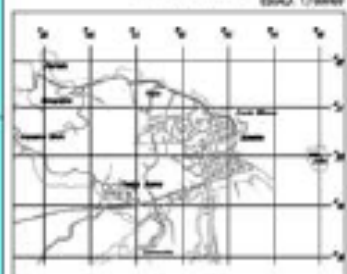


Port of Limón

- **Redesign and convert existing cargo port of Limón to cruise ship port.**
- **Build an adjoining marina.**
- **Estimated Cost: US \$72 million**



UBICACIÓN GEOGRÁFICA
ESCALA 1:50000



| | | |
|--|---------------------|--------------------|
| Proyecto: JAPCEVA / EVD | | Escala: 1:50000 |
| Subproyecto: PLAN MAESTRO DEL COMPLEJO PORTUARIO LIMON-MOIN | | Fecha: |
| Cliente: ROYAL HASKONING | | Autor: |
| Objetivo: PLAN MAESTRO PARA PUERTO LIMON | | Fecha: |
| Hoja: A0 | Total: 14000 | Fecha: |
| Proyecto: 084672.21 | | Hoja: 1/230 |

TRANSPORTATION – RAIL



- **Build a new electric railroad system (Proyecto Trem) in the San Jose Metropolitan Area to connect the cities of San Jose and Heredia.**
- **Estimated cost: US \$350 million**

WATER / WASTEWATER



- **Build and modernize the San Jose Metropolitan Sewage System.**
- **Includes installation of two wastewater treatment plants.**
- **Estimated cost: US \$250 million**

WIND ENERGY



ICE announces Wind Energy Tender

- The Costa Rican Institute of Electricity (ICE) announced on Sept 13 that it intends to buy wind farms with nominal power output of 20-50 MW.
- ICE is now receiving bids. Interested bidders need to finance, design, build, inspect, implement operate, maintain and subsequently transfer project to ICE, at no cost, at expiration of Power Purchase Agreement.

RENEWABLE ENERGY



General Law of Electric Power

- **Bill now before legislature to open electricity market.**
- **ICE would only develop hydropower projects of 100 MW or more or with a \$300 million or greater cost.**
- **Geothermal: ICE has exclusivity to develop.**
- **Private generators would be able to provide up to 35% of total generation in next 10 years (700 MW).**
- **Could energize sector, promote private participation in and development of projects from renewable sources.**



Rodrigo Rojas

Commercial Specialist
U.S. Embassy - Costa Rica

Rodrigo.Rojas@trade.gov

Tel. 506-2519-2295

