



MFAT Working Luncheon for
HIS EXCELLENCY ALEXANDER MORA

Costa Rican Minister of Foreign Trade

Report by Thomas Manning with thanks to Ellen Duval, MFAT

In a recent presentation in Wellington arranged by the NZ Ministry of Foreign Affairs and Trade Minister Alexander Mora outlined Costa Rica's relationships with its immediate neighbours and the international community, its commitment to free trade and the opportunities in Costa Rica for New Zealand exporters especially in the IT, Agritech and Services sectors.

Over the last ten years Costa Rica has emerged as one of the most attractive and safest destination for foreign investment in Latin America.

The Costa Rican government advocates free trade across continents and has free trade agreements with 60 countries. With the development of many infrastructure-rich tax-free zones and a range of tax holiday opportunities, Costa Rica has opened-up investment options for many companies across the world. The tax-free economic zones have encouraged many big companies like Intel, Hewlett Packard, Acer and Western Union to make substantial investments in Costa Rica.

The tax-free economic zones are rich in infrastructure and offer exemption on import duties for raw material, components and capital goods.

Profits in the first eight years of a foreign investment are 100% tax-free. The next four years qualify for a 50% tax exemption. The eight plus four year tax exemptions cycle begins again after the initial twelve years. Profits can be repatriated without restriction.



Costa Rica has also grown to become a leading Internet hub in Latin America. This is helping the export trade in Costa Rica to boom especially in the areas of hi-tech which are overtaking the traditional exports of coffee and bananas. While agricultural exports continue to grow hi-tech is growing at a far greater rate.

- There are three main entities in charge of trade and investment in Costa Rica
 - COMEX (state) – Ministry of Foreign Trade.
 - PROCOMER (state) – The trade promotion agency of which Minister Mora is Chairman.
 - CINDE (private) – Investment promotion agency.
- 96% of FDI into Costa Rica comes from US, EU, Canada and the Pacific Alliance countries and totals \$2 billion per year. They're aiming to diversify. Recently, they have focused on China, Korea, GCC (Qatar and Dubai).
- Investment from Pacific Alliance countries in particular is growing strongly.
- Costa Rica exports 4,500 products and services to 153 countries.
- 40% of the workforce is involved in ecotourism.
- According to the WTO, Costa Rica is the 4th largest exporter in high tech goods in the world (largely electronics and medical devices & components).
- The abolition of the Armed Forces in 1948 was fundamental to Costa Rica's success today as it enabled the redirection of budget into education in particular.
- A 2012 constitutional amendment mandated the investment of 8% of GDP into education.
- Public education in Costa Rica covers 96% of the sector and the present focus is to enhance quality. Costa Rica is keen to cooperate with New Zealand in technical education fields.
- 25% of Costa Rica's population is English-speaking.
- Costa Rica is one of the safest countries in Latin America despite its proximity to the Northern Triangle of Central America (El Salvador, Guatemala & Honduras) which are three of the seven most violent countries in the world.
- There has been substantial migration to Costa Rica from other Latin American countries (from Argentina after the 2001 default, from Colombia 15 years ago during the height of drug-related terrorism and more recently from Venezuela). Almost 25% population are immigrants.
- Costa Rica's relationship Panama is very close, with open borders (the only non-militarised border in the world) and there are numerous daily flights to Panama City.
- Minister Mora suggested agribusiness was an obvious area of interest to LANZBC members. Costa Rica's FTA with the US could be an advantage to New Zealand companies seeking tax-free entry to that market (depending on the nature of the goods and services).

- There is also potential for NZ-Costa Rica connections in services. Indian, Chinese, South African companies among others were increasingly investing in Costa Rica. Costa Rica was particularly strong in animation/post-production, software development and corporate services. Minister Mora mentioned Costa Rica multimedia developers had recently been in NZ to meet clients looking to out-source development projects.
- Minister Mora raised the idea of a bilateral investment treaty or a bilateral FTA – saying these would greatly advance NZ-Costa Rica business connections.
- Costa Rica's FTAs with 60 countries represents two-thirds of the world and 2.5 billion potential customers.
- Costa Rica's agreement of "strategic association" with the EU includes three areas: trade, political dialogue, and cooperation. The FTA included 98% of current exports to the EU and was positively oriented toward agricultural goods (e.g. sugar and bananas). Present agricultural exports are mainly raw materials and the challenge was to increase exports of value-added goods especially in clean technology, biotechnology and life sciences (medical devices and parts).
- There is room for engagement between LANZBC and Costa Rica business agencies. LANZBC undertook to publicise the opportunities in Costa Rica to its members and is very interested in creating connections with Costa Rica business councils.
- [PROMEX Press Release](#) (Spanish Language).



His Excellency Alexander Mora & Thomas Manning