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Costa Rica Profile: Basic Data, Macroeconomic Indicators, Foreign Investment Regulations & Incentives

by Deborah Tyroler

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BASIC DATA Land area: 50,898 sq.km. (19,652 sq.mi.) Population: 3.1 million (est. mid-1991) Capital and largest city: San Jose Arable land: 6% Adult literacy: 95% Rural/urban population: 55%/45% (1988) Currency: colon. In late January, the exchange rate was C138.3:US\$1. As of February this year, the official exchange rate fluctuates daily according to a foreign exchange auction, and commercial banks and other financial institutions are authorized to carry out dollar transactions. Transportation & communications (c. early 1991) Railroads: 950 km. (590 mi.) total, of which 260 km. (161.4 mi.) are electrified. There are three railroad systems Atlantic Railroad, Pacific Electric Railroad, and South Railroad, all government-owned. Highways: 15,400 km. (9,565 mi.) total; 7,030 km. (4,366.5 mi.) paved; 7,010 km. (4,354 mi.) gravel and 1,360 km. (844.7 mi.) unimproved earth Ports: Six major ports, Limon and Moin on the Atlantic, Puntarenas, Caldera, Golfito and Quepos on the Pacific Shipping lines: Agencias Maritimas y Comerciales S.A.; Agencias Unidas S.A.; Ambos Mares Ltd.; BACSA; Becker & Brammer S.A.; Brown & Salazar S.A.; Colina & Cia; Concorde Line; Conesa; Cormar S.A.; Coordinated Caribbean Transport Inc.; MARINSA; Nautica Centroamericana S.A.; Nordana Line; Remarsa; Seaboard Marine Ltd.; SeaLand Services; R. Smith & Cia.; Transitaria S.A.; Trasnave; Rafael A. Ulloa & Cia Air service: International airports Santamaria (Alajuela, near San Jose), Pavas (San Jose, small aircraft only), Llano Grande (Guanacaste), and Limon. Domestic airfields number 156, and seaplane stations, two. Airlines: Direct flights to the US are available through Aeronica, American, Copa, Iberia, KLM, LACSA, Mexicana, SAHSA, and TACA. Connecting flights are available through several other airlines. Air cargo: Challenge, LACSA, Copa, Sahsa, Sam, Iberia, Viasa, Mexicana, KLM, Aeronica, Varig, Serca, Lineas Aereas Trans Costa Rica, Sansa, Exaco Ltda, Amerijet, TACA Communications: Direct dial service to 97 countries via MIDA digital automatic telephone system; fully automatic telex service to approximately 200 countries; data transmission and fax possible from Industrial Park; 300,000 phone lines, 2,000 facsimile and 1,200 telex machines; 87 radio stations; 18 commercial TV stations, 2 state-run TV stations, and 28 cable TV channels which broadcast in English Visa/entry requirements: A valid passport is required of all visitors to Costa Rica. US citizens may enter the country by purchasing a tourist card at the airport. For information on traveling to Costa Rica, contact the Costa Rican Embassy (202/234-2945). **MACROECONOMIC STATISTICS, INDICATORS** Gross Domestic Product (GDP): US\$5.418 billion (1990) GDP per capita: US\$1,912 (1989) Real GDP growth: cumulative 1987-1990, 17.5% 1990, 3.2% 1991, 1% Origin of GDP (1989): mining & manufacturing, 21.1%; wholesale & retail trade, 20.7%; agriculture, 18.2%; public sector, 12.5%; financial services, 11.2%; other services, 5.3%; transport & communications, 5.1%; construction, 3.1%; electricity, gas & water, 2.8% Consumer price inflation: 1983-1986, average 13.6% per year 1987-1990, 19.8% per year 1991, 25.3% Labor force: 1,074,000 Employment by sector (1989): agriculture, 26.2%; manufacturing and mining, 18.8%; construction, services & commerce, 55%. Official open unemployment rate: 5.5% (July 1991) Wage rates (late 1990): Minimum wage set by National Wages Council, US\$4.40 per day. Average daily wage ranged between US\$7.34-US\$8.33, including fringe benefits. Principal products: bananas, coffee, sugarcane, rice, corn, livestock Major manufactures: processed foods, textiles and clothing, construction materials, fertilizer Main exports:

coffee, bananas, beef, sugar, cocoa Main imports: machinery, chemicals, foodstuffs, fuels, fertilizer Principal trade partners (1989): Exports US (45.2%), Central America (16.8%), Germany (12.8%), Italy (4.5%), U.K. (2.2%) Imports US (40.5%), Central America (9.9%), Venezuela (8.3%), Japan (6.7%), Mexico (5.6%) FOREIGN INVESTMENT REGULATIONS & INCENTIVES There are no legal restrictions on profit repatriation. The government offers a wide-ranging system of incentives (especially in industries relying on local inputs and providing new export products). No legal discrimination exists, nor does any policy of mandatory joint ventures. The 1981 Export Processing Zone Law established publicly operated free zone industrial parks in Santa Rosa (Puntarenas) on the Pacific Coast, and Moin (Limon) on the Caribbean seaboard. Coto Sur, near the Panamanian border, is a specialized free trade zone engaged in export of African oil palm seed. Cartago Industrial Park, 23 km. from San Jose, was the first privately managed free trade zone to be established. The Free Zone Corporation has authorized several new private projects in Alajuela and Heredia provinces, which take advantage of proximity to the Juan Santamaria Airport. In 1990, the Corporation decided to divest itself of the actual ownership and running of parks, preferring to encourage establishment of privately run parks throughout the country. Exemptions obtainable under provisions of the free zone legislation include the following: (1) import duties on raw materials, processed or semi-processed products, parts or components; (2) all export taxes associated with the export or re-export of products, including re-export of equipment and machinery used in the production process; (3) sales and consumer taxes; (4) taxes levied on remittances abroad; and (5) all taxes on profits for a period of six years from the beginning of operations, and 50% on the following four years. Exporters of non-traditional products to countries outside the Central American region enjoy exemption from many export duties and from import duties for inputs used to produce such products. Most new foreign investment during the past several years has been in light industry for export, including electronics, apparel assembly, flower and ornamental plant nurseries, fruits, vegetables, seafood, toys, sporting goods, costume jewelry and pharmaceuticals. Automobile rental agencies, tourist-oriented water transport companies, national and international air transport companies, tourist reception agencies, and hotel owners and developers are eligible for several incentives upon signing a "tourist incentive contract" with the Instituto Costarricense de Turismo (ICT). Under the 1985 Tourist Incentive Law No. 6990, the following incentives are available: (1) 12-year income tax exemption on nondistributed profits; (2) duty-free import of commodities not available in Costa Rica; (3) 12-year land tax exemption for hotels located outside of San Jose metropolitan area; (4) accelerated asset depreciation; (5) duty-free import of yachts, sailboats, and vehicles up to 1600 cc motor capacity for use in tourist transport; (6) for airlines, guaranteed fuel price no higher than average price in Miami, Mexico, Panama, Colombia and Venezuela; (7) for airlines, tax and surtax exemption on import or local purchase of spare parts necessary for proper operation of aircraft; (8) for car rental and travel agencies, tax and surtax exemption on import or local purchase of computers; (9) tax and surtax exemption on import or domestic purchase of goods necessary for construction, remodeling or expansion of tourist-oriented facilities (such as docks and hotels). Large-scale US-based companies which have export producing facilities in Costa Rica include Avon, Baxter, Conair Corp., Sara Lee Corp., and Wrangler. Sample group of foreign businesses with operations in Costa Rica: A.G. Siemens, Alumiform Concrete, Automatic Coil, British American Tobacco, Canada Dry International, Citicorp, Conair Corporation, Data Development, Dynavest, Eaton Corp., Firestone Tire and Rubber Co., Gilmore, Hanes Printables, Heineken Brewery, BV, Hitachi Sales Corp. of America, Industrial Devices Inc., International Executive Service Corp., J. Walter Thompson Co., JAC Valstar, Jockey, L.M. Ericsson Telephone Co., Levi Strauss & Co., Inc., Maidenform, Miles Laboratories, Newport Pharmaceuticals, Inc., Omni Terminals, Pacific Exports,

Pepsico, Inc., R.J. Reynolds Industries, Rohn & Haas Co., Scott Paper Co., Textiles Dooha, Toshiba, Unisys, Van Heusen Co., Warners, Xerox Corp., 3M. CONTACTS [To call Costa Rica from the US, dial access code (011), followed by the area code (506), and then the number.] Costa Rican Coalition for Development Initiatives (CINDE) P.O. Box 7170-1000 San Jose, Costa Rica Tel: (506) 20-0036 Fax: (506) 20-4754 Center for the Promotion of Investments and Exports (CENPRO) (Ministry of Industry and Commerce office) Calle 7, Avenidas 1 y 3 San Jose, Costa Rica Tel: (506) 21-7166 Chamber of Commerce Calle 25 Avenidas 8 y 10 San Jose, Costa Rica Tel: (506) 21-0481 Camara de Industrias de Costa Rica Apartado 10003 San Jose, Costa Rica Tel: (506) 23-2411/23-0754/21-2503 Fax: (506) 22-1007 Minister-Counselor for Economic Affairs Embassy of Costa Rica 1825 Connecticut Ave., NW, Suite 211 Washington, DC 20009 Tel: (202) 234-2945/46/47 Fax: (202) 234-8653 SOURCES Back issues, LADB's Central America Update, Chronicle of Latin American Economic Affairs. Caribbean/Latin American Action. 1991 Caribbean and Central American Data Book. Washington, DC: November 1990. Economist Intelligence Unit. Nicaragua, Costa Rica, Panama: Country Profile, 1991-92. London: Business International Limited, 1991. Investing, Licensing and Trading Conditions Abroad: North America/Latin America. Business International Corporation, September 1991.

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