



# INVESTING IN **COSTA RICA**

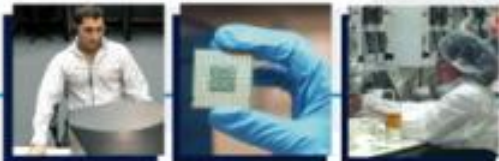


# CINDE

## Costa Rican Investment Promotion Agency



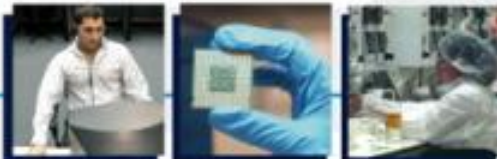
- Private non-profit apolitical organization, established in 1982
- Active promotion of foreign investment, local support, and post-establishment services
- Declared of public interest by the Costa Rican government in 1984
- Currently holds a seat in the steering committee of the World Association of Investment Promotion Agencies.



# Why Costa Rica?



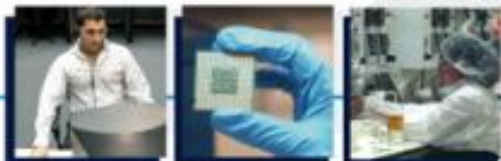
- Strategic Location
- Political and Social stability
- Legal Security
- Economic Stability
- Human Resources
- Incentives
- Infrastructure
- Quality of Life
- Great Potential
- Business Sectors



# Strategic Location



- In the middle of the Americas
- Central Standard Time Zone
- More than 20 daily direct flights to the USA
- 2:50 hours flying time to Miami
- 2-3 days delivery time by major express services
- Daily world-wide air cargo through 14 daily flights
- Over 24 world cargo shipping lines with regular departures on Pacific and Caribbean Oceans



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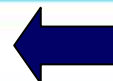
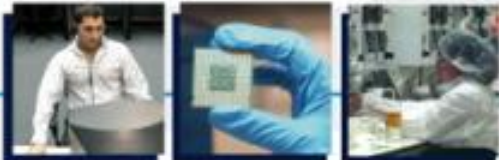
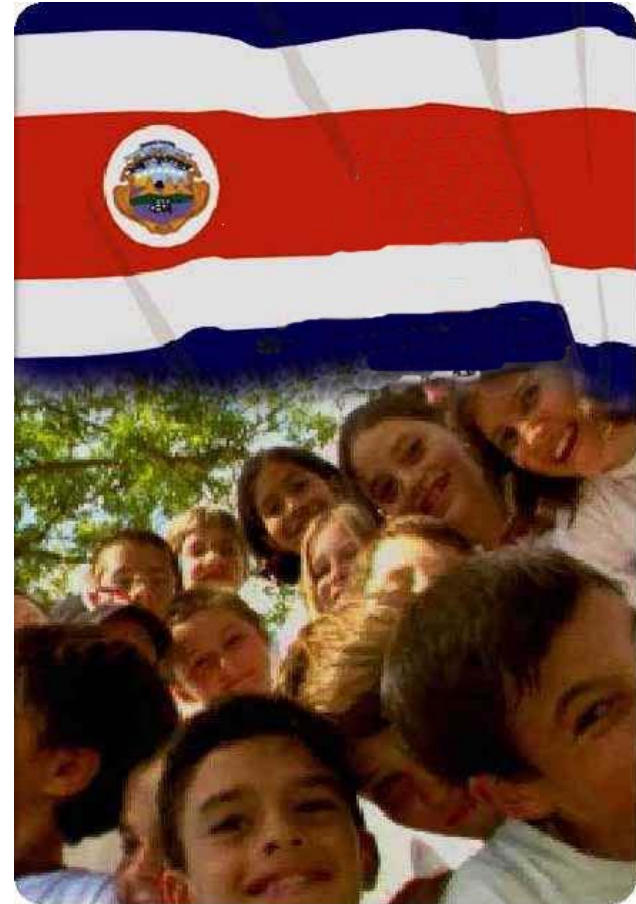
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# Political and Social Stability



- **Tradition of peace and stability**
  - Army abolished in 1948
  - Ranked 36th in Political Stability out of 209 countries (*World Bank, 2005*)
- **Government**
  - More than 100 years of democracy
  - 3 independent powers
  - 4 year-term with reelection
  - Presidential system

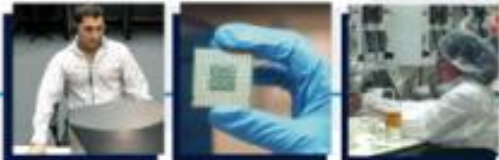




# Legal Security



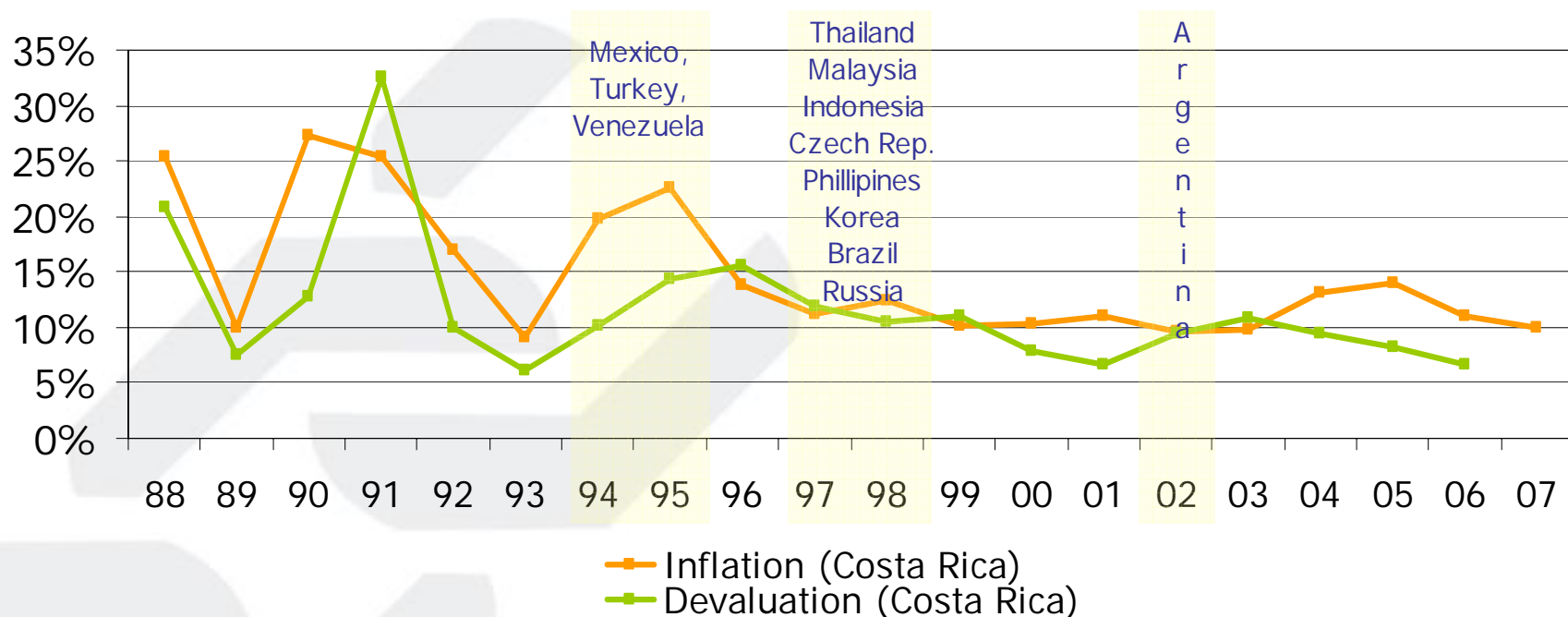
- Foreigners have no limits of property handling and they can conduct business activities freely.
- Foreigners have constitutional equality of rights and obligations.
- Free capital movement, no foreign exchange controls
- Intellectual property laws in accordance with WTO guidelines.



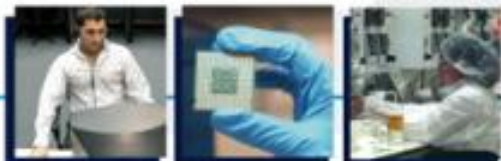
# Economic Stability



Over 20 years of economic stability



Source: CINDE, based on Costa Rican Central Bank



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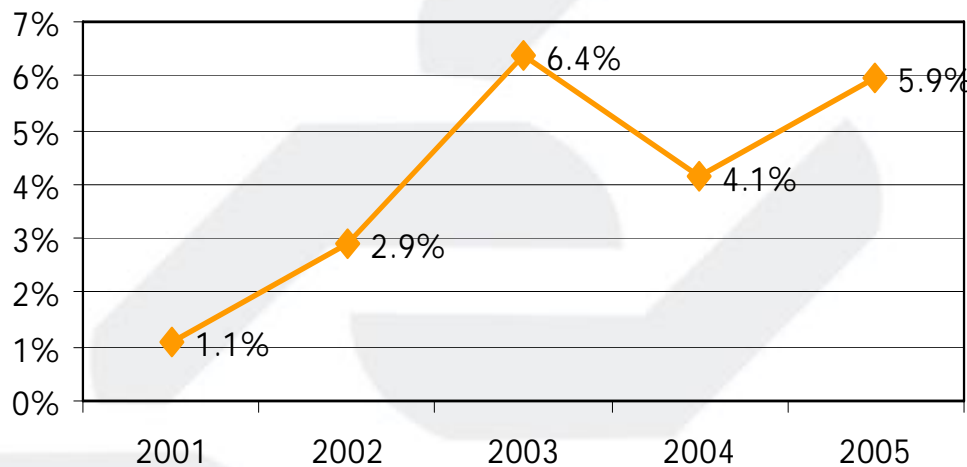
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# Economic Stability



Annual GDP Growth

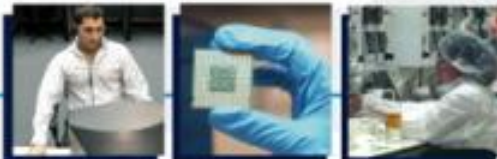


Source: Costa Rican Central Bank

- As a result, Costa Rica benefits from good access to the world's capital markets and moderate risk premium.

- **Costa Rican Long Term Bond Ratings:**

Moody's	Ba1 (stable)
Fitch Ratings	BB (stable)
Standard & Poor's	BB (stable)

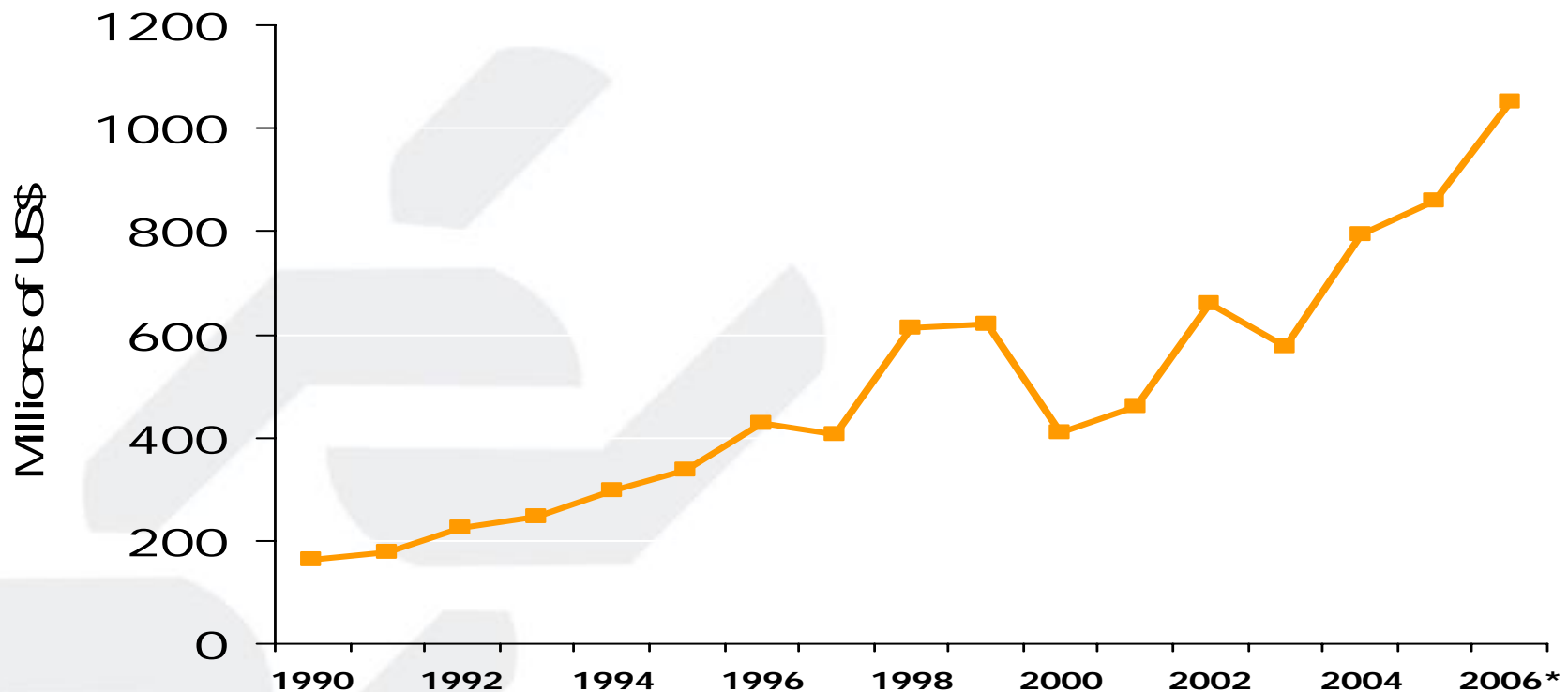




# Foreign Direct Investment

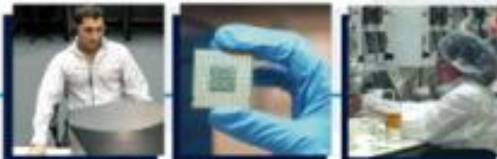


## FDI Inflows



Source: CINDE

\* Estimated



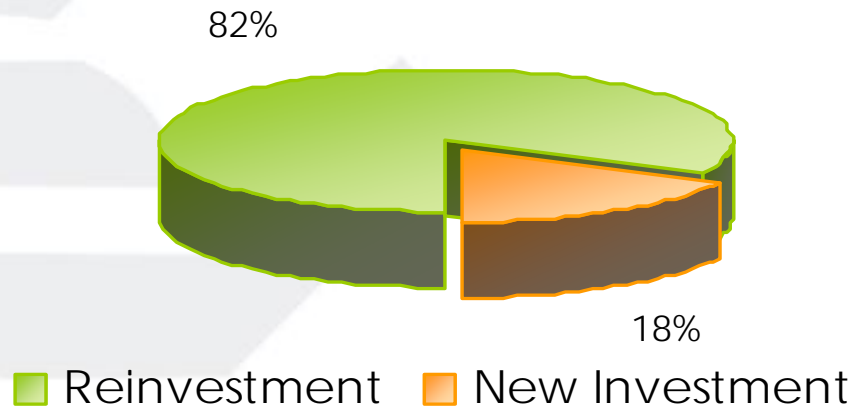
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# Foreign Direct Investment



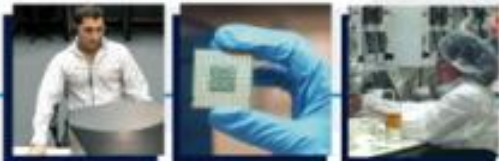
## Reinvestment in Free Trade Zone regime



**Total Investment from 2000 to 2006\* : \$1.9 Billion**

Source: CINDE based on Costa Rican Central Bank

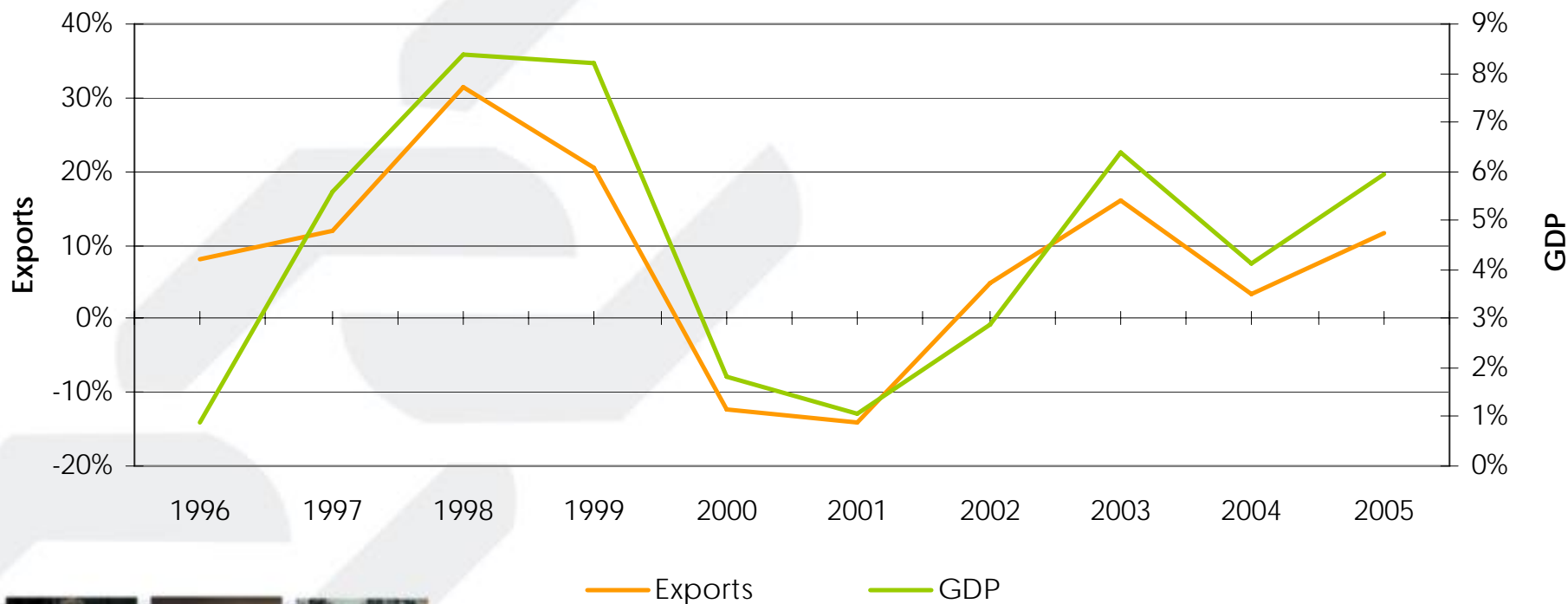
\*Data reflects until July



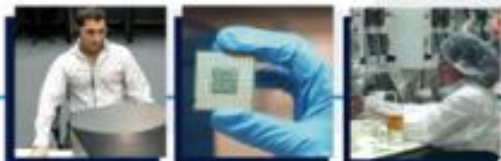
# Open Economy



## GDP and Exports Growth



Source: Costa Rican Central Bank



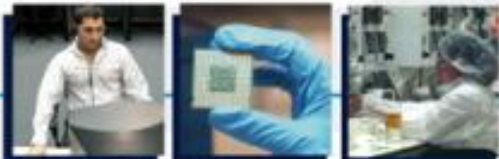
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# Strategic Market Access



- **Duty free access to:**
  - USA through the CBI
  - Mexico
  - Canada
  - Central America
  - Chile
  - Dominican Republic
  - CARICOM
- **Preferential access through the GSP to:**
  - Europe and Asia
- **Free Trade Agreements negotiations:**
  - USA (signed)
  - Investment Promotion and Protection agreements with several countries

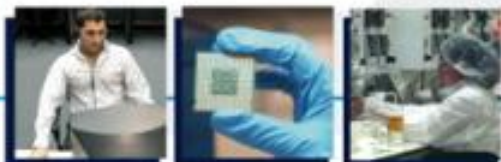
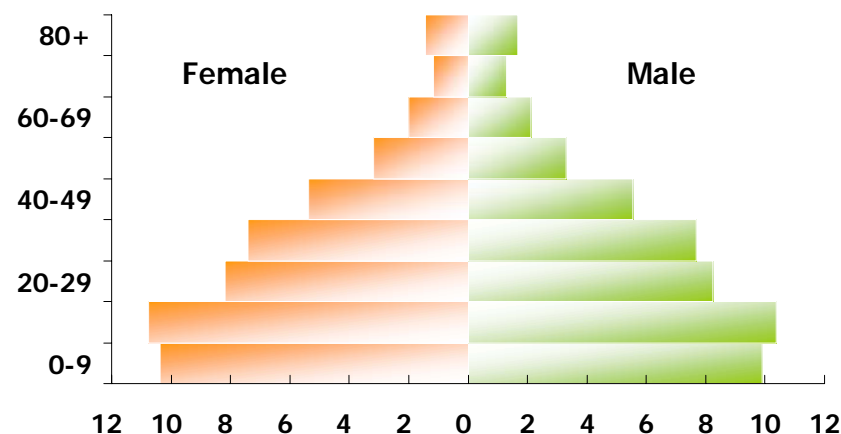


# Human Resources



- **Population to July, 2006:**
  - 4.33 million
  - 34.2% of population is 15 to 35 years old
- **Labor force 2005: 1.8 million**
  - Unemployment, July 2006: 6.0%
  - Underemployment, July 2006: 9.0%
- **Universal Health Care and Education System**
  - Pillars for the national stability
  - 6.5% of the GDP is allocated to education

Age structure by gender

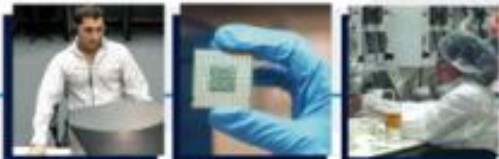




# Educational System



- Education is universal, free and compulsory since 1870 (the first in Latin America)
- **Academic Schools:**
  - Computer labs in 18% of the public schools and 82% of public high schools
  - English teaching in 38% of public schools and almost all of private schools
- **Technical Education:**
  - Technical High Schools: 89
  - National Training Institute (INA)
- **Universities:**
  - Total of 56: 4 public, 52 private
  - Technological Institute of Costa Rica
  - University of Costa Rica
  - INCAE (Harvard University)



Source: Ministry of Public Education

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# World Class Standards



## *Quality of the Educational System*

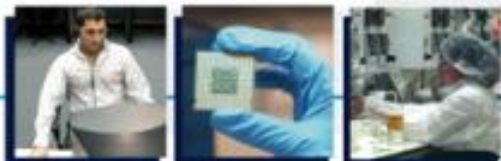
	Rank
Ireland	6
Malaysia	10
Canada	14
United States	15
India	25
Czech Republic	30
Poland	34
<b>Costa Rica</b>	<b>40</b>
Philippines	61
El Salvador	66
Chile	76
Mexico	82
China	87
Argentina	99
Panama	105

Source: The Global Competitiveness Report 2006-2007

## *Adult Literacy Rate (ages 15 and above, 2004)*

	Rate (%)
Poland	99.6
Canada	99
Czech Republic	99
Ireland	99
United States	99
Argentina	97.2
Chile	95.7
<b>Costa Rica</b>	<b>94.9</b>
Philippines	92.6
Panama	91.9
Mexico	91
China	90.9
Malaysia	88.7
El Salvador	79.7
India	61

Source: Human Development Report 2006



# World Class Standards



## *Availability of Scientists and Engineers*

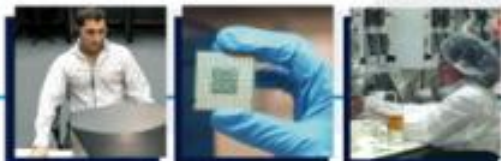
	Rank
India	4
Czech Republic	7
Canada	9
United States	18
Ireland	19
Malaysia	24
Chile	33
<b>Costa Rica</b>	<b>37</b>
Argentina	65
Poland	75
Philippines	84
Mexico	85
China	86
El Salvador	101
Panama	102

*Source:* The Global Competitiveness Report 2006-2007

## *Quality of Public Schools*

	Rank
Ireland	5
Canada	9
Czech Republic	11
Malaysia	17
United States	31
Poland	38
<b>Costa Rica</b>	<b>50</b>
China	54
El Salvador	78
Argentina	86
Mexico	91
Philippines	92
Panama	95
India	101
Chile	103

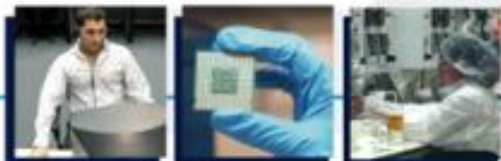
*Source:* The Global Competitiveness Report 2006-2007



# Human Resources: A Qualitative Approach



- Costa Ricans are healthy and motivated learners
- High productivity and fast learning curve in Free Zone Companies
- Low turnover
- Favorable labor environment: non-existent unions in private sector ([Solidarismo](#))



# Minimum Wages

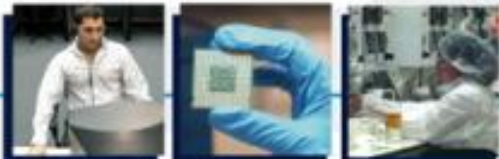


In US\$

Category	Cost per hour	Annual costs
Non qualified	1.88	4,830
Semi qualified	2.04	5,240
Qualified	2.05	5,290
Specialized	2.52	6,500

## NOTES:

All costs include all labor charges paid by the company, Christmas bonus and reserves for vacations, holidays and severance (47.98% in total). Minimum salaries effective from July to December 2006. Exchange rate used: 513.66 colones per US\$. Normal week of 48 hours and 8 hours per day.





# Average Wages



## Occupation

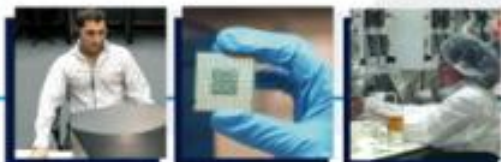
## Annual Cost (US\$)

Shared Service Manager	79,545
Production Manager	60,814
Call Center Manager	51,385
Plant manager	48,356
Production Supervisor	15,895
Bilingual Secretary	13,660
Specialized Plant Operator	7,332
Non-specialized Plant Operator	5,451

### NOTES:

The total cost includes all the work charges paid by the company, the Christmas bonus and reserves for vacations, holidays and severance.

Source: Consulting companies, survey for the first semester of 2006.

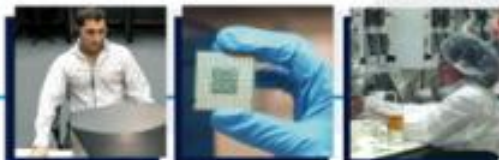


# Fringes & Benefits Breakdown



MANDATORY BENEFITS	EMPLOYER CONTRIBUTION	EMPLOYEE CONTRIBUTION
	monthly percentages	
<b>Social Charges</b>	<b>25,00%</b>	<b>9,00%</b>
· Social Security		
Health and Maternity Benefits	9,25%	5,50%
Disability, Old Age and Death Benefits	4,75%	2,50%
· Family Allowances (Welfare Benefits)	5,00%	-----
INA (National Training Institute Tax)	1,50%	-----
· Banco Popular (Workmen's Compulsory Savings Bank)	0,50%	1,00%
· IMAS (Eradication of Extreme Poverty)	0,50%	-----
· Worker Capitalization Fund	3,00%	-----
· Compulsory Complementary Pension	0,50%	-----
<b>Additional Costs</b>	<b>20,23%<sup>1</sup></b>	
Reserve for termination and severance	5,33%	
Paid vacations	4,1%	
Obligatory payment holidays	2,47%	
Christmas Bonus	8,33%	
· Instituto Nacional de Seguros (INS)(*) (Occupational Hazard Insurance)	From 1.9 % to 5 %	
<b>TOTAL</b>	<b>45,23%<sup>1</sup></b>	<b>9.0 %</b>

<sup>1</sup> [This total does not include insurance charges.](#)



# World Class Standards



## *Pay and Productivity*

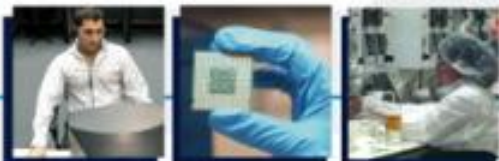
	Rank
Malaysia	5
United States	9
Chile	16
Czech Republic	18
Canada	23
El Salvador	24
China	27
India	41
Ireland	49
Philippines	57
Mexico	58
<b>Costa Rica</b>	<b>61</b>
Poland	69
Panama	88
Argentina	104

Source: The Global Competitiveness Report 2006-2007

## *Hiring and Firing workers (Rigidity of employment index)*

	Rank
United States	3
Malaysia	10
Canada	14
Chile	24
Czech Republic	24
China	30
Ireland	33
Poland	34
<b>Costa Rica</b>	<b>39</b>
El Salvador	41
Philippines	45
Argentina	48
Mexico	51
India	62
Panama	63

Source: World Development Indicators 2006

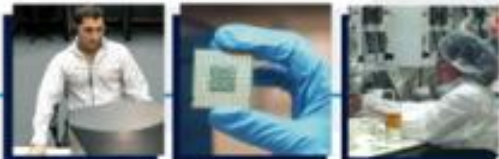


# Investment Incentives



## FREE TRADE ZONE REGIME

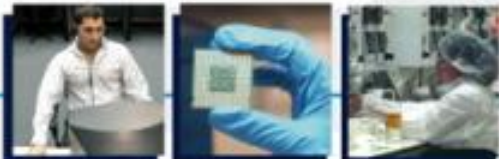
- **100% exemption on:**
  - Import duties for raw materials, equipment and components
  - Corporate income tax
  - Export taxes, local sales tax, excise taxes, etc.
  - Remittances repatriation tax
  - Those incentives dependent on the export performance must follow the WTO guidelines starting December 2009



# Investment Incentives



- **Minimum investment:**
  - US\$ 150,000 inside free trade industrial parks
  - US\$ 2,000,000 outside free trade industrial parks
- **Export requirement:**
  - At least 75% of the production must be exported (FTZ sales included)



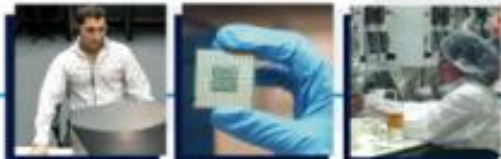


# Investment Incentives



## ACTIVE FINISHING REGIME

- Suspension of 100% of the import taxes on:
  - Raw materials
  - Components
  - Packing
  - Machinery and equipment
- A minimum amount of investment is not required
- Proportional payment of sales taxes for the Central American markets

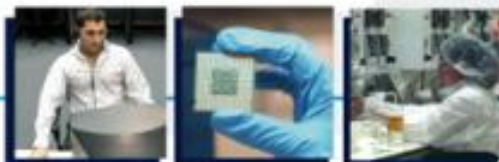


# Free Zone Infrastructure



- **Industrial Parks**

- Designated areas for Free Trade Zone companies
- Privately owned and managed
- Variety of services:
  - On site expedited customs
  - Health
  - Security
  - Maintenance
  - Day care
  - Garbage disposal, etc
- Located 7 km away from Juan Santamaria International Airport



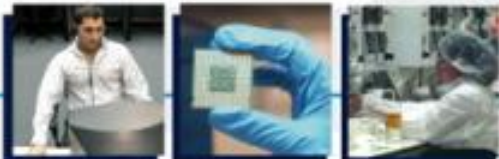
## Costa Rica Free Trade Zones



# Infrastructure



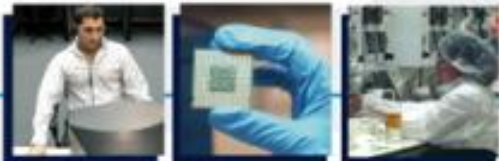
- Telecommunications: redundant fiber optic submarine cables (Maya & Arcos), satellite and terrestrial microwave network in place to meet demand in fixed, mobile and Internet services
- Clean and redundant energy: 97.5% is generated from renewable sources (hydroelectric, geothermic and wind)
- US\$0.07-\$0.12 per KWh
- Abundant water supply



# Quality of Life



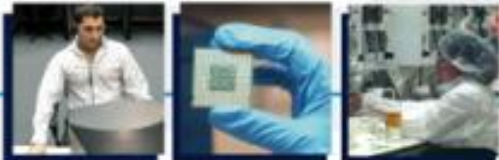
- San Jose is among the cities with the best quality of life in Latin America
  - *The Economist Intelligence Unit, Liveability Rankings 2005*
- San Jose is first among Latin America in the Worldwide Business Trip Index
  - *The Economist Intelligence Unit 2006*



# Great Potential



- **“Central American Country of the Future”**
  - FDI Magazine, 2005
- **3<sup>rd</sup> Most competitive country in Latin America and the Caribbean**
  - World Economic Forum, 2006
- **5<sup>th</sup> High-Tech exporter of the world**
  - United Nations Human Development Report 2006





A green banner at the top of the slide. On the left, there is a close-up image of a microchip being held by a pair of tweezers over a green circuit board. On the right, there is a stylized white graphic of a microchip on a green background.

# Electronics

- **US \$2,121 million exported in 2005**
- **12,000 direct employees**
- **US\$ 191.6 million in FDI (2005)**
- **Product Lines:**
  - RF Microwave
  - Autotronics
  - Semiconductors
  - Other subsectors
- Intel, Sawtek, EMC Technology, Bourns, Teradyne, Suttle, Merrimac, Narda Microwave/ L3, Aetec, Conair/Babyliss, Panasonic, Current Controls, ITT Industries, Panduit, Pharos, Micro Technologies, CML, Wai Semicon and others...



# Medical Devices



- **US \$581 million exported in 2005**
- **5,880 direct employees through 2005**
- **US \$114.6 million in FDI in 2005**
- **Product Lines:**
  - Cardiovascular
  - Orthopedic
- It is one of the most dynamic and productive sectors in Costa Rica.
- Exports increased by 5.4% during 2005.
- Baxter Healthcare and Hospira, leaders of the industry, have operations in Costa Rica.
- Industry growth has created the need to attract new company suppliers to provide the industry with: molding, filters, packaging, resins and other supplies.



# Services



- **US \$20.6 million in FDI in 2005**
- **8,000 direct jobs through 2005**
- Costa Rica offers the right conditions to companies for added value to their production with cost effective infrastructure, its labor force's characteristics, and world wide services, such as:
  - Shared service Centers
  - Back Offices
  - Software Development
  - Call Centers
  - Engineering, Architecture & Design

# Other Sectors

- **Other projects**
  - Existing industrial fashion designing capabilities.
- **Tourism**
  - 2005: 1.6 million tourists visited Costa Rica
  - 2004-2005 tourist arrival growth: 18%.
  - Rooms have been expanding at an annual 2.5%.
  - 48% of all tourists come from the USA, 16% from Europe and 36% from other countries.
  - Great tourist real estate development presence, golf courses and marinas.

# Testimonials



- *“The quality of education we found in C.R. is impressive. We have confirmed that the talent and training of the people is one of the best we have seen worldwide”.*

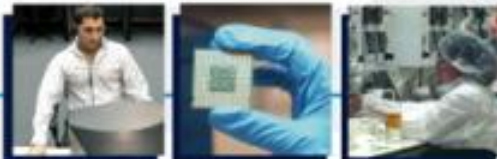
**Alfonso Cos, Vice President for GBS North America, Procter & Gamble**

- *“Costa Rica continues to be a strategic site for us and now our best products are manufactured here. I believe this speaks for itself”*

**Paul Otellini, President and COO, Intel Corporation**

- *“Baxter has been successful in Costa Rica because of the ability of our workforce to learn and apply technological changes. The commitment and affability of our people make them effective workers in world-class companies.”*

**Nelson Rodriguez, Global Manufacturing VP, Baxter Healthcare**



# Contact Us



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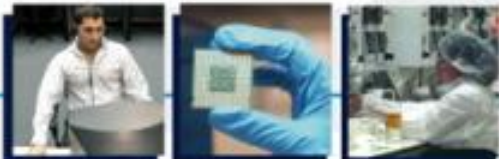
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<http://www.cinde.org>



 **CINDE**

COSTA RICAN INVESTMENT PROMOTION AGENCY



# *Solidarista* Associations



- Employer-sponsored workers' associations
- Each company has an organization, in which white and blue collar workers participate
- The organization operates as a credit union which provides multiple benefits to workers
- It is funded by employers, with part of the severance provisions, and by employees
- *Solidarista* organizations ARE NOT sector-wide bargaining instances, as American unions

