

## DOING BUSINESS WITH COSTA RICA EXPORTS AND INVESTMENT

**JUNE 2022** 

## AGENDA

- 1. Procomer
- 2. Costa Rican's exports evolution
- 3. Balance Trade Costa Rica and Canada
- 4 Strategic Export Sectors
- 5. Cinde
- 6. Why Costa Rica as an investment destination

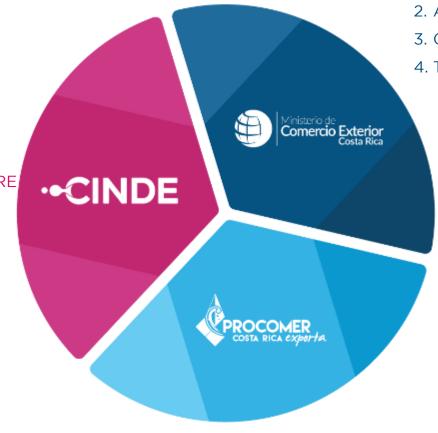




## INSTITUTIONAL INVESTMENT AND FOREIGN TRADE

1. FDI ATTRACTION

- 2. RE-INVESTMENT AND AFTERCARE
- 3. BUSINESS CLIMATE



- 1. FOREIGN TRADE PUBLIC POLICY
- 2. ADMINISTRATION OF TRADE AGREEMENTS
- 3. COMMERCIAL SECURITY
- 4. TRADE FACILITATION

- 1. EXPORTS
- 2. LINKAGES
- 3. FREE ZONE ADMINISTRATION
- 4. TRADE SINGLE WINDOW (VUCE)
- 5. INVESTMENT SINGLE WINDOW (VUI)
- 6. NATION BRAND

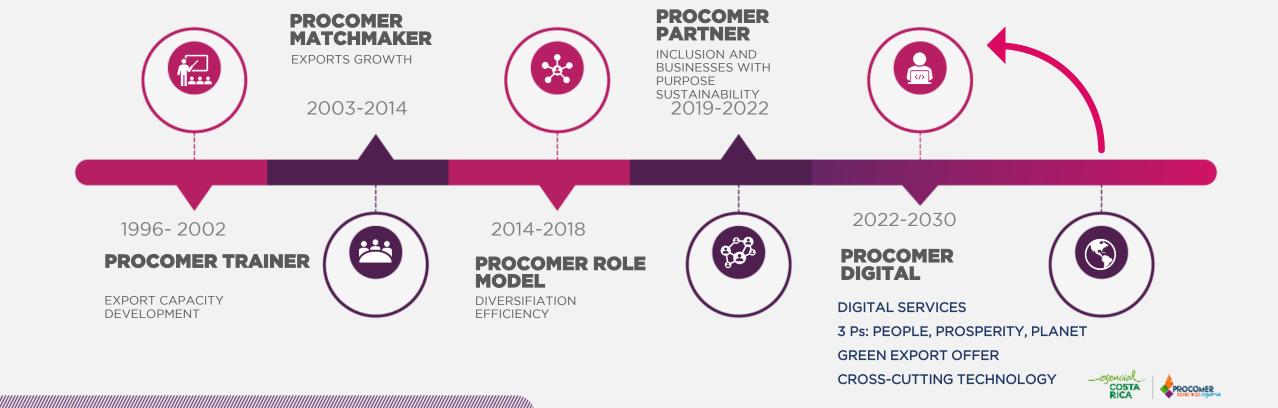
#### **PROCOMER**

- NON-STATE PUBLIC ENTITY
  - Public-private governance
  - Budget autonomy
  - Private labor regime

- LONG-TERM VISION
- IMPACT MEASUREMENT
- DEMAND DRIVEN

### "PROCOMER IS THE MODEL AGENCY FOR THE WORLD"

International Trade Center (2015,2016,2017.2018,2019,2020,2021)



## PROCOMER **PRESENCE**





- CHINA
- 2. CANADA
- 3. NEW YORK
- 4. MIAMI

- 5. HOUSTON
- 6. MEXICO
- 7. PERU

- 8. SPAIN
- 9. NETHERLANDS
  - 10. ISRAEL
  - 11. JAPAN
  - 12. UNITED KINGDOM

Chile



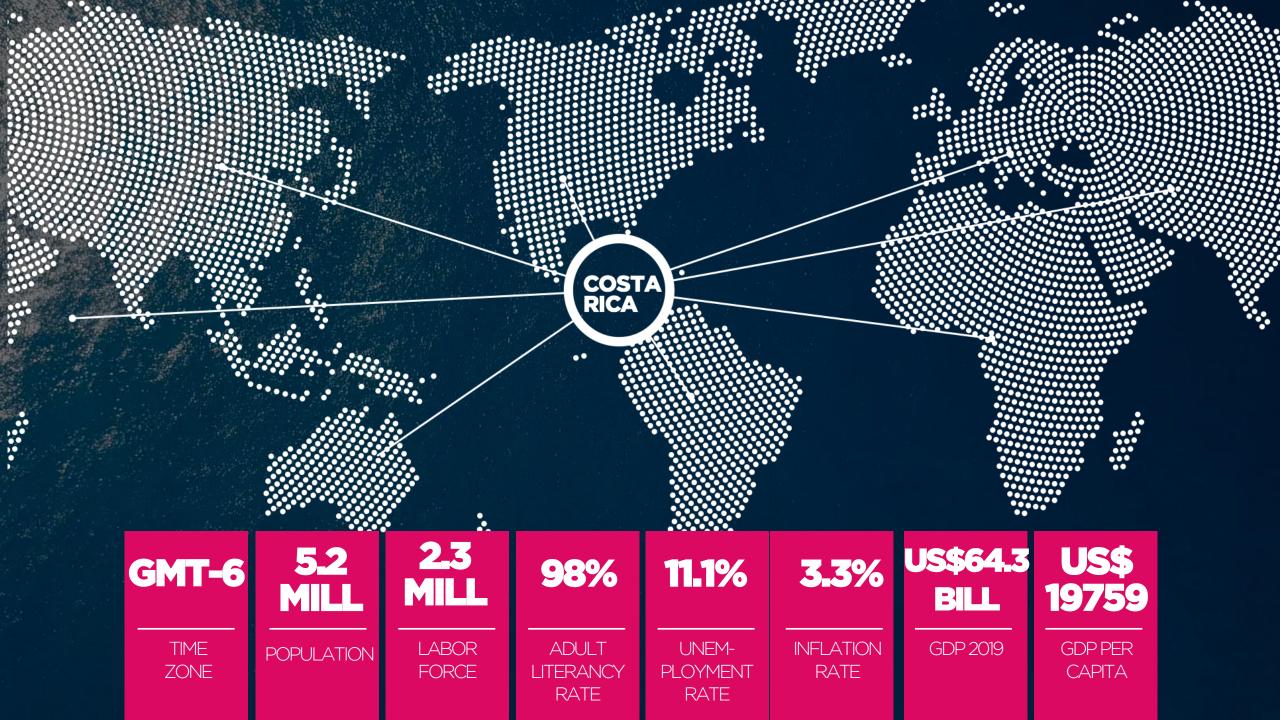
Argentina





Outsourcing

<sup>\*</sup> Temporarily suspended due to country-specific situations.





FOUNDATIONS



Education



Sustainability



Peace



Stability



Trade openness



## **Costa Rica EXPORTS**





\$B / Not including Tourism







#### **EXPORTS RELEVANCE**

TOTAL EXPORTS AS A PERCENTAGE OF GDP \*



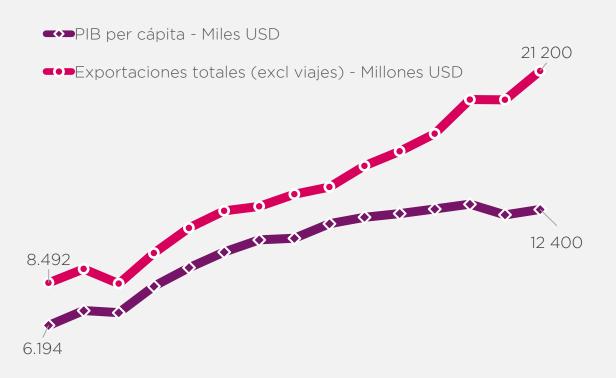


#### CR EXPORTS AND GDP PER CAPITA

## 2007-2021 | Values







- Exports are the engine of the economy
- Thanks to foreign trade, Costa Rica grew from low income to middle income

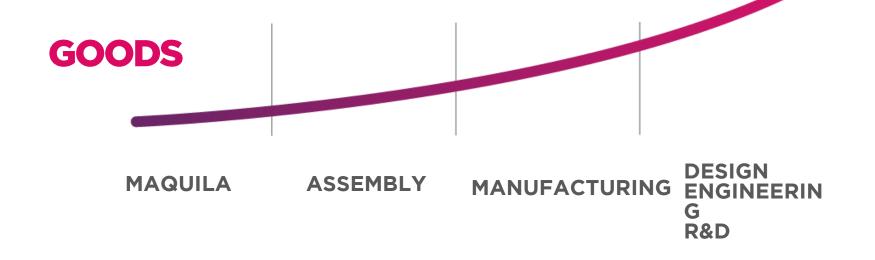
<sup>2001 2008 2009 2010 2011 2012 2013 2014 2015 2016 2011 2018 2019 2020 2021</sup> 

<sup>\* 2021</sup> services exports for the Jan-Sep period Source: PROCOMER y BCCR.

#### EVOLUTION OF HUMAN CAPITAL







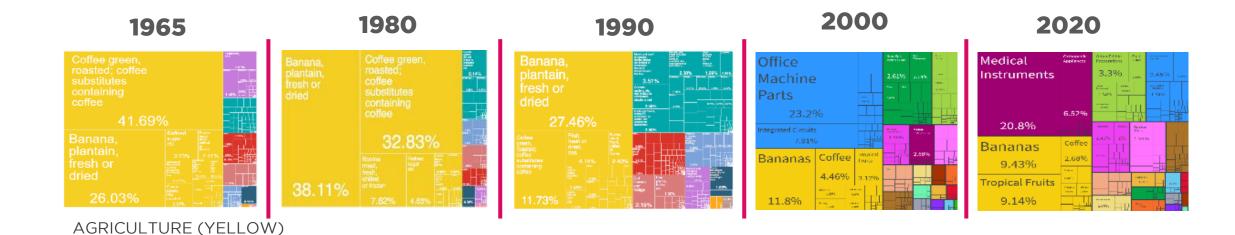
HIGHER ADDED VALUE



HUMAN CAPITAL + TRAINED

## **EVOLUTION GOODS EXPORTS**





**+ 4500 PRODUCTS** 

Source: Atlas of economic complexity. Center for International Development

\* Standard International Trade Classification

#### DIVERSIFICATION NOT INCLUDING TOURISM 2021





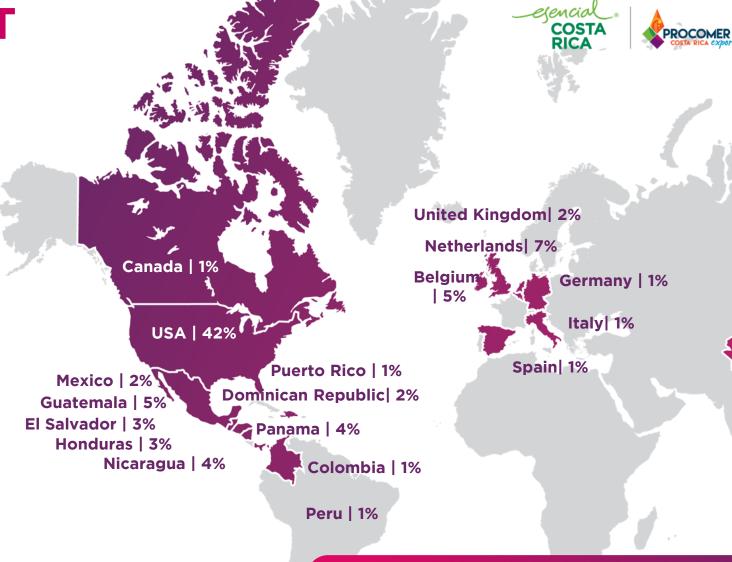


**Source: PROCOMER** 

## 20 PRINCIPAL EXPORT DESTINATIONS



NORTH AMERICA	47%
CENTRAL AMERICA	20%
EUROPEAN UNION	18%
ASIA	6%
CARIBBEAN	4%
SOUTH AMERICA	3%
REST OF EUROPE	2%



**51 TRADE AGREEMENTS** 

#### Balance trade Costa Rica-Canada (USD Millions)





800.000,0



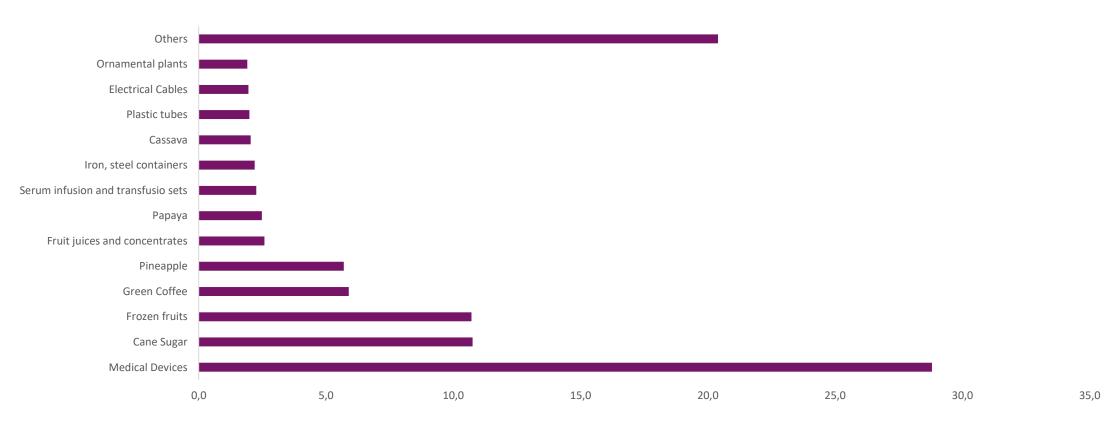
Source: PROCOMER



## **Costa Rica EXPORTS to Canada 2021**

**\$USD 99.1 M** 

#### **USD Millions**



Source: PROCOMER

### AGRICULTURAL SECTOR



#### Fruits

Pineapple

Banana

Papaya

Mango

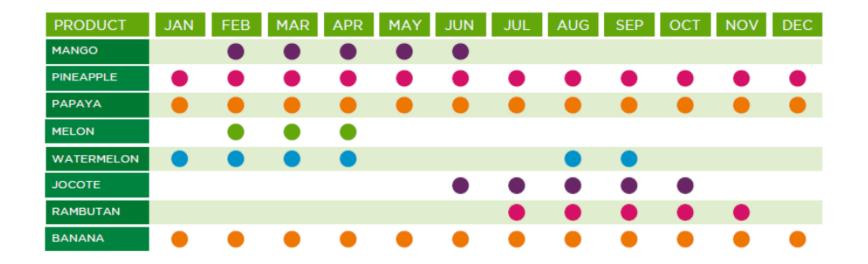
Melon

Watermelon

Exotic Fruits:

Rambutan

Dragon Fruit



### **AGRICULTURAL SECTOR**



#### Vegetables

Cassava

Chayote

Eddoes

Cabbage

Carrots

Malanga

Pumpkin

Squash

#### Flowers & Foliage

Aspidistra

Alocasia

Palms

Caryota Mitis

Croton

Dracaena

Aralia

Phoenix Roebelenii

Leather Leaf

Cordyline leaves

Green/Variegated)

Pandanus

Curculigo

Calathea

Monstera

Philodendron

Xanadoo/Xantal)

Heliconia

Heliconia

Psittacorums

Musa

Costus

Ginger

Bird of paradise

(Strelitzia)

Anthuriums

Ananas

(Variegated/Mini)

### FOOD SECTOR

Frozen fruits

Frozen roots

Fruit juices and concentrates

Sauces

Marmalades

Coffee

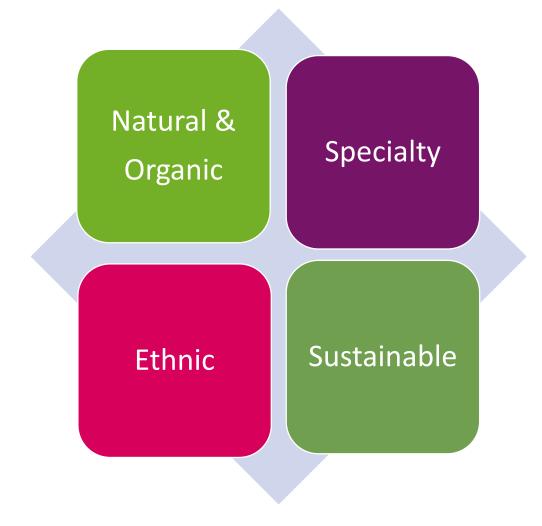
Dried fruits

Cereals

Beverages: rum, craft beer, water

Cane sugar (Specialty sugars)

Snacks: plantain, cassava chips



### MANUFACTURING SECTOR



Metal-working
Precision machining,
Stamping, die-cutting, finishing process
Metal injection

Electronics
Harnesses
Motors
Rotors
PC Boards assembly

#### Health

Medical devices
Pharmaceuticals,
Macrobiotics and personal care products (includes organic and natural creams)

#### Construction and machinery

Wood: doors, skirting boards, window frames / Metalworking (steel, iron, aluminum): profiles, sheets, wires, iron and steel articles / Prefabricated: Houses, walls, industrial buildings / Electric: switches, luminaires / Electronics: cables for construction, paintings.

### MANUFACTURING SECTOR



Metal-working
Precision machining,
Stamping, die-cutting, finishing process
Metal injection

Electronics Harnesses

Motors

Rotors

PC Boards assembly

Plastic injection

Packaging

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### SERVICES SECTOR



#### ITC

Software
development
App Development
Web development
Big Data
IoT
Artificial Intelligence
Cloud services
BPO
Staff Augmentation

#### Animation & Videogame

Digital Animation 2D, 3D Rigging Services Modeling Game development Game design Motion Graphics

## **SERVICES SECTOR**



#### Education

Exchanges Short-term programs

Summer

Programs

Internships

Experiential

Learning

#### Audiovisual

Films

Locations

Post-Production (audio, VFX)







#### CINDE



Private, non-profit, non-political organization, founded in 1982



Active promotion of foreign investment, local support, and post-establishment services



CINDE ranks as the #1 institution in the world in attracting Foreign **Direct Investment** 

(International Trade Center, 2019)



Extensive **experience in strategic** sectors such as Life Sciences. Manufacturing, Corporate Services, Clean Technologies-Renewable Energy, Food Industry, Digital Technology, and other projects.







## PROVEN TRACK RECORD

+ 380 high-tech companies

41 of Fortune 500

Successful growing operations













#### GLOBAL LEADERS DELIVERING HIGH-VALUE SERVICES FROM COSTA RICA



































































CHEETAH DIGITAL



CATALINA



































GROUPE























AMN<sup>®</sup> Healthcare









kareo























# Growing high-value added services \$ manufacturing services

1,061 101,396 **SERVICES** 2000 43,637 1,500 LIFE SCIENCES 2000 2021 11,359 4,500 **ADVANCED** MANUFACTURING 2000 2021 5,845 645 FOOD INDUSTRY & MANUFACTURING

2013

2021

**EMPLOYMENT** 

## 6 209 2000 2021 8 83



2021

2013

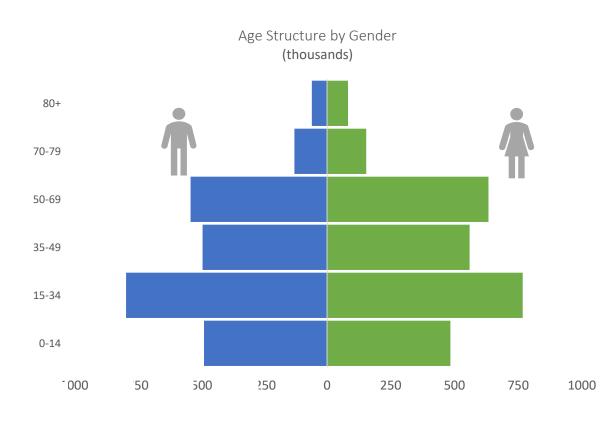








## OUR PEOPLE MAKE THE DIFFERENCE



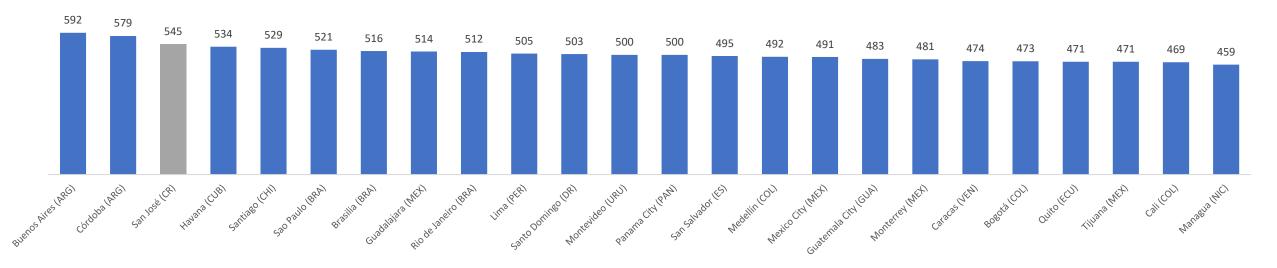
- Population, 2021:
  - 5.2 million
  - 30% of the population is 15 to 34 years old
  - GDP per capita PPP, 2020: US\$19,990
- Universal Health Care and Education System
  - Pillars of the national stability:
    - Health: 8.0% of GDP
    - Education: 7.3% of GDP





### SAN JOSÉ, CR: RANKS 3RD IN ENGLISH PROFICIENCY

#### Latin America: English proficiency level 2020, by city (index score)



- TOP ENGLISH SKILLS IN LATAM: San José ranks 3rd in the English Proficiency Index
- Government strategy to make CR a truly bilingual country, establishing English learning as a national priority,
- English is taught in every secondary school and in **87% of primary schools**
- Testing in 2015 showed that Costa Rican English teachers have the highest level of language mastery in the region

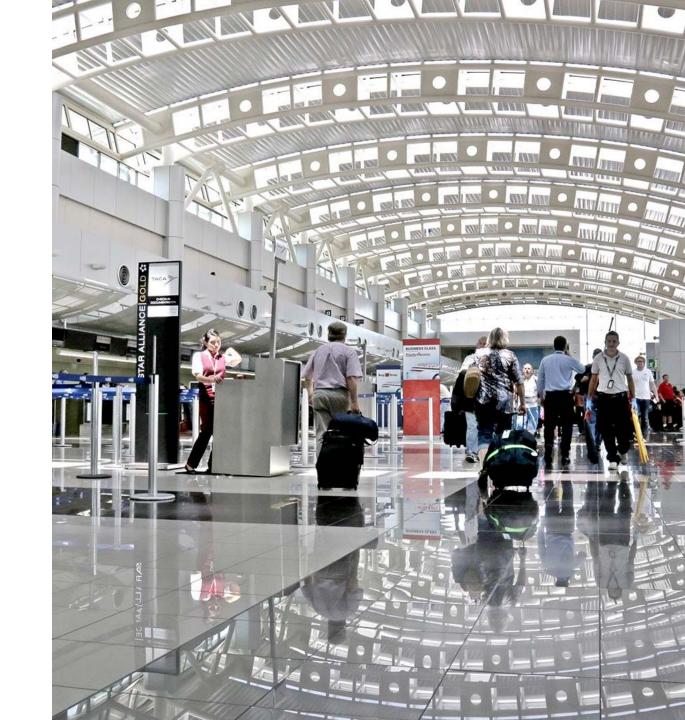
1st in LATAM in TOEIC Test (749 points)



## STRATEGIC LOCATION







## Costa Rica: strategic location

enabling global excellence centers

24x7x365 End-to-end centers



An ideal time zone to service the Americas

Offering services in different languages

- **English**
- Spanish
- Portuguese
- French
- German





## GREAT CONNECTIVITY TO NORTH

#### **AMERICA**





#### **Direct flights from USA & Canada**

#### To SJO - San Jose

Fort Lauderdale	1+ daily
Houston	3+ daily
Miami	3+ daily
Orlando	1+ daily
Atlanta	daily
Newark	2 daily
Toronto	8 weekly
Los Angeles	13 weekly
New York	1+ daily
Dallas	1 daily
Chicago	1 weekly
Denver	2 weekly
Montreal	5 weekly
Charlotte	daily
Baltimore	1 weekly
Washington	2 weekly

#### To LIR - Guanacaste

3 weekly

Austin

Austin	3 WEEKIY
Houston	3+ daily
Atlanta	daily
Miami	2 daily
Newark	2 weekly
Toronto	1+ daily
Los Angeles	1+ daily
San Francisco	2+ daily
Minneapolis	8 weekly
New York	1+ daily
Montreal	5 weekly
Dallas	1 daily
Calgary	4 weekly
Boston	1 weekly
Orlando	2 weekly
Baltimore	1 weekly
Denver	3 weekly
Chicago	3 weekly
Charlotte	2 weekly

SJO is the 2<sup>nd</sup> best International Airport in Central America and the Caribbean (World Airport Award, 2019)

LIR is one of the top Airports (under 2 million PAX) in Latin America and the Caribbean (ASQ Awards, ACI 2019)

Juan Santamaria Intl. Airport (SJO): +180 flights weekly

Daniel Oduber Intl. Airport (LIR): +130 flights weekly

**Source:** National Institute of Tourism, 2022.

Note: refers to outbound flights, scheduled by Airlines and subject to changes.



## EXCELLENT BUSINESS CLIMATE







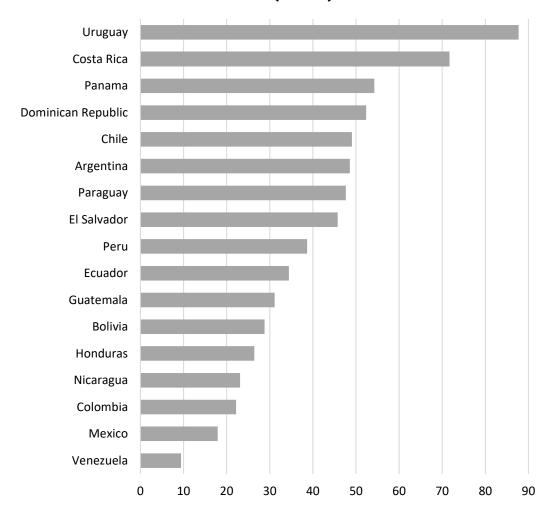






#### Political Stability and Absence of Violence/Terrorism Rank (0-100)

- One of the few countries in the world without armed forces; they were abolished in 1948
- Longstanding democracy: Over 120 years of democracy
- One of the top 20 democracies in the world and 2<sup>nd</sup> in Latin America (Democracy Index, 2021; EIU)
- Most peaceful country in Central America and the Caribbean, according to the Institute of Economics and Peace, 2018



Source: The Economist Intelligence Unit. Democracy Index, 2021

Source: World Bank. The Worldwide Governance Indicators, 2021.





## TOP INNOVATION ACHIEVER IN THE REGION

## 1st in Innovation Output in LATAM

(WIPO 2021)

Provides information about outputs that are the result of the innovative activities of economies. There are two pillars: knowledge and technology and creative outputs.

## 1st in Cultural, Creative & ICT

services exports

As % of total trade (WIPO 2021)

Strengths in Global innovation include expenditure on education, ecological sustainability, ease of getting credit, firms offering formal training, knowledge absorption, high-tech and ICT services exports and trademarks

## **3rd in Global Innovation Index**

in LATAM

(WIPO 2021)

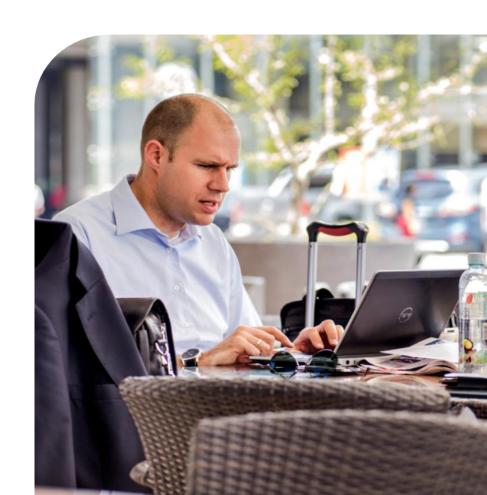
Chile tops the rank regionally, with Mexico in second place and Costa Rica in third place. Costa Rica is one of only two economies in LAC that performs above expectations relative to its level of development.





## Equal rights and obligations for foreigners and expats

- The Political Constitution protects private property, and foreigners enjoy the same rights as Costa Ricans regarding real state acquisition and ownership. To become a property owner, citizenship, resident status or permanence information is not required. Foreigners have no limits to property handling, and they can conduct business activities freely.
- Free capital movement, no foreign exchange controls.
- The General Directorate of Immigration has a fast-track system that facilitates procedures for companies to hire expats (it applies for the worker and their direct family).
- There are no restrictions on the number of expats allowed to be hired in a company.



## TAX STRUCTURE IN COSTA RICA



Costa Rica taxes/others	Statutory	Free Trade Zone Regime Law N° 7210, Law N° 8794, and in its Bylaws.
Corporate income tax	30%	Free Zone holiday for full / partial income tax exemption for 8 / 4 years* with the possibility of renewing this exemption period multiple times upon reinvestment. This exception applies for the activity approved in the executive agreement
Custom duties on imports/exports	Varies depending on product	100% exemption
Value-added tax	13%	100% exemption on local purchase of goods/services
Stamp duty	1%	100% exemption
Property transfer tax	1.5%	100% exemption for a 10-year period
Withholding tax on royalties, fees	up to 25% 100% exemption	
Limitation on expats in country	None	
Tax on expats	All Costa Rican residents and non-residents working within the Costa Rican Territory under a labor relationship are subject to withholdings and social security contributions. Personal income tax goes up to 15%.	
Job creation and training grants	Free customized technical training available through INA	







#### TO REACH TRUE RETURN ON INVESTMENT (ROI)

Service Projects & Manufacturing Projects\* in the Free Trade Zone Regime

First 8-year period, as low as

O%
INCOME
TAX

Following 4-year period

15%
INCOME

In all cases, multiple additional **8-year renewal** periods may be granted if **significant reinvestment** is made.

<sup>\*</sup>NOTE: Manufacturing companies with an investment that exceeds US\$10 million and 100 employees, established under the Free Trade Zone Regime Law (N° 7210, Law N° 8794, and in its Bylaws). For smaller manufacturing operations, companies will pay a preferential 6% income tax rate for 8 years and 15% for another 4-year period (statutory income tax 30%). The income tax exception applies for the activity approved in the executive agreement

## FREE TRADE ZONE: A TAX-FREE REGIME INCENTIVES FOR THE SECTOR





#### Services, trading companies and FTZ park administrators

Fiscal Incentives	Period	Tax
Income tax	8 years*	O%*
(statutory income tax = 30%)	4 years	15%
Remittance's repatriation tax	No limit	0%
Local value-added tax (13%)	No limit	0%
Import, export, excise taxes	No limit	0%

Requirements	Time Frame
Inside FTZ park: Investment of US \$150,000 in fixed assets	Within the first 3 years of operation
Outside FTZ park: Investment of \$2,000,000 in fixed assets	

Additional 8-year renewal may be granted if significant reinvestment is made (Article 20 bis)

#### Note:

• Minimum IEES (Strategic Eligibility Index) value of 100.51 is necessary to qualify

## OUTSIDE OF THE GREATER METRO AREA FREE TRADE ZONE: A TAX-FREE REGIME



#### Services, trading companies and FTZ park administrators

Fiscal Incentives	Period	Tax
Income tax	12 years	0%
(statutory income tax = 30%)	6 years	15%
Remittances repatriation tax	No limit	0%
Local value-added tax (13%)	No limit	0%
Import, export, excise taxes	No limit	0%

Requirements	Time Frame
Inside FTZ park: Investment of US \$100,000 in fixed assets	Investment must be completed within the first
Outside FTZ park: Investment of \$500,000 in fixed assets	3 years of operation

Additional 12-year renewal may be granted if significant reinvestment is made (Article 20 bis)

#### Note:

• Minimum IEES (Strategic Eligibility Index) value of 100.51 is necessary to qualify

Source: Law No. 7210



## ROBUST UTILITIES INFRASTRUCTURE



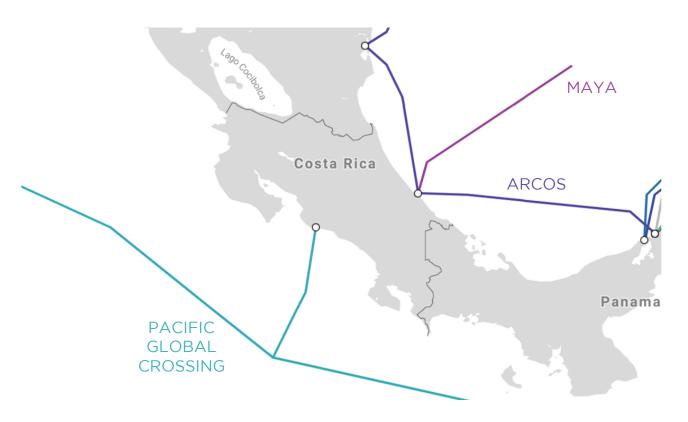








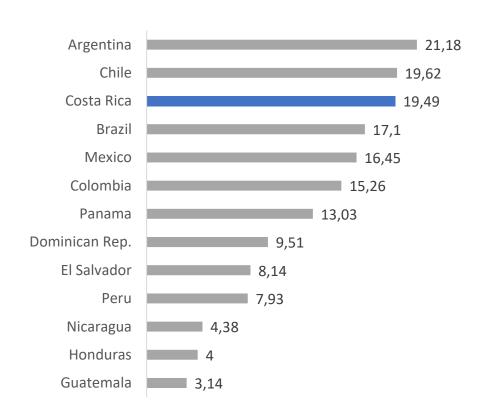
## TELECOMMUNICATION INFRASTRUCTURE PROVIDES 100% REDUNDANCY



Redundant fiber optic submarine cables at both shores: Maya, Arcos, and Pacific Global Crossing. in 2019 in the world and #2 in LATAM.

Costa Rica leads in penetration of mobile - broadband services: #3

Fixed broadband subscriptions (per 100 people)





## QUALITY OF LIFE









## We are all about quality of life

- Costa Rica is the Happiest country in Latin America (World Happiness Report, UN, 2021)
- in Political Stability and Absence of Violence/Terrorism in LATAM (Worldwide Governance Indicators 2020, World Bank)
  - Top Places to Retire Annual Global Retirement Index, International Living, 2021)
- Study Abroad Destination in LATAM and World top 10 for U.S. students studying abroad (IIE, 2020)
- Country where Expats enjoy the Highest Quality of Life in LATAM (Expat Insider, InterNations, 2021)



## FIRM COMMITMENT TO PROTECT OUR NATURAL RESOURCES





- 26% of the territory is protected by conservation and natural reserves
  - National Parks
  - Wildlife refuges
  - Wetlands
  - Reserves (forest, biological, Indian heritage communities)
  - Private protection areas
  - Urban Natural Parks
- 4 UNESCO World Heritage Sites
- In 2021, the Republic of Costa Rica won the Earthshot Prize, launched by the Duke and Duchess of Cambridge, in the category of "Protect and Restore Nature".
- Expansion of Cocos Island Protection as part of an Agreement with Panama, Colombia and Ecuador to protect 500,000 sq km of marine corridors in the tropical Pacific

- Costa Rica is one of the countries with the most biodiversityrelevant economic policy instruments over countries like Canada, United Kingdom, New Zealand, United States, and Iceland (OECD, 2021).
- The Ministry of Tourism of Costa Rica awards a Sustainable Tourism Certificate, evaluating the sustainability of tourism operations, in terms of natural, cultural and social resources management
- Public policy of Payment for Ecosystems Services since 1997
- 47 international environmental treaties (most ratified between 1990 and 2003) (Ministry of Foreign Affairs, 2021)

"Costa Rica's **Payments for Ecosystems Services (PES) program** has become something of an icon in the world of conservation" - International Institute for Environment and Development

