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Trade Policy Review Body

TRADE POLICY REVIEW

REPORT BY THE SECRETARIAT

COSTA RICA

This report, prepared for the fifth Trade Policy Review of Costa Rica, has been drawn up by the WTO Secretariat on its own responsibility. The Secretariat has, as required by the Agreement establishing the Trade Policy Review Mechanism (Annex 3 of the Marrakesh Agreement Establishing the World Trade Organization), sought clarification from Costa Rica on its trade policies and practices.

Any technical questions arising from this report may be addressed to Mr Angelo Silvy (022 739 5249); Ms Eugenia Lizano (022 739 6578); Ms Stephanie Dorange-Patoret (022 739 5497).

Document WT/TPR/G/392 contains the policy statement submitted by Costa Rica.

Note: This report is subject to restricted circulation and press embargo until the end of the first session of the meeting of the Trade Policy Review Body on Costa Rica. This report was drafted in Spanish.

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SUMMARY

1. Costa Rica is an upper middle-income country that presents positive human development indicators. In 2012-18, per capita GDP at current prices increased by 20% to reach USD 12,017 in 2018. Real GDP also increased to an annual average rate of 3.5%, in tandem with its potential growth, and was sustained mainly by the rise in internal demand, especially by final household consumption. Net exports of goods and services also made a positive net contribution to GDP, due largely to the good performance of service exports. Nevertheless, the unemployment rate remained relatively high during the period under review, and stood at between 9% and 10% (annual average).

2. One of the major challenges facing Costa Rica is how to achieve healthy public finances. The Central Government's deficit has remained above 5% of GDP since 2013 and has resulted in a significant rise in the debt/GDP ratio. To deal with this deterioration of public accounts, in 2018 the Law on the Strengthening of Public Finances was passed, introducing a series of changes, notably income tax reform; the introduction of a value-added tax to replace the general sales tax; the adoption of measures to contain growing expenditure; and the establishment of a fiscal rule. This rule limits current expenditure and links it to the level of Central Government debt as a percentage of GDP, and to average growth of nominal GDP.

3. With a view to administering its monetary policy, Costa Rica gradually implemented a flexible inflation-targeting scheme that was fully adopted in 2018. At that point, the long-term inflation target of 3% ± 1 percentage point was also approved. In the period under review, inflation remained within or under the target range. Active interest rates remained high due to an insufficient supply of financial resources for the private sector and high credit demand. Costa Rica maintained an exchange rate band until January 2015, when it adopted a managed floating exchange rate system.

4. Costa Rica has a structural savings-investment gap that is reflected in a relatively high deficit for the balance-of-payments current account, due in large measure to a high fiscal deficit. In the period under review, the current account deficit as share of GDP decreased, falling from 5.2% of GDP in 2012 to 3.1% in 2018. This is partly due to a lower deficit in the balance of trade in goods, but above all to the increase in the balance of services surplus. Since 2015, the surplus of net services exports has been higher than the balance of goods deficit, which helped to improve the current account balance. The income balance has traditionally seen a deficit, due primarily to the fact that outflows under the heading of utilities of foreign firms operating in the country are higher than inflows of family remittances.

5. In the period under review, Costa Rica's foreign trade growth rate slowed down, mainly due to lower growth of imports. Manufactured products still account for the bulk of goods exports, i.e. 75% of the total in 2018. During the review period, the major manufactured goods for export were medical devices, followed by chemicals, electronics, tyres, paper articles and rubber. One of the most significant changes to the composition of exports has been medical instruments and devices produced by companies located in free zones. These have become the leading export product and represented 28.9% of total exports of goods in 2018 (16.9% in 2012). However, agricultural products continue to feature among the leading export products: bananas are the main agricultural export (9.1% of the total in 2018), followed by pineapples (8.9%) and coffee (2.7%). The United States is Costa Rica's main export market, having absorbed 40.6% of its exported goods in 2018, followed by the European Union with 20.8% and the countries of the Central American Common Market (CACM) with 16%. Imports are composed mainly of manufactured products, which represented over three quarters of the total amount in 2018. Imports continue to come mainly from the United States, accounting for 39.1% of total imports, followed by China (23.1%) and the EU (9.6%).

6. Costa Rica is a net recipient of foreign direct investment (FDI). From 2012 to 2018, the FDI stock rose by 93% to USD 43,100 million (71.7% of GDP); the annual flow of FDI was on average USD 2,600 million. FDI in the manufacturing sector increased, especially in high technology segments, such as medical equipment produced in free areas, and amounted to 53.2% of total FDI in 2018. The United States continues to be the leading source of FDI, accounting for 62.2% of the total in 2018, followed by the Netherlands, Panama and Mexico.

7. The goals of Costa Rica's trade policy are listed in the National Development Plan. In accordance with the latest Plan (2019-2022), foreign trade should be a tool for promoting the

country's socio-economic development. The main objective of the country's foreign trade policy is to foster greater openness to trade and economic internalization in order to ensure more efficient resource allocation and thus create more sources of employment while reducing poverty and inequality. To this end, Costa Rica is using three strategies: the negotiation, implementation and administration of trade agreements; the development and promotion of exports of goods and services; and the attraction of foreign direct investment.

8. Costa Rica, as a founding Member of the WTO, supports the inclusion of new trade-related issues in the negotiations. In 2017, Costa Rica ratified and approved the Protocol on the Trade Facilitation Agreement (TFA) and notified that it would implement immediately almost all the provisions of the Agreement, except specific provisions related to import/export and transit. Between 2012 and 2015, Costa Rica also participated in negotiations to increase the coverage of the Information Technology Agreement, to which it is signatory. Since 2015, Costa Rica has been an observer to the Committee established under the plurilateral Agreement on Government Procurement. Since its previous review in 2013, Costa Rica has regularly submitted notifications under various WTO Agreements. With regard to dispute settlement, Costa Rica has not participated in any dispute either as a complainant or a third party. However, in 2017 the first and only complaint was brought against Costa Rica. Costa Rica's trade policies have been reviewed four times by the WTO.

9. Costa Rica attaches a great deal of importance to regional integration and, for that reason, has negotiated several trade agreements. These include the Central American Common Market (CACM) agreement and the Dominican Republic-Central America-United States Free Trade Agreement (CAFTA–DR). Since its previous trade policy review in 2013, Costa Rica has started to apply trade agreements signed with the European Free Trade Association (EFTA) States and Colombia, Mexico, Peru, Singapore and the EU, and has deepened existing agreements. Moreover, in 2018, it signed a free trade agreement with the Republic of Korea.

10. The foreign investment regime did not experience any major changes in the period under review. Foreign investors do not require prior authorization to invest. However, some restrictions do exist. Costa Rica does not impose exchange rate restrictions or limits on the repatriation of profits or capital, but remittances are subject to a tax. Foreign investment is granted national treatment, but some activities are reserved for the State or for national investors. State monopolies exist for: the provision of public fixed-line telephone services; the import, refinement and wholesale distribution of petroleum and petroleum by-products; the manufacturing and marketing of liqueurs; and lotteries and bingo. The Constitution provides that certain activities must remain under State ownership. However, national or foreign private investment in these activities, except for opencast mining and the exploration and exploitation of oil fields, is permitted.

11. Since its previous review, Costa Rica has adopted various trade facilitation measures. It has continued to develop the Single Window for Foreign Trade (VUCE 2.0) to enable the use of an e-payment and digital signature system, which will gradually include new functions. It has also made progress on certification processes for authorized economic operators (AEO). Furthermore, in 2017, the National Trade Facilitation Council (CONAFAC) was established to implement the Trade Facilitation Agreement (TFA). Despite the trade facilitation measures, the involvement of a customs broker continues to be necessary for most customs operations. Customs declarations are subject to a selective and random process for determining whether or not goods need to be inspected. In 2018, over 90% of imports were allowed in without inspection.

12. In 2013, the Regulations on the Implementation of Customs Reference Values were repealed. Reference prices are therefore not used currently. Costa Rica uses the customs valuation methods set out in the Agreement on Implementation of Article VII of the General Agreement on Tariffs and Trade 1994. Costa Rica uses databases of values of goods for risk assessment purposes.

13. Costa Rica's tariffs are based on the Central American Tariff System (SAC), barring a few exceptions. The MFN tariff consists of the import tariff duty plus a levy of 1% that is applied to virtually all imports. In 2019, the tariff contained 10,434 12-digit tariff lines of the HS 2017. Costa Rica only applies *ad valorem* tariffs. The MFN tariff is made up of 14 rates that vary between 0% and 151%. The simple average of applied MFN duties did not change significantly between 2013 and 2019 and remains about 7%. The average tariff for agricultural goods (WTO definition) was 14.1% in 2019, considerably higher than for non-agricultural products (5.6%). The products with the highest average tariffs are dairy products (53.8%), followed by animals and animal products

(28.8%), sugar and confectionery (17.4%) and clothing (14.8%). Costa Rica bound all its tariff at rates that vary between 0% and 233.07%; 77.6% of lines were bound at a rate of 45%.

14. Costa Rica gives preferential treatment to imports from countries with which it has preferential agreements. The majority of imports from the CACM enter tariff-free, with the exception of sugar and coffee. Similarly, tariff preferences granted under various agreements (CAFTA-DR, Canada, Chile, Dominican Republic, Mexico and Panama) exceed 95% of the tariff universe. The average preferential tariff under the agreements negotiated by Costa Rica is, in any case, much lower than the average MFN tariff. Preferential tariffs vary between 0.3% and 3.9%, and are lower for non-agricultural products, ranging from 0% to 2.1%.

15. Costa Rica applies taxes and *ad valorem* or specific charges that generally affect both domestic products and imports. The only tax that is applied solely to imports is the tax on imported beer, which is used to fund the Institute for Municipal Promotion and Support (IFAM). Costa Rica continues to tax banana, coffee and live cattle exports.

16. Costa Rica prohibits or restricts imports and exports of specific products with a view to protecting the environment, species, archaeological heritage and health, as well as in the interest of public safety. For these reasons, certain goods require a permit or authorization (non-automatic licence) for import and export purposes.

17. The main change relating to trade defence that occurred during the review period was the introduction in 2017 of a regulation enabling the authorities to conduct anti-circumvention investigations. Costa Rica does not regularly use trade defence measures. During the review period, two anti-dumping investigations were initiated, one concerning white sugar and the other steel drums. Only the first resulted in the imposition of a measure. Similarly, Costa Rica did not initiate any investigation into subsidies, nor did it impose any countervailing or anti-circumvention measure, but it did notify the WTO that it had initiated two safeguard investigations relating to pounded rice and steel bars. However, only one measure was applied affecting pounded rice: a tariff surcharge of 24.88% on the applied tariff of 35%. This measure was adopted in 2015 for a four-year period with a phasing-out period.

18. In 2017, Costa Rica notified the WTO of two subsidy-related programmes: the Free Zone Regime and the Inward Processing Regime. Through the first, fiscal incentives are offered to domestic and foreign investors so long as they meet specific investment, employment and national value-added criteria. Starting from 2016, they were given a certain leeway to meet these criteria. Similarly, on 1 January 2016, the income tax exoneration for export processing firms was eliminated unless these became "processing companies that produce, process, or assemble goods, irrespective of whether or not they export". In addition to these programmes, Costa Rica grants other fiscal and financial incentives to support MSMEs, promote the green economy and assist women entrepreneurs, as well as to specific sectors. Costa Rica does not have official export funding programmes nor export credit insurance programmes.

19. The process for formulating Costa Rican technical regulations was modified significantly in 2015 with a view to making it more streamlined. The country's technical regulations were not the subject of specific trade concerns within the WTO's Committee on Technical Barriers to Trade during the review period. The plant and animal health policy does not appear to have changed much during the review period, and Costa Rica continues to attach great importance to it, having traditionally been an exporter of agricultural products. During the review period, the Members questioned three plant and animal health measures notified by Costa Rica. One of them, the suspension of the issuing of forms on phytosanitary requirements for the import of avocados resulted in a complaint brought against Costa Rica under the dispute settlement system.

20. All economic operators, both public and private, whether or not they are established in Costa Rica, are subject to the Competition Law when their actions take effect in the country. However, certain sectors are not subject to the provisions of this Law. Absolute monopolistic practices, deemed null and void, are prohibited, as are relative monopolistic practices. Economic mergers should be notified and are subject to control when the shares or the total income of the economic agents involved exceed a specific threshold. The principle of favourable presumption is used in analysing mergers. Vertical agreements and mergers may be authorized even when they

distort competition if they have a positive impact on the market. A draft law was recently proposed to reform the competition framework.

21. The State plays a pivotal role in the Costa Rican economy. There are 62 public enterprises in Costa Rica, all fully state-owned, and 50 non-state public entities. The majority of these operate in the services sector, especially the financial sector - both banking and insurance - and in the communications and energy sectors. Some of these entities have their own public procurement systems. Costa Rica notified five trading enterprises consistent with the definition under Article XVII of the GATT: LAICA (sugar); RECOPE (hydrocarbons); CORFOGA (cattle); ICAFE (coffee); and CONARROZ (rice).

22. The Government Procurement Law governs the purchases of public entities, except for non-state public entities financed over 50% with own capital, public entities whose capital stock is owned mainly by individuals, and activities subject by law to a special procurement system. This Law was modified in 2016 to give way to a digital and unified public procurement system, which is still not being used by all institutions, and again in 2018 to allow SME consortia to participate in the procurement process. In accordance with the Law, the participation of foreigners is based on the principle of reciprocity, although in practice they are given national treatment. Nevertheless, any public purchase gives preference to products manufactured domestically. Ordinary procurement procedures (and modalities) exist, as well as exceptions. Ordinary procedures include competitive bidding (open and abbreviated) and auctions. Direct award of contracts, while an exception to the normal procedures, is the most widely used procedure. Use of these procedures, including the direct award of contracts, is determined by thresholds that vary depending on each institution's budget. That is why there is not a single threshold per procedure.

23. Costa Rica's intellectual property rights are protected by the Constitution and by legislation that did not change significantly during the review period, except for the 2014 revision of the Regulations implementing the Law on Patents, Industrial Designs and Utility Models. Costa Rica has signed various WIPO agreements, including the Marrakesh Treaty, which entered into force during the review period. With a view to accelerating the patent application process, Costa Rica has, since 2016, participated in the System of Cooperation on Aspects of Operational Information and Industrial Property. The National Customs Service (SNA) may automatically suspend customs clearance, in the absence of a formal request by the right-holder, when it believes or suspects that goods violate intellectual property rights.

24. Costa Rica's agricultural sector has a dual structure, with a dynamic export sub-sector that has developed alongside a sub-sector of traditional crops intended mainly for the domestic market, with lower productivity. The sector is facing some challenges, such as the need to increase productivity and enhance services provided to agriculture, while capitalizing on the transition offered by tariff liberalization negotiated under free trade agreements. To tackle these challenges, better integration in international markets is being sought, as well as a stronger domestic market, enhanced agro-business management, and modernization of agencies entrusted with implementing agricultural policy.

25. The agricultural sector has traditionally benefited from greater tariff protection. During the review period, various requests were made to initiate preliminary safeguard investigations relating especially to rice. However, only one measure was applied to pounded rice. Furthermore, in 2017 and 2018, Costa Rica imposed a special agricultural safeguard measure that affected brown rice. The protection afforded to certain products has reduced market competition. This is the case of rice, which, in addition to benefiting from tariff protection and safeguard measures, has also benefited from other measures. The price of rice is still subject to intervention; tariff quotas for rice in the husk are only used when there are shortages on the domestic market, and participation in the import quota is subject to a requirement to purchase domestically grown rice.

26. Costa Rica notified the WTO that during the period 2013-17 it did not grant any export subsidies for agricultural products and that domestic support provided to agriculture included: research, extension and advisory services; pest and disease control programmes; marketing and promotion services; and environmental programmes. Only the last of these offers economic compensation.

27. Mineral resources and hydrocarbons are the property of the State and may be exploited directly or through the granting of operating permits and concessions, both to nationals and foreigners. State company RECOPE still has the monopoly on the import, refining, transportation and wholesale distribution of petroleum and petroleum by-products. The price at which fuel is sold to the public is set using the international price as a benchmark, and is the same at all service stations throughout the country. In the electricity sector, public operators may participate in the generation, transmission and distribution/marketing of electricity, while private companies may only participate in electricity generation. Foreign firms must be domiciled in Costa Rica to operate a generation plant and their investment is limited to 65% of the capital. The state-owned Costa Rican Electricity institute (ICE) continues to be the largest generator and distributor/marketer of electric energy. It is also responsible for administering and operating the national transmission grid. ICE has exclusive rights to participate in the purchase and sale of electricity on the regional market.

28. The manufacturing sector is composed of export-oriented high-tech industries, as well as less competitive industries oriented mainly towards the domestic market. During the period under review, the main export products were medical, surgical, dental and veterinary instruments, as well as orthopaedic items and apparatus, produced mainly by companies located in free zones.

29. The State's involvement in the banking and insurance sector continues to be significant. In 2018, State banks held 52% of the total assets of the banking sector and 47% of the total assets of the national financial system. State banks enjoy certain advantages over private banks. For example, deposits are fully guaranteed, while private commercial banks do not offer this type of guarantee. Also, unlike private commercial banks, in order to attract current account deposits, State banks do not need to use a specific percentage of their current account deposits to grant preferential loans, whether through the Development Bank or directly; nor do they need to meet other financial penetration requirements. Furthermore, State banks have the monopoly on deposits of public entities. The preferential treatment given to State banks may have an impact on resource allocation. Foreign private banks may set up subsidiaries in Costa Rica, but not branch offices. Since 2013, banking performance has been good in terms of solvency, albeit with relatively narrow profit margins, and particularly so in the case of State banks. Moreover, the low level of competition in the banking sector leads to high intermediation margins. In the insurance market, notwithstanding liberalization, the state-owned National Insurance Institute remains the primary provider. Foreign companies may establish branches and representative offices in Costa Rica. There are no limits on the number or type of transactions they conduct.

30. In the telecommunications sector there are both public and private operators. However, State enterprise ICE continues to hold the monopoly on traditional basic fixed-line telephone services and captures the majority of the mobile telephony market, although its share of this market has dropped since 2013. This is due to the fact that during the review period, the sector came under review with a view to identifying those markets in which competition should be permitted.

31. International air services are governed by agreements/memoranda signed by Costa Rica or, failing that, by the principle of reciprocity. This principle also applies to international maritime transport services. Involvement of foreigners in the provision of cabotage services is limited. The State owns public ports and airports, whose construction, operation and administration may be handled through concessions.

32. Tourism is one of the most dynamic sectors in the Costa Rican economy and has become a significant generator of foreign currency. Costa Rica promotes sustainable, innovative and inclusive tourism. Foreigners may provide any kind of tourism service in Costa Rica.

1 ECONOMIC ENVIRONMENT

1.1 Main features of the economy

1.1. Between 2012 and 2018, the changes to the productive structure of the Costa Rican economy observed during the previous review continue to be consolidated. The contribution of traditional activities to GDP fell, with the manufacturing industry dropping from 14.8% of GDP at basic prices in 2012 to 12.9% in 2018, while agriculture, forestry and fisheries stood at 5.0% of GDP in 2018 compared to 5.9% in 2012. Services, on the other hand, continued to grow steadily, and their share of GDP (in current terms) grew from 70.1% in 2012 to 73.9% in 2018 (Table 1.1). The services that most contributed to GDP in 2018 were: education, and human health and social welfare activities; professional, scientific, technical and administrative activities and support services; and trade.

Table 1.1 Structure of GDP and employment 2012-18

	2012	2013	2014	2015	2016	2017	2018
Structure of current GDP, basic prices (%)							
Agriculture, forestry and fisheries	5.9	5.5	5.6	5.4	5.6	5.4	5.0
Mining and quarrying	0.3	0.3	0.3	0.3	0.3	0.3	0.3
Manufacturing	14.8	13.8	13.3	12.4	12.4	12.7	12.9
Electricity, water and sanitation services	3.0	3.4	3.3	3.1	3.1	2.9	3.1
Construction	5.9	5.2	5.2	5.3	5.0	4.6	4.9
Services	70.1	71.8	72.4	73.4	73.6	73.9	73.9
Wholesale and retail trade, repair of vehicles	10.3	10.4	10.4	10.3	9.9	10.0	10.1
Transport and warehousing	4.2	4.2	4.4	4.7	4.8	4.8	4.7
Accommodation and food service activities	2.9	3.0	3.1	3.3	3.5	3.5	3.5
Information and communications	3.8	4.0	4.4	4.6	4.6	4.7	4.8
Financial and insurance activities	5.1	5.1	5.1	5.0	5.3	5.3	5.4
Real estate activities	9.7	9.7	9.3	9.0	8.9	8.8	8.7
Professional, scientific, technical and administrative activities and support services	11.0	11.5	11.8	12.3	12.4	12.6	12.8
Public administration and compulsory social security	4.7	5.0	5.0	4.9	4.8	4.7	4.7
Education, human health and social welfare activities	15.2	15.8	15.7	15.9	15.9	16.0	15.8
Other activities	3.1	3.1	3.2	3.3	3.4	3.5	3.5
Total	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**
Value added to basic prices (CRC billion)	21,382.1	22,747.1	24,959.7	26,871.7	28,577.7	30,397.6	32,055.4
Taxes on products and imports (net of subsidies) (CRC billion)	1,989.3	2,113.8	2,267.2	2,409.6	2,558.5	2,617.3	2,635.7
GDP at purchaser's prices (CRC billion)	23,371.4	24,860.9	27,226.9	29,281.4	31,136.2	33,014.8	34,691.1
Rate of growth of real GDP, at market prices (%)	**4.8**	**2.3**	**3.5**	**3.6**	**4.2**	**3.4**	**2.7**
Agriculture, forestry and fisheries	4.8	0.1	1.5	-2.7	5.2	3.7	2.4
Mining and quarrying	5.5	5.8	1.2	7.7	3.9	-5.3	4.2
Manufacture	3.4	0.1	0.8	-5.1	4.5	3.3	2.9
Electricity, water and sanitation services	5.8	-14.0	3.6	11.0	5.3	3.5	2.1
Construction	4.6	-9.5	2.1	9.4	-3.4	-2.1	6.6
Services	5.4	4.6	4.4	4.8	4.4	3.9	2.6
Wholesale and retail trade, repair of vehicles	4.1	5.4	3.6	4.1	4.2	3.0	1.9
Transport and warehousing	6.2	1.7	4.0	5.2	2.3	3.8	2.6
Accommodation and food service activities	3.0	11.8	8.6	5.3	3.9	1.0	3.5
Information and communications	9.3	6.6	8.7	11.1	5.0	6.7	6.6
Financial and insurance activities	14.3	8.3	7.7	8.4	14.9	7.6	3.5
Real estate activities	6.9	0.1	1.0	1.2	0.7	1.7	2.4
Professional, scientific, technical and administrative activities and support services	8.6	6.8	6.1	9.9	6.2	5.6	4.2
Public administration and compulsory social security	0.6	2.7	1.7	0.3	1.0	2.0	1.4
Education, human health and social welfare activities	1.6	4.1	3.0	2.2	3.1	3.0	0.3
Other	3.8	1.8	8.1	3.8	5.5	6.5	4.0
Structure of employment by economic activity (%)							
Agriculture, livestock, forestry and fisheries	10.2	9.9	11.1	12.3	12.2	12.5	12.3
Mining and quarrying	0.1	0.2	0.1	0.1	0.1	0.0	0.1

	2012	2013	2014	2015	2016	2017	2018
Manufacturing industry	9.9	8.9	9.3	10.9	10.2	10.0	10.8
Electricity, gas and water	1.8	1.8	1.6	1.5	1.9	1.5	1.3
Construction	6.3	5.5	6.6	6.7	6.4	6.5	6.9
Services	71.6	73.7	71.2	68.6	69.2	69.4	68.5
Wholesale and retail trade, repair of vehicles	20.0	21.1	19.7	17.9	18.8	18.4	17.4
Transport and warehousing	5.4	5.9	5.0	4.1	5.0	4.9	5.5
Accommodation and food service activities	5.3	5.8	5.7	6.1	6.2	6.3	6.3
Information and communications	1.8	1.2	1.2	1.4	1.8	1.9	1.7
Financial and insurance activities	2.4	2.5	2.5	2.2	2.4	2.0	2.3
Real estate activities	0.6	0.5	0.7	0.7	0.6	0.6	0.7
Professional, scientific and technical activities	3.4	3.1	3.7	3.1	3.1	2.7	2.9
Administrative and support service activities	4.3	4.5	4.9	5.2	5.1	5.9	5.6
Public administration and defence	5.0	4.7	4.2	4.5	4.0	4.3	3.7
Education	6.9	7.2	6.4	6.2	6.4	7.1	6.0
Human health and social welfare	3.8	4.2	4.0	3.5	3.6	3.6	3.6
Artistic, entertainment and recreational activities	1.1	1.6	1.2	1.3	1.2	1.1	1.0
Households with domestic staff	7.4	7.0	7.7	8.0	7.0	6.3	7.1
Extraterritorial organizations	0.1	0.1	0.0	0.1	0.1	0.0	0.1
Other service activities	4.2	4.3	4.2	4.2	3.9	4.2	4.6

Note: Preliminary figures for 2018.

Source: Prepared by the WTO Secretariat on the basis of data from the Central Bank of Costa Rica.

1.2. Between 2012 and 2018, the most dynamic subsector in the economy was financial and insurance services, which grew at an average annual rate of 9.2%. This may be explained by the increase in the level of financial intermediation and higher sales of insurance services. Other dynamic activities included: information and communications, which saw real average annual growth of 7.7%, reflecting the growing demand for mobile telephone services and Internet services; professional activities (6.8%), linked in part to the development of financial management consultancy services, human resources, head offices and similar (linked to foreign direct investment in the country); and accommodation and food service activities (5.3%). The dynamic nature of the last of these sectors is associated with the healthy development of tourism in recent years.

1.3. The performance of merchandise activities fluctuated more than that of services. Agriculture, livestock, forestry and fisheries grew at a real average annual rate of 2.2% between 2012 and 2018, as a result of a weak period between 2013 and 2015, followed by an upturn. The manufacturing sector also saw sluggish activity between 2013 and 2015, which picked up in 2016, with weak real average annual growth of 1.4% between 2012 and 2018.[1]

1.4. Regarding employment by branch of economic activity, the services sector continues to be the most significant, contributing with 68.5% of the total number of employed persons in 2018 (Table 1.1). Within services, the subsectors of trade and repairs, and accommodation and food services, also contribute significantly to employment. Agriculture, livestock, forestry and fisheries accounted for 12.3% of employment in 2018 and manufacturing industries 10.8% (compared with 10.2% and 9.9%, respectively, in 2012).

1.5. Although the economy has grown and certain technology- and human capital-intensive industries have expanded, the Costa Rican economy has encountered some structural challenges linked to the inadequate level of competition and competitiveness in the economy, as well as insufficient investment in infrastructure. This is compounded by the fact that the economy has been characterized by an insufficient level of internal savings, caused mainly by high public sector deficits, which translated into a systematic deficit in the balance of payments current account. In general, the high level of current expenditure leaves little leeway for carrying out further public investment projects, which has been to the detriment of private investment as this requires funding that pushes interest rates up. This may end up having a negative impact on the economy's potential for growth.[2]

[1] Information from the Central Bank of Costa Rica. Viewed at: https://www.bccr.fi.cr/seccion-indicadores-economicos/indicadores-econ%C3%B3micos.

[2] Costa Rica's economy has a growth potential of about 3.5% according to the International Monetary Fund. See IMF (2019), *IMF Country Report No. 19/101. Costa Rica, 2019 Article IV Consultation – Press Release; Staff Report; and statement by the Executive Director for Costa Rica*. Viewed at:

1.6. To deal with these issues, the Government has devised an economic recovery strategy and has identified challenges to be tackled, such as ensuring macroeconomic stability, mainly by consolidating public finances, and addressing lags in terms of business competitiveness and human resource skill sets in order to bridge productivity and income gaps.[3] Efforts are also being made to deal with new challenges in the area of technological changes and innovation, in order to enable the economy to grow steadily and generate employment. To this end, a series of proposals have been drawn up whose results should be seen in the short term. The main areas identified for economic recovery are: (a) support for SMEs and start-ups; (b) simplification of procedures; (c) employability; and (d) road infrastructure.

1.7. Proposed action to support SMEs includes: the establishment of a preferential tariff scale for payment of income tax for micro and small enterprises; the creation of a logistics platform for the distribution of online sales for SMEs at the domestic level; seed capital programmes for start-ups and entrepreneurship development programmes; the identification of new products and markets for the agricultural sector; and improved institutional coordination to remove barriers to the creation and development of such activities. To promote employability, training initiatives are being proposed to improve access to the job market, and there are plans to create an online platform for job matching (SIPE Job Matching System). An initial action plan for simplifying procedures is the Directive on Regulatory Improvement (Directive No. 20-MP-MEIC, on immediate actions for the simplification of procedures), which calls for all existing formalities, requirements and procedures to be reviewed, updated, and included in the National Inventory of Formalities (http://www.tramitescr.meic.go.cr). A second action plan for simplifying procedures is the Single Investment Window Project for reducing the time needed to open a business in the services and manufacturing sectors that fall under the Free Zone Regime. A third is the development of a national strategy aimed at implementation of the public policy on digital governance, for which the High-Level Commission on Digital Governance was established. Regarding infrastructure, a first measure is the reallocation of funds to be used for the improvement of certain highways and for other works to promote urban mobility, as well as for the sectorization and modernization of public transport.[4] Public-private partnerships are also being encouraged in the implementation of infrastructure projects. In addition, the model of subcontracted works is being strengthened and expanded. One example of such works is the widening of the San José-Caldera national route, with an estimated investment of USD 450 million based on the subcontracting model.

1.2 Recent economic developments

1.2.1 Production and employment

1.8. From 2012 to 2018, the Costa Rican economy saw sustained growth; GDP grew at a real average annual rate of 3.5%. GDP growth varied between 2.3% and 4.8% during this period and was buttressed mainly by higher internal demand, mainly in final household consumption.

1.9. Private consumption was the main driver of growth in the period under review, growing at an average annual rate in real terms of 3.8%, higher than that of GDP as a whole. Gross capital formation rose at a real average annual rate of 2.8%, lower than that of average GDP. In this regard, the OECD considers that investment in infrastructure and human capital in recent years has been inadequate, limiting the country's competitiveness and development plans.[5] There may also have been a disincentive to invest due to high real interest rates and the crowding out effect of the high level of public debt with the increase of internal financing costs.[6] During the period under review,

https://www.imf.org/~/media/Files/Publications/CR/2019/1CRIEA2019001.ashx, and https://www.imf.org/en/Publications/CR/Issues/2019/04/13/Costa-Rica-2019-Article-IV-Consultation-Press-Release-Staff-Report-and-Statement-by-the-46812.

[3] *Propuestas para la reactivación del país en el corto plazo*, Edna Camacho, Minister for Economic Team Coordination. PowerPoint presentation, November 2018.

[4] *Propuestas para la reactivación del país en el corto plazo*, Edna Camacho, Minister for Economic Team Coordination. PowerPoint presentation, November 2018.

[5] OECD (2018), *OECD Economic Surveys: Costa Rica 2018*. Viewed at: https://www.oecd-ilibrary.org/economics/oecd-economic-surveys-costa-rica-2018_eco_surveys-cri-2018-e.

[6] IMF (2017), *IMF Country Report No. 17/156. Costa Rica, 2017 Article IV Consultation – Press Release; and Staff Report*. Viewed at: https://www.imf.org/en/Publications/CR/Issues/2017/06/27/Costa-Rica-2017-Article-IV-Consultation-Press-Release-and-Staff-Report-44991; and IMF (2019), *IMF Country Report No. 19/101. Costa Rica, 2019 Article IV Consultation – Press Release; Staff Report; and statement by the Executive Director for Costa Rica*. Viewed at:

net exports of goods and services made a positive net contribution to GDP, since exports grew more steadily (at an annual average rate of 5.0%) than imports (4.4%) (Table 1.2). This was due mainly to the good performance of service exports.

1.10. In 2017 and 2018, GDP grew below its potential growth rate, estimated at 3.5%. After growing by 3.4% in 2017, growth of real GDP dropped in 2018 to 2.7%. Lower growth was due in large part to sluggish internal demand[7]; both household consumption and Central Government consumption slowed down, but gross capital formation picked up partially after shrinking the previous year.[8] The slowdown was in part mitigated by an increase in external demand for goods and services due to higher growth of exports and lower growth of imports.[9] Following a drop of 3.1% in 2017, the gross formation of fixed capital rose by 1.9% in 2018. In the first half of 2018, investment declined due to lower investment in housing construction work, but rose in the second half, boosted by the development of non-residential construction works, such as shopping centres and office buildings. Nevertheless, although total investment rose in 2019, the gross formation of capital in non-construction activities fell, partly as a result of the climate of uncertainty that prevailed in respect of the fiscal situation.[10] External demand for goods and services grew by 4.1% in real terms in 2018 as a result of higher exports of goods (4.9%), in particular of medical equipment and devices, while service exports rose by 3.0%, with an emphasis on business services. Imports of goods and services, on the contrary, recorded a drop of 0.4% in real terms (3.2% in 2017). Purchases of goods fell by 0.4%, due mainly to lower imports of hydrocarbons and consumer goods.

1.11. Costa Rica has a structural savings-investment gap, with its savings/GDP ratio (estimated at 14.6% for 2018) lower than its investment/GDP ratio (estimated at 18.7% in 2018). This gap, which is reflected in the relatively high deficit of the balance of payments current account, is the result in large measure of the significant fiscal deficit.

1.12. Costa Rica is a high middle-income country. During the period under review, per capita GDP in current terms increased by 20% to reach USD 12,017 in 2018 (Table 1.2). However, despite the continued growth of per capita income, the poverty rate increased slightly during the period under review, from 20.6% in 2012 to al 21.1% in 2018.[11] Extreme poverty stood at about 6.34% in 2018. The Gini coefficient, which measures income inequality, improved slightly during the period under review, dropping from 0.52 in 2012 to 0.51 in 2018.

Table 1.2 Basic economic indicators, 2012-18

	2012	2013	2014	2015	2016	2017	2018
GDP at purchaser's prices (current CRC billion)	23,371.4	24,860.9	27,226.9	29,281.4	31,136.2	33,014.8	34,691.1
GDP at purchaser's prices (USD million)	46,473.1	49,745.1	50,577.8	54,776.0	57,158.0	58,174.6	60,126.0
GDP per capita (USD)	9,988.9	10,554.5	10,596.4	11,335.5	11,687.8	11,758.4	12,017.0
Real GDP (annual percentage change)	4.8	2.3	3.5	3.6	4.2	3.4	2.7
Final consumer expenditure	4.9	3.0	3.9	4.1	3.6	2.9	1.8

https://www.imf.org/~/media/Files/Publications/CR/2019/1CRIEA2019001.ashx and https://www.imf.org/en/Publications/CR/Issues/2019/04/13/Costa-Rica-2019-Article-IV-Consultation-Press-Release-Staff-Report-and-Statement-by-the-46812.

[7] Another factor that impacted on lower growth of internal demand was the strike in some public services in the last months of 2018, whose total negative impact (direct and indirect) on economic growth is estimated by the Central Bank of Costa Rica at 0.4 percentage points of GDP. Furthermore, the Central Bank considers that consumer confidence dropped with the uncertainty surrounding the adoption of the draft Law on the Strengthening of Public Finances (Law No. 9635). See: Central Bank of Costa Rica (2019), *Memoria Anual 2018*. Viewed at: https://activos.bccr.fi.cr/sitios/bccr/publicaciones/DocMemoriaAnual/Memoria_Anual_2018.pdf.

[8] The authorities indicated that other factors that contributed to the lower growth recorded in 2018 were the strike by civil servants between September and November, which deducted 0.4 percentage points from GDP growth, and events in neighbouring countries that had a negative effect on exports.

[9] This occurred despite the deterioration in terms of trade caused by an increase in the international price of imported raw materials, especially petroleum, and a fall in the price of certain exports, such as sugar, coffee and pineapples. See: Central Bank of Costa Rica (2019), *Memoria Anual 2018*. Viewed at: https://activos.bccr.fi.cr/sitios/bccr/publicaciones/DocMemoriaAnual/Memoria_Anual_2018.pdf.

[10] Central Bank of Costa Rica (2019), *Memoria Anual 2018*. Viewed at: https://activos.bccr.fi.cr/sitios/bccr/publicaciones/DocMemoriaAnual/Memoria_Anual_2018.pdf.

[11] Online information. Viewed at: http://www.inec.go.cr.

	2012	2013	2014	2015	2016	2017	2018
Of households and NPISHs[a]	6.1	2.9	4.2	4.6	4.0	2.8	2.2
Of the Central Government	0.2	3.2	2.9	2.4	2.4	3.1	0.5
Gross formation of fixed capital	9.9	-0.3	3.3	3.0	4.8	-3.1	1.9
Exports of goods and services	5.6	3.3	5.0	2.6	9.4	5.0	4.1
Of goods f.o.b.	7.6	0.7	5.9	-0.3	8.5	6.6	4.9
Of services	2.4	7.4	3.6	6.9	10.6	2.8	3.0
Imports of goods and services	7.8	1.7	5.0	4.5	8.9	3.2	-0.4
Of goods f.o.b.	7.3	1.3	4.3	2.0	8.4	2.0	-0.4
Of services	11.7	4.2	9.7	19.1	11.6	8.4	-0.5
Other indicators:							
Current account balance (% of GDP)	-5.2	-4.9	-4.9	-3.5	-2.2	-3.1	-3.1
Total external debt (USD million, end of period)	15,255.9	19,504.1	21,627.6	23,576.0	25,565.1	27,158.8	28,655.4
Total external debt (% of GDP)	32.8	39.2	42.8	43.0	44.7	46.7	47.7
International reserves (USD million, end of period)	6,856.7	7,330.9	7,211.4	7,833.9	7,573.8	7,149.8	7,500.9
Unemployment rate	10.6	10.0	9.0	9.8	9.4	9.2	10.0
Population at 30 June (million)	4.65	4.71	4.77	4.83	4.89	4.95	5.00

a NPISH = Non-profit institutions serving households.

Note: 2018 preliminary figures.

Source: Prepared by the WTO Secretariat on the basis of data from the Central Bank of Costa Rica.

1.13. Despite a good economic performance, the unemployment rate remained high during the period under review, at 10% (annual average) of the workforce in 2018, although lower than the rate of 10.6% recorded in 2012. The unemployment rate rose significantly in 2018, reaching 12% in the fourth quarter, some 43.8% higher than the same period in 2017. This was due to lower growth and the fact that, although during the year the average annual employment rate rose by 0.9 percentage points, the average participation rate recorded an even higher increase, of 1.8 percentage points. So, although the economy generated more jobs, they were insufficient to absorb all the persons making up the workforce.[12] According to data from the National Institute of Statistics and Censuses (INEC), the extended unemployment rate stood at 14.3% in the fourth quarter of 2018 – 39.9% higher than the same period in the previous year.[13] The employment rate stood at 55.4%.[14] Unemployment is significantly higher among women than men, with a gender gap of almost 50%.[15]

1.2.2 Fiscal policy

1.14. The Ministry of Finance is tasked with defining and implementing fiscal policy in Costa Rica. One of the challenges facing Costa Rica is how to deal with fiscal accounts that have been deteriorating in recent years. In this regard, the main objective of the fiscal policy is to restore the health of the country's public finances. However, despite the efforts made to contain expenditure and strengthen tax revenue, the fiscal deficit remains high and has resulted in a significant increase in the debt/GDP ratio, which leaves the economy vulnerable and may prove unsustainable in the long run.

[12] Central Bank of Costa Rica (2019), *Memoria Anual 2018*. Viewed at: https://activos.bccr.fi.cr/sitios/bccr/publicaciones/DocMemoriaAnual/Memoria_Anual_2018.pdf.

[13] The extended unemployment rate covers unemployed persons and persons who are discouraged from working for various reasons. Online information from INEC. Viewed at: http://www.inec.go.cr/sites/default/files/documetos-biblioteca-virtual/reempleocomparacionivtri2018-01.xlsx.

[14] Online information. Viewed at: http://www.inec.go.cr.

[15] According to the authorities, the rise in labour supply that occurred from the second quarter of 2018 onwards was driven mainly by the fact that more women and young people between 15 and 24 years of age entered the job market. The rise in the expanded unemployment rate therefore includes unemployed persons who have been discouraged from seeking employment for various reasons.

1.15. Towards the end of the period under review, legislation was introduced to strengthen public finances both in terms of income and expenditure. Law No. 9635 on the Strengthening of Public Finances, published in Supplement No. 202 to the Official Journal (*La Gaceta*) of 4 December 2018, introduced a series of changes to the Costa Rican tax system, as well as significant caps on public expenditure.

1.16. The Law on the Strengthening of Public Finances introduced a series of changes, notably: (i) income tax reform (reform of Law No. 7092, Law on Income Tax, of 21 April 1988), increasing the maximum rate to make this tax more progressive; (ii) conversion of the general sales tax into a value added tax, thus increasing the taxable base (comprehensive reform of Law No. 6826, Law on the General Sales Tax; (iii) measures to cap expenditure growth, with salary caps (amendment to Law No. 2166, Law on Public Service Salaries); (iv) introduction of a fiscal rule[16]; and (v) transitional provisions on a tax amnesty (among other transitional provisions).

1.17. Replacement of the general services tax by the value added tax (VAT) is provided for in Title I of the Law on Value Added Tax. This Law defines application of VAT and sets a general rate of 13%. It contains a list of exemptions (exports, interests and commissions, insurance premiums, etc.) and specifies the goods and services that are not subject to VAT. The Law provides for a simplified payment mechanism for this tax. It also sets lower rates for certain goods and services as follows:

- 10% for international airline tickets;
- 4% for the sale of airline tickets whose point of origin or destination is Costa Rica, and for private health care services provided by authorized health centres;
- 2% for medicines, and the raw materials, inputs, machinery, equipment and reagents necessary for their production, as authorized by the Ministry of Finance; private education services, personal insurance premiums, and the purchase and sale of goods and services by State higher education institutions; and
- 1% for the sale or import of agricultural goods included in the basic basket, including machinery, equipment, raw materials, and necessary services and inputs; the sale or import of wheat and by-products thereof, soybean and by-products thereof, sorghum, and oil palm fruit and kernels and by-products thereof, to produce animal food; corn and by-products thereof; and veterinary products and agricultural and fisheries inputs.

1.18. Title II of Law No. 9635, known as the Law on Income and Profits Tax, introduced changes to the tax system and reformed Law No. 7092 on income tax. The reform is aimed at increasing tax receipts and limiting possibilities for tax avoidance and income segmentation. Among other things, the Law:

- broadened the concept of taxpayer to all categories of companies, irrespective of whether or not they register any economic activity in any given year;
- introduced a cap of 20% for the deductible on profits before interests, taxes, depreciation and amortization[17];
- set a cap for expenses deductible in the form of donations, which cannot exceed 10% of the net income calculated by the company;
- extended the possibility of deducting losses for all taxpayers in the following three years (five years for agricultural companies), and not only for industries, as was the case prior to the reform;
- introduced new tax rates of 20% and 25% for natural persons in dependent employment with an income above the thresholds of CRC 2.2 million and CRC 4 million, respectively[18];

[16] The Law contains a chapter on the fiscal responsibility of the Republic, which establishes rules on the management of public finances to ensure fiscal sustainability.

[17] The tax authorities may authorize a higher limit if the taxpayer can reasonable justify why it is needed. However, the Law indicates that this limit may not exceed 30% in 2020 and 2021, and will be gradually lowered by 2% until it reaches 20% in 2026.

[18] Previously, the maximum rate was 15%.

- left the maximum profits tax rate for legal persons at 30%[19], but established a progressive tax pegged to net income for micro and small enterprises, for which lower rates on gross income will be maintained[20];
- increased to 25% the rate applied to withholdings for professional services provided from outside the country to avoid technical consultancy income from being declared as professional services; and
- a rate of 15% for payments made to companies not domiciled in Costa Rica, for public events.

1.19. The changes to the income and value added taxes will gradually start taking effect. To facilitate implementation of the new provisions, a tax amnesty programme was introduced and remained in force until 3 March 2019. It is expected that the impact of the measures will be observed starting from the second half of 2019.

1.20. On the expense side, the Law on the Strengthening of Public Finances introduced a fiscal rule. Caps were set on growth of current expenditure and were linked to: (a) the level of Central Government debt as a percentage of GDP; and (b) the average growth of nominal GDP for the four years prior to the year in which the national budget was formulated. As a result of these changes, the growth of current expenditure in percentage terms will now be determined by multiplying average nominal GDP growth by a percentage set by level of Central Government debt, according to certain brackets:

- When the debt at the close of the budget year preceding the year in which the fiscal rule was applied does not exceed 30% of GDP, or the current expenditure/GDP ratio of the Central Government is 17%, year-on-year growth of current expenditure shall not exceed average nominal GDP growth.
- When the debt is equal to or above 30% but lower than 45% of GDP, year-on-year growth of current expenditure shall not exceed 85% of average nominal GDP growth.
- When the debt is equal to or above 45% but below 60% of GDP, year-on-year growth of current expenditure shall not exceed 75% of average nominal GDP growth.
- When the debt is equal to or above 60% of the GDP, year-on-year growth of total expenditure shall not exceed 65% of average nominal GDP growth. In this case, exceptional measures will be taken: pensions will not be adjusted, except for cost of living; the Central Government will not contract loans or credits, except for those intended to alleviate public debt or to be used for capital expenses; cost-of-living increments on the base salary or other salary incentives will not be made; and the Executive will not be allowed to make financial bailouts, grant subsidies or make any outlays of public funds on the productive sectors, except in those cases where the Legislative Assembly, by way of law, declares the source of the financial bailout, support or subsidy.

1.21. Furthermore, the Law stipulates that, when growth of real GDP exceeds 6% for two consecutive years, growth of current expenditure shall not exceed 85% of it. Application of the fiscal rule shall be suspended in cases where a state of emergency is declared in the country, requiring an outlay of current expenditure equivalent to or exceeding 0.3% of GDP. Suspension of the fiscal rule cannot exceed two budget years. The fiscal rule can also be suspended in cases where the economy is experiencing a recession or where economic growth forecasts are below 1%. The

[19] Before the reform, the rates of 10%, 20% and 30% that applied to taxable income were based on the tranches of gross income, hence the possibility of "beating" the tax by declaring a slightly lower amount. The reform is intended to rectify this situation by establishing tranches based on net income.

[20] The progressive tax will apply in the following manner: micro and small enterprises whose gross revenue does not exceed CRC 106 million during the financial period shall pay 5% on the first CRC 5 million of net annual revenue, 10% on amounts exceeding CRC 5 million and up to CRC 7.5 million, 15% on amounts above CRC 7.5 million and up to CRC 10 million, and 20% on amounts exceeding CRC 10 million. Additionally, micro and small enterprises registered with the Ministry of the Economy, Industry and Trade (MEIC) or with the Ministry of Agriculture and Fisheries (MAG) shall not pay profits tax during the first year of their business activity. They will pay only 25% of the profits tax in the second year, and 50% in the third year.

exception may remain in place for a maximum period of two consecutive years. In these cases, the fiscal rule is gradually restored over a period of three years.

1.22. The Central Bank of Costa Rica considers the adoption of the Law on the Strengthening of Public Finances to have changed the fiscal outlook for the medium and long term, and that, by enforcing its provisions in a strict manner, this Law, combined with the administrative measures adopted in 2018, will restore healthy public finances in the long term.[21] Moreover, it considers that the adoption of this Law reduced the uncertainty affecting the performance of macroeconomic variables in 2018. The OECD estimated the joint effect of the measures under the Law on the Strengthening of Public Finances at 1.92% of GDP, of which 1.4% of GDP corresponds to an increase in income (0.9% in terms of VAT and 0.5% in terms of income tax) and 0.52% to a reduction in expenditure. The OECD considers there to be substantial scope for increasing tax revenue by pursuing current efforts to combat tax avoidance and tax evasion, introduce higher VAT and personal income tax rates, and reduce the informal sector. On the expenditure side, it considers that greater efficiency can be achieved, thus reducing the highly fragmented nature of the public sector and the compulsory earmarking of funds for specific purposes, and looks to control expenditure in terms of public sector salaries.[22] However, it believes that additional measures are necessary to reduce spending to 1.08% of GDP, in order to take the total impact of the fiscal adjustment measures to 3% of GDP.[23]

1.23. In addition to the Law on the Strengthening of Public Finances, the Government has taken other initiatives, such as the Law on Exemptions (No. 19.531), the Law on the Use of Financing Mechanisms in the International Market (No. 20.535) and the merger of the Banco Crédito Agrícola with the Banco de Costa Rica. Furthermore, a number of administrative measures were adopted to enhance management of tax collection and efforts to contain expenditure, such as Directive No. 098-H63, issued in January 2018, which, among other measures, limited the recruitment of civil servants and froze the salaries of ministers, vice-ministers, executive presidents and managers. Furthermore, in May 2018, the Ministry of Finance announced a proposal entitled "Fiscal Sustainability for Costa Rica's Well-Being", which includes measures setting caps on salary increments for all public servants[24], setting a limit on the use of posts (to 25% of vacancies), and halving the budget for the payment of overtime.[25]

1.24. Public accounts recorded a deficit during all the years falling within the review period. This deficit varied between 4.3% and 6.1% of GDP, but since 2013 has remain above 5% of GDP. The non-financial public sector deficit was lower than that of the Central Government, due mainly to the positive results of public firms and the rest of the non-financial public sector. The higher deficit seen during the review period was due to the continuous increase in public spending, particularly current expenses, although income remained stable (Table 1.3). Current expenditure was the largest spending heading, increasing its share of GDP by 1.9 percentage points between 2012 and 2018. It was mainly composed of current transfers to the public sector (mainly the allocation of resources to social and higher education programmes), representing 7.7% of GDP, and wages and salaries (6.9%). On the income side, an increase of barely 0.3% was observed in its share of GDP between 2012 and 2018. Tax revenue rose from 12.9% of GDP in 2012 to 13.2% of GDP in 2018. The main components were income and profits taxes (4.9% of GDP in 2018) and import taxes (tariffs and other import levies), which dropped during the review period from 3.7% of GDP in 2012 to 3.1% of GDP in 2018.

1.25. In 2018, the financial performance of the Central Government recorded a deficit equal to 5.9% of GDP, based on total expenditure and income equal to 20.2% and 14.3% of GDP respectively. The primary deficit dropped to 2.3% of GDP in 2018 from the 3.0% recorded in 2017. According to preliminary Central Bank of Costa Rica figures, in 2018, the financial deficit of the Reduced Global Public Sector (SPGR) represented 4.9% of GDP, 0.4 percentage points lower than the deficit recorded

[21] Central Bank of Costa Rica (2019), *Memoria Anual 2018*. Viewed at: https://activos.bccr.fi.cr/sitios/bccr/publicaciones/DocMemoriaAnual/Memoria_Anual_2018.pdf.

[22] OECD (2018), *OECD Economic Surveys: Costa Rica 2018*. Viewed at: https://www.oecd-ilibrary.org/economics/oecd-economic-surveys-costa-rica-2018_eco_surveys-cri-2018-en.

[23] OECD (2018), OECD Economic Surveys: Costa Rica 2018. Viewed at: https://www.oecd-ilibrary.org/economics/oecd-economic-surveys-costa-rica-2018_eco_surveys-cri-2018-en.

[24] For example, a cap of CRC 3,750 was set for the second half of 2018.

[25] These and other measures were included in Executive Decrees No. 41157-H, No. 41161-H and No. 41162-H, and in Directives No. 003-H, No. 007-H, No. 008-H, No. 009-H, No.011-H, No. 012-H and No. 013-H, published in Supplement No. 115 to the Official Journal (*La Gaceta*) of 6 June 2018.

in 2017. This performance reflected the higher surplus among a sample of entities from the rest of the non-financial public sector and the improvement in Central Government finances.[26] The non-financial public sector registered a deficit equal to 4.4% of GDP (Table 1.3).

1.26. Total expenditure grew by 3.4% in 2018 (5.7% in 2017), due to an increase of 6.5% in current expenditure, which was partially offset by a shrinking of 26.1% in capital expenses. The main items driving the increase in current expenses were interest payments (which rose by 20.2%), wages and salaries (4.6%) and current transfers (3.2%). In 2018, interest payments represented 17.6% of total expenditure (against 15.1% in 2017) and the average cost of domestic and external debt was 9.6% and 5.3% respectively (compared with 7.9% and 5.3% in 2017).[27] Current transfers were the most significant item in relative terms within the overall expenditure framework (38.1%) in 2018; transfers to the public sector represented 67.2% of total current transfers. The fall in capital expenses reflects the fact that fewer resources were transferred to the public sector for road investment programmes and projects, and infrastructure, and to local governments, under the Law on Tax Simplification and Efficiency (Law No. 8114).

Table 1.3 Public sector financial accounts, 2012-18

(% of current GDP)

	2012	2013	2014	2015	2016	2017	2018
Performance of non-financial public sector	**-4.3**	**-5.3**	**-4.5**	**-5.0**	**-4.2**	**-5.0**	**-4.4**
Central Government:							
Total revenue	14.0	14.2	14.0	14.3	14.7	14.4	14.3
Total current revenue	14.0	14.2	13.9	14.3	14.6	14.4	14.2
Total tax revenue	12.9	13.2	12.9	13.2	13.4	13.3	13.2
Customs	3.6	3.4	3.5	3.5	3.5	3.3	3.1
Income and profits tax	3.8	4.1	4.0	4.3	4.5	4.7	4.9
Domestic sales	2.5	2.5	2.4	2.4	2.4	2.3	2.2
Domestic consumption	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Other tax revenue	2.8	2.9	2.9	3.0	2.9	3.1	2.8
Non-tax revenue	1.1	1.0	1.0	1.1	1.3	1.1	1.0
Capital inflows	0.0	0.0	0.0	0.0	0.0	0.0	0.1
Total expenditure	18.3	19.6	19.6	20.0	19.9	20.5	20.2
Total current expenditure	16.9	18.0	17.9	18.2	18.1	18.5	18.8
Wages and salaries	7.0	7.3	7.2	7.2	7.0	6.9	6.9
Expenditure on goods and services	0.6	0.6	0.7	0.7	0.6	0.7	0.6
Current transfers	7.2	7.5	7.4	7.5	7.6	7.8	7.7
Interest payments	2.0	2.5	2.6	2.7	2.8	3.1	3.5
Total capital expenditure	1.4	1.6	1.7	1.8	1.8	2.0	1.4
Investment in non-financial assets	0.2	0.3	0.3	0.3	0.3	0.3	0.2
Capital transfers	1.2	1.3	1.4	1.5	1.5	1.7	1.2
Concessions	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Primary balance	-2.3	-2.8	-3.1	-3.0	-2.4	-3.0	-2.3
Current savings of the Central Government	-2.9	-3.8	-3.9	-3.9	-3.4	-4.1	-4.5
Balance of the Central Government	**-4.3**	**-5.4**	**-5.6**	**-5.7**	**-5.2**	**-6.1**	**-5.9**
Balance of the rest of the non-financial public sector[b]	0.0	0.1	1.1	0.7	1.1	1.2	1.4
Balance of the Central Bank of Costa Rica	-0.6	-0.8	-0.7	-0.7	-0.5	-0.4	-0.4
Total balance of global public sector	**-4.9**	**-6.1**	**-5.2**	**-5.7**	**-4.8**	**-5.3**	**-4.9**
Memorandum item:							
Central Government debt (end of year)	34.3	35.9	38.5	41.0	45.1	48.6	53.6
Internal	28.4	28.8	29.8	30.9	34.7	38.4	42.8
External	5.9	7.1	8.7	10.1	10.4	10.2	10.8
Consolidated public sector debt	37.5	41.7	42.8	45.4	49.3	51.9	..
Internal	7.2	8.7	10.2	11.3	11.3	11.1	..
External	30.3	33.0	32.6	34.1	38.0	40.8	..

.. Not available.

a Includes the Central Government and the rest of the non-financial public sector.

b Includes decentralized bodies, non-commercial decentralized institutions, local governments, and non-financial public enterprises.

c Includes the non-financial public sector and the Central Bank of Costa Rica.

Note: Preliminary figures for 2018.

Source: Prepared by the WTO Secretariat based on data from the Central Bank of Costa Rica, the Ministry of Finance and the IMF.

[26] Central Bank of Costa Rica (2019), *Programa Macroeconómico 2019-2020*. Viewed at: https://activos.bccr.fi.cr/sitios/bccr/publicaciones/DocPolticaMonetariaInflacin/Programa_Macroeconomico_2019-2020.pdf.

[27] Central Bank of Costa Rica (2019), *Memoria Anual 2018*. Viewed at: https://activos.bccr.fi.cr/sitios/bccr/publicaciones/DocMemoriaAnual/Memoria_Anual_2018.pdf.

1.27. The total public debt of the Central Government increased significantly during the period under review as a result of unbalanced public finances, rising from 34.3% of GDP in 2012 to 53.6% in 2018. The total public debt of the public sector as a whole (including the non-financial public sector and the Central Bank) grew by over 20 percentage points of GDP between 2012 and 2018 and reached 70.6% of GDP in 2018.[28] The increase in public debt reflected, mainly, the indebtedness of the Central Government, whose financing absorbed the lion's share of domestic savings. The Central Government's relative share of total public debt was 76% in 2018, while the debt burden of the Central Bank was 7.5% of GDP. Regarding the source of the public debt, domestic sources continued to be the highest contributor, accounting for 70.6% of the total. 58.7% of the Central Government's debt was held in national currency at the end of 2018; short-term debt represented 15.9% of the Central Government's debt in the same year, while 43.1% represented medium-term debt and 41% long-term debt. In 2018, the Government attempted to lengthen the term to maturity of short-term debt on the local market, with swaps and debt issuance to lower the risk of refinancing.[29]

1.28. As the authorities have pointed out, the upward trend of the fiscal deficit, public debt and the Government's financing needs on the domestic financial market had a direct impact on the risk premium of sovereign bonds on the different trading markets and made it difficult to manage the National Treasury in order to meet its needs on the local market. This meant resorting to external markets for financing, triggering a growing demand for foreign exchange by the Government. This resulted in a higher perception of risk in the country, which in turn led to a lower rating for sovereign debt by Moody's on 5 December and by Standard and Poor's on 21 December 2018. The differential between the yield on Costa Rican debt bonds and US Treasury Bonds rose from 367 points in 2017 to 540 points at the end of 2018.[30]

1.2.3 Monetary and exchange rate policy

1.29. The Central Bank of Costa Rica (BCCR) is responsible for defining and managing monetary and exchange rate policy. Its functions include: maintaining the external value and conversion of the national currency; holding and administering the country's international reserves; serving as State treasurer and advisor; and promoting conditions that are conducive to the strengthening, liquidity, solvency and smooth functioning of the national financial system.[31] Under the Organic Law on the BCCR (Law No. 7558 of 1995), the main objective of the BCCR is to ensure the national currency's domestic and foreign stability, as well as its conversion to other currencies. Domestic stability is defined as achieving and maintaining low, stable inflation.

1.30. On 31 January 2018, the Board of Directors of the BCCR unanimously approved the adoption of a flexible inflation targeting scheme. The inflation targeting scheme used by Costa Rica is based on a publicly announced numerical inflation target range within which the BCCR keeps inflation in the medium term, and on the use of the monetary policy interest rate (TPM) as the main instrument for inflation control and main indicator of monetary policy.[32] The TPM, which is a benchmark for the cost of liquidity, is adjusted on the basis of forecasts. Adjustments are based primarily on inflation forecasts and the main macroeconomic variables. If there is a high probability that inflation will deviate from the target range in 12 to 24 months, and not as a result of temporary shocks, the BCCR will change its monetary stance usually by adjusting the TPM. The central value of the target range corresponds to the long-term inflation of the country's main trading partners.[33] The target range values are announced in the Macroeconomic Programme, which is developed on an annual basis and revised every six months and in which the BCCR makes its projections for the main

[28] Online information. Viewed at: https://view.officeapps.live.com/op/view.aspx?src=https://www.hacienda.go.cr/docs/5c70448387552_Deuda%20Sin%20Consolidar%20SPNF%20HISTORICO%20ANUAL%202018.xlsx.

[29] Central Bank of Costa Rica (2019), *Memoria Anual 2018*. Viewed at: https://activos.bccr.fi.cr/sitios/bccr/publicaciones/DocMemoriaAnual/Memoria_Anual_2018.pdf.

[30] Central Bank of Costa Rica (2019), *Programa Macroeconómico 2019-2020*. Viewed at: https://activos.bccr.fi.cr/sitios/bccr/publicaciones/DocPolticaMonetariaInflacin/Programa_Macroeconomico_2019-2020.pdf.

[31] Online information. Viewed at: https://www.bccr.fi.cr/seccion-sobre-bccr/plan-estrat%C3%A9gico-2015-2018.

[32] Central Bank of Costa Rica (2019), *Memoria Anual 2018*. Viewed at: https://activos.bccr.fi.cr/sitios/bccr/publicaciones/DocMemoriaAnual/Memoria_Anual_2018.pdf.

[33] Central Bank of Costa Rica (2019), *Memoria Anual 2018*. Viewed at: https://activos.bccr.fi.cr/sitios/bccr/publicaciones/DocMemoriaAnual/Memoria_Anual_2018.pdf.

macroeconomic variables, revises the inflation target and establishes the monetary policy guidelines to be followed in order to reach that target. The 2018-2019 Macroeconomic Programme maintained the 3% ± 1 p.p. inflation target for this biennium.[34]

1.31. The inflation targeting scheme has been implemented gradually, having begun in 2005 when it was decided to move towards an inflation targeting monetary policy strategy. During the transition period, which ended in January 2018, measures were taken to fully implement the inflation targeting scheme. These included: (i) improving the structure of the balance sheet of the BCCR in order to reduce its financial deficit; (ii) developing studies and tools to better understand the determinants of inflation and the transmission of monetary policy in Costa Rica; (iii) gradually migrating from a crawling peg to a floating exchange rate regime; (iv) making changes to monetary control, positioning the TPM as a main policy instrument; and (v) making an explicit commitment to a numerical inflation target. In 2008, a central value for the inflation target was announced for the first time, which was 8% with a tolerance range of ±1 percentage points. In July 2009, the central value was lowered to 5% and kept at this rate until January 2014, when it was set at 4%. In January 2016, it was lowered once again, this time to 3%. In June 2011, the Board of Directors of the BCCR defined the TPM as the reference rate for establishing the cost of overnight operations in the integrated liquidity market (MIL).

1.32. Although the TPM is the main monetary policy instrument in an inflation targeting regime, the BCCR also uses two other monetary policy instruments, the legal minimum reserve and the active management of its liquidity and debt instruments, to control changes in liquidity and monetary aggregates. The latter is achieved by the absorption or provision by the BCCR of the liquidity needed keep the interest rate in the MIL close to the TPM. In fact, since June 2011, the implementation of the BCCR's monetary policy has been accompanied by daily auctions involving the injection or removal of liquidity from the MIL, based on daily estimates of the liquidity in the financial system, so as to ensure that the interest rates in the MIL remain close to the TPM.[35]

1.33. Costa Rica's monetary policy went through an expansive phase between 2015 and early 2016, during which the TPM was lowered several times, dropping from 5.25% in January 2015 to 1.75% in January 2016. This caused M1 and M2 growth rates to accelerate, particularly in 2015. The TPM stayed at this level until April 2017, when the monetary policy stance became more restrictive: between April 2017 and November 2018, the TPM was raised seven times.[36] This led to a contraction of the most liquid indicators (M1 contracted) and slower credit growth. In 2018, the BCCR increased the TPM by 25 basis points twice, in February and again in November, so that it stood at 5.25% as of 1 November.[37] In order to address the liquidity surpluses that arose between January and August 2018, the BCCR also increased the interest rate on its debt instruments to stimulate savings in colones, and attracted resources in the MIL.[38] From September 2018 onwards, the surplus decreased and the BCCR provided the MIL with resources. In March 2019, the BCCR lowered the TPM by 25 percentage points to 5%.

1.34. In 2018, the BCCR kept the legal minimum reserve rate at 15%, which is the maximum rate permitted by law. This rate was used for both domestic and foreign currency operations.

[34] Central Bank of Costa Rica (2019), *Memoria Anual 2018*. Viewed at: https://activos.bccr.fi.cr/sitios/bccr/publicaciones/DocMemoriaAnual/Memoria_Anual_2018.pdf.

[35] Muñoz Salas, Evelyn, *Adopción de meta de inflación en Costa Rica*, Central Bank of Costa Rica Working Paper No. 001 2018, January 2018. Viewed at: https://activos.bccr.fi.cr/sitios/bccr/investigacioneseconomicas/DocPoliticaMonetariaInflacion/2018-DT-01-Adop_de_MI_%20en_CR.pdf.

[36] Online information. Viewed at: https://gee.bccr.fi.cr/indicadoreseconomicos/Cuadros/frmVerCatCuadro.aspx?idioma=1&CodCuadro=%20779

[37] Central Bank of Costa Rica (2019), *Programa Macroeconómico 2019-2020*. Viewed at: https://activos.bccr.fi.cr/sitios/bccr/publicaciones/DocPolticaMonetariaInflacin/Programa_Macroeconomico_2019-2020.pdf.

[38] In November, as it was adjusting the TPM, the BCCR also raised interest rates on its 1-to-1,800-day deposits. The increases were larger for longer periods, reaching 170 basis points for 1,800-day deposits. The BCCR did this in order to stimulate savings in colones, particularly in longer-term instruments, and to mitigate pressures on the foreign exchange market. Central Bank of Costa Rica (2019), *Programa Macroeconómico 2019-2020*. Viewed at: https://activos.bccr.fi.cr/sitios/bccr/publicaciones/DocPolticaMonetariaInflacin/Programa_Macroeconomico_2019-2020.pdf.

1.35. Lending rates in both colones and dollars remained high throughout the period 2012-18 (Table 1.4), with very positive real rates. This was a result of the significant financing requirements in the public sector and the lack of competition in the banking sector. It was also the result of the relatively low level of financial intermediation, with an insufficient supply of financial resources for the private sector, due in part to the crowding out effect of public debt, coupled with the robust demand for credit. The intermediation margin remained high throughout the period under review, standing at 19.7% in the national currency in 2017 and 8.3% in foreign currency.

Table 1.4 Main monetary indicators, 2012-18

	2012	2013	2014	2015	2016	2017	2018
Money supply and credit (percentage change)							
M1 (in the financial system)	12.8	8.1	8.6	13.4	8.2	-2.8	7.1
M2 (in the financial system)	18.2	13.2	12.9	14.8	8.7	10.1	3.7
M3 (in the financial system	12.6	11.1	15.3	10.7	10.7	10.5	5.8
Private sector credit	13.3	12.2	17.5	11.8	12.8	8.5	6.2
Prices and interest rates							
Consumer price index (annual average, 2010=100)	109.6	115.3	120.5	121.5	121.5	123.5	126.2
Inflation (percentage change)	4.5	5.2	4.5	0.8	0	1.6	2.2
Monetary policy rate (TPM) (end of period)	5.0	3.75	5.25	2.25	1.75	4.75	5.25
TPM annual average	5.6	5.0	4.5	4.9	3.6	1.8	3.5
Average lending rate in national currency[a]	28.1	26.7	26.8	26.2	23.4	24.0	22.7
Average deposit rate in national currency[b]	6.5	5.0	4.7	4.4	3.5	4.3	5.4[e]
Interest rate spread in national currency	21.6	21.7	22.2	21.8	20.0	19.7	17.3
Average lending rate in USD	10.9	10.8	10.1	9.6	9.8	9.7	10.5
Average deposit rate in USD	1.5	1.5	1.4	1.1	1.3	1.4	1.7[e]
Interest rate spread in USD	9.4	9.2	8.7	8.4	8.5	8.3	8.8
Daily standard rate (TBD)[c]	9.20	6.50	7.20	5.95	4.45	5.95	6.0
Rediscount rate[d]	23.75	20.50	20.50	17.50	13.25	18.00	18.00
Exchange rates							
CRC per USD (period average)	502.9	499.8	538.3	534.6	544.7	567.5	577.0
Nominal exchange rate (percentage change)	-1.3	-0.6	10.8	-0.8	1.9	4.2	1.7
Real effective exchange rate (percentage change December-December, 1997=100)	-3.0	-3.0 72.2	11.4 80.4	-3.0 78.0	2.2 79.7	5.5 84.1	3.9 87.4

a Corresponds to the weighted average of interest rates notified by financial intermediaries to the Central Bank every Wednesday. The weights are the amounts of new loans made by each intermediary.
b Corresponds to the weighted average of interest rates notified by financial intermediaries to the Central Bank every Wednesday. Income tax is deducted from yields at a rate of 8%.
c The difference between the basic deposit rate (TBP), which is a weighted average of the gross interest rates for term deposits in colones, of the various groups of financial intermediaries, and the effective rate in dollars (TED), which is a weighted average of the gross interest rates for term deposits in dollars.
d The highest commercial loan interest rate of a representative group of financial entities regulated by the Supervisory Authority for Financial Entities (SUGEF) is used to calculate the rate, with three percentage points added. This group consists of the entities with the greatest relative share of the total commercial loan balance and which account for at least 50% of said balance.
e Ceased to be published on 16 October 2018.

Source: Prepared by the WTO Secretariat on the basis of data from the Central Bank of Costa Rica and the IMF.

1.36. During the period under review, inflation (as measured by the change in the Consumer Price Index (CPI)) remained low (Table 1.4). During the period 2012-14, the CPI remained within the inflation target ranges, which were 5% ± 1 p.p. for 2012 and 2013 and 4% ± 1 p.p. for 2014. Between 2015 and late 2017, however, inflation (0.8% in 2015, 0% in 2016 and 1.6% in 2017) was below the targets set in the respective monetary programmes (3% ± 1 p.p.). In 2018, general inflation in Costa Rica, measured by the year-on-year rate of change in the CPI, was 2.2%, falling within the BCCR's target range, but approaching its lower limit. This was due, on the one hand, to the impact of the increase in the international price of raw materials, especially oil, and on the other, offsetting this effect, to low inflationary pressures and limited levels of core inflation, although the latter rose at the end of 2018 due to exchange rate pressures and a slight increase in inflationary expectations. Services and regulated prices experienced higher increases in 2018.[39]

1.37. Costa Rica adopted an exchange-rate-band system in 2006 as part of its gradual transition towards a floating exchange-rate system, with a view to establishing an inflation-targeting scheme. The exchange band, which was increasingly large, was in force until 31 January 2015, when the BCCR adopted a so-called managed floating exchange-rate regime. Under the managed floating regime, the BCCR allows the exchange rate to be determined by market supply and demand, with no commitment to a specific exchange rate target or value. The BCCR intervenes in the foreign exchange market to satisfy its foreign currency requirements and those of the non-banking public sector and, on a discretionary basis, to moderate excessive exchange rate fluctuations, including when it identifies movements in the exchange rate that are not line with the macroeconomic variables that explain its behaviour in the medium and long term. The authorities have taken such measures in order to increase the effectiveness of monetary policy, eliminate its endogeneity and strengthen the use of the TPM as a transmission mechanism for monetary policy. They have also sought to reduce the pass-through effect of changes in the exchange rate on prices.

1.38. The BCCR recently introduced a greater degree of flexibility in exchange-rate policy, particularly from the second half of 2018 onwards. For example, between July and November 2018, when exchange rate tensions were heightened due to excess liquidity in the economy, the BCCR intervened by selling foreign currency (USD 415.5 million in the first 11 months of the year) to meet the requirements of the non-banking public sector and to avoid violent fluctuations in the exchange rate. In December 2018, once the tensions had eased, the BCCR intervened by doing the opposite and purchasing some of the foreign currencies that had been sold to the non-banking public sector during the preceding months, thus partially offsetting the effects of its intervention.

1.39. The average nominal exchange rate of the colón against the US dollar was CRC 577 in 2018, compared to CRC 503 in 2012, meaning that there was a 12.8% nominal depreciation of the colón against the US dollar between 2012 and 2018.[40] During the same period, the multilateral real effective exchange rate depreciated by 13.9%.

1.40. During the period under review, the Costa Rican economy continued to have a high, albeit declining, rate of dollarization. The private sector's share of the loan portfolio in foreign currency (eliminating the effects of changes in the exchange rate) went from 44.2% in 2016 to 41.5% in 2017 and 39.9% in 2018.[41] High dollarization undermines the stability of the financial system, as roughly two thirds of the foreign currency loans have been made to debtors whose main source of income is in colones, creating credit and liquidity risks for the financial system in the event of changes in the exchange rate.

1.2.4 Balance of payments

1.41. Costa Rica is running a structural current account deficit in the balance of payments. During the period under review, the current account deficit as a proportion of GDP declined, due in part to a smaller merchandise trade balance deficit, but above all, to an increase in the services balance surplus. Since 2015, the surplus in net services exports has been larger than the deficit in the goods balance, thus improving the current account balance.

1.42. The current account deficit decreased from 5.2% of GDP in 2012 to 3.1% of GDP in 2017 and 2018 (Table 1.5). In 2018, the goods trade balance showed a deficit of 7.3% of GDP, which was similar to the deficit from the previous year and much lower than in years prior; for example, in 2013, the deficit was equivalent to 11.2% of GDP. The 6.2% increase in goods exports in 2018 was

[39] Central Bank of Costa Rica (2019), *Memoria Anual 2018*. Viewed at: https://activos.bccr.fi.cr/sitios/bccr/publicaciones/DocMemoriaAnual/Memoria_Anual_2018.pdf.

[40] The increased demand for foreign currencies resulting from excess liquidity in much of 2018 generated upward pressures on the exchange rate as of September, with the exchange rate peaking at CRC 628.85 in November. It also led to an increase in the yield of external debt bonds. See: Central Bank of Costa Rica (2019), *Memoria Anual 2018*. Viewed at: https://activos.bccr.fi.cr/sitios/bccr/publicaciones/DocMemoriaAnual/Memoria_Anual_2018.pdf.

[41] Central Bank of Costa Rica (2019), *Memoria Anual 2018*. Viewed at: https://activos.bccr.fi.cr/sitios/bccr/publicaciones/DocMemoriaAnual/Memoria_Anual_2018.pdf.

influenced by the 10.2% growth in the sales of special regimes, which accounted for 51.1% of total goods exports.

1.43. Historically, there has been a deficit in the income balance in Costa Rica. In particular, there was a significant deficit in the primary income account between 2012 and 2018, mainly due to the outflows of profits of foreign companies located in the country. There was a surplus in the secondary income account as a result of income from family remittances, but it was much smaller than the deficit in the primary income account.

Table 1.5 Balance of payments, 2012-18

(USD million)

	2012	2013	2014	2015	2016	2017	2018
Current account balance (% of GDP)	**-5.2**	**-4.9**	**-4.9**	**-3.5**	**-2.2**	**-3.1**	**-3.1**
Current account	-2,411.1	-2,431.2	-2,453.1	-1,921.3	-1,257.3	-1,815.4	-1,877.8
Goods	-5,348.0	-5,558.8	-5,328.8	-4,607.1	-4,426.1	-4,342.6	-4,393.7
Exports	8,922.6	8,866.3	9,455.6	9,452.4	10,100.3	10,807.8	11,477.2
Imports	14,270.6	14,425.1	14,784.3	14,059.5	14,526.3	15,150.3	15,870.9
Services	3,984.3	4,563.6	4,539.3	4,608.6	5,109.8	5,000.1	5,245.2
Credit	6,208.6	6,949.2	7,106.1	7,693.6	8,537.1	8,704.3	9,092.4
Debit	2,224.2	2,385.6	2,566.8	3,084.9	3,427.3	3,704.2	3,847.3
Primary income	-1,455.7	-1,828.1	-2,113.9	-2,379.9	-2,451.6	-2,975.8	-3,193.0
Credit	303.5	245.7	344.6	318.5	371.8	380.8	532.9
Remuneration of employees	35.6	35.3	35.4	34.5	30.6	33.2	34.5
Investment income	268.0	210.3	309.2	284.0	341.1	347.6	498.5
Debit	1,759.2	2,073.8	2,458.5	2,698.4	2,823.3	3,356.6	3,725.9
Remuneration of employees	64.8	69.9	90.8	95.4	94.9	133.0	142.0
Investment income	1,694.4	2,003.8	2,367.7	2,603.1	2,728.5	3,223.6	3,584.0
Secondary income	408.3	392.1	450.2	457.1	510.5	502.9	463.8
Credit	807.5	848.5	885.3	857.3	934.2	956.6	956.7
General Government	112.0	132.7	178.8	233.6	299.5	308.7	327.3
Financial corporations, non-financial corporations, households and NPISHs[a]	695.5	715.8	706.5	623.7	634.7	647.9	629.4
Of which: workers' remittances	526.8	561.1	558.5	517.5	514.8	527.2	499.0
Debits	399.2	456.4	435.1	400.2	423.7	453.7	492.9
General Government	8.6	14.0	13.1	12.4	15.4	16.1	8.8
Financial corporations, non-financial corporations, households and NPISHs[a]	390.6	442.4	422.0	387.8	408.3	437.6	484.2
Of which: workers' remittances	281.3	332.7	328.4	312.4	321.3	335.5	364.2
Capital account	46.2	7.9	-25.3	30.7	86.8	40.5	30.7
Financial account	-4,143.8	-3,544.4	-2,896.0	-3,251.9	-1,311.5	-1,725.1	-1,782.8
Net acquisition of financial assets	1,564.7	2,846.8	1,514.2	1,145.1	1,754.2	1,942.0	2,006.4
Direct investment	893.6	803.9	424.4	414.2	493.4	272.8	658.9
Portfolio investment	-177.3	377.3	330.5	271.9	113.8	226.7	695.7
Equity and investment fund shares	-183.4	38.2	72.5	44.5	244.3	41.6	440.3
Debt securities	6.1	339.1	258.0	227.4	-130.5	185.1	255.4
Financial derivatives (other than reserves)	-12.1	-4.4	-3.7	-3.0	-10.2	-10.3	-10.4
Other investment	860.6	1,670.0	763.0	461.9	1,157.2	1,452.9	662.2
Other equity	4.8	4.8	2.6	94.1	67.9	92.2	6.0
Currency and deposits	226.0	1,225.4	763.6	392.2	594.5	658.5	-120.9
Loans	17.6	14.1	6.4	-33.3	-3.6	-13.9	3.2
Insurance, pension, and standardized guarantee schemes	14.5	-12.8	19.6	-8.7	37.7	39.2	40.6
Trade credits and advances	556.5	446.3	-36.2	25.0	353.5	218.6	364.8
Other accounts receivable	41.2	-7.8	7.1	-7.3	107.1	458.3	368.6
Net liabilities incurred	5,708.5	6,391.2	4,410.2	4,396.9	3,065.7	3,667.1	3,789.2
Direct investment	2,696.3	3,205.4	3,242.1	2,955.5	2,620.4	2,856.0	2,735.1
Portfolio investment	1,960.5	2,583.4	905.6	844.7	529.7	618.8	-326.0
Equity and investment fund shares	8.9	13.8	7.6	1.5	42.2	43.0	43.9
Debt securities	1,951.6	2,569.6	898.0	843.2	487.5	575.7	-369.9
Financial derivatives (other than reserves)	-1.7	-1.2	1.2	-1.8	-2.4	-2.4	-2.4
Other investment	1,053.4	603.7	261.2	598.4	-82.1	194.8	1,382.5

	2012	2013	2014	2015	2016	2017	2018
Other equity	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Currency and deposits	-14.3	232.9	-1.1	87.9	-56.2	42.3	134.5
Loans	1,270.0	590.9	585.0	857.1	-13.1	119.2	1,463.0
Insurance, pension, and standardized guarantee schemes	0.0	0.0	0.0	-2.9	5.3	5.3	5.3
Trade credits and advances	-218.2	-148.0	-326.7	-377.1	-28.6	18.4	-228.4
Other accounts payable	15.9	-72.1	4.0	33.4	10.5	9.5	8.0
Net errors and omissions	330.7	-660.3	-530.8	-717.2	-376.2	-368.9	454.2
Reserve assets	2,109.6	460.9	-113.2	644.0	-235.2	-418.7	389.9

a Non-Profit Institutions Serving Households.

Note: 2018 preliminary figures.

Source: Prepared by the WTO Secretariat on the basis of data from the Central Bank of Costa Rica.

1.44. Net financial flows, particularly medium- and long-term private deposits and, above all, foreign savings in the form of direct investment, covered the total current account deficit in the balance of payments and contributed to the accumulation of reserve assets. The surplus was the result of large foreign direct investment (FDI) flows, a higher level of external indebtedness (public and private) and significant portfolio investment incomes. In 2018, net flows from the financial account (including reserve assets) totalled USD 2,237 million (up 65% from 2017), equivalent to 3.7% of GDP. These included direct investment flows, which were 1.46 times the current account deficit and equivalent to 4.5% of GDP in 2018.[42] Although FDI flows were significant in 2018, they accounted for a smaller share of GDP than during the period 2008-17, when they averaged 5.8% of GDP.[43]

1.45. External capital flows, associated with the BCCR's foreign currency purchases, resulted in a significant increase in the country's net international reserves (NIR) despite the current account deficit. In late 2018, NIR reached USD 7,501 million, equivalent to 3.3 months of imports of goods and services and 12.5% of GDP (12.3% in 2017).

1.46. During the period under review, external debt increased significantly in absolute terms, reaching USD 28,655 million (equivalent to 47.7% of GDP in 2018), compared to USD 14,473 million in 2012. This increase reflected the external indebtedness of the General Government, which was equivalent to 13.3% of GDP in 2018. External debt was equivalent to 140% of exports of goods and services in 2018. That year, most external debt (61.1%) corresponded to long-term operations, and nearly 27.1% of total liabilities were indebtedness of direct investment companies and their parent companies.[44]

1.3 Trends and patterns in merchandise and services trade

1.3.1 General aspects

1.47. Costa Rica's foreign trade (exports and imports) in goods went from 50.1% of GDP in 2012 to 46.4% in 2018, reflecting lower growth in securities traded than in GDP in general. During the period under review, Costa Rica's foreign trade continued to diversify, with services accounting for a greater share of exports. Between 2012 and 2018, services exports rose from 41% to 44.2% of total exports, on a balance-of-payments basis.

1.3.2 Merchandise trade

1.3.2.1 Composition of merchandise trade

1.48. The composition and direction of Costa Rica's merchandise trade, including data generated in free zones, are shown in Appendix Tables A1.1 to A1.4. During the period under review, Costa Rica's

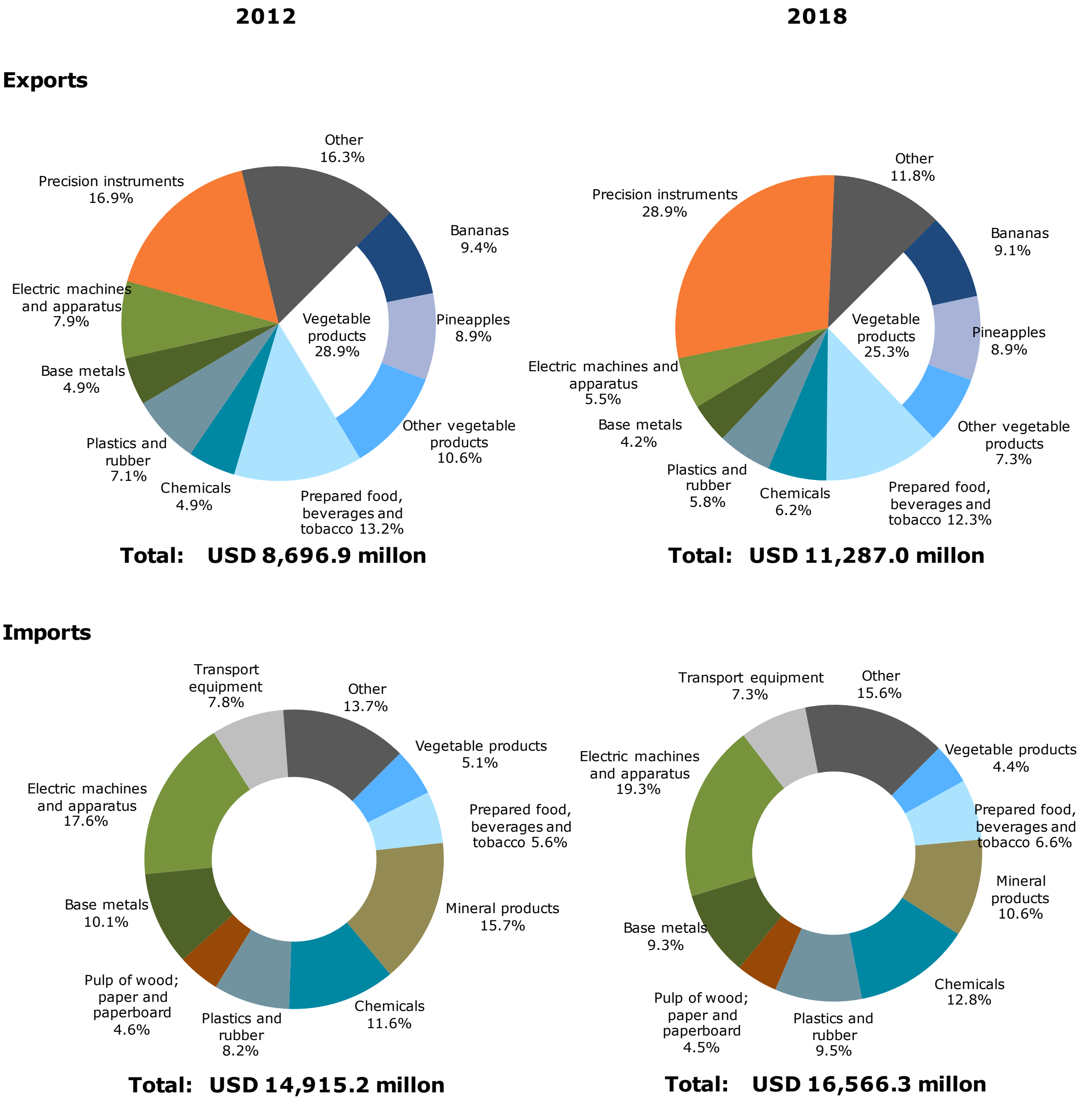
[42] Central Bank of Costa Rica (2019), *Memoria Anual 2018*. Viewed at: https://activos.bccr.fi.cr/sitios/bccr/publicaciones/DocMemoriaAnual/Memoria_Anual_2018.pdf.
[43] Central Bank of Costa Rica (2019), *Memoria Anual 2018*. Viewed at: https://activos.bccr.fi.cr/sitios/bccr/publicaciones/DocMemoriaAnual/Memoria_Anual_2018.pdf.
[44] Central Bank of Costa Rica (2019), *Memoria Anual 2018*. Viewed at: https://activos.bccr.fi.cr/sitios/bccr/publicaciones/DocMemoriaAnual/Memoria_Anual_2018.pdf.

foreign trade growth slowed down somewhat, mainly due to slower import growth. Between 2012 and 2018, the value of merchandise exports grew at an average rate of 3.9% per annum, while imports grew at an average rate of 1.8%, compared to 4.9% for exports and 6.6% for imports during the period 2007-12. In 2018, merchandise exports totalled USD 11,287 million, while imports totalled USD 16,566 million.

1.49. Exports of manufactured products (according to the Standard International Trade Classification, Rev. 3) continue to dominate goods exports, accounting for 75% of the total in 2018 (Table A1.1 and Chart 1.1). Agricultural products accounted for 25% of foreign sales in 2018. With regard to manufactured products, the main exports were medical instruments, followed by chemicals (including medicaments), electronics and other semi-manufactures (including tyres, paper and rubber). During the period under review, medical instruments and devices produced by companies located in free zones became the leading exports, accounting for 28.9% of total exported goods in 2018 (16.9% in 2012), surpassing edible fruit and nuts, which accounted for 19.6% of the total (19.9% in 2012). As to the breakdown of agricultural products, bananas continued to be the leading individual export item (9.1% of the total in 2017), with pineapples close behind (8.9%). Other significant exports included coffee, palm oil, melons, cassava, flowers, foliage and food preparations.

1.50. Most of Costa Rica's imports are manufactured goods, which accounted for more than three quarters of total merchandise imports in 2018 (Table A1.2 and Chart 1.1). With regard to manufactured goods, imports of machinery and transport equipment, chemicals, and telecommunications machinery and equipment were significant. Imports of mineral products, essentially fuels, represented 10.6% of total imports in 2018, down from 15.7% in 2012, due to the decrease in the international prices of oil. Agricultural products constituted 11% of the import bill and consisted primarily of food and beverages (6.6% of the total).

Chart 1.1 Merchandise exports and imports by type of product, 2012 and 2018



Source: WTO Secretariat estimates based on information provided by the authorities.

1.3.2.2 Direction of merchandise trade

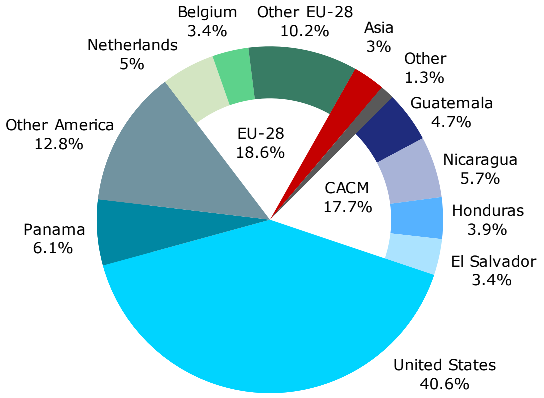
1.51. The United States strengthened its position as Costa Rica's main export market during the period under review, receiving 40.6% of goods exports in 2018 (Table A1.3 and Chart 1.2). The member countries of the Central American Common Market (CACM), as a whole, received 16% of Costa Rica's exports in 2018, down from 17.7% in 2012. Exports to the European Union showed a slight increase, accounting for 20.8% of total merchandise exports in 2018, compared to 18.6% in 2012; the main destinations were the Netherlands and Belgium. Exports to Asia accounted for 6.3% of the total, with Japan and China as the main export markets.

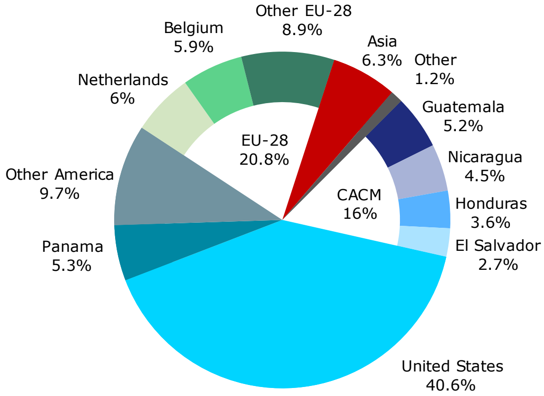
1.52. The United States continued to be the main country of origin of Costa Rican imports in 2018, although its share of total imports fell considerably, from 42.8% in 2012 to 39.1% in 2018 (Table A1.4 and Chart 1.2). Mexico was also an important supplier and was the origin of 7% of total imports in 2018. Imports from CACM countries, as a whole, accounted for 5.5% of the total in 2018. The share of total imports from Asia significantly increased, accounting for 23.1% in 2018 compared to 18.1% in 2012. Particularly noteworthy were imports from China, which rose from 9.6% of total imports in 2012 to 13.7% in 2018. European Union countries supplied 9.6% of Costa Rican imports in 2017, up from 8% in 2012; the main European suppliers were Germany, Spain and Italy.

Chart 1.2 Merchandise trade by trading partner, 2012 and 2018

2012 **2018**

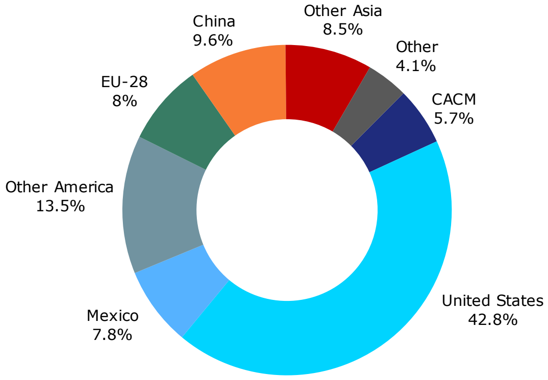
Exports

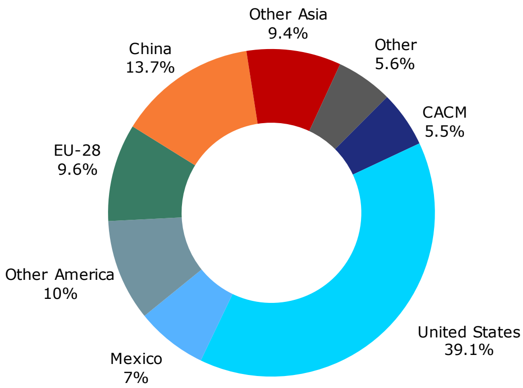




Total: USD 8,696.9 millon **Total: USD 11,287.0 millon**

Imports





Total: USD 14,915.2 millon **Total: USD 16,566.3 millon**

CACM = Central American Common Market.

Source: WTO Secretariat calculations based on data provided by the authorities.

1.3.3 Trade in services

1.53. During the period under review, Costa Rica continued to increase its traditional surplus in the services balance. Preliminary data from the BCCR show that, in 2018, services exports expanded by 4.4% and accounted for 15.1% of GDP (USD 9,092.4 million), while imports increased by 3.8% and had a relative weight of 6.4% with respect to GDP. The balance of trade in services was USD 5,245 million, equivalent to 8.7% of GDP, while in 2012, the surplus reached USD 3,984 million (Table 1.6).

1.54. The most significant services exports were travel (inbound tourism), followed by other business services and information technology and information services. The services exports that showed the greatest increases in 2018 included business support and exports related to telecommunications and information. Travel accounted for 42.1% of total revenue in 2018, which, according to the authorities, demonstrates that the country continues to be an attractive tourist destination and a competitive location for the installation of companies dedicated to the development of tradeable service activities.[45] Transportation, travel, financial services and the use of trademarks or intellectual property were noteworthy among outgoings for services.

Table 1.6 Trade in services, 2012-18

(USD million)

	2012	2013	2014	2015	2016	2017	2018
Services balance	3,984.3	4,563.6	4,539.3	4,608.7	5,109.8	5,000.1	5,245.2
Credit	**6,208.6**	**6,949.2**	**7,106.1**	**7,693.6**	**8,537.1**	**8,704.3**	**9,092.4**
Travel	2,529.1	2,928.1	2,996.3	3,266.5	3,648.4	3,723.7	3,832.1
Other business	1,718.5	2,064.8	2,252.2	2,606.8	2,925.0	2,960.6	3,144.8
Telecommunications, information technology and information	691.6	723.4	849.1	1,001.7	1,094.7	1,174.7	1,255.6
Transport	540.3	540.5	436.4	496.1	503.3	456.6	466.0
Processing services	643.9	554.2	360.4	149.1	136.9	151.4	159.0
Repair and maintenance n.i.e.	36.9	68.0	76.8	81.1	103.2	107.8	118.0
Financial	17.3	41.5	86.4	65.3	89.6	90.3	85.3
Government goods and services n.i.e.	29.9	26.6	31.8	24.6	29.0	31.8	23.9
Charges for the use of intellectual property	0	0	0	0.4	5.4	5.6	5.9
Insurance and Pension	0.9	1.7	1.5	2.0	1.7	1.9	1.9
Construction	0	0	0	0	0	0	0
Personal, cultural and recreational	0.3	0.4	15.1	0	0	0	0
Debit	**2,224.2**	**2,385.6**	**2,566.8**	**3,084.9**	**3,427.3**	**3,704.2**	**3,847.3**
Travel	422.0	424.8	450.1	690.1	802.9	895.3	861.8
Other business	96.0	92.7	104.3	264.1	384.6	453.3	465.8
Telecommunications, information technology and information	163.8	168.4	213.3	220.9	247.5	268.6	296.5
Transport	981.2	1,003.2	962.1	1,008.6	1,078.0	1,119.0	1,157.3
Processing services	0	0	0	0	0	0	0
Repair and maintenance n.i.e.	4.2	4.3	1.4	1.2	1.2	3.9	3.4
Financial	102.0	137.6	165.5	176.9	184.8	209.2	261.3
Government goods and services n.i.e.	24.1	14.4	17.8	17.5	14.9	13.0	13.6
Charges for the use of intellectual property	310.6	374.4	454.7	495.8	503.4	538.2	565.2
Insurance and Pension	117.6	163.5	195.4	208.1	207.0	202.7	221.5
Construction	0	0	0	0	0	0	0
Personal, cultural and recreational	2.7	2.3	2.2	1.7	3.0	1.0	1.0

Source: Prepared by the WTO Secretariat on the basis of data from the Central Bank of Costa Rica.

1.4 Trends and patterns in foreign direct investment

1.55. Costa Rica is a significant net recipient of FDI and continued to receive large FDI flows during the period under review. Between 2012 and 2018, FDI stock in Costa Rica increased by 93% to reach USD 43,100 million (71.7% of GDP). During the same period, FDI flows to the country continued to grow and averaged roughly USD 2,600 million per annum (Table 1.7). In 2018, Costa Rica received FDI flows totalling USD 2,134 million, equivalent to 3.5% of GDP. Costa Rica's foreign FDI stock stood at USD 7,034 million in 2018.[46] As a result of the gap between its external assets and liabilities, at the end of 2018, Costa Rica had an international debt equivalent to 53% of GDP.

Table 1.7 Foreign direct investment by activity, 2012-18

	2012	2013	2014	2015	2016	2017	2018
Total direct investment (USD million)	2,258.1	2,741.1	2,926.6	2,751.9	2,203.9	2,742.3	2,134.2
Sector				**% of total**			
Agriculture, forestry and fishery	1.0	0.1	0.9	14.6	2.4	0.1	0.4
Mining quarrying	-0.1	0	-0.4	0	2.5	-0.1	0.1
Manufacturing	17.7	12.0	21.0	22.6	43.3	46.2	53.2
Electricity, water and sanitation services	1.1	0.5	6.4	0.7	9.8	1.1	0.3
Construction	0.8	1.0	0.5	11.6	12.2	3.0	4.2

[45] Central Bank of Costa Rica (2019), *Memoria Anual 2018*. Viewed at: https://activos.bccr.fi.cr/sitios/bccr/publicaciones/DocMemoriaAnual/Memoria_Anual_2018.pdf.
[46] Central Bank of Costa Rica (2019), *Memoria Anual 2018*. Viewed at: https://activos.bccr.fi.cr/sitios/bccr/publicaciones/DocMemoriaAnual/Memoria_Anual_2018.pdf.

	2012	2013	2014	2015	2016	2017	2018
Wholesale and retail trade	17.1	10.1	13.7	5.4	3.8	4.8	6.0
Transportation and storage	0.9	0.9	0.4	0	0.3	0.1	-0.9
Accommodation and food services	3.1	4.7	1.2	1.9	4.0	16.2	1.0
Information and communication	22.0	4.2	10.2	6.8	4.8	5.3	16.2
Financial and insurance activities	6.5	8.8	9.7	11.3	5.1	6.4	6.6
Real estate activities	21.2	46.9	26.0	16.3	13.7	9.1	11.8
Professional, scientific, technical, administrative and support	8.6	9.8	9.4	8.7	-1.6	7.4	0.9
Education, human health and social work activities	0.4	0.3	0.1	0	-0.5	0.7	0
Other activities	-0.3	0.7	0.9	0	0.1	-0.2	0.1

Source: Prepared by the WTO Secretariat on the basis of data from the Central Bank of Costa Rica.

1.56. During the period under review, there was a significant change in the sectoral composition of FDI flows. There was greater investment in the manufacturing sector, especially in high-tech segments, such as those for medical equipment produced in free zones, and its share of total FDI reached 46.2% in 2017. Investment in accommodation and food services grew exponentially as a result of the tourism boom, rising from 3.1% of the total in 2012 to 16.2% in 2017. At the same time, there was a smaller share of FDI in information and communication, in wholesale and retail trade, and in real estate activities. The United States continued to be the primary source of FDI flows to Costa Rica, accounting for 62.2% of the total in 2018, followed by the Netherlands with 6%, Panama with 4.2% and Mexico with 3.4%.[47]

[47] Online information. Viewed at: http://indicadoreseconomicos.bccr.fi.cr/indicadoreseconomicos/Cuadros/frmVerCatCuadro.aspx?idioma=1&CodCuadro=%202185.

2 TRADE AND INVESTMENT REGIME

2.1 General Framework

2.1. The Political Constitution of Costa Rica dates back to 1949 and has undergone several reforms in accordance with the procedures laid down in the document itself.[1] Partial constitutional reforms may be put to a referendum; no referendum will be held, however, in the cases of reforms relating to budgetary, tax, fiscal, monetary, credit, pension or security matters, the approval of loans and contracts, or administrative acts.[2] Since the most recent review of Costa Rica's trade policies in 2013, the Constitution has been amended twice: in 2015, to establish the multi-ethnic and multicultural nature of the Costa Rican Republic, and in 2018, to stipulate that deputies must meet the standard of probity.[3]

2.2. Costa Rica is a unitary republic.[4] The State consists of three Branches that discharge their functions independently. Legislative power is vested in the Legislative Assembly, a unicameral body comprising 57 deputies. Executive power rests with the President (and 2 Vice-Presidents) of the Republic and 21 Ministers appointed by the President.[5] The President and the Ministers make up the Government Council. The President of the Republic is the Head of the Government Council and Head of State. Judicial power rests with the Supreme Court of Justice[6] and other courts established by law. In addition, the Supreme Electoral Tribunal, which organizes and oversees the electoral process, exercises its powers independently in a manner similar to the Legislative, Executive and Judicial Branches, and is therefore regarded as the fourth branch of the State.[7]

2.3. Presidential and legislative elections are held concurrently. The President of the Republic and the deputies serve four-year terms of office and may be re-elected, though not consecutively. Before a candidate may stand again for the office of President, eight years must have elapsed since the end of his first term of office. In the case of deputies, that period is four years.

2.4. Costa Rica's territory is divided into seven provinces, which are subdivided into 81 cantons and 481 districts.[8] The cantons are run by a municipal council headed by a mayor, while the districts are run by a district council chaired by a trustee *(síndico)*. In the municipal council, the trustee has only the right to speak. Nevertheless, in the districts furthest away from the centre of the canton there are district municipal councils, which are headed by a mayor *(intendente)*; these councils may take certain decisions without having to consult the municipal council.[9]

2.5. The Political Constitution is the supreme law in Costa Rica and is followed, in order of importance, by: international treaties, laws, decrees, regulations and other norms subject to the regulations.[10] Costa Rica has an online judicial information system.

2.6. Draft laws may be prepared by the Executive, deputies or citizens (at least 5% of the citizens inscribed in the electoral register). Citizens may not table draft laws regulating budgetary, fiscal and tax matters, however. There are two procedures for the processing of draft laws: the extraordinary legislative procedure, which is used only for draft laws relating to the budget and to constitutional

[1] Articles 195-196 of the Political Constitution, and the Manual of Legislative Procedures of the Legislative Assembly. Viewed at: http://www.asamblea.go.cr/ca/Documentos%20compartidos/Proceso_Formacion_Ley.pdf.

[2] Articles 195 and 105 of the Constitution.

[3] Article 1 of the Constitution, as amended by Law No. 9305 of 24 August 2015, and Article 112 of the Constitution, as amended by Law No. 9571 of 23 May 2018.

[4] Online information. Viewed at: http://www.tse.go.cr/generalidades_jurisdiccion.htm.

[5] The list of the Ministries may be viewed at: http://presidencia.go.cr/ministerios.

[6] The Supreme Court of Justice comprises 22 judges whose term of office is renewed automatically, unless two thirds (or more) of the Legislative Assembly object.

[7] Article 9 of the Political Constitution and online information. Viewed at: http://www.tse.go.cr/el_tse.htm.

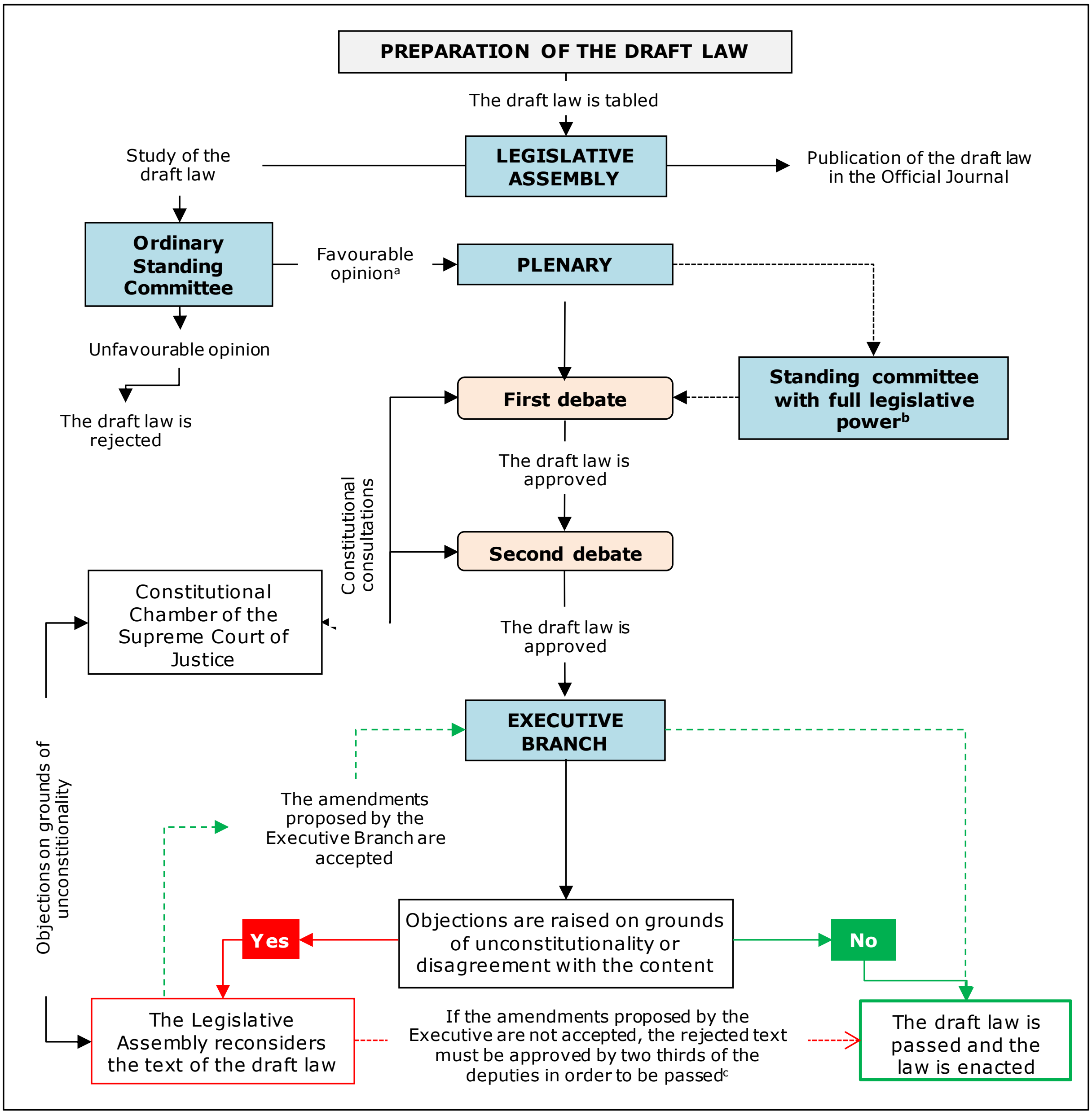
[8] Statistical Yearbook-Population, National Institute of Statistics and Censuses (INEC). Viewed at: http://www.inec.go.cr/documento/cuadro-732-total-de-cantones-y-distritos-segun-provincia-2015.

[9] Articles 168-175 of the Political Constitution, Law on Administrative Territorial Division (Law No. 8173) of 7 December 2001, and online information from the Supreme Electoral Court (TSE). Viewed at: http://www.tse.go.cr/generalidades_jurisdiccion.htm.

[10] Article 6 of Law No. 6227 of 2 May 1978.

reforms; and the ordinary legislative procedure, which is the one more often used.[11] This latter procedure has not changed substantially since 2013 (Chart 2.1). Citizens may approve or repeal laws and constitutional reforms by referendum.[12]

Chart 2.1 Ordinary legislative procedure



a A favourable opinion is generally required so as to initiate debates. In some cases, however, this opinion may be dispensed with if the Legislative Assembly so decides.
b The Plenary appoints a standing committee with full legislative power to debate the draft laws that are assigned to it.
c If two thirds of the votes are not obtained, the draft law is filed away and may be reconsidered during the following legislative session.

Source: Articles 123-129 of the Constitution, and Manual of Legislative Procedures of the Legislative Assembly. Viewed at: http://www.asamblea.go.cr/ca/Documentos%20compartidos/Proceso_Formacion_Ley.pdf.

[11] Manual of Legislative Procedures of the Legislative Assembly. Viewed at: http://www.asamblea.go.cr/ca/Documentos%20compartidos/Proceso_Formacion_Ley.pdf.
[12] Articles 195 and 105 of the Constitution.

2.7. The President of the Republic and the corresponding line minister hold exclusive power to sign international treaties. These must be approved by the Legislative Assembly by means of a law and must be ratified by the Executive through an executive decree. Usually, international treaties must be approved by an absolute majority of deputies; meanwhile, those attributing power to a supranational entity (to implement regional objectives) must be approved by two thirds of the deputies.[13] The provisional implementation of international treaties is not allowed in Costa Rica.[14]

2.8. Costa Rica does not have a foreign trade law as such. This notwithstanding, there are laws that contain elements relating to international trade. Some of these laws were revised during the period of this review (Table 2.1).

Table 2.1 Main laws pertaining to trade policy

Measure/sector	Legislation	Number and date	Latest reform
Customs	General Customs Law	Law No. 7557 of 20.10.1995	2015
Anti-dumping and countervailing measures	Central American Regulations on Unfair Trade Practices	Executive Decree No. 33809 of 8.5.2007	n.a.
	Rules of Procedure for the Application of Measures to Combat the Circumvention of Anti-Dumping and Countervailing Duties and Safeguard Duties	Executive Decree No. 40559 of 15.5.2017	n.a.
Safeguard measures	Central American Regulations on Safeguard Measures	Executive Decree No. 33810 of 24.5.2007	n.a.
Technical regulations	Law on the National Quality System	Law No. 8279 of 21.5.2002	n.a.
	Central American Guide to Good Regulatory Practices	Executive Decree No. 41296 of 9.11.2018	n.a.
Sanitary measures	General Law on Health	Law No. 5395 of 24.2.1974	2018
	Law on Phytosanitary Protection	Law No. 7664 of 08.4.1997	2013
	General Law on Animal Health	Law No. 8495 of 16.5.2006	2010
Incentives	Law Regulating Current Exemptions, Derogations and Exceptions	Law No. 7293 of 31.3.1992	2012
	General Telecommunications Law	Law No. 8642 of 4.6.2008	2018
Competition	Law on the Promotion of Competition and Effective Consumer Protection	Law No. 7472 of 20.12.1994	2016
Government procurement	Government Procurement Law	Law No. 7494 of 1.5.1996	2018
Intellectual property	Law on the Creation of the Office for Livestock Marks	Law No. 2247 of 7.8.1958	2010
	Law on Copyright and Related Rights	Law No. 6683 of 14.10.1982	2010
	Law on Patents, Industrial Designs and Utility Models	Law No. 6867 of 25.4.1983	2008
	Law on Biodiversity	Law No. 7788 of 30.4.1998	2008
	Law on Layout-Designs of Integrated Circuits	Law No. 7961 of 17.12.1999	n.a.
	Law on Undisclosed Information	Law No. 7975 of 4.1.2000	2008
	Law on Trademarks and Other Distinctive Signs	Law No. 7978 of 6.1.2000	2008
	Law on Procedures for Enforcement of Intellectual Property Rights	Law No. 8039 of 12.10.2000	2018
	Law on the Protection of New Varieties of Plants	Law No. 8631 of 6.3.2008	2008
	Approval of the Protocol to the Central American Convention for the Protection of Industrial Property (Trademarks, Trade Names and Advertising Slogans or Signs)	Law No. 7982 of 14.1.2000	n.a.
Financial services	Law on the Organization of the National Banking System	Law No. 1644 of 26.9.1953	2019
	Law on the Organization of the Central Bank of Costa Rica	Law No. 7558 of 27.11.1995	2019
	Law on Modernization of the Financial System of the Republic	Law No. 7107 of 4.11.1988	1995
	Law Regulating the Insurance Market	Law No. 8653 of 7.8.2008	2011

[13] Articles 119, 121 and 140 of the Political Constitution.
[14] Reservation 2 of Law No. 7615 of 24 July 1996.

Measure/sector	Legislation	Number and date	Latest reform
	Law Regulating Insurance Contracts	Law No. 8956 of 17.6.2011	n.a.
	Comprehensive Reform of the Law on the Development Banking System	Law No. 9274 of 27.11.2014	n.a.
	Law Regulating the Securities Market	Law No. 7732 of 17.12.1997	2018
Telecommunications	Radio Law	Law No. 1758 of 19.6.1954	2016
	Law on the Strengthening and Modernization of Public Entities in the Telecommunications Sector	Law No. 8660 of 8.8.2008	2012
	General Telecommunications Law	Law No. 8642 of 4.6.2008	2018
	Law on the Public Services Regulatory Authority (ARESEP)	Law No. 7593 of 15.9.1996	2018
Air transport	General Law on Civil Aviation	Law No. 5150 of 14.5.1973	2009
Maritime transport	National Flag Vessel Registration Law	Law No. 12 of 22.10.1941	1958
	Law on Coastal Shipping Services	Law No. 2220 of 20.6.1958	2009
Tourism	Law Regulating Travel Agencies	Law No. 5339 of 23.8.1973	1994
	Law on Tourism Development Incentives	Law No. 6990 of 15.7.1985	2001
	Law on the Promotion of Rural Community Tourism	Law No. 8724 of 17.7.2009	2012

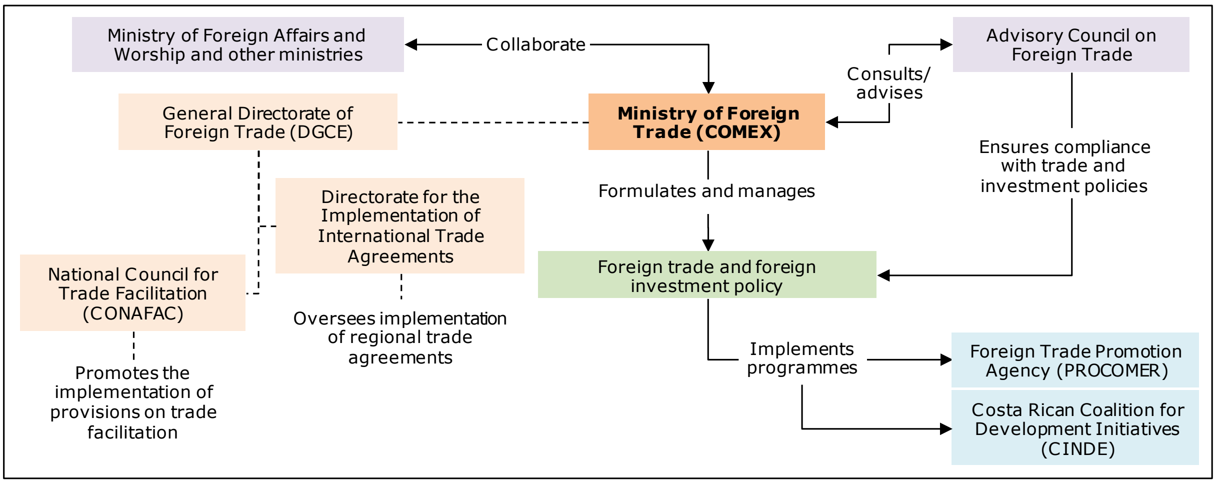
n.a. Not applicable.

Source: WTO Secretariat.

2.2 Trade policy formulation and objectives

2.9. The Ministry of Foreign Trade (COMEX) is the body charged with formulating and implementing foreign trade and foreign investment policy in Costa Rica. Other ministries collaborate with COMEX in this regard, including the Ministry of Foreign Affairs and Worship, the Ministry of the Economy, Industry and Trade (MEIC) and the Ministry of Agriculture and Livestock (MAG) (Chart 2.2). Some trade policy decisions are taken jointly by several ministries. To modify the tariff, for example, an executive decree must be issued by COMEX, MEIC and MAG (when applicable).[15] Besides, COMEX is advised by the Advisory Council on Foreign Trade[16] comprising representatives of four ministries (COMEX, which chairs it, MEIC, MAG and the Ministry of Foreign Affairs and Worship), as well as representatives of the private sector and consumer associations.

Chart 2.2 Institutions involved in trade policy



Source: Law No. 7638 of 30 October 1996 and Law No. 9430 of 20 April 2017.

2.10. The National Council for Trade Facilitation (CONAFAC) is attached to COMEX. It was set up and launched in 2017 to help implement the provisions of the WTO Agreement on Trade Facilitation (Chart 2.2). The Council is the body that coordinates government entities responsible for foreign trade procedures and for projects to improve formalities and physical and technological

[15] Law No. 7638 of 30 October 1996.
[16] Article 4 of Law No. 7638 of 30 October 1996.

infrastructure at ports, airports and border posts in order to facilitate trade. CONAFAC comprises seven Vice-Ministers[17] and five private sector representatives, each with the right to vote, and of whom four are appointed by the Costa Rican Union of Chambers and Associations of the Private Business Sector. The Council's decisions are binding on the Public Administration. Since its establishment, CONAFAC has promoted important projects for trade facilitation in Costa Rica, some of the main ones being the Border Integration Programme (PIF), the National System of Non-Intrusive Inspection (use of scanners), the multimodal transport initiative (ferry) between Costa Rica and El Salvador, and the Central American Trade Facilitation Strategy. CONAFAC is supported by local (public-private) trade facilitation committees, which are set up at the borders to support and oversee the implementation of the Agreement.[18] The National Council for Trade Facilitation took over the functions of the Board of Land Border Posts established in 2013 to speed up border controls.[19]

2.11. The Foreign Trade Promotion Agency (PROCOMER) a government entity, and the Costa Rican Coalition for Development Initiatives (CINDE), a private non-profit organization, work together with COMEX to implement programmes to promote exports and attract foreign investment.[20]

2.12. COMEX represents Costa Rica in trade negotiations and formulates negotiating strategies with the support of the various sectors of the economy as well as civil society. COMEX reports periodically on the progress of negotiations. The COMEX Directorate for the Implementation of International Trade Agreements is charged with monitoring the implementation of trade agreements.

2.13. Costa Rica's trade policy objectives are laid out in the National Development Plan (PND), which is drawn up every four years. Under the 2015-18 PND as well as that for 2019-22, foreign trade is meant to be a vehicle for furthering the country's economic and social advancement. Costa Rica's trade policy rests on three pillars: negotiating, implementing and managing trade agreements; developing and promoting goods and services exports, and attracting foreign direct investment. The main aim of foreign trade policy is still to foster greater trade openness and the internationalization of the economy so as to allocate resources more efficiently, thereby creating additional sources of employment and reducing poverty as well as social and territorial inequality.[21]

2.14. Costa Rica attaches great importance to regional integration as one of the main underpinnings of its foreign policy. Proof of this is the fact that it has negotiated a network of trade agreements that have been instrumental in liberalizing and modernizing the economy as well as improving market access. The authorities deem the trade agreements to have been crucially important to Costa Rica, as they have given rise to new opportunities for trade, market diversification and integration into value chains, thereby helping to boost the competitiveness of the economy.[22] Costa Rica will therefore strive to negotiate new trade agreements and better manage and profit from existing ones. While it attributes great importance to regionalism, Costa Rica believes that its trade policy must be in harmony with the rules of the multilateral trading system.

2.15. The authorities have also stated that Costa Rica will continue to implement policies to promote and diversify goods and services exports and diversify its markets, thereby strengthening its presence on international markets. Likewise, it will continue its efforts to simplify customs formalities in order to boost competitiveness and the quality of exports and be able to comply with the sanitary and/or technical stipulations in place in the various markets.

2.16. As regards its policy of promoting foreign investment, Costa Rica strives to attract investment to high value-added sectors that promote the integration of Costa Rican products into global value

[17] The Vice-Ministers of the following bodies: Foreign Trade (President of CONAFAC); Ministry of Finance (revenue); Agriculture and Livestock; Ministry of Public Works and Transport (transport); Health; Public Security; and Governance and Police.

[18] Law No. 9430 of 20 April 2017 and Executive Decree No. 40476 of 30 June 2017.

[19] Law No. 9154 of 3 July 2013 and online information. Viewed at: http://presidencia.go.cr/comunicados/2017/09/lanzan-el-consejo-nacional-de-facilitacion-del-comercio.

[20] The cooperation agreement signed in 2011 between COMEX, PROCOMER and CINDE was renewed in 2016 (COMEX Document DM-COR-CAE-0246-2016 of 15 June 2016).

[21] PND 2015-19. Viewed at: http://www.mideplan.go.cr/tools/social; and *Plan Nacional de Desarrollo y de Inversión Pública del Bicentenario 2019-2022*. Viewed at: https://www.mideplan.go.cr/component/content/article?id=1963.

[22] Online information. Viewed at: http://www.comex.go.cr/tratados_ie.

chains. It is believed that greater foreign investment would pave the way for export promotion and diversification as well as the transfer of technology and knowledge to other sectors of the economy.

2.3 Trade agreements and arrangements

2.3.1 WTO

2.17. As a founding Member of the WTO, Costa Rica has been very active in the Organization and has reiterated its support for the WTO on numerous occasions, as it believes that the multilateral trading system has created enormous value and fostered economic growth and human development for its Members.[23] Costa Rica is of the view that it is essential to continue to have a strong WTO and a rules-based multilateral trading system.[24] Costa Rica trusts that the forthcoming negotiations will include new trade-related topics such as global value chains, electronic trade, facilitation of investments, integration of micro, small and medium-sized enterprises into international trade, the interaction between trade and competition policy, and climate change.[25] In 2017, Costa Rica signed three plurilateral declarations relating to initiatives for negotiations on electronic trade, the facilitation of investment and the incorporation of micro, small and medium-sized enterprises into international trade.[26] Costa Rica participates in the negotiations on the Environmental Goods Agreement, the aim of which is to eliminate tariffs affecting such goods. Furthermore, Costa Rica is a member of the group of "Friends of the System", the group of "Friends of E-Commerce for Development" (FED), the Cairns Group, the Group on Tropical Products and the group of Friends of Anti-Dumping Negotiations, and is a sponsor of the Joint Proposal in intellectual property.

2.18. In 2017 Costa Rica ratified and accepted the Protocol concerning the Trade Facilitation Agreement (TFA).[27] As notified, Costa Rica will immediately implement virtually all the provisions of the Agreement (Articles 1 to 12), except for certain provisions regarding import/export and transit formalities (Articles 10.1.1 and 10.2.1) for which it has requested technical assistance; the indicative timelines for the implementation of these provisions have been notified.[28] As a signatory to the Information Technology Agreement (ITA), Costa Rica took part in the negotiations held between 2012 and 2015 to expand its scope. The other participants have approved the schedule of concessions submitted by Costa Rica.[29] Since 2015 Costa Rica has been an Observer in the Government Procurement Committee. Costa Rica is not a signatory to the Agreement on Trade in Civil Aircraft.

2.19. Costa Rica also accepted the Protocol amending the Agreement on Trade-Related Aspects of Intellectual Property Rights[30] and the Fifth Protocol (financial services) to the General Agreement on Trade in Services.

2.20. Costa Rica accords at least most-favoured-nation (MFN) treatment to all its trading partners. This is the fifth review of its trade policies; the preceding review took place in 2013. During the period of this review, Costa Rica submitted numerous notifications under the various WTO Agreements (Table A2.1).

2.21. Mexico and Costa Rica held bilateral consultations in 2017 owing to measures imposed by Costa Rica on imports of fresh avocados from Mexico.[31] In November 2018, Mexico requested the

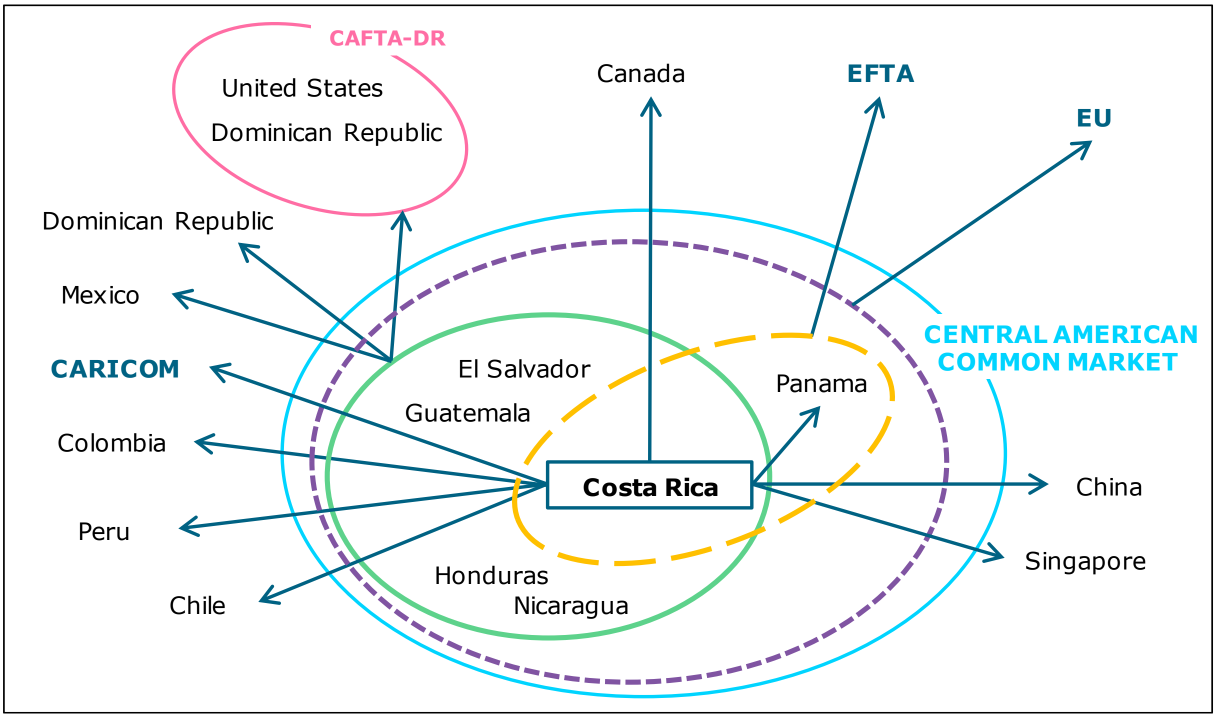
[23] WTO document WT/MIN(17)/ST/24 of 13 December 2017.
[24] COMEX press release, December 2017. Viewed at: http://www.comex.go.cr/sala-de-prensa/comunicados/2017/diciembre/costa-rica-inicia-su-participaci%C3%B3n-en-la-xi-conferencia-ministerial-de-la-omc.
[25] WTO documents WT/MIN(13)/ST/5/Rev.1 of 5 December 2013, WT/MIN(15)/ST/11 of 18 December 2015 and WT/MIN(17)/ST/24 of 13 December 2017.
[26] WTO documents WT/MIN(17)/58, WT/MIN(17)/59 and WT/MIN(17)/60 of 13 December 2017.
[27] Costa Rica ratified the Protocol through Executive Decree No. 40342 of 4 April 2017. Costa Rica's instrument of acceptance was deposited on 1 May 2017.
[28] WTO documents WT/PCTF/N/CRI/1 of 19 May 2014 and G/TFA/N/CRI/1 of 7 November 2017.
[29] WTO documents G/MA/W/117/Add.6 of 28 January 2016 and G/MA/W/117/Add.6/Rev.1 of 7 July 2016, and WTO online information. Viewed at: https://www.wto.org/english/tratop_e/inftec_e/itaintro_e.htm.
[30] WTO document WT/Let/838 of 14 December 2011.
[31] WTO document WT/DS524/1 of 13 March 2017.

establishment of a panel,[32] and this was done in May 2019.[33] As of May 2019 this was the only complaint filed against Costa Rica. Between 2013 and 2018, Costa Rica did not participate in any disputes either as a complainant or as a third party.

2.3.2 Regional and preferential agreements[34]

2.22. Costa Rica is a member of the Central American Common Market, which was created through the General Treaty on Central American Economic Integration. Costa Rica has also signed other trade agreements, including the Free Trade Agreement between Central America, the Dominican Republic and the United States (CAFTA-DR), which is one of the most important (Chart 2.3). Since the preceding trade policy review in 2013, Costa Rica has concluded several trade agreements and stepped up its participation in existing ones.[35] These trade agreements are in force for Costa Rica and, with the exception of that with CARICOM, have been notified to the WTO.[36]

Chart 2.3 Trade agreements in force, 2019



Source: Online information from COMEX. Viewed at: http://www.comex.go.cr/tratados_ie.

2.23. During the review period, Costa Rica continued to implement the Tariff Reduction Programme agreed under the Free Trade Agreement between Central America, the Dominican Republic and the United States (CAFTA-DR) (Box 2.1).[37]

[32] WTO document WT/DS524/2 of 27 November 2018.
[33] WTO document WT/DS524/3 of 20 May 2019.
[34] Online information. Viewed at: http://www.comex.go.cr/tratados_ie.
[35] Online information. Viewed at: http://www.comex.go.cr/tratados_ie.
[36] Online information. Viewed at: http://rtais.wto.org/UI/PublicMaintainRTAHome.aspx.
[37] The CAFTA-DR was signed in 2004 and took effect on 1 March 2006 for El Salvador and the United States; on 1 April 2006 for Honduras and Nicaragua; on 1 July 2006 for Guatemala; on 1 March 2007 for the Dominican Republic; and on 1 January 2009 for Costa Rica.

Box 2.1 CAFTA-DR: Tariff reduction, 2013-18

Under the CAFTA-DR, Costa Rica has a tariff reduction schedule which will be fully implemented by 2025 with respect to all Parties. Pursuant to the tariff reduction programme, Costa Rica eliminated most tariffs in 2015, leaving 95.3% of tariff lines duty-free for signatories to the Agreement. In 2018, this percentage was 95.9%.

The products that remain protected are all agricultural goods. Tariff reductions for "sensitive" agricultural produce began in 2016 and will be completed in 2025. The agricultural products concerned include: rice, chicken thighs, pork and beef and some dairy products. Fresh potatoes and fresh onions (0.1% of total tariff lines) are excluded from the tariff reduction programme.

Costa Rica also negotiated tariff quotas with the United States and the Dominican Republic. In the case of imports from the United States, quotas were negotiated for: rice, pork, poultry meat (thighs, legs), fresh onions, fresh potatoes and frozen potatoes for frying, as well as various dairy products (ice cream, milk powder, butter, cheese and others). In the case of the Dominican Republic, milk powder and chicken breasts are subject to tariff quotas.

For imports from the United States, a 0% tariff became applicable to in-quota imports as of the entry into force of the Agreement. The volume of in-quota imports will increase gradually, and the quotas eliminated within a 5- to 20-year time-frame, and out-of-quota duties gradually phased out. The quotas for fresh potatoes and onions will not be eliminated; their volume will nevertheless increase by 6 tonnes annually. Out-of-quota imports will be subject to the MFN tariff.

From 2013 to 2018, Costa Rica gradually increased the volume of in-quota imports and began the gradual elimination of out-of-quota tariffs on rice, pork, chicken thighs and dairy products.

In the case of imports from the Dominican Republic, a 12.5% in-quota tariff is currently applied to chicken thighs and 0% to imports of powdered milk. The volume of the quota (2,070 tonnes) remains constant. Out-of-quota tariffs will be phased out between 2016 and 2025. The in-quota tariff on milk powder has been 0% since 2013 and out-of-quota duties will be phased out between 2016 and 2025.

Source: WTO document WT/REG211/3 of 18 July 2016.

2.24. As of 2013, besides the Central America-Panama Free Trade Agreement and its Bilateral Trade Protocols of 2008, trade between Costa Rica and Panama has been regulated by the General Treaty on Central American Economic Integration (TGIEC), adopted by Panama through the Protocol Incorporating the Republic of Panama into the Central American Integration Subsystem. Costa Rica abolished tariffs on 90% of imports from Panama as of 2013. The products to be gradually liberalized are vehicles, some oils and fats and certain types of pork.[38]

2.25. Since 2013 Costa Rica has signed regional trade agreements with the countries of the European Free Trade Association (EFTA), as well as with Colombia, the EU, Mexico, Peru and Singapore. The agreements with the EU and the EFTA countries consolidate and expand the preferences that are granted through the Generalized System of Preferences (GSP Plus).[39] Meanwhile, the 2013 Free Trade Agreement between Central America and Mexico replaced three old bilateral agreements, consolidating them into a single agreement; in virtue of this, the 1995 Bilateral Free Trade Agreement with Mexico was voided.[40]

2.26. The new trade agreements include provisions on market access for goods and services, as well as investment promotion measures. As pertains to market access for goods, the agreements lay out programmes for gradual tariff reduction (Table 2.2), and a number of provisions have been negotiated to eliminate non-tariff barriers. In the case of access to services markets, the agreements provide for two modalities, namely, a "negative list" and a "positive list".[41]

[38] Resolution 331-2013 (COMIECO-LXVI), as amended by Resolution 08-2018 (CEIE).

[39] Information provided by the authorities.

[40] The signatories of the three free trade agreements were: Mexico and Costa Rica; Mexico and Nicaragua; and Mexico and the Northern Triangle (El Salvador, Guatemala and Honduras).

[41] WTO documents WT/REG357/1/Rev.1 of 6 April 2016 (EFTA), WT/REG376/1 of 10 April 2018 (Colombia), WT/REG349/1 of 7 September 2015 (Mexico), WT/REG342/1/Rev.1 of 26 June 2014 (Peru) and WT/REG347/1 of 3 March 2014 (Singapore).

Table 2.2 Trade agreements in force, 2013-19

	Free Trade Agreement between the EFTA States and the Central American States[a]	Free Trade Agreement between Costa Rica and Colombia	Free Trade Agreement between Central America[b] and Mexico	Free Trade Agreement between Costa Rica and Peru	Free Trade Agreement between Costa Rica and Singapore	Association Agreement between Central America[c] and the European Union
Date of entry into force	Norway: 19.8.2014 Switzerland and Liechtenstein: 29.8.2014 Iceland: 5.9.2014	1.8.2016	1.7.2013	1.6.2013	1.7.2013	1.10.2013
Scope	Goods and services	Goods and services	Goods and services	Goods and services	Goods and services	Goods and services
Tariff elimination programme						
End of tariff reduction period	2028	2030	2022	2027	2022	2028
	(% of total tariff lines)					
Duty-free lines	95.1	95.9	97.9	98.6	100.0	95.7
Immediate tariff reduction	59.3	70.6	97.9	77.8	90.6	47.9
Less than 10 years	6.4	4.1	0.0	3.6	0.1	7.4
10 years	26.0	16.5	0.0	12.6	9.2	36.3
More than 10 years	3.4	4.7	0.0	4.6	0.1	4.1
Lines for which the tariff is maintained	4.9	4.2	2.1	1.3	0.0	4.0
Tariff quotas	n.a.	0.0	n.a.	0.1	n.a.	0.3

a Costa Rica and Panama.
b Costa Rica, El Salvador, Guatemala, Honduras and Nicaragua.
c Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua and Panama.

n.a. Not applicable.

Source: Online information from COMEX. Viewed at: http://www.comex.go.cr/tratados_ie, and information provided by the authorities.

2.27. Costa Rica undertook to eliminate tariffs immediately for a certain percentage of tariff lines ranging between 47.9% (EU) and 93.3% (EFTA). Broadly speaking, Costa Rica will eliminate most tariffs over a period not exceeding ten years (Table 2.2). The remaining goods are subject to a longer tariff reduction period (but never exceeding 15 years), or will be excluded from the tariff reduction programme. By the end of the tariff reduction period, Costa Rica will eliminate tariffs on all products from Singapore (Table 2.2). Tariffs will be removed from all imports of manufactures from EFTA countries and the EU at the end of the respective tariff reduction periods.[42]

2.28. The agreements between Costa Rica and the EU, Colombia and Peru contain tariff quotas. Under the agreement with the EU, tariff quotas were negotiated for Central America as a whole (regional) and for each country in particular (national).[43] Regional quotas are in place for imports of cured hams and bellies (streaky), whey, and pork (prepared or preserved), while the quotas for Costa Rica will cover imports of powdered milk and cheese. In the case of regional quotas, out-of-quota tariffs will be eliminated gradually; this is not so for the national quotas.[44] Under the agreement with Colombia, tariff quotas were negotiated for imports of dog and cat food put up for retail sale, and in the case of Peru, for beef. The out-of-quota tariff will not be liberalized in either of these two cases.[45]

[42] Online information. Viewed at: http://www.comex.go.cr/tratados_ie.
[43] Executive Decree No. 37875-COMEX of 24 September 2013.
[44] Online information from COMEX. Viewed at: http://www.comex.go.cr/tratados_ie.
[45] Online information from COMEX. Viewed at: http://www.comex.go.cr/tratados_ie.

2.29. With regard to rules of origin, the new Free Trade Agreement between Central America and Mexico amended the preferential rules of origin that governed the previous agreement. Specifically, the new agreement allows for regional and extended cumulation of origin.[46]

2.30. In 2018, Central America[47] and the Republic of Korea signed a free trade agreement that has not yet been ratified by Costa Rica (as at February 2019). Costa Rica is an Observer State in the Pacific Alliance and applied for membership in 2014.[48]

2.3.3 Other agreements and arrangements

2.31. Australia, Belarus, Japan, the Russian Federation, Kazakhstan, New Zealand and Turkey grant unilateral tariff preferences to Costa Rica under their respective Generalized System of Preferences (GSP).

2.32. Costa Rica participates in the negotiations on the Trade in Services Agreement (TiSA).[49]

2.4 Investment regime

2.33. Costa Rica's investment regime has remained virtually unchanged since 2013. There is no general law governing this regime; instead it falls under several laws and executive decrees as well as provisions of the Constitution.

2.34. Foreign investors do not require prior authorization to invest in Costa Rica. There are no foreign exchange restrictions, nor are there are limitations on the repatriation of profits or capital from the liquidation of an investment. Remittances, however, are subject to a tax.[50]

2.35. Costa Rica accords national treatment to foreign investment.[51] Some activities are nonetheless reserved either for the Costa Rican State or for domestic investors. State enterprises hold monopolies on the provision of public fixed telephony services; the import, refining and wholesale distribution of petroleum and petroleum by-products; the production and marketing of spirits; and lotteries and bingos (Table 2.3). Furthermore, the Constitution stipulates that the power generated through the use of water resources in the public domain, the working of deposits (coal, radioactive minerals as well as petroleum and other hydrocarbons), the provision of wireless services and the construction, operation and management of the railway network, ports and airports may never definitively leave State ownership.[52] Private investment (domestic or foreign) is still allowed in these activities, except for opencast mining and the exploration and exploitation of petroleum deposits (until 2021).[53] There are some restrictions on professional, entertainment and advertising services.[54]

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[46] Online information from SICEX, El Salvador. Viewed at: https://www.centrex.gob.sv/scx_html/FTAs%20Mexico-Central_America.html, and explanatory document, Central America-Mexico FTA. Viewed at: http://infotrade.minec.gob.sv/mexico/wp-content/uploads/sites/4/TLC-C.A.-México.WEB_.pdf.

[47] Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua, and Panama.

[48] Online information. Viewed at: https://alianzapacifico.net/en/observant-countries.

[49] Although the TiSA is being negotiated by a group of WTO Members, the negotiations are taking place outside the framework of this Organization. WTO online information. Viewed at: https://www.wto.org/english/thewto_e/minist_e/mc9_e/brief_serv_e.htm.

[50] Online information. Viewed at: http://www.hacienda.go.cr/docs/58c95fbf7e459_REMESAS%20AL%20EXTERIOR.pdf.

[51] Article 19 of the Constitution.

[52] Article 121 of the Constitution.

[53] Executive Decree No. 36693 of 1 August 2011.

[54] WTO document WT/TPR/S/286/Rev.1 of 27 November 2013.

Table 2.3 Main restrictions on domestic and foreign investment, 2019

Sector/activity	Investment		Legislation and/or description of the restriction
	Domestic	Foreign	
Agriculture and fishing			
Fishing	Authorized	Not authorized	Law No. 8436 of 1.3.2005 Only Costa Rican vessels are entitled to fish in the exclusive economic zone. Foreign vessels may nevertheless be authorized to engage in purse seine tuna fishing in the exclusive economic zone under an international treaty or a special domestic law.
Manufacturing			
Production (distillation) and marketing of spirits	Not authorized	Not authorized	Law No. 2035 of 17.7.1956 State monopoly
Mining and energy			
Electricity (generation)	Authorized	Authorized, but with restrictions	Law No. 7200 of 28.9.1990 Costa Rica must hold a 35% stake in the company.
Electricity (generation, distribution and marketing in the domestic market)	Authorized, but with restrictions		Law No. 8660 of 8.8.2008 The Costa Rican Electricity Institute (ICE), a state-owned enterprise, will retain majority ownership (51% of the capital) in enterprises that it acquires or sets up.
Electricity (generation, distribution and marketing in the local market)	Authorized	Authorized, but with restrictions	Law No. 7789 of 30.4.1998 The Heredia Public Services Company (ESPH), a municipal enterprise, will maintain majority ownership (a 51% stake) in joint ventures set up with foreign private companies.
Mining	Authorized	Authorized, but with restrictions	Law No. 6797 of 4.10.1982 Foreign mining companies will not be able to obtain bank credit exceeding 10% of their total investment.
Mining (opencast)	Not authorized	Not authorized	Law No. 8904 of 1.12.2010
Oil (prospecting and exploitation)	Not authorized	Not authorized	Executive Decree No. 26693 of 1.8.2011
Petroleum and by-products (import, refining and wholesale distribution)	Not authorized	Not authorized	Law No. 7356 of 24.8.1993 State monopoly
Services			
Cooperative banks	Authorized	Authorized, but with restrictions	Law No. 1644 of 26.9.1953 Establishing a cooperative bank requires the participation of at least 10 Costa Rican cooperative organizations.
Mutual banks	Authorized	Authorized, but with restrictions	Law No. 7107 of 4.11.1988 The establishment of a mutual bank requires the participation of at least 25 Costa Rican mutual associations.
Air cabotage	Authorized	Not authorized	Agreements and memorandum on air services/the provision of the service is reserved for Costa Rican airlines.
Maritime cabotage	Authorized	Not authorized, but there are exceptions	Executive Decree No. 66 of 4.11.1960 The cabotage service is reserved for Costa Rican vessels, but foreign vessels may be allowed to provide the service when no Costa Rican vessels are available.
Telecommunications (domestic market)	Authorized, but with restrictions		Law No. 8660 of 8.8.2008 The Costa Rican Electricity Institute (ICE), which is a state-owned enterprise, will retain majority ownership (51% of the capital) in enterprises that it acquires or sets up.
Telecommunications (local market)	Authorized	Authorized, but with restrictions	Law No. 7789 of 30.4.1998 The Heredia Public Services Company (ESPH), a municipal enterprise, will maintain majority ownership (a 51% stake) in joint ventures set up with foreign private companies.

Sector/activity	Investment		Legislation and/or description of the restriction
	Domestic	Foreign	
International maritime transport	Authorized	Authorized, but with restrictions	Law No. 12 of 22.10.1941 10% of the crew of Costa Rican vessels must be of Costa Rican nationality.
Domestic land freight transport	Authorized	Authorized, but with restrictions	Executive Decree No. 15624 of 28.8.1984 Only Costa Rican companies (51% of the capital and effective control) may provide the service.
International land transport of passengers	Authorized	Authorized, but with restrictions	Executive Decree No. 41404 of 19.10.2018 Only Central American companies (60% of capital) may provide the service.

Source: WTO Secretariat.

2.36. Border areas as well as coastal land areas are State property. While investors are not allowed to purchase land in these areas, they may apply for concessions to use such land.[55] Concessions are granted only to foreigners who reside permanently in Costa Rica and to foreign companies established in Costa Rica with a minority foreign capital stake. There are no restrictions on land purchases by foreigners throughout the rest of Costa Rican territory.[56] The State may expropriate properties for reasons of public interest.[57]

2.37. PROCOMER and CINDE provide assistance to foreign investors. Both bodies promote Costa Rica as an investment destination; they support investors before and after setting up business; they strive to attract investment to sectors with substantial development potential (life sciences, services, manufacturing and food industry); and advise the Government Council on improving the investment climate.[58] In collaboration with CINDE, the Costa Rican Tourism Institute (ICT) is charged specifically with advising parties interested in investing in the tourism sector.[59]

2.38. Foreign companies may set up subsidiaries (commercial companies) or operate branches and representative offices in Costa Rica.[60] There are four types of commercial company: general partnerships, limited partnerships, limited liability companies and public limited companies, the latter being the most prevalent.[61] At present both domestic and foreign companies must complete a number of formalities at various government agencies in order to set up shop (Chart 2.4). These formalities vary depending on the type of enterprise or business. According to CINDE, a manufacturing plant setting up business under the Free Zone Regime takes one year to launch operations, and a service provider 30 weeks. Simplifying all these procedures would boost competitiveness and optimize the use of public resources, especially bearing in mind that setting-up time-frames are longer for enterprises establishing themselves in national territory outside of free zones.

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[55] Applications for concessions to use land located in border areas must be submitted to the Rural Development Institute, and the Costa Rican Tourism Institute (ICT) issues concessions for the use of land in maritime areas. Meanwhile, the municipalities grant concessions for coastal urban areas (Executive Decree No. 39688 of 22 April 2016, Law No. 6043 of 16 March 1977 and Law No. 9221 of 27 March 2014).

[56] CINDE (2017), *Preguntas Frecuentes*. Viewed at: http://www.ict.go.cr/es/documentos-institucionales/atracción-de-inversiones/1048-inversiones-en-costa-rica-preguntas-frecuentes/file.html.

[57] Article 45 of the Political Constitution and Law No. 7495 of 8 June 1995.

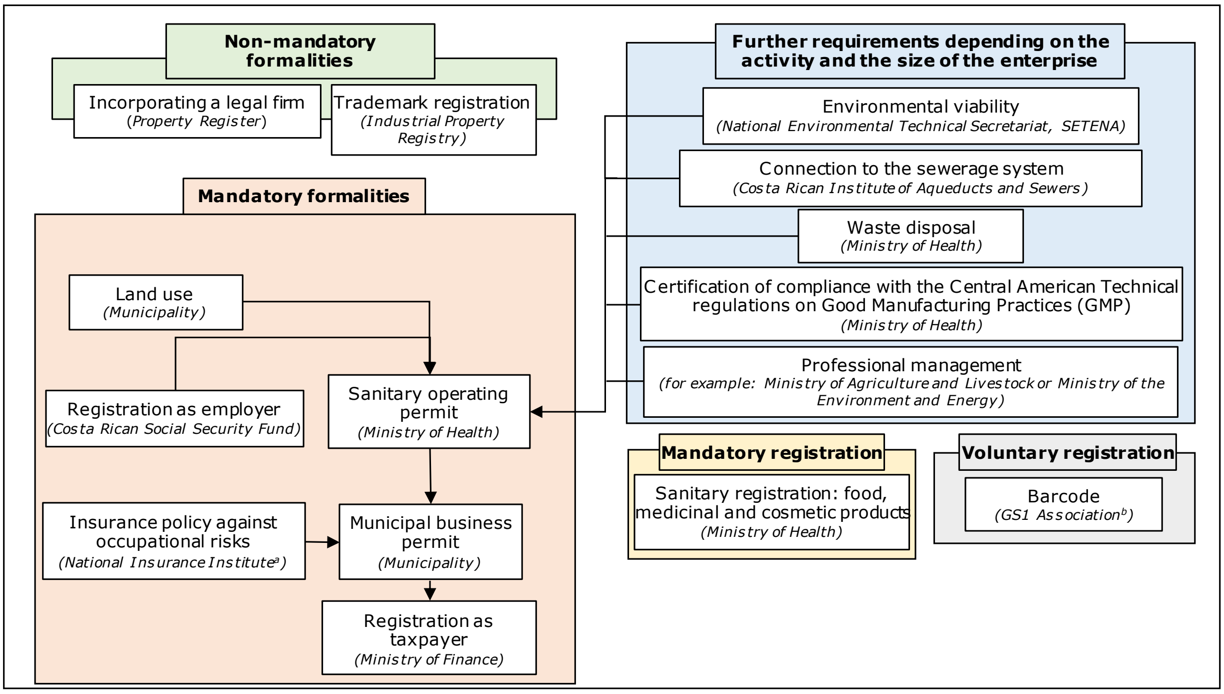
[58] Online information. Viewed at: https://www.procomer.com and https://www.cinde.org.

[59] Online information. Viewed at: http://www.ict.go.cr/es/informacion-institucional/atraccion-de-inversiones.html#i-invertir-en-costa-rica.

[60] Commercial Code (Law No. 3284) of 30 April 1964.

[61] Article 17 of the Commercial Code.

Chart 2.4 Formalities for setting up companies



a All insurance companies are permitted to sell occupational risk insurance. Currently, however, the National Insurance Institute is the sole provider of policies of this kind.
b The GS1 Association is a private organization that issues product barcodes.

Source: PowerPoint presentation "*Aspectos de formalización para emprendedores y PYME*" of 29 November 2017. Viewed at: https://www.meic.go.cr/meic/documentos/gxtqb0nqr/FormalizaEmprendePYME291117.pdf, and *Guía rápida para establecer una empresa formalmente,* published by the MEIC. Viewed at: https://www.meic.go.cr/meic/documentos/n5cw3f2v1/Formalizar.pdf.

2.39. The National Strategy for the Simplification of Administrative Procedures and Regulatory Improvement was launched in 2011 with a view to substantially reducing the formalities that constitute the greatest obstacles to productive activity, in particular that of SMEs. A digital tool called "*Trámites Costa Rica*"[62] (Administrative Procedures in Costa Rica) was developed to that end, designed to bring together all the formalities, requirements and procedures of each body or agency of the public administration, required both for the incorporation of enterprises and businesses as well as for export and import operations.[63] Besides this initiative, and to facilitate the simplification, automation and improvement of the procedures to be completed by enterprises wishing to operate in Costa Rica, the Investment Single Window (VUI) was created in 2016 and is operated by PROCOMER.[64] The VUI will come on stream gradually and in coordination with the various government institutions involved in the administrative procedures for the formal establishment, operation and functioning of enterprises. In the initial phase of implementation, priority will be given to the formalities for establishment, operation and functioning under the Free Zone Regime. Besides these two initiatives, other digital tools exist to facilitate formalities, such as the Customs Control and Information Technology System (TICA) and the *port community system* at customs facilities[65], the Port Single Window (VUP), the Integrated Logistics System (SIL)[66] and the Construction Project Administrator Platform (APC).

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[62] Viewed at: http://www.tramitescr.meic.go.cr/tramites/BuscarTramites.aspx.
[63] Online information. Viewed at: https://www.meic.go.cr/meic/comunicado/845/sistema-digital-promueve-transparencia-y-rendicion-de-cuentas-para-la-simplificacion-de-tramites.php.
[64] Executive Decree No. 40103 of 20 December 2016.
[65] Online information from the Ministry of Finance. Viewed at: https://www.hacienda.go.cr/tica/web/hCnConsVariasE.aspx.
[66] Online information from PROCOMER. Viewed at: https://www.procomer.com/es/noticias/sistema-integrado-de-logistica-de-costa-rica-servira-como-referencia-para-latinoamerica.

2.40. Incentives are available for investments effected under the Free Zone Regime and in various sectors of the economy.

2.41. To facilitate and promote foreign investment, Costa Rica has signed agreements to protect investment and avoid double taxation. Moreover, most of the regional agreements signed include investment provisions (Table 2.4).

2.42. Costa Rica is a member of the International Centre for Settlement of Investment Disputes (ICSID) and can therefore avail itself of that body's services in the event of a dispute between a foreign investor and the State. Costa Rica has also ratified the Convention on the Recognition and Enforcement of Foreign Arbitral Awards (New York Convention) and the Inter-American Convention on International Commercial Arbitration (the Panama Convention). In addition, the State recognizes the insurance against political risks offered by the Multilateral Investment Guarantee Agency (MIGA).

Table 2.4 International investment agreements and agreements on the avoidance of double taxation, 2018

International investment agreements				Agreements on the avoidance of double taxation	
Reciprocal investment promotion and protection agreements (APPRI)		Regional trade agreements with investment provisions			
Germany	In force (1998)	EFTA	In force (2014 and 2017)	Germany	In force (2017)
Argentina	In force (2001)	CAFTA-DR	In force (2009)	Spain	In force (2011)
Canada	In force (1999)	CARICOM	In force (2005)	United Arab Emirates	Signed (2017)
Chile	In force (1998)	Canada	In force (2002)	Mexico	In force (2019)
China	In force (2016)	Central America	Signed (2007)		
Korea, Rep. of	In force (2002)	Chile	In force (2002)		
United Arab Emirates	Signed (2017)	Colombia	In force (2016)		
Spain	In force (1999)	Korea, Rep. of	Signed (2018)		
France	In force (1997)	Mexico	In force (2013)		
Netherlands	In force (2001)	Panama	In force (2009)		
Paraguay	In force (2001)	Peru	In force (2013)		
Qatar	In force (2012)	Dominican Republic	In force (2002)		
Czech Republic	In force (2001)	Singapore	In force (2013)		
Switzerland	In force (2002)	EU	In force (2013)		
Chinese Taipei	In force (2004)				
Venezuela	In force (2001)				

Source: WTO Secretariat and information provided by the authorities.

3 TRADE POLICIES AND PRACTICES BY MEASURE

3.1 Measures directly affecting imports

3.1.1 Customs procedures and requirements and customs valuation

3.1.1.1 Customs procedures

3.1. Customs procedures in Costa Rica are governed mainly by the General Customs Law and the Central American Uniform Customs Code III (CAUCA III), along with the respective regulations.[1] The Central American Uniform Customs Code IV (CAUCA IV) is not in force in Costa Rica, because its regulations have not been approved by the Legislative Assembly.[2] The National Customs Service (SNA), which reports to the Ministry of Finance, consists of the General Directorate of Customs (DGA), the customs posts, their offices and other customs bodies.

3.2. Importers are required to register with the DGA. In general, the services of a customs broker remain mandatory for customs operations[3]; however, this may be optional for imports under certain customs arrangements (free zones, export, in-bond warehouse, in-flight supplies and outward processing), as well as for specific customs modalities.[4] Only Costa Rican or other Central American natural persons can act as customs brokers in Costa Rica.[5] In addition, customs carriers authorized by the DGA perform customs procedures and formalities related to presentation to the SNA of the vehicle or transport unit and its cargo.[6] Only carriers duly authorized by the DGA can move cargoes that are in internal customs transit.[7]

3.3. In addition to registration with the DGA, the importers of certain products must also register with other specific agencies. Examples include importers of animals and animal products, which must also register with the National Animal Health Service (SENASA)[8]; and those importing vegetable and plant products, which must be registered with the State Phytosanitary Service (SFE).[9] Importers of food, cosmetics, biomedical equipment and materials, medicines, pesticides, natural products, hygiene products, hazardous chemicals and tattoo inks must register the products in question in order to import them. This is done online through the Regístrelo.go.cr portal.[10]

3.4. The customs declaration must indicate the customs regime applicable to the goods: definitive; temporary; duty-free; inward processing and drawback (Table A3.1). Costa Rica has not implemented new customs regimes since 2013.

3.5. The single customs declaration (DUA) for goods subject to the definitive import regime must be accompanied by the following documents: the commercial invoice, the transport document, the certificate of origin and other necessary documents depending on the nature of the product, e.g. relating to non-tariff requirements. In the case of imports from the Central American Common Market (CACM), the Central American Single Customs Form (FAUCA) serves as both commercial invoice and certificate of origin. The declarant or customs broker may undertake a preliminary examination of the goods to be cleared, in order to recognize them for correct preparation of the DUA (Chart 3.1).

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[1] Law No. 7557 of 20 October 1995.

[2] Article 134 of Law No. 8881 of 6 December 2010.

[3] Article 33 of Law No. 7557 of 20 October 1995.

[4] Luggage, emergency supplies, samples of no commercial value, urgent or express courier packages, postal packages, duty-free shops, non-commercial imports, parcels for family members, industrial and commercial home deliveries, and imports carried out by the State and its institutions (Article 37 of Law No. 7557 of 20 October 1995).

[5] Article 18 of the Regulations of the Central American Uniform Customs Code (RECAUCA III).

[6] Article 40 of Law No. 7557 of 20 October 1995.

[7] Article 138 of Law No. 7557 of 20 October 1995.

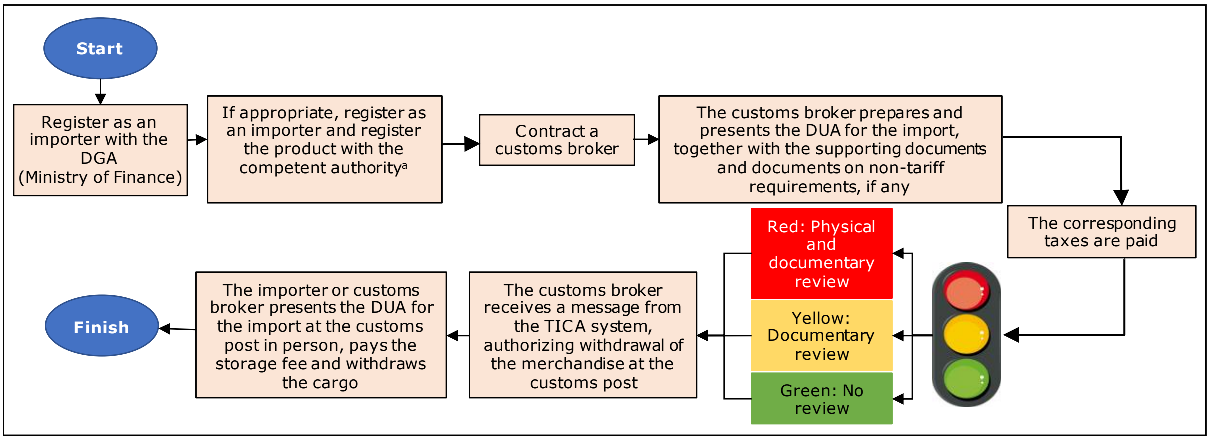
[8] Online information. Viewed at: https://www.senasa.go.cr/informacion/centro-de-informacion/informacion/sgc/dca/dca-pg-01-registro-de-importadores.

[9] Online information. Viewed at: https://www.sfe.go.cr/SitePages/Tramites/tramites_importacion_vegetales.aspx.

[10] Information provided by the authorities and online information viewed at: https://www.ministeriodesalud.go.cr/index.php/tramites-ms/registro-de-productos-de-interes-sanitario-ms.

3.6. The importer or customs broker must submit the DUA via electronic data transmission through the Information Technology for Customs Control system (TICA). The DUA may be presented before the goods arrive at the destination port, and even before shipment.

Chart 3.1 Import Procedures, 2019



a Ministry of Agriculture and Livestock (MAG), Ministry of Health, Ministry of Public Security, Ministry of the Environment and Energy (MINAE), National Seeds Office (ONS), National Chemical Weapons Prohibition Authority (ANAQ) and Costa Rican Fisheries and Aquaculture Institute (INCOPESCA).

Source: WTO Secretariat.

3.7. Single customs declarations are subjected to a selective and random process to decide whether to perform an immediate verification of what has been declared. This process may include ordering a physical examination of the goods, or a review of the supporting documents and a laboratory analysis of the goods, depending on the channel through which they pass (Chart 3.1). The customs broker may witness the recognition of the goods in person. In 2018, 90.6% of all imports went through the green channel, and only 8.6% passed through the red channel. Immediate verification does not prevent the customs authority from performing a subsequent inspection. When the verification process encounters discrepancies with respect to the DUA, the customs authority will immediately notify the customs broker to make the corresponding corrections and adjustments. Once these procedures have been completed, the goods are authorized for release. Customs duties must be paid when the dutiable event occurs. Otherwise the importer is charged an interest rate of 13.73%, which is updated periodically.[11]

3.8. In addition to immediate customs control and depending on the risk profiles of the goods in question, there may be a post-clearance control or, depending on the customs regime, permanent control. Post-clearance control is exercised, *inter alia*, in respect of customs operations, customs declarations and the assessment and payment of duties, within a period of four years. Permanent control can be exercised at any time on goods that are subject to non-definitive customs regimes after release, to monitor and verify compliance with their conditions of permanency, use and destination.

3.9. Through the Customs Facilitation Programme for Reliable Trade in Costa Rica (PROFAC), since 2011 the DGA has been gradually implementing Costa Rica's Authorized Economic Operator (AEO) certification programme. This voluntary programme encourages firms and agents engaged in international merchandise trade to build optimal levels of security into their commercial operations. The implementation of this programme in stages made it possible to identify aspects that needed modification. Accordingly, in 2015 a new regulation was issued to allow for a better development of the AEO scheme in the country.[12] Currently (May 2019) there are 35 firms with AEO certification in Costa Rica.[13]

[11] Resolution DGH-017-2018 and DGA-DGT-008-2018 of 16 March 2018.
[12] Decree No. 38998-H of 13 May 2015 repealing Decree No. 36461-H of 17 January 2011.
[13] These include import-export firms (17), importers (12), exporters (one), export cargo terminals (three) and maritime port operators (two). Online information. Viewed at: https://www.hacienda.go.cr/contenido/409-empresas-certificadas-como-oea.

3.10. Natural or legal persons wishing to obtain AEO certification must satisfy requirements including the following: be domiciled in national customs territory and have exported and/or imported or offered services directly related to foreign trade, for a period of at least three years prior to the filing of the application. Certification as an AEO is issued for a period of four years, which may then be renewed. During the certification period, AEOs may be inspected, with prior notice. The AEO certificate may be suspended if the regulatory requirements are not being fulfilled, and revoked in the event of serious misconduct.[14]

3.11. In the period 2013-19, the Foreign Trade Single Window (VUCE)[15], administered by the Foreign Trade Promotion Agency (PROCOMER), was upgraded to gradually include new functions; and a new version (VUCE 2.0) was introduced in 2017. In February 2019, the VUCE, which encompasses 16 institutions, could be used to process the DUA, import/export permits (technical notes), certificates of origin, and certificates of free sale for food products, and also to register as an exporter (if applicable). In addition, the new version offers a 24/7 service to operators and makes it possible to track procedures, use digital signatures and make payments electronically. It is also possible to apply for the permits needed to import foodstuffs, chemicals and pharmaceuticals, which was not previously possible.[16] VUCE 2.0 will continue to be developed to include additional procedures.

3.12. According to the National Council for Trade Facilitation (CONAFAC), created in 2017 to implement the Trade Facilitation Agreement (TFA), in recent years Costa Rica has undertaken several trade facilitation initiatives. CONAFAC is responsible for executing the Border Integration Programme (PIF); and it participates in the implementation of the Central American Digital Foreign Trade Platform (PDCC).[17] The PIF aims to modernize infrastructure, equipment and information technology systems at interior border crossings[18] to make customs controls more efficient, thereby reducing waiting times and improving competitiveness.[19] The PDCC will promote the use of IT best practices and simplify foreign trade procedures. This platform will enable Central American countries to exchange information on their foreign trade procedures.[20]

3.13. The National Customs Tribunal, a body with decision-making autonomy attached to the Ministry of Finance, is the final administrative instance for hearing and ruling on appeals lodged against SNA decisions. The customs broker or consignee has 15 working days (counted from the SNA decision in question) to lodge an appeal with the Tribunal. The DGA must issue its ruling within two months from the date on which the appeal was lodged.

3.1.1.2 Customs valuation

3.14. The SNA's National Customs Valuation and Inspection Authority (ONVVA) remains responsible for matters related to merchandise customs valuation. The regulations on customs valuation include the WTO Customs Valuation Agreement, along with the provisions contained in the General Customs Law and its regulations.[21]

3.15. During the review period, the main legislative change was the repeal of the Regulations on the Implementation of Customs Reference Values in 2013, since when reference prices have not

[14] Chapter IV of Decree No. 38998-H of 13 May 2015.
[15] Online information. Viewed at: https://vuce20.procomer.go.cr/SIVUCEv2/Views/Login/loginOn.aspx.
[16] Online information. Viewed at: http://www.sela.org/media/2424397/ventanilla-unica-de-comercio-exterior-vuce-20-costa-rica.pdf and http://www.comex.go.cr/sala-de-prensa/comunicados/2017/diciembre/sistema-vuce-20-implementar%C3%A1-permisos-de-importaci%C3%B3n-que-representan-un-72-de-los-tr%C3%A1mites.
[17] Online information. Viewed at: https://presidencia.go.cr/wp-content/uploads/2017/09/Presentacio%CC%CC%81n-Consejo-Nacional-de-Facilitacion-del-Comercio-CONAFAC.pdf.
[18] The border crossings in question are Peñas Blancas and Las Tablillas with Nicaragua, and Paso Canoas and Sixaola with Panama. The PIF could be extended to the border crossing of Sabalito with Panama.
[19] Online information. Viewed at: https://www.wto.org/english/tratop_e/tradfa_e/1_jhon_fonseca_costa_rica.pdf and http://www.comex.go.cr/media/5396/008-brochure-pif.pdf.
[20] Online information. Viewed at: http://www.comex.go.cr/sala-de-prensa/comunicados/2017/enero/centroam%C3%A9rica-apuesta-a-plataforma-digital and http://www.sela.org/media/2416279/2-intercambio-electronico-de-informacion-sieca.pdf.
[21] Articles 243-265 *bis* of Law No. 7557 of 20 October 1995 and Articles 537-541 of Executive Decree No. 25270-H of 28 June 1996.

been used in Costa Rica.[22] In general, since the last review there have been no other substantial changes in the procedures for determining the value of imported goods and, under the regulations, the ONVVA strictly applies the valuation methods specified in the WTO Agreement on Customs Valuation. Costa Rica uses databases of merchandise values, supplied to customs by the ONVVA, for risk assessment purposes. These databases are compiled using the import values of the declared goods.

3.1.2 Rules of origin

3.16. Costa Rica does not use non-preferential rules of origin.

3.17. Costa Rica applies preferential rules of origin as a member of the Central American Common Market (CACM), and also under its other free trade agreements currently in force. The preferential rules of origin contained in the agreements that entered into force in 2013-19 are broadly the same as in those signed previously by Costa Rica. The criteria conferring origin may be general or specific. Most trade agreements allow bilateral and regional cumulation (Table 3.1).

Table 3.1 Preferential rules of origin, 2013-18

	Change of tariff classification	Value of non-originating materials or regional content (RCV)	Cumulation of origin	*De minimis*	Sets or assortments of goods
EFTA	Yes	20% to 70% of the ex-works price	Bilateral and regional	10% of the ex-works price	15% of the ex-works price
Colombia	Yes	Percentage calculated by formula	Bilateral and diagonal	10% of the f.o.b. value or total weight of fibres and yarns for textiles and clothing	15% of f.o.b. value
Mexico	Yes	Percentage calculated by formula	Bilateral and regional	10% of the transaction value or total weight of fibres and yarns for textiles and clothing	10% of transaction value
Peru	Yes	Percentage calculated by formula	Bilateral and regional	10% of the f.o.b. value or total weight of fibres and yarns for textiles and clothing	15% of f.o.b. value
Singapore	Yes	35% of the f.o.b. value	Bilateral	10% of the f.o.b. value	n.a.
EU	Yes	25% of the ex-works price	Bilateral and regional	10% of the ex-works price	15% of the ex-works price

n.a. Not applicable.

Source: WTO Secretariat.

3.1.3 Tariffs

3.1.3.1 Tariff structure

3.18. Costa Rica's tariff is based on the Central American Customs System (SAC). In 2019, it contained 10,434 tariff lines at the 12-digit level of the Harmonized System (HS) of 2017. Costa Rica only applies *ad valorem* tariffs. The most-favoured nation (MFN) tariff consists of the customs duty (DAI) and an additional 1% duty applicable to virtually all imports.[23]

3.19. The arithmetic mean of Costa Rica's applied MFN tariffs did not vary significantly between 2013 and 2019, and remains around 7% (Table 3.2). The average tariff on agricultural products (WTO definition), which edged up from 14% in 2013 to 14.1% in 2019, remains substantially higher than the average applied tariff on non-agricultural products (5.6%). The categories with the highest

[22] Decree No. 36582-H was repealed by Article 1 of Executive Decree No. 37955 of 2 September 2013 (WTO document G/VAL/N/1/CRI/3 of 1 November 2013).
[23] Law No. 6879 of 13 January 1984.

average tariff are dairy products at 53.8%, followed by animals and animal products (28.8%), sugar and confectionery (17.4%) and clothing (14.8%) (Table A3.2).

Table 3.2 Structure of MFN tariffs, 2013 and 2019

	2013 (HS 2012)	2019 (HS 2017)
Total number of tariff lines	10,065	10,434
Ad valorem rates (> 0%)	9,779	10,162
Duty-free lines	286	272
Arithmetic mean (%)	6.9	7.0
Agricultural products (WTO definition)	14.0	14.1
Non-agricultural products (WTO definition)	5.5	5.6
Zero-tariff lines (% of all tariff lines)	2.8	2.6
Average of lines exceeding zero (%)	7.1	7.2
Tariff quotas (% of all tariff lines)	0.5	0.5
Non-ad valorem tariffs (% of all tariff lines)	0.0	0.0
Domestic tariff peaks (% of tariff lines)[a]	1.5	1.4
International tariff peaks (% of all tariff lines)[b]	1.5	1.5
Overall standard deviation of applied rates	9.6	9.6
"Nuisance" rates applied (% of all tariff lines)[c]	47.7	46.7
Bound tariff lines (% of all tariff lines)	100.0	100.0

a Domestic tariff peaks are defined as rates exceeding three times the overall simple average of applied rates.
b International tariff peaks are defined as rates above 15%.
c "Nuisance" rates exceed zero but are no higher than 2%.

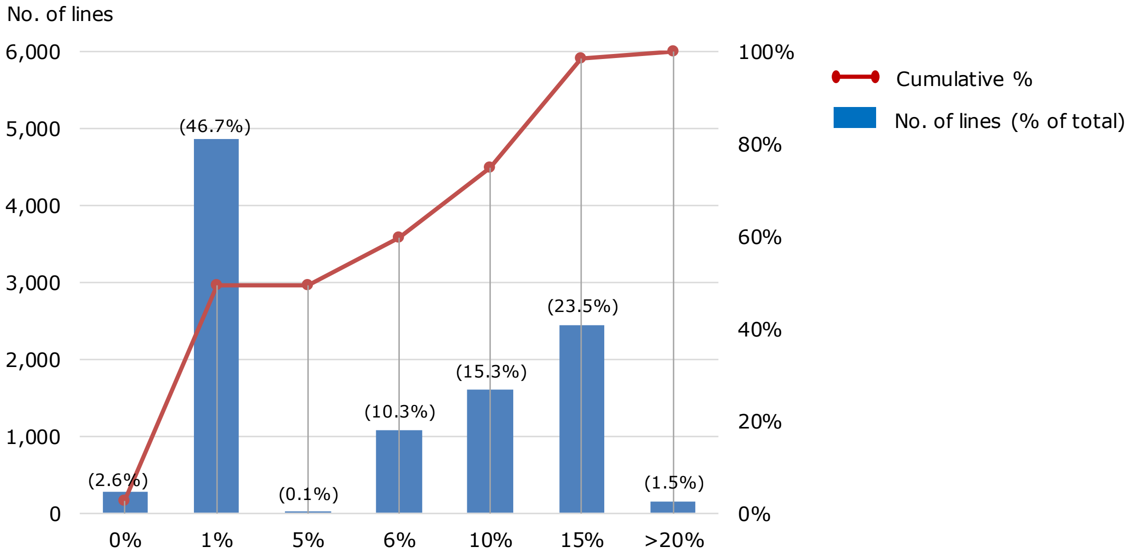
Note: The calculations are based on national tariff lines at the HS 2017 12-digit level. For tariff lines that are subject to tariff quotas, only the out-of-quota rate is used in the calculations.

Source: WTO Secretariat calculations, based on data provided by the authorities.

3.20. Costa Rica's MFN tariff structure consists of 14 rates ranging from 0% to 151%. In 2019, the most frequent tariff rates were no higher than 1% ("nuisance" rates); 75% of all tariff lines had rates of no more than 10%; and, as in 2013, only 1.5% of all lines had rates above 20%.

3.21. The distribution of tariffs by rate did not change substantially during the period under review. In 2019, 49.3% of all tariff lines were subject to rates ranging from 0% to 5% (compared to 50.5% of them in 2013); and 49.2% had rates higher than 5% but less than 20% (48% in 2013) (Chart 3.2). The 156 HS 12-digit tariff lines that are subject to MFN tariffs of over 20% include the following: meat and edible offal of poultry (HS 0207) (rates of 36%, 41% and 151%); sausages and similar products (HS 1601) (36% and 151%); other prepared or preserved meat (HS 1602) (41% and 151%); milk and products derived from milk (HS 0401 – HS 0406) (36%, 51% and 66%) and ice cream (HS 2105) (66%); cheese and curd (HS 0406) (51%); onions and shallots (HS 070310) (46%); and rice (HS 1006) (36%).

Chart 3.2 Frequency distribution of MFN tariff rates, 2019



Source: WTO Secretariat calculations, based on data provided by the authorities.

3.1.3.2 Tariff bindings

3.22. In the Uruguay Round, Costa Rica bound all its tariffs at rates ranging from 0% to 233.07%. Most tariff lines (8,094 or 77.6% of the total) were bound at 45%; the other most frequent rate is 50%, but this only applies to 353 lines. In the case of agricultural products (WTO definition), the bound tariffs vary between 1% and 233.07%, and for non-agricultural products they range from 0% to 100%. The agricultural products that were bound at the top rate of 233.07% were: meat and edible offal (20 HS 0207 lines); sausages and similar products (two lines within HS 1601); and chicken preparations and preserves (six lines in HS 1602). In the case of non-agricultural products, those bound at the 100% rate were motor vehicles (HS 8703 (268 lines), HS 8704 (55 lines), HS 8706 (three lines) and HS 8707 (18 lines)). If the MFN applied tariff (2019) is compared with the bound tariff, considering only those lines that are strictly comparable owing to the change in nomenclature, Costa Rica's MFN applied tariff exceeds the bound tariff in three cases (Table 3.3).

Table 3.3 Tariff lines for which the applied MFN tariff exceeds the bound tariff

HS Code	Item	MFN Tariff (incl. 1% Law No. 6946) (2019)	Bound tariff[a]
040520000090	Dairy spreads	66	45
200961000000	Grape juice (including grape must) of a Brix value not exceeding 30:		
200961000000ex	Concentrated grape juice, whether or not frozen	15	5
848620910000	Resistance heated furnaces for temperatures up to 900ºC, except laboratory furnaces	10	0

a The calculations of the bound tariff are based on the HS 07 certified nomenclature.

Source: WTO Secretariat, on the basis of WTO document WT/Let/1053 of 6 August 2015.

3.1.3.3 Tariff quotas

3.23. Costa Rica bound MFN tariff quotas for some 172 products in its Schedule LXXXV (based on the 2019 tariff).[24] However, most of these quotas (118 tariff lines) were not activated during the period under review, as the applied MFN tariff offered better conditions of access than those set out

[24] Online information. Viewed at: https://www.wto.org/english/tratop_e/schedules_e/goods_schedules_table_e.htm#fnt-a.

in the commitments.[25] In 2013-19, Costa Rica applied tariff quotas to meat and edible offal of poultry (HS 0207); dairy products (HS 04), including ice cream (HS 2105); sausages and similar products (HS 1601) and other prepared and preserved meat (HS 1602). These products are also those subject to the highest tariffs (Table A3.3). Under its trade agreements, Costa Rica negotiated preferential quotas with Canada, China, the Dominican Republic, Panama, Peru and the EU, as well as under the Free Trade Agreement between Central America, the Dominican Republic and the United States (CAFTA-DR) (Table A3.3 and Section 4).

3.1.3.4 Preferential tariffs

3.24. Costa Rica grants preferential treatment to imports originating in the countries with which it has preferential trade agreements (Table 3.4). Most imports originating in the CACM enter duty-free, except for sugar and coffee. Costa Rica also extends preferential treatment to imports from countries with which it has signed plurilateral and bilateral agreements.

3.25. The average preferential tariff in the agreements negotiated by Costa Rica is in all cases well below the average MFN tariff. Preferential rates range from 0.3% to 3.9% and are always lower for non-agricultural products — between 0% and 2.1%. The tariff preferences granted under several of the agreements (CAFTA-DR, Canada, Chile, Dominican Republic, Mexico and Panama) account for over 95% of the tariff universe (Table 3.4).

Table 3.4 Summary of Costa Rica's preferential tariffs, 2019

	Total		Agricultural products (WTO definition)		Non-agricultural products (WTO definition)	
	Average (%)	Zero-tariff lines (%)	Average (%)	Zero-tariff lines (%)	Average (%)	Zero-tariff lines (%)
MFN	**7.0**	**2.6**	**14.1**	**0.0**	**5.6**	**3.1**
CACM[a]	0.0	99.8	0.3	98.8	0.0	100.0
CARICOM						
Barbados	1.2	92.4	4.8	77.8	0.5	95.2
Belize	1.1	92.7	4.2	80.5	0.5	95.1
Guyana	1.2	92.4	4.5	78.6	0.5	95.1
Jamaica	1.7	89.0	6.6	70.0	0.8	92.7
Trinidad and Tobago	1.2	92.3	4.5	78.4	0.5	95.0
CAFTA-DR						
United States	0.3	95.2	1.8	70.8	0.0	100.0
Dominican Republic	0.5	98.2	2.8	89.2	0.0	100.0
EFTA						
Iceland	2.8	65.5	10.0	38.4	1.4	70.7
Norway	2.8	65.5	10.0	38.4	1.4	70.8
Switzerland and Liechtenstein	2.7	66.0	9.6	41.2	1.4	70.8
EU-CAAA[b]						
EU	2.8	56.4	9.4	34.5	1.5	60.6
Andorra	3.9	51.2	13.9	5.4	2.0	60.1
Dominican Republic	0.5	97.9	2.7	89.4	0.0	99.5
Bilateral FTAs						
Canada	0.8	98.1	4.9	88.6	0.0	100.0
Chile	1.1	95.6	5.8	80.5	0.2	98.6
China	2.2	65.4	6.7	54.2	1.3	67.6
Colombia	3.0	66.3	8.0	53.9	2.1	68.7
Mexico	0.7	97.8	4.4	87.4	0.0	99.9
Panama[c]	0.3	98.4	2.1	90.1	0.0	100.0
Peru	1.6	75.5	5.0	71.4	1.0	76.3
Singapore	0.5	88.0	0.8	86.1	0.4	88.4

[25] The quotas that were not activated relate to: pork; whole poultry; evaporated milk; condensed milk; whey; dehydrated cheddar cheese; other grated cheeses; blue cheese; other cheeses; eggs; common beans; yellow maize; white maize; rice; lard; preparations of pork; sugar; and tobacco and jute fabrics (information provided by the authorities).

	Total		Agricultural products (WTO definition)		Non-agricultural products (WTO definition)	
	Average (%)	Zero-tariff lines (%)	Average (%)	Zero-tariff lines (%)	Average (%)	Zero-tariff lines (%)
Memorandum item:						
Dominican Republic[d]	0.4	98.4	2.6	89.9	0.0	100.0

a Central American Common Market (El Salvador, Guatemala, Honduras and Nicaragua).
b Association Agreement between Central American countries and the European Union.
c Bilateral protocol between Costa Rica and Panama to the Free Trade Agreement between Central America and Panama.
d Calculations made using the best preference that could be given to the Dominican Republic.

Source: WTO Secretariat calculations, based on data provided by the authorities.

3.1.3.5 Tariff concessions

3.26. Costa Rica continues to grant tariff concessions under various import regimes: temporary admission; duty-free; drawback; inward processing and free zones (Table A3.1) The importation of goods necessary for artisanal activities, small-scale enterprises and export industries also benefit from tariff concessions.[26] In addition, inputs, raw materials and basic finished goods for agricultural and industrial activities, or for final consumption, are subject to tariffs ranging from 1% to 5%, provided that inputs, raw materials and goods similar in quality, quantity and price cannot be produced in the Central American region. However, the authorities indicated that these tariff concessions are not in use. Holders of exploration permits and exploitation concessions for mining activities enjoy exemption from all taxes and duties on the materials, rural vehicles and machinery, and other items that are imported for use throughout the mining production chain. This exemption is granted provided that the goods are not produced in sufficient quantity and quality in Costa Rica. If they are produced in the country, their price may not exceed the c.i.f. value of the imported products by more than 10%. Exemptions must be approved by the Ministry of Finance.[27]

3.1.4 Other charges affecting imports

3.27. Costa Rica applies a number of taxes and charges that generally affect both domestic and imported products. These are: the general sales tax (IGV), the selective consumption tax (ISC), the single tax on fuels, the tax on tobacco products, several specific taxes and others created to finance specific institutions such as the Rural Development Institute (INDER) and the Institute for Municipal Promotion and Support (IFAM) (Table A3.5). The taxes are either *ad valorem* or specific; and the rates are adjusted periodically according to the variation in the consumer price index.

3.28. The only tax levied on imported products alone is the tax used to finance IFAM, which is only applicable to imported beers.[28]

3.29. The general sales tax is levied on all goods and services at a general rate of 13%, with some exceptions. A reduced rate of 5% applies to residential electricity consumption above 250 kWh per month, and wood is subject to an IGV rate that is three percentage points lower than the general rate.[29] Products in the basic shopping basket, school uniforms, some agricultural inputs, fishery products, pharmaceutical industry products, medicines and medical equipment are all exempt from ISC. With a view to promoting the use of electric vehicles, since 2018, imports and local purchases of such vehicles have been totally or partially exempted from payment of the IGV, ISC and the 1% duty on the customs value for a period of five years.

3.30. The Law to Strengthen Public Finances (Law No. 9635) of 3 December 2018 introduced value added tax (VAT) to replace IGV as from 1 July 2019. VAT is charged at a general rate of 13% (the same as the IGV rate) and three reduced rates of 4%, 2% and 1%. In addition, some goods and services were exempted. Products in the basic shopping basket, hitherto exempt from IGV, will be

[26] Article 21 of Law No. 6986 of 3 May 1985.
[27] Article 59 of Law No. 6797 of 4 October 1982.
[28] Law No. 10 of 7 October 1936.
[29] Article 42 of Law No. 7575 of 13 February 1996.

liable for VAT at a rate of 1%. Other services affected by the tax change will be the monthly consumption of electricity and water (Box 3.1).

Box 3.1 Summary of VAT rates, 2019

General rate: 13%		
Reduced rates		
4%	• Purchase of airline or other travel tickets, with origin or destination in national territory[a] • Private health services	
2%	• Medicines and raw materials, inputs, machinery, equipment and reagents necessary for their production • Private education services • Personal insurance premiums • Goods and services purchased by State higher education institutions, their foundations, other State institutions, the Higher Education Council (CONARE) and the National Higher Education Accreditation System (SINAES)	
1%	• Sale, throughout the marketing and import chain, of products included in the basic shopping basket, and of the raw materials, inputs, machinery, equipment and services needed to produce them • Sorghum • Soybeans, oil palm fruit and kernels, corn and wheat, as well as their derivatives to produce animal feed. • Veterinary products and agricultural and fishery inputs (as defined by MAG and the Ministry of Finance)	
VAT exemptions (35 categories) For example: exports; monthly consumption of electricity equal to or less than 280 kW/h; own consumption of electricity; and monthly consumption of water up to 30 m^3.		
Not subject to VAT (12 categories) For example: the sale of 13 types of fuels and the purchase/import of raw materials and inputs used for refining and manufacturing.		
Differences between IGV and VAT:		
Products included in the basic shopping basket	Exempt from IGV	Subject to the reduced rate (1%) of VAT
Products that are essential for education	Exempt from IGV	Subject to the reduced rate (1%) of VAT
Monthly electricity consumption	Consumption < 250 kWh was exempt from IGV; consumption > 250 kWh was subject to the reduced rate (5%) of IGV.	Monthly consumption ≤ 280 kWh is exempt; monthly consumption > 280 kWh is subject to the general rate (13%) of VAT, payable on total consumption
Monthly water consumption	Subject to IGV	Consumption ≤ 30 m^3 is exempt. Above this amount, VAT is payable on total consumption
Wood	Subject to IGV (10%)	Subject to VAT (13%)

a For international transport, VAT will be charged on 10% of the ticket price.

Source: WTO Secretariat.

3.31. Costa Rica applies other charges that affect imports; these include the USD 3 fee charged by PROCOMER on each DUA (whether for an import or for an export) to finance its operations[30], as well as the CRC 1 rate charged in Puerto Caldera per tonne of cargo moved, to finance a social welfare association.[31] There are other charges for handling cargo in ports and for quarantine services.[32]

3.1.5 Import licensing, restrictions and prohibitions

3.32. Costa Rica continues to ban imports of certain products, for reasons of safety and to protect the environment, health and species (Table A3.6). For the same reasons, some goods require a permit or authorization (discretionary licence) to be imported (Table A3.6). These goods are subject to the same type of requirement in the case of export, including sealing (authorization by signature

[30] Executive Decree No. 25612 of 8 November 1996. Article 9 of Law No. 7638 of 30 October 1996 sets the maximum fee at USD 3.
[31] Law No. 6779 of 23 March 1983.
[32] Online information. Viewed at: https://www.hacienda.go.cr/docs/573e20f01ddfe_Listado%20de%20Cargas%20diferentes%20a%20Impuestos%20cobrados%20en%20TICA.pdf.

and seal), except for precursors and chemical substances and used clothing and footwear. The import (and export) of certain fish and marine products is prohibited unless it meets the conditions required by CITES, SENASA and INCOPESCA, as applicable.

3.33. Costa Rica also uses a discretionary licensing system to administer tariff quotas (Section 4).

3.1.6 Anti-dumping, countervailing and safeguard measures

3.34. The entity responsible for administering trade defence mechanisms (anti-dumping, countervailing and safeguard measures) is the Ministry of the Economy, Industry and Trade (MEIC), acting through the Trade Protection Directorate (DDC), which is the investigating authority created in 2013.[33] This is one of the most important changes to have occurred in trade protection since the previous review in 2013.

3.35. The legal framework governing trade defence mechanisms includes the provisions of the relevant WTO Agreements and of the GATT 1994 at the multilateral level; the Regulations on Unfair Trade Practices and on Safeguard Measures at the Central American level; and the Regulations on the Methodology for Calculating the Amount of Subsidies[34], and the Rules of Procedure for the Application of Measures to Combat the Circumvention of Anti-Dumping, Countervailing and Safeguard Duties at the national level.[35] The main change in the regulatory framework since 2013 was the issuance of these Rules in 2017, which specified the procedure for extending a trade defence measure to similar products, or for enforcing it.

3.36. In 2017, a draft Trade Defence Law was also submitted to the Legislative Assembly, which aims to establish a national legal framework to regulate implementation of the trade defence instruments, in accordance with the provisions of the WTO Agreements. The draft law establishes a single, comprehensive regulatory framework for their application, which the authorities say is intended to close a gap in Costa Rica's legal system.

3.1.6.1 Anti-dumping and countervailing measures

3.37. The procedure for conducting an investigation with a view to applying an anti-dumping or countervailing measure has not changed substantially since 2013. The DDC receives and processes requests to open investigations and to conduct sunset reviews, and analyses them to decide whether or not to launch an investigation. Requests to launch an investigation may be made by, or on behalf of, a domestic industry.[36] The DDC may also initiate an *ex officio* investigation when the domestic industry is fragmented or unorganized, or when it is in the public interest to do so. To this end, the DDC monitors imports of priority products, according to government criteria, to warn of possible market distortions, thereby enabling MEIC to react quickly to promote competition in the market (Chart 3.3).

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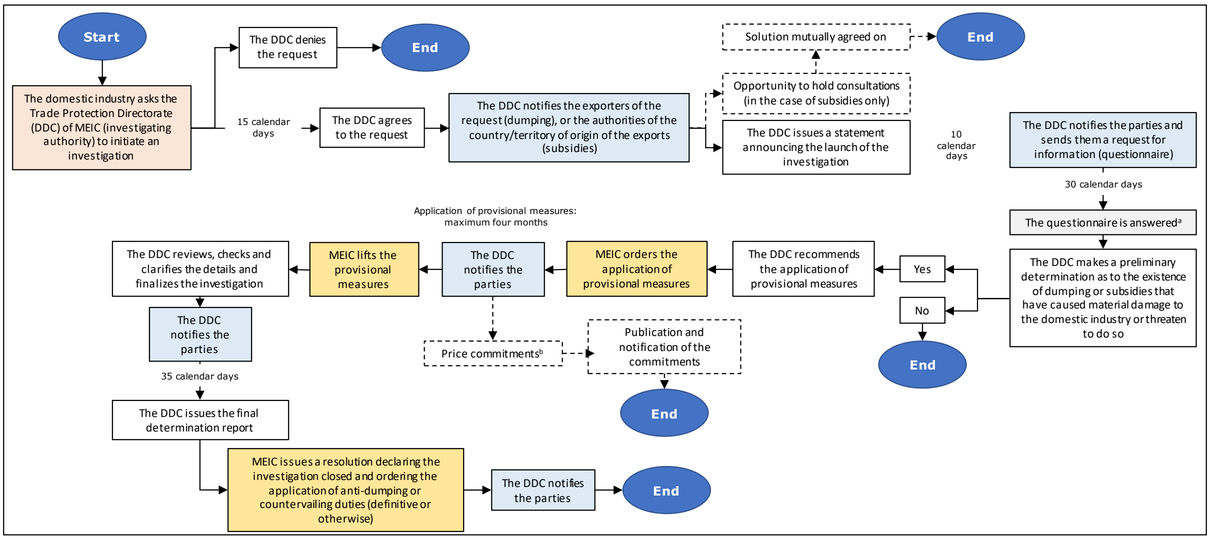
[33] Executive Decree No. 37457 of 2 November 2012.

[34] Executive Decree No. 35559 of 27 October 2009.

[35] Executive Decree No. 40559-MEIC of 15 May 2017.

[36] The applicant may desist from the investigation at any time, by means of a duly reasoned written statement.

Chart 3.3 Adoption of anti-dumping and countervailing measures, 2019



a	Additional information and on-site inspections may be requested when the questionnaire is not complete.
b	The exporter or the authorities of the exporting country/territory voluntarily agree to revise prices or eliminate/limit subsidies.

Source: WTO Secretariat.

3.38. The DDC announces the start of an investigation when it is decided a dumping or subsidy investigation is needed. Once the investigation is launched, the DDC verifies the existence of dumping or subsidization and decides whether to apply a provisional measure, which can be imposed for a maximum of four months. The parties may reach a mutually agreed solution involving a price undertaking or the elimination of subsidized or dumped exports. In the absence of an undertaking, the investigation continues and concludes with the definitive identification of the existence of dumping or subsidization, the determination of the dumping margin or the amount of subsidy, as well as the injury caused to the domestic industry. MEIC issues a resolution terminating the investigation and indicating whether it is necessary to impose a definitive measure and the amount thereof, at the request of the DDC. The investigation must be completed within 12 months, but the period may be extended for up to six months in exceptional circumstances, either on the initiative of the DDC or at the request of one of the parties.

3.39. The legislation provides that anti-dumping and countervailing duties shall remain in force for up to five years as necessary to counteract the injury to the domestic industry. The five-year time-limit may be extended on an exceptional basis if it is found that the conditions that gave rise to the measure still persist. In such cases, the DDC conducts sunset reviews to decide whether the measures should be extended.

3.40. The DDC conducts periodic annual or semi-annual reviews of the final measures; but this does not preclude review and amendment of the definitive anti-dumping and countervailing duties at any time, either at the request of a party or *ex officio*. Import charges imposed as a result of these investigations may be less than the margin of dumping or the amount of the subsidy, provided they are sufficient to discourage the importation of products through unfair trade practices.

3.41. Since 2017, under the Circumvention Regulations, the DDC has also been responsible for conducting anti-circumvention investigations and issuing a recommendation that will be reviewed by the Minister of Finance to decide whether the measure should be applied.[37] Imports of any product which may give rise to a practice aimed at circumventing an existing trade defence measure are subject to this regulation. Examples include: like products, whether or not slightly modified; like products declared for other uses, parts or inputs of those products; and semi-finished or pre-industrialized products. The regulation specifies the types of practices that may be considered

[37] Executive Decree No. 40559 of 15 May 2017.

circumvention, when the intention to circumvent the anti-dumping, countervailing or safeguard measure is demonstrated (Box 3.2).

Box 3.2 Circumvention practices

(a) The importation of a product that is similar to the product subject to the trade defence measure, through suppliers that are subject to an individual measure of smaller amount or not subject to any measure at all. The product must come from the country that is subject to the measure in force.
(b) The importation via third countries of a product similar to the product covered by the trade defence measure.
(c) The importation of a product similar to the product covered by the trade defence measure declared for other uses.
(d) The importation of a slightly modified product similar to the product subject to the trade defence measure, so that it can be brought in under different tariff lines that are not subject to trade defence measures, provided that the modifications do not alter the essential characteristics of the product and its end use.
(e) The importation of a semi-finished or pre-industrialized product that serves as an input and undergoes production processes in national territory to obtain the product that is subject to the trade defence measure.[a]
(f) The importation of parts of the product subject to the trade defence measure for the purpose of producing or assembling it in the Costa Rican market.
(g) The importation of the product subject to the trade defence measure, assembled or subjected to a final stage of production in a third country, the parts or inputs of which originate in the country subject to the trade defence measure. The foregoing, provided that the parts or inputs in question as a whole constitute 60% or more of the total value of the parts or inputs of the finished product. This does not apply to imports from a third country under an existing trade agreement and complying with the rules of origin laid down in that agreement.[a]
(h) Any other circumvention behaviour which is shown to undermine the remedial effects of the trade defence measures imposed.

a Circumvention shall not be deemed to exist where the total value-added of the parts or inputs used during the assembly or production operation exceeds 25% of the production cost of the finished product.

Source: Article 6 of Executive Decree No. 40559 of 15 May 2017.

3.42. The investigation process to establish whether a circumvention practice exists may be initiated at the request of the sector concerned or by a natural or legal person showing a direct interest in the investigation process; in exceptional circumstances, it could also be initiated *ex officio*. The request for an investigation must be based on positive, objective and verifiable evidence that supports the facts being complained of and is relevant to the launch of the investigation. To be admissible, the application must be submitted within six months of the implementation of the trade defence measure that is alleged to have been circumvented. Circumvention investigations must be concluded within six months (the normal time-limit) from their launch. This period may be extended following a justified request by the parties or on the basis of a justified DDC opinion, for a period equivalent to half of the ordinary period. The anti-circumvention measure shall be adopted through a resolution and shall remain in force until the trade defence measure ends.

3.43. During the period 2014-19, MEIC was requested, through the DDC, to conduct four anti-dumping investigations (oil, sugar, tuna and steel drums). Two of these investigations were dismissed (oil and tuna), and two were initiated. The first related to white sugar from Brazil and the second to steel drums from Chile. Only one investigation resulted in the application of an anti-dumping measure, concerning imports of unrefined white sugar from Brazil, as from 28 March 2017. In 2016, Costa Rica lifted the anti-dumping measure that had been applied since 2007 to water-based latex paint from the United States (Table 3.5).

Table 3.5 Anti-dumping measures, 2019

Country	Product	Date of application	Date of extension	Termination date
United States	Water-based latex paint	30 January 2007	21 November 2011	21 January 2016
Brazil	Unrefined crystal white sugar	28 March 2017		
Chile	Steel drums	No measure adopted	n.a.	n.a.

n.a. Not applicable.

Source: WTO documents G/ADP/N/244/CRI of 24 September 2013; G/ADP/N/280/CRI of 21 April 2013, G/ADP/N/286/CRI of 12 October 2016; G/ADP/N/294/CRI of 30 March 2017; and G/ADP/N/300/CRI of 14 September 2017.

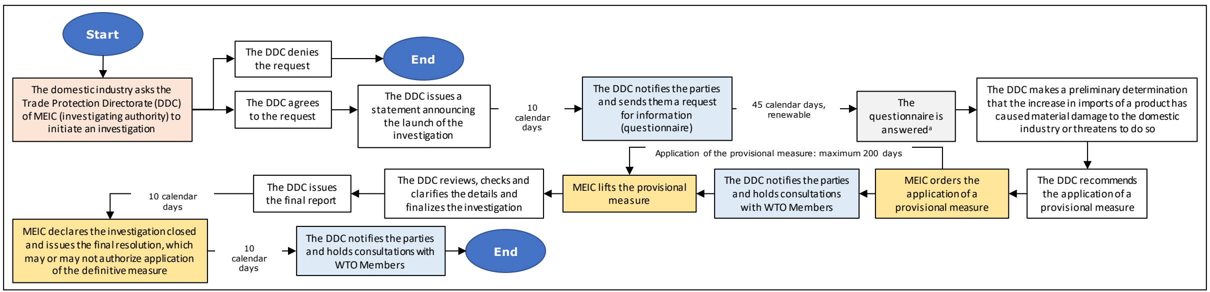
3.44. During the period under review, Costa Rica did not initiate any investigation into subsidies or adopt any countervailing or anti-circumvention measures.

3.1.6.2 Safeguards

3.45. The DDC is responsible for conducting safeguard investigations. In 2015, a methodology was developed to determine the tariff increase needed to prevent or repair the damage and facilitate adjustment.[38] In addition to general WTO safeguards, Costa Rica may impose safeguards administered under the CACM.

3.46. The request to initiate an investigation must be made by representatives of the domestic industry and from associations of affected producers. The DDC may also initiate an *ex officio* investigation when the domestic industry in question is fragmented or unorganized, or when it is in the public interest to do so. The request may be rejected through a reasoned decision if it does not provide sufficient evidence to justify launching the investigation, or if it has not been made on behalf of a domestic industry. A provisional measure may be applied during the investigation process. Once the measure is imposed, WTO Members with a substantial interest in the measure should be consulted (Chart 3.4).

Chart 3.4 Safeguards investigation, 2019



a Additional information and on-site inspections may be requested when the questionnaire is not complete.

Source: WTO Secretariat.

3.47. The investigation must be concluded within six months, unless the DDC deems the circumstances exceptional, in which case it must be concluded no later than 12 months from its launch. Definitive measures should be "exceptional and temporary in nature" and remain in force only for as long as necessary to prevent or repair the serious injury that justifies them and to facilitate adjustment. The period of application of the measures should not exceed four years, unless extended pursuant to the WTO Agreement on Safeguards. The DDC performs the corresponding annual or semi-annual periodic reviews when a safeguard measure has been imposed. However, the measures may be reviewed and altered at any time either at the request of a party or *ex officio*, following a report from the DDC.

3.48. During the period 2014-19, the DDC was asked to initiate 11 safeguard investigations concerning pounded rice and paddy rice (seven cases), tilapia, pork, and corrugated cylindrical bars and rods of alloy and non-alloy steel. In addition, a mid-term safeguard review was requested on

[38] Information provided by the authorities.

pounded rice. Investigations were initiated into pounded rice[39] and steel bars (rods), which were notified to the WTO.[40] Only the investigation concerning imports of pounded rice, of whatever origin, resulted in the application of a safeguard measure. Costa Rica notified the WTO of the initiation of investigations into safeguards related to pounded rice and steel bars and rods for concrete reinforcement.

3.49. Costa Rica notified the WTO of the application of the safeguard measure on pounded rice.[41] This measure, which entered into force on 19 February 2015, consisted of a tariff surcharge of 24.88% on top of the existing tariff of 35%, making a total of 59.88% on the c.i.f. value of all imports of pounded rice entering Costa Rica under tariff items HS 1006.30.90.91 and HS 1006.30.90.99, of whatever origin. The measure was applied for a period of four years with a timetable for progressive liberalization.[42] Brazil, Colombia, Ecuador, Mexico, Paraguay, South Africa, Thailand and Viet Nam were excluded from the application of the measure, as imports from these countries did not exceed 3% of Costa Rica's total imports in the period 2011-13 and jointly did not exceed 9%. Imports from Central America and the United States, within the CAFTA-DR quota, were also excluded from application of the measure. In July 2017, Costa Rica notified the WTO that Brazil and Paraguay should be removed from the list of countries exempted from the safeguard measure, having exceeded 3% of imports.[43]

3.50. Costa Rica imposed a special agricultural safeguard measure on brown rice in 2017 and 2018[44], but did not make use of this mechanism during the remainder of the period under review (2013-16).[45]

3.2 Measures directly affecting exports

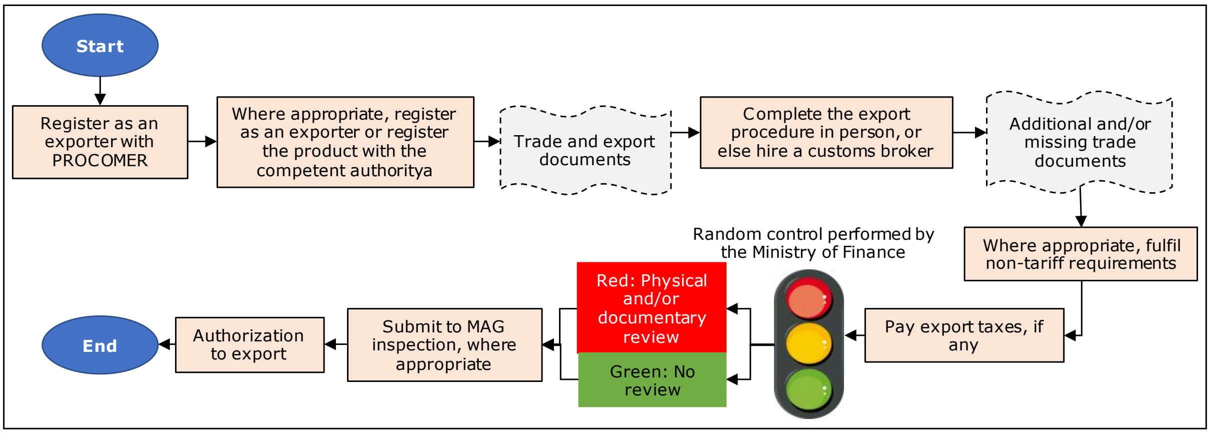
3.2.1 Customs procedures and requirements

3.51. Exporters must register with PROCOMER through the VUCE, and this is shared digitally with the SNA. Exporter registration is free and must be renewed every two years.[46] Version 2.0 of the VUCE, which was implemented in 2017[47], enables the exporter to register and also to process the DUA, export permits or non-tariff requirements, and certificates of origin.[48] Depending on the product to be exported, some exporters may require additional registration (Chart 3.5).

3.52. The export DUA may be processed by the exporter or by a customs broker, via electronic transmission to the TICA using VUCE 2.0. The DUA must be accompanied by supporting documents, e.g. commercial invoice, cargo manifest, transport document and the authorizations, licences, permits and other documents required under non-tariff regulations. Exporters must pay USD 3 for the export declaration, as well as other taxes and charges where applicable (Chart 3.5).

[39] WTO document G/SG/N/6/CRI/3 of 28 February 2014.
[40] WTO document G/SG/N/6/CRI/4 of 26 March 2018.
[41] WTO document G/SG/N/8/CRI/1, G/SG/N/10/CRI/1, G/SG/N/11/CRI/1 of 20 January 2015.
[42] WTO document G/SG/N/8/CRI/1/Suppl.1, G/SG/N/10/CRI/1/Suppl.1, G/SG/N/11/CRI/1/Suppl.1 of 27 February 2015.
[43] WTO document G/SG/N/8/CRI/1/Suppl.2, G/SG/N/10/CRI/1/Suppl.2, G/SG/N/11/CRI/1/Suppl.2 of 11 July 2017.
[44] WTO documents G/AG/N/CRI/60 of 12 September 2017; G/AG/N/CRI/65 of 26 April 2018; and G/AG/N/CRI/68 of 1 November 2018.
[45] WTO documents G/AG/N/CRI/45 of 22 January 2014; G/AG/N/CRI/49 of 4 February 2015; and G/AG/N/CRI/52 of 5 February 2016. WTO documents G/AG/N/CRI/60 of 12 September 2017; G/AG/N/CRI/65 of 26 April 2018; and G/AG/N/CRI/58 of 23 March 2017.
[46] PROCOMER (2016), *Guía Informativa sobre Temas de Comercio Exterior.* Viewed at: https://www.procomer.com/uploads/downloads/da7a40cf56882b146dc39548098cf8bd2bae0da5.pdf.
[47] Online information. Viewed at: https://vuce20.procomer.go.cr/SIVUCEv2/Views/Login/loginOn.aspx.
[48] Online information. Viewed at: http://www.sela.org/media/2424397/ventanilla-unica-de-comercio-exterior-vuce-20-costa-rica.pdf and http://www.comex.go.cr/sala-de-prensa/comunicados/2017/diciembre/sistema-vuce-20-implementar%C3%A1-permisos-de-importaci%C3%B3n-que-representan-un-72-de-los-tr%C3%A1mites.

Chart 3.5 Export procedures, 2019



a For example: Ministry of Agriculture and Livestock (MAG), Ministry of Health, Coffee Institute of Costa Rica (ICAFE), Ministry of Public Security, Ministry of the Environment and Energy (MINAE), National Seeds Office (ONS), National Chemical Weapons Prohibition Authority (ANAQ), Costa Rican Fisheries and Aquaculture Institute (INCOPESCA) and National Association of Textile Industry Exporters (ANEIT).

Source: WTO Secretariat.

3.53. When a documentary review and/or physical inspection of the goods is required (red traffic light), the customs service notifies the declarant. If the physical examination detects discrepancies between the information declared and what should have been declared, the goods will be recognized, and security measures may be adopted if the differences relate to the nature of the goods. The discrepancies detected will not hold up the release of the goods, unless they have to be retained as evidence owing to the nature of the infringement. Regular exporters may ask for the physical inspection of goods to be carried out at their premises.[49] As in the case of imports, most exports (99%) pass through the green channel.

3.2.2 Taxes, charges and levies

3.54. Costa Rica taxes exports of bananas, coffee and live cattle. The rates of these taxes, which may be *ad valorem* or specific, remained unchanged between 2013 and 2018 (Table 3.6).

Table 3.6 Export charges

Goods subject to export taxes	Rate	Legal basis
Bananas	USD 1.00 per 40-pound (18.14 kg) net box; rate is lowered or raised proportionately for lighter or heavier boxes	Article 1 of the Law Taxing the Exportation of Bananas in Boxes or Cartons (Law No. 5515) of 19 April 1974
	+ USD 0.05 per 18.14 kg box	Article 23 of the Law Creating the National Banana Corporation (Law No. 4895) of 16 November 1971
	+ USD 0.07 per 18.14 kg box	Articles 3 and 5 of Decree No. 37313 H-MAG of 31 August 2012 and Article 1 of Decree No. 24981 H-COMEX of 22 December 1995
Coffee	1.5% of the f.o.b. value for each 46 kg unit of green coffee (or its equivalent)	Article 108 of the Law on Relations between Coffee Producers, Processors and Exporters (Law No. 2762) of 21 June 1961

[49] Regular exporters are defined as those who maintain a minimum average of 12 exports per year for a total f.o.b. value of at least 50,000 Central American pesos (1 Central American peso = USD 1) (Online information: https://www.hacienda.go.cr/docs/58b7342145102_Manual%20de%20Procedimientos%20Aduaneros%20TICA%20febrero%202017.pdf).

Goods subject to export taxes	Rate	Legal basis
Live cattle	USD 2 or USD 3 per head depending on the price of meat	Article 7 of the Law Creating the Livestock Corporation (Law No. 7837) of 5 October 1998
	CRC 0.03 per kg[a]	Article 17 of the Law on Livestock for the Supply of National Consumption and for Export (Law No. 6247) of 2 May 1978
Meat	CRC 25 per tonne	Article 15 of the Law on the Supply of Meat for the Domestic and Export Market (Law No. 5135) of 11 December 1972 Article 21 of the Law on Livestock for the Supply of National Consumption and for Export (Law No. 6247) of 2 May1978

a These two taxes are not being applied, given their insignificance.

Source: WTO Secretariat.

3.55. During the period under review, revenues from export taxes ranged from CRC 6.01 billion (USD 12 million) in 2013 to CRC 7.73 billion (USD 13.4 million) in 2018 (Table 3.7). The revenue from the banana export tax is shared among several beneficiaries, including the municipalities in which the fruit is produced[50] and the Special Fund for Prevention and Infrastructure for Banana Producers.[51] Banana producers may also receive a portion of the tax revenue themselves.[52] The proceeds of the tax on coffee exports are used to finance the administrative expenses of the Coffee Institute of Costa Rica (ICAFE) and the activities it undertakes to promote, diversify and develop the coffee industry.[53] The revenue from the tax on live cattle exports provides part of the income of the Livestock Promotion Corporation.[54]

Table 3.7 Revenue from export taxes, 2013-18

(CRC million)

	2013	2014	2015	2016	2017	2018
Bananas	3,665.9	4,146.5	3,765.9	4,620.5	5,086.8	5,008.2
Coffee	2,348.3	2,310.4	2,515.8	2,523.0	2,527.0	2,721.6
Live cattle	0.5	0.5	0.5	1.1	0.4	0.8
Total	6,014.7	6,457.4	6,282.2	7,144.6	7,614.20	7,730.6
Memorandum item:						
CRC per USD (period average)	499.8	538.3	534.6	544.7	567.5	577.0

Source: WTO Secretariat estimates, based on information provided by the Costa Rican authorities.

3.56. There are also other charges on exports. To finance PROCOMER's operations, a fee of USD 3 is charged for the processing of each export DUA.[55] In addition, a tax of USD 25 is levied on exports leaving by land, with the revenue to be used to upgrade border crossings.[56]

3.2.3 Export prohibitions, restrictions and licences

3.57. The exportation of some goods is prohibited, and others require an export permit or authorization, either for reasons of public safety or to protect the environment, health, species and archaeological heritage (Table A3.7). In the case of coffee, authorizations are required for the purpose of controlling the quality of the coffee exported.

[50] Article 1 of Law No. 5515 of 29 September 1992.
[51] The Fund, which is administered by the National Banana Corporation (CORBANA), finances the construction and maintenance of infrastructure in banana-growing areas (Executive Decree No. 37313 of 31 August 2012).
[52] Article 2 of Law No. 5515 of 19 April 1974.
[53] Article 108 of Law No. 2762 of 21 June 1961.
[54] Article 7 of Law No. 7837 of 5 October 1998.
[55] Executive Decree No. 25612 of 8 November 1996. Article 9 of Law No. 7638 of 30 October 1996 sets the maximum fee at USD 3.
[56] Law No. 9154 of 3 July 2013.

3.2.4 Export support and promotion

3.58. Costa Rica did not grant any subsidies for agricultural exports in the period 2013-17.[57]

3.2.4.1 Free Zone Regime

3.59. The Free Zone Regime (RZF) is regulated by the Free Zone Regime Law (Law No. 7210) of 1990 and its regulations (Executive Decree No. 34739) issued in 2008. During the previous review period (2007-13), both the Law and the regulations were revised to meet the requirements of the WTO Agreement on Subsidies and Countervailing Measures, which required export subsidies to be eliminated by 31 December 2015.[58] Between 2013 and 2019, the Free Zone Regime Law itself was not substantially amended, but the regulations underwent multiple changes.

3.60. PROCOMER and the Ministry of Foreign Trade (COMEX) administer the RZF in Costa Rica. The eligibility criteria for this regime have not changed significantly since 2013 (Table 3.8). Firms operating under the RZF may be located either inside or outside an industrial park. Admission to the RZF is granted through the Executive Agreement for Admission to the Free Zone Regime, which specifies requirements in respect of investment, employment and domestic value-added that the firms undertake to fulfil. Compliance is essential to be able to benefit from the incentives offered under the RZF. To demonstrate this, beneficiaries must submit reports on their levels of investment, employment and domestic value-added or other issues, as indicated in the Executive Agreement for Admission to the Regime.[59] Until 2016, firms had to comply strictly with the requirements agreed to, but since then have been given a degree of flexibility subject to providing valid justification. Currently, firms covered by the Regime must fulfil at least 75% of the agreed requirements to avoid being penalized.[60] This amendment does not exempt firms from fulfilling their commitments and obligations.

3.61. Both domestic and foreign investor firms with new investment projects may apply for admission to the RZF. Table 3.8 classifies the types of firm that are eligible, which can operate in all sectors except power generation; the production and sale of arms; finance; and professional services. Companies operating under the RZF must undertake and maintain an investment of between USD 100,000 and USD 2 million, depending on location. Processing companies that produce, process or assemble goods, irrespective of whether or not they export ("type-f enterprises"), have to satisfy a number of additional requirements to benefit from the Regime. In addition to fulfilling certain specific criteria, firms in this category can also be considered "mega-projects" (Table 3.8).

Table 3.8 Main requirements for admission to the Free Zone Regime

<table>
<tr><td>Type of firm</td><td colspan="3">(a) export processing enterprises; (b) export trading enterprises; (c) service enterprises; (d) enterprises administering free zone parks; (e) enterprises engaged in scientific research; enterprises operating shipyards and dry or floating docks; and (f) processing enterprises that produce, process or assemble goods, irrespective of whether or not they export ("type-f enterprises").</td></tr>
<tr><td>Sectors in which firms may not operate under the RZF</td><td colspan="3">Mining, hydrocarbons; electric power generation (except for own consumption); production and sale of arms and ammunition; financial services; and professional services.</td></tr>
<tr><td rowspan="2">Initial investment requirement for all types of firms</td><td>Within the GAM</td><td>Inside an industrial park: USD 150,000</td><td>Outside an industrial park: USD 2 million</td></tr>
<tr><td>Outside the GAM</td><td>Inside an industrial park: USD 100,000</td><td>Outside an industrial park: USD 500,000</td></tr>
</table>

[57] WTO Documents G/AG/N/CRI/46 of 22 January 2014; G/AG/N/CRI/50 of 4 February 2015; G/AG/N/CRI/54 of 7 March 2016; G/AG/N/CRI/56 of 22 March 2017; and G/AG/N/CRI/63 of 25 April 2018.

[58] WTO Document G/SCM/N/299/CRI-G/SCM/N/315/CRI of 23 October 2017.

[59] Law No. 7210 of 23 November 1990.

[60] Article 122 *bis* of Executive Decree No. 34739 of 29 August 2008.

Additional requirements for type-f enterprises	• Operate in a strategic sector (this requirement is imposed only if the company is established in the GAM) • Undertake a new investment, which could be made or moved to another country (principle of international mobility) • Be exempted from or not subject to income tax in Costa Rica. A new investment or a previously exempted firm (i.e. an export processing firm). • In the case of supplier firms, 40% of production must be sold to firms established in free zones.
Specific requirements for type-f enterprises to be considered mega-projects	• Invest at least USD 10 million • Have an 8-year investment plan • Employ at least 100 people

Note: GAM = Greater Metropolitan Area.

Source: Free Zone Regime Law; WTO document G/SCM/N/299/CRI-G/SCM/N/315/CRI of 23 October 2017; and PROCOMER online information viewed at: https://www.procomer.com/es/inversionista/zonasfrancas#1.

3.62. Firms operating under the RZF are exempt from customs duties and other charges when importing the goods they need to operate, including vehicles and fuels, provided that these are not produced in Costa Rica or do not exist in sufficient quantity and quality. The firms in question are also exempt from export and re-export taxes and from sales tax (IGV) and consumption taxes (ISC) when they purchase goods and services on the domestic market.[61] Firms operating under the RZF are also exempt from the following charges and taxes: (a) tax on capital and net assets, (b) territorial tax, (c) real estate transfer tax, and (d) municipal taxes and patent fees. These exemptions are granted for ten years.[62] Remittances abroad by foreign investors in the RZF are not taxed.[63]

3.63. Enterprises operating in free zones are also fully or partially exempted from income tax or subject to a reduced rate, depending on their type (Table 3.9). The amount and duration of the tax benefit depend on the location of the firm. In order to comply with the requirements of the WTO Agreement on Subsidies and Countervailing Measures, since 1 January 2016 export processing firms, which were previously exempt from income tax, have been subject to the general rate of 30%.[64] In order to continue to benefit from the exemption, former export processing firms that meet the relevant requirements may become type-f enterprises.[65] Firms in this category may also defer income tax and obtain a tax credit (of up to 10% of their income) in exchange for reinvesting profits or investing in staff training.[66] Between 2013 and 2014, 75 export processing firms switched to being type-f enterprises.

Table 3.9 Income tax for enterprises operating in free zones

	Exemptions	
	Within GAM	**Outside GAM**
All types of enterprise, except export processing firms (as from 2016) and type-f enterprises	100% for 8 years 50% for 4 years	100% for 12 years 50% for 6 years
Type-f enterprises considered "mega-projects"	100% for 8 years 50% for 4 years	100% for 12 years 50% for 6 years
	Reduced rate	
	Within GAM	**Outside GAM**
Type-f enterprises	6% for 8 years 15% for 4 years	0% for 6 years 5% for 6 years 15% for 6 years

Source: Articles 20 and 21 *ter* of the Law on the Free Zone Regime.

3.64. In general, all RZF firms may sell their production on the domestic market[67], albeit subject to a limit of 50% in the case of service providers. Moreover, export processing companies and type-f

[61] Article 20 of Law No. 7210 of 13 November 1990.
[62] Article 20 of Law No. 7210 of 13 November 1990.
[63] Article 20 of Law No. 7210 of 13 November 1990.
[64] Online information. Viewed at: https://www.procomer.com/es/inversionista/zonasfrancas#1.
[65] WTO Document WT/TPR/S/286/Rev.1 of 27 November 2013.
[66] Article 21 *ter* of Law No. 7210 and online presentation viewed at: https://www.procomer.com/es/inversionista/zonasfrancas#1.
[67] Article 22 of Law No. 7210 of 13 November 1990.

enterprises can outsource up to 50% of their production to local suppliers, subject to authorization by PROCOMER.[68]

3.65. In 2018, some 443 firms were operating under the Free Zone Regime and there were 52 free zone management companies. In 2017 (latest available data), 55.5% of the enterprises covered by the regime were operating in the services sector, 44.8% in manufacturing and 3.6% in agribusiness. In 2018, 85% of RZF firms were located in the Greater Metropolitan Area, despite measures to encourage investment elsewhere in the country, such as lower initial investment requirements and more attractive tax incentives for firms setting up business outside the GAM.[69] In 2017 (latest available data), the total cost of exemptions was USD 866.8 million — 69.2% more than in 2013.[70]

3.2.4.2 Inward Processing Regime

3.66. The Inward Processing Regime is a customs arrangement under which the payment of tariffs and indirect taxes is suspended when specified goods are imported for use in the manufacture of goods for export. To benefit from the Inward Processing Regime, export firms must either re-export their entire production, or else re-export part of their production and sell the rest on the domestic market.[71] In the latter case, they have to pay customs duties and domestic taxes.[72]

3.67. To comply with WTO provisions, the Inward Processing Regime was amended during the period under review through the Inward Processing Regulation (Executive Decree No. 40198), which was issued in 2016.[73] This regulation, as notified to the WTO, eliminated "benefits deemed to be export subsidies".[74] The Regime is also regulated by the General Customs Law and its regulations; and it is administered by PROCOMER.

3.68. Since 2016, if a good cannot be incorporated into the manufacture of the export product it cannot be imported under this Regime (Box 3.3). Currently, only raw materials, semi-finished products, labels, packaging, and chemical materials (except fuels) may be imported under the Regime.[75] The inputs in question must be re-exported within 12 months of being imported and must have undergone a transformation, repair, reconstruction, or assembly process, or else have been incorporated into machinery, transport equipment or goods with a higher degree of complexity.[76]

Box 3.3 Imports excluded from the Inward Processing Regime as from 2016

Machinery and transport equipment
Goods intended for the enterprise's administrative activities
Articles used to prepare food and the furnishings necessary for the serving of food
Equipment, fixtures and furnishings for training and safety
Articles used for medical care or rehabilitation, intended exclusively for employees directly involved in the process of operation, transport, production and administration of enterprises
Commercial or industrial samples
Moulds, dyes, utensils and other devices used to supplement other appliances, models, patterns and similar articles essential for production and instructing personnel

Source: WTO document G/SCM/N/299/CRI-G/SCM/N/315/CRI of 23 October 2017.

[68] Online information. Viewed at: https://www.procomer.com/es/inversionista/zonasfrancas#1.

[69] COMEX/PROCOMER/CINDE (2016), *Balance de las Zonas Francas: Beneficio Neto del Régimen para Costa Rica 2011-2015*. Viewed at: https://procomer.com/downloads/zonas-francas/balance_zf_2011_2015.pdf.

[70] Information provided by the authorities.

[71] Article 16 of Executive Decree No. 40198 of 13 December 2016.

[72] Article 23 of Executive Decree No. 40198 of 13 December 2016; and WTO document G/SCM/N/299/CRI-G/SCM/N/315/CRI of 23 October 2017.

[73] Executive Decree No. 40198 repealed the 2007 regulations (Executive Decree No. 34165) (WTO document G/SCM/N/299/CRI-G/SCM/N/315/CRI of 23 October 2017).

[74] WTO document G/SCM/N/299/CRI-G/SCM/N/315/CRI of 23 October 2017.

[75] Article 21 of Executive Decree No. 40198 of 13 December 2016.

[76] Article 1 of Executive Decree No. 40198 of 13 December 2016 and online information viewed at: https://procomer.com/es/soy/regimen-perfeccionamiento-Lawivo#12.

3.69. In January 2019, 39 firms were covered by the Inward Processing Regime[77], operating mainly in rural areas. In 2013, exports under this regime accounted for 2.1% of Costa Rica's total goods exports; this proportion dropped to 1.4% in 2016 and to 1.3% in 2018.[78]

3.2.4.3 Duty Drawback Scheme

3.70. The Duty Drawback Scheme is governed by the General Customs Law (Law No. 7557) of 1995 and the Duty Drawback Regulations (Executive Decree No. 34740) of 2008. Neither of these was amended between 2013 and 2019. PROCOMER administers the Scheme, which allows firms to recover the taxes paid when importing inputs, containers or packaging to be incorporated in goods that are later exported, provided that export occurs within 12 months following the import of the inputs, containers or packaging in question.[79]

3.2.4.4 Export promotion programmes

3.71. PROCOMER continues to have responsibility for export promotion in Costa Rica. It undertakes initiatives to facilitate export procedures, diversify export supply, promote exports by small and medium-sized enterprises (SMEs) and nurture production chains. In this connection, it also provides assistance for firms to participate in international trade fairs and missions. Through its network of offices abroad, it directly promotes Costa Rican products in foreign markets, especially in new ones, with the aim of diversifying the country's export destinations. PROCOMER offers services such as trade intelligence, and consulting and training.[80] It also analyses and publishes foreign trade data to enable the exporter to make informed decisions.

3.72. In terms of trade facilitation, PROCOMER administers VUCE 2.0, through which firms can register as exporters and, where necessary, process non-tariff export requirements and certificates of origin. PROCOMER also administers the Integrated Logistics System, created in 2012, through which exporters can request information on the export and import process, other complementary services, and international transport and its costs.[81]

3.73. In 2017 (latest available data), PROCOMER supported 252 exporters, providing a total of CRC 227 million in assistance.[82]

3.2.5 Export financing, insurance and guarantees

3.74. Costa Rica has no official export financing or export credit insurance programmes. Exporters finance themselves through commercial banks. The State insurance company (National Insurance Institute – INS) provides export credit insurance, as do private insurance companies. This can only be denominated in foreign currency and guarantees the reimbursement of up to 80% of the export value should the buyer fail to pay, owing to ordinary (commercial) and/or extraordinary (political and *force majeure*) risks. The insurance usually covers payments with terms of between 30 and 180 days.[83] Exporters can also insure the goods against possible damage during loading/unloading, transfer and storage operations. This type of insurance is provided by the INS and also by a private insurance company (ASSA).[84]

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[77] Online information from PROCOMER. Viewed at: https://procomer.com/es/soy/regimen-perfeccionamiento-Lawivo#12.

[78] WTO document G/SCM/N/299/CRI-G/SCM/N/315/CRI of 23 October 2017.

[79] Online information. Viewed at: https://www.procomer.com/es/inversionista/devolutivo#18.

[80] PROCOMER (2014), *Plan Estratégico 2015-2018*. Viewed at: https://www.procomer.com/downloads/informes-planes/Plan_estrategico_PROCOMER_2015-2018.pdf and PROCOMER (2018), *Memoria Institucional 2017*. Viewed at: https://www.procomer.com/downloads/informes-planes/gestion/Memoria-PROCOMER-2017.pdf.

[81] Online information. Viewed at: https://www.procomer.com/es/noticias/sistema-integrado-de-logistica-de-costa-rica-servira-como-referencia-para-latinoamerica.

[82] PROCOMER (2018), *Memoria Institucional 2017*. Viewed at: https://www.procomer.com/downloads/informes-planes/gestion/Memoria-PROCOMER-2017.pdf.

[83] Online information. Viewed at: http://portal.ins-cr.com/portal.ins-cr.com/Empresas/SegurosCo/SegCredExpLocal.

[84] Online information. Viewed at: http://portal.ins-cr.com/portal.ins-cr.com/Empresas/SegurosCo/SegCarga and https://www.assanet.com.sv/productos/productos-para-personas/seguro-de-transporte-de-mercancias.

3.3 Measures affecting production and trade

3.3.1 Incentives

3.75. In 2017, Costa Rica notified to the WTO two programmes relating to subsidies granted under the Free Zone Regime and the Inward Processing Regime.[85] Both of these regimes were revised in order to comply with the requirements of the WTO Agreement on Subsidies and Countervailing Measures (Section 3.2.4). In addition to these programmes, Costa Rica grants other tax and financial incentives to support micro, small and medium-sized enterprises (MSMEs) and women entrepreneurs, as well as for specific sectors (Section 4). Most of these programmes were already in force in 2013 and have not been significantly modified, according to the authorities (Table 3.10). The new programmes include, in particular, a PROCOMER programme entitled *Crecimiento Verde* (Green Growth), which, over a period of four years, grants non-repayable financing to MSMEs to transform their production methods so as to incorporate green technology.

Table 3.10 Principal financial incentives for production and investment, 2013-18

National Programme to Support Micro-Enterprises (PRONAMYPE)
Coverage: Trade, industry, services, agriculture (except coffee and palm hearts), livestock breeding and aquaculture **Beneficiaries:** Micro-entrepreneurs, disabled persons, adults, women heads of household and young people **Amount financed:** Maximum of CRC 10,000,000 **Terms/benefits:** Security (mortgages, pledges and trust guarantees) and credit periods **Implementing agency:** Fiduciary trust operated by the *Banco Popular y de Desarrollo Comunal* (BPDC) **Amount:** Loans and education grants totalling CRC 16,048 million
Programme to Support Small and Medium-Sized Enterprises (PROPYME)
Coverage: Technological development and innovation projects to improve management and competitiveness **Beneficiaries:** SMEs **Amount financed:** Up to 80% **Terms/benefits:** Non-repayable funds **Implementing agency:** Ministry of Science, Technology and Telecommunications (MICITT) **Amounts:** Credit amounting to CRC 1,528.5 million
Development Fund for Micro, Small and Medium-Sized Enterprises (FODEMIPYME)
Coverage: Loans and guarantees for development projects or transfer of technology and training **Beneficiaries:** MSMEs **Amount financed:** Up to USD 150,000 **Terms/benefits of loans:** Term of up to 120 months **Terms/benefits of guarantees:** Up to 75% of guarantee for the amount of loan/maximum guarantee amount CRC 87.4 million **Implementing agency:** BPDC **Amount:** Guarantees totalling CRC 42,250 million, credit amounting to CRC 14,4580 million and education grants amounting to CRC 240,212.2 million
National Development Trust Fund (FINADE)
Coverage: Loan guarantees **Beneficiaries:** MSMEs **Terms/benefits:** Guarantees for a maximum of 75% of the loan **Implementing agency:** Development Banking System (SBD) **Amount:** Credit totalling CRC 251,463.4 million and guarantees amounting to CRC 27,140.1 million
Raising the productivity and competitiveness of small industrial producers
Coverage: Financing for construction and refurbishment, purchase of inputs and working capital **Beneficiaries:** Small industrial firms **Terms/benefits:** Loans for terms of up to 180 months; maximum loan amount of CRC 65 million **Implementing agency:** SBD and BNCR **Amount:** Loans totalling CRC 27,552 million
FOMUJERES
Coverage: Non-repayable funds **Beneficiaries:** Women entrepreneurs (individuals and organizations) **Terms/benefits:** CRC 3 million (individuals) and CRC 15 million (groups) **Implementing agency:** National Institute for Women (INAMU) **Amount:** Grants totalling CRC 5,626 million

[85] WTO Document G/SCM/N/299/CRI-G/SCM/N/315/CRI of 23 October 2017.

Innovation and Human Capital for Competitiveness Programme (PINN)
Coverage Innovation and human capital training **Beneficiaries:** MSMEs accredited by MEIC **Terms/benefits:** Up to 80% **Implementing agency:** MICITT **Amount:** Loans and education grants totalling CRC 194,235.1 million
GREEN GROWTH – PROCOMER
Coverage: Shift to green production **Beneficiaries:** MSMEs that export or have export potential **Terms/benefits:** Non-repayable funds will be granted to 200 enterprises over four years **Implementing agency:** PROCOMER and the Costa Rica United States Foundation for Co-operation (CRUSA) **Amount:** During 2018, USD 332,124.21.

Source: WTO Secretariat, with information provided by the Costa Rican authorities.

3.76. Imports of goods, including fuel, for fishing other than recreational fishing are wholly exempted from customs duties. All natural or legal persons holding a valid commercial fishing licence are eligible for these benefits. In addition, RECOPE establishes a 'competitive price' for fuel (diesel and petrol (gasoline)) used by the national fishing fleet. This price is fixed taking into account only the following variables: (a) cost of the fuel; (b) freight cost; (c) insurance; (d) cost of transport of the final product within the national territory to the point of distribution; and (e) storage and pumping costs. The calculation does not take into account some of the costs borne by RECOPE in importing the product nor its operating costs, which include its marketing margin, management support costs, depreciation and costs of delays. The proportion of the costs not included in the price of the diesel and petrol sold to the fishing industry is passed on to the other products.

3.77. For a five-year period starting in 2018, in order to attain one of the objectives of the National Energy Plan (promoting the use of electric vehicles), imports and local purchases of electric vehicles have been wholly or partially exempted from the IGV, ISC and the 1% duty on customs value. The percentage of the exemption depends on the value of the vehicle (Table 3.11). In addition, for a ten-year period imports and local sales of the machinery and equipment for manufacturing or assembling these vehicles will be exempt from the IGV, and spare parts will be exempt from the IGV and ISC. Charging stations for electric vehicles will be exempted from IGV, ISC and the 1% duty on customs value for a five-year period.

Table 3.11 Incentives granted for imports and local purchases of electric vehicles, 2018

Value of vehicle	Taxes covered by the exemption		
	General sales tax (IGV)[a]	Selective consumption tax (ISC)	1% duty
Up to USD 30,000	100%	100%	100%
USD 30,001 to USD 45,000	50%	75%	100%
USD 45,001 to USD 60,000	0%	50%	100%
USD 60,001 and over	0%	0%	0%

a The IGV will be replaced by VAT as from 1 July 2019.

Source: Electric Transport Incentives and Promotion Law (Law No. 9518) of 25 January 2018 and its implementing regulations (Executive Decree No. 41092) of 10 April 2018.

3.78. During 2013-17, the tax cost remained relatively stable, with tax exemptions in 2017 amounting to 5.5% of GDP (5.3% in 2013). Exemptions from the IGV represented over 50% of the tax cost, followed by income tax (Table 3.12).

Table 3.12 Tax cost, 2013-17

(CRC million)

	General sales tax (IGV)		Income tax		Other		Total	
	Amount	% of GDP	Amount	% of GDP	Amount	% of GDP	Amount	% of GDP
2013	775,953.6	3.1	473,895.4	1.9	68,851.8	0.3	1,318,700.,8	5.3
2014	794,001.3	2.9	504,519.4	1.9	72,511.2	0.3	1,371,031.9	5.0
2015	823,463.5	2.8	532,034.0	1.8	74,934.3	0.3	1,430,431.8	4.9
2016	890,989.3	2.9	693,519.6	2.2	76,699.0	0.3	1,661,207.9	5.3
2017	949,961.8	2.9	765,740.7	2.3	85,078.5	0.3	1,800,781.0	5.5

Source: Information provided by the authorities.

3.3.2 Standards and other technical requirements

3.79. The Law on the National Quality System (Law No. 8279) of 2002 continues to regulate the National Quality System (SNC) and has not been substantially amended since 2013. However, during the review period, changes have been made in the regulations governing the various institutions that make up the SNC (Table 3.13).

Table 3.13 Regulations of the National Quality System, 2019

Title	Number and date	Latest amendment
Regulations of the National Quality Council	Executive Decree No. 31820 of 29.04.2004	2015[a] 2017[b]
Regulations to Chapter III of Law No. 8279 – Creation of the Costa Rican Metrology Laboratory	Executive Decree No. 31819 of 30.04.2004	n.a.
Regulations of the Technical Regulation Body	Executive Decree No. 32068 of 19.05.2004	2015
Regulations on the internal structure and operation of the Costa Rican Accreditation Authority	Executive Decree No. 39508 of 24.08.2015[c]	n.a.

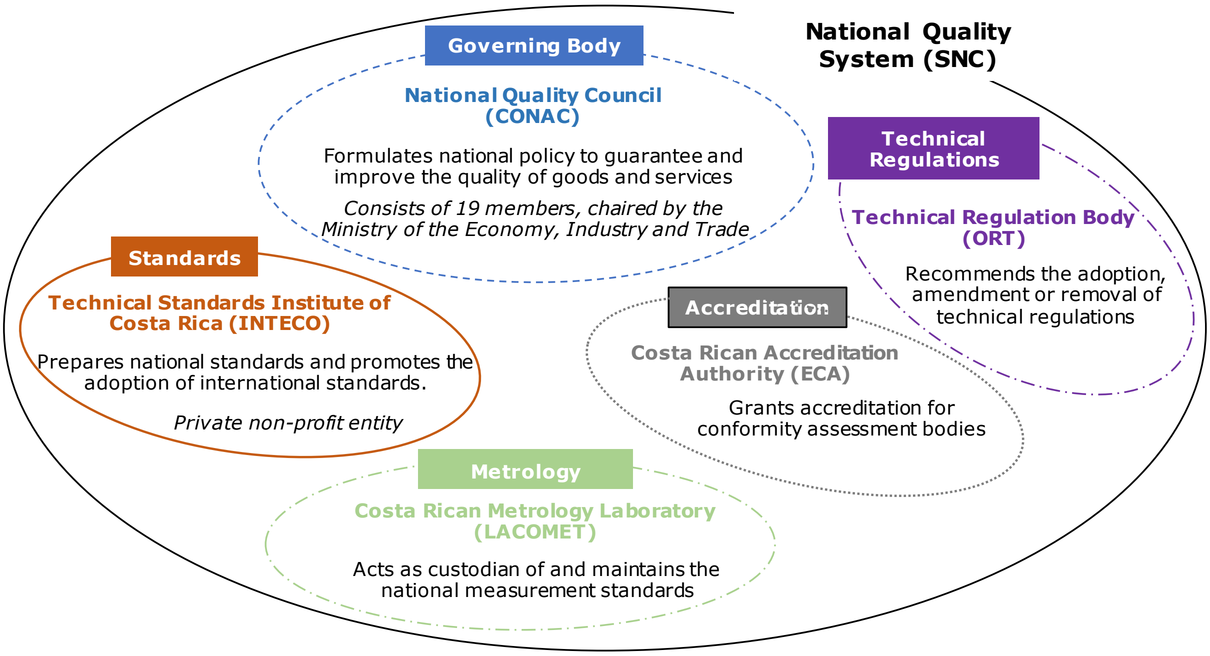
a Amendments to provisions concerning the convening of CONAC meetings.
b The month of November (instead of October) is declared 'Quality Month'.
c Replaces the earlier regulations contained in Executive Decree No. 33963 of 16 March 2009.

n.a. Not applicable.

Source: WTO Secretariat.

3.80. The SNC comprises five institutions (Chart 3.6). The National Quality Council (CONAC) is responsible for the SNC and determines national policy on quality and promotes the culture of quality.[86] The SNC also comprises four technical bodies: the Technical Regulation Body (ORT) (chaired by MEIC), the Costa Rican Metrology Laboratory (LACOMET), the Costa Rican Accreditation Authority (ECA) and the Costa Rican Technical Standards Institute (INTECO), which together guarantee the quality of goods and services.[87]

Chart 3.6 Bodies of the National Quality System



Source: WTO Secretariat and Inter-American Development Bank (IDB) (2016), *El Sistema Nacional para la Calidad como bien público para la competitividad en Costa Rica*. Viewed at: https://publications.iadb.org/handle/11319/7838.

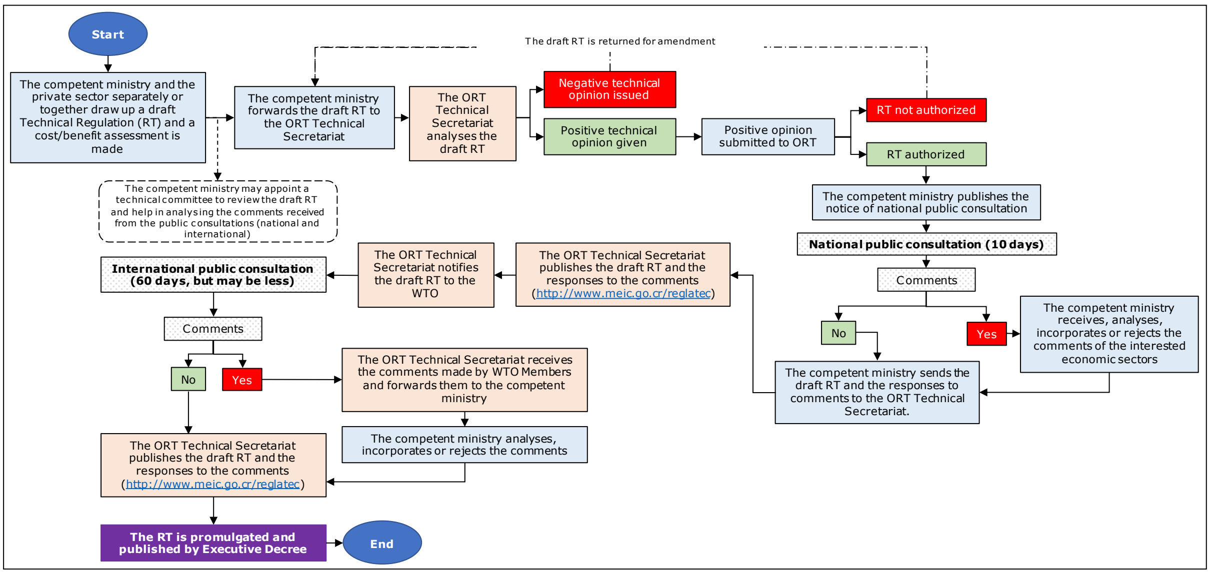
[86] Article 9 of Executive Decree No. 31820 of 29 April 2004.
[87] Law No. 8279 of 2 May 2002.

3.81. LACOMET, ORT and ECA are government entities, while INTECO is a private non-profit body that has been the national standardization body since 1995.[88] New regulations governing ECA were adopted in 2015 to replace those of 2009. Among other things, the new regulations list the conformity assessment bodies accredited by ECA, including clinical laboratories and verification and validation bodies.[89] The Regulations of ORT were also substantially amended in 2015, *inter alia* to improve the process of preparing technical regulations.

3.82. The preparation of technical regulations is governed by the ORT regulations of 2004 and the Code of Good Practice of the WTO Agreement on Technical Barriers to Trade.[90] With the support of its Technical Secretariat, ORT proposes the adoption of Costa Rican technical regulations (RTCRs). Currently (2019), 237 RTCRs are in force in Costa Rica; they are used for both locally produced goods and imports and are available in an online catalogue.[91]

3.83. The preparation of an RTCR involves various stages, which include the preparation of the proposal, cost/benefit analysis, presentation and evaluation of the draft (form and substance), and two public consultations, one national and the other at international level (Chart 3.7).[92] Draft RTCRs must fulfil all the stages in the process. Since 2015, all drafts must be submitted to international public consultation.

Chart 3.7 Preparation and adoption of Costa Rican technical regulations



Source: MEIC (2014), Guide to the preparation of National Technical Regulations. Viewed at: https://www.reglatec.go.cr/reglatec/principal.jsp.

3.84. All draft RTCRs are notified to the WTO Committee on Technical Barriers to Trade, even where an international public consultation is not required. Since 2013, Costa Rica has notified 47 new technical regulations concerning health, environmental and consumer protection. Three of these establish a ban on the import and/or distribution and sale of toys, used tyres and sweets (candies) (Table A3.6).[93] Amendments to 23 technical regulations that had already been notified were also notified. Between 2013 and January 2019, Costa Rican technical regulations did not give rise to specific trade concerns in the WTO Committee on Technical Barriers to Trade.[94] The Information

[88] MEIC Decision No. 114 of 27 October 2017 and online information. Viewed at: https://www.inteco.org.
[89] Article 7 of Executive Decree No. 39508 of 24 August 2015.
[90] Article 11 of Executive Decree No. 32068 of 19 April 2004.
[91] Online information. Viewed at: https://www.reglatec.go.cr/reglatec/principal.jsp.
[92] Proposals for technical regulations submitted to public consultation and the responses given to the comments may be consulted through the Technical Regulation System (https://www.reglatec.go.cr/reglatec/principal.jsp).
[93] WTO documents G/TBT/N/CRI/170 of 26 September 2017, G/TBT/N/CRI/181 of 17 October 2018 and G/TBT/N/CRI/182 of 17 October 2018.
[94] Online information. Viewed at: http://tbtims.wto.org.

Centre on Technical Barriers to Trade (CIOT) of the ORT Technical Secretariat is the information centre for the WTO.

3.85. ORT, its Technical Secretariat and ministries take part in the preparation of a draft RTCR. The private sector may also formulate draft RTCRs, either independently or in collaboration with the competent ministry, but only the ministry may present the draft to ORT (Chart 3.7).[95] In 2015, some changes were made in the process for the drafting of RTCRs. The main change was that responsibility for analysing comments submitted during the public consultation process and for responding to them was transferred from the ORT Secretariat to the competent ministries (Table 3.14).

Table 3.14 Main changes to the stages in the preparation of an RTCR

(Changes are in **bold**)

	Executive Decree No. 32068 of 19.04.2004	Executive Decree No. 32068 as amended by Executive Decree No. 39320 of 04.08.2015
Evaluation of the draft (Article 13)	The ORT Technical Secretariat evaluates the draft technical regulation	The ORT Technical Secretariat has **ten days** to evaluate the draft technical regulation; **this period may be extended where further analysis is required**
		The ORT Technical Secretariat submits its evaluation report to ORT
	The project is not evaluated where an international standardization standard is adopted. The project is submitted directly to public consultation	**Since 2015 all drafts are evaluated**
Technical opinion (Article 14)	Technical opinions are not issued where an international standardization standard is adopted. The draft is directly submitted to public consultation	**Since 2015, technical opinions must be issued for all drafts**
National public consultation (Article 16)	The **ORT Technical Secretariat** has **eight days** to analyse and respond to the comments made during the national public consultation	The **competent ministry** has **ten days** to analyse and respond to the comments made during the national public consultation; **this period may be extended when clarifications are required**
		The competent ministry sends the ORT Technical Secretariat the final proposal of the draft technical regulation
Notification to the WTO and international public consultation (Article 17)	In the case of **the adoption of a standard issued by an international standardizing body**, the international public consultation is not necessary. The WTO is notified only for transparency purposes	In the case of **the adoption of a standard issued by an international standardizing body and drafts that establish measures to facilitate trade**, there is no international public consultation. The WTO is notified only for transparency purposes
	ORT analyses and responds to the comments made during the international public consultation	The **competent ministry** has **30 days** to analyse and respond to the comments made during the international public consultation

Source: WTO Secretariat.

3.86. RTCRs are issued by means of executive decree. Their implementation may be immediate, in the case of measures that facilitate trade, or be delayed for between six months to two years to enable economic operators to have the time to adjust to them. RTCRs are reviewed at the request of interested parties. The revision of an RTCR involves the same stages as for its adoption/issuance.[96]

3.87. The labelling of pre-packaged foods, whether imported or locally produced, that are marketed in Costa Rica is governed by Central American Technical Regulations (RTCAs). All pre-packaged

[95] The private enterprises must submit their proposals to the competent ministry, which will then present them to ORT. Article 12 of Executive Decree No. 32068 of 19 April 2004.

[96] WTO Document WT/TPR/S/286/Rev.1 of 27 November 2013.

foods must comply with general labelling requirements (ingredients, weight, country of origin, expiry date, health registry number, etc.). Specific pre-packaged foods such as alcoholic beverages, sausages or dairy products must also meet specific requirements that take precedence over the general requirements.[97] Some technical regulations have a section on marketing or labelling, as in the case of cement and fibre cement sheeting. There are Central American regulations on the labelling of cosmetics, cleaning products, medicines for human use, pesticides for domestic or professional use, footwear and textiles.

3.88. INTECO is responsible for standardization in Costa Rica. "Technical standards[98]" (standards) are prepared by the INTECO national technical committees comprising public and private sector participation as well as representatives of academic circles, research institutes, sectoral organizations, NGOs, professional colleges and worker and consumer associations.[99] For the preparation of a "technical standard", account is taken primarily of the provisions of the WTO Agreement on Technical Barriers to Trade and the ISO Code of Good Practice for Standardization, as well as the guidelines issued by other international bodies in which Costa Rica participates (for example, the Pan-American Technical Standards Commission (COPANT) and the International Electrotechnical Commission (IEC)).[100]

3.89. The process of drawing up a "technical standard" comprises various stages (Chart 3.8), all of which must be carried out. Nevertheless, a fast-track procedure may be used where an international standard is adopted. In this case, the proposal is put to public consultation without need for prior approval from the technical committee.[101] The period of public consultation is generally 60 calendar days but may be reduced to 30 calendar days on grounds of emergency (health, safety or environmental).[102] The "technical standards" are adopted by consensus in technical committees.[103] Their use is voluntary, but they may become mandatory in order to protect health, safety, the environment and consumers; in other words, where there is a legitimate objective.[104] In this case they become an RTCR by means of an executive decree. "Technical standards" are reviewed periodically every five years to remain in force. Currently (2019) there are more than 1,800 technical standards in Costa Rica, 37% of them ISO standards adopted by the country; they may be consulted in a paid online catalogue.[105]

[97] Central American Technical Regulation on the General Labelling of Pre-Packaged Foods, RTCA 67.01.07:10 (Executive Decree No. 37280 of 18 June 2012), and Manual for the Interpretation of the Central American Technical Regulation on the General Labelling of Pre-Packaged Foods (Executive Decree No. 40454 of 15 May 2017).

[98] Online information. Viewed at: https://www.inteco.org/page/inteco.faq.

[99] Online information. Viewed at: https://www.inteco.org/page/inteco.tech_committees.

[100] Online information. Viewed at: http://www.icccostarica.com/images/Anticorrupcion/Ponencia_Inteco.pdf; and online information from INTECO. Viewed at: https://www.inteco.org/page/inteco.faq.

[101] Online information. Viewed at: http://www.icccostarica.com/images/Anticorrupcion/Ponencia_Inteco.pdf.

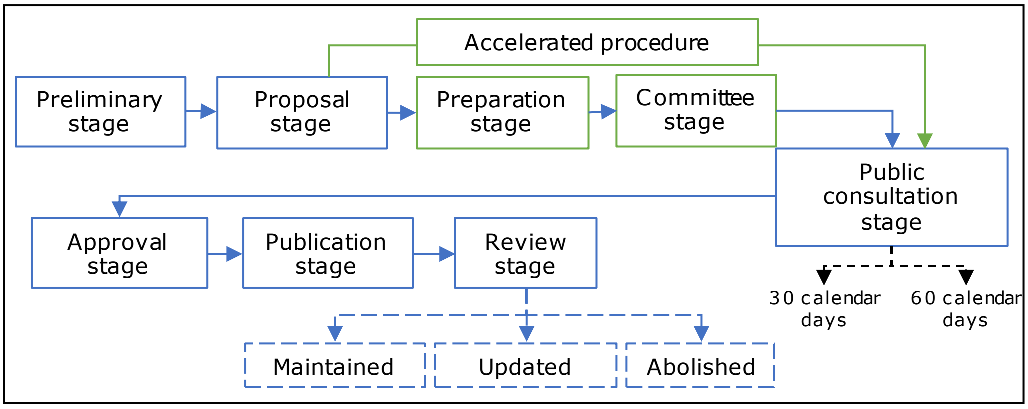
[102] Online information. Viewed at: https://www.inteco.org/page/inteco.standards_public.

[103] Ibid.

[104] Online information. Viewed at: http://www.google.ch/url?sa=t&rct=j&q=&esrc=s&source=web&cd=7&ved=2ahUKEwjygaeKqNHfAhVUoXEKHU0TDAUQFjAGegQICBAC&url=http%3A%2F%2Fwww.hacienda.go.cr%2Fdocs%2F56eae566bad22_2-%2520Inteco%2520(Normalizacion)%2520Felipe%2520Calvo%2520INTECO.pptx&usg=AOvVaw3ST5blzU4VoCqNUeQ0wt_B.

[105] Online information. Viewed at: https://www.inteco.org/shop.

Chart 3.8 Preparation of "technical standards"



Source: INTECO PowerPoint presentation. Viewed at: http://www.icccostarica.com/images/Anticorrupcion/Ponencia_Inteco.pdf.

3.90. The ECA accredits conformity assessment bodies (CABs) such as testing laboratories and laboratories or bodies for the certification of products, systems or persons; the accreditation procedure is voluntary and initiated at the CAB's request.[106] In order to become accredited, they must fulfil general and specific requirements, which are listed for each type of CAB in the ECA documents and in the accreditation criteria, technical regulations and "technical standards". Accreditation is granted for an indefinite period, but annual monitoring is carried out and an assessment is made every four years.[107]

3.91. In 2019, there were 159 accredited CABs: 112 laboratories, eight certification bodies, 32 inspection bodies, five clinical laboratories, one verification and validation body and one proficiency testing provider. Since 2015, clinical laboratories and validation bodies for the verification of greenhouse gases have also begun to be accredited.[108]

3.92. LACOMET is the national laboratory that administers the metrology system and as such the custodian of national measurement standards; it facilitates calibration and measuring instrument verification services. However, there are areas in which it lacks the necessary measurement and calibration capability, in which case it designates national reference laboratories. At present (2019) there are four designated public laboratories that keep the national measurement standards for electricity, large masses and volumes, force and fibre optics.[109]

3.3.3 Sanitary and phytosanitary requirements

3.93. The main laws on phytosanitary and animal health policies and measures continue to be the Law on Phytosanitary Protection and its implementing regulations; the General Law on the National Animal Health Service and its implementing regulations; and the General Law on Health. The regulatory framework also consists of some other laws, decrees and regulations (Table 3.15).

Table 3.15 Main legislation on sanitary and phytosanitary matters

Title	Number and date	Most recent amendment
Ministry of Health		
General Law on Health	Law No. 5395 of 30.10.1973	2018
Microbiological criteria for food safety	Executive Decree No. 41420 of 21.12.2018.	n.a.
Central American Regulations on Sanitary and Phytosanitary Measures and Procedures	Executive Decree No. 37011 of 02.12.2011	n.a
State Phytosanitary Service (SFE)		
Law on Phytosanitary Protection	Law No. 7664 of 02.05.1997	2013

[106] Document ECA-MP-P01 of 4 January 2017. Viewed at: http://eca.or.cr/acr_proc.php.
[107] Online information. Viewed at: http://eca.or.cr/index.php; and Document ECA-MP-P01 of 4 January 2017. Viewed at: http://eca.or.cr/acr_proc.php.
[108] Article 7 of Executive Decree No. 39508 of 24 August 2015.
[109] Online information. Viewed at: https://www.lacomet.go.cr.

Title	Number and date	Most recent amendment
Implementing regulations to the Law on Phytosanitary Protection	Executive Decree No. 26921 of 22.05.1998	2016
National Animal Health Service (SENASA)		
General Law on the National Animal Health Service	Law No. 8495 of 06.04.2006	2010
Law for the Control of the Preparation and Retailing of Animal Feed	Law No. 6883 of 25.08.1983	1983
Law on Wildlife Conservation	Law No. 7317 of 30.10.1992	2017
Regulations on Sanitary Requirements and Veterinary Inspection of Poultry Slaughter and Processing Establishments	Executive Decree No. 37548 of 12.09.2012	n.a.

n.a. Not applicable.

Source: Information provided by the authorities (SENASA and SFE).

3.94. The authority responsible for plant and animal health matters at the primary production level is the Ministry of Agriculture and Health (MAG), through the State Phytosanitary Service (SFE) and the National Animal Health Service (SENASA), which work with international bodies such as the International Plant Protection Convention (IPPC), the OIE and the Codex Alimentarius. The Ministry of Health is responsible for food safety. However, SENASA and the SFE deal with the safety of products of animal origin within their spheres of competence, and with maximum residue limits. The SFE is the information centre for the WTO.

3.95. The objectives of Costa Rica's phytosanitary policy are to help to improve and raise agricultural productivity, promote exports and protect the environment, human and animal health and plants. Costa Rica has a Food Safety Policy implemented by various public institutions including the Ministry of Health, MAG and MEIC. Under this policy, all producers and enterprises dealing with food must have a system that ensures the quality and safety of their products by means of tools such as the HACCP and voluntary certification.[110]

3.96. SENASA is responsible for animal health, veterinary public health and environmental protection. It monitors and controls the stages of production, processing and distribution of animal products, and takes action to prevent, control and eradicate animal diseases and pests; it also exercises oversight for the safety of products, by-products and derivatives for human or animal consumption. In addition, it establishes and implements the necessary measures for the production, use and marketing of genetically modified organisms of animal origin.

3.97. The measures taken by SENASA are based on risk assessment carried out in its official laboratory or in national or foreign public or private reference laboratories. On the basis of its risk assessment, SENASA classifies pests and diseases and determines those on which the authorities must take mandatory action and those that must be the object of mandatory or voluntary action by the private sector. The results of an analysis by an official laboratory or by the reference laboratories are a necessary prerequisite for granting or cancelling permits, authorizations or registrations. In addition, SENASA has an epidemiological monitoring service to prevent and control diseases, which enables the country to remain disease free. To this end, SENASA carries out inspections and visits and may require that health measures be applied on private or public premises if the goods pose a threat to veterinary public health or animal health.

3.98. SENASA's services are aimed at facilitating trade in animals and animal products and by-products in international markets. It maintains border quarantine posts and internal control posts to ensure compliance with the sanitary requirements relating to the import or export of animals and animal products and by-products.

3.99. With respect to imports, SENASA carries out the necessary risk assessment to determine the health conditions that will govern the importation or transit of goods, or to demonstrate the health safety of the products and by-products entering or marketed in the national territory for which it is responsible. These products must be accompanied by the prior import health permit and international veterinary certificate or official certificate of the country of origin. In the absence of these documents, SENASA may slaughter the animals, denature the products or return them to the country of origin. Where, following importation of an animal product or by-product, it is found that

[110] Decree No. 35960 of 3 May 2010.

it presents a serious threat to health and that the sanitary measures taken do not provide a satisfactory level of control, SENASA may suspend the movement of the product and apply the corresponding health measures or establish special conditions for the product to be able to move within the country or for it to be returned or re-exported.

3.100. SENASA determines the health measures required to ensure the safety of animal products and by-products intended for human consumption and the suitability of the inputs used in preparing them. It supervises and certifies the health safety and quality of animal products and by-products intended for human consumption nationally and internationally in accordance with the established rules and requirements. To this end, Costa Rica has a national traceability programme for animals and animal products and by-products as well as for the inputs and raw materials covered by the programme. The programme comprises a number of traceability systems that must comply with the principle of national treatment. SENASA also controls establishments that require a veterinary certificate to operate[111] and carries out periodic inspections to check on compliance with the health requirements laid down for the authorized activities; in the absence of compliance, the certificates may be withdrawn.

3.101. There is a voluntary certification programme accompanied by a seal of good health. The programme is intended for farms and producers or marketers of animal products and by-products produced in Costa Rica that comply with good livestock practices, the control of animal diseases that are the object of mandatory eradication, the regulation of veterinary medicine and pesticide residues, good transport practices, and any other health measure aimed at protecting human health and the environment.

3.102. The State Phytosanitary Service (SFE) controls and regulates trade in agricultural products in the case of both imports and exports and is responsible for the registration, control and regulation of chemical and biological substances for agricultural use (pesticides, fertilizers, biological substances and other similar products). It also monitors and controls economically important pests, as well as pests that are not present in the country but which may represent a threat to domestic agricultural production.

3.103. The SFE is committed to the protection of agricultural resources and contributes to the protection of human and environmental health by establishing phytosanitary measures with a view to the sustainable development of the agricultural sector. Its main objectives are to protect plants from the effects of pests and avoid and avert the introduction and spread of pests that endanger the country's food security in such a way that the phytosanitary measures do not constitute an unnecessary barrier to international trade.[112] To this end, in the same way as SENASA in the livestock sector, once the SFE establishes the existence of a pest of economic or quarantine importance, it may adopt a mandatory phytosanitary measure to fight the pest and stop it spreading. The SFE may also accept foreign phytosanitary measures even if they differ from the Costa Rican measures provided the interested party objectively shows that these measures achieve the appropriate level of protection. For this purpose, in coordination with COMEX, it signs bilateral and multilateral agreements for the recognition of the equivalence of foreign phytosanitary measures.[113]

3.104. The SFE monitors the pests present in the country and exercises controls to ensure that new pests do not enter the country by means of a system of monitoring posts (phytosanitary stations) set up randomly throughout the country. In 2018, these stations protected the crops of greatest economic importance for the country (rice, bananas, coffee and pineapples). Thanks to this system, the measures required to protect crops throughout the country can be applied rapidly. Furthermore, in order to prevent or fight pests the SFE may restrict or prohibit the production or transit of plants or of any other material, and in the absence of compliance may destroy them without any compensation.

3.105. The phytosanitary measures and requirements governing imports of plants and goods of plant origin as well as their packaging and means of transport are set out in various administrative and legal instruments. The SFE must ensure that phytosanitary measures are based on a proper

[111] Article 56 of the General Law on the National Animal Health Service lists the establishments subject to this control.
[112] Law No. 7664 of 2 May 1997.
[113] Idem, Article 6.

assessment of the existing risks for human life and health or plant protection and take into account the risk assessment methods developed by the relevant international organizations.

3.106. The import, re-export or transit of plants, biological control agents and other types of organisms for agricultural use are subject to control and inspection by the SFE. The latter issues authorizations for entry based on this inspection, for which it may require laboratory analysis, retention, treatment, repackaging, isolation or quarantine following entry. On the recommendation of the SFE, MAG promulgates by decree the requirements for importation or entry in transit, as well as exceptions, including the specific entry point where necessary. In order to protect the national agricultural sector and where justified on quarantine grounds, the SFE may modify or eliminate any import or transit requirement. In order to prevent the introduction of pests it may establish external quarantine aimed at restricting or prohibiting importation or entry in transit when required for technical reasons, or adopt any other relevant measure.

3.107. According to the authorities, the main legal provisions on plant and animal health are harmonized with international guidelines. In the phytosanitary area, a number of texts establish the phytosanitary requirement for the importation of plants, plant products and other regulated articles, as well as the procedure for the control of imports and exports and the new list of quarantine pests, among other matters. SENASA has published general agricultural and livestock good practice guides (Table 3.16).[114]

Table 3.16 Provisions governing phytosanitary measures, 2013-18

Title	Number and date	Most recent amendment
List of regulated pests	n.a.	2018
Prohibition of registration, import, export, manufacture, formulation, storage, distribution, transport, repackaging, repacking, handling, sale, mixture and use of active ingredients and synthetic pesticides containing endosulfan	Executive Decree No. 38834 of 15.05.2014	n.a.
Establishes the Registry of Importers of plant products together with controls of transport units and warehouses with a view to traceability of imported agricultural products	Executive Decree No. 36999 of 25.01.2012	2016
Establishes mandatory phytosanitary requirements for the import of fresh avocados originating in the Dominican Republic	Resolution No. 086-2016-ARP-SFE of 22.09.2016	n.a.
Phytosanitary measures for the establishment of phytosanitary requirements for the import of fresh avocados (*Persea americana*) originating in Mexico	Resolution No. DSFE 003-2018 of 29.01.2018	n.a.
Phytosanitary measures establishing phytosanitary requirements for the importation of regulated articles originating in any country where the avocado sun blotch viroid (ASBVd) pest is present	Resolution No. DSFE 002-2018 of 29.01.2018	n.a.
Procedure for establishing phytosanitary requirements for the importation of regulated articles	Procedure NR-ARP-P0-01 of 12.02.2019	n.a.
General regulations for the veterinary inspection of fishery product establishments	Executive Decree No. 39010 of 11.12.2014	n.a.
Central American Regulations on Sanitary and Phytosanitary Measures and Procedures	Executive Decree No. 37011 of 09.01.2012	n.a.
RTCA 67.06.55:09 Good hygiene practices for unprocessed and semi-processed foods, and verification manual	Executive Decree No. 37057 of 20.02.2012	n.a.
RTCA 67.04.54:10 Processed foods and beverages. Food additives	Executive Decree No. 37294 of 18.06.2012	2017
RTCA 65.05.63:13 Products used in animal feed. Good manufacturing practices and checklist	Executive Decree No. 37560 of 15.01.2013	n.a.
RTCA 67.04.66:12 Pasteurized milk	Executive Decree No. 38434 of 28.02.2014	n.a.

n.a. Not applicable.

Source: Information provided by the authorities, online information from SENASA (http://www.senasa.go.cr/informacion/legislacion-y-normativa) and online information from the SFE (http://www.sfe.go.cr/SitePages/Normativa/InicioNormativa.aspx).

[114] The full list is available at: http://www.senasa.go.cr/informacion/manuales-de-buenas-practicas.

3.108. The SFE is the body responsible for notifying sanitary and phytosanitary measures to the WTO Committee on Sanitary and Phytosanitary Measures. During the period 2013-19, Costa Rica submitted 78 notifications (including addenda). Of these, 19 notifications concerned emergency measures (11 for plant protection and the others for animal health). As notified, the emergency measures are based on international standards. Most of the other measures concerned plant protection as well as protection of the country against pest damage, while the remainder were adopted to protect animal health and ensure food safety. In general, the measures notified apply to regions or trading partners affected by diseases or pests that the Government would like to prevent from entering Costa Rica. Most of the measures are based on international standards; only in a few cases is it specified that a relevant international standard does not exist or that the measure does not conform to international rules.[115]

3.109. During the review period, Members questioned three of the phytosanitary and animal health measures notified by Costa Rica. Two of these, one relating to maximum residue limits of medicines in live animals[116] and the other concerning the Costa Rican regulations on the registration, use and control of pesticides, were only questioned once by one Member, while Costa Rica's decision temporarily to suspend issuing phytosanitary certification for the importation of avocados[117] was raised on four occasions by different Members. This measure led to a dispute settlement case brought against Costa Rica by Mexico.[118]

3.3.4 Competition policy and price controls

3.3.4.1 Competition policy

3.110. Costa Rica's competition policy is governed by the Political Constitution (Article 46), the Law on the Promotion of Competition and Effective Consumer Protection (Law No. 7472 of 1994) and the General Telecommunications Law (Law No. 8642 of 2008). The provisions regulating competition were not modified during the period under review; however, in 2013 new implementing regulations to Law No. 7472 entered into force.[119] In addition, in 2014, Costa Rica's competition policy was studied as part of the country's process of accession to the OECD.[120] As a result of the ensuing recommendations, an Interinstitutional Commission (MEIC, COPROCOM, SUTEL and COMEX) drew up draft legislation that has been submitted to the Legislative Assembly.[121] According to the authorities, this draft includes most of the OECD's recommendations (Table 3.4).

Box 3.4 Main OECD recommendations

Expand the scope of Law No. 7472 to include all economic agents	Provide a leniency programme	Establish a single competition authority for all sectors
Grant the competition authority more autonomy and financial resources	Establish special procedures for the analysis of anti-competitive practices	Strengthen the competition authorities' advocacy powers
Establish more deterrent sanctions	Mergers must be notified in advance	Sign and implement international cooperation agreements

Source: Information provided by the authorities and OECD/BID (2014), *Competition Law and Policy in Costa Rica - a Peer Review*. Viewed at: https://www.oecd.org/daf/competition/CostaRica-PeerReview2014en.pdf.

3.111. In principle, the Law on the Promotion of Competition and Effective Consumer Protection regulates competition in all economic sectors other than telecommunications, which are governed by the General Telecommunications Law. Accordingly, all economic operators (other than those in

[115] Sanitary and Phytosanitary Information Management System. Viewed at: http://spsims.wto.org/en/SpecificTradeConcerns.
[116] WTO Document G/SPS/N/CRI/136 of 11 March 2013.
[117] WTO Documents G/SPS/N/CRI/160 of 5 May 2015 and G/SPS/N/CRI/160/Add.1 of 12 May 2015.
[118] WTO Document WT/DS524/1 of 13 March 2017.
[119] Executive Decree No. 37899 of 8 July 2013 replacing Executive Decree No. 36234 of 30 December 2010.
[120] OECD/IDB (2014), *Competition Law and Policy in Costa Rica, a Peer Review*. Viewed at: https://www.oecd.org/daf/competition/CostaRica-PeerReview2014en.pdf.
[121] Law on Strengthening the Competition Authorities of Costa Rica, Bill No. 21303.

the telecommunications sector), both public and private, whether or not established in Costa Rica, are in principle subject to the Law on the Promotion of Competition and Effective Consumer Protection. However, the Law excludes from its scope operators who: (i) have a concession to provide public services pursuant to a law; (ii) perform acts authorized by special laws; or (iii) fall under the State monopoly regime (Table 3.17)[122]; nor are municipalities subject to the Law.[123]

Table 3.17 Exceptions to the competition law, 2019

Enterprise or entity	Service or sector	Excluded activities
Holders of public service concessions pursuant to a law		
Correos de Costa Rica S.A.	Social service - postal communication	All acts performed in the provision of the services indicated
Costa Rican Electricity Institute (ICE) Heredia Public Services Company (ESPH) Cartago Electricity Board (JASEC)	Electricity generation and distribution	
Costa Rican Railway Institute (INCOFER)	Rail transport	
National Insurance Institute (INS)	Work-related risk insurances and mandatory motor vehicle insurance	
Acts duly authorized by specific laws		
Agro-industrial Sugar Cane League (LAICA)	Sugar	Fixing production quotas and sale prices
National Rice Growers Corporation (CONARROZ)	Rice	Importing paddy rice and distributing it among industry operators
Coffee Institute of Costa Rica (ICAFE)	Coffee	Fixing profit margins for bean processors (who process coffee cherries after the harvest and up to roasting) and for exporters
Shipping companies	Maritime transport	Agreements on rates and distribution of routes among competitors (Liner Conferences)
Professional colleges	Professional services	Setting reference fees
State monopolies		
National Spirituous Beverages Factory (FANAL)	Alcohol	Production and importation of ethyl alcohol for spirit manufacturers and industrial purposes
Costa Rican Petroleum Refinery (RECOPE)	Fuels	Importing, refining and wholesaling crude petroleum and its derivatives
Social Protection Board (JPS)	Lotteries and bingos	Lotteries, bingos and the like

Source: Information provided by the authorities.

3.112. According to the OECD, as a result of these exemptions about one third of the economy is not subject to the competition regime. However, this proportion could be much higher given that some of these sectors provide inputs for other sectors.[124]

3.113. The Commission for the Promotion of Competition (COPROCOM) is the authority responsible for implementing the competition regime. It investigates and sanctions anti-competitive practices and approves mergers in all sectors of the economy other than telecommunications and those exempted from the competition regime. In the case of telecommunications, the Supervisory Authority for Telecommunications (SUTEL) is the competition authority and therefore assumes COPROCOM's functions in this sector. In the financial sector, COPROCOM investigates (and sanctions) anti-competitive practices, but the supervisory authorities approve mergers. There are mechanisms for consultation between COPROCOM and SUTEL and the financial sector supervisory authorities. COPROCOM does not have authority over economic operators in sectors that are exempted from the competition regime.

3.114. COPROCOM is attached to MEIC; it has neither budgetary nor administrative independence and lacks specific legal personality, so its staff must call upon the Attorney General's Office to defend its decisions in court. One of the OECD's recommendations is to strengthen COPROCOM's

[122] Article 31 of Executive Decree No. 37899 of 8 July 2013.
[123] Information provided by the authorities.
[124] OECD (2018), *OECD Economic Surveys: Costa Rica 2018*. Viewed at: http://www.oecd.org/eco/surveys/Costa-Rica-2018-Estudios-Economicos-de-la-OCDE.pdf.

independence or create a wholly independent institution with sufficient human resources to carry out the necessary activities.[125]

3.115. The Law on the Promotion of Competition and Effective Consumer Protection prohibits monopolies, both public and private.[126] Pursuant to the Constitution, the creation of a public monopoly requires the favourable vote of two thirds of all deputies of the National Assembly.[127] In March 2019 there were public monopolies in the following sectors: (a) manufacture and marketing of spirits (FANAL); (b) importing, refining and wholesaling of petroleum and petroleum products (RECOPE); and (c) lotteries and bingos (JPS).

3.116. Absolute monopolistic practices (horizontal agreements) are prohibited in Costa Rica and deemed legally null and void.[128] Absolute monopolistic practices exist where competing operators agree to fix prices, limit supply, distribute the market, coordinate bids in tendering processes and refuse to trade specific goods or services.[129]

3.117. Relative monopolistic practices (vertical agreements) are also prohibited. Such practices exist where operators that are not competing among themselves agree to exclude other market operators or prevent their access, or create exclusive advantages for third parties.[130] However, these practices are prohibited only if it is found that the economic operator engaging in them has substantial power in the relevant market. This is determined on the basis of a number of criteria; in particular, account is taken of market share, but other factors are also evaluated, such as the existence of barriers to entry.[131] The Law on the Promotion of Competition and Effective Consumer Protection does not specify the threshold of substantial power.[132] These relative monopolistic practices may possibly not be sanctioned when their effect promotes competition in the market, such as practices that could help to improve production systems, marketing conditions, competitiveness, supply and innovation or to lower prices.[133]

3.118. COPROCOM investigates possible monopolistic practices (both absolute and relative) either *ex officio* or in response to a complaint.[134] Where a monopolistic practice exists, COPROCOM determines the measures needed to eliminate the market distortion and re-establish competitive conditions. It also fines the economic operator; the amount of the fine depends on the type of offence.[135]

3.119. Costa Rica does not have a leniency programme to lower (partially or entirely) the fines of economic operators who cooperate in the investigations. According to the OECD, the introduction of such a programme would help to combat monopolistic practices more effectively.[136]

3.120. Mergers whose total assets or income exceed the threshold of 30,000 times the minimum wage must be notified to COPROCOM, failing which penalties are imposed.[137] The notification must be submitted to COPROCOM before the merger takes place or within five working days thereafter.[138]

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[125] Ibid.
[126] Article 10 of Law No. 7472 of 20 December 1994.
[127] Article 46 of the Constitution.
[128] Article 11 of Law No. 7472 of 20 December 1994.
[129] Ibid.
[130] Online information. Viewed at: https://www.coprocom.go.cr/tramites_y_servicios/investigacion_de_practicas_monopolisticas/practicas_monopolisticas_relativas.html.
[131] Articles 12-15 of Law No. 7472 of 20 December 1994.
[132] In the telecommunications market, an operator has substantial power when its market share exceeds 25%, either by the number of clients, the volume of sales (traffic), income or a combination of these and other factors (Article 12 of the Regulations on Telecommunication Network Access and Interconnection. Online information. Viewed at: https://sutel.go.cr/normativas).
[133] Article 12 of Law No. 7472 of 20 December 1994, and Article 52 of Executive Decree No. 37899 of 8 July 2013.
[134] Article 32 of Executive Decree No. 37899 of 8 July 2013.
[135] For further information on the amount of fines, see Article 28 of Law No. 7472 of 20 December 1994.
[136] Online information. Viewed at: http://www.acodeco.gob.pa:8080/RECAC/foro/Clemencia-CostaRica.pdf; and OECD (2014), *Competition Law and Policy in Costa Rica*. Viewed at: https://www.oecd.org/daf/competition/CostaRica-PeerReview2014en.pdf.
[137] WTO Document WT/TPR/S/286/Rev.1 of 27 November 2013.
[138] Article 16 of Law No. 7472 of 20 December 1994, and Article 46 of Executive Decree No. 37899 of 8 July 2013.

Mergers may be refused, authorized, or authorized under conditions. In the latter case, COPROCOM imposes the conditions it considers appropriate to offset possible anti-competitive effects or encourage competition. For this purpose it has the power to limit the geographical scope of operation or type of clients, or to oblige the operator to provide specific products to specific clients or to competitors.[139] Mergers may be authorized even when they distort competition if they have a positive effect on the market.[140]

3.121. In the analysis of mergers, the principle of favourable presumption is adopted, i.e. in the absence of proof to the contrary it is presumed that the object or effect is not to acquire or increase substantial market power significantly, facilitate explicit or tacit coordination among competitors or reduce, hinder or prevent competition or free competition for goods or services that are the same, similar or substantially related, in the following cases: (i) where none of the enterprises concerned carries out economic activities in the same market or related markets within the production and marketing process; (ii) where the share of those involved in the markets is not sufficiently large as to be likely significantly to affect competition; (iii) where an economic operator acquires exclusive control of one or more enterprises or parts of an enterprise over which it already has partial control; and (iv) where the economic operator resulting from the merger does not carry out or intend to carry out activities within the national territory, or where such activities are marginal.[141]

3.122. COPROCOM's decisions may be challenged by appeal to a higher administrative authority and, if that fails, before the court hearing administrative disputes.[142] Since 2013 there have been four appeals against COPROCOM decisions.

3.123. Over the period 2013-18, COPROCOM initiated 110 investigations into anti-competitive practices: 58 of them were initiated *ex officio* and 52 in response to a complaint (Table 3.18). The markets investigated include agribusiness, the pharmaceutical and chemical industry, freight transport and banking. Penalties were imposed in the cases where there existed price or sales volume agreements, supply restrictions, tied sales, exclusivity contracts and delays in the provision of information, among other matters.[143] During this period, 177 mergers were authorized, seven of them under conditions, and one was refused (Table 3.18).

Table 3.18 Competition data, 2013-18

	2013	2014	2015	2016	2017	2018
Monopolistic practices						
Investigations	**13**	**23**	**22**	**22**	**14**	**17**
Ex officio	7	13	14	8	6	4
In response to a complaint	5	10	8	14	8	13
Practices sanctioned	**1**	**2**	**1**	**0**	**0**	**1**
Absolute monopolistic practices	0	1	1	0	0	0
Relative monopolistic practices	1	1	0	0	0	1
Mergers						
Notified	8	26	24	37	37	46
Authorized	8	26	24	37	37	45
Authorized with conditions	0	1	2	0	2	2
Refused	0	0	0	0	0	1
Sanctioned	0	0	0	0	0	0

Source: Information provided by the authorities.

3.124. COPROCOM may also put forward comments on regulatory changes. Since 2013 it has presented comments on the draft Law for the Strengthening of the Competition Authorities of Costa Rica, the regulation of rice prices, parallel imports of medicines and the revision of technical regulations.[144]

[139] Articles 16 and 28 of Law No. 7472 of 20 December 1994, and online information. Viewed at: https://www.meic.go.cr/meic/documentos/gs58ry7cg/guiaobligatoriaconcentraciones.pdf.

[140] Article 16 of Law No. 7472 of 20 December 1994, and Article 46 of Executive Decree No. 37899 of 8 July 2013.

[141] Article 53 of Law No. 7472 of 20 December 1994.

[142] Article 64 of Law No. 7472 of 20 December 1994, and Article 158 of Executive Decree No. 37899 of 8 July 2013.

[143] Information provided by the authorities.

[144] Online information. Viewed at: https://www.coprocom.go.cr/buscador/Default.aspx?tipobuscador=1.

3.125. COPROCOM does not have powers to take a position on acts of unfair competition, which may only be challenged through judicial channels.[145]

3.3.4.2 Consumer protection

3.126. The Law on the Promotion of Competition and Effective Consumer Protection and its implementing regulations also regulate consumer protection. Changes have been introduced since 2013 in order to ensure that "consumer protection in the sphere of electronic commerce may not be less than for other forms of trade[146]" (Table 3.19). Thus, trade requirements have been established for online sales of goods and services: these include for example (a) in the case of refunds, repaying the entire amount paid within a maximum period of eight days; (b) clear and full identification of the enterprise and the goods and services being marketed as well as the payment method; (c) indication of the final price (including taxes); (d) providing safe and reliable means of payment; (e) establishing free mechanisms for complaints and evaluations; (f) prohibition of the use of misleading advertising; and (g) protection of the personal data of consumers.

Table 3.19 Main legislative changes concerning consumer protection, 2013-18

Legislation	Number and date	Latest amendment	Changes introduced during 2013-18
Law on the Promotion of Competition and Effective Consumer Protection	Law No. 7472 of 20.12.1994	2016	New requirements for information on allergenic ingredients (Articles 33-34)
Regulations to the Law on the Promotion of Competition and Effective Consumer Protection	Executive Decree No. 37899 of 08.07.2013	2017	New trading obligations for persons engaged in e-commerce (Article 133 and Articles 245-264)

Source: WTO Secretariat.

3.127. In 2017, the Ministry of the Economy, Industry and Trade (MEIC) set up the Electronic Commerce Observatory for the purpose of monitoring websites to detect fraudulent trade practices (such as misleading advertising).[147] In 2017, it inspected 600 websites and requested 13 enterprises to correct some trade practices.[148] In the absence of compliance with its instructions, MEIC may initiate a complaint procedure with the National Consumer Commission that may lead to a fine.[149]

3.3.4.3 Price controls

3.128. The Government is empowered to regulate sales prices, but only for a specified time and in abnormal circumstances, in other words cases of *force majeure,* shortages, or a monopolistic or oligopolistic situation in the production or sale of goods and services.[150] Prices are regulated by means of an executive decree issued by MEIC; they are reviewed every six months, or at any time at the request of the interested parties.[151]

3.129. MEIC, through its Directorate for Economic and Market Investigations (DIEM), or any other government entity or a third party may request the regulation of the price of a good or service.[152] DIEM may consult COPROCOM concerning price regulation involving a monopoly or oligopoly. While

[145] Acts of unfair competition are acts contrary to good trading practices, such as imitating or reproducing trademarks, commercial names and so forth. Article 17 of Law No. 7472 of 20 December 1994, and online information. Viewed at: https://www.meic.go.cr/meic/documentos/qcr50f58s/guiapracticasanti.pdf.

[146] MEIC press release. Viewed at: https://www.meic.go.cr/meic/comunicado/886/ocde-avala-acciones-de-costa-rica-en-proteccion-al-consumidor.php.

[147] Online information. Viewed at: https://www.consumo.go.cr/estudios/observatorio_de_comercio_electronico.aspx.

[148] MEIC (2017), *Fiscalización de mercado en comercio electrónico*, December. Viewed at: https://www.consumo.go.cr/estudios/observatorio%20de%20comercio%20electronico/InformeComercioElectronico2017.pdf.

[149] Online information. Viewed at: https://www.meic.go.cr/meic/comunicado/886/ocde-avala-acciones-de-costa-rica-en-proteccion-al-consumidor.php.

[150] Article 5 of Law No. 7472 of 20 December 1994.

[151] Ibid.

[152] Articles 15 and 25 of Executive Decree No. 37899 of 8 July 2013.

COPROCOM's opinion is not binding, if DIEM does not take its comments into account it must justify its decision.[153]

3.130. Currently (2019) only the price of rice is regulated. A reference producer price is established for paddy rice, while floor and ceiling prices are fixed for the sale of all qualities of milled rice.[154] During the review period, COPROCOM recommended that all rice price controls be abolished.[155]

3.131. The Public Services Regulatory Authority (ARESEP) fixes prices and rates for public services, which include airport services, drinking water supply, sewage and drains, bus passenger transport, maritime passenger cabotage transport, the supply of fuels, the postal service, electricity, tolls, port services, irrigation services, taxis and rail transport (freight and passengers).[156] The Ministry of Public Works and Transport (MOPT) regulates the tariffs for maritime cabotage for the transport of goods and vehicles.[157]

3.3.5 State trading, state-owned enterprises, and privatization

3.132. The State still plays a leading role in Costa Rica's economy. There were no substantial changes concerning State enterprises during the period under review. However, in order to achieve better performance by State-owned enterprises and autonomous institutions and promote transparency in management and decision-taking, guidelines were issued that revised the functions of governing bodies, internal controls and the rendering of accounts.[158] A draft Law (No. 20909) to align the corporate practices of public enterprises such as the ICE and the INS is also in the pipeline.[159]

3.133. An Advisory Unit for the management and coordination of State-owned companies and the management of autonomous institutions was established in 2017 for the purpose of systematizing information on the performance of public enterprises and autonomous institutions and to carry out periodic audits to ensure that they perform well. However, only some State-owned enterprises (15) and autonomous institutions (19) are coordinated by this Unit. The former include the Banco de Costa Rica (BCR), Banco Hipotecario de la Vivienda (BANHVI) and Banco Nacional de Costa Rica (BNCR), Costa Rican Electricity Institute (ICE), National Insurance Institute (INS), Atlantic Coast Port Administration and Economic Development Board (JAPDEVA) and Costa Rican Petroleum Refinery (RECOPE); the autonomous institutions include the Central Bank of Costa Rica (BCCR), the Public Service Regulatory Authority (ARESEP) and the Costa Rican Social Security Fund (CCSS).[160]

3.134. Depending on their legal form, State-owned enterprises in Costa Rica may be State public enterprises (21), non-State public enterprises (6) or autonomous institutions (35). All of these enterprises are entirely State-owned. In addition there are 50 non-State public entities, some of which conduct commercial activities, such as the BANHVI, CONARROZ, the Cartago Electricity Board (JASEC) or the Agro-Industrial Sugar Cane League (LAICA). Other non-State public entities have been created only to promote a particular industry and do not carry on any marketing or foreign trade activities, such as the Livestock Promotion Corporation (CORFOGA), the National Banana Corporation (CORBANA) and the National Horticultural Corporation (CHN).

3.135. Most of these State entities operate in the services sector, and above all the financial sector, including both banking and insurance, and the telecommunications and electricity sectors. The ICE remains the largest operator. In addition, RECOPE has a monopoly for the importation and refining

[153] Idem, Article 23.
[154] Executive Decree No. 38884 of 24 February 2015.
[155] COPROCOM Opinions 03-14 of 11 February 2014 and 02-2017 of 18 April 2017, provided by the authorities.
[156] Online information. Viewed at: https://aresep.go.cr.
[157] MOPT Resolution No. 001 of 8 November 2010.
[158] General Directive of 19 February 2018 revising the functions of management bodies and strengthening their strategic role in State-owned enterprises and autonomous institutions, and Overall Policy on Transparency and Disclosure of Financial and Non-Financial Information for State-owned enterprises, Their Subsidiaries, and Autonomous Institutions (Directive No. 102 of 06.04.2018).
[159] Online information. Viewed at: https://cdn.delfino.cr/wp-content/uploads/2018/08/Proyecto-20909.pdf.
[160] Law for the Creation of the Advisory Unit for the Management and Coordination of State-Owned Companies and Management of Autonomous Institutions (Executive Decree No. 40696-MP of 20 October 2017).

of hydrocarbons (Section 4). Some of these State entities also have their own procurement systems. The value added of the main public institutions in 2017 was the equivalent of 5.9% of GDP (6.5% in 2013).[161]

3.136. In 2018, Costa Rica notified that it had trading enterprises within the meaning of GATT Article XVII. The enterprises notified were: LAICA; RECOPE (State enterprise); CORFOGA; the Costa Rican Coffee Institute (ICAFE); and CONARROZ.[162] According to this notification, CORFOGA promotes cattle-raising in Costa Rica but does not have any marketing or foreign-trade-related activities. CONARROZ may play a part in rice marketing through importing rice supply quotas. ICAFE has the faculty to purchase and sell coffee inside or outside the country but does not do so in practice. The activities of the National Spirituous Beverages Factory (FANAL) have not been notified to the WTO.

3.3.6 Government procurement

3.137. The procedures for public procurement of goods, services and works are governed by the Constitution and the Government Procurement Law and its implementing regulations (Table 3.20). The Government Procurement Law provides that public entities may issue supplementary internal rules to improve the procurement process.[163] It covers all public entities, with the exception of non-State public entities over 50% of whose financing comes from their own resources, and public enterprises in which the public sector has a minority shareholding. Furthermore, it does not apply to public entities that have their own specific procurement systems such as the ICE, JASEC, INS, INCOFER and the CCSS.

3.138. The Government Procurement Law was modified on various occasions during the period under review. One of the main changes was the introduction in 2016 of a unified digital procurement system, the Integrated Government Procurement System (SICOP), which has gradually been replacing the CompraRED and the Online Purchasing System (Mer-Link). The use of CompraRED was compulsory for the Central Government, while other public entities used Mer-Link. Almost 70% of entities were using SICOP in 2019. However, the government procurement system is still not centralized. Among the other changes made during the review period, since 2018 the participation of grouped MSMEs in tendering processes was authorized. The implementing regulations to the Government Procurement Law were also revised in 2013, *inter alia,* to regulate the use of framework agreements (since 2016).

Table 3.20 Main legislation governing government procurement

Title	Number and date	Most recent amendment
Government Procurement Law	Law No. 7494 of 02.05.1995	2018
Regulations implementing the Government Procurement Law	Executive Decree No. 33411 of 27.09.2006	2018
General Law on the Concession of Public Works involving Public Services	Law No. 7762 of 14.04.1998	2018
General Regulations on the Concession of Public Works involving Public Services	Executive Decree No. 27098 of 12.06.1998	2012
Law on Financial Administration and Government Budgets	Law No. 8131 of 18.09.2001	2018
Regulations implementing the Law on Financial Administration and Government Budgets	Executive Decree No. 32988 of 31.01.2006	2018
Law Organizing the Office of the Comptroller General of the Republic	Law No. 7428 of 07.09.1994	2018
Regulations for the Use of the SICOP Integrated Government Procurement System	Executive Decree No. 41438-H of 12 October 2018	n.a

Source: WTO Secretariat.

3.139. The objective of government procurement is the efficient use of institutional resources for the purpose of satisfying the public interest. Accordingly, at all stages of procurement the most suitable offer fulfilling the terms and conditions previously established in the bidding documents shall be selected.

[161] Information provided by the BCCR.
[162] WTO Document G/STR/N/17/CRI of 23 November 2018.
[163] Article 109 of Law No. 7494 of 2 May 1995.

3.140. Government procurement procedures must respect equality in participation by all bidders. Thus, the procurement specifications may not include any clause hindering competition among bidders. While the law states that the participation of foreigners is governed by the principle of reciprocity, in practice they are given national treatment. However, in any government procurement operation, preference must be given to domestic products when the quality is equivalent, supplies are adequate and the price is equal to or lower than that of the imported product.[164] In these cases, for the purposes of comparing domestic and foreign manufacturers' prices, customs duties and any other import costs must be added to the price of the foreign good even where the purchasing entity is exempted from paying them. This provision applies only for comparison purposes and does not entail the obligation to award a specific number of contracts.[165]

3.141. The entities responsible for the government procurement process are the Office of the Comptroller General of the Republic (CGR), the Directorate-General of Goods Administration and Government Procurement (DGBCA) in the Ministry of Finance, and the specialized units within each of the public agencies. There is no single body that provides centralized oversight.

3.142. There are three ordinary government procurement procedures: open competitive bidding, abbreviated competitive bidding and auctions. Bidding may take various forms, such as pre-qualified bidding, bidding with financing and reverse auctioning (Table 3.5). Apart from the ordinary procedures, direct award of contracts may be used in the case of low-value contracts; this is an exception to the use of the normal procedures. There are also framework agreements for the procurement of specific common and continuously used goods or services. The procedure for the procurement of goods and services by means of "administrative procurement principles" must be followed by non-State public entities and private entities using public funds. These entities must have procurement regulations that ensure that they respect the principles of efficiency, equality and transparency. The law also allows for other procurement procedures or forms that foster the public interest (Article 55). In emergencies, in order to safeguard the public interest and prevent serious injury, some or all of the formalities of the procurement procedures may be waived, and substitute procedures may also be established (Article 80).

Box 3.5 Government procurement procedures and modalities

Ordinary procedures
Open competitive bidding must be used for: the purchase of goods; concession of public installations; contracts where the value cannot be determined[a]; and framework agreements. Competitive bidding with international publication may be used if it is deemed in the public interest or where this has been agreed with the international public entity financing the procurement. In this case the tender specifications are published not only in *La Gaceta* but also in foreign newspapers or circulated by means of trade and diplomatic representative offices or electronic procurement systems.
In the case of **abbreviated competitive bidding**, the procuring agency has to invite a minimum of five accredited suppliers listed in the relevant register of suppliers.
Auctions are the ordinary competitive procedure to which the Administration may resort as an alternative for the sale or leasing of property or immovable goods when this is in its best interests.
Modalities
Bidding with prequalification consists in prior selection of the participants in the bidding (whether open competitive or abbreviated procedure). The selection is made according to the supplier's characteristics (technical, financial, etc.).
Bidding with financing is used where the Administration does not have the necessary financial resources when opening the tender procedure and the supplier must provide them. Before initiating this procedure the Administration must have the relevant authorizations to incur the debt. Where any of the authorizations requires that the information in the financial offer should be available, the authorization must be obtained before the contract is awarded. The Administration must have the necessary budgetary provisions to cover the debt it is incurring.

[164] Industrial Production Incentives Law, Annex A: Central American Import Tariff, Law No. 7017 of 16 December 1985; and Implementing Regulations to Article 12 of Annex 3 to Law No. 7017 "Industrial Production Incentives Law, Annex A:Central American Import Tariff", No. 32448 of 28 April 2005.

[165] Ibid.

The **reverse auction procedure** is used where generic products are to be acquired (mass consumption goods). The procedure is established as part of the (open or abbreviated) tender in which the Administration stipulates that participants shall propose a base price in their offers which must be improved in the bidding process.
Exception to the use of the ordinary procedures
Direct procurement for low-value contracts is used when the ordinary competitive procedures are not appropriate in accordance with the established thresholds. In these cases, the Administration must invite at least three suitable potential suppliers, if they exist, and award the contract to the lowest bid, without prejudice to the appreciation of other factors considered relevant which must be set out in the invitation. The Administration must study all the bids submitted in the competition regardless of whether they come from enterprises that were invited or not.

a These are cases where it is difficult or impossible to calculate the exact amount of the contract, owing to the particularities of the good or service: for example, the hiring of attorneys for an institution's legal proceedings since the amount of their fees cannot be known in advance.

Source: WTO Secretariat, information based on the Government Procurement Law and its Implementing Regulations, and online information from the Office of the Comptroller General. Viewed at: https://www.cgr.go.cr/02-consultas/pf/ca/ca-menu.html.

3.143. The Law provides for specific exceptions to the use of the competitive procedures.[166] These include: (1) procurement which, by its nature or the circumstances, cannot be put to public competition or where it is not appropriate to do so, because there is only a single supplier or for special security reasons; (2) where the goods and services or works are highly complex or specialized and therefore can only be obtained from a limited number of suppliers, so that for reasons of economy and efficiency the use of the ordinary procedures is not appropriate; (3) where the Administration, having already acquired technological equipment, decides to purchase further products from the same contractor in the interests of standardization or to ensure compatibility with the equipment it is already using.

3.144. The ordinary government procurement procedure in Costa Rica is determined according to the public entity's budget and the contract amount. There are therefore different thresholds for each type of procedure. Every year the CGR establishes the thresholds for purchases of goods and services as well as other thresholds for procurement of works (Table 3.21).[167] Purchases of goods and services may not be split up in order to modify the procurement procedure. However, the public entity may use more rigorous procedures than would ordinarily apply according to the type or amount of the contract in order to safeguard the public interest.

Table 3.21 Ordinary government procurement procedures, 2019

(In CRC)

Category by value	Procurement budget for goods and services		Government procurement thresholds			
			Direct procurement	Abbreviated competitive bidding		Open competitive bidding
	>	≤	<	≥	<	≥
A	76,400,000,000		95,600,000	95,600,000	663,000,000	663,000,000
B	51,000,000,000	76,400,000,000	29,670,000	29,670,000	571,000,000	571,000,000
C	25,500,000,000	51,000,000,000	26,700,000	26,700,000	400,000,000	400,000,000
D	12,740,000,000	25,500,000,000	23,740,000	23,740,000	285,700,000	285,700,000
E	2.550,000,000	12,740,000,000	20,770,000	20,770,000	200,000,000	200,000,000
F	1,274,000,000	2,550,000,000	17,800,000	17,800,000	171,400,000	171,400,000
G	764,000,000	1,274,000,000	14,840,000	14,840,000	114,300,000	114,300,000
H	255,000,000	764,000,000	8,900,000	8,900,000	85,700,000	85,700,000
I	76,400,000	255,000,000	5,930,000	5,930,000	57,100,000	57,100,000
J		76,400,000	3,000,000	3,000,000	28,570,000	28,570,000

[166] Article 2 and 2 *bis* of Law No. 7494 of 2 May 1995.
[167] Online information. Viewed at: https://www.cgr.go.cr/02-consultas/consulta-limites-ca.html.

Category by value	Procurement budget for works		Government procurement thresholds			
			Direct procurement	Abbreviated competitive bidding		Open competitive bidding
	>	≤	<	≥	<	≥
A	76,400,000,000		148,400,000	148,400,000	1,029,000,000	1,029,000,000
B	51,000,000,000	76,400,000,000	46,040,000	46,040,000	886,000,000	886,000,000
C	25,500,000,000	51,000,000,000	41,430,000	41,430,000	621,000,000	621,000,000
D	12,740,000,000	25,500,000,000	38,840,000	38,840,000	443,300,000	443,300,000
E	2,550,000,000	12,740,000,000	32,230,000	32,230,000	310,300,000	310,300,000
F	1,274,000,000	2,550,000,000	27,620,000	27,620,000	265,900,000	265,900,000
G	764,000,000	1,274,000,000	23,030,000	23,030,000	177,300,000	177,300,000
H	255,000,000	764,000,000	13,810,000	13,810,000	133,000,000	133,000,000
I	76,400,000	255,000,000	9,200,000	9,200,000	88,600,000	88,600,000
J		76,400,000	4,700,000	4,700,000	44,330,000	44,330,000

Note: The CGR updates the thresholds by the second half of February of each year at the latest.

Source: Article 27 of Government Procurement Law (Law No. 7494) of 2 May 1995, as amended by Comptroller General of the Republic Resolution R-DC-14-2019 of 21 February 2019.

3.145. Special procurement procedures are used by the Costa Rican Electricity Institute (ICE), Cartago Electricity Board (JASEC), Costa Rican Railway Institute (INCOFER), National Insurance Institute (INS) and Costa Rican Social Security Fund (CCSS). The principles of the Government Procurement Law (Law No. 7494) apply to these special procedures. Nonetheless, in these cases the thresholds for using the different procedures may be higher. Procurement by the CCSS uses special procedures that are regulated by the Comptroller General of the Republic.[168] In the case of the INS, procurement is governed by the Government Procurement Law, but the purchase of goods, services or works that are essential for its operations are exempted from the ordinary procedure under the Law in order to speed up the procurement (Table 3.22). This procurement is governed by the INS Handbook of Administrative Rules, which specifies that open competitive bidding should be used to select suppliers regardless of the procurement threshold. All interested suppliers may participate in the competition, although it is also possible for the INS to invite only a limited number (which must be higher than three).[169]

Table 3.22 INS: exceptions to the ordinary procedures, 2019

Exceptions	
Technological equipment, hardware and software	Contracts between the INS and its limited companies or companies in which it has shareholdings
Reinsurance and accessory insurance	Property (immovable) worth not more than 50,000 Development Units (UD)
Trusts	Advertising, communication, marketing and corporate image services worth not more than 50,000 UD
Insurance or financial intermediation services, including the distribution of self-issue insurance	Advisory and consultancy services worth not more than USD 50,000
Strategic alliances to develop and improve INS activities	Training services worth not more than USD 50,000

Source: Articles 7-9 of National Insurance Institute Law (Law No. 12) of 30 October 1924.

3.146. In order to promote the development of SMEs, under the coordination of MEIC a procurement programme for goods and services has been established to ensure that they obtain a minimum share in the total amount of procurement by government institutions or entities. Under this programme, Costa Rican SMEs that offer a suitable supply of products of equivalent quality to imported products at a price that is equal to or lower than the latter will be given preference over other bidders. With respect to payment methods, delivery points or timelines and comparison parameters, SMEs must

[168] Law No. 6914 of 28 November 1983.

[169] Titles IV and XXVIII of the Handbook may be viewed at: http://portal.ins-cr.com/PortalINS/D1-InformacionProdContenido.aspx?NRMODE=Published&NRORIGINALURL=%2Fportal%2Eins-cr%2Ecom%2FAccesos%2FProveedores%2FNormativa%2Ehtm&NRNODEGUID=%7BA973C198-CCE4-4D84-AFB9-1720AA6F98D6%7D&NRCACHEHINT=Guest.

not be discriminated against in comparison with larger companies. In addition, procedures to facilitate procurement formalities for SMEs will be established.[170]

3.147. With the aim of increasing the participation of development associations in government procurement processes, the Government will give preference to associations set up in accordance with the Community Development Law (DINADECO)[171], provided there is no SME among the bidders. For this rule to apply, the association must fulfil all the requirements of the tender specifications and meet the public interest. In the event of a draw with an SME, however, the latter will have preference.[172]

3.148. The circumstances under which administrative and judicial appeals may be lodged against government procurement decisions and the procedures for doing so have not changed substantially since 2013. An objection to the tender documents may be lodged with the CGR in the case of open or abbreviated competitive bids, while for other procedures it is lodged with the procuring entity. In addition, in specific situations, depending on the procuring entity and the contract amount, an appeal may be lodged against the award of the contract.[173] The CGR's final resolution exhausts administrative channels but may be contested before the courts. The court's decision is final.

3.149. Government procurement represented 4.6% and 4% of GDP in 2013 and 2018, respectively, according to the data in the Integrated Procurement System (SIAC). Direct award of contracts, which is an exception to the ordinary procedures, is the method most widely used, followed by the different types of competitive tender (Table 3.23). During 2013-18, the use of a national competitive bidding procedure increased while that of direct procurement declined.

Table 3.23 Procurement breakdown by type of procedure, 2013-18

Type of procedure	2013	2014	2015	2016	2017	2018
Total (CRC billion)	**1,149.3**	**891.1**	**898.5**	**1,253.5**	**1,422.6**	**1,381.8**
(% of current GDP)	4.6	3.3	3.1	4.0	4.3	4.0
	(% of total)					
Direct procurement	55.3	48.7	41.5	36.5	45.0	31.0
Abbreviated competitive bidding	17.4	18.2	22.1	20.0	18.0	24.1
National competitive bidding	11.4	12.0	17.9	29.3	28.9	20.6
International competitive bidding	5.3	12.6	11.1	6.4	0.9	9.2
Under administrative procurement principles	6.8	6.3	6.2	7.2	6.5	8.9
Delivery on demand[a]	0.0	0.3	1.2	0.4	0.6	1.1
Framework agreement	0.0	0.3	0.0	0.0	0.0	0.0
Pre-qualified bidder procurement	3.7	1.6	0.0	0.1	0.1	5.1
Total	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**

a This is a form of supply contract used when market conditions so justify or where there is frequent consumption of the product, for example in the case of food, office supplies and the like. A specific quantity is not determined, but a commitment is made to provide goods periodically, in line with consumption needs as specified during the implementation stage.

Source: WTO Secretariat calculations, based on data viewed on the SIAC website.

3.3.7 Intellectual property rights

3.150. In Costa Rica, intellectual property rights are protected by the Constitution (Article 47) and other legislation that did not change substantially during the review period (Table 3.24).

Table 3.24 Main legislation concerning protection of intellectual property rights, 2019

Legislation	Number and date	Most recent amendment
Law on the Creation of the Office for Livestock Marks	Law No. 2247 of 07.08.1958	2010
Regulations implementing the Law on Livestock Marks	Executive Decree No. 36471 of 16.11.2010	2012
Law on Copyright and Related Rights	Law No. 6683 of 14.10.1982	2010

[170] Law No. 8262 of 2 May 2002.
[171] Law No. 3859 of 7 April 1967.
[172] Law No. 9434 of 5 April 2017.
[173] Article 84 of Law No. 7494 of 2 May 1995.

Legislation	Number and date	Most recent amendment
Regulations implementing the Law on Copyright and Related Rights	Executive Decree No. 24611 of 04.09.1995	2012
Regulations for the Protection of Computer Programmes in Central Government Ministries and Institutions	Executive Decree No. 37549 of 26.11.2012	2013
Law on Patents, Industrial Designs and Utility Models	Law No. 6867 of 25.04.1983	2008
Regulations implementing the Law on Patents, Industrial Designs and Utility Models	Executive Decree No. 15222 of 12.12.1983	2014
Law on Biodiversity	Law No. 7788 of 30.04.1998	2008
Regulations implementing the Law on Biodiversity	Executive Decree No. 34433 of 11.03.2008	2017
Law on Layout-Designs of Integrated Circuits	Law No. 7961 of 17.12.1999	n.a.
Regulations implementing the Law on Layout-Designs of Integrated Circuits	Executive Decree No. 32558 of 08.03.2005	n.a.
Law on Undisclosed Information	Law No. 7975 of 04.01.2000	2008
Regulations implementing the Law on Undisclosed Information	Executive Decree No. 34927 of 28.11.2008	n.a.
Law on Trademarks and Other Distinctive Signs	Law No. 7978 of 06.01.2000	2008
Regulations implementing the Law on Trademarks and Other Distinctive Signs	Executive Decree No. 30233 of 20.02.2002	2008
Regulations implementing the Provisions on Geographical Indications and Appellations of Origin	Executive Decree No. 33743 of 14.03.2007	2008
Law on Procedures for Enforcement of Intellectual Property Rights	Law No. 8039 of 12.10.2000	2018
Law on the Protection of New Varieties of Plants	Law No. 8631 of 06.03.2008	2008
Regulations implementing the Law on the Protection of New Varieties of Plants	Executive Decree No. 35677 of 19.11.2009	n.a.

n.a. Not applicable.

Source: WTO Secretariat.

3.151. Costa Rica ratified the Protocol Amending the WTO Agreement on Trade-Related Intellectual Property Rights (TRIPS). It also implemented a number of treaties administered by WIPO, including the Marrakesh Treaty, which entered into force for Costa Rica in 2018.[174] It is also a member of the International Convention for the Protection of New Varieties of Plants (UPOV Convention), 1991 Act. In 2017, it adopted the Council of Europe's Convention on Cybercrime (or Budapest Convention), which promotes international cooperation to fight computer crime, including intellectual property infringement.[175]

3.3.7.1 Industrial property

3.3.7.1.1 Patents, utility models and industrial models

3.152. The Registry of Industrial Property, belonging to the National Registry, is responsible for processing patent applications filed both nationally and internationally. The Law on Patents, Industrial Designs and Utility Models (Law No. 6867) and its Implementing Regulations govern patents in Costa Rica. The Regulations were amended in 2014 to include new provisions on a number of matters, such as electronic filing of applications, delaying the publication of an application at the applicant's request, and requesting compensatory additional time for the life of a patent.[176]

3.153. Since 2016, Costa Rica has participated in the System of Cooperation on Aspects of Operational Information and Industrial Property (PROSUR), under which it has implemented a pilot programme for an accelerated patenting procedure (Patent Prosecution Highway, PPH). In addition, in order to speed up the patent application process the Technology and Innovation Support Centre (CATI) provides free search services. The average time for granting a patent is five years.[177] Since

[174] Online information. Viewed at: https://www.wipo.int/treaties/en/ShowResults.jsp?country_id=40C.
[175] Law No. 9452 of 3 July 2017.
[176] Executive Decree No. 15222 of 12 December 1983.
[177] Online information. Viewed at: http://www.registronacional.go.cr/Tramites%20RN.htm.

2013, 761 patents have been registered in Costa Rica (Table 3.25). Persons residing abroad who wish to file an application must use the services of a specialized lawyer residing in Costa Rica.[178]

Table 3.25 Patents, 2013-18

	Patent applications				Registered patents			
	PCT	Paris	National procedure	Total	PCT	Paris	National procedure	Total
2013	568	10	21	599	95	7	0	102
2014	515	12	17	544	96	11	2	109
2015	567	19	13	599	117	7	1	125
2016	477	17	11	505	64	0	3	67
2017	495	6	22	523	182	5	3	190
2018	485	2	10	497	154	8	6	168

Source: Information provided by the authorities.

3.154. The maximum term of a patent is 20 years as of the date of filing of the application. However, this term may be extended to compensate for possible delays in processing the application either for "unreasonable" grounds, in the case of the Registry of Industrial Property, or, in the case of the Ministry of Health, delay in approving the sanitary registration enabling the first marketing of a pharmaceutical patent.[179] There have been no requests for such compensation since 2013.[180]

3.155. The patent holder must work it in Costa Rica either on his own account or through an authorized third party (patent licence). In Costa Rica, working is understood to mean production in the country and importation of the patented matter. The working of the patent must begin within a specified period[181] and must ensure supply of the domestic market. Where working does not begin within the specified time-limit or is inadequate or interrupted for more than one year, any person may request a compulsory licence for the patent. Compulsory licences may also be issued where the patent holder has engaged in anti-competitive practices or where a patented invention has to be used in order to work another patent. The Government may also impose compulsory licensing requirements for a patent application or a patent that has already been granted on grounds of public utility. Compulsory licences are non-exclusive.[182] Under the Law on Biodiversity, compulsory licences may also be issued for a biodiversity patent.[183] No compulsory licences were issued during the review period.[184]

3.156. Costa Rica recognizes the international exhaustion of intellectual property rights. Patent holders may not prevent parallel imports unless their interests are affected or the "normal" working of the patent is impaired.[185] Second-use patents are not recognized in Costa Rica.[186]

3.157. Protection of utility models and industrial drawings and models (industrial designs) is granted by means of inscription in the Registry of Industrial Property. Protection is granted for a non-extendable ten-year period. The registration process may take up to three years.[187]

3.3.7.1.2 Other industrial property rights

3.158. The legislation protecting other industrial property rights has not changed substantially since 2013 (Table 3.24).

3.159. Trademarks are protected by registering them in the Registry of Industrial Property. Since 2018, applicants may consult, online and free of charge, the trademarks that have been or are in

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[178] Article 34 of Law No. 6867 of 25 April 1983.
[179] Idem, Article 17, and WTO Document WT/TPR/M/286/Add.1 of 9 December 2013.
[180] Information provided by the authorities.
[181] The time-limit for beginning the working of the patent is four years from the date of the filing of the patent application or three years from the granting of the patent (whichever is longer).
[182] Articles 18-20 of Law No. 6867 of 25 April 1983, and Articles 27-28 of Executive Decree No. 15222 of 12 December 1983.
[183] Article 81 of Law No. 7788 of 30 April 1998.
[184] Information provided by the authorities.
[185] Article 16.2(d) of Law No. 6867 of 25 April 1983 and online information. Viewed at: https://www.coprocom.go.cr/publicaciones/boletines/2013/edicion159.pdf.
[186] Online information. Viewed at: http://www.trademares.net/pages/SegundosUsosDePatentes.pdf.
[187] Law No. 6867 of 25 April 1983, Executive Decree No. 15222 of 12 December 1983, and online information. Viewed at: http://www.registronacional.go.cr/Tramites%20RN.htm.

the process of being registered of the 166 members participating in the TMview platform, which Costa Rica has joined.[188] All types of mark may be protected, including well-known marks. The registration of a mark takes an average of four months from the date of filing of the application. The term of protection of a trademark is ten years, which may be renewed indefinitely for similar periods. If the trademark is not used within five years of having been registered, the registration is cancelled and ownership lost. Costa Rica recognizes the international exhaustion of trademark rights.[189] Costa Rica also protects livestock marks (or brands) for a period of 15 years, renewable indefinitely.[190]

3.160. Geographical indications (GIs) and appellations of origin (AOs) are protected by a *sui generis* system. The term of protection for a GI/AO is indefinite unless the conditions on which it is based change. The regulatory body set up to administer the registered GI/AO is responsible for authorizing the use of that GI/AO; all producers who fulfil the conditions laid down by the regulatory body may use the GI/AO. Costa Rica has two GIs (Café de Costa Rica and Banano de Costa Rica) and three AOs (Queso Turrialba, Cerámica Chorotega and Café Tarrazú).[191]

3.161. Layout designs of integrated circuits are protected by means of registration in the Registry of Industrial Property. The term of protection is ten years from the year of first commercial working or the filing of the application (whichever is longer). Compulsory licences may be granted for layout designs of integrated circuits. Costa Rica recognizes the international exhaustion of rights on layout designs of integrated circuits.[192]

3.162. Business and industrial secrets are protected without having to be registered. They may, nevertheless, be registered voluntarily for information purposes with the Registry of Industrial Property. Test data are also protected in Costa Rica. In the pharmaceutical sector, the protection is granted for five years as of the first registration of the pharmaceutical product with the Ministry of Health sanitary registry. The test data for agro-chemicals are protected for ten years from their registration with the State Phytosanitary Service, attached to the Ministry of Agriculture and Livestock (MAG).[193]

3.3.7.2 Copyright and related rights

3.163. The legislation relating to copyright and related rights has not changed since 2013 (Table 3.24). The protection of copyright and related rights arises when a work is created or performed. Nevertheless, holders may voluntarily register their works or performances in the Registry of Copyright and Related Rights, for purely declaratory purposes. According to the authorities, between January and November 2018, the Registry of Copyright and Related Rights received 393 requests for registration.[194]

3.164. Copyright and related rights are protected throughout the lifetime of the performer and for 70 years after their death. In Costa Rica, content retransmitted by television signals through the Internet must be authorized by the right holder. Costa Rica recognizes the international exhaustion of economic exploitation rights.[195]

3.165. There are limitations and exceptions to copyright which authorize the free use without charge of the work, for example in the academic sphere. However, the legislation does not include limitations and exceptions enabling visually impaired persons to have access to literary works. With the entry into force of the Marrakesh Treaty in 2018, Costa Rica undertook to amend its Law on

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[188] Online information. Viewed at: http://www.registronacional.go.cr/propiedad_industrial/index.htm.
[189] Law No. 7978 of 6 January 2000, Executive Decree No. 30233 of 20 February 2002 and online information. Viewed at: http://www.registronacional.go.cr/Tramites%20RN.htm.
[190] Law No. 2247 of 7 August 1958 and Executive Decree No. 36471 of 16 November 2010.
[191] Law No. 7978 of 6 January 2000 and Executive Decree No. 33743 of 14 March 2007.
[192] Law No. 7961 of 17 December 1999 and Executive Decree No. 32558 of 8 March 2005.
[193] Law No. 7975 of 4 January 2000, Executive Decree No. 34927 of 28 November 2008 and Law No. 8702 of 14 January 2001.
[194] National Registry Document SUB-DGL-0546-2018 of 13 December 2018.
[195] Law No. 6683 of 14 October 1982 and Executive Decree No. 24611 of 4 September 1995.

Copyright and Related Rights in order to authorize the reproduction, distribution and making available of published works in formats designed to be accessible to visually impaired persons.[196]

3.3.7.3 New varieties of plants

3.166. The National Seeds Office, attached to MAG, is the body responsible for granting plant breeder's certification, by registration in the Registry of Protected Varieties. The term of the breeder's right is 20 years (non-renewable), except in the case of perennials where it is longer (25 years, non-renewable). New plant varieties may be subject to compulsory licensing on grounds of public interest. The protection granted to a variety does not imply authorization for commercial exploitation. In order to be marketed, it must be registered in the Registry of Commercial Varieties; registration is valid for a renewable period of five years.[197]

3.3.7.4 Provisions for the enforcement of IPRs

3.167. Infringements of intellectual property rights may give rise to administrative and judicial proceedings (civil and criminal).[198] The Registry of Industrial Property and the Registry of Copyright and Related Rights are competent with respect to administrative proceedings; under Costa Rican law, their decisions may be appealed before the Administrative Registry Tribunal, whose decisions exhaust the administrative channel. However, in May 2019 the Tribunal was still not functioning. In principle the Registries have the power to order provisional or precautionary measures, but they do not do so in practice; currently only the National Customs Service (SNA) takes action of this kind.

3.168. In Costa Rica, the holder of an intellectual property right may request the adoption of provisional measures when they have evidence that goods which are being imported, in transit or exported are counterfeit or pirated goods that infringe their rights. The provisional measure may consist of requesting the SNA to suspend the release of imported products; in that case the right holder has ten days to inspect the goods being held and institute legal proceedings before the courts, otherwise, the protective measure will be lifted and the goods released. When requesting the adoption of a provisional measure, the right holder must lodge security of a sufficient amount to be able to compensate the defendant, if necessary. The purpose of this security is to avoid groundless requests.[199]

3.169. SNA may *ex officio* suspend the release of goods, without any formal application by a right holder, when it believes or suspects that goods being imported, in transit or exported infringe intellectual property rights.[200] A Directive was issued in 2015 to regulate such *ex officio* action.[201] In the case of imports, where the SNA suspects that an imported good infringes an intellectual property right, it should so inform the right holder to enable the latter to inspect the goods and provide evidence to show that their rights are being impaired. The goods will be retained and the SNA will have ten days to lodge a complaint with the Public Prosecutor's Office with the backing of the right holder.[202] Where the right holder does not come forward or disavows the SNA's action, the goods will be released. Until 2015, the SNA was liable for damages resulting from the retention of the goods and therefore had to compensate the importer where such action was justified.[203] The 2015 Directive stipulates that customs officials act in good faith, thus exempting the SNA from any liability. During the review period, the SNA took some 230 border measures (Table 3.26). The SNA works with the private sector to acquire a better knowledge of trademarks. Costa Rica also uses the WCO's trademark database (*Interface Public-Members*).[204]

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[196] According to the data of the latest National Population Census (2011), about 600,000 people in Costa Rica have some visual disability. *Materia Registral* of August 2017. Viewed at: http://www.registronacional.go.cr/bibl_virtual/Revista%20MT%20agosto%202017.pdf.

[197] Online information. Viewed at: http://ofinase.go.cr/servicios/variedades-protegidas and http://ofinase.go.cr/servicios/variedadescomerciales.

[198] Articles 37 (civil proceedings) and 44-48 (criminal proceedings) of Law No. 8039 of 12 October 2000.

[199] Idem, Articles 3-9 and 13.

[200] Idem, Article 16.

[201] Directive DN-003-2015 of 1 September 2015 (provided by the authorities).

[202] Ibid.

[203] Article 16 of Law No. 8039 of 12 October 2000.

[204] Information provided by the authorities.

Table 3.26 Border measures, 2013-18

	2013	2014	2015	2016	2017	2018
Complaints to the Public Prosecutor's Office	25	9	22	21	39	45
Goods released because of lack of support from the representative of the trademark	5	5	1	7	8	12
Responses to information received	13	0	17	7	0	0
Total	**43**	**14**	**40**	**35**	**47**	**57**

Source: Information provided by the authorities.

3.170. Costa Rica has provisions that waive liability for suppliers of Internet services who cooperate with copyright holders and take measures to protect their rights.[205] In addition, Internet service providers must warn their users about possible infringements so that they remove the material.[206] With regard to digital piracy, the authorities stated that some Internet pages infringing copyright have been closed since 2013.

3.171. The Interinstitutional Coordination Commission for the Protection of Intellectual Property (CIPPI), which groups various public institutions, continues to promote interinstitutional coordination and cooperation with a view to the effective enforcement of the legislation in Costa Rica. During the review period, the Registry of Copyright and Related Rights continued to respond to queries, organize training workshops, visit educational centres and undertake outreach campaigns in the audio-visual media in order to heighten public awareness. Some training workshops were organized specifically to prevent and fight the illegal use of computer programmes in government ministries and institutions. In addition, the Costa Rican Intellectual Property Academy (ACOPI), which groups public and private sector entities, signed a cooperation agreement with WIPO in 2015 to set up a national intellectual property training centre.[207]

[205] Executive Decree No. 36880 of 18 October 2011.
[206] Ibid.
[207] ACOPI (2015), "Convenio de Cooperación OMPI-ACOPI", *Boletín ACOPI*. Viewed at: https://www.rnpdigital.com/Boletin%20ACOPI%20diciembre%202015.pdf.

4 TRADE POLICIES BY SECTOR

4.1 Agriculture, forestry and fishing

4.1.1 Characteristics, objectives and institutional framework

4.1. The contribution of agriculture to the GDP (including livestock, forestry and fishing) has remained relatively stable during the period under review; in 2018 it was 5%, while the level registered in 2013 was 5.5%. However, the relative contribution of agriculture to the GDP has fallen. In addition, the growth rate of the sector during the period under review was variable due to several factors, including the limited availability of land, which has led to the use of less fertile soils, and the impact of climate change, which has had a direct impact on agricultural production yields.

4.2. Costa Rica is a net exporter of agricultural products. Agricultural products (WTO definition) represented 41.4% of total exports in 2018. Fruit, specifically bananas and pineapples, followed by beverage preparations, were the principal export products in 2018, the same as in 2013 (Table 4.1). The main export markets have not changed since 2013; these continue to be the United States, which received 33.6% of total exports in 2018, and the European Union, which received 32.0% of exports in the same year.

Table 4.1 Principal indicators for the agricultural sector, 2013-18

	2013	2014	2015	2016	2017	2018
Share of GDP (%, at current prices)[a]	5.5	5.6	5.4	5.6	5.4	5.0
Real growth rates (%, at 2012 prices)[a]	0.1	1.5	-2.7	5.2	3.7	2.4
Employment (%)[a]	9.9	11.1	12.3	12.2	12.5	12.3
Agricultural sector, WTO definition:						
Exports						
Value (USD million)	4,085.8	4,251.4	4,159.5	4,468.9	4,671.0	4,670.6
Share of total exports (%)	47.5	46.4	45.0	45.0	44.0	41.4
Growth rate (%)	-0.4	4.1	-2.2	7.4	4.5	-0.01
The 5 most important products at HS 4-(6-) digit level (% of total agricultural exports):						
0803 Bananas, including plantains	20.2	22.2	19.7	24.1	23.3	22.1
0804.30 Pineapples	20.0	21.2	19.0	21.3	21.7	21.6
2106 Food preparations not elsewhere specified or included	8.5	9.2	9.2	9.1	9.1	9.3
0901 Coffee	7.5	6.9	7.3	7.4	6.8	6.6
2009 Fruit juices	4.4	4.0	4.6	6.6	5.1	3.9
Imports						
Value (USD million)	1,815.1	1,831.9	1,791.9	1,965.7	2,016.0	2,030.8
Share of total imports (%)	12.0	11.8	12.2	12.9	12.7	12.3
Growth rate (%)	2.8	0.9	-2.2	9.7	2.6	0.7
The 5 most important products at HS 4-digit level (% of total agricultural imports):						
2106 Food preparations not elsewhere specified or included	8.6	8.4	7.0	9.8	9.2	8.7
1005 Maize (corn)	10.8	9.5	8.7	9.0	8.3	8.7
1201 Soya beans, whether or not broken	8.6	7.4	6.2	7.2	6.5	6.3
2309 Preparations of a kind used in animal feeding	4.1	4.2	4.7	4.9	4.9	5.2
1006 Rice	3.4	3.3	3.0	3.7	3.6	3.7
Agricultural trade balance (USD million)	2,270.8	2,419.5	2,367.5	2,503.3	2,655.0	2,639.7
Pro memoria:						
Fish (WTO definition)						
Export						
Value (USD million)	158.2	144.6	138.5	117.4	123.8	134.6
% of total exports	1.8	1.6	1.5	1.2	1.2	1.2
Import						
Value (USD million)	93.8	220.3	150.3	159.6	194.9	185.4
% of total imports	0.6	1.4	1.0	1.0	1.2	1.1

a Includes forestry and fishing.

Note: The classification of the five main agricultural export and import products relates to 2018.

Source: WTO Secretariat calculations, based on data provided by the Costa Rican authorities and the Central Bank of Costa Rica.

4.3. The agricultural sector in Costa Rica has two sides, with a very dynamic export sector that has developed alongside a traditional crop sector with lower productivity, the crops being consumed primarily in the domestic market. The export sector, based on both traditional crops (coffee and bananas) and non-traditional crops (pineapples and palm), has achieved significant growth. Agricultural products for export are produced mainly by large and medium-sized producers, while traditional products (basic grains, fruits and vegetables) for domestic consumption – including for self-consumption – are produced by small producers with little integration in value chains.

4.4. The sector is facing a series of challenges, including: low productivity; lack of effectiveness of public institutions in providing the services required by the agricultural sector; lack of competition in domestic agricultural markets; and imminent tariff liberalization. The rate of productivity growth of several agricultural products has stagnated, including those destined for the external market, due in large part to the limited availability of land. Consequently, productivity growth in the future should be based on the efficient use of land, water and other inputs, as well as on improving workforce productivity (training) and innovation. The concentration of resources on agro-industries and on fertilizer and animal feed import and distribution companies severely limits the competitiveness of producers, especially small producers. Maintaining the competitiveness of exports will also require improving infrastructure and access to credit and insurance, and reducing bureaucratic procedures.

4.5. The tariff liberalization envisaged in several trade agreements signed by Costa Rica represents both a challenge and an opportunity for the country. It is an opportunity to reform policies, particularly in the most protected markets. However, the transition to more open markets means producers having to make an adjustment (although not all will be able to be competitive in a more open market) and reduced protection; some producers would become more efficient while others would have to resort to more profitable activities. However, for this transition to be possible, the Government must indicate clearly the withdrawal of support measures, with no safeguard or sanitary measures to replace them or reductions in input prices. Similarly, gradual liberalization must go hand in hand with efforts to increase productivity, for example by improving the quality and effectiveness of the services provided to farmers, and increasing research and development and other services. These services include: providing support to cooperatives and agricultural organizations; introducing improvements in infrastructure; giving access to fast and affordable financing; and developing tools to promote resilience and risk management. These are all key aspects for ensuring that producers are in a good position to face growing competition. Programmes aimed at rural development focusing on the generation of non-agricultural economic activities should be developed for farmers who are not competitive, in particular to facilitate the transition towards ecotourism and agri-food processing.

4.6. The agricultural public sector (SPA), managed by the Minister of Agriculture, is composed of: (a) sectoral coordination bodies (the National Council for the Agricultural Sector (CAN), the Executive Secretariat for Sectoral Agricultural Planning (SEPSA), and the Agricultural Sector Technical Committee (COTECSA); (b) the Ministry of Agriculture and Livestock (MAG) and the institutions attached to it; and (c) decentralized institutions (Table 4.2). The minister in charge, with advice from the coordinating bodies, formulates and implements policies that enhance the development of agricultural and rural activities, ensuring the protection of the environment and productive resources, as a means of improving the quality of life, especially in rural areas, and of promoting greater and better integration into domestic and international markets.[1]

Table 4.2 Institutions within the agricultural public sector

Institution	Areas of competence
Sectoral coordination institutions	
National Council for the Agricultural Sector (CAN)	Body responsible for coordinating, advising and providing information.
Executive Secretariat for Sectoral Agricultural Planning (SEPSA)	Preparing and evaluating plans, programmes and projects, in accordance with the policy guidelines established by the minister in charge.
Institutions attached to the MAG	
Agricultural Sector Technical Committee (COTECSA)	Coordinating the planning process of the institutions involved in the sector's activities.
National Agricultural Technology Innovation and Technology Transfer Institute (INTA)	Promoting research and technological innovation in the sector and the diffusion of technologies.

[1] Online information. Viewed at: http://www.cambioclimatico-regatta.org/index.php/es/instituciones-clave/item/ministerio-de-agricultura-y-ganaderia-mag.

Institution	Areas of competence
National Animal Health Service (SENASA)	Monitoring and regulating trade in animals and animal products and by-products, ensuring that veterinary measures are based on animal health and veterinary public health risk assessments.
State Phytosanitary Service (SFE)	Monitoring and regulating trade in agricultural products and the registering of chemical and biological substances for agricultural use (pesticides and fertilizers); monitoring the MRLs of pesticides permitted in fresh consumer products; certifying the phytosanitary condition of products for export; and controlling pests of major economic importance and pests not present in the country that may pose a threat to domestic agricultural production.
National Seeds Office (ONS)	Granting breeders' certificates for plant varieties; controlling seed production; and controlling seed imports/exports.
Decentralized institutions	
Rural Development Institute (INDER)	Implementing rural development policies.
National Groundwater, Irrigation and Drainage Service (SENARA)	Managing water resources and developing irrigation and drainage projects.
Integrated Agricultural and Livestock Marketing Programme (PIMA)	Providing marketing services for agricultural products.
Costa Rican Fisheries and Aquaculture Institute (INCOPESCA)	Regulating and promoting the fisheries and aquaculture sector; and regulating fisheries production supply.
National Production Council (CNP)	Promoting the production, industrialization, marketing and quality of agricultural products of small and medium-sized producers. Addressing the demand for agricultural and agro-industrial products from public institutions.

Source: WTO Secretariat, and *Estructura del Sector Público Agropecuario*. Viewed at: http://www.infoagro.go.cr/InstitucionalidadSectorial/Paginas/estructura.aspx.

4.7. According to an OECD report, coordinating the various institutions involved in the agricultural sector is a challenge, as they enjoy different degrees of autonomy. The CAN facilitates institutional coordination; however, this could be improved.[2] The lack of coordination is due, among other things, to the fact that the institutions are governed by multiple laws and executive decrees (Table 4.3). This translates into inefficiencies in the functioning of the SPA, which means that some programmes are not implemented and the services provided to farmers are limited or not provided when they are needed or within the expected time frame. Similarly, registration processes for agrochemicals can also be long, bureaucratic and complex, which can have an impact on productivity, as producers do not have access to better quality inputs.[3]

Table 4.3 Principal agricultural legislation

Title	Number and date	Most recent amendment
Law on Fishing and Aquaculture	Law No. 8436 of 1 March 2005	2017
Implementing regulations for the Law on Fishing and Aquaculture	Executive Decree No. 36782 of 24 May 2011	2016
Law on Supporting and Strengthening the Agricultural Sector	Law No. 8835 of 10 May 2010	2019
Implementing regulations for the Law on Supporting and Strengthening the Agricultural Sector	Executive Decree No. 36104 of 14 July 2010	2010
Law on Land Use, Management and Conservation	Law No. 7779 of 30 April 1998	2012
Implementing regulations for the Law on Land Use, Management and Conservation	Executive Decree No. 29375 of 8 August 2000	2012
Law on the Development, Promotion and Fostering of Organic Farming	Law No. 8591 of 28 June 2007	n.a.
Implementing regulations for the Law on the Development, Promotion and Fostering of Organic Farming	Executive Decree No. 35242 of 18 November 2008	2018
Organic Law on the Environment	Law No. 7554 of 4 October 1995	2018
Regulations on Organic Farming	Executive Decree No. 29782 of 21 August 2001	2011

n.a. Not applicable.

Source: WTO Secretariat.

[2] Law No. 7064 of 29 April 1987.

[3] OECD (2017), *Agricultural Policies in Costa Rica*. Viewed at: https://www.oecd-ilibrary.org/docserver/9789264269125-en.pdf?expires=1553582285&id=id&accname=ocid195767&checksum=E73757E3159ECBA71C86A82BE2B5DE4E.

4.8. Costa Rica's agricultural policy is set out in the *Policy Guidelines for the Agricultural, Fisheries and Rural Sector 2019-2022*, which are based on the State Policy for the Costa Rican Agri-Food Sector and Rural Development 2010-2021 and the State Policy for Rural Territorial Development 2015-2030. The main objectives of the agricultural policy include: poverty reduction, food security, and increasing competitiveness through the use of technology while, at the same time, promoting sustainability and inclusiveness. To this end, four priority areas were established: (1) greater integration into international markets and trade defence; (2) strengthening the domestic market; (3) improving agribusiness management; and (4) modernizing the institutions responsible for implementing agricultural policy.[4] In addition, specific strategies have been implemented since 2014 to reduce poverty in rural areas and to increase productivity, with an emphasis on small-scale farming. Furthermore, goals have been set to monitor the increase in productivity of staple commodities such as rice, beans, potatoes and milk.[5]

4.1.2 Policy instruments

4.1.2.1 Border measures

4.9. The average tariff for agricultural products (WTO definition) has hardly changed since 2013, when it was 14%; it is currently (2019) 14.1%. However, it continues to be substantially higher than the average tariff for non-agricultural products (5.6%). The following agricultural products (12-digit HS tariff lines) are among those subject to an MFN tariff of more than 20%: poultry meat and edible offal (HS 0207), sausages and similar products (HS 1601) and other prepared or preserved meat (HS 1602) (151%); milk and dairy products (HS 0401-HS 0406) and ice cream (HS 2105) (66%); cheese and curd (HS 0406) (51%); onions and shallots (HS 0703.10) (46%); and rice (HS 1006) (36%).

4.10. Bound tariffs vary between 1% and 233.1%. The agricultural products (WTO definition) that were bound at the highest rate of 233.07% were: meat and edible offal (20 HS 0207 lines), sausages and similar products (two HS 1601 lines) and prepared and preserved chicken (six HS 1602 lines). If the MFN applied tariff was compared with the bound tariff, taking into account only those lines that are strictly comparable due to the change in nomenclature, in two cases Costa Rica's MFN applied tariff is higher than the bound tariff (Table 4.4 Tariff lines for which the MFN applied tariff exceeds the bound rate, 2018).

Table 4.4 Tariff lines for which the MFN applied tariff exceeds the bound rate, 2018

HS code	Description	MFN tariff (incl. 1%)	ICD (customs import duty)	Bound tariff[a]
0405.20.00.00.90	Dairy spreads	66	65	45
2009.61.00.00.00	Grape juice (including grape must) of a Brix value not exceeding 30			
ex2009.61.00.00.00	Concentrated grape juice, including frozen	15	14	5

a Bound tariff calculations are based on the HS 07 certified nomenclature.

Source: WTO Secretariat.

4.11. Costa Rica uses WTO tariff-rate quotas and has also negotiated preferential quotas under various trade agreements. The majority of the MFN quotas (118 of 172 tariff lines) were not activated during the period under review, as the MFN tariffs currently being applied (2019) offer better access conditions. Therefore, during the period 2013-19, Costa Rica used tariff quotas only for products that are subject to the highest MFN applied tariffs: poultry meat and edible offal (HS 0207); dairy products (HS 04), including ice cream (HS 2105); sausages and similar products (HS 1601); and other prepared and preserved meat (HS 1602). However, the fill rate for most of the quotas, except for buttermilk (HS 0403) and butter (HS 0405), is quite low (Table A3.3).

4.12. Under its trade agreements, Costa Rica negotiated preferential tariff quotas with Canada, China, the Dominican Republic, Panama, Peru and the European Union, as well as under the

[4] Government of Costa Rica (2018), *Lineamientos de política 2019-2022 para el Sector Agropecuario, Pesquero y Rural*. Viewed at: http://www.mag.go.cr/bibliotecavirtual/E14-11045.pdf.

[5] OECD (2017), *Agricultural Policies in Costa Rica*.

CAFTA-DR (Table A3.4). The fill rate for the preferential quotas varies depending on the agreement. In general, only in the case of the CAFTA-DR are quotas used for all products, and fill rates reach 99.8% (rice in the husk). Under the other agreements, usually only one or two of the negotiated quotas are used. In the case of Canada, quotas are used for pork meat and offal and for refined sugar; for Panama, quotas are used only for palm oil and tomato sauce; for China, they are used only for black beans; and for the European Union, for ham and cheese.

4.13. Costa Rica uses a licensing system to allocate tariff quotas.[6] In 2016, Costa Rica reviewed the system for allocating MFN (WTO) tariff quotas and those negotiated under trade agreements, in order to ensure their maximum use and to adjust the methodology for allocating a share of the quotas to new importers.[7] One of the main changes is that from 2016 the adjustments that will be made when an importer does not use the quota are specified (Table 4.5). During the period under review, there have been no changes in the administration and allocation of tariff quotas negotiated with the European Union, nor in those negotiated with Panama for agro-industrial products, under the CAFTA-DR for rice in the husk, and with China for black beans.[8] In the case of rice in the husk, the quotas are opened only when CONARROZ determines that there is a supply shortage in the domestic market. The share in the distribution of import quotas is subject to a requirement to purchase rice in the husk from the domestic harvest.[9] In the case of the quota for black beans, distribution is also dependent on purchase from the domestic harvest.[10] The MAG keeps a record of purchases of beans harvested in the national territory for this purpose and provides this information to COMEX, for the calendar year prior to the allocation.

Table 4.5 Principal changes in tariff quota administration from 2016

	MFN administration (Executive Decree No. 30900 of 20 December 2002)	CAFTA-DR administration (Executive Decree No. 34912 of 25 November 2008)	MFN administration and trade agreements Executive Decree No. 39938 of 29 September 2016
Invitation	• First week of December	• First week of October	• First week of October
Submission of applications	• Historical and new applicants: 15 working days following the invitation	• Historical and new applicants: 15 working days following the invitation	• Historical applicants: 15 working days following the invitation • New applicants: first working day of January of the year following the invitation
Specific requirements for new applicants	• None	• None	• Submit documents covering the import (for example: commercial invoice) • Receipt of applications on a "first-come, first-served" basis, according to daily sequence of submission of applications
Volume and period for regular allocation	• 80% of the available volume for historical applicants; no period specified • 20% of the available volume for new applicants; period not specified	• 80% of the available volume for historical applicants; first 15 working days of December • 20% of the available volume for new applicants; first 15 working days of December	• 80% of the available volume for historical applicants; first 15 working days of December • 20% of the available volume for new applicants; from the first working day of January

[6] WTO document G/LIC/N/CRI/14 of 12 December 2018.
[7] Executive Decree No. 39938 of 29 September 2016. This regulation repealed Executive Decree No. 30900 of 20 December 2002 and Executive Decree No. 34912 of 25 November 2008.
[8] Executive Decree No. 34860 of 24 October 2008 (agro-industrial products, Panama); Executive Decree No. 34926 of 27 November 2008 (rice in the husk, CAFTA-DR); Executive Decree No. 36729 of 22 July 2011 (black beans, China); and Executive Decree No. 37875 of 24 September 2013 (quotas, EU).
[9] Executive Decree No. 34926 of 27 November 2008.
[10] Executive Decree No. 36729 of 22 July 2011.

	MFN administration (Executive Decree No. 30900 of 20 December 2002)	CAFTA-DR administration (Executive Decree No. 34912 of 25 November 2008)	MFN administration and trade agreements Executive Decree No. 39938 of 29 September 2016
Period of quota usage	• Historical and new applicants: from 1 January to 31 December	• Historical and new applicants: from 1 January to 31 December	• Historical applicants: from 1 January to 31 December • New applicants: from the date of allocation to 31 December • Use beyond 31 December is permitted, provided failure to use is due to unforeseen circumstances, *force majeure*, or government actions or omissions
Returns	• Last working day of June	• Last working day of June	• Last working day of June
Extraordinary allocation	• Last working day of July • Returned volumes are included	• Last working day of July • Returned volumes are included	• Last working day of July • Remaining balances are included (unallocated volumes and returned volumes)
Adjustments for non-usage	• Use of more than 95% of the allocated volume; if this is not achieved in the first year, a volume equal to that actually imported will be allocated. If, for 2 consecutive years, that usage is not achieved, in the third year no allocation will be made. • Extraordinary allocation: use of at least 50% of the allocated volume.	• Use of more than 95% of the allocated volume; if this is not achieved in the first year, a volume equal to that actually imported will be allocated. If, for 2 consecutive years, that usage is not achieved, in the third year no allocation will be made.	• Historical applicant: If applicants uses less than 95% of the allocated volume, they will not be entitled to receive a volume higher than that actually imported under the quota in the following period. If, during 2 consecutive periods they use less than 95% of the quota volume, they will not receive a regular allocation in the following period, they will lose their status as an historical applicant and will be considered as a new applicant for the following allocation period. • New applicant: If less than 50% of the allocated volume is used, the applicant will not be entitled to receive any allocation in the following period • Extraordinary allocation: If less than 50% of the allocated volume is used, the above-mentioned adjustments for historical and new applicants will be applied • Return of more than 50% of the allocated volume in 2 consecutive periods: The historical applicant will not be entitled in the following period to receive an allocation higher than the volume actually imported. The new applicant will not be entitled to receive an allocation in the following period.

Note: A new applicant is any applicant not qualifying as an historical applicant and returning all of the allocated volume.

Source: Information provided by the authorities.

4.14. The inputs, raw materials and basic final goods for agriculture are subject to tariffs of 1% to 5%, provided that inputs, raw materials and similar goods in terms of quality, quantity and price cannot be produced in the Central American region. According to the authorities, this provision does not apply.

4.15. In addition to tariffs, Costa Rica imposes a series of taxes and charges that apply in general to both domestic and imported products. These are: the general sales tax (IGV)[11], the selective consumption tax (ISC), the single tax on fuel, the tax on tobacco products, several specific taxes and others created to finance specific institutions such as INDER and IFAM. Taxes may be *ad valorem* or specific. The rates are adjusted regularly in line with variations in the consumer price index.

4.16. The only tax that is applied to imported products is the IFAM tax, which is only imposed on imported beer.[12] Likewise, some agricultural products are exempt from the above taxes. Wood is subject to the IGV rate, but at three percentage points lower than the general rate of 13%.[13] Similarly, products in the basic food basket, some agricultural inputs and fishery products are exempt from the ISC.

4.17. Costa Rica uses non-tariff measures in the agricultural sector, among other objectives to protect public health and plant and animal health. Agricultural products require a sanitary import permit and, depending on the circumstances, a sanitary export permit. During the period under review, Members challenged three of the plant and animal health measures notified by Costa Rica. Two of these measures, one relating to MRLs for drugs in live animals[14] and the other relating to the regulations for the registration, use and control of pesticides, were only challenged once by a Member, while the decision of Costa Rica to temporarily suspend the issuance of phytosanitary certificates for avocado imports[15] has been examined four times by different Members. This measure has resulted in a dispute settlement case being brought by Mexico against Costa Rica.[16]

4.18. During the period under review, Costa Rica considered initiating eight preliminary safeguard investigations related to pounded rice and rice in the husk (seven investigations) and to pork, and a safeguard midterm review (pounded rice). Safeguard measures were only applied to imports of pounded rice. Under the WTO Agreement on Agriculture, Costa Rica reserved the right to make use of the special safeguard. In 2017 and 2018, Costa Rica imposed a special agricultural safeguard concerning husked (brown) rice.[17] During the rest of the period examined (2013-16), Costa Rica did not make use of this mechanism.[18]

4.19. Costa Rica taxes exports of bananas, coffee and livestock. During 2013-18, the rates of those taxes (or contributions) were not changed. These are *ad valorem* in the case of coffee and specific for bananas and livestock (Section 3.2.2).

4.20. Costa Rica notified the WTO that it had not granted any export subsidies for agricultural products during the period 2013-17.[19]

4.1.2.2 Domestic support measures

4.21. Costa Rica notified the WTO that domestic support provided to the agricultural sector during 2013-17 included: research, extension and advisory services; pest and disease control programmes; marketing and promotion services; and environmental programmes (Table 4.6). Of the programmes notified, only environmental programmes, financed through the National Forestry Financing Fund (FONAFIFO), for farmers cultivating forest plantations alongside annual crops, offer economic compensation. The MAG also grants economic compensation for any benefit created under the projects of the Programme Promoting Sustainable Agricultural Production, and for micro, small and medium-sized organic producers. The amount granted under these programmes increased from 2013 onwards, rising to USD 1.2 million in 2017.

[11] IGV will be replaced by value added tax (IVA) from 1 July 2019.
[12] Law No. 10 of 7 October 1936.
[13] Article 42 of Law No. 7575 of 13 February 1996.
[14] WTO document G/SPS/N/CRI/136 of 11 March 2013.
[15] WTO documents G/SPS/N/CRI/160 of 5 May 2015 and G/SPS/N/CRI/160/Add.1 of 12 May 2015.
[16] WTO document WT/DS524/1 of 13 March 2017.
[17] WTO documents G/AG/N/CRI/60 of 12 September 2017; G/AG/N/CRI/65 of 26 April 2018; and G/AG/N/CRI/68 of 1 November 2018.
[18] WTO documents G/AG/N/CRI/45 of 22 January 2014; G/AG/N/CRI/49 of 4 February 2015; G/AG/N/CRI/52 of 5 February 2016; G/AG/N/CRI/60 of 12 September 2017; G/AG/N/CRI/65 of 26 April 2018; and G/AG/N/CRI/58 of 23 March 2017.
[19] WTO documents G/AG/N/CRI/46 of 22 January 2014; G/AG/N/CRI/50 of 4 February 2015; G/AG/N/CRI/54 of 7 March 2016; G/AG/N/CRI/56 of 22 March 2017; and G/AG/N/CRI/63 of 25 April 2018.

Table 4.6 Domestic support to the agricultural sector, 2013-2017

(USD thousand)

Support allocation	2013	2014	2015	2016	2017
Research	10,788.1	8,733.1	7,764.3	8,917.3	7,768.8
Pest and disease control	47,213.1	19,806.4	21,197.3	18,788.2	18,181.2
Training services	21,118.8	35,107.1	37,566.2	32,802.7	26,251.5
Extension and advisory services	17,547.4	1,365.2	1,429.4	1,438.6	1,294.0
Inspection services	223.2	0.0	0.0	0.0	0.0
Marketing and promotion services	515.2	584.8	471.9	607.7	528.6
Infrastructural services	9,316.2	11,352.6	21,406.0	16,137.0	14,733.4
Other general services	248.8	176.3	266.7	222.9	366.4
Environmental programmes	967.7	890.9	852.3	939.5	1,278.2
Regional assistance programmes	46,847.9	35,998.3	46,601.4	50,521.9	44,348.1
Total	**154,786.4**	**114,014.7**	**137,555.4**	**130,375.8**	**114,750.2**

Source: WTO documents G/AG/N/CRI/48/Rev.1 of 27 February 2015; G/AG/N/CRI/51/Rev.1 of 31 July 2017; G/AG/N/CRI/55/Rev.1 of 1 August 2017; G/AG/N/CRI/59 of 1 August 2017; and G/AG/N/CRI/67 of 17 October 2018.

4.22. Micro, small and medium-sized producers are also supported through the Institutional Supply Programme, which the National Production Council (CNP) implements, to meet the food supply needs of State institutions. The latter are obliged by law to acquire these supplies through direct procurement, via the CNP, which must ensure that supplies are produced by micro, small and medium-sized agricultural and agro-industrial producers and national fisheries.[20]

4.23. Until 2014, a percentage of the debts of small and medium-sized agricultural producers could be waived.[21] Producers who had debts with the Trust Fund for the Protection and Promotion of Small and Medium-Sized Producers (FIDAGRO), which were transferred to the Development Banking System (SBD), could have 20% of the balance of those debts waived.[22]

4.24. In 2018, Costa Rica notified that it had five state trading enterprises conforming to the definition of Article XVII of the GATT. Of these, four operate in the agricultural sector: the Agro-industrial Sugar Cane League (LAICA); the Livestock Promotion Corporation (CORFOGA); the Coffee Institute of Costa Rica (ICAFE); and the National Rice Growers Corporation (CONARROZ).[23] LAICA is responsible for the marketing of sugar and the by-products derived from sugar cane processing. CONARROZ is involved in the marketing of rice and in the allocation of import quotas in the event of shortages. CORFOGA is not involved in marketing or in foreign trade activities, but is responsible for collecting the tax on each animal slaughtered for domestic consumption or export.[24] ICAFE, although authorized to buy and sell coffee inside and outside the country, does not use this power in practice. The National Spirituous Beverages Factory (FANAL) is also considered a state trading enterprise; however, it has not yet been notified to the WTO.

4.25. LAICA was created to maintain equitable relations between cane producers and sugar mills in order to guarantee a fair share for the various stakeholders involved in cane production and in the manufacture and sale of derivatives, in the interests of the further development of the industry.[25] LAICA annually fixes and distributes the national sugar production quota among the mills, and distributes among independent producers the corresponding percentage of the production quota of each mill. The quota is distributed among the sugar mills in proportion to the reference quotas. The quota allocated to each mill establishes the quantity and type of sugar that should be processed, as part of the total national sugar production quota for domestic consumption, exports and reserves. The export quota is divided among the various export markets, in line with what "suits the industry".

4.26. With regard to sugar exports, the exporter must join the register kept by LAICA for this purpose, and also register the purchase agreement. Exporters must inform LAICA of the price at which they export sugar, as LAICA has the power to reject any sugar export contract if the sales

[20] Agreement No. 39185 of 29 June 2017.
[21] Article 47 of Law No. 9274 of 12 November 2014.
[22] Law No. 8835 of 10 May 2010.
[23] WTO document G/STR/N/17/CRI of 23 November 2018.
[24] CORFOGA is the body promoting the development of the beef industry in Costa Rica. CORFOGA's income comes from its entitlement to payment for each animal slaughtered for domestic consumption, bovine meat imports and exports of live cattle.
[25] Law No. 7818 of 22 September 1998.

price is lower than the price prevailing on the international market. Exports should be adjusted to the export quotas granted to each mill for the corresponding sugar year. LAICA determines when sugar can be exported to preferential markets or those covered by international agreements approved by Costa Rica.

4.27. CONARROZ collects and keeps updated all essential information to guarantee an adequate supply for the domestic market.[26] Agro-industrial companies must submit monthly verified statements of purchases of domestically produced rice, sales, value and rice stocks to CONARROZ. This information is used to determine the country's supply needs and to decide whether tariff quotas should be opened. The rice in the husk that is imported when there is a shortage, in other words when domestic production is insufficient, is distributed by CONARROZ among agro-industries, on the basis of the purchases of domestic production in the previous rice year. Importers of rice, clean rice, dry rice, rice in the husk or pounded rice are subject to the payment of a contribution to CONARROZ of 1.5% of the import price. The document proving payment must be presented for the goods to be able to enter the country.

4.28. State trading enterprises were created to regulate markets. However, especially in the sugar and rice markets, small producers find their opportunities limited by the lack of competition in the marketing chain because, for example, LAICA can regulate all the activities of the value chain, from purchase, export and storage to marketing at retail level.

4.29. The rice market is one of the most protected agricultural markets in Costa Rica. In addition to benefiting from CONARROZ intervention, rice benefits from tariff protection and safeguard measures on imports of pounded rice and brown rice, and its price is still regulated. In 2015, the minimum price system for rice was eliminated, a purchase reference price for rice in the husk was established for the producer, and the sales price (minimum and maximum) was fixed for all qualities of pounded rice.[27] During the period under review, the Commission for the Promotion of Competition (COPROCOM) recommended eliminating rice price controls at all levels.[28]

4.30. The OECD analysis of rice production support policies indicates that these measures impose a significant burden on consumers, especially the poorest, as rice prices in Costa Rica's domestic market are among the highest in the world. This price policy generates an implicit tax on consumers and, considering that the neediest households are those that devote a greater proportion of their income to food, this burden could become a regressive tax and, contrary to the stated aim, have a negative effect on the food security of low-income households. In addition, support measures tend to benefit a handful of large-scale rice producers and processors. Rice production is dominated by large-scale producers, which account for more than 76% of the planted area, while small farmers (72% of all farmers) produce mostly for their own consumption, and others are net buyers of rice and are therefore also affected by the support measures.[29]

4.31. In general, in all agricultural markets, including input markets, competition should be promoted, transaction costs reduced and the benefits of trade liberalization better distributed, so that international market prices are transferred to domestic consumers. In Costa Rica, for example, some animal feeds (concentrates) are produced mainly from imported maize (70%) and soya beans (75%). Given the high percentage of the imported component, the international price of maize and soya beans should be an important factor in the final price of the concentrate; however, this is not usually the case. In the vertically integrated industries (poultry sector), which produce their own concentrate, the margin between the price of imported maize and soya beans and the price of concentrate produced on the farm is not significant. However, the price of concentrates produced in the domestic market does not vary in line with the price of imported inputs. When the prices of maize and soya beans fell in the international market, the price of concentrated feeds in Costa Rica did not decrease, and the producers of concentrates did not transfer the fall in the international price of the inputs used to the domestic consumer. This is because three of the companies producing

[26] Data collected by CONARROZ: planting and production areas, stocklists of rice in the husk and pounded rice stored in agro-industries, exports, imports, and production costs.

[27] Executive Decree No. 38884 of 24 February 2015.

[28] Opinions of COPROCOM 03-14 of 11 February 2014 and 02-2017 of 18 April 2017 (provided by the authorities).

[29] OECD (2017), *Agricultural Policies in Costa Rica*. Viewed at: https://www.oecd-ilibrary.org/docserver/9789264269125-en.pdf?expires=1553582285&id=id&accname=ocid195767&checksum=E73757E3159ECBA71C86A82BE2B5DE4E.

concentrates are among the main maize importers (for concentrates) and there is only one soya bean importing company in the country. Similarly, for fertilizer and agrochemicals, which are inputs representing a significant share of production costs in the agricultural sector, the fall in the international price has not been transferred to domestic agricultural producers. This is due to the fact that, as in the concentrates industry, the import/production of fertilizers is a highly concentrated industry, given that imports are effected by three companies. A similar situation exists in agrochemicals, for which the concentrated active ingredient is imported, with the domestic industry only diluting and packaging products. The prices of veterinary drugs have followed a similar pattern of increases and significant margins between the c.i.f. price and the price in the domestic market. Agro-industries are also highly concentrated (Box 4.1).

Box 4.1 Agro-industry concentration, 2019

Poultry: There are three poultry meat processing companies that buy poultry from small and medium-sized farms. These three companies are also among the main importers of maize for concentrates. There is one soya bean importing company in the country.
Rice: Ten companies process all domestic production and are also the main importers of rice in the husk.
Bovine meat: Four companies carry out 85% of the slaughter of cattle and another 20 the remaining 15%. These plants also slaughter pigs, and some are beef and pork importers.
Dairy products: One company (cooperative) processes 80% of milk in the formal market, and 10 medium-sized companies the other 20%. The cooperative is the entity that establishes prices.

Source: Academia de Centroamérica.

4.32. The Development Banking System (SBD) was established in 2008 to enable certain sectors to have better access to financing. According to the law, at least 40% of SBD funds must be allocated to agricultural, fisheries, agro-industrial or related trade projects.[30] However, it appears that agricultural sector financing is still insufficient.[31]

4.33. The National Insurance Institute (INS) is the only institute to offer agricultural insurance, which has different premiums depending on the crop, the risk and the insured volume. Collective harvest insurance is offered to protect virtually all crops, but has only been used for rice, coffee, beans and livestock. However, livestock insurance is not currently provided. In addition, since 2011, insurance policies have not been subsidized. Between 2009 and 2011, the MAG, depending on the insured area, subsidized between 30% and 50% of the insurance premiums for basic grains and bananas. In general, agricultural loans are tied to insurance policies, and are granted through the SBD, cooperatives and microfinance institutions, particularly for the cultivation of rice and coffee. There is no reinsurance scheme for agricultural insurance. Ultimately, the State acts as guarantor for INS insurance.[32]

4.2 Mining and energy

4.2.1 General characteristics

4.34. The Ministry of the Environment and Energy (MINAE) is the entity governing the energy and mining sector. MINAE formulates and implements the sector's policy, whose objectives are set out in the National Energy Plan. According to the National Energy Plan 2015-2030, the objectives of Costa Rica's energy policy are to: (1) improve energy efficiency; (2) promote the generation of energy for self-consumption; (3) optimize the use of renewable sources of energy generation; (4) achieve inclusive and sustainable development in the sector; (5) promote the use of electric

[30] Law No. 9274 of 12 November 2014.

[31] OECD (2017), *Agricultural Policies in Costa Rica*. Viewed at: https://www.oecd-ilibrary.org/docserver/9789264269125-en.pdf?expires=1553582285&id=id&accname=ocid195767&checksum=E73757E3159ECBA71C86A82BE2B5DE4E.

[32] CLAC/Fair Trade (2017), *Situación de los seguros agrícolas en América Latina y el Caribe*. Viewed at: http://clac-comerciojusto.org/wp-content/uploads/2015/04/Libro-Situaci%C3%B3n-de-los-Seguros-Agr%C3 per centADcolas-en-Latino-Am%C3%A9rica-y-el-Caribe-ok.pdf.

vehicles; (6) promote the use of public transport; and (7) improve the quality of petroleum products.[33]

4.35. Private entities, both domestic and foreign, can only invest in certain activities in the energy sector (Table 4.7).

Table 4.7 Access to the energy market

	Permitted activities	Type of authorization granted by the State	Restricted activities
Hydrocarbons	Exploration and extraction	Partnership, operations, service or concession agreement	Importing of crude oil and its derivatives (RECOPE monopoly) Exploration and extraction of crude oil
	Storage	Licence (MINAE)	Refining (RECOPE monopoly)
	Transport	Licence (MINAE)	Wholesale distribution (RECOPE)
	Retail sales	Licence (MINAE)	
Mining	Exploration	Permit	Exploration and exploitation of opencast metal mining
	Extraction	Concession agreement	
	Transformation, processing and marketing	Entitlement granted under the concession agreement (MINAE)	
Electricity	Generation	Concession agreement and, where applicable, water concession	Transmission Distribution and marketing

Source: WTO Secretariat; Law No. 7399 of 3 May 1994; Law No. 6797 of 4 October 1982 and Law No. 7200 of 28 September 1990.

4.36. The Public Services Regulatory Authority (ARESEP) fixes electricity rates and retail prices for petroleum products.[34]

4.2.2 Mining

4.37. The Geology and Mines Directorate (DGM) of MINAE is the entity responsible for mining policy and for governing the sector. Its objective is to contribute to the country's development through the rational exploitation of mining resources, which ensures a balance between social and environmental needs.[35] The legal framework of the mining sector comprises the Mining Code and its Regulations.[36] Mining activity is regarded as in the public's interests. According to the Code, the State has absolute, inalienable and imprescriptible control over all mineral resources. The State itself can exploit the minerals or grant concessions. However, certain deposits can only be exploited by the State or through a special concession.[37]

4.38. The DGM grants exploration permits and mining concessions, which are granted through a decision setting forth all the conditions of the contract. Permits are granted for three years, extendable once only. Concessions give the operator the right to extract, transform, process and market minerals. They are granted for a period of 25 years, which can be renewed for up to ten years. The concession area can be a maximum of 10 km^2; concessions cannot be obtained in adjoining areas when the original concession reaches the maximum permitted area. A separate concession is required for the mining of each mineral. However, an exception is made for opencast metal mining.[38] Costa Rica's mining production consists of small amounts of diatomite, gold (including artisanal mining), limestone for cement, clay for cement, pozzolana and siliceous

[33] National Energy Plan. Viewed at: http://www.dse.go.cr/es/03Publicaciones/01PoliticaEnerg/VII_Plan_Nacional_de_Energia_2015-2030.pdf.
[34] Online information. Viewed at: https://aresep.go.cr.
[35] Online information. Viewed at: http://www.geologia.go.cr/quienes_somo/index.html.
[36] Law No. 6797 of 4 October 1982 and Executive Decree No. 29300 of 8 February 2001.
[37] These are deposits of coal, natural gas, crude oil or any other hydrocarbon, and radioactive minerals.
[38] Article 8 *bis* of Law No. 6797 of 4 October 1982.

materials for cement, pumice, crushed stone and manufactured sand, materials for ballast and fillers, and siliceous sandstone for glass.[39]

4.39. Any national or foreign natural or legal person can apply for a permit or a mining concession. Foreign companies must be domiciled in Costa Rica. No members of the executive, legislative and judicial branches of government or other Costa Rican public officials and employees, or foreign States, governments and agents, can apply for permits or concessions. Foreign-owned mining companies and companies with less than 50% domestic capital are not allowed to receive financing from national banks for an amount greater than 10% of the total investment.

4.40. Mining is subject to payment of income tax. Holders of exploration permits and mining concessions will enjoy exemption from all taxes and duties on the import of equipment, vehicles and machinery required for mining activity, provided that those articles are not produced in the country. However, the amount of exemption will be subject to a 10% tax. This tax is used to further geological research and promote State participation in exploiting the country's mineral wealth.[40]

4.41. The sale of metallic minerals is taxed through a 2% municipal tax. The mining of sand, stone, ballast and derivatives are subject to a municipal tax of 30% on the amount paid in value added tax. If concession holders use the mined product as an input to produce other materials, they pay CRC 100 per cubic metre extracted, in accordance with the law. However, this amount is updated annually on the basis of the consumer price index.

4.2.3 Hydrocarbons

4.42. Hydrocarbon resources are owned by the State, but private entities may engage in the exploration and exploitation thereof. The hydrocarbons sector is governed primarily by Law No. 7356 of 1993, which provides that the import, refining and wholesale distribution of fuels, asphalts and naphtha to meet domestic demand are a State monopoly. The state-owned Costa Rican Petroleum Refinery (RECOPE) continues to have a monopoly on the import, refining and wholesale distribution of crude oil and its derivatives.[41] It is also, with the prior authorization of the Office of the Comptroller General of the Republic, responsible for implementing the sector's development plans in line with the National Development Plan.[42] RECOPE can market crude oil and its derivatives abroad, provided that domestic supply is guaranteed, and also sets conditions of sale in accordance with international markets.[43]

4.43. RECOPE hydrocarbon imports include petrol, diesel, fuel for aircraft and ships, asphalt and liquefied petroleum gas. In 2017, total hydrocarbon imports amounted to 21.6 million barrels at a c.i.f. value of USD 1,374 million.[44] Total sales reached 20.9 million barrels, amounting to USD 2,450 million.[45]

4.44. Costa Rica has a National Fuel System to supply the domestic market. This system includes RECOPE's Caribbean Petroleum Port Terminal (at the port in Moín), a 553 km pipeline system, five pumping stations, four distribution facilities for the reception and sale of bulk fuels, and four terminals for supplying aircraft at the country's airports.[46] The expansion of the Petroleum Port Terminal was nearing completion in March 2019, at a total cost of USD 98.6 million.[47]

[39] Online information. Viewed at: http://www.geologia.go.cr/mineria/mineria_de_costa_rica_en_datos.html.
[40] Articles 58-61 of Law No. 6797 of 4 October 1982.
[41] Law No. 7356 of 24 August 1993.
[42] Online information. Viewed at: https://www.recope.go.cr/quienes-somos/fundamentos-legales.
[43] Executive Decree No. 14874 of 14 October 1983.
[44] Online information. Viewed at: https://www.recope.go.cr/wp-content/uploads/2018/04/IMPORTACIONES-2017.pdf.
[45] RECOPE (2018), *Informe Anual de Ventas 2017*. Viewed at: https://www.recope.go.cr/wp-content/uploads/2018/04/INFORME-ANUAL-DE-VENTAS-2017.-v1pdf-2.pdf.
[46] Online information. Viewed at: http://www.recope.go.cr/nuestra_actividad/sistema_petroleo/Definicion.htm.
[47] Online information. Viewed at: https://www.recope.go.cr/proyectos/procesos-industriales-portuarios/ampliacion-de-la-terminal-portuaria-petrolera-del-atlantico.

4.45. ARESEP sets fuel prices, which are updated on a monthly basis using an adjustment formula that uses international prices as a reference. Prices are uniform across the country's service stations.

4.2.4 Electricity

4.46. The electricity market in Costa Rica is governed by a number of laws and regulations (Table 4.8). During the period under review, no substantial changes to this legislation were made, except for the promulgation, in 2015, of the regulation governing energy generation for self-consumption.

Table 4.8 Main legislation regulating the electricity market

Title	Number and date	Most recent amendment
Law Declaring Public Interest in Geothermal Resources	Law No. 5961 of 6 December 1976	n.a.
Law Authorizing Autonomous or Parallel Electricity Generation	Law No. 7200 of 28 September 1990	2001
Regulations implementing Chapter I of Law No. 7200	Executive Decree No. 37124 of 19 March 2012	n.a.
Regulations implementing Chapter II of Law No. 7200	Executive Decree No. 24866 of 12 December 1995	n.a.
Law Regulating the Rational Use of Energy	Law No. 7447 of 3 November 1994	2012
Regulations for the Rational Use of Energy	Executive No. 25584 of 24 October 1996	2012
Law on the Public Services Regulatory Authority	Law No. 7593 of 9 August 1996	2018
Regulations on Concessions for the Electricity Supply Public Service	Executive Decree No. 30065 of 28 November 2001	2015[a]
Law on the Participation of Rural Electrification Cooperatives and Municipal Public Utilities Companies in National Development	Law No. 8345 of 26 February 2003	2008
Framework Law on Concessions for the Supply of Hydraulic Power for Hydroelectric Generation	Law No. 8723 of 22 April 2009	2012
Regulations for Energy Generation Distributed for Self-Consumption Using Renewable Sources and the Simple Net Metering Contractual Model	Executive Decree No. 39220 of 14 September 2015	n.a.
Law on the Strengthening and Modernization of Public Entities in the Telecommunications Sector	Law No. 8660 of 2007	n.a.

a The functions of distribution companies are changing; from 2015 they must facilitate interconnection to the distribution network for generating energy for self-consumption.

n.a. Not applicable.

Source: WTO Secretariat.

4.47. The National Electricity System (SEN) is composed of 30 private companies; two state-owned companies (the Costa Rican Electricity Institute (ICE) and its subsidiary, the National Power and Light Company (CNFL)); four rural electrification cooperatives[48] and two municipal companies (JASEC and the ESPH)[49] (Chart 4.1). The SEN also includes four high-voltage consumers (major consumers), which the ICE supplies directly. The rest are regulated users.[50]

4.48. Public operators and cooperatives generate, distribute and market electricity. The ICE operates the national transmission network. Private companies can only operate in the power generation market. Distribution companies also market electricity, as Costa Rica does not allow the establishment of companies only marketing electricity (Chart 4.1).[51]

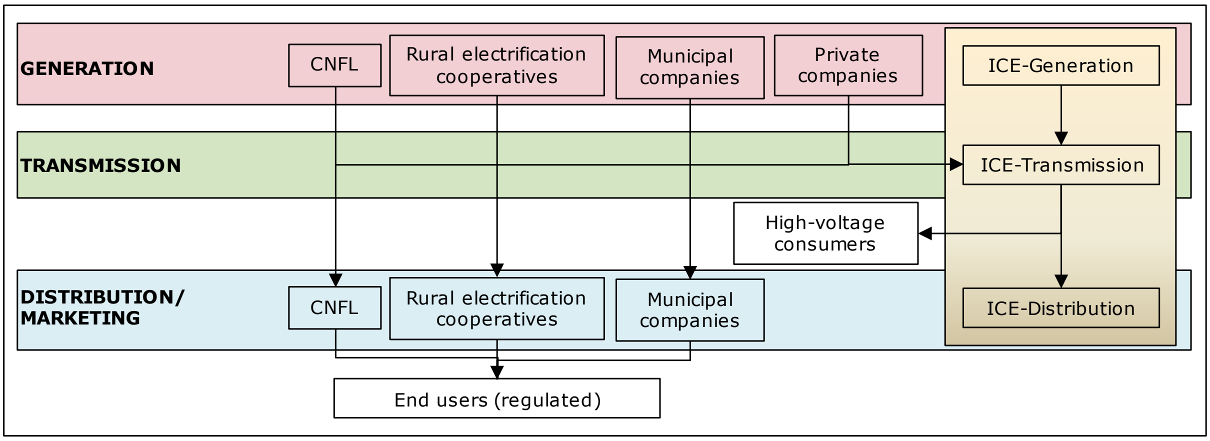
[48] Alfaro Ruiz Cooperative (Coopealfaroruiz), Rural Electrification Cooperative of Guanacaste (Coopeguanacaste), Electrification Cooperative of San Carlos (Coopelesca) and Rural Electrification Cooperative of Los Santos (Coopesantos).

[49] Cartago Electricity Board (JASEC) and Heredia Public Services Company (ESPH).

[50] The high-voltage consumers are: Holcim (cement), CEMEX (construction materials), Aluminios Nacionales (aluminium) and Intel (semiconductors). Academia de Centroamérica (2017), *El sector eléctrico en Costa Rica*. Viewed at: https://www.academiaca.or.cr/wp-content/uploads/2017/05/El-sector-eléctrico-en-Costa-Rica.pdf.

[51] Article 28 of Executive Decree No. 30065 of 28 November 2001.

Chart 4.1 National electricity system



Source: Online information, National Energy Control Centre (CENCE). Viewed at: https://appcenter.grupoice.com/CenceWeb/CenceDescargaArchivos.jsf?init=true&categoria=1&codigoTipoArchivo=1001.

4.49. Foreign private companies must be domiciled in Costa Rica to operate a power station.[52] Foreign equity participation in a power station is limited to 65%.[53] Private equity participation in ICE companies may only be for minority holdings; ICE must maintain 51% of the capital. In the case of the ESPH, the limit applies only to foreign capital.[54]

4.50. In order to operate a power station, private companies must hold a public service energy-generating concession (generating concession), granted by ARESEP for a 20-year period. The generating concession gives the right to operate power stations that use only renewable sources of energy, except for high-temperature geothermal energy, the exploitation of which is reserved for the ICE.[55] In order to operate a hydroelectric power station, a concession is also required for the use of hydraulic forces (water concession), granted by MINAE for a period of 20 years.[56]

4.51. Private generating plants operate either under the autonomous or parallel generating regime or under the competition regime (Table 4.9). Contracts awarded under the competition regime are for Build-Operate-Transfer (BOT) projects; these contracts are given for 20 years and can be renewed for a shorter period. When the contract ends, the private company must transfer the power station to the ICE.[57] Autonomous or parallel generating concessions can be renewed; in this case, the power station is still operated by the private company.[58]

[52] Article 34 of Executive Decree No. 24866 of 12 December 1995.
[53] Law No. 7200 of 28 September 1990.
[54] Article 15 of Law No. 7789 of 30 April 1998 and Article 5 of Law No. 8660 of 8 August 2008.
[55] Law No. 7200 of 28 September 1990, Executive Decree No. 30065 of 28 November 2001 and Law No. 5961 of 6 December 1976.
[56] Executive Decree No. 30065 of 28 November 2001 and Executive Decree No. 8723 of 22 April 2009.
[57] Article 22 of Law No. 7200 of 28 September 1990.
[58] Academia de Centroamérica (2017), *El sector eléctrico en Costa Rica*. Viewed at: https://www.academiaca.or.cr/wp-content/uploads/2017/05/El-sector-eléctrico-en-Costa-Rica.pdf.

Table 4.9 Private generating plant operating regimes

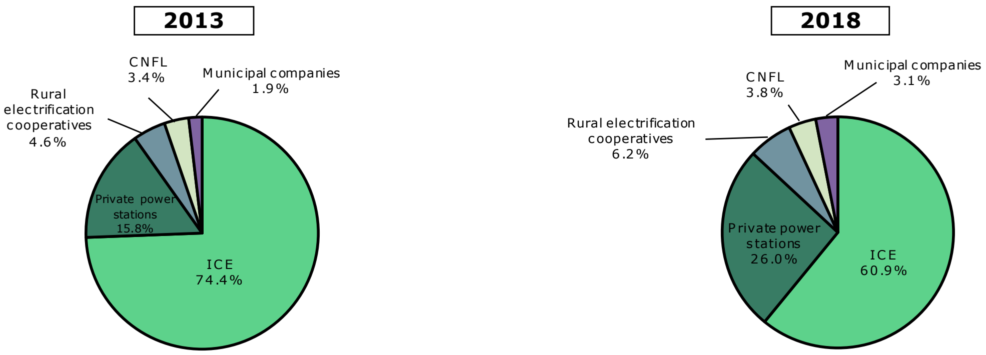
	Autonomous or parallel generation (public service generating concession)	Competition regime (contract)
Type of generating concession	Build-Own-Operate (BOO)	Build-Operate-Transfer (BOT)
Maximum installed capacity in each generating plant	20 MW	50 MW
Maximum power	15% of the total power of the SNI (National Interconnected System)	30% of SNI total power
Electricity purchase/sales price	The generator sets the sales price according to the price band established by ARESEP	The price is determined through open tender

Source: Law No. 7200 of 28 September 1990, Executive Decree No. 37124 of 19 March 2012 and Executive Decree No. 24866 of 12 December 1995.

4.52. Private generating plants are required to sell all of their production directly to the ICE; sale to third parties is not permitted.[59] Contracts for the purchase/sale of electricity, which can be for up to 20 years, must be approved by ARESEP.[60] Under the generating plant operating regime, the ICE must buy all surplus production from private generating plants.[61] However, currently the ICE may not buy all of the surpluses under the provisions of purchase/sale agreements. Therefore, production surpluses that are above what was stipulated in contracts with the ICE cannot be sold either to the ICE or the Regional Electricity Market (MER), as the ICE is the only authorized agent to operate in that market.[62]

4.53. The ICE remains the largest producer of electricity in Costa Rica (Chart 4.2). It manages the National Energy Control Centre (CENCE), which allocates generating quotas to each of the ICE power stations, taking into account the estimated production of other power stations, so as to ensure the necessary dispatch of electrical energy in the National Interconnected System (SNI).[63] The electricity distribution network covers the entire national territory (99.4%). In 2018, according to information provided by the authorities, the ICE distributed and marketed 42.1% of electrical energy; the CNFL 35.6%; cooperatives 10.5%; and municipal companies 11.8%.

Chart 4.2 Share of electricity generation, 2013 and 2018



Source: CENCE (2014 and 2019), *Generación y Demanda: Informe Anual*. Viewed at: https://appcenter.grupoice.com/CenceWeb/CenceDescargaArchivos.jsf?init=true&categoria=3&codigoTipoArchivo=3008.

4.54. ARESEP regulates electricity tariffs, which are determined according to the type of end user: commercial (general), residential or industrial. The tariffs, in addition to covering operating and

[59] BID (2017), *Dossier Energético: Costa Rica*. Viewed at: https://publications.iadb.org/handle/11319/8093.
[60] Article 13 of Law No. 7200 of 28 September 1990.
[61] Article 15 of Law No. 7200 of 28 September 1990.
[62] Academia de Centroamérica (2017), *El sector eléctrico en Costa Rica*. Viewed at: https://www.academiaca.or.cr/wp-content/uploads/2017/05/El-sector-eléctrico-en-Costa-Rica.pdf; and Article 5 of Law No. 7848 of 20 November 1998, as amended by Law No. 9004 of 31 October 2011.
[63] Online information. Viewed at: https://appcenter.grupoice.com/CenceWeb/CenceMain.jsf.

investment expenses, must guarantee a return rate to the distribution/marketing company.[64] Distribution/marketing companies can request ARESEP for an adjustment to the tariffs, which will make a decision taking into account the results of public consultations.[65] ARESEP also regulates the tariffs charged to high-voltage consumers.[66] In a survey conducted in 2013, the companies surveyed indicated that the cost of electricity was the main factor in increasing production costs; companies in the hospitality and industry sectors considered themselves to be the most affected.[67]

4.55. During the period under review, residential consumption (monthly) of less than 250 kW/h was exempt from IGV payment; for consumption above 250 kW/h, the reduced IGV rate of 5% is applied.[68] In addition, a subsidy of 30% is granted to residential users who consume less than 200 kW/h. Users who consume between 201 and 1,750 kW/h per month pay a contribution equivalent to 1.75% of the invoice total, which is allocated to the Fire Service Fund.[69]

4.56. The installed capacity for generating electrical energy increased from 2,731 to 3,617 MW between 2013 and 2018. The use of renewable sources also increased during this period. In 2018, 98.6% of electricity was generated from renewable sources, compared to 88.4% in 2013 (Chart 4.3). Hydroelectric energy is the primary source of power, accounting for 73.5% of energy generated in 2018. Dependence on this type of energy can be critical in periods of drought, such as the one that affected the country in 2014, when it had to resort to the use of thermal power plants to produce the electricity required.[70] To reduce this dependence, it has invested in wind power plants, which has resulted in an increase in the use of this source of energy (from 4.8% in 2013 to 15.8% in 2018). Geothermal power plants are also being used, generating 8.4% of the energy supply in 2018; the use of biomass and solar energy is still in the early stages of development.

Chart 4.3 Production of electrical energy by source, 2013 and 2018

Source: CENCE (2014 and 2019), *Generación y Demanda: Informe Anual*. Viewed at: https://appcenter.grupoice.com/CenceWeb/CenceDescargaArchivos.jsf?init=true&categoria=3&codigoTipoArchivo=3008.

4.3 Manufactures

4.57. Since the last review, the manufacturing sector's contribution to GDP has continued to decrease, falling from 13.8% in 2013 to 12.9% in 2018. This trend, which had already been observed in the previous review, is largely due to the greater dynamism of other sectors of the economy, such

[64] Articles 3 and 31 of Law No. 7593 of 9 August 1996; and Academia de Centroamérica (2017), *El sector eléctrico en Costa Rica*. Viewed at: https://www.academiaca.or.cr/wp-content/uploads/2017/05/El-sector-eléctrico-en-Costa-Rica.pdf.
[65] Online information. Viewed at: https://aresep.go.cr/audiencias.
[66] Getting the Deal Through (2016), *Electricity Regulation 2017*. Viewed at: https://www.whitecase.com/sites/whitecase/files/files/download/publications/gtdt-electricity-regulation-2017.pdf.
[67] Angulo J.E. (2013), "¿Es Costa Rica un país caro?: Costo de vida, disparadores del costo de producción y retos para la competitividad", *Vigésimo Informe Estado de la Nación en Desarrollo Humano Sostenible (2013),* State of the Nation Programme. Viewed at: https://www.estadonacion.or.cr/files/biblioteca_virtual/020/economia/Angulo_CRcaro.pdf.
[68] Law No. 6826 of 8 November 1982 and Executive Decree No. 14082 of 29 November 1982.
[69] Article 40 of Law No. 8228 of 19 March 2002.
[70] GWP Central America (2016), *Análisis socioeconómico del impacto sectorial de la sequía de 2014 en Centroamérica*. Viewed at: https://www.gwp.org/globalassets/global/gwp-cam_files/impacto-sequia-2014_fin.pdf.

as services. The manufacturing sector recorded an annual growth rate of 1.4% in real terms between 2013 and 2018. Employment in the industry has increased compared to 2013 (8.9%); in 2018, the sector employed 10.8% of the total labour force (Table 4.10). FDI flows remain significant, amounting to USD 1,266 million in 2017, or 46% of the FDI total for that year (Section 1).

Table 4.10 Principal indicators in the manufacturing sector, 2013-18

	2013	2014	2015	2016	2017	2018
Share of GDP (%, at current prices)[a]	13.8	13.3	12.4	1.4	12.7	12.9
Real growth rates (%, at 2012 prices)[a]	0.1	0.8	-5.1	4.5	3.3	2.9
Employment (%)[a]	8.9	9.3	10.9	10.2	10.0	10.8
Non-agricultural sector, WTO definition:						
Exports						
Value (USD million)	4,514.0	4,915.5	5,079.1	5,452.9	5,951.3	6,616.5
Share of total exports	52.5	53.6	55.0	55.0	56.0	58.6
Growth rate (%)	-1.7	8.9	3.3	7.4	9.1	11.2
The 5 most important products at HS 4-digit level (% of total non-agricultural products):						
9018 Instruments and appliances used in medical, surgical, dental or veterinary sciences	25.5	28.0	33.0	35.7	34.2	36.7
9021 Orthopaedic appliances	6.8	6.0	8.2	9.1	10.5	10.8
4011 New pneumatic tyres, of rubber	3.8	3.3	2.9	2.6	3.0	2.9
3004 Medicaments, for therapeutic or prophylactic uses	1.7	2.6	2.9	2.8	2.7	2.8
8544 Insulated wire, cable and other insulated electric conductors (..)	6.1	5.1	3.5	3.3	2.8	2.6
Imports						
Value (USD million)	13,273.4	13,729.8	12,954.1	13,265.2	13,885.7	14,535.5
Share of total imports	88.0	88.2	87.8	87.1	87.3	87.7
Growth rate (%)	0.9	3.4	-5.6	2.4	4.7	4.7
The 5 most important products at HS 4-digit level (% of total non-agricultural products):						
2710 Petroleum oils and oils obtained from bituminous minerals, other than crude	16.2	15.1	9.5	8.2	9.7	10.7
8703 Motor cars and other motor vehicles principally designed for the transport of persons	4.2	4.4	5.5	6.2	5.4	4.4
3004 Medicaments, for therapeutic or prophylactic uses	3.0	3.5	4.0	4.2	4.3	4.0
8517 Telephone sets, including telephones for cellular networks	3.2	2.9	3.9	3.5	3.5	3.4
9018 Instruments and appliances used in medical, surgical, dental or veterinary sciences	1.1	1.3	2.0	2.2	2.0	2.2
Non-agricultural trade balance (USD million)	-8,759.4	-8,814.2	-7,875.1	-7,812.3	-7,934.5	-7,919.0

a Definition of manufactures according to national accounts.

Note: The classification of the five main non-agricultural export and import products relates to 2018.

Source: WTO Secretariat calculations, based on data provided by the Costa Rican authorities and the Central Bank of Rica.

4.58. The manufacturing sector, like the agricultural sector, has two sides; Costa Rica has managed to develop high-tech manufactures, especially for export, while other branches have failed to achieve the same levels of competitiveness. During the period under review, the main export products have been medical, surgical, dental or veterinary instruments and orthopaedic appliances. These accounted for 25.5% of manufactured exports in 2013, while in 2018 (most recent data), they accounted for 36.7%. High-tech instruments are produced by companies that have benefited from the incentives provided under the Free Zone Regime (Section 3.2.4.1). The production of goods in free trade zones continues to be significant, and the contribution of free trade area companies to exports of manufactures has gained much more importance since 2013. The branches of industry that operate outside the Regime have not achieved the same levels of productivity as those that have embraced it. Moreover, local industry has not managed to absorb the opportunities created by foreign investment and the presence of high-quality multinational companies, such as those involved in technology transfer. In general, other important branches of industry (food products, beverages, tobacco and plastic products) have not been competitive in international markets, and are more geared towards the domestic market.

4.59. Companies that are not established under the Free Zone Regime can benefit from the Inward Processing Regime (Sections 3.2.4.1 and 3.2.4.2) and other fiscal and financial incentive programmes that promote manufacturing companies (Section 3.3.1).

4.60. The average level of tariff protection afforded to the manufacturing sector (WTO definition of non-agricultural products) is relatively low: in 2019, the average tariff was 5.6%, practically the same as in 2013 (5.5%). In 2019, tariffs ranged between 0% and 46%. Most products (51%) are taxed at a rate of 1%, followed by a rate of 15% (18.9%) and 10% (16.6%). The highest average tariffs are applied in the clothing industry (14.8%) and in the fish and fish products industry (12.2%), followed by leather and rubber goods, footwear and travel goods (8.2%). With regard to bound tariffs for non-agricultural products, these ranged between 0% and 100%. The 100% bound products are automotive vehicles (HS 8703, HS 8703, HS 8703 and HS 8703), followed by footwear, which is bound at 70%.

4.4 Services

4.4.1 Financial services

4.4.1.1 General characteristics

4.61. The National Financial System (SFN) is composed of financial intermediation, insurance, the securities market and the pension system. Financial activities and insurance accounted for 5.4% of GDP in 2018.

4.62. The number of entities operating in the SFN has remained relatively stable since 2013 (Table 4.11). The State continues to participate substantially in banking and insurance, although the market share of private financial entities increased during the review period. In 2018, State banks still accounted for 47% of total assets in the SFN, in part because of the advantages they enjoy over private banks. For example, all deposits in State banks are guaranteed, while those in private commercial banks are not. State banks are exempt from an obligation imposed on private commercial banks, to transfer a specific percentage of their current-account deposits to the Development Credit Fund, and from other requisites as to financial penetration to be eligible to capture current-account deposits. In addition, State banks have a monopoly in respect of deposits by public agencies. The preferential treatment granted to State banks has been detrimental to private banks and has contributed to a lack of competition in the banking sector, which represents one of the SFN's main problems.[71] The authorities pointed out that State banks also have disadvantages and obligations.

Table 4.11 The National Financial System (entities and total assets), 2013 and 2018

Supervisors/institutions	Number of entites		% of total assets	
	2013	2018	2013	2018
Supervisory Authority for Pensions (SUPEN)	**18**	**18**	**22%**	**24%**
Operators of complementary pensions	6	6	48%	51%
Other institutions	12	12	52%	49%
General Supervisory Authority for Financial Entities (SUGEF)	**58**	**49**	**61%**	**61%**
State commercial banks	3	2	44%	36%
Public banks created by special laws	2	2	11%	11%
Private commercial banks	11	11	28%	34%
Foreign exchange dealers	5	2	0%	0%
Credit unions	29	24	9%	10%
Non-bank financial institutions	5	5	1%	1%
Other institutions	3	3	7%	8%
General Supervisory Authority for Securities (SUGEVAL)	**65**	**62**	**13%**	**10%**
Securities exchanges	1	1	0%	0%
Central securities depositories	1	1	0%	0%
Stock exchange offices	17	16	6%	8%
Investment fund management companies	14	14	1%	1%

[71] OECD (2018), *OECD Economic Surveys: Costa Rica 2018*. Viewed at: https://www.oecd-ilibrary.org/economics/oecd-economic-surveys-costa-rica-2018_eco_surveys-cri-2018-en.

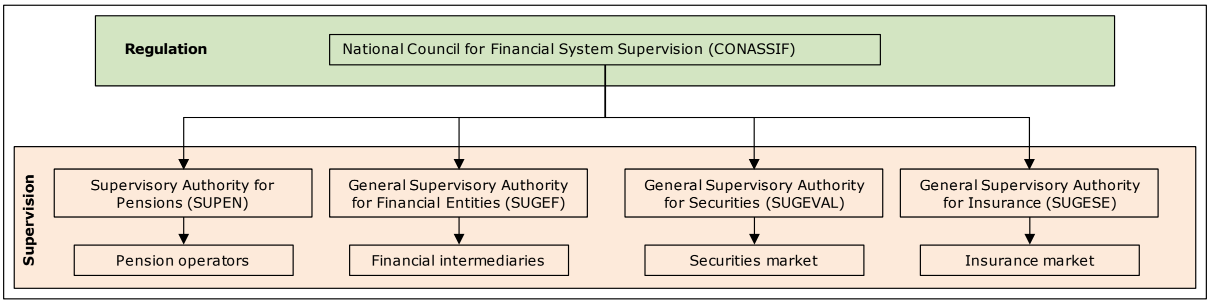
Supervisors/institutions	Number of entites		% of total assets	
	2013	2018	2013	2018
Clearing and liquidation companies	1	1	-	-
Custodial entities	25	23	93%	91%
Other institutions	6	6	0%	0%
General Supervisory Authority for Insurance (SUGESE)	**12**	**13**	**5%**	**4%**
State insurance entities	1	1	94%	87%
Private insurance entities	11	12	6%	13%
Reinsurance entities	0	0	n.a.	n.a.
Total no. of entities/assets	**153**	**144**	**100%**	**100%**

n.a. Not applicable.

Source: Information provided by the authorities.

4.63. The institutions of the SFN are supervised by four supervisory authorities under the National Council for Financial System Supervision (CONASSIF) (Chart 4.4).[72] The Board of Directors of CONASSIF is composed of representatives from the public, private and labour sectors. The superintendents also participate in CONASSIF meetings, but without the right to vote.[73]

Chart 4.4 Institutions responsible for regulating and supervising the National Financial System



Source: WTO Secretariat.

4.64. The SFN is governed by several laws, some of which were amended on various occasions from 2013 to 2019 (Table 4.12).

4.65. In addition to the laws mentioned above, the SFN is also regulated by CONASSIF, either *ex officio* or following a proposal from a supervisory authority. The regulations proposed to CONASSIF by the supervisory authorities are intended to improve the functioning of financial entities and are therefore based on best international practices. SUGEF, for example, considers guidelines issued by the Basel Committee on Banking Supervision, the Association of Supervisors of Banks of the Americas, and/or the International Accounting Standards Board, among other sources, in proposing any recommendation to CONASSIF.[74] There is a public consultation period prior to CONASSIF approval of any regulation; once approved, such regulations are published in the Official Journal. During the period under review several regulations were adopted and amended, introducing new risk management requirements, for instance, for the financial intermediation and insurance markets.[75]

[72] Online information. Viewed at: http://conassif.fi.cr.

[73] Articles 169-171 of Law No. 7732 of 27 January 1998, and Camacho A.R. (2014), *El Sistema Financiero Costarricense en los últimos 25 años: regulación y supervisión*, Academia de Centroamérica. Viewed at: https://www.academiaca.or.cr/wp-content/uploads/2017/03/regulacion-y-supervision.pdf.

[74] Online information. Viewed at: https://www.sugef.fi.cr/servicios_sugef/preguntas_frecuentes/index.html.

[75] Online information. Viewed at: https://www.sugef.fi.cr/normativa/normativa_vigente and http://www.sugese.fi.cr/marco_legal/acuerdos.

Table 4.12 Main laws regulating the National Financial System

Title	Reforms during 2013-2019	Brief description of the changes made
Financial intermediation		
Law on the Organization of the National Banking System (Law No. 1644) of 26 September 1953	2015	Modification of the powers of the Governing Board of the Development Banking System (SBD) to include the determination of financial intermediation margins and effective interest rates for SBD operations.
	2015	Modification of the provisions on commercial bank loan operations
	2016	Modification of the amount fined for unauthorized use of the word "bank" or "banking establishment"
	2018	Modification of the number of State commercial banks (through mergers and acquisitions)
Law Regulating Non-Bank Financial Enterprises (Law No. 5044) of 13 September 1972	n.a.	n.a.
Law Regulating the Financial Intermediation Activity of Cooperative Organizations (Law No. 7391) of 24 May 1994	2013	Modification of the operations in which credit unions can engage
Law on the Organization of the Central Bank of Costa Rica (Law No. 7558) of 27 November 1995	2014	Modification of the conditions under which private financial entities can have access to the rediscount Modification of the list of sanctions for illegal financial activities
	2015	Modification of the limits on operations that financial intermediaries can perform
	2018	Modification of the functions and duties of the Board of Directors
	2019	Decoupling of the appointment of the President of the Central Bank of Costa Rica (BCCR) from the political cycle; modification of the grounds for his/her dismissal; elimination of the Finance Minister's right to vote in the BCCR Board of Directors.
Law of 27 November 2014 on the Comprehensive Reform of the Development Banking System Law (Law No. 9274)	n.a.	Expansion of the number of SBD beneficiaries and strengthening of operating conditions for the various SBD funds
Securities market		
Law Regulating the Securities Market (Law No. 7732) of 27 January 1998	2018	Modification of the provisions for naming beneficiaries
Insurance Market		
Law Regulating the Insurance Market (Law No. 8653) of 7 August 2008	n.a.	n.a.
Law Regulating the Insurance Contract (Law No. 8956) of 17 June 2011	n.a.	n.a.
Pensions		
Law on the Complementary Private Pensions Regime (Law No. 7523) of 7 July 1995	n.a.	n.a.

n.a. Not applicable.

Source: WTO Secretariat.

4.66. CONASSIF also issues "crosscutting" regulations, to be followed by all supervised entities but particularly intended for financial groups. According to SUGESE, these crosscutting regulations are necessary for the SFN to function properly.[76] There are currently 11 such crosscutting regulations, including several that have been amended since 2013 and three newly adopted ones.[77]

4.67. During the period between January 2013 and June 2019, Costa Rica amended its prudential supervision rules to continue its gradual implementation of Basel standards, not only for banks but for the entire SFN. For example, the prudential framework has been modified to implement the risk-based supervision model. The 2010 Regulations on comprehensive risk management were updated in 2017 to modify the definition of exchange risk and interest rate risk. Among other measures taken to improve the prudential framework are a higher risk weighting of mortgages on a high loan value basis. The Basel principles applied between 2013 and 2018 related to liquidity risk; credit risk; market risk; concentration risk and large exposure limits; interest rate risk in the banking book; transfer risk; capital adequacy; disclosure and transparency; problem assets, provisions and reserves; the risk management process; internal control and audit; financial reporting and external audit; and consolidated supervision. Those efforts notwithstanding, Costa Rica would benefit and have a stronger SFN, according to the IMF, from adopting all the Basel III rules.[78]

4.68. The IMF finds that supervision of the SFN has improved but that the supervisory authorities lack the "key legal powers, tools, and responsibilities" essential for the early identification of risks and for a proactive approach to adopting corrective measures.[79] A bill has therefore been proposed to strengthen financial supervision. If approved it would enable SUGEF to perform consolidated supervision of all entities forming part of a financial group, including foreign banks. The bill also proposes to create a more dissuasive sanctions regime, to improve compliance with prudential standards.[80]

4.69. In the insurance market, in the interests of improving prudential supervision, SUGESE is in the process of implementing a solvency regime based on European solvency capital requirements (Solvency II). Implementation of this regime is expected to start in 2022.[81]

4.70. Matters related to competition in the SFN are regulated by the Commission for the Promotion of Competition (COPROCOM) as well as the supervisory authorities. COPROCOM investigates (and sanctions) anticompetitive practices, whereas the supervisory authorities are responsible for authorizing economic concentrations. Both are required to consult each other in taking decisions. The opinions of COPROCOM are not binding on them, but the supervisory authorities are required to justify any decision that does not take its opinion into account, and vice versa.[82] During the period under review, in 2018, the merger of two State commercial banks was authorized: Banco de Costa Rica absorbed the Agricultural Credit Bank of Cartago (Bancrédito).[83] In addition, 17 operators in the insurance market were sanctioned for anticompetitive practices: these included insurance companies, which were fined, and intermediaries, whose licenses were suspended.[84]

4.71. Financial inclusion in Costa Rica has deepened since the last review, in 2013, because of diversification and penetration of mobile telecommunication services, among other factors. Initiatives launched in 2015 included simplified record accounts (CES) and SINPE Móvil, which have provided wider public access to banking services. The CES is a type of account that customers with

[76] SUGESE (2017), *Memoria Institucional 2016* and SUGESE (2016), *Memoria Institucional 2015*. Viewed at: https://www.sugese.fi.cr/FlipBook/index.html?/seccion-publicaciones/MemoriaInstitucional/Memoria_2016.pdf and https://www.sugese.fi.cr/FlipBook/index.html?/seccion-publicaciones/MemoriaInstitucional/Memoria_2015.pdf.

[77] Online information. Viewed at: http://www.sugese.fi.cr/marco_legal/reglamentos.html.

[78] IMF (2017), *Costa Rica – 2017 Article IV Consultation – Press Release; and Staff Report*, IMF Country Report No. 17/156. Viewed at: https://www.imf.org/en/Publications/CR/Issues/2017/06/27/Costa-Rica-2017-Article-IV-Consultation-Press-Release-and-Staff-Report-44991.

[79] IMF (2018), *Costa Rica – Financial System Stability Assessment*, IMF Country Report No. 18/30. Viewed at: http://www.imf.org/en/Publications/CR/Issues/2018/04/02/Costa-Rica-Technical-Assistance-Report-Financial-Sector-Stability-Review-45729.

[80] Online information. Viewed at: http://www.asamblea.go.cr/Centro_de_informacion/Consultas_SIL/Pginas/Proyectos%20de%20ley.aspx. See also: IMF (2018), *Costa Rica – Financial System Stability Assessment*, IMF Country Report No. 18/30.

[81] Information provided by the authorities.

[82] Article 27 *bis* of Law No. 7472 of 20 December 1994 and WTO document WT/TPR/M/286/Add.1 of 9 December 2013.

[83] Law No. 9605 of 12 September 2018.

[84] Online information. Viewed at: http://www.sugese.fi.cr/informacion_asegurados/participantes_sancionados.html.

low risk profiles can open online using only their identity card number.[85] SINPE Móvil allows use of a cellular telephone to make payments in small amounts.[86] This progress notwithstanding, additional efforts are needed to further deepen financial inclusion: it was estimated in 2015 that some 32% of the population did not have access to bank products.[87] Such initiatives as the Alliance for Financial Inclusion, in which SUGEF is a participant, have therefore been implemented.

4.4.1.2 Banks

4.72. Commercial banking is regulated by the Law on the Organization of the National Banking System (Law No. 1644) of 1953 (Table 4.12), as well as by regulations issued by CONASSIF.[88] SUGEF is responsible for supervising commercial banks, both public and private.

4.73. The most important structural change in the financial intermediation market during the period reviewed was the absorption of one State bank, Bancredito, by another, Banco de Costa Rica.[89] As of 2019, 16 Banks were operating in the banking sector: two State commercial banks (Banco de Costa Rica and Banco Nacional de Costa Rica); two public banks created by special laws (Banco Popular y de Desarrollo Comunal and Banco Hipotecario de la Vivienda (BANHVI)[90]; and 11 private commercial banks, nine of which are subsidiaries of foreign banks.[91]

4.74. While there are fewer public banks than private ones, the share of State banks in Costa Rica's commercial banking sector is still substantial, accounting in 2018 for 52% of total bank assets and 60% of loan portfolio. Most of this activity is concentrated among foreign banks, with more than 90% of assets and liabilities.[92] These banks conduct most of their operations in foreign exchange.

4.75. In terms of commercial presence, foreign private commercial banks can have subsidiaries in Costa Rica but not branches. There are no limits on the number of their subsidiaries or operations. Foreign banks can also open representative offices. There are no limits either on private shareholdings (domestic and foreign) in private commercial banks established in Costa Rica, or on deposits that Costa Ricans can make in banks established abroad.[93]

4.76. Private commercial banks are required to establish themselves as corporations[94] and, since June 2018, maintain minimum capital of CRC 15,610 million.[95] Once these establishment requirements have been completed, SUGEF issues authorization (renewable) to operate for 30 years.[96] SUGEF and BCCR approval are required to open and close a banking agency; there is no limit on the number of banking agencies in the market.[97]

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[85] ECLAC, 2017, *Recent developments, current situation and prospects for financial inclusion among small-scale rural producers in Costa Rica.* Project document. Viewed at: https://repositorio.cepal.org/handle/11362/43170.

[86] Online information. Viewed at: https://www.bccr.fi.cr/seccion-sistema-de-pagos/tarifas-y-comisiones-del-sinpe/comisiones-cobradas-por-las-entidades-financieras/sinpe-m%C3%B3vil.

[87] Information provided by the authorities.

[88] Online information viewed at: https://www.sugef.fi.cr/normativa/normativa_vigente.

[89] Law No. 9605 of 12 September 2018.

[90] Ministry of Finance (2018), *Compendio Económico*. Viewed at: https://www.hacienda.go.cr/docs/5a905917ec3f1_Compendio%20Economico%20Republica%20de%20Costa%20Rica%20Enero%202018.pdf.

[91] Online information viewed at: https://www.sugef.fi.cr/publicaciones/listado_entidades_sujetas_fiscalizacion.

[92] OECD (2018), *OECD Economic Surveys: Costa Rica 2018*. Viewed at: https://www.oecd-ilibrary.org/economics/oecd-economic-surveys-costa-rica-2018_eco_surveys-cri-2018-en.

[93] WTO document WT/TPR/S/286/Rev.1 of 27 November 2013.

[94] Article 141 of Law No. 1644 of 26 September 1953.

[95] Article 151 of Law No. 1644 provides that minimum capital cannot fall below CRC 100 million. BCCR regularly updates its minimum capital by means of decisions by its Board of Directors. The last update was made on 25 June 2018 by means of *Acuerdo BCCR* 5828-2018. Viewed at: https://www.bccr.fi.cr/seccion-marco-legal/marco-legal.

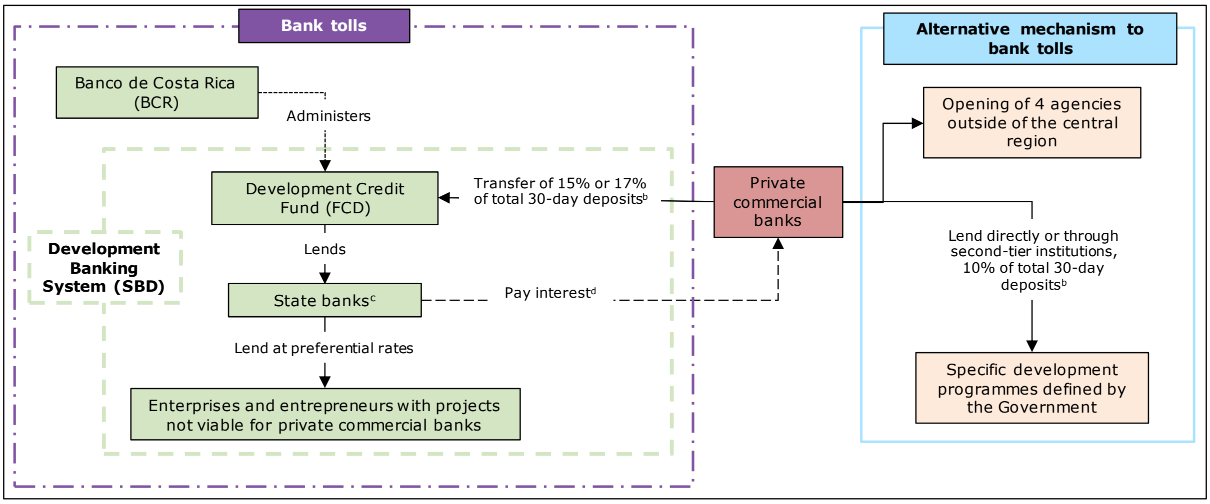
[96] Articles 142-143 of Law No. 1644 of 26 September 1953, and SUGEF Agreement 8-08.

[97] Article 34 of Law No. 1644 of 26 September 1953.

4.77. Commercial banking in Costa Rica continues to be characterized by regulatory asymmetries in favour of State banks that distort the market and undermine competition.[98] These include "bank tolls", deposit guarantees and a monopoly on deposits by public entities.

4.78. Commercial banks are required to maintain a legal minimum reserve of 15% of total deposits.[99] To attract deposits to current accounts, private commercial banks must comply with the "bank tolls" requirement or an alternative mechanism. "Bank tolls" consist of transferring a specified percentage of a bank's total current account deposits to the Development Credit Fund (FCD) (15% of deposits in national currency or 17% of total deposits in national currency and foreign exchange).[100] State banks, with the exception of BANHVI, use this Fund and pay a below-market interest rate to private banks (Chart 4.5). Since 2014, private commercial banks have the alternative option of opening four agencies outside the central region and using 10% of their deposits to grant loans through second-tier banks for specific development programmes (Chart 4.5).[101] This alternative may not be viable, however, for small banks lacking economies of scale in sparsely populated areas.[102]

Chart 4.5 Support mechanisms for development banking



a 15% of deposits in national currency and 17% of total deposits in national currency and foreign exchange.
b In calculating these percentages, the legal minimum reserve must be deducted from total deposits.
c BANHVI is the only State bank that does not participate in the SBD.
d The interest rate can be either: (a) 50% of the basic deposit rate calculated by BCCR, in national currency; or (b) 50% of the LIBOR rate in US dollars.
e 10% of total deposits in both national currency and foreign exchange.

Source: Article 59 of Law No. 1644 of 26 September 1953, and Article 53 of Law No. 9274 of 12 November 2014.

4.79. Under the Law on the Organization of the National Banking System, the State guarantees all deposits, in national currency and foreign exchange, made in State commercial banks.[103] Deposits in private commercial banks are not insured by the State. The Costa Rican Banking Association does, however, offer insurance for deposits in private commercial banks, up to a maximum of USD 10,000

[98] Academia de Centroamérica (2018), *Asimetrías regulatorias en el sistema financiero costarricense*. Viewed at: https://www.academiaca.or.cr/wp-content/uploads/2018/10/Asimetrías-regulatorias-en-el-sistema-financiero-costarricense-FINAL.pdf.
[99] Article 60 of Law No. 1644 of 26 September 1953 and online information. Viewed at: https://www.sugef.fi.cr/servicios_sugef/preguntas_frecuentes.
[100] The 15% was introduced in 2014. Until 2014, there was only one requirement, that of transferring 17% of total deposits in national currency and foreign exchange (Article 59 of Law No. 1644 of 26 September 1953).
[101] Article 59 of Law No. 1644 of 26 September 1953.
[102] Academia de Centroamérica (2018), *Asimetrías regulatorias en el sistema financiero costarricense*. Viewed at: https://www.academiaca.or.cr/wp-content/uploads/2018/10/Asimetrías-regulatorias-en-el-sistema-financiero-costarricense-FINAL.pdf.
[103] Article 4 of Law No. 1644 of 26 September 1953; and OECD (2018), *OECD Economic Surveys: Costa Rica 2018*. Viewed at: https://www.oecd-ilibrary.org/economics/oecd-economic-surveys-costa-rica-2018_eco_surveys-cri-2018-en.

per customer.[104] When the last review was conducted, in 2013, Costa Rica mentioned a bill to create deposit insurance for private commercial banks.[105] Since then, several other bills to create such insurance have been presented to the Legislative Assembly but were all tabled for technical or political reasons.[106] In 2018, the OECD recommended the introduction of such insurance for private banks for the sake of levelling the playing field.[107]

4.80. As noted, State commercial banks enjoy a monopoly for the deposits of public entities. The Law on the Organization of the National Banking System requires the State, as well as State enterprises and entities, to make their deposits in State commercial banks only.[108] This exclusive access to the deposits of public entities – such as the Costa Rican Electricity Institute (ICE), RECOPE, the Costa Rican Social Security Fund and the Ministry of Education – represents a major source of economic resources for State commercial banks.[109]

4.81. When the last review was conducted, in 2013, Costa Rica indicated that the regulatory asymmetries did not run counter to the principle of national treatment, because they applied to Costa Rican as well as foreign private banks and did not limit market access. Costa Rica also indicated that the regulatory asymmetries were compatible with its commitments under the GATS framework.[110] These measures can, however, distort the market, since they permit public banks to obtain low-cost funding at the expense of private banks. So, apart from being a market failure to be corrected, these regulatory asymmetries could result in suboptimal resource allocation.

4.82. The Costa Rican banking system continues to be characterized by its high level of dollarization. As indicated earlier, however, this is a phenomenon that mainly affects the private banks. In 2018, about 69% of total lending by private commercial banks, but only 35% of that by State commercial banks, was in foreign exchange. The high level of dollarization of bank lending is a continuing concern for BCCR, for two reasons. First, BCCR has limited room for injecting liquidity dollars into the economy should it need to intervene as a lender of last resort. Second, a good portion of the loans denominated in dollars have gone to borrowers without foreign exchange earnings. This poses a high risk of insolvency should the colón depreciate or interest rates in dollars rise, affecting the borrower's capacity to repay.[111] According to BCCR, the outstanding balance of foreign exchange loans to borrowers lacking foreign exchange income was reduced in 2017[112] as a result of regulatory changes imposing stricter conditions on foreign exchange lending.[113] In 2018, however, those provisions were adjusted to reverse a slowdown in bank lending.

4.83. Between 2013 and 2018 (August) bank lending rose significantly, both in amount, from CRC 12.4 million to CRC 20.4 million, and as a percentage of GDP, from 49.9% to 59.6%.[114] The distribution of bank lending has not changed substantially since 2013 (Table 4.13). Commercial loans have gone primarily to the services and trade sectors. Consumer loans during the review period represented more than 30% of the total annual portfolio. In 2018, according to the IMF, Costa Rican

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[104] WTO document WT/TPR/S/286/Rev.1 of 27 November 2013.

[105] WTO document WT/TPR/M/286/Add.1 of 9 December 2013.

[106] Academia de Centroamérica (2018), *Asimetrías regulatorias en el sistema financiero costarricense*. Viewed at: https://www.academiaca.or.cr/wp-content/uploads/2018/10/Asimetrías-regulatorias-en-el-sistema-financiero-costarricense-FINAL.pdf.

[107] OECD (2018), *OECD Economic Surveys: Costa Rica 2018*.

[108] Article 60 of Law No. 1644 of 26 September 1953.

[109] Academia de Centroamérica (2018), *Asimetrías regulatorias en el sistema financiero costarricense*.

[110] WTO document WT/TPR/M/286/Add.1 of 9 December 2013.

[111] IMF (2018), *Costa Rica – Financial System Stability Assessment*, IMF Country Report No. 18/30. Viewed at: http://www.imf.org/en/Publications/CR/Issues/2018/04/02/Costa-Rica-Technical-Assistance-Report-Financial-Sector-Stability-Review-45729; OECD (2018), *OECD Economic Surveys: Costa Rica 2018*. Viewed at: https://www.oecd-ilibrary.org/economics/oecd-economic-surveys-costa-rica-2018_eco_surveys-cri-2018-en; and State of the Nation Programme (2017), *Informe Estado de la Nación 2017*. Viewed at: https://www.estadonacion.or.cr/inicio/estado-nacion-costa-rica.

[112] Central Bank of Costa Rica (2018), *Memoria Anual 2017*. Viewed at: https://activos.bccr.fi.cr/sitios/bccr/publicaciones/DocMemoriaAnual/Memoria_Anual_2017.pdf.

[113] CONASSIF (2018), *Informe de Gestión 2012-2017*. Viewed at: http://www.conassif.fi.cr/informes/ex-funcionarios/19_Informe%20final%20de%20gestion%20de%20J.%20Cascante.pdf.

[114] Information provided by the authorities.

households were highly leveraged and the terms of their loans increasingly long (ten years for consumer loans and 30 years (or more) for mortgages).[115]

Table 4.13 Loan portfolio of public and private commercial banks, 2013-18 (August)

Loan portfolio	2013	2014	2015	2016	2017	2018 (August)
Total (in millions of colones)	12.4	14.6	16.3	18.4	20.0	20.4
By type of loan:	(% of total lending)					
Commercial	39.8	40.6	40.4	40.8	39.6	38.8
Agricultural	2.5	2.3	2.1	2.3	2.1	2.1
Trade	12.1	12	11.5	11.4	11.1	10.9
Construction	2.8	2.7	2.7	2.6	2.4	2.5
Industry	4.7	4.8	4.1	4.0	3.8	3.5
Services	11.3	11.8	12.7	13.1	12.9	12.7
Other activities	6.4	7.0	7.3	7.4	7.3	7.1
Consumer	31.4	31.5	31.8	31.8	32.7	33.2
Housing	28.8	27.9	27.8	27.4	27.7	28.0
Bank loans/GDP (%)	49.9	53.6	55.7	59.3	61.1	59.6

Source: Data provided by the authorities.

4.84. Bank default rates remain moderate, but rose in 2017-18. State commercial banks have a higher default rate (around 2.9%), than private commercial banks (1.6%).[116]

4.85. Between 2013 and 2019, Costa Rica continued to strengthen its prudential supervision of the banking system, implementing the Basel principles to that end. Between 2015 and 2019 it gradually adopted the Liquidity Coverage Ratio (Box 4.2). In 2017, SUGEF adopted the minimum capital requirements for market risk under Basel III, as a means to protect bank capital adequacy. According to a study by S&P Global Ratings, banking regulation in Costa Rica has improved in recent years but still lags behind international standards. S&P recommended that SUGEF gradually adopt the Basel III parameters, which would require it to adopt a broader definition of capital (according to the study, the capital base of commercial banks consists primarily of basic (tier 1) capital).[117]

Box 4.2 Basel principles in the banking sector

Definition of capital: The definition of capital used is the one established by Basel I (tier 1 and 2 capital with deductions). The adoption of this definition in 1996 entailed some adjustments.

Credit risk: The standardized Basel II approach is used. The latest reforms adopted by the Basel Committee do not appear in the medium-term regulatory timetable.

Operational risk: The basic approach is used (15% of average gross operating profit). The latest reforms adopted by the Basel Committee do not appear in the medium-term regulatory timetable.

Market risk: The approach followed departs from the Basel II standard approach. The latest reforms adopted by the Basel Committee do not appear in the medium-term regulatory timetable.

Situation with respect to Basel III (capital and leverage): Adoption of the Basel III definition (start-up capital and liquidation) and of the leverage indicator is expected soon.

Situation with respect to Basel III (liquidity): In April 2013 the Liquidity Coverage Ratio (LCR) and the liquidity risk management framework were adopted. The LCR was introduced gradually, according to a timetable:

1 January 2015	Minimum LCR: 60%
1 January 2016	Minimum LCR: 70%
1 January 2017	Minimum LCR: 80%
1 January 2018	Minimum LCR: 90%
1 January 2019	Minimum LCR: 100%

Adoption of the Stable Net Funding Ratio does not appear in the medium-term regulatory timetable.

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115 IMF (2018), *Costa Rica – Financial System Stability Assessment*, IMF Country Report No. 18/30. Viewed at: http://www.imf.org/en/Publications/CR/Issues/2018/04/02/Costa-Rica-Technical-Assistance-Report-Financial-Sector-Stability-Review-45729.

116 Information provided by the authorities.

117 S&P Global Ratings (2017), *Análisis de Riesgos de la Industria Bancaria por País: Costa Rica,* 18 May 2017. Viewed at: https://www.spratings.com/documents/20184/1493074/FI_BICRA_Mayo18_2017_AnalisisdeRiesgosdelaIndustriaBancariaporPaisCostaRica/daa65739-068a-4283-94c5-cfd704aad96c.

Transparency around capital: There are legal limitations as to the disclosure of information on the capital adequacy ratio. The Law on the Organization of the BCCR linked the level of the solvency indicator with the entity's rating, so it has not been agreed to publish solvency ratios or require entities to reveal them.

Source: Information provided by SUGEF.

4.86. Banking sector performance since 2013 has been satisfactory from the standpoint of solvency, albeit with relatively narrow profit margins, particularly in the case of State banks (Table 4.14) – despite the advantages those banks enjoy: bank tolls, deposit guarantees and the monopoly for deposits by public institutions. The profitability of State banks is limited by their obligation to allocate resources for specific purposes, including objectives of the National Development Plan (PND), the Financing for Development Fund (FOFIDE) and the Development Banking System (SBD), as well as the financing of government entities (transfers/parafiscal charges).[118] In 2018, the parafiscal charges of State banks represented 38% of their profits. In 2018 the mandatory contributions and taxes paid by State banks represented 76% of their net income.[119]

Table 4.14 Bank soundness indicators, 2013-18

	2013	2014	2015	2016	2017	2018
Capital adequacy ratio (CAR)	14.5	14.1	14.1	14.1	13.9	14.2
Risk-weighted CAR	16.6	16.6	16.2	16.4	16.5	16.7
Non-performing loans/total loans	1.8	1.6	1.7	1.6	2.1	2.1
Loans in foreign exchange/total loans	41.5	40.6	41.1	40.3	38.6	38.5
Deposits/total liabilities	74.9	74.4	71.4	72.0	73.3	73.8
Deposits/total loans	97.6	95.0	90.2	89.6	91.9	91.2
Return on assets (ROA)	1.2	1.2	1.0	1.2	0.9	0.9
Return on equity (ROE)	8.2	8.2	7.3	8.8	6.5	6.8
Liquid assets/total assets	30.4	29.1	28.9	28.2	29.1	28.0
Liquid assets/short-term liabilities	101.2	98.6	97.8	96.0	102.7	98.6

Source: Data provided by the authorities.

4.87. During the review period, State commercial banks had an intermediation margin (difference between asset and liable interest rates) lower than that for private banks (Table 4.15). Although the financial intermediation margins decreased over the review period, they have remained relatively high. The margins in national currency are systematically higher, in part, because there is less competition in that segment, and also in principle because of the inflation risk. Over the last decade, however, the inflation rate fell much faster than did intermediation margins in colones.[120] State commercial banks pay much less favourable rates than for deposits since these are already guaranteed, while private banks need to offer their customers a higher return to compensate for the lack of deposit insurance. In paying lower returns, State commercial banks can lend at lower interest rates, which distorts the market.[121]

Table 4.15 Financial intermediation margin, 2013-18

(%)

Intermediation margin	2013	2014	2015	2016	2017	2018
National banking system						
In colones	6.7	6.9	6.7	6.5	6.0	6.3
In US dollars	4.1	3.4	3.4	3.7	3.4	4.0
State commercial banks						
In colones	5.7	5.8	5.8	5.9	5.2	4.9

[118] The parafiscal transfers made by State banks are not included in the national budget and go directly to government entities, such as the National Institute for the Promotion of Cooperatives (INFOCOOP), National Commission for Education Loans (CONAPE), National Commission for Risk Prevention and Emergency Response (CNE), and the Disability, Old Age and Death Regime (IVM).

[119] Academia de Centroamérica (2018), *Asimetrías regulatorias en el sistema financiero costarricense*. Viewed at: https://www.academiaca.or.cr/wp-content/uploads/2018/10/Asimetrías-regulatorias-en-el-sistema-financiero-costarricense-FINAL.pdf; and OECD (2018), *OECD Economic Surveys: Costa Rica 2018*. Viewed at: https://www.oecd-ilibrary.org/economics/oecd-economic-surveys-costa-rica-2018_eco_surveys-cri-2018-en.

[120] Corrales G. (2016), "La eficiencia operativa de la banca costarricense y su impacto sobre la rigidez en las tasas de interés", *Vigesimosegundo Informe Estado de la Nación en Desarrollo Humano Sostenible (2015)*, State of the Nation Programme. Viewed at: https://estadonacion.or.cr/files/biblioteca_virtual/022/Oportunidades/Corrales_2016b.pdf.

[121] Academia de Centroamérica (2018), *Asimetrías regulatorias en el sistema financiero costarricense*. Viewed at: https://www.academiaca.or.cr/wp-content/uploads/2018/10/Asimetrías-regulatorias-en-el-sistema-financiero-costarricense-FINAL.pdf.

Intermediation margin	2013	2014	2015	2016	2017	2018
In US dollars	4.1	2.5	2.7	3.3	2.8	3.5
Private commercial banks						
In colones	8.9	8.7	8.6	7.4	7.6	10.9
In US dollars	4.2	4.1	4.0	4.0	3.9	4.4

Source: Information provided by the authorities.

4.88. Costa Rica's Development Banking System (SBD) consists of three funds: the National Development Trust Fund (FINADE)[122], the Financing for Development Fund (FOFIDE) and the Development Credit Fund (FDC) (Table 4.16). All public banks except the Banco Hipotecario de la Vivienda (BANHVI), participate in the SBD.[123] In 2013 and 2014, the SBD funds were not used at all. In 2014, SBD operations were reviewed with the aim of improving conditions of access to credit and increasing the number of beneficiaries.[124] The funds began to be used in 2015, but to a still limited extent (only 3%). Use increased to 37% in 2018. The rates (average weighted) ranged between 3.66% for industry and 10.5% for consumers.[125]

Table 4.16 Funds of the Development Banking System

Fund	Funding
FINADE	Starting in 2014, 15% tax on interest and securities market earnings through branchless banking, or "*banca de maletín*"[a]
FOFIDE	5% of public bank profits
FCD	"Bank tolls"

a "*Banca de maletín*" refers to foreign domiciled banks that deposit or invest in the SFN.

Source: State of the Nation Programme (2017), *Informe Estado de la Nación 2017*.

4.4.1.3 Insurance

4.89. The insurance market is governed by the Law Regulating the Insurance Market (Law No. 8653) of 2008 and the Law Regulating the Insurance Contract (Law No. 8956) of 2011 (Table 4.12), as well as by regulations issued by CONASSIF. SUGESE supervises market agents.

4.90. The following entities can operate in the insurance market: (a) Companies established as corporations, including the subsidiaries of foreign companies; (b) the branches of foreign companies; and (c) insurance cooperatives (those offering services only to their members). There are no limits on the number or type of operations that such subsidiaries or branches can engage in. Foreign insurance companies can also open representative offices in Costa Rica without a legal representative being required.[126]

4.91. To offer services, insurance companies need administrative authorization from SUGESE.[127] They must also maintain a minimum level of capital, which varies depending on the category of insurance offered. General insurance and personal insurance companies are required to maintain a minimum capital level of 3 million Development Units (UD). For companies offering both general and personal insurance, the minimum level is 7 million UDs, and for reinsurers, 10 million UDs.[128]

4.92. There are also insurance intermediaries operating in the market, including insurance agencies, insurance agents, insurance brokerages, insurance brokers and self-issue insurance operators (Box 4.3). With the exception of self-issue insurance operators, intermediaries are required to obtain

[122] In 2019, the National Development Trust Fund (FINADE) was eliminated and the National Development Fund (FONADE) created (Law No. 9654 of 14 February 2019).
[123] Article 2 of Law No. 9274 of 12 November 2014. Online information viewed at: https://www.sbdcr.com/webcenter/portal/sbdprod/pages_home.
[124] Sancho F. (2017), *Avances del SBD como política pública de inclusión financiera*, State of the Nation Programme. Viewed at: https://www.estadonacion.or.cr/files/biblioteca_virtual/023/Economicas/Sancho-2017.pdf.
[125] Information provided by the authorities.
[126] Articles 7 and 17 of Law No. 8653 of 22 July 2008.
[127] Article 7 of Law No. 8653 of 22 July 2008.
[128] BCCR publishes the value of the UD daily. Online information: http://indicadoreseconomicos.bccr.fi.cr/indicadoreseconomicos/Cuadros/frmVerCatCuadro.aspx?idioma=1&CodCuadro=%20349.

a licence from SUGESE in order to operate, and also need to be accredited by an insurance company or brokerage, as the case may be.[129] Self-issue insurance operators need to be registered.

Box 4.3 Self-issue insurance and conventional insurance

Self-issue refers to low-cost insurance offering easy enrolment subject to conditions established in Article 24 of Law No. 8653 of 22 July 2008. For example, their terms and conditions must be worded clearly, precisely and simply and not require risk analysis prior to underwriting. Some examples of self-issue insurance include travel insurance or protection against credit card theft or fraud.

Differences between "conventional" and self-issue insurance policies	
Conventional insurance	**Self-issue insurance**
Long and complex policy document.	Simple policy document.
Exceptions common.	Few or no exceptions.
Stricter underwriting requirements.	More flexible underwriting requirements
Premium payments are regular; bank transfers are used.	Premium payments are based on income; other payment methods are used.
The coverage period is usually 12 months.	The coverage period can be less than 12 months.
Medical examinations can be required to assess the risk of the prospective policy holder.	Only statements of good health are required, to verify pre-existing conditions not as a health-screening measure.
The amounts insured may be large or small.	The amounts insured are small.
Underwritten through agents and brokers.	Simpler distribution channels are used for customer relations, including sales, premium collection and payment of losses. No advisory assistance needed.
The market has been familiarized with these insurance policies.	The market has not been familiarized with these insurance policies.

Source: Information provided by the authorities and online information from SUGESE. Viewed at: http://www.sugese.fi.cr/preguntas_frecuentes/contrato_seguros.html. Online information from the Government of Costa Rica. Viewed at: http://gobierno.cr/tag/seguros-autoexpedibles.

4.93. Public and private insurance companies and private insurance intermediaries operate in the market. As of 2019 (January) the insurance market included the National Insurance Institute (INS), a State enterprise, and 12 private insurance companies; there were nine foreign insurance subsidiaries and two foreign insurance branches in Costa Rica; four insurance companies offered personal insurance; three offered general insurance and six offered mixed insurance.[130] The INS can by law offer reinsurance. Cross-border reinsurance is permitted.[131]

4.94. Insurance is compulsory in Costa Rica for vehicles and occupational risks. All insurers can sell both compulsory and voluntary insurance. The monopoly once held by INS for the sale of compulsory insurance was eliminated in 2012, but as of January 2019, INS was still the only provider of such insurance.[132] INS was also still the leading provider of voluntary insurance, for which its market share in 2018 was 62.5%.[133]

4.95. The cost of premiums is not generally regulated or fixed, except for compulsory insurance premiums, which require approval by SUGESE. There are also limits on the premiums for compulsory automobile insurance, which may not exceed 6% of the profit margin.[134]

4.96. Total insurance premiums in 2018 came to USD 1,277.2 million, equivalent to 2.2% of GDP. Insurance density (premiums per capita) was roughly USD 250 (Table 4.17). The level of premiums as a percentage of GDP remained at about 2%. To promote access to the insurance market for the

[129] Articles 20-21 and 24 of Law No. 8653 of 22 July 2008, SUGESE Agreement 01-08 and online information. Viewed at: http://www.sugese.fi.cr/mercado_seguros.

[130] Online information viewed at: http://www.sugese.fi.cr/mercado_seguros/aseguradoras and SUGESE statistics viewed at: http://www.sugese.fi.cr/estadisticas.

[131] Article 16 of Law No. 8653 of 22 July 2008.

[132] WTO document WT/TPR/S/286/Rev.1 of 27 November 2013 and SUGESE statistics. Viewed at: http://www.sugese.fi.cr/estadisticas.

[133] SUGESE statistics. Viewed at: http://www.sugese.fi.cr/estadisticas.

[134] Article 29 of Law No. 8653 of 22 July 2008, and Article 56 of Law No. 9078 of 4 October 2012.

population with less purchasing power, SUGESE is implementing the Inclusive Insurance Project, which promotes the purchase of self-issue insurance.

Table 4.17 Insurance sector indicators, 2013-18

	2013	2014	2015	2016	2017	2018
Total premiums (USD million)	1,046.4	1,167.4	1,060.4	1,193.3	1,322.9	1,277.2
Compulsory insurance	320.6	364.6	258.2	276.2	330.8	316.0
Voluntary insurance	725.8	802.9	802.1	917.1	992.2	961.2
Personal insurance	238.1	289.0	270.9	342.8	375.2	394.7
General insurance	487.7	513.9	531.2	574.3	617.0	566.5
Premiums per capita (USD)	222.0	244.6	219.4	244.0	267.4	255.3
Premiums/GDP (%)	2.1	2.3	1.9	2.1	2.3	2.2

Source: SUGESE statistics. Viewed at: http://www.sugese.fi.cr/estadisticas.

4.4.2 Telecommunications

4.97. The provision of telecommunications services in Costa Rica is governed chiefly by the General Telecommunications Law of 2008, which also regulates the competition regime in the sector (Table 4.18). The Law was revised in 2018 to modify the obligations incumbent upon telecommunications service providers. Additionally, since 2013, the Public Services Regulatory Authority (ARESEP) has issued a number of resolutions regulating *inter alia*, shared use of infrastructure, the protection of users' rights and the operation of the National Telecommunications Register.[135]

Table 4.18 Legislation concerning telecommunications services

Title	Number and date	Most recent amendment
General Telecommunications Law	Law No. 8642 of 4 June 2008	2018
Regulations implementing the General Telecommunications Law	Executive Decree No. 34765 of 22 September 2008	2017
Law on the Public Services Regulatory Authority (ARESEP)	Law No. 7593 of 9 August 1996	2018
Law on the Strengthening and Modernization of Public Entities in the Telecommunications Sector	Law No. 8660 of 8 August 2008	2012

Source: WTO Secretariat.

4.98. Through the Department of Telecommunications, the Ministry of Science, Technology and Telecommunications (MICITT) formulates and evaluates telecommunications policy and sets it out in the National Telecommunications Plan. The Supervisory Authority for Telecommunications (SUTEL) is both the regulatory authority for the sector and the authority with responsibility for implementing competition policy in the sector.[136] The State continues to have a significant presence in the telecommunications market through the Costa Rican Electricity Institute (ICE), a state-owned company providing public telecommunications services on the national market. It still holds a monopoly on traditional basic fixed-line telephony and is the largest operator.[137]

4.99. According to the National Telecommunications Development Plan 2015-2021, telecommunications policy in Costa Rica aims to extend the use of information and communications technologies (ICTs), and access to them, in order to create an online government, promote digital inclusion and develop the digital economy.[138] According to the Latin American Internet Association (ALAI), the sectors that could most benefit from digitalizing the Costa Rican economy are manufacturing, tourism and professional services.[139]

[135] Information provided by the authorities and information available online. Viewed at: https://sutel.go.cr/normativas.
[136] Articles 52-58 of Law No. 8642 of 4 June 2008.
[137] The Heredia Public Services Company (ESPH) also provides public telecommunications services.
[138] MICITT (2015), *Plan Nacional de Telecomunicaciones 2015-2021*. Viewed at: https://www.micit.go.cr/images/Telecomunicaciones/pndt/PNDT-2015-2021.pdf.
[139] Latin American Internet Association (2017), *Economía digital y desarrollo productivo en Centroamérica: resultados y recomendaciones para Costa Rica, Resumen Ejecutivo*. Viewed at:

4.100. Since 2013, the use of ICTs and access to them has grown in Costa Rica, as shown by the annual indicators developed by the ITU[140], the data compiled by SUTEL, and the Digital Divide Index published by the MICITT.[141] According to the ITU however, some barriers persist, including inadequate infrastructure.[142] Additionally, a survey conducted by the University of Costa Rica (UCR) in 2014 reported that SMEs had problems using ICTs. However in another UCR survey in 2017, the 118 micro, small, medium-sized and large enterprises consulted stated that the Internet was an important tool. All the companies had a n Internet connection and the bulk of them (66.9%) made purchases online, while 45.8% made sales online and 50% used the electronic public procurement system.[143]

4.101. Both foreign and Costa Rican private investment in state-owned telecommunications businesses continues to be restricted. The share of private capital in the ICE group of companies may not exceed 49%. Where investment in Heredia Public Services Company (ESPH) is concerned, the restriction relates solely to foreign capital.[144] In other cases, Costa Rica places no limits on investment by private entities. Foreigners must be resident in Costa Rica in order to be able to operate on the market.

4.102. Private companies may supply any kind of telecommunications service with the exception of traditional basic fixed telephony services, which have been awarded to the ICE under a special legislative concession. An authorization is required in order to provide a service. The commercial use of frequencies on the radio spectrum is subject to a licensing requirement (Table 4.19).

Table 4.19 Conditions governing the provision of public telecommunications services

	Telecommunications services		Commercial use of radio frequencies
	Traditional basic fixed telephony services	Other services	
Requirement	Special legislative concession	Authorization	Licence
Method by which awarded	Direct award	Upon request by the service provider	Competitive bidding
Responsible entity	Legislature	SUTEL	Executive/SUTEL[a]
Duration	Indefinite	10 years; may be extended for 5-year periods (maximum of 3 extensions) up to a maximum period of 25 years	15 years; may be extended to a maximum period of 25 years

a SUTEL evaluates bids and makes a recommendation to the Executive concerning the award of the licence.

Source: General Telecommunications Law and information provided by the authorities.

4.103. State- and privately owned companies currently operate in the telecommunications sector. The state-owned company ICE continues to hold the monopoly on the provision of traditional basic fixed telephony and also has the greatest market share of mobile telephony services, although that share has shrunk owing to competition from private operators (Chart 4.6). In addition to ICE, there are 13 providers on the fixed services market using Voice over Internet Protocol (VoIP) technology and 56 providers of Internet services. ICE and four other operators (Telefónica (Movistar),

https://www.camtic.org/wp-content/uploads/2017/10/Economia-digital.-y-desarrollo-productivo-en-Centroamerica-Resultados-y-recomendaciones-para-Costa-Rica-.pdf.

[140] The ITU calculates the ICT Development Index, which measures the level of infrastructure, accessibility, knowledge and quality of ICTs; in 2017, Costa Rica was ranked 60th of the 176 markets analysed.

[141] Information supplied by the authorities and information available online. Viewed at: https://www.micit.go.cr/images/imagenes_noticias/06-28-2017_CP_049/Indice-de-Brecha-Digital-2016.pdf.

[142] ITU (2017), *Measuring the Information Society Report 2017*. Available in English at: https://www.itu.int/en/ITU-D/Statistics/Documents/publications/misr2017/MISR2017_Volume1.pdf and ITU (2016), "Executive Report", *Measuring the Information Society Report 2015*. Available in English at: https://www.itu.int/dms_pub/itu-d/opb/ind/D-IND-ICTOI-2015-SUM-PDF-E.pdf.

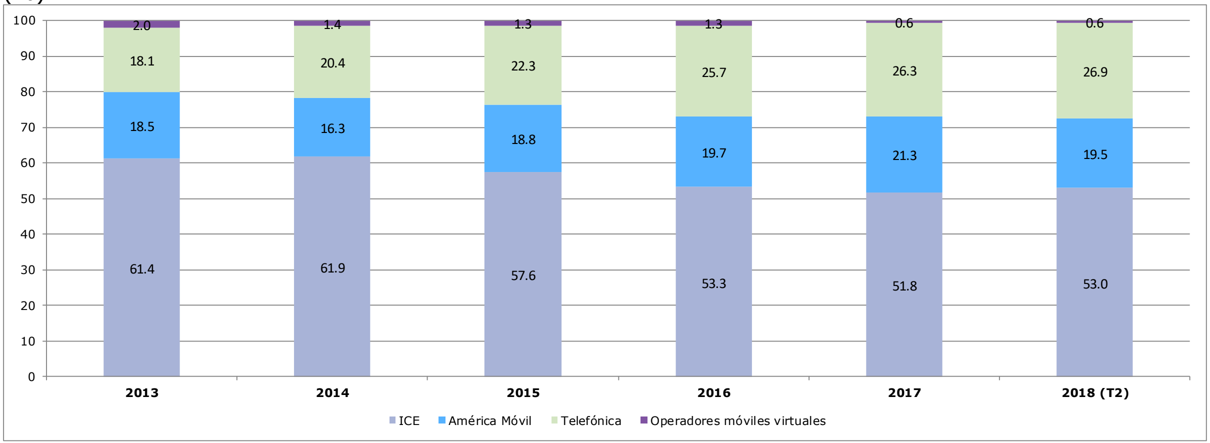
[143] University of Costa Rica, PROSIC (2017), "Capítulo 5: Acceso y uso de las TIC en el sector productivo", *Hacia la Sociedad de la Información y el Conocimiento en Costa Rica: Informe 2017*. Viewed at: http://www.prosic.ucr.ac.cr/informe-2017-0.

[144] Article 15 of Law No. 7789 of 30 April 1998 and Article 5 of Law No. 8660 of 8 August 2008.

América Móvil (Claro) and two mobile virtual network operators (RACSA and Televisora de Costa Rica[145])) provide mobile telephony services in Costa Rica (Chart 4.6).

Chart 4.6 Participation in the mobile services market, 2013-18

(%)



Source: SUTEL (2018), *Estadísticas del sector de Telecommunications, Costa Rica 2017*. Viewed at: https://sutel.go.cr/sites/default/files/sutel_informe-esp_18_junio_ver_baja_0.pdf; and information provided by the authorities.

4.104. Between 2013 and 2018 the use of traditional basic fixed telephony fell, whereas use of mobile telephony and, to a lesser extent, VoIP telephony, rose (Table 4.20). According to the authorities, the rise in the use of mobile telephony is a result of a better range of services at more affordable prices.[146] Consumption of mobile data also rose. Since 2017, operators have been required to provide a minimum browsing speed so that users can enjoy good quality access to the Internet at all times.[147]

Table 4.20 Penetration of telecommunications services, 2013-18

(Subscriptions per 100 inhabitants)

	2013	2014	2015	2016	2017	2018
Traditional basic fixed telephony	20	18	17	16	15	15
Mobile telephony	150	147	156	170	179	175
VoIP telephony	7	9	11	14	17	15
Landline Internet	10	11	12	13	15	16
Mobile Internet	75	80	86	89	97	94

Source: SUTEL (2018), *Estadísticas del sector de Telecommunications, Costa Rica 2017*. Viewed at: https://sutel.go.cr/sites/default/files/sutel_informe-esp_18_junio_ver_baja_0.pdf; and information provided by the authorities.

4.105. In 2017, SUTEL launched an open tendering procedure for new radio frequency blocks in order to improve the provision of mobile services. ICE was not able to participate in the procedure because it already exceeded the requirement specifying the maximum number of frequency blocks that tenderers were allowed to hold. This SUTEL-imposed restriction was designed to prevent concentration of spectrum use, allow current operators to improve the service they provide and promote participation by other operators.[148]

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[145] RACSA is a subsidiary of ICE; Televisora de Costa Rica is a private operator. Both operators use the ICE network to provide their services.

[146] Information provided by the authorities; and SUTEL (2018), *Estadísticas del sector de Telecomunicaciones, Costa Rica 2017*. Viewed at: https://sutel.go.cr/sites/default/files/sutel_informe-esp_18_junio_ver_baja_0.pdf.

[147] Information available online. Viewed at: http://sutel.go.cr/noticias/comunicados-de-prensa/sutel-remite-sala-constitucional-velocidad-funcional-de-acceso.

[148] PROSIC (2017), "Evolución del sector telecomunicaciones en Costa Rica", *Hacia la Sociedad de la Información y el Conocimiento 2017*. Viewed at: http://www.prosic.ucr.ac.cr/informe-2017-0; and information available online. Viewed at: http://sutel.go.cr/noticias/comunicados-de-prensa/subasta-de-espectro-mejorara-calidad-de-redes-moviles-en-el-pais, http://sutel.go.cr/noticias/comunicados-de-prensa/subasta-de-espectro-

4.106. Between 2013 and 2018, SUTEL opened 28 investigations into anticompetitive practices, and imposed a penalty on just one operator. In 2015 ICE was fined for engaging in relative monopolist practices in the mobile services market between 2011 and 2012 but the Administrative Court rescinded the penalty in 2017.[149] During the period under review, 17 mergers were authorized (including three subject to operating conditions) and one was refused.[150] SUTEL must consult the Commission for the Promotion of Competition (COPROCOM) when taking decisions on penalties and mergers.[151]COPROCOM's opinion is not binding, but SUTEL must state the reasons for any decision that is not in accordance with COPROCOM's views.[152]

4.107. During the period under review, SUTEL conducted a review of the relevant telecommunications markets and the competition conditions, leading to a determination that there was competition on all the relevant markets except for the retail fixed telephony market and three wholesale markets, namely service origination, service of termination on individual fixed telephone networks, and service of termination on individual mobile networks (Table 4.21). In the markets where competition was found to exist, the regulations on fees (fee caps) laid down by SUTEL were abolished and consequently fees are currently set by operators. On the mobile services market, the obligations incumbent upon ICE were removed since it was no longer deemed to be a major operator.[153]

Table 4.21 Competition in the relevant telecommunications markets, 2019

Relevant markets according to SUTEL Resolution RCS 307 2009 of 24 September 2009	New definition of relevant markets	Current situation (2019)
Access to the public telecommunications network from a fixed location for residential customers	Retail fixed telephony service	RCS 261 2016: not open to competition. The ICE is a major operator.
Services for voice communications originating at a fixed location to a national destination		
Switched access data transfer services (dial up)		
Access to the public telecommunications network from a mobile location	Retail mobile telecommunications service	RCS 248 2017: open to competition.
Services for voice communications originating at a mobile location to a national destination		
Short messaging communications services		
Data transfer services via mobile networks		
Services for voice communications originating at a fixed location to an international destination	Retail international telephony service	RCS 262 2016: open to competition.
Services for voice communications originating at a mobile location to an international destination		

radioelectrico-2017, http://sutel.go.cr/noticias/comunicados-de-prensa/subasta-de-espectro-mejorara-calidad-de-redes-moviles-en-el-pais-0 and http://sutel.go.cr/noticias/comunicados-de-prensa/sutel-anuncia-reglas-de-proxima-licitacion-de-espectro.

[149] SUTEL Resolution RCS-088-2015 of 22 May 2015. Viewed at: https://sutel.go.cr/sites/default/files/rcs-088-2015.pdf. Information available online. Viewed at: https://Sutel.go.cr/noticias/comunicados-de-prensa/Sutel-aplica-sancion-por-practicas-monopolisticas-anticompetitivas; and *El Mundo*, 13 November 2017. Viewed at: https://www.elmundo.cr/tribunal-anula-multa-sutel-ice-usar-haber-usado-pruebas-dadas-movistar.

[150] Information provided by the authorities.

[151] During the period under review, SUTEL issued guidelines on analysis of anticompetitive practices and mergers. Information supplied by the authorities and information available online. Viewed at: https://sutel.go.cr/guias-competencia.

[152] Articles 52-58 of Law No. 8642 of 4 June 2008, and WTO document WT/TPR/M/286/Add.1 of 9 December 2013.

[153] SUTEL press release of 22 September 2017. Viewed at: https://sutel.go.cr/noticias/comunicados-de-prensa/sutel-declara-en-competencia-mercado-movil. For further information on the obligations incumbent upon the dominant operator, see SUTEL Resolution RCS-307-2009 of 24 September 2009.

Relevant markets according to SUTEL Resolution RCS 307 2009 of 24 September 2009	New definition of relevant markets	Current situation (2019)
Switched access data transfer services (ISDN) Always on data transfer services (dedicated)	Retail residential Internet access from a fixed location	RCS 258 2016: open to competition.
National and international roaming services	Retail international roaming service	RCS-259-2016: open to competition.
	Wholesale service for access and origination on a mobile network	RCS-040-2018: open to competition.
Point-to-point, point-to-multipoint, and other communications services Virtual Private Network (VPN) services	Retail business connectivity service	RCS-266-2018: open to competition.
Unbundling of access elements to the public telecommunications network	Wholesale loop unbundling service	RCS-191-2017: open to competition.
Access and interconnection services (origination of communications)	Wholesale origination service	RCS 260 2016: not open to competition; ICE is not a major operator.
	Wholesale service for access and origination on a mobile network	RCS-040-2018: open to competition.
Access and interconnection services (termination of communications)	Wholesale termination service on individual fixed networks	RCS 263 2016: not open to competition; ICE is a major operator.
	Wholesale termination service on individual mobile networks	RCS 264 2016: not open to competition; ICE, América Móvil and Telefónica are major operators.
Access and interconnection services (communications traffic)	Wholesale telecommunications traffic services	RCS-266-2016: open to competition.
Access and interconnection services for converged or packet switched networks	Wholesale service for access and carrier capacity internationally	RCS-297-2018: open to competition.
	Wholesale service for dedicated lines	RCS-339-2018: open to competition.

Source: Information provided by the authorities.

4.108. The National Telecommunications Fund (FONATEL) finances and implements the access and universal service programmes. Among other sources, the Fund is financed via a parafiscal contribution amounting to 1.5% of operators' income.[154] Currently (2019) there are four programmes financed by FONATEL aiming to reduce the digital divide: the Connected Communities Programme, the Connected Homes Programme, the Connected Public Centres Programme, and the Connected Public Spaces Programme.[155] Launched in 2016, the only programme that provides direct support to low-income households is the Connected Homes Programme. This programme subsidizes the purchase of a portable computer and the cost of accessing fixed Internet services. The amount of the subsidy varies depending on users' incomes, and can amount to 40%, 60% or 80% of the monthly cost.[156] In 2018, the subsidy amounted to CRC 17,894 million, and benefited 95,917 homes.[157]

4.109. Telecommunications service users pay a contribution equivalent to 1% of the sum invoiced to them, which is used to finance the Costa Rican Red Cross[158]; a further contribution of 0.75% is used to finance the emergency service.[159]

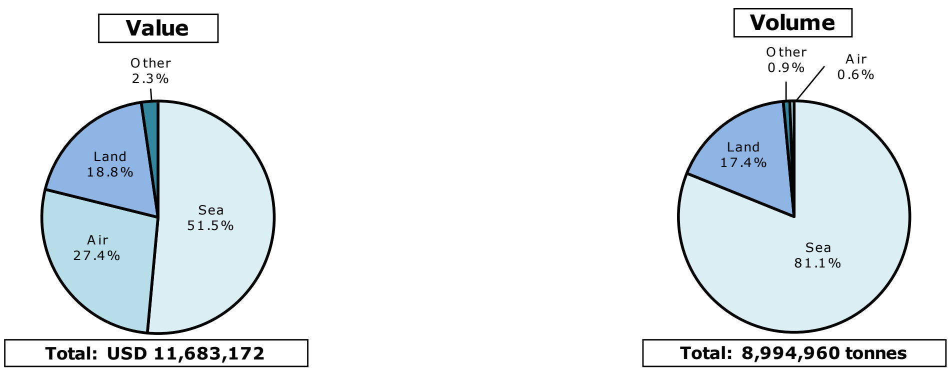
[154] The Telecommunications Law states that the rate should be between 1.5% and 3% of gross income. (Articles 38-39 of Law No. 8642 of 4 June 2008, and information available online. Viewed at: https://Sutel.go.cr/pagina/contribucion-parafiscal).
[155] Information available online. Viewed at: https://sutel.go.cr.
[156] Connected Homes Programme. Viewed at: https://sutel.go.cr/pagina/programa-2-hogares-conectados-0.
[157] Information provided by the authorities.
[158] Law No. 8690 of 19 November 2008.
[159] Law No. 7566 of 18 December 1995.

4.4.3 Transport

4.4.3.1 Overview

4.110. The transport network in Costa Rica comprises 44,207 km of roads (of which 18% are national highways and the remainder cantonal highways); 24 public airports/aerodromes, including four international airports; and eight international ports.[160] The rail network is being upgraded for use as a means of interurban transport. Although the road network is extensive, its condition is suboptimal owing to lack of investment[161]: only 27% of roads are paved, the remainder are gravel or dirt roads.[162] The bulk of Costa Rica's export products are carried by sea (Chart 4.7). Although the volume of goods exported by air is low, their value is high. This is the result of the development of non-traditional exports such as medical devices and electronic components for microprocessors, which are high-value items. Juan Santamaría international airport in Valle Central is home to Costa Rica's sole air cargo terminal.[163] Trade within Central America is conducted chiefly over land, although the transport costs can be high because of the condition of the roads, which makes them unsuitable for overnight travel; travel time owing to congestion in and around urban areas; and waiting time at borders.[164]

Chart 4.7 Type of transport used for exports, 2018



Source: PROCOMER statistics. Viewed at: http://sistemas.procomer.go.cr/estadisticas/inicio.aspx.

4.111. The Ministry of Public Works and Transport (MOPT) is responsible for the transport sector. The transport policy developed and delivered by the MOPT is set out in the National Transport Plan of Costa Rica 2011-2035.[165] The Plan states that the Costa Rican transport system has deteriorated owing to lack of investment.[166] That analysis is supported by the National Development Plan (PND) 2015-2018, which states that the absence of a strategy to develop the sector and budget cuts are the major reasons for the deteriorating quality of the transport infrastructure.[167] Moreover, the Bicentenary National Development and Public Investment Plan (PNDIPB) 2019-2022 states that investment in the sector fell from 1.5% to 0.95% of GDP between 2008 and 2017. The State of the Nation Programme (PEN) notes that as a result of the lack of investment in the road network the roads are in poor condition, causing problems for traffic (congestion), making it difficult to access production areas, increasing travel time, and resulting in higher costs.[168] Delays in executing

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[160] Article 4 of Executive Decree No. 28869 – MOPT of 14 July 2000.
[161] Information provided by the authorities.
[162] Bicentenary National Development and Public Investment Plan 2019-2022 and PEN (2018), *Informe Estado de la Nación 2018*. Viewed at: https://www.estadonacion.or.cr/2018/assets/en2018.pdf.
[163] DGAC (2017), *Resumen Estadístico*. Viewed at: http://www.dgac.go.cr/wp-content/uploads/2018/04/ESTAD--STICAS-2017-5-4-18.pdf.
[164] World Bank. Logistics and Transport: A Long Road to Travel in Central America. Available in English at: https://www.worldbank.org/en/news/feature/2013/02/07/logistica-transporte-en-centroamerica.
[165] Executive Decree No. 37738 of 29 May 2013.
[166] MOPT (2011), "Volumen 1: Memoria", *Plan Nacional de Transportes de Costa Rica 2011-2035*. Viewed at: https://www.mopt.go.cr/wps/wcm/connect/a86ca326-d0c2-403f-9166-259c356f4783/Memoria.pdf?MOD=AJPERES.
[167] Chapter 5.12 of the PND. Viewed at: http://www.mideplan.go.cr/instrumentos/pnd.
[168] (PEN) (2018), *Informe Estado de la Nación 2018*. Viewed at: https://www.estadonacion.or.cr/2018/assets/en2018.pdf; and Academia de Centroamérica (2017), *La*

construction projects have also been remarked upon. For example, in 2014 a proposal was submitted to widen the road between San José and the country's second largest port (Caldera), but as of March 2019 the proposal was still awaiting approval.[169]

4.112. Like the PNDIPB 2019-2022, the National Transport Plan of Costa Rica underscores the need to improve the competitiveness of the various transport types in order to foster economic growth and high-quality employment, and to that end proposes structural reforms, infrastructure improvements and expansion, and the promotion of intermodal transport and logistics.[170]

4.113. Turning to external trade, the National Transport Plan of Costa Rica 2011-2035 notes the importance of expediting cargo movements by establishing logistics hubs and introducing (straightforward, low-cost) systems for the clearance, release and inspection of goods. It is anticipated that these trade facilitation systems will be implemented and rolled out at the country's major ports in particular.[171] The PNDIP 2019-2022 stresses that it is necessary to cut the costs of external trade in order to be able to compete with other ports in the region. To that end the Port Single Window (VUP) and the Port Community System platform have been introduced to facilitate certain procedures involved in port operations (Box 4.4).

Box 4.4 Platforms to facilitate procedures involved in port operations

The VUP can be used to: request a stopover, port services and waste removal; give notification of dangerous goods; make health declarations; and conduct other procedures.
The Port Community System platform facilitates logistics procedures such as cargo bookings, transport orders and other trade procedures not subject to public controls.

Source: PowerPoint presentation. Viewed at: https://www.oas.org/cip/english/docs/Cartagena%202013/INTER-AMERICAN%20PORT%20FORUM/12.pdf.

4.114. In Costa Rica, concession-holding private entities can operate and manage public highways, the rail network, ports and airports.[172] The National Concessions Council (CNC), which is attached to the MOPT, is the body that evaluates projects, conducts the competitive tendering process and makes a recommendation to the Executive concerning the award of a contract.[173] The CNC has seven members and is chaired by the Minister for Public Works and Transport.[174]

4.4.3.2 Air transport and airports

4.4.3.2.1 Air transport

4.115. The provision of air services is governed chiefly by the General Law on Civil Aviation and various regulations (Table 4.22), the Convention on International Civil Aviation (or Chicago Convention) and various Agreements/Memoranda on air services (Table A4.1). In 2013, new Regulations on the Granting of Operating Certificates were promulgated, replacing the regulations that had been in force since 1973. The Costa Rican Aviation Regulations (RAC) regulate the functioning and safety of air operations; 20 new RACs have been issued since 2013.[175]

infraestructura vial en Costa Rica: desafíos y oportunidades para las asociaciones público-privadas. Viewed at: https://www.academiaca.or.cr/wp-content/uploads/2017/12/PV-04-17.pdf.

[169] Academia de Centroamérica (2017), *La infraestructura vial en Costa Rica: desafíos y oportunidades para las asociaciones público-privadas*.

[170] MOPT (2011), "Volumen 1: Memoria", *Plan Nacional de Transportes de Costa Rica 2011-2035*. Viewed at: https://www.mopt.go.cr/wps/wcm/connect/a86ca326-d0c2-403f-9166-259c356f4783/Memoria.pdf?MOD=AJPERES.

[171] MOPT (2011), "Volumen 1: Memoria", *Plan Nacional de Transportes de Costa Rica 2011-2035*.

[172] Article 121 of the Constitution.

[173] Information available online. Viewed at: http://www.cnc.go.cr.

[174] Law No. 7762 of 14 April 1998.

[175] Information available online. Viewed at: http://www.dgac.go.cr/biblioteca-tecnica/reglamentos-aeronauticos-costarricenses-racs.

Table 4.22 Main legislation on air transport

Title	Number and date	Most recent amendment
General Law on Civil Aviation	Law No. 5150 of 14 May 1973	2009
Airport Services Regulations	Executive Decree No. 27380 of 20 November 1998	2011
Regulations governing Code-Share Arrangements	Executive Decree No. 35357 of 28 May 2009	2009
Regulations on the Granting of Operating Certificates	Executive Decree No. 37972 of 24 October 2013[a]	2018
Regulations governing Specialist Aerodrome Services, Costa Rican Aviation Regulations	Executive Decree No. 38113 of 4 December 2013	n.a.

a Repeals Executive Decree No. 3326 of 25 October 1973.

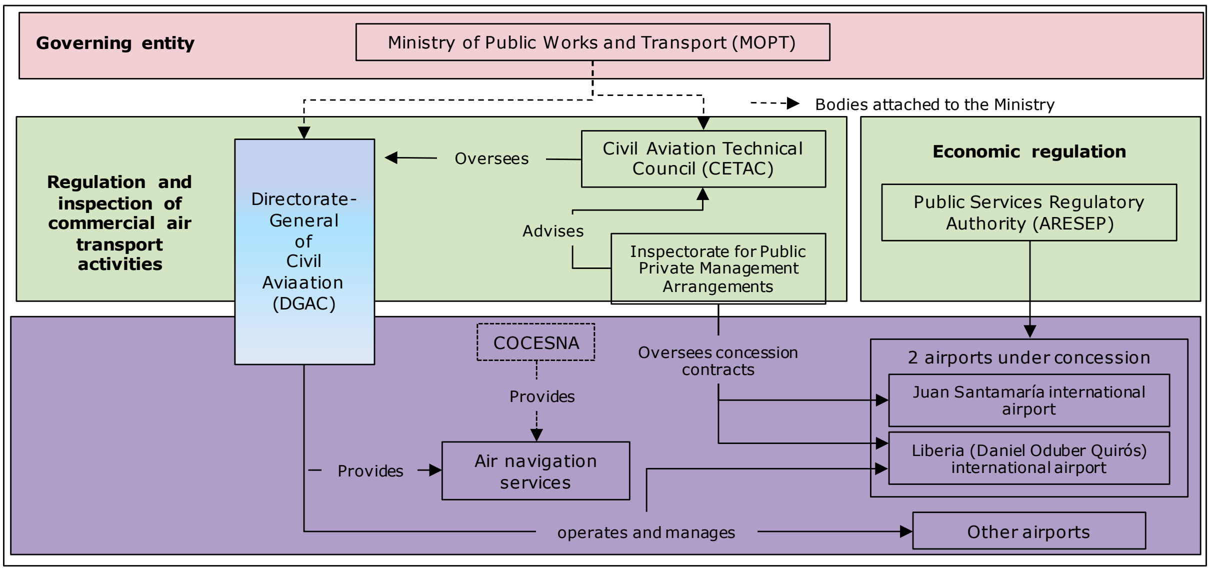
n.a. Not applicable.

Source: WTO Secretariat.

4.116. Costa Rica is a member of the International Civil Aviation Organization (ICAO), the Latin American Civil Aviation Commission (CLAC), and the Central American Air Navigation Services Corporation (COCESNA). COCESNA provides air traffic control, aeronautical telecommunications and radio-aid for the airspace of Belize, Costa Rica, El Salvador, Guatemala, Honduras, and Nicaragua.[176]

4.117. The Civil Aviation Technical Council (CETAC) and its executive body the Directorate-General of Civil Aviation (DGAC) regulate and oversee commercial air transport activities in Costa Rica (Chart 4.8). CETAC and the DGAC are bodies attached to the MOPT.[177] Following the recommendations of the National Transport Plan of Costa Rica 2011-2035[178], in 2018 CETAC and the DGAC were restructured specifically to separate the regulatory and service provider functions of the DGAC.[179] Although the DGAC continues to be the airport operator, the service provider and regulator, other independent regulatory bodies were created within the DGAC.

Chart 4.8 Institutions operating in the aviation sector



Source: National Transport Plan of Costa Rica 2011-2035 and Executive Decree No. 41,417 of 11 October 2018.

[176] Information available online from COCESNA. Viewed at: http://cocesna.org.
[177] Article 4 of Law No. 5150 of 14 May 1973.
[178] MOPT (2011), "Volumen 2: Aeropuertos y Navegación Aérea, Diagnóstico General", *Plan Nacional de Transportes de Costa Rica 2011-2035*. Viewed at: http://repositorio.mopt.go.cr:8080/xmlui/bitstream/handle/123456789/239/380-1v2e.pdf?sequence=1&isAllowed=y.
[179] Executive Decree No. 41417 of 11 October 2018.

4.118. International air services are governed by the agreements/memoranda on air services signed by Costa Rica. In the absence of any such arrangements, they are governed by the principle of reciprocity.[180] Cabotage services may be provided only by Costa Rican airlines or foreign-owned airlines established in Costa Rica. There is no restriction on the share of private (Costa Rican) capital in airlines providing cabotage services.

4.119. In order to operate international scheduled flights, all airlines must obtain: (1) an operating certificate awarded by CETAC and approved by the executive; and (2) the operational certificate (or air operator certificate) awarded by the DGAC demonstrating that the airline has the capacity to provide the service. Both certificates are awarded for a maximum period of 15 years (renewable).[181] The provision of international charter services requires authorization from the DGAC.[182] Foreign airlines are not required to be certified in Costa Rica in order to be able to provide international transport services: Costa Rica recognizes the certificate issued by the country of origin.

4.120. International air fees must be authorized by CETAC; once CETAC has approved the fees it registers them.[183] In some cases, pursuant to air services agreements/memoranda, there is no requirement to approve the fees; they must merely be notified to CETAC (Table A4.1). The fees for air travel to and from Costa Rica include a number of taxes that vary depending on the direction of travel. Tickets for travel to Costa Rica include a tax of USD 15[184], whereas outbound international flights purchased in Costa Rica include a 5% tax on the ticket value.[185] The taxes are used to finance campaigns to boost tourism run by the Costa Rican Tourism Institute (ICT).[186] Additionally, a tax of USD 27 is levied for leaving the national territory.[187] Costa Rica does not charge a fee for overflying its territory; however COCESNA charges a fee for entering the airspace under its control.[188]

4.121. Regulations govern the fees for services related to fuel-handling and ground-handling for passengers.[189] The state-owned business Self-Managed Aero-Industrial Services Cooperative (COOPESA) and a private Costa Rican business provide aircraft maintenance services.[190] However, during a stopover airlines may provide maintenance services only to their own aircraft.[191] The state-owned company Costa Rican Petroleum Refinery (RECOPE) has a monopoly on refuelling.[192]

4.122. Costa Rican and foreign airlines that have signed a tourism contract with the ICT benefit from a number of incentives.

4.123. Only Costa Rican nationals and businesses may register an aircraft for commercial use in the National Aircraft Register.[193] The DGAC is responsible for approving leases for aircraft registered abroad for commercial use in Costa Rica. If the lease is signed for more than one year the airline must pay the DGAC a charge which, like the other taxes, is used to finance tourism-related projects.[194]

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[180] Article 149 of Law No. 5150 of 14 May 1973.
[181] Articles 143-144 of Law No. 5150 of 14 May 1973, and Executive Decree No. 37972 of 24 October 2013.
[182] Articles 32 and 181 of Law No. 5150 of 14 May 1973, and Circular DGAC-DG-CIR-033-2017 of 8 December 2017.
[183] Article 10 of Law No. 5150 of 14 May 1973.
[184] Law No. 8694 of 11 December 2008.
[185] Executive Decree No. 37979 of 22 April 2013, and Executive Decree No. 35640 of 20 October 2009.
[186] Law No. 1917 of 30 July 1955.
[187] Law No. 8316 of 26 September 2002 and information available online. Viewed at: http://www.hacienda.go.cr/contenido/13053-impuesto-derecho-de-salida-del-territorio-nacional.
[188] Information available online. Viewed at: https://www.aopa.org/travel/international-travel/central-america.
[189] Information provided by the authorities.
[190] MOPT (2011), "Volumen 2: Aeropuertos y Navegación Aérea, Estrategias y Directrices", *Plan Nacional de Transportes de Costa Rica 2011-2035*. Viewed at: https://www.mopt.go.cr/wps/wcm/connect/7d3bb15f-167f-4c4f-852e-806f53730eb4/Aeropuertos-Estrategias-directrices.pdf?MOD=AJPERES.
[191] Section 43.3 of RAC 43. Viewed at: http://www.dgac.go.cr/biblioteca-tecnica/reglamentos-aeronauticos-costarricenses-racs.
[192] Information available online. Viewed at: https://latinlawyer.com/jurisdiction/1004850/costa-rica.
[193] Article 42 of Law No. 5150 of 14 May 1973.
[194] The charge is equivalent to 4.5% of the value of the lease; the annual payment may not exceed USD 6,000. Article 222 of Law No. 5150 of 14 May 1973.

4.124. Costa Rica has 27 bilateral agreements/memoranda on air services (Table A4.1). Since 2013, new agreements have been signed with China, France, Panama, Singapore, Switzerland, and Turkey. Generally Costa Rica grants fifth freedom traffic rights for passenger and cargo traffic (Table A4.1). Costa Rica has open skies agreements with Belgium, Brazil, Canada, Chile, Colombia and the United States.[195] Through the Airline Enticement Campaign strategy, the Costa Rican Tourism Institute (ICT) has supported delivery of commercial air transport policy. The strategy was rolled out in 2013 with a view to increasing service frequency and capacity, and attracting new airlines.[196]

4.125. Since 2013, 74 new routes have operated to/from Costa Rica. Currently (2019), 35 airlines operate scheduled international (passenger and/or cargo) flights (to Costa Rica). The number of international passengers rose by 38% between 2013 and 2018, from 4.4 million to 6.1 million, of whom 99% travelled on scheduled flights in 2018.[197]

4.4.3.2.2 Airports

4.126. Costa Rica has four international airports.[198] The State owns all the public airports, but their construction, operation and management may be put out to concession.[199] The airport concession-holders may be private Costa Rican or foreign companies; foreign companies must be established in Costa Rica.

4.127. Currently the two main international airports (Juan Santamaría in San José and Daniel Oduber Quirós in Liberia) are the subject of concessions held by foreign private companies.[200] At Juan Santamaría airport, the terminals and runways are operated under concession by a single company, whereas at Liberia international airport only the passenger terminal was put out to concession. The DGAC continues to be responsible for the runways.[201] The other public airports, including the other two international airports (in Limón and Pavas), are managed and operated by the DGAC.[202] The Inspectorate for Public-Private Management Arrangements (*Gestion interesada*) is responsible for inspecting the airport concessions for Juan Santamaría and Liberia airports.

4.128. Consideration is currently being given to the possibility of constructing a new international airport to absorb a share of the traffic handled by Juan Santamaría international airport which, for geographical reasons, cannot expand.[203] Juan Santamaría airport handles approximately 80% of international passenger traffic, followed by Liberia international airport, which almost exclusively services the US market.[204] The other two international airports (Limón and Pavas) have almost no international traffic.[205]

4.129. Fees for aviation services under concession are regulated by ARESEP in accordance with the provisions of the Airport Services Regulations. The aspects taken into account when setting fee caps include the investments made by the concession-holder, the calibre of the services provided, and

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[195] MOPT (2011), "Volumen 2: Aeropuertos y Navegación Aérea, Diagnóstico General", *Plan Nacional de Transportes de Costa Rica 2011-2035*. Viewed at: http://repositorio.mopt.go.cr:8080/xmlui/bitstream/handle/123456789/239/380-1v2e.pdf?sequence=1&isAllowed=y.

[196] Information available online. Viewed at: http://logros.presidencia.go.cr/ict.

[197] DGAC statistics. Viewed at: http://www.dgac.go.cr/transparencia/resumenes-estadisticos-y-anuarios/#4; and data provided by the authorities.

[198] Information available online. Viewed at: http://mopt.opendata.junar.com/dashboards/19902/aeropuertos.

[199] Article 121 of the Constitution.

[200] DGAC (2017), *Resumen Estadístico*. Viewed at: http://www.dgac.go.cr/wp-content/uploads/2018/04/ESTAD--STICAS-2017-5-4-18.pdf.

[201] MOPT (2011), "Volumen 2: Aeropuertos y Navegación Aérea, Diagnóstico General", *Plan Nacional de Transportes de Costa Rica 2011-2035*.

[202] WTO document WT/TPR/S/286/Rev.1 of 27 November 2013 and DGAC (2017), *Resumen Estadístico*. Viewed at: http://www.dgac.go.cr/wp-content/uploads/2018/04/ESTAD--STICAS-2017-5-4-18.pdf.

[203] Information available online. Viewed at: http://gobierno.cr/tag/aeropuerto-internacional-orotina.

[204] MOPT (2011), "Volumen 1: Memoria", *Plan Nacional de Transportes de Costa Rica 2011-2035*. Viewed at: https://www.mopt.go.cr/wps/wcm/connect/a86ca326-d0c2-403f-9166-259c356f4783/Memoria.pdf?MOD=AJPERES.

[205] DGAC (2018), *Resumen de Estadísticas de Transporte Aéreo, Primer Semestre 2018*. Viewed at: https://www.dgac.go.cr/transparencia/resumenes-estadisticos-y-anuarios/#4.

operating data.[206] ARESEP publishes the fee caps for each service.[207] For Juan Santamaría international airport, the concession-holder sets the fees for non-airport services, which must be approved by CETAC.[208] The non-aviation-related fees at Liberia international airport were set in the concession contract.

4.4.3.3 Maritime transport and ports

4.4.3.3.1 Maritime transport

4.130. The provision of maritime transport services is governed by long-standing laws that were not amended during the period under review (Table 4.23). The National Transport Plan of Costa Rica 2011-2035 notes the need to conduct a thorough overhaul of the legislation in this area and to update it in order to provide operators in the sector with greater predictability.[209] In 2018 the Draft Law on Waterborne Navigation (Draft Law No. 21,095)[210] was tabled, which includes some provisions on the carriage of goods such as maritime safety and the prevention of pollution. Additionally it has been noted that in order to improve the regulation of the carriage of goods by sea, Costa Rica could ratify a number of international agreements such as the Hague-Visby Rules and the Hamburg Rules.[211]

Table 4.23 Main legislation governing maritime transport

Title	Number and date	Most recent amendment
Book III of the Commercial Code 1853[a]	Law No. 104 of 16 May 1853	n.a.
National Flag Vessel Registration Law	Law No. 12 of 22 November 1941	1958
Regulations implementing the National Flag Vessel Registration Law	Executive Decree No. 1958 of 10 September 1971	1988
Law on Coastal Shipping Services of the Republic.	Law No. 2220 of 20 June 1958	2009
Regulations implementing the Law on Coastal Shipping Services of the Republic	Decree No. 66 of 4 November 1960	2009

a Law No. 3284 of 30 April 1964 repealed Law No. 104 of 16 May 1853 with the exception of Book III on maritime trade.

n.a. Not applicable.

Source: WTO Secretariat.

4.131. The Shipping and Safety Directorate at the Ministry of Public Works and Transport (MOPT) is responsible for maritime safety.[212] Two other regional port authorities operate and manage ports not put out to concession: the Costa Rican Pacific Ports Institute (INCOP), and the Atlantic Coast Port Administration and Economic Development Board (JAPDEVA). The MOPT audits the concessions awarded to operate the ports used for coastal shipping. Fisheries ports are managed by the Costa Rican Fisheries and Aquaculture Institute (INCOPESCA), while the Interinstitutional Commission on Marinas and Tourist Docks (CIMAT) is responsible for marinas and tourist docks.

4.132. Costa Rica is a member of the regional-policy-making Central American Commission on Maritime Transport (COCATRAM). In 2012, COCATRAM adopted the Central American Regional Strategy for Maritime Ports, Analytical Study and Action Plan, which aims to convert the region into a logistics platform in order to integrate it into international trade.

[206] Executive Decree No. 27380 of 20 October 2008.
[207] Information available online. Viewed at: https://aresep.go.cr/otros/aeropuertos/tarifas.
[208] Information provided by the authorities.
[209] MOPT (2011), "Volumen 2: Puertos y Navegación Marítima, Diagnóstico General", *Plan Nacional de Transportes de Costa Rica 2011-2035*. Viewed at: http://www.mopt.go.cr/wps/wcm/connect/3d701f37-d9a4-423c-b438-5d11eca29c70/Puertos-Navegacion-Maritima.pdf?MOD=AJPERES.
[210] Information available online. Viewed at: http://www.asamblea.go.cr/Centro_de_informacion/Consultas_SIL/Pginas/Proyectos%20de%20ley.aspx.
[211] Arce Morales G.A. and Redondo Rojas M.F. (2016), "La responsabilidad civil del cargador en transporte marítimo de mercancías en contenedores", *Revista Judicial Costa Rica*, No. 118, January. Viewed at: https://www.poder-judicial.go.cr/escuelajudicial/archivos/documentos/revs_juds/Revista_118/PDFs/10_archivo.pdf.
[212] Executive Decree No. 40803 of 12 December 2017.

4.133. The provision of international maritime transport services is governed by the principle of reciprocity. The fees charged by shipping companies (whether Costa Rican or foreign) operating international routes are not subject to controls.[213] 10% of the crew of a Costa Rican-registered vessel must be Costa Rican; however in the absence of trained staff in Costa Rica this restriction is not applied.[214] Captains may be foreign nationals but, unlike Costa Rican nationals, they are required to lodge a guarantee.[215] Foreigners must have a legal representative in Costa Rica in order to register a vessel or in order to anchor in a Costa Rican port.[216]

4.134. Costa Rica does not participate in cargo reservation arrangements.[217]

4.135. Coastal shipping services may only be provided by Costa Rican nationals or commercial corporations legally established in Costa Rica in which Costa Ricans hold at least 60% of the capital.[218] Additionally, these services may only be provided in Costa-Rican-registered vessels. However, in the absence of Costa Rican vessels, foreign vessels registered in Costa Rica may be employed. In order to operate a coastal shipping service on a regular and permanent basis, it is necessary to obtain a route licence, which is valid for ten years. In an emergency an "emergency permit" is required; it is valid for one year (renewable).[219] Coastal shipping fees are regulated by the MOPT in respect of goods and vehicles, and by ARESEP in respect of passengers.[220]

4.4.3.3.2 Ports

4.136. The State owns the public ports, but their construction, operation and management may be put out to concession.[221] INCOP and JAPDEVA provide port services, which may also be put out to concession.[222] Currently (May 2019) there are ten concession contracts in force including contracts concerning port management, the provision of services, construction, and operation.

4.137. Fees for these services are regulated by ARESEP, which publishes fee caps for each service every year.[223]

4.138. Costa Rica has eight international ports. The chief ports used for goods are the Limón-Moín port complex (Caribbean coast) and Puerto Caldera (Pacific coast), which handled 97.4% of goods traffic in 2018; 67.1% of that traffic was through the Limón-Moín port complex.[224] The National Transport Plan of Costa Rica 2011-2035 lists a number of the ports' limitations. For example, it states that the port infrastructure is unable to cope with the existing traffic, resulting in some facilities being under-used and the saturation of others. Additionally, the Plan states that the highly specialist nature of the Limón-Moín port complex and Puerto Caldera increases the ports' inefficiency. For example the country's only oil terminal is in Limón-Moín whereas grain is handled only in Puerto Caldera. As a result grain from the east coast of the US must be unloaded at Puerto Caldera (Pacific coast), increasing costs because it must transit the Panama Canal.[225]

4.139. Between 2013 and 2018, the carriage of goods by sea rose from 14.9 to 17.5 million tonnes. In 2018, container traffic at the Limón-Moín port complex was 620,232 units (1,187,760 TEU).[226] It

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[213] WTO document WT/TPR/S/286/Rev.1 of 27 November 2013.
[214] Article 41 of Law No. 12 of 22 October 1941.
[215] Article 580 of Book III (Maritime Code) of the Commercial Code of 1853.
[216] Foreigners who register vessels of less than 50 tonnes for private use are not required to appoint a legal representative. (Article 12 of Executive Decree No. 12568 of 30 April 1981 and Article 43 of Law No. 12 of 22 October 1941).
[217] WTO document WT/TPR/S/286/Rev.1 of 27 November 2013.
[218] Decree No. 66 of 4 November 1960.
[219] Information available online. Viewed at: https://www.mopt.go.cr.
[220] Resolution No. 001 of the MOPT of 8 November 2010.
[221] Article 121 of the Constitution.
[222] Law No. 8461 of 20 October 2005 and Law No. 5337 of 27 August 1973.
[223] Information available online. Viewed at: https://aresep.go.cr/puertos/tarifas.
[224] COCATRAM statistics. Viewed at: http://www.cocatram.org.ni/estadisticas.
[225] MOPT (2011), "Volumen 2: Puertos y Navegación Marítima, Diagnóstico General", *Plan Nacional de Transportes de Costa Rica 2011-2035*. Viewed at: http://www.mopt.go.cr/wps/wcm/connect/3d701f37-d9a4-423c-b438-5d11eca29c70/Puertos-Navegacion-Maritima.pdf?MOD=AJPERES; and information available online. Viewed at: https://www.recope.go.cr/quienes-somos/sistema_nacional_combustibles/terminales-petroleras.
[226] COCATRAM statistics. Viewed at: http://www.cocatram.org.ni/estadisticas.

is anticipated that the entry into operation of the Moín container terminal (TCM) will reinvigorate the companies established in the Limón free zone, and Costa Rican commerce more widely.[227]

4.4.4 Tourism

4.140. Tourism is one of the most buoyant sectors of the Costa Rican economy and has become one of the leading generators of foreign currency. According to the latest Tourism Satellite Account (2016), the sector accounted for 6.3% of GDP and 13.2% of employment. In the same year, tourism generated revenue of CRC 1,978.2 billion, equivalent to 42.5% of exports of services and 19.5% of exports of goods and services. Between 2013 and 2017, the number of tourists rose from 2.4 to 3 million (Table 4.24). That increase can be explained by diversification in tourism-related products, especially as a result of the development in Costa Rica of conference and wellness tourism.[228] Additionally, commercial air transport policy and the Airline Enticement Campaign implemented by the ICT have led to a rise in the frequency, routes and capacity of air services and made it possible to welcome tourists from new markets (Section 4.4.3.2.1). Nevertheless, in 2018, holidays continued to be the main reason for visits to Costa Rica and the United States was the leading inbound tourist market. According to the latest Tourism Satellite Account (2016), hotels were the top contributor to income in the sector (20.9), followed by catering services (20.5%), other industries (16.6%), road transport services (12%), and medical services (10.4%).[229]

4.141. The tourism industry is regarded as an industry affected with a public purpose.[230]

Table 4.24 Selected tourism sector indicators, 2013-18

	2013	2014	2015	2016	2017	2018
Share of GDP (%)	4.7	5.1	5.5	6.3	..	..
International tourism expenditure (in billions of CRC)	1,525.3	1,617.6	1,752.1	1,978.2	..	..
Share of total employment (%)	13.2	13.3	13.3	13.2	..	..
International tourist arrivals (millions)	2.4	2.5	2.7	2.9	3.0	3.0
Average spending (USD) per tourist arriving by air	1,322.6	1,351.3	1,369.3	1,309.1	1,561.4	1,335.4
Average stay (days) per tourist arriving by air	11.6	12.4	11.3	12.1	11.9	11.7

.. Not available.

NB: Only overnight visitors staying in Costa Rica for more than 12 hours are included.

Source: ICT statistics. Viewed at: http://ict.go.cr/es/estadisticas.html.

4.142. The provision of services in the tourism sector is governed chiefly by the Law Regulating Travel Agencies, the Regulations governing Tourism Enterprises and Activities, the Regulations on Tourist Accommodation Companies and the Regulations governing Tourist Guides (Table 4.25). In 2018, new Regulations governing Tourism Enterprises and Activities were promulgated, simplifying the process for obtaining a tourism declaration, as were new Regulations governing Tourist Guides, which also simplified the procedures and requirements for obtaining tourist guide credentials. Additionally, the Regulations on Tourist Accommodation Companies were amended in 2014 to cover rural community tourism lodgings, a new type of accommodation.

[227] Ministry of Finance (2018), *Informe de Fin de Gestión 2018*. Viewed at: https://www.hacienda.go.cr/contenido/14495-informe-de-fin-de-gestion-2018.

[228] Information available online. Viewed at: http://gobierno.cr/turismo-de-reuniones-se-consolida-como-punta-de-lanza-en-ese-sector-de-la-economia and https://www.ict.go.cr/en/featured-news/1322-costa-rica_per_centE2_per_cent80_per_cent99s-wellness-pura-vida-on-display-in-termatalia.html.

[229] Information provided by the authorities and a BCCR/ICT press release of 15 November 2018. Viewed at: https://activos.bccr.fi.cr/sitios/bccr/noticias/Documentos%20compartidos/BCCR-ICT_Comunicado_Cuenta_Sat%C3%A9lite%20Turismo.pdf.

[230] Law No. 6990 of 15 July 1985.

Table 4.25 Main legislation governing the tourism sector

Title	Number and date	Most recent amendment
Law on the Organization of the Costa Rican Tourism Institute	Law No. 1917 of 29 July 1955	2010
Law Regulating Travel Agencies	Law No. 5339 of 23 August 1973	1994
Regulations on Tourist Accommodation Companies	Executive Decree No. 11217 of 25 February 1980	2014
Regulations governing the Award of Business Permits and Operating Licences for Casinos	Executive Decree No. 20224 of 15 January 1991	1996
Regulations governing Tourist Guides	Executive Decree No. 41369 of 8 August 2018[a]	n.a.
Regulations governing Tourism Enterprises and Activities	Executive Decree No. 41370 of 19 July 2018[b]	n.a.

a Repealed Executive Decree No. 31030 of 17 January 2003.
b Repealed Executive Decree No. 25226 of 15 March 1996.

n.a. Not applicable.

Source: WTO Secretariat.

4.143. The Costa Rican Tourism Institute (ICT) is the body that draws up and delivers policy for this sector; it also regulates and inspects tourism-related activities. The ICT is an autonomous entity managed by a board comprising the Minister of Foreign Affairs and four Government-appointed individuals who are "acknowledged to have experience in matters closely associated with problems arising from tourism".[231]

4.144. Tourism policy is set out in the National Tourism Development Plan that is published every four years. According to the Plan for 2017-21, Costa Rica aspires to a sustainable, innovative and inclusive tourism model. In order to achieve that aim, the Plan provides as follows: (1) tourism services should be distributed across the whole of the national territory; (2) there should be diversification in the services supplied (e.g. conference tourism) and the markets covered[232]; (3) there should be better value for money and specialization in market niches with high potential for development; and (4) chains of production should be strengthened.[233]

4.145. Foreigners can provide any tourism-related services in Costa Rica.

4.146. Businesses that provide tourism-related services or perform tourism-related activities can request the ICT to issue them with a "tourism declaration" recognizing them as tourism-related businesses. Additionally, tourist guides may apply for credentials, which vary depending on the category the guide falls into (general, specialist or local); they are valid for three years and can be renewed. In order to obtain and renew the credentials the guide must have specific training. Only foreigners who are permanently resident in Costa Rica can obtain the credentials.[234] Costa Rica does not restrict the number of tourism service providers.

4.147. Service providers who hold a tourism declaration can enter into a tourism contract with the ICT, exempting them from paying tariffs and taxes on imports and local purchases of certain goods (Table 4.26). The type of activities covered by tourism contracts, their duration and the exempt goods have not changed since 2013. The bulk of tourism contracts are with accommodation providers. Rural tourism cooperatives/partnerships can also enter into tourism contracts although to date no contracts of this kind have been signed.

[231] Law No. 1917 of 29 July 1955.
[232] The Bicentenary National Development and Public Investment Plan 2019-2022 makes it an ICT objective to implement a conference-tourism strategy.
[233] National Tourism Development Plan 2017-2021. Viewed at: http://www.ict.go.cr/es/documentos-institucionales/planes-y-documentos-institucionales.html#preliminares.
[234] Articles 16-17 of Executive Decree No. 41369 of 8 August 2018.

Table 4.26 Tourism contracts

Activity	Duration of the tourism contract	Exempt goods
Law on Tourism Development Incentives (No. 6990) of 15 July 1985 (most recent amendment: 2001)		
Establishments offering accommodation	7 years	• Goods to construct, expand or renovate establishments offering accommodation
Travel agencies	5 years	• Public-transport type vehicles (minimum capacity: 15 people)
Waterborne transport businesses	Waterborne transport: 6 years Marinas: 7 years	• Goods to construct, expand or renovate quays • Goods to construct and maintain marinas and resorts • Vessels for waterborne transport of passengers
Costa Rican and foreign airlines	As stated on the air operating certificate	• Spare parts
Vehicle rental businesses	9 years	• Rental vehicles for tourists
Law on the Promotion of Rural Community Tourism (No. 8724) of 17 July 2009 (most recent amendment: 2012)		
Rural community tourism cooperatives or partnerships[a]	Once only	• Outboard motors
		• Vehicles and buses with a capacity of between 8 and 12 passengers
		• Materials, inputs and alternative technologies to construct waste water treatment plants

a Rural community tourism businesses can also benefit from the incentives available under the Law on Tourism Development Incentives.

Source: Information available online. Viewed at: http://www.ict.go.cr/es/servicios-institucionales/contrato-turistico.html.

5 APPENDIX TABLES

Table A1. 1 Merchandise exports by HS section and main chapter, 2012-18

HS section/HS chapter	2012	2013	2014	2015	2016	2017	2018
Total (USD million)	8,696.9	8,599.8	9,167.0	9,238.5	9,921.8	10,622.3	11,287.0
	(% of exports)						
01 Live animals; animal products	3.6	3.8	4.0	3.6	3.2	3.1	3.0
02 Vegetable products	28.9	28.5	28.0	26.6	27.2	26.6	25.3
08 Edible fruit and nuts	19.9	20.7	21.1	19.6	20.7	20.6	19.6
0803 Bananas, including plantains, fresh or dried	9.4	9.6	9.9	9.0	10.1	9.8	9.1
080430 Pineapples	8.9	9.5	9.4	8.7	8.9	9.1	8.9
09 Coffee, tea, maté and spices	4.9	3.6	3.1	3.4	3.2	2.9	2.8
0901 Coffee	4.8	3.6	3.1	3.4	3.1	2.8	2.7
03 Animal or vegetable fats and oils	3.1	2.2	2.0	1.7	1.6	1.7	1.7
04 Prepared foodstuffs; beverages; and tobacco	13.2	14.7	13.6	14.3	14.0	13.5	12.3
20 Preparations of vegetables, fruit and nuts	4.1	4.0	3.7	3.9	4.5	4.0	3.3
21 Miscellaneous edible preparations	4.9	5.2	5.3	5.5	5.1	5.0	5.0
05 Mineral products	0.5	0.4	0.5	0.5	0.5	0.5	0.4
06 Products of the chemical or allied industries	4.9	4.7	6.2	6.5	6.3	6.3	6.2
07 Plastics and rubber	7.1	7.3	7.0	6.5	5.8	5.8	5.8
08 Raw hides and skins, leather, furskins and articles thereof	0.3	0.3	0.3	0.2	0.1	0.1	0.1
09 Wood and articles of wood; wood charcoal	0.9	0.8	0.8	0.8	0.7	0.8	0.7
10 Pulp of wood; paper and paperboard and articles thereof	1.4	1.5	1.4	1.4	1.3	1.1	1.0
11 Textiles and textile articles	2.0	1.8	1.6	1.4	1.2	1.1	1.1
12 Footwear, headgear, umbrellas, walking-sticks, seat-sticks; articles made with feathers	0.0	0.0	0.0	0.0	0.0	0.0	0.0
13 Articles of stone, plaster, cement	1.4	1.3	1.4	1.1	1.0	1.2	1.4
14 Precious stones and metals, pearls	0.6	0.4	0.3	0.3	0.3	0.4	0.3
15 Base metals and articles of base metal	4.9	4.7	4.4	3.6	3.3	4.1	4.2
16 Machinery and mechanical appliances, electrical equipment and parts thereof	7.9	7.5	7.2	5.8	5.6	5.2	5.5
85 Electrical machinery and parts thereof	6.1	5.9	5.2	4.1	4.6	4.4	4.6
17 Vehicles, aircraft, vessels and associated transport equipment	0.3	0.2	0.2	0.1	0.1	0.1	0.1
18 Precision instruments	16.9	17.8	19.2	23.5	25.7	26.1	28.9
90 Optical, photographic, measuring or medical instruments	16.9	17.8	19.2	23.5	25.7	26.1	28.9
9018 Instruments used in medical, surgical, dental or veterinary sciences,	12.6	13.4	15.0	18.1	19.6	19.2	21.5
90183 Syringes, needles, catheters, cannulae and the like	7.8	7.7	8.2	10.0	11.3	10.8	12.5
19 Arms and ammunition	0.0	0.0	0.0	0.0	0.0	0.0	0.0
20 Miscellaneous manufactured articles	2.2	2.2	2.0	2.2	2.0	2.3	2.0
21 Works of art, collectors' pieces and antiques	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Source: WTO Secretariat calculations, based on data provided by the Costa Rican authorities.

Table A1. 2 Merchandise imports by HS section and main chapter, 2012-18

HS sections/HS chapters	2012	2013	2014	2015	2016	2017	2018
Total (USD million)	14,915.2	15,088.5	15,561.7	14,746.1	15,230.9	15,901.7	16,566.3
	(% of imports)						
01 Live animals; animal products	1.0	1.2	1.3	1.5	1.7	1.7	1.6
02 Vegetable products	5.1	4.8	4.8	4.6	4.6	4.6	4.4
03 Animal or vegetable fats and oils	0.4	0.4	0.4	0.3	0.6	0.6	0.6
04 Prepared foodstuffs; beverages; and tobacco	5.6	6.0	6.5	6.5	6.8	6.8	6.6
05 Mineral products	15.7	15.6	14.6	9.5	8,1	9.7	10.6
27 Mineral fuels and mineral oils	15.4	15.3	14.3	9.1	7.8	9.4	10.4
2710 Petroleum oils and oils obtained from bituminous minerals, other than crude	14.4	14.3	13.3	8.4	7.2	8.5	9.4
06 Products of the chemical or allied industries	11.6	11.1	12.1	12.9	12.9	13.0	12.8
30 Pharmaceutical products	3.0	3.1	4.0	4.6	4.7	5.0	4.7
3004 Medicaments for therapeutic or prophylactic uses	2.6	2.6	3.1	3.5	3.6	3.8	3.5
07 Plastics and rubber	8.2	8.5	8.9	9.3	9.2	9.2	9.5
39 Plastics and articles thereof	6.6	7.0	7.5	7.9	7.9	7.8	8.1
08 Raw hides and skins, leather, furskins and articles thereof	0.3	0.3	0.3	0.4	0.3	0.3	0.3
09 Wood and articles of wood; wood charcoal	0.5	0.5	0.5	0.5	0.6	0.6	0.6
10 Pulp of wood; paper and paperboard and articles thereof	4.6	4.6	4.4	4.5	4.2	4.4	4.5
11 Textiles and textile articles	3.7	3.6	3.5	3.6	3.6	3.4	3.4
12 Footwear, headgear, umbrellas, walking-sticks, seat-sticks; articles made with feathers	1.0	1.1	1.0	1.2	1.2	1.0	0.9
13 Articles of stone, plaster, cement	1.2	1.2	1.3	1.5	1.5	1.4	1.3
14 Precious stones and metals, pearls	0.2	0.2	0.2	0.3	0.3	0.3	0.3
15 Base metals and articles of base metal	10.1	9.4	8.8	8.8	8.2	8.5	9.3
72 Iron and steel	4.3	3.3	3.1	3.0	2.7	3.0	3.8
73 Articles of iron or steel	2.5	2.7	2.5	2.6	2.6	2.7	2.7
16 Machinery and mechanical appliances, electrical equipment and parts thereof	17.6	18.8	18.4	19.4	19.7	19.3	19.3
84 Machinery and mechanical appliances	8.8	9.2	9.1	9.0	9.1	8.9	9.0
85 Electrical equipment and parts thereof	8.8	9.6	9.3	10.4	10.6	10.4	10.2
8517 Telephone sets, including telephones for cellular networks	2.5	2.8	2.5	3.4	3.0	3.0	3.0
17 Transport equipment	7.8	8.0	7.9	8.9	9.9	8.4	7.3
87 Vehicles other than railway or tramway rolling-stock, and parts and accessories thereof	7.0	6.7	6.7	8.8	9.8	8.2	6.8
8703 Motor vehicles	4.0	3.7	3.8	4.8	5.4	4.7	3.9
18 Precision instruments	3.1	2.5	2.9	3.7	3.9	3.8	3.8
19 Arms and ammunition	0.0	0.0	0.0	0.0	0.0	0.0	0.0
20 Miscellaneous manufactured articles	2.2	2.2	2.2	2.6	2.7	2.9	2.6
21 Works of art, collectors' pieces and antiques	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Source: WTO Secretariat calculations, based on data provided by the Costa Rican authorities.

Table A1. 3 Merchandise exports by trading partner, 2012-18

	2012	2013	2014	2015	2016	2017	2018
Total (USD million)	8,696.9	8,599.8	9,167.0	9,238.5	9,921.8	10,622.3	11,287.0
	(% of exports)						
America	77.1	76.4	76.3	76.0	74.6	73.0	71.7
United States	40.6	40.7	39.4	39.3	40.6	40.5	40.6
Central American Common Market	17.7	17.8	17.8	18.6	17.2	16.8	16.0
Guatemala	4.7	5.0	5.3	5.8	5.4	5.1	5.2
Nicaragua	5.7	5.7	5.8	5.9	5.5	5.3	4.5
Honduras	3.9	3.6	3.6	3.7	3.5	3.6	3.6
El Salvador	3.4	3.5	3.2	3.2	2.8	2.8	2.7
Panama	6.1	6.1	6.7	6.2	5.8	5.6	5.3
Mexico	3.6	2.7	2.8	2.6	2.6	2.7	2.6
Dominican Republic	2.9	2.6	2.9	2.8	2.6	2.2	2.1
Canada	0.8	0.9	0.8	1.1	0.9	0.7	0.7
Jamaica	0.6	0.5	0.5	0.5	0.5	0.6	0.5
Colombia	0.7	0.8	0.9	0.8	0.7	0.5	0.5
Brazil	0.3	0.4	0.3	0.2	0.3	0.3	0.5
Europe	18.9	19.6	19.0	19.9	21.2	21.2	21.2
EU-28	18.6	18.9	18.3	19.2	20.4	20.6	20.8
Netherlands	5.0	5.0	4.6	4.7	5.6	5.5	6.0
Belgium	3.4	3.6	4.0	4.6	5.3	6.3	5.9
United Kingdom	2.7	2.6	2.5	1.8	1.8	1.9	1.8
Italy	2.2	1.6	1.6	1.8	2.1	1.5	1.5
Spain	1.0	0.9	1.3	1.4	1.5	1.5	1.5
Germany	1.6	1.3	1.3	1.6	1.3	1.2	1.1
Ireland	0.5	0.7	0.9	0.8	0.9	0.7	0.8
France	1.1	1.2	0.9	1.2	0.7	0.6	0.5
EFTA	0.2	0.2	0.3	0.4	0.3	0.2	0.2
Other Europe	0.1	0.5	0.4	0.4	0.6	0.4	0.2
Commonwealth of Independent States (CIS)	0.6	0.2	0.3	0.2	0.3	0.5	0.5
Africa	0.1	0.4	0.2	0.1	0.1	0.1	0.1
Middle East	0.3	0.3	0.3	0.3	0.3	0.3	0.2
Asia	3.0	3.1	3.9	3.4	3.4	4.9	6.3
China	0.6	0.7	0.9	0.6	0.5	1.0	1.8
Japan	0.3	0.3	0.5	1.0	1.1	1.7	2.1
Other Asia	2.0	2.1	2.6	1.8	1.9	2.2	2.4
Hong Kong, China	0.4	0.4	0.3	0.3	0.3	0.4	0.7

Source: WTO Secretariat calculations, based on data provided by the Costa Rican authorities.

Table A1. 4 Merchandise imports by trading partner, 2012-18

	2012	2013	2014	2015	2016	2017	2018
Total (USD million)	14,915.2	15,088.5	15,561.7	14,746.1	15,230.9	15,901.7	16,566.3
	(% of imports)						
America	69.8	67.7	66.0	63.0	60.7	61.7	61.7
United States	42.8	41.2	41.4	38.1	37.0	38.3	39.1
Mexico	7.8	7.3	7.4	7.8	7.0	7.1	7.0
Central American Common Market	5.7	5.7	5.7	5.9	5.9	5.8	5.5
Guatemala	2.7	2.6	2.6	2.7	2.7	2.7	2.5
El Salvador	1.5	1.5	1.4	1.6	1.6	1.6	1.5
Nicaragua	0.7	0.8	1.0	0.9	0.9	1.0	0.9
Honduras	0.8	0.8	0.7	0.7	0.7	0.6	0.7
Brazil	2.8	2.5	1.7	2.0	2.2	1.9	2.1
Colombia	2.2	2.1	2.0	2.1	1.9	1.9	1.9
Chile	2.0	1.8	1.8	1.8	1.9	1.8	1.7
Panama	2.4	2.2	2.3	1.9	1.9	1.7	1.3
Canada	1.6	1.0	1.1	1.1	1.0	1.0	0.9
Europe	8.9	9.5	10.3	10.9	11.1	11.5	11.1
EU-28	8.0	8.5	9.1	9.6	9.7	10.1	9.6
Germany	1.9	2.0	2.3	2.6	2.5	2.5	2.5
Spain	1.3	1.3	1.3	1.5	1.5	1.8	1.6
Italy	0.9	1.2	1.3	1.2	1.3	1.3	1.3
United Kingdom	0.6	0.6	0.7	0.9	0.8	0.8	0.8
France	0.6	0.6	0.7	0.8	0.8	0.8	0.8
EFTA	0.7	0.7	0.9	0.9	1.0	1.0	1.0
Switzerland	0.7	0.6	0.7	0.8	1.0	1.0	0.9
Other Europe	0.2	0.3	0.4	0.4	0.4	0.4	0.5
Commonwealth of Independent States (CIS)	0.4	0.2	0.2	0.4	0.4	0.4	0.7
Africa	0.1	0.1	0.1	0.1	0.1	0.1	0.2
Middle East	0.4	0.4	0.4	0.4	0.3	0.5	0.6
Asia	18.1	19.3	20.0	22.9	24.3	22.8	23.1
China	9.6	10.5	10.9	13.1	13.7	13.1	13.7
Japan	3.4	2.9	2.6	2.7	2.7	2.4	2.2
Other Asia	5.1	5.8	6.5	7.1	7.9	7.2	7.1
Hong Kong, China	0.4	0.4	0.6	0.7	1.2	1.0	1.8
Korea, Republic of	1.8	2.0	1.7	1.9	1.7	1.5	1.1
India	0.6	0.6	0.7	0.9	1.2	1.2	1.1
Chinese Taipei	0.7	0.7	1.0	0.8	0.7	0.7	0.7
Other	2.3	2.8	2.9	2.3	3.0	3.1	2.5

Source: WTO Secretariat calculations, based on data provided by the Costa Rican authorities.

Table A2. 1 Trade measures notified to the WTO, 1 January 2013-30 April 2019

Agreement	Description	Frequency	WTO document (most recent if submitted regularly)
Agreement on Trade Facilitation (WT/L/911, replaced by WT/L/931)			
Article 15	Commitments designated under Category A	*Ad hoc*	WT/PCTF/N/CRI/1, 19 May 2014
Article 16	Deadlines for the implementation of category B and C commitments		G/TFA/N/CRI/1, 7 November 2017
Article 1.4	Importation, exportation and transit procedures		G/TFA/N/CRI/2, 23 March 2018
Article 10.4.3	Operation of the single window		
Article 10.6.2	Use of customs brokers		
Article 12.2.2	Contact point for the exchange of information		
Agreement on Agriculture			
Articles 10 and 18.2; ES:1	Export subsidies	On an annual basis	G/AG/N/CRI/63, 25 April 2018
Articles 10 and 18.2; ES:2	Export subsidies	On an annual basis	G/AG/N/CRI/64, 25 April 2018
Article 18.2; DS:1	Domestic support	On an annual basis	G/AG/N/CRI/67, 17 October 2018
Article 18.2; MA:1	Administration of tariff and other quotas	Once; *ad hoc* (changes)	G/AG/N/CRI/61, 5 October 2017
Article 18.2; MA:2	Tariff and other quota commitments	On an annual basis	G/AG/N/CRI/66, 27 April 2018
Article 5.7; MA:3 and MA:4	Special safeguard measures – Agriculture	Provisional or *ad hoc*	G/AG/N/CRI/68, 1 November 2018
Articles 5.7 and 18.2; MA:5	Special safeguard provisions	On an annual basis	G/AG/N/CRI/65, 26 April 2018
General Agreement on Trade in Services			
Article III:4 and/or IV:2	Enquiry points/contact points	Once only (within 2 years of the entry into force of the Agreement)	S/ENQ/78/Rev.16, 22 April 2016
Article V:7(a)	Economic integration agreements	*Ad hoc*	S/C/N/870, 1 November 2016
			S/C/N/774, 21 November 2014
			S/C/N/717/Rev.1, 28 January 2014
			S/C/N/709, 17 September 2013
			S/C/N/696, 6 June 2013
			S/C/N/680, 27 February 2013
Agreement on Implementation of Article VI of the GATT 1994 (Anti-dumping)			
Article 16.4 – Semi-annual reports	Anti-dumping actions (taken within the preceding 6 months)	On a semi-annual basis	G/ADP/N/322/CRI, 27 March 2019
Agreement on Implementation of Article VII of the GATT 1994 (Customs Valuation)			
Article 22.2	Changes to laws and regulations, and administrative provisions	*Ad hoc*	G/VAL/N/1/CRI/3, 1 November 2013
GATT 1994			
Article XVII:4(a)	State trading activities	On an annual basis	G/STR/N/17/CRI, 23 November 2018

Agreement	Description	Frequency	WTO document (most recent if submitted regularly)
Article XXIV:7(a)	Formation of a free-trade area	*Ad hoc*	WT/REG376/N/1, 1 November 2016
			WT/REG357/N/1, 21 November 2014
			WT/REG349/N/1/Rev.1, 28 January 2014
			WT/REG347/N/1, 17 September 2013
			WT/REG342/N/1, 6 June 2013
			WT/REG332/N/1, 27 February 2013
Agreement on Import Licensing Procedures			
Article 5.1, 5.2, 5.3	Establishment of import licensing procedures or changes to these procedures	*Ad hoc*	G/LIC/N/2/CRI/3, 12 December 2018
Article 7.3	Replies to the questionnaire on import licensing procedures	On an annual basis	G/LIC/N/3/CRI/13, 12 December 2018
Agreement on the Application of Sanitary and Phytosanitary Measures			
Article 7, Annex B	Sanitary and phytosanitary regulations	*Ad hoc*	G/SPS/N/CRI/213, 8 April 2019 – G/SPS/N/CRI/136, 11 January 2013
Agreement on Rules of Origin			
Article 5 and Annex II, paragraph 4	Modifications to preferential rules of origin; new preferential rules of origin	*Ad hoc*	G/RO/N/114, 2 April 2014
			G/RO/N/112, 2 April 2014
			G/RO/N/105, 19 September 2013
			G/RO/N/93, 9 April 2013
Article 5 and Annex II, paragraph 4 – (first time)	Preferential rules of origin in force; judicial decisions and administrative rulings of general application relating to preferential rules of origin	Once only (within the 90 days following the entry into force of the WTO Agreement for the Member concerned)	G/RO/N/161, 21 July 2017
			G/RO/N/153, 21 July 2017
Agreement on Technical Barriers to Trade			
Article 2.10	Technical regulations (urgent)	*Ad hoc*	G/TBT/N/CRI/141, 3 July 2013
Article 2.9	Technical regulations	*Ad hoc*	G/TBT/N/CRI/184, 28 January 2019 – G/TBT/N/CRI/137, 25 February 2013
Articles to be determined	Technical regulations	*Ad hoc*	G/TBT/N/CRI/182, 17 October 2018
			G/TBT/N/CRI/181, 17 October 2018
			G/TBT/N/CRI/166, 20 April 2017
			G/TBT/N/CRI/165, 7 February 2017
			G/TBT/N/CRI/150, 9 July 2015
			G/TBT/N/CRI/148, 8 December 2014
			G/TBT/N/CRI/140, 8 May 2013

Agreement	Description	Frequency	WTO document (most recent if submitted regularly)
Decision on Notification Procedures for Quantitative Restrictions (G/L/59/Rev.1)			
	List of quantitative restrictions currently in force	Once only before 30 September 2012 (within 2 years as from 1 October 2012); *Ad hoc* (changes)	G/MA/QR/N/CRI/3, 14 October 2018
Agreement on Safeguards			
	Conclusion of an investigation without the adoption of safeguard measures	*Ad hoc*	G/SG/N/9/CRI/1, 1 November 2013
Article 12.1(a)	Safeguard measures (upon initiating an investigation)	*Ad hoc*	G/SG/N/6/CRI/4, 26 March 2018 G/SG/N/6/CRI/3, 28 February 2014
Article 12.1(b)	Safeguard measures (upon making a finding of serious injury or threat thereof)	*Ad hoc*	G/SG/N/8/CRI/1, 20 January 2015
Article 12.1(c)	Safeguard measures (upon taking a decision to apply or extend a safeguard measure)	*Ad hoc*	G/SG/N/10/CRI/1, 20 January 2015
Article 9.1, footnote 2	Non-application of safeguard measures against a product originating in a developing country Member	*Ad hoc*	G/SG/N/11/CRI/1, 20 January 2015
Agreement on Subsidies and Countervailing Measures			
Article 25.1 – GATT Article XVI:1	Subsidies (any subsidy as defined in paragraph 1 of Article 1 of the Agreement, which is specific within the meaning of Article 2)	On an annual basis	G/SCM/N/299/CRI; G/SCM/N/315/CRI, 23 October 2017
Article 25.11 – Semi-annual reports	Countervailing measures (adopted in the previous 6 months)	On a semi-annual basis	G/SCM/N/342, 14 December 2018
Article 27.4, Part VIII – Developing country Members	Subsidies (extension beyond the 8-year period, which expired on 31 December 2002)	*Ad hoc*	G/SCM/N/284/CRI; G/SCM/N/290/CRI, 21 July 2015 G/SCM/N/253/CRI; G/SCM/N/260/CRI, 1 July 2013

Source: WTO Secretariat.

Table A3. 1 Customs regimes, 2019

DEFINITIVE REGIMES
Importation and exportation (Article 111): Entry and exit of goods that comply with the formalities and the legal, regulatory and administrative requirements for use and definitive consumption within and outside the Costa Rican customs territory.
TEMPORARY REGIMES
National (internal) and international customs transit (Article 138): Land transportation of goods under customs control within the national territory.
Multimodal transportation (Article 146): National and international transit of goods covered by a single contract of carriage, using at least 2 different modes of transport.
Maritime and air transport (Article 151): Transportation of goods under customs control, which are subject to duties, between 2 national ports or airports.
Trans-shipment (Article 152): Movement of goods under customs control from one transport unit to another in order to proceed with the customs transit without the goods being taxed.
Bonded warehousing (Article 155): Goods are temporarily placed in custody under the responsibility of the bonded warehouse operator and under customs control, without being subject to the payment of import duties.
Repackaging and distribution services in bonded warehouses (Article 161): The customs authority may authorize customs warehouses to provide services for the unpacking, splitting, sorting, packing, packaging, re-packing, re-packaging, re-marking, labelling and distribution of goods for subsequent consumption on the local market or for total or partial re-exportation.
Temporary importation and exportation (Article 165): Goods may enter the customs territory free of import duties for a specific period of time with the suspension of import duties. The goods must be re-exported or imported definitively without undergoing any change or processing whatsoever, within a period established by regulation and according to the purpose of the importation.
On-board provisions (Article 171): On-board provisions are goods which are admitted temporarily and which are to be used for the maintenance of the crew, or to be consumed, sold or presented to passengers by the airline or maritime company. Such goods also include those used in the operation, functioning and preservation of international passenger transport vehicles, not including spare and replacement parts and equipment for the vehicle or transport unit.
REGIMES FOR EXEMPTION FROM PAYMENT OF CUSTOMS TAX
Free zones (Articles 175 and 176): The entry and exit of goods must take place at stations or places provided for the purpose of customs control. The customs authority shall perform, *inter alia*, the following customs control procedures: permanent or intermittent watch at boundaries and on access roads; checks on the use and disposal of the merchandise; and inspection of beneficiary enterprises.
Re-importation in the same state (Article 177): This procedure allows for the duty-free and tax-free entry into the customs territory of domestic or imported goods that have been exported definitively but return in the same state.
Re-exportation (Article 178): This procedure allows for the exit from the customs territory of foreign goods that have arrived in the country but have not been imported definitively.
PROCESSING REGIMES
Inward processing (Article 179): This procedure allows for goods to be received in the national customs territory exempt from all types of taxes and under a guarantee. These goods must be re-exported within the time-limits laid down in the relevant regulations, after being processed.
Temporary export for outward processing (Article 187): This procedure allows for the temporary exportation of goods circulating freely within the national customs territory, for the purpose of processing, working or repair abroad and subsequent re-importation.
DRAWBACK REGIME
Drawback regime (Article 190): This procedure allows for the refund of any duties paid following the definitive importation of inputs, containers or packaging incorporated in export products, provided that the goods are exported within 12 months of their importation.

Source: General Customs Law (Law No. 7557) of 20 October 1995.

Table A3. 2 Summary analysis of the MFN tariff, 2019

	MFN				Bound tariff range[a] (%)
	Number of lines	Average (%)	Range (%)	CV	
Total	**10,434**	**7.0**	**0-151**	**1.4**	**0-233.1**
HS 01-24	2,060	14.3	1-151	1.2	1-233.1
HS 25-97	8,374	5.2	0-15	1.0	0-100
By WTO category					
Agricultural products	1,700	14.1	1-151	1.3	1-233.1
Animals and animal products	218	28.8	1-151	1.3	10-233.1
Dairy products	48	53.8	1-66	0.4	35-94.7
Fruit, vegetables and garden produce	534	12.9	1-46	0.6	1-45
Coffee and tea	48	13.0	1-15	0.3	45-50
Cereals and cereal preparations	194	10.1	1-66	1.0	1-94.7
Oil seeds, fats and oils and their products	142	6.5	1-15	0.8	1-45
Sugar and confectionery	37	17.4	1-46	0.9	45-45
Beverages, alcohol and tobacco	190	13.6	1-41	0.3	5-60
Cotton	6	1.0	1-1	0.0	45-45
Other agricultural products n.e.s.	283	4.9	1-15	1.0	1-45
Non-agricultural products	8,734	5.6	0-46	1.0	0-100
Fish and fish products	481	12.2	1-46	0.4	45-60
Mineral products and metals	1,382	4.8	0-15	1.1	0-60
Chemicals and photographic products	2,105	3.1	0-15	1.3	0-55
Wood, wood pulp, paper and furniture	651	7.5	0-15	0.7	10-55
Textiles	852	0.7	1-15	0.5	30-70
Clothing	251	14.8	1-15	0.1	45-45
Leather, rubber, footwear and travel articles	276	8.2	1-15	0.6	25-70
Non-electrical machinery	852	2.6	0-15	1.6	0-50
Electrical machinery	495	3.0	0-15	1.6	0-63
Transport equipment	703	4.7	0-15	1.2	14-100
Non-agricultural products n.e.s.	640	7.3	0-15	0.9	0-45
Petroleum	46	4.5	0-15	1.0	30-45
By HS section					
01 Live animals; animal products	678	18.2	1-151	1.3	5-233.1
02 Vegetable products	719	10.2	1-46	0.8	1-45
03 Fats and oils	90	9	1-15	0.6	5-45
04 Prepared foodstuffs, etc.	573	15.5	1-151	1.0	5-233.1
05 Mineral products	244	3.4	0-15	1.1	30-45
06 Products of the chemical or allied industries	1,899	2.5	0-15	1.4	0-55
07 Plastics and rubber	469	5.9	1-15	0.8	5-45
08 Raw hides and skins, leather	133	9.0	1-15	0.6	5-60
09 Wood and articles of wood	242	9.1	1-15	0.5	10-45
10 Pulp of wood, paper, etc.	363	6.1	1-15	0.8	20-55
11 Textiles and textile articles	1,068	9.9	1-15	0.5	45-45
12 Footwear and headgear	92	12.9	1-15	0.3	45-70
13 Articles of stone	250	8.0	0-15	0.8	0-60
14 Precious stones, etc.	58	8.0	1-15	0.7	40-45
15 Base metals and articles of base metal	866	4.3	1-15	1.1	20-50
16 Machinery and mechanical appliances	1,403	2.9	0-15	1.6	0-63
17 Vehicles, aircraft, vessels and associated transport equipment	721	4.7	0-15	1.2	14-100
18 Precision instruments	286	4.0	0-15	1.3	0-45
19 Arms and ammunition	28	15.0	15-15	0.0	45-45
20 Miscellaneous manufactured articles	241	11.1	0-15	0.5	20-45
21 Works of art, etc.	11	8.2	6-10	0.2	45-45

a Based on the 2019 tariff, which is in the HS 2017 nomenclature. The official bound rates are in the HS 2007 nomenclature. For the purpose of this analysis, concordance has been ensured between the HS 2007 nomenclature and the HS 2017 nomenclature wherever possible.

CV = Coefficient of variation.

Source: WTO Secretariat calculations, based on data provided by the Costa Rican authorities.

Table A3. 3 Applied MFN tariff quota utilization

(Metric tonnes and %)

Product/ Tariff headings	2013		2017		2019	
	Import volume	% of utilization	Import volume	% of utilization	In-quota rate (%)	Out-of-quota rate %
Other cuts and offal of poultry, fresh, chilled or frozen 0207.13.92, 0207.13.93, 0207.13.94, 0207.13.99, 0207.14.92, 0207.14.93, 0207.14.94, 0207.14.99, 0207.26.90, 0207.44.90, 0207.54.90, 0207.60.49	0	0	719.8	56.1	35	151
Milk and cream, not concentrated nor containing added sugar or other sweetening matter 0401	1.8	0.5	0	0	35	66
Milk and cream, concentrated or containing added sugar or other sweetening matter 0402 (except 0402.91.10 and 0402.99.10)	0	0	0	0	35	66
Buttermilk, curdled milk and cream, yogurt, kephir and other fermented or acidified milk and cream, whether or not concentrated or containing added sugar or other sweetening matter or flavoured or containing added fruit, nuts or cocoa 0403	44	88.1	48.2	96.5	35	66
Butter and other fats and oils derived from milk 0405	13.8	30.6	19.5	43.4	35	66
Fresh cheese; Processed cheese 0406.10, 0406.30	7.4	2.0	26.5	7.1	35	51 66
Sausages and similar products. Meat and meat offal of poultry of heading 0105; other prepared or preserved meat and meat offal of poultry of heading 0105 1601.00.20, 1602.10.20, 1602.32.00/1602.32.10 and 1602.32.90	2.3	1.5	0	0	20 30	41 151
Ice cream and other edible ice, whether or not containing cocoa 2105	36.1	5.0	21.9	3.0	40	66

Note: The bound tariff quotas that do not appear in the annexed table are those that were not activated during the period in question because better access conditions were applied than those established by Costa Rica in Schedule LXXXV.

Source: Information provided by the authorities.

Table A3. 4 Preferential tariff quota utilization

(Metric tonnes and %)

Product/ Tariff headings	2013		2017		Tariff (2019)	
	Import volume	% of utilization	Import volume	% of utilization	In-quota rate (%)	Out-of-quota rate (%)
CAFTA-DR						
Fresh potatoes 0701.90	48.6	14.2	310.4	84.8	0	46
Fresh onions 0703.10.11, 0703.10.12, 0703.10.13, 0703.10.19	245.9	71.9	285.0	77.9	0	46
Meat of swine 0203.11, 0203.12, 0203.19, 0203.21, 0203.22, 0203.29	1,697.6	90.5	2,224.9	91.7	0	5.1 5.2
Legs, thighs and drumsticks 0207.13.93; 0207.14.93	460.2	85.2	630.7	95.6	0	68
Milk powder 0402.10; 0402.21; 0402.29	55.1	19.6	120.1	35.1	0	39.6
Butter 0405.10.00; 0405.20.00	1.8	0.9	2.0	0.8	0	39.6
Cheese 0406.10.10, 0406.10.90, 0406.20.20, 0406.20.90, 0406.30.00, 0406.90.20, 0406.90.90	421.5	73.0	648.6	92.5	0	22.8 30.6 39.6
Ice cream and other edible ice 2105.00	156.3	74.1	200.9	78.2	0	39.6
Other milk products; Milk beverages 0402.99.90, ex 2202.90.90	3.1	1.6	14.6	6.1	0	39.6
Pounded rice 1006.20.00; 1006.30.10; 1006.30.90; 1006.40.00	5,601.4	80.0	6,467.7	80.8	0	1 24.5
Rice in the husk (paddy or rough) 1006.10.90	57,916.0	99.9	61,888.8	99.8	0	24.5
Chicken breasts[a] 0207.13.91; 0207.14.91	0.0	0.0	0.0	0.0	41	41
Milk powder[a] 0402.10; 0402.21; 0402.29	0.0	0.0	0.0	0.0	35	66
Costa Rica and Canada						
Meat and meat offal of swine 0203, 0206.30.90, 0206.49.90	789.7	97.0	742.7	91.2	0	46
Liquid milk or milk powder[b] 0401.10.00, 0402.10.00	0.0	0.0	0.0	0.0	0	66
Natural honey 0409.00	0.0	0.0	n.a.	n.a.	n.a.	n.a.
Wheat or meslin flour 1101.00.00, 1103.11.00	38.5	0.2	n.a.	n.a.	n.a.	n.a.
Soybean flour and residues of soya oil 1208.10.00, 1208.90.00, 2304, 2306.41, 2306.49	0.0	0.0	n.a.	n.a.	n.a.	n.a.
Oils 1507, 1512.11, 1512.19, 1514, 1515.21, 1515.29, 1516.20.90, 1517.90	413.7	22.2	n.a.	n.a.	n.a.	n.a.
Refined sugar obtained from raw sugar from sugarcane[c] 1701.91.00, 1701.99.00	0.0	0.0	3,997.2	99.9	0	0
Costa Rica and Panama (Bilateral Protocol)						
Meat of swine 0203.11, 0203.12, 0203.19, 0203.21, 0203.22, 0203.29, 0210.11, 0210.19	8.5	2.5	0.0	0.0	0 15	46
Refrigerated pasteurized liquid milk 0401.10, 0401.20	0.0	0.0	0.0	0.0	0	5.5

Product/ Tariff headings	2013		2017		Tariff (2019)	
	Import volume	% of utilization	Import volume	% of utilization	In-quota rate (%)	Out-of-quota rate (%)
Long-life ultra-pasteurized liquid milk (in aseptic packings) 0401.10, 0401.20	0.0	0.0	0.0	0.0	0	5.5
Skimmed milk powder 0402.10	0.0	0.0	0.0	0.0	0	5.5
Full-cream milk in bulk (not for repackaging) 0402.21.22	0.0	0.0	0.0	0.0	5.5	5.5
Crude palm oil 1511.10	0.0	0.0	264.0	58.7	0	6
Refined palm oil 1511.90.10, 1511.90.90	0.0	0.0	0.0	0.0	0	6 15
Prepared or preserved meat, or meat offal of fowls of the species *Gallus domesticus* 1602.32.10, 1602.32.90	0.0	0.0	n.a.	n.a.	n.a.	n.a.
Other tomato sauces[d] 2103.20	0.0	0.0	446.5	38.5	0	0
Sausages in airtight containers 1601.00	0.0	0.0	0.0	0.0	0	2.3 5.5 23.2
Ham in containers weighing more than 1 kg 1601.00.30, 1601.00.30	0.0	0.0	0.0	0.0	0	5.5
Ham, in airtight containers 1602.41	0.0	0.0	0.0	0.0	0	5
Stockings and socks 6111.20, 6115.10.90, 6115.94, 6115.95, 6115.96, 6115.99	0.0	0.0	n.a.	n.a.	n.a.	n.a.
Panty hose 6115.10.90, 6115.30, 6115.96	0.0	0.0	n.a.	n.a.	n.a.	n.a.
Toilet paper 4818.10	..	..	431.8	98.1	0	0
Paper towels 4818.20	0.0	0.0	13.6	85.0	0	0
Paper serviettes 4818.30	34.4	78.2	35.9	81.6	0	0
Costa Rica and China						
Meat of swine, frozen[e] 0203.21, 0203.22, 0203.29	0.0	0.0	0.0	0.0	0	46
Black beans 0713.33.10	7,716.0	77.2	9,398.6	94.0	0	31
Costa Rica and Peru						
Meat of bovine animals 0201.10, 0201.20, 0201.30, 0202.10, 0202.20, 0202.30	n.a.	n.a.	0.0	0.0	0	15
Central America and the EU						
Preserved hams and bellies (streaky)[f] **0210.11, 0210.12 0210.19**	0.0	0.0	51.9	4.8	0	5 24
Prepared or preserved meat of swine[f] **1602.41, 1602.42, 1602.49.90**	0.0	0.0	10.2	0.9	0	21.3 35
Milk powder 0402.10.00, 0402.21, 0402.29	0.0	0.0	0.0	0.0	0	65
Cheese 0406.20.90, 0406.30.00, 0406.90.20, 0406.90.90	6.5	8.2	245.7	64.5	0	35 50 65
Whey[f] ex0404.90	0.0	0.0	n.a.	n.a.	n.a.	n.a.

Product/ Tariff headings	2013		2017		Tariff (2019)	
	Import volume	% of utilization	Import volume	% of utilization	In-quota rate (%)	Out-of-quota rate (%)
Costa Rica and Colombia						
Feeding preparations for fish 2309.90.19	n.a.	n.a.	0.0	0.0	0	15

.. Not available.

a Quota for products from the Dominican Republic.
b No defined volume for this quota; an additional tariff preference is granted for products from Canada under the WTO quota.
c Quota for non-originating products.
d Quota for products with flexible rule of origin.
e This quota has not been made available as no plants have been granted sanitary authorization for exportation from China to Costa Rica.
f Regional volumes.

n.a. Not applicable.

Source: Information provided by the authorities.

Table A3. 5 Other charges on imports, 2019

Tax	Rates	Taxable goods/services	Exempt goods/services
General sales tax (GAT)			
General Sales Tax Law (Law No. 6826) of 8 November 1982	13% (unchanged since 2013)	Goods and services	174 goods in the basic food basket (including monthly electricity consumption not exceeding 250 kWh) and 26 goods essential for education (Article 5 of the Regulations implementing the General Sales Tax Law (Executive Decree No. 14082) of 29 November 1982) Energy efficient goods (Article 38 of the Law Regulating the Rational Use of Energy (Law No. 7447) of 3 November 1994) Electric vehicles and spare parts (Article 9 of the Law on Incentives for and the Promotion of Electric Transport (Law No. 9518) of 25 January 2018)
Regulations implementing the General Sales Tax Law (Executive Decree No. 14082) of 29 November 1982	5% (unchanged since 2013)	Monthly residential electricity consumption exceeding 250 kWh.	n.a.
Law on Forestry (Law No. 7575) of 13 February 1996	10% (unchanged since 2013)	Wood	n.a.
Selective consumption tax (ISC)			
Law on the Harmonization of Selective Consumption Taxes (Law No. 4961) of 11 March 1972	Between 5% and 95%, depending on the goods (unchanged since 2013)	Goods such as beer, wine, liqueurs, cigars, cigarettes, paints and varnishes, soap, tyres, machinery and appliances, and vehicles and motorcycles	Energy efficient goods (Article 38 of the Law Regulating the Rational Use of Energy (Law No. 7447) of 3 November 1994) Goods included in tourism contracts (Law on Tourism Development Incentives (Law No. 6990) of 15 July 1985 and Law on the Promotion of Rural Community Tourism (Law No. 8724) of 17 July 2009) Electric vehicles and spare parts (Article 9 of the Law on Incentives for and the Promotion of Electric Transport (Law No. 9518) of 25 January 2018)
Special consumption tax on alcoholic beverages			
Law on the Tax on Cigarettes and Spirits for the Social Protection Plan (Law No. 7972) of 24 December 1999	Between CRC 3.31 and CRC 4.68 per ml of absolute alcohol, according to the percentage of alcohol by volume	Alcoholic beverages	n.a.
Special consumption tax on packaged non-alcoholic beverages			
Law on Tax Simplification and Efficiency (Law No. 8114) of 4 July 2001	Between CRC 6.60 and CRC 19.09 per 250 ml (rate applicable from 1 January 2019)	Carbonated and concentrated beverages; other packaged liquid beverages; water	Milk and beverages for therapeutic or medical use

Tax	Rates	Taxable goods/services	Exempt goods/services
Special tax on toilet soap			
Law on Tax Simplification and Efficiency (Law No. 8114) of 4 July 2001	CRC 0.241 per gram (rate applicable from 1 January 2019)	Toilet soap	n.a.
Tax on fuel			
Law on Tax Simplification and Efficiency (Law No. 8114) of 4 July 2001	Between CRC 23.75 and CRC 257.75 per litre, according to fuel type (rate applicable from 1 February 2019)	13 types of fuel (gasoline, diesel, kerosene, etc.)	Fuel for the refuelling of aircraft and vessels providing international transport services; fuel used by the Costa Rican Red Cross; fuel used by domestic fishing vessels (non-recreational fishing)
Tax on tobacco products			
General Law on the Control of Tobacco and its Harmful Effects on Health (Law No. 9028) of 26 March 2012	CRC 23.75 per unit	Unmanufactured tobacco, cigars, cigarettes and tobacco substitutes	Tobacco substitutes and extracts, and tobacco essences for insecticidal and fungicidal preparations
Taxes for the financing of INDER			
Law establishing the Agricultural Stamp Duty and the Tax on the Consumption of Cigarettes and Beverages (Law No. 5792) of 1 September 1975	2.5% on the price (unchanged since 2013)	Cigarettes	n.a.
	CRC 5.725 per unit of 250 ml (unchanged since 2013)	Carbonated drinks	
	CRC 2.35 per unit of 250 ml, when manufactured by micro and small enterprises whose annual production does not exceed 17 million units (unchanged since 2013)		
	8% on the price (unchanged since 2013)	Liqueurs	
	CRC 0.4 per ml of absolute alcohol (unchanged since 2013)	Beer	
	CRC 0.1 or CRC 0.2 per ml of absolute alcohol (unchanged since 2013).	Wine	
Taxes for the financing of IFAM			
Law on the Sale of Spirits (Law No. 10) of 7 October 1936	10% on the sale price (unchanged since 2013).	Domestic liqueurs	n.a.
	10% of the total import cost (unchanged since 2013)	Imported liqueurs and beer	
Law establishing the Agricultural Stamp Duty and the Tax on the Consumption of Cigarettes and Beverages (Law No. 5792) of 1 September 1975	CRC 0.25618 per ml of absolute alcohol (rate applicable since 1 October 2018)	Domestic and imported beer	

n.a. Not applicable.

Source: WTO Secretariat: *Tributos vigentes en Costa Rica (actualizada al mes de abril de 2016)*, Ministry of Finance. Viewed at: https://www.hacienda.go.cr/docs/570540179b204_tributosvi.pdf; and online information from the Ministry of Finance. Viewed at: https://www.hacienda.go.cr/contenido/13036-subsitio-dgt.

Table A3. 6 Import restrictions

(a) Prohibitions

Product description	HS chapter	Grounds
Prohibitions		
Arms and ammunition, explosives and other related materials	36; 87; 89; 93	Combating illegal manufacturing and trafficking
Hazardous waste	25; 27; 28; 29; 30	Protection of human health Environmental conservation
Freon gas	2903.76.20	Environmental conservation
Worn undergarments and footwear	63	Protection of human health
Used pneumatic tyres (including retreaded)	40	Protection of human health
Mini jellies containing the food additive known as konjac flour INS No. 425	17	Protection of human health
Toys containing toluene and xylene	95	Protection of human health
Conditional prohibitions (imports subject to specific conditions)		
Fish, molluscs and crustaceans	03	Conservation of renewable natural resources

(b) Import permits and authorizations

Requirement	HS chapter	Grounds	Authorizing institution
Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES) import (or export) permit	01, 03, 06, 44	Protection of species	Senior Directorate, National Conservation Area Scheme (Ministry of the Environment and Energy)
Authorization for the import (or export) of fish, molluscs and crustaceans, live or in any living state; sharks and their by-products, tuna, swordfish and sailfish in any form, authorization for the transit of sharks and their by-products in any form	03	Environmental protection	Costa Rican Fisheries and Aquaculture Institute
Permit for the import (or export) of explosives	25, 28, 31, 32, 36, 76	Public security	Department for the Control of Arms and Explosives (Ministry of Public Security)
Authorization for the import (or export) of hazardous waste (Basel Convention)	26, 27, 40, 72, 78, 81, 84, 85, 90	Environmental protection	Directorate for the Protection of the Human Environment (Ministry of Health)
Authorization for the import (and export) of substances that deplete the ozone layer (Montreal Protocol)	27, 28, 29, 30, 38,	Environmental protection	Directorate of Environmental Quality Management, Ozone Technical Office (Ministry of the Environment and Energy)
Authorization for the import of precursors and chemical substances, including customs seals	12, 22, 27-29, 38. 39, 84	Protection of public health	Unit for the Control and Inspection of Precursors (Office of the President)
Authorization for the import (or export) of processed and/or preserved human body parts for transplantation	30	Protection of public health	Technical Executive Secretariat for Organ and Tissue Donation and Transplantation (Ministry of Health)
Authorization to dewarehouse used clothing and footwear	63	Protection of public health	Service Platform Unit (Ministry of Health)
Permit for the import (or export) of drugs and narcotics and customs seals	13, 14, 29	Protection of public health	Drugs and Narcotics Monitoring Board (Ministry of Health)
Authorization for customs clearance of toxic and hazardous substances	25-29, 32-34, 36, 38, 68, 78, 81, 84, 85, 90	Environmental protection	Ministry of Health
Authorization for the import (or export) of raw materials, basic elements for medicines and cosmetics; medicines, cosmetics and medical equipment	12, 13, 19, 29, 30, 33, 34, 38, 40, 48, 56, 90, 96	Protection of public health	Ministry of Health
Permit for the import of arms	87, 93	Public security	Department for the Control of Arms and Explosives (Ministry of Public Security)

Requirement	HS chapter	Grounds	Authorizing institution
Permit for the import of ammunition	93	Public security	Department for the Control of Arms and Explosives (Ministry of Public Security)
Import (or export) authorization from the National Chemical Weapons Authority	28, 29 and 30	Public security	Technical Secretariat (National Chemical Weapons Authority)

Source: WTO documents G/MA/QR/N/CRI/3 of 24 October 2018, G/MA/QR/N/CRI/2 of 9 October 2014, G/MA/QR/N/CRI/1/Corr.1 of 27 February 2013 and G/MA/QR/N/CRI/1 of 8 October 2012.

Table A3. 7 Export restrictions

(a) Prohibitions

Product	HS chapter	Grounds
Prohibitions		
Logs and roughly squared timber from forests	44	Conservation of natural resources
Conditional prohibitions (exports subject to specific conditions)		
Coffee	09	Quality control
Fish, molluscs and crustaceans	03	Conservation of renewable natural resources

(b) Export permits and authorizations

Requirement	HS chapter	Grounds	Authorizing institution
CITES export permit	01, 03, 06, 44	Protection of species	Ministry of the Environment and Energy
Authorization for the export of fish, molluscs and crustaceans	03	Environmental protection	INCOPESCA
Authorization for the export of coffee	09	Quality control	ICAFE
Permit for the export of explosives	25, 28, 31, 32, 36, 76	Public security	Ministry of Public Security
Authorization for the export of hazardous waste (Basel Convention)	26, 27, 40, 72, 78, 81, 84, 85, 90	Environmental protection	Ministry of Health
Authorization for the export and re-export of substances that deplete the ozone layer (Montreal Protocol)	27, 28, 29, 30, 38	Environmental protection	Ministry of the Environment and Energy
Authorization for the import (or export) of processed and/or preserved human body parts for transplantation	30	Protection of public health	Ministry of Health
Authorization for the export of original archaeological items by the Board and Commission	97	Protection of national archaeological heritage	National Museum
Permit for the export of textiles and clothing	50-62	Administration of export quotas	National Association of Textile Industry Exporters
Permit for the export of sugar in bulk	17	Registration and statistical monitoring of the production and export of sugar	LAICA
Authorization for the export of plasms and blood for research purposes	30	Public health	Ministry of Health
Permit for the export of arms and ammunition	93	Public security	Ministry of Public Security
Permit for the export of seeds	09, 12	Registration and monitoring of the export of seeds	National Seeds Office
Permit for the export of dogs and cats (pets)	01	Public health	SENASA
Permit for the export of controlled substances such as precursors, essential chemical substances, and machinery and accessories used for producing narcotics and psychotropic substances in tablet or capsule form	n.a.	Narcotics control	Office of the President

n.a. Not available.

Source: WTO documents G/MA/QR/N/CRI/1 of 8 October 2012, G/MA/QR/N/CRI/1/Corr.1 of 27 February 2013, G/MA/QR/N/CRI/2 of 9 October 2014 and G/MA/QR/N/CRI/3 of 24 October 2018.

Table A4. 1 Main provisions on air services, 2018

	Agreements on air services	Memorandum of understanding	Passenger		Cargo		Charter	Designation of carriers	Prices	Withholding	Cooperation agreement
			Fifth freedom	Capacity	Fifth freedom	Capacity					
Argentina		1997 2003	With rights	Pre-determined	With rights	Pre-determined	Yes	Multiple	Dual approval by the aeronautical authorities	Not indicated	Yes
Belgium		2010	With rights	Free	With rights	Free	Yes	Multiple	Not indicated	Not indicated	Not indicated
Bolivia		1995	With rights	Pre-determined	With rights	Pre-determined	Yes	Multiple	Dual disapproval by the aeronautical authorities	Not indicated	Not indicated
Brazil	2011	2011	With rights	Free	With rights	Free	Yes	Multiple	Free pricing	Effective control	Yes
Canada	2011		With rights	Free	With rights	Free	Yes	Multiple	Free pricing	Majority ownership and effective control	Yes
Chile	1999		With rights	Free	With rights	Free	Yes	Multiple	Free pricing	Majority ownership and effective control	Yes
China		2013	With rights	Pre-determined	With rights	Pre-determined	Yes	Multiple	Dual approval by the aeronautical authorities	Majority ownership and effective control	Yes
Colombia	2015	2011	With rights	Free	With rights	Pre-determined	Yes	Multiple	Country of origin (the State in which the transportation starts must approve the price)	Effective control	Yes
Cuba		2000	With rights	Pre-determined	With rights	Pre-determined	Yes	Single	Dual disapproval by the aeronautical authorities	Majority ownership and effective control	Yes
Dominican Republic		1991	With rights	Pre-determined	With rights	Pre-determined	Not indicated	Single	Dual approval by the aeronautical authorities	Majority ownership and effective control	Yes
Ecuador	2002		With rights	Pre-determined	Without rights	n.a.	Yes	Multiple	Country of origin (the State in which the transportation starts must approve the price)	Majority ownership and effective control	Yes
France	2017	2016	With rights	Free	With rights	Free	Yes	Multiple	Free pricing	Effective control	Yes
Germany		2004 2018	With rights	Pre-determined	With rights	Pre-determined	Yes	Multiple	Not indicated	Not indicated	Yes
Mexico	1991		With rights	Free	With rights	Free	Yes	Multiple	Dual approval by the aeronautical authorities	Majority ownership and effective control	Yes
Netherlands	1994 2018		With rights	Pre-determined	With rights	Pre-determined	Yes	Multiple	Dual approval by the aeronautical authorities	Majority ownership and effective control	Yes
Panama	2013	2013	With rights	Free	With rights	Free	Yes	Multiple	Free pricing	Effective control	Yes
Paraguay	2001		With rights	Pre-determined	With rights	Pre-determined	Yes	Multiple	Dual approval by the aeronautical authorities	Majority ownership and effective control	Yes
Peru		1997	With rights	Pre-determined	With rights	Pre-determined	Yes	Multiple	Dual approval by the aeronautical authorities	Not indicated	Yes
Qatar	2012	2014	With rights	Pre-determined	With rights	Pre-determined	Yes	Multiple	Free pricing	Effective control	Yes
Singapore		2015	With rights	Free	With rights	Free	Yes	Multiple	Free pricing	Effective control	Yes
Spain	1979		With rights	Pre-determined	With rights	Pre-determined	Yes	Single	Dual disapproval by the aeronautical authorities	Majority ownership and effective control	Yes
Switzerland	2017	2017	With rights	Free	With rights	Free	Yes	Multiple	Free pricing	Established within the territory and effective control	Yes
Turkey	2013	2013	With rights	Free	With rights	Free	Yes	Multiple	Free pricing	Established within the territory and effective control	Yes
United Arab Emirates	2011	2011	With rights	Free	With rights	Free	Yes	Multiple	Dual disapproval by the aeronautical authorities	Effective control	Yes

	Agreements on air services	Memorandum of understanding	Passenger		Cargo		Charter	Designation of carriers	Prices	Withholding	Cooperation agreement
			Fifth freedom	Capacity	Fifth freedom	Capacity					
United Kingdom		1997	With rights	Free	With rights	Free	Yes	Multiple	Dual approval by the aeronautical authorities	Majority ownership and effective control	Yes
United States	1997		With rights	Free	With rights	Free	Yes	Multiple	Dual disapproval by the aeronautical authorities	Majority ownership and effective control	Yes
Venezuela	1991	1991	With rights	Free	With rights	Free	Yes	Single	Dual approval by the aeronautical authorities	Majority ownership and effective control	Yes

Source: WTO Secretariat, based on online information from the Directorate General of Civil Aviation (DGAC) (viewed at: http://www.dgac.go.cr/aeronautica_/bilaterales), and information provided by the authorities.