



-Costa Rica-

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GENERAL FEATURES OF TRADE POLICY

With a Gross Domestic Product (GDP) of US\$ 15.8 billion for a population of 3.9 million in 2000, Costa Rica is the second major national market in Central America, behind Guatemala (19.1 billion) and followed by El Salvador (13.2 billion), Panama (10.0 billion), Honduras (5.9 billion) and Nicaragua (2.5 billion).

Following the coffee boom of the 19th century, Costa Rica's growth has been marked by four major developments: the rapid growth of the banana industry during the greater part of the 20th century; the expansion of the state's presence in the economy, which was due to import-substituting industrialisation policies pursued during the 1960s and 1970s; the rise of the tourism industry as an increasingly important sector in the 1980s and 1990s; and the implementation of export-oriented policies aimed at attracting foreign direct investment in high-tech industry and tourism sectors in the 1990s and 2000s, which have transformed the country from a predominantly agricultural economy to one dominated by manufacturing and services.

Since its accession to the GATT in 1990, Costa Rica has participated actively in the multilateral trading system. Costa Rica became a founding member of the WTO in 1995 and notified its acceptance of the **Ministerial Declaration on Trade in International Technology Agreement (ITA)** in 1997. As a member of the **Cairns Group** since 1999, Costa Rica seeks the elimination of subsidies and other agricultural trade-distorting measures.

Costa Rica has also increasingly participated in preferential trade arrangements. It is part of the customs union Mercado Comun Centroamericano (MCCA), or **Central American Common Market (CACM)**, together with Guatemala, El Salvador, Honduras and Nicaragua, and has subscribed bilateral **free trade agreements** with **Chile, Mexico, Panama, the Dominican Republic, and Canada**. Trade negotiations are either ongoing or planned with Jamaica and Trinidad and Tobago. Costa Rica is playing an active role in the **Free Trade Area of the Americas** process, and enjoys unilateral concessions from **various Generalised System of Preferences (GSP) schemes** and the **U.S. Caribbean Basin Initiative (CBI)**.

Costa Rica's main trade partner is the United States, with more than a 50% share of total trade in 2000 (52% of exports and 53% of imports). The European Union (EU) comes second (20% of exports and 11% of imports). Other important partners are Japan and Canada (both with about 2,2% of total trade). Costa Rica has traditionally run a trade deficit that amounted to US\$1.2 billion in 2001. In this year the value of exports fell by 14.4% to \$5.05 billion, while imports increased by 2.8% and reached a value of US\$6.25 billion.

EU trade with Costa Rica

Apart from the EU regulation applying the GSP for the year 2002 to 2004, trade relations between Costa Rica and the EU are managed through the WTO agreements, the 1993 Framework Cooperation Agreement between the European Economic Community and the Republics of Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua and Panama, and the Joint Declaration and Action Plan of the June 1999 EU, Latin America and Caribbean Rio Summit. In the follow-up to the Rio Summit, with regard to commercial and economic co-operation, the European Commission's first priority for Central American countries other than Mexico will be support for integration into the world economy.

Until mid-2001, at bilateral level, the long-running dispute over bananas dominated trading relations with Costa Rica, the second-largest banana supplier after Ecuador and one of the four signatories of the "Banana Framework Agreement" of 1994, which included a provision granting Costa Rica a quota of 23.4% of all bananas imported into Europe from Latin America. In January 2001 the EU adopted a regulation that provides for a tariff only system for banana imports from 1 January 2006 at the latest. In the interim period, the tariff quotas are maintained and managed following the EC understandings reached with the USA and Ecuador in April 2001.

According to Eurostat, in 2001 trade in goods between the EU and Costa Rica decreased by 17.7% to €2.74 billion as a result of a substantial decline of Costa Rican exports to the EU: these fell by 27.3% to €1.93 billion, while Costa Rica's imports from the EU increased by 20.6% to €0,91 billion.

The following table is an overview of the trade flow between the European Union and Costa Rica

Section	Year	Import(Euro)	Export(Euro)
Animals & animal products	1996	12,796,610	1,471,580
	1997	17,198,620	1,854,110
	1998	11,275,420	3,582,370
	1999	11,829,890	2,136,300
	2000	12,371,400	2,515,300
	2001	15,522,230	2,355,050
	2002	17,042,190	3,596,310
	2003	11,480,450	2,767,490
Vegetable products	1996	721,567,470	5,126,790
	1997	754,080,950	3,866,110
	1998	764,162,250	3,820,530
	1999	737,615,630	6,510,170
	2000	783,641,830	7,572,860
	2001	790,740,040	9,897,280
	2002	872,562,130	12,927,330
	2003	889,728,140	11,313,440
Animal or vegetable fats	1996	2,030	815,620
	1997	1,520	1,085,540
	1998	0	1,917,920
	1999	0	1,276,950
	2000	4,480	1,896,540
	2001	13,070	1,997,350
	2002	32,850	2,223,910
	2003	6,400	2,028,370
Prepared foodstuffs	1996	30,876,910	8,177,000
	1997	49,495,010	8,521,410
	1998	59,030,640	15,490,510
	1999	60,688,840	15,117,900
	2000	72,306,050	23,615,910
	2001	70,349,230	31,804,690
	2002	72,546,070	26,007,360
	2003	73,880,680	25,514,750
	1996	7,270	11,606,090
	1997	27,100	27,598,650

Mineral products	1998	132,020	8,260,000
	1999	3,678,180	22,916,650
	2000	446,780	72,646,000
	2001	585,950	53,446,490
	2002	6,402,700	84,451,330
	2003	667,670	85,271,470
Chemical products	1996	1,747,590	58,208,310
	1997	2,864,040	68,059,930
	1998	7,138,880	65,301,300
	1999	746,240	83,283,920
	2000	2,500,240	100,093,500
	2001	1,059,270	187,834,980
	2002	6,653,380	112,535,030
	2003	1,332,320	107,524,650
Plastics & rubber	1996	1,323,060	15,944,280
	1997	2,220,830	15,188,510
	1998	3,157,530	17,566,020
	1999	3,943,650	19,397,230
	2000	3,665,370	20,998,530
	2001	5,816,330	23,173,420
	2002	4,814,020	26,000,600
	2003	6,554,960	23,136,300
Hides & skins	1996	5,427,760	70,550
	1997	7,532,600	164,400
	1998	5,184,110	976,150
	1999	3,836,100	2,415,620
	2000	5,617,300	2,600,940
	2001	8,611,870	2,137,100
	2002	7,804,680	4,114,100
	2003	5,224,280	863,740
Wood & wood products	1996	772,530	1,516,120
	1997	614,630	1,411,580
	1998	640,340	482,680
	1999	637,100	1,107,390
	2000	2,247,650	1,533,840
	2001	886,880	1,816,910
	2002	942,760	2,828,770
	2003	603,730	2,243,010
Wood pulp products	1996	63,930	8,979,690
	1997	193,250	13,054,270
	1998	212,230	13,976,750
	1999	262,400	17,672,250
	2000	225,480	22,481,760
	2001	371,660	28,344,240
	2002	928,910	31,655,180
	2003	247,670	26,978,680
Textiles & textile articles	1996	3,684,310	5,462,380
	1997	4,727,700	7,477,250
	1998	5,482,100	7,490,710
	1999	3,364,250	8,031,270
	2000	5,951,250	9,530,270
	2001	5,684,550	12,241,150
	2002	4,072,440	13,161,820
	2003	2,069,910	10,708,130
Footwear, headgear	1996	560,740	1,055,620
	1997	371,690	2,025,090
	1998	49,600	2,137,940
	1999	100,830	1,813,160
	2000	204,880	1,605,810
	2001	26,360	1,778,510
	2002	29,240	1,744,010

	2003	12,360	1,215,370
Articles of stone, plaster, cement, asbestos	1996	2,770	8,802,250
	1997	22,560	15,328,380
	1998	95,590	17,424,920
	1999	159,050	17,945,780
	2000	534,750	25,134,510
	2001	349,840	27,190,790
	2002	517,680	27,723,000
	2003	97,690	17,577,780
Pearls, (semi-)precious stones, metals	1996	1,776,000	938,730
	1997	692,510	233,860
	1998	826,260	482,380
	1999	4,026,150	649,480
	2000	1,331,130	752,430
	2001	718,540	716,880
	2002	809,520	675,980
	2003	791,160	722,840
Base metals & articles thereof	1996	2,803,860	23,280,100
	1997	1,118,200	35,585,150
	1998	863,980	40,004,610
	1999	1,339,460	41,587,750
	2000	2,986,370	38,042,480
	2001	1,302,590	43,083,830
	2002	1,141,660	47,225,050
	2003	1,185,830	37,942,580
Machinery & mechanical appliances	1996	9,969,600	80,912,560
	1997	14,950,960	97,202,800
	1998	453,886,520	157,634,660
	1999	872,710,700	168,738,720
	2000	1,281,837,820	165,896,610
	2001	180,931,100	204,506,750
	2002	1,474,750,440	271,072,780
	2003	1,375,925,740	304,731,140
Transportation equipment	1996	259,470	10,753,850
	1997	200,380	15,424,520
	1998	292,910	19,332,620
	1999	610,270	24,296,640
	2000	1,243,340	30,311,870
	2001	588,220	48,347,730
	2002	420,220	42,950,350
	2003	2,461,300	35,923,920
Instruments - measuring, musical	1996	1,199,150	8,663,020
	1997	2,719,430	11,693,280
	1998	1,985,270	15,030,740
	1999	4,687,560	28,059,510
	2000	3,076,910	31,185,980
	2001	7,154,970	23,395,940
	2002	12,494,860	43,758,360
	2003	15,788,310	47,439,780
Arms & ammunition	1996	0	293,560
	1997	15,480	127,510
	1998	0	406,220
	1999	0	554,690
	2000	0	241,080
	2001	0	147,640
	2002	0	283,820
	2003	0	217,440
Miscellaneous	1996	201,550	3,778,310
	1997	180,770	4,914,820
	1998	349,090	8,347,750
	1999	1,534,250	9,657,530

	2000	989,350	10,209,450
	2001	457,300	13,133,920
	2002	551,660	13,278,260
	2003	184,860	14,676,240
Works of art	1996	1,360,070	95,000
	1997	67,970	190,400
	1998	7,990	144,320
	1999	38,890	80,390
	2000	15,020	78,060
	2001	54,730	316,860
	2002	28,400	141,600
	2003	48,440	240,360
Other	1996	523,680	497,640
	1997	395,120	520,200
	1998	489,240	797,220
	1999	1,006,770	974,770
	2000	798,330	1,003,030
	2001	987,400	859,220
	2002	2,548,160	3,274,940
	2003	2,062,410	2,179,470

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TARIFFS AND DUTIES

Applied Tariff Levels

As a **member of the CACM**, Costa Rica applies its common external tariff and internal free-trade provisions. The Central American Import Tariff contains the nomenclature for the official classification of goods (Sistema Arancelario Centroamericano, SAC), which is based on the Harmonized Commodity Description and Coding System (HS).

Each member of the CACM has established its own programme of tariff reduction for intraregional trade. The average import-weighted tariff applied by Costa Rica has dropped from 10% in 1995 to 4.3% in 2000. Nevertheless, **farm produce is still subject to tariffs higher than for other products**. Current duty rates may be searched by either an HS Product Code (4 or 6 digits) or by Keywords describing the product in the **Applied Tariffs section** of this Database.

Tariff Predictability

Costa Rica has bound all its entire tariff, except for 5 tariff lines. Most lines were bound at a maximum of 45%; the main exceptions are agricultural products, for which the maximum is 233%.

Tariff Quotas

Under its Uruguay Round minimum access commitments, Costa Rica maintains import tariff quotas for certain agricultural products such as poultry and poultry parts (HS 0207.39.90); fluid and powdered milk and cream (HS 0401-0402); yoghurt, butter and fresh, and processed cheese (HS 0403, 0405 and 0406); ice cream (2105); and poultry sausages and similar products (HS 1601.00.20, 1602.10.20 and 1602.39.00). The Agricultural Commodities Exchange (Bolsa de Productos Agropecuarios, BOLPRO) is responsible for administering the quotas under the supervision of the Ministries of Agriculture and Livestock and Foreign Trade.

Internal Taxation and Tax Discrimination

In addition to import duties and the 1% tax on customs value, imports are subject to a series of charges connected with customs formalities and internal taxes. The latter include the general sales tax (impuesto general sobre las ventas, IGV), the selective consumption tax (impuesto selectivo de consumo, ISC), the

specific consumption tax (impuesto específico al consumo), the tax for the Institute of Municipal Development and Counselling (Instituto de Fomento y Asesoría Municipal, IFAM), and the tax for the Agrarian Development Institute (Instituto de Desarrollo Agrario, IDA). Internal taxes are applied at the same rates to domestic and foreign products, except the IFAM and IDA taxes which are collected mainly on alcoholic beverages, some non-alcoholic beverages and cigarettes.

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TRADE DEFENCE INSTRUMENTS

For the period 1 January 1995 - December 2001, Costa Rica reported four anti-dumping or countervailing investigations against imports of polymethyl methacrylate sheet from Mexico; dried onion from the United States, Guatemala and Nicaragua; domestic refrigerators from Mexico; and glazed ceramic water closets and wash basins from Venezuela. The latter investigation is still pending; the three others concluded without the imposition of provisional or definitive duties.

Since December 2000, the Legal Affairs Unit of the **Ministry of the Economy, Industry and Trade** is responsible for conducting all administrative investigations involving the possible imposition of anti-dumping duties, countervailing duties or safeguard measures.

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NON TARIFF BARRIERS

Registration, Documentation, Customs Procedures

Customs procedures sometimes are unpredictable and too long.

Quantitative Restrictions and Related Measures

Costa Rica maintains import restrictions on a limited number of products. These include ozone depleters, asbestos, arms and explosives, natural products in pharmaceutical form and tisanes, narcotics, psychotropic substances and unauthorised drugs, cosmetics, hazardous product, and medicaments.

Standards, Sanitary and Other Technical Requirements

As a consequence of its obligations under the WTO Agreement on Technical Barriers to Trade, Costa Rica reorganised the responsibilities relating to technical regulations, standards, conformity assessment procedures and metrology, creating the National Quality System. The system is supervised and coordinated by the Ministry of the Economy, Industry and Trade, which chairs the National Quality Commission (Comisión Nacional de la Calidad), which is responsible for formulating the policies, directives and recommendations of the National Quality System.

Non-statutory standardisation is the responsibility of the Costa Rican Technical Standards Institute (Instituto de Normas Técnicas de Costa Rica, INTECO). In December 1997, INTECO accepted the Code of Good Practice for the Preparation, Adoption and Application of Standards which forms part of the WTO's Agreement on Technical Barriers to Trade.

The national body for *technical regulations* is the Inter-Ministerial Technical Regulations Commission (Comisión Interministerial de Reglamentación Técnica), for which secretariat services are provided by the National Bureau of Standards and Units of Measure (Oficina Nacional de Normas y Unidades de Medida, ONNUM). At the end of October 2000, Costa Rica had some 240 technical regulations in force.

The *accreditation activities* of certifying bodies, calibration and testing laboratories and inspection and monitoring bodies are supervised by the National Accreditation Body (Ente Nacional de Acreditación,

ENA). ENA's activities are both statutory and non-statutory and have to be adapted to the guidelines and criteria established internationally.

The *labelling* requirements applicable to food in Costa Rica are based on national standards and the standards of the Codex Alimentarius. Costa Rica has also specific labelling regulations for a number of non-food products including stationery products and the like for school and office use and textile products.

Apart from the WTO Agreement on the Application of Sanitary and Phytosanitary (SPS) Measures, the main provisions concerning *SPS measures* in Costa Rica are to be found in the Phytosanitary Protection Act and its Regulations, the Central American Regulation on Sanitary and Phytosanitary Measures and Procedures, the Regulations of the Ministry of Agriculture and Livestock Organisation Act and the Animal Health Act. The Ministries of Agriculture and Livestock and of Health are responsible, each within its own sphere of competence, for fulfilling the obligations and exercising the rights laid down in the SPS Agreement.

Subsidies

Pursuant to Article 27.4 of the Agreement on Subsidies and Countervailing Measures, in December 2001 Costa Rica requested for extensions of the 8-year period for the application of export subsidies contained in the programmes known as the Free Zone Regime (**Law on the Free Zone Regime** No. 7210 of 23 November 1990 and amendments thereto) and the Inward Processing Regime (**Regulations for the Inward Processing and Duties Rebate Regimes** - Executive Decree No. 26285-H-COMEX of 19 August 1997 and amendments thereto).

The Free Zone Regime consists in a set of incentives and benefits granted by the Costa Rican Government to companies that make new investments in the country.

Other Non-Tariff Measures

Import Prohibitions

Coffee husks and skins and used cardboard egg separators are not allowed to be imported for health reasons.

Import Licensing

Import permits are required for products subject to quantitative restrictions, and they must be obtained from the competent Ministry. The import licenses or certificates related to the allocation of tariff quotas are awarded by BOLPRO, the commodity Exchange.

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RESTRICTIVE EXPORT MEASURES

At the beginning of 2001, Costa Rica was still taxing banana exports, after having removed the taxes on coffee and meat exports in 1999. Since May 2000, in agreement with the Association of Coffee Producing Countries, Costa Rica has been retaining 20% of its exportable coffee production.

Certain products, including tropical wood logs (valuable woods), protected species of wild fauna and flora, coffee, cattle on the hoof, virgin honey, bulk sugar, flowers and raw cotton, are subject to export licensing. The export of logs and roughly squared timber from forests is banned.

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INVESTMENT RELATED BARRIERS

The Costa Rican Foreign Trade Promotion Agency (Promotora del Comercio Exterior de Costa Rica, PROCOMER) is responsible for formulating and coordinating programmes relating to exports and investment, together with the Free Export Zone Corporation (Corporación de Zonas Francas de Exportación S.A., CZFE), the Centre for the Promotion of Exports and Investment (Centro para la Promoción de las Exportaciones e Inversiones, CENPRO) and the National Council for Investment (Consejo Nacional de Inversiones, CNI).

In 1998, the National Deregulation Commission (Comisión Nacional de Desregulación) was set up to promote a better climate for trade and investment by simplifying procedures and removing unnecessary obstacles.

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IPR

Costa Rica is a member of the World Intellectual Property Organisation (WIPO) and a party to most of the intellectual property rights conventions on trade marks, copyrights and patent protection. Since 1995 the national legislation, specially referring to copyrights, has been broadly reformed in order to ensure conformity with Costa Rica's international commitments.

Although the Law on Procedures for the Enforcement of Intellectual Property Rights, including criminal sanctions for copyright and trademark violations, was passed in October 2000, protection for IPR is not always backed by enforcement actions to deter intellectual property violations. Thus software, video games and CDs piracy continues to be a problem.

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OTHERS

Costa Rica's Schedule of Specific Commitments under the WTO General Agreement on Services in Trade includes services in only five of the 12 categories of services: services to companies (computer and related services exclusively); education services; financial services (banking); social and health services (hospital); and tourism and travel services. Generally services are bound only for the mode of supply involving consumption abroad. A notable exception is banking services for which national treatment has been bound for the mode of supply involving commercial presence. The State still enjoys a monopoly on insurance, telecommunications, electricity supply and fuel supplies.