



**TRADE POLICY REVIEW**

REPORT BY

COSTA RICA

Pursuant to the Agreement Establishing the Trade Policy Review Mechanism (Annex 3 of the Marrakesh Agreement Establishing the World Trade Organization), the policy statement by Costa Rica is attached.

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## 1 INTRODUCTION

1.1. The country's foreign trade and direct foreign investment (FDI) policy has continued to be a driver of growth since the previous Trade Policy Review (TPR). The Government of Costa Rica has taken measures aimed at ensuring that its trade policy tools facilitate the establishment of clear, predictable and transparent rules governing trade and enable the country to better integrate international markets.

1.2. Costa Rica considers that the multilateral trading system continues to be a cornerstone of global trade relations. Therefore, it is imperative for the country to adapt to new production realities resulting from the proliferation of global value chains, the advent of industry 4.0, the growth of e-commerce and a greater share of services in the economy. To that end, the country is determined to pursue its efforts aimed at achieving consensus that would allow it to tackle the challenges facing the multilateral trading system while recognizing the importance of participating actively in the various initiatives being promoted to advance negotiations on e-commerce, sustainable trade, reform of the World Trade Organization (WTO) and dispute settlement.

1.3. In the past years, one of main thrusts of the country's trade policy has been trade facilitation. Adoption and entry into force of the WTO's Trade Facilitation Agreement (TFA) during that period has gone a long way to helping achieve this goal. In addition, actions have been taken with a view to boosting the country's productivity both at the national level – with the modernization of land border posts – and the regional level with a coordinated border management strategy.

1.4. These efforts will help consolidate the foundation of trade agreements which, thanks to the entry into force of three new instruments since the previous TPR and the recent ratification by parliament of another, create a more conducive environment for growth, diversification and sophistication of trade and investment. Moreover, the country has made it a priority to significantly strengthen its public policy as part of its process of affiliation to the Organization for Economic Co-operation and Development (OECD).

1.5. During the period under review, the country has implemented cross-cutting reforms that promote trade and investment without prejudice to its international commitments. Among these are the adoption of a fiscal reform package aimed at reducing fiscal imbalances, containing public debt and consequently ensuring greater sustainability of public funds in the long term. It is also implementing a programme of economic recovery under which processes are simplified and focused on micro, small and medium-sized enterprises (MSMEs) and startups, while others aim to boost employability and road infrastructure.

1.6. During this period, the investment-attraction policy was instrumental in consolidating the structural transformation of the economy and promoting the country's socio-economic development, specifically generation of more and better employment opportunities, gaining momentum for a more dynamic economy, a fresh injection of production capital, creation of opportunities to link local enterprises to the global economy, increased efficiency, knowledge transfer and upgrading the skills of nationals.

1.7. Costa Rica has continued to take steps to deepen its integration into the global economy by fostering dynamic, inclusive and sustainable growth. As part of those efforts, it has notably taken measures to diversify its exportable supply, foster the creation and growth of innovative MSMEs, as well as promote a greater role for women and gender equality in the export sector. Efforts aimed at strengthening and modernizing the State in line with best international practice have led to an enhanced legal and institutional framework for the competent authorities. In addition, the national statistics system, which produces the data that informs public policy decision-making, is being improved.

## 2 ECONOMIC AND TRADE POLICY ENVIRONMENT

2.1. In the period 2013-2018, the Costa Rican economy grew at an average annual rate of 3.3%, registering 4.2% growth in 2016. Nominal GDP per capita increased by 13.9% between 2013 and 2018, reaching in the last of these years a nominal value of USD 12,017. Per capita GDP adjusted to purchasing power parity (PPP) rose 21.3% in that period to reach USD 17,559 in 2018.

2.2. The economy grew in 2018 by 2.7%, below the average for the period under review. This slower growth rate was due to various internal and external factors. The main internal factors were pressure generated by fiscal imbalances, strikes by some trade unions in the public sector against the public finance strengthening plan, and weather events that affected harvests of major crops. Regarding the international context, the economy was affected by the monetary policy implemented in some developed countries, with the concomitant hike in international interest rates, higher prices of raw materials – mainly hydrocarbons – trade tensions between powerful economies, as well as the political situation in neighbouring countries.

2.3. In the past three decades, Costa Rica has made deep structural changes to its economy through the sustained implementation of an open trade policy and its policy of attracting FDI. This policy, combined with a strategic location, a healthy and favourable business climate and the availability of highly qualified human capital, has led to the diversification and sophistication of Costa Rica's exportable supply. This situation has been aided by good jobs and a more resilient economy in the face of international economic cycles.

2.4. Foreign trade has been the strongest driver of the Costa Rican economy. Although it has an internal market of close to 5 million inhabitants, Costa Rica is signatory to several trade agreements that gives it access to markets with preferential conditions and legal certainty. These markets, taken together, represent one third of the world population and two thirds of global GDP. Trade – exports and imports – and FDI accounted on average for 71% of GDP during the period covered by this report.

2.5. Total exports recorded an annual average growth of 5.6%, from USD 15.549 million in 2013 to USD 20.379 million in 2018. This increase went hand-in-hand with a growing balance between goods and services and an ever-narrowing import-export gap. That gap was virtually non-existent in 2018.

2.6. Exports of goods accounted on average for 55% of total export sales. The industrial sector is being led by the subsector of precision and medical equipment, which recorded an annual average growth rate of 16.7% between 2013 and 2018. This trend resulted in a rise in goods for six years in a row from 18% of exports to 29%. Other subsectors that performed notably are the chemical, electricity and electronics industries, as well as the engineering subsector. The primary agricultural sector continues to hold a firm spot within exported goods and has stood around 25% for the past six years. Exports of bananas, pineapple, coffee and yam are major exports. The food processing industry sector has remained steady, accounting for 15% of exported goods, with the notable sale of certain food preparations and palm oil.

2.7. Services exports represented about 45% of total exports between 2013 and 2018. This item grew by an average annual rate of 5.5%, from USD 6.949 million in 2013 to USD 9.092 million in 2018. Export of business, IT, information and communication services, surpassed tourism, which historically has always held the top spot among service exports. In 2018, business, technology and information services represented 48.4% of the country's total export services, up from 40.1% in 2013. Services exports not only grew in size, but also in degree of sophistication, and now, in addition to call centres, engineering services, production and software services, also encompass research and development (R&D) activities, digital animation and market intelligence services, among others.

2.8. The policy of attracting FDI has focused on four specific areas: services, advanced manufacturing, life sciences and clean technology, which Costa Rica considers to have a high potential for growth and sophistication. Furthermore, significant efforts are being made to further attract investment in infrastructure and tourism. This strategy has generated high growth in job opportunities and technology and knowledge transfers, which in turn has allowed this sector to increase its productivity. The government's strategy for diversifying FDI has led to an increase and diversification of exports, reform of the country's productive sector and greater participation in global value chains, particularly in electronics, medical devices, automobiles, aerospace/aeronautics and film equipment.

2.9. Despite the downward global FDI trends, Costa Rica has continued to attract productive foreign investment. During the review period, the sector that experienced the highest growth was manufacturing, which saw a spike in FDI from USD 316 million in 2013 to USD 1.088 million in 2018,

accounting for a 51% share in the last year. This sector includes life sciences, advanced manufacturing and light manufacturing. The services sector follows closely (22%), real estate (12%), financial services (6%) and trade (6%).

2.10. The public finance imbalance affected the Costa Rican economy's performance during the review period. That is why the current Administration took measures to contain spending through executive decrees and directives and pushed through passage of the Law on Strengthening Public Finances in December 2018. Based on these reforms, the government is hoping to lower the fiscal deficit by close to 3.5 percentage points of the GDP by 2022 and achieve a more sustainable level of public finances.

2.11. In parallel, the government designed a set of economic recovery measures, which includes the following specific actions: simplification of procedures in business construction, openness and investment; support for the business sector, especially MSMEs and business ventures; promotion of employability and infrastructure.

### **3 TRADE POLICY DEVELOPMENTS 2013-2018**

3.1. The country has set up a foreign trade platform based on WTO rules and disciplines, Central American economic integration instruments and various free trade agreements (FTAs) in force. Costa Rica has remained an active player in bilateral and regional trade negotiations and, as such, is party to 14 FTAs that regulate the country's trade with 50 trading partners, who together account for 92.6% of exports and 82.9% of imported goods. Once the FTAs with the Republic of Korea and CARICOM – which are pending ratification by their respective parliaments – enter into force, the number of preferential trading partners will increase to 58 and the percentage of trade flows covered by these trade agreements will reach 93% of exports and 84% of imported goods.

3.2. This trade platform enables the majority of Costa Rica's trade in goods and services to benefit from sound trade rules in preferential conditions on the markets of its major trading partners. Costa Rica is projecting itself as an attractive partner for foreign investors interested in accessing its markets by setting up and developing productive operations in the country. It must be said that the global economic environment is dynamic and changing. For this reason, the country's foreign trade platform must be constantly improved and strengthened. This will be an ongoing task to ensure that the platform remains relevant and competitive.

3.3. Foreign trade and FDI continued to drive the country's growth during the review period. Exports of goods and services grew significantly in 2018 to reach USD 20.379 million, or 5.5% higher than the previous year. Also noteworthy are increases in the precision and medical instruments and services sectors.

#### **3.1 Multilateral trading system**

3.4. Costa Rica has faith in and is fully committed to the multilateral trading system and the WTO. For a small country that is well integrated into the global economy through trade, it attaches great importance to being an active Member of the WTO, as it does to its proper functioning and respect for its rules and principles.

3.5. The WTO should continue to play the pivotal role of keeping markets open and preventing protectionism through rules and appropriate disciplines in order to tackle the challenges of the 21<sup>st</sup> century. This would require WTO rules to be adapted and take into account new realities such as the proliferation of global value chains, which have resulted in increasingly interlinked economies. Moreover, the advent of the fourth industrial revolution, e-commerce and trade in services, have meant that the usual way of conducting commercial transactions has changed significantly.

3.6. Costa Rica considers that it is crucial for the WTO to continue playing the role of bastion and guardian of the multilateral trading system. The WTO has initiated a reform process in order to deal with the challenges facing the organization so that it may continue to be an effective forum for advancing multilateral trade negotiations, settling trade disputes and monitoring compliance with commitments made by Members. Costa Rica has identified some areas which, in its view, will help steer the working agenda of the WTO and provide it with tools to enable it and its Members to better tackle future challenges.

3.7. Costa Rica considers that timely access to information is crucial to ensuring the WTO's monitoring and negotiation functions and to lowering the risk of trade wars and tensions. Therefore, it is essential for all Members to comply in a timely manner with their notification obligations as established by the WTO. Costa Rica presented together with other Members a proposal on how to promote fulfilment of notification commitments, combined with ongoing efforts to keep their obligations in this area updated.

3.8. Similarly, the country considers it important to pay attention to how the WTO bodies can be more efficient and better facilitate dialogue among Members, thus reducing trade tensions, while safeguarding the rights and obligations of Members.

3.9. The Dispute Settlement Body (DSB) has been crucial for Members to resolve their trade differences, guaranteeing legal certainty in trade relations. Restoring its full powers should be a top priority for all without exception. Costa Rica has made a contribution to the discussions by presenting proposals, along with other Members, aimed at preserving one of the mainstays of the WTO and dealing with the systemic concerns that have arisen regarding the functioning of the Appellate Body.

3.10. On another level, the links between trade and the environment are increasingly close and offer a growing number of opportunities to forge virtuous and complementary ties. Both the 2030 Agenda and the Paris Climate Change Agreement have set the scene for trade to play a more prominent role in tackling climate change challenges. Costa Rica is of the view that there is enormous potential for expanding collaboration between the trade and environment communities so that both can work together and in a mutually beneficial manner.

3.11. Costa Rica welcomes the entry into force of the FTA which we actively supported during its negotiation. Costa Rica presented its ratification instrument for the FTA in May 2017. This FTA is the fruit of collaboration, flexibility and pragmatism demonstrated by the entire WTO membership, convinced that it would benefit everyone, especially the MSMEs in developing countries.

3.12. With regard to the implementation of the agreements reached at the Ninth WTO Ministerial Conference in Bali, the new regulations on the allocation of tariff quotas (Executive Decree No. 39938-COMEX), introducing the amendments required to comply with the agreements on the administration of agricultural tariff quotas, were published in September 2016. In order to improve the administration and use of tariff quotas, the deadlines for the allocation of import quotas were changed, requirements for the publication of allocation outcomes were established and the functioning of the quota allocation mechanism was clarified. Costa Rica submitted the relevant notification on 20 September 2017 in document G/AG/N/CRI/61, describing its compliance with the commitments made in the Understanding on Tariff Rate Quota Administration Provisions of Agricultural Products, as defined in Article 2 of the Agreement on Agriculture.

### **3.1.1 Participation in ongoing negotiations and joint initiatives**

3.13. Costa Rica supports all efforts to bring the negotiations on fisheries subsidies to a satisfactory conclusion by the end of 2019, in accordance with the commitment made at the Eleventh WTO Ministerial Conference in Buenos Aires<sup>1</sup> and Sustainable Development Target 14.6 of the 2030 Agenda, with a view to the prohibition of fisheries subsidies which contribute to overcapacity and overfishing and the elimination of subsidies that contribute to illegal, unreported and unregulated fishing by 2020.<sup>2</sup>

3.14. Costa Rica will also continue to support reform of the global agricultural sector in order to reduce and eliminate market distortions and to create trade opportunities for products of interest to developing countries, particularly tropical products.

3.15. Strengthening the WTO through new rules and multilateral disciplines continues to be one of Costa Rica's objectives and is the best way to support economic growth, international cooperation and the development of all WTO Members and to achieve the Sustainable Development Goals (SDGs).

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<sup>1</sup> Fisheries subsidies. Ministerial Decision of 13 December 2017, WT/MIN(17)/64.

<sup>2</sup> 2030 Agenda for Sustainable Development. Goal 14.6.

3.16. While multilateral results are always preferable, it is not always easy for WTO Members to reach a consensus, which has often undermined the WTO's negotiating function. Costa Rica has continued to take part in plurilateral initiatives with other WTO Members which, due to their compatibility with WTO rules, enable progress to be made in some areas of the WTO's work.

3.17. During the period under review, Costa Rica has actively participated in the negotiations on a Trade in Services Agreement (TISA) and an Environmental Goods Agreement (EGA). The country remains committed to these negotiations and hopes that they will resume in the near future.

3.18. Costa Rica is also party to the Ministerial Declaration on Trade in Technology Products, also known as the Information Technology Agreement (ITA), and was one of the countries involved in its expansion. Further to the agreement reached on this matter, Costa Rica submitted the applications for tariff modification under the Convention on the Central American Tariff and Customs Regime to the Council of Ministers for Economic Integration (COMIECO). These applications are on the agendas of the Tariff Policy Committee and the Central American Tariff Technical Group.

3.19. E-commerce has proven to be a valuable tool for promoting development. In light of this, Costa Rica joined forces with other WTO Members and established the Friends of E-Commerce for Development (FEDs) Group in July 2016. The FEDs' objective is to provide a forum to discuss the challenges and opportunities that e-commerce presents for developing countries and, particularly, for MSMEs. The FEDs' work has been instrumental in improving understanding of how developing countries can better benefit from e-commerce and facilitating their participation in the digital economy.

3.20. In addition, Costa Rica enthusiastically participated in the discussions held after the Eleventh WTO Ministerial Conference under the joint initiative on e-commerce. It therefore welcomes the joint Ministerial Declaration signed in January 2019 in Davos, in which ministers confirmed their intention to commence WTO negotiations on trade-related aspects of e-commerce, and fully endorses the objective of achieving a high standard outcome that builds on WTO Agreements with the participation of as many WTO Members as possible.

3.21. Costa Rica considers it essential to maintain and strengthen the WTO work programme on e-commerce and to reach an agreement to make the commitment on the non-imposition of tariffs on electronic transmissions permanent, so as to ensure predictability in trade in digital products and, with it, the proper functioning of markets.

3.22. Domestic regulation can have a significant impact on trade in services by facilitating the entry of service providers and contributing to the better use of trade opportunities. WTO negotiations on disciplines on domestic regulation are a longstanding issue. Costa Rica therefore welcomes the joint statement signed by a large group of WTO Members in Paris in May 2019, in which they committed to concluding these negotiations at the Twelfth WTO Ministerial Conference to be held in June 2020.

3.23. Costa Rica is also a keen participant in the discussions under the joint initiative on investment facilitation at the WTO. Multilateral discussions in this area can make a positive contribution to the promotion of a transparent, efficient and predictable environment for the FDI of all Members.

3.24. Similarly, Costa Rica considers the discussions under the WTO informal work programme on MSMEs, which encourages the search for horizontal and non-discriminatory solutions that favour the participation of MSMEs in international trade, a top priority.

3.25. Costa Rica is one of the 123 WTO Members that signed the Buenos Aires Declaration on Women's Economic Empowerment in December 2017 and follows with interest the discussions on this matter, which seek to improve the responsiveness of the multilateral trading system in order to create more inclusive trade.

## **3.2 Trade and investment agreements (2013-2018)**

3.26. During the period under review, Costa Rica expanded and strengthened its foreign trade platform in order to promote the country's competitiveness and to ensure legal certainty and predictability in as much of the country's international trade flows as possible. Such efforts are reflected in the Association Agreement with the European Union (AACUE) and the FTAs with the

European Free Trade Association (EFTA) and with Colombia, which entered into force during the period under review. The FTA with the Republic of Korea was also negotiated, signed and adopted.

3.27. In addition to the agreements mentioned above, Costa Rica has existing FTAs with Central America, Mexico, Canada, Chile, the Dominican Republic, the Caribbean Community (CARICOM), the United States (CAFTA-DR), Panama, China, Singapore and Peru.

3.28. Lastly, the Agreement between the Government of the State of Qatar and the Government of the Republic of Costa Rica on the encouragement and mutual protection of investments entered into force in 2014, and the Agreement between the Government of the Republic of Costa Rica and the Government of the People's Republic of China on the encouragement and mutual protection of investments came into effect in 2016.

### **3.2.1 Agreements given effect**

3.29. The FTA between Central America and Panama, as well as the Bilateral Protocol between Costa Rica and Panama to that Agreement<sup>3</sup>, entered into force on 23 November 2008. The Central American Common Market (CACM) is the second largest buyer of Costa Rican goods, with a relative share of 21.4% of total exports in 2018. During the period under review, exports grew at an average annual rate of 3.2%, while imports decreased at an average annual rate of 0.8%. Exports to the CACM are extremely diverse; the ten most exported products to the region (which include food preparations, medicaments, napkins and napkin liners, and electrical cables) accounted for only 36.2% of total exports in 2018. The main imports include medicaments, boxes of paper and paperboard, toilet paper, and cleaning preparations.

3.30. The FTA between Costa Rica and Peru entered into force on 1 June 2013. Trade between the two countries has shown great potential for growth, rising from USD 59.9 million in 2013 to USD 86.9 million in 2018. During this period, exports grew at an average annual rate of 6.4% and imports at a rate of 8.1%. In 2018, sales of iron or steel manufactures, medicaments and other liquors were notable, while grapes, avocados, plastic sheets and plates stood out among imports.

3.31. The FTA between Costa Rica and Singapore entered into force on 1 July 2013. Exports grew during the period 2013-2018 at an average annual rate of 0.7%, totalling USD 20.8 million in 2018. Of note is the rise in medical device sales, which increased fivefold between 2017 and 2018. During the same period, imports averaged USD 51.5 million, with average annual growth of 15.1%, while passenger vehicles were the main import in 2018.

3.32. The FTA between Mexico and Costa Rica, El Salvador, Guatemala, Honduras and Nicaragua entered into force on 1 July 2013. This Agreement, which replaces the original FTA between Costa Rica and Mexico (in force since 1995), establishes an expanded economic area between the Central American countries and Mexico, with common rules to facilitate trade in the region. The FTA maintains the tariff preferences established in the bilateral Agreement between Costa Rica and Mexico and improves tariff treatment for some goods that were excluded from the tariff reduction programme. It also facilitates cumulation of origin by permitting the use of materials originating in other member countries for the production of final goods and establishes mechanisms to expedite, simplify and automate customs procedures. During the period 2013-2018, trade with Mexico expanded at an average annual rate of 1.8% from a total volume of USD 1.3317 billion in 2013 to USD 1.4585 billion in 2018. Exports grew over the same period at an average annual rate of 4.7% and imports at an average 1.2% per annum.

3.33. Costa Rica's third most important trading partner is the European Union, with which it has had an Association Agreement (AACUE) in force since 1 October 2013. In 2018, the European Union received 20.7% of Costa Rican exports, the value of which grew at an average annual rate of 7.5% between 2013 and 2018. The main exports to the European Union in 2018 were medical devices, bananas, pineapples, coffee, concentrated fruit juices and tropical fruits preserved in their juice. The primary destinations were the Netherlands, Belgium, Germany, Italy, Spain and the United Kingdom.

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<sup>3</sup> Although this instrument did not enter into force during the period under review, it is important to include the Central American economic integration process, as it is constantly evolving.

Imports grew over the same period at an annual average rate of 4.5%, with medicaments, vehicles and medical devices comprising the main imports.

3.34. During the period under review, the FTA with the countries of the European Free Trade Association (EFTA)<sup>4</sup> also entered into force. Trade with EFTA grew at an average annual rate of 9.2% from USD 119.5 million in 2013 to USD 185.6 million in 2018. Switzerland was the primary trading partner among the four countries in EFTA, accounting for 85.9% of such trade in 2018. Costa Rican exports to EFTA reached USD 23.6 million in 2018 as a result of, *inter alia*, sales of bananas (61.8%), coffee (16.2%), pineapples (11.9%), cigars and cheroots (3.6%), and medical devices (2.5%). Imports from EFTA totalled USD 162 million in 2018 and included medicaments, medical devices and immunological products put up in measured doses.

3.35. The FTA with Colombia entered into force on 1 August 2016. Bilateral trade flows with Colombia averaged USD 374 million per annum between 2013 and 2018. In 2018, exports to the Colombian market were down 1.3% from the previous year, mainly due to lower sales of unwrought lead, dropping to USD 56 million. During the same year, imports expanded by 2.7% per annum, totalling USD 307.7 million, consisting primarily of medicaments, carbon and plastic resins.

### 3.2.2 Agreements negotiated

3.36. In order to promote the expansion and diversification of trade in goods and services between Costa Rica and the Republic of Korea, and to improve and enhance the access of Costa Rican goods to the Korean market, Costa Rica initiated, together with the Central American countries, the negotiation of a trade agreement with the Republic of Korea. Negotiations were officially launched in June 2015.

3.37. After seven rounds of negotiations and two inter-sessional meetings, negotiations concluded in March 2019, and Costa Rica became the third Central American country to ratify the FTA with the Republic of Korea.<sup>5</sup> Once in force, this Agreement will enable immediate duty-free access to the Korean market for 80% of Costa Rican goods, including coffee, sugar, non-alcoholic beverages, medical devices, medicaments, articles of plastic, iron and glass and artificial parts of the body.

3.38. In addition, tariffs will be gradually rolled back on 16% of domestic goods, and only 4% of goods will remain subject to the tariffs in force on the Korean market. Goods such as bananas, frozen pork and beef, fresh cassava, pineapples and fruit juices fall under various tariff reduction time-frames.

3.39. With regard to imports, 68% of Korean goods will not be subject to duties when the Agreement enters into force, including car parts, medicaments, cosmetics and certain electronic, electrical and textile products. Some 27% of Korean goods are subject to various tariff reduction categories and about 5% are excluded.

3.40. This Agreement is of paramount importance to the country, as the Republic of Korea is a net importer of food and agricultural products and is world-renowned for its global leadership in innovation and its ability to incorporate state-of-the-art digital technologies in its products and manufacturing processes.

## 3.3 Other forums

### 3.3.1 Trade facilitation

3.41. Costa Rica has achieved tangible results in trade facilitation as a result of the trade facilitation strategy it launched in 2010 under the stewardship of the Ministry of Foreign Trade (COMEX).

3.42. At the national level, the modernization of its land border posts – an initiative currently under way thanks to an international loan – will make it possible not only to improve the infrastructure and equipment of Costa Rica's main border crossings, but also to implement a regulatory and

<sup>4</sup> The Agreement with Norway entered into force on 19 August 2014, with Switzerland-Liechtenstein on 29 August 2014 and with Iceland on 5 September 2014.

<sup>5</sup> Out of the countries that initiated the negotiations, only Guatemala has yet to conclude them.

technological system with more effective monitoring processes and tools through coordinated border management. The technological component will enable the modernization of the customs IT system or Customs Control Information Technology System (TICA), the Foreign Trade Single Window (VUCE), the Investment Single Window (VUI) and the Authorized Economic Operator programme, as well as the implementation of a comprehensive risk management system.

3.43. At the regional level, the Central American Strategy for Trade Facilitation and Competitiveness with an Emphasis on Coordinated Border Management is being implemented through eight pillars on a pairs of countries and pairs of borders basis. These pillars provide for the adoption of international standards, information interoperability, comprehensive regional risk management, reliable economic operators, quarantine control, reform of border infrastructure and equipment, coordination and integration of monitoring procedures, and consideration of the economic and social impacts of interventions in border areas.

3.44. At the multilateral level, the implementation of the TFA has led to the promotion of improvements that are urgently needed in the country, such as the streamlining of procedures, availability of information, risk management and inter-institutional coordination.

3.45. In April 2017, under Law No. 9430 approving the TFA, the National Council for Trade Facilitation (CONAFAC) was established within COMEX as a decision-making body to facilitate ongoing inter-institutional coordination between the private sector and government agencies with competencies relating to foreign trade procedures, such as export, import and transit of goods procedures, as well as projects to improve both physical and technological processes and infrastructure for trade facilitation in ports, airports and land border posts. CONAFAC took over the competencies of the Council on Land Border Posts, established in 2013, to promote coordination among the various border agencies.

3.46. The criteria issued by CONAFAC, pursuant to the rules and principles of the TFA, are binding on the Central Public Administration. CONAFAC consists of the Deputy Ministers of Foreign Trade, Finance, Agriculture and Livestock, Public Works and Transport, Health, Public Safety and Governance and Police, as well as a representative of the Costa Rican Chamber of Exporters (CADEXCO) and four representatives of the productive sector appointed by the Costa Rican Union of Business and Private Sector Chambers and Associations (UCCAEP). All members have speaking and voting rights.

3.47. CONAFAC receives assistance from a technical secretariat, technical committees and local (public-private) committees in ports, airports and land border posts, which help it to achieve its underlying objectives.

3.48. CONAFAC has made it possible to collaborate and coordinate with the institutions that carry out controls at the country's points of entry and exit, by supporting and/or carrying out initiatives that enhance the country's competitiveness, such as the Border Integration Programme, the National Non-intrusive Inspection System, the Remote Inspection Centre for Image Analysis, and the Multimodal Transport Project between Costa Rica and El Salvador.

3.49. Within this forum, important regulations, resolutions, circulars and guidelines have been adopted by its constituent bodies in order to promote trade facilitation.

3.50. Currently, CONAFAC is actively working to promote the proper implementation of the TFA through a trade facilitation-focused agenda, which includes medium- and short-term measures concerning, *inter alia*, customs, migration, and sanitary and phytosanitary measures. At present, most measures affect land border posts, but an increasing number of measures affecting ports and airports is expected.

3.51. Measures include amendments to the Regulations Establishing Routes of Mandatory Passage for Motor Vehicles involved in the Customs, Domestic or International Transit of Goods Subject to Customs Control in the Republic and Establishing Driving Times between Customs Houses in the Country, which will enable goods in transit to pass through the Las Tablillas border post. Along the same lines, on 3 April 2019, the Directorate General of Customs issued Circular No. CIR-DGA-DGT-018-2019 establishing the new procedure for processing tax credits or returns.

It is hoped that this measure will encourage the use of this type of advance declaration of goods by trade operators and therefore help decongest border crossings.

3.52. Lastly, the new Moín Container Terminal, located on the Costa Rican Caribbean coast, became operational in February 2019.

### 3.3.2 Central America

3.53. The Central American countries have sought to further enhance their economic integration. To achieve this objective, they continue to work on the basis of six-month action plans, which focus on the adoption of measures to facilitate trade, eliminate non-tariff barriers, harmonize technical regulations and resolve specific problems in intra-regional trade.

3.54. During this period, COMIECO signed 121 resolutions implementing tariff reductions or eliminations, technical regulations<sup>6</sup>, sanitary and phytosanitary measures, amendments to specific rules of origin, tariff liberalizations and customs procedures. The Regional Integration System for the Recognition of Sanitary Registration (SIRRS) for processed foods and beverages was also implemented. The approved instruments include:

- a. The Sanitary and Phytosanitary Directive on Trade Facilitation in Respect of Central American Shipments and Goods.
- b. The Central American Strategy for Trade Facilitation and Competitiveness with an Emphasis on Coordinated Border Management.
- c. The Framework Agreement to Implement Binational Integrated Control Systems at the border crossings between Costa Rica and Panama.

3.55. In 2016, the Central American Tariff System (SAC) was brought into line with the changes introduced by the Sixth Amendment to the Harmonized Commodity Description and Coding System (HS), as recommended by the World Customs Organization (WCO), and SAC was expanded to 10 digits. Moreover, in order to bring the specific rules of origin in the Central American Regulations on the Origin of Goods into line with the changes introduced by the Sixth Amendment, the Annex to these Regulations was amended.

3.56. During the period under review, the Central American countries conducted negotiations on the implementation of the commitments made by Panama under the Protocol of Incorporation to the Central American Economic Integration Subsystem (in force since May 2013). Negotiations on the products included in the Annex to the General Treaty on Central American Economic Integration between Costa Rica and Panama, and between Guatemala and Panama, were concluded, and important agreements were reached to ensure that Panama harmonizes its rules of origin with the region's, as well as its tariffs for the edible fats and oils sector. As to common external tariffs, Panama adopted a significant number of SAC tariff subheadings.

## 4 PRINCIPAL REFORMS 2013-2018

4.1. During this period, Costa Rica focused on implementing a tax reform that enabled it to correct a persistent imbalance and enhance the sustainability of its public finances. To this end, after a lengthy and arduous process, the Law on Strengthening Public Finances (Law No. 9635) was finally adopted and published in Supplement No. 202 to the Official Journal *La Gaceta* of 4 December 2018.

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<sup>6</sup> During this period, two procedures for the recognition of sanitary registration for products used in animal feed and for pharmaceutical products for human use were approved, as well as 18 Central American technical regulations. In addition, four technical regulations concerning the food, medicaments and similar products, and agricultural input sectors were updated in order to harmonize the sanitary registration requirements for these products at the regional level and thus facilitate trade. In addition, a guide on good regulatory practices, as well as a guide on the interpretation and application of the regulations on the general labelling of foods, were approved.

4.2. The main components of this Law are as follows:

- i. A comprehensive reform of Law No. 6826, the Law on the General Sales Tax. In the previous law, the value added tax imposed by Costa Rica was not comprehensive. For example, it did not apply to certain services, such as restaurants, hotels, telephone and Internet services. Furthermore, a rate of 0% was applied to goods and services in addition to exports. The new Law extends the tax base to include services, maintains the rate of 13%, and creates a reduced rate of 4%, as well as a significantly reduced rate of 2% and another rate of 1%. It also includes a payment mechanism for Internet and other services.
- ii. A reform of Law No. 7092, the Income Tax Law of 21 April 1988, which harmonizes rates that had previously been different for various sources of income. It also creates an additional tranche with a rate of 20% for the highest wages, and introduces other changes to increase the progressivity of the taxation scale.
- iii. An amendment to Law No. 2166, the Law on Public Sector Wages, with the aim of curtailing rising expenditure. For example, the following areas were subject to regulation: full-time employment, subsistence allowances, performance assessments, incentives, prohibitions, base wages and total wages.
- iv. The inclusion of a chapter on the fiscal responsibility of the Republic (fiscal rules), which establishes rules on the management of public finances, to guarantee fiscal sustainability. The fiscal rule included in this Law determines the manner in which public expenditure should be managed. It seeks to prevent the adoption of draft laws that do not have a source of funding, slow down current expenditure over a prudent period of time until a reasonable level of "fiscal balance" has been achieved, prioritize public investment, and improve the quality of expenditure. It is important to mention that an increase in current expenditure will depend on two variables: the level of debt of the Central Government and the average growth of the economy.
- v. A series of transitional provisions that refer to the aforementioned reforms, including tax amnesty.

4.3. Tax amnesty was the first element of the reform to generate revenue. It created additional income for the Government, which accounted for 0.2% of GDP in 2018. The rest of the tax reform will enter into force progressively, in accordance with the transitional measures established in the Law, and based on the need to regulate and adapt the computer systems to ensure the proper collection of taxes.<sup>7</sup>

4.4. According to the Central Bank of Costa Rica (2019)<sup>8</sup>, the adoption of this tax reform changed the fiscal outlook for the medium and long term. The strict implementation of the provisions of the reform, and the administrative measures adopted in the second half of 2018<sup>9</sup> to contain wage growth, would give rise to a significant fiscal adjustment and would restore the sustainability of public finances in the long term. It is estimated that the total debt of the Central Government as a percentage of GDP will begin to decrease as from 2024.

4.5. Furthermore, in September 2018, the Government presented an economic recovery plan, comprising four main working areas: (1) the simplification of procedures; (2) support for the business sector, with an emphasis on MSMEs and startups; (3) employability; and (4) investment in road infrastructure. The actions for each of these areas will be carried out by the competent

<sup>7</sup> Central Bank of Costa Rica (2019), *Memorial anual 2018*. Consulted at: [https://activos.bccr.fi.cr/sitios/bccr/publicaciones/DocPoliticaMonetariaInflacin/Programa\\_Macroeconomico\\_2019-2020.pdf](https://activos.bccr.fi.cr/sitios/bccr/publicaciones/DocPoliticaMonetariaInflacin/Programa_Macroeconomico_2019-2020.pdf).

<sup>8</sup> Central Bank of Costa Rica (2019), *Memorial anual 2018*. Consulted at: [https://activos.bccr.fi.cr/sitios/bccr/publicaciones/DocPoliticaMonetariaInflacin/Programa\\_Macroeconomico\\_2019-2020.pdf](https://activos.bccr.fi.cr/sitios/bccr/publicaciones/DocPoliticaMonetariaInflacin/Programa_Macroeconomico_2019-2020.pdf).

<sup>9</sup> A series of measures relating to the growth of public expenditure were implemented, including measures on public employment which sought to convert annual payments into nominal fixed payments, lower full-time employment benefits from 30% to 15% for new public servants, and create budgetary guidelines to curb expenditure growth.

institutions. It is hoped that such actions, together with some of the administrative measures adopted to curb public expenditure, will lead to a reduction in the fiscal deficit in the coming years.

## **5 OTHER RELEVANT FORUMS AND INITIATIVES**

### **5.1 Organisation for Economic Co-operation and Development (OECD)**

5.1. In 2010, Costa Rica began a process of rapprochement with the OECD, and since then, the country has been working towards becoming an OECD member. Currently, a team comprising over 35 public institutions under the coordination of the Ministry of Foreign Trade (COMEX) is working on the technical aspects of the process to enable the country to join the OECD in 2020 as its 38<sup>th</sup> member.

5.2. As part of the valuable work carried out by Costa Rica and with a view to receiving a formal invitation to begin the accession process, intensive advocacy work has been carried out with OECD member countries. Between 2012 and 2013, over 200 meetings were held with delegates from the diplomatic service and representatives of OECD countries, with the aim of providing information on the direction taken by Costa Rica and its aspirations, and how these were aligned with the OECD's values and vision. Furthermore, between 2013 and 2015, preliminary studies on technical education, competition, the opening of markets and public governance, as well as an economic study, were carried out in the framework of an action plan. These studies enabled the OECD members represented in the respective committees to obtain first-hand knowledge of certain key areas regarding Costa Rica. It should be noted that the action plan also enabled the country to move forward with work towards joining the OECD, and to place itself in a strategic position to obtain a formal invitation to begin the accession process. The implementation of the action plan also allowed for the building of the institutional capacity required to carry out such a major reform process. The Action Plan focused on the three main topics, which identified both the country's priorities and key areas in the OECD accession process, namely: (i) the review of public policies; (ii) the adoption of relevant legal instruments; and (iii) participation in the different committees and working groups of the OECD.

5.3. In April 2015, the OECD Council invited Costa Rica to begin the formal accession process. Then, in July 2015, the OECD Council adopted a roadmap that establishes the accession process and sets out the terms for members. The Roadmap provides a general overview of the accession process and specifies the 22 areas<sup>10</sup> on which the country is evaluated by the OECD committees. It also determines the core principles to be analysed in each accession evaluation.

5.4. It should be noted that the accession process involves evaluations carried out by 22 committees to:

- Analyse the willingness and ability of the country to implement the OECD's legal instruments; and
- Conduct a comparative evaluation of policies and practices.

5.5. Based on the evaluations, the committees can recommend and/or request that the country make regulatory, political or practical changes to ensure alignment with the OECD's instruments and best practices. Once the 22 committees have issued a formal opinion, they must forward it to the OECD Council, which will make a decision on the country's accession. After adopting the decision, the Council will agree on a protocol for Costa Rica's accession to the OECD, which must be submitted for parliamentary ratification in the country.

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<sup>10</sup> Investment; bribery; corporate governance; financial markets; insurance and private pensions; competition; fiscal affairs; environment policy; chemicals; public governance; regulatory policy; statistics; economy and development; education policy; employment, labour and social affairs; health; trade and export credits; agriculture; fisheries; scientific and technological policy; digital economy policy; and consumer policy.

5.6. In the four years since Costa Rica received a formal invitation from the OECD Council to begin its accession process, the country has received formal opinions from 13 of the 22 committees.<sup>11</sup> In all of these areas, the country has pledged to implement action plans to comply with OECD standards, and will continue to provide periodic updates to the committees.

5.7. With the aim of obtaining approval from the nine remaining committees, a special commission was created within the Legislative Assembly, which is responsible for formulating a series of draft laws aimed at modernizing the legal framework, and ensuring greater efficiency, increased transparency and good governance, based on the recommendations arising from the assessments carried out during the accession process. The establishment of the special commission reflects the strong interest of the Legislative Assembly in the OECD accession process, and its hard work has led to the formulation of six draft laws since its creation in September 2018, four of which are now Laws of the Republic.

5.8. It should be noted that the OECD accession process has been of great benefit to the country, as it represents a major opportunity for the State to introduce reforms. It has resulted in the introduction of a series of changes to build a more modern, efficient, transparent and participatory State, implement the highest standards, and modernize regulations and procedures for the benefit of all citizens.

## 5.2 *Women Export*

5.9. *Women Export* is an initiative that was developed by the Costa Rican Foreign Trade Promotion Agency (PROCOMER) at the end of 2017 with the aim of expediting the process to internationalize enterprises led by women, through the adoption of a personalized approach, and the provision of tools and services.

5.10. Enterprises must meet a series of criteria (productive capacity, up-to-date sanitary registers, labelling and packing requirements, a minimum participation of two years in the domestic market, etc.) in order to be part of the programme. They then participate in a training and work session during which the scope of the project is explained. Lastly, the enterprises must give a presentation to the *Women Export* panel (comprising experts in trade intelligence, export promotion, value chains and general administration). The panel is responsible for selecting 10 women entrepreneurs who will be part of each "generation" of the programme.

5.11. In 2018, 30 women entrepreneurs from various sectors (food industry, cosmetics, cleaning products, fertilizers, services, etc.) were selected to implement the programme.

5.12. Consequently, PROCOMER has placed an emphasis on the promotion of gender equality in its new strategy. The objective of the strategy for 2019 is to define and develop clear guidelines and priorities for the promotion of equal access to international markets for women entrepreneurs (who are exporters or have the potential to become exporters), and is based on four pillars: information, awareness-raising, capacity building and internationalization.

## 5.3 *Seedstars Costa Rica*

5.13. PROCOMER is developing its strategy for the creation and diversification of Costa Rican exportable supply in the context of global competition, by promoting the creation of startups and boosting innovative MSMEs. In 2016, PROCOMER formed a partnership with *Seedstars World*<sup>12</sup>, which has consequently made Costa Rica one of its event locations.

5.14. *Seedstars Costa Rica by PROCOMER* allows for a process of learning and interaction with different stakeholders in the country's innovation ecosystem, through the organization of preparatory workshops and competitions. At such events, the export capacity of startups is evaluated through the identification of issues that they need to resolve, taking into account their value propositions, business models and global scalability. Training is also provided for the startup

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<sup>11</sup> Trade; health; agriculture; education; science and technology; labour market and social policy; consumer policy; regulatory policy; digital economy; insurance and private pensions; fiscal affairs; chemicals; and public governance.

<sup>12</sup> *Seedstars World*, which is based in Switzerland, is the largest competition for startups in the world, and focuses on emerging markets and rapid growth.

teams. Interaction with investors, private enterprises from various sectors, incubators, accelerators and government agencies fosters the creation of contacts and partnerships that help expedite projects and increase business opportunities. Each competition aims to increase the number of startups, business ideas and innovations, in order to foster interlinkages and internationalization.

5.15. This initiative is implemented across Costa Rica through the organization of five preliminary competitions in different parts of the country, and has become a breeding ground for new business. While in 2016 and 2017, 45 and 145 applications were received respectively, in 2018, 175 candidates applied. This progress demonstrates Costa Rica's innovation potential and confirms the need to continue to seek and drive the acceleration of innovative startups and MSMEs.

#### 5.4 Draft Law on Competition

5.16. Prior to conducting a review of the competition regime in Costa Rica as part of its accession to the OECD, the country agreed to undergo a peer review on domestic competition law and policy in September 2014.<sup>13</sup> With the aim of addressing the OECD's recommendations arising from the peer review, the Interinstitutional Commission was created, which comprises: the Commission for the Promotion of Competition (COPROCOM), which is the national competition authority; the Ministry of the Economy, Industry and Trade (MEIC) to which COPROCOM is attached; the General Supervisory Authority for Telecommunication (SUTEL), which is the sectoral competition authority for telecommunications; the Ministry of Science, Technology and Telecommunications (MICITT), which is the body responsible for telecommunications; and COMEX, which is the national coordinator for Costa Rica's accession to the OECD.

5.17. The Interinstitutional Commission was responsible for preparing the draft Law on the Strengthening of the Competition Authorities of Costa Rica, which, after an extensive process of consultation with the sectors concerned, was submitted to the Legislative Assembly in March 2019, under File No. 21.303.<sup>14</sup>

#### Box 5.1 Main recommendations of the OECD and how they are addressed in the draft Law

**Broaden the scope of Law No. 7472 to cover all economic operators:** The draft Law introduces an amendment to Article 9 of Law No. 7472, which provides exemption solely for acts permitted under a special law. It also includes a periodic review of markets that are subject to exemption.

**Implement a clemency programme:** The draft Law introduces a clemency programme that enables the competition authorities to substantially improve the detection of absolute monopolistic practices (cartels) that are detrimental to consumers. To this end, it establishes a system for the exemption from or reduction of penalties for those who collaborate with the corresponding authority investigating such practices.

**Establish a single competition authority for all sectors:** To ensure consistency between COPROCOM and SUTEL, the draft Law standardizes the rules and procedures to be applied by both authorities. It also establishes mechanisms for coordination between both bodies, and provides for the issuance of common guides and guidelines.

<sup>13</sup> OECD/IDB (2014), Competition Law and Policy in Costa Rica, Peer Review. Consulted at: <http://www.oecd.org/daf/competition/CostaRica-PeerReview2014en.pdf>.

<sup>14</sup> Information provided by the authorities.

<p><b>Grant greater independence and increase financial resources for the competition authority:</b> The draft Law grants administrative, budgetary and functional independence to the competition authority. It also grants instrumental legal status to the competition authority in order for it to: engage in contractual activities; manage resources and wealth; and sign contracts and agreements with national and international public and private entities. The draft Law ensures that COPROCOM is allocated the necessary and sufficient budget, through a minimum annual transfer by the State from the ordinary budget of the Republic.</p>	<p><b>Develop a special procedure to address the specificities of competition investigations:</b> This draft Law establishes a special procedure with three independent stages, which provides transparency and legal certainty for the applicant.</p> <p>The time-frames for the procedure have been set to guarantee the right of defence of the party under investigation, and to ensure that the authorities conduct a proper analysis of complicated cases. The procedures will be implemented by both competition authorities, with the aim of standardizing the rules applicable in this field.</p> <p>The draft Law also stipulates that the authorities may implement mechanisms for early termination, which enable them to eliminate distortions in the market in a more efficient manner.</p>	<p><b>Strengthen the advocacy functions of the competition authorities:</b> The draft Law establishes that, as part of their activities, the competition authorities will issue opinions and recommendations, guides and market studies. They will carry out advisory, training and dissemination activities related to competition. They will also be able to establish cooperation agreements with national and international public and private entities, for the performance of their duties.</p>
<p><b>Introduce more dissuasive penalties:</b> The draft Law establishes adequate and dissuasive penalties, with the aim of preventing economic operators from engaging in anti-competitive practices. It reclassifies offences as minor, serious and very serious, and establishes penalties in the form of fines proportionate to the offences committed.</p>	<p><b>Authorize only prior notifications of economic concentrations:</b> The draft Law amends the possibility to notify economic concentrations <i>ex post</i>, meaning that concentrations exceeding certain thresholds must be notified before the completion of the transaction.</p>	<p><b>Sign and implement international cooperation agreements:</b> The draft Law grants instrumental legal status to COPROCOM to enable it to sign international cooperation agreements.</p>

Source: COMEX, based on the draft Law submitted to the Legislative Assembly.

5.18. As can be seen in Box 5.1, the draft Law addresses the recommendations by the OECD, and strengthens and modernizes the legal and institutional framework of the competition authorities in Costa Rica. Through the adoption of this draft Law, the authorities will be able to implement procedures and tools in accordance with international best practices, and thus perform their functions in a more efficient manner.

## 5.5 National Statistical System

5.19. The National Statistical System (SEN) constitutes a group of public sector bodies that carry out activities relating to the production, updating and maintenance of official statistics. The latest inventory identified 82 statistical operations conducted by 27 public sector institutions. The SEN is coordinated by the National Statistics and Census Institute (INEC), which is the technical body responsible for national statistics. The integration and coordination of the institutions in the SEN are necessary for the harmonization and continuous improvement of the quality, timeliness and comparability of the country's statistics.

5.20. As part of Costa Rica's accession to the OECD, the country has committed to strengthening the SEN, with the aim of ensuring robust and reliable statistics that allow for better evidence-based decisions to be made in both the public and private sectors. Such action is of utmost importance, as it leads to a more efficient use of resources, improves the formulation and monitoring of public policy, and enhances the knowledge of national realities in various sectors (economic, social and environmental).

5.21. Costa Rica's legislation on the national statistical system is among the most recent in Latin America, as the current law entered into force in 1998. However, due to global changes, it is necessary to update our legal framework in order to keep up with international best practices. To this end, the draft Law submitted under Legislative File No. 20.404, which aims to update the national regulatory framework to achieve international best practices regarding statistics, was adopted by the Legislative Assembly and signed by the Executive, thus becoming a Law of the Republic. The draft Law is now awaiting publication in the Official Journal prior to its entry into force. The new Law strengthens the planning capacity of the SEN through the establishment of principles and tools to ensure its proper coordination (including the possibility of planning statistical output in multi-year periods) and the efficiency and quality of statistical output. With the adoption of the Law, Costa Rica will become one of the first countries in Latin America to fully align with the international best standards in this field.

5.22. Furthermore, as part of this process, Costa Rica adopted the Recommendation of the OECD Council on Good Statistical Practice of 2015 for implementation by all institutions in the SEN.

## 6 FUTURE POLICY DIRECTIONS

6.1. In light of the current international environment and the actions carried out by Costa Rica in various areas, the country's trade agenda focuses on a series of actions to strengthen the country's foreign trade platform. These actions include: optimizing the use of existing trade agreements; continuing to develop and modernize Central American economic integration; increasing the country's competitiveness through the implementation of the Border Integration Programme; introducing specific measures to facilitate trade; continuing to make positive contributions to the multilateral trading system through active participation in the different bodies of the WTO and negotiation processes (such as the initiative launched to establish a plurilateral agreement on electronic commerce). Moreover, the country will continue to monitor compliance with trade agreements by its trading partners, through the use of dispute settlement mechanisms when necessary and the management of ongoing disputes.

6.2. Similarly, Costa Rica is ready to implement mechanisms to establish and apply bilateral disciplines, which will allow for continued preferential access to the British market and British products, which, to date, has been possible through the AACUE.

6.3. Costa Rica will continue to prioritize progress towards the completion of its accession in 2020, by moving ahead with the legal and administrative reforms involved in the process, with the aim of making significant changes in various areas of the State and thus increasing the efficiency of the public sector and enhancing the functioning of internal markets.

6.4. One of the main pillars of the country's trade and investment policy is the new programme, DESCUBRE, which aims to diversify agricultural exports and attract new investment to rural areas. The programme seeks to address two well-known market deficiencies that prevent the emergence and establishment of new, more productive activities.<sup>15</sup> DESCUBRE effectively coordinates the efforts of the foreign trade sector, together with institutions responsible for promoting agriculture and rural development. More importantly, the programme is a public-private partnership which involves academia and the business sector in its governance. The programme seeks to address exports, job creation and investment. It aims to identify at least 40 new export activities over the next four years.

6.5. With regard to competitiveness and the strengthening of the business climate, Costa Rica will continue to work on developing strategies to promote productivity and more inclusive growth, which will benefit MSMEs both within and outside the Greater Metropolitan Area (GAM), provide more opportunities for startups and enterprises run by women, and integrate more stakeholders in order for them to benefit from the opportunities created. It will also continue to make significant efforts to foster a more competitive business climate to enable stakeholders in the production sector to find a suitable place to establish and develop their operations, and to take advantage of the opportunities provided by world markets, so that they may help transform our economy into one that is increasingly based on knowledge, innovation and development.

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<sup>15</sup> Such market deficiencies create uncertainty for startups and entrepreneurs and pose problems in terms of coordination.

6.6. Concerning the attraction and retention of FDI, the country will continue to implement actions aimed at increasing flows of productive investment and the opportunities that such actions provide for Costa Ricans to progress and improve their well-being.

6.7. Similarly, Costa Rica will continue to work on optimizing the use of the foreign trade platform, through coordination with PROCOMER, for increased exports and support for initiatives on trade promotion and production chains, and with the Agency for the Promotion of Investment in Costa Rica (CINDE) to promote the country as an investment destination, and to drive forward the establishment of FDI outside the Greater Metropolitan Area.

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