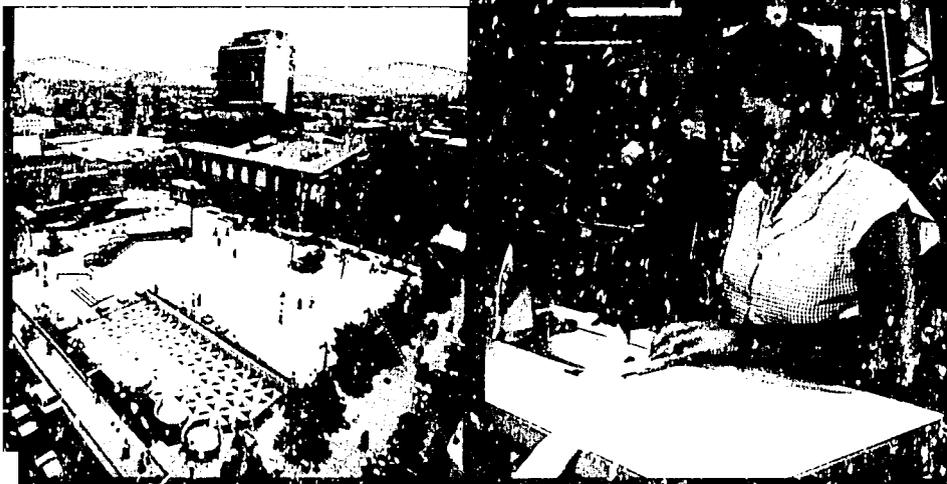


PA NY-641 (5A)



**Business  
opportunities in**

# **COSTA RICA**

**A dynamic democracy**

*Dear Sir,*

*It is a pleasure for me to invite you and your company to invest and do business in Costa Rica.*

*Ours is indeed a special country. We Costa Ricans like to believe that we have a role to play in today's world by demonstrating that social and economic development are possible within a democratic political framework. Costa Rica is one of the most stable and peaceful democracies in the Western Hemisphere, to the point that we were able to abolish the armed forces by constitutional amendment more than thirty years ago.*

*As many foreign investors with successful operations in our country can attest, Costa Rica offers a dynamic framework for investment. More than a century of continued effort in public education has rendered what today is a highly skilled and productive work force. People are our greatest asset. We also have a functional infrastructure, flexible incentive programs for investment and attractive living conditions. Furthermore, our country is blessed with a temperate climate, excellent soils and a strategic geographical location for international trade.*

*The Caribbean Basin Initiative opens a wide range of investment and business opportunities, and we believe Costa Rica is the best location to benefit from them. A closer look at our country's advantages will certainly increase your interest in becoming a partner of Costa Rica for the benefit of your company and our people.*

*Sincerely,*



**Luis Alberto Monge, President  
Republic of Costa Rica**



*Dear sir,*

*Your interest in Costa Rica as a site for possible investment is well timed. Costa Rica has a tradition of respect for the free enterprise system, as well as a clearly private-sector oriented development strategy. Furthermore, of all the nations in the region that have experienced serious economic crises in recent years, Costa Rica was first in regaining stability and a positive business environment.*

*Economic circumstances require us to significantly increase exports. We can only achieve that by attracting foreign investment into our country in a way that is mutually beneficial to both the investors and our people.*

*Keeping in mind Costa Rica's comparative advantages and the new opportunities created by the Caribbean Basin Initiative, we have identified investment areas that could be developed immediately. Light assembly manufacturing, specialty agriculture, agro-industry and other labor intensive manufacturing are among our highest priorities.*

*Included in this brochure you will find general information covering the topics of most interest to investors. However, there is no substitute for personal investigation; therefore, I cordially suggest that you visit Costa Rica and make your own assessment.*

*We are ready to assist you in identifying and evaluating specific opportunities and to provide the necessary guidance and follow-up support to help you successfully turn opportunity into a dynamic reality in Costa Rica.*

*Sincerely,*

A handwritten signature in dark ink, appearing to read "Marie Carvajal". The signature is fluid and cursive, with a small flourish at the end.

**Marie Carvajal**  
**Minister of Investments and Exports**

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# A Dynamic Democracy

**Why Costa Rica** is the best location to get the most out of the CBI?

The centerpiece of the CBI is an innovative one-way free trade legislation providing duty free access to the U.S. market for 12 years. The CBI provides important new trade and investment opportunities for the U.S. private sector, such as direct investment, joint ventures, subcontract manufacturing, licensing, etc.

When engaging in overseas operations, a corporation must look for a combination of factors that provides the most adequate balance between profitability and business risk.

Costa Rica offers a blend of unique conditions that makes investing there both profitable and safe. Here are some of those features in a nutshell:

- A stable political, social and economic democracy.
- A very positive, friendly attitude towards foreign investment.
- A 89.2% literacy rate, one of the highest in Latin America.
- An ample supply of dedicated, quick to learn workers.
- A very strong and educated middle class which provides a good source of management and technical personnel.
- A highly developed educational and training system.
- A considerable amount of excess industrial production capacity.
- Easy transportation within Costa Rica.
- Inexpensive power costs through abundant hydroelectric power.
- A widespread state-of-the-art telecommunications service.
- Reliable and convenient air and sea connections to and from Costa Rica.
- Modern and efficient port facilities on both coasts
- Proximity and ready access to U.S. markets.
- One of the lowest (if not the lowest) cost sources in the Caribbean Basin.
- An attractive set of living conditions including a temperate climate, an active cultural life, several country clubs, and proximity to beautiful mountains and beaches.
- A considerable group of multinational corporations have recognized these features and have established successful operations in Costa Rica. The following are some of them:

American Standard  
Atlantis  
Bayer  
Bristol Myers  
British American Tobacco  
Canada Dry  
Coca Cola Interamerican  
Colgate Palmolive  
Crown Cork  
Cutler-Hammer  
Cyanamid  
Del Monte  
Dow Chemical  
Essochem  
Firestone  
Gerber  
Griffith Laboratories  
GTE Sylvania  
H.B. Fuller  
Hitachi  
ITT  
Johnson & Johnson  
KEM Laboratories  
Matsushita Electric  
McCann-Erickson  
McDonald's  
Mennen  
Merck, Sharp & Dohme  
Miles Laboratories  
Monsanto  
Moore Business Forms  
Newport Pharmaceuticals  
Northern Ventures  
Pan American Standard Brands  
Phelps Dodge Intl.  
Phillip Morris Intl.  
Pfizer  
Plumrose  
Ortho Chemicals  
Riviana Foods  
Rohm and Haas  
S.C. Johnson & Son  
Scott Paper Co.  
Seagram's  
Square D  
Sherwin Williams  
Siemens  
Standard Fruit Company  
Sterling Products  
Texaco Caribbean, Inc.  
Tropigas  
Union Carbide  
Uniroyal Chemical Co.  
United Brands  
Yoshida  
Xerox  
Velsicol

# Specific Opportunities

## Light assembly manufacturing

Companies in the U.S. and other industrialized nations which manufacture labor intensive products are finding that they need to seek low cost labor abroad in order to remain competitive in the long run. The framework of articles 806.30 and 807 of the U.S. Tariff Schedules, combined with the duty free benefits of the CBI, provide very attractive opportunities for the establishment of light assembly manufacturing plants and/or contracts in Costa Rica.

Why Costa Rica? Because, among other things:

- Average worker earnings in Costa Rica are \$0.787 per hour, including fringe benefits. This is one of the lowest labor costs available in the Caribbean Basin.
- Average worker efficiency is 92%, which is one of the highest in the region.
- The Costa Rica work week is 48 hours, which is longer than in many countries in the area.
- The labor force is homogeneous and educated, and its turnover is very low.
- Quality middle management and technical personnel are readily available at very reasonable cost.
- Industrial buildings are available for immediate occupancy at a competitive cost, both in and out of private industrial parks and free export processing zones.
- Government authorities understand the needs of this type of activity and provide for:
  - rapid processing of approvals and licensing to establish new operations (3 weeks average)
  - fast and inexpensive processing of import-export procedures by means of an innovative "current account" system (48 hours) and of specialized monetary authority and customs units strategically located.
- 100% duty and tax exemption on imports of all machinery, equipment and materials necessary for the manufacturing process.

In early 1972 there were 8 drawback companies in Costa Rica. By 1983, the number had increased to 60. Several successful U.S.-owned drawback operations are located in Costa Rica. Among many others are:

- The Lovable Brassiere Co. (brassiers)
- Warners Inc. (apparel)
- Bali Inc. (brassiers)
- Trimpot Electronics (electronic products)
- Elkay Industries Inc. (apparel)
- Motorola Inc. (electronic products)

Many well-established Costa Rican companies are prepared to start drawback operations, either on a joint-venture or a subcontract basis.

Independently prepared hypothetical models (profiles) for a men's shirts manufacturer and a specialty power supply plant are presented within this brochure to illustrate the profit potential of such operations in Costa Rica as compared to a selected group of Caribbean and other nations.

These models show how a light assembly manufacturing operation in Costa Rica can produce at one of the lowest possible costs in the region.



# Agriculture and agroindustry

The U.S. market for agricultural products is a large and growing one. Caribbean Basin countries have traditionally exported a variety of such products to the U.S. for a value of approximately \$2 billion a year. A good number of those products have been exported duty free under GSP provisions, but in 1982 alone the U.S. imported from the world nearly \$330 million in fresh and processed vegetables and fruits that paid between 10% and 230% effective duty.

The CBI legislation opens attractive opportunities for U.S. companies to produce or source many of those products from Costa Rica.

Why Costa Rica? Because, among other things:

- Average hourly wages for agricultural unskilled labor are \$0.728 per hour, including fringe benefits. This is one of the lowest in the Caribbean Basin.
- Due to Costa Rica's successful history as a coffee and banana producer, there is a large supply of agricultural workers with training and experience in sophisticated intensive agricultural operations.
- A sizable entrepreneurial group exists in the country with years of practice and experience in a wide variety of crops.
- A highly developed agricultural training and research system exists in Costa Rica. There are more than 2,000 agricultural engineers and agronomists and over 12,000 graduates from agricultural technical schools.
- Soils are especially rich, and prime land is available at a reasonable cost.
- The geography of the country includes lowlands, mountains and a wide range of altitudes in between that allow profitable growing of numerous agricultural products.
- Water is abundant all year round, and irrigation is widely available in areas of low precipitation.
- Agricultural lands are located at short distances from population centers, airports and seaports, which allows for fast transportation of fresh produce to exit ports.
- A considerable fleet of refrigerated containers is available and efficiently operated.
- There is ample availability of low cost electricity and telephones in almost every corner of the national territory.
- Proximity to U.S. markets on both coasts and convenient air and sea connections to and from Costa Rica facilitate travel and transportation. Some examples of products that can be profitably grown and processed in Costa Rica for export to the U.S. are:

1. Flowers and ornamental plants.
2. Fruits and vegetables such as cucumbers, sweet pepper, cauliflower, potatoes, broccoli, squash, papaya, pineapple, citrics, mangoes, avocados, nuts, coconuts, strawberries, mushrooms, artichokes, asparagus, watermelons, cantaloupe melons, figs, tomatoes, etc.
3. Spices such as black pepper, hot pepper, onions, garlic, cardamom, etc.
4. Essential oils such as jojoba, ginger, vetiver, etc.
5. Ethnic products such as cassava, plantains, black beans, dasheen, sweet potato, black eyed peas, okra, etc.
6. A wide variety of hard woods of excellent quality and low cost.
7. Bee honey, meat products, fish, shellfish and many others.



## CBI sourcing

The concept of CBI sourcing refers to an expected change in the international trade patterns of the U.S. spurred by the CBI legislation recently enacted.

Total U.S. imports of high tariff (over 10% ad valorem) products with a minimum value of \$1 million in 1982 were \$21 billion. Eliminating those goods excluded by CBI legislation, goods entering under GSP and goods requiring capital intensive or high technology operations, \$2.2 billion still remain. A list of 178 different product groups comprises those \$2.2 billion, and an attractive opportunity is generated by the CBI legislation for producing and sourcing them out of Costa Rica.

Many items could be profitably produced by utilizing the considerable excess industrial and agricultural capacity that exists in the country. Alternatively, manufacturing or agroindustrial plants can be set up for such purposes on a wholly owned or joint venture basis.

Items best suited for sourcing out of Costa Rica are those that require intensive labor and that are being presently sourced either out of non-CBI and non-GSP countries or out of GSP countries that have reached GSP established ceilings or quotas. This holds true even for some products that are specifically excluded from CBI benefits, such as apparel and footwear.

Examples of items with potential for CBI sourcing in Costa Rica are:

- China and earthenware products
- Assembly of clocks and watches
- Toys and dolls
- Ceramic tile
- Vegetables and fruits
- Glassware
- Assembly of radio receivers
- Fishing rods, reels and parts
- Ball point pens and pencils
- Cutlery
- Assembly of bicycles and parts



# A closer look at Costa Rica's advantages

## An educated and productive work force

The people of Costa Rica are its greatest asset. The labor force has grown to nearly 825,000 men and women that have both excellent natural human qualities and relatively high levels of education and training.

Five universities, one technological institute and a great number of middle-level technical and administrative schools train qualified managers, engineers, accountants and technicians.

Harvard University's INCAE (Instituto Centroamericano de Administración de Empresas), a business administration graduate school, provides high-level executive management education.

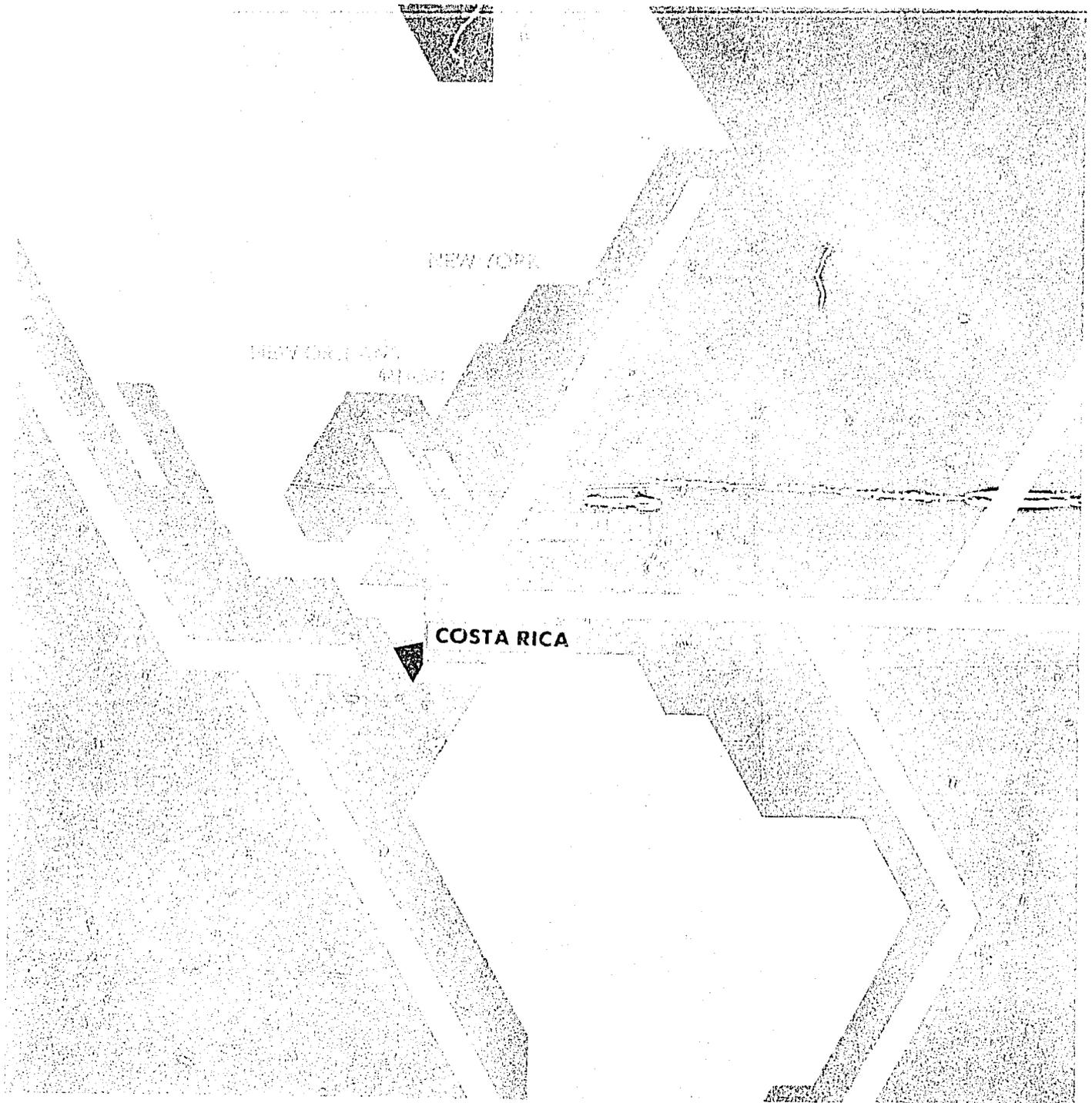
The National Training Institute (INA) supplies blue-collar workers with specialized skills, and trains agricultural workers in equipment maintenance, irrigation, etc.

Employer-employee relationships have been traditionally good in Costa Rica. Employer-sponsored voluntary workers associations outnumber labor unions 5 to 1 (only 20% of the non-government work force is unionized).

### NUMBER OF STUDENTS AND DEGREES GRANTED BY COSTA RICA UNIVERSITIES

	Number of students	Degrees granted
	<b>1983</b>	<b>1971-1983</b>
University of Costa Rica	28,603	21,049
National University	10,458	10,439
National State University	7,023	322
Technological Institute of Costa Rica	2,544	913
Autonomous University	5,742	606
<b>TOTAL</b>	<b>54,370</b>	<b>33,329</b>





## **A strategic location for trade**

The map illustrates Costa Rica's strategic location for trade, which is reinforced by the fact that the country is a narrow isthmus, with easy and inexpensive coast-to-coast transportation, plus good ports and airports. Sailing time to Miami is 3-4 days; to Puerto Rico or New Orleans, 7 days; to New York or San Francisco, 14-20 days; to ports in Europe, 17-25 days; and 30 days to the Far East.

# A working infrastructure ready to serve you

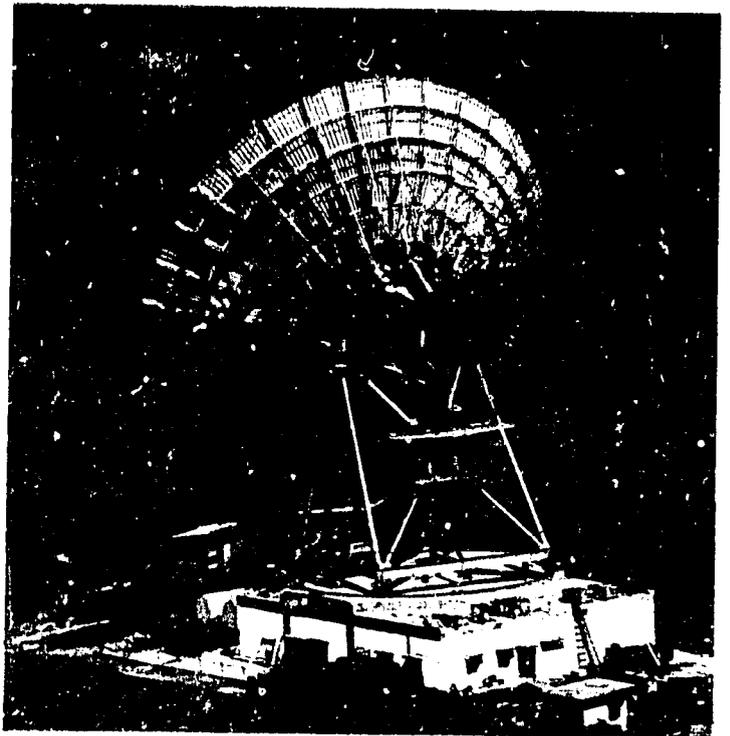
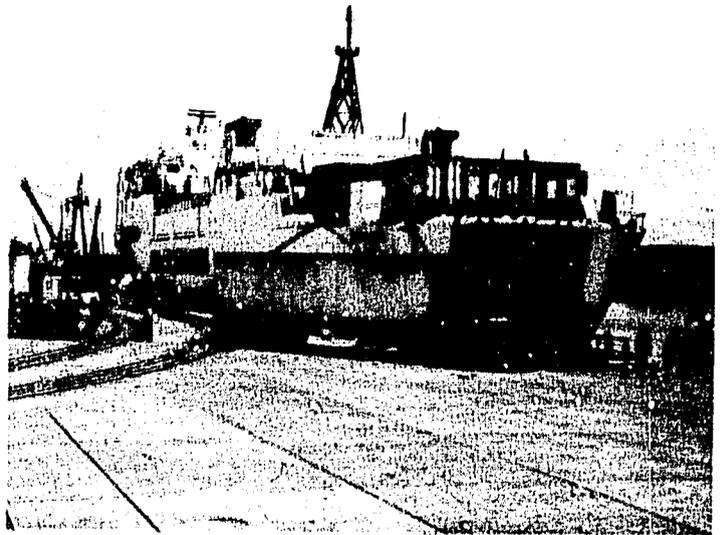
Costa Rica has invested considerable resources over many years in the development of a nationwide infrastructure. Today, the return on those investments is a working transportation matrix which includes:

- A modern, well maintained highway and road system that covers virtually all of the national territory.
- A coast-to-coast hydroelectric and diesel-powered railroad system.
- A network of modern and efficient sea port facilities on both coasts, as follows:
  - a) **Port Caldera:** on the Pacific coast, 75 miles from San José, capable of handling roll-on roll-off and containerized cargo.
  - b) **Port Limón:** on the Atlantic coast, 110 miles from San José, also capable of handling roll-on roll-off and containerized cargo.
  - c) **Puntarenas:** alternate port on the Pacific coast, for smaller general cargo vessels.
  - d) **Punta Morales:** on the Pacific coast, specialized facility for bulk sugar and grain shipments.
  - e) **Moín** on the Atlantic coast, specialized facility for crude oil and other fuels.

Shipping lines provide regular transport services to major U.S., European and Far Eastern ports. Among these are Sea-Land, Coordinated Caribbean Transport (CCT), Hapag Lloyd, Gran Colombiana, Nordana Line, Royal Netherland Shipping Co., Gulf Shipping and United States Line.

- Strategically located, fully equipped airports serving the densely populated central area of the country and both the Atlantic and Pacific coast regions, capable of handling wide body jet aircraft.
- Regular, direct airline passenger and cargo services to U.S., South American and European cities, provided by LACSA, the national airline, Air Florida, KLM, Iberia, Mexicana and other airlines.
- A reliable state-of-the-art telecommunications system providing direct dial, touch telephone contact with 65 countries throughout the world and excellent telex, telegram, facsimile and data transmission services at reasonable cost.
- A network of hydroelectric plants that has made the country not only self-sufficient but a net exporter of electric energy, available at a low and stable cost.

These facilities are ready to be put to the service of investors and corporations. Their immediate usefulness will cut start-up costs and contribute to long-range efficiency and economy.



## **Flexible incentive programs**

The Government of Costa Rica has established flexible programs to promote investment in export-oriented activities. Two principal laws provide the framework for available incentive programs. These are the Export Promotion Law and the Law of Free Export Processing Zones. Following is a summary of the main incentives they provide:

- Total exemption of all import duties and tariffs on the importation of machinery, equipment, parts and accessories to set up manufacturing facilities.
- Total exemption of all import duties and tariffs on the importation of raw materials, components, packing materials, and other inputs for production.
- Exemption of export, sales and withholding taxes.
- Partial to total exemption of local income and dividend taxes.
- Special additional exemptions of property, municipal and income taxes if plants are located in certain areas of the country.

The standard mechanism for taking advantage of these and other incentives is the drawing of a simple export contract between the Costa Rican government and the company for a predefined period of time.

### **Export Contract**

The Government of Costa Rica created the export contract as a guarantee to foreign investors in the export field. This contract commits the Government to provide:

- Fiscal incentives (detailed in the preceding paragraph)
- Other incentives such as special rates for power, port services and other public services; preferential export credit, etc.

Export contracts have a maximum term of 10 years, and are renewable for similar additional periods.

### **Capital and Profit Repatriation**

The 1982 Selective Capital Registration Ruling, enacted by the Central Bank of Costa Rica, defines clear and simple procedures that guarantee to foreign investors the ability to repatriate capital and profits. This ruling establishes a foreign exchange fund that allows the Central Bank to ensure exchange convertibility at prevailing exchange rates for repatriation of capital investments and dividends and for payment of loans, royalties and service contracts. The investor needs only to register his investment loan or contract at the Central Bank for the guarantee to go into effect.

U.S. investors can also apply for OPIC exchange convertibility insurance, as well as for political risk, and natural catastrophe insurance.

## An attractive lifestyle

Since gaining its independence from Spain in 1821, Costa Rica has evolved a unique model of "rural democracy" whose origins trace back to the original Spanish settlers. The Spaniards came to Costa Rica not as conquerors but as colonists, working the land with their own hands in view of the absence of a significant Indian population. From Costa Rica's unique colonial history there emerged a racially and socially homogeneous nation with progressive and egalitarian traditions based on small property and middle-class political dominance.

Respect for human rights is the foundation of the political and civic life of Costa Rica. This philosophy is illustrated by such measures as the abolition of the death penalty in 1882, the establishment of free and compulsory education since the late 19th century, the enactment of the Labor Code in 1943 and the abolition of the army in 1949.

San José, the cosmopolitan capital of Costa Rica with a population of 1 million, has a rich cultural life. A National Symphony and a Youth Symphony Orchestra play in annual seasons; there are several museums and a number of theaters and modern art exhibitions to explore. Fine restaurants offer local and international cuisine with menus ranging from French to Oriental. Weather is springlike year round with temperatures averaging 75°F, and many first class hotels are available at very reasonable cost.

There are at least six country clubs in the suburbs of San José. Three of them have golf courses and altogether they offer a combination of outdoor and indoor tennis, swimming, racquetball, squash, bowling, basketball, gym and track. City parks provide a pleasant setting for cultural events and leisure.

Night life is exciting with excellent discotheques, clubs and lounges featuring dancing, music and variety shows.

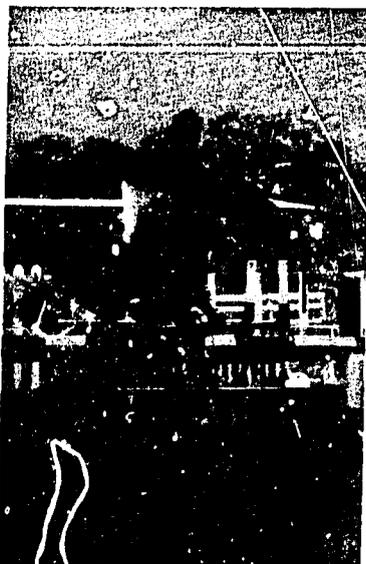
There are beautiful beaches within two to three hours' drive from San José, on the Caribbean and Pacific coasts. Excellent game fishing resorts (tarpon, marlin and sailfish) are available on both coasts.

Beautiful mountains and lush tropical forests surround the capital city. Scenic roads lead to the summits of two of the most impressive volcanoes in the country, only an hour's drive from San José.

These volcanoes and other National Parks offer a variety of sites for family recreation year round.

Costa Rica has some of the best medical centers in the area, fully equipped and staffed with excellent medical professionals, many of them trained in the U.S. and in Europe. Medicines are readily available, attention is excellent and cost is very reasonable.

Public education is first class and there are many private schools that offer bilingual and English-only programs. Some schools are accredited in the United States and operate on the U.S. school calendar.



# The Figures of Profitability

## Hypothetical Models (profiles)

### MODEL N° 1: APPAREL INDUSTRY ASSUMPTIONS

	Costa Rica	Haití	Dom. Rep.	Jamaica	Mexicali	Juárez	Panamá
<b>Direct Labor</b>							
Base hourly wage	\$U.S. 0.558	0.310	0.880	0.740	0.555	0.555	1.0422
Weekly hours	48	48	48	48	48	48	48
<b>Fringe Benefit Rate</b>							
Direct %	41.02	33.00	28.60	30.50	42.00	42.00	43.00
Indirect %	25.71	29.00	17.30	27.80	35.71	35.71	27.40
<b>Number of Direct Laborers</b>	200	200	200	200	200	200	200
<b>Labor Losses</b>	5	15	5	10	5	5	10
<b>Production Level (dozen/Year)</b>	108,700	101,900	99,650	90,584	108,700	108,700	108,700
<b>Composite Power Rate per KWH/month</b>	0.144	0.679	0.170	0.120	0.290	0.290	0.095
<b>Building rental rates (\$ per m2)</b>	3.50	1.50	1.30	3.42	3.75	3.75	2.00

Building: 20,000 sq. ft. one story. Product: men's shirt full sleeve. SAH: 3.0 hours per unit for assy. Power: 20,000 KWH per month. Material waste factor: 1/2. Depreciation: \$470,000 over 5 yrs, straight line, \$94,000 per annum.

### CONDENSED STATEMENTS OF INCOME

(in thousands of U.S. Dollars)

	Costa Rica	Haití	Dom. Rep.	Jamaica	Mexicali	Juárez	Panamá
<b>Exchange Rate</b>	43.00	1.00	1.00	2.35	118.00	118.00	1.00
<b>Sales</b>	6,930	6,496	6,353	5,775	6,930	6,930	6,930
<b>Direct Labor</b>	257	134	338	284	350	350	480
<b>Factory Overhead</b>	379	336	409	431	466	466	549
<b>Material (estimated)</b>	3,968	3,719	3,637	3,306	3,968	3,968	3,968
<b>Total Cost of Sales</b>	4,604	4,189	4,384	4,021	4,784	4,784	4,997
<b>Gross Profit</b>	2,316	2,307	1,969	1,754	2,146	2,146	1,933
<b>G &amp; A</b>	133	136	140	138	149	148	155
<b>Interest</b>	85	57	92	107	85	85	137
<b>Freight "In" &amp; Ins &amp; Duty</b>	506	379	418	418	423	392	583
<b>Freight "Out" &amp; Ins.</b>	155	103	89	91	103	56	133
<b>Total G&amp;A &amp; Other</b>	879	675	739	754	760	681	1,008
<b>Net Income Pretax **</b>	1,447	1,632	1,230	1,000	1,386	1,465	925
<b>** Before U.S. Cost</b>							

**MODEL N° 2: SPECIALTY POWER SUPPLY INDUSTRY  
ASSUMPTIONS**

	Costa Rica	Haití	Dom Rep.	Jamaica	Mexicali	Juárez	Panamá
<b>DIRECT LABOR</b>							
Base hourly wage	\$U.S. 560	.325	.840	.640	.650	.650	1.093
Weekly hours	48	45	45	40	56	56	48
<b>FRINGE BENEFIT RATE</b>							
Direct %	41.02	33.00	28.60	30.50	12.00	42.00	43.00
Indirect %	25.71	29.00	17.30	27.80	35.71	35.71	27.40
<b>NUMBER OF DIRECT Laborers</b>	93	99	101	112	93	93	93
<b>LABOR LOSSES * %</b>	5	15	5	10	5	5	10
<b>COMPOSITE POWER RATE PER KWH/MONTH</b>	\$U.S.144	.679	.170	.120	.029	.029	.095
<b>BUILDING RENTAL RATES \$ U.S. PER M2</b>	\$U.S.3.50	1.50	1.30	3.42	3.75	3.75	2.00

C&A travel includes \$6,000 per annum for four trips by U.S. trainers/ inspectors

Duty calculated at 6.90 tariff 685.1463.

All ocean freight figures from Concorde and CCT freight companies

SAH 1.25 hrs. per unit for assembly.

Production level 13,000 units/Mo., 156,000 units per annum at 92 % efficiency by 3rd year.

Material waste 1% less 1/4% reusable

Power 20,000 KWH per month

Depreciation \$300,000 over 5 yrs. straight-line, \$60,000 per annum.

\* Productivity factor based upon PSI's experience in meeting U.S. Labor Standards.

**CONDENSED STATEMENTS OF INCOME**

(in thousands of U.S. Dollars)

**3rd YEAR OF OPERATION**

	Costa Rica	Haití	Dom Rep.	Jamaica	Mexicali	Juárez	Panamá
<b>Exchange Rate</b>	43.00	1.00	1.00	2.35	118.00	118.00	1.00
<b>Sales</b>	3,250	3,250	3,250	3,250	3,250	3,250	3,250
<b>Cost of Sales</b>							
Direct Labor	130	75	193	149	176	176	254
Factory Overhead	379	397	405	452	548	548	607
Material (estimated)	1,500	1,500	1,500	1,500	1,500	1,500	1,500
<b>Total Cost of Sales</b>	<u>2,027</u>	<u>1,972</u>	<u>2,098</u>	<u>2,101</u>	<u>2,224</u>	<u>2,224</u>	<u>2,361</u>
<b>Gross Profit</b>	1,223	1,278	1,152	1,149	1,026	1,026	889
<b>G&amp;A</b>	111	117	125	121	135	134	136
<b>Interest (none)</b>							
Freight "In" & Ins. & Duty	79	68	75	75	84	80	104
Freight "Out" & Ins.	22	17	24	21	21	17	30
<b>Total G&amp;A &amp; Other</b>	<u>212</u>	<u>202</u>	<u>224</u>	<u>217</u>	<u>240</u>	<u>231</u>	<u>270</u>
<b>Net Income Pretax ** Before U.S. costs</b>	1,011	1,076	928	932	786	795	619

\*\* Examples: Selling, Engineering, Preparation of Material, etc.

# A Reference Guide of Basic Facts

## General country data

**Area:** 20,000 square miles  
**Country Population:** 2,300,000 (1982)  
**Labor Force:** 825,000 (1982)  
**Literacy Rate:** 89.2%  
**Capital:** San José, population 1 million  
**Altitudes:** lowest: sea level, highest: 12,000 feet, average 3,800 feet (San José)  
**Temperature in San José:** Lowest 60°F, Highest 80°F  
**Seasons:** Rainy: May to November  
 Dry: December to April

## System of government

The Republic of Costa Rica is a democratic nation. Its Government is divided in four branches: Legislative, Executive, Judiciary and Electoral. Elections are held every four years to select a President, two Vice Presidents, Members of Congress, and County Commissioners.

## Economic data

Currency: Colon (US \$1 = ₡43)  
 GDP: \$2,330 million (1982)  
 GDP per capita: \$1,014 (1982)  
 GDP by sector (US\$ million)

Agriculture	\$461
Manufacturing	492
Construction	86
Trade	356
Government	260
Services & Other	675

Exports (FOB): \$873 million (1982)  
 Imports (CIF): \$867 million (1982)  
 Change in Consumer Price Index: 16% p.a. (1983)

## MANAGEMENT SALARIES FOR SELECTED COMPANIES

Average Annual Salary (1)

General Manager	US\$28,000
Marketing Manager	22,000
Sales Manager	13,500 (2)
Comptroller	16,200
Plant Manager	16,200
Personnel Manager	11,000
Data Processing Manager	8,400
Purchasing Manager	8,800
Plant Maintenance Manager	6,600
QC Manager	9,600
Executive Bilingual Secretary	5,000
Messenger	1,700

Source: Peat, Marwick & Mitchell, Salary Survey, June 30, 1983

(1) Includes direct salary, profit sharing, commissions, year end bonus, etc.

(2) Base salary only

## COMPARISON OF AVERAGE HOURLY EARNINGS WITH OTHER CARIBBEAN NATIONS

(in \$U.S. Per hour)

	Direct salary	Fringe benefits	Total
Haiti	0.310	0.102	0.412
Costa Rica	0.558	0.229	0.787
México	0.555	0.231	0.781
Jamaica	0.740	0.226	0.966
Dominican Republic	0.800	0.229	1.029
Panamá	1.042	0.448	1.490

Source: PSI survey Sept. 1983

# Labor statistics

## EMPLOYMENT BY OCCUPATION/SECTOR (1983)

Occupation	Sector					
	Total	Agriculture	Industry	Commerce	Construction	Services
Total	739,125	206,304	123,101	131,124	38,866	239,730
Professionals & Technicians	66,729	1,160	4,247	8,862	3,885	48,545
Administrative and Managerial staff	90,501	54,088	4,593	27,414	401	4,005
Employees and salesmen	102,475	1,449	12,851	51,177	1,196	35,802
Manual workers	352,621	147,608	92,668	12,095	32,231	68,019
Service personnel	129,573	1,920	7,888	31,365	1,080	82,320
Unspecified	2,226	79	854	211	73	1,009
Open unemoployment	9.0%					
Visible underemployment	5.7%					
Estimated additional under- employment	5.4%					

## LABOR FORCE DISTRIBUTION BY AGE AND SEX (1983)

AGE	TOTAL	MEN	WOMEN
Total	812,513	603,611	208,902
12-14	19,695	15,804	3,891
15-19	116,128	83,379	32,749
20-29	276,353	201,955	74,398
30-39	177,237	127,799	49,441
40-49	109,426	82,412	27,014
50-59	73,497	58,652	14,845
60-69	26,307	22,156	4,151
70 or more	8,646	7,802	844
Unspecified	5,224	3,655	1,569

## **CPA Firms**

- Alexander Grant & Company
- Arthur Young International (Fernando Fumero y Asoc.)
- Arthur Andersen & Co. (Marin Fernández Guardia & Co.)
- Coopers & Lybrand (Ceciliano y Cía)
- Deloitte, Haskins & Sells (Herrero, Villalta y Asoc.)
- Peat Marwick & Mitchell
- Price Waterhouse & Co.

## **Data Processing Services**

- Sistemas Analíticos S.A. (Data General)
- Wang de Costa Rica S.A.
- Burroughs de Centroamérica S.A.
- IBM de Costa Rica S.A.
- Honeywell Sistemas de Información S.A.
- Datagrama S.A. (Zenith)
- MAI de Costa Rica S.A. (Basic Four)

## **Public Financial Institutions**

- Banco Nacional de Costa Rica
- Banco de Costa Rica
- Banco Anglo Costarricense
- Banco Crédito Agrícola de Cartago
- CODESA

## **Private Financial Institutions**

### **a. Chartered Banks**

- Bank of America
- Banex
- Banco de Santander Costa Rica
- Banco Internacional de Exportación
- Banco Weeden
- Banco Interfin
- Bancoop
- Banco de la Construcción
- Banco del Comercio
- Banco Lyon

### **b. International Finance Companies**

- Citicorp S.A. Costa Rica (Citybank)
- Cofisa
- Compañía Financiera de Londres (Lloyds Bank)
- Corporación de Boston (First National Bank of Boston)
- Crece S.A. (Marine Midland Bank)
- Financiera First Pennsylvania S.A.
- Francofin (Banque Nationale de Paris)

### **c. Bank Representative Offices**

- Banco Internacional de Costa Rica (Panamá)
- Deutsche Bank A.G (Germany)
- Interamerican Development Bank
- Banco Centroamericano de Integración Económica
- Banco Alemán Panameño S.A. (Germany)

## **Industrial Parks**

- Parque Industrial de Cartago S.A.
- Zona Franca de Moín
- Zona Franca de Santa Rosa

## **Private Sector Organizations**

- Chamber of Agriculture
- Chamber of Industries of Costa Rica
- Costa Rica Chamber of Commerce
- Chamber of Exporters
- Costa Rican-American Chamber of Commerce
- Association of Export Trading Companies
- Association of Drawback Manufacturers
- Chamber of Small Industries
- Union of Private Enterprise Chambers and Associations

CINDE  
The Costa Rican Coalition of  
Development Initiatives

## **MINEX**

(Ministry of Investments and  
Exports)

P.O. Box 1089-1000 Costa  
Rica, Phone 24-54-14, Telex  
2106 Preside

## **CENPRO**

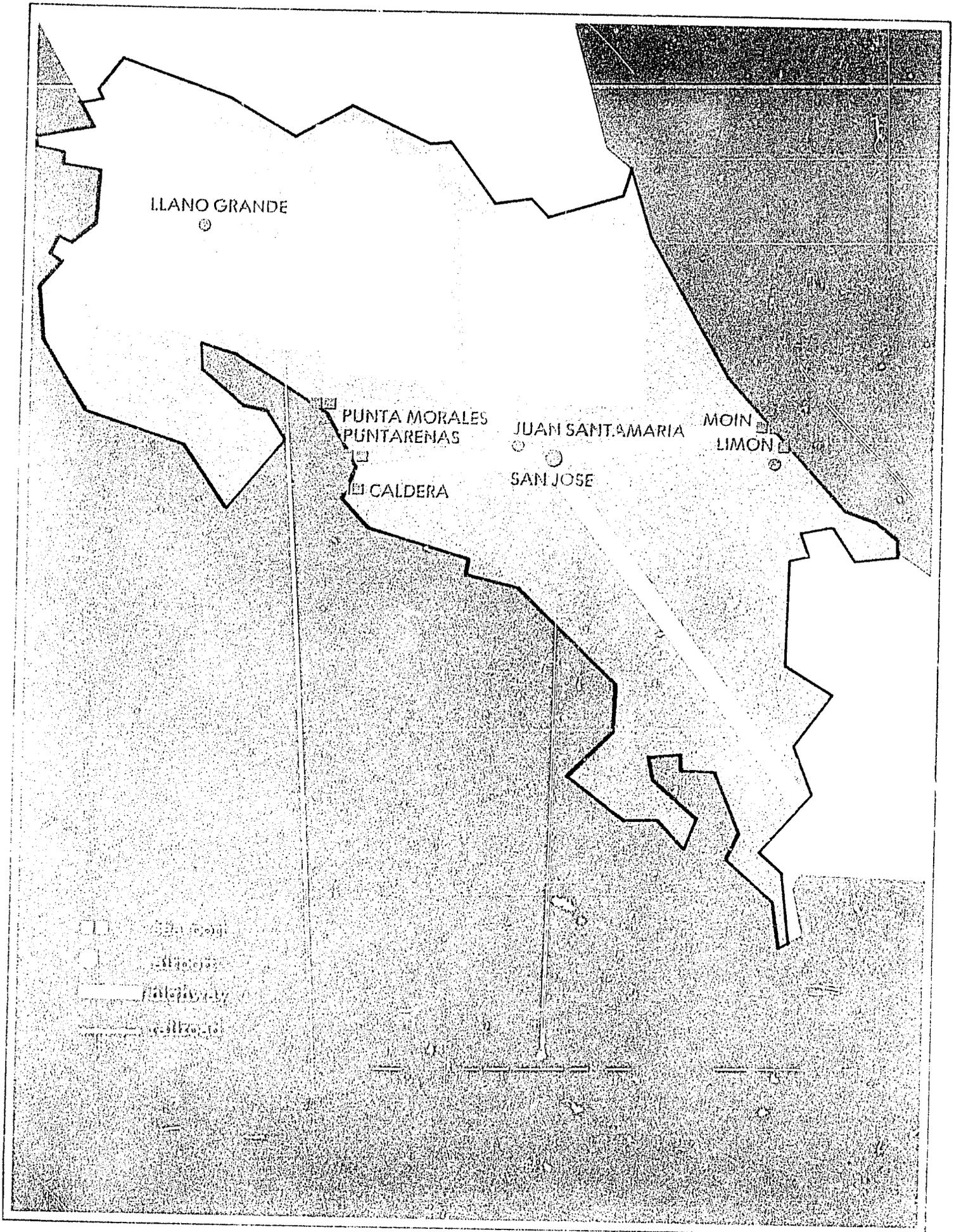
(Investments and Exports  
Promotion Center)

P.O. Box 5418-1000 Costa  
Rica, Phone 21-71-66, Telex  
2385 CENPRO

## **CINDE**

(Costa Rican Coalition of  
Development Initiatives)

P.O. Box 7170-1000 Costa  
Rica, Phone 33-13-13.



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# **COSTA RICA**

## **A Dynamic Democracy**

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**Summary of export and  
investment incentives program**

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**The following is a summary of the main features of the export and investment incentive programs in Costa Rica:**

**I. Law of Export Processing Zones and Industrial Parks (Law N° 6695)**

**II. Export Incentives (Chapter 2 of Law N° 6955)**

**III. Drawback Program (Temporary Admission Regime)**

**The main features of these laws are as follows:**

## **1. Export Processing Zones and Industrial Parks**

All firms operating under this system will be granted:

a) **100% Exemption** from all customs duties and other related taxes such as consular fees on the importation of **raw materials**, manufactured and semi-manufactured products, components and parts, packing materials and containers, together with all other merchandise and goods required for their operation.

b) **100% Exemption** from all customs duties and other related taxes such as consular fees on the importation of **capital goods**, machinery, equipment, as well as parts, dice, samples, molds and accessories necessary for their operation.

c) **100% Exemption** from all customs duties and other related taxes such as consular fees that are levied on the importation of fuels required for their operation.

d) **100% Exemption** from all duties and export taxes and their related assessment associated with the export or re-export of products; the same exemption is granted for

the re-export of production machinery and equipment.

e) **100% Exemption** from all taxes on capital and net assets for a period of ten years, starting from the initiation of operations.

f) **100% Exemption** from all sales and consumer taxes or duties on remittance abroad, the investor consequently being able to enjoy the free availability of foreign currency originating from the sale of his products.

g) **100% Exemption** of all taxes on income or profits for 6 years starting from the date of the initiation of operations (50% exemption for 4 additional years afterwards).

## **II. Export Incentives (Chapter 2 of Law N° 6955)**

This program grants **special incentives for 12 years** starting in fiscal year 1984 for companies that export non-traditional products to countries outside the Central American Common Market.

The law now provides for a legal instrument called **Export Contract** which guarantees the rights of foreign investors in the export field.

All firms operating under this system will be granted the following incentives:

- a) **100% Exemption** on income taxes on profits obtained from the exporting activity.
- b) **Income tax deduction of 50%** of the amounts invested in export projects. The beneficiaries of these deductions are local corporations purchasing shares of exporting companies through the local stock exchange. This deduction is effected over a three year period.
- c) **100% Exemption** of all import taxes and surcharges on raw materials, components and packaging materials not produced locally, and which are incorporated in non-traditional products exported to markets outside the Central American Common Market.
- d) Special port fees, simplified export paperwork and permits, preferential interest

rates, other tax deductions, accelerated depreciations and tax credit certificates are also available on a case by case basis.

### **III Drawback Program (Temporary Admission Regime)**

This law grants the following benefits for Drawback (806 and 807) operations:

- a) No tax is paid on goods to be repaired, reconstructed, assembled or incorporated to other goods to be re-exported. Capital goods and parts necessary for these operations; goods that totally or partially disappear in the process; samples, models, patterns and similar goods can also be admitted under this regime with no tax applied.
- b) Customs guarantees are documented by a simple floating customs pledge covering the goods being processed. This is the only guaranty to be rendered to the Government under this regime.

A publication of



The Costa Rican Coalition of  
Development Initiatives

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**For additional information to qualify for  
export and investment incentives contact:**

**MINEX**  
(Ministry of Investments and Exports)  
P.O. Box 1089-1000 Costa Rica,  
Phone 24-54-14, Telex 2106 Preside.

**CENPRO**  
(Investments and Exports Promotion Center)  
P.O. Box 5418-1000 Costa Rica,  
Phone 21-71-66, Telex 2385 CENPRO.

**CINDE**  
(Costa Rican Coalition of Development  
Initiatives)  
P.O. Box 7170-1000 Costa Rica,  
Phone 33-13-13 Telex 3514 CINDE

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# COSTA RICA

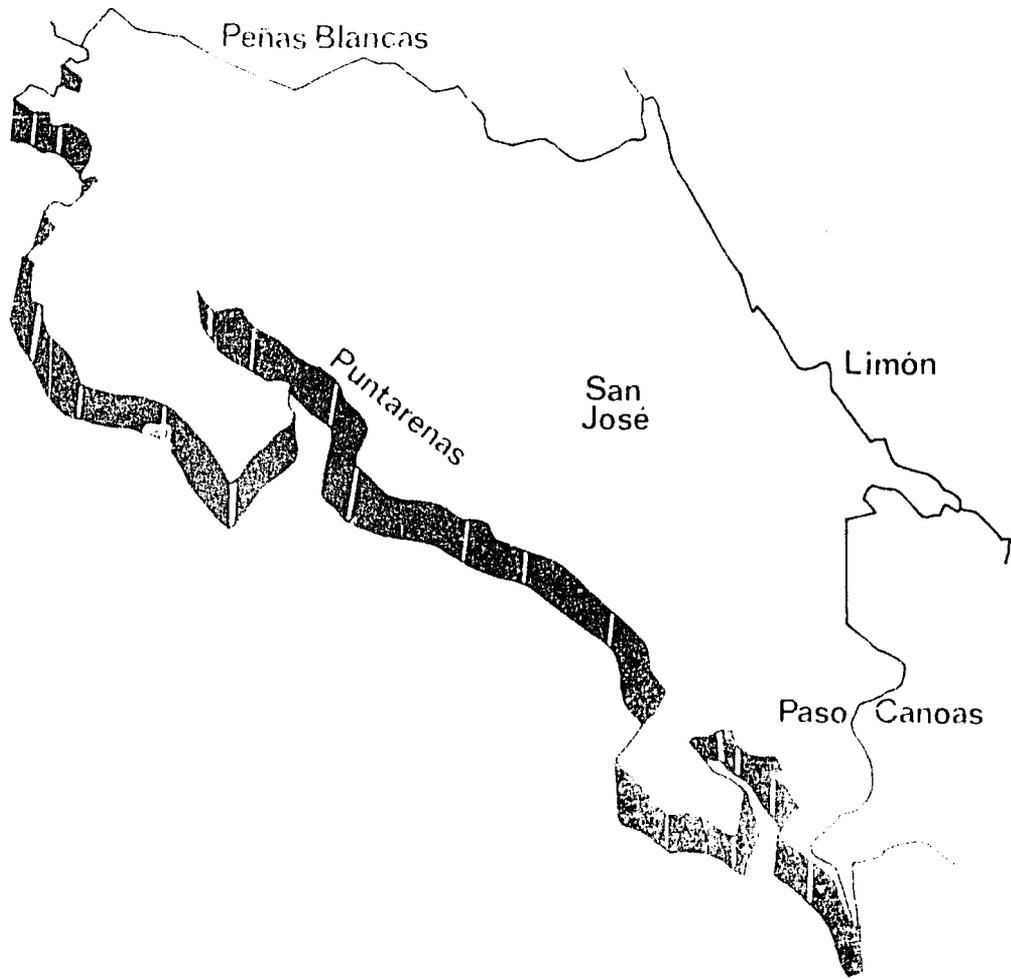
The best place for investing

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**How to take advantage of  
the C.B.I. in Costa Rica**



# THE CARIBBEAN BASIN ECONOMIC RECOVERY ACT

## (CARIBBEAN BASIN INITIATIVE)

The Caribbean Basin Initiative (CBI) is a foreign trade based economic assistance plan by the United States of America aimed at providing opportunity for economic growth and recovery for nations of the Caribbean and Central America.

Costa Rica is among the first officially designated beneficiary countries under the CBI.

The heart of the program is duty free access to the United States market for approved products, and U.S. tax measures aimed at stimulating private investment in the region. Eligible products from designated beneficiary countries will enjoy a 12 year import tax moratorium in the U.S. Business expenses incurred in attending conventions in a beneficiary country may be deducted from income taxes under sections 162 or 212 of the Internal Revenue Service Code.

Products eligible for duty free treatment must be grown, produced or manufactured in a beneficiary country and must meet the following rules of origin:

1. The product must be imported directly from a beneficiary country.
2. The production cost of the product must contain at least 35% of value added in one or more beneficiary countries. U.S. made components may be counted within this 35% value added up to 15%, leaving 20% of the minimum value added to originate in the beneficiary countries.
3. Any product including non-U.S. components from outside the beneficiary countries must be transformed into a "new and different article of commerce"

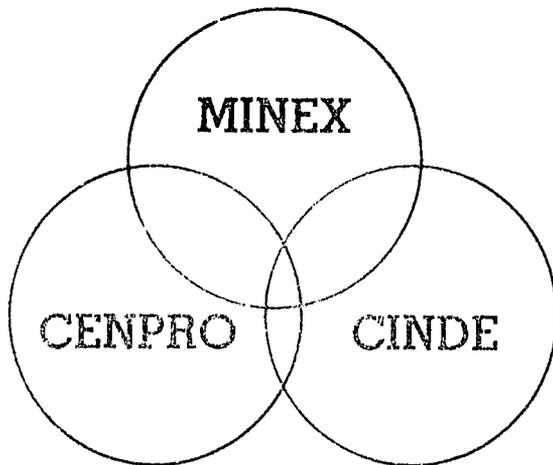
The list of authorized duty free imports comprises over 3800 products. The prominent exceptions are: textiles and apparel, canned tuna, petroleum and petroleum products, footwear, certain leather, rubber and plastic gloves, luggage, handbags, flat goods, and certain leather wearing apparel.

What has Costa Rica done to provide an economic and legal framework in order to take advantage of the CBI legislation?

### 1. MINEX

### 2. CENPRO

### 3. CINDE



## 1. THE MINISTRY OF EXPORTS AND INVESTMENT (MINEX)

An office created in April, 1983, with the purpose of promoting, from within the executive branch at the cabinet level, export oriented foreign and domestic investment in Costa Rica.

Its activities have encompassed:

- a. identification and attraction of potential investments;
- b. "debureaucratization" of local procedures;
- c. legislation providing incentives for export oriented investment.

### One-Stop Investment Office:

In order to simplify matters for investors, the government has set up a one-stop investment office at the Ministry of Exports and Investments, currently located at the Presidential House in Zapote, Tel. 24-81-40, P.O. Box 1089, Telex 2106, Preside, C.R. The office is fully equipped to handle all enquires, provide technically sound consulting services, and coordinate, expedite and follow up on applications and document processing at all levels.

## 2. THE EXPORT AND INVESTMENT PROMOTION CENTER (CENPRO)

This institution was chartered in 1968.

CENPRO is a government office responsible for promoting all export activities and for assisting exporters in complying with the requirements of local and foreign governments.

## 3. THE COSTA RICAN COALITION OF DEVELOPMENT INITIATIVES (CINDE)

A private organization whose efforts are directed at collecting and divulging business information about Costa Rica and channeling funds into carefully evaluated, export oriented investment projects.

## 1. THE EXPORT PROCESSING ZONES

There are presently two Export Processing Zones operating in Costa Rica, one on the Caribbean coast and one on the Pacific.

Additional zones can be established throughout the country in response to specific needs.

Export companies established in these zones receive special investment incentives, such as:

- Total exemption from all customs duties.
- Total exemption from all export taxes and levies, as well as from taxes on capital and fixed assets, for a period of ten years.
- Total exemption from all income taxes during the first six years of operation.
- Total exemption from all taxes or levies on remittances abroad in foreign currency.

## THE EXPORT PROCESSING ZONES

There are now two Export Processing Zones operating in Costa Rica, one in Limón, near the main port on the Caribbean (Limón), and one on the Pacific (Puntarenas).

Also, under recently approved legislation, the benefits of Export Processing Zones will be extended to already established industrial parks in the Central Valley and other places throughout the country.

These zones are regulated, non-residential areas where companies that handle, process or manufacture goods to be exported from Costa Rica receive benefits of a fully installed infrastructure combined with significant fiscal and tax incentives.

### These benefits include:

total exemption from all custom duties and related taxes on imports of raw materials, manufactured or semi-manufactured products, components, parts, packing materials, etc. Machinery and equipment used in productive processes are also exempted from import duties. Also, companies operating from these zones enjoy total exemption from all duties and export taxes, as well as from taxes on capital and fixed assets for a period of ten years.

Finally, during the first six years of operation, companies in the export processing zones are totally exempt from all income taxes. This exemption decreases to 50% during the next four years of operation.

Concerning repatriation of capital, companies established in the export processing zones enjoy total exemption from all taxes or duties on remittances abroad. For duly registered investment, there is free remission in foreign currency of the funds originating from the sales of his products.

Of great convenience is the One Stop Service Center for banking, customs, and administrative permits and procedures. Another great advantage is the speedy application procedure. Applications for establishment in an Export Processing Zone are processed in only 45 days.

Export processing zones are managed by the Corporación de Zonas Francas, a Costa Rican Government Corporation established to assist potential and actual export processing zone investors.

Services include assistance on local coordination and labor matters, housing, etc.

Additional information is available from Zona Franca, P.O. Box 96, 2050 Montes de Oca, Costa Rica, Telex 2936.

## 2. THE INDUSTRIAL PARKS

Companies established in an Industrial Park can enjoy tax and other incentives, such as:

- Partial exemption from municipal taxes for five years.
- Preferential loans through the National Banking System.
- 50% reduction on rent during the first year, 25% reduction on rent during the second year for the used of land and buildings within the Industrial Parks

## THE INDUSTRIAL PARKS

The Industrial Parks are in areas designated by the State which offer infrastructure and facilities for companies dedicated to the manufacture and production of merchandise destined for local, regional and international markets.

Companies established in the Industrial Parks, located in special development zones so declared by the Ministry of Economy, Industrial and Commerce, shall be able to enjoy the following additional incentives and benefits:

1. Partial exemption from municipal taxes for five years. The exemption follows a decreasing scale in each year of 80%, 60%, 45%, 30% and 15%, subject to prior approval by the respective municipality.
2. Preferential loans through the National Banking System to aid in the financing of capital assets, or for working capital.  
In order to obtain said loans, the capital of the applicant company must be at least 51% Costa Rica, and the products must have a minimum added value of 35%.
3. A 50% reduction in rent during the first year and 25% during the second year, off the lease contract for the use of land and buildings belonging to the State, or to the Corporation within the Industrial Parks.  
To obtain this incentive, the capital of the company applying must be a minimum of 51% Costa Rica origin, and its products must have a minimum national added value of 35%

**MINEX**

(Ministry of Investments and Exports)

P.O. Box 1089-1000 Costa Rica, Phone 24-54-14, Telex 2106 Preside

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(Investment and Exports Promotion Center)

P.O. Box 5418-1000 Costa Rica, Phone 21-71-66, Telex 2385 CENPRO

**CINDE**

(Costa Rican Coalition of Development Initiatives)

P.O. Box 7170-1000 Costa Rica, Phone 33-13-13

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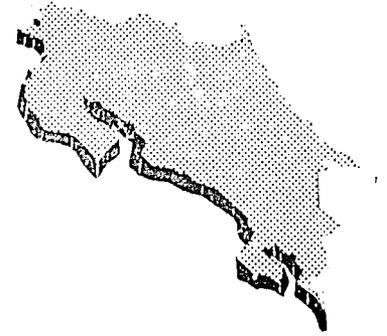
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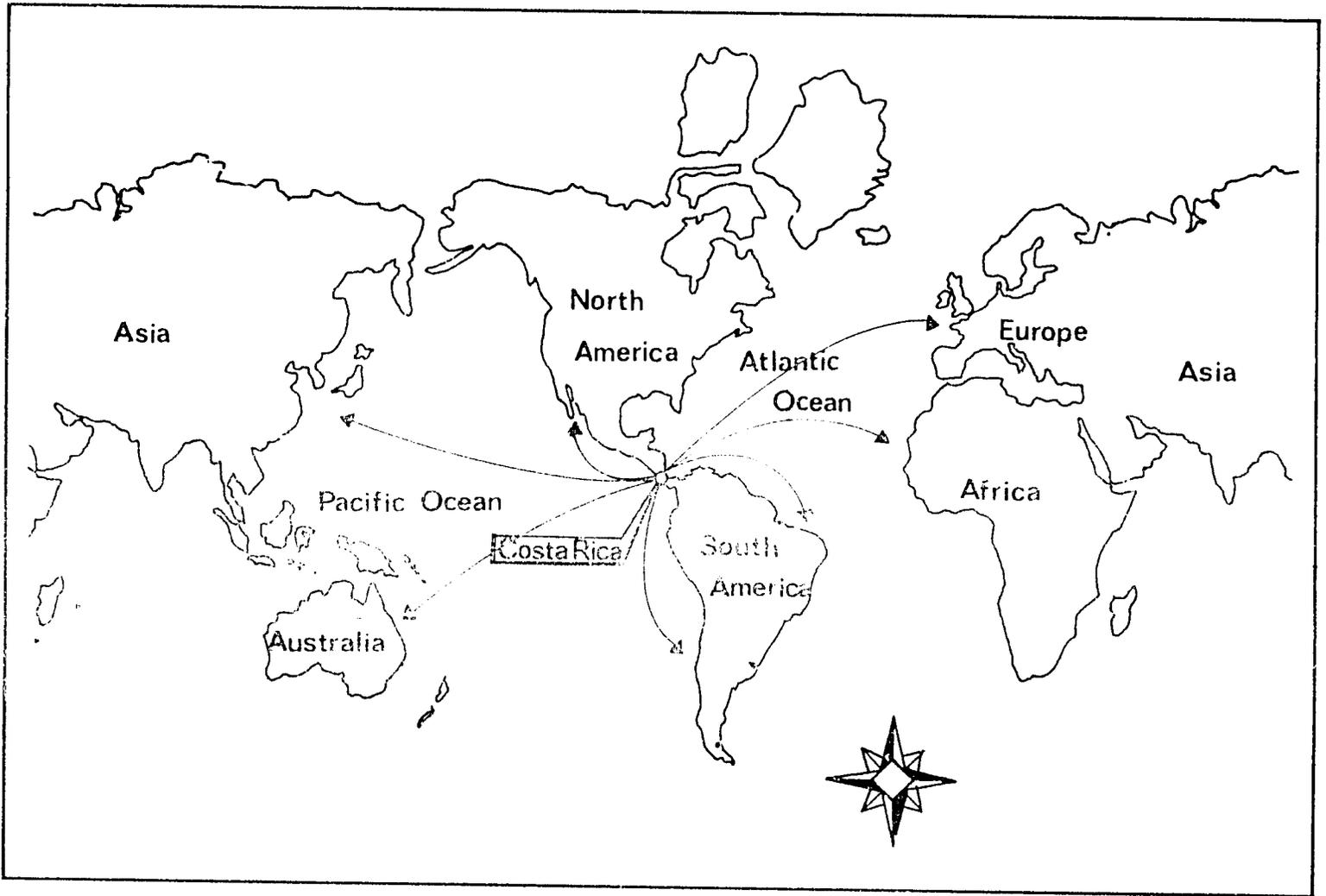
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**Production costs:  
some relevant data**

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# TRANSPORTATION CHARGES

(Approximate in U.S. Dollars at ₡ 43.65)

## 1. TRUCKING

### From San José to:

Port of Limon	<b>US\$</b> 343.64
Port of Caldera (Puntarenas)	274.91
Paso Canoas (Panama Border)	687.28
Peñas Blancas (Nicaragua Border)	687.28

## 2. AIR CARGO

From San José to	<u>Tot. Kilos</u> Min. charge	<u>Tot. Kilos</u> Price/kilo	<u>Tot. Kilos</u> Price/kilo	<u>Tot. Kilos</u> Price/kilo	<u>Price/kilo</u>	
Los Angeles	<u>1-13</u> 40	<u>13-45</u> 3.06	<u>45-300</u> 2.29	<u>300-500</u> 2.16	<u>500 up</u> 2.11	
Miami-New Orleans	<u>1-21</u> 40	<u>21-100</u> 1.86	<u>100-300</u> 1.40	<u>300-500</u> 1.11	<u>500 up</u> 0.93	
New York	<u>1-16</u> 50	<u>16-45</u> 3.09	<u>45-300</u> 2.35	<u>300-500</u> 2.32	<u>500 up</u> 1.89	
Madrid	<u>1-6</u> 76	<u>6-45</u> 11.37	<u>45-100</u> 8.23	<u>100-300</u> 6.61	<u>300-500</u> 4.96	<u>500 up</u> 4.31
Amsterdam	<u>1-6</u> 76	<u>6-45</u> 11.04	<u>45-100</u> 7.49	<u>100-300</u> 6.42	<u>300-500</u> 4.82	<u>500 up</u> 4.18

## 3. SHIPPING

### From Port of Limon to:

Miami-New Orleans	<b>40 foot container</b> \$2.200 to 2.500
New York	\$3.000
Europe	\$3.400

### From Port of Puntarenas to:

Los Angeles	\$3.000
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## 4. PORT RATES

Handling and wharfage:	\$18.18 per Ton.
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\* Prices in this area are fixed and do not depend on the volume or weight of the goods transported.

Note: Exchange rate U.S.\$1 = ₡ 43.65 (colones)

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# CUSTOMS CLEARANCE

To prevent the application of customs clearance charges at the discretion of individual customs agents, the Costa Rican Chamber of Customs Agents in its Agreement No. 3 of 1-15-75, modified 1-1-82, established a tariff for such services.

This tariff is applied by all members for import operations and other customs procedures.

The Chamber classified products into eighteen groups which are subject to different rates.

In addition, the following general rules were established:

1. Paperwork, revenue stamps, drawing up permits:	US\$
a. Per customs operation	1.71
b. Per each additional sheet:	1.71
2. Minimum Commission: 3%	
3. Applications to ministries and other offices or institutions: (each writ)	7.22
4. Certifications: (per certificate)	
a. Transit	11.11
b. Others	8.59
5. Claims that require extraordinary or specialized work:	
. 15% of amount collected, minimum charge	20.62
6. Bulky though light merchandise, which is considered difficult to handle because of its dimensions, is subject to individual tariffs	

Note: Exchange rate U.S.\$1 = ₡43.65 (colones)

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# WAREHOUSING

## 1. ORGANIZATIONS

Different organizations provide the service of warehousing, depending upon the port of entrance.

Handling tariffs vary according to the port.

The Instituto Costarricense de Puertos del Pacífico (INCOP) services the port of Puntarenas.

The port of Limón is serviced by the Junta Administrativa para el Desarrollo de la Vertiente Atlántica (JAPDEVA).

Merchandise coming through the northern or southern borders may be kept in any of the private fiscal warehouses under the supervision of the Dirección General de Aduanas.

Merchandise coming through the International Airport, Juan Santamaría, is stored at the warehousing facilities of the Complejo Aduanero, Las Cañas, under the supervision of the International Airport Custom Authority.

## 2. RATES

First 12 days free.

From 12 to 30 days, (kilos x U.S. \$0.001) plus 1 per cent on the CIF value.

From 31 to 60 days, (kilos x U.S. \$0.0015) plus 3 per cent on the CIF value.

From 61 to 90 days, same as above.

After 60 days, merchandise is considered abandoned, and customs can legally dispose of it

Note: Exchange rate U.S.\$1 = ₡43.65 (colones)

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# UTILITY RATES

1.	<b>WATER</b> (Instituto Costarricense de Acueductos y Alcantarillados)	US\$
	Minimum 15 m <sup>3</sup>	5.28
	each additional m <sup>3</sup>	0.17
2.	<b>TELEPHONE</b> (Instituto Costarricense de Electricidad)	
	Installation cost	412.37
	Guarantee deposit	137.46
	Basic Tariff 100 impulses	5.28
	101-600 impulses	0.02 each
	601-1100 impulses	0.03
	1101-1600 impulses	0.03
	1601-more impulses	0.03
3.	<b>TELEX</b> (Radiográfica Costarricense)	
	Machine installation	194.73
	Monthly rent (depend on model)	32.22- 27.49- 22.91
	Minimum transmission charges (monthly)	80.00
4.	<b>ELECTRICITY</b> (Servicio Nacional de Electricidad)	
	a. <b>Consumption:</b> Less than 3.000 kW/hour	
	The first 30 KW/hour cost	2.34
	Each KW cost	0.08
	b. <b>Demand charge:</b> (From 3.000 to 20.000)	
	The first 10 KW/hour cost	71.69
	Each additional KW cost	7.17
	c. <b>Energy charge:</b>	
	The first 3.000 KW/hour cost	139.86
	Each additional KW cost	0.05
	(Over 20.000 KW/Hour)	
	d. <b>Demand charge:</b>	
	The first 27 KW/hour cost	193.64
	Following 40 KW cost	7.17
	Each additional KW cost	10.90
	e. <b>Energy charge:</b>	
	The first 3.000 KW/hour cost	139.86
	Each additional KW cost	0.05
	(Over 20.000 KW/Hour)	
	d. <b>Demand charge:</b>	
	The first 27 KW/hour cost	193.64
	Following 40 KW cost	7.17
	Each additional KW cost	10.90
	e. <b>Energy charge:</b>	
	The first 20.000 KW/hour cost	933.93
	Each additional KW cost	0.03

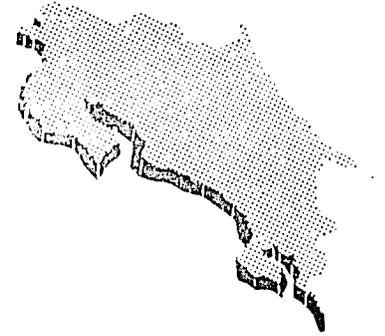
Note: Exchange rate U.S.\$1 = ₡43.65 (colones)

# PAYROLL TAXES AND FRINGE BENEFITS

	EMPLOYER	EMPLOYER
<b>1. PAYROLL TAXES</b>		
<b>a. Social Security</b>		
Health and maternity benefits	9.25	5.5
Disability, old age and death benefits	4.75	2.5
Family allowances	5.00	
<b>b. Instituto Nacional de Seguros (INS)</b>		
Occupation Hazard Insurance	3.75	
(the average percentage of the cost of insurances, varies according to the type of industry)		
<b>c. Instituto Nacional de Aprendizaje (INA)</b>		
Vocational School Tax	2.00	(Industry)
	0.5%	(agriculture)
<b>d. Banco Popular y de Desarrollo Comunal</b>		
Obligatory Savings	0.50	1.0
<b>e. Instituto Mixto de Ayuda Social (IMAS)</b>		
Erradicación of Extreme Poverty	0.50	
<b>2. FRINGE BENEFITS</b>		
<b>a. Bonus (Thirteenth Month)</b>		
The equivalent of one month's salary when company profits are greater than \$34,884; when lower, only fifteen days are paid	8.33	
<b>b. Paid Vacations</b>		
Equivalent to two weeks after 50 weeks of work	4.17	
<b>c. Obligatory Holidays</b>		
Six days per year	2.08	
<b>d. Severance and termination</b>		
Once month's salary after one year or more of work, and one month's salary for every year of constant work or portion of a year of not less than six months, equivalent to 8.33% of the payroll in accordance with the probable incidence of dismissals; only payable when employment is terminated without a just cause.	8.33	
<b>TOTAL</b>	<b>49.16</b>	<b>9.00</b>

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**Exporting: legal aspects**

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# EXPORT INCENTIVES

The following benefits will be granted during a period of twelve (12) years starting from the income tax fiscal period No. 84 to those companies that export non-traditional products to countries outside of the Central American area and Panama:

1. A 100% deduction of the period's net profit solely obtained from the exports produced by the declarant.  
In the case of new companies this incentive will be granted starting from the time the first exportation takes place.

2. A 50% deduction of the amount paid through a commodity exchange for the purchase of nominative shares of corporations domiciled in the country and that have export programs of one hundred percent of their production or are exporting that total.

No more than 25% of the net income in the period in which the purchase is effected may be deducted for this concept, nor the acquisitions of shares may be made reciprocally or in a chain with the purpose of evading payment of the tax. The shares acquired must remain in the trusteeship in a State bank or in commodity exchange for a term of three years without the possibility of having the use of more than what the dividends produce.

3. Full import tax exemption is granted on raw materials, goods and packaging not produced in the country which form a component part of non-traditional products exported to new markets (third markets), including the tax stipulated in the Economic Stabilization Protocol (San José Protocol), and temporary surcharges on imports.

In order to enjoy the benefits granted in the article, the company must provide the following:

1. A certification issued by the Costa Rican Central Bank for the amount of the exports made.
2. A certification issued by the National Investment Council regarding the approval of its export programs.
3. Proof that it has complied with the controls and norms established in the regulations of this law.

The declarant that commits misrepresentations of fraudulent manoeuvres in order to obtain the incentives in this article will be guilty of tax evasion.

# THE EXPORT CONTRACT

The export contract has been created as an instrument to coordinate the benefits that diverse laws grant to export companies, such as:

1. special port rates;
2. simplification of procedures and formalities;
3. bank credits with preferential interest rates;
4. tax reductions;
5. accelerated depreciation;
6. tax certificates (CAT) based on products and markets;
7. Export Investment Certificates (CIEX)

# THE NATIONAL INVESTMENT COUNCIL

The National Investment Council has been created to:

1. Approve or reject export programs and contracts.
2. Coordinate with the corresponding state institutions and in accordance with the respective laws, the benefits, time periods and conditions that in each case will be granted in the export contracts.
3. Approve and recommend to the Costa Rican Central Bank the granting of Tax Certificates (CAT) and export increases (CIEX)

# STABLE FOREIGN EXCHANGE RATES

The Central Bank recently unified inter-bank (commercial) and free (controlled float) rates as follows:

Purchase	₡43.15:	\$1.00
Sale	₡43.65:	\$1.00

# CAPITAL REPATRIATION

In december 1982 the Central Bank defined the rules for registration and repatriation of foreign investment.

1. The Central Bank will register any investment resources that are destined to projects which have positive results in the balance of payments.
2. The Central Bank has created a foreign exchange fund to guarantee the service of these obligations and will sell foreign currency to service these investments at the current exchange rate.
3. Types of Invesments.
  - a. **Loans:** Minimum 5 years at LIBOR plus an acceptable margin and comission. Non-registered loans also possible.
  - b. **Investment in stocks:** repatriation possible after 4 years. In order to carry out such repatriation a plan should be presented a year before to the Central Bank. Nevertheless, in justifiable situations the Board of Directors of the Bank may allow repatriation before 4 years.
  - c. **Dividends:** After the end of first fiscal year, dividends may be sent abroad or accumulated for remittance in the future. All that is required is a certification of a CPA that the dividend remittance is not larger than the profits shown in the financial statements presented for income tax purposes.
  - d. Imports of capital goods may be also registered if imported under a loan payment in 5 years; if own resources after 4 years.
  - e. **Royalties:** Payments for royalties can be made by registering the contract based on units, value sold, or profits withholding. Tax: 20%
  - f. **Service Contracts:** For professional; technical assistance, and other service contracts, the Central Bank also provides the foreign exchange funds. 30% Tax. Labor services 10% tax.

# TEMPORARY ADMISSION SYSTEM (DRAW BACK)

1. Under this system, all types of goods are allowed entry into the national territory, tax free, for a process of repair, rebuilding, set up or for their incorporation into finished products, machines, transportation, equipment in general or of greater technical and functional complexity or for other purposes that are ultimately destined to leave the country again.
2. Goods that totally or partially disappear in the process of obtaining the finished product can also be brought in tax free as well as those that are attached to the article for its marketing (advertising, packaging, diagrams, etc)
3. The application must be submitted to the General Customs Administration on a form called AT-1 which is provided by the Administration itself.  
The address of the General Customs Administration is the following:  
Administración General de Aduanas  
Calle 14, Avenidas 1-3 San José, Costa Rica
4. Even though the goods entered do not pay taxes they are subject to what is known as a "customs bond" which is drawn up free of charge at the General Customs Administration and made out on official forms issued for that purpose.  
It serves to answer for any incorrect use or end that may be given to the articles or goods entered under this system.
5. The normal time limit for goods entered under this system is three months, however, it can be extended and programmed by the General Customs Administration as many times as necessary.  
This time limit can also be lengthened at the time the interested party enters the system.
6. One of the requisites that must be complied with by the company that enters the system is the keeping of a permanent record of entries and exits (permanent inventory) that allows the easy determination of stocks by customs authorities.
7. In practice the procedures for joining this system last less than 15 days from the moment the application is formally submitted till it is approved.

# LABOR LAWS

Employers are free to dismiss their workers for a just cause without employers' liability, and with employers' liability when there is not a just cause, by complying with the following requirements:

## 1. **Notice:**

In the case of contracts for indefinite periods of time, either the employer or the employee may end the contract for no just cause, by notifying according to the following rules:

- a. After working continuously for no less than three months and not more than six, a minimum of one week's advance notice must be given.
- b. When the continuous work is greater than six months but less than a year, a minimum of fifteen days' advance notice must be given;
- c. After uninterrupted work for one year or more, notice must be given at least one month in advance.

## 2. **Severance:**

If work contracts for indefinite periods are ended because of unjustified dismissal or other motive against the worker's will, the employer shall pay severance support in accordance with the following regulations:

- a. After continuous work not less than three months and not more than six, severance pay shall equal ten days salary.
- b. After continuous work of more than six months but less than one year, payment shall amount to twenty days salary.
- c. After continuous work for more than a year, severance pay shall amount to one month's salary for each year's work or fraction not less than six months.
- d. In no event may this severance payment exceed eight month's salary.
- e. This severance should be paid even if the worker changes employers.

## 3. **Christmas Bonus:**

The christmas bonus or thirteenth month is an obligation of the employer and the worker's right.

## 4. **Foreign employers in companies established in the country:**

It is forbidden for any employer to employ in his company (whatever the nature of the same) less than 90% of Costa Rican nationals, and to pay the Costa Rican workers in their employ less than 85% of the total annual salaries earned in said company.

Both of these percentages may be increased or diminished by up to 10% each, during a term of not more than five years, if the Ministry of Labor and Social Security should determine that such a modification is indispensable in order to meet peremptory technical considerations; such a determination shall be recorded in the pertinent resolution.

The provisions contained in this article are not applicable to managers, directors, administrators, superintendents and company executive in general, always provided that these shall not number more than two per company.

# VOCATIONAL TRAINING

The National Vocational Training Institute (I.N.A.) trains workers through standard courses. Special courses can be taught on demand from individual companies, using a very flexible, modular system structuring its curriculum, I.N.A. covers a wide variety of fields:

## 1. **INDUSTRY**

- a. **Textiles**  
Sewing  
Maintenance and repair (course designed by Union Special Corp)
- b. **Electronics**  
Assembly  
Maintenance and repair
- c. **Refrigeration and air conditioning**  
Assembly  
Operation  
Maintenance and repair
- d. **General Mechanics**  
Machine tool manufacture  
Maintenance basic course
- e. **Industrial maintenance**  
Basic maintenance mechanics  
Family sewing machine mechanics  
Maintenance mechanics for plane; zig zag; chain and overlock sewing machines  
Reconstruction and maintenance of machine tools

## 2. **AGRIBUSINESS**

Food conservation and preparation

## 3. **HOTEL AND TOURISM SERVICES**

# UNA OPORTUNIDAD EXCEPCIONAL

Como ningún otro país en la América Central, Costa Rica ofrece condiciones excepcionales para convertirse en un centro de inversiones de alto rendimiento, orientadas sobre todo hacia la exportación. Su estabilidad política y social constituye clima propicio para establecer una sólida base para el crecimiento de la economía, mediante la transformación de su sector productivo de manera que contribuya más eficazmente en ese esfuerzo. La Iniciativa de la Cuenca del Caribe proporciona una magnífica y amplia oportunidad de libre acceso al mercado de los Estados Unidos, tanto para las empresas costarricenses y extranjeras radicadas hoy en el país, como para las que se instalen en los próximos años.

Es necesario, sin embargo, superar algunos obstáculos que, en ese campo, se les presentan a los hombres de negocios en Costa Rica. Con el esfuerzo de los empresarios costarricenses y el apoyo de organismos internacionales, como la Agencia para el Desarrollo Internacional de los Estados Unidos de América (AID), será posible resolver las dificultades existentes y lograr los objetivos de una ventajosa posición competitiva internacional para el país. La Corporación Privada de Inversiones (CPI) proporciona un medio idóneo para promover el desarrollo exitoso de los sectores manufacturero, agrícola y de servicios y para aumentar, por lo tanto, los niveles de empleo y de ingreso de divisas.

## LA CORPORACION PRIVADA DE INVERSIONES DE CENTROAMERICA, S.A.

Un grupo de experimentados empresarios costarricenses, representantes de diversos sectores productivos, ha organizado la Corporación Privada de Inversiones de Centroamérica, S.A. (CPI), que ofrecerá sus servicios a las empresas privadas que estén dispuestas a participar, con su esfuerzo, en el crecimiento de las exportaciones y de la producción en general.

La CPI promoverá programas de inversiones y de financiamiento. Se ocupará de diseñar una estrategia

de atracción de inversiones extranjeras y de procurar fuentes de recursos de mediano y largo plazo para participar con su aporte patrimonial y financiero en proyectos dentro del país. En ese sentido, se propone contribuir en el fortalecimiento de la capacidad del sector privado para emprender nuevas inversiones, en particular las orientadas hacia la exportación, bien sea mediante la creación de nuevas empresas, bien por medio de la modernización y expansión de las existentes a base de capital costarricense o foráneo.

## SUS OBJETIVOS

La CPI dará servicios en forma de programas promocionales, técnicos y financieros, a clientes costarricenses y extranjeros escogidos cuidadosamente para el desarrollo de proyectos nuevos, o la expansión de los existentes. Merecerán especial atención los proyectos orientados hacia la exportación, los agroindustriales con miras a los mercados del exterior y las inversiones que representen un claro potencial en la generación de divisas.

La CPI servirá de enlace entre la comunidad empresarial costarricense y las compañías foráneas que deseen establecer o ampliar actividades en Costa Rica.

Los objetivos específicos de la CPI son:

1. Ayudar a satisfacer necesidades de financiamiento de mediano y largo plazo del sector productivo privado, incluyendo el otorgamiento de garantías de pago y avales.
2. Complementar su actividad financiera con apoyo patrimonial y de posterior colocación pública ("underwriting"), mediante la formación de una

cartera de inversiones. Con ello facilitará el establecimiento de empresas foráneas en Costa Rica, de manera independiente o en coinversión con capital local.

3. Atraer inversiones externas a Costa Rica, identificando empresas y proyectos que tengan un alto potencial de beneficio para el país y coordinando los esfuerzos necesarios para su establecimiento y desarrollo.
4. Estructurar y promover proyectos a solicitud de inversionistas locales o extranjeros con el fin de hacer factible la materialización de las inversiones.
5. Desarrollar programas de financiación y enlaces con instituciones financieras internacionales, encaminados a aprovechar fuentes adicionales de fondos para el financiamiento de proyectos (cofinanciación, intermediación, etc.).
6. Ofrecer servicios de apoyo y de asesoramiento a empresas afiliadas patrimonialmente a la CPI, así como a las que reciban su financiamiento.

## SERVICIOS FINANCIEROS Y DE APOYO

La Corporación prestará, en un inicio, servicios de préstamos directos, inversiones en patrimonio, atracción de inversiones externas y preparación y promoción de proyectos. Conforme se consoliden sus operaciones, la CPI ampliará el radio de acción de sus actividades en concordancia con sus objetivos.

Una de las características que distinguirán a la CPI será el trámite rápido y cuidadoso de las solicitudes. Sólo merecerán su atención los proyectos viables, a fin de que sus esfuerzos no se vean obstaculizados por planteamientos deficientemente definidos, concebidos o patrocinados. Para este análisis, la CPI contará con ejecutivos capacitados, con amplia experiencia y bien adiestrados en sus tareas. En todos los casos se seguirán políticas cuidadosas, de manera que la participación de la CPI resulte segura y conduzca al éxito de las empresas. Esto implica que se realizarán estrictos estudios financieros de cada proyecto, incluidos, entre otros, los aspectos relativos a proveedores, mercados, mano de obra, tecnología, flujos de efectivo, rendimiento de las inversiones y otros elementos similares.

La CPI podrá proporcionar la totalidad o parte de la financiación necesaria, dependiendo del tamaño y de las condiciones de la empresa de que se trate. Cuando sea necesario, la CPI buscará y organizará grupos de inversionistas para que participen en determinados proyectos. El servicio de inversiones conjuntas con instituciones financieras internacionales, o con inversionistas foráneos, mejorará sin duda el clima general para la inversión. La CPI procurará establecer nexos de los socios costarricenses con compañías extranjeras que tengan mercados establecidos, a fin de facilitar el acceso de la producción de Costa Rica al mercado estadounidense, aprovechando los incentivos de la Iniciativa de la Cuenca del Caribe.

La participación financiera de la CPI será complementaria a la de la banca comercial costarricense. Se invitará a bancos y sociedades financieras privadas a participar en los proyectos, mediante el aporte de capital de trabajo y la prestación de servicios bancarios a las compañías correspondientes.

## Préstamos directos

Tomando en cuenta las cambiantes condiciones económicas y de la demanda de los mercados, las políticas de préstamos de la CPI estarán sujetas a ajustes, de modo que su cartera se mantenga equilibrada en cuanto a riesgos, plazos y sectores financiados. De ahí que los préstamos serán lo más diversificados que sea posible.

La participación de la CPI en cada proyecto será flexible y se ajustará a las condiciones de inversión adecuadas para satisfacer las necesidades del mismo. Si

el proyecto lo requiere, se podrán otorgar períodos de gracia para la amortización de la deuda y en casos justificados se permitirá la capitalización de los intereses.

Una de las principales fuentes de ingresos de la CPI estará constituida por los réditos que obtenga de la financiación, a mediano y largo plazo, de empresas nuevas o de la ampliación de las existentes que reúnan los requisitos antes señalados.

## Inversiones en patrimonio

En Costa Rica existen patrocinadores de proyectos con ideas buenas y factibles, pero que carecen de recursos suficientes para darles una base apropiada de capital.

Como medio de contribuir con el desarrollo de la economía, la CPI se podrá asociar con empresas a las cuales suministrará el capital "semilla" necesario para el inicio de proyectos que, de otro modo, no podrían llevarse a la práctica. Una vez desarrollada la empresa, la CPI podrá ofrecer en venta sus acciones a los demás accionistas o a terceras personas a través de la Bolsa Nacional de Valores. Esto le permitirá recuperar su inversión y contar con fondos para

nuevas colocaciones de capital de esa índole, en beneficio de otros posibles inversionistas.

La posición de las inversiones de la CPI en el capital patrimonial de esas empresas será siempre minoritaria, pero implicará que esté representada en la Junta Directiva de las compañías correspondientes, con el propósito de mantener con ellas un estrecho contacto y brindarles el asesoramiento requerido para su éxito.

Se espera que este tipo de inversiones llegue a ser una importante función de la CPI, así como una considerable fuente de ingresos a largo plazo.

## Atracción de inversiones externas

La CPI no se limitará simplemente a esperar la llegada de inversionistas potenciales. Por el contrario, desde sus inicios se dedicará a atraer inversiones extranjeras a Costa Rica, interesándose en proyectos ventajosos para el país y atractivos para los inversionistas que le aseguren, además, una cartera adecuada

Desempeñará, así, un importante papel en la identificación de industrias o empresas de alto potencial y

servirá como catalizador para organizar diversas clases de inversiones conjuntas y otros arreglos entre inversionistas e instituciones financieras costarricenses, la misma CPI y socios del exterior.

Los servicios que la CPI preste en este campo se cobrarán mediante honorarios.

# Servicios de preparación y promoción de proyectos

La CPI se propone brindar también servicios de preparación y promoción de proyectos, en los casos en que los solicitantes de crédito o de participación de capital accionario no puedan hacerlo, o cuando carezcan de medios económicos. La CPI realizará los estudios de factibilidad respectivos por medio de consultores idóneos.

Dada la índole de sus inversiones y préstamos a mediano y largo plazo, la CPI dispondrá de personal altamente capacitado para el análisis y el desarrollo de proyectos, personal que estará al servicio de los empresarios costarricenses. Mediante contactos internacionales, obtendrá asistencia técnica extranjera cuando sea necesario.

## Estructura financiera

El capital inicial y los recursos de la CPI se constituirán con el aporte del sector privado costarricense y el apoyo de la Agencia para el Desarrollo Internacional (AID). El capital social estará representado inicialmente por US \$5.000.000 en acciones comunes con derecho a voto y US \$5.000.000 en acciones sin derecho a voto.

La CPI iniciará sus labores al completarse un aporte no menor de US\$8.000.000.

En ese momento, se formalizará con la AID financiamiento mediante un préstamo de US \$20.000.000 y una donación de US \$1.000.000. El préstamo que se gestiona ante la AID tendrá un plazo de amortización de veinte años, con un período de gracia de diez años. Los intereses serán del dos por ciento anual durante los primeros diez años y del tres por ciento anual en los siguientes.

## LA ORGANIZACION

La organización que se describe seguidamente representa la estructura que tendrá la CPI en sus inicios, así como sus necesidades de personal en la primera fase de sus operaciones. Se reclutará personal alta-

mente competente, con amplia experiencia en el campo de la promoción y el desarrollo de empresas, análisis financiero y económico y servicios financieros.

## ORGANIZACION INICIAL

### La Junta Directiva Fundadora

La Junta Directiva de la CPI será la responsable directa ante sus accionistas. Se ha formado una Junta Directiva Fundadora, integrada por destacados representantes de diversos sectores productivos de Costa Rica quienes son experimentados hombres de negocios del país, lo cual garantizará el buen éxito de la CPI. Ellos son:

Ing. Samuel Yankelewitz Berger	Presidente
Ing. Carlos Araya Lizano	Vicepresidente
Ing. Mario Rojas Vega	Secretario
Sr. Ernesto Rohmoser García	Vocal
Dr. Luis Liberman Ginsburg	Vocal
Ing. Harry Odio Jiménez	Vocal
Lic. Guillermo von Breymann Acosta	Vocal

La Junta Directiva Fundadora será ampliada posteriormente con tres miembros adicionales, incluyendo al Director Ejecutivo de la CPI.

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## Comité de Proyectos

Inicialmente un Comité de Proyectos tendrá a su cargo la revisión de los proyectos presentados a la CPI, previamente a su planteamiento ante la Junta Directiva para su aprobación final. Estas delicadas funciones se han puesto bajo la responsabilidad de cuatro distinguidos empresarios que cuentan con am-

plia experiencia en diferentes sectores del país, los señores:

Rodolfo Gurdián Montealegre

Rodolfo Cortés Rojas

Jack Harris Weiss

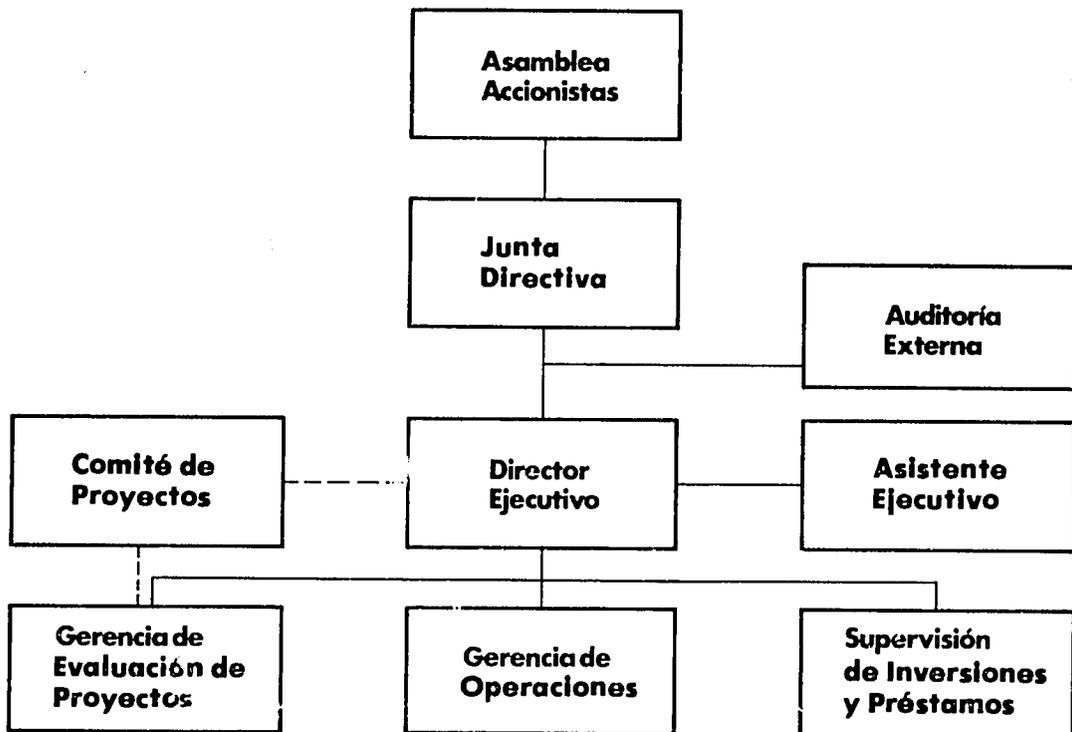
Jorge Amador Sánchez

## Director Ejecutivo

Mediante una cuidadosa selección se escogerá la persona que ha de ocupar el cargo de Director Ejecutivo de la CPI, quien deberá tener estrechos nexos con el mundo financiero internacional, así como gran habilidad para trabajar en mercados de capitales. Será una persona de amplia experiencia en el ámbito de América Latina. Deberá ser, además, un banquero experimentado y exitoso, con un claro concepto de la diversidad de actividades que son propias de un "merchant bank".

El Director Ejecutivo será el responsable de la preparación y ejecución del plan general de trabajo de la CPI, así como de los contactos con la comunidad financiera y de negocios, tanto costarricense como internacional. Asimismo, se encargará de la administración general de la Corporación y del desarrollo de las políticas que apruebe la Junta Directiva.

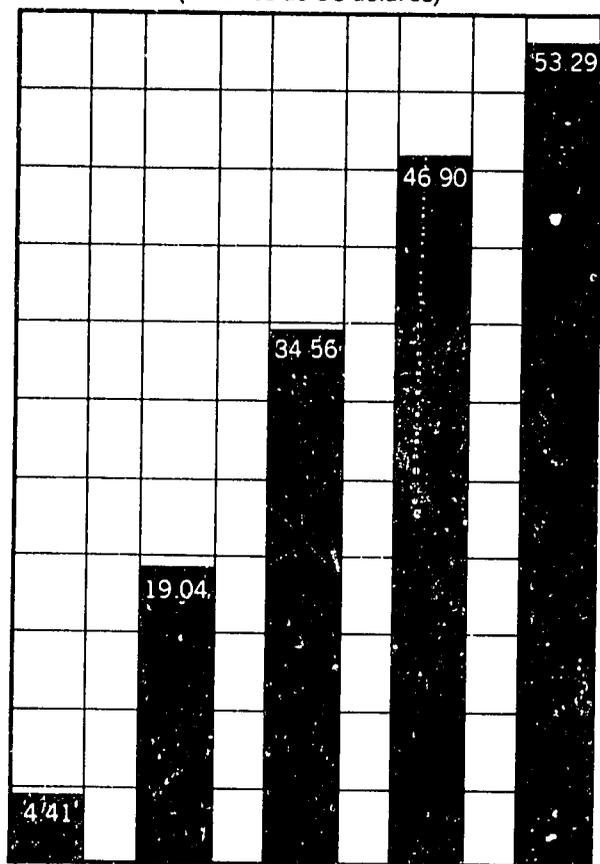
## ORGANIZACION PROPUESTA



Los siguientes gráficos se han tomado de los estudios de factibilidad e indican en forma resumida la evolución financiera prevista para la CPI:

### Colocaciones netas

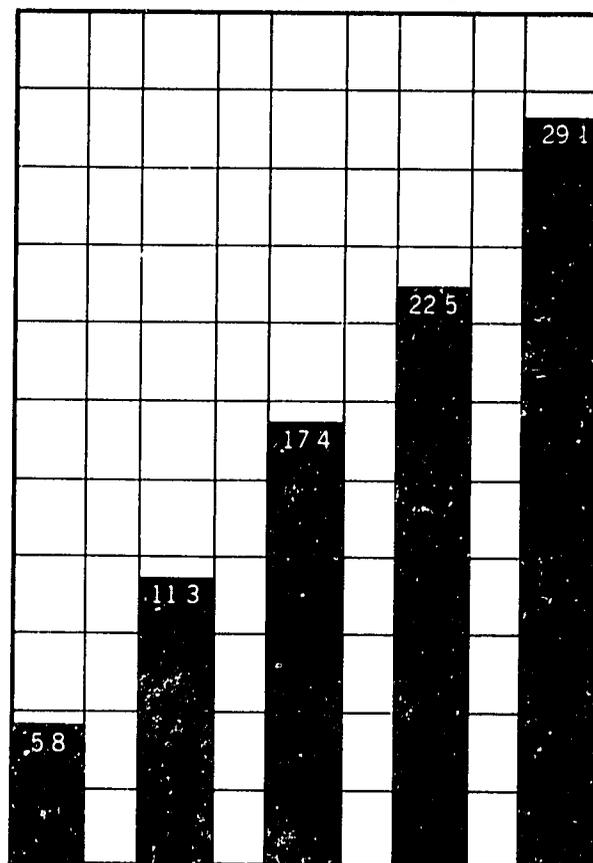
(Millones de US dólares)



1 3 5 7 9

AÑOS

### Rentabilidad/Inversión

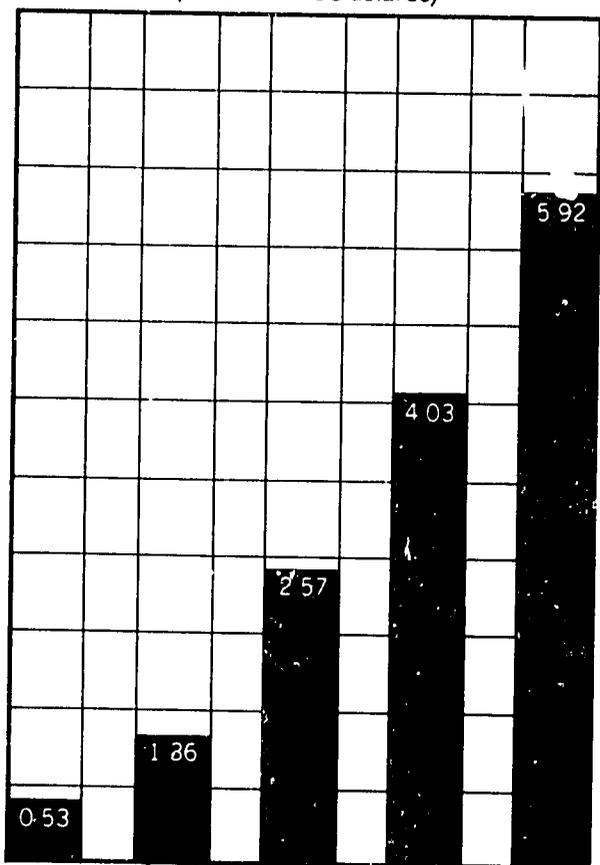


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### Utilidades netas

(Millones de US dólares)

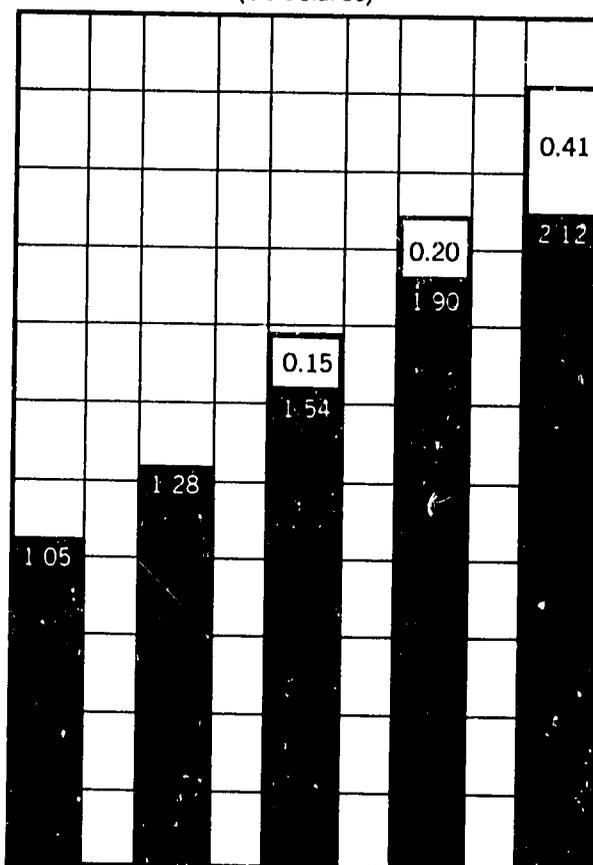


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AÑOS

### Valoración de acciones y dividendos

(US dólares)



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AÑOS

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