



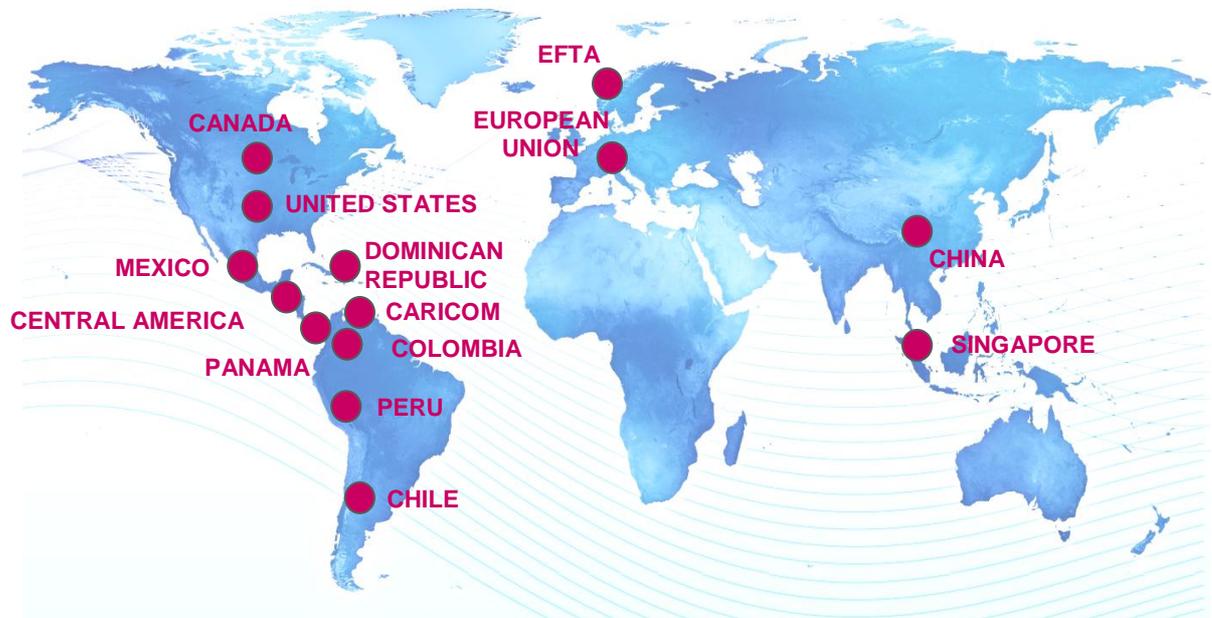
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## Fiche ELANBiz: Free Trade Agreements with Costa Rica

Costa Rica has pursued a trade policy that gives it a greater presence in world markets through multiple negotiations of free trade agreements. The country has 13 free trade agreements binding the country to all continents and bilateral investment agreements with 14 countries.

The agreements signed by Costa Rica grant access to more than 65% of world's GDP, making the country an excellent platform for manufacturing or assembly of goods in free trade zones and then exporting finished products to various destinations. Currently, 86% of Costa Rica's exports are covered under the agreements pointed out in the following illustration (CINDE, 2014).



● Preferential access

Source: CINDE website Oct. 2015

Costa Rica has recently joined the World Trade Organization (WTO) and is in the process of joining the Organization for Economic Cooperation and Development (OECD). Still under negotiation are the Pacific Partnership, Agreement on Trade of Environmental Good (EGA) and Agreement on Trade in Services (TISA).

## Europe

Costa Rica is connected to the European region through the:

- Association Agreement with the countries of Central America - EU-CAAA - (Costa Rica, Nicaragua, Guatemala, El Salvador, Honduras, Panama) and the
- Free Trade Agreement with the EFTA states and the Central American states.

### Free Trade Agreement between the European Union and Central America:

The EU-CAAA has the distinction of being applicable from region to region, which strengthens the process of economic integration of Central American countries, promoting trade relations between regions and allowing Central America to be positioned as a key destination for foreign direct investment from the European continent. Under this Agreement, the European Union allows full tax exemption for imports of products originating from Central America for 95% of the industrial products, virtually 100% of fishery products and a mixed system with scheduled reduction and quotas for agricultural products.

The Central American countries also agreed to reduce their tariffs to products originating from the EU for 70% of the products (including industrial, agricultural and fishery products) which will have a progressive tax reduction scheduled during 10 years. It was also established that some tariff quotas for agricultural products will increase progressively. For more information see: ELANBiz Association Agreement UE and Central America; and the Ministry of Foreign Trade (COMEX) <http://www.comex.go.cr/tratados/vigentes/aacue.aspx>

### • FTA European Association of Free Commerce

The Free Trade Agreement between the EFTA States (EFTA) and the Central American States, completed negotiations with Costa Rica and Panama in December

2012. The EFTA Association, formed in 1960, brings together four European countries that are not part of the Union Europe: Iceland, Liechtenstein, Norway and Switzerland.

In the decade of 2003-2013, bilateral trade grew about 3 times, in which Costa Rican exports registered an annual average growth of 10.4% while imports grew 12.1%. Switzerland was the largest trading partner among the four countries with a share of 84.5% of total trade in 2013 within the trading block.

Additional information: <http://www.comex.go.cr/tratados/vigentes/aelc.aspx>

## North America

### • FTA Dominican Republic, Central America and the United States (CAFTA-DR)

United States is the main trading partner of Costa Rica. The treaty has fostered the Costa Rican legislation to modernize intellectual property, insurance, telecommunications and distribution agreements; as well as facilitate mechanisms to ensure effective enforcement of labor and environmental laws.

Foreign direct investment in Costa Rica gained in the last decade has been predominantly of US origin in 2013 representing 46.4% of the total. The main exports from Costa Rica to USA are microprocessors and controllers; syringes, needles, catheters and similar instruments; pineapples; instruments and appliances used in medical, surgical and veterinary; bananas; and unroasted and decaffeinated coffee. Major imports from the US to Costa Rica are microprocessors and controllers, petroleum oils or bituminous minerals, circuit boards, mobile phones, paper and cardboard, and some plastics.

Additional information: <http://www.comex.go.cr/tratados/vigentes/cafta-dr.aspx>

### • FTA Canada

The Free Trade Agreement between Costa Rica and Canada takes into account the differences in the size and levels of development of the two countries which is reflected in the asymmetric treatment agreed to eliminate tariffs, particularly in the speed with which each country will eliminate the tariffs and percentage of products in each category of relief.

Additional information:

[http://www.comex.go.cr/tratados/vigentes/canada/doc\\_explicativo\\_canada.pdf](http://www.comex.go.cr/tratados/vigentes/canada/doc_explicativo_canada.pdf)



- **FTA Mexico**

The Free Trade Agreement between the United Mexican States and the Republics of Costa Rica, El Salvador, Guatemala, Honduras and Nicaragua. Costa Rica and Mexico benefit from a free trade agreement since 1995. It has evolved over the past fifteen years leading to the convergence process of free trade in Central America which resulted in the Free Trade Agreement between Central America and Mexico ending in November 2011, and allowing to reach a single treaty for regulating the relations between Central American countries and Mexico. Trade between Costa Rica and Mexico nearly tripled in the last decade. Most Costa Rican imports from Mexico are located in the industrial sector. Additional information: <http://www.comex.go.cr/tratados/vigentes/mexico.aspx>

## Latin America and the Caribbean

- **Central America**

The Central American economic integration process dates from the sixties and includes Costa Rica, El Salvador, Guatemala, Honduras and Nicaragua that formed the Central American Common Market (CACM), with the main objective of unifying the economies and jointly promoting the development of Central America.

In 1991 the Tegucigalpa Protocol was signed with the Charter of the Organization of American States (OCAS), representing a transformative process of integration in Central America, including Panama as well. The legal framework and the implementation of an institutional system, with the entry into operation of the Central American Integration System (SICA), was established on February 10th, 1993. Additional information: [http://www.comex.go.cr/tratados/vigentes/centroamerica\\_FTA/instrumentos\\_juridicos.aspx](http://www.comex.go.cr/tratados/vigentes/centroamerica_FTA/instrumentos_juridicos.aspx)

- **FTA CARICOM**

The Free Trade Agreement between the Government of the Republic of Costa Rica and the Community of Caribbean states, includes Jamaica, Guyana, Barbados, Suriname and Trinidad and Tobago in which tariff preferences are granted bilaterally. In turn, Costa Rica grants, unilaterally duty-free access for goods from the least developed countries of CARICOM (Antigua and Barbuda, Belize, Dominica, Granada,



St. Lucia, St. Kitts and Nevis, Saint Vincent and the Grenadines), except for excluded products and fats, oils and soaps, which have a particular treatment.

This treaty guarantees Costa Rican exports access to the CARICOM market in beneficial preferential terms, as well as the consolidation of new opportunities. Additional information: <http://www.comex.go.cr/tratados/vigentes/caricom.aspx>

#### • FTA Chile

The Free Trade Agreement between Central America and Chile and the adjunct bilateral protocol signed between the Republics of Costa Rica and Chile, is broken down into bilateral protocols between each of the Central American countries. Since the entry into force of this FTA, trade has increased 3.5 times. Chile is the main provider for Costa Rica for salmon, octopus, sodium nitrate, potassium nitrate, oats, copper alloy wire, spinach, pears, with a share of over 70%. Costa Rica registered Chilean investment primarily in real estate, services, manufacturing and agriculture. Additional information: <http://www.comex.go.cr/tratados/vigentes/chile.aspx>

#### • FTA Panama

The Free Trade Agreement between Central America and Panama includes the adjunct Bilateral Protocol between Costa Rica and Panama. Panama is the third destination of Costa Rican exports within the Central America region. Panama is an 80% services-oriented economy and the Free Trade Agreement with Costa Rica has been useful for the expansion of banking and insurance areas as well as in the financial and legal services. Panama ranks first in the region as the main investor in Costa Rica, specifically in the sectors of tourism, services and real estate. Additional information: <http://www.comex.go.cr/tratados/vigentes/panama.aspx>

#### • FTA Dominican Republic

The Free Trade Agreement between Central America and Dominican Republic is relevant since Dominican Republic is the main trading partner of Costa Rica in the Caribbean. This country has approximately 10 million inhabitants and is major recipient of tourism offers various business opportunities in the export sector. Additional information: [http://www.comex.go.cr/tratados/vigentes/republica\\_dominicana.aspx](http://www.comex.go.cr/tratados/vigentes/republica_dominicana.aspx)

#### • FTA Peru

The Free Trade Agreement between Costa Rica and Peru has consolidated the access of Costa Rican products currently exported to the Peruvian market. It provides



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favorable access to products such as meat, palm oil, chocolate and cocoa products, tea products Diet, milk-based drinks and powdered drinks. Trade with Peru has tripled in the last decade. Additionally, it helps foster an enabling environment to increase investment flows between the two countries. Additional information: <http://www.comex.go.cr/tratados/vigentes/peru.aspx>

## Asia-Pacific

### • FTA China

The Free Trade Agreement between the Government of the Republic of Costa Rica and the Government of the Popular Republic of China gave way to a mutually beneficial agreement. China is the 2nd most important trading partner for Costa Rica, and has granted immediate access to 99.6% of Costa Rican exports to China.

Exports have grown at an average annual rate of 61.7%, while imports increased around 32.4%. Currently, Costa Rica exports to China includes about 141 products among which are agriculture and concentrated juices of fruits, ornamental plants and foliage and leaves. In the industrial sector, in addition to products of the electronics industry, waste and scrap of copper also stand out. Imports coming from China have a high degree of diversification, being almost 5,000 different products.

As for the levels of FDI from China, although not as high compared to investment received from the United States or the member states of the European Union, China is the main source of foreign investment direct into Costa Rica originating from Asia. Additional information:

[http://www.comex.go.cr/tratados/vigentes/china\\_FTA/doc\\_explicativo\\_china.pdf](http://www.comex.go.cr/tratados/vigentes/china_FTA/doc_explicativo_china.pdf)

### • FTA Singapore

The Free Trade Agreement between the Republic of Costa Rica and the Republic of Singapore has the objective of opening more opportunities in the various Asian markets as well as promote trade relations, increase investment and promote cooperation. The structure of the two economies is quite dissimilar. While Singapore is a service economy that lacks agricultural production, Costa Rica has a significant part of its export potential in this sector of the economy. This makes the two economies highly complementary and enhances the prospects of trade. Additional information:

[http://www.comex.go.cr/tratados/vigentes/singapur\\_FTA.aspx](http://www.comex.go.cr/tratados/vigentes/singapur_FTA.aspx)

## List of Free Trade Agreements

### In force

- **Association Agreement of the European Union with the countries of Central America (EU-CAAA)** (Costa Rica, Nicaragua, Guatemala, El Salvador, Honduras, Panama). In force by: 1st October of 2013 for Costa Rica. <http://www.comex.go.cr/tratados/vigentes/aacue.aspx>

- **Central America**

Economic Integration Process for Central America entering into force on 4<sup>th</sup> June of 1961 for Guatemala, El Salvador and Nicaragua; on 27 April of 1962 for Honduras and on 23 September of 1963 for Costa Rica. [http://www.comex.go.cr/tratados/vigentes/centroamerica\\_FTA/instrumentos\\_juridicos.aspx](http://www.comex.go.cr/tratados/vigentes/centroamerica_FTA/instrumentos_juridicos.aspx)

- **FTA Canada**

An Agreement between the Government of the Republic of Costa Rica and the Government of Canada. In force by: 7 November of 2002. [http://www.comex.go.cr/tratados/vigentes/canada/doc\\_explicativo\\_canada.pdf](http://www.comex.go.cr/tratados/vigentes/canada/doc_explicativo_canada.pdf)

- **FTA CARICOM**

Free Trade Agreement between the Republic of Costa Rica and the Caribbean States community. In force by: 15 November of 2005 <http://www.comex.go.cr/tratados/vigentes/caricom.aspx>

- **FTA Chile**

Free Trade Agreement between Central America and Chile and the Bilateral Protocol celebrated between the Republics of Costa Rica and Chile. In force by: 15 February of 2002. <http://www.comex.go.cr/tratados/vigentes/chile.aspx>

- **FTA China**

An Agreement between the Government of the Republic of Costa Rica and the Government of the Republic of China. In force by: 1<sup>st</sup> August of 2011. [http://www.comex.go.cr/tratados/vigentes/china\\_FTA/doc\\_explicativo\\_china.pdf](http://www.comex.go.cr/tratados/vigentes/china_FTA/doc_explicativo_china.pdf)



- **FTA Dominican Republic, Central America and the United States (CAFTA-DR)**

A Free Trade Agreement between Dominican Republic, Central America and the United States (CAFTA-DR). In force by: 1<sup>st</sup> January of 2009

<http://www.comex.go.cr/tratados/vigentes/cafta-dr.aspx>

- **FTA Mexico**

A Free Trade Agreement between Mexico and Costa Rica, El Salvador, Guatemala, Honduras and Nicaragua. In force by: 1<sup>st</sup> January of 1995.

<http://www.comex.go.cr/tratados/vigentes/mexico.aspx>

- **FTA Panama**

Free Trade Agreement between Central America and Panama and the Bilateral Protocol between Costa Rica and Panama to the FTA. In force by: 24 November of 2008. <http://www.comex.go.cr/tratados/vigentes/panama.aspx>

- **FTA Dominican Republic**

A Free Trade Agreement between Central America and Dominican Republic. In force by: 7 March of 2002

[http://www.comex.go.cr/tratados/vigentes/republica\\_dominicana.aspx](http://www.comex.go.cr/tratados/vigentes/republica_dominicana.aspx)

- **FTA Peru**

A Free Trade Agreement between the Government of the Republic of Costa Rica and the Government of the Republic of Peru. In force by: 1<sup>st</sup> June of 2013.

<http://www.comex.go.cr/tratados/vigentes/peru.aspx>

- **FTA Singapore**

Free Trade Agreement between the Government of the Republic of Costa Rica and the Government of the Republic of Singapore. In force by: 1st Julio of 2013.

[http://www.comex.go.cr/tratados/vigentes/singapur\\_FTA.aspx](http://www.comex.go.cr/tratados/vigentes/singapur_FTA.aspx)

- **FTA European Association of Free Commerce**

A Free Trade Agreement between the states the EFTA (Iceland, Norway, Liechtenstein) and the Central American states. In force by: with Norway on 19 August of 2014; with Switzerland and Liechtenstein on 29 August of 2014; with Iceland on 5 September of 2014.

<http://www.comex.go.cr/tratados/vigentes/aelc.aspx>



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### To be entered into force

- Colombia: Agreement between Costa Rica and Colombia (in legislative process)  
[http://www.comex.go.cr/tratados/proceso\\_negociacion/Colombia.aspx](http://www.comex.go.cr/tratados/proceso_negociacion/Colombia.aspx)

### Under negotiation

- Alliance of the Pacific  
[http://www.comex.go.cr/tratados/proceso\\_negociacion/alianza%20del%20pacifico/AliazadelPacifico.aspx](http://www.comex.go.cr/tratados/proceso_negociacion/alianza%20del%20pacifico/AliazadelPacifico.aspx)
- Agreement on Trade in Environmental Goods (EGA)  
[http://www.comex.go.cr/tratados/proceso\\_negociacion/EGA/index.aspx](http://www.comex.go.cr/tratados/proceso_negociacion/EGA/index.aspx)
- Agreement on Trade in Services (TiSA)  
[http://www.comex.go.cr/tratados/proceso\\_negociacion/tisa/index.aspx](http://www.comex.go.cr/tratados/proceso_negociacion/tisa/index.aspx)

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