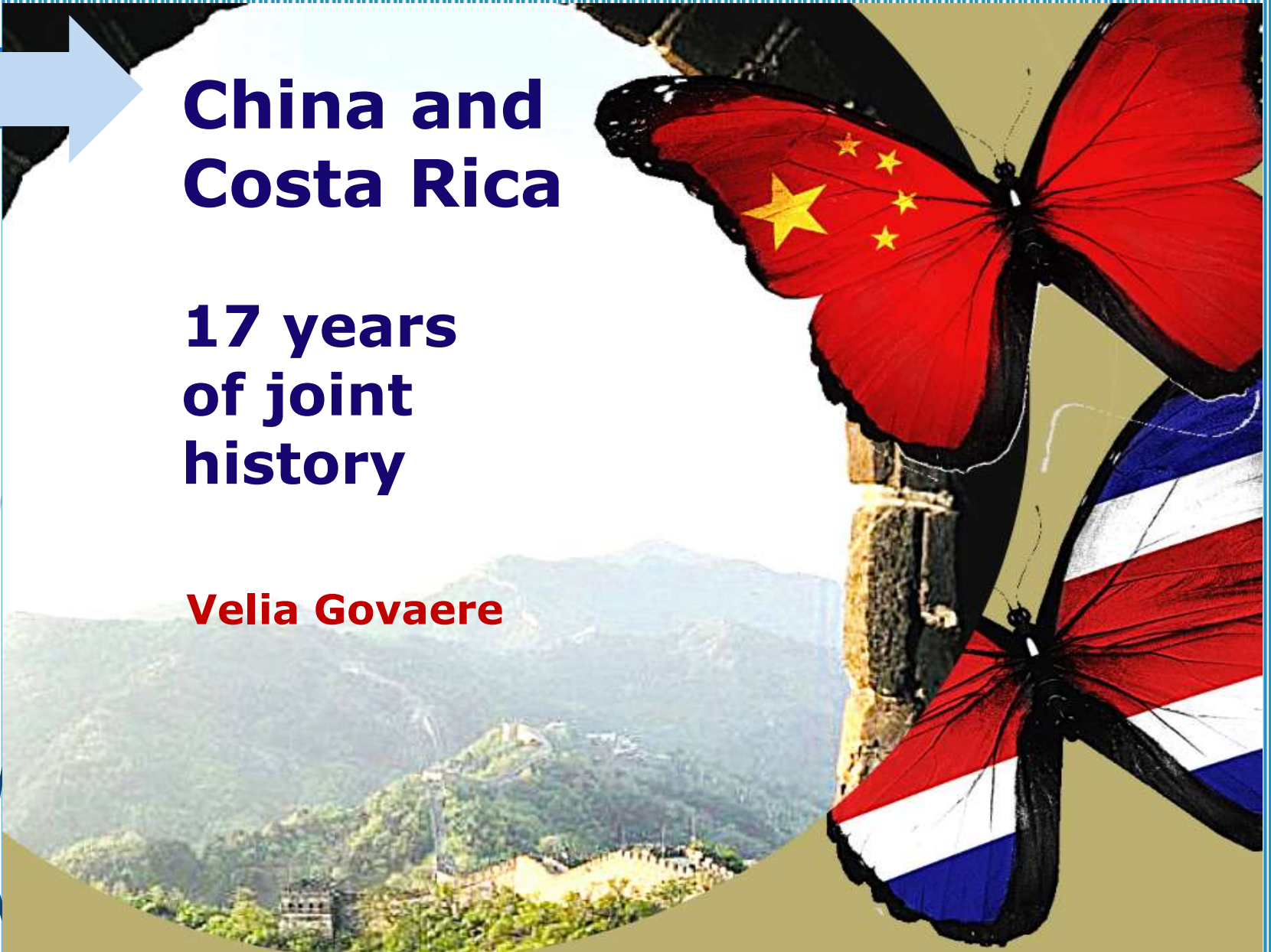




# **China and Costa Rica**

**17 years  
of joint  
history**

**Velia Govaere**





# Outline

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**OUTLINE**



COSTA RICA





## Costa Rica in a nutshell

51,000 km<sup>2</sup> with 5 million inhabitants.

6% of the world's biodiversity and 3,000 km of coastline.

From the poorest colony in Central America, it became one of the most advanced country in the region.

Intangibles: 200 years of republican life, 75 years without an army and a strong tradition of rule of law.

Investment in education: around 7% of GDP.



**PURA VIDA**



**Columbus  
baptized our  
country in his  
4th voyage as  
“Costa Rica”  
or Rich Coast**





# Highlights of Costa Rican history

- Spanish colony and part of the administrative unit from Guatemala to Costa Rica.
- The poorest colony in Central America, its governor has to grow its vegetables to eat.
- Poor, with very scarce populated & none extractive resources. It meant a different history from its neighbors
  - stable and peaceful during & after the colony.
  - Since its independence in 1821 very few but enlighten dictatorships
  - Almost none involvement of other countries
  - Few external (1856) & internal conflicts (1948)

# Highlights of Costa Rican history

The decade of the 40s of the last century marked the country with events of major significance:

- In education, the founding of the University of Costa Rica (1940), the first institution of higher education in the country;
- In health coverage with the creation of the Costa Rican Social Security Fund (1941)- and
- In new social and labor rights with the enactment of the Labor Code (1943).

This was achieved with an unusual and eclectic alliance: of his Republican Party in power with the Catholic Church and the Communist Party.



# Revolution and Constitution of 1949

After the revolution of 1948, Pepe Figueres called for elections and established the ground for the Constitution of 49, our current one that states:

- The abolition of the army
- Women ' s right to vote
- CR reallocated its former military funds to education: it gave CR good educational results and a basis for a subsequent growth platform
- In the economy side, the country embraced the development model based on Import Substitution up to the crisis of 1979.

# 1949 's Government

- The 1949 Constitution establishes that Costa Rica is a representative democracy, which is exercised through the legal channels established by the Constitution and the legal system.
- It is a presidential system but the principle of the division of branches applies with "checks and balances" between the Executive/the Legislative/the Judicial branch.
- Costa Rica abolished its army in 1949. It has the Ministry of Public Security: surveillance, preservation of public order, prevention of crime and maintenance of national sovereignty

# Economic Paradigm Shift

- The country was living “on credit” that allowed very good social indexes but...
- The country went into default in the external debt crisis in 1979, the worst in our history.
- The development model based on Import Substitution came to an end.
- It was time for a paradigm shift: we had to look outward because we needed foreign currency to repay our debts and balance national accounts.
- An aggressive combination of a FTA platform and FDI attraction policies was used to turn the country around.

# Emblematic Public Policies

- Trade opening with an FTA platform and attraction of FDI under FTZ oriented to high technology and modern services.
- Long-standing education policy
- Implementation of highly successful tourism policies
- Public health coverage
- Environmental protection policies



FDI+Trade+Turism = Successful recipe &  
Education+Health+Green montains= Happy people



# Why is Costa Rica Emblematic?

## With a population of only 5 million:

- Most important exporter of high-tech products in LA
- Exports more than 4,500 products to 150 countries
- 35% of exports are high-tech products.
- Participation in global value chains.

## Structural transformation of its exports:

- In the 1990s: primary goods were 57.6%; by 2000, only 26%
- High tech goods went from 3.2% to 36.5%
- Notable increase of service exports (7,6% GDP)
- Still a big producer of coffee/banana/pineapple
- Major tourism destination with eco-tourism and surf



# Why is Costa Rica Emblematic?

- The annexation (attachment) of Nicoya to Costa Rica (1824),
- In 1884, San José became the first Latin American city with electric lighting.
- In 1949 the abolition of the army.
- In 1970, the country created the network of national parks. Today it is estimated that  $\frac{1}{4}$  of its territory has some type of state protection and the country is home to 6% of the planet's biodiversity.
- The CR Constitution recognizes our country as multicultural and multiethnic since 1985.
- As of 2023, life expectancy at birth is 81 years. It has a *Blue Zone* in the north of the country.

# Milestones in the China-CR relation



# China-Costa Rica relation

- The first Chinese pioneers arrived in 1855 in Costa Rica, a young nation with only 34 years of independent life. Puntarenas was the port that welcomed them.
- They were to build the country's first railroad. In 1874, they led the first labor struggles, later instrumental in the framing of labor laws in 1943.
- As an essential part of our social fabric, CR celebrates Chinese Culture Day by LAW.





# Hilda and Franklin

Hilda Chen Apuy: *“writer, researcher and pioneer in the study of oriental cultures, embodied in her life a bridge between civilizations”*, in 2023, received the highest governmental recognition.

Franklin Chan: NASA astronaut & entrepreneur



# Diplomatic Ties

- CR is a country with a European influence derived from the colony and geographically close to the U.S but...
- Even before diplomatic ties SJ and Beijing were sister cities.
- In 2007, a historic decision was made to turn CR 's attention to China with the establishment of diplomatic relations.
- It has been 17 years of relations that have strengthened the bond and knowledge between both countries.



# Milestones China-CR

- **2007** diplomatic relations are established between China-CR
- **2008** Hu Jinta signs MOU to start negotiation of FTA
- **2009/10** negotiations FTA
- **2011** FTA between China-CR
- **2016** BIT between China-CR
- **2018** Costa Rica joins the Belt and Road Initiative

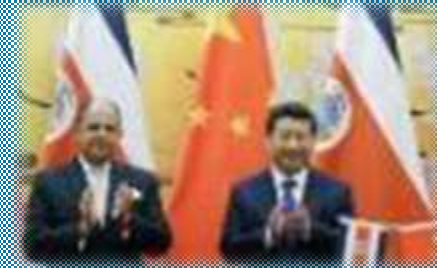


# Milestones

**17 years** of  
diplomatic ties



**13 years** of entry into  
force of the FTA  
China-Costa Rica



**6 years** of joining the  
Initiative the Belt  
and Road (BRI)



# Background of Trade relation



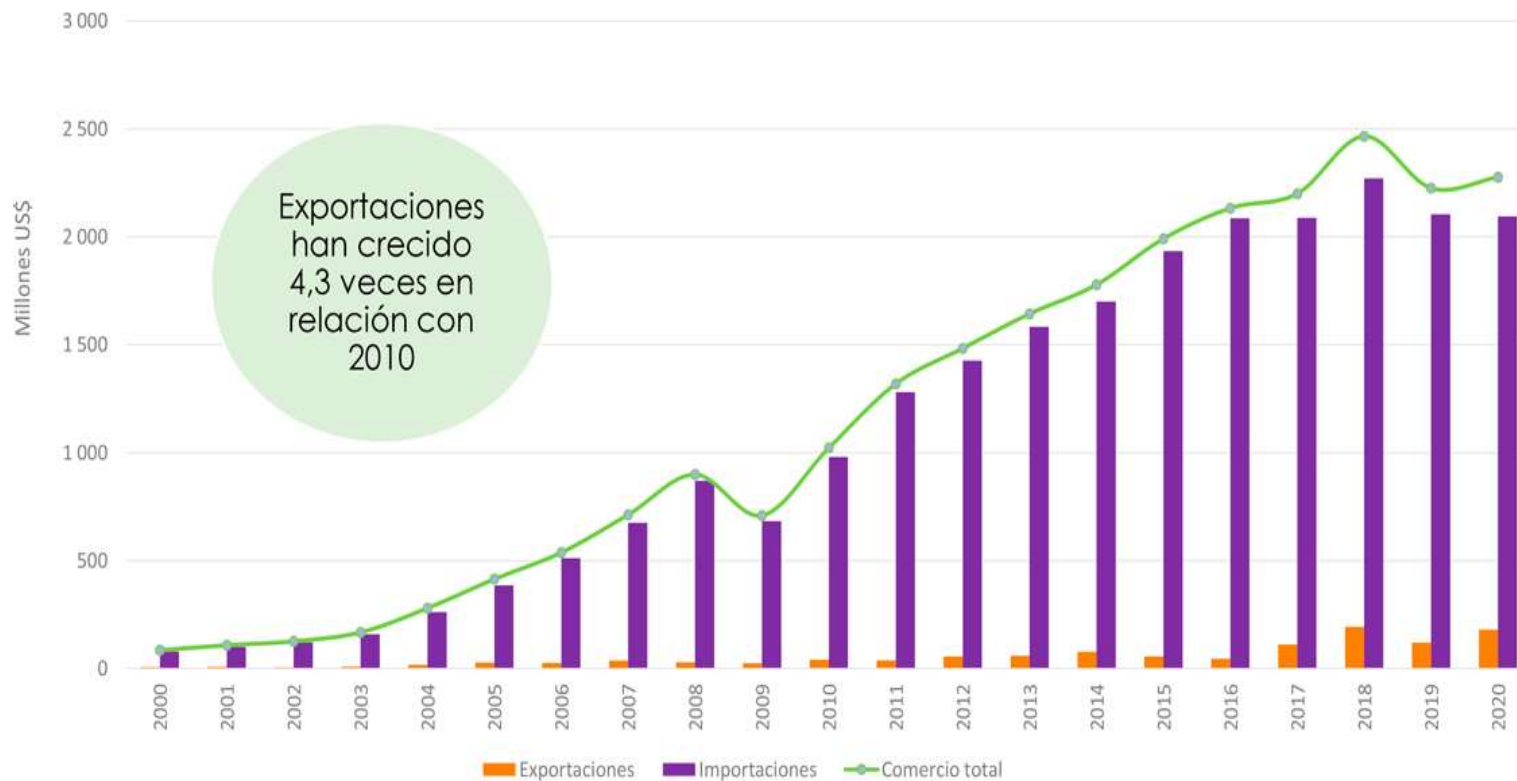
- In 2006, CR noted with astonishment that the second most important destination of our exports was... CHINA
- Costa Rican exports were concentrated in INTEL brand electronic components.
- The 2008 crisis, the contraction of Chinese demand and the closure of INTEL combined to decrease exports.
- By August 2011, our export volume to China had decreased substantially.

# Trade Flows



In its first 10 years (2011-2020), China-CR trade has averaged 6.2% growth. Although Costa Rican exports grew by 19% annually, in that period they started from a very modest base of sales of goods to China. This determines that 10 years of that growth rate barely represents, in 2019, 2% of our national exports. But from the import/export flow angle, China is our 2nd largest trading partner.

# Trade flow with China, 2000-2020



Fuente: COMEX, con base en cifras de PROCOMER y BCCR.

Corresponde a cifras preliminares, mejoradas con las disposiciones del MBP6. Sujetas a revisión.

# Trade Balance



The imbalance between exports and imports cannot be seen from a simple perspective:

- On the one hand, many of the imports are final consumer goods that the country does not produce.
- On the other hand, other goods are relevant inputs for Costa Rica's own endogenous production.

Indeed, in the first decade of the FTA, among the most important imports that CR received from China were cell phones, laptops, television screens, automobiles, tires, in short, products not produced domestically, which complement our economy. Other products are inputs such as iron or steel rolled products, which are incorporated into Costa Rican production processes.



## Diversification of available export supply



Costa Rica's moderate export performance has been offset by a sustained effort to diversify its exportable offer to the Chinese market, both under the permanent regime and in the free trade zone, with high-tech manufacturing (medical devices), agricultural goods and fishery products. Medical devices linked to FDI are the main Costa Rican export segment to China and we have achieved success stories such as beef exports.

# Products exported to China

## Main products exported to China (in order of importance)

2011

Microprocessors; lamp holders, plugs and sockets; citrus fruit, otherwise prepared or preserved; raw wood; waste and scrap of copper; bovine or equine hides and skins, further prepared after tanning or parchmenting; parts of electrical appliances; parts of seats; waste and scrap of aluminum; and live plants.

2023

Meat and cuts thereof; orange juice; copper for recycling; prepared or preserved citrus fruit; other edible offal, frozen; raw hides and skins of bovine or equine animals; gold coffee; automatic regulating or controlling instruments and apparatus; pineapple juice.

## Trade Obstacles from CR ´ perspective



- China is a challenging, distant and highly competitive market. In addition to the cultural and language barriers, requirements, sanitary protocols and complex paperwork, there are also complicated transportation logistics.
- The country's lack of direct maritime routes to this market is a major constraint. -It imposes the challenge of developing human capacities to overcome cultural, legal, language and expertise obstacles in the enormous complexity of the Chinese market.

# Chinese cooperation



- In terms of cooperation, China has provided support for local infrastructure works, support to police forces, and in times of pandemics, health support and vaccines.
- Chinese investment in Costa Rica has focused on infrastructure development, especially roads, such as the road linking SJ to the Caribbean port.
- The presence of the Confucius Institute for the past 17 years has allowed CR to learn more about the Chinese culture and has promoted the teaching of the Chinese language.

# Belt and Road Initiative



# The Belt and Road



- The BRI is a force for overcoming the asymmetries in the economic development of countries, a painful legacy of colonialism.
- With this initiative, China is using its immense financial resources to promote openness, investment and development in more than 140 countries.
- The openness and integration promoted by the BRI favors international economic growth and opposes isolationism and the formation of blocs.

## Belt and Road (BRI) Chapter Costa Rica -1-



- In 2018, Costa Rica joined the Chinese initiative and understood it as an opportunity for development with an eye on the Pacific.
- Covid was the parenthesis that stopped everything.
- Now we are in a propitious moment to take advantage of the infrastructure investment opportunities that are so lacking in times of limited fiscal resources in Costa Rica.

## Belt and Road Costa Rica -2-



For Costa Rica, it also fulfills the historical aspiration of linking its development in the regional dimension, which allows it to take advantage of its potential beyond national limitations and to project its business and trade scale at the Central American level, thus expanding its market dimensions and serving as a bridge for trade movements between the Atlantic and the Pacific.



# Final thoughts

- Although we were the first CA country to establish diplomatic relations with China, these ties are relatively recent.
- China is CR's second largest trading partner
- There is room for growth under BRI and the FTA
- There is room for growth in other areas such as academic cooperation and cultural ties.

**“People to people”**



# Cultural glimpse

- Difficulties to say NO (we are just too polite).
- Very Courteous and soft spoken culture (we never raise our voice).
- So calm that we struggle to make decisions.
- Very very equalitarian.
- Very friendly but very private people.
- Nature and animal lovers.
- Shamelessly unpunctual.
- Strong yet quirky sense of humor.

**“People to people”**



**Thank you!**



**Questions?**

