

## **SOUTH-SOUTH TRADE: THE COSTA RICAN EXPERIENCE**

**A paper contributed by the  
Costa Rica National Strategy Team**

## I. General Characteristics of Costa Rica

The Costa Rican economy, with its 4.2 million inhabitants, constitutes one of the more stable markets in the Central American Region, not only from the political and social standpoint but also from an economic point of view.

From a political point of view, the democratic tradition of the country has permitted the development of a series of social and economic projects that have enabled or fostered on the one hand, social stability and on the other, the achievement of social indicators (health and education), similar, even, to those of some industrialized nations.

According to the **Human Development Index** determined by the United Nations Development Program (UNDP), Costa Rica is ranked number 47 from a total of 157 countries for which the index was calculated. Along with Panama, Mexico, Chile, Argentina, Trinidad & Tobago and Uruguay, Costa Rica stands out among the only 7 countries of Latin America ranked in the High Human Development group.

The following chart shows certain indicators relative to human development for Costa Rica and other selected countries:

Country	Position in the HDI	Life Expectancy at birth	Adult Literacy Rate	Gross combined enrollment rate in primary, secondary and tertiary cycles	GDP per capita
Argentina	34	74,5	97,2	95	12.106
Chile	37	77,9	95,7	81	10.274
Uruguay	46	75,4	97,7 <sup>/1</sup>	88 <sup>/2</sup>	8.280
Costa Rica	47	78,2	95,8 <sup>/1</sup>	68	9.606 <sup>/3</sup>
Mexico	53	75,1	90,3	75	9.168
Panama	56	74,8	91,9	79	6.854 <sup>/3</sup>
Trinidad & Tobago	57	69,9	98,5 <sup>/1</sup>	66 <sup>/2</sup>	10.766
Colombia	69	72,4	94,2	71	6.702
El Salvador	104	70,9	79,7 <sup>/1</sup>	68	4.781 <sup>/3</sup>

Source: UNDP, Human Development Report 2005.  
/1 2002 Data. /2 Preliminary. /3 Regression calculation.

In regard to the **Competitiveness Index**, determined by the World Economic Forum (WEF), Costa Rica ranks in position number 64 of the general ranking of 117 countries, surpassed, in the case of Latin American countries, by Chile (position 23), México (position 55) and El Salvador (position 56).

From a microeconomic point of view, the WEF also determines the Business Competitiveness Index, which takes into consideration the micro aspects that determine the levels of sustainability of productivity and competitiveness by analyzing the sophistication of the operations and strategies of companies, as well as the quality of the business environment. The following chart summarizes the main results of this indicator for certain selected countries. As can be seen, just like the rest of the countries that are highlighted in the chart, it is the attribute relative to the quality of the business environment that indicates the greatest competitive weakness of Costa Rica.

Country	Ranking Business Competitiveness Index	Sub-index on the Quality of the Business Environment	Sub-index on the Quality of Operations and strategies of the companies
Chile	29	29	31
México	60	62	55
El Salvador	58	56	57
Costa Rica	50	53	34
Panama	61	68	37
Colombia	56	57	49

Source: WEF, The Global Competitiveness Report 2005-2006

As to the recent evolution of the Costa Rican economy, it should be highlighted that GDP growth, which has been 5.9% last year, thus allowing to attain for 2005, a GDP per capita equivalent to US\$4,748.3 annually<sup>1</sup> at market prices, or else US\$10,434 according to the Purchasing Power Parity<sup>2</sup>.

#### Costa Rica: Main economic indicators, 2002-2005

	2002	2003	2004	2005
GDP (millions of U. S. \$)	16,844.2	17,514.4	18,557.2	20,016.9
Real Growth of the GDP	2.9%	6.4%	4.1%	5.9%
Per Capita GDP (US \$) at market prices	4,163.3	4,268.6	4,460.8	4,748.3
Per capita GDP (annual variation)	---	2.5%	4.5%	6.4%
Inflation	9.7%	9.9%	13.1%	14.1%
Combined Fiscal Deficit (% of the GDP)	5.4%	4.5%	3.6%	3.9%
Exports (Millions US \$)	5,294.3	6,121.9	6,281.3	7,000.6
Imports (Millions US \$)	7,187.9	7,643.1	8,268.0	9,797.2
Trade Partners (2005)	Exports	United States 42,7%		
		Hong Kong: 6,9%		
		Holland: 6,4%		
		Guatemala: 4,2%		
		Nicaragua: 3,8%		
		China: 3,5%		
		Honduras: 3,2%		
		Panama: 3,0%		
		El Salvador: 2,9%		
	Germany: 2,7%			
	Imports	United States: 40.9%		
		Japan: 5.6%		
		Venezuela: 4,9%		
		Mexico: 4,8%		
		Ireland: 4.3%		
		Brazil: 4,2%		
		China: 4.2%		
		Colombia: 2,7%		
Guatemala: 1,9%				
France: 1,9%				
Sources: Central Bank of Costa Rica, PROCOMER Ecoanálisis				

<sup>1</sup> Calculated by the Central Bank of Costa Rica.

<sup>2</sup> Calculated by the International Monetary Fund (IMF). According to these figures, Costa Rica would be in the third position for Latin America, after Argentina and Chile.

## II. Historic Development of Costa Rica's Export Strategy

Costa Rica is a country with a long exporting tradition; products such as tobacco, meat and lumber have been exported since colonial times. As of the year 1832, Costa Rican exports were consolidated with a new product, coffee, being the latter crop the main product exported during the XIX century, in spite of the introduction of bananas in 1879.

During the first half of the XX century, coffee and banana exports dominated the sale of Costa Rican products abroad. Export earnings were destined to the acquisition of processed products, mainly originating from Europe, since the country did not have a developed industry capable of satisfying the needs of Costa Rican consumers.

During more than half of the XX century, Costa Rica, the same as many of the southern countries, developed into an eminently agricultural economy and specialized in producing and exporting commodities. However, the volatility of international prices of agriculture and livestock, products that Costa Rica exported, as well as the difficulty in obtaining products from abroad during the periods of the Great Depression and World War II, created severe limitations to the country and this situation led our predecessors to seek a new development model that would substitute the worn out agro-exporting model.

It was expected that with this new model the country would end its dependence on exporting traditional products (mainly, coffee, bananas, sugar and meat) as well as on importing industrialized products from Europe and subsequently from the United States; all of this through the application of a development scheme that would promote the development of the local industry.

The import substitution model used by Costa Rica since the year 1962, stemmed from the premise that in order for countries to achieve development, they should industrialize their economies. This, because it is assumed that the demand for industrial products has an income elasticity greater than one, while the income elasticity of agricultural products (exported by underdeveloped countries) is less than one thus, upon increasing the income in the countries would produce a trend towards a decline in the exchange terms thus, harming the interests of the underdeveloped countries that were highly dependent on agricultural products<sup>3</sup>. This would lead to a deterioration of the general conditions of these countries, since increasingly they would be able to buy lesser and lesser amounts of products with the resources generated by their exports.

On the other hand, the limited size of the market that the Costa Rican economy represented as well as the rest of the Central American countries individually to establish industries that require a large scale to operate profitably, caused the countries to evaluate the possibility of integrating regionally in order to expand the size of the market and become attractive to the investors.

Thus, it is within this context that the Central American Common Market (CACM) emerges and was created as a result of the Multilateral Free Trade and Economic Integration Treaty in 1958 and which was ratified by Costa Rica in 1962. From a historical perspective, this fact marks the emergence of the South-South trade in Costa Rica.

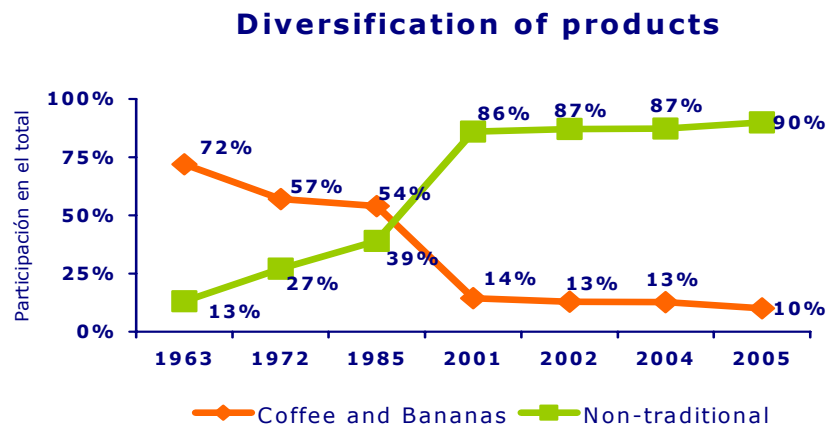
In spite of the creation of the CACM, during this period and in spite of the aforementioned efforts, Costa Rican exports maintained the United States as its principal export destination (with approximately 30% of the exports) due to the fact that the main export products during this period (coffee and bananas) were also produced by the remaining Central American countries, therefore the trade of those goods did not exist at an intraregional level. However, as the industry that was developing in the country began to export, the sales directed at other member countries of the CACM increased their participation in the total since they shifted from representing 2.9% in 1960 to 31.1% in 1980.

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<sup>3</sup> The earnings elasticity measures the portion of the increase in consumption of a product vis-à-vis a proportional change in income. If it is less than one this means that vis-à-vis a change of 1% in earnings, the consumption of products increases less than proportionally (less than 1%). This means that for developing countries that depend on agricultural products, the amount generated from external sales of the latter has less capacity to acquire foreign products from the developing countries.

Due to certain inherent problems in the import substitution model, that were also perceived in other Latin American countries that adopted similar schemes, the government of Costa Rica decided to follow a new development model during the first half of the eighties, selecting an export promotion model based on the promotion of new export destinations, as well as the promotion of new agricultural products.

Under the protection of this development scheme, the structure of Costa Rica's exportable supply changed radically, to the point that the former traditional products, which represented more than 70% of the exports, would represent only 10% by the end of 2005.



Source: PROCOMER

In addition to working arduously on matters to diversify the supply, the second area that Costa Rica had to work on, was opening the markets, this with the objective of guaranteeing the local producers access to third markets with the least number of barriers, since the Central American market was not sufficiently broad for the new production that was being promoted. During this period, Costa Rica signs the General Agreement on Tariffs and Trade (GATT) and subsequently (as of the middle of the decade of the nineties) executed free trade treaties with other nations of the Latin America Region as is the case with México, Chile, and the Dominican Republic, in addition to keeping within the CACM and in the process of implementing a free trade agreement with the Caribbean Community (CARICOM).

The utilization of Free Trade Agreements is possibly the main aspect that highlights the trade policy that Costa Rica implemented during the last few years.

### III. Current Costa Rican Exports

In 2005, Costa Rican exports reached the amount of U.S. \$7,000.6 million, registering an 11.5% growth with respect to the year 2004. This figure reflects the dynamism observed in Costa Rican international trade. In fact, total exports between the years 1994 and 2005, showed an average growth rate of 9.14% annually.

One of the reasons the behavior of Costa Rican foreign trade has been favorable during the last few years has been the increase in those exports protected under the Free Zone System<sup>4</sup>. During the year 2005, Free Zone exports presented a growth of 14% with respect to the year 2004, reaching US \$3,698 million (representing 53% of total exports). The products that stand out under this system are integrated circuits

<sup>4</sup> Companies that benefit from the fiscal incentives of exports.

and electronic microstructures, other parts for modular circuits, infusion and transfusion equipment for saline solutions and textiles, and in general products with a greater technological content<sup>5</sup>.

The group of companies that do not receive an incentive registered sales in the amount of US \$2,966 million, a figure that grew 9.6% versus the prior year. In this case the products of greatest importance are agricultural such as: bananas, pineapple, coffee and melons, however, medicines also rank among the first places within the definite system.

Lastly, inward processing (drawback) registered an increase of 1% versus the year 2004, reaching the sum of US \$337 million and the products with the greatest contribution to the value exported were textiles, followed by motor parts, generators and electric converters, doors and their frames, ethylic alcohol, insecticides and fungicides and fruit purees and pastes, among others.

From the perspective of the destination markets, North America appears as the main destination region, representing a 46% (US \$3,221.1 million), Central America is the second trade bloc where 17% of the Costa Rican external sales are directed (US \$ 1,198.8 million) followed closely the European Union with a 16% share (US \$1,142.7 million). Among the main trade partners during 2005 the United States<sup>6</sup> stands out, where nearly 43% of the exported value went (US\$ 2,992.1 million), Hong Kong with a 6.9% (US \$ 485.1 million), Holland with a 6.4% (US \$ 449.0 million) and Guatemala with a 4.2% (US \$290.6 million).

In regard to sectors, during 2005, the industrial sector stands out as having the greatest importance in the export structure of Costa Rica. During that year it generated 77% of the total exports (US \$5,366.3 million), followed by the agricultural sector with 21% (US \$1,454.0 million), while the remaining 2% corresponds to the livestock and fishing sector (US \$180.3 million).

The industrial sector achieved a 13% growth with respect to the year 2004, which fundamentally is explained by a dynamic behavior in sectors such as electric and electronics, plastic industry, lumber industry and furniture and a moderate growth in the main sectors.

The agricultural sector represents the remaining 23% of Costa Rican exports and shows a positive growth with respect to the previous year, specifically the livestock and fishery sector had enjoyed a 12% growth, while for the agricultural sector it was 5.5%.

Among the leading export products, we find integrated circuits (US \$ 803.3 million), other parts for modular circuits (US \$678.7 million), textiles (US \$527.8 million), bananas (US \$475.4 million), equipment for the infusion and transfusion of saline solutions (US \$400.3 million) and pineapple (US \$ 325.5 million). These six items represent 46% of the total amount exported during the year 2005. However, we should note that the products that showed the greatest growth with respect to the year 2004 were: integrated circuits, electric equipment for sound amplification, wires and electric conductor cables, pineapple, tires, plastic sheets and plates and paints and varnishes, among others.

It should be noted that from the point of view of creation of employment, of the total exporting companies in the year 2005, 59% are small and mid-sized (SMEs), 20% are large and 21% micro-enterprises<sup>7</sup>. However, 84% of the amount exported is concentrated in large companies and 13% in SMEs and the remaining 3% in micro-enterprises.

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<sup>5</sup> In fact, it is important to underscore the transformation of the Costa Rican export sector from the point of view of incorporating knowledge to the products sent abroad. One of the most recent measurements according to the classification by intensity in the use of the factors developed during the eighties prepared by the Organization for Economic Cooperation and Development (OECD), indicate that 12.2% of the value of exports for the year 2005 are knowledge intensive or of scientific base.

<sup>6</sup> Includes Puerto Rico

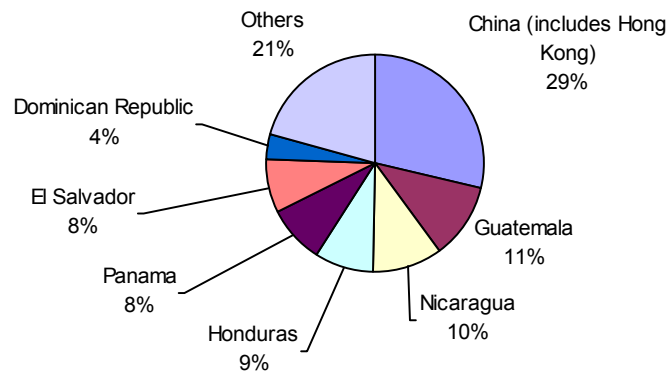
<sup>7</sup> Micro-enterprises are those with less than 5 employees, small are those with between 5 and 30 and mid-sized between 30 and 100 employees and those that have more than 100 employees are considered large companies.

#### IV. The Importance of South-South Trade

South-South trade plays an important role in Costa Rican international trade. During the year 2005, exports to the southern countries<sup>8</sup> reached nearly 40% of total exports, a higher figure than the 23% achieved in the year 1996.

One of the characteristics of Costa Rican exports to the south is the diversification, since no market acquires more than 30% of the exports. Within the main markets of the south to which Costa Rica currently exports, the Central American and Caribbean countries are included, as well as certain Asian markets like China and Malaysia, which have been gaining importance during the last few years.

**Costa Rica: Main destination of exports toward the south (2005)**



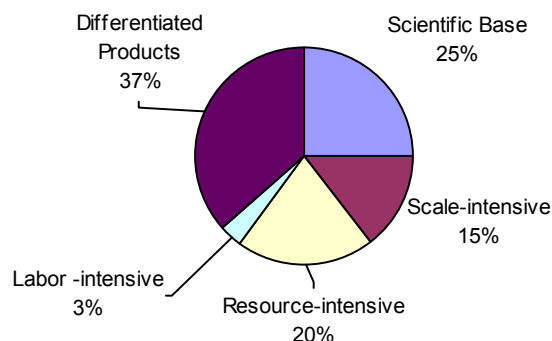
Source: PROCOMER

One of the most notable differences between Costa Rican trade with the north and the trade with the south is in the processing level of the products. Thus, using the classification by intensity in the use of factors<sup>9</sup> in the manufacturing industry, we obtain that the labor intensive products do not represent an important part of the trade with the south (3.2%) contrary to what occurs with the trade with the north where these types of products represent a 16.6% of exports. However, the scale-intensive industries have a greater impact on the trade with the south, just as with those that manufacture differentiated products.

<sup>8</sup> All those countries that are not members of the OECD are considered southern countries

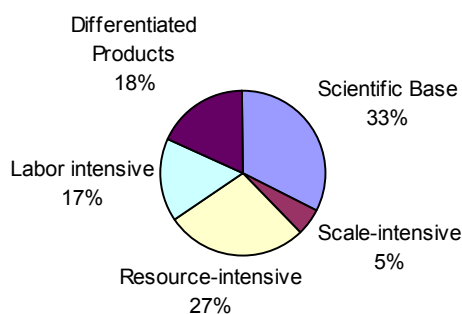
<sup>9</sup> OECD, 1987

**Costa Rica: Exports to the south according to the intensity in the use of factors (2005)**



Source: PROCOMER

**Costa Rica: Exports to the north according to the intensity in the use of factors (2005)**



Source: PROCOMER

It is important to note that given the structure of trade with the south, in the case of Costa Rica, the former generates quality employment due to the fact that the largest portion of exports, as can be observed in the attached charts, are generated in exporting industries that are not labor intensive, where the low salaries constitute the main tool to compete. On the other hand, they are industries where the presence of capital is necessary as well as more qualified labor (and therefore, better paid) with the social benefits that this creates on the economy and the Costa Rica society.

Another characteristic of Costa Rican commerce with the south, contrasting with the commerce with the north, is the greater presence of micro, small and mid-sized companies (Mipymes). This characteristic might be the result of the geographic proximity of certain markets (as is the case with the CACM) which facilitates commercialization and production through smaller structures, or else, lesser quality requirements established by the countries of the south for the products and which simultaneously allow a greater presence of companies with relatively lower standards.



**Costa Rica: Companies Share in exports according to size  
(2005)**

Size of the company	North	South
Large	31%	24%
Mipyme (SMEs)	69%	76%

Source: PROCOMER

**V. Promotion Mechanisms of the South-South Trade**

Various factors explain the increase in the share of the south-south trade in Costa Rica, one of them is the free trade agreements signed by the country.

With the countries of the South, Costa Rica has executed and ratified several Free Trade Agreements: with the Dominican Republic, Chile and with the Caribbean Community (CARICOM). In the case of the latter, the agreement is currently in force with Trinidad & Tobago and with Guyana. On the other hand, it has a Partial Scope Agreement and of Preferential Exchange with Panama and under the protection of the Economic Integration Agreement, there is free trade with the Central American countries<sup>10</sup>.

As can be appreciated in the following chart, during 2005 Costa Rica exported to the countries of the south, with which it has signed some type of trade agreement, a total of US \$1,187.0 million, which represents nearly 17% of the exports generated during that year. Only during the last year, our exports to those markets increased by 13%.

On the other hand, the imports from those markets amount to US \$565.1 million, this represents 6% of Costa Rican exports during this last year, indicating a growth of 13.4% during that period.

**Costa Rica: Trade with countries of the South  
with free trade agreements**

Market	Exports		Imports	
	2004	2005	2004	2005
Central America	891.55	985.30	357.02	404.11
Dominican Republic	72.17	100.05	12.20	10.73
Caricom	74.48	89.06	19.32	11.05
Chile	11.72	12.63	109.83	139.25
Total	1,049.92	1,187.04	498.36	565.14
Rate of Growth		13.06%		13.40%

Source: PROCOMER

From the standpoint of the number of companies and products that are currently exported to the markets of the south with which there are specific agreements, the Central American market as a bloc stands out, a market to which more than 840 companies<sup>11</sup> and more than 2,700 products or customs items<sup>12</sup> exported.

<sup>10</sup> While in the case of the north, treaties have been executed with Mexico and Canada, and in August of 2004 the Free Trade Agreement with the United States was signed (DR – CAFTA - Dominican Republic - Central American Free Trade Agreement), it is still pending approval by the legislative assembly. In addition, the beginning of negotiations with the European Union has been established.

<sup>11</sup> Companies that export more than US \$12.000 million are considered.

<sup>12</sup> Items amounts higher than US \$200 are considered.

**Costa Rica: Number of companies and products exported to the countries of the South with treaties**

<b>Market</b>	<b>Number of companies</b>	<b>Number of products</b>
Central America	847	2,709
Panama	428	1,379
Dominican Republic	154	534
Caricom <sup>13</sup>	450	784
Chile	41	122

Source: PROCOMER

It is noteworthy to highlight that in the case of trade between Costa Rica and Chile, 39% of the exporting companies are SMEs, which generate 16% of exports to that market. In the case of the Dominican Republic those percentages are 45% and 16%, Panama represents 57% and 24%, the Central American Common Market 58% and 19% and the CARICOM 45% and 39%. In this sense, the importance of the markets of the south is evident for the SMEs of Costa Rica.

An outstanding case is that of the Dominican Republic, since in 1996 Costa Rica and that country did not have a free trade agreement and exports to that market amounted to US \$15,7 million. During the year 2005 and after the free trade agreement that was executed between both countries had been in operation for three years, Costa Rican exports reached US \$100 million. To promote the benefits of this agreement and to drive sales of Costa Rican companies PROCOMER (The Foreign Trade Corporation of Costa Rica) have maintained a constant investigation of the market with the idea of identifying the existing opportunities.

As part of the mechanisms to administrate all of these treaties, the Ministry of Foreign Trade of Costa Rica created the Office for the Application of Foreign Trade Agreements in 2002, with the objective of identifying, processing and analyzing the claims, requests and queries that exporting companies present concerning the provisions of the free trade agreements and other commercial treaties. On this subject in particular, the System for the Application of Treaties (SAT by its abbreviation in Spanish) received a total of 407 cases during the year 2005, according to the information provided by the Ministry. In this way, the government seeks to provide greater effortlessness to the application of the agreements established between countries; in such a way that trade will be as efficient and transparent as possible.

Another factor that has driven the south-south growth in Costa Rica has been the establishment of multinational companies, whether it is through direct investment in new companies or through the acquisition of local companies. The objective of many of these multinational companies operating in Costa Rica is to supply the local market as well as the Central American market, with which they provide an incentive to the south-south trade.

In addition, there are other types of multinational companies in the country which are dedicated to high technology manufacturing, whose products are sold globally. For example, in the case of companies under the Free Zone system, generally associated to foreign capital (transnational), nearly 40% of the exports are directed to the markets of the south, while in the case of the Inward Processing (drawback), the percentage is higher (it is estimated at more than 50%).

The aspects commented in the previous paragraph are elements that have promoted the south-south trade, but other efforts must also be considered, such as the opening of Commercial Offices Abroad and the development of schemes and specific studies to facilitate the entrance of Costa Rican products to those markets and other rapprochement mechanisms among the south-south companies..

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<sup>13</sup> The total number of companies and products for all of the Caribbean is included.

With the primary objective of providing support to the efforts of the Costa Rican companies in external markets, in May of 1999 PROCOMER initiated the creation of its network of offices abroad with the opening of the Office of Trade Promotion in Mexico.

Subsequently the offices of southern countries such as the Dominican Republic, Chile, Puerto Rico, Trinidad and Tobago and El Salvador would follow<sup>14</sup>. The opening of these offices was the result of two fundamental objectives:

- To facilitate the export processes and the development of bilateral trade, by providing a specialized and direct service to companies.
- Strengthen the efforts to expand and improve the commercial links between Costa Rica and each market.

The opening of the commercial offices has been considered of strategic importance within the scheme to consolidate markets as well as a fundamental tool to seek and identify commercial opportunities for export products, especially in markets such as these to which we have access through a Free Trade Agreement.

In this latter sense, one of the fundamental tasks of these offices is to promote to the greatest advantage, the trade opportunities derived from these treaties. From an operational point of view, each commercial office is in essence a commercial representation that allows us to provide support to each of the services offered by PROCOMER, thereby facilitating the efficient insertion of the Costa Rican businessman in the international economy.

Very much hand in hand with the consolidation of these offices, PROCOMER has been developing market studies with the objective of facilitating the access of local products to those markets. Through these services, exporters can get to know much better the external markets; they can identify needs, opportunities and trends, evaluate the competition, establish contacts, adjust their products and in general, obtain information that will allow them to make deals based on more informed and correct information.

Just as important is the work developed year after year to take commercial missions and business agendas to those markets, highlighting among those events the Buyers Commercial Mission, an activity to which importers are invited from a variety of countries where PROCOMER has a Commercial Promotion Office. During this event more than 180 importers are able to develop tighter bonds and get to know the products of more than 230 Costa Rican exporters, by setting up business meetings and visits to the production plants, among others.

Through commercial missions, "the political intentions of promoting trade can be translated into business realities"<sup>15</sup>, being the experience of the Buyers Mission of 2006 an important example, insofar as Costa Rican exporters will be offering nearly 950 products, almost 30% of the total Costa Rican export supply (3600 products) and it has preliminarily estimated that in conjunction and in a first sale, the business meetings that will develop will generate approximately US \$2.5 million, a figure that, as a minimum, can be duplicated with other sales throughout the year.

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<sup>14</sup> Offices have also been opened in the United States (Miami), Canada and Belgium.

<sup>15</sup> Center for International Trade <http://www.intracen.org>

## **VI. Challenges of South-South Trade**

The joint development of greater productive capacities and the increase of competitiveness and the south-south trade is one of the fundamental challenges of the southern economies.

To diversify the exportable supply, especially in terms of the products with value added (especially those that incorporate knowledge and technology, to the detriment of the “commodities” and achieve through the latter an insertion of greater quality in the international markets, constitutes, then, one of the clearest goals of the export sector of the countries of the south, especially as a mechanism to get out of the vicious circle of development based on products with low levels of value added. To do so, they must take into consideration mechanisms that will favor taking advantage of the regional expertise (especially considering the similarities that usually occur in the exportable supply of the countries of the south), sharing information to more efficiently access the markets of the north, identify and share innovative practices for business development, and in general, promote the joint development of export strategies in order to penetrate the markets of the north. In this sense, it means that more than commercial adversaries in the markets of the north, the countries of the south should become true partners (complementing the exportable supply, better exploitation of the distribution channels, development of regional clusters, etc.).

These measures would not only improve the competitive conditions in which the products of the south penetrate international markets, but rather they would increase the commercial relationships between the countries of the south, upon, for example, promoting the development of real regional clusters. However, one should not lose sight of the fact that the access conditions must be improved, especially in regard to sanitary and phytosanitary measures and other technical barriers and with the quality of the infrastructure and the distribution channels that supports trade among the south.

Just as in the previous case, the improvement of the infrastructure in the countries of the south, of communications, of the transportation systems and in general of all the services that provide support to the development of trade (certifications, financial services, and credits that support trade, etc.), not only would they redound in more profitable and efficient south-south deals, but rather they would help to resolve the almost natural gap between the conditions of those factors in the north with respect to those of the south. In this way, the beneficial could be beneficial in both directions, as it would facilitate the development of south-south trade but would also gain competitiveness in the north.

## **VII. Conclusions**

As has been expounded in the previous sections of this document, for Costa Rica, as well as for the other countries, trade with the south is very important.

Nowadays, nearly 40% of Costa Rican exports are directed to those markets, highlighting among other aspects, the following:

- It is a diversified trade in the sense that a low concentration by markets is registered.
- The scale-intensive products and the differentiated products (greater technological content), represent a large portion of the trade with the countries of the south than with those of the north.
- The largest portion of exporting companies is micro, small and mid-sized companies, with the consequent democratization of the trade benefits derived from the relationships with the south.

Additionally, we must keep in mind that in general the performance of exports by Costa Rica to the countries of the south has been protected by trade instruments such as bilateral agreements or Treaties, as the recent performance of these exports has been very dynamic during the last few years.

Consistent with acknowledging the importance of trade with those countries, the local authorities, through PROCOMER, have deployed important efforts that tend to strengthen the Costa Rican presence in those markets as well as the local exporting capacity oriented towards them. Market analyses and commercial

missions have been some of the instruments used by this institution to guarantee the successful insertion of Costa Rica in those markets.

Nevertheless, it is clear that the possibility of using the South-South trade as a mechanism to reduce poverty among the countries, and in this case among the countries of the Central American region, will depend to a large extent on the efforts that are carried out to achieve more synergy among the productive activities. Those same synergies, are those that precisely allow obtaining a greater advantage from the regional expertise in order to access, in a more efficient manner, the markets of the north (complement supplies, generate greater value added, take better advantage of the distribution channels, etc.), in such a way that more than commercial adversaries in the markets of the north, the countries of the south can become true partners.

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