



Costa Rica: An Overview

Costa Rica, a Central American nation of 5.1 million people, historically has been an outpost of political and economic stability in an often-turbulent region. The United States has worked closely with the country to address challenges in Central America and to advance shared values, such as democracy and human rights, worldwide.

Political Situation

Costa Rica has sustained continuous civilian democratic governance since 1949, when the country adopted a new constitution in the aftermath of a short but violent civil war. The center-left (now centrist) National Liberation Party (PLN) and a center-right opposition that ultimately became the Social Christian Unity Party (PUSC) dominated post-war politics. The two-party system has collapsed over the past 20 years, however, as many Costa Ricans have grown disenchanted with the country's political class and have abandoned the traditional parties. This shift has allowed newer political forces to contest power, such as the center-left Citizens' Action Party (PAC), which has won the past two presidential elections. It also has made governance more challenging, as party fragmentation in the Legislative Assembly has led to increased gridlock.

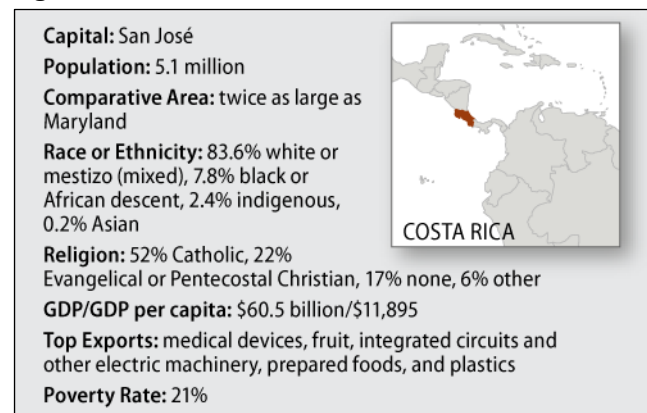
Carlos Alvarado of the ruling PAC was elected president with nearly 61% of the vote in a second-round runoff election in April 2018. He defeated Fabricio Alvarado of the conservative National Restoration Party (PRN), who had surged to a first place finish in the first-round election after he called for Costa Rica to withdraw from the Inter-American Court of Human Rights in response to the court's advisory opinion that Costa Rica should legalize same-sex marriage. President Alvarado, who is 39 years old, previously served as Minister of Human Development and Social Inclusion and as Minister of Labor and Social Security under President Luis Guillermo Solís (2014-2018).

Since his May 2018 inauguration to a four-year term, President Alvarado has taken steps to stabilize Costa Rica's finances and improve citizen security; pushed for new investments in infrastructure, education, and training; and launched an ambitious plan to reduce Costa Rica's net carbon emissions to zero by 2050. Alvarado appointed a multiparty cabinet but needs to forge ad hoc legislative coalitions to pass each portion of his policy agenda. The PAC holds 10 of 57 seats in the unicameral Legislative Assembly; the PLN holds 17 seats, the PUSC holds 9 seats, the PRN and a bloc of PRN dissidents each hold 7 seats, and the remaining 7 seats are divided among several small parties. An April 2019 poll from the University of Costa Rica found that 27% of Costa Ricans rate Alvarado's performance "good" or "very good," 50% rate it "bad" or "very bad," and 22% rate it "average."

Economic and Social Conditions

Costa Rica pursued state-led development throughout much of the 20th century, but since the 1980s, it has implemented market-oriented economic policies. In the post-civil war period, the Costa Rican government increased public-sector employment, established one of the most comprehensive social safety nets in Latin America, and supported local producers with subsidies and trade barriers. Those policies contributed to a rapid expansion of the economy; however, a deep recession from 1980 to 1982 led Costa Rica to adopt a new economic strategy. The country privatized the majority of its state-owned enterprises, adopted free-trade zones to attract investment, and gradually opened the domestic market to foreign competition.

Figure 1. Costa Rica at a Glance



Source: CRS Graphics, Instituto Nacional de Estadística y Censos; Centro de Investigación y Estudios Políticos; International Monetary Fund; Global Trade Atlas.

Costa Rica has experienced considerable growth since adopting the more outward-oriented economic strategy, but many Costa Ricans are dissatisfied with the economy. The country's labor market has grown increasingly divided between those involved in newer sectors—such as high-tech manufacturing, tourism, and business services—that provide higher pay and rising wages, and those involved in traditional sectors that struggle to compete with imports and provide lower pay and more precarious employment conditions. Government statistics indicate that about 11% of Costa Ricans are unemployed and 46% lack job protections and benefits because they work in the untaxed and unregulated informal sector. Moreover, 21% of Costa Rican households live below the national poverty line. Costa Rica's extensive social welfare expenditures—equivalent to nearly 24% of gross domestic product (GDP)—have helped alleviate these challenges, but higher levels of unemployment and informality have eroded the tax base necessary to sustain the social safety net.

President Alvarado has called for a variety of public investments to foster economic growth and improve social welfare in the rural and coastal regions of Costa Rica that have benefitted the least from changes in the economy. Nevertheless, he spent most of his first year in office pushing through a fiscal reform intended to narrow the country's budget deficit, which exceeded 6% of GDP in 2017 and 2018 according to the International Monetary Fund (IMF). Many economists think further tax and expenditure changes will be necessary to put the country's finances on a sustainable path. The IMF forecasts that the Costa Rican economy will accelerate slightly from 2.7% growth in 2018 to 2.9% growth in 2019.

U.S.-Costa Rican Relations

Under President Alvarado, Costa Rica and the United States have maintained strong commercial ties and bolstered cooperation on regional security issues. Both countries also have supported international efforts to resolve the political and humanitarian crises in Venezuela and Nicaragua, though they sometimes have differed on tactics.

Trade and Investment Ties

The United States and Costa Rica were among the seven countries that signed the Dominican Republic-Central America-United States Free Trade Agreement (CAFTA-DR) in 2004. The agreement did not enter into force for Costa Rica until January 2009, however, due to significant domestic opposition. CAFTA-DR has eliminated tariffs on consumer and industrial goods and is scheduled to phase out tariffs on most agricultural products by 2020.

U.S.-Costa Rican trade totaled \$11.2 billion in 2018. U.S. exports to Costa Rica amounted to \$6.3 billion while U.S. imports from Costa Rica amounted to \$4.9 billion, giving the United States a \$1.5 billion trade surplus. Top U.S. exports to Costa Rica included refined oil products, machinery and parts, medical instruments and equipment, and plastics. Top U.S. imports from Costa Rica included medical instruments and equipment, fruit, electric machinery and parts, rubber, and coffee. The United States was Costa Rica's largest trading partner, accounting for more than 41% of the country's total trade in 2018.

CAFTA-DR also includes a chapter on investment that is similar to a bilateral investment treaty. According to the U.S. Bureau of Economic Analysis, the accumulated stock of U.S. foreign direct investment in Costa Rica was \$1.6 billion in 2017, with the manufacturing sector accounting for nearly 86% of the total.

Security Cooperation

Although Costa Rica's institutions have proven more resilient than those of its Central American neighbors, the country has experienced an increase in organized crime and related violence in recent years. Government statistics indicate that homicides increased from 411 in 2013 to a record-high 603 in 2017, before declining slightly to 586 in 2018 (a homicide rate of 11.7 per 100,000 residents). Costa Rican authorities have linked much of the violence to drug trafficking organizations, which use the country as a transit and storage point for South American cocaine destined for the U.S. market. The Costa Rican government has

significantly increased security expenditures in response to these challenges, allowing the country to hire additional police officers and expand crime prevention programs.

The United States supports Costa Rica's efforts to combat transnational crime and other security threats. In the Consolidated Appropriations Act, 2019 (P.L. 116-6), for example, Congress appropriated \$40.7 million of security assistance for Costa Rica. That total includes \$8.2 million in bilateral aid and \$32.5 million through the Central America Regional Security Initiative (CARSI). U.S. assistance has helped Costa Rica acquire equipment, including boats, aircraft, and armored vehicles; train security and justice-sector personnel; and establish a judicial wire intercept program.

Costa Rica has had a counternarcotics cooperation agreement with the United States since 1999, which allows the U.S. Coast Guard, working with Costa Rican officials, to carry out drug interdiction measures in Costa Rican waters. These operations occasionally have generated controversy in Costa Rica's Legislative Assembly, which must grant permission to U.S. vessels to dock, refuel, and resupply in Costa Rican territory. Many Costa Ricans are sensitive about the presence of foreign military personnel in the country, since Costa Rica abolished its standing military in 1949. Nevertheless, the Legislative Assembly has voted repeatedly to provide the necessary authorizations. Close cooperation with the United States helped Costa Rica seize a record-high 33.5 metric tons of cocaine in 2018.

Migration and Refugee Flows

As a comparatively prosperous and stable country, Costa Rica has long served as a destination for migrants and asylum-seekers from other Latin American nations. The country has experienced a recent surge in asylum requests, however, due to the ongoing political crisis in neighboring Nicaragua. According to the U.N. High Commissioner for Refugees (UNHCR), more than 55,000 Nicaraguans have sought refuge in Costa Rica over the past year. Nearly 26,000 Venezuelans have also fled to Costa Rica, 5,400 of whom have requested asylum. The Costa Rican government has sought to provide protection and humanitarian aid to those in need, but has called on the international community for additional support. According to the U.S. Agency for International Development, the United States has provided \$3.2 million through UNHCR and other humanitarian organizations to assist Venezuelans in Costa Rica since FY2018.

In addition to those who have sought refuge in Costa Rica, many migrants pass through Costa Rican territory on their way to the United States. In recent years, such transitory flows have included large numbers of Cubans and Haitians, as well as extra-regional migrants from Africa and Asia. Costa Rican authorities, with U.S. support, have collected biometric data on more than 23,000 extra-regional migrants, leading to the identification, detention, and deportation of criminals, according to the State Department.

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