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Costa Rica: An Overview

Costa Rica historically has been an outpost of political and economic stability in an often-turbulent region. The United States has worked closely with Costa Rica 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 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 contributed to legislative gridlock, making governance more challenging.

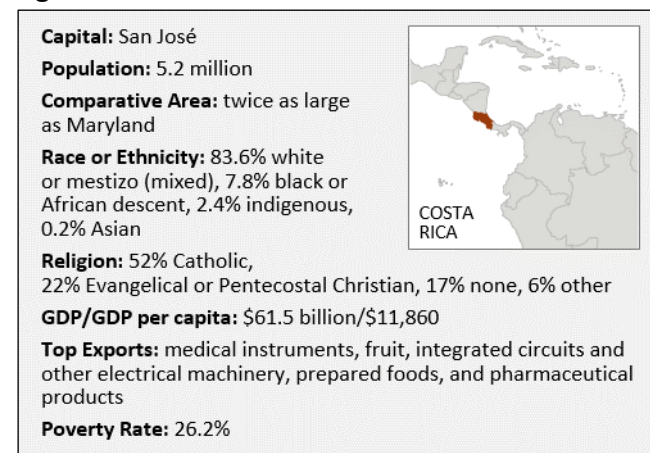
President Carlos Alvarado of the PAC took office for a four-year term in May 2018 after winning 61% of the vote in a second-round runoff. He has had to forge multiparty alliances to advance his agenda through the unicameral Legislative Assembly, in which the PAC holds 10 of 57 seats. During Alvarado's term, Costa Rica has legalized same-sex marriage, enacted structural reforms required for admission into the Organization for Economic Cooperation and Development, and begun implementing a plan to reduce net carbon emissions to zero by 2050. Other portions of Alvarado's agenda have stalled due to fiscal constraints and the Coronavirus Disease 2019 (COVID-19) pandemic.

Costa Rica has been more successful than many Latin American countries in containing COVID-19. Nevertheless, Costa Rica experienced two large infection waves between April and October 2021, which analysts attributed to the spread of the Delta variant and a relaxation of public health restrictions. According to Johns Hopkins University, as of January 1, 2022, Costa Rica had recorded more than 570,000 cases and 7,300 deaths from COVID-19 and 69% of its population was fully vaccinated.

With the exception of a short period early in the pandemic, Costa Ricans have expressed low levels of approval for Alvarado throughout his term. A November 2021 University of Costa Rica (UCR) poll found that 12% of Costa Ricans viewed Alvarado's performance in office positively, 72% viewed it negatively, and 16% held neutral opinions. Those surveyed identified corruption, unemployment, and the cost of living as their top concerns.

Costa Rica's next presidential and legislative elections are scheduled for February 6, 2022. Alvarado is not eligible for immediate reelection. A December 2021 UCR poll found former President José María Figueres (1994-1999) of the PLN and former Vice President Lineth Saborío (2002-2006) of the PUSC leading a large field of presidential candidates, with 17% and 15% of vote intentions, respectively. More than 40% of voters remained undecided. If no presidential candidate receives at least 40% of the vote, a runoff is to be held on April 3, 2022.

Figure 1. Costa Rica at a Glance



Sources: CRS Graphics; Instituto Nacional de Estadística y Censos; Universidad de Costa Rica, Centro de Investigación y Estudios Políticos; International Monetary Fund; Trade Data Monitor.

Economic and Social Conditions

Costa Rica pursued state-led economic development throughout much of the 20th century but began to adopt a more market-oriented economic strategy in the 1980s. Over the past three decades, Costa Rica has attracted a cluster of high-tech manufacturers, such as medical device companies, and has developed a dynamic tourism sector, contributing to the diversification of the country's once predominantly agricultural economy. These newer industries provide higher wages, but many Costa Ricans remain employed in traditional industries, which struggle to compete with imports and provide lower pay and precarious employment conditions. This divergence has reinforced Costa Rica's relatively high level of income inequality. It also has contributed to high rates of unemployment and informal employment, eroding the tax base necessary to sustain Costa Rica's social welfare system.

Socioeconomic conditions in Costa Rica deteriorated considerably in 2020. Although the government enacted emergency measures to support businesses and households through the pandemic, the economy contracted by 4.1% and the poverty rate increased from 24% to 30%. The International Monetary Fund (IMF) estimates the Costa

Rican economy bounced back with 3.9% growth in 2021, helping to reduce the poverty rate to 26%. Nevertheless, more than 15% of Costa Ricans remained unemployed in the third quarter of 2021.

The economic downturn also exacerbated Costa Rica's fiscal challenges, as the budget deficit widened to 8.7% of gross domestic product (GDP) in 2020. The Alvarado administration negotiated a three-year, \$1.8 billion financing arrangement with the IMF intended to support Costa Rica's economic recovery while stabilizing the country's debt burden. Costa Rica's budget deficit fell to an estimated 6.4% of GDP in 2021, but the government's fiscal policies have sparked repeated protests and the implementation of additional austerity measures could generate further unrest.

U.S.-Costa Rican Relations

The Biden Administration has sought to bolster ties with Costa Rica. During a June 2021 visit to the country, U.S. Secretary of State Antony Blinken highlighted bilateral economic and security cooperation as well as U.S.-Costa Rican collaboration to address shared challenges such as the COVID-19 pandemic, irregular migration, and climate change. The Administration also has expressed support for the Alliance for Development in Democracy—an informal arrangement among Costa Rica, Panama, and the Dominican Republic intended to accelerate post-pandemic economic recovery, foster sustainable development, and defend democracy and human rights in the region.

Trade and Investment Ties

The United States and Costa Rica are parties to the Dominican Republic-Central America-United States Free Trade Agreement (CAFTA-DR), which was signed in 2004 and entered into force for Costa Rica in 2009. Bilateral trade more than doubled between 2008 and 2012 but declined 43% between 2012 and 2020, largely due to a steep drop in U.S. imports following Intel's 2014 closure of a microprocessor manufacturing plant in Costa Rica. U.S.-Costa Rican trade totaled \$11 billion in 2020, a 3% decline compared with 2019. U.S. goods exports to Costa Rica amounted to \$5.7 billion and U.S. goods imports from Costa Rica amounted to \$5.4 billion in 2020, giving the United States a \$331 million trade surplus. Top U.S. exports to Costa Rica in 2020 included mineral fuels, machinery and parts, medical instruments and equipment, and plastics; top U.S. imports from Costa Rica in 2020 included medical instruments and equipment, fruit, electric machinery and parts, and coffee.

CAFTA-DR 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 \$2 billion in 2020, with 45% invested in the manufacturing sector.

Security Cooperation

Costa Rica's institutions have proven more resilient than those of its Central American neighbors, but the country has experienced an increase in organized crime and related violence over the past decade. Costa Rica recorded 588 homicides in 2021, giving it a homicide rate of 11.4 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. Drug trafficking organizations also have sought to infiltrate Costa Rican institutions, contributing to increased corruption in the justice sector, according to the U.S. State Department.

The United States provides foreign assistance to Costa Rica to help the country combat transnational crime and other security threats. In the Consolidated Appropriations Act, 2021 (P.L. 116-260), Congress appropriated \$40.7 million of security assistance for Costa Rica. That total included \$8.2 million in bilateral military aid and \$32.5 million through the Central America Regional Security Initiative. The U.S. Department of Defense has provided additional support to Costa Rica, including \$3.7 million for maritime interdiction in FY2020. U.S. assistance has helped Costa Rica expand community-based crime prevention programs, train security and justice sector personnel, and acquire equipment used to monitor and control its national territory.

COVID-19

President Alvarado has repeatedly called on the international community to help developing countries obtain COVID-19 vaccines and recover from the pandemic. In July 2021, the United States donated 500,000 doses of the Pfizer/BioNTech vaccine to Costa Rica. The United States also has provided more than \$4 million of pandemic-related aid to Costa Rica, including field hospitals and other medical supplies.

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, primarily due to the ongoing political crisis in neighboring Nicaragua. According to the U.N. Refugee Agency, more than 85,000 Nicaraguans have sought asylum in Costa Rica since 2018. Costa Rica also has experienced increasing inflows of migrants and asylum-seekers from Venezuela, El Salvador, and Honduras.

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 provided nearly \$14.2 million to humanitarian organizations in FY2021 to support migrants, asylum-seekers, and refugees in Costa Rica.

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 Rica has worked with the U.S. government to conduct background checks on those transiting the country and to identify and respond to potential security threats before they reach the U.S. border.

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