

Extending trade benefits to more firms and workers

Category: Costa Rica

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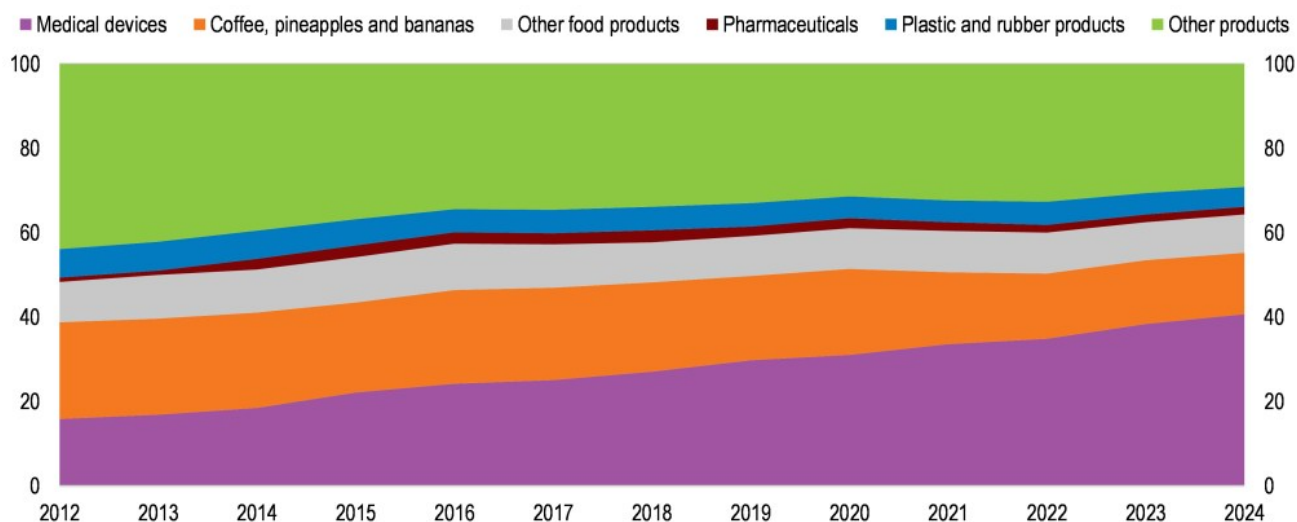


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At the beginning of the 1990s, Costa Rica was primarily known for exporting agricultural products like bananas and coffee, along with its thriving tourism sector. Today, places like Alajuela have become global hubs for advanced manufacturing, particularly in the medical devices sector. A strong and sustained commitment with open trade explains this remarkable transformation. Thanks to a more diversified export basket and a shift towards higher value-added goods and services (Figure 1), Costa Rica's economy has grown more than other OECD countries and regional peers over the last three years and was more resilient to recent shocks. This success story is not without clouds or challenges, as detailed in the **2025 OECD Economic Survey**. A long-standing challenge is that not all workers, companies and regions have so far benefited from trade.

Figure 1. High-tech products are a growing share of Costa Rica's exports

Exports by type of product, % of total good exports



Source: Banco Central de Costa Rica.

Maximising trade benefits

There remain ample opportunities for Costa Rica to capitalize on its trade openness and FDI attractiveness. With Costa Rica's exports remaining concentrated in a few destinations ongoing efforts to diversity trade agreements and enhance trade facilitation, which have regained considerable impetus since 2022, will facilitate stronger integration into global and regional value chains. Nearshoring offers new opportunities for Costa Rica to extend trade benefits to more workers, firms and regions. However, several barriers might prevent these opportunities from materializing. Continuing the path of reform to enhance education, foster innovation, improve infrastructure and promote stronger competition would help Costa Rica seize maximise trade benefits.

Costa Rica's well-educated workforce has been traditionally key to attract FDI and develop value added exports. However, now large skills shortages pose a critical threat to Costa Rica's FDI attractiveness. A comprehensive education reform is underway, but key timelines and milestones are still unclear. The ongoing efforts to reform education should prioritise the increase in the number of technicians and graduates in STEM areas and ensure that university education is better aligned with labour market demands.

Boosting innovation is crucial for Costa Rican firms to access international markets. However, interactions between public universities and businesses are weak, and most innovation funding goes directly to universities without impact evaluations. Competitive performance-based funding is limited, compared to other OECD countries. Strengthening interaction between public universities and businesses, and introducing impact evaluations to innovation funding, would help boost firms' innovation.

Infrastructure bottlenecks are large, driving up trade costs and limiting the participation of remote regions and SMEs in international trade. Key issues include poor-quality roads and overcrowded ports. The low quality of transport infrastructure can be attributed to underspending, deficient strategic planning and inefficient capital project execution, with only 30% of budgeted capital spending getting executed. Strengthening planning and design of transport projects and enhancing budget management would reduce delays and cost overruns and contribute solve Costa Rica's large infrastructure gaps.

Finally, boosting competition in domestic markets would help Costa Rican firms access better inputs at lower costs. Despite ongoing efforts to improve competition in some areas, , such as removing anticompetitive practices in professional services and reducing the large and complex stock of regulations, Costa Rica still has some of the strictest regulations in the OECD. Continuing to increase the Competition Authority's budget is crucial for identifying and addressing anticompetitive practices.

References

OECD (2025), *OECD Economic Surveys: Costa Rica 2025*, OECD Publishing, Paris, <https://doi.org/10.1787/048cf07b-en>

Maintaining and reinforcing achievements in Costa Rica

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Stepping up structural reform efforts would be the best way to respond to challenges to reinforce achievements and seize new opportunities.

Mantener y reforzar los logros en Costa Rica

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Intensificar los esfuerzos de reforma estructural sería la mejor manera de responder a los retos para reforzar los logros

y aprovechar las nuevas oportunidades.