

A collection of historical artifacts is arranged on a light-colored surface. On the left, a portion of a wooden chessboard with a blue and brown checkered pattern is visible, featuring several chess pieces. Below the chessboard, there are two ornate medals: one with a red ribbon and a white star, and another with a blue ribbon and a white star. A pair of gold-rimmed glasses with thin temples lies across the center. In the bottom left corner, a circular brass compass with a white face and black markings is partially visible.

# LESSONS AROUND THE WORLD

THE CASE OF  
COSTA RICA &  
Global Park



# Expected topics

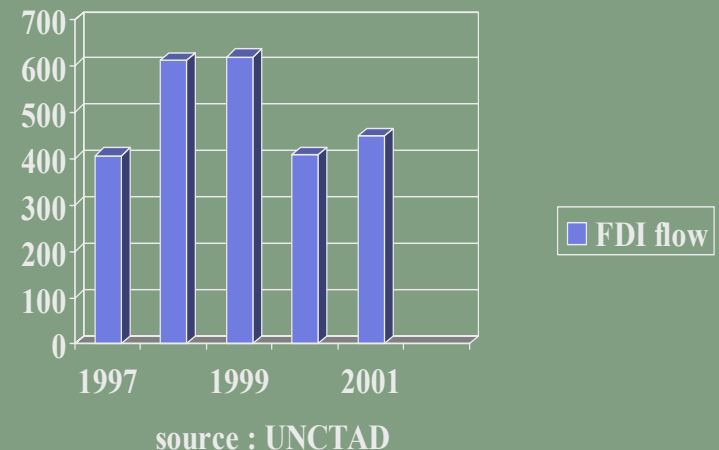
- Key objectives in establishing economic zones and how these shift over time;
- Issues on choice of location (government policy, access to transport links, security issues, multiple locations);
- Management structure/ ownership;
- Relationship with local and general government;
- How the establishment of economic zones impact on government policy, both initially and over time;
- Costs of establishing zones, including public and private funds;
- Identification of key successes and failures associated with the respective zones under discussions and reasons for these successes and failures.
- Reforms to national investment policy undertaken for the pilot economic zone experiments in China and elsewhere.
- Overview of the key elements of success in the SEZs at Jebel Ali and China, main achievements and areas in which the experiment failed and why.

# Costa Rica FDI: facts & figures

FDI participation in capital formation - 2002-:

- CR : 20 %
- Mexico : 11 %

FDI flows. 1997-2001



FDI, particularly the Free Zone- related, is of enormous significance for the export value. In 1980's no-value, 1991 : 8 % of exports, 1995 : 13 % of exports, in 2003 : 54 % of exports. From 1.0 billion in 80's to 6.0 billions in 00's.



# Costa Rica: a highly competitive country in FDI attraction

- Costa Rica : 86
  - Mexico : 51
  - Malaysia : 70
  - Ireland : 21
  - Source : UNCTAD : *Inward FDI performance Index – 2001*
- Costa Rica : 51
  - Mexico : 47
  - Malaysia : 29
  - Ireland : 30
  - Source : World Economic Forum : *Competitiveness Index – 2003.*

Costa Rica surpasses its neighborhood countries in FDI volume , and it looks as its main competitors in FDI attraction to : Mexico, Malaysia, and Ireland.



# Results of FDI and export promotion strategy

- A diversify export supply : from 200 products in 1980's to 3,500 products in 2003.
- CR : Largest per capita exporter of Latin America
- In early 80's 3 agriculture products tops export supply. Today : computer chips, medical supplies and electronic components are the three main export products.
- FZ exports represents +50% of total exports of CR economy.
- Job generation is only 3 % of total employment.

# Background

- Objectives of National Investment Promotion Policies :
  - Early days ( early 80's ) : Regional development. Free Zones were Government owned – less developed areas. 2 FZ - < 10 companies, < 10MM \$ exports ( < 1% of CR exports )
    - Key elements : simple warehouses, fiscal incentives, no tariffs, partial access local market.
    - Constraints : lack of site management, no supporting infrastructure ( employee transportation, housing for executives, living conditions for ex-pats).
  - Middle term ( mid 80's-90's ): Export-led. Private ownership. FZ established in high-developed areas.
    - Key elements : buildings & infrastructure, developers presence on site, fiscal incentives, no tariffs, partial access to local market, quality of life, access to big pool of labor
    - Constraints : bureaucracy, permitting, lack of long-term financing
  - New generation ( + 00's ): cluster developments, quality jobs. Private ownership, niche-FZ. Specialization. +12 FZ, >200 companies, > 2.0 billion \$ exports ( 50 % of CR total exports )
    - Key elements : anchors, specialized developers, fiscal incentives, no tariffs, quality of life.
    - Constraints : no access to local market, educational system limited for high end, specialized financing.

# Cluster developments : life sciences

- Medical Devices, surgical instruments, orthopedic products, medicines.

Alcon Labs

Merck

Medtech

Arthrocare

Inamed

Pfizer

Baxter

Glaxo Smithkline

abbott

Novacept

DeRoyal

Boston Scientific



# Cluster developments : electronic

- Microprocessors, sensors, switches, coils, microwave filters, electronic assembly

Intel

Remec

Sawtek

MPL

Terradyne

Bourns

Wai semicon

Merrimac

Panduit

Oberg Ind.

Pharos/Vishay

Conair



# Instruments of Investment Promotion

- Procomer
  - Early 80's : government owned FZ-poor development
  - Early 90's-00's : private developers-incentives to developers. Government promotes exports. Cinde promotes investment.
- CINDE ( Costa Rica Investment Board)
  - Budget impacts
- Free Trade Agreements – COMEX
  - FTA as instruments for FDI attraction.



# Country proposals & Role of Government leaders

- Proactive Leaders
- Proposals within legal framework
- Transparency
- Infrastructure support:
  - Telecom
  - Roads
  - Electrical
- Trade facilitation :
  - On-site customs facilities, 24hr schedules
  - Procedures simplification
  - New markets access



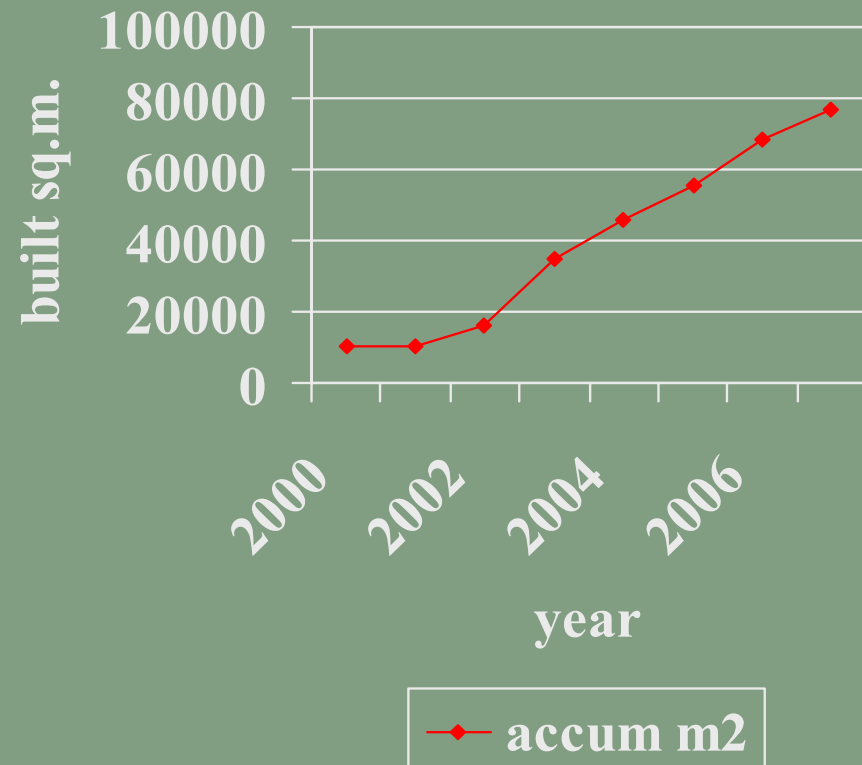
# The case of Global Park

- Selection by Abbott Labs ( anchor tenant)
- Requirements
  - Financial
  - Real Estate Development experience
  - Services support
- Set-up of the Park:
  - Permits
  - Development costs
  - Government support
    - Local utilities
    - Access roads

# Development of Global Park

- Master Plan
- “Product” concept
- Financial structure:
  - Banks
  - Investors
  - Role of REITs
- Development path
  - Construction path
- Winner of :
  - Best Real estate development ( CCBR)
  - Best provider of customer service (CADEXCO)
- Fastest growing FZ & Industrial Park in CR.
  - From 0 to 75% in 5 years
- Market share of 50%+ in last 3 years, 90 % in case of medical devices companies.

accumulated sq.m.





# Key success elements

- Specialization
- Product differentiation (architecture/infrastructure)
- Tailored made solutions
- Value-based leadership
- Anchor tenant
- Financial structure
  - Shareholders
  - REITS



# Constraints

- Anchor tenant
  - Differences in services standards
  - Differences in development objectives ( beauty vs profitability).
- Limitations of CR capital markets
  - Financing options
    - Banks
    - REITS
    - Stock market
- Single marketing channel
- Instability of market conditions & CR legal framework
- Value added services :
  - Resale of telecom band-width
  - Electricity
  - Operations management ( maquila-type of services)

# Challenges

- The services sector
- WTO rules / Tax reform
- Expand? Or not?
- CAFTA

