Costa Rica positions itself to be major US trade player..

Focus on quality, recession-proof exports yields results

By Shearon Roberts

SAN JOSE, Costa Rica–The US recession may have done Costa Rican trade some good.

Central America's strongest economy, and Miami's seventh largest trade partner, had lagged behind other smaller Latin American countries by the sheer volume of its trade with Miami.

Now, the country's current strategy to export quality over quantity, and to swell exports of seemingly recession-proof products such as medical devices, aviation and computer parts, may be showing signs of paying off.

"In 2009 trade worldwide is significantly off when compared to 2008 numbers, and countries in Central America have suffered some of the biggest losses," said Martha Hoffman, spokeswoman for Miami-Dade County government's Jay Malina International Trade Consortium. "As of August 2009, Costa Rica's trade is off approximately 23.7 % compared with 2008. For Costa Rica, the damage is greatest on exports from South Florida."

But when it comes to Miami's imports of its goods, Costa Rica has held its own, steadily increasing even in the economic slide from October 2008 to October 2009, according to Enterprise Florida, the state's economic development arm.

Before the recession, Costa Rica was the only Latin American country in 2007 to record a trade surplus with Miami, thanks to its exports here. In 2008, it ranked fifth for exports to Miami, beating out Miami's overall top trader, Brazil, in that category.

Costa Rica's trade in dollar value has increased by roughly $5 billion from 2005 to 2008, even while its overall trade rank with Miami declined slightly from fifth to seventh, according to the International Trade Consortium.

"Costa Rica was the last country to implement the DR-CAFTA agreement," a trade agreement among Central American nations and the Dominican Republic, said Mario Suarez, the international business developer for Export USA, an import-export firm in Miami. "They had a lot of delays, and they only pulled it out by the end of last year. So it's a very recent development on their part to open up more areas for trade."

Costa Rica already held zero duties on many of its exports to the US on previous trade agreements, Mr. Suarez said, and what the new free trade deal does is encourage more US exports to the country.

The country has tried to attract the kinds of imports from the US that can be developed there and then re-exported, Costa Rican officials explained. To compete with other Latin American countries, the nation has captured the medical and high-tech exports market, a growing niche sector for Miami.

Micro-circuit and electrical parts, and medical device parts for surgeons, dentists and vets, are the two largest export categories from Miami to Costa Rica. Miami's largest import groups from Costa Rica are the same parts in partly or fully assembled form, according to Enterprise Florida.

"We haven't seen any slowdown in the medical devices sector. The kind of business we do is very stable even at this time," said Carlos Wong, general manager for COYOL, a high-tech business park and free zone in Alajuela, Costa Rica, where many of US medical device companies have set up operations. "We've really become part of the strategic product chain of these US companies. We can increase their competitiveness, because we can supply the parts."

> '... since Costa Rica's goal is to sell better-quality products, we have to increase our own production and have our own warehouse in Miami..'
>
> **Alvaro Valverde**

Mr. Wong said Costa Rica is thinking ahead when it comes to the types of exports it must shift to and import to compete with other Latin American countries. The nation has moved away dramatically from heavy garment manufacturing to focus on exports that are high in value and not necessarily only in volume.

That diversification is also taking place in Costa Rica's agricultural exports. And thanks again to the recession, the world's largest yuca and pineapple exporter has seen a steady demand for frozen fruits and vegetables sold directly to grocers.

"In Miami, most people stopped going out to eat and they started to stay home and cook instead," said Emmanuel Hess, CEO of PROCOMER, the country's trade promotion company. "This is something nobody really noticed – the demand for frozen cassava and pineapple chunks. By cutting your expense at the restaurant, you would increase your expense at the supermarket and that was good for Costa Rican products."

South Florida and other Hispanic markets in the US, such as Houston and California, bring a nostalgic consumer base for such products, Mr. Hess explained, and when times got tough this year, the frozen products sold quickly.

Shifting to value-added goods such as packaged frozen fruits and vegetables is the new move by Costa Rican businesses that want to compete in markets like Miami, said Mr. Hess, and Costa Rica is tapping into the demand for organic fruits and vegetables to stay up with the trends in major US markets.

That is the case with PROAGROIN, the country's largest locally owned pineapple exporter, which competes with major US pineapple firms operating in the country like Dole. Miami is the number one port into the US for PROAGROIN, but the demand for organic pineapples extends as far as Europe, said Jorge Sanchez, general manager of the company.

The company's pineapple yield is now 25% organic to appeal to grocers like Whole Foods, and it's developing a line of packaged pineapple and orange products that have longer shelf life and can appeal to Hispanic grocery chains in South Florida, Mr. Sanchez said.

And while the recession may have decreased exports of yuca, other tubers and fresh vegetables to the US market, Agrisal, Costa Rica has found that packaged frozen goods to the market is the way to add value when weak US demand drags the export volume down.

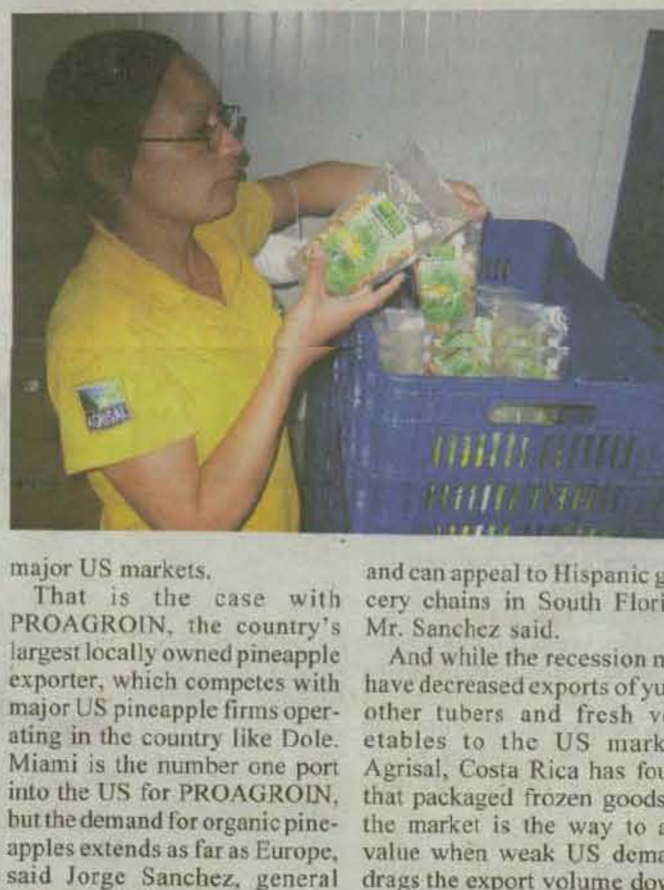
"Value-added is exactly what will expand the demand," said Alvaro Valverde, Agrisal general manager. "This kind of demand for fresh products in the market is very low. We have had to decrease our output by 70% just to be present in the market in this economy."

In the fresh food business, Mr. Valverde said, it's important for Costa Rican firms like Agrisal to have a direct presence in Miami, because when demand is low, the cost of doing business with a middleman can reduce profits take as much as 50%. That's why the company is working with PROCOMER to have its own warehouse space in Miami.

"We can use that warehouse to send full containers there and jump the brokers to try to increase the margin and be more competitive," Mr. Valverde said. "We have to compete with other products coming from Ecuador with lower prices, but since Costa Rica's goal is to sell better-quality products, we have to increase our own production and have our own warehouse in Miami."

Photos by Shearon Roberts

Above: Workers at the Alajuela plant of Agrisal, Costa Rica sort and prepare vegetables for frozen packaging and export.



Right: The plant manager for Agrisal inspects the final packaged frozen products before they are exported to Miami.

Jorge Sanchez, general manager of PROAGROIN of San Carlos, Costa Rica, with a variety of packaged products the company wants to export, in addition to its sizable fresh fruit exporting business.

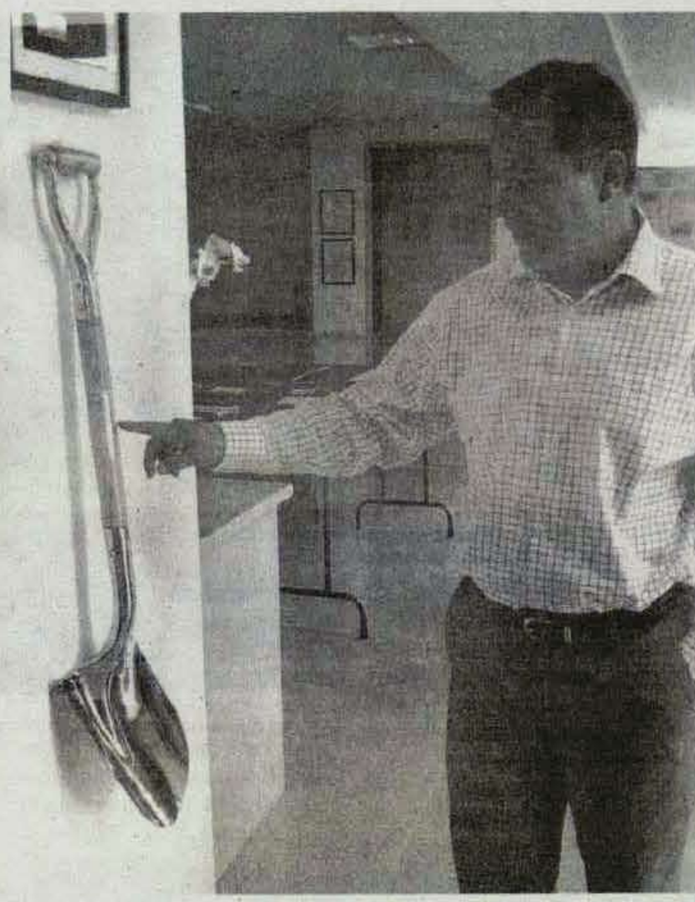
...with Miami-Dade remaining an important port of entry

Status grows as a place for international investment

By Shearon Roberts

Photos by Shearon Roberts

The entrance to COYOL, Costa Rica's new high tech export park – a sector that has proven to be recession proof for Costa Rica.



Carlos Wong, general manager of COYOL, with the shovel used to open the new tech park and free zone focusing on medical exports.

SAN JOSE, Costa Rica – As Costa Rica begins to implement some of the measures of its new free trade agreement that link to the US, the country has raised its profile as the place for foreign direct investment in Central America.

The country's business parks have become clusters for high tech and medical device export operations for US companies. Major sea and airports such as Houston, Atlanta and Los Angeles have been trying to rival Miami for a share of the trade volume. And Costa Rican companies are increasingly targeting major US companies beyond their traditional networks in South Florida for business partnerships.

The country's push to sell its highly educated labor force, stable economy and trade infrastructure beyond South Florida has not gone unnoticed in Miami.

"In our program plans for this year, we have as one of our goals to increase our business with DR-CAFTA countries," the cluster of Central American nations and the Dominican Republic involved in the new trade agreement, said Mario Sacasa, senior vice president for international business development, for the Beacon Council, Miami-Dade County's economic development arm.

"We follow the DR-CAFTA countries, but Costa Rica is a special case, as it is relatively more developed and it has diversified its exports in the last 17 years based on the high-tech manufacturing sector."

The Beacon Council is currently working to bring a Costa Rican company to Miami-Dade in 2010, which could bring some 70 to 100 jobs, Mr. Sacasa said. Having a stronger physical presence in Miami insures that Costa Rica will continue to channel its growing exports through Miami's ports.

But other cities are beginning to tap into the potential of this largest Central American economy, hoping to carve out trade niches into Latin America.

While Miami still carries the highest volume of trade by sea and air with Costa Rica, Houston, for instance, is worked directly with Costa Rican officials to launch a new perishable center to accommodate fresh fruit imports from the country.

The same company that manages Houston's George Bush Intercontinental Airport now also manages Costa Rica's San Jose International Airport. And Continental Airlines has maintained its steady direct non-stop flights to that airport from its Houston hub, though less frequently than the daily direct non-stop American Airlines flights from Miami International Airport to San Jose.

"Miami is our most important port of entry for our products," said Emmanuel Hess, CEO for PROCOMER, Costa Rica's export promotion company, which opened its first US office in Miami six years ago. In 2008, the company added offices in Houston, New York and California.

"The office in Miami is still the primary one for trade," Mr. Hess said. "We think that Miami is so strong in trade that we will keep our approach that way in the types of investments from Miami. But we realized that we were missing the face-to-face contact with end-users."

The offices in New York and Los Angeles have been set up to handle the interest in foreign direct investment in Costa Rica, particularly in the medical devices sector. The Houston office would oversee the desire by the country to increase its perishable exports to the US to reach particularly Hispanic populations that are rapidly growing in Texas and neighboring Southern states. But still, many of these efforts outside South Florida are still being channeled via Miami ports, Mr. Hess said.

Even the US Food and Drug Administration has recognized the importance of Costa Rica's imports to the US, setting up its first Latin American office in Costa Rica this year.

"That's very important, because it sends a message for the food industry, medical device and medicine industry that this is something that will boost procedures here," said Mr. Hess.

Given Costa Rica's logistics infrastructure, quick trade routes by sea and air to Miami, and its emphasis on quality assurance, medical devices companies like Hologic, in Heredia, Costa Rica, have been able to attract US investment when its parent company in Bedford, MA, expanded its operations there two years ago.

The company's Costa Rican operation imports medical device parts for women's healthcare from the US. They are shipped via Miami, said Edgar Villalobos, vice president for operations for Hologic, Costa Rica. Then Hologic, Costa Rica improves and assembles the devices and exports them back to the US via Miami for sale globally.

The Costa Rican operation works alongside seven other US plants for Hologic, but given the ease of moving goods back and forth from Costa Rica to ports like Miami, it was efficient for a company based all the way in Massachusetts to set up an operation in Costa Rica, Mr. Villalobos explained.

"Miami is one of the major and more efficient ports in the US," he said. "Most of our goods are sent via airfreight and we are still able to do this in reduced time to the market via Miami."

Direct flights and quick sea travel time from Central America to Miami is a main reason another business park in Heredia, Costa Rica, the Metropolitan Park, is at near-peak capacity for export firms to the US via Miami.

The park receives regular visits from US firms to look at the infrastructure and supplies that already exist there for ready setup for export and service operations, said Priscilla Alvarado, marketing manager for Metro Park.

"It is the national policy to provide to the companies what the companies need to do business," Ms. Alvarado said. "We use this as a way to attract investment, so the companies can come and be ready to start up business right away."

Costa Rica is offering "bundled infrastructure," added Carlos Wong, general manager for COYOL, a new high-tech park near the Metro Park, where Hologic is based. Instead of Costa Rica having to export its plastics and other supplies, it can offer this to US export companies for packaging goods for re-export.

"We are offering a competitive infrastructure," Mr. Wong said. "The people, the supplies and the low-tax packages make it attractive to come here to export goods back to the US and other countries."