

Costa Rica
Guatemala
Nicaragua
Honduras
El Salvador
Panama

GUIDE TO DOING BUSINESS IN COSTA RICA

For more Information or Questions: Contact John Aguilar-Quesada or Marco Solano-Gómez at Aguilar Castillo Love; telephones +506.2222.5959; +506.2222.3838; +506.2258.3889; fax +506.2222.9653; e-mail: jag@aguilarcastillolove.com or msg@aguilarcastillolove.com. This document is for general information purposes only and it should not be construed as imparting specific legal advice on a specific matter.

1. - Legal System

What type of legal system governs the country?

Costa Rica is a Civil Law country, the hierarchy its legal framework is as follows: the Political Constitution of the Republic of Costa Rica (hereafter "the Constitution"); International Treaties (duly approved, ratified and published), Laws and Administrative Regulations. Case Law is only relevant in the interpretation of Law. Similar in scope to most modern constitutions, the Constitution defines and establishes a system of checks and balances with separation of powers between the Executive, Legislative, and Judicial branches of government.

2. - Foreign Investment

2.1. – Are there any restrictions to Foreign Investment?

The environment is generally open and predictable. The principles of National Treatment, No Discrimination, Economic Freedom and Private Property are defined and guaranteed by the Constitution (articles 19, 33, 45, 46 and 47).

Restrictions to foreign investment still exist for certain activities of construction telecommunications, transportation, tourism, and professional and financial services. However, there has been a constant elimination of them by the Constitutional Court and currently by the Dominican Republic – Central America Free Trade Agreement (hereafter "DR-CAFTA").

Special notice should be made to beachfront property which is governed by the Shoreline Zone Law (Law No. 6043), administrative regulations issued by the municipalities and by the Costa Rican Tourism Institute (ICT), among others. The shoreline zone is divided in two: a) the public zone (the first strip of 50 meters wide, not available for ownership of any kind) and b) the following 150 meters which may be subject to concession with the local municipality, also known as the "restricted zone". Unlike regular property, foreigners do not have the same rights as citizens when it comes to shoreline zone concession land. Article 74 of the Shoreline Zone Law establishes that foreigners may not be majority holders of concession land. A foreigner may, however, enter into a partnership with a Costa Rican citizen where the Costa Rican national appears as the majority holder of the concession land.

2.2. - Requirements to be met when investing in the country

1. Recording in the registry.

In order to register a Corporation ("Sociedad Anónima"), the following information of at least two founding partners is required:

- a. Full name.
- b. Marital status.
- c. Occupation.
- d. Exact address.
- e. Passport number.

Once the company is duly registered, the capital stock may be transferred to a single shareholder, person or entity, foreign or national.

The Board of Directors requires the appointment of the following positions:

- a. President;
- b. Secretary; and,
- c. Treasurer.

The members of the Board of Directors are not required to be shareholders. All members may be national or foreign, and are not required to be domiciled in Costa Rica, or be present at the time of the incorporation.

Additionally, a Comptroller must be appointed. In case the board members / representatives are not domiciled in Costa Rica, a Resident Agent must be appointed. This person must be an Attorney at Law in Costa Rica, with an opened office to be served notices and/or official communications.

There are no minimum capital requirements, and the social capital must be deposited in a local bank prior to the execution of the incorporation deed. Once the S.A. is duly registered, the capital may be withdrawn from the bank. Shares are indivisible, must be nominative and must be registered in the Stockholders Registry Book. Each share of common stock is entitled to one vote.

The incorporation document must be signed before a Notary Public, and the document must be recorded in the National Registry.

In the case of the Limited Liability Company ("Sociedad de Responsabilidad Limitada"), requirements are basically the same. For this particular corporation, there is no Board of Directors but a sole Manager. There may also be more managers or vice-managers, as deemed appropriate by the owners.

2. Tax Requirements.

If performing lucrative activities subject to Income Tax, registration as a tax payer will be necessary, according to the type of tax.

3. Licenses and Permits.

Lucrative activities require a municipal license (or permit) from the municipality in which the activity is developed. The license involves the payment of a tax during the time of operations (Municipal Code, Law N° 7794, Article 79).

In virtue of the municipal autonomy, the forms and requirements to obtain a license may vary among municipalities, pursuant to their administrative regulations but it is common for them to ask for the following requirements:

- a. Legal capacity or incumbency certificate.
- b. Copy of the Sanitary Operation Permit/Certificate, duly approved by the Ministry of Health.
- c. Employment risk insurance policy and the receipt of payment, if applicable.
- d. Certified use of land, pursuant to Article 28 of the Urban Planning and Municipal Code, granted by the same municipality.
- e. The applicant and owner of the property must up to date with all municipal taxes.

4. Is it necessary to create a local company?

Local registration or formalization of legal presence is not a requirement to invest in the country, but it is recommended.

5. Requirements for opening a subsidiary of a foreign company.

Forming a local company in Costa Rica is not a difficult task. There are different types of civil and commercial entities available, but the most popular are the Corporation and the Limited Liability Company. Both of them give limited liability to shareholders who are only liable for the amount of their share/investment. Between the two types of entities the Corporation is the most commonly used; the reason is because the rules are more comprehensive in the Commercial Code and therefore people feel more comfortable using it.

2.3. – Legal security of the investment.

There is no specific regime for foreign investment in Costa Rica. The environment is generally open and predictable. As mentioned above, the principles of National Treatment, No Discrimination, Economic Freedom and Private Property are defined and guaranteed by the Constitution (articles 19, 33, 45, 46 and 47).

2.4.- International Trade

Costa Rica is signatory of the World Trade Organization (WTO). It is also a member of the Central American Common Market, and it has free-trade agreements with the United States of America, Mexico, Panama, Dominican Republic, Chile and Canada; it is an active participant of the Area of Free Trade of the Americas. DR-CAFTA has been approved and its implementation laws are in the approval process.

In terms of international dispute resolution, Costa Rica is signatory member of the ICSID Convention, the Inter-American Convention on International Commercial Arbitration (the Panama Convention), and the United Nations Convention on the Recognition and Enforcement of Foreign Awards (the New York Convention).

The Legislative Assembly has ratified Bilateral Investment Treaties with the Federal Republic of Germany, France, Chile, Switzerland, the United Kingdom, Mexico, and with The Netherlands.

3.- Banking matters

Requirements to open a bank account are usually the same in all banks (they may vary slightly): for companies: incumbency certificate, corporate identification, certified copy of the articles of incorporation and bylaws of the company, bank and personal letters of recommendation (at least two) and a copy of a utility service. For individuals requirements include: copy of their passport or other form of official identification, the letters of

recommendations and the copy of a utility service. Depending on their credit worthiness, investors may receive bank loans.

4.- Incentives for foreign investment

Sectors with the greatest incentives

Free Trade Zone Incentives: The Free Trade Zone Law (hereafter the "FTZ Law") establishes incentives and benefits that Costa Rica grants to the companies that invest in the country, as long as the requirements and obligations established in the FTZ Law and its regulations are met.

In order to establish a Free Trade Zone (hereafter "FTZ") company, it is necessary to show an initial investment of \$150,000.00 (if the company establishes operations in one of the several FTZ parks authorized by the government) or \$2,000,000.00 in fixed assets (if the company does not want to be limited to the FTZ parks).

The incentives under the FTZ include:

- Temporary exemption of all taxes based on gross or net income, profit distributions and sales income. The full exemption is for 8 years and a 50% exemption applies to years 9 through 12. If the operations are to be located in government-designated less developed areas, the full exemption is for 12 years and 50% of the exemption is for years 13 through 18.
- Permanent exemption for all import duties and tax imposed on raw materials and other materials required in the production process, machinery and equipment, spare parts and supplies, fuels, oils and lubricants. The FTZ company will act as its own customs agent under these provisions.
- Permanent exemption from all export and re-export duties on goods produced in Costa Rica and on machinery previously imported to the country.
- A ten-year exemption from all property and property transfer taxes, as well as from all municipal taxes.
- Permanent exemption from sales and consumption taxes.
- Permanent exemption from all taxes on remittances to foreign countries.

Special Drawback Incentive System: This system allows the duty free import of merchandises for re-exportation, under the following conditions:

- Goods imported under this system are re-exported after undergoing some degree of industrial processing. Machinery, equipment, parts and tools used in the process can also be imported under this system.
- Payment of all kinds of duties is suspended for a period of time to allow the processing; afterwards the goods must be re-exported.
- A pledge is executed to guarantee payment of duties in case the goods are not re-exported or there is any form of noncompliance by the beneficiary with regards to the fiscal incentives.

Tourism Incentives: These incentives are granted to hotel services, air transportation for local and international tourists, vehicle rental for local and international tourists, water transportation for tourists and the receptive tourism business of travel agencies

Forestry Incentives: The government grants Certificates for Forest Conservation to compensate landowners for environmental services rendered to the country through the preservation of forests which are located on private property. The law requires certification

that no lumbering activity has taken place during the two preceding years and that there will be no lumbering for the duration of the certificate, which has a term of at least twenty years.

5.- Private Property

5.1.- Type of system that guarantees it

Ownership of private property is guaranteed by article 45 of the Constitution, no one can be deprived of it unless a legally credited public interest exists and prior just compensation is paid. In the event of public need, Congress by two thirds of all its members can impose on the property social interest limitations.

All Real Estate properties are recorded in the National Registry which is controlled and administered by the government. This Registry is absolutely public and therefore any citizen or non citizen of Costa Rica may research any inquiries they might have. The area, liens, rights of way and all other possible affections of any property are always on a minute by minute basis.

Whenever somebody wants to buy a property, they need the professional services of a Public Notary who will grant a private deed between the interested parties (Seller/Buyer). Nevertheless, the contract will not have effects on third parties unless it is recorded in the National Registry.

5.2.- Expropriation

Applicable regimen

Expropriation is regulated by the Law on Expropriations No. 7495 of May 3, 1995, and its amendments. According to article 1, expropriation involves "*... any form of alienation of private property or rights or legitimate patrimonial interests, whoever their owners may be and by the prior payment of an indemnity that represents the fair price of the expropriated goods*". Fair price will be determined by an appraisal, and this appraisal may be challenged in the judicial chamber.

6.- Tax regimen

6.1.- Applicable tax principal

The tax principle that applies in Costa Rica is the principle of territoriality, which means that only the income of a Costa Rican source is taxable income in Costa Rica. Of particular interest for foreign companies are the tax on remittances abroad or withholding tax, and the income tax.

For income tax purposes, a resident is defined as any person who has continuously resided in Costa Rica for more than six months during the relevant tax year, or who has obtained a work permit from the Immigration Authorities. Nonresidents, either employed or self-employed are subject to a flat 15% withholding tax on all income derived from personal services performed in Costa Rica and are not required to file income tax returns in the country.

6.2.- What factors determine the company's physical domicile??

Regardless of the nationality, domicile, place of registration, meeting of the board of directors or signing of contracts, entities and individuals will be subject to tax if they carry out activities or businesses for profit within Costa Rica.

6.3.- What taxes apply to companies with fiscal domicile in the country?

The taxable base is the net income, which is the total income produced by the corporation less all costs and expenses that are necessary to produce taxable income. Corporations may deduct from gross income all costs and expenses that are necessary to produce taxable income as well as depreciations of assets that produce taxable income.

Applicable taxes include Income Tax (the general corporate rate is 30%, but lower rates apply to businesses that qualify as "small enterprise") and Sales Tax (the rate is currently 13%), at a local or municipal level corporations with lucrative activities are subject to a patent tax associated with a permit granted by the corresponding municipality for proper operation.

6.4.- What taxes apply to those companies that receive income in the country, but do not have a physical domicile in the country?

As indicated above, the Costa Rican income tax system is based on the territorial principle of the source whereby only income derived within the country and from Costa Rican sources is subject to income tax. Income obtained from foreign sources is not taxable in Costa Rica. Article 1 of the Income Tax Law states that "a tax is imposed on occasional or continual revenues received by legal entities and individuals, obtained within the national territory, without regard for the recipient's nationality or domicile."

6.5.- What taxes apply to the following headings:

1. Dividends payable to foreign shareholders in the company

Payments remitted abroad, to individuals or corporations, from Costa Rican source income are subject to applicable withholding taxes. The rate of withholding tax on dividends and interests and similar distributions of earnings and interests or other financial payments is 15%. Other rates, generally higher, apply to certain types of revenues depending on the activity from which they derive.

2. Dividends received from foreign companies

None.

3. Interests paid to the corporation's foreign shareholders

See 6.5. 1 above

4. Royalties payable to the corporation's foreign shareholders

Royalties paid by corporations to individuals (both local and foreign) or to foreign entities are subject to a 15% withholding tax.

6.6.- Are there control rules for foreign companies?

There are neither restrictions nor reporting requirements on conducting business with nationals, residents or non-residents.

6.7.- Are there specific capitalization regulations for foreign companies?

None except in the event the company applies for the FTZ benefits (see 4. above)

6.8.- What taxes apply on imports and exports?

The General Customs Law establishes the need for importers to present a declaration with the complete information regarding the merchandise. In accordance with general tax laws in the country, tariffs to be paid will depend on the type of merchandise imported. General taxes assigned to imports include

- i. Sales tax, which is 13% on the net sale price,
- ii. Selective consumption tax, (ranging between 5% and 75%), which is charged on certain merchandise, either imported, or produced locally. The tariffs to be set vary according to each product.
- iii. 1% tax imposed on all imports except for medicines.

There are special benefits regarding exports made by companies or industries established in the FTZ system, because they have a total exemption from export taxes, whereas this does not apply to other exporters. The Consumer Protection Law (art.6) provides the Government with the possibility to establish the requirement of export or import licenses, by means of a Public Decree, after an approval or recommendation by the Consumer's Protection Commission. This measure seeks to restrict the commerce of specific products, only under justified situations, and the Government must provide the basis for its application.

There are still some tariff and non-tariff barriers in Costa Rica, but the country's increasing participation in bilateral and multilateral trade agreements is helping eliminate these barriers and have a more open market for imports and exports.

6.9.- Are there treaties on double taxation?

There are double-tax treaties regarding income and property taxes, with Germany and Romania. The country also has since 1990 a "Tax Information Exchange Treaty" with the United States of America.

7.- Labor Regimen

7.1.- Minimum wage – specifications

A Decree of Minimum Salaries is established by the National Wage Council each semester, in November or December (effective on January 1) and in June (effective on July 1), minimums are set per activity and occupation. No salary can be less than the legal minimum, except in those cases of reduced shifts. Salaries depend from shifts, as follows:

- Ordinary day daily and weekly shift: 8 hours or up to 10 hours a day, for a total of 48 hours per week.
- Ordinary mixed daily and weekly shift: 7 hours or up to 8 hours a day, for a total of 42 or 48 hours a week.
- Ordinary night daily and weekly shift: 6 hours a day, for a total of 36 hours a week.

Above those limits, overtime should be paid at a rate of 1.5% of the value of the ordinary hour. The minimum wage is set each semester by the Ministry of Labor based on the nature of the work.

7.2.- National employees

1. Requirements for their hiring

All companies must comply with various obligations and administrative procedures prior to the hiring of employees, including registration as an employer with the Costa Rican Social Security Office (CCSS) in order to pay the social security contributions and the National Insurance Institute (INS) in order to purchase the mandatory labor risk insurance policy.

Employers are prohibited from making hiring decisions based on an applicant's race, color, religion, national origin, age, and gender.

2. Causes for termination of the work relationship

The causes for termination of the work relationship are set by article 81 of the Labor Code and they are:

- Immoral Conduct: when the employee openly behaves immorally during work hours
- Offenses, libel, slander or aggression: when the employee during work hours offends, slanders, libels or attacks the employer or workmates and as a result the discipline is broken and work interrupted or when the events occur outside the workplace, on non work hours as long as the employer is not responsible and that as a result harmony at the work place is impossible
- Crimes and destruction of company property: when the employee incurs in an action or omission against property of the employer, or when he intentionally destroys equipment, tools, goods and other objects related to the job
- Infidelity of disloyalty: when trade secrets or unfair competition occurs
- Recklessness or inexcusable omission: when property or personal effects of the workplace are put in danger
- Unjustified absence: when the employee misses work without employers permit or without just cause during two consecutive days or three nonconsecutive days within the same month
- Disobedience and inefficiency: violation of the health and security occupational obligations and noncompliance with the orders and instructions received for the execution of labor obligations
- Incompetence: when the employee induces into error the employer while hiring, pretending to have knowledge, conditions or capabilities that he does not have, presenting references or false documents or carrying out his work in a way that shows his incompetence to do it
- Prison: when the employee commits any kind of felony (not just against the employer) and is sentenced to prison
- Other serious faults: it refers to other types of situation that are serious in nature and that justify the dismissal. Its determination depends on the circumstances and particularities of each case and its assessment belongs to the labor courts

Prior to a dismissal for reasons other than just cause (no prior notice is required if the employee is dismissed for just cause), the employer has the obligation to notify the individual. In lieu of notice, the employer may compensate the employee with an amount equivalent to the salary that would have been earned during the notice period.

Employees are entitled to receive severance termination benefits in other special cases, such as retirement or employer's restructuring. Severance pay is calculated pursuant to a progressive statutory schedule based on term of the employment.

7.3.- Foreign employees

1. Requirements for their hiring

Aside from the requirements indicated in 7.2. 1 above, foreign nationals (non-Costa Ricans) temporarily assigned to work in Costa Rica, must apply for a temporary work permit before Costa Rican Immigration Authorities. This permit is recommended for assignments under one year and for foreign nationals assigned to complete a particular project assignment for which a technician with special qualifications is required. These permits require less paperwork than a residency application. The process for obtaining a temporary work permit must be initiated in Costa Rica.

Foreign nationals temporarily assigned to work in Costa Rica or residing in the country must apply for a temporary residency card. This residency card is recommended for assignments that extend over one year or when the period that the investor will be residing in the country also extends over one year. To process a temporary residency card, the foreign national will be required to submit a considerable amount of paperwork, including birth certificates and police records. Temporary residency applications may be filed before a Costa Rican Consulate office.

2. Causes for termination of the work relationship

The causes for termination of the work relationship in the case of foreign employees are the same as in the case of the causes for termination of national employees (see 7.2. 2 above).

7.4.- Taxes payable by the employee

Persons under an employment relationship are not obligated to file income tax returns, as their income tax is directly deducted from their compensation payments. (see also 7.5 below regarding "social charges")

7.5.- Taxes payable by the employer

Employers must file the tax return and pay the applicable Income Tax, within two months and 15 natural days following the end of the fiscal period (currently the statutory fiscal year starts on October 1st and ends on September 30th of the following year). Taxpayers must make partial payments of the income tax during a fiscal period; the balance must be paid within the term stipulated above.

Although not technically taxes, employers must also cover for the benefit of the employee the following "social charges"

In regards to SOCIAL CHARGES, the total is approximately 27 % of the monthly gross salaries, distributed as hereon indicated:

1.

Concept:	Employer's contribution to Banco Popular.
Amount:	0.25% of the monthly gross salaries.
Legal Reference:	Art. 5 of the Organic Law of the Popular and Community Development Bank.

2.

Concept:	Employer's contribution to Asignaciones Familiares.
Amount:	5% of the monthly gross salaries.
Legal Reference:	Art. 15 of the Social Development and Family Aid Program Law

- 3.

Concept: Employer's contribution to the Instituto Nacional de Aprendizaje (INA).
 Amount: 1.50% of the monthly gross salaries.
 Legal Reference: Art. 15 of the Organic Law of the National Learning Institute. (reformed by the Worker Protection Law -only applied to companies with more than 5 employees-).

4.
 Concept: Employer's contribution the Instituto Mixto de Ayuda Social (IMAS).
 Amount: 0.50% of the monthly gross salaries.
 Legal Reference: Art. 14 de of the Establishment Law from Mixed Social Aid Institute.

5.
 Concept: Employer's contribution to the CAPITALIZATION LABOR FUND.
 Amount: 3% of the monthly gross salaries.
 Legal Reference: Art. 3 of the Worker Protection Law.

6.
 Concept: Employer's contribution to the Obligatory Complementary Pension Fund. (established by the Worker Protection Law and that regards a rearrangement of social charges).
 Amounts: 0.25% of the monthly gross salaries that were assigned to the Popular and Community Development Bank.
 0.50% of the monthly gross salaries that were assigned to the National Learning Institute.
 1% of the monthly gross salaries that were paid for premium payment of the Insurance Policy of Labor Risks.
 Legal Reference: Art. 8 of the Worker Protection Law; which reforms article 15 of the National Learning Institute Law in that same Law -Art 89-.

7.
 Concept: Premium Payment for the Insurance Policy of Labor Risk
 Amount: 1% of the monthly gross salaries.
 Legal Reference: Art. 208 from the Labor Code. (according to the Worker Protection Law, which is being reviewed)

8.
 Concept: Employer's contribution to the Caja Costarricense del Seguro (CCSS) (Costa Rican Social Security Office). (in regards to Illness and Maternity).
 Amount: 9.25% of the monthly gross salaries.
 Legal Reference: Art. 62 of the Social Security Bylaws.

9.
 Concept: Employer's to the Handicapped, Elder and Death Regime. (CCSS).
 Amount: 4.75% of the monthly gross salaries.
 Legal Reference: Art. 33 of the Handicapped, Elder and Death Regime Bylaws.

8.- Agency and Distribution

8.1.- Applicable legislation

Agency and Distribution relationships are regulated in Costa Rica by the Commercial Code and Law No. 6209 of March 9 1978 (modified by law No. 8629 of November 26 2007). Termination of the agent and distributor relationships can only occur as defined by law,

including: criminal acts, disclosure of trade and commercial secrets or strategies of the foreign company to third parties, stagnation of sales and by a ten month notice.

The Law is of public nature which means that it prevails over the conditions defined in the private contract by the parties. It establishes that in the event a foreign company decides to terminate the relationship, or decides not to renew the term of the contract without a justified cause; a compensation based on the damages suffered must be paid to the representative, agent or distributor.

The aforementioned Law applies to products and services as well, and establishes a statute of limitations for rights derived from it of two years. Absent a specific clause, claims originating from the relationship will be addressed by arbitration.

8.2.- Requirements for foreign companies

Foreign companies can conduct business directly or by using an agent be it through a representative agreement, distribution agreement, franchise agreement, licensing agreement, etc. Requirements to be met by foreign company, be it directly or through its agent are as indicated in 2.2. 1 above

8.3.- Restrictions for foreign companies

There are no restrictions on the Agency and Distribution relationships except in the event the foreign company wants to end the relationship. Depending on whether the foreign company is liable or not for the termination, it might be obligated to indemnify its agent based on the damages that such action might generate.

8.4.- Applicable tax regimen

The tax regimen applied to Agency and Distribution relationships is the same as described in 6. above.

9.- E-commerce

9.1.- Applicable Legislation

Despite its growth, e-commerce regulations still rely on the old civil and mercantile structures for its regulation. Taxing methods are still unclear. DR-CAFTA's chapter 14 tries to promote through rules and general principles a favorable environment for the expansion of e-commerce, allowing for it to be a new facilitating tool in the opening of new business opportunities and in general as a way to aid in the development, modernization and competitiveness of the productive sector and consumers.

9.2.- Electronic signature

A law implementing the electronic signature was approved in August, 2005 and it was regulated in May, 2006, nonetheless the Ministry of Science and Technology has not been able to bring it into reality. Once operational, the Costa Rican Central Bank will be the certifying entity.

10.- Economic information and others

10.1.- Population

As of July 2007, Costa Rica has a population of approximately 4,133,884.

10.2.- Territorial extension

In total, Costa Rica comprises of 51,100 square kilometers (19,730 sq. miles) plus 589.000 square kilometers of territorial waters.

10.3.- Does the National legislation offer a safe and legal framework for foreign investments?

Costa Rica is ruled by a series of constitutional controls and balances, it has a strong legal system that manages the 'judicial power', which ensures law compliance and covers nationals, as well as foreigners, within its territory. The country has been recognized as a regional leader in Latin America of social and economic development. The commercial policy of diversifying products, markets and risks has made Costa Rica a preferred location for foreign direct investment.

Costa Rica has a long tradition and stable democracy, which is recognized worldwide. The country has no limitations on capital funds transfers associated with an investment, regardless of the currency. No restrictions are imposed on re-investments or on repatriation of earnings, royalties or capital. In addition, there is no requirement to register investments with any of the government authorities.

10.4.- What level of economic stability does the country have?

The economy has been expanding for Costa Rica in part because the Government implemented a seven-year plan of expansion in the high tech industry. The central government offers tax exemptions for those who are willing to invest in the country. Several global high tech corporations have settled in Costa Rica including chip manufacturers, pharmaceutical companies, and consumer product companies.

The unit of currency is the Colón, which trades around 550 to the U.S. dollar. On October 16, 2006, a new currency exchange system was introduced, allowing the value of the Colón to float between two bands as done previously by Chile. The idea is that by doing so the Central Bank will be able to better tackle inflation and discourage the use of US dollars. Since that time, the value of the colon against the dollar has stabilized.

Costa Rica's location provides easy access to American markets as it has the same time zone as the central part of the United States and direct ocean access to Europe and Asia.

11.- Information at a Central American level

11.1.- Experience lived in the country in light of the Free Trade Agreement signed between Central America, Dominican Republic and the United States of America (DR-CAFTA)

Costa Rica is the only signatory country of DR-CAFTA that has been unable to implement it to date. Its approval was first subject to a popular referendum decided favorably at the end of 2007, currently a second extension by the other signatories has been granted in order to allow the country to comply with all the legal changes that are necessary for its implementation. Despite the delays it is expected that Costa Rica will be able to fully meet the requirements to implement DR-CAFTA in short period of time.

As a result of DR-CAFTA, two important sectors of the economy, mobile communications and insurance will be opened for private business. The laws and regulations are currently being

finalized and/or signed, bringing a significant change to the Costa Rican economy when compared to pre-DR-CAFTA time.

11.2.- Viability of an efficient customs union

The basis for a Central American customs union is the General Economic Integration Treaty, which states the commitment of the five countries to develop a customs union that could achieve free transit of goods, regardless of their origin.

Despite the differences that existed between the Central American countries in the negotiation of the DR-CAFTA, specifically in the defense of certain objectives and the strategy to reach them, with the signing of the treaty the economic integration and regional commerce between the countries will be greatly benefited. As part of these changes, the customs union and related procedures will continue to be developed and strengthened through time.

11.3.- Viability of the regional registration of a company

Currently Central America does not have a unified mercantile registry. If a foreigner wishes to register a company that will operate at a regional level it must follow the procedures and comply with the registration and legal requirements established in each jurisdiction.

11.4.- Viability of recording intellectual property at a regional level

The Central American Convention for the Protection of Industrial Property regulates intellectual property matters in the region but does not intend to create a single regional registration entity. In line with this, the intellectual property chapter of DR-CAFTA is aimed at improving the intellectual property rights and strengthening the procedures for their compliance.

The efforts required to achieve a unified regional registry of Intellectual Property are not a current priority, the different Central American countries region must have their own Registries and norms adapted to the international guidelines and their procedures must be efficient before exploring a regional registry.

11.5.- Advantages of commercial trade between the countries of the region

The reach of the existing regulations will be broadened by DR-CAFTA, covering not only the trade of goods between the Central American countries, but new areas will be included, such as investments, services, Government purchases, labor and environmental issues. This will achieve a favorable impact on trade and investment in Central America since it will reduce the cost of administering different regulations, allowing for example the production or service process to be split between different countries.