Information and Communication Technologies (ICT) Sector
Profile[1] - Costa Rica

Opportunities in Costa Rica

General Overview

Costa Rica is a 51,100 km² country located in the middle of the American continent and one of the oldest democracies in Latin America.

Populated by 4.7 million people, it is also a popular tourist destination (over 2.5 million tourists/year, most from USA, Germany and Canada).

With one of the highest GDP per capita in the region ($10.8 thousand), Costa Rica’s GDP totals $45.1 billion (62% services, 23% industry, 10% agriculture, 5% others).

Costa Rica is a very open economy with implemented free trade agreements with Canada, US, Mexico, Central America, CARICOM, Chile and China. It is also in negotiation with Peru, Colombia, Singapore and the European Union.

Bilateral trade Canada – Costa Rica

Canada has a Free Trade Agreement in place with Costa Rica since 2002, which has positively impacted bilateral trade and brought opportunities for Canadian clients.

<table>
<thead>
<tr>
<th>Bilateral Trade - 2010-2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Canadian Exports to Costa Rica</td>
</tr>
<tr>
<td>Canadian Imports from</td>
</tr>
</tbody>
</table>
1. Why is Costa Rica an market of opportunity for ICT products?

A Dynamic Telecom environment

Incident operator forced to modernize

After signing the Free Trade Agreement with the US (DR-CAFTA) in 2009, Costa Rica opened its telecom sector, previously a state monopoly controlled by ICE (Costa Rican Electricity and Telecom Institute). Forced to compete, ICE has improved its limited and inefficient services by introducing new technologies (3G, prepaid phone, mobile internet, BlackBerry services and improved wired and internet connectivity).

Arrival of multinational carriers

Two years later, in late 2011, Spanish Telefonica (Movistar) and Mexican America Movil (Claro) entered the Costa Rican mobile phone telecom market offering attractive packages which motivated Costa Rican to demand increased levels of broadband connectivity and added services. For the assigned frequencies, Claro and Movistar paid US$170 million which are to be used in bringing telecom services in health, education and connectivity to less develop areas (FONATEL project).

"ICT sector in Costa Rica generates 12.5% of the country’s GDP. The same in importance as agriculture."

Arrival of other telecom services

Motivated by a very dynamic environment, many other firms, local and international, offering internet connectivity wired and wireless, VOIP and other services have also entered the market. See the section “main local carriers for more detail”.

Results after telecom sector opened

Comparing results of 2011 with 2009 (just before the telecom opened):

- Percentage of mobile telephone versus population rose from 33.3% to 103% due to new operators, packages and plans.
- Internet access at home increased from 9.8% to 31% at the end of last 2011.
- Mobile Internet accounts increased from 2.9% to nearly 42% of the population.
- Use of computers at home increased from 28.2% to 47%.
- The Digital Divide Index in Costa Rica was reduced, showing at the end of 2011 a value of 3.32 points on a scale of 0 to 10 as per the Deputy Ministry of Telecommunications.

What comes next in the telecom sector

- Digital TV has been already approved. CR will migrate to the Japanese-Brazilian format in
Digital Radio format has to be chosen in the next year.
Most of remote areas are connected with wireless broadband at levels of 0.5 mbps (shared) which need to be broad up to minimum speed of 2 mbps to supply population’s demand.
4G/TE still not present in CR. The capability of CR for sharing real time image or video streaming is still limited as there is not enough broadband, especially in remote areas.
Government is also committed to improve access to internet and broadband capabilities in remote areas and link internet connectivity to public services among them health, local government services (municipalities) and education. For some of these projects, the government is planning to use the US$170 million in a specific Telecom Fund (FONATEL).

Foreign Direct Investment on the Telecom market

The total foreign investment expected to come is approximately US$1.8 billion, with the telephony providers alone offering investment plans of around US$500 million each.

This investment will bring with it many new technologies, especially triple and quadruple play services. In the cellular telephone market, IPTV is still to come and VOIP services will become a popular technology, some traditional cable providers also intending to provide internet services as well.

Main Telecom carriers in Costa Rica

SUTEL is the telecom superintendent.

Mobile phone and internet:

- **ICE** and **kölbi** is the largest operator
- **Claro**
- **Movistar**

VOIP services and internet:

- **American Data** (wireless)
- **RACSA** (wired and wireless)
- **Amnet** (wired - cable)
- **Cabletica** (wired - cable)
- **Worldcom** (wireless)
- **Japi** (wired - wimax)

A [full list is available](#).

Information Technology Sub-sector

Geographical position, cultural proximity, democratic stability and quality of its human resources have motivated international companies such as Intel, IBM, Oracle and Amazon and about 200 other multinational companies have decided to establish themselves in Costa Rica and make Costa Rica the fourth worldwide high-tech exporter of industrial products.

**Alphabetical list of companies**
Hardware manufacturing

Costa Rica is the leading exporter of computer and information services in the region. The principal exports are computer processing chips, from Intel’s large manufacturing plant as well as business process outsourcing. Successfully attracting Foreign Direct Investment, mostly located in Free Trade Zones, there is a cluster of IT companies manufacturing hardware components which accounts for the majority of CR exports.

Software manufacturing

Costa Rica’s IT sector is a leading exporter of software to other Central American countries (55% of Costa Rican software manufacturers who export to neighbouring countries with sales over US$205/year in 2006) (old statistic, needs update). An estimated 500 companies (most of them SMEs) manufacture hardware and specifically do software development in Costa Rica in areas related to technical support, digital animation and engineering, ERP and other solutions. The level of development of CR software manufacturing makes a perfect partner for Canadian companies wanting to find a spearhead in Latin America.

IT service sector imports

There are opportunities for business software, including Enterprise Resource Planning (ERP), Supply Chain Management (SCM), Customer Relationship Management (CRM), financial tracking software and data warehousing.

Specialized software solutions

The CR government has begun to materialize goals for improving the country’s IT sector, creating exciting opportunities for Canadian companies involved in e-government, e-health and telemedicine technology.

IT Security opportunities as a result of increased use of internet banking and shopping, creates demand for Digital Signature technology. Equally, the demand for cryptography, encryption and cyber security has risen and presents solid possibilities for Canadian companies.

Geomatics services are limited to government contracts pertaining to urban planning and the construction of hydroelectricity plants. GPS systems are available to the public, and their use will likely increase with the introduction of improved broadband services. There is also a demand for satellite based temperature monitoring systems in food distributing trucks.

2. Opportunities in the ICT sector

Telecom infrastructure

The telecom market is set to grow exponentially over the next years. The current networks are likely to be expanded, as well as the advancement of 3G, the arrival of 4G wireless and the development of fibre optical infrastructure.

VoIP

Voice over Internet Protocol (VoIP) is growing immensely. Local companies see it as an option to cut
costs by switching to VoIP for international and local telephony.

**Surveillance and security**

Due to increasing violence records, millions of US$ are invested by Government, private companies and households on technologies to provide security and surveillance or destined to integrate already existing ones.

**Public Key Infrastructure**

The development of online banking and increase in online shopping has created the need for Digital Signature technology. The government has launched Digital Signature technology into Costa Rica and its use will continue to grow.

**E-Government**

Gobierno Digital, the e-government project, has specific goals to improve its technology services on data warehousing, solutions to monitor business growth, electronic vote, technology to track immigration, virtual libraries, online payment system, etc.

**Software and Outsourcing**

Despite Costa Rica’s rather advanced technological standing for the region, there still exists a demand for Enterprise Resource Planning (ERP), Supply Chain Management (SCM), Customer Relationship Management (CRM), financial tracking software and data warehousing. Software outsourcing is likely to be one of the major means used by SME’s for cutting costs, thus lending plenty of opportunities to Canadian firms.

**E-Health and Telemedicine**

The government of Costa Rica has outlined clear goals for the improvement of the healthcare system here in Costa Rica. Both e-health networks with data warehousing and access to patient records and telemedicine are part of the plans for the sub-sector, offering attractive opportunities for Canadian companies specialized in the field.

3. **Where to exhibit? Shows and events**

**Expotelecom**

Since 2009, Expotelecom has become the main show gathering all main telecom players in Costa Rica. Show takes place in September.

**Technology Day**

It is the main show gathering all ICT companies in Costa Rica. Show takes place every March.

**Revista IT Now** and **El Financiero**
4. Market and sector challenges (strengths and weaknesses)

Strengths

While business can be done from Canada, it is strongly suggested that Canadians use a local partner. Locals speak the language, know the culture, and can be in constant communication with local authorities and local companies. They are aware of last minute information which is difficult to track from Canada. In addition, to participate in government bids, you need to have a valid address in Costa Rica.

Canadian products are seen as similar in reasonable price, and highly consistent in quality value and appeal as USA`s.

Costa Rican market is growing faster than US and European Union, which are already mature markets.

Costa Rica maintains a stable political and economic climate and also possesses an established ICT sector.

The opening of the telecom market to foreign companies should lead to tremendous expansion, given the strong purchasing power of Costa Ricans, creating many opportunities for Canadian companies.

Free Trade Zones within Costa Rica offer competitive advantages for foreign companies. The Free Trade Agreement between Canada and Costa Rica also offers a comparative advantage to many Canadian companies hoping to export products.

There has been an increase in government led initiatives within the ITC sector. Goals have been outlined to introduce e-government programs and to enhance the use of technology in healthcare, agriculture and education, leading to plenty of opportunities for Canadian companies.

Weaknesses

Procedures to start a business are lengthy. Custom’s process can be complex and bureaucratic.

While the existing FTA between Canada and Costa Rica does not include a services chapter and government procurement chapters, the agreement is being modernized and will incorporate it.

Even at four years after the opening of telecom sector the SUTEL struggles to organize the sector. Unresolved issues create confusion in the telecom market. Portability, prioritizing the FONATEL projects and some regulations are still in development.

The presence of competitors and technologies from US, France, China, and Spain are strong.

The quality of transport infrastructure is poor. Freight costs from Canada are rather expensive.

Despite foreign investment growth, income inequality and social tension continues to grow. Dependence on oil imports represent a risk to economic stability as trade balance deficit is increasing.

5. Key contacts and useful links
Canadian Government Contacts

**Canadian Embassy in Costa Rica**
Alexander Leon, Trade Commissioner
E-mail: alexander.leon@international.gc.ca
Tel.: 506.2242.4467
Mobile: 506.8811.7851

**Foreign Affairs Trade and Development Canada**
**Latin American and Caribbean Strategic Relations**
E-mail: paula.ibbotson@international.gc.ca

**The Canadian Trade Commissioner Service**
Contact your nearest Regional Office of the Trade Commissioner Service in Canada.

Costa Rican Government and Commercial Contacts

**Embassy of Costa Rica in Canada**
E-mail: embcr@costaricaembassy.com

**Cámara Costarricense de Tecnología de Información y Comunicación**

**CRECEx** – Foreign Companies Representatives Chamber
E-mail: crecex@crecex.com

**CINDE** (Local FDI promotion agency)
E-mail: invest@cinde.org

**Ministerio de Ciencia y Tecnología**
E-mail: micit@micit.go.cr

**Superintendencia de Telecomunicaciones** (SUTEL)

Useful Internet Sites

**Canada-Costa Rica Free Trade Agreement**

**CIA – The World Factbook – Costa Rica**

**CAMTIC**

**Costa Rica is IT**

**PROSIC Informe 2012**

**Costa Rica Ministry of Foreign Trade (COMEX)**

**Country Insights about Costa Rica**

**Latin America and the Caribbean. A Global Commerce Strategy Priority Market**

**The Embassy of Canada to Costa Rica**

---

[1] The Government of Canada has prepared this report based on primary and secondary sources of information. Readers should take note that the Government of Canada does not guarantee the
accuracy of any of the information contained in this report, nor does it necessarily endorse the organizations listed herein. Readers should independently verify the accuracy and reliability of the information.