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## Costa Rica: An Overview

Costa Rica historically has been an outpost of political and economic stability in an often-turbulent region. The United States has worked closely with the country to address challenges in Central America and to advance shared values, such as democracy and human rights, worldwide.

### Political Situation

Costa Rica has sustained continuous civilian democratic governance since 1949, when the country adopted a new constitution in the aftermath of a short civil war. The center-left (now centrist) National Liberation Party (PLN) and a center-right opposition that ultimately became the Social Christian Unity Party dominated post-war politics. The two-party system has collapsed over the past 20 years, however, as many Costa Ricans have grown disenchanted with the country's political class and have abandoned the traditional parties. This shift has allowed newer political forces to contest power, such as the center-left Citizens' Action Party, which has won the past two presidential elections. It also has made governance more challenging, as party fragmentation has contributed to legislative gridlock.

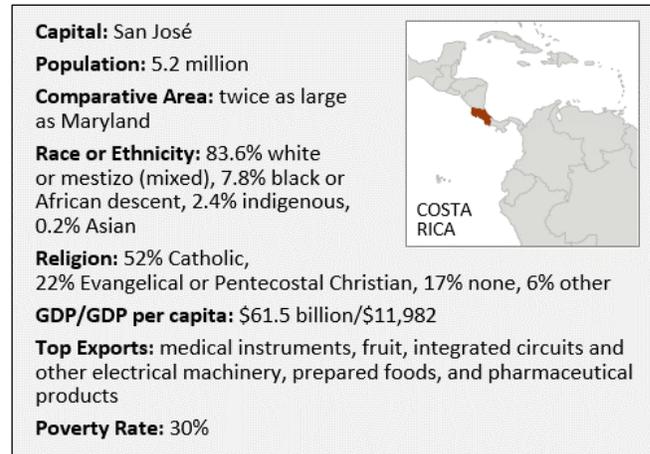
President Carlos Alvarado of the Citizens' Action Party took office for a four-year term in May 2018 after defeating Fabricio Alvarado of the conservative National Restoration Party, 61% to 39%, in a second-round runoff. Alvarado must forge ad hoc coalitions to pass his policy agenda, since his party holds 10 of 57 seats in the unicameral Legislative Assembly. During the first three years of Alvarado's term, Costa Rica legalized same-sex marriage, enacted structural reforms required for admission into the Organization for Economic Cooperation and Development, and began implementing an ambitious plan to reduce net carbon emissions to zero by 2050. Other portions of Alvarado's agenda have stalled due to fiscal constraints and the Coronavirus Disease 2019 (COVID-19) pandemic.

Costa Rica has been more successful than many Latin American countries in containing COVID-19. The Alvarado administration took swift action in March 2020 to slow the initial spread of the virus, imposing border restrictions, closing schools and nonessential businesses, and prohibiting mass gatherings. Infections began to rise in May 2020, however, after the government began to reopen the economy. Costa Rica has faced two large waves of infections since April 2021, which analysts have attributed to the spread of the Delta variant and a relaxation of public health restrictions. According to Johns Hopkins University, as of September 30, 2021, Costa Rica had recorded more than 530,000 cases and 6,300 deaths from COVID-19 and 40% of its population was fully vaccinated.

Alvarado's approval rating spiked early in the pandemic but has returned to pre-pandemic levels. An August 2021 poll from the University of Costa Rica found that 20% of Costa

Ricans viewed Alvarado's performance in office positively, 58% viewed it negatively, and 22% held neutral opinions. Costa Rica's next presidential and legislative elections are scheduled for February 6, 2022.

Figure 1. Costa Rica at a Glance



**Sources:** CRS Graphics, Instituto Nacional de Estadística y Censos; Centro de Investigación y Estudios Políticos; International Monetary Fund; Trade Data Monitor.

### Economic and Social Conditions

Costa Rica pursued state-led economic development throughout much of the 20<sup>th</sup> century but began to adopt a more market-oriented economic strategy in the 1980s. Over the past three decades, Costa Rica has attracted a cluster of high-tech manufacturers, such as medical device companies, and developed a dynamic tourism sector, contributing to the diversification of the country's once predominantly agricultural economy. These newer industries provide higher pay and rising wages, but many Costa Ricans remain employed in traditional industries, which struggle to compete with imports and provide lower pay and precarious employment conditions. This divergence has reinforced Costa Rica's relatively high level of income inequality. It also has contributed to high rates of unemployment and informal employment, eroding the tax base necessary to sustain Costa Rica's social safety net.

Socioeconomic conditions have deteriorated considerably due to the COVID-19 pandemic. Although the government enacted emergency measures to support businesses and households, the economy contracted by 4.1% and the poverty rate increased from 24% to 30% in 2020. More than 19% of Costa Ricans remained unemployed in the second quarter of 2021. Nevertheless, the Central Bank of Costa Rica estimates that economic activity has returned to pre-pandemic levels and forecasts 3.9% growth for 2021.

The economic downturn also exacerbated Costa Rica's fiscal challenges, as the budget deficit widened to 8.7% of GDP in 2020. The Alvarado administration negotiated a three-year, \$1.8 billion financing arrangement with the International Monetary Fund intended to support Costa Rica's economic recovery while stabilizing the country's debt burden. The government's proposed austerity measures sparked protests in September and October 2020 and could generate further unrest, if implemented.

## U.S.-Costa Rican Relations

The Alvarado administration has sought to maintain friendly relations with the United States. During a June 2021 visit to Costa Rica, U.S. Secretary of State Antony Blinken highlighted bilateral economic and security ties as well as U.S.-Costa Rican cooperation to address shared challenges such as the COVID-19 pandemic, regional migration flows, and climate change.

## Trade and Investment Ties

The United States and Costa Rica are parties to the Dominican Republic-Central America-United States Free Trade Agreement (CAFTA-DR), which was signed in 2004 and entered into force for Costa Rica in 2009. Bilateral trade more than doubled between 2008 and 2012 but has declined 43% over the past eight years, largely due to a steep drop in U.S. imports following Intel's 2014 closure of a microprocessor manufacturing plant in Costa Rica. U.S.-Costa Rican trade totaled \$11 billion in 2020, a 3% decline compared with 2019. U.S. goods exports to Costa Rica amounted to \$5.7 billion and U.S. goods imports from Costa Rica amounted to \$5.4 billion in 2020, giving the United States a \$331 million trade surplus. Top U.S. exports to Costa Rica in 2020 included mineral fuels, machinery and parts, medical instruments and equipment, and plastics; top U.S. imports from Costa Rica included medical instruments and equipment, fruit, electric machinery and parts, and coffee.

CAFTA-DR includes a chapter on investment that is similar to a bilateral investment treaty. According to the U.S. Bureau of Economic Analysis, the accumulated stock of U.S. foreign direct investment in Costa Rica was \$2 billion in 2020, with the manufacturing sector accounting for 45% of the total.

## Security Cooperation

Although Costa Rica's institutions have proven more resilient than those of its Central American neighbors, the country has experienced an increase in organized crime and related violence over the past decade. Costa Rica recorded 570 homicides in 2020, giving it a homicide rate of 11.2 per 100,000 residents. Costa Rican authorities have linked much of the violence to drug trafficking organizations, which use the country as a transit and storage point for South American cocaine destined for the U.S. market. Drug trafficking organizations also have sought to infiltrate Costa Rican institutions, contributing to increased corruption in the security forces and judiciary, according to the U.S. State Department.

The United States coordinates closely with Costa Rica and provides the country with assistance to combat

transnational crime and other security threats. In the Consolidated Appropriations Act, 2021 (P.L. 116-260), Congress appropriated \$40.7 million of security assistance for Costa Rica. That total includes \$8.2 million in bilateral military aid and \$32.5 million through the Central America Regional Security Initiative (CARSI). The U.S. Department of Defense has provided additional support to Costa Rica in recent years, with a particular focus on increasing Costa Rica's interdiction capabilities.

U.S. assistance has helped Costa Rica expand community-based crime prevention programs, train security and justice sector personnel, and acquire equipment—including aircraft, patrol boats, and ground-based radar—that enhances the country's ability to monitor and control its national territory. According to the U.S. State Department, Costa Rica, working closely with the United States, disrupted at least 17 international drug trafficking organizations and seized more than 71 metric tons of illicit drugs in 2020.

## COVID-19

President Alvarado has repeatedly called on the international community to help developing countries obtain COVID-19 vaccines and recover from the pandemic. In July 2021, the United States donated 500,000 doses of the Pfizer/BioNTech vaccine to Costa Rica. The United States also has provided more than \$4 million of pandemic-related assistance to Costa Rica, including personal protective equipment, medical and hygiene supplies, and mobile hospitals.

## Migration and Refugee Flows

As a comparatively prosperous and stable country, Costa Rica has long served as a destination for migrants and asylum-seekers from other Latin American nations. The country has experienced a recent surge in asylum requests, however, primarily due to the ongoing political crisis in neighboring Nicaragua. According to the U.N. Refugee Agency, more than 85,000 Nicaraguans have sought asylum in Costa Rica since 2018. Costa Rica also has experienced increasing inflows of migrants and asylum-seekers from Venezuela, El Salvador, and Honduras.

The Costa Rican government has sought to provide protection and humanitarian aid to those in need but has called on the international community for additional support. According to the U.S. Agency for International Development, the United States has provided \$9.3 million to international humanitarian organizations in FY2021 to support migrants, asylum-seekers, and refugees in Costa Rica.

In addition to those who have sought refuge in Costa Rica, many migrants pass through Costa Rican territory on their way to the United States. In recent years, such transitory flows have included large numbers of Cubans and Haitians, as well as extra-regional migrants from Africa and Asia. Costa Rica has worked with the U.S. government to conduct background checks on those transiting the country and to identify and respond to potential security threats before they reach the U.S. border.

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**Peter J. Meyer**, Specialist in Latin American and Canadian Affairs

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