

Costa Rica Economy; Recovering and Expanding

Costa Rica lies between Panama and Nicaragua and it is bordered by the Caribbean Sea to the east and the North Pacific Ocean to the west. It is comprised of 51,100 square kilometers and the territorial waters take up about 589 square kilometers. It is considered a conglomeration of a number of landforms. The location of the country in the isthmus of Central America makes it easier to access American markets, which have the same time zone as Central US and also has access to Europe and Asia via the Oceans.

Let's talk a little bit about the economical situation of this fascinating country.

Costa Rica has suffered a lot from corrupted governments. Interest costs on the governments accumulated debt are equivalent to 30% of the governments total revenue. Liberalization efforts have been hampered due to the resistance put forward by the political parties of Costa Rica. The main agendas of the today's government are still the curbing the rate of inflation, reducing the deficit, and making improvisations to the services offered by the public sector. Despite this, the government has tried to bring in foreign investment, technology and management into the telecommunications and electrical power sector, which are run by the state.

Although blessed with fertile lands, abundance of fresh water and a strategic position, the country still remains poor and is categorized as a third world country. The countrys economy emerged from the red in 1997, but has shown strong aggregate growth since then.

The economy is based on agriculture. This includes the production and export of pineapples, bananas and coffee. The countrys exports from the free trade zones and tourism sectors led to significant developments in the growth rate of the GDP. Costa Rica is also a producer of cocoa, sugar, lumber, wood products and beef. In recent years, ecotourism, pharmaceuticals, financial outsourcing and software development have become major industries with significant contribution to the countrys GDP.

Lately, other industries like electronics, pharmaceuticals, eco-tourism, financial outsourcing and software development are now becoming major industries. There are a number of high tech companies which have sprung up in the area, including chip manufacturer Intel and Pharma companies like Procter & Gamble and Glaxo Smith Kline. Costa Rica is also self reliant in energy needs, with exception of oils- and has the potential to be an electricity exporter, as it already exports to Central America.

The unit of currency of Costa Rica is the Colon (CRC). This currency trades at 500 to the US dollar and at around 600 to the Euro. A new system that is expected around 2007, will see the Colon currency float between two bands. The Central bank will be better positioned to handle inflation and discourage the use of the US greenback with the use of this system.

In March 1998, the country joined other Central American nations, and the Dominican Republic to establish a Trade and Investment Council with the United States. It has also clearly showed a willingness to join the North American Free Trade Agreement (NAFTA). Costa Rica is also a member of the Cairns Group, which is pursuing a policy of global agricultural trade liberalization in World Trade.

With the help of agriculture, growing industries and of course tourism and ecotourism, Costa Rica economy is sure to recover. This country has a great potential. It in the hands of the people and the government, with hard work and strategically planned moves, to make this beautiful country wealthy as well.

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About the Author

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