



# THE COSTA RICAN SOLUTION

HOW MOVING NEARSHORE SOLVES  
YOUR SUPPLY CHAIN CHALLENGES



# PURAVIDA!

If you're thinking of spending any time in Costa Rica, you'll hear this phrase a lot. Simply put, it means "pure life" or "simple life."

A simple life is exactly what you'll gain by working with a manufacturing partner in Costa Rica. The country, historically known for its beaches, rainforests and coffee, is beginning to make a name for itself in manufacturing as more companies are diversifying their supply chain outside of just Asia.

In this book, you will learn exactly how moving nearshore to Costa Rica will address your pain points and solve the production challenges you may be facing.

Did you know that among its many accolades, Costa Rica was named the largest high-tech exporters in Latin America? Many of the game's major players now have operations here, as it gives companies a complete package - access to a majority of the world's markets, a competitive and lush workforce, government stability, ideal logistics and proven quality.

There will be a wide array of topics covered here, but should you find yourself with more questions, we highly suggest reaching out to East West Manufacturing for answers.

## CHALLENGES SOLVED

4. TARIFFS & FREE TRADE

6. LEAD TIMES

7. THE LABOR POOL

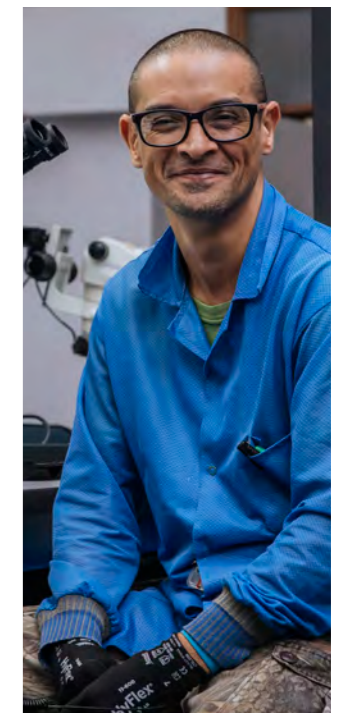
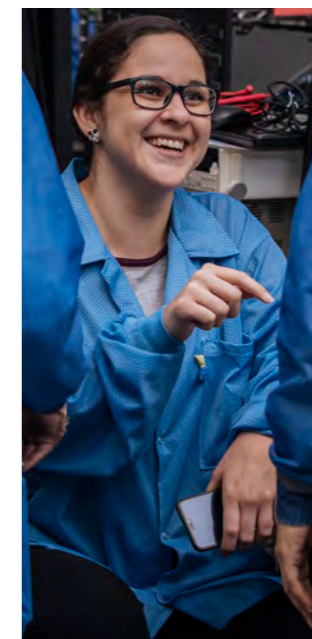
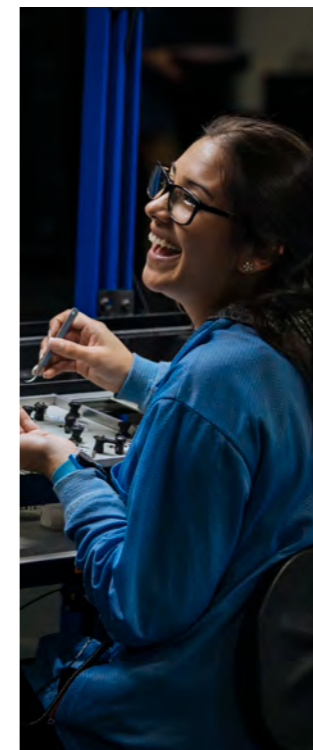
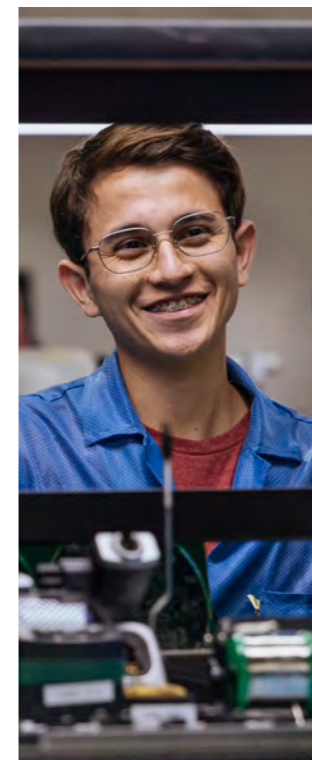
9. IP PROTECTION RIGHTS

10. QUALITY ISSUES

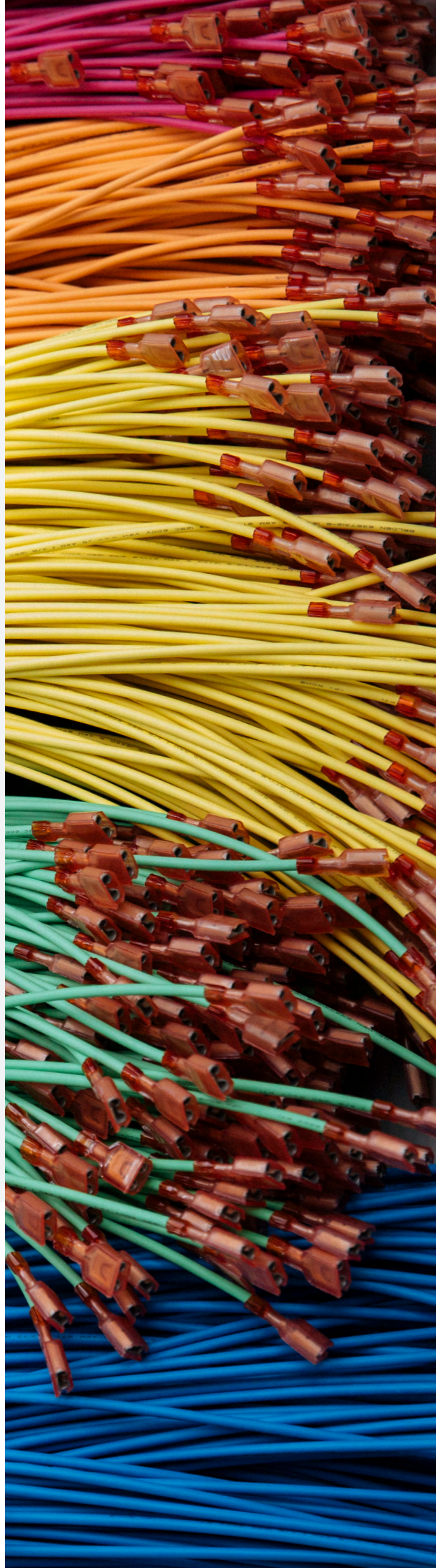
11. ENVIRONMENTAL CONCERNS

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## TARIFFS & FREE TRADE

Many companies are currently looking to offset the costs of new China tariffs by either moving production partially or completely out of the country. By moving to a country with vast free trade agreements, such as Costa Rica, these duties (up to 25%) can be eliminated.

### **Costa Rica and China**

Moving or expanding outside of China does not disable a company from utilizing the cheap materials being sourced from there. In 2011, Costa Rica became the first Central American country and one of only three in Latin America to pen such a bilateral free trade agreement with China. This means companies can have inexpensive components shipped duty-free, for final assembly and production in a Costa Rican factory.

**While China may be Costa Rica's most attractive trading partner in today's market, there are 13 other countries Costa Rica has favorable agreements with, giving companies a significant boost in its supply chain potential.**



Costa Rica  
is the only  
country  
in Central  
America with  
an **FTA with  
China**



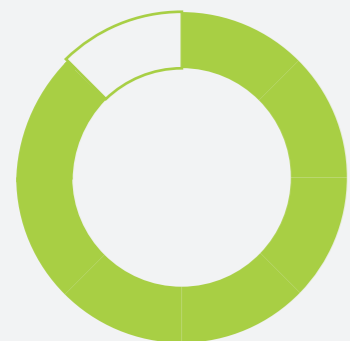
## TRADE PARTNERS

**Costa Rica is the free trade powerhouse of Central America.**

We've talked a lot about China, but it's crucial to note that Costa Rica's trading arsenal includes 15 FTAs, providing access to 57 global trading partners, covering two-thirds of the world's GDP and a third of the world's population. Costa Rica ranks first in Latin America for most FTAs, tied with Chile (15).

The FTAs in force include Colombia, Central America, Canada, CARICOM, Chile, China, Dominican Republic-Central America-United States (CAFTA-DR), Mexico, Panama, Dominican Republic, Peru, Singapore, South Korea, Association Agreement between Central America and the European Union (AACUE) and European Free Trade Association.

Costa Rica has built a strong presence in the international trading system, allowing more suppliers to do business here, thus fueling itself as a competitive resource in the nearshore manufacturing game.



# 84.8%

The entry into force of the FTA with the remaining CARICOM countries and Colombia would raise preferential treatment to a total of 57 trading partners covering 84.8% of current trade.

## MORE THAN CHEAP LABOR

### COSTA RICA

The people of Costa Rica are more than just human capital. They are passionate, hard-working individuals who take great pride in their country, their families and their work. They believe in achieving their highest potential by working hard and with integrity.







## LEAD TIMES

Time is money. The longer your product takes to get from the factory to you, the longer it takes for your customers to receive them. Additionally, manufacturing in a country with long lead times will leave you ill-equipped to quickly mitigate the damage of an unexpected surge in demand. Costa Rica's close proximity to the United States equates to both cheaper and faster shipping, meaning you're able to get your products into the hands of your customers faster.

### By Ocean

While the average full container coming from China to the United States will take 35-40 days, shipments from Costa Rica will arrive in a mere 10-12 day timeframe.

This country has ports uniquely positioned with ease of access to both the Atlantic and Pacific oceans. The Port of Limon leverages proximity to the Panama Canal, while The Port of Caldera is in the Central Pacific.

In March 2019, the new Container Terminal in the Caribbean Sea (shown above) began operations after receiving a \$1 billion investment. This addition will give Costa Rica connectivity between Port Limon and the European and Asian markets without the need to transfer.

According to the World Economic Forum, this terminal will move Costa Rica from 89th to 1st in connectivity among 139 nations.

### By Air

Sometimes, you have to rely on air freight. While more expensive than shipping by water, it is certainly faster. If you're unable to wait the 10-12 day lead time required by ocean, companies can utilize the 120 weekly flights to major U.S. cities from Liberia's Daniel Oduber Quirós International airport (AIDOQ).

The investments in Costa Rican logistics is not being reserved solely for ports. In 2018, this international airport (one of four in the country) received \$10.3 million to expand and modernize its facilities. This expansion will facilitate growth in both imports and exports of raw materials, fresh produce and more.

As part of this modernization, AIDOQ became the first airport terminal in the region to receive accreditation as Carbon Neutral from the Environment and Energy Minister.

## IDEAL GEOGRAPHY



### Similar Time Zones

Costa Rica operates on CST, which means they're working when you're working. Trips to the factory can easily be made without disrupting communications at work and you don't need to schedule conference calls at inconvenient hours.



### Inexpensive Travel

Round trip flights to Costa Rica take only a few hours and cost just a few hundred dollars. You not only save money on the cost of flying, but travel no longer needs to eat into a full day or two of work. You're able to get more done with less money.



### Faster Communications

Because Costa Rica works in Central Standard Time, feedback on critical messages can be received exactly when you need it. There is no longer a need to wait for the working day to start across the world to get peace of mind.







THE  
SECRET  
INGREDIENT  
IS ALWAYS  
PEOPLE



# THE LABOR POOL

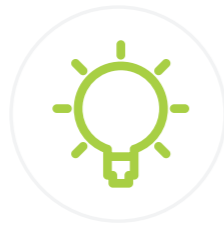
**Affordable cost of labor is just one of the many advantages the Costa Rican workforce has to offer.**

One of the initial reasons American companies used to justify moving production to other countries is the availability of people willing to do the same work for less money. Costa Rica's low wages mixed with its high levels of education allow manufacturers to pass along cost savings to their clients without sacrificing quality or speed.



## EMPLOYEE WAGES

Minimum wage in Costa Rica remains below both China and Mexico, coming in at \$2.57/hr for a non-qualified worker and \$2.91/hr for a qualified worker.



## SKILLED & EDUCATED

Costa Rica leads Latin America in education and building its skills for the future workforce. In 2018, there were over 10,000 technical graduates.



## YOUNG WORKFORCE

A total 32% of the workforce is 15-34 years old, which equates to 1.61 million people. The total labor pool has grown at a rate of 2.1% between 2010 and 2016.



# THE PEOPLE IN A SNAPSHOT



01

**Name :** Marco Fernandez  
**Role :** General Manager - Costa Rica  
**Education :** M.B.A., Wake Forest University;



02

**Name :** Daisy Yorleny Astorga Quesada  
**Role :** Testing Operator



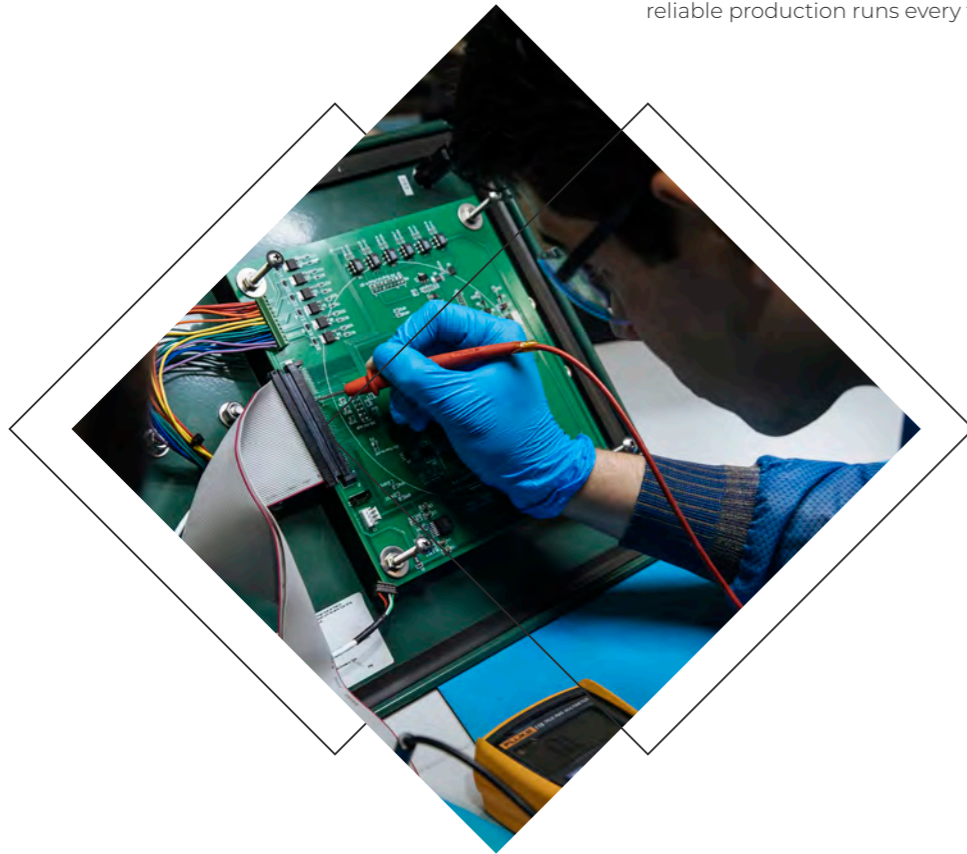
03

**Name :** Luis Diego Irias Madrigal  
**Role :** Quality Engineer



# QUALITY CHALLENGES

Have you been dealing with an inordinate amount of quality defects coming out of your factory in Asia? This not only wastes time and money, but it can severely damage your company's reputation. Costa Rica has the tools to provide reliable production runs every time.



## 01 TRAINING

The young workforce in Costa Rica, especially in the manufacturing sector, is highly trained with formal education in the skills required to deliver products that meet the highest standards. Costa Rica's technical graduates are trained under the highest standards, including ISO and clean room, which allow them to yield outstanding productivity and quality levels.

## 02 SPECIALIZATION

Costa Rica has a handful of sectors they specialize in, including medical devices and electronics, so workers are able to really focus on becoming experts in a certain set of skills. According to CINDE, the forecasted number of technical high school graduates in 2020 will be 13,500 and the number of university graduates will be 51,000.



WE WORK  
WITH PASSION &  
INTEGRITY TO BRING  
**YOUR PRODUCTS TO LIFE**



# INTELLECTUAL PROPERTY RIGHTS

**Costa Rica ranks first in Central America for the protection of intellectual property rights and second in Latin America.**

According to the International Property Rights Index (IPRI), Costa Rica's subcategory scores rose in every category, including protection of intellectual property rights, patent protection and copyright piracy. The country's continued efforts to prioritize IP protection can easily be seen, as its overall regional ranking increased from seventh in 2017 to first in 2018. With even further breakdown, Costa Rica ranked 15th in the region for patent protection in 2017 and now holds the number one position.

**It is important to note that intellectual property, including copyrights, trademarks and patents, must be registered in Costa Rica in order to be enforced.**

Businesses are highly urged to take the necessary steps to protect their intellectual property when manufacturing products in any other country, including Costa Rica. The best way to protect yourself against stolen IP is to work with a trustworthy, reputable manufacturing partner and legal team. Once you've done this, you can have peace of mind that your information is safe in Costa Rica.

## MORE THAN GEOGRAPHY

### COSTA RICA

This country is more than just nearshore. Sure, it solves the logistical pain points that come with doing business in Asia, but it also addresses the challenges you may not be aware even had a solution.



# ENVIRONMENTAL SUSTAINABILITY

For an increasing number of companies, striving to make world-changing products is not a reason to forego environmental responsibilities. In fact, consumers are almost demanding corporations create programs that focus on improving the environment. According to a study done by Nielsen in 2017, 80% of consumers from across the world remarked that this type of a program is extremely important to them. Doing business in Costa Rica is one guaranteed way to ensure your products are being manufactured in a way that your consumers will appreciate, as it has a long-standing and vast commitment to preserving the world's precious resources.

“The underlying recognition that a healthy economy cannot exist over the long-term without a healthy environment seems to have found resonance in Costa Rica.”



In the last four years, 98.53% of electricity in Costa Rica has been generated from clean, renewable sources such as its rivers, volcanoes, wind and solar power.

**Tico Times**  
2018



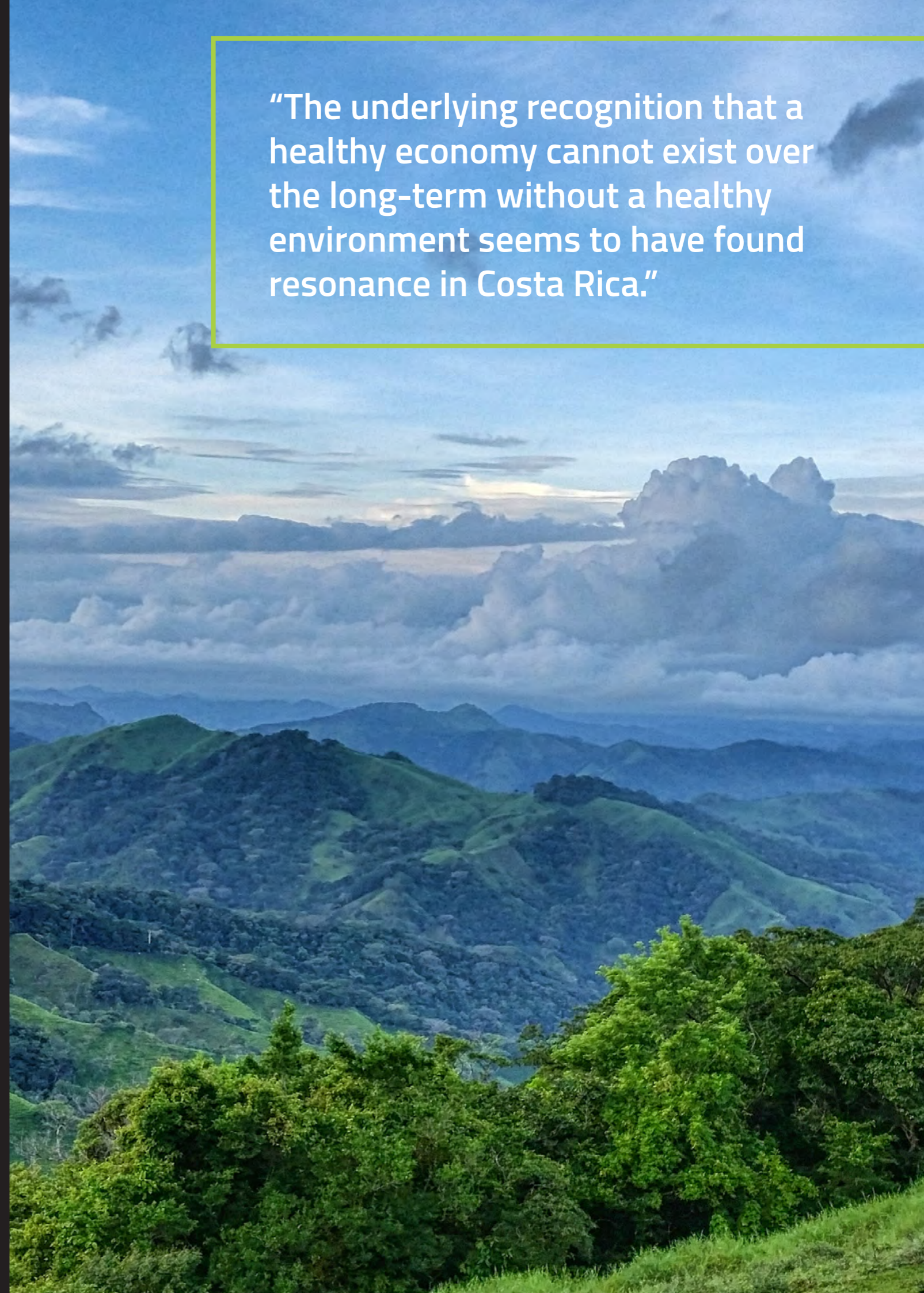
While the country only covers 0.03% of the world's surface, it houses 5% of the Earth's biodiversity. A whopping 26% of Costa Rica is protected land which contributes to its electric generation.

**CINDE**  
2019



My mid-century, Costa Rica plans to be completely decarbonized, which would make it the first country in the world to reach this goal. The plan is to achieve this by 2050.

**Earther**  
2019





# COMPARING NEARSHORE OPTIONS



MEXICO



COSTA RICA

Automobiles & Pharmaceuticals

Best Suited For

Medical devices & Electronics

10 FTAs providing access to 45 countries

Number Of FTAs

15 FTAs providing access to 57 countries

Global: 72  
Regional: 10

IP Protection Rankings

Global: 31  
Regional: 2

\$5.10/hr  
\$8.80/hr at US border

Labor Min. Wages

\$2.91/hr

#69  
(Below global average)

Human Capital Index Ranking

#61  
(Above global average)

World Economic Forum Score: 56.7

Availability Of Skilled Employees

World Economic Forum Score: 68.1

# HOW COSTA RICA STACKS UP

How does Costa Rica stack up against other popular manufacturing locations? East West's Co-Founder and CEO, Scott Ellyson, developed this easy-to-understand chart showing some of the location considerations that should be used when determining where your products should be made.

Each country is ranked 1 through 5 (1 is the lowest, 5 is the highest) against different factors including labor costs, supply chain, the regulatory and financial environments, and political stability. The numbers could certainly change based on random forces — perhaps a storm wreaks havoc on production of raw materials, or a region becomes unstable due to drastic changes in the political climate.

Take these factors into account during your decision-making matrix to optimize your supply chain and determine which location may be best for your company.

	Costa Rica	China	Vietnam	Mexico	India	USA
Political Stability	4	3	4	3	4	5
Currency & Inflation	4	3	4	4	3	5
Taxes & Regulation	4	3	4	3	2	1
Raw Material Advantages	1	5	4	2	4	4
Labor - Cost / Regulations / Availability	3	3	4	3	4	1
Power - Infrastructure / Ports / Airports	3	5	3	3	2	5
Supply Chain	2	5	2	2	3	4
Management	4	4	2	3	3	5
Know-How / Engineering / Machinists	3	4	2	3	3	4
Environment	5	1	3	3	2	4





## EAST WEST IN COSTA RICA

While East West specializes in PCBAs, plastics, box builds, metals and more, we found Costa Rica to be a highly attractive location to expand our EMS capabilities. At this ISO 9001:2015 and ISO 13485:2016 facility, we focus on:

- 1 Medium volume
- 2 Stable Design
- 3 Mixed Technology
- 4 Complex, advanced electronics

### SCHEDULE A CALL ONLINE

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