

Ambassador's Remarks
American Chamber of Commerce
May 17, 2010

Costa Rica is Positioned to Play a Leadership Role in the Agenda for the Americas

President Obama has set forth a clear vision of an Agenda for the Americas, an agenda for shared prosperity, the safety of our citizens and effective governance by democratic institutions. This simple formula is the blueprint of the foreign policy priorities for our Embassy here in Costa Rica, priorities which are aligned with Costa Rica's history as one of the most stable democracies in the Hemisphere and a country that has embraced peaceful prosperity.

Democratic Institutions-

In that spirit, we just celebrated Costa's Rica's rich democratic legacy with the inauguration of its first woman President, Laura Chinchilla, who was elected in free and fair democratic elections with over 70% voter turnout. In a region where poverty and corruption have often undermined confidence in democratic institutions, Costa Rica continues to serve as an important example of a democratically governed country with institutions that deliver results to the people: such as universal access to education, access to at least basic healthcare, and 99% of the people here are connected to the country's electricity network.

On the regional and world stage, Costa Rica has shown leadership on the issues of democracy, human rights, and environmental stewardship, including President Arias' efforts on Peace with Nature.

Chinchilla's Agenda-

As stated by President Chinchilla at her Inauguration, the priorities for her new Administration are security, promoting science and technology, trade competitiveness, education and shared prosperity; priorities that are closely aligned with Obama's Agenda for the Americas. The Chinchilla Administration's goal is to increase economic growth so that in one generation Costa Rica can go from GDP per capita of \$7,000 to \$30,000. To do this, the new Administration knows that it needs to expand trade; make the investment climate more attractive; and improve education, particularly at the university level in science and technology.

Chinchilla is also interested in fighting poverty, and developing Costa Rican human resources—especially resources for childcare and primary education in a

country where a third of the population is under the age of 15 and the unemployment rate has risen significantly since 2008. Chinchilla is committed to Costa Rica's aspirational goal of being carbon neutral by 2021. While underlining her commitment to a green Costa Rica, she has emphasized the need to make Costa Rica's streets safer and to increase police presence in the country.

As seen from the mountaintop, with the incoming Chinchilla Administration, Costa Rica has the potential to take its socially inclusive development to the next level and to play a strong leadership role in Central America in advancing the Agenda for the Americas.

This last point is of particular interest to the U.S. The foundation for success on primary issues of concern to the U.S. government in this region (citizen-security, energy-security and shared prosperity), depends upon collaboration among the Central American countries. While Costa Rica in the past has remained somewhat aloof from its immediate neighbors, Chinchilla has demonstrated a keen interest in working closely with other Central American countries, particularly to collaborate regionally against trans-national crime and, with new array of Ministers with environment and energy backgrounds, to move the neighboring Central American countries in a positive direction on energy security and climate change.

Finding Common Ground -

With a clear-eyed appreciation for the challenges Costa Rica faces in the next years, the U.S. government will look to strengthen its long-standing partnership with Costa Rica and to focus our resources on a broad range of programs addressing trade, energy, environment, and security matters.

We are confident in our partnership with Costa Rica. Costa Rica has shown repeatedly that it uses U.S. government assistance effectively to improve its capability to achieve its goals: one need not look no further than the thriving institutions of Earth University or INCAE for two inspiring historical examples. In a recent example, the Government of Costa Rica, with the help of the U.S. Treasury's Office of Technical Assistance (OTA), increased its overall tax revenue in 2006-2007 and 2007-2008 by at least 20% without instituting any new taxes. Having increased its revenues, the government prioritized spending on citizen security, nearly doubling the budget for the Ministry of Public Security between 2006 and 2010 (from \$111 million to \$220 million).

We Enhance Prosperity in the U.S. and the Region by Helping Costa Rica Join the Ranks of Developed Countries

Turning more specifically to Trade matters, the Agenda for the Americas recognizes that broad-based prosperity in Costa Rica also benefits U.S. citizens, strengthening democracy and creating markets for U.S. goods. We are committed to supporting Costa Rica's efforts to join the ranks of developed countries.

President Chinchilla has been strategic in focusing on clean energy, science and technology as the themes to continue to drive Costa Rica forward with a green “brand name” and the type of value-added jobs that will advance its economy – a parallel to the AmCham White Paper’s theme from “Made in Costa Rica” to “Created in Costa Rica.” Yet Chinchilla recognizes that to achieve Costa Rica’s goal of becoming the “Singapore” of Latin America, Costa Rica must address its infrastructure deficits, reduce obstacles to investment, and expand its markets – again, paralleling many of the issues set forth in the AmCham’s White paper.

On infrastructure, Costa Rica's ports, roads and bridges, including those needed to reach alternative energy sources and transmission lines, will require significant investments to support the economic operations of a developed country. According to the government, the cost of urgently needed infrastructure projects exceeds available funds by roughly \$5 billion. To fund these projects, Costa Rica will need to offer concessions; yet the government has neither strong experience or technical expertise in this area. Together with the Government of Chile, the U.S. Treasury's Office of Technical Assistance is providing important assistance in this area, with a team that visits periodically to advise the GOCCR on concessions.

To attract foreign direct investment, Costa Rica also will have to modify its hyper-legalistic system and provide the type of predictable, regulatory process that can attract the necessary capital. Costa Rica’s multitude of ministries and agencies with overlapping jurisdictions can be inefficient and, at times, ineffective. This situation is reflected in Costa Rica's low ranking by the World Bank's Doing Business Index, which dropped in the past year to 121 out of 181 countries rated (24 out of 32 in Latin America). To address these issues, President Chinchilla is establishing a National Council on Competiveness, even while expanding the number of Ministers to give attention to specific initiatives. We will look forward to working with the Competitiveness Council and drawing its attention to the concerns of U.S. businesses.

As expanding trade is a priority for Costa Rica, it is also a priority for the United States. We have incorporated President Obama's goal of doubling U.S. exports by 2015 into our economic goals. In promoting trade, we will be vigilant about the safety and legality of the goods moving across borders, as we work with public and private partners to promote the timely and efficient passage of legal goods through the borders. Embassy San Jose is actively assisting Costa Rica with trade-capacity building at its border including:

- USAID has conducted numerous training sessions for customs officials on rules of origin which have helped improve the speed and efficiency of customs processing; and,

- We are encouraging Costa Rican authorities to install container scanners at ports of entry that would greatly increase the speed and thoroughness of cargo inspections.

Costa Rica must move quickly to adopt measures to address these trade issues. As the global economy picks up steam, investment dollars will flow to those countries, such as Panama, that welcome foreign investment as a means to quicken the progress of domestic projects.

Citizen Security is Fundamental to Costa Rica's Success in Achieving its Economic Goals

As President Obama said at the Summit of the Americas, for economic growth to continue, people must feel safe in their schools, on their way to and from work, and in their public spaces. President Chinchilla has promised that improved security is her top priority, and that she will work with her neighbors in this regard. Her emphasis on security is well-placed as the drug trafficking trade in Central America continues to expand along with the illicit trade in arms, money laundering, and trafficking of persons that follows. This has created a deteriorating security situation reflected in the national murder rate in 2009 - 12 per 100,000 people - a level considered a public health concern by the World Health Organization.

Costa Rica faces significant challenges in addressing these problems. To Chinchilla's credit, she recognizes both the importance of committing Costa Rica's resources to this challenge, and the necessity to work with Central American neighbors to strengthen security in the region. To raise an additional \$100 million annual budget for her government's public security efforts, Chinchilla is promoting legislation for a two percent tax on casinos and internet gambling operations; Treasury-OTA's Economic

Crimes Unit contributed significantly to this legislation by advising the GOCR on crafting a contemporary gambling law and effective regulations. Treasury's assignment to Costa Rica of a resident adviser on economic crimes beginning this year will provide a key resource as Costa Rica attempts to tighten its controls on money laundering.

While Costa Rica must rely primarily on its own capability and resources to address citizen security, the U.S. government provides assistance in critical areas. The primary security assistance program has been refocused and renamed as CARSI, the Central American Regional Security Initiative. As the successor to Merida, the strategy takes a holistic approach, notably providing equipment and training needed by police, criminal investigators, prosecutors and judges to address a more sophisticated and well-financed threat but also addressing community development and employment opportunity, particularly for the youth.

We are just beginning a program with CARSI funding that will train Costa Rica's uniformed police in effective community policing. This program has proven successful in Panama and will play an important role in the Chinchilla Administration's efforts to improve the functioning of the country's principal police force.

These resources complement other assistance that the U.S. Government is providing to build an infrastructure for security that can be effective in combating this regional threat. For example, with our assistance construction has just begun for a new Coast Guard station at Caldera, ground has been broken for a new airport hangar for the Air Wing in Liberia, and construction was recently completed for a communications node at Cerro Azul that will help track the regional movements of drug traffickers.

These programs also highlight themes for our investment in citizen security: investing in program initiatives that are sustainable and impact citizen security in Costa Rica and the region.

Costa Rica Must Address Its Energy Security to “Secure” Its Economic Growth

I had the privilege of participating in last month's Earth Day conference on “The Clean Energy Path to Competitiveness and Security,” and spoke at length on how pursuing low-carbon development is not only vital to ensure environmental sustainability, it's also important to foster more competitive enterprises and to maintain a secure energy future. Today, I mention a few highlights.

Costa Rica appreciates the vital role of low-carbon development and, in fact, is committed to becoming the world's first Carbon Neutral country by 2021. To cut its greenhouse gas emissions while doubling its electrical generating capacity, Costa Rica must boost investment in renewable energy; diversify its mix of clean energy sources; modernize its electrical system and integrate it with the Central American Electrical Integration System; increase energy efficiency; promote clean transportation; and reform existing laws on energy generation and distillation.

The U.S. is partnering with Costa Rica on a number of clean energy initiatives, including a partnership for a recently inaugurated regional energy efficiency center here in Costa Rica. The U.S. will continue to coordinate and work with the government of Costa Rica as it promotes energy efficiency, invests in clean transportation solutions, and pursues other clean energy initiatives.

In closing, I offer these observations:

In promoting President Obama's shared prosperity that's at the heart of Agenda for the Americas, the U.S. also pursuing opportunities of common interest to President Chinchilla's Administration. The U.S. government looks forward to partner with Costa Rica, one of the shining lights of democracy in Latin America.

There is a striking consensus between the government of Costa Rica and the business community on the goals and challenges ahead to make Costa Rica the "Singapore of Latin America".

The pathways for Costa Rica's success in this 21st Century Economy will necessitate regional co-operation on matters of trade, security and energy.

The resources required in Costa Rica's quest for success will demand innovative public private partnerships among governments, businesses and community organizations.

Thank you