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THE FISCAL IMPACT OF TRADE LIBERALIZATION AND COMMODITY PRICE FLUCTUATION

The case of Costa Rica, 1980-1998

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SUMMARY

Following a period of economic growth, political stability and poverty reduction spanning two decades (1960-1979), [1] Costa Rica experienced at the beginning of the 1980´s the worst recession in its most recent history. In 1981 and 1982 gross domestic product (GDP) fell by -2.3% and -7.3%. Analysts pinpoint to short term economic factors and long run structural problems as the main causes of the recession. Short term economic factors comprise the end of the coffee price bonanza and the second oil shock. Long run structural factors are rooted in the economic imbalances generated by the adoption of import substitution strategies.

In 1985 the authorities undertook a change of regime which mixed free market with state intervention policies. Free market policies aimed at getting "the prices right" by liberalizing trade through tariff and traditional export tax reduction, and by eliminating trade barriers. State intervention policies were encapsulated into non-traditional export promotion schemes and a target real exchange rate tending to favour export performance. These government policies were justified on the grounds of compensating the anti-export bias that guided the commercial policy of Costa Rica during the import substitution era.

The implementation process was very gradual and began with export promotion policies followed by reduction of import and export barriers.

From 1986 to 1994 trade liberalization policies were followed on a systematic basis. The tariff ceiling was substantially reduced, and tariff dispersion as well as effective protection diminished. Taxes levied on non traditional exports disappeared, while taxes on traditional exports were significantly lowered. Finally, most non tariff barriers were eliminated as quantitative import restrictions were replaced with tariffs in compliance with the Uruguay Round negotiations of the General Agreement on Tariffs and Trade.

During 1995-1996, the country experienced temporary interruptions in its tariff reduction and trade liberalization commitments in part due to a recession caused by internal contractionary policies and external factors (i.e., "the Tequila effect"). In 1997 as GDP growth overcame its trough, the authorities continued their outward oriented efforts. The policy centered mostly on a national tariff reduction schedule that would comply with the Central American Common External Tariff. The country plans to reach this tariff schedule in the year 2000.

While trade liberalization has eliminated import surcharges and lowered, to great extent, the weight of export taxes in fiscal revenue, the same cannot be said about import duties. Export taxes represented 23.3% of total revenue in 1983. By 1994-1998, they represented 2.1%. The reduction of fiscal dependence on export taxes has shielded the fiscal accounts from the volatility of primary commodity price fluctuation.

[1] Some authors actually mention three decades (Céspedes & Jiménez (1994), p.11).

Import duties have, however, increased their weight in fiscal revenue. They accounted for 5.6% of total revenue in 1983 and for 13.2% for 1994-1998. The greater dependency of fiscal equilibrium on import duties is due both an increase in the import tax base as a consequence of liberalization and perhaps to a shift in the propensity to import. If trade reform has allowed a better allocation of resources by liberalizing import prices, it has also placed a restriction on output growth by increasing the possibilities of a balance-of-payments constraint scenario.

Export promotion policies materialized into tax exemption schemes such as the CAT (tax redemption certificates). CATs were equivalent to an income tax deduction and represented 1.9% of total expenditure in 1985 and 4.2% by 1994-1998. The government has stopped the issue of new CATs and their fiscal impact will vanish by the year 2000. This will certainly be a source a fiscal respite and a basis on which to further reduce import duties without compromising internal equilibrium.

1. Introduction

This paper analyses the trade liberalization policies in Costa Rica for 1980-1998 and their fiscal impact. Following this introduction the second section centres on a brief description of macroeconomic performance for these years. The third and fourth sections address the commercial policy regime of Costa Rica and the history of tariff reduction efforts. The fifth section analyses non-tariff barriers and other import taxes. The sixth and seventh sections examine export taxes, export trade barriers as well as export promotion policies. Finally, the last section relates trade taxes and export promotion policies to fiscal performance. In this section the fiscal accounts are divided into internal and external sources of revenue.

2. Macroeconomic performance: 1980-1998

During the beginning of the 1980´s Costa Rica suffered the worst recession in its most recent history. In 1981 and 1982, GDP registered negative growth rates (-2.3% and -7.3% respectively), and inflation surpassed the 50% annual barrier. The fiscal deficit was 8% and 4% of GDP for 1980 and 1981 while the external gap reached 15% of GDP (see table 1).

Table 1

SELECTED MACROECONOMIC INDICATORS OF COSTA RICA, 1980-1986

	GDP growth	Inflation	TOT	Real wages (1990=100)	Fiscal Gap	External Gap	OC [1]	IPED/ GDP
1980	……..	17.8	104.1	98.6	8.2	14.8	1.21	4.0
1981	-2.3	65.1	88.8	88.6	3.6	15.2	1.11	10.9
1982	-7.3	81.7	91.2	82.5	2.6	11.1	1.01	5.0
1983	2.9	10.7	99.3	94.4	4.2	10.0	1.04	9.5
1984	8.0	17.3	102.8	99.3	3.0	6.0	1.18	5.7
1985	0.5	10.9	107.5	103.2	1.9	7.4	1.07	8.6
1986	5.5	15.4	137.4	105.2	3.3	3.6	1.18	4.2
Avg. 1980-1982	-4.8	54.9	94.7	89.9	6.2	13.7	1.11	6.6
Avg. 1983-1986	4.2	13.6	111.8	100.5	3.1	6.8	1.12	7

Source: ECLAC (1999).
Note: OC = openness coefficient.
IPED = interest paid on external debt.

[1] The openness coefficient was calculated only on the basis of trade flows and in real terms. This is to avoid distortions in the computation of this coefficient that arise out structural changes in the composition of GDP and relative price variations. Data was only available for 1980-1996.

The causes are rooted in long run structural factors and short run phenomena in the guise of external shocks. Long run factors refer to an import substitution strategy that outlived its usefulness. The more immediate short run factors include a reversal of the coffee prize bonanza that prevailed throughout the 1970´s coupled with the second oil shock (1979).

Within this scenario the authorities set ambitious goals centring on the reduction of the budget deficit to a range between 1%-2% of GDP; the implementation of an outward oriented commercial policy to achieve a level of export growth that would account for 50% of GDP growth; the re-establishment of the purchasing power of wages and the reduction in the burden of interest rate payment on the external debt.

In 1982 Costa Rica began the implementation of a stabilization package followed in 1984 by the design of a comprehensive structural adjustment programme that mixed market instruments with strong state intervention. The programme was put into practice with the signing of the structural adjustment programme (PAE) in 1985. [2] The *de facto* implementation of the programme has proceeded gradually and has lasted until the present. [3]

The adoption of market instruments was encapsulated under the rubric "getting relative prices right." In the foreign trade arena this meant the dismantling of trade barriers, both tariff barriers as well as non tariff barriers in the form of permits, licenses, quotas and the like. The reduction in nominal tariffs was suppose to reduce both tariff dispersion and rates of effective protection. Table 2 shows selected structural adjustment measures related to trade liberalization since the programme began. Table 3 shows the tax structure in 1982 prior to the reform and highlights the tax barriers to trade prevailing during this period.

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[2] Besides a trade reform, the structural adjustment programme included also a financial and government reforms. This paper deals exclusively with the trade reform policies.

[3] When comparing the economy´s performance before and after the reform it should not be forgotten that the decision to carry out an economic reform, by itself, allowed the country to renegotiate its foreign debt and to obtain considerable amounts of foreign funds to finance its structural adjustment process.

Table 2

COSTA RICA: SELECTED REFORM MEASURES RELATED TO TRADE LIBERALIZATION, 1984-1998

Year	Measures
1984	Law for financial equilibrium in the private sector. The law incorporates the promotion of exports through three export regimes: export contracts, temporal admission and free trade zones.
1985	Central American Tariff Code. The import tariffs are comprised within a range of 1% to 100%.
1986	First structural adjustment programme. The programme includes the gradual reduction of tariff on import goods and elimination of quantity restrictions.
1987	Import deposits are reduced form 50% to 10% and finally banished in 1992.
1989	Second structural adjustment programme. The programme seeks to unify import duties within a 5%-40% tariff range. Provides a schedule of progressive reduction of the tariff ceiling.
1989	The 10% *ad valorem* tax on coffee profits is modified to a range of 2.5% to 10%.
1990	Costa Rica joins GATT. Following GATT regulations agrees to replace quantity import restrictions for some products with tariffs. These are negotiated on a 55%-274% range. The products include agricultural products. Two agricultural products, chicken parts and milk products are subject to tariff quotas.
1992	The Central Bank import surcharge which varied between a range of 0% and 100% is eliminated.
1992	Law on the Regulation of all tax exonerations and its exceptions (Law No. 7293) banishes most exemptions to the payment of taxes including import taxes.
1994	The 3% tax on all imports is reduced to 1%.
1995-1996	Parameters of the Central American Common External Tariff. 0% for raw materials and capital goods, 5% and 10% for intermediate inputs and 20% for final goods. The 20% ceiling is further reduced to 15% in the year 1997.
1996	The export contract and temporal admission regimes are replaced by the *regimen devolutivo de derechos* and *regimen de perfeccionamiento activo*.
1997	Costa Rica adopts a final tariff reduction schedule with the aim of arriving at the 15% ceiling by the year 2000.
1998	In July 1999 the authorities apply the common external tariff schedule by reducing tariffs for intermediate goods from 16% to 15%.

Table 3

TAX STRUCTURE OF COSTA RICA, 1982

Concept	Rate
Income tax	
Individual	15% to 50%
Firms	5% to 50%
Sales tax	8%
Selective consumption tax	6% to 100%
Export taxes	
Ad valorem duties	6%
Ad valorem duties for banana and coffee	1%
Ad valorem duties for coffee	4% to 18%
Ad valorem duties for sugar	1% to 18%
Tariff regime	
Capital goods	10% to 40%
Intermediate goods	0% to 20%
Final goods	10% to 240%

Source: Brenes (1994).

Relative prices were thus seen as vehicles to allocate resources according to their relative scarcities. Moreover, according to Costa Rican analysts market mechanisms was also suppose to suppress one the most important unproductive and distortion creating activities, namely rent seeking activities.

Government intervention in the foreign trade area followed two complementary routes. On the hand it was directed to compensate for the bias anti-export that characterized the import substitution era.

To this end, government intervention was channelled through compensatory trade measures and most import through subsidies. Perhaps the most representative instrument of this view point was the CAT (tax redemption certificate). The CAT was a certificate issued by the authorities to non-traditional exporters for a value equivalent to 15% of the fob value of exports. The CAT has a period of maturation of eighteen months. After eighteen months it could be

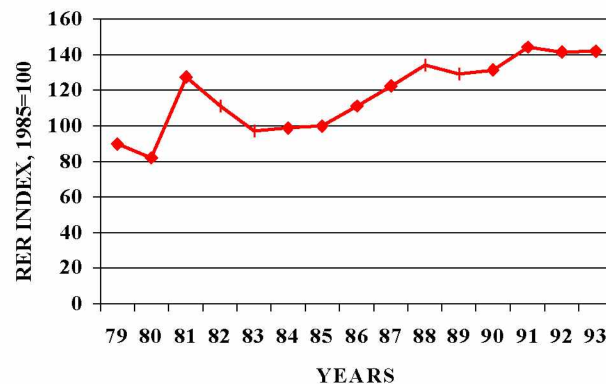
exchanged against an equivalent reduction in the income tax bill or sold in a special market for CATs. [4]

On the other hand, state intervention was oriented to maintain a real exchange rate target to revamp export activities. Prior to 1984, the exchange rate policy followed a nominal exchange rate regime that resulted in devaluations in 1981 (55%) and in 1982. From 1984 onwards the authorities undertook an announced policy of minidevaluations followed in 1992 by a dirty floating exchange rate regime. Overall independently of the *de jure* exchange rate regime, the exchange rate has shown a tendency to depreciate in real terms favouring export performance. [5] (See Graph 1).

Graph 1

COSTA RICA: REAL EFFECTIVE EXCHANGE RATE BEHAVIOUR, 1979-1993

(1985=100)



Source: Céspedes & Jiménez (1994).

Chronologically speaking Costa Rica undertook first the adoption of export promotion policies and then proceeded to a progressive tariff reduction that would allow import liberalization. In 1984, the authorities approved the Law for Financial Equilibrium in the Public Sector which sought to obtain fiscal equilibrium by both decreasing government expenditure

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[4] It is worth noting that while according to World Trade Organization (WTO) rules the CAT is considered a subsidy not all Costa Rican economists agree on this matter. Lizano (1999) states that the CAT is not a subsidy but rather a compensation for the existence of economic distortions that hinder the development of the non traditional export sector. A similar argument has been put forward in the case of another Central American country, El Salvador, to rationalize the existence of a 6% drawback on the value of exports.

[5] See Céspedes & Jiménez (1994) and more recently Robbins & Gindling (1999). However, Monge & Vega (1994) estimate a real exchange rute (RER) based on purchasing power for 1974-1989 and conclude that the real exchange rate in fact appreciated during most of the period.

(through contraction in government employment, and early government employee retirement) and increasing government revenue (by prolonging existing surcharges including import surcharges and increasing other charges). At the same time this law also consolidated regulations to enhance export performance. These regulations included export contracts and free trade zones. In addition the government reformed the export tax regime creating the National Investment Council and simplified export permit paperwork.

Tariff reduction began in 1986 with the implementation of the Central American Tariff Import Code (see section 5 for a detailed explanation). The Central American Tariff Import Code contemplated a tariff range within 1%-100%. The 100% tariff rate ceiling was applied on some selected final goods and meant a significant reduction from the pre existing 240% level (see table 3).

Between 1986 and 1993, the country pursued on a continuous basis outward oriented policies. In 1989 and 1992 the tariff ceiling was reduced to 40% and 20%; import deposits were significantly lowered in 1989 and eliminated in 1992. Taxes on non traditional exports were abolished while taxes on traditional exports lost importance as a revenue source for the central government. Costa Rica joined GATT in 1989 and as a consequence of the Uruguay Round negotiations in 1984, replaced quantitative restriction on imports for tariffs and for tariff quotas for a couple of products.

During this time exports and in particular non traditional exports, experienced an important surge. The ratio of non traditional to traditional exports increased by twofold on average between 1980-1985 and 1986-1994 (see table 4). By 1997 the value of this ratio stood at 3.09. [6] The dynamic behaviour of non-traditional exports reflects export diversification and amplified in a substantial way the export base. The difference in the rate of growth of export volume on average between 1980-1985 (1%) and 1986-1994 (13%) was due in greater part to this factor.

Table 4

COSTA RICA: EXPORT AND IMPORT PERFORMANCE, 1986-1993

Year	Export volume growth	Non-traditional to traditional exports	Imports to exports
1980-1985	0.9	0.66	1.19
1986-1994	13.0	1.32	1.28

Source: ECLAC (1999).

[6] In 1998 the ratio took on a value of 4 but this responds in greater part to the Integrated Electronics (INTEL) effect on exports.

The export expansion had a positive effect of growth and for some analysts on real wages and on employment [7]. Another important factor that contributed to growth during this period is foreign external aid.[8] GDP grew at an average rate of 4.9% and GDP per capita by 4.8. Relative to other periods as shown in graph 2 GDP per capita reflected a time of economic stability.

However, Costa Rica also experienced several macroeconomic shortcomings some derived from the policies implemented during this time.

For one thing, trade liberalization policies permitted an increase in the ratio of imports to exports. That is at the same time that exports experienced an upward shift in their trend, imports began to grow at a faster pace than exports. This phenomenon is due both to import barrier reduction and probably to changes in the import elasticity of income brought about by stabilization and structural adjustment policies. [9] Thus at the same time that outward oriented policies create the conditions for growth by promoting exports they also put a limit to growth by enhancing import expenditure. This enforces the balance-of-payment constraint on output expansion.

In addition, the budget deficit became a source of concern to the authorities as it exhibited an increasing trend throughout the period and on average reached 6.2 of GDP. The main reason for the deficit lies in the increase in expenditure brought about by the interest burden of the internal debt (see table 27 of the appendix). The ratio of total expenditure to GDP was 18.2% in 1985 and reached 22% in 1995. Taxes as a percent of GDP remained practically constant. The ratio of taxes to GDP in 1985 was 19% and in 1994 it stood at 14.7%. Although export taxes decreased income taxes increased and so did the revenue derived from import taxes. This last phenomenon is explained by the fact that the decrease in tariff rates and other import taxes was compensated by the increase in the import tax base (see graph 3).

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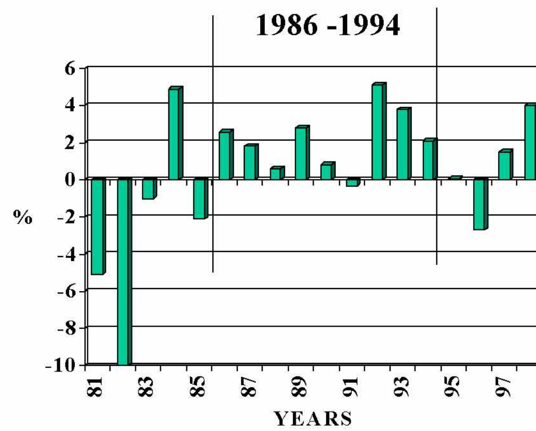
[7] Traditional analyses in Costa Rica that examine the relation between wages and trade have concluded that trade liberalization increases wages, equity, and reduces unemployment and poverty. Lizano (1999) is a case in point. A more recent analysis (Robbins & Gindling, 1999), using the theoretical endogenous growth framework, concludes that trade liberalization favours skilled workers at the expense of unskilled workers. Trade liberalization leads to larger markets inducing a greater research and development effort, increasing thus the stock of technical knowledge and reallocates labour to the activities that require higher levels of education (Ibid. p.141). The increase in the relative demand for skilled workers increases the relative skilled-unskilled wage gap.

[8] According to the Britannica, foreign external loans accounted in 1986 for one third of the country's income (Britannica, Macropaedia, Vol 15, p. 690).

[9] In fact one of the unforeseen effects of stabilization *cum* structural adjustment programmes is the growth of private consumption and its orientation to import expenditure. The same phenomenon occurs in the case of the Dominican Republic. This may be the reason that explains the slow road to import duty reduction taken by the Dominican authorities. See Japan External Trade Organization (JETRO) report on the fiscal impact of trade liberalization in the Dominican Republic.

Graph 2

COSTA RICA: GDP PER CAPITA GROWTH, 1981-1998



Source: ECLAC (1999).

Table 5

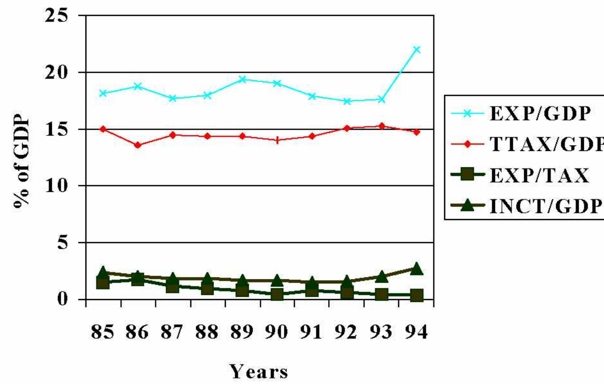
SELECTED MACROECONOMIC INDICATORS OF COSTA RICA, 1986-1994

	GDP growth	Inflation	TOT	Real wages (1990=100)	Fiscal Gap	External Gap	OC	IPED/ GDP
1986	5.5	15.4	137.4	105.2	3.3	3.6	1.18	6.9
1987	4.8	16.4	106.9	101.5	2.0	8.3	1.31	6.8
1988	3.4	25.3	104.9	96.4	2.5	6.6	1.27	7.7
1989	5.7	10	103.1	98.8	4.1	9.2	1.43	8.3
1990	3.6	27.3	100	100	4.4	8.7	1.17	5.3
1991	2.3	25.3	100.9	96.9	3.1	1.8	145	3.9
1992	7.7	17	105.7	98.7	1.9	6.0	1.68	2.8
1993	6.3	9.1	105.6	102.8	1.9	9.0	1.75	2.7
1994	4.5	19.9	102.	105.5	6.9	6.3	1.71	2.1
Avg.1986-1994	4.8	54.9	94.7	89.9	6.2	6.6	1.44	5.2

Source: ECLAC (1999).

Graph 3

COSTA RICA: TOTAL TAXES AND EXPENDITURE AS % OF GDP, 1985-1994



Source: Brenes (1994); CEPAL (1999).
Note: EXP = Expenditure.
TTAX = Total Tax.
INCT = Income Tax.

By the end of 1994, the fiscal situation had become critical and was aggravated by the closing of "the bank Anglocostarricense." The Central Bank assumed its loses increasing its quasi fiscal deficit and generating increases in money supply growth. This was counteracted by contractionary measures which increased rates of interests. The basic lending interest rate increased from 23.3% in nominal and 3.8% in real terms in 1994 to 33% and 7.1% respectively in 1995.

In addition, the Mexican crisis generated uncertainty regarding growth prospects for the Latin American region and the behaviour of capital inflows. Costa Rica, experienced a decrease in foreign capital inflows increasing the country's external vulnerability. This in combination with an overvaluation of the national currency led the authorities to increase the devaluation rate.

Thus while devaluations increased inflation, contractionary measures., a growing fiscal deficit and uncertainty regarding future growth prospects retarded the rates of growth of GDP. In 1995, inflation reached 23%, GDP grew by 2.5% and the fiscal deficit registered 4.5% of GDP (see table 6). The unstable short run economic situation led to a temporary halt in the implementation of outward oriented policies. In particular, in 1995 the authorities instituted a 8% temporary tariff increase for six months to reduce the fiscal deficit. Some analysts also point to the abandonment of agricultural exposure to foreign competition. [10]

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[10] Academia de Centroamérica (1997), p.46.

Table 6

SELECTED MACROECONOMIC INDICATORS OF COSTA RICA, 1995-1998

	GDP Growth	Inflation	TOT	Real wages (1990=100)	Fiscal Gap	External Gap	OC	IPED/ GDP
1995	2.4	22.6	100	103.2	4.5	4.0	1.75	2.4
1996	-0.6	13.9	94.3	105.3	5.2	2.9	1.78	2.1
1997	3.7	11.2	104	109.2	3.9	2.2	……	1.8
1998	6.2	12.4	106.6	113.0	3.2	2.8	……	2.0
Avg. 1995-1998	2.9	15.0	101.2	107.7	4.2	3.0	……	2.1

Source: ECLAC (1999).

From the middle of 1995 until 1998, the authorities decided to set a definite course for the further elaboration and implementation of economic reforms along the lines followed from 1986 and 1994. First, the government passed a tax package to reduce the budget deficit that included an increase in the sales tax from 13% to 15% and a 1% tax paid on the assets of private companies. Second, a new Central Bank law was passed in November 1995, and the government banks initiated a process re-structuring.

Following the recommendations of a special government appointed commission, the authorities expressed their intention of reducing the burden of the internal debt by a set of measure that included further increasing taxes as well as selling state owned assets. Tariff reduction and Central American harmonization goals were once again temporarily suspended for fiscal reasons in 1996. In 1997 the authorities announced a definitive tax reduction calendar in compliance with the Central American uniform tariff goals.

The effects of the reforms were not felt until 1997 and 1998. Indeed, the country experienced a recession in 1996 (-0.6%) and the budget deficit remained a high levels in terms of GDP (5.2%) the current account experienced a positive performance probably due to the contraction in imports (due in turn to the decrease in income) and to export expansion (as a result of real currency devaluations). The GDP turnaround was aided by the realization that the monetary authorities needed to carry out a more flexible monetary policy in combination with the announcement of the decision by Integrated Electronics (INTEL) to install a plant in Costa Rica were important factors in the turnaround of economic performance.

3. The commercial regime

The guidelines for Costa Rica´s commercial policy start with a simple and obvious fact: its size. A small country such as Costa Rica cannot progress unless it promotes its exports. Since the country began its structural adjustment efforts its commercial regime objective has been to allow the country's exports a bigger and diverse outlets. The country is particularly interested in

obtaining a better access for its textiles and fruit products to the United States market. Costa Rica is part of the Central American Common Market (CACM) since 1960, joined the multi fiber agreement in 1988, the GATT in 1990 and the WTO in January 1995. However, the country is not part of the generalized system of preferences (GSP).

Costa Rica has also signed several bilateral free trade agreements. It was the first Central American Country to subscribe a trade agreement with Mexico (1994), with Panama (1974) and with the Dominican Republic (1981). It is also part of the effort to build the Free Trade Area of the Americas (FTAA) by the year 2005.

The participation of Costa Rica in multilateral and bilateral trade agreements has been the institutional backbone for the country's efforts in progressive import and export tariff, elimination of other trade taxes and non tariff barriers. The paper now turns to an analysis of these.

4. The evolution of the tariff reduction and its effects

Up until the mid 1980´s the tariff schedule adopted by the authorities was that of the CACM (see table 1). The CACM adopted tariffs as the main policy tool for promoting regional industrialization. In 1959 the official tariff ceiling was 150% (although for some products the ceiling was 695%) and the tariff floor was 15%. Table 7 shows the average tariff levels for Central American countries a the beginning of the 1980´s and for 1987.

Table 7

PRE-REFORM AND POST REFORM AVERAGE TARIFF LEVEL FOR CENTRAL AMERICAN COUNTRIES

	Pre-reform average tariff	Average legal tariff, 1987
Costa Rica	52	26
El Salvador	48	23
Guatemala	50	25
Honduras	41	20
Nicaragua	54	21

Source: Saborio & Michalopoulos (1992).

In the case of Costa Rica the adoption of the guidelines of the CACM led to high tariff and non-tariff barriers, to a production oriented for the internal market and to a high dispersion in the rates of nominal and effective rates of protection.

As mentioned in the first section, in 1982 Costa Rica initiated an economic package to stabilize the economy followed in 1985 by a structural adjustment programme that sought to spur growth by changing the system of economic incentives. Basic to the structuring of the reform were two key ideas. First, market mechanisms in particular relative prices are not an obstacle to

growth. Second growth should be based on export promotion. Thus the programme included a tariff reform and the implementation of export subsidies to widen the export base.

At the beginning of 1986, at the instance of Costa Rica the General Treaty on Central American Economic Integration was revised leading to a modification of the basic parameters of the common external tariff. The ceiling and floor were lowered to 65% and 5% respectively with an average of 21% for the region as a whole.

As part of its reform programme, Costa Rica replaced the existing combination of excise and *ad valorem* tariff system by a tariff system based only on *ad valorem* tariffs. The tariff schedule comprised tariffs within a range of 1% to 100% (see tables 8 and 9).

Table 8

COSTA RICA: TARIFF SCHEDULE RESULTING FROM THE 1986 REFORM

Type of Good	Tariff Rates
Capital goods and raw materials that are not produced in Central America	5%, 10%, 20% and 30%. In specific cases tariff rates could be lowered to 1%.
Capital goods and raw materials that are produced in Central America	5%, 10%, 20%, 30%. Only in specific cases could the tariff rate be increased to 30%.
Final goods produced in the region	5%, 25%, 40%, 50%. In specific cases such as vehicles and medications the tariff rate reached 100%. The tariff rates were determined on an effective protection rate basis between 50% and 150%.

Source: Jiménez (1997); Annex A of the Central American Import Duty Code (1986).

Table 9

COSTA RICA: TARIFF DISTRIBUTION, 1986

Import Duty Range	1986	
	Number	Weight in Percentage of Total
0	0	0
1 to 5	65	3.8
6 to 10	824	48.1
11 to 20	169.6	9.9
21 to 30	197	11.5
31 to 40	155.9	9.1
Greater than 40	292.9	17.1
Total	1 713	100

Source: Brenes (1997); Jiménez (1997).

Despite the reduction in the tariff ceiling and floor the dispersion remained high and the rates of effective protection remained significant. This is shown in table 10 below.

Table 10

COSTA RICA: FREQUENCY DISTRIBUTION OF NOMINAL AND EFFECTIVE PROTECTION RATES, 1986

Tariff Rate	Nominal Protection Rate Frequency	Effective Protection Rate Frequency
Greater than 200	0	6
From 100 to 200	1	9
From 50 to 100	9	9
From 30 to 50	14	5
From 10 to 30	12	5
From 0 to 10	1	3

Source: Monge (1998).

During 1986 Costa Rica decided to further reduced import duties applied to the textile sector and to a selected group of final goods. Import duties on clothing, and textiles and other related products were reduced from 100% to 65% and from 70% to 45% respectively. These measures were implemented in 1987. According to the Academia de Centroamérica, tariff dispersion as measured by the standard deviation was reduced from 22 to 19.

The above mentioned reform also included the reduction in import surcharges established by the Central Bank. These are described in more detail in the following section.

In 1988, as Costa Rica negotiated a loan from international organizations and prepared for a second structural adjustment programme, the authorities passed in 1989 a law (law No. 7134) implementing further tariff reductions. The aim was to unify import duties within a framework of a 40% *ad valorem* ceiling and a 5% *ad valorem* floor. To this end the authorities could reduce up to the limit of six consecutive semestral reductions all those import duties that were greater than 40%. In addition they could reduce up to a limit of 10 consecutive semestral reductions tariffs corresponding to footwear, textiles and confections (chapters 50 to 64 of the Annex A above mentioned) when the actual tariff exceeds 40%. Finally, the law stated that the authorities could reduce any tariff above 40% to avoid an increase in the effective rates of protection or to establish in the case of inputs, raw materials, and capital goods an "adequate tariff structure". [11] In practice, some goods such as automobiles remained with 100% duty rates. Also duty rates on clothing, textile and footwear were to be reduced to 40% by 1992. According to Corrales & Monge (1990), the reduction of the ceiling to 40% for most goods unified the effective rates of protection for manufacturing while at the same time maintaining a wide dispersion within all the

[11] La Gaceta Diario Oficial, year CXI, Law No. 7134, 1989, p.127.

different productive activities. The post 1989 estimated rates of protection oscillated between 0% and greater than 400%.

At the beginning of the 1990´s after Central American countries travelled along different commercial routes to achieve structural reform and their progressive incorporation to the GATT, they decided to agree on a common external tariff. [12] The common external tariff was to be applied by the end of 1992 within a range of 5% to 20%. [13] The tariff schedule was adopted sequentially along with the Central American tariff code by Costa Rica and with exceptions that included among others textiles, clothing, and footwear. In 1992, the tariff ceiling and floor were 27% and 10% respectively and were expected to be reduced to 20% and 5% by April 1993. The import duties on the exceptions above mentioned were to be lowered to 40% in 1992 and eventually to 20% in 1995. See table 11.

Table 11

CENTRAL AMERICAN TARIFF SCHEDULE, 1991

Type of good	Tariff rate
Capital goods and raw material not produced in Central America	5
Capital goods and raw material produced in Central America	10
Final goods produced in Central America	15
Final goods not produced in Central America	20

Source: Consejo Monetario Centroamericano (1993).

By the end of 1992 and in comparison to pre-reform (1984) the average rate of protection was reduced substantially. Indeed, following Corden´s methodology Monge (1997) estimated that a for a selected group of manufacturing activities (measured at the chapter, four digit, level) the effective rate of protection decreased from 1 421.6 in 1984 to 29.1. As well for the same sample the dispersion was estimated at 2 098.1 in 1984 and at 69.4 in 1992. However, the same author found a significant and positive correlation, measured by the Spearman correlation rank coefficient, between protection levels in 1986 and 1992 indicating that the trade liberalization policy from 1986 to 1992 was set out in a form that would lessen the cost borne by domestic industry due to the increase in imports. In fact, the import structure from 1986 on is almost invariant to the trade liberalization efforts (see table 12).

[12] Some authors state that in 1992 Central America reverted to a common external tariff (see, Saborio & Michalopoulos). However this is not correct. Prior to 1992 Central America countries had agreed on a tariff code but not on a common external tariff.

[13] This tariff schedule was announced in July 1991 at a Central American Presidential Summit in El Salvador.

Table 12

COSTA RICA: IMPORT STRUCTURE, 1986-1993

(Percentages)

	1986	1987	1988	1989	1990	1991	1992	1993
Non Durable consumer goods	15	14	16	16	16	16	16	17
Durable consumer goods	6	6	6	6	8	6	10	12
Oil products	4	4	5	5	7	8	7	6
Raw materials and intermediate goods for agriculture	5	5	5	4	4	5	5	5
Raw materials and intermediate goods for manufacturing	41	42	44	44	37	38	35	33
Construction materials	3	3	3	3	3	4	4	3
Capital goods for agriculture	1	1	1	1	1	1	1	1
Capital goods for manufacturing	16	16	14	15	17	15	16	15
Transport equipment	7	8	5	6	6	5	6	7
Other	1	1	1	1	1	1	1	1
Total	100	100	100	100	100	100	100	100

Source: Monge & González (1995); Monge & Lizano (1997).

While from 1986 to 1994, the authorities carried out a systematic policy of tariff reduction and trade liberalization in general from 1994 on the trade liberalization policy is often subject to stop and go cycles and even revert and proceed cycles. The causes to the change in policy regime are attributed in some instances to the dominating interests of power groups. [14] However, it is also possible that the fiscal constraint, partly due to import liberalization and export promotion, started to became a binding constraint. Indeed as shown in another section in 1994, the consolidated financial deficit reversed its decreasing trend that started in 1990.

The year 1994 saw an increase in the level of effective protection. The factors contributing to this increase are the above mentioned reduction in the floor of the tariff floor from 10% to 5%; decreases in import duties applied to inputs and raw materials (agricultural inputs and vehicle parts) and increases in import taxes charged on final goods (clothing, meat, beans, rice, potatoes and other vegetables). In addition, Costa Rica following GATT legislation changed non tariff trade barriers for tariff barriers. These will be addressed in the next section.

In 1995 Costa Rica, implemented a temporary six month (March to September) increase of 8 percentage points on all duty rates applied to imported products to increase fiscal revenue

[14] In fact some economists identify this characteristic as almost the most permanent feature in Costa Rican history. See González & Vega (1995), pp. 14-26.

and thus decrease the burdening budget deficit. This measure was abolished as the sales tax rate increased in September of that year from 10% to 15%.

During 1995 and 1996, the Central American countries, at the instance of El Salvador, fixed new goals for tariff reductions. The new range is confined to 0% and 15%. The basic rates are 0% for capital goods and raw materials that are not produced in the region, 5% and 10% for raw materials and inputs produced in the region and 15% for final goods. All countries agreed to arrive at this common external tariff by the year 2000 but with individual tariff reduction itineraries. The tariff reduction schedule for Costa Rica is shown in table 13.

Table 13

COSTA RICA: TARIFF REDUCTION SCHEDULE, 1996

	1996			1997		1998		1999	
	January	July	December	January	December	January	December	January	December
Capital Goods 5%	3%			2%		1%		0%	
Raw materials 5%		1%							
Intermediate goods 10%			8%		7%		6%		5%
Intermediate goods 10%			13%		12%		11%		10%
Final goods 20%			18%		17%		16%		15%

Source: SIECA (1996).

Following its tariff schedule Costa Rica reduced its import duty on capital goods and raw materials from 5% to 3% and 1% respectively (this meant the reduction of the tariff floor from 5% to 1%). The country also implemented several other tariff reduction measures (see table 14). However, as the consolidated budget deficit increased by two percentage points from 1995 reaching 5% of GDP towards the end of 1996, the authorities decided to put the tariff reduction schedule on hold.

In 1997, the authorities renewed their commitment to Central American integration and agreed on a new tariff schedule which is presently being followed (see table 15). According to the present schedule Costa Rica will comply with the Central American Common External Tariff by the year 2000, although some agricultural products will adjust to the schedule by the year 2005.

Table 14

COSTA RICA: SELECTED TARIFF REGIME MEASURES IMPLEMENTED IN 1996

i)	A 3% tariff rate reduction for capital goods.
ii)	A 5% tariff rates on tweed to enhance the competitiveness of the textile industry.
iii)	A reduction in import duties applied to raw materials used in the production of cardboard boxes to lower the export costs of bananas.
iv)	Reduction in tariff rates applied to chicken sausage from 279% to 54%.
v)	Establishment of a uniform tariff for onions.
vi)	Reduction in tariff rates to 1% applicable to agricultural and industrial inputs to revamp national production.

Source: Academia de Centroamérica (1997).

Table 15

COSTA RICA: TARIFF REDUCTION SCHEDULE, 1998

(Percentages)

	Base Import Duty	January 1998	July 1998	January 1999	July 1999	January 2000
Capital goods	5	2	1	0		
Raw materials	5		0			
Intermediate goods	10	9	8	7	6	5
Intermediate goods	15	14	13	12	11	10
Final goods	20	19	18	17	16	15

Source: SIECA (1998); Ministry of Commerce of Costa Rica (1999).

As it stands, in July 1999 Costa Rica applies a 0% import duty rate on imported capital goods and raw materials that are not produced in the region, a 6% and 11% on intermediate goods and a 16% import tax on final goods. The country needs one more round of reductions which will take place in January 2000 to arrive at the common external tariff goals.

Table 16 summarizes the significance and extent of trade liberalization by showing the evolution of the tariff rate distribution between 1986 and 1999. Taking both end data points and the tariff range extremes as references, it can be seen that in 1986 no products were subject to a 0% nominal tariff rate. In 1999 48% of all imported goods enter Costa Rica on an import tariff

rate free basis. In 1986, 17% of all imported goods were subject to tariff rates higher than 41%. In 1999, that percentage has been reduced to 1.13%. These are the so called safeguard clauses and apply basically to agricultural products, textiles, footwear and vehicles. However, less drastic are the changes in the tariff distribution for middle tariff range values. In 1986, 58% of the total of imported products fell within a 6%-20% tariff range. By 1999, that figure decreased to 44%.

Table 16

COSTA RICA: PERCENT DISTRIBUTION OF THE TARIFF SCHEDULE, 1986-1999

	1986	1987	1990	1992	1993	1994	1995	1996	1997	1998	1999
0%	.....	....	....	....	....	.....	....	.....	.....	29.8	48.3
1% to 5%	3.8	3.6	2.4	2.7	1.9	50.8	51.7	14.4	52.1	23.5	5.98
6% to 10%	48.1	47.8	57.2	59.8	63.4	13.7	14.6	7.5	14.1	14.5	14.4
11% to 20%	9.9	10.1	16.3	22.6	27.0	25.7	26.7	26.7	26.1	30.3	29.9
21% to 30%	11.5	11.6	8.3	12.5	2.4	.....	2.8	6.0	5.8	0.5	0.02
31% to 40%	9.1	10.7	13.9	2.2	5.2	.....	3.3	0.7	0.2	0.3	0.32
Greater than 41%	17.6	15.8	2.1	0.3	0.1	.....	1.0	1.2	1.3	1.14	1.13
Total	100	100	100	100	100	.....	100	100	100	100	100

Source: Jiménez (1999); Monge (1997).

5. Non-tariff trade barriers and other import taxes

Prior to the 1986 reform non-tariff barriers were a pervasive feature of the Costa Rican economy. These included import surcharges, import deposits, quotas and licenses and permits.

The import surcharge was applied on a temporal basis to inputs and final goods imported from outside the Central American region for balance of payments reasons. The revenue from this tax was captured by the Central Bank and it granted exemptions when the net result of a given foreign trade transaction had a positive effect on the balance of payments. The reform reduced import surcharges as these were set between 0% and 2% for inputs and between 12.5% and 100% for final goods. Vehicles however maintained a 3% to 150% import surcharge range. From 1987 to 1991 the Central Bank import surcharge had a non negligible weight in tax revenue collection. In 1991, it represented 8.1% of current revenue and 1.1% of GDP. [15] In 1992, the central Bank import surcharge was declared unconstitutional.

The reform also eliminated the import surcharge established in the San José Protocol. These surcharges comprised a 30% tax applied to the total value of import duties that were paid on any given import with the exception of so called basic need products.

[15] Brenes (1997).

Import deposits referred to a given percentage of the cif value of a given import product that must be deposited by the importer in order to obtain foreign currency from the Central Bank to carry out a foreign trade transaction. The operation could well take up to two months. From 1985 to 1987, import deposits were reduced from 100% to 10% for inputs and raw materials, capital goods and construction materials. They were finally eliminated in 1992.

Licenses and permits were applied basically to the imports of agricultural products (rice, chicken parts, milk products, tobacco, cheese) and also to manufactured goods (textiles). The reform maintained initially import permits especially in the case of agricultural products. Import permits for agricultural products were basically monopolized by the National Production Council. This was justified on the grounds of a lack of internal supply to satisfy demand.

Following Costa Rica´s adhesion to GATT (1989) and within the framework of the Uruguay Round the country eliminated in 1994 all licenses and permits. The elimination of these non-tariff barriers affected among others pork products, rice, wheat, beans, tobacco, sugar cane and sugar, salt, milk products textiles, coffee. [16] Non-tariff barriers on these products were replaced by tariffs which were negotiated to a range of 55%-274%. [17] The country also agreed to reduce these tariff rates between 1995 and 2000. However, the evolution of tariff rate reduction for some of these products has been somewhat slow. This is shown in table 17 for the period January 1996 and July 1999.

Table 17

EVOLUTION OF TARIFF RATES FOR SELECTED PRODUCTS. JANUARY 1996-JULY 1999

	January 1996	December 1996	February 1997	July 1997	February 1998	October 1998	July 1999
Textiles	25	25	25	25	23	19	20
Beans	30	…..	….	….	…	…	…
Footwear	31	27	27	27	27	24	20
Sugar	36	36	36	36	36	36	36
Rice	55	35	35	35	35	35	35
Milk products	109	109	106	106	105	105	96
Chicken meat and parts	270	270	262	262	258	258	47-55

Source: Jiménez (1999).

[16] Decree No. 7473 La Gaceta No.246. December 27, 1994.

[17] GATT regulations allowed the replacement of non tariff barriers by tariff rates because it was deemed a more transparent instrument. These tariffs could not be above the GATT consolidated tariffs. However, they were higher than the Central American uniform tariff ceiling.

Within this set, milk products and chicken parts are also subject to tariff quotas which will be progressively reduced (these are shown in Table 18). The Bolsa de Productos Agropecuarios, S.A. (BOLPRO) administers and distributes licenses and permits to import these products.

Table 18

COSTA RICA. TARIFF QUOTAS

Product	Year	Volume in metric tons	Import duty
Chicken parts	1999-2002	999-1 170	34%
Other chicken parts	1999-2002	118-137	19%
Milk products	1999-2002	315-369	34%
Butter	1999-2002	35-41	34%
Cheese	1999-2002	292-342	34%
Ice cream	1999-2002	564-661	39%

Source: Ministry of Foreign trade (1999).

Costa Rica still maintains other taxes on imports. These are basically three a 1% tax on all imports (initially this tax rate was 3% and was reduced to 1% in 1983), a sales tax and a number of excise taxes. The sales tax is applied to the added value generated in the national or imported merchandise transaction and in service rendering. This sales tax rate increased from 10% to 13% in 1991, and decreased by 1 percentage points in 1992, 1993, and 1994. In 1995 the sales tax rate was increased to 15% for 18 months. Since May 1997, the rate is 13%.

Excise duties are applied to commercial transactions of a specific set of final consumer goods. As indicated by law, the executive power has the right to modify excise duty tax rates up to 200% and to incorporate as well new products to the list of products subject to excise taxes. Excise duties comprise in fact a wide variety of rates that have often been subject to important variations. Excise taxes affect 24% of imported products (see table for a list of the products and the corresponding import rates). However, according to Brenes (1997) 11 products generate 85% of excise tax revenue (see table 19).

The 1% tax is applied to the cif import value and its proceeds are used for social and medical purposes. Following recent trade negotiations, only Mexican and Panamanian import products are exempted from the payment of this tax. Excise taxes are levied on a base that includes the cif import value plus import duties and the 1% import tax . Finally, the sales tax is levied on a base that includes all other taxes (cif value + 1% import tax + import duty + excise taxes).

Table 19

COSTA RICA: PERCENT WEIGHT IN TOTAL EXCISE TAX REVENUE OF A SELECTED LIST OF GOODS AND TAX RATE

Product	Percentage of total tax revenue (1993)	Tax rate (1996)
Vehicles	43.6	40; 50; 63
Beer	9.6	45
Cigarettes	8.0	70
Textiles	6.0	15
Domestic appliances	3.8	0; 10; 15
Soft drinks	3.4	30
Liquors	2.7	40; 45; 60
Cosmetics and perfume	2.6	30
Paint	2.6	20
Tires	1.6	15
Detergents	1.3	15
Subtotal	85.2	…
Other merchandises	14.8	…
Total	100	…
Mean	...	19.6
Maximum-Minimum	...	0-75
Dispersion	...	13.6

Source: Brenes (1997); Ministry of Finance (1999).

Finally besides consular rights, in very specific cases there exist two other taxes, the IFAM and the IIDA taxes. The IFAM tax rate is 10% and is applied to alcoholic beverages, some types of bottled water and cigarettes. The IIDA tax rate is set at 2.5% for cigarettes, 5% for beer, and 8% to 14% for spirited beverages. The IFAM and IIDA tax apply to both imported and national products. [18]

6. Export taxes and export trade barriers

Prior to the 1986 economic package both non-traditional and traditional exports (coffee, banana, meat and sugar) [19] were subject to taxes. The aim of traditional export activity taxation was the transfer of foreign currency earnings from the agricultural to the manufacturing sector as required by the import substitution strategy.

At the beginning of the 1980´s export taxes represented 33% of total revenue. The reform sought to eliminate taxes on non traditional exports and reduce those taxes applied on traditional exports. Between 1987 and 1996, the weight of export taxes in total revenue decreased from 8%

[18] Consular rights were in 1998 to be 160 dollars. IFAM stands for *Impuesto de Fomento y Asesoría Municipal*. IIDA means *Impuesto de Instituto de Desarrollo Agrario*.

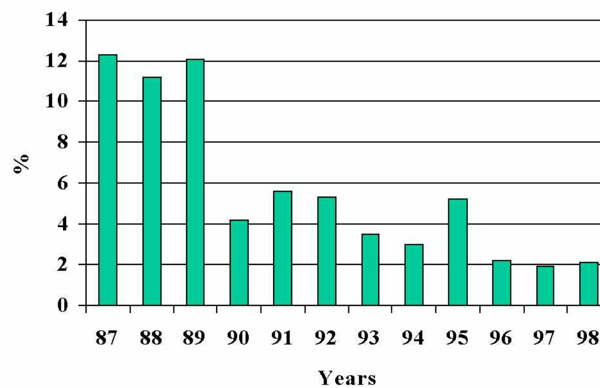
[19] Prior to 1960, traditional exports comprised basically coffee and bananas.

to 2%. Implicit tariff rate estimations on traditional exports show a decrease from 12% in 1987 to 2.1% in 1998 (see Graph 4). Currently only coffee and bananas generate non negligible revenues although, as will become evident in a further section, their contribution to total tax and fiscal revenue is far from being significant.

Coffee export is taxed on an *ad valorem* basis following a set schedule which has been modified over the years according to the evolution of world coffee prices (see Table 25). The banana export tax is levied on the banana export box. The tariff rate also varies with international prices. In 1997, the authorities decided to implement a 1 US dollar tax per exported box. However, out of that dollar only 0.30 cents were to be levied starting January 1996 the rest was added to minimum export banana price. This amount was to be progressively reduced up to 0.04 cents by the year 2003. [20]

Graph 4

COSTA RICA: IMPLICIT TARIFF RATE ESTIMATION ON TRADITIONAL EXPORT PRODUCTS, 1987-1998



Source: Estimated on the basis of ECLAC (1999) and Ministry of Finance of Costa Rica (1999).

7. Export promotion policies

Parallel to the reduction in tariff rates which were sought to conform to market allocating mechanisms, Costa Rican authorities sought to revamp non traditional exports by adopting interventionist policies. These policies were viewed as necessary to compensate for the anti bias export that characterized the import substitution period. They consisted basically in granting direct subsidy and other type of incentives to non-traditional exporters. In particular these policies comprised: (i) real exchange rate devaluations; (ii) import duty exemption on capital and raw materials necessary to carry out export producing activities; (iii) income tax exemption for a given set of activities; (iv) an export subsidy equivalent to a given amount of the value of exports. This instrument is known as CAT, Tax Redemption Certificate (*Certificado de Abono Tributario*

[20] Sugar is taxed on a similar basis as coffee.

in Spanish). Both (ii) and (iii) were included in export regimes such as temporal admission and free trade zones; and (i) (ii) and (iii) were part of the regime known as the export contract.

Table 20

COSTA RICA: COFFEE EXPORT TAX, 1991, 1992, 1995, 1997

Year	World Price in US $	Tariff Rate	Additional taxes
1991	Less than 93	1%	1%
	Greater than 191	18%	
1992	Less than 93	0%	0.5%
	Between 93-191	1%-17%	
	Greater than 191	18%	
1995	Less than 92	0%	From October 1995, 1.5% on the fob value of golden coffee of 46 kilos.
	Between 92-100	1%	
	Between 100-110	3%	
	Between 110-120	6%	
	Between 120-130	7%	
	Between 130-140	8%	
	Between 140-150	9%	
	Between 150-160	10%	
	Between 160-170	11%	
	Greater than 170	12%	
1997	*Ad valorem* tax. The *ad valorem* tax shall not exceed 1% on the fob value of exports and will be implemented when the international price per coffee bag of 46 kilos exceeds 92		1.5% on the exported value

Source: Consejo Monetario Centroamericano, Various issues 1991-1997.

The export contract is established for a twelve year period for firms whose value added in their production process exceeds 35%. The amount allowed by the CAT that a non traditional exporter can receive is increased to a vary within a range of 15% to 30% of the export fob value. In addition this import regime allowed tax exemptions on capital and imported raw materials as well as exemptions to the income tax. According to Monge & Rosales (1999) this regime accounted for 13% of the value of non-traditional exports in 1986.

The temporal admission regime, was created in 1972, but firmly established in 1984. The idea underlying this instrument was to facilitate the establishment of *maquiladora* firms producing textiles. Temporal admission was established for periods of three months to five years.

The export contract and the temporal admission regime jointly with the free trade zone were the cornerstone of export promotion policy. The former two regimes were replaced in 1996 by the Régimen Devolutivo de Derechos and by the Régimen de Perfeccionamiento Activo. The new regimes also grant tax exemption. However, these do not contemplate the issuing o tax redemption certificates. (See table 21).

Table 21

EXPORT PROMOTION REGIMES, 1984-PRESENT

Income Tax	Import duties	Other import taxes	CAT
1984-1996			
i) Export Contract			
Income tax exemptions up to twelve years (1996). They apply to firms that were admitted to operate under this regime prior to 1992.	Exonerated from the payment of import duties when imports are necessary for export production.	Exonerated from the payment of import duties when imports are necessary for export production.	Applies to firms that were admitted to operate under the export contract regime prior to 1992.
ii) Temporal Admission			
Not exempted from the payment of the income tax.	Exonerated from import duties in the production of all merchandise for export.	Exonerated from other import taxes in the production of all merchandise for export.	-
iii) Free Trade Zones			
Depending on the location and type of firms exemptions from the payment of the income tax can be granted for a specific period of time.	Exempted from the payment of import duties.	Exempted from the payment of other import taxes and charges.	-
1996 onwards			
i) Drawback rights regime This regimes replaces the temporal admission regime			
Income tax	Import Duties	Other import taxes and charges	
Same as temporal admission regime	Same as temporal admission regime	Same as temporal admission regime.	

/Continues

Table 21 (Conclusion)

Income tax	Import Duties	Other import taxes and charges
	ii) *Perfeccionamiento activo*	
	Exonerated from the payment of import duties. After import merchandises must be re-exported following a transformation process or incorporated into other exported merchandise within a specified period of time.	Exonerated from the payment of import taxes and other charges. After import merchandises must be re-exported following a transformation process or incorporated into other exported merchandise within a specified period of time.
	iii) Free trade zones	
Same as free trade zone regulation during the 1984-1986 export promotion period.	Same as free trade zone regulation during the 1984-1986 export promotion period.	Same as free trade zone regulation during the 1984-1986 export promotion period.

Source: Academia de Centroamérica (1997); Office for the Promotion of Foreign Trade in Costa Rica (PROCOMER) (1998).
Note: Free trade zone regimes also exonerate producers from the payment of other taxes such as the sales tax and the consumption tax.

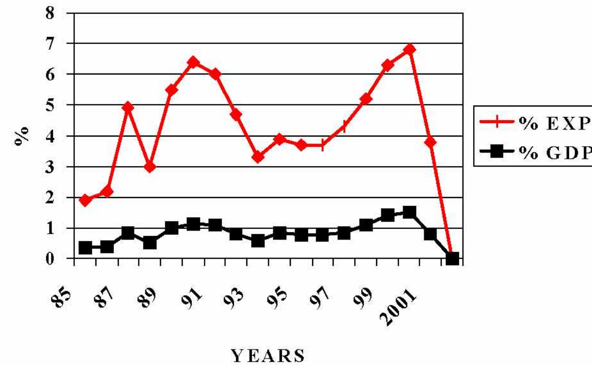
From a fiscal point of view the most important and influential element was without doubt the CAT. Due to their fiscal cost and with the aim of furthering reforms aimed at market mechanisms, the CAT as an export promotion instrument was planned to be progressively eliminated during the 1990´s as mentioned above.

First, new CATs are issued which are valid for amounts less than 15% and up until 1996. Second, in 1992 the authorities propose to the export sector two types of options for CATs: an extension of the period of validity of CATs was extended until 1999 for those firms accepting a 30% voluntary reduction in the application of the incentive; impose a 25% tax on the nominal value of the CAT from 1992 up until 1996.

Graph 5 shows the government expenditure corresponding to CAT and its weight in total government expenditure. It can be seen that although the importance of the CAT has diminished. Still the CATs represented on average 4% of total central government expenditure on average from 1985 to 1997. Moreover, despite its elimination during the 1990´s as an export promotion policy, the central government will still incur into CAT expenditures until the year 2002 (due to their eighteen month maturation period), and the highest CAT expenditure ratio to total government revenue will be recorded, according to the ministry of finance estimations, in the year 2001.

Graph 5

COSTA RICA: CATS AS A PERCENTAGE OF GOVERNMENT EXPENDITURE AND OF GDP. 1985-2002



Source: Ministry of Finance of Costa Rica (1999); ECLAC (1999); Ministry of National Planning and Economic Policy (MIDEPLAN) (1998).

8. Trade taxes, export promotion policies and fiscal performance

As indicated above, during the decade of the eighties and nineties, trade liberalization policies were accompanied by government intervention to enhance export growth. Trade liberalization, through the progressive reduction in import duties and other import charges as well as export taxes, affected basically the revenue side of government finance. Government intervention, mainly through the issuance of CAT certificates, affected the expenditure side of the central government fiscal accounts. The importance or weight of these components for fiscal performance can be readily seen by separating both the revenue and the expenditure side of the fiscal accounts in an internal and external component. Tables 23 through 25 show this decomposition in averages for expressed as a percentage of total revenue and expenditure and as a percentage of GDP respectively. Due to differences in available data the revenue decomposition is carried out for the period 1983-2002 whereas the expenditure decomposition is shown for the years 1985-2002.

The revenue decomposition shows that the external sources of revenue have slightly decreased their weight in total central government revenue in favour of internal sources. This is the product of a simultaneous increase in the revenue yielded by the external selective tax but especially by the external sales tax and a significant decrease in export taxes as a source of revenue.

Table 22

COSTA RICA: CENTRAL GOVERNMENT INCOME BY SELECTED CATEGORY
AS A % OF TOTAL REVENUE, 1983-2002

	1983	1986-1990	1990-1994	1994-1998	1998-2002
Internal sources of revenue		**49.6**	**48.1**	**51.3**	**54.4**
Income tax	18.1	14.8	15.4	17.9	20.6
Internal sales tax	11.1	13.1	17.0	17.9	17.0
Internal selective consumption tax	8.1	7.2	5.9	5.9	5.9
Special consumption tax	0.0	3.0	0.8	0.5	3.1
Property income	1.3	0.7	0.1	0.0	0.0
Transfer income	0.0	3.6	1.3	0.9	0.2
Other		7.1	7.6	8.3	7.5
External sources of revenue		**49.3**	**50.9**	**48.3**	**45.3**
External sales tax	9.9	12.8	16.8	19.7	21.0
External selective consumption tax	5.6	7.4	9.0	11.6	14.0
Import revenue	11.3	20.5	21.2	14.3	8.9
Import duties	5.6	15.6	16.8	13.2	11.7
San José Protocol	1.7	0.0	0.0	-0.6	-4.7
Import surcharges	3.8	2.7	2.5	0.0	0.0
Others	0.0	2.3	1.9	1.7	2.0
Export revenue	23.3	8.4	3.5	2.1	1.0
Ad valorem coffee tax	4.1	3.2	0.2	0.6	0.2
Other *ad valorem* taxes	2.9	0.5	0.6	0.4	0.4
Tax on coffee profits	3.5	2.7	0.0	0.0	0.0
Banana	8.2	1.7	2.5	1.1	0.4
Other		0.2	0.1	0.0	0.0

Source: Ministry of finance (1984 & 1999) and table 28 in appendix.

Export taxes have consistently decreased in importance relative to other external taxes within the period considered. Export taxes represented 23.3% of total fiscal revenue in 1983. By 1986-1990, and 1994-1998, this figure had decreased to 3.5% and 2.1% respectively. The authorities also estimate a further decrease during 1998-2002 (1%). Measured in terms of GDP, exports revenue represented 3.9% in 1983; by 1998-2002 export revenues will have decreased to 0.2% of GDP. The evolution of these taxes reflect from fiscal perspective, clearly and unilaterally, the change in the import substitution regime. regime that prevailed to the end of the 1970´s. As noted earlier the import substitution strategy required foreign exchange to develop the manufacturing or industrial sector. The foreign exchange to transferred from the traditional export activities *via* a straightforward tax type or through a system of multiple exchange rates. Once the import substitution path to development is abandoned, export taxes become redundant.

Table 23

COSTA RICA: CENTRAL GOVERNMENT INCOME BY SELECTED CATEGORY
AS A % OF GDP, 1983-2002

	1983	1986-1990	1990-1994	1994-1998	1998-2002
Internal sources of revenue		**7.6**	**7.3**	**8.4**	**9.8**
Income tax	2.9	2.3	2.3	2.9	3.7
Internal sales tax	1.8	2.0	2.6	2.9	3.1
Internal selective consumption tax	1.3	1.1	0.9	1.0	1.1
Special consumption tax	0.1	0.5	0.1	0.1	0.6
Property income	0.2	0.1	0.0	0.0	0.0
Transfer income	0.0	0.6	0.2	0.1	0.0
Other		1.1	1.1	1.3	1.4
External sources of revenue		**7.5**	**7.7**	**7.9**	**8.2**
External sales tax	1.7	1.9	2.5	3.2	3.8
External selective consumption tax	0.9	1.1	1.4	1.9	2.5
Import revenue	1.9	3.1	3.2	2.3	1.6
Import duties	0.9	2.4	2.5	2.1	2.1
San José Protocol	0.3	0.0	0.0	-0.1	-0.9
Import surcharges	0.6	0.4	0.4	0.0	0.0
Others	0.0	0.4	0.3	0.3	0.4
Export revenue	3.9	1.3	0.5	0.3	0.2
Ad valorem coffee tax	0.7	0.5	0.0	0.1	0.0
Other *ad valorem* taxes	0.5	0.1	0.1	0.1	0.1
Tax on coffee profits	0.6	0.4	0.0	0.0	0.0
Banana	1.4	0.3	0.4	0.2	0.1
Other		0.0	0.1	0.0	0.0

Source: Ministry of finance (1984 & 1999) and table 28 in appendix.

The external sales tax proceeds have steadily increased form 9.9% in 1983 to 19.7% for 1994-1998 and are expected to increase still by the year 2002. This is the product of increases in the sales tax rate and of an import base that has been enlarged by trade liberalization measures. The sales tax rate applies which applies to both domestic and imported goods has increased from 8% in 1982, 10% in 1987, 12% in 1991 and 15% in 1995 and 13% in 1997. This increase in turn not only raises external tax revenue but also internal tax revenue. In this way, a decrease in external sales tax revenue due to a fall in imports can always be compensated by internal revenue side of the sales tax.

Table 24

COSTA RICA: CENTRAL GOVERNMENT EXPENDITURE BY SELECTED CATEGORY
AS A % OF TOTAL EXPENDITURE, 1983-2002

	1985	1986-1990	1990-1994	1994-1998	1998-2002
Internal sources of expenditure	**90.7**	**91.6**	**91**	**92.7**	**91.4**
Wages and salaries	31.1	31.6	29.8	27.7	29.2
Pensions	...	9.9	10.9	12.4	13.6
Other	37.8	26.3	18.0	16.9	...
Interest on internal debt	4.6	9.4	15.4	21.3	11.1
Banking commissions	0.4	1.4	1.5	1.1	...
FEES transfer	8.1	7.9	7.3	6.2	5.9
FODESAF transfer	3.1	3.4	4.7	4.2	…
Other transfers	5.5	3.5	4.7	4.2	...
External sources of expenditure	**9.3**	**8.9**	**9.8**	**7.2**	**8.6**
Interests on external debt	7.4	4.7	5.0	3.1	4.2
CAT	1.9	4.2	4.9	4.2	4.4

Source: Ministry of finance (1984 & 1999) and table 29 appendix.
Note: F.E.E.S = Special higher education fund.
FODESAF = Social development and family assignment fund.
For 1985 Pensions are included under the category Other.

Table 25

COSTA RICA: CENTRAL GOVERNMENT EXPENDITURE BY SELECTED CATEGORY
AS A % OF GDP, 1983-2002

	1985	1986-1990	1990-1994	1994-1998	1998-2002
Internal sources of expenditure	**16.1**	**14.6**	**16.3**	**19.3**	**18.7**
Wages and salaries	5.5	5.6	5.5	5.8	6.0
Pensions	...	...	2.1	2.6	2.8
Other	6.7	4.7	3.3	2.8	...
Interest on internal debt	0.8	1.7	2.8	4.4	2.3
Banking commissions	0.1	0.2	0.2	0.2	...
FEES transfer	1.4	1.4	1.3	1.3	1.2
FODESAF transfer	0.5	0.5	0.5	0.5	0.5
Other transfers	0.8	0.6	0.9	0.7	...
External sources of expenditure	**1.7**	**1.6**	**1.8**	**0.6**	**1.8**
Interests on external debt	1.3	0.8	0.9	0.6	0.9
CAT	0.3	0.8	0.9	0.9	0.9

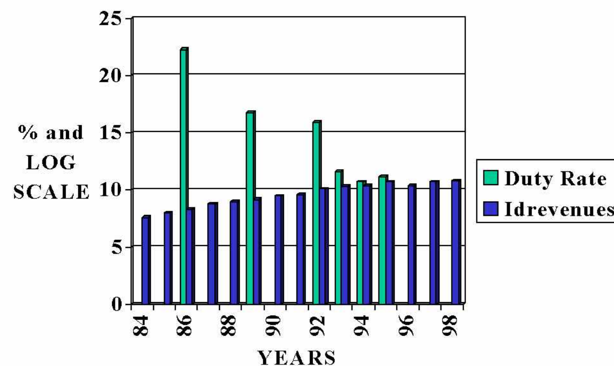
Source: Ministry of finance (1984 & 1999) and table 29 in appendix.
Note F.E.E.S = Special higher education fund.
FODESAF = Social development and family assignment fund.

From this analysis it can be seen that the trade liberalization policy followed by Costa Rica with some interruptions since 1985 has diminished the dependency of fiscal accounts on export taxes and have considerably lowered the importance of the effect of commodity price fluctuation on fiscal performance.

However import revenues have actually increased their weight in total revenue (11.3% in 1983 and 14.3 for 1994-1998). While import surcharges have been abolished import duties account for 13% of revenue in 1994-1998. In fact, comparing the year 1983 with the follow up period (1986-1990), import duties increased threefold. This fact resulted form both an increase in the import tax base as merchandise import was liberalized and due to a shift in the income elasticity of imports since from 1985 on.. Preliminary estimations show that the income elasticity of imports between 1970 and 1985 was 1.03 and between 1985 and 1997 1.45. Graph 6 shows the decreasing trend in import tariffs and the increasing trend in import tariff revenue.

Graph 6

AVERAGE IMPORT TARIFF RATE AND IMPORT DUTY REVENUE, 1984-1998



Source: WTO (1996); ECLAC (1999).

On the revenue side CAT will still have a fiscal impact up until the year 2002 which marks the maturation period of the CATs whose validity was extended in 1999. So far CAT expenditure has represented 4.4% of total expenditure and 0.9% of GDP. The elimination of CATs will obviously provide a source of fiscal relief and a financial basis for further tariff reduction without endangering fiscal equilibrium. In this sense the authorities are planning to further reduce the tariff rate ceiling to 13.5% in 2000, 11.5% in 2001 and to 10% in the year 2002.

9. Conclusion

In 1981 and 1982 GDP registered negative rates of growth averaging -4.8%. In 1985 a comprehensive stabilization *cum* structural adjustment programme was undertaken. Stabilization measures were aimed at restoring basic macroeconomic equilibria. Structural adjustment objectives centred on long run economic reforms. These included a government, financial and trade policy reforms.

Trade reform combined a mix of free market policy with state intervention to foster export growth. Free market policies were understood to mean mostly import price liberalization through tariff rate and dispersion reductions and the elimination of other import barriers (import taxes and quantitative restrictions). Import price liberalization was supposed to correct for relative price distortion and thus provide an allocation of resources according to their degrees of relative scarcity. Also taxes on traditional exports were significantly reduced.

These free market policies were implemented gradually and on systematic basis from 1986 to 1994 and in a somewhat temporarily discontinuous fashion during 1995-1996. Overall these reduced the mean tariff rate and the dispersion. The import tariff ranges were substantially narrowed by lowering the tariff ceiling from 240% in 1982 to 16% in 1999. The tariff structure currently prevailing is characterized by a growing number of tariff code lines found in the 0% rate (30%) and by a reduction of the number of lines on which a greater than 41% tariff rate is levied (1.1%).

Besides tariff reduction, the reform abolished eventually import surcharges, import deposits, licenses and permits. Also after Costa Rica joined GATT in 1990 it replaced quantitative import restrictions with tariffs. Taxes on non-traditional exports disappeared after 1985 while taxes on traditional exports have been reduced. This has helped in part to insulate fiscal performance from primary commodity price variation.

However, import duties still represent and important source of government revenue and structural adjustment policies have in fact render fiscal accounts dependent on import revenue sources. This is the result of an increase in the import base that has more than compensated the decrease in the import tariff rate.

State intervention policies took the form of non traditional export promotion policies which in some cases boiled down to income and other tax exemptions. In addition, exchange rate policy was geared to maintain a real exchange rate favourable to export performance. Ultimately, this type of government intervention was justified on grounds similar to those put forward to defend tariffs for infant industries. Namely, it was a question of compensating the anti export bias that characterized earlier commercial policy regimes. From a fiscal viewpoint foregone costs on the implementation of export promotion policies will diminish with as the CAT ceases to have an impact on the expenditure side of fiscal accounts.

This fact may give more leeway for government manoeuvre from the revenue side. It may also provide an opportunity to decrease import rates even further and deepen trade liberalization. Yet there is always the possibility that given an import tax base, a decrease in the relative price of tradables may generate an increase in import consumption so as to maintain the fiscal dependency on external sources of revenue.

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Appendix

Table 26

COSTA RICA: SELECTED MACROECONOMIC INDICATORS, 1980-1998

Years	GDP Growth	Inflation	Exchange rate	RER Index (1990=100)	Openness	NTE/TE	TGAP	CAG
1980	...	17.8	9.2	62.0	1.15	0.75	10.3	14.8
1981	-2.3	65.1	21.2	114.4	1.70	0.72	5.0	15.2
1982	-7.3	81.7	39.8	119.9	1.34	0.62	(+)2.7	11.1
1983	2.9	10.7	41.6	97.5	1.18	0.66	0.6	10.0
1984	8.0	17.3	44.4	97.1	1.15	0.66	(+)0.4	6.8
1985	0.5	10.9	50.5	99.3	1.11	0.58	1.8	7.4
1986	5.5	15.4	56.0	100.5	1.06	0.57	0.9	3.6
1987	4.8	16.4	62.8	99.9	1.21	0.73	4.2	8.3
1988	3.4	25.3	75.8	103.9	1.26	0.94	2.0	6.6
1989	5.7	10	81.5	100.5	1.36	1.09	4.5	9.2
1990	3.6	27.3	91.6	100.0	1.44	1.13	6.7	8.7
1991	2.3	25.3	122.4	108.2	1.41	1.52	0.8	1.8
1992	7.7	17	134.5	100.6	1.49	1.85	5.3	6.0
1993	6.3	9.1	142.2	99.7	1.57	2.1	7.7	9.0
1994	4.5	19.9	157.1	99.6	1.54	2.03	6.4	6.3
1995	2.4	22.6	180.2	95.3	1.64	1.93	3.0	4.0
1996	-0.6	13.9	207.7	96.2	1.77	2.4	2.5	2.9
1997	3.7	11.2	232.6	97.4	...	3.1	1.4	2.2
1998	6.2	12.4	257.2	97.9	...	4.1	1.9	2.8

Source: ECLAC (1999).
Note: PER = Real exchange rate.
NTE = non traditional exports.
TE = total exports.
CAG = current account gap.
TGAP = Trade Gap.

Table 27

COSTA RICA: FISCAL INDICATORS

Years	Fiscal Gap	Tax GDP ratio	Stock of Internal Debt (Mill. USD)	Internal debt GDP ratio	Interests GDP ratio	Interests GE ratio
1980	8.2	11.3	...	...	...	...
1981	3.6	12.1	...	...	...	...
1982	2.6	12.6	...	...	...	...
1983	4.2	15.4	356.1	11.4	...	...
1984	3.0	15.1	355.0	9.7	...	...
1985	1.9	15.0	387.4	9.9	...	...
1986	3.3	13.6	502.5	11.4	...	...
1987	2.0	14.5	618.6	13.6	1.5	8.7
1988	2.5	14.4	609	13.2	1.7	9.3
1989	4.1	14.4	759	14.5	1.9	9.9
1990	4.4	14.0	872.4	15.3	2.4	12.8
1991	3.1	14.4	895.1	15.9	3.2	18.1
1992	1.9	15.1	996.2	14.8	2.8	16.1
1993	1.9	15.3	1 290.4	17.	2.4	13.4
1994	6.9	14.7	1 654.9	19.9	3.4	15.3
1995	4.5	16.0	2 113.9	23.0	4.8	2.2
1996	5.2	16.2	2 238.7	24.2	5.3	24.4
1997	3.9	16.5		...	4.6	22.1
1998	3.2	17.0		...	3.8	18.9

Source: ECLAC (1999); Lizano (1997).
Note: GE= government expenditure.

Table 28

COSTA RICA: CENTRAL GOVERNMENT´S FISCAL REVENUES, 1987-2002

(Millions of colones)

	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2002
Total revenue	44 642	54 200	65 100	76 010	102 150	140 900	167 500	197 000	264 525	314 500	377 500	459 700	540 315	654 625	883 285
Total Tax revenue	35 518	44 841	54 237	67 026	87 139	128 588	156 243	183 513	247 840	299 485	363 121	448 876	535 546	656 300	907 792
Internal sources of revenue	21 062	28 499	31 845	37 667	49 565	64 653	79 338	97 170	127 423	167 802	202 086	239 189	298 433	365 254	477 602
Income Tax	6 287	8 035	9 607	11 820	14 545	19 013	26 942	34 789	47 164	53 380	66 268	88 588	113 55	140 179	181 313
Income surcharge	3	1	0	1	0	0	0	0	0	0	0	0	0	0	0
Planilla tax	563	972	1 084	1 345	1 745	3 102	5 147	7 179	9 706	12 398	14 454	15 500	19 046	22 233	29 210
Real estate transfer	124	226	312	366	504	1 082	1 419	1 389	1 656	2 019	2 705	2 619	3 177	3 852	5 494
Territorial	124	201	333	352	295	370	510	453	573	565	0	0	0	0	0
Sales tax	5233	7 177	8 411	10 993	21 110	25 691	27 283	30 444	40 498	67 025	76 936	77 816	81 888	114 176	147 680
Selective consumption tax	3381	3 846	4 593	5 458	5 927	8 137	9 224	10 062	13 395	18 119	26 613	28 926	33 414	38 213	49 427
Specific consumption tax	1167	1 990	1 934	2 093	318	161	23	1 921	21	24	34	6 787	20 160	23 284	30 117
Vehicles	225	1 676	1 392	1 862	2 516	2 848	4 552	4 746	8 423	6 944	9 082	13 416	13 203	15 943	24 847
Seals	670	1 001	959	1 064	992	1 379	1 552	1 826	1983	2 630	3 440	2 422	2 797	3 231	4 179
Lottery	232	270	337	325	323	357	523	399	576	669	737	403	465	537	695
Other	8	5	9	9	13	15	16	29	24	28	48	36	41	48	62
Goods and service sales	283	340	262	292	324	673	449	462	410	428	322	1 519	1 764	2 026	2 621
Property incomes	633	443	359	155	36	250	139	159	53	62	79	127	141	155	179
Public firms	173	80	166	103	1	182	62	7	9	11	11	8	9	10	11
Public financial institutions	459	63	112	50	34	66	76	150	42	49	67	118	130	144	166
Other	1	300	81	2	1	2	1	2	2	2	1	1	1	2	2
Transfer income from public	2 129	2 316	2 253	1 532	917	1 575	1 556	3 305	2 941	3 456	1 368	1 031	1 191	1 375	1 779
bodies	430	983	862	816	106	604	338	414	856	1 006	1 085	533	615	711	919
Central gover.	892	252	254	149	204	261	423	2 126	635	746	117	61	70	81	105
Public firms	807	1 081	1 137	567	607	710	795	765	1 450	1 704	166	437	505	584	755
Public financ. inst															
Other non tax revenue	447			799	1 820	1 418	1 010	823	1 345	1 702	1 955	1 502	615	2 004	2 593
External sources	23 133	25 026	32 473	37 544	50 765	74 829	87 152	99 007	135 757	144 996	173 459	219 009	240 147	287 367	403 090
External sales tax	5 410	6 385	8 411	10 887	14 637	25 764	31 636	35 558	47 053	66 775	76 380	98 158	110 472	133 987	190 630
External selective	3 240	3 709	4 942	6 005	6 197	14 703	17 172	20 472	26 921	37 886	44 326	63 509	72 413	88 594	132 439
consumption tax															
Import taxes	9 471	9 715	12 625	17 950	24 392	27 204	33 192	37 427	49 359	33 878	46 495	49 507	49 466	55 879	70 503
Import duties	6 750	7 686	9 496	13 977	14 797	23 204	29 681	33 517	42 995	31 351	44 296	50 464	58 445	73 597	116 181
San José Protocol	13	6	4	1	0	0	0	0	2 215	-2 022	-4 571	-9 603	-18 993	-30 327	-65 584
Surcharge	1 017	1 014	1 990	2 633	7 835	1 669	56	6	3 421	0	0	0	0	0	0
Other	1 681	1 009	932	1 339	1 760	2 742	3 455	3 904	728	4 549	6 771	8 629	10 014	12 610	19 906
Export taxes	4 945	5 164	203	2 416	5 129	5 959	4 330	4 430	11 154	5 048	4 738	5 889	5 554	6 330	6 247
Coffee ad valorem	2 276	2 309	6 311	250	400	128	8	586	5 354	825	905	1 007	586	1 291	1 229
Other ad valorem	2 460	206	1 228	476	791	924	835	928	1 200	1 082	1 160	1 765	2 034	2 339	2 968
Coffee (profits)	1 736	1 899	391	70	0	0	0	0	37	0	0	0	0	0	0
Banana	619	649	2 187	1 598	3 861	4 543	3 230	2 851	4 546	3 111	2 667	2 939	2 729	2 464	1 680
Others	71	101	1 605	112	77	364	257	65	26	30	6	178	205	236	299
Portuary surcharges	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Others	67	53	184	286	410	788	822	1 120	1 270	1 409	1 520	1 945	2 242	2 577	3 271

Source: Elaborated on the basis Ministry of Finance (1999).

Table 29

COSTA RICA: CENTRAL GOVERNMENT´S FISCAL EXPENDITURE, 1987-2002

(Millions of colones)

	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2002
Total expenditure	48 935.7	59 001.7	77 850.4	92 432.6	124 181.0	158 717.3	190 196.3	276 607.4	338 274.1	397 968.1	445 308.8	548 936.2	683 345.7	769 835.9	875 765.0
Internal sources of expenditure	43 962.8	54 784.1	71 226.2	83 224.2	111 653.5	143 138.7	171 482.7	257 132	309 671.3	371 686.3	416 043	508 017.2	621 330.6	681 550.7	823 189.1
Wages and salaries	15 611.3	18 983.0	23 733.6	30 204.4	37 436.6	45 888.5	57 844.5	74 692.5	91 814.5	108 471.0	127 895.0	155 541.4	188 351.6	217 153.9	278 893.8
Pensions	4 569.7	5 815.8	7 514.3	9 743.0	13 358.7	16 965.4	21 143.4	31 141.4	41 353	49 249.9	61 261.3	67 641.2	83 744	100 471.1	138 397.3
Other	12 908.2	15 310.8	19 160.3	16 551.8	21 557.8	28 972	36 437.4	47 829.4	58 662.4	66 156.3	73 157.1	...	...	...	...
Interests on internal debt	3 849.4	5 036.6	8 200.5	12 649.7	22 302.1	25 494	25 297.1	43 841.2	78 425.3	100 698.1	103 021.5	103 576.5	126 519.5	109 274.5	74 873.5
Banking commission	376.3	952.9	1 630.1	1 790.0	2 267.5	2 235.2	2 284.6	2 856.8	4 071.2	4 673.1	3 825.0	...	...	...	...
FEES transfer	4 190.7	4 780	5 791.9	6 900	9 347.9	11 722.8	15 085.0	17 137.1	19 973.7	25 699.1	28 142.4	32 290.4	37 376.9	43 033.3	56 349
FODESAF transfer	955.2	2 616	2 633.4	2 916.7	2 462.2	4 623.4	5 918.2	5 861.0	7 413.3	11 845.7	14 165.0	1 179.9	13 127.1	16 502.9	22 497.7
Other transfers	1 502.0	1 289	2 561.9	2 468.6	2 920.7	3 614.0	7 472.5	33 772.6	7 957.9	4 893.1	4 575.9	...	…	…	...
External sources of expenditure	4 972.9	4 217.6	6 624.2	9 279.4	12 527.5	19 202	18 713.6	19 475.4	28 602.8	26 281.8	29 265.6	40 919	62 015.1	88 285.2	52 575.9
Interests on external debt	2 577.2	2 427.3	2 330.4	3 347.9	5 069.0	11 778.3	12 469.9	8 571.9	16 076.0	11 425.6	10 189.2	12 449	18 710.3	36 266.8	52 575.9
CAT	2 395.7	1 790.3	4 293.8	5 931.5	7 458.5	7 423.7	6 243.7	10 903.5	12 526.8	14 856.2	19 076.4	28 470	43 304.8	52 018.4	0.0

Source: Elaborated on the basis of Ministry of Finance (1999) and MIDEPLAN (1998).

Note: FEES = Special Education Fund.
FODESAF = Social Development and Family Assignment Fund.