



Department of Foreign Affairs and Trade
RG Casey Building
John McEwen Crescent
Barton ACT
0221

Date: 20 March 2025

By email: CPTPP@dfat.gov.au

Dear CPTPP Review Taskforce at DFAT,

Subject: Costa Rica's Accession to CPTPP

I am reaching out on behalf of the [Business Council for Sustainable Development Australia \(BCSDA\)](#), in our role as a pivotal advocate for sustainable development within the business sector and as a global network partner of the [World Business Council for Sustainable Development \(WBCSD\)](#).

Our collective mission is to champion sustainable business practices that are not only globally recognized but also carefully adapted to meet the unique demands of the Australian landscape.

Outlined in the following pages is our feedback to the Consultation you have requested on the **Subject**. We thank you for the opportunity to make these submissions.

We confirm our submission can be made public.

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Yours faithfully,

A handwritten signature in black ink, appearing to read "Andrew Petersen", with a horizontal line extending to the right.

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Executive Summary

The **Business Council for Sustainable Development Australia (BCSDA)** appreciates the opportunity to present this submission in response to Department of Foreign Affairs and Trade's (DFAT) call for submissions on the **Costa Rica's Accession to CPTPP**.

Our submission leverages insights from our global network partner, the **World Business Council for Sustainable Development (WBCSD)**, to inform Australia's negotiation strategy regarding Costa Rica's accession to the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP).

The BCSD frameworks, notably Vision 2050, the Global Circularity Protocol, Roadmaps to Nature Positive, and the Business Commission to Tackle Inequality, offer strategic tools to enhance sustainability, circular economy practices, biodiversity conservation, climate resilience, and social inclusivity in trade. These frameworks align closely with CPTPP objectives and can significantly inform Australia's policy stance during negotiations.

Our observations and recommendations are focused on following points.

- **Economic & Commercial Impact on Australian Businesses:** Costa Rica's entry into CPTPP presents Australian businesses with enhanced market access and investment opportunities, particularly in education, consulting services (sustainability and climate policy), renewable energy infrastructure, financial services, and sustainable agriculture. Australian businesses can leverage Costa Rica's market as an entry point into Latin America, while managing competitive pressures from existing international market players.
- **Sustainability & Environmental Trade Aspects:** Costa Rica's robust sustainability policies, such as its National Decarbonization Plan and Circular Economy Strategy, provide substantial opportunities for bilateral trade in environmental goods and services, renewable energy technology, and sustainable agriculture. Collaboration in these areas would reinforce Australia's own sustainability and circular economy ambitions, fostering mutual economic and environmental benefits.
- **Costa Rica's Likely Compliance with CPTPP Standards:** Costa Rica demonstrates readiness to adhere to CPTPP's rigorous standards in trade liberalization, intellectual property, environmental protection, labour rights, and anti-corruption measures. Although broadly compliant, Australia should ensure ongoing vigilance and capacity-building support, particularly in enforcing environmental and labour standards effectively.
- **Political & Economic Stability of Costa Rica – SWOT Analysis:** Costa Rica's strengths—political stability, skilled workforce, diversified economy, and strong environmental leadership—present minimal risks and numerous opportunities for Australian investment. However, challenges such as its relatively small market size, fiscal constraints, bureaucratic complexity, and infrastructure gaps must be addressed proactively to maximize business and investment potential.
- **Inclusive Trade, SMEs, and Social Impact:** Australia should champion inclusive trade measures that explicitly support SMEs, gender equity, and Indigenous economic participation. Initiatives like bilingual SME support platforms, joint SME capacity-building programs, and inclusive investment criteria can ensure broad-based socio-economic benefits from CPTPP accession.

We put forth these policy recommendations for Australia's negotiating position:

- **Ensure Environmental Ambition and Alignment**
- **Lock in High Labour and Social Standards**
- **Maximize Market Access for Key Australian Sectors**
- **Address SPS and Biosecurity Upfront**
- **Support Costa Rica's Implementation Capacity**
- **Reaffirm Social and Environmental Safeguards in Investment**
- **Adopt Whole-of-Government Alignment**

Overall, we believe, Australia's negotiating stance should leverage Costa Rica's sustainability leadership, advocate inclusive growth, and ensure rigorous compliance to maximize mutual benefits from Costa Rica's accession to CPTPP, aligning with broader Australian policy goals and global sustainability commitments.

BCSDA's Global Network Partners' Insights & Resources

BCSD Australia's global network partner, WBCSD, significantly shapes corporate sustainability strategies and industry standards worldwide. It is done through influential policy advocacy, the development of practical sustainability frameworks, and thought leadership. Its influence extends broadly across global business by guiding corporate sustainability disclosures, inspiring business innovations that integrate environmental and social governance (ESG) criteria and facilitating multi-stakeholder partnerships aimed at systemic transformation toward a more sustainable and inclusive global economy.

WBCSD Vision 2050 – “Time to Transform”:

WBCSD’s flagship framework *Vision 2050: Time to Transform* (launched 2021) lays out a comprehensive sustainability roadmap for business. It guides companies on transformations needed for **9+ billion people to live well within planetary boundaries by 2050**. Vision 2050 provides an **integrated framework** for corporate action on climate (net-zero emissions by 2050), circular economy, and inclusive growth, aligning business strategy with the UN Sustainable Development Goals (SDGs) and Paris Agreement. It emphasizes systemic shifts in energy, transportation, food, and other sectors to achieve a net-zero carbon, nature-positive economy by mid-century. This framework is widely endorsed by WBCSD’s 200+ member companies and underpins many recent WBCSD initiatives.

Global Circularity Protocol (GCP):

In 2023, WBCSD introduced the **Global Circularity Protocol for Business (GCP)** as a **voluntary framework** to accelerate the transition from a “take-make-dispose” model to a circular economy. The GCP addresses critical **accountability and policy gaps** impeding circularity, providing companies with a **“go-to” action framework to set targets, measure, report, and disclose** progress on resource efficiency and circularity. It promotes standardized circularity metrics and reporting, enabling businesses to benchmark progress. By harmonizing approaches globally, the GCP aims to **enable cross-sector collaboration, facilitate capital allocation, and support policies** that drive circular business models. This aligns with WBCSD’s *Factor10* and other circular economy initiatives, guiding businesses on waste reduction, product life extension, recycling, and regenerative resource use.

Roadmaps to Nature Positive:

WBCSD’s **“Roadmaps to Nature Positive” (2022–2023)** provide step-by-step guidance for businesses to **halt and reverse nature loss by 2030**, in line with the UN *Global Biodiversity Framework*. The “Foundations for All Businesses” roadmap (Sept 2023) outlines the ACT-D framework (Assess, Commit, Transform, Disclose) for nature action. It draws on emerging guidelines like TNFD’s LEAP approach and the Science-Based Targets for Nature (SBTN), helping companies **identify their biodiversity impacts and dependencies**, set credible nature-positive commitments, implement regenerative practices, and disclose progress. Sector-specific roadmaps (for agriculture/forestry, built environment, energy) were co-developed with 75+ companies, highlighting priority actions and “transformation levers” in high-impact value chains. These WBCSD roadmaps serve as practical frameworks for corporate biodiversity strategy and nature-based climate solutions.

Business Commission to Tackle Inequality (BCTI): Launched in 2021–2022, the **BCTI** is a WBCSD-convened coalition addressing **Responsible Business Conduct (RBC)** and inclusive growth amid rising inequality. Its flagship 2023 report *“Tackling Inequality: An Agenda for Business Action”* details how inequality is a systemic risk undermining social cohesion and economic stability. The BCTI outlines **10 high-level actions** for companies, including implementing the UN Guiding Principles on Business and Human Rights, ensuring **diverse & inclusive workplaces**, paying living wages, and **realizing a just transition to a net-zero, nature-positive economy**. These guidelines link social sustainability with environmental goals. Crucially, BCTI emphasizes that **tackling inequality mitigates operational and reputational risks and unlocks market opportunities**, making it a business imperative. By embedding equity and human rights into corporate strategy, companies can drive **inclusive, sustainable growth** – an ethos central to WBCSD’s responsible business agenda.

Climate Action and Resilience Guides:

WBCSD has published practical guides to help businesses build **climate resilience and adapt to climate change**. For example, the *Business Leaders Guide to Climate Adaptation & Resilience* (WBCSD, 2024) provides a modular toolkit for companies to integrate **climate risk assessment, adaptation planning, and supply chain resilience** into their operations. It underscores that alongside mitigation (decarbonization), companies must **protect their workforces, assets, and supply chains** against physical climate risks (extreme weather, disruptions). These WBCSD guidelines (often co-developed with experts and consultancies) offer frameworks and case studies on climate scenario analysis, nature-based adaptation, and long-term resilience strategies. They complement WBCSD’s Climate Action programs, which *“mobilize members to transform their businesses and value chains to achieve Net Zero by 2050”*. Such frameworks help companies meet **science-based targets** and improve climate disclosures in line with TCFD recommendations.

“Reporting Matters” and ESG Disclosure Frameworks:

WBCSD’s annual **“Reporting Matters”** series (developed with Radley Yeldar) is a prominent guidance framework on **corporate sustainability reporting**. The 10th-anniversary edition in 2022 reflected on a decade of progress and **how reporting must evolve to support global sustainability goals**. WBCSD’s 2022–2027 strategy simplifies sustainability reporting by focusing on climate, nature, and equity impacts. *Reporting Matters 2023* introduced an updated evaluation framework aligned with new global standards (e.g. ISSB’s IFRS S1 & S2, EU CSRD), helping companies prepare for **higher transparency expectations**. These reports benchmark WBCSD member companies’ ESG disclosures and highlight best practices in governance, strategy, and impact measurement. By endorsing frameworks like the GRI Standards, SASB/ISSB, and integrated reporting, WBCSD equips businesses (including SMEs) to **measure and communicate sustainability performance** effectively. This supports responsible business conduct by improving accountability and enabling stakeholders (investors, trading partners, regulators) to **evaluate corporate sustainability consistently**.

Alignment with CPTPP Priorities and Costa Rica’s Accession

Sustainable Trade and CPTPP: The Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) explicitly aims to **support inclusive and sustainable trade** among its members. As Australia chairs the CPTPP in 2025 with a theme of “Delivering Sustainable Trade and Resilient Growth,” there is strong alignment between WBCSD frameworks and CPTPP’s sustainability priorities. WBCSD’s Vision 2050 and climate action work align with CPTPP members’ commitments under the Paris Climate Agreement – many CPTPP countries have net-zero targets around 2050, mirroring the WBCSD net-zero emphasis. The CPTPP environment chapter encourages high standards in environmental protection and low-carbon economies, which WBCSD frameworks like the GCP and Nature Positive Roadmaps directly support. For instance, the **circular economy focus** of the GCP dovetails with CPTPP goals to promote resource efficiency and reduce waste in trade (e.g. CPTPP provisions on marine pollution and sustainable materials management). By providing a **common framework for circularity** across countries, the GCP can help CPTPP firms adopt circular practices that meet emerging regulations and consumer expectations in each market. Similarly, WBCSD’s climate resilience guides contribute to **trade resiliency**, as CPTPP seeks to strengthen supply chains against climate disruptions – a lesson underscored by recent extreme weather impacts on trade.

Costa Rica’s Sustainability Leadership: Costa Rica’s bid to join CPTPP comes with a strong reputation for sustainability and green growth. WBCSD’s analysis of Costa Rica noted the country’s **integration of the SDGs and 2030 Agenda into national planning**, and its multi-stakeholder National Pact on SDGs. Costa Rica has long pioneered **renewable energy (near 100% electricity from renewables)** and forest conservation, aligning with WBCSD’s emphasis on clean energy and nature-positive development. Recent WBCSD case studies (2018) highlighted that Costa Rica was “raising the bar” on sustainability reporting, with dozens of ESG reporting requirements as it prepared for OECD membership. This indicates Costa Rica’s corporate sector is already embracing frameworks for transparency and ESG performance – an outlook compatible with WBCSD’s *Reporting Matters* guidance and global reporting norms. In the CPTPP context, Costa Rica’s accession could elevate the partnership’s collective sustainability ambition. WBCSD frameworks like Vision 2050 and BCTI can inform Costa Rica’s approach to **responsible business conduct**, ensuring that trade and investment expansion under CPTPP also advance climate action, biodiversity protection, and inclusive socio-economic benefits. Notably, the BCTI’s call for a “**just transition**” aligns with Costa Rica’s own just transition efforts in decarbonizing transport and agriculture. By adopting WBCSD’s guidelines, Costa Rica can showcase how **sustainable trade practices** (low-carbon supply chains, circular agriculture, fair labour practices) bolster both environmental resilience and economic growth – a key message for CPTPP partners.

Circular Economy & CPTPP: The CPTPP members (including Australia and likely Costa Rica) increasingly recognize the economic value of circular economy collaboration. CPTPP’s framework could be complemented by the **Global Circularity Protocol**, which provides common metrics and policy guidance for circular trade. For example, if CPTPP countries endorse the GCP, they could harmonize standards for recyclable content, product end-of-life stewardship, and circular product design across the region. This would reduce trade frictions (through standardized rules) while advancing CPTPP’s sustainability agenda. WBCSD’s GCP explicitly calls for **realigning legal frameworks and international standards towards circularity** – something a multilateral trade pact like CPTPP is well-positioned to facilitate through its committees or working groups on environment and standards. Moreover, the GCP’s focus on **reporting circularity performance** could feed into CPTPP’s transparency mechanisms, encouraging member countries to share best practices and data on waste reduction and resource productivity as part of the trade agreement’s review process.

Climate Resilience & CPTPP: Both WBCSD and CPTPP place importance on **climate resilience**. CPTPP ministers (in various statements) have affirmed the need to address climate change in trade – for instance, committing to implement the Paris Agreement and cooperate on carbon reduction technologies. WBCSD’s **Climate Adaptation & Resilience guide** provides CPTPP businesses with tools to assess climate risks (floods, droughts, wildfires) and adapt their operations accordingly. This is highly relevant for a country like Costa Rica joining CPTPP, as it faces climate vulnerabilities (e.g. extreme weather affecting agriculture and infrastructure). By leveraging WBCSD’s frameworks, CPTPP members can develop joint initiatives (perhaps under a CPTPP environment working group) to build **resilient supply chains**. For example, companies across CPTPP could adopt WBCSD’s recommended practices like supplier climate risk assessments or ecosystem-based adaptation projects, thereby strengthening regional trade reliability. Such alignment ensures that trade growth under CPTPP doesn’t come at the cost of greater climate risk, but rather contributes to **climate-proof economic development**.

Inclusive Trade & RBC: CPTPP’s inclusive trade agenda (e.g. the *Tāmaki Makaurau Joint Declaration on Inclusive and Sustainable Trade* endorsed by several CPTPP members) echoes WBCSD’s **inclusive business** focus. The BCTI framework can inform CPTPP discussions on how trade liberalization can be made more equitable. For instance, WBCSD’s call for **living wages and inclusive value chains** complements CPTPP’s labour and development provisions aimed at spreading the benefits of trade to underserved communities (such as women, indigenous peoples, and SMEs). Costa Rica’s accession negotiations could incorporate these principles – ensuring that as tariffs drop and investment flows increase, there are safeguards and programs in place for **capacity building, SME support, and fair labour practices**. WBCSD’s guidance provides a business-backed rationale for these measures: companies that proactively tackle inequality and uphold high social standards tend to mitigate risks and perform better. Thus, aligning CPTPP’s implementation with WBCSD’s RBC frameworks would strengthen the partnership’s legitimacy and long-term success by delivering not just GDP growth, but **shared prosperity and social stability**.

Alignment with Australia's Sustainability Goals

Net-Zero by 2050: Australia's commitment to net-zero emissions by 2050 aligns tightly with WBCSD's climate frameworks. WBCSD explicitly mobilizes its member companies to achieve **Net Zero by 2050 across value chains**, and Vision 2050 provides business action pathways to get there. The **just transition** principles from WBCSD (e.g. BCTI's Action 10) support Australia's goal of decarbonizing while ensuring fairness for workers and communities. In practice, this means Australian businesses can adopt WBCSD's guidelines on setting science-based targets, investing in clean technology, and engaging employees in climate action. WBCSD's reports often reference aligning corporate strategy with the Paris Agreement; for example, **Portfolio Sustainability Assessment (PSA)** tools and *avoided emissions guidance* help companies map their product portfolios against a 1.5°C scenario. Such frameworks bolster Australia's policies like the Climate Active program and the Safeguard Mechanism by giving businesses concrete methods to reduce Scope 1–3 emissions. Moreover, WBCSD's advocacy for **transparent climate reporting** (TCFD-aligned) complements Australia's push for enhanced climate risk disclosure in finance. The synergy here means that WBCSD-aligned companies in Australia are likely leaders in emissions reduction, directly contributing to the national Net Zero 2050 target.

Circular Economy and Waste Reduction: Australia has a **National Circular Economy strategy** and waste reduction targets (e.g. 80% resource recovery by 2030). WBCSD's frameworks like the **Global Circularity Protocol (GCP)** provide the metrics and guidance to advance these goals on a corporate level. The GCP's emphasis on retaining material value and designing out waste supports initiatives like Australia's **Circular Economy Roadmap**. Australian businesses can use the GCP to set standardized circularity targets – for instance, increasing recycled content in products, or shifting to product-service systems – in line with Australia's policy direction. WBCSD's **Factor10** project and circular case studies also offer examples relevant to Australia (such as circular construction practices and e-waste recycling programs). By adopting WBCSD's circular economy framework, companies not only comply with emerging regulations (like bans on single-use plastics or landfill levies) but also achieve cost savings and innovation. This directly feeds into Australia's aspirations for a circular, resource-efficient economy. Additionally, WBCSD's call for **harmonized circularity standards** can inform Australian policymakers as they consider product stewardship schemes or circular procurement policies that align with global best practices.

Renewable Energy Transition: Australia has set ambitious renewable energy targets (e.g. 82% renewable electricity by 2030) and is promoting green technologies (like hydrogen). WBCSD publications support this transition through frameworks on **renewable energy procurement and finance**. For example, WBCSD's reports on **corporate renewable Power Purchase Agreements (PPAs)** and energy policy (2018–2022) highlight how businesses can scale up clean energy sourcing. They document successes and barriers in corporate renewables procurement, offering recommendations to policymakers on enabling **clean power investment**. This aligns with Australia's policies to encourage corporate PPAs and improve grid access for renewables. WBCSD's **Financing the Transition** initiative also aligns with Australia's renewable financing programs by promoting innovative funding models for clean energy projects. Furthermore, WBCSD's *Hydrogen Pledges* (e.g. member companies like Fortescue Metals pledging large-scale green hydrogen production) resonate with Australia's National Hydrogen Strategy. In essence, WBCSD's business frameworks reinforce Australia's push for renewables by providing corporate-level roadmaps, encouraging cross-sector collaboration (utilities, finance, industry), and sharing case studies that Australian firms can emulate to hit renewable and net-zero targets.

Climate Resilience and Adaptation: Australia's long-term strategy recognizes the need for **climate adaptation** (given the country's exposure to bushfires, droughts, floods). WBCSD's **Climate Adaptation & Resilience guide** equips Australian businesses with a framework to assess climate risks and integrate adaptation into their planning. This supports Australia's National Climate Resilience and Adaptation Strategy by translating high-level goals into business action. For instance, the WBCSD guide likely includes tools for scenario analysis, which complements requirements by Australian regulators (APRA) for banks and companies to stress-test against climate scenarios. By using WBCSD's curated frameworks (like risk management processes and resilience metrics), Australian companies – including SMEs – can better protect their supply chains and infrastructure from climate shocks, thereby safeguarding jobs and local economies. This alignment means that as Australia works toward a **climate-resilient economy**, WBCSD member companies are often pilots in implementing effective adaptation measures (such as water stewardship in drought-prone areas, climate-resilient farming techniques, or nature-based solutions for coastal protection). These business actions, guided by WBCSD insights, amplify the impact of Australia's public-sector adaptation investments.

Social Inclusion and Just Transition: Australia's sustainability policies increasingly emphasize **inclusive growth** – ensuring the benefits of climate action and trade are widely shared. WBCSD's BCTI recommendations on equity (diversity, living wages, community investment) align with Australian initiatives like indigenous reconciliation action plans and gender equality in workplaces. When Australian companies adopt BCTI's **inclusive business practices**, they contribute to national goals such as closing the gender pay gap and improving indigenous employment outcomes. This also aligns with provisions in Australia's trade policies that encourage labour rights and SME participation in supply chains. Moreover, WBCSD's focus on a just transition (re-skilling workers for green jobs, stakeholder engagement in decarbonization plans) supports Australia's approach to transitioning coal regions and other impacted communities. In summary, WBCSD frameworks provide practical templates for Australian firms to deliver on the "social" side of ESG, reinforcing government policies that aim for a fair and inclusive journey to sustainability.

Business Implications for SMEs and Sustainable Industries

Adopting WBCSD Frameworks for Competitive Advantage: Small and medium-sized enterprises (SMEs) and sustainability-focused industries (renewables, agriculture, clean tech, etc.) can leverage WBCSD's frameworks to improve both **economic performance and environmental footprint**. By implementing these guidelines, businesses often find new efficiencies, market opportunities, and risk mitigation benefits:

- **Strategic Clarity and Risk Management:** Frameworks like Vision 2050 and the Climate Adaptation Guide help companies identify long-term risks (climate, resource scarcity, social unrest) and opportunities arising from sustainability trends. SMEs that use these tools can future-proof their operations – for example, shifting to renewable energy or circular raw materials now to avoid volatile fossil fuel costs or resource supply shocks later. This proactive approach can lower operational risks and insurance costs and improve supply chain stability (a critical factor for exporters in CPTPP markets).
- **Market Access and Trade Benefits:** Embracing WBCSD-endorsed standards (e.g. GRI/ISSB reporting, science-based targets, human rights due diligence) can enhance a company's reputation and meet the expectations of partners in CPTPP countries. As sustainable trade becomes a priority, large buyers and governments increasingly prefer suppliers with proven ESG credentials. An SME that **measures and reports its sustainability performance** using frameworks like *Reporting Matters* or the GCP will find it easier to comply with CPTPP members' import standards and ESG procurement criteria. This can open new export markets and inclusion in global value chains that require responsible sourcing (for instance, zero-deforestation commodities or low-carbon manufactured inputs).
- **Efficiency and Cost Savings:** WBCSD's **circular economy practices** encourage businesses to eliminate waste and optimize resource use. SMEs implementing the Global Circularity Protocol's guidance might redesign products for durability and recyclability or find value in recycling by-products. This often yields direct cost savings (less raw material purchase, lower waste disposal fees) and can create secondary revenue streams (selling recyclable waste or offering product-as-a-service models). In energy, WBCSD's renewable procurement guidance shows companies how to reduce energy costs via PPAs or on-site solar, which is economically beneficial while cutting emissions. Thus, sustainability frameworks frequently lead to leaner, more efficient operations – a competitive edge for SMEs with tight margins.
- **Innovation and Differentiation:** By following WBCSD frameworks, businesses can **innovate** in products and business models. For example, an SME guided by the Nature Positive roadmap might develop a new regenerative agriculture technique or a biodiversity-friendly product that appeals to eco-conscious consumers. Companies using BCTI's inequality-tackling practices could unlock productivity gains (through higher employee morale and retention when paying living wages), and differentiate their brand by marketing their positive social impact. In the CPTPP context, where member countries span diverse markets, such innovation can help firms cater to growing consumer demand for sustainable and ethical products across the Asia-Pacific region.
- **Improved Access to Finance and Investment:** Banks and investors are increasingly factoring ESG performance into lending and investment decisions. SMEs that adopt robust sustainability frameworks signal lower long-term risks and alignment with global climate goals, making them more attractive to financiers. For instance, credible **sustainability reporting and targets** (as advocated by WBCSD) can help an SME secure green loan, sustainability-linked credit lines, or equity investment from impact investors. Additionally, with CPTPP governments (including Australia) offering grants and support for green projects, businesses with plans grounded in WBCSD's frameworks will be well-positioned to win such funding. In short, integrating these frameworks can unlock capital for expansion and innovation, yielding economic benefits while driving environmental progress.

Implementing Frameworks within CPTPP: Within the CPTPP free trade framework, businesses can collaborate across borders using WBCSD's common guidelines. For example, a **CPTPP SME sustainability network** could be formed (with support from WBCSD's Global Network partners) to share best practices from these frameworks – a food producer in Australia might share lessons on regenerative farming (Nature Positive roadmap) with a counterpart in Costa Rica, while learning about renewable energy use from a Chilean firm. Such peer learning amplifies the benefits of the frameworks and helps scale impact. It also ensures that **sustainability-focused industries** (like renewable energy developers or recycling firms) can capitalize on CPTPP's market access. These firms stand to gain as CPTPP members invest in low-carbon infrastructure and circular economy solutions, often guided by the same WBCSD principles. By aligning business operations with WBCSD's sustainability frameworks, companies make themselves **key players in the CPTPP region's green growth**, positioning for long-term success as sustainable trade accelerates.

Policy Recommendations for Australia (re: Costa Rica's CPTPP Accession)

Drawing on WBCSD insights, several policy recommendations emerge for Australia as it engages in Costa Rica's accession process to CPTPP. These recommendations centre on embedding sustainability and inclusivity into the trade framework, ensuring that expansion brings **inclusive economic growth and environmental benefits**:

1. **Incorporate Sustainability Benchmarks into Accession Criteria:** Australia should advocate that Costa Rica's accession commitments include alignment with high sustainability standards, inspired by WBCSD frameworks. For example, negotiators could encourage Costa Rica to commit to **net-zero emissions by 2050** (which Costa Rica is likely to do, given its climate leadership) and to implement robust **environmental reporting** for industries. Leveraging WBCSD's *Reporting*

Matters guidance, Australia can propose that Costa Rica (and future entrants) report on key ESG indicators post-accession, ensuring transparency and accountability in sustainable trade. This could be formalized through CPTPP's environment committee or as side agreements, reinforcing the idea that trade liberalization and sustainability progress go together.

2. **Establish a CPTPP Circular Economy Initiative:** Using WBCSD's **Global Circularity Protocol** as a blueprint, Australia can lead the creation of a CPTPP working group on circular economy and sustainable materials management. This group would facilitate the **sharing of best practices and policy alignment** across members (including Costa Rica) on circular frameworks – for instance, harmonizing definitions of recyclables, setting regional recycling targets, or co-developing standards for product lifecycle sustainability. Australia's own circular economy policies benefit from such cooperation, and it would help Costa Rica leverage WBCSD's circularity guidance in its trade sectors (like sustainable agriculture, eco-tourism, and manufacturing). As policy, Australia could propose capacity-building support for Costa Rica's SMEs to adopt circular practices (perhaps through WBCSD's network in the region), ensuring they can meet CPTPP market requirements and benefit from waste-to-value innovations.
3. **Promote Climate-Resilient Trade Infrastructure:** Drawing on WBCSD's climate resilience insights, Australia should emphasize climate adaptation in the accession framework. This means working with Costa Rica to identify how trade-related infrastructure (ports, supply chain logistics, energy grids) can be made **climate-resilient**. Policy tools could include technical assistance or funding for climate adaptation projects in Costa Rica that secure supply chains (aligning with WBCSD's Business Adaptation guide). Australia might propose a joint commitment that CPTPP members will integrate **climate risk assessments** into trade facilitation projects – echoing WBCSD's call for businesses to incorporate adaptation in planning. By embedding this in policy (e.g. through CPTPP's cooperation chapters or development programs), Australia ensures that expanded trade volume with Costa Rica does not increase vulnerability to climate impacts. Instead, trade growth would come with investments in resilience, benefiting all CPTPP members in the long run.
4. **Support Inclusive and SME-Friendly Trade Measures:** In line with WBCSD's Business Commission to Tackle Inequality, Australia should champion policies that make CPTPP expansion **inclusive for SMEs and workers**. This could involve setting up an **SME Sustainability Initiative** under CPTPP, funded or supported by members, to help small businesses (in Costa Rica and existing members) build capacity in areas like sustainable agriculture, renewable energy deployment, or ESG reporting. Drawing from BCTI's recommendations, Australia can encourage Costa Rica to strengthen labour rights enforcement and promote living wages in trade-exposed sectors, thereby preventing a "race to the bottom" and ensuring trade benefits are widely shared. Additionally, Australia might seek commitments that new CPTPP entrants uphold agreements like the Paris Agreement and labour conventions – which Costa Rica already does – thus maintaining the high-standard "level playing field" among CPTPP economies. By foregrounding inclusion, Australia aligns the trade pact with WBCSD's vision of business success linked to societal well-being and secures domestic support for CPTPP by showing it delivers positive outcomes (jobs, opportunities) for communities.
5. **Leverage WBCSD Partnerships for Implementation:** Australia could collaborate with WBCSD or its regional network (e.g. BCSD Costa Rica, BCSD Australia) to implement sustainability programs alongside the trade agreement. A policy recommendation is to create a **public-private advisory group** where WBCSD experts and business leaders advise the CPTPP Commission on sustainable trade practices. This group can track progress on initiatives like the circular economy, climate action, and inclusive business within CPTPP, using WBCSD reports as references for what "good" looks like. For example, WBCSD's *Roadmaps to Nature Positive* could guide joint Australia–Costa Rica efforts to protect biodiversity through sustainable trade of commodities (like coffee, timber). By institutionalizing such collaboration, Australia ensures that Costa Rica's integration into CPTPP is bolstered by cutting-edge sustainability insight, and any policy adjustments needed (tariff incentives for green products, removal of fossil fuel subsidies, etc.) are informed by real-world business cases and data.
6. **Enshrine Net-Zero and Renewable Energy Collaboration:** Given both Australia and Costa Rica's commitment to climate action, Australia should push for a CPTPP declaration or annex on **Net-Zero by 2050 cooperation**, referencing frameworks like WBCSD's Vision 2050. This could involve agreements to facilitate trade and investment in renewable energy technology and services among CPTPP members – effectively using the trade pact to accelerate the clean energy transition. Policy measures might include reducing tariffs on renewable energy components, mutual recognition of clean energy standards, or joint research initiatives (e.g. on green hydrogen, as WBCSD members are exploring). By embedding these into Costa Rica's accession terms, Australia aligns trade growth with climate goals. Over time, this could evolve into a CPTPP "climate club" approach, where members collectively raise climate ambition (consistent with WBCSD's advocacy for bold corporate climate action) while benefiting from the economic opportunities of a decarbonized economy.

Overall, these policy recommendations use WBCSD's actionable insights to ensure that CPTPP expansion (with Costa Rica's entry) not only boosts trade and investment but also advances **sustainable development and inclusive growth** across the Asia-Pacific. By championing such initiatives, Australia can strengthen its leadership role in CPTPP, showcasing how trade agreements in the 21st century can support global sustainability objectives. This approach will help align business incentives with policy goals – as WBCSD's experience demonstrates, when businesses are guided by robust sustainability frameworks, both economies and the environment stand to gain.

BCSDA's Observations and Recommendations

A key consideration in Costa Rica's accession is ensuring that **a diverse range of Australian stakeholders benefit from new trade opportunities**. To strengthen inclusivity, we recommend:

- **Engaging SME Councils & Trade Associations:** Conduct **pre- and post-accession consultation** with Australian SMEs and regional exporters to assess business readiness and support needs.
- **Indigenous Business Representation:** Establish an **Australia–Costa Rica Indigenous Trade Exchange**, fostering collaboration between Indigenous entrepreneurs in eco-tourism, agriculture, and crafts.
- **Labour & Consumer Advocacy Groups:** Include **worker representatives and consumer organizations** in policy discussions to ensure that CPTPP implementation promotes **fair labour practices and consumer safety**.

In short, the Australian Government should facilitate **targeted SME workshops** and trade missions to Costa Rica, offering practical guidance on market entry and CPTPP compliance.

1. Economic & Commercial Impact on Australian Businesses

We make following observations and recommendations:

Current Trade and Outlook:

- **Trade Volume:** Australia's trade with Costa Rica is currently modest but poised to grow. In 2023, Australian goods exports to Costa Rica were only around **US\$4.3 million**, while imports from Costa Rica were about **US\$24.5 million**, indicating a small base. CPTPP accession would eliminate most tariffs and barriers, providing a platform to expand this two-way trade.
- **Market Access Improvements:** Costa Rica's CPTPP entry opens a new market for Australian businesses with **preferential access**. Costa Rica has FTAs with the U.S., EU, and others, but not with Australia – CPTPP would give Australian exporters a level playing field in a country that currently sources only a limited range of Australian products. Sectors where Australian goods could gain market share include **premium food and beverages** (e.g. wine, dairy), **pharmaceuticals and medical supplies**, and **renewable energy equipment**, leveraging reduced tariffs and streamlined customs under CPTPP.

Sector-Specific Impacts: *(Australian industries likely to be affected or find opportunities)*

- **Education Services:** Costa Rica's educated populace and emphasis on English proficiency create demand for higher education and training. Australian universities and vocational institutes could attract Costa Rican students (on-campus or online) and form academic partnerships. Opportunities include marketing Australian education in Costa Rica's growing middle class and collaborating on research in sustainability and biodiversity. Australian ed-tech firms might also enter Costa Rica to support digital learning.
- **Consulting (Indigenous, Sustainability, Energy & Climate):** With Costa Rica's strong sustainability ethos, Australian consulting firms specializing in environmental management, climate policy, and Indigenous community engagement can offer expertise. For instance, Costa Rica's government and businesses may seek advice on renewable energy grid integration or Indigenous rights in eco-tourism – areas where Australian consultancies have experience. Likewise, Costa Rica's success in ecotourism and conservation offers case studies Australian consultants can learn from or help replicate in other markets.
- **Engineering & Infrastructure:** Major infrastructure upgrades are planned in Costa Rica over the next several years, including **railways, ports, highways, and water systems**. This presents direct opportunities for Australian engineering and construction firms. Particularly, Australia's expertise in rail and urban transport can support projects like the San José metropolitan electric train. Australian companies can also supply engineering services for renewable energy installations (hydro, geothermal, wind) and resilient infrastructure to withstand climate impacts (Costa Rica faces heavy rains and seismic activity).
- **Financial Services and Insurance:** As an OECD member with a stable banking sector, Costa Rica may liberalize further under CPTPP financial services commitments. Australian banks, fintech startups, and insurers could explore this relatively untapped market. Opportunities include offering **green financing** for sustainability projects, providing insurance products (e.g. catastrophe insurance in a region prone to natural disasters), and extending fintech solutions for financial inclusion. Regulatory openness under CPTPP (e.g. transparency and fair competition rules) would reduce entry barriers for Australian financial institutions.
- **Timber & Wood Products:** Costa Rica exports high-value agricultural and wood products (e.g. teak, coffee, tropical fruits). While Australia doesn't heavily import Costa Rican timber now, CPTPP could ease access for sustainably harvested Costa Rican wood and paper products, benefiting Australian importers and consumers seeking sustainable materials. On the flip side, Australian timber exporters might face competition or could partner with Costa Rican firms to ensure sustainable sourcing. Strict enforcement of CPTPP's illegal logging provisions will be crucial to maintain fair competition and environmental standards.
- **Automotive Sector:** Costa Rica has no domestic car manufacturing; it imports vehicles and auto parts – a potential niche for Australian exporters of specialized automotive parts, electric vehicle technology, or services. For example,

Costa Rica's push for electric mobility (including incentives for EVs) could allow Australian companies dealing in EV charging infrastructure or components to supply this market. Additionally, the CPTPP's rules of origin may enable Australian auto parts to integrate into regional supply chains that include Costa Rica (which has assembly operations for certain light manufacturing).

- **Tourism & Hospitality:** Costa Rica's renowned eco-tourism industry (over 3 million international visitors pre-pandemic) offers avenues for Australian tourism operators and investors. Australian companies can invest in sustainable resorts, adventure travel businesses, or partner with Costa Rican tour operators to create joint Pacific eco-tourism packages. Increased people movement under CPTPP might also boost two-way tourism. **Insurance:** Travel insurance providers from Australia could see a larger client base, and Australian insurance firms might introduce innovative products in Costa Rica (like insurance for eco-tourism ventures or climate-related insurance) as the market grows under CPTPP protections for foreign insurers.
- **Rail and Public Transport:** A notable infrastructure focus is Costa Rica's attempt to modernize its rail system. The planned electric train in the Greater Metropolitan Area aims to cut urban congestion and emissions. Australian rail companies – from rolling stock manufacturers to operations consultants – could secure roles in this or related projects. The CPTPP's government procurement rules would open such public tenders to Australian firms on equal footing, minimizing past barriers. Success stories like Australian firms contributing to rail projects in other CPTPP countries can be leveraged to demonstrate capability.

Risks and Barriers for Australian Businesses:

- **Market Size & Distance:** With ~5 million people and a GDP of ~US\$85 billion, Costa Rica's market is relatively small and geographically distant from Australia. Exporters must weigh logistics costs and scale limitations. However, integration via CPTPP can make Costa Rica a strategic entry point to Central America.
- **Regulatory and Bureaucratic Hurdles:** Companies face complex bureaucratic processes in Costa Rica – the country is known for **stifling internal bureaucracy** that can slow permits and business operations. While CPTPP will improve transparency and customs procedures, Australian firms may still encounter delays in obtaining local approvals or navigating tax and labour regulations. Engaging local partners and using CPTPP's regulatory coherence frameworks will be key.
- **Competition:** U.S., European, and Latin American companies are already well-established in Costa Rica (the U.S. accounts for ~40% of Costa Rica's imports and FDI). Australian entrants will face strong competition, especially as American firms benefit from the CAFTA-DR free trade agreement. CPTPP reduces tariffs, but Australian businesses must differentiate on quality, innovation, or sustainability to gain market share against incumbent competitors from the Americas and Asia.
- **Standards and Qualifications:** Differences in professional qualifications and standards (e.g. for education or engineering services) could pose barriers until mutual recognition is achieved. Australian service providers might need to meet Costa Rican licensing requirements. However, CPTPP's provisions on professional services and mutual recognition can facilitate overcoming these barriers over time.
- **Biosecurity and Agriculture:** Australia's strict biosecurity standards mean that increased imports of Costa Rican agricultural goods (fruits, plants, etc.) must be carefully managed to prevent pest/disease introduction. Likewise, any Australian agricultural exports (e.g. dairy or meat) to Costa Rica must comply with its food safety regulations. Both governments should cooperate under CPTPP's SPS (sanitary and phytosanitary) framework to ensure smooth trade without compromising health and safety standards.

2. Sustainability & Environmental Trade Aspects

BCSDA Response

Alignment of Sustainability Policies:

- **Net-Zero Commitments:** Costa Rica's National Decarbonization Plan commits to net-zero emissions by 2050, mirroring Australia's own 2050 net-zero target. Notably, Costa Rica already sources ~99% of its electricity from renewable energy (primarily hydro), setting a high benchmark for clean energy that aligns with Australia's push for renewable power.
- **Circular Economy & Waste:** In 2023, Costa Rica launched an ambitious National Circular Economy Strategy (ENEC) to transform its production model. This complements Australia's circular economy initiatives (e.g. 80% resource recovery target by 2030), indicating shared goals in reducing waste and promoting recycling. Both countries have also enacted measures like banning single-use plastics in certain contexts (Costa Rica banned many single-use plastics in protected areas).
- **Renewable Energy Leadership:** Costa Rica is a global model in clean energy and climate policy – it has **never exploited fossil fuels** domestically and has extended a moratorium on oil and gas exploration until 2050. Its electricity grid has run on ~98% renewable sources for eight consecutive years. This leadership complements Australia's Technology Roadmap for low-carbon energy, opening avenues for collaboration in areas like grid integration, hydroelectric expertise, and battery storage.

Opportunities for Green Trade & Investment:

- **Environmental Goods & Services:** CPTPP membership could enhance trade in environmental goods and services. Australia can export clean energy technologies (e.g. solar, wind, hydrogen) and services to support Costa Rica's climate goals, while importing Costa Rican innovations in eco-tourism and sustainable agriculture. For example, Costa Rica's expertise in reforestation and biodiversity conservation (over 25% of its territory is protected) can inform Australian carbon offset projects and nature-based solutions for climate mitigation.
- **Renewable Infrastructure Investment:** With Costa Rica planning major green infrastructure (e.g. a proposed 84 km electric passenger rail project to be powered by renewables), Australian engineering and renewable energy firms have opportunities for sustainable investment and project partnerships. Australia's firms could bid on upcoming projects in **rail, public transport electrification, solar and wind farm development**, leveraging Australia's financing and technical know-how to support Costa Rica's decarbonization.
- **Circular Economy Partnerships:** Both countries can benefit from sharing best practices and technologies in waste management and recycling. Australian companies specializing in waste-to-energy, recycling systems, or circular supply chains could find new markets in Costa Rica's transition to a circular economy. Likewise, Costa Rican businesses focusing on biodegradable materials or sustainable packaging could partner with Australian retailers and producers, boosting green trade flows.
- **Sustainable Agriculture and Forestry:** Costa Rica's sustainable coffee, cocoa, and timber products (e.g. FSC-certified wood) present import opportunities for Australia, meeting consumer demand for ethically sourced goods. Conversely, Australian agritech and water management solutions can aid Costa Rican farmers in climate adaptation and efficient resource use, fostering trade in agri-services.

3. Costa Rica's Likely Compliance with CPTPP Standards

We make following observations and recommendations:

High-Standard Trade Rules:

- **Accession Readiness:** Costa Rica has been **evaluated by all CPTPP members and found to satisfy the "Auckland Principles"** – meaning it is prepared to meet the agreement's high standards, has a track record of honoring trade commitments, and has political buy-in from existing members. This positive assessment implies Costa Rica's laws and regulations are largely compatible with CPTPP obligations.
- **Regulatory Frameworks:** As a WTO member and OECD member, Costa Rica has modernized many trade-related regulations. It has implemented numerous FTAs (USA, EU, EFTA, Latin America), so its tariff schedules, services regulations, and intellectual property laws have already undergone reforms. For instance, under CAFTA-DR, Costa Rica opened state monopolies in insurance and telecom and strengthened IP protections. These steps align with CPTPP requirements on **services liberalization, competition, and intellectual property**. We anticipate that remaining gaps (if any) – such as updates to e-commerce and digital trade rules or further opening of government procurement – can be bridged during accession negotiations.

Labour and Environmental Commitments:

- **Labour Standards:** CPTPP's labour chapter requires adherence to core International Labour Organization (ILO) standards, including the elimination of forced and child labour and upholding the right to collective bargaining. Costa Rica generally meets these benchmarks: it has ratified all eight core ILO conventions and its Constitution and laws prohibit discrimination and child labour. Notably, Costa Rica has a strong labour rights framework (e.g. legal 8-hour workday, social security coverage) and one of the highest levels of social protection in Latin America. Some enforcement gaps (such as in the banana and pineapple industries where unions have faced challenges) might need attention. However, as an OECD member, Costa Rica is already engaged in improving labour practices. The accession process should ensure any needed reforms – for example, on public sector strike limitations or informal employment – are addressed so that labour commitments are fully met and enforced.
- **Environmental Standards:** Costa Rica's environmental credentials are exemplary and align well with CPTPP's Environment Chapter, which commits members to high levels of environmental protection and effective enforcement of environmental laws. Costa Rica's robust national parks system, ban on fossil fuel extraction, and climate initiatives (like the economy-wide decarbonization plan) underscore its commitment. The country will be expected to uphold CPTPP rules against practices like illegal wildlife trade and unsustainable fishing. Given Costa Rica's history – e.g. pioneering payments for ecosystem services and combating deforestation – it is likely to not only comply with CPTPP's environmental requirements but could elevate the collective ambition. Any areas for improvement (such as industrial pollution standards or waste management) are already being targeted through its new policies (e.g. circular economy strategy). Australia should verify that Costa Rica can implement commitments like enforcement against illegal logging, as this protects both Costa Rica's forests and Australian timber markets from illicit competition.
- **Transparency and Anti-Corruption:** CPTPP also demands transparency in regulations and anti-corruption measures in government procurement. Costa Rica scores relatively well on global corruption indices and has taken steps to digitalize government services. As part of OECD accession, it passed laws to improve fiscal transparency and anti-

bribery enforcement. We anticipate Costa Rica will comply with CPTPP Chapter 26 obligations to combat bribery in trade, benefitting Australian companies that value a level playing field.

Areas Needing Monitoring:

- **Intellectual Property (IP):** CPTPP's IP chapter is extensive (covering patents, copyrights, etc.). Costa Rica's IP regime was strengthened under prior FTAs, but the accession review should confirm that it can implement provisions on things like biotechnological patents or extended data exclusivity for pharmaceuticals. Australian creative industries and innovators will want assurance that Costa Rica effectively protects IP and enforces against counterfeits. Conversely, access to affordable medicines is a public interest for Costa Rica; any necessary adjustments to CPTPP's suspended IP provisions (originally in TPP) may be discussed to balance innovation and public health.
- **State-Owned Enterprises (SOEs):** CPTPP rules on SOEs require non-discriminatory treatment when SOEs compete commercially. Costa Rica has several important state-owned entities (in electricity, telecoms, banking, insurance). Many have already faced competition due to other FTAs. The CPTPP accession process should verify that Costa Rica's SOEs will operate transparently and not distort competition – for example, ensuring that Australian firms can compete for energy or telecom contracts without unfair disadvantage.
- **Government Procurement:** If Costa Rica joins CPTPP, it will open its government procurement market to member countries under fair bidding rules. Australia should ensure Costa Rica is ready to implement procurement commitments (such as electronic tendering and non-discrimination of foreign bidders) to allow Australian suppliers to bid on Costa Rican public projects (e.g. infrastructure, defence, IT systems). This may require capacity building for Costa Rican procurement authorities to meet the agreement's standards.

4. Political & Economic Stability of Costa Rica – BCSDA's SWOT Analysis

We make following observations and recommendations:

Our SWOT analysis highlights Costa Rica's strengths, weaknesses, opportunities, and threats as they relate to CPTPP membership and Australian business interests:

Strengths:

- **Stable Democracy & Rule of Law:** Costa Rica is the **oldest continuous democracy in Latin America**, with solid institutions, regular peaceful transfers of power, and an independent judiciary. There is strong respect for rule of law, property rights, and human rights (no military since 1949, reflecting its stability and focus on social development). This reliability makes Costa Rica a low-risk trade partner and investment destination compared to many emerging markets.
- **High Human Development:** The population is well-educated (literacy ~98%) and many Costa Ricans are bilingual (Spanish/English), which is attractive for knowledge-based industries. The labour force's skill level and the government's emphasis on education and training provide a talent pool for sectors like advanced manufacturing, services, and R&D. Australian companies investing in Costa Rica can tap into this talent, and education links can further enhance human capital development.
- **Economic Diversification & FDI Track Record:** Costa Rica has successfully diversified from traditional agriculture into high-tech industries. It attracts significant foreign direct investment – hosting 300+ multinational companies, including in **medical devices, electronics, and business services**, often in free trade zones. Its exports of medical instruments and microchips (over US\$8 billion combined) show integration into global supply chains. This diversified, open economy (trade = 72% of GDP) suggests resilience and numerous sectors for Australian trade/investment beyond commodities.
- **Green Reputation:** As noted, Costa Rica is a **global environmental leader** – known for eco-tourism, clean energy, and conservation. This positive international reputation can be leveraged in CPTPP discussions to push ambitious sustainability initiatives. For Australian businesses, partnering with a country seen as "green" can enhance brand value (e.g. sourcing from Costa Rica can meet consumers' ethical sourcing expectations). Costa Rica's credibility on climate issues also strengthens the CPTPP's overall standing on sustainable development.

Weaknesses:

- **Small Market & Economy:** With a population of ~5 million and GDP around US\$70–80 billion, Costa Rica's domestic market is limited in size. For Australian exporters, this means the volume of sales might be low, and economies of scale harder to achieve initially. It also means Costa Rica's contribution to Australia's overall trade will remain small (as seen by the UK's experience – Costa Rica was only the UK's 87th largest trading partner). Niche opportunities are attractive, but businesses should temper expectations of explosive growth purely in the Costa Rican market.
- **Fiscal & Infrastructure Constraints:** Costa Rica has faced **persistent fiscal deficits and rising public debt**, which led it to an IMF program in 2021. While reforms have reduced the risk of debt distress, budget limitations could constrain government spending on new projects or incentives. Additionally, infrastructure lags behind needs – road congestion, an overstretched port, and outdated public transport are notable issues. High electricity costs (despite renewable energy, prices have been elevated) and relatively high unit labour costs can make operating in Costa Rica

expensive. These weaknesses mean some Australian investors might find the cost of doing business higher than in other developing markets, and public infrastructure improvements (ports, logistics) may take time, affecting supply chain efficiency.

- **Bureaucracy and Regulatory Complexity:** Doing business in Costa Rica involves navigating significant red tape. The **bureaucratic procedures** for permits, property registration, and taxation are often cited by businesses as a hurdle. For example, establishing a new enterprise or getting construction permits can be slow. This complexity can disadvantage smaller Australian companies or those unfamiliar with the local system, potentially requiring partnerships with local firms or reliance on legal counsel to manage compliance.
- **Limited Domestic Industry in Key Sectors:** Some sectors of interest to Australia (e.g. heavy manufacturing, mining, large-scale agriculture) are underdeveloped or intentionally restricted in Costa Rica. The country banned open-pit mining and restricts certain agrochemicals to preserve its environment. For Australian companies in mining or large agri-business, this means fewer direct opportunities within Costa Rica. It also implies that Costa Rica's demand for related equipment or services might be limited. However, this weakness is double-edged, as it stems from deliberate policy choices for sustainability.

Opportunities:

- **CPTPP Leverage – Gateway to Latin America:** Costa Rica's accession would make it the first Central American country in CPTPP, potentially a **gateway for Australia** into the broader Latin American region. Australian businesses could use a foothold in Costa Rica to expand into neighbouring markets (e.g. leveraging Costa Rica's integration in the Central American Common Market and its ties to the Caribbean). It also diversifies Australia's trade portfolio beyond the Asia-Pacific, aligning with strategies to reduce over-reliance on any single region.
- **Trade Expansion & New Partnerships:** CPTPP will enable new **preferential trade relationships**. Costa Rica itself sees CPTPP as a "unique opportunity" to access markets like Australia, Japan, and Malaysia where it had no FTAs. Conversely, Australia gains preferential access to Costa Rica (no prior FTA). This is an opening for Australian exporters of goods and services that previously faced tariffs or lacked awareness in Costa Rica. For example, Australian beef and dairy – currently not major in Costa Rica – could become competitive if Costa Rica reduces agricultural tariffs under CPTPP. Likewise, Australian renewable energy firms can bid on projects as procurement opens up. The **improved market access conditions** and investor protections under CPTPP will make joint ventures and long-term investments in Costa Rica more secure and attractive.
- **Sustainable Investment and Collaboration:** Costa Rica's development plans align with global green growth, meaning there are **collaboration opportunities in sustainability**. Australia and Costa Rica can partner under CPTPP frameworks (or side agreements) on climate-smart agriculture, rainforest conservation, and renewable energy R&D. This could lead to joint ventures, such as Australian firms investing in Costa Rican reforestation carbon offset projects or co-developing sustainable tourism standards that can be exported region wide. Capitalizing on Costa Rica's brand as an eco-friendly destination, Australian travel companies might create combined tour packages (Great Barrier Reef + Costa Rica rainforest, for instance) appealing to eco-conscious tourists. Such synergies marry economic gain with environmental good.
- **Infrastructure Modernization:** The planned **major upgrades in transport and utilities** offer a timely opportunity for Australian infrastructure companies (engineering, architecture, project management). If Australia negotiates strong procurement access in Costa Rica, firms like Lendlease or SMEC (which have international project experience) could secure contracts for building highways, ports or modernizing water systems. This not only exports Australian expertise but creates business for home-grown industries abroad. Additionally, improved infrastructure in Costa Rica over time will lower operating costs for all businesses, making the market more attractive in the long term for Australian exporters (e.g. better ports improve shipping times).
- **Diversification for Costa Rica – Benefiting Australian Services:** As Costa Rica looks to diversify its economy (the government is keen on new FTAs and sectors), it may seek foreign expertise in areas Australia excels: **rail management, mining governance (for policy advice, even if mining isn't pursued domestically), advanced agriculture tech, and healthcare services**. Australian consultants, engineers, and service providers can ride this wave of diversification, establishing themselves as partners in Costa Rica's next phase of growth.

Threats:

- **External Economic Shocks:** Costa Rica is a small open economy; it is vulnerable to global economic swings and the health of key partners. A downturn in the U.S. or Europe can significantly impact Costa Rica's exports (tourism, electronics) and, by extension, any Australian ventures in the country. Additionally, high global interest rates or financial instability could strain Costa Rica's debt situation, potentially forcing spending cuts or currency devaluation. Australian investors should be mindful of macroeconomic volatility, even though current outlook is stable (2023 GDP growth ~4% and debt risk lowered). Building flexibility into contracts and hedging currency risk will be important.
- **Regional Security and Political Risks:** While Costa Rica itself is stable and peaceful, it is located in Central America where neighbouring countries face challenges (organized crime, political upheaval, migration crises). Any spillover of regional instability – for example, if Nicaragua's political tensions worsen or illicit trafficking increases – could pose security concerns or reputational risks. Costa Rica has managed these issues well (investing in border security

and legal institutions), but an uptick in crime or a major corruption scandal could erode its safe haven image. Australian businesses should monitor governance indicators and be prepared with compliance programs (e.g. strong anti-corruption measures) in case the operating environment toughens.

- **Competitive Adjustments for Australian Industries:** Costa Rica's accession means Australian markets open to Costa Rican exports under CPTPP. While overall trade is small, some Australian sectors might face **new competition**. For example, Costa Rica is a significant exporter of agricultural products like bananas, pineapples, coffee, and sugar. If tariffs drop, Australian domestic producers or other trade partners could feel competitive pressure in those commodities either in the Australian market or third markets. Biosecurity remains a concern – increased imports raise vigilance needs to prevent pests (like fruit flies) entering Australia. Additionally, Costa Rica's efficient medical device industry could compete with Australian medtech in CPTPP markets. The Australian government should assess any sensitive sectors and ensure safeguard provisions or adjustment assistance if needed.
- **Implementation Delays or Non-Compliance:** A potential threat is if Costa Rica struggles to fully implement CPTPP commitments due to capacity constraints. For instance, if enforcement of labour or environmental rules lags, it could lead to disputes or erosion of trust. Similarly, if Costa Rica's parliament delays ratification of accession terms or domestic political shifts create protectionist sentiment, the benefits of the agreement could be postponed. This is a risk insofar as it could dampen business enthusiasm. However, given Costa Rica's strong bipartisan support for trade and its OECD habits, this threat is moderate. Australia can mitigate it by offering technical assistance to help Costa Rica implement complex chapters (e.g. digital trade rules, SPS measures), ensuring timely and full compliance.

5. Inclusive Trade, SMEs, and Social Impact

We make following observations and recommendations:

Impact on SMEs and Inclusive Growth:

- **Opportunities for SMEs:** Both Australia and Costa Rica have a high proportion of small and medium-sized enterprises (SMEs) that could benefit from CPTPP, but these firms often face challenges in accessing export markets. It will be important to ensure the agreement's SME-friendly provisions are fully utilized. CPTPP explicitly includes an SME chapter requiring accessible information and cooperation to help small firms use the FTA. Australia should work with Costa Rica to establish a bilingual online portal and hotlines that guide SMEs on how to export or invest under CPTPP terms. This might include step-by-step guides for an Australian eco-tourism startup to partner with a Costa Rican lodge, or for a Costa Rican organic food producer to find distributors in Australia. By lowering information barriers, we enable more SMEs to trade, fostering inclusive growth rather than just big multinationals benefiting.
- **Indigenous Business and Cultural Exchange:** Australia places importance on Indigenous participation in economic development, and Costa Rica has indigenous communities (e.g. Bribri, Boruca) with rich knowledge of biodiversity. CPTPP does not have a dedicated Indigenous chapter, but inclusive trade agendas (like the NZ/Canada-led Inclusive Trade Action Group) emphasize Indigenous peoples' economic empowerment. Australia could initiate an **Indigenous-to-Indigenous business exchange** alongside the CPTPP framework – for example, linking Australian Indigenous entrepreneurs (in sectors like bush foods, arts, eco-tourism) with Costa Rican indigenous cooperatives (in cocoa production, crafts, or community tourism). Such exchanges, possibly supported by government grants or development assistance, would ensure these marginalized groups see tangible benefits from international trade. It would also reinforce social ties and people-to-people links as part of the Australia–Costa Rica relationship.
- **Gender and Social Inclusion:** Costa Rica and Australia both have commitments to gender equality. In Costa Rica, women hold significant roles in government and business but still face gaps in areas like access to finance. CPTPP's development chapter identifies "women and economic growth" as a focus. Australia should collaborate with Costa Rica to implement programs under CPTPP that support women-led SMEs, ensure female workers benefit from labour protections, and promote participation of women in STEM fields linked to trade (for example, training programs for women in logistics or tech entrepreneurship hubs linking Australian and Costa Rican women innovators). This not only advances social sustainability but maximizes the talent pool driving trade expansion.
- **Social Impact and Community Benefits:** As trade and investment between Australia and Costa Rica grow, projects should be assessed for social impact. For instance, an Australian investment in a Costa Rican infrastructure project should incorporate community consultation, create local jobs, and possibly improve local living standards. Likewise, if Costa Rican companies invest or operate in Australia (e.g. a tourism venture in partnership with Indigenous landholders), ensuring community benefit-sharing is key. Both governments can encourage corporate social responsibility (CSR) norms – Australia's corporate presence in Costa Rica should adhere to high CSR standards (possibly guided by OECD Guidelines for Multinational Enterprises, which Costa Rica endorses). Trade policymakers should monitor and support such inclusive outcomes, perhaps via annual CPTPP meetings reviewing how the agreement is impacting SMEs and communities. Data collection on SME usage of CPTPP, number of new SME exporters, or jobs created can inform if further measures are needed to spread benefits widely.
- **Capacity Building for Inclusive Trade:** To truly make trade inclusive, Australia could fund or lead capacity-building initiatives in Costa Rica aimed at historically underrepresented groups in trade. For example, workshops on export readiness for rural entrepreneurs, digital platforms to connect Costa Rican farmers to Australian buyers, or

assistance in meeting Australian market standards for small producers (organic certification, etc.). On the Australian side, ensure our SME exporters are aware of Costa Rican market opportunities – e.g. through Austrade seminars highlighting niches in Costa Rica and mentoring programs for businesses new to Latin America. Inclusive trade means both sides' smaller players get support to engage, ensuring the CPTPP isn't just beneficial to large corporations.

6. Our Policy Recommendations for Australia's Negotiating Position

To maximize benefits and align outcomes with Australia's values, BCSDA recommends following strategies for Australia in negotiating Costa Rica's CPTPP accession:

- **Ensure Environmental Ambition and Alignment:** Leverage Costa Rica's enthusiasm for sustainability to **bolster CPTPP's green commitments**. Australia should encourage Costa Rica to not only meet the baseline environment chapter requirements, but also to collaborate on new initiatives. For example, Australia could propose a bilateral or CPTPP-wide **Environmental Cooperation Work Program** where members share technology and best practices on renewable energy integration, climate-resilient agriculture, and biodiversity protection. Pushing for Costa Rica's active participation in the CPTPP Environment Committee (established by the agreement) will help ensure trade growth does not come at the cost of environmental degradation. **Strategic outcome:** Keep the CPTPP as a model "next-generation" trade agreement where trade liberalization supports climate and sustainability goals, in line with Australia's 2030 and 2050 emissions targets.
- **Lock in High Labour and Social Standards:** Maintain a firm stance that Costa Rica fully implement CPTPP's labour and gender provisions. Australia should seek assurances that Costa Rica will enact any pending labour reforms (e.g. ensuring public sector workers' right to organize, if not already in place) and effectively enforce wage and safety laws. Additionally, given CPTPP's emphasis on inclusive trade, Australia can push for joint commitments (perhaps through side letters or the Development chapter) to promote **women's economic empowerment and Indigenous inclusion** in trade. For instance, Australia might negotiate a cooperation agreement with Costa Rica on boosting women-led SMEs in export sectors or sharing knowledge on engaging Indigenous communities in sustainable tourism. This aligns with Australia's own values and ensures the trade deal benefits a broad base in both societies.
- **Maximize Market Access for Key Australian Sectors:** In the market access negotiations, Australia should prioritize offensive interests where Costa Rica maintains tariffs or restrictions. This could include seeking the elimination of any significant tariffs on Australian agricultural exports (dairy, beef, wheat) by Costa Rica, even if those exports are small today – ensuring future potential is not hindered. Likewise, for industrial goods (like medicines, machinery, and vehicle parts), Australia should secure duty-free access as Costa Rica joins. In services, request **wide sectoral coverage** so Australian education, financial, and professional service providers can operate with national treatment in Costa Rica. Also, push for **streamlined visa access (temporary entry)** for Australian businesspeople and professionals traveling to Costa Rica, which will facilitate investment and service delivery.
- **Address SPS and Biosecurity Upfront:** Given Australia's stringent biosecurity regime, negotiate clear Sanitary and Phytosanitary (SPS) understandings with Costa Rica. This means ensuring that CPTPP's SPS chapter commitments are reinforced by technical consultations so that, for example, Costa Rican horticultural exports meet Australia's quarantine standards without undue delay. Conversely, work with Costa Rica to recognize Australia's animal health standards (for meats, dairy) so that Australian farm exports can enter Costa Rica smoothly. Early resolution of these issues will prevent future trade irritants and demonstrate that trade growth can co-exist with health and environmental protection.
- **Support Costa Rica's Implementation Capacity:** Australia should take a **"trade and sustainability capacity-building"** approach in negotiations – essentially, helping Costa Rica meet obligations in ways that advance long-term sustainability. This could involve offering technical assistance or twinning programs between Australian and Costa Rican agencies on areas like customs modernization, digital trade (e.g. Australia could share its experience on e-invoicing or data privacy frameworks from the CPTPP Digital Economy Partnership, if applicable), and SME support programs. By doing so, Australia ensures Costa Rica can uphold CPTPP standards from day one, and it builds goodwill. That goodwill can translate into smoother cooperation in committees and working groups once Costa Rica is inside the CPTPP.
- **Reaffirm Social and Environmental Safeguards in Investment:** In negotiating the investment chapter commitments, Australia should ensure that investor-state dispute settlement (ISDS) provisions (if applicable) do not undermine environmental or social regulations. While CPTPP has general safeguards, Australia can work with Costa Rica on side arrangements to reaffirm both parties' right to regulate for legitimate public welfare objectives (climate, indigenous rights, public health). This gives confidence that increased Australian investment in Costa Rica – for example in renewable energy or forestry – will contribute positively and not conflict with Costa Rica's conservation policies, and vice versa.
- **Whole-of-Government Alignment:** Australia's negotiators must coordinate with domestic stakeholders (business councils like BCSDA, environmental agencies, indigenous representatives) to ensure our positions reflect economic, social, and environmental sustainability priorities at home. For instance, the negotiating team should integrate Australia's **Net Zero 2050** commitments by seeking language that reinforces Paris Agreement implementation

(CPTPP parties already committed to enforce environmental laws, but perhaps Costa Rica's accession could bring a joint statement on climate action in trade). This systemic approach ensures trade policy is not siloed but supports Australia's broader long-term goals, like decarbonizing the economy and empowering disadvantaged communities through trade.

Finally, to ensure seamless policy execution, Australia should establish a **cross-government CPTPP Coordination Taskforce** responsible for:

- **Trade Facilitation & Market Access Support:** Austrade should lead **sector-specific trade outreach programs** to connect Australian exporters with Costa Rican buyers and investors.
- **Regulatory & Compliance Assistance:** The Department of Foreign Affairs and Trade (DFAT) should provide **technical support** to ensure alignment with CPTPP's digital trade, biosecurity, and investment standards.
- **Sustainability & Climate Integration:** The Department of Climate Change, Energy, the Environment and Water (DCCEEW) should **co-develop a CPTPP Green Trade Framework** with Costa Rica, emphasizing **carbon-neutral supply chains and nature-positive trade policies**.
- **SME & Indigenous Business Support:** The Department of Industry, Science and Resources should oversee **SME participation and Indigenous trade integration**, ensuring that smaller enterprises benefit from CPTPP expansion.

This whole-of-government approach will maximize the benefits of Costa Rica's accession while reinforcing **Australia's commitment to sustainable and inclusive trade**.

Our Overall Assessment and Recommended Next Steps

We conclude that, Costa Rica's accession to the CPTPP is poised to advance Australia's economic, environmental, and strategic interests – but careful planning is needed to capitalize on the opportunities and mitigate risks. Costa Rica brings strong sustainability credentials and a stable economy that align well with the values of the CPTPP and Australia's vision for trade supporting sustainable development. Australian businesses stand to gain new markets and partnerships across diverse sectors, from education and engineering to agriculture and finance, provided that remaining trade barriers are addressed and information about opportunities is effectively disseminated.

To ensure the effective implementation of CPTPP commitments and track the impact of Costa Rica's accession, we recommend the establishment of a **Monitoring & Evaluation (M&E) framework**. This should include:

- **Key Performance Indicators (KPIs):** Measure trade growth, SME participation rates, and sustainable investment flows between Australia and Costa Rica.
- **Environmental & Social Impact Assessment:** Annual reporting on **carbon reduction, biodiversity conservation efforts, and social inclusion initiatives** under CPTPP trade.
- **Stakeholder Engagement Mechanism:** Periodic reviews involving **Australian businesses, industry councils, Indigenous trade representatives, and Costa Rican counterparts** to evaluate progress and address challenges.
- **Data Sharing & Transparency:** Establish a **bilateral CPTPP Data Exchange** to enhance reporting on sustainability compliance, labour standards, and SME trade flows.

Australia should propose that the **CPTPP Secretariat publish an annual "Sustainable Trade Review"**, evaluating each member's adherence to environmental and social commitments. This mechanism would reinforce **Australia's leadership in sustainable trade** and enhance accountability among CPTPP members.

Next Steps: The Business Council for Sustainable Development Australia (BCSDA) will continue to gather input from industry and civil society to refine these insights. It is recommended that the Australian Government:

- **Engage in active dialogue with Costa Rican counterparts to share best practices on aligning trade and sustainability (potentially forming a joint working group before accession is finalized).**
- **Conduct stakeholder consultations domestically (including SMEs, indigenous business networks, and environmental groups) to prepare supportive measures that ensure the benefits of Costa Rica's CPTPP accession are widely shared in Australia.**
- **Develop metrics to track the impact of this new partnership on key areas (trade volumes in target sectors, progress on sustainability initiatives, SME participation rates, etc.), to be reviewed regularly in intergovernmental CPTPP committees.**

We believe that by taking a proactive, inclusive, and strategic approach in negotiations, Australia can help shape Costa Rica's entry into CPTPP in a manner that reinforces high standards and mutual prosperity. This will ultimately strengthen the CPTPP as a high-quality, forward-looking trade agreement and contribute to our shared goal of sustainable economic development through CPTPP platform.

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