

MESOAMERICA

Volume 24, Number 2, February 2005



COSTA RICA

Caribbean Rains Wash Away Livelihoods

Heavy rains flooded parts of eastern Costa Rica in Jan causing a national emergency. The floods damaged more than 5,300 houses, 4,027 wells, 27 dikes and 119 bridges and destroyed large tracts of highway, thus leaving many people without access to food, clothing or clean water. Several schools, churches and other buildings were temporarily turned into shelters to help alleviate some of the suffering. The downpours, which began on 8 Jan, continued for almost two weeks and affected numerous areas, especially Sarapiquí, Pococí, Guácimo, Siquirres, Matina, Limón and Talamanca. In total, the National Emergency Commission (CNE) reported that 70,000 people were directly harmed by the floods.

The inundations caused an estimated \$74 million in damage, \$31 million of which was in the form of losses in banana exportations. In total, the National Banana Corporation (Corbana) estimates that the floods destroyed about 4% of the total area of banana cultivation in Costa Rica. Of the 6,600 hectares of agricultural land flooded, 1,800 hectares were banana plantations.

To assist the 1,200 banana workers left without employment, the Mixed Institute for Social Assistance, a governmental agency, has promised to pay each one about \$125 a month for two months, half of the minimum monthly salary for the workers. It is estimated that the workers will receive their first payment in mid-Mar. However, this does not help the region's independent producers, many of whom have been forced to at least temporarily shut down their operations. By mid-Feb two large independent producers had declared bankruptcy as a direct result of the floods, leaving 600 workers without work.

Of the 1,800 hectares affected by the flood, independent producers own 61% while international corporations own the remaining 39%. Unlike the independent producers, the international corporations are able to offset their losses with earnings in other countries.

While a large portion of the monetary losses was sustained in the banana sector, on the scale of human suffering, greater losses were experienced elsewhere among the general population. Moved by the media coverage of the tragedy, Costa Ricans donated hundreds of thousands of dollars to relief agencies, some of which is already being used to build new houses. Through direct donations and purchases by the

CNE, 23,000 food rations were delivered to victims within the first two weeks after the flood. As of 1 Feb, 22 tons of clothing had been donated; consequently, the CNE closed its warehouses to that type of donation. Currently, efforts are being made to avoid outbreaks of diarrhea, dengue, malaria and other diseases. Immunizations, hand washing campaigns, and fumigation of mosquito nests are among the tactics officials are using to avoid outbreaks. In the wake of the tsunami in Asia, the international community has also managed to acknowledge the tragedy in Limón province. By the beginning of Feb, Japan had donated \$162,000 and the US, \$100,000.

Floods are nothing new in Caribbean lowlands; however, floods of this magnitude, especially in the dry season, are unprecedented. In fact, some areas flooded to levels never before seen in recorded history. In the wake of this natural disaster, the communities affected by the floods are calling on the national and municipal governments to control rivers by dredging them and improving dikes. They also have demanded the relocation of communities in high risk areas to safer locations as well as the creation of regulations that prohibit the construction of buildings in high risk areas, while improving construction standards for those building in medium risk regions.

In the past, the national and municipal governments have not acted sufficiently to mitigate the damage produced by floods. In fact, many public works that have been built to prevent disasters have actually worsened them because of the lack of adequate design and technical studies. President Abel Pacheco is well aware of the disaster the people face and stated publicly, "We don't want to put patches in the Atlantic Zone. We require a plan that will allow us to move forward. The floods are a problem that are repeated every year and we must act." To remedy the situation, Pacheco has announced the establishment of a commission charged with addressing these problems. Nevertheless, there are no quick repairs for most of the damage already caused, and floods in the near future will likely continue to wreak havoc in this region.

Costa Rica Opposes EU Banana Tariff Hike

The European Union (EU) has reported plans to impose tariff hikes on Latin American bananas, raising taxes from \$95 per ton of bananas to \$292 per ton. The banana producing countries of Ecuador, Colombia, Panama, Costa Rica, Honduras and Guatemala oppose the increase, which would go into effect on 1 Jan '06. These countries project combined losses of \$400 million a year due to such a rate hike and believe that, if anything, EU officials should lower the current tariffs.

Costa Rica, which is the third largest banana exporter to Europe, would be one of the countries most affected by the hike. Banana production is the number one agricultural export earner for the country and the third largest export earner overall. With about 50% of all the country's banana exports going to EU, the rate hike would be another and much larger blow to the Costa Rican banana industry, after the Jan floods. In addition, with a little over one-fifth of the national banana companies behind on their social security payments, it is likely the tariff hike would bankrupt many independent producers.

The tariff increase imposed by the EU is in response to economic and political promises to protect producers in their former colonies in Africa, the Caribbean and the Pacific (ACP countries). The increase would replace the current quota system imposed on Latin American countries, which the EU had previously agreed to abolish in a World Trade Organization (WTO) meeting held in Doha, Qatar, in

late 2001 (Vol. 20, No. 12). Both the EU and Latin American countries have presented their positions with respect to the tariff increase before the WTO and await a resolution.

Fiscal Reform Remains at Standstill

To the dismay of many legislators, President Pacheco refuses to allow the discussion of important legislation until the Legislative Assembly approves his Fiscal Reform Package. This vital legislation, which Pacheco introduced almost three years ago, includes provisions to expand tax collection while simultaneously making the collection and use of the tax money more efficient, which is needed to reduce the fiscal deficit and to promote economic growth (Vol. 22, No. 12).

In order to pass certain types of legislation more quickly, including the Fiscal Reform, Congress is debating the passage of Article 208A, which reduces the number of days allowed to present motions and the amount of time allowed for debate. It is still uncertain though if Article 208A will reach a vote, because the legality of how it was brought to debate in Congress is now an issue that the Libertarian Movement (ML) has taken to the Constitutional Court, which is expected to make a ruling in early Mar. In the meantime, Congress will not debate the Fiscal Reform Package due to the unreasonable time it would take to hear some 1,000 motions against it, mainly presented by the ML. While the Fiscal Reform, if passed, may result in increased revenue to more quickly implement infrastructural, environmental and social projects, its standstill in Congress has stalled the discussion and passage of other important legislation.

Political Restructuring Underway

Three members of the National Liberation Party (PLN) resigned in Jan, including congressman José Miguel Corrales. Those who leave the party tend to agree that during the last several years the PLN has left its social democratic roots, particularly the concept of fighting for greater social equality. In a letter to Francisco Antonio Pacheco, the president of the PLN, Corrales stated, "I separate from the formal structure of the PLN because I cannot and do not wish to be an accomplice of those who want to take possession of the conquests of my party in order to eradicate them or auction them off." Corrales, like many others who have left the PLN, is displeased that former president Oscar Arias has announced his intention of running as the party's candidate for the '06 presidential elections. Now an independent, Corrales will most likely join one of several political parties to the left of the political spectrum. Some of these leftwing parties are discussing the possibility of forming alliances to support a presidential candidate who will compete against Arias and the still unnamed candidate of the ruling Social Christian Unity Party (PUSC).

Arias, who won the Nobel Peace Prize in '87, has faced increased opposition among the political left because of his neoliberal stance, which now includes support for the Central American Free Trade Agreement. Arias and many others believe that if the PLN does not win the '06 election, it will die as a political powerhouse. Also, the further the PLN and PUSC are from holding a majority in Congress, and the more parties that are represented in Congress, the more difficult it will be to achieve a consensus and pass legislation.

—Paul Lubliner