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COSTA RICA

Pacheco Softens Stance on Ratifying DR-CAFTA

After serious pressure from the business sector and legislators, President Abel Pacheco announced on 8 Sep that he would send that the Dominican Republic-Central American Free Trade Agreement with the US (DR-CAFTA) to the Legislative Assembly after the Council of Notables turns in its analysis of the document on 16 Sep.

The announcement signaled a change from his stance that DR-CAFTA would not be sent until the Council of Notables finishes its analysis and the Legislative Assembly passes the Permanent Fiscal Reform Package, a set of bills he says will restructure the tax system so that it is more equitable. The tax reform package has been in the Legislative Assembly for three years, and it recently became entangled in more political infighting that cast much doubt onto whether it would be passed this year.

The Council of Notables is a group of five men hand-picked by the president, supposedly for their distance from politics and interested groups, and is led by Franklin Chang, the famed Costa Rican astronaut with NASA. In addition, the council includes the president of the National Biodiversity Institute (INBio), the former rector of the University of Costa Rica, a lawyer and diplomat, and a priest from the Archdiocese of San José, representing the Roman Catholic Church.

The council, which said in late Aug that it had consulted some 30 people and had received hundreds of e-mails from concerned Costa Ricans, came under fire from the Comisión Nacional de Enlace (CNE), a movement uniting various social sector organizations and workers' unions.

CNE representatives criticized the council, saying it did not represent the Costa Rican people, but rather specific interests. Jorge Coronado, head of Encuentro Popular, one of the social groups in the CNE, noted that Franklin Chang was a founding member of the Costa Rica-US Foundation, which he said financed the DR-CAFTA negotiations. He further charged that INBio "has been absolutely questioned by the environmental movement for its relationship with large pharmaceutical corporations," which he said stand to gain under the intellectual property capitulations in DR-CAFTA.

Since DR-CAFTA passed in the US House of Representatives on 27 July and was subsequently signed into law by President George W. Bush, the pressure on Pacheco to send DR-CAFTA—which was negotiated and signed, but has yet to be ratified by Congress—to the Legislative Assembly has jumped up a notch (Vol. 24, No. 8).

An estimated 3,000 people, many employees at Costa Rican factories and export-related businesses, marched 9 Aug from the Chamber of Industries to the presidential offices in support of DR-CAFTA. Adding to the pressure, 38 of Costa Rica's 57 legislators signed a letter sent to President Pacheco in late Aug demanding that he send the agreement to the Legislative Assembly for discussion and its expected approval.

Responding to both incidents, Pacheco stuck by his stated position that his sending of DR-CAFTA to the Assembly depended on the conclusion of its study by the Council of Notables, and the passage of the tax reform plan.

However, the tax plan fell hostage to the latest flare-up in the long-standing feud between Finance Minister Federico Carrillo and the Legislative Assembly, led by Assembly President Gerardo González. Days before Carrillo submitted the '06 proposed budget to the Assembly, González announced that, "every day that the minister is there, is a day that sets back the fiscal reform." González has called Carrillo a populist, has said he is disloyal to his party—the Social Christian Unity Party (PUSC)—and has criticized his fiscal policy for being too austere on social spending.

A motion introduced by González on 2 Sep bumped the tax reform from first place to third place on the legislative agenda. Though the switch supported González' stance, it officially stems from a Constitutional Court ruling that required the Assembly to pass laws regulating popular initiatives and referendums before 19 Nov.

Embattled Finance Minister Submits '06 Budget Proposal

With calls for his resignation echoing in the Legislative Assembly, Finance Minister Federico Carrillo submitted his proposal for the '06 budget to legislator Olman Vargas of PUSC on 1 Sep. The budget, which contained significant increases for both the Ministry of Health and the Ministry of Public Education but drastic cuts for other areas of government, was of little concern, however, to a raucous crowd of Assembly staff members who sat in on the presentation and shouted down the minister for not prioritizing the construction of new Assembly buildings.

Carrillo's budget proposal laid out \$5.71 billion in spending, with a 13% real increase for education and a 43% real increase for the Ministry of Health. Carrillo explained that because of the international oil crisis, a rising cost of living and the "vicious circle" of external debt payments, the budget was prioritized with the population's most basic needs first—education and health.

"We have the same problem we've always had, which is that 80% of the tax revenue, before we can even think what to do with it, goes to salaries, pensions ... and the debt," Carrillo said.

According to the Finance Ministry, \$3.1 billion of the budget goes to pay down the country's debt, which is more than total taxes collected, meaning that nearly half of the budget had to be financed with loans, which only adds to the country's debt.

The budget contained a drastic cut in spending on roads, as the National Highway Council (CONAVI), part of the Ministry of Public Works and Transportation, saw its budget for next year sliced to less than half of what it had expected. Officials reacted with alarm, saying the country "would not stand" another year of cuts. The finance ministry refused to transfer all of

CONAVI's constitutionally-mandated funds for '05, saying the government could not afford to, even after the Constitutional Chamber of the Supreme Court ordered it to do so. CONAVI officials said that, with what is budgeted for '06, roadwork in Costa Rica would be limited only to the most vital and basic maintenance.

Legislators from both the National Liberation Party and PUSC said that they would restructure the budget to give more resources to public spending. Both parties are running** presidential candidates in the upcoming elections in Feb, which gives added importance to social spending and public works projects.

Following Carrillo's presentation of the budget, legislative staff members proceeded to shout him down as he answered questions from the press; and as he attempted to leave the conference room, they surrounded him. Tensions ran high and physical violence was barely contained, as at least one person shoved Carrillo.

US Cuts in Aid Draw Complaints of Bully Tactics

Costa Rica figures among the list of countries worldwide—mostly developing countries in Latin America and Africa—that have seen US aid cut because of their refusal to help shield the US from the International Criminal Court (ICC).

Following the visit of US Gen. Brantz J. Craddock, head of the Southern Command, which oversees US military action in Latin America, Costa Rican Foreign Minister Roberto Tovar reaffirmed his country's stance and complained that the pressure the US is putting on Costa Rica, and many other countries, is "not the best way to treat a country that is your friend."

The US, under the Bush administration, has aggressively campaigned for years to shield US military, government officials and citizens from the jurisdiction of the ICC.

The ICC is the first permanent, treaty-based international court and was established in '98 with a vote of 120 countries in favor and seven against. The US, Iraq and China were among those against. The court exists to hear cases of the most heinous crimes—genocide, war crimes and crimes against humanity—if and when a government fails to investigate or legitimately prosecute such crimes itself. The Court has jurisdiction only in countries that have ratified the treaty or over individuals from countries that ratified the treaty; 99 countries to date have done so.

However, 100 countries have also signed so-called Article 98 Agreements with the US promising not to send US citizens, military, government officials or contract workers to the ICC. The US believes that this shields their citizens, however, supporters of the court have disputed their interpretation of ICC statute, on which the treaties are based.

Part of the Bush administration's strategy has been to threaten to withhold different types of aid if countries do not sign Article 98 agreements. The American Service-members' Protection Act (ASPA), a law passed in '01 and amplified in '04, says that countries that do not have Article 98 agreements with the US lose military assistance (Foreign Military Financing and International Military Education and Training, among other benefits) and certain economic assistance (Economic Support Fund/ESF) and will no longer receive Excess Defense Articles—surplus equipment from the US Defense Department that ranges from rations and uniforms to vehicles and ships.

In Costa Rica, a country without a military, the US military assistance went towards police and Coast Guard training, whose main role is combating drug trafficking. According to Foreign Minister Tovar, the ESF went mainly to two activities: trade capacity programs that are meant to prepare Costa Rica for DR-CAFTA, and programs to aid those with disabilities.

The US Embassy confirmed that the ESF finances the trade capacity programs, and pointed out that Costa Rica was currently participating in them but could lose them in the future. The Embassy denied, however, that the US was funding, or had cut funding, for disability programs in Costa Rica.

Tovar questioned how fair of a tactic the pressure was, noting that it was not applied to NATO countries or other well-off US allies—the ASPA gives President Bush the power to waive the law for countries at his discretion.

—*Leland Baxter-Neal*