

# *MESOAMERICA*

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## **The Lack of an Historical Winter**

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The great wave of left-leaning, anti-US political sentiment that is supposedly breaking over one and a half continents—from Tierra del Fuego to Tijuana—was kept off Costa Rican shores in the 5 Feb national elections. The 65% of citizens who turned out to vote did make history, but in a very non-revolutionary way. For the first time in 37 years the nation was able, and opted, to reelect a former president. National Liberation Party (PLN) candidate Oscar Arias ('86-'90) will once again assume the presidency when Abel Pacheco hands over his post on 8 May.

Nobel Laureate Arias' reclamation of the presidency does not come as much of a surprise. In '00, he and his brother Rodrigo—also his chief political advisor—introduced a bill to the Constitutional Chamber of the Supreme Court to reform the '69 Constitutional amendment that prohibited presidential reelections. The measure finally succeeded in Apr '03 (Vol. 22, No. 5), and a poll conducted days after the court's decision showed that more than half of respondents would vote for Arias if the elections were held that day. Three years later, very little had changed. Throughout most of the campaign Arias and his pro-US-Dominican Republic-Central American Free Trade Agreement (DR-CAFTA) platform maintained poll numbers as high as 49.6%—a 20% lead over his closest opponent in a 15-party presidential election.

Still, this election had its surprises. First, the incumbent President Pacheco's center-right Social Christian Unity Party (PUSC) maintained poll numbers below 7% for most of the campaign before receiving just 3% of the vote. A second surprise came in the final poll published before the election. Arias' closest opponent, Ottón Solís and his youthful six year-old Citizen's Action Party (PAC), who ran on a platform that called for renegotiation of DR-CAFTA, suddenly trailed by less than 9%. The media began to buzz that Arias might not gain the 40% of the vote needed to prevent a second round between himself and Solís. Three days later the election was held and the Supreme Electoral Tribunal (TSE) released the unofficial results: Oscar Arias, 40.5%; Ottón Solís, 40.3%. The miniscule margin kept the TSE from announcing the winner until the customary vote-by-vote recount was completed, and on 7 Mar Arias was announced the victor by 18,169 votes.

For many, the close results did not suggest so much that PAC had replaced PUSC as the legitimate second party in Costa Rica's traditional two-party system, but rather that national sentiment was divided on whether or not to put Arias back into office. Two groups that were seen as particularly anti-Arias and thus supported his closest contender, Otton Solís, were traditionally PUSC party members, disenfranchised from their own party but still maintaining anti-PLN sentiments, and anti-DR-CAFTA voters who associate Arias with neo-liberal, pro-free trade policies. Although Solís has said he agrees with the spirit of the trade agreement, his assertion that its terms should be changed before it is ratified appeared to have been enough to gain the support of anti-DR-CAFTA voters. As such, the Arias-Solís showdown

was often represented as pro-DR-CAFTA versus anti-DR-CAFTA. If viewed in this light, on 5 Feb, pro-Arias/DR-CAFTA won by 1% of the vote.

### **The Source of the Wave**

This past election did not mark the first time that Arias and Solís have faced off over foreign trade policy. In Arias' first presidency he passed the Structural Adjustment Program (SAP) that marked Costa Rica's participation in what is generally referred to as the "Washington Consensus"—a consolidating term that describes the predominantly neo-liberal foreign investment policies that were negotiated and implemented in Latin America during the late-'80s and early-'90s. The policies set forth in this World Bank accord were intended to liberalize the flow of foreign trade and direct investment, control inflation, and wean the economy off its dependence on the Costa Rica Central Bank for debt relief. Solís, who was Minister of Planning at the time of the negotiations, resigned from his post in Arias' cabinet due to contentions over SAP terms.

Since the SAP's implementation, more money has unquestionably changed hands. Total annual exports have increased from \$1.9 billion in '91 to \$6.29 billion in '04, and total annual imports have likewise jumped from \$2.3 billion in '91 to \$8.26 billion in '04. Meanwhile, poverty and unemployment rates, after dipping slightly in the mid-'90s, are back to what they were before the SAP and are showing an upward trend. Even more indicative of the imbalance that the SAP has wrought is the nation's climbing Gini coefficient. A zero in this wealth distribution indicator represents complete economic equality while a one represents complete economic inequality. Costa Rica's Gini coefficient has gone from 0.370 in '90 to 0.425 in '04.

The shortcomings of neo-liberal policies are not the only stains that have recently smudged the nation's political character. Aside from the inactivity of the Pacheco administration, PUSC's decline in the recent election has been attributed to corruption charges against two recent PUSC presidents: Rafael Ángel Calderón Fournier ('90-'94) and Miguel Ángel Rodríguez ('98-'02). Like the two PUSC Ángels, the last PLN president, José María Figueres ('94-'98), has fallen under suspicion of accepting kickbacks. He is currently living in Geneva, Switzerland and has refused requests that he return to Costa Rica to answer prosecutors' questions regarding the nature of a \$900,000 consulting fee he received from the French telecommunications provider, Alcatel. Pacheco, too, is now swirling in allegations that he received illicit campaign funds from Taiwan, which hopes to secure strategic business ties with Costa Rica in the post-DR-CAFTA economy.

Consider the events leading up to—and prevalent during—this past election. Corruption charges against each of its last four presidents; a spiking trend towards a progressively more parasitic model of foreign investment; the weakening of state-run institutions to further support this inequitable investment; a looming free trade agreement that threatens access to low-cost generic drugs and endangers the livelihood of thousands of agricultural workers and retailers; the disintegration of its traditional two-party system and looming behind it all, The Wave. Is this not the stuff of major political change?

The Wave: real or imagined, its reference has been ubiquitous. The giant crest is said to have been triggered, in part, when the neo-liberal failings of corrupt politicians caused unsustainable tectonic pressure between the political plates of Latin America. A sudden shift occurred, and its subsequent movement has carried the likes of Hugo Chavez in Venezuela, Ignacio "Lula" da Silva in Brazil, Nestor

Kirchner in Argentina, and Evo Morales in Bolivia into office. Costa Rica has similarly experienced the shortcomings of neo-liberal economic policy and the incensed shame brought on by corrupt representation. Its election was one of nine slated in Latin America between the end of '05 and the end of '06— marking a period of particular political uncertainty in the region. Why did Costa Rica avoid a similar shift to the left? How does it continue to keep from being overtaken by The Wave?

### **Tomorrow is DR-CAFTA**

Former Costa Rican President José "Pepe" Figueres ('48-'49, '53-'58 and '70-'74) once said that Costa Rica's biggest problem is its lack of an historical winter. Barring the brief coup that Figueres himself led, Costa Rica has enjoyed a relatively prosperous and peaceful history. Costa Ricans have not fallen under a military rule that clandestinely murders suspected dissenters such as Pinochet in Chile or the military junta that launched the Dirty War in Argentina. The 94% mestizo population in Costa Rica has no fear of the racial subjugation suffered by Bolivia's majority indigenous population. There has not been a hint of the ideological civil wars that beleaguered Guatemala, El Salvador, Honduras and Nicaragua in the '80s. In fact, Arias won the Nobel Peace Prize for mediating the negotiations that ended the conflicts in Nicaragua and Honduras.

That Costa Rica has been the model for sustainable, peaceful democracy in Latin America is, of course, a good thing. That Arias has largely contributed to that sentiment is even better. There is no argument that can shed a positive light on violently oppressive dictators or bloody civil war. Such histories, however, tend to maintain a certain political urgency for the citizenry who suffered and remember their suffering. Presumably, Pepe's poetics referred to the threat of political apathy that can befall a complacent citizenry. The consistent increase in voter abstention, from 18.9% of the electorate in '94 to 34.3% in the past election, seems to support the argument that such a phenomenon is underway. The majority of Costa Ricans who did vote, amid this transitional period in Latin America, chose to revert to the past. They reelected the president who implemented the type of economic policy that many say prompted Latin America's recent political shift to the left.

According to the head of International Affairs at the General Accounting Office of the Republic, Guillermo Barquero, Costa Rica "is very different than other Latin American countries where you have a stronger lower class with [greater feelings of] disenchantment and frustration." Arias' reelection, Barquero said, is indicative of Costa Ricans' aversion to change. They remember "that the last time Arias was in power, it was considered a good government... They [believe] that it might be a little bit better tomorrow, but they have the certainty that it won't be worse."

Tomorrow is DR-CAFTA. The electorate might have put Arias in office in hopes of maintaining past and current conditions of prosperity, but they have little control over the fact that DR-CAFTA will bring major change. Costa Rica is the only Central American country that has not ratified the agreement, but the general perception is that the country has little other choice. The poorer countries in Central America (Honduras and Nicaragua), having few alternatives for economic growth, had to ratify DR-CAFTA. El Salvador and its very pro-free trade president, Elias Antonia Saca, has been on board from the beginning, and in Mar became the first participant to enact the trade agreement. It was widely believed that the wealthier economies (Guatemala and Costa Rica) would quickly fall in line. Guatemala has ratified DR-CAFTA, and now, under Arias, Costa Rica most certainly will as well.

The country's creep towards increased privatization of state institutions and a more permissive stance on foreign investment and business activity, begun by Arias' passing the SAP, will take a running leap after DR-CAFTA. After all, the agreement calls for the eradication of import and export tariffs and the complete privatization of state-run monopolies. A glaring new development in DR-CAFTA, that could prove the most detrimental, is the imposition of intellectual property laws that are stricter and further reaching than Costa Rica's existing multilateral copyright agreements.

The new copyright laws would outlaw the sale of affordable generic drugs. The rising cost of medicine and the disintegration of the Costa Rican Social Security System (the universal healthcare provider) would make affordable healthcare unavailable for possibly millions of Costa Ricans. That does not seem to be the concern of the large pharmaceutical companies. A 14 Feb report by the non-profit consumer advocacy organization, Public Citizen, reported that a pharmaceutical lobbying group "donated" \$2.8 million to the campaigns of 30 US House of Representative members who voted to approve CAFTA.

The stricter patent laws would also outlaw the production and sale of certain strains of seeds that the region's agriculturists have developed and depended on for centuries. The seed industry is a \$30 billion a year business, and six companies—Aventis, Dow, Dupont, Mitsui, Monsanto and Syngenta—hold 70% of the seed strain patents that exist on five essential agricultural products—rice, wheat, corn, soy, and sorghum. Farmer's who cultivate the strains that are under copyright law would be forced to discontinue producing their own seed supplies and begin buying them from these multinationals. It would be a total disruption of traditional cultivation methods, and then US-subsidized products would flood the marketplace at below-market prices. The Costa Rican agricultural sector will be unable to compete with the cheaper imported products.

Luis Guillermo Solís Rivera, head of the Graduate School of History at the University of Costa Rica and director of national coordination and research at FLACSO, believes that the country's only means of preventing these disasters is to pass legislation that minimizes the impact of DR-CAFTA. For Solís Rivera that means a national dialogue needs to be held to outline exactly what the nation must do to defend itself from falling under complete US market dependency. Currently, 50% of all Costa Rican exports go to the US. He would like to see that percentage drop to at least 30% in the next 10 years by diversifying foreign trade destinations through increased relations with Asia. He envisions educational reform that would promote English-language skills as a key factor to keeping future generations competitive in the global market. Most importantly, he said the country has to get creative and enact laws that would allow the telecommunications, agricultural and health sectors to continue operating with a semblance of their present forms.

Unfortunately, Solís Rivera does not believe Arias will succeed in effectively fortifying the nation before it enacts DR-CAFTA. "First of all I don't think he has the vision to do that," he said. Without a national dialogue aimed at creating complementary laws, Solís Rivera foresees an increase in poverty, a widening gap in wealth distribution, ineffectual public institutions, and a more disenchanting and possibly violent public.

Arias has conceded that renegotiating the trade agreement with the US at this point is an impossibility, but he has not mentioned an intention to open discussions regarding how the country can prepare for the adversities that DR-CAFTA will create. He has been criticized for what appears to be a generally neo-liberal scheme that accepts the DR-CAFTA terms as they are. In addition, not all of Arias' motives are

politically minded. The Arias family has major interests in the sugar industry, which stand to benefit immensely from the removal of export tariffs.

Still, Arias has said he will emphasize improving public education and using foreign investment to fund critical areas of government policy—in particular, the fight against extreme poverty. “I cannot assure you that this country will be stable enough for him to be able to even do the things he is willing to do, let alone convene a social dialogue within the context of a Constitutional Assembly,” said Solís Rivera.

Solís Rivera does not foresee a complete economic and social collapse after DR-CAFTA, but he does envision a major citizen backlash. The recent election exhibited the divisive sentiment that exists on the free trade issue. The General Secretary of the National Association of Public and Private Employees, Albino Vargas, has already sent a letter to Arias warning of what would result if DR-CAFTA is ratified. He wrote that a social uprising would ensue exponentially worse than the Combo strike that, for three weeks in '00, paralyzed transportation and enflamed violence between protestors and police (Vol. 19, Nos. 4, 5).

The nation has been progressively burdened in the past two decades by neo-liberal international economic policy. DR-CAFTA is simply the final blow that will finish what Arias began in his first term. Solís Rivera used the analogy of an already decaying body and DR-CAFTA being the final stroke; Barquero similarly referenced the metaphor of Costa Rica as a boat with thousands of holes and DR-CAFTA being the major hull-breach that suddenly everyone starts to worry about. The point is that the new Arias administration has to do some mending before it exposes the nation to the dangers of CAFTA.

Costa Rica is not a country predisposed to enacting extreme political change; it was never likely to undergo a radical political shift to the left, as has recently occurred in a growing number of Latin American countries. Still, the electorate's aversion to change and its decision to relive the past has put back into office one of the corrosive forces that contributed to the country's current precarious economic position. Costa Rica will not likely suffer a major stroke if Arias does not put forth sufficient institutional fortification before ratifying DR-CAFTA. The boat probably will not sink. Still, if Costa Rica is left unprotected, a proverbial winter carrying frigid economic and social implications could come to pass in the foreseeable future.

—*Rob Fischer*