COSTA RICA

Elections Set: Death Knell for Welfare State?

When Costa Ricans vote for a new president on Feb. 2 they will choose between two main candidates, both advocates of a new economic model—a model which could put an end to 40 years of reform government in Costa Rica.

Both front-running Rafael Angel Calderon, Jr. of the United Social Christian (USC) Party and Oscar Arias of the National Liberation Party (PLN) hope to win by claiming to support the legacy of the welfare state, long the source of Costa Rica's relative stability. But both candidates, who differ only slightly on most issues in the campaign (Calderon has recently taken on a more bellicose tone against Nicaragua) support an economic policy of free market austerity—an economic strategy that would eliminate many of the benefits to which Costa Ricans have become accustomed in recent decades.

Costa Rica today has one of the world's highest per capita foreign debts, close to U.S. $1,600, and its service payments currently take 56% of the value of the country's exports. The Costa Rican government has chosen an orthodox IMF approach to deal with its debt. This approach requires, among other measures, a reduction in the government deficit, a reduction of Central Bank credit to the public sector and measures intended to restrict domestic demand. At the same time, USAID supplies Costa Rica with "economic support funds" which assures a flow of credit to the private sector. By subsidizing critical imports from the U.S., resources are freed up for debt servicing . As such, USAID grants allow Costa Rica to meet stringent IMF conditions while retaining politically acceptable living standards.

But U.S. economic assistance has come with strings attached. In addition to pressuring Costa Rica to fit into its regional strategy against Nicaragua, U.S. aid, like the IMF, is tied to a series of conditions designed to create export-oriented, internationally competitive economies. In the short run, garment and assembly plants located in coastal free trade zones are seen as a partial solution to Costa Rica's debt crisis. The export of "nontraditional" items is seen by the architects of this model as the key to long-term economic growth. The economic model imposed on Costa Rica through such conditions envisions a Central American Taiwan or Korea, and mirrors similar developments in Honduras.

Counter-reforms Imposed

The growing debt crisis—approximately $4 billion—and the conditions imposed by IMF, USAID and World Bank assistance have already provided the pretext for a series of counter-reforms currently being imposed on the Costa Rican people. Subsidies provided to basic services like water and electricity ended this past year. At the same time, most price controls are expected to be lifted. This occurrance—rarely implemented during an election campaign—reveals the depth of the economic crisis.

In addition, pressures have been exerted to reduce the "social costs of labor" (i.e., wages and benefits). Such costs stand at about 40% but this proportion has been declining.

Finally, the state sector of the Costa Rican economy has continued to be reduced through the selling of state companies to private interests, opening sectors of the economy formerly monopolized by the state to private ventures, and giving preferential selective credit to private enterprises. One effect of this trend is the growing influence of the private sector, and a parallel reduced scope of government action.

(continued on next page)

HONDURAS IN BRIEF

Father Jack Donald from the Department of Colon denounced in a public letter to the Honduran daily *Tiempo* that the Army continues to repress the members of the church. Donald, who was held by the Honduran military last summer, reported that the Army is collecting the names of all the leaders of the Catholic Church in that Department and creating vigilance committees. According to Honduran authorities such activities are routine activities of the Army.

Meanwhile, Bishop Luis Santos of the Diocese of Copan stated recently that his Diocese would not support the decision to relocate the Salvadoran refugees now in the Colomoncagua and San Antonio refugee camps. Santos' Diocese also questioned the Honduran government's aggressive policies towards the Salvadoran refugees in comparison to the absolute lack of policy against the armed Nicaraguan contras in Honduras.