FEATURE

In Costa Rica, where the push to increase agricultural exports has damaged the environment and increased dependence on imported food, a structural adjustment program has actually improved some macroeconomic indicators. However, for many Costa Ricans, life has worsened. Karen Hansen-Kuhn reports from San Jose.

Poverty Increases in Costa Rica

Having entered the 1980s with an economy in crisis, Costa Rica became the first country in Central America to undergo a structural adjustment program. After over a decade of stabilization (designed to lower inflation and government deficits) and adjustment (geared towards increasing exports) it is often cited as an economic success story. Economic growth has resumed, unemployment has fallen, and, as a result of the country's participation in the U.S. Brady debt-reduction plan, its debt-service burden has been reduced.

Yet, while these macro-economic indicators have improved, other measures of the country's well-being paint a very different picture. Costa Rica's trade deficit, for example, has increased to unprecedented levels despite aggressive export-promotion programs, and the fiscal deficit and inflation continue at historically high levels. There are also indications that income distribution has worsened significantly in the last ten years, particularly in the rural areas where many farmers have been badly hit by the government's new agricultural policy.

Falling Agricultural Exports

Costa Rica has a distinctive tradition of democracy unique in Central America. Its post-War development model emphasizing agro-exports and import-substitution industries created enough wealth to fund an extensive social-services system. However, by the end of the 1970s, consumption by the middle and upper classes raised demand for imported goods, and the light assembly plants that dominated the manufacturing sector were also heavily import dependent. Adding to the foreign-exchange crisis, world prices for coffee (Costa Rica's main export earner), plummeted.

Faced with these multiple crises, President Rodrigo Carazo met with the International Monetary Fund (IMF) in 1980 and agreed to an austerity plan that included currency devaluation and cuts in government expenditures in return for a two-year, US$79 million standby arrangement. Over the next three years, Costa Rica carried out limited, short-term stabilization programs designed to bring down inflation and restore growth.

In 1985, in addition to signing a new standby arrangement with the IMF, the government received its first loan from the World Bank in support of medium-term structural adjustment measures. Ignoring Costa Rica's vulnerability to unstable agricultural export markets and prices, the adjustment programs promoted by the Bank and the Fund during the second half of the decade continued to focus on export promotion, including non-traditional exports. A second Structural Adjustment Loan (SAL II) in 1989 also promoted these exports within the new agricultural policy, known as the "Agriculture of Change."

In addition, both structural adjustment loans mandated "industrial reconversion", i.e., reorienting industry away from the domestic market towards export as well as encouraging private investment. USAID, IMF and World Bank demands in 1991 to cut government spending and reduce the budget deficit and inflation led to the laying off of 7,000 public sector workers, cuts in social-service budgets and increases in the sales tax and import duties.

More Land for Fewer Landowners

After more than a decade of structural adjustment and stabilization, Costa Rica's macro-economic performance – the principal focus of the policy reforms – is mixed. Average growth throughout the period is just slightly higher than that for Latin America and the Caribbean as a whole. GDP per capita only managed to reach 1979 levels in 1989. In 1990 inflation reached 25 percent.

Mr. Ottón Solís, Minister of Planning under President Oscar Arias, has expressed deep concern that the period since 1985 is the first time in the country's history that GDP has grown while wages have decreased. He believes that this model has created a vicious cycle that will continue to widen the gap between rich and poor.

According to Mario Lungo of Centro Superior Universitaria Centro Americana (CSUCA), "The 1980s generated a high proportion of jobs of inferior quality, of great instability and low income ... employment levels have recuperated (to their 1980 levels) while income fell and poverty increased."

In the agricultural sector, government support has shifted

away from small-farm agriculture and towards export production by large-scale domestic and foreign investors. Few small farmers have benefitted from the "Agriculture of Change" program because the start-up costs related to non-traditional export crops are high and access to credit has been severely restricted. As a result, the share of the country's agricultural production controlled by large landowners and foreign investors has grown substantially. Farm leader Mr. Carlos Campos claims that there has been a "frightening concentration of land ownership" since the new policies went into effect in 1986 as more and more farmers are forced to sell their land and become landless workers on corporate plantations. The World Bank itself acknowledged the danger in a 1988 memorandum on Costa Rica stating that "... small holders unable to move into the new (non-traditional) activities might have to sell their land and become landless workers."

Growing Dependence on Imports and Chemicals

Many farmers' organizations who object to the overemphasis on export production cite the deepening dependence on imported food, including subsidized imports, for the country's basic food supply. In July 1990, leaders of 32 farmers' organizations sent a letter to the committee on Foreign Affairs of the U.S. House of Representatives declaring that the structural adjustment measures imposed by the World Bank and the food aid administered by USAID in Costa Rica had led to "... the reduction of our earnings, hunger and suffering for our families, and the loss of our nation's food security."

Production of the new export crops in Costa Rica typically involves extensive use of agrochemicals because many of the crops are not native to the country and thus are highly susceptible to pests and diseases. At least 1,500 farm workers seek medical attention for pesticide poisoning each year, though government officials say that even that number seriously underestimates actual cases of poisoning. Melon producers using such agrochemicals as Tamaron, Paraquat and Lannate (Metomil) have contaminated rivers and killed wildlife. Hilly areas have also become severely deforested by farmers who have had to move on after exhausting their lands by overusing agrochemicals.

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Declining Social Services, Burgeoning Social Upheaval

Historically, Costa Rica has had a strong social-service sector. Over the past decade, however, spending has been cut as a condition of the adjustment loans. The tax structure has become increasingly regressive, while unemployment and underemployment have grown and real wages fallen. The UN Economic Commission on Latin America and the Caribbean has estimated that in1990 at least 40 percent of the Costa Rican families lived in poverty, compared to 25 percent in 1980.

Health conditions have also deteriorated, with a Ministry of Health report in 1985 indicating significant increases in intestinal parasitic diseases, rheumatic fever and alcoholism, which it blamed largely on deteriorating social and economic conditions. Conversely, the public-health system's ability to cope has been seriously compromised due to cuts in the government health-care budget.

Proposed cuts in public-sector employment have elicited strong reactions from unions, which have organized a series of national strikes, work stoppages and demonstrations. Their demands include salary increases to offset a 25-percent decline in the purchasing power of their wages over the last four years, and a halt to further layoffs.

Resistance among rural people has also become highly organized, as squatter invasions of empty lands, and demonstrations against declining services and access to credit have grown. Farmers have held demonstrations across the country, occupying government buildings and blocking highways.

Developing from the Bottom Up

Costa Ricans are advancing alternative proposals for the development of their country. Plans have been proposed by farmers' unions, organized labor and environmentalists, as well as academic groups.

The Concejo Nacional de Produtores Justicia y Desarrollo, a coalition of 95 fishing, farming, forestry, and other producers' groups, have proposed three goals for a policy of rational agricultural transformation: 1) food "sovereignty" (national control over the food supply), not just in food grains, but in all basic food groups; 2) vertical integration of production, so that farmers participate in and benefit from all stages, from purchasing inputs to exporting crops; and 3) agricultural development which is socially, economically, and ecologically sustainable. UPANacional, Costa Rica's largest farmers' union, has presented a plan that focuses on a fair return to producers, with a guaranteed price based on the cost of production. Both groups are continuing negotiations with the government.

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All of these alternative proposals share a commitment to self-determination and broad-based, sustainable development. They rest on the assumption that the neoliberal model has failed and that plans should be devised to meet domestic needs rather than foreign obligations. They do not propose returning to the past, but recognizing the limitations of the prior import-substitution model, they suggest working toward a future in which all citizens benefit from economic growth.