
Costa Rica: Background and U.S. Relations

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Summary

Costa Rica is a relatively politically stable and economically developed nation with a long tradition of civilian democracy. Former president (1986-1990) and Nobel-laureate Oscar Arias of the National Liberation Party was elected President in 2006. Throughout his term, Arias has focused on expanding the country's social safety net and increasing free trade. He faced strong opposition to the country's inclusion in the Dominican Republic-Central America-United States Free Trade Agreement (CAFTA-DR), but eventually secured its ratification and implementation. Arias has also been active in foreign affairs, establishing diplomatic relations with China and Cuba after decades without formal ties.

Once a predominantly agricultural nation, Costa Rica has established a diversified economy with a strong export sector. Under President Arias, the country has increased its social investment, experienced significant economic growth, and seen a reduction in poverty. The global financial crisis and Costa Rica: Background and U.S. Relations economic downturn, however, threatens to erase these gains. President Arias has responded to the crisis with an ambitious fiscal stimulus and social protection plan. While the plan may do much to mitigate the social impacts of the crisis, analysts believe it will be unable to prevent Costa Rica's economy from slowing considerably in 2009.

In recent years, many have begun to recognize Costa Rica as Costa Rica: Background and U.S. Relations a world leader in environmental protection. Successive Costa Rican administrations Costa Rica: Background and U.S. Relations have sought Costa Rica: Background and U.S. Relations to address the extensive deforestation and environmental degradation that resulted from decades of logging and agricultural expansion. The country's innovative policies, strong conservation system, and commitment to alternative energy have done much to restore Costa Rica's environment. Costa Rica is also party to a variety of international treaties and has committed to becoming carbon neutral by Costa Rica: Background and U.S. Relations 2021. This commitment to environmental protection has been a significant source of economic growth for the country as Costa Rica is now a top destination for

ecotourism.

The United States and Costa Rica have long enjoyed close relations as a result of the countries' shared commitments to strengthening democracy, improving human rights, and advancing free trade. The countries have also maintained strong commercial ties, which are likely to become even more extensive as a result of the implementation of CAFTA-DR. Costa Rica and the United States have worked together on a number of other issues as well, such as conserving Costa Rica's tropical forests and combating narcotics trafficking.

For additional information see CRS Report RL31870, *The Dominican Republic-Central America United States Free Trade Agreement (CAFTA-DR)*, by J. F. Hornbeck, CRS Report RL34112, *Gangs in Central America*, by Clare Ribando Seelke, and CRS Report R40135, *Mérida Initiative for Mexico and Central America: Funding and Policy Issues*, by Clare Ribando Seelke and June S. Beittel.

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Political Situation

Background

Costa Rica is a relatively politically stable and economically developed country of 4.3 million people. The country gained its independence from Spain in 1821 as a part of the Central American Union, Costa Rica: Background and U.S. Relations and became a sovereign nation following the union's dissolution in 1838. Costa Rica has a history of stable governance and has enjoyed continuous civilian democratic Costa Rica: Background and U.S. Relations rule since the end of Costa Rica: Background and U.S. Relations a 1948 civil war, the longest period of unbroken democracy in Latin America. The civil war led to the creation of a new constitution, the abolition of the military, and the foundation of one of the first welfare states in the region. Although the 1949 constitution forbids the creation of a standing army, the country has a coast guard and a 9,900-strong police force that is controlled by the Ministry for Public Safety and the Interior. Costa Rica is a presidential democracy with a unicameral legislature. Presidential and legislative terms last four years, with consecutive terms prohibited by the constitution.¹ Costa Rica also possesses an Costa Rica: Background and U.S. Relations independent judiciary, which includes a Supreme Court with a Constitutional Chamber that has extensive powers to review the constitutionality of legislation.²

Public fatigue with politics has grown in recent years as a result of corruption scandals that have implicated three former presidents from the two traditional ruling parties: Rafael Angel Calderón (1990-1994) and Miguel Angel Rodríguez (1998-2002) of the center-right Social Christian Unity Party (PUSC) and José María Figueres (1994-1998) of the center-left National Liberation Party (PLN). This disillusionment has led to high voter abstention rates and increased support for Costa Rica: Background and U.S. Relations newer parties, such as the leftist Citizens' Costa Rica: Background and U.S. Relations Action Party (PAC) and the conservative Libertarian Movement Party (PML).³

2006 Elections

Presidential and legislative elections were held in February 2006, though the presidential Costa Rica: Background and U.S. Relations election was so close that the Supreme Electoral Tribunal (TSE) did not announce the final results until March 2006, following a manual recount. Former president (1986-1990) and Nobel-laureate Oscar Arias Costa Rica: Background and U.S. Relations of the PLN defeated the PAC's Ottón Solís—a former PLN deputy and Minister for National Planning and Economic Policy during Arias' first administration—40.92% to 39.8%, a difference of just 18,167 votes. The PLN also won a plurality in the National Assembly with 25 of the 57 seats. The PAC won 17 seats, surpassing the PUSC, which won just five National Assembly seats and 3.5% of the presidential vote. Costa Rica: Background and U.S. Relations Voter abstention continued to be high, with 35% of the population not voting, a 4% increase from 2002.⁴ The Dominican Republic-Central America-United States Free Trade Agreement (CAFTA-DR) was one Costa Rica: Background and U.S. Relations of the most prominent issues of the campaign. Arias supported ratification of the agreement while Solís maintained that it

should be renegotiated.

¹ As a result of an April 2003 constitutional change, presidents may be reelected after two terms out of office.

² "Country Profile: Costa Rica," *Economist Intelligence Unit*, 2008.

³ "Costa Rica: Elections end in dead heat," *Oxford Analytica*, February 8, 2006. The PML first participated in presidential elections in 1998 and the PAC in 2002.

⁴ "Costa Rica: Arias Finally Wins It," *Latin American Regional Report Caribbean & Central Costa Rica: Background and U.S. Relations America*, March 2006.

Arias Administration

President Arias has spent much of his administration expanding Costa Rica's social safety net and advancing free trade. Despite some minor scandals that led to several Cabinet members' resignations, President Arias has enjoyed considerable public support throughout much of his term. In April 2009, the Arias Administration had a 53% approval rating, the highest rating for a president Costa Rica: Background and U.S. Relations in the third year of his term in Costa Rican history.⁵

President Arias has done much to expand and modernize Costa Rica's social safety net since his election in 2006. In his first year alone, Arias doubled welfare pensions, created 16 new centers for primary healthcare services, Costa Rica: Background and U.S. Relations and increased funding for education by 26%.⁶ The Arias Administration also Costa Rica: Background and U.S. Relations introduced *Avancemos*, a conditional cash transfer program that provides monthly stipends to the families of 140,000 poor students, as long as the children remain in school and receive annual medical care.⁷ The program aims to reduce poverty in the short run while fostering long-term poverty alleviation through increased educational attainment. Social spending accounted for 41.1% Costa Rica: Background and U.S. Relations of the budget in 2008 and will likely exceed 45% of the budget in 2009.⁸ Although these policies combined with strong economic growth helped reduce poverty in Costa Rica, the onset of the global financial crisis has threatened to erase the social gains made in recent years.

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