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Costa Rican Election May Give Support to Cafta Foes in U.S.

By John Lyons in Mexico City and Greg Hitt in Washington
Staff Reporters
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Latin America's backlash against U.S economic influence appears to have taken hold in one of the region's oldest democracies and closest U.S. allies, Costa Rica, a development that may embolden free-trade critics in the U.S., too.

In the Central American nation's presidential election Sunday, voters propelled Ottn Solis -- a long-shot candidate who opposes a free-trade agreement with the U.S -- into a virtual tie with the campaign front-runner, Oscar Arias, a Nobel Peace Prize winner who favors the pact. The surprising finish for Mr. Solis, who faced a seemingly insurmountable gap in pre-election polling, may force a hand count of ballots that could delay an official election result for a week.

With votes from 87% of voting stations counted yesterday, Mr. Arias had 40.5% of the votes to Mr. Solis's 40.2%, according to the Associated Press. Under Costa Rican law, a presidential candidate must receive at least 40% of the vote to avoid a runoff.

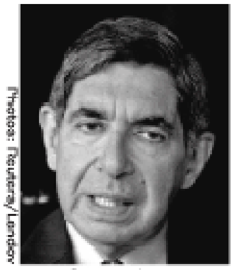
The surprising election finish is also likely to have an impact in the U.S. Congress, where approval of the Central American Free Trade Agreement squeaked through the House of Representatives last year with a two-vote margin. The Bush administration is working furiously to finish a number of free-trade deals and push them through Congress before the mid-2007 expiration of President Bush's Trade Promotion Authority, which permits lawmakers to approve or reject trade pacts but not tinker with them. The U.S. recently concluded negotiations with Peru, and talks are in progress with Colombia, Ecuador and Panama.

During the Cafta fight, U.S. critics of the accord often pointed to opposition to the pact in Central America. Activists from the region even ventured to Capitol Hill to lobby against it, voicing concerns that local workers and industries in their home countries would be overwhelmed by U.S. competitors. And while lawmakers likely will decide based on whether the deals are good for their constituents and U.S. business, the vote in Costa Rica is bound to bolster trade-pact foes, giving them greater credibility and a larger platform. The Costa Rica vote may also throw up yet another hurdle in negotiations over a new global trade deal. Those talks are snarled amid differences between rich and poor countries over how best to break down trade barriers for such things as farm subsidies and restrictions on foreign investors.

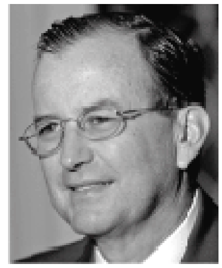
Populist Tide

A political reaction against free-market economics and free trade has been growing in Latin America, helping Ottón Solis achieve an unexpectedly strong showing against Oscar Arias in Costa Rica's presidential election.

Photos: Reuters/Landov



Oscar Arias



Ottón Solis

- **Argentina:** President Néstor Kirchner forced international bondholders last year to take deep losses as part of debt restructuring.
- **Venezuela:** President Hugo Chávez undercut U.S. efforts to hammer out a hemispheric trade accord.
- **Bolivia:** Former coca-grower representative Evo Morales won the presidency this year on a platform demanding nationalization of the country's natural gas.
- **Peru:** Nationalist presidential candidate Ollanta Humala, an ally of Morales and Chávez, has jumped to the head of the polls for April's election.
- **Nicaragua:** Former Sandinista leader Daniel Ortega is staging a strong run ahead of November's presidential election.
- **Mexico:** Populist candidate Andrés Manuel López Obrador leads in polls for July presidential election on a campaign of boosting government spending.

Mr. Solis's election-day surge is the latest example in Latin America of a rethinking of free-market policies adopted at the urging of the U.S. in recent decades. Voters in Venezuela, Argentina and Bolivia have elected candidates who favor increased state involvement in the economy, while presidential candidates with populist platforms are running strongly in Peru, Mexico and Ecuador.

"The development model has not achieved the results expected, even within its narrow goals of lifting growth and creating jobs -- not to mention areas such as poverty reduction," said Mr. Solis, who is widely viewed as more moderate than populist leaders in Venezuela or Bolivia. "The model has failed to improve almost every major social variable, and we're now seeing a reaction against that around the region and in Costa Rica."

The Solis campaign got a boost from corruption scandals that have enveloped three previous Costa Rican presidents. But the 51-year-old economist and former central-bank official campaigned mainly as an opponent of Cafta, a pact involving the U.S., Costa Rica, Honduras, El Salvador, Nicaragua, Guatemala and the Dominican Republic. Legislatures have ratified the treaty in every nation except Costa Rica, where additional requirements that the nation open up its state-run telecommunications and insurance industries sparked opposition among unions. Mr. Solis says the free-trade deal gives the U.S. far too many advantages while providing little access to the protected U.S. market for sugar, for example, an industry in which Costa Rica and other Central American nations have a comparative advantage.

Indeed, even Mr. Arias, a 65-year-old former president, who supports the pact, has criticized the U.S. for failing to provide Central America with added assistance that would help it develop economically since the civil wars of the 1980s. Mr. Arias, who won the 1987 Nobel Peace Prize for promoting peace talks in Central America, said in an interview last year that Costa Rica would be left out of an export-led regional expansion if it balks on Cafta.

Cafta was supposed to go into effect on Jan. 1. The accord, however, has yet to be implemented amid rocky negotiations over issues ranging from the enforcement of intellectual-property rights to the portability of telephone numbers.

Write to John Lyons at john.lyons@wsj.com[1] and Greg Hitt at greg.hitt@wsj.com[2]