

Trade Accord With U.S. Splits Voters in Costa Rica

Discontent with the pact turns the presidential election into a close contest, analysts say.

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**By Marla Dickerson and Evelyn Iritani
Times Staff Writers**

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SAN JOSE, Costa Rica — The top two candidates in Costa Rica's presidential election were deadlocked Monday in a race some say has become a referendum on a controversial free trade pact with the United States.

Sunday's contest was supposed to have been a coronation for former President Oscar Arias, a Nobel Peace Prize winner who vowed to seek quick approval for the trade agreement with the U.S. and other Central American countries. Instead, with 89% of the vote counted, Arias finds himself in a dead heat with Otton Solis of the Citizens' Action Party, a staunch critic of the trade pact who has called it "a factory of poverty."

Election officials said it could take days, even weeks, before the race was decided. Arias currently holds the slimmest of leads, having garnered 40.5% of ballots cast compared with Solis' 40.3%.

Experts predict that the deep polarization among Costa Rica's voters will prevent the speedy approval of the trade agreement that the nation's business leaders and the Bush administration have been banking on, even if Arias emerges the winner.

Costa Rica is the only country in the seven-nation deal that has yet to ratify the pact, which established a trading group with the Dominican Republic, El Salvador, Guatemala, Honduras, Nicaragua and the U.S.

The accord would open the U.S. market to more apparel, sugar and other goods. In return, those nations would lower barriers for U.S. farm products, manufactured goods and services such as banking.

But some signatories are expressing discontent. The pact's scheduled Jan. 1 implementation is on hold because some nations are balking at making changes to their intellectual property rules and other laws.

But it is hesitation by Costa Rica, the region's oldest democracy and most prosperous economy, that has caught the world's attention.

"There is powerful symbolism in what's happening in Costa Rica," said Michael Shifter, an analyst with the Inter-American Dialogue, a Washington think tank. "Here is a country

with enormous affinity with the United States, where there is a tremendous convergence of shared values ... and even they are not convinced that unquestioned support of the United States is in their best interests."

Several preelection polls had shown Arias to be the overwhelming favorite, with Solis projected to win only about one-quarter of the vote in a race with 14 candidates. But analysts said Costa Ricans who were uneasy with the trade pact and the U.S.-prescribed model of development for the region defected from minor candidates to cast their lot with Solis.

"Voters saw in Solis the only anti-CAFTA candidate with a chance of winning," said Sergio Araya, president of the College of Professionals in Political Sciences and International Relations in San Jose, using an acronym for the free trade agreement.

Copy shop owner Alexander Rojas Villalobos is dubious about opening up government-run industries to competition from U.S. firms. He worries that the trade pact could bankrupt the state-run cellular service, which has provided Costa Ricans with some of the lowest rates in Latin America.

"It's a public service that [U.S. companies] want to turn into a business for their own profit," said Rojas, who wore an anti-pact T-shirt at a pro-Solis rally a few days before the election. "It's economic hegemony."

Although U.S. exports to the accord region account for less than 2% of total foreign sales, the deal has strategic importance for the Bush administration. Unable to persuade major economies such as Brazil and Argentina to join a hemispherewide trade bloc, U.S. negotiators have been chipping away at Latin America, piecing together an economic "coalition of the willing" through smaller bilateral and regional deals in hopes of ratcheting up the pressure on skeptical nations.

The Central American trade pact has proved a hard sell. In the United States, Republican leaders resorted to heavy arm-twisting last summer to pass the accord by a single vote after it was strongly opposed by labor unions and Democrats who said environmental and labor protections lacked teeth.

Activists in Central America are worried that the region's farmers would not be able to compete against subsidized American agricultural products, and they fear protections granted to U.S. pharmaceutical makers could make it tougher to procure cheap generic drugs to battle AIDS and other life-threatening diseases.

Anti-pact protests erupted in several Central American nations, including Guatemala, where at least two demonstrators were killed last year.

In Costa Rica, the business community is firmly in the camp of the U.S., which buys about half of Costa Rica's exports. Last year Americans snapped up \$3.3 billion worth of Costa Rica's flowers, fruit, apparel and technology products, according to U.S.

government figures. American firms, including Intel Corp., Baxter International Inc. and Rawlings Sporting Goods Co., are the biggest foreign investors.

Economist Eduardo Lizano, director of the Central American Academy, a private research center, said a rejection of the trade agreement would be catastrophic. He said export growth, U.S. investment and jobs were needed to jump-start Costa Rica's sluggish economic growth and to combat its high unemployment .

A high-level delegation of U.S. lawmakers, including Rep. Roy Blunt (R-Mo.), went to San Jose in December to warn that Costa Rica risked being left on the sidelines if the deal was not OKd.

U.S. Ambassador to Costa Rica Mark Langdale raised hackles recently when he was quoted by a local newspaper as saying that Costa Rica's reputation as a good place for U.S. companies to invest "will suffer" if the accord wasn't passed.

In Latin America, the U.S. faces a widening fracture with countries such as Venezuela, Argentina and Bolivia that are headed down a more populist, anti-American road.

That schism is worrisome to some trade experts because it comes at a time when the European Union is expanding its economic ties with its less-developed neighbors and China is making progress on trade pacts with Australia and nations in Southeast Asia.

Anti-American sentiment in some Latin American countries has created an opportunity for European and Asian nations to move into the region. Spain is using its historical ties to cultivate trade with the Spanish-speaking countries in Latin America. China has forged diplomatic and economic agreements with countries such as Brazil and Venezuela, particularly in agriculture and natural resources.

Some say the trade and development model being pushed by Washington has been oversold. They point to Mexico, which signed the North American Free Trade Agreement a decade ago and has become the U.S.' second-largest trading partner. Despite the deal, half of Mexico's people live in poverty, and illegal immigration to the United States is at an all-time high. Populist candidate Andres Manuel Lopez Obrador is the front-runner in this summer's presidential contest.

Solis and others say Costa Rica isn't against free trade, but it wants a better deal than the one offered under the Central American trade deal.

They portray the pact as an attack on the nation's unique social model. Costa Rica abolished its army in 1949 and invested in education, universal healthcare and other programs that turned it into an oasis of stability in a region once torn by strife. Foes see the free trade deal as a pact that aims to make their country more like its impoverished neighbors.

Business leaders here have characterized the opposition as a "vocal minority" led by

public-sector unions that will see their power diminished.

But Albino Vargas, secretary general of the National Assn. of Public and Private Employees, said Costa Ricans wouldn't stand for the "Central Americanization" of their country. He predicted massive protests if Costa Rica's legislators try to approve the accord without putting it to a national referendum.

If there is no referendum at the ballot box, "there will be a referendum in the streets," he said a few days before Sunday's election. "We will be vocal. But we won't be a minority."

Times researcher Rebecca Kimitch in San Jose contributed to this report.