San Francisco Chronicle

WORLD/BRIEFING

BRIEFING/*Traditional Economy Suffers*

Costa Rica 'Selling Out' to Foreigners

HIGHLIGHTS: A wave of foreign investment is wreaking havoc with the country's traditional economy and agriculture. Between 1989 and 1992, tourism investment grew by 86.7 percent.

By Cori Howard
Chronicle Foreign Service

Dominical, Costa Rica

There used to be a farming community in the luscious green hills behind this booming tourist destination on Costa Rica's Pacific coast.

But the local school is now being overtaken by the jungle, whose moist, sinewy vines reach over the decaying walls.

As internationally mandated austerity programs make agriculture increasingly difficult, Costa Rican farmers are selling out to foreign banana companies, tourism developers and conservation groups.

Out of 12 farm families in Dominical a year ago, only one is left. The rest have sold their land to foreign tourism developers.

Marvin Ganboa's family used to own more than 100 hectares. After selling out — and quickly spending the proceeds on consumer goods — Ganboa now works as a farm hand, making $6 a day.

Traditionally a society of independent farmers, Costa Ricans are increasingly becoming bellboys and peons. The wave of foreign investment has been a blow to the country's celebrated harmony and democracy, and has led to the slow death and disappearance of small communities and cultures.

Of 70,000 basic grain farmers studied in 1984, only 27,700 remained four years later, according to Alicia Korten, a Fulbright scholar who is writing a book about structural adjustment in Costa Rica.

The loss of land and an accompanying increase in poverty and deforestation are also posing a threat to Costa Rica's longstanding reputation as an environmental and democratic example for the rest of Central America.

"Every day, we lose more of our economic system, and consequently our democratic system," said Guillermo Barquero, an opposition National Liberation Party member of the Legislative Assembly and one-time adviser to former President Oscar Arias. "We are becoming the prostitute of foreign investment."

Between 1989 and 1992, tourism investment in Costa Rica grew by 86.7 percent. Foreign investment in agriculture, primarily in nontraditional crops, went from $36.8 million in 1987 to $84.8 million in 1991.

Official policy is partly to blame. "We are selling our land to the highest bidder," said Sergio Guillen, an information officer for the Ministry of Planning. "And the government doesn't care."

The government, in fact, does not keep statistics on how many foreigners own land. It is not mandatory to register investments, which government guides eagerly point out.

The Ministry of Planning estimates that 40 percent of the habitable land on both coastlines is owned by foreigners. In Puerto Viejo, a small Caribbean town that typifies the pattern of coastal development, 60 percent of the prime property is foreign-owned.

The price of land is no longer within reach for the majority of the population. A half hectare near Jaco, one of the hottest beach resorts, sold recently for $700,000. The skyrocketing prices have encouraged locals to sell. Afterward, they have little choice but to move to cities or to other rural areas, where land is often not as arable or has been overworked.

Foreigners defend the land buys by touting the employment opportunities related to tourism and the fact that small-scale tourist developments often afford protection for environmentally sensitive areas. But former peasants are rarely in a position to benefit, since the government provides no retraining programs.

Structural adjustment programs initiated in 1985 by the International Monetary Fund and

COSTA RICA: *Page A12 Col. 1*

COSTA RICA

From Page A10

World Bank have exacerbated the disappearance of land and farmers by consolidating ownership in the hands of Costa Rican and foreign elites. Foreign banana companies, for example, currently own 34,000 hectares and their growth is estimated at 2,000 hectares per year.

Established to reduce Costa Rica's formidable foreign debt ($3.4 billion in 1992), the austerity programs resulted in the elimination of food quotas and subsidies for domestic production, leaving farmers unable to compete with their super-efficient counterparts in the United States and Canada. This has occurred at a time when traditional export money-makers are being buffeted by market forces.

Tourism Minister Luis Manuel Chacon recently told Conde Nast Traveler: "Our main export was coffee, but coffee doesn't even pay to be collected now — it's at its historically lowest level. We're in a tremendous fight with our main crop, bananas, to get into the European market. They have set up quotas that will depress prices worldwide."

Nontraditional Products

In an attempt to boost exports, the government has encouraged small farmers to plant nontraditional products such as ornamental plants and red peppers. But few have been successful, since such products require high capital investment and international marketing contacts.

The decrease in domestic grain production has resulted in a flood of food aid from the United States that dominates local markets. Since 1984, corn, rice and bean imports have tripled.

"All efforts to reinforce the economy of Central America have been undermined by American (free-market policies)," Barquero said. "Costa Rica's role is only to consume and produce for a foreign-controlled market."

Although the government provides serious incentives for potential investors — tax exemptions, reductions and credits — the austerity policies have not achieved their goal of reducing the foreign debt, which has increased by $1.3 billion since 1980.

Foreign firms are paid by the government to reforest lands they have denuded. Said Barquero, "We have this funny attitude of attracting investment in exchange for nothing."

Profits Are Small

Costa Rica pockets only a small percentage of the foreign-exchange profits earned from agricultural exports. Analyses show that for every $100 consumers spend on tropical fruit, exporting countries receive roughly $15.

The economic policies are also undermining Costa Rica's social benefits system. Long considered a model for the region, the Canadian-like system provides unemployment insurance, pensions, free health care and relatively high outlays for education. But health care's share of the federal budget decreased by 7.5 percent and spending on education fell 1.5 percent from 1980 to 1988, the last year for which figures are available.

The cutbacks in services, coupled with the poor economic prospects for nonwealthy Costa Ricans, have far-reaching implications.

Said Barquero, "It's a Machiavellian situation. . . . We feel our destiny will be close to other Latin American countries. The liberalization of the economy will be our tragedy."

COSTA RICA'S DEBT PROBLEM

Government policies in the 1960s aimed at expanding industry are at the heart of Costa Rica's debt problem. In order to improve the transportation infrastructure and meet demands for such imported products as tractors and processing technology, the government solicited and received foreign loans, primarily from the World Bank and International Monetary Fund.

CHRONICLE GRAPHIC

In subsequent years, the country was battered by the oil shocks of the 1970s and depressed prices for its major agricultural exports — setting off a spiral of increased borrowing at ever-higher interest rates that nearly resulted in a national bankruptcy in the early 1980s. In order to receive further aid from the international lending agencies, the government was forced to impose a series of structural adjustment programs.

A third such program currently in the planning stages calls for the privatization of nationalized institutions in order to generate more revenue to pay the foreign debt. Half of the country's export revenues now go merely to pay interest on the debt. These straitened circumstances account for the government's welcoming of virtually any foreign investment; tourist development, in particular, is viewed as an engine for creating jobs and increased revenue.

— CORI HOWARD

Mudslides Kill at Least 100 in Venezuela

Associated Press

Caracas

Tropical Storm Bret lashed the Caribbean coast with unexpected fury yesterday, touching off mudslides and floods that killed at least 100 people in shantytowns around Caracas.

Enrique Aponte, director of a morgue in the capital of Caracas, said most of the dead were children who suffocated when their homes collapsed.

More than 500 people were injured and 5,000 left homeless by the heavy rains and 50-mile-per-hour gusts, environment minister Adalberto Gabaldon said.

'DOONESBURY'
is on the Comics Page
See Page C2