NATION-BUILDING: AN ALTERNATIVE STRATEGY

by

MAJ Edward J. Boekenkamp, USMC

LCDR James A. Moos, MSC, USN

A paper submitted to the Faculty of the Naval War College in partial satisfaction of the requirements of the Department of Operations.

The contents of this paper reflect my own personal views and are not necessarily endorsed by the Naval War College or the Department of the Navy.

Signatures: 

11 February 1991

Paper directed by CAPT Gordon Stewart, USN
Professor of Operations
Advisor: Professor J.D. Waghelstein

Approved by:

Faculty Research Advisor Date
**Nation-Building: An Alternative Strategy (U)**

**PERSONAL AUTHOR(S)**
MAJ. Edward J. Boekenkamp, USMC and LCDR James A. Moos, MSC, USN

**TYPE OF REPORT**
FINAL

**DATE COVERED**
From February 11, 1991

**DATE OF REPORT (Year, Month, Day)**
February 11, 1991

**PAGE COUNT**
49

**ABSTRACT**
This paper examines the use of nation-building as an alternative strategy to armed intervention to protect our national interests in third world countries. Costa Rica is used as a case study as it occupies a strategic buffer zone between volatile Nicaragua and a strategically essential Panama. Costa Rica is currently experiencing a significant amount of turmoil that has been both externally and internally generated, and increased intervention may soon be necessary to maintain stability in the region and bolster the democratic establishment. The historical, political, security, economic, and societal perspectives of Costa Rica are examined and where weaknesses are identified, their susceptibility to correction through the nation-building process is evaluated. Conclusions and recommendations concerning political, societal, security, and economic considerations are also presented. Lessons learned through a nation-building effort in Central America would have significance in other third world countries, however, the process would require evaluation and tailoring.
Abstract of
NATION-BUILDING: AN ALTERNATIVE STRATEGY

This paper examines the use of nation-building as an alternative strategy to armed intervention to protect our national interests in third world countries. Costa Rica is used as a case study as it occupies a strategic buffer zone between volatile Nicaragua and a strategically essential Panama. Costa Rica is currently experiencing a significant amount of turmoil that has been both externally and internally generated, and increased intervention may soon be necessary to maintain stability in the region and bolster the democratic establishment. The historical, political, security, economic, and societal perspectives of Costa Rica are examined and where weaknesses are identified, their susceptibility to correction through the nation-building process is evaluated. Conclusions and recommendations concerning political, societal, security and economic considerations are also presented. Lessons learned through a nation-building effort in Central America would have significance in other third world countries, however, the overall process would have to be evaluated carefully and tailored specifically to the area of concern.
TABLE OF CONTENTS

<table>
<thead>
<tr>
<th>CHAPTER</th>
<th>PAGE</th>
</tr>
</thead>
<tbody>
<tr>
<td>ABSTRACT</td>
<td>11</td>
</tr>
<tr>
<td>I INTRODUCTION</td>
<td>1</td>
</tr>
<tr>
<td>II PROFILE OF COSTA RICA</td>
<td>4</td>
</tr>
<tr>
<td>III HISTORICAL PERSPECTIVES</td>
<td>7</td>
</tr>
<tr>
<td>IV POLITICAL PERSPECTIVES</td>
<td>12</td>
</tr>
<tr>
<td>V SECURITY PERSPECTIVES</td>
<td>17</td>
</tr>
<tr>
<td>VI ECONOMIC PERSPECTIVES</td>
<td>23</td>
</tr>
<tr>
<td>VII SOCIETAL PERSPECTIVES</td>
<td>28</td>
</tr>
<tr>
<td>VIII CONCLUSIONS AND RECOMMENDATIONS</td>
<td>32</td>
</tr>
<tr>
<td>APPENDIX I</td>
<td>38</td>
</tr>
<tr>
<td>NOTES</td>
<td>44</td>
</tr>
<tr>
<td>BIBLIOGRAPHY</td>
<td>48</td>
</tr>
</tbody>
</table>
NATION-BUILDING: AN ALTERNATIVE STRATEGY

CHAPTER I

INTRODUCTION

Over the past three decades the administration has embarked upon a strategy of nation-building as a conduit for regional stability, specifically in the Central and South American regions. This essay will explore and define that strategy. It will focus on Costa Rica as a case study with an eye toward justifying a pre-emptive strategy designed to ensure continued area stability.

Costa Rica has a reputation as a model government and the most stable liberal democracy within the Central/South American sphere, and we run the risk, in enumerating its problems, of being accused of trying to create interest through sensationalism. Robert Wesson has gone so far as to call Costa Rica "a verdant oasis of democracy and political maturity in a desert of dictatorship and political violence." We must understand, however, that Costa Rica's problems and potential for instability and political upheaval are serious. Recent occurrences reveal that the crisis is real although it has not yet reached critical proportions. Our analysis of this potential crisis springs more from hope than desperation. Moreover, we will attempt to explore Costa Rica's problems principally from a Costa Rican perspective.

We content Costa Rica is a linchpin that occupies a strategic buffer zone between a volatile Nicaragua and a strategically essential Panama. As a result of this strategic juxtaposition, we believe our national interests dictate a concentrated and continuous effort must be applied
toward nation-building and the maintenance of Costa Rica's existing
democratic government.

The thesis presented is that effective nation-building efforts can
provide a more pro-active and cost effective strategy to protect our
long-term interests in third world areas than planning for potential
armed intervention. Lessons learned in Costa Rica could form the basis
for future actions in other areas, though they would not be applicable
across the board. Karl Deutsch put it:

... the making and breaking of nations is a process that
is now occurring in most parts of the world and that it is a
process which must be studied in its general and uniform
aspects, especially if the unique features of each country and
epoch are eventually to be understood better. . .

Differences in culture, heritage, modernization, and degree of present
democratic progression, among others, must first be factored into the
equation and the overall plan tailored accordingly. The process itself
must be carefully considered in order to increase the probability of
success. It would be very dangerous indeed to attempt a "cookbook"
approach to nation-building. As Reinhard Bendix stated:

... the outcome of such attempts is uncertain and that
instances of "failure" at nation-building may well be more
numerous in the end than those of success.

There are a number of factors that could contribute to future
instability in Costa Rica. They include a declining economy, the growing
disparity in personal income and social classes, incidents of armed
insurgency on the northern border, an inadequate military/security
deterrent force, evidence of increasing complicity in the illicit drug
trade, the continued influx of refugees, limited manufacturing capacity
and lack of diversified industry, a steady decrease in the availability
of arable land, and even the importation of a Marxist revolutionary
philosophy. These factors will be examined as to their susceptibility to resolution or moderation through nation-building efforts. Independently they do not pose much of a threat to a moderately well developed country such as Costa Rica, but in mass they may well require our intervention to ensure the Costa Ricans are able to continue their orderly development and our interests in Central America remain secure.

The substance of our paper is contained in the following seven chapters. We begin with an orientation to Costa Rica to acquaint the reader with the country we will examine. We will then discuss and highlight the historical perspectives of Costa Rica, examine the political perspective and illustrate some problems their system poses, and critically explore the security aspects of Costa Rica and highlight some potential problem areas. We then proceed to evaluate the current economic profile, including recent trends, and illustrate what they portend for the future, explore the societal issues and perspectives, and finally present some conclusions and recommendations.
CHAPTER II

PROFILE OF COSTA RICA

The following, extracted from State Department Information¹, is provided as a brief orientation to the country we will be examining. Many of the areas will be dealt with in greater depth in the following chapters.

Geography

Area: 51,032 square kilometers (19,652 square miles), slightly smaller than West Virginia. Cities: Capital, San Jose (metropolitan population 890,434). Other cities: Alajuela (34,556), Puerto Limon (33,925), Golfito (29,043). Terrain: A rugged, central massif runs the length of the country separating coastal plains. Climate: tropical and subtropical.

People

Government

Type: Democratic republic. Independence: September 15, 1821.

Constitution: November 9, 1949.

Branches: Executive-President (head of government and chief of state) elected for a single four year term, two Vice-Presidents, Cabinet (16 ministers). Legislative -- 57-deputy unicameral Legislative Assembly elected at four year intervals. Judicial -- Supreme Court of Justice (17 magistrates elected by Legislative Assembly for 6 year terms).

Subdivisions: Seven provinces divided into 80 cantons that are subdivided into districts.


Defense: Costa Rica has no army, but has a National Guard for internal security (see Chapter V).


Flag: Two blue horizontal stripes top and bottom, two white inner stripes, and a wide, red central band with the national coat of arms.

Economy


Natural resources: Hydroelectric power.
Agriculture (18% of GDP): Products--bananas, coffee, beef, sugar cane, grain.

Industry (23% of GDP): Types--food processing, textiles and clothing, construction materials, fertilizer.


Fiscal year: Calendar year.


Membership in International Organizations

United Nations and some of its specialized and related agencies, including the World Bank, Food and Agriculture Organization (FAO), International Civil Aviation Organization (ICAO), International Development Association (IDA), World Meteorological Organization (WMO), International Labor Organization (ILO), Interparliamentary Union (IPU), International Telecommunication Union (ITU), World Health Organization (WHO); International Atomic Energy Agency (IAEA), Organization of American States (OAS); Central American Common Market (CACM); Inter American Development Bank (IDB); Latin American Economic System (SE LA). Maps of Costa Rica are provided as Figures 1-1 and 1-2.
CHAPTER III
HISTORICAL PERSPECTIVES

Costa Rica has long enjoyed the distinction of being a living exception to the generalization that republican government is appropriate neither to the tropics nor to Hispanic people.¹ This republic cherishes an historical tradition of a stable generally homogeneous society, a high rate of literary, democratic institutions, and peaceful transfer of power from institutional president to constitutional president. As a general rule, available reference material on Costa Rica emphasizes her orderly development and adherence to political democracy. Since 1948, the only prior twentieth-century deviation from the pattern of peaceful transfer of power had occurred on January 27, 1917, when President Alfredo Gonzalez Flores (1914-1917) fell to a bloodless coup d'état led by his minister of war, Federico Tinoco Granados.²

Since its discovery in 1502 by Christopher Columbus on his fourth and last voyage to the New World, the territory was designated Costa Rica (rich coast) by the Spanish explorers.³ Through the first approximately three hundred years of its existence, Costa Rica practiced a form of agrarian democracy.⁴ Most families lived isolated one from the other and earned a rather sparse living by their own work on their own land. There were those who prospered more than others but, in general, a sense of equality and fragility reigned. In his Incidents of Travel in Central America, Chiapos, and Yucatan, John Lloyd Stephens noted that the people of Costa Rica lived a materially higher level than those in the rest of Central America, that they lived in harmony, and that their industry
produced sufficiency but not plenty. Large plantations never materialized as in the other Spanish provinces such as Guatemala.

The history of Costa Rica has been one of the most unusual in Latin America, and in its uniqueness and seeming simplicity lies the enigma as to what is its national character. During the colonial period this country was left largely to its own devices, principally because its lack of natural resources and small indigenous population made it unattractive to Spanish exploitation. Land, therefore, was more evenly distributed and a class of yeoman farmers emerged which had vital consequences for the development of Costa Rica's democratic tradition. A large and subservient Indian working class did not develop in Costa Rica as it did in the other Central American colonies. The indigenous Indian population numbered approximately 8,000. This was influenced to a great degree by an aristocracy which exerted considerable influence. Compared to its turbulent Central American neighbors, the development of Costa Rica has been somewhat—but not completely—different. What has happened is that a "white myth" or leyenda blanca, has evolved which portrays Costa Rica as an idyllic democracy without violence or poverty, a so-called "Switzerland of Central America."

In reality some of the myth may be true. Nonetheless Costa Rica has had its share of civil wars and similar upheavals. These problems have been as serious as those of the neighboring republics but they have usually been handled with a bit less bloodshed, bravado and civil disorder. Possibly the benign climate, small population, availability of land, or even the desire to live in accordance with the "white myth" have helped maintain something of this legend.
Scholars generally agree that the foundations of Costa Rica's democracy may be discovered in the colonial experience. Unlike many of the New World colonies of Spain, Costa Rica lacked the resources to support aristocratic-autocratic institutions. Its name was the expression of wishful thinking, not reality. Costa Rica lacked sufficient mineral wealth to attract the gold seekers, and its indigenous population was too small to permit the establishment of large landed estates. Settlers came to work the land by themselves, limiting the size of holdings to what they and their families could manage. Even the founder of the colony, Juan Vasquez de Cornado, worked his own plot, in order not to perish. Moreover, Costa Rica was isolated from the centers of Spanish bureaucratic control. It was separated from Guatemala, the seat of the captaincy general, by great distance and tortuous terrain. Poverty, cultural homogeneity, and isolation were the principal characteristics of the colonial experience.  

Although the colony was isolated, it was compact. Because of the sparsity of population density, there was little outmigration. Subsequently, the colony could not support a frontier, the absence of which explains the lack of a military element. The development of a Civil Guard (army) did facilitate an instrument to maintain internal control and limited border protection. The colony's relative isolation from the Spanish colonial centers, buttressed by the population's ethnic and linguistic homogeneity, contributed to the development of an autonomous and individualistic agrarian society. From these early experiences came traditions of democracy, egalitarianism, and a landholding system based on interdependence rather than patronage.
An independent nation since 1821, the diminutive Central American republic has gained international attention for its achievements in an area often referred to disparagingly as "Uncle Sam's backyard."\textsuperscript{12} Homeland of a population estimated in 1990 at approximately 2.7 million, Costa Rica boasts the highest standard of living, the largest per capital income, and the highest literacy rate (93\%) of all Central American countries.\textsuperscript{13}

One of the results of the high degree of ethnic and linguistic homogeneity is the relative lack of antagonism between social groups. A class structure does exist and the middle class is predominant among the social categories. But relations between the highest income groups and the rest of the population appear amicable at present, and readily available education permits a degree of social mobility. The heritage from the colonial era, when everyone was poor but independent and exposed to equal hardships and opportunities, has created an atmosphere conducive to social progress and social pride. Historically, the growth of democratic institutions and personal freedoms that would set Costa Rica apart from most of its neighbors followed from greater access to education and the improvement in economic well-being.\textsuperscript{14} Politically, the first genuinely competitive elections were held in 1889. Despite periodic setbacks, the trend over the next fifty years was to extend democratic participation in public affairs, education, and social welfare.

In 1948, Jose Figueres led a popular revolution in the wake of a disputed presidential election. With more than 2,000 dead, the revolution was the bloodiest event in Costa Rican history, but the victorious junta drafted a constitution guaranteeing free elections with
universal suffrage and abolishing the army. Figueres became a national hero, winning the first election under the new constitution. In essence, President Figueres represented the middle class and split the emerging Communist and Fascist political elements. Perhaps his greatest victory was the elimination of this potential threat via the democratic process.

Since 1948, Costa Rica has remained a true representative democracy and has held ten presidential elections with the next due in 1992.
CHAPTER IV

POLITICAL PERSPECTIVE

The importance of the political aspect has long been understood and it is an accepted principle that "the central fact of nation-building is the orderly exercise of a nationwide, public authority." Costa Rica is a democratic republic that gained its independence in 1821 and functions under a constitution enacted in 1949. Its governmental branches include the Executive, consisting of a President who is the Chief of State and Head of Government, two Vice Presidents and a Cabinet composed of 18 ministries; the Legislative which is a unicameral Congress composed of 57 members; and the Judicial which is their 17 member Supreme Court of Justice. The current President is Rafael Angel Calderon who was elected in May, 1990. The major political party in Costa Rica is the National Liberation Party (PLN) which is essentially a socialist party. The other major political party is the Social Christian Unity Party (PUSC) and there are fifteen more political parties, one of which is the Communists. There have been efforts over the years to import a Marxist revolutionary philosophy, but these efforts have resulted to very little of significance. The Communist Party is recognized as a political entity and it does compete within the existing legal electoral system, but with little success. Recent world events have done little to bolster their appeal and have probably seriously damaged their image.

Presidential elections are held every four years and are presided over by the Supreme Electoral Tribunal which was created to guarantee the honesty of the electoral process. The effort seems to have paid off as Costa Rican elections are renowned for their honesty and voter fraud has
all but been eliminated. Costa Ricans are required to register to vote and seem to actively participate in the process with turn out at recent elections reported to be over 80 percent.

The president of Costa Rica is elected to a four year term and, by law, cannot be reelected. This fact presents a variety of problems for the stability of government and pursuit of long range projects that may not see fruition in a single four year term. This would seem to limit the more visionary aspects of a Head of State, especially when you consider that only twice, in 1974 and again in 1986, was the candidate of the party in power elected.

The political power in government is balanced between the branches. Both the Legislative and Judicial branches can exert pressure over the Executive—the president must have approval from the Legislative Assembly even to leave Costa Rica. This balance did not happen by chance and if it appears one of the branches is becoming too powerful or aggressive, it is quickly brought back into line. Costa Ricans appear to fear the loss of control to anyone, including themselves. This strong system of checks and balances does however present the problem of restricting their ability to modify policy and react quickly to a crisis situation, but it stresses the strength of the political process.

The real political power in Costa Rica is held closely by a relatively small number of influential families and it has not been uncommon for power to pass from father to son or husband to wife on successive terms. This is not meant to imply that the power is overly abused by this elite group, but it certainly is controlled by them.

There is even a sense of sharing the wealth, or balancing the power, between the political parties to the effect, as previously stated, that
the presidency usually passes back and forth between the prominent political parties in alternate elections.

The overall political process in Costa Rica seems intent on avoiding controversy whenever possible. Positions on political matters are not normally drawn on rigid party lines. In fact there is extensive effort applied to resolving issues through compromise, even at the expense of particular party interests, to ensure social acceptance of programs or decisions.

As has been previously noted, the government is active in external political and economic relations, but the population would never willingly accept external manipulation of their internal affairs. Costa Ricans are willing to enter into relations with external entities in an effort to aid their cause, but their morbid fear of outside intervention in Costa Rican internal matters is a potential problem area. As noted by Deutsch and Foltz:

> Unless a country can resolve a high proportion of the problems of external relations and internal unity . . . , it cannot hope to achieve the kind of constructive nationalism that permits maximum development of its potentialities. 

The Costa Rican people have an extremely well developed sense of nationality and internal unity does not appear to be a concern at present. Only time will reveal what impact the vast number of refugees they have absorbed will have on this spirit of national unity, but we do not feel it is in serious jeopardy.

Costa Rican external relations have been primarily directed toward alliance building to provide them with security assistance and world wide economic opportunities. The Calderon Administration is more active in Latin American politics than his predecessor and has pulled back somewhat
The administration is continuing previous efforts to open more world markets for Costa Rican exploitation, but even in these pursuits there is the underlying hesitancy on the part of the population who fear being over-committed to external sources and are becoming more concerned over domestic issues.

The Costa Rican government and more importantly the Costa Rican political system itself, enjoys an extremely high degree of legitimacy with the civil population, their Latin and Central American neighbors, and much of the world in general. This does not mean there is no public opposition to government programs or initiatives, but political unrest and violent outbursts or demonstrations are rare.

As illustrated, Costa Rica does have a well established, fairly well developed democratic system that enjoys the support and respect of the civil population. This would greatly ease the difficulty associated with many aspects of nation-building that require a legitimate government in power in order for them to be most effective. Their model, with reform to the overly restrictive rules on successive terms by elected officials and their overly cumbersome checks and balances system, could reasonably be exported to other third world countries pursuing democratic reform. Creation of a new political system in a country, essentially nation-building from "scratch," would involve a much greater commitment of time and resources than would intervention in a relatively well developed country such as Costa Rica.

Past, present and future political developments and refinements in Costa Rica will provide a wealth of information useful to nation-building efforts in other areas if the plan is carefully tailored to the political evolutionary state of the country in question.
In summary, we must continue to support and encourage the existing
government and the overall democratic process in Costa Rica. Potential
political problem areas do exist however, and must be addressed—the
following are identified for consideration: There is a lack of
continuity of government officials, as a result of legal tenure limits,
which can result in reluctance to enter into long-range programs; as a
result of their balance of power structure there is a potential inability
of the government to rapidly respond to crisis situations; and there is a
potential for future political instability if Costa Rica's economic
problems are not resolved.
CHAPTER V

SECURITY PERSPECTIVES

Until 1950, Costa Rican foreign relations were guided by two principal factors: geographic isolation and peaceful disposition of its people.\(^1\) Diplomatic solutions have been pursued vis a vis political intercourse vice military deterrence. The 1949 Constitution abolished the military as such in Costa Rica.

Costa Rica relies on its 4,000 member Civil Guard for the maintenance of internal security/public order and for external defense responsibilities in the event of a national emergency. The Civil Guard is part of the Ministry of Public Security.

Figure 1-3 provides a depiction of the Organizational Structure of the Public Security Forces of Costa Rica.\(^2\) Security Forces consist of a headquarters and five Comisarias (company size units) in San Jose as well as Comandancias (also company size units) in seven other cities. A small air and maritime section is headquartered in San Jose's international airport and has bases at Puntarenas on the Pacific and Puerto Limon on the Atlantic coast.

The Civil Guard and the Rural Assistance Guard are together referred to as the "Republic Forces."\(^3\) Together they do not exceed 9,000 personnel. Costa Rica primarily relies on the Organization of American States and the Rio Treaty to satisfy its national security requirements and other defense needs.\(^4\)

A synopsis of security assets depicted in Figure 1-4, represents the total air and maritime resources available to control and maintain a
country which occupies a large geographical area hindered by inadequate lines of communications and a lack of a viable road network.

Principal areas of concern are the remote regions within the interior and along the volatile border with Nicaragua. Additionally, Costa Rica is a peninsular nation and possesses two undefended coast lines principally, 130 miles forms its northeasterly frontier to the Caribbean Sea and to the southwest a coastline of approximately 600 miles looks out over the Pacific Ocean.

The President of the Republic is the Commander-in-Chief of all public law enforcement forces. The Civil Guard is under the jurisdiction of the Minister of Public Security and is commanded by a director general. The Treasury Police and the Customs Police, units of the Fiscal Guard, are under the Ministry of Economy and Finance. The Town and Village Police are under the jurisdiction of the Minister of Government. Although police manpower is provided by voluntary enlistment, there is no tenure for personnel and all positions are appointive.5

The Civil Guard is organized along military lines into companies; and its director general holds the rank of colonel. Half the force is stationed in the capital in six units, including the Presidential Guard. The other half is divided into six provincial commands with some operational autonomy. The Guard also operates the Costa Rican Air and Sea Force. Intelligence and communications operations are coordinated by San Jose headquarters.6

An objective analysis of Costa Rican security forces is influenced by a Costa Rican perspective. When discussing the subject of security forces with Costa Ricans and when asked "Is there an Army?" or a similar question "Is the Civil Guard really an army in disguise?" the answer is
emphatically no. The Costa Rican perspective is readily apparent when they are asked why they don't have an army and why they don't want one, most Costa Ricans give a very simple and practical answer "any army we could maintain would be too small to defend us, so why have one?" The basis of this assertion leads one to believe that the Costa Ricans do not fear armed invasion from their neighbors to the south and north. As we have previously alluded to, diplomats and senior security authorities, while agreeing there is no army and no prospect of having one, are quite clear and say "We rely upon our treaties and pacts of friendship for our security." By whatever name the Costa Ricans call their security forces, the name is inconsequential, perhaps the very name "Civil Guard" is to emphasize the civil character and control of the forces.

It has been stated that Costa Rica relies upon the United States for its defense, but events in the past particularly since 1979 do not bear out this assertion. Historically Costa Rica has dealt with many incursions within its borders. It is common knowledge that reference has been referred to arms trafficking that had taken place because of the involvement of Costa Ricans in the Nicaraguan struggle in support of the Sandinistas against the Somoza Regime. Since the Somoza dictatorship in Nicaragua was finally overthrown in July 1979, the situation in Costa Rica has not reverted to normal, and animosity is still at present nurtured by hard-line Sandinistas. Although the Somocistas have almost entirely been based in Honduras, and have made sporadic incursions into Nicaragua's northern territory, Costa Rica had to some considerable degree been involved because of Eden Pastora, one of the leaders of the successful Sandinistas revolution, subsequently disagreed with his colleagues and fled to Costa Rica, and in accordance with that country's
policy of providing sanctuary for all refugees, was allowed at first to remain in country. 10 Although President Chomorro represents a quasi-civilian parliament, the Sandinistas under the tutelage of Daniel Ortega still maintain a sound influence and power base.

Notwithstanding the civilian leadership wishes to maintain neutrality, the Civil Guard must be capable of influencing and deterring the ambitious designs of her Nicaraguan neighbors. Additionally recent events in Panama particularly the ouster of General Noreiga and his dictatorship should provide and facilitate mid term stability and continuity to Costa Rica's southern border. As President Mongre's so artfully presented during a time of Western European nations in June of 1984,

We are irrevocably opposed to war: our neutrality is unarmed neutrality as Costa Rica has no army and does not wish to have one. We are not a military power and have no wish to be one.11

We content that neutrality can only be maintained through a strong efficient Civil Guard. When tailoring Security Assistance United States agencies must remain attuned to this prevalent mentality. Perhaps Costa Rica can serve as a model for future endeavors in this sensitive region, Chiefly, we need to provide assistance to the tailoring of security forces to maintain tranquillity and internal domestic security.

Evidence of increasing complexity in illicit drug trade has complicated Costa Rica's desire to maintain complete neutrality in an area which our President has declared to be a threat to the United States.

Costa Rica has, for the last decade, been a trans-shipment point for South American cocaine. The flow of illegal drugs has been steadily
increasing. The current extent of this unacceptable situation is exemplified by the major seizure of 1065 pounds of cocaine from a Costa Rican ship at Miami, Florida, as early as August 1983, and the seizure of 817 pounds of cocaine at San Jose, Costa Rica, in October 1984.12 The flow continues. It is clearly established that cocaine moves into and through Costa Rica by commercial and private aircraft, commercial and private vessels, and occasionally over land from Panama. Distribution of cocaine from Costa Rica impacts on both east and west coast United States' cities and at least three foreign countries, i.e., Canada, Mexico and Spain.13 Marijuana is produced in exportable quantities in Costa Rica and smuggled into the United States by vessel and aircraft. The extent of marijuana production and exportation has not been clearly established due to inadequate eradication capabilities of host country authorities and absence of domestic seizure indicating Costa Rican origin. Marijuana from Columbia transits Costa Rica, primarily by vessel, along the west coast of Costa Rica destined to California, Oregon, Washington, and Canada.14

When one considers the types of criminal elements that have been affiliated with the drug cartel, particularly terrorists and anarchists (M19, Sendero Luminoso, etc.) and the ideologies that they identify with, it is most certainly in Costa Rica's best interests to eradicate this security threat. In order to facilitate this Herculean task Costa Rican Security Forces require a refinement and force enhancement of current available assets (anti-narcotics forces).

We now find ourselves in an ideal position to provide enhancements in both training, education and material. It is within the best interest of both democracies to cooperate in this endeavor. Keeping in mind, the
Costa Rican sensitivities in this regard, current and future security assistance must be developed and tailored too meet the threat. Costa Rica's uniqueness in terms of internal security forces and perceptions represent a model for similar development in restructuring emerging countries security forces or assisting those who wish to move toward democratic reform.

In summary, we believe the Costa Rican pathological aversion to military forces and the limits they have placed on their internal security forces have resulted in a situation where their limited security assets cannot adequately counter the threat posed by the following: an essentially unprotected coastline on both the Pacific and Caribbean coasts; essentially unprotected borders to the north and south; illicit narcotics trans-shipment activities; and the continuing influx of refugees that may well contain undesirable elements.
CHAPTER VI
ECONOMIC PERSPECTIVES

The Costa Rican democratic order is supported by all significant economic, political and ethnic groups. The country has not been insulated from regional instability. Some 150,000 Nicaraguans sought refuge in Costa Rica and its economy was adversely affected by instability in Nicaragua and Panama.¹

The Costa Rican economy operates under the general principles that characterize a largely private enterprise system.² Since early times, the economy has been trade oriented, and economic development has been based largely on the agricultural and livestock sector, in particular on the export of coffee, bananas, and livestock products. Manufacturing has grown in importance in employment provided, foreign exchange earned, and diversification of production--but its structural emphasis on use of imported materials has limited its contribution to overall development.³ Costa Rica's most valuable natural resources are its cultivable land--an area of large dimension and good soils--and pastures that can support great numbers of cattle.⁴ This resource alone, is Costa Rica's greatest potential destabilizing factor. The loss of available land can present a case for economic and social unrest.

Hydroelectric potential, which is still only partially utilized, offers the possibility for a substantial degree of energy self-sufficiency. The remaining major natural resource, the nation's forests, has not been used to full advantage; much of the forest wealth has been dissipated without much real return, although enough remained in 1983.
that, with proper care, future national requirements could still largely be met.5

The history of land tenure development, land being Costa Rica's most valuable asset, differs substantially from that of other Latin American countries. The lands discovered by Christopher Columbus were, by then accepted rights of possession, the property of the Spanish crown. Royal grants of large areas, including their populations, were made to the conquistadores who explored and colonized the new territories. In the case of Costa Rica, however, the indigenous population was small and the labor force inadequate for development of a system of large haciendas.6 This was probably a blessing in disguise. Even today Costa Ricans practice reverence to their right to work the land.

After experiencing a turbulent and uncertain period in the mid to late 1980's, Costa Rica's current economic orientation supports structural adjustment, focusing on internal stability and growth through export development. The country's economic success in the aftermath of an economic crisis in the early 1980's offers an excellent example of the benefits of economic liberalization. The GDP has grown an average 5 percent since 1986, non-traditional exports have increased 20-30 percent annually partly as a result of President Bush's Caribbean Basin Initiative, official unemployment registered 5.3 percent and inflation average 10 percent in 1989.7 However, policy makers still face problems of a growing fiscal deficit, deterioration of the balance of payments and a lingering external debt burden. President Calderon's campaign promises to call for an ambitious subsidized housing program, land reform (this is imperative) and other populist measures that will be difficult to realize given economic realities.8
Figure 1-5 is provided as a concise review of Costa Rican key Economic Indicators.

In concert with the principle elements of the Caribbean Basin Initiative, Costa Rica has demonstrated continued commitment to opening its economy by negotiating accession to the General Agreement on Tariffs and Trade (GATT) and lowering tariffs on imports of consumer goods. Additionally in 1989, Costa Rica continued to make significant progress in lowering its dependency on its four traditional export products (coffee, bananas, sugar, and beef) and on regional trade (the Central American Common Market and Panama). Non-traditional exports in response to Government of Costa Rica policies.

U.S. assistance, which totaled $960 million in the 1980s, is declining due to Costa Rica's relatively strong economic performance. Total Fiscal Year 1990 assistance was $91 million and the projected level for Fiscal Year 1991 is approximately $66 million. President Calderon's government supports President Bush's Enterprise for the America's Initiative and is discussing possible trade and investment agreements under the Initiative with the United States.

Industry is undergoing great changes in its structure. As a consequence of the lowering of highly protectionist tariffs, many companies have switched from the production of goods destined for internal consumption and export to the rest of Central America, to exporting new or improved products to third markets. Taking advantage of tax holidays and other incentives, a growing number of companies have undertaken drawback production of textiles and electronic assembly products. The value added from these operations, mostly clothing and textiles, is estimated at roughly 72 million dollars during 1989 (versus
61 million dollars during 1988, and 44 million dollars during 1987), an important positive indicator and important factor in industrial growth and employment.\footnote{13}

The encouragement and implications for United States trade and investment remain essential to Costa Rica's continued economic stability. Costa Rica offers one of the best investment climates in the Caribbean basin and should serve as a model for other developing nations in the region. The long term affects of economic growth would be supportive of the long term vital interests of the United States.

Costa Rica possesses the most stable and enduring democracy in Latin America, with a well educate, easily-trainable labor force, and enjoys a well-developed infrastructure of communications, electricity and transportation.\footnote{14} Costa Rica has three major airports and seven seaports allowing easy access to international markets, as well as an extensive coast-to-coast system.

The government of Costa Rica maintains a positive attitude towards foreign investment, and actively seeks to promote activities that generate export earnings. Several laws have been enacted to encourage the establishment of industrial activities and the development of new export crops by foreigners.\footnote{15} The Costa Rican constitution guarantees foreign investors the same legal rights as Costa Rican citizens, except for participation in political affairs. There are no legal restrictions on repatriation of profits, nor joint venture regulations that might represent barriers to direct foreign investment in Costa Rica. Foreigners may legally own Costa Rican companies, or equity therein, and may invest in all areas not expressly reserved for state or parastatal entities.\footnote{16} Foreign corporation may be organized legally in several
ways: as branches, joint ventures, wholly foreign-owned subsidiaries or locally incorporated companies.

In summary, a successful resolution of current fiscal challenges with assistance of the United States government can help alleviate current and future economic instability. Successful industrial diversification and growth, and increased foreign investment which the Costa Rican government is actively pursuing, can help ensure long term economic stability in this vital region. We have identified some economic problem areas that need attention in order to ensure a viable economic future. These problems include: the existing government debt is draining the national economy; the present manufacturing capability is limited and does not significantly contribute to the national economy; the industrial base lacks diversification; foreign investment has not been actively pursued in the past; and the potential tourist trade market has not been fully exploited. Lessons learned from this economic stabilization process could well be applied, with some obvious modifications, to other countries facing similar circumstances.
CHAPTER VII
SOCIETAL PERSPECTIVES

Costa Rica enjoys an excellent reputation in Central America for the quality and quantity of its social programs and its progressive society. These, coupled with its stable government and excellent climate, have served as a magnet to draw immigrants and refugees. This influx is placing a strain on the social support systems and major reform of the public sector to reduce expenditures is becoming imperative. This factor is becoming obvious to the world community and information provided by the World Bank states: "... public sector reform will be the main challenge facing the new administration."¹

One of the primary social programs in Costa Rica, one which sets it apart from many of its Central and Latin American neighbors, is its support to and emphasis on public education. The state requires compulsory education for a minimum of nine years and there is nearly 100% compliance with this requirement. Beyond this minimum requirement there is a readily available educational system up to and including four state supported universities. These educational programs have produced a 93% literacy rate and give the Costa Ricans a great deal of flexibility and opportunity for upward mobility.

Current estimates project a 9.2 billion dollar government expenditure to support these four state universities, an increase of some 36% over 1990 expenditures.² New computer centers have also been established throughout the country to provide students and other residents with necessary computer skills. Even as desirable or necessary as these educational program expansions and improvements are, it is
difficult to understand how they can be initiated at a time when public sector support is under such economic scrutiny.

The health care services in Costa Rica are among the best in the region and are completely state supported under the supervision and control of the Ministry of Health. Under their system basic health care has been highly decentralized and highly specialized care is centralized. This is an extremely cost effective arrangement but may well serve to isolate some of the most rural populations from optimum health care. Rural areas are also subject to far greater medical risk in the aftermath of natural disasters when transportation routes have been disrupted, since the majority of medical care assets and expertise are located in more populous areas. These same rural areas and crowded urban industrial areas are also very susceptible to contagious disease outbreaks and the health problems associated with environmental pollution in the event of flooding similar to that experienced following Hurricanes Gilbert and Joan which seriously affected Costa Rica in 1988.3

Even though Costa Rica does not have a major drug problem, the government has acted early to establish drug rehabilitation facilities though this effort has been somewhat hampered by political disagreement on its importance.

By far the largest problem facing the health care system, and the entire social welfare structure, is the continuing influx of refugees. These refugees, many of whom suffer from some degree of malnutrition, disease, or disability, are greatly stressing the health care delivery system and the economic structure that supports it. A far greater expansion of, and reliance on, primary health care delivery must be
initiated in order to meet the future health care needs of the Costa Rican population.

Domestic crime, long considered a relatively minor problem, has reached proportions where the government security forces have been forced to develop and man mounted police patrols in the cities and public parks in order to protect the citizens. The problem can rapidly escalate if the economic conditions further deteriorate and the influx of refugees continues.

There is great disparity between the social classes in Costa Rica and this has had a far reaching impact on the entire social structure of the country. Similar to most other developing countries there is an extremely large income inequity between the upper and lower classes, with the upper class, those earning a much greater income, gravitating to the large metropolitan areas and the poor, especially the small farmers and peasants, relegated to the rural areas. These rural areas not only contain the poorer population, but they have been largely neglected in social services areas like medical facilities and primary care, public transportation availability, electricity and safe potable water. Outside the major metropolitan areas the public water supply is not even considered completely safe for human consumption and boiling of drinking water is recommended. In addition, public water supplies and sewage disposal facilities only exist in approximately 90% of the rural areas.

The recent and continuing influx of refugees poses another potential problem in that Costa Rica's homogeneous population is experiencing an injection of "foreigners" that may eventually spawn racial or ethnic violence. We have experienced the same evolution in the United States and could well provide them with expert help in prevention of these
tensions or dealing with them when they develop and before they reach crises proportions.

In summary, the social situation in Costa Rica is believed to be much better than that of her neighbors, yet there are some aspects that fall short of what we would expect in a well-developed country. The Costa Ricans have a progressive approach to the provision of social services but the following problem areas have been identified: the economic problems are posing a serious threat to the continuation and expansion of vital public services; the existing health care structure may be overwhelmed by continued influx of refugees or a natural disaster; domestic crime is on the rise and the potential exists for racial or ethnic violence; and finally modernization and provision of public services to rural areas is inadequate.
CHAPTER VIII

CONCLUSIONS AND RECOMMENDATIONS

In this paper we have presented how nation-building could be employed as an alternative strategy to planning for armed intervention in a small third world country. We have examined Costa Rica and while lessons learned here should be applicable elsewhere, the process must be tailored to the country in question.

The following problem summary, conclusions, and recommendations are submitted for consideration. They are directed at identified Costa Rican issues, but the recommendations will have potential value in any third world country experiencing similar problems.

Political

The major problems identified in the political system are: the potential reluctance of governmental officials, stemming from their legally imposed tenure limits, to design or enter into long-range programs to counter very complex issues such as the current economic problems they face; the perceived inability of the government to respond rapidly to crisis situations as a result of their balance of power structure; and the growing possibility of political instability if their economic situation further deteriorates. Our conclusions are: Costa Rica's political system is basically sound, legitimate and viable; our national interests could be in jeopardy if Costa Rica fails as a viable democratic society and stabilizing influence in Central America; and Costa Rica's problems can be resolved. Our recommendations are as follows: the problem posed by governmental tenure limits and resulting
hesitancy to enter into long range programs, which they cannot see through to fruition, can be overcome by encouraging, and if necessary providing technical guidance during, the bipartisan formulation of the specific plans, thereby limiting partisan politics and greatly enhancing the life expectancy of the plans or programs. To resolve the problem of potential inability of the government to respond rapidly in a crisis, we recommend diplomatic encouragement for the government to establish a crisis action response system for use during specified crisis scenarios that would still incorporate a balance of power, if the Costa Ricans consider it essential, but that would drastically streamline the current decision process. Finally, the potential problem of future political instability resulting from increased economic difficulties must be resolved by enhancing their current and future economic prospects and our State Department or the Agency for International Development may be able to discreetly provide them necessary assistance in this endeavor.

Security

The primary security problem in Costa Rica is that their limited internal security forces are unable to adequately counter the threat posed by essentially unprotected coastlines to the east and west, essentially unprotected borders to the north and south, illicit narcotics transhipment activities, and a continuing influx of refugees. Our conclusion is that the Costa Rican internal security forces will never be able to counter these threats, and therefore this country would remain vulnerable, unless they receive assistance in the form of training and equipment resources. Our recommendations are centered around the provision of appropriate equipment and extensive training in its use,
funding the project from available security assistance dollars, and
accomplishing it while maintaining an extremely low profile to avoid
public opposition to our assistance. Any involvement by U.S. military
forces in this effort must be especially low profile as the Costa Ricans
strongly dislike any military forces, including ours. Specific
recommendations include: provision of and training crews to man,
sufficient naval type vessels to accomplish coastal surveillance and
interdiction when necessary using U.S. Coast Guard personnel as technical
experts and trainers; provision of sufficient aircraft and helicopters,
and crews to fly and maintain them, using Federal Aviation Administration
(FAA) assets to set up their infrastructure and either FAA personnel,
contract civilian flight and maintenance instructors, or even U.S. Coast
Guard personnel to conduct the training programs; surveillance radar
equipment and training in its use and maintenance provided by
contractors; off road transportation assets and training once again
provided by contractors or even Border Patrol personnel who use similar
equipment; and capable communications equipment and training in its use
which could also be provided by contract personnel. Additional training
by Border Patrol personnel in border surveillance tactics would be
essential, as would training by Customs Service personnel to control
imports and exports, Immigration and Naturalization Service personnel to
deal with the refugee situation, and the Drug Enforcement Agency
personnel to counter the illicit narcotics transhipment problem.
Finally, we recommend training in anti and counter terrorist techniques,
though terrorist activity is not considered a high threat at present.
This training could be provided by a variety of agencies or corporations
and need not involve military trainers.
Economic

The current economic problems facing Costa Rica are numerous and include: the existing government debt is draining the national economy; the present manufacturing capability is limited and the industrial base lacks diversification; foreign investment has not been aggressively pursued; and the potentially lucrative tourist trade has not been fully exploited. Our conclusion is that the economic problems of Costa Rica can be solved and its economic future significantly improved, but it will take a multifaceted approach to accomplish this. We also believe that continued economic erosion could result in severe political turmoil. Our recommendations are as follows. The existing debt burden must be refinanced in a long-term, low interest arrangement or deferred in order to permit immediate focus resolution of the other economic issues which would in turn lessen the threat posed by the national debt. Assistance with this all important effort may be obtained from the World Bank or International Monetary Fund, with U.S. political assistance in securing this arrangement discretely provided as necessary. The nation's industrial base must be expanded and diversified and this can be accomplished both internally and through increased foreign investment opportunities. Emphasis should be placed on manufacture of consumer products for internal consumption as well as concentrating on quality merchandise manufacture that is internationally marketable. Assistance with this venture can be obtained from economic assets at the World Bank/International Finance Corporation with additional assistance provided by marketing, economic experts available through the U.S. Chamber of Commerce, and possibly the U.S. State Department. Finally, we recommend
increased emphasis on exploitation of the lucrative, but as yet untapped, tourist industry. Costa Rica, with its ideal climate and combination of miles of unspoiled coastline and lush mountains, should be extremely marketable as a tourist haven. This would not only provide additional revenue for the state but stimulate employment and encourage cottage industries adjacent to the tourist concentration areas. Assistance with this should be readily available from a number of sources connected with the Tourist Boards of any major European country, Caribbean country or the U.S.

Societal

Significant problems identified in the social structure are: current economic problems pose a threat to the continuation and expansion of vital public services; the health care structure may be overwhelmed by the influx of refugees or a national disaster; domestic crime is increasing and there is potential for racial or ethnic violence; and there are inadequate public services provided to many rural areas. Our conclusion is that Costa Rica has a very progressive attitude toward provision of public services but efforts are hampered by economic problems, lack of proper training in some critical areas such as environmental health and primary care medicine, and utility construction capability. Our recommendations are as follows: The economic problems must be addressed to institutions such as the World Bank or International Monetary Fund to either refinance their existing debt or secure long term, low interest loans in order to continue funding and expansion of their public service efforts. Their health care structure should be restructured with more emphasis placed on primary care medicine and a
degree of decentralization of specialty care assets. Assistance is available from the World Health Organization or the U.S. Public Health Service, both of which have expertise in these areas. In the event of a natural disaster, the U.S. military medical departments could rapidly provide mobile treatment facilities such as Fleet Hospitals or a Hospital Ship, environmental assistance and civil affairs medical assistance from the Special Operations Forces. Navy Seabees or engineer groups from the Marines could provide the Costa Ricans valuable assistance and training in expansion of their potable water and sewage disposal services. Finally assistance with inner-city crime tactics and dealing with potential racial or ethnic violence could be provided by representatives, acting under the auspices of the State Department, from some of our major metropolitan centers who have had extensive experience in these matters.

Overcoming these problems by trial and error when so much expertise already exists would be a needless waste of time, yet at the same time extreme care must be exercised to maintain the posture of training and assistance and avoid any perception of intrusion in costa Rican internal operations.

In conclusion, Costa Rica has progressed very well as a democracy but does face some potentially crippling problems and needs our immediate assistance. The final measure of effectiveness of nation-building as a pre-emptive strategy will be the political stabilization and democratic growth of the country in question, and the successful preservation of our national interests in the area.
FIGURE 1-1
TOPOGRAPHIC MAP OF COSTA RICA

FIGURE 1-2

COSTA RICA

INTERNATIONAL BOUNDARY

PROVINCE BOUNDARY

NATIONAL CAPITAL

PROVINCE CAPITAL

RAILROAD

ROAD

0 25 50 KILOMETERS

0 25 50 MILES

FIGURE 1-2

40
ORGANIZATIONAL STRUCTURE
of the
PUBLIC SECURITY FORCES OF COSTA RICA

PRESIDENT

Minister to the Presidency
National Police School

Supreme Court of Justice

Minister of Economy and Finance

Minister of Public Security

Minister of Government

Treasury Police
Customs Police

Director General of Public Forces

Civil Guard

Air and Sea Force
Communications
Detective Force
Traffic Force
Motor Maintenance Band
(San José)

Police

Personnel
Budget
Supply
Medical Svcs.
Immigration Control

FIGURE 1-3

41
A. MILITARY:

The 1949 Constitution abolished the military as such in Costa Rica. The country relies on its 4,000 member Civil Guard for the maintenance of internal security/public order and for external defense responsibilities in the event of a national emergency. The Civil Guard is part of the Ministry of Public Security. It consists of a headquarters and five Comisarias (company-size units) in San-Jose as well as Comandancias (company-size units) in seven other cities. A small "air and maritime section" is headquartered in San Jose's international airport and has bases at Puntarenas on the Pacific and Puerto Limón on the Atlantic. The Civil Guard and the Rural Assistance Guard (see Public Safety) are together referred to as the "Republic Forces." Together they do not exceed 7,000 persons. See chart 1 for organizational structure. Costa Rica relies on the Organization of American States and the Rio treaty to satisfy its national security requirements and other defense needs.

Synopsis of Air Force and Navy

**Air Force:**

**Personnel Strength:** Unknown

**Aircrafts:**
- 12 total
  - 1 short range transport (Turbo Commander)
  - 6 utility aircraft
    - 1 Cessna 180
    - 2 U-11A AZTEC
    - 1 Aero Commander
    - 2 Cessna 185
  - 3 support helicopters
    - 2 Seahorse UH 34D
    - 1 Agusta-Bell 204B
  - 2 utility helicopters
    - 1 FH1100
    - 1 Hughes 300-1

**Navy:**

**Personnel Strength:** 90 (Estimated 1983)

**Ships:**
- 3 patrol craft and 1 sounding boat

**Puntarenas:**
- 1 PB Swiftship (105')
- 2 PB Swiftship (65')
- 1 PB Singleship
- 1 PUB USGG Utility (40')
- 1 UGS Sounding Boat (52')

**Limón:**
- 2 PB Swiftship (105')
- 1 PB Singleship.

**FIGURE 1-4**
COSTA RICA: KEY ECONOMIC INDICATORS
(In millions of U.S. dollars unless noted)

### Domestic Economy

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Population (thousands-July)(A)</td>
<td>2,606</td>
<td>2,672</td>
<td>2,735</td>
<td>2,801</td>
</tr>
<tr>
<td>Population growth (%)</td>
<td>2.4%</td>
<td>2.5%</td>
<td>2.4%</td>
<td>2.4%</td>
</tr>
<tr>
<td>GDP (in mill. of current dollars)</td>
<td>4,536</td>
<td>4,726</td>
<td>5,220</td>
<td>5,510</td>
</tr>
<tr>
<td>Per capita GDP (current dollars)</td>
<td>1,741</td>
<td>1,769</td>
<td>1,912</td>
<td>1,989</td>
</tr>
<tr>
<td>Real GDP (in 1986 colones, mill.)</td>
<td>10,851</td>
<td>11,193</td>
<td>11,825</td>
<td>12,298</td>
</tr>
<tr>
<td>percent change</td>
<td>5.1%</td>
<td>3.2%</td>
<td>5.6%</td>
<td>4.0%</td>
</tr>
<tr>
<td>Consumer price index change (Dec. to Dec.)</td>
<td>76.4%</td>
<td>25.3%</td>
<td>10.0%</td>
<td>25.0%</td>
</tr>
</tbody>
</table>

### Production and Employment

<p>| | | | | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Labor force (thousands-July)</td>
<td>978</td>
<td>-1,006</td>
<td>1,026</td>
<td>1,051</td>
</tr>
<tr>
<td>Unemployment</td>
<td>5.6%</td>
<td>5.5%</td>
<td>3.8%</td>
<td>5.0%</td>
</tr>
</tbody>
</table>

### Balance of Payments

<p>| | | | | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Exports (FOB)</td>
<td>1,194.8</td>
<td>1,286.9</td>
<td>1,456.6</td>
<td></td>
</tr>
<tr>
<td>Imports (CIF)</td>
<td>1,380.2</td>
<td>1,404.7</td>
<td>1,743.0</td>
<td></td>
</tr>
<tr>
<td>Trade balance</td>
<td>-185.4</td>
<td>-117.8</td>
<td>-286.4</td>
<td></td>
</tr>
<tr>
<td>Current account balance</td>
<td>-257.0</td>
<td>-179.0</td>
<td>-382.0</td>
<td></td>
</tr>
<tr>
<td>Foreign Official Debt (year-end)</td>
<td>3,923.6</td>
<td>3,833.9(B)</td>
<td>3,746.8</td>
<td></td>
</tr>
<tr>
<td>Debt service paid</td>
<td>265.2</td>
<td>218.2</td>
<td>255.5</td>
<td></td>
</tr>
<tr>
<td>Debt service unpaid/rescheduled</td>
<td>369.2</td>
<td>579.8</td>
<td>442.9</td>
<td></td>
</tr>
<tr>
<td>Total debt service as % of merchandise exports</td>
<td>53.1%</td>
<td>62.0%</td>
<td>47.9%</td>
<td></td>
</tr>
</tbody>
</table>

### Central Government Finances (in millions of colones)

<p>| | | | | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenues</td>
<td>44,025</td>
<td>53,435</td>
<td>63,764</td>
<td>72,700</td>
</tr>
<tr>
<td>Expenditures</td>
<td>48,936</td>
<td>58,865</td>
<td>77,850</td>
<td>98,000</td>
</tr>
<tr>
<td>Deficit (-) or Surplus</td>
<td>-4,911</td>
<td>-5,430</td>
<td>-14,086</td>
<td>-25,300</td>
</tr>
<tr>
<td>Deficit as % of GDP</td>
<td>1.7%</td>
<td>1.5%</td>
<td>3.3%</td>
<td>4.6%</td>
</tr>
</tbody>
</table>

### US-Costa Rica Trade

<p>| | | | | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Costa Rican exports to US (FOB)</td>
<td>508.0</td>
<td>493.9</td>
<td>578.5</td>
<td></td>
</tr>
<tr>
<td>Costa Rican imports from US (CIF)</td>
<td>512.8</td>
<td>544.3</td>
<td>705.0</td>
<td></td>
</tr>
<tr>
<td>Trade balance</td>
<td>-4.8</td>
<td>-50.4</td>
<td>-126.5</td>
<td></td>
</tr>
<tr>
<td>US share of Costa Rican exports</td>
<td>42.5%</td>
<td>38.4%</td>
<td>39.7%</td>
<td></td>
</tr>
<tr>
<td>US share of Costa Rican imports</td>
<td>37.2%</td>
<td>38.7%</td>
<td>40.4%</td>
<td></td>
</tr>
<tr>
<td>US bilateral aid</td>
<td>155.8</td>
<td>105.2</td>
<td>110.0(C)</td>
<td></td>
</tr>
</tbody>
</table>

(A) Bureau of Stat. and Census from 'Encuesta de Hogares' survey. Based on a revision to the 1984 national census, the Bureau estimates about 3 million by mid-1990, plus approximately 200,000 undocumented foreign residents.

(B) Beginning in 1988, USD 150 million in 'Presas' that dollar-denominated Central Bank bonds -- were reclassified as a domestic liability, thereby producing a drop in reported foreign official debt.

(C) Only partially disbursed. Includes USD 65 million in Economic Support Funds.

Sources: Central Bank of Costa Rica, Costa Rican Bureau of Statistics and Census, Min. of Finance, Min. of Planning, IMF, World Bank, USAID.

FIGURE 1-5

43
NOTES

CHAPTER I


CHAPTER II


CHAPTER III


2 Ibid, p. 4.


4 Bell, p. 5.

5 Ibid., p. 5.

6 Creedman, p. 10.

7 Ibid., p. 11.

8 Ibid., p. 12.

9 Ameringer, p. 9.

10 Ibid., p. 11.


12 Ibid., p. 30.
CHAPTER IV

1 Bendix, p. 18.
2 Diamond, p. 398.
3 Ibid., p. 400.
4 Ibid.
5 Deutsch, p. 74.
7 Diamond, p. 404.

CHAPTER V

1 Ameringer, p. 79.
2 "361 Civil Affairs Brigade." Area Assessment, Costa Rica. Prepared for Commander-in-Chief, United States Southern Command, Quarry Heights, Panama. (Printer, unknown), 1894, p. 21.
3 Ibid., p. 23.
5 Ibid., p. 27.
6 Ibid., p. 28.
8 Ibid., p. 155.
9 Ibid., p. 147.
10 Ibid., p. 183.
11 Ibid., p. 184.
CHAPTER VI

1 United States Department of State, p. 1.
2 Foreign Area Studies, p. 133.
3 Ibid., p. 134.
4 Ibid., p. 133.
5 Ibid.
6 Ibid., p. 136.
7 United States Department of State, p. 1.
8 Ibid., p. 1.
9 Ibid., p. 3.
10 Ibid., p. 4.
11 Ibid., p. 1.
12 Ibid., p. 4.
13 Ibid., p. 5.
14 Ibid., p. 12.
15 Ibid., p. 13.
16 Ibid., p. 13.

CHAPTER VII

2 Information provided by the Costa Rica Embassy in response to a telephone conversation on 26 December 1990.
4 Bouchard and Blankmeyer, interview.

5 Diamond, pp. 409-411.

BIBLIOGRAPHY


Panther-Tier II, Counterinsurgency Scenario, Reprinted by permission from Panther--Tier II, Counterinsurgency Scenario, Commander, Combined Arms Training Activities, Fort Leavenworth, K.S.


361 Civil Affairs Brigade. Area Assessment, Costa Rica. Prepared for Commander-in-Chief, United States Southern Command, Quarry Heights, Panama. (Printer, unknown), 1894.


