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## **Costa Rica's Environment Bashed By Economic Boom, But The Country Can't Afford A Downturn**

by LADB Staff

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While increasingly US-dependent Costa Rica worries about an economic downturn in parallel with that of its northern benefactor, the government has also admitted losing control of tourism related real estate development. In the absence of adequate regulation, the northern Pacific coast and other areas have suffered environmental damage, so much that even the tourism industry itself is complaining. The Comptroller General of the Nation is also complaining.

The office is required to submit an annual report to the Asamblea Legislativa (AL), and this year's missive tells deputies, "There has not been a balance between the development of infrastructure on the national coastal areas and the protection of the environment, which puts the natural resources, the biodiversity, and ecosystems at risk." The report called for a revision of "the planning, administration, vigilance, and control" of the Zona Maritima-Terrestre (ZMT). The ZMT begins at the halfway point between low and high tides, and is public property. The first 50 meters is the public zone, where no construction or private ownership is allowed. The next 150 meters is the restricted zone, where construction can occur with a government concession.

Some jurisdictions are exempt from the law. The Tico Times has reported on the regulatory near-chaos in the zone, which covers a total of 29,790 ha, for which 11 government agencies and 23 local governments are, in one way or another, responsible. The Comptroller's report calls this "dispersion and multiplicity" of responsibility, such that the government cannot exert coherent policy. In sum, "the ZMT is showing signs of degradation." One of the agencies with oversight responsibility is the Instituto Costarricense de Turismo (ICT), an agency whose interests are not always in line with sound conservation practice. "Perhaps the best solution would be to eliminate the ICT's responsibilities for approving zoning plans and as the upper authority in this area," muses the report. Meanwhile, those who've got theirs have shown eagerness to slam the door on others seeking to exploit the zone.

The Costa Rican Hotel Association has issued a report of its own, warning of the demise of this "paradise of ecotourism." Says their report, "Reality shows that investors are free to develop more and more projects in a scenario without clear rules." The hoteliers flashed some startling numbers. In five districts of Guanacaste, housing construction increased by 171% between 2006 and 2007 compared to the preceding three years. Condominium construction went up by 362%, apartments by 560%, and hotels by 400%. The Tico Times quotes the report saying, "It is obvious that all these statistics are very alarming if you take into consideration that the majority of this land investment does not have adequate planning in terms of water services, energy, garbage, streets, lighting, etc."

The concern of the hotel people, and perhaps of the government as well, is that in addition to the environmental damage caused by all this building, the people who buy the real estate don't spend much money after their initial investment. "People that are in residences don't go out very much,

don't eat in restaurants, don't go on tours, and buy fewer crafts and souvenirs," said Carlos Lachner, president of the hotel association.

### *It's a great time to buy Costa Rica*

Much of the money made on these projects flows into the hands of foreigners, and that is something likely to continue regardless of a US-led downturn to the Costa Rican economy. Canadian real estate broker Joan Demyen owns a Remax franchise in Flamingo Beach. She told a Canadian paper, "Costa Rica seems like the place where people want to be. There are a lot of Europeans, because the euro is doing so well, and incredible amounts of Canadians. Our dollar is finally equal [to the US dollar] and I think that really helps." Besides not having to put up with US neighbors because their dollars don't work, Demyen went on to tell her Canadian compatriots, "The roads have all been repaired, we've got all kinds of new development, and we're going to have a lot of new hotels coming in. I think our president has been a real help in that respect." She meant Oscar Arias. But now that Costa Rica is no longer boringly pristine, the cash cow's udders could shrivel.

If this kind of growth is to be regulated, any potential loss of income to the state has to be made up somewhere. In his recent annual report on the state of the nation, Arias alluded to the need for a tax increase to keep government on track. He reportedly was seeking to avoid a tax boost so as to keep the citizenry upbeat with the vote on the Central America Free Trade Agreement (CAFTA) coming up, but he needs money to deal with higher food and energy costs, rising crime, and the poverty that stimulates it. He has said elsewhere that tax revenues had increased because in the past they had not been collected, but revenues for 2008 had fallen 25% in comparison with 2007.

In a long interview given to the national paper *La Nacion*, Arias admitted to fear of coming years when both the International Monetary Fund (IMF) and the Central Bank have predicted growth in the 3.8%-4.5%. At the midpoint of his presidency, he is used to the heady 8.8% of 2006 and the still pretty good 6.8% of 2007. The new numbers would not be necessarily bad, he said, but, "For the first time, we have an increase in the basic food basket that affects the entire world and with known causes: an increase in the demand for products and the most idiotic thing I have ever heard."

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