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Costa Rica: On U.S. Aid As Political Weapon

by Deborah Tyroler

Category/Department: General

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[Appearing below are excerpts from the 11/26/88 issue of The Globe and Mail (Canada), summarized in a recent report by the Central America Resource Center, Minneapolis, Minn.] The new USAID (US Agency for International Development) compound is a \$10 million concrete fortress in a San Jose suburb. One US Embassy official characterized it as "totally inappropriate" for a country which has no army, guerrillas, death squads or significant civil strife. Costa Ricans generally agree and are angered that the building was paid for by funds donated to Costa Rica by the US, and that they were not consulted. One government minister said, "Had we been asked, we would have requested low-income housing instead." Reagan administration policies in Costa Rica have had two general thrusts: to build a "southern front" against Nicaragua and to build a "parallel state" within Costa Rica, or a set of private USAID institutions duplicating and undermining government institutions. USAID assistance jumped from \$2 million in 1978 to \$221 million by 1985, and it was used to dismantle state enterprises, while spoonfeeding US funds to a cluster of private agriculture, transport, export, education, research and investment entities. One example is the multi-million-dollar loan program to private banks at zero or very low interest rates, effectively undermining Costa Rica's nationalized banking system. Adding injury to insult, the Costa Rican government was required to pay 21% interest on undispersed USAID funds totalling more than \$100 million between 1983 and 1987. These payments equalled one-third of the Central Bank deficit in 1986. USAID officials were unable to name any other country where such payments were required.

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