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Costa Rica: Outline Of Third Economic Adjustment Program

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Costa Rica: Outline Of Third Economic Adjustment Program

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The Costa Rican government is negotiating with the World Bank the final draft of a third structural adjustment program scheduled for implementation in 1992. In return for implementing a series of draconian adjustments, San Jose is to receive a $300 million loan. Highlights of next year's program are summarized below. * In the past year, about 7,000 civil servants were dismissed, and another 30,000 government jobs are to be eliminated. * State-run companies, including a cement plant, the National Insurance Institute, and the government's radio and television networks are currently in the process of being privatized. The 1992 program would privatize most remaining state-run companies. * At present, tax exemptions represent $600 million in potential revenues for the federal treasury. The sum is equivalent to about half the government's annual budget. The 1992 program would eliminate most tax exemptions. * Elimination of non-tariff barriers, and gradual reduction of tariff rates to a 20% ceiling by year-end 1994. * Government withdrawal from price regulation, with the exception of public services. The number of products subject to price controls will be reduced to no more than 15. In addition to criticisms by opposition parties, politicians of the ruling Social Christian Unity Party (PUSC) have also expressed opposition to the adjustment program. PUSC Deputy Roberto Tovar Faja blasted the 1992 program, and asserted that the previous two programs have accomplished nothing positive. After stating that economic and social welfare indicators have declined since the implementation of the first two programs, Tovar Faja added, "This country has been enormously impoverished by the PAE [economic adjustment programs]." Luis Garita, University of Costa Rica rector, said the government's policies have been "disastrous," both in terms of economic activity and living standards. Independent Deputy Rodrigo Gutierrez said the political and economic transformations implied by the PAEs are simply the outcomes of the same model imposed by the World Bank and the International Monetary Fund throughout Latin America. Gutierrez said the model's principal objective is to eliminate the government's social responsibility function, in order to submit social relations to the rigid laws of the market. The Chamber of Industries, which represents most of the nation's manufacturing companies, also demonstrated a lack of enthusiasm for the next adjustment program. In particular, private businesspersons are not happy about further tariff reductions. Leaders of most of the nation's labor federations are opposed to the adjustment programs, described as wholly antagonistic to workers' interests. The $300 million loan is earmarked for financing state administration reorganization, domestic industry conversion and trade liberalization. (Basic data from ACAN-EFE, 08/31/91)

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