

POLITICAL AND ECONOMIC PROFILE OF COSTA RICA

Costa Rica, which won its independence from Spain in 1821, has a population of 2.7 million, mainly of European and mixed descent. San José, the capital, has over 750,000 inhabitants, and nearly half of the country's population reside in urban areas. Costa Rica is a neutral country and has no standing army.

Political Situation

Costa Rica has a strong democratic tradition. Its first free elections were held in 1889 and, with the exception of two brief periods (1917-19 and 1948-49), the country has sustained a vibrant democracy with regular alternations of parties in power. The most recent elections, held in February 1986, were openly and fairly contested, with the winning candidate, Dr. Oscar Arias Sanchez of the National Liberation Party (moderate centre-left) receiving 52 percent of the popular vote. Dr. Arias began his four-year term as President on May 8, 1986.

In the early 1980s, political turmoil in other countries in Central America spilled over into Costa Rica, disturbing a long period of domestic tranquillity. There are now an estimated 220,000 Nicaraguan and Salvadoran refugees in Costa Rica. This places a considerable burden on the country's social services. The proximity of areas of conflict and the pressure of refugees serve as a continuing reminder of the fragile nature of Costa Rican stability and neutrality.

President Arias has responded to the region's conflicts by assuming a leading role in the peace process. Although critical of the destabilizing role of Nicaragua in the region, he has also spoken out consistently against U.S. support for the contras. His peace plan, for which he was awarded the 1987 Nobel Peace Prize, led to the Esquipulas II Accord in August 1987. The Accord provided a unanimous and indigenous framework for future regional peace negotiations, a framework that was re-endorsed at the February 1989 Central American Presidential Summit.

Economic Situation

During the 1970s, the economy of Costa Rica flourished, with both the manufacturing and agricultural sectors enjoying rapid growth. A notable feature of this period was the simultaneous expansion of traditional commodity exports (coffee,