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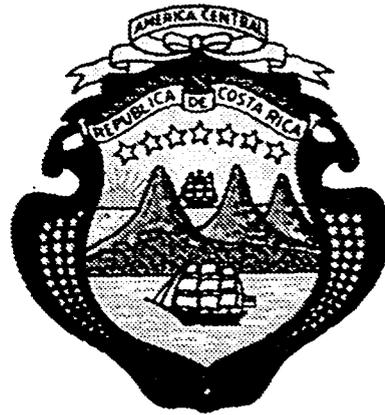
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**Visit to Canada**  
**by**  
**President Oscar Arias**  
**of**  
**Costa Rica**

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**April 5-10, 1989**



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**Costa Rica**

Dept. of External Affairs  
Min. des Affaires extérieures

OCT 4 1990

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**April 5-10, 1989**

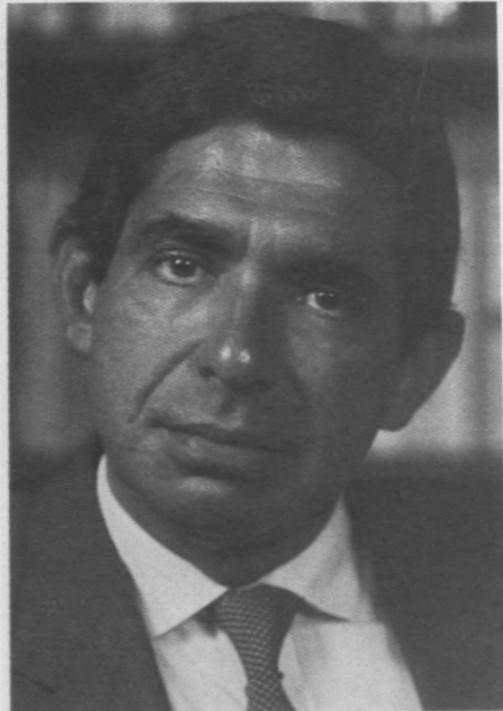


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## PRESIDENT OSCAR ARIAS

Oscar Arias Sanchez (surname Arias) was born on September 13, 1940 in Costa Rica. He graduated in economics and law from the University of Costa Rica, and obtained a Master's degree in economics at the London School of Economics and a Ph.D. in political science at the University of Essex.



Dr. Arias was Professor of Political Science at the University of Costa Rica from 1969 to 1972. During this period he also served as Economic Counsellor to the President of Costa Rica (1970-71) and Vice-President of the Board of Directors of the Central Bank of Costa Rica (1970-72).

Appointed Minister of National Planning and Economy in 1972, Dr. Arias continued in this position until 1977, and also served as a Director of the Central Bank of Costa Rica.

In 1975 Dr. Arias became International Secretary of the Partido de Liberacion Nacional (PLN), and entered electoral politics in 1978 as a member of the National Assembly of Costa Rica, serving in this latter body until 1981. Meanwhile, he was also elected as Secretary General of the PLN in 1979, and in 1985 won that party's presidential nomination.

Dr. Arias was elected President of Costa Rica on February 2, 1986 and was inaugurated on May 8, 1986 for a four-year term (only one term is allowed under the Costa Rican Constitution).

It was through the initiative of Dr. Arias that the Esquipulas II Accord was signed by all the Central American presidents in August 1987. This accord provides a framework for future Central American peace negotiations. For this work, President Arias was awarded the 1987 Nobel Peace Prize. He

utilized the funds that accompanied the Nobel Prize to establish the Arias Foundation for Peace and Human Progress in support of social projects related to the advancement of peace.

Dr. Arias married Margarita Penon in 1974. They have one daughter, Silvia Eugenia, and one son, Oscar Felipe.

PRIME MINISTER BRIAN MULRONEY

Born March 20, 1939 in Baie Comeau, Quebec, Mr. Mulroney is a lawyer and former corporate executive.

He holds a B.A. (Honours) in Political Science from St. Francis Xavier University, Antigonish, Nova Scotia and a Bachelor of Law from l'Université Laval in Quebec City.

On June 11, 1983, Mr. Mulroney was elected Leader of the Progressive Conservative Party of Canada.

He subsequently won election to the House of Commons in a by-election on August 29, 1983 in the riding of Central Nova, Nova Scotia.



In the general election of 1984, he was elected in the riding of Manicouagan, Quebec. His party won the largest number of seats in Canadian parliamentary history. He was re-elected in the riding of Charlevoix, Quebec on November 21, 1988, and led his party to form a second majority government.

Mr. Mulroney has been active in public life and community affairs for many years. In May 1974, he was appointed to the Cliche Royal Commission investigating violence in the Quebec construction industry. In 1976, he was a candidate for the leadership of the Progressive Conservative Party of Canada.

Later that year, he joined the Iron Ore Company of Canada as executive vice-president; a year later, he became company president.

He has been active in charitable organizations such as the United Way of Greater Montreal, the Big Brothers Association of Canada, the Quebec Association for the Mentally Retarded, the Canadian Juvenile Diabetes Foundation and the Montreal Heart Fund.

Mr. Mulroney is married to the former Mila Pivnicki; they have four children, Caroline, Ben, Mark and Nicolas.

#### VISIT OVERVIEW

The visit of President Oscar Arias to Canada on April 5-10 will be the first visit ever made to Canada by a president of Costa Rica. It provides an historic opportunity to reaffirm Canada's close bilateral ties with Central America's longest-functioning democracy.

The visit will also enable Canadian leaders to review recent developments in the Central American peace process with President Arias, who was awarded the 1987 Nobel Peace Prize for his contributions to the search for peace in the region. Such an occasion is particularly welcome in light of Canada's commitment to give full support to the Central American peace process, including possible participation in an international peace verification mechanism.

## 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,

bananas and sugar) and diversification into new commodities (beef, vegetables and tropical fruits). However, from 1979 to 1982, a combination of declining foreign exchange earnings and rising import costs for oil, industrial machinery and raw materials, along with increasingly costly social welfare programs, brought the country to the brink of bankruptcy.

The government of the day took a number of initiatives to place the economy back on the road to recovery. An austerity program designed to reduce the budget deficit was introduced, and increases in foreign aid were secured. In 1985, Costa Rica reached an agreement with the International Monetary Fund (IMF) on terms for additional support from the latter body; and, in the same year, Costa Rica negotiated a structural adjustment loan of US\$80 million from the World Bank.

The Arias administration has continued on the path of austerity. As a result, the public sector deficit has been reduced to three percent of GDP (compared to 14 percent in 1982). President Arias' success in reducing government expenditure and re-allocating national investment to productive sectors has contributed to a partial economic recovery. However, significant continued short-term stresses remain, including a troublesome inflation rate (up from 16 percent in 1987 to 23 percent at the end of 1988), increases in the regulated prices of certain basic foods and public services, and a consequent 1987-88 decline of 2.5 percent in the real value of the national minimum wage. Moreover, Costa Rica's external debt - amounting to US\$4.7 billion at the beginning of 1989 - remains a major obstacle to long-term economic progress. It has led the Arias government to seek further restructuring of the Costa Rican economy, including liberalizing the banking system, as a means of stimulating productivity and qualifying for additional assistance from the international community. In this latter connection, some forward movement occurred in December 1988 when the World Bank approved a new structural adjustment loan of US\$100 million. Additional negotiations with the International Monetary Fund and private creditors will still be required in order to reach an overall formula for scaling down the debt burden. An associated challenge for the government will be to sustain public support of austerity and restructuring policies during the presidential elections scheduled for February 1990.

### Canada-Costa Rica Relations

Canada enjoys closer relations with Costa Rica than with any other Central American country, due to our shared democratic institutions. The governments of the two countries maintain a continual and detailed dialogue on all facets of the

Central American peace process, and Canada provides a significant volume of aid to Costa Rica (\$61.4 million during the period 1983-88), supporting the latter's democratic institutions and assisting its program for economic development. On the commercial side, bilateral relations are expanding steadily, with Canadian exports to Costa Rica totalling over \$28 million in 1988 (compared to \$16 million in 1982), and imports from Costa Rica in the same year reaching \$51 million (compared to \$32 million in 1982).

## CENTRAL AMERICAN PEACE PROCESS

### The Search for Peace

The search for peace in Central America has been long and difficult. Several years of talks among members of the Contadora Group (Panama, Mexico, Colombia and Venezuela) helped set the stage for an August 1987 summit meeting of Central American presidents in Guatemala. By the end of this landmark session, the presidents had seized the initiative and agreed to a regional peace plan, put forward by President Arias.

In its preamble, the Guatemala agreement said that "guarantees must be established to allow popular participation in authentic and democratic political processes that are based on justice, liberty and democracy.... The governments will commit themselves to initiate an authentic, pluralistic, participatory democratic process that implies promotion of social justice, respect for human rights, sovereignty, territorial integrity, and the rights of all countries to determine freely and without outside influence of any kind, their economic, political and social model...."

Canada was encouraged by the emergence of a broad, regional consensus on the need to declare ceasefires in the countries where conflicts existed, extend amnesty to armed insurgents, and initiate dialogue with unarmed opposition groups. The Guatemala plan established an ambitious timetable for the development of a lasting peace settlement. While implementation of the peace plan has been difficult, real progress has been made. Canadians are encouraged to see the Central American nations themselves taking an active role in finding appropriate, regional solutions to regional difficulties.

### Canada's Support for the Peace Process

Support for the peace process and for regional autonomy in determining the dimensions of a lasting peace agreement have long been cornerstones of Canadian policy in Central America. This has been expressed in numerous public statements, as well as in private discussions with the parties involved.

As early as 1985, the Secretary of State for External Affairs, Joe Clark, in meetings with the President and Foreign Minister of Mexico, stated Canada's willingness to help design appropriate peacekeeping mechanisms, drawing on three decades of Canadian peacekeeping experience. On three subsequent occasions, Canada prepared detailed written comments on key provisions of the Contadora Draft Act, at the request of participating governments.

In August 1987, immediately after the Guatemala peace agreement was signed, Mr. Clark dispatched senior Canadian officials to deliver an offer of further Canadian support to the foreign ministers in Central America. Mr. Clark travelled to all five countries of the region in November 1987, to underscore Canada's willingness to help. The offer was warmly received.

A senior diplomatic representative, Richard Gorham, was appointed to serve as roving ambassador for Latin America and to chair an interdepartmental working group on Central America. Also, a special House of Commons committee was established to review and monitor the peace process.

While the adoption of the Arias plan was an historic moment for all five signatories, the regional economy remains plagued by low commodity prices, crippling foreign debt, and major distortions arising from continuing military conflict. The Arias plan recognized the need for massive economic restructuring in the region.

An important aspect of Canada's support for peace and stability in the region has been the tripling of government-to-government bilateral assistance between 1982 and 1987. As a region, Central America is now the second-largest per capita recipient of Canadian aid in the world.

The Canadian International Development Agency (CIDA) is supporting, throughout Central America, a wide range of practical projects from day care for single parents to water purification, electrification and dairy projects. With funding from the federal government, Canadian non-governmental organizations are participating in numerous projects such as teaching orphans and providing rural health care in Honduras, and training farmers to repair machinery in Nicaragua.

Consistent with established Canadian foreign policy, these initiatives, combined with an active refugee program, have been designed to meet the needs of the poorest in the target countries without attaching political conditions to the allocation of aid dollars. Canada maintains development programs in Nicaragua, Honduras, Costa Rica, El Salvador and Guatemala.

Over the last year, consultations have continued with Central American leaders, and encouragement has been given by Canada to move the peace process through a difficult period. The special House of Commons Committee on Central America tabled its report in mid-1988 and the government reacted positively to most of its recommendations, which were targetted at having Canada help the peace process in key areas such as human rights and economic reconstruction and development. In his response to the

committee report, the Secretary of State for External Affairs committed Canada to a significant increase in development assistance funding for the region. Canadian, Central American and UN officials have been meeting since late last year to develop detailed plans for a peace supervisory mechanism. Progress on the plan has been encouraging and a UN observer group is now under consideration by all parties.

## Conclusion

Recognizing that peace is an essential ingredient in effective development efforts, Canada is following the implementation of the Central American peace plan with renewed optimism. As a result of the plan, the international community has witnessed efforts for national reconciliation in Nicaragua, El Salvador and Guatemala. While events in Central America unfold rapidly, Canada firmly believes that the region must be allowed the time and flexibility to resolve its own difficulties.

The Canadian government applauds recent developments in the region as an assertion of Central America's distinct destiny. With its commitment to establishing "the climate of liberty that democracy ensures," the Arias initiative provides a good basis for ending the cycle of repression, poverty and conflict that has hampered the development of the entire region, and immeasurably altered the lives of hundreds of thousands of its people. Canada's offer to participate in a practical verification and control mechanism remains open, and bilateral development assistance will be maintained as the Central American nations carry forth their search for a homegrown solution to a tragic and complex set of difficulties.

## CANADA-COSTA RICA TRADE RELATIONS

Trade between Canada and Costa Rica is governed by a commercial agreement entered into on November 17, 1950. The Agreement provides for a reciprocal exchange of most favoured nation treatment. In addition, a technical cooperation agreement between the governments of Canada and Costa Rica was signed in San José on July 24, 1973.

During the economic growth of the 1970s, annual Canadian exports to Costa Rica grew from \$7 million to reach \$35.6 million in 1979. However, due to the economic difficulties during 1979-82, Canadian exports fell to a low of \$15.9 million in 1982. Reflecting the improved Costa Rican economy, Canadian exports gradually increased during the 1980s and reached \$30 million in 1987. Our main exports continue to be fertilizers, newsprint and paper, machinery, plastic (resins and sheets), food products and pharmaceuticals.

Costa Rica continues to offer an attractive, if limited, market for Canadian exports. Resource development, agro-industry and infrastructure projects offer important opportunities. Other sectors of future interest are indicated by planned improvements to Costa Rica's agricultural and livestock industries and possible large investments in gold mining.

Imports from Costa Rica consist almost entirely of bananas and coffee and have fluctuated between \$40 and \$63 million, depending on the level of imports of these commodities. In 1988, Canada imported bananas valued at \$28.5 million and coffee valued at \$13 million.

Tourism has become the third most important foreign exchange earner and is growing. New tourist facilities are being rapidly developed to handle the increased volume. Canadian tour operators have established charters from Toronto, Montreal and Vancouver, which are operating with capacity loads. By the end of this winter season, it is expected that almost 10,000 Canadians will have visited Costa Rica.

TABLE I  
CANADA - COSTA RICA TRADE

Canadian Exports to Costa Rica (\$ Millions)		1982	1983	1984	1985	1986	1987	1988
ITEM								
Newsprint		2.8	4.1	3.6	3.9	5.6	7.1	5.9
Paper		3.2	2.0	2.1	1.4	1.5	2.1	1.4
Wood Pulp		2.3	0.5	0.9	0.3	2.1	0.4	2.0
Food Products		-	0.7	1.0	1.4	1.2	0.9	1.2
Fertilizer		-	-	4.5	3.2	5.1	5.6	3.0
Plastic Resin		-	-	0.7	1.2	1.4	1.0	1.4
Plastic Film		-	-	-	0.5	0.5	1.3	1.1
Pharmaceuticals		-	-	-	0.8	1.3	1.3	0.3
Machinery		0.2	0.2	0.9	0.8	1.4	2.8	2.3
Total		8.5	7.5	13.7	13.5	20.1	22.5	18.6

Canadian Imports from Costa Rica (\$ Millions)		1982	1983	1984	1985	1986	1987	1988
ITEM								
Bananas		20.3	25.0	22.1	27.7	36.8	35.3	28.5
Coffee		7.7	9.7	12.7	11.2	16.8	21.6	13.0
Total		28.0	*59.2	34.8	38.9	53.6	56.9	41.5

\*Incl. gold alloy - \$24.5

Source: Statistics Canada

## CANADIAN DEVELOPMENT ASSISTANCE TO COSTA RICA

### Background

Canadian Development Assistance to Costa Rica began in 1971. During the period 1971-72 to 1981-82, total disbursements amounted to \$2.8 million, of which \$1.4 million was bilateral aid.

In 1982, following a review of Canada's relations with Central America, the government announced that it would be tripling bilateral aid to Central America over the next five years, and that Costa Rica would receive an increased share of assistance. This commitment has been met. During the past five years (1983-84 to 1987-88) Canada disbursed \$29.3 million in bilateral aid (including the Canada Fund) to Costa Rica. During the same period, Canada contributed an additional \$32.2 million to Costa Rica through other direct aid channels, including CIDA's Industrial Cooperation and Non-Government Organizations channels, the Petro Canada International Assistance Corporation, the International Development Research Centre and the International Centre for Ocean Development. Table II provides a breakdown of direct aid disbursements to Costa Rica for the period 1983-84 to 1987-88.

Since 1982, the primary objective of the bilateral aid program has been to provide balance of payments support - in response to Costa Rica's debt crisis and to assist with the economic recovery process. Project activities financed since 1982 have consisted principally of lines of credit for the provision of Canadian fertilizer. Proceeds from the local sale of the fertilizer have been used to finance the very successful Costa Rica-Canada Rural Housing Program. A separate project during this period was also implemented to provide technical assistance to refugees.

### Current Bilateral Program

Bilateral disbursements to Costa Rica currently average \$5 to \$6 million per year. In accordance with Canada's new aid strategy "Sharing Our Future," the bilateral program will decentralize its operations to San José by the end of the summer of 1989. The following projects are currently in operation:

1. Line of Credit III (fertilizer) - \$8.3million loan, \$6.6 million contribution

Approved in 1985 as a loan, the unspent balance was converted in 1987 to a contribution. The line of credit was

used to purchase Canadian fertilizer for FERTICA, a Costa Rican fertilizer plant and distributor. Payments by FERTICA for the fertilizer have been channelled to the Costa Rica-Canada Rural Housing Program for the construction of affordable rural housing. This project is scheduled to terminate in 1989-1990.

**2. Costa Rica-Canada Rural Housing Program (RHP)**

Established and financed from the proceeds of the local sale of Canadian products provided through lines of credit, the RHP has been one of CIDA's most successful projects. To date, over 2,000 houses have been built, and 4,000 more have been approved or are under construction. The program operates principally through rural cooperatives, and responds to one of the highest priorities of the current government in Costa Rica. Recently, the RHP has actively participated in housing reconstruction activities following the damage created by Hurricane Joan.

**3. Management Support to the Ministry of Housing and Human Settlements - approx. \$1 million**

This project was approved in October 1987. Its purpose is to assist the Ministry to improve planning and coordination activities in the housing and related sectors. Over a period of two to three years, a computerized information system and related training will be provided by a Canadian firm.

**4. Human Resources Development - \$3 million**

Approved in 1984, this project is being implemented by World University Service of Canada to provide scholarships for technical and college level training, directed mainly to agriculture. Thirty-three scholarships have currently been awarded.

**5. Cooperative Development Assistance Program - \$4.7 million**

The project was developed by the Canadian Cooperative Association, in partnership with two national cooperative organizations in Costa Rica. The project is currently in its inception phase. Credit financing, technical assistance, training and marketing services will be provided for small-scale rural cooperatives.

#### 6. Distance Education - \$1.7 million

Recently approved, this project is designed to provide the Central American University Confederation, a regional institution based in Costa Rica, with a simple and comparatively inexpensive telephone-based distance education system. Once operational, this system will enable courses to be communicated to students in seven regional universities.

#### 7. Public Administration - 4.4 million

This project is being implemented by the Central American Public Administration Institute (a regional institution based in Costa Rica), and the Ecole Nationale d'Administration Publique of Quebec. Training and curriculum development is being provided to strengthen development planning and administration in Central America.

#### Future Programming

The general objective of the bilateral program, as currently defined with the Government of Costa Rica, is to support Costa Rica's structural adjustment efforts, which are aimed at short-term economic recovery, and sustainable, balanced economic and social growth over the longer term. Within this context, the following sub-objectives have been identified:

- to assist the poorest groups to improve their standard of living;
- to assist the country to meet its needs in the housing and human settlements area;
- to support small enterprise development.

In support of these objectives, it is expected that future programming activities in Costa Rica will concentrate on lines of credit, with local funds generated being applied to priority economic and social projects such as small enterprise development and housing.

TABLE II  
**AID**  
**DISBURSEMENTS TO COSTA RICA**  
 1983-84 to 1987-88  
 (in \$000)

	1983-84	1984-85	1985-86	1986-87	1987-88	TOTAL 1983-84 to 1987-88
<b>DIRECT</b>						
Bilateral	5,993.6	6,315.8	6,604.9	4,454.4	4,163.8	27,532.5
Canada Fund	348.6	321.0	282.8	362.7	451.7	1,766.8
NGO	248.0	320.0	60.0	240.0	280.0	1,148.0
NGO (Food Aid)	-	-	18.6	-	20.0	38.6
NGI	286.0	298.0	140.0	1,030.0	800.0	2,554.0
INC	185.0	169.0	3.9	120.0	440.0	917.9
Food Aid (Gvt to Gvt)	-	-	-	-	-	-
IDRC	660.0	649.0	1,530.0	1,610.0	1,390.0	5,839.0
PCIAC	-	-	60.0	7,500.0	13,780.0	21,340.0
ICOD	-	-	-	50.0	90.0	140.0
Humanitarian Aid	-	-	-	-	140.0	140.0
<b>TOTAL DIRECT</b>	<b>7,721.2</b>	<b>8,072.8</b>	<b>8,700.2</b>	<b>15,367.1</b>	<b>21,555.5</b>	<b>61,416.8</b>

## Notes