

### General Political Environment:

Costa Rica is a long-standing liberal democracy and one of the most politically stable countries in Latin America. Recently, Costa Ricans have grown frustrated with traditional parties. After decades of two-party politics in May 2006, former president Óscar Arias (1986-1990) was elected and his National Liberation Party (PLN) won 25 of the 57 seats in Congress. Arias is presiding over the second consecutive minority government.

The global economic crisis has hit the Costa Rican economy hard, but the PLN have remained popular due to Arias's swift passage of the Plan Escudo stimulus package in January 2009. Former First Vice President Laura Chinchilla is the confirmed nominee for presidency and is poised to win the February 2010 elections, although it is unlikely the PLN will be granted a majority of seats in Congress.

Costa Rican politics today mirror the existing rifts in society. One segment supports the continued pursuit of liberal, free-market policies. The other believes this model has failed to distribute benefits equally and wants to revert to the model of the 1960s and 70s where the state played a larger role in the country's economic and social life.

This rift is manifest in the polarized attitudes towards the Central American Free Trade Agreement (DR-CAFTA) between Central American countries, the Dominican Republic and the US. The strongest opponents of the free trade deal are public sector unions and social groups. Business organizations, however, have shown a greater support for the pact. In October 2007, following a close referendum voters approved DR-CAFTA and Costa Rica entered the free trade agreement on 1 January 2009.

For some, there is no single genuine alternative to the pro DR-CAFTA view of the PLN. The current opposition Citizen Action Party (PAC) opposes the FTA but suffers from internal divisions and lacks strong leadership. The newly created Patriotic Alliance Party (PAP) also opposes DR-CAFTA, but lacks experience and broad public support to have a strong impact in the upcoming elections. Support for the Social Christian Unity Party (PUSC), the traditional PLN counterpoint, nearly collapsed in the 2006 elections and remains weak today following a corruption investigation of former President Rafael Angel Calderón. If elected President, Ms Chinchilla will have to carry on President Arias's ability to broker deals with opposition parties

### Investment Environment:

In addition to DR-CAFTA, a Canada-Costa Rica FTA has been in place since November 2002. Also, Costa Rica officially established diplomatic relations with China in June 2007. Since then, negotiations towards a trade agreement progressed positively. Negotiations for an FTA are scheduled to end in early 2010.

Privatization of state-owned companies is a sensitive issue in Costa Rica, especially in relation to the National Electricity and Telecommunication Institution (ICE). With the passing of DR-CAFTA, ICE now competes with numerous private firms in the telecom sector which will boost the industries competitiveness in the long-run.

Contract disputes are prevalent in the electricity and offshore oil sectors. There has been some history of problems with bid processes, and local resolution of investment disputes can be quite prolonged.

### Political Violence:

Costa Rica does not maintain a regular military and is generally perceived as a 'neutral' country. In a region traditionally affected by civil wars, Costa Rica has been relatively free of politically-motivated violence.

The San Juan River, which demarcates the border between Costa Rica and Nicaragua, has been the subject of a long-running border dispute between the two countries. In July 2009, although the river is in Nicaragua except for the bank on the Costa Rican side, the International Court of Justice (ICJ) ruled that Costa Rica has the right to navigate the San Juan River for commercial purposes.

## Political

### Political Structure

Presidential Republic

**President**  
Óscar Arias (PLN)

**First Vice President**  
• Vacant  
**Second Vice President**  
• Vacant

**Legislative Bodies**  
Legislative Assembly – 57 members

**Major Parties (seats in Congress)**

- *Partido Liberación Nacional* (PLN) – 25
- *Partido Acción Ciudadana* (PAC) – 17
- *Partido Movimiento Libertario* (PML) - 6
- *Partido de Unidad Socialcristiana* (PUSC) – 5

**Last Elections**  
• Presidential and Legislative: February 2006

**Next Elections**  
• Presidential and Legislative: February 2010

**Press Freedom Survey:**  
• 2008 Score: 19 Free (0: Free; 100: Not Free)  
[freedomhouse.org](http://freedomhouse.org)

**Control of Corruption Index:**  
• 2008 Score: +0.48 (-2.5: Worst; +2.5: Best)  
[worldbank.org](http://worldbank.org)

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### Outlook

While the overall stability of Costa Rica's democratic political system is not at risk, Costa Ricans are searching for ways to return to the social consensus of the past. Costa Ricans have yet to see benefits from DR-CAFTA, since foreign investment has stalled as a result of the global economic crisis. Opposition parties are therefore expected to highlight the shortcomings of the FTA for the 2010 Presidential elections. President Arias remains popular due to his timely stimulus package and this should translate into a probable victory for the PLN, although it is unlikely that the party will win enough seats to form a legislative majority.