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SMALL STATES AND FREE TRADE:  
THE DOMESTIC POLITICS OF CAFTA-DR IN NICARAGUA AND COSTA RICA

by

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And approved by

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## ABSTRACT OF THE DISSERTATION

Small States and Free Trade:

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This project uses the U.S.-Central American Free Trade Agreement (CAFTA, CAFTA-DR, or DR-CAFTA) as a critical lens for analyzing the intersection of transnational and domestic politics in Nicaragua and Costa Rica. The primary argument is that CAFTA-DR provided a unique opportunity for broad-based, mass mobilization against an array of neoliberal reforms, and that domestic institutions and state-civil society relations shaped the prospects for that mobilization. Despite the rise in transnational activism against free trade, and the material and political resources made available through it, the domestic arenas in which FTAs are ultimately approved or rejected shape how, and the extent to which significant anti-FTA interests will emerge and can influence state action on the policy.

In Costa Rica, CAFTA-DR generated the mobilization of hundreds of thousands of citizens against the FTA. The FTA was put to a national referendum there—the country's first national referendum, and the first time an FTA was approved via popular vote. In Nicaragua, the FTA inspired the development of a much smaller opposition movement, and caused no significant disruptions among state actors or in political

society. Despite demands from Nicaraguans that the state give the people the opportunity to vote on CAFTA-DR, state actors never proposed doing so.

I argue that the variation in these domestic responses to the FTA can be found in the institutions and patterns of state-civil society relations in each country prior to CAFTA-DR's introduction. In Costa Rica, members of civil society could use existing institutions and the political traditions of dialogue and accommodation to mobilize opposition and secure some favorable responses from state actors. In Nicaragua, autonomous civil society is weak vis-à-vis the state as a result of the consolidation of political power by the dominant parties; personalistic politics and clientalistic linkages between parties and citizens; and low trust in government among the citizenry. This qualitative analysis is developed from secondary and primary sources including Web sites and publications from state agencies and civil society organizations, and open-ended interviews with state and non-state actors familiar with the politics surrounding CAFTA-DR conducted in Central America between June and August of 2008.

## **Acknowledgement and Dedication**

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economic structures into vehicles of liberation. Their stories, their lives, and their passion are proof that a different world is both necessary and possible.

I dedicate this to my mother, Louise (Lisa) Strifert Craig. Her courage and commitment to social justice inspired this journey and her love gave me the strength to make it.

Carolyn J. Craig

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## Chapter I: Introduction

### *Situating the question*

This project uses the United States-Central America-Dominican Republic Free Trade Agreement (referred to as CAFTA, CAFTA-DR, or DR-CAFTA) as a critical lens for analyzing the relationship between domestic politics and trade liberalization in small states and new democracies. CAFTA-DR was eventually approved by every state<sup>1</sup> that entered into the negotiations of it, but the analysis provided here reveals that the approval process was highly contingent and uneven, underscoring the significance of state-civil society relations and domestic institutions for transnational policy. An investigation of the support for and opposition to CAFTA-DR at the domestic level therefore enhances our understanding of the relationships between states and processes associated with globalization; states and civil societies; civil societies and globalization; and the confluence of all three. The focus on Costa Rica and Nicaragua makes the findings herein particularly relevant to other small states and new or transitioning democracies.

This project answers the following question: Why did significant opposition to CAFTA-DR emerge from Central America, and why was the opposition larger and more consequential in Costa Rica than Nicaragua? At first glance, the development of large scale opposition to CAFTA-DR within Costa Rica but not Nicaragua presents a puzzle. Costa Rica's economy is more diversified; it has a longer history with liberal economic policies; and it is more integrated into the global economy than Nicaragua, so it wouldn't immediately appear more likely to lose from liberalization than Nicaragua. Moreover, transnational opposition to the NAFTA model of trade emphasizes its devastating impact

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<sup>1</sup> Parties to the agreement include the United States, Guatemala, Honduras, El Salvador, Nicaragua, Costa Rica, and the Dominican Republic.

on small farmers and unskilled laborers, as well as the environment, in less developed countries. Nicaragua is home to hundreds of thousands of small farmers and unskilled workers, creating significant potential for interest-based opposition to the FTA. Finally, principled ideas (Keck and Sikkink 1998)—especially the concept of sovereignty and alternatives to neoliberalism—have been salient features of domestic and transnational opposition to FTAs throughout the Americas. These could have been an especially powerful source of opposition to the FTA in Nicaragua, given the country's support for its first socialist leader, Daniel Ortega. Nicaraguans re-elected the long-standing critic of U.S. influence in the region shortly after CAFTA-DR's approval. While civil society organizations did organize protest of CAFTA-DR, no large-scale, mass-based opposition movement emerged there. Costa Rica, on the other hand, hosted an anti-CAFTA movement—"No al TLC"—that became one of the biggest social movements in the country's history,<sup>2</sup> and which had a greater impact on the FTA's approval process than any other domestic anti-CAFTA-DR mobilization in Central America.

I argue that variation in the nature, scope, and impact of the domestic CAFTA-DR opposition movements is a consequence of variation in the countries' political opportunity structures. Like other contemporary FTAs, CAFTA-DR has the potential to impact a wide array of civil society and even state actors. CAFTA-DR contains provisions that go far beyond identifying quotas and tariff reductions—the focus of trade policies prior to the 1990s—and ultimately alter private property rights; establish new regional institutions; and provide technical and financial support for implementing the

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<sup>2</sup> Statements like this were reported to this author in personal interviews with members of the anti-CAFTA movement; have circulated in media and other accounts of the events; and is stated on the Web site of the Costa Rican network of environmental organizations, FECON.

mandates. Opponents of the FTA used this potential to create both interests and ideas, while promoting and calling for the protection of them. Their capacity to do so was shaped by the domestic political context in which they operated. Although transnational anti-FTA and anti-globalization networks provided resources for the domestic actors, this project shows that the domestic political context—even in small states—remained crucial for the potential of domestic actors to advance their agendas. By the domestic political context I mean the political institutions and patterns of engagement among actors in civil society, political elites, and the state. The domestic political context is therefore characterized by laws; formal and informal linkages among the different groups of actors; and norms and expectations based on past experiences. Costa Rica's political context facilitated the development of a broad-based, formidable anti-CAFTA movement, while Nicaragua's domestic political context did not.

Resistance to free trade agreements like CAFTA-DR has been covered by mainstream media and received scholarly analysis, yet there are few comparative analyses of domestic free trade opposition movements. Resistance to contemporary FTAs and connections between it and anti-globalization efforts in general has produced analyses of trade politics focused on the transnational features of resistance to trade, a particular groups of actors, or particular issues that have emerged during trade talks. For example, Harris (2005) provides an analysis of the mobilization and impact of opposition to the Free Trade Agreement of the Americas (FTAA); Hogenboom (1998) provides an analysis of the opposition to NAFTA from environmentalists; Hafner-Burton (2009) explores how human rights have become standard features of FTAs; and Macdonald (2005) offers an analysis of women's groups contesting trade in the Americas. Relative

to CAFTA-DR, Spalding (2007) analyses CAFTA opposition movements in El Salvador, and Hoyt and Finley-Brook (2009) analyze transnational opposition to CAFTA-DR through an analysis of the Stop CAFTA Coalition. Closely related to this project is Sánchez-Ancochea's (2008) comparative analysis of the political economy of CAFTA-DR in Costa Rica, the Dominican Republic, and El Salvador. While his book chapter illuminates the significance of state-civil society relations in the domestic politics of CAFTA-DR, it does not examine the capacity of a broad coalition of civil society actors within each country to mount a formidable challenge to state policy.

This project's comparative analysis of the domestic free trade opposition as broad-based domestic social movements sets it apart from the analyses of free trade politics identified above. The analyses above make important contributions to our understanding of trade politics, yet their focus on interests or transnational features of trade and opposition to it neglects the ways in which domestic institutions and state-civil society relations shape prospects for successful challenges of state trade policy. Thus, although much has been written about anti-globalization and anti-free trade protests in the past decade, we still do not know much about the capacities of domestic anti-FTA protests and movements. It is difficult to assess the influence of anti-trade movements on particular policies given the multiplicity of state and non-state actors involved in negotiating and approving FTAs. However, the public actions and assertions of these actors can provide a great deal of insight into whether or not state actors are feeling pressured to act, and by whom. Even though the opposition to CAFTA-DR failed to block passage of the agreement, the potential of domestic anti-CAFTA-DR movements to

have an impact on state actors is made clear by the Costa Rican case, where the FTA was put to a referendum by a pro-CAFTA president.

Thus, this analysis focuses on the political opportunities for actors to generate and advance interests in and ideas about free trade in particular domestic institutional environments. Given the scope of contemporary FTAs, they can become the subject of opposition based on a wide array of interests and ideas. Interests and ideas matter to trade deals, but they do not automatically become influential; actors must make them so. This project illuminates the potential and limitations for state and non-state actors to advance, alter or stop free trade in two very different political contexts. It demonstrates why development of the same<sup>3</sup> trade policy elicited different responses from within different national territories. In doing so, the analysis does not disregard the power of outside actors, but rather analyses them in respect to the constraints and opportunities provided by the domestic arenas examined here, thus advancing our understanding of why transnational activism around the same issue is manifested differently in different domestic contexts.

#### *Outline of the chapter*

The remainder of this chapter provides an overview of trade politics and the central argument of this text; clarifies key concepts used throughout the text; and explains the research methodology and methods of this project. The first section briefly reviews the origins of free trade, its contemporary manifestations, and the nature of opposition to it. It identifies some of the key actors in and themes of the opposition to CAFTA-DR in

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<sup>3</sup> As I explain later, there is a common framework for the agreement, but the U.S. did to some extent negotiate individually with each Central American state and the Dominican Republic.

Nicaragua and Costa Rica. The second section examines the complexity of and defines key concepts, including “institution,” “democracy,” “the state,” “civil society,” and “political society.” This section also reviews survey findings on the linkages between civil and political societies in Nicaragua and Costa Rica to advance the central argument of this text. The third section explains the methodology and methods employed for this project. The final section is an overview of the remaining chapters of this text.

## **Section I: Free trade and opposition to CAFTA-DR**

### *Background on free trade*

Negotiations for CAFTA-DR began in January of 2003 and ended in early 2004.<sup>4</sup> The FTA was approved and entered into force in each of its member states between 2006 and 2009. Although it was the first trade agreement between the U.S. and a group of small developing countries, it is part of a longer process of trade liberalization throughout the Americas and across the globe.

Globally, the number of free trade agreements in all forms—regional, multilateral, and bilateral—has grown fourfold since 1990: 53 trade agreements went into effect in 1990; 229 agreements went into effect in 2004 (Medvedev 2006, 11). The reasons for the global rise in FTAs are widely debated.<sup>5</sup> It has been advanced to a significant degree worldwide by the development of international institutions developed after World War

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<sup>4</sup> Several years after NAFTA went into effect (1994), five Central American states—Guatemala, Honduras, El Salvador, Nicaragua and Costa Rica—approached the United States and expressed interest in negotiating a free trade agreement. In 2000, the U.S. Congress passed the US-Caribbean Basin Trade Partnership Act (CBTPA), which extended the Caribbean Basin Initiative (CBI), a Reagan-era agreement that granted Caribbean and Central American states preferential access to U.S. markets (it also increased development assistance to the region to provide relief for hurricanes Mitch and George). However, the leaders of the Central American states sought an FTA with the U.S. in order to further trade liberalization and deepen integration.

<sup>5</sup> For a review of the debate see Milner (1999).

II.<sup>6</sup> Latin American states have been liberalizing trade with one another; with the United States; and with countries of other regions for decades. These global and regional trends in trade liberalization originate in ideas about the benefits of open economies for national wealth, and have been promoted and pursued in the Americas to advance development.<sup>7</sup>

Although trade is by no means a recent phenomenon—the historical record of trade among nations, or tribes, goes back thousands of years—the concept of “free trade” is a hallmark of the modern, post-Westphalian state system. The concept of free trade widely circulating today emerged in Europe in the 18<sup>th</sup> century. Essentially, free trade proponents like French advocates of *laissez-faire* economic policy and the British philosopher Adam Smith (1776) argued that the economic policies of their day—mercantilism—hindered rather than promoted economic growth. They argued against the

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<sup>6</sup> In 1944, immediately following the end of World War II, 730 delegates from the Allied nations gathered in Bretton Woods, NH for the United Nation’s Monetary and Financial Conference. There they signed the Bretton Woods Agreement, which produced a system of international monetary management and established the rules for commercial and financial relations amongst the world’s industrial states and late industrializing countries. Several organizations developed out of this conference, including the International Bank for Reconstruction and Development (IRBD, part of the World Bank); the International Monetary Fund (IMF); and the General Agreement on Tariffs and Trade (GATT), which later became the World Trade Organization (WTO).

<sup>7</sup> The dominant development paradigm once promoted by what has become known as “the Washington Consensus,” privileged economic development, and viewed social and political developments as by-products of economic development. In this view, economic development is not conceived just as increases in level of household income, but as a constellation of rights and obligations that protect private property and contracts so that economic growth can be pursued most efficiently. Social development follows as people develop the capacity to participate more fully in economic development—for example, as more women enter a growing paid workforce. While the failures of past structural adjustment programs have created problems for this paradigm, and there is recognition even among institutions like the World Bank that social and political development must be nurtured along with economic development, fundamental ideas about the relationship between democracy and development propel support for free trade agreements as agents of political change. These issues are discussed in greater detail in chapter II of this volume.



mercantilist creed that trade between nations was always a zero sum game, and advanced the opposite: the absence of trade barriers such as heavy duties and tariffs would encourage trade among nations, and therefore increase opportunities for generating wealth through both imports and exports. While these ideas about free trade have been and continue to be influential, free trade in the purest sense of the term remains elusive and debates about the costs and benefits of it have raged ever since.

Debates about FTAs are fundamentally about power, and relations of power within and among nation-states. While realist, liberal, and dependency theories may help us understand the motives of the state actors in the world system in general, none of them by themselves can account for the increasingly complex trade agreements that have emerged, as well as the trade agreement failures that have occurred since the early 1990s.<sup>8</sup> Economic theory and theories of trade<sup>9</sup> offer insight into the conditions under

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<sup>8</sup> While the realist perspective (Krasner 1978; Waltz 1979) emphasizes states operating in a world of anarchy and states having interests separate from pressure groups, the liberal or pluralist perspective (Keohane and Nye 1977) sees state policy as a response to pressures from different interest and pressure groups within society and the international system. For dependency theorists (Wallerstein 1974; Cardoso and Faletto 1979), hegemonic, or core, states determine the terms of international trade, the defining feature of which is dependence of the underdeveloped periphery states on the export markets of the core states. This project underscores the significance of history and domestic institutions for trade, and in doing so builds upon contributions from each of these theoretical traditions. At the same time, as indicated in Chapter II, regionalism and transnationalism are significant for understanding trade politics today.

<sup>9</sup> Among the most influential economic theories of trade are the Stopler-Samuelson theorem and the Ricardo-Viner model of trade; the former provides a factorial analysis and the latter a sectoral analysis of the winners and losers of trade. The Stopler-Samuelson theorem shows that when factors of production, such as labor and capital, can move freely among sectors, a change from protection to free trade benefits those who own the factors that are relatively abundant, and threatens the income of the owners of the relatively scarce factors. Sectoral and firm-based theories (aka, the specific factors model), consider a broader range of interests in the model. According to this model, all factors attached to import-competing sectors lose from trade liberalization while those in export-oriented sectors gain. Conflict over trade policy thus pits labor, capital, and

which state actors may or may not pursue trade, but they too fall short in explaining the politics of free trade today. They offer structuralist or interest group-based accounts of the trade policy development or outcomes.<sup>10</sup> These models have limited usefulness for understanding the contentious politics surrounding contemporary FTAs. Proponents and opponents of free trade today represent an array of interests<sup>11</sup> and ideas, many of which are not identifiable at the outset of a trade agreement, and in fact are constructed during and following FTA negotiations. Similarly, as the case studies here demonstrate, states and other proponents of free trade must invest significant resources in educating members of the general public about the expected benefits of trade.<sup>12</sup> Understanding the capacity

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landowners in sectors that compete with imports against those who export their production (Alt et al. 1996). The Heckscher-Ohlin theory predicts that trade will benefit those who have what is in high demand in a global marketplace. More recently, economists have debated the impact of the ratio of skilled to unskilled labor in any population on the effects of trade. One argument posits that support for free trade will be higher among skilled labor since they are more highly educated and equipped to adapt to shifting configurations of labor demands (Milner 1999).

<sup>10</sup> For example, Rogowski (1989) applied the Stopler-Samuelson model to his analysis of trade covering a wide range of states and time periods. His analysis examines the relationships among land, labor and capital in each case. He finds that the application of the Stopler-Samuelson model maps onto the class or urban-rural cleavages that emerge with changes in trade policy. Coalitions and cleavages among the scarce factors emerge—even labor and capital sometimes align—in response to liberalization. This analysis, like the other studies of trade politics based on economic models has some usefulness in predicting certain actors' preferences (and thus action) and analyzing a narrow set of interests.

<sup>11</sup> Consumers are another important interest group. Baker (2003, 2009) has made an important contribution to our understanding of trade politics by analyzing citizens as consumers. High priced goods are not popular among citizens. In theory, trade would provide more and cheaper goods to consumers, so consumers should always prefer free trade. Baker has found that Latin Americans will support free trade even when opposed to other neoliberal policies, such as the privatization of public industries.

<sup>12</sup> Knowledge of the FTA and its implications for Nicaraguans and Costa Ricans was low among both populations prior to the implementation of state-run publicity campaigns promoting CAFTA-DR. Not all citizens understand or experience first-hand the connection between trade policy and the cost of bread or tennis shoes or television sets. Moreover, these FTAs can create conflict within individuals, as well as among them,

of state and non-state actors to influence ideas about trade is therefore crucial to understanding trade policy development and implementation today.

The nature and scope of the development, approval, and implementation processes of contemporary FTAs surpass 18<sup>th</sup> century discussions of trade, and are very different in important respects from trade policies promoted prior to the 1990s. Contemporary FTAs promote the harmonization of state policies and in doing so have become instruments for establishing new rights and obligations beyond those associated with quotas and tariffs—which were the focus of earlier trade agreements. For example, CAFTA-DR includes chapters on intellectual property rights, investment, the environment, and labor. These chapters require states to adopt new or alter existing laws and create institutions that have far-reaching consequences.

Both the real and perceived particularities of small states<sup>13</sup> in the global economy are also significant factors in FTA politics.<sup>14</sup> Small states' relative lack of resources makes it difficult for them to achieve economies of scale in the production of goods,

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given the capacity of the FTA to touch multiple aspects of their lives. The ambivalence that came to characterize many Costa Ricans' attitudes toward CAFTA-DR may be an expression of these internal cleavages. This point about Costa Ricans' attitudes will be explained more fully in Chapter V. Vargas-Cullell, Rosero-Bixby, and Seligson (2006) found that among respondents, 20% of the population had neutral feelings toward the FTA, and of the 80% who did register an opinion toward it, 30% favored it; 20% opposed it outright; 51% supported putting it to a referendum; and 50% favored renegotiating it (154).

<sup>13</sup> Some studies use population as an indicator of smallness. The size in such studies has varied; some have used 10 million, 11-15 million, and 3-10 million as the threshold.

<sup>14</sup> An examination of trade theories and the vulnerability of small states in the global economy can illuminate the significance of state size for trade politics. Economic theories of trade are based on the premise that individuals derive satisfaction from consuming goods and services. International trade promotes well-being by increasing the quantity of goods and services available to people. Basically, international trade is particularly important for increasing the quantity of goods and services in small states since small states typically have fewer resources available to them for producing a variety of goods.

meaning they can't produce the same variety of goods and for the same cost as large states can. As a result, small states turn to large states for markets for their products, and sources of cheaper goods. Given their limitations, many small states are at a disadvantage in the global economy.<sup>15</sup> While small states are very different from each other, in general they have the following in common: openness<sup>16</sup>; insularity or "enclaveness"<sup>17</sup>; resilience<sup>18</sup>; and weakness<sup>19</sup> and dependence.<sup>20</sup> These can be a strength or a weakness, yet in general, "Small states have a susceptibility to risks and threats set at a relatively lower threshold than for larger states.... [These threats include] territorial integrity and security, political independence and security, economic security, environmental sustainability, and social cohesion" (The Commonwealth Secretariat xi). Therefore,

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<sup>15</sup> The Commonwealth Secretariat has evaluated and identified the most serious threats to small states. While its evaluations focus on Britain's former colonies, they have relevance for small states in general. The Commonwealth Secretariat has produced two reports, the most recent of which (1997) is titled *A Future for Small States: Overcoming Vulnerability*. This report was commissioned for the purpose of updating a report produced in 1985. That report, *Vulnerability: Small States in the Global Society*, sought to illuminate the security issues of small states, which became a critical concern following the invasion of Grenada in 1983. It defined small states primarily as those with populations under 1.5 million, though for reasons of history and geography, it included Jamaica, Papua New Guinea, Botswana, Lesotho, and Namibia.

<sup>16</sup> This refers to the external focus of the economy. For small states, international trade usually assumes greater significance because diversification of production for small states is markedly less than it is for large states (Commonwealth Secretariat 1997, 9).

<sup>17</sup> This refers primarily to small islands, whose inhabitants have a tendency to be more inward-looking.

<sup>18</sup> Resilience is a measure of institutional coherence. According to the report, "Small states are more likely to be democratic than large states, irrespective of levels of economic development. This suggests a greater measure of political consensus and of social cohesion than applies to larger societies" (Commonwealth Secretariat 1997, 11).

<sup>19</sup> Weakness is considered a consequence of having a small military.

<sup>20</sup> Dependence here refers primarily to economic dependence. Small states are considered dependent upon remittances from emigrants and preferential trade agreements. According to the report, "these features have rendered small states vulnerable to adverse developments in the economy, domestic politics and foreign politics of the larger states and great powers with which they have had close ties" (Commonwealth Secretariat 1997, 12).

while small states in theory stand to benefit from trade liberalization, their vulnerability in the global economy complicates the arguments advanced by proponents of free trade and calls into question the claim that FTAs can “level the playing field” between large, developed countries, and small, developing countries.

Consequently, the introduction of FTAs creates sites of contestation over more than trade rules, and has the potential to produce broad-based opposition movements representing those who clearly stand to lose—for example, small-scale farmers who will have to compete with cheaper imports—to actors whose potential losses from an FTA are unclear—such as residents of a town who may or may not someday have to fight a foreign developer over land use issues. The debates over FTAs therefore reflect debates about governance, and the roles of states, markets, citizens and transnational private and public institutions in it. These debates occur at local, regional, state and global levels. Within these debates, FTAs are—depending upon one’s perspective—viewed as part of the democratization or *de*-democratization processes associated with contemporary globalization.<sup>21</sup>

#### *An over view of the CAFTA-DR opposition*

Opposition to CAFTA-DR in Nicaragua and Costa Rica took on the characteristics of a social movement. Indeed, the anti-CAFTA-DR activism in both places reflected “collective challenges, based on common purposes and social solidarities, in sustained interaction with elites, opponents and authorities” (Tarrow 1998, 4). In both cases, therefore, to some extent existing institutions were deemed insufficient for advancing citizen demands of the state. This project underscores the reality that while

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<sup>21</sup> There are countless definitions of globalization. I use the term loosely and in reference to the spread of ideas as well as the integration of economies.

CAFTA-DR provided a political opportunity for actors to advance their interests and ideas, political opportunities and constraints at the domestic level played a significant role in their capacity to do so.

The domestic anti-CAFTA movements were comprised of networks, coalitions, local associations, grassroots movements, unions, formal non-governmental organizations, international non-governmental organizations, aid agencies, faith-based organizations, and unaffiliated individuals. Key actors in the domestic opposition movement in Nicaragua included national worker and farmers unions such as the Confederación Sindical de Trabajadores – “José Benito Escobar” (CST-JBE), Federación Nacional de Cooperativas Agropecuarias y Agroindustriales (FENACOOOP R.L.), and the National Union of Farmers and Ranchers (Unión Nacional de Agricultores y Ganaderos, or UNAG), representing tens of thousands of workers and farmers; Centro Alexander Vön Humboldt, the country’s foremost non-governmental organization working to advance environmental protection; and the Coordinadora Civil (the Civil Coordinator), a network of approximately 350 non-governmental organizations and associations formed after hurricane Mitch struck the country in 1998. In Costa Rica, participants of the *No al TLC* movement included major unions such as the National Association of Public and Private Employees (Asociación Nacional de Empleados Públicos y Privados, or ANEP) and the National Association of Educators (Asociación Nacional de Educadores, or ANDE), representing tens of thousands of Costa Rican workers and teachers; the Costa Rican Federation for Environmental Preservation (La Federación Costarricense para la Conservación del Ambiente, or FECON), representing over 30 nongovernmental organizations from different parts of Costa Rica; and grassroots organizations that

emerged specifically to protest the FTA, like Women Against CAFTA (Mujeres Contra el TLC), representing countless citizens opposed to the FTA for a variety of reasons.

The participants represented an array of issues and groups—farmers, indigenous women, youth, unions, demilitarization, peace, gender equity, fair wages, local control, conservation, to name a few—that in other circumstances may have been on opposite sides of a policy or program. Their positions ranged from moderate to extreme—from wanting a longer and more transparent negotiation process for the FTA, for example, to outright rejection of the FTA as an instrument of imperialism or capitalism. These differences contributed to the development of tensions, divisions, and alternative visions within the movements.<sup>22</sup> As the case studies provided here reveal, the capacity for the domestic movements to overcome these tensions can be enhanced or diminished by the political opportunity structures for organization and mobilization that exist at the local level.

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<sup>22</sup> This is true of the anti-globalization activism in general. In addition to documenting the collective features of transnational mobilization, scholarship on transnational mobilization has analyzed the tensions, disagreements, and challenges faced by different anti-globalization networks, campaigns, coalitions, and movements. The edited volume *Global Backlash: Citizen Initiatives for a Just World Economy* is a compilation of agendas, programs, and visions generated by the “sophisticated organizers and idea people...who have visions of different ways for the global economy to work” (Broad 2002, 4). This volume demonstrates that “although [these people] share many values and visions, they also debate ideas—often hotly.” While some “parts of the backlash are trying to rewrite rules of the global economy to strengthen protections for workers and the environment...others are trying to ‘stop’ or ‘roll back’ aspects of economic globalization, such as the global trade in water or the transboundary flow of speculative investment” (5). The fundamental differences in the conception of “alternative” range from reform to revolution, reflecting very different ideologies. To lump all of the resistance actors and their visions together in one broad category thus misrepresents the motives and goals of the actors and thus the opposition as a whole.

Members of these movements were connected to coalitions, organizations, and networks across Central America and the United States.<sup>23</sup> While this project focuses on domestic political opportunity structures for opposition, it is important to recognize the contributions of earlier anti-globalization and anti-FTA efforts to the anti-CAFTA-DR movements. Previous efforts to stop or alter FTAs had created networks, spaces, and resources for the development of opposition to CAFTA-DR. Transnational, coordinated resistance within civil society to perceived effects of globalization increased significantly in the early 1990s, following the emergence of international trade developments such as NAFTA and rulings by the General Agreement on Tariffs and Trade (now the World Trade Organization, or WTO) that put international commerce above domestic regulations.<sup>24</sup> Perhaps more than anything else, the demonstrations against the WTO in Seattle in 1999—commonly referred to as “The Battle of Seattle”—brought the new terms of international trade to the attention of citizens around the globe. While transnational activism in many areas had been growing for decades, the emergence of international trade issues became a rallying point for actors working in a variety of issue areas.

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<sup>23</sup> The opposition to CAFTA-DR also included European actors, whom I do not include in my analysis. Negotiations for a Central America-European Union FTA began shortly after CAFTA-DR was approved in Central America.

<sup>24</sup> The 1991 ruling by the GATT on the tuna-dolphin case was the most controversial of its decisions in its history until that point. It declared that an American embargo on foreign tuna caught without dolphin-safe nets violated the terms of the GATT. The GATT ruled that the labeling tuna “dolphin safe” was ok, but that the American legislation that protected the dolphins by banning tuna caught with equipment harmful to dolphins violated the GATT because GATT rules do not permit signatory states to restrict imports on how the basis of how they are produced. The case became a huge point of contention for environmentalists and elicited an attack on free trade.



What we've seen in cross-border, anti-globalization activism over recent decades is in part a coordination among organizations, coalitions, and networks advocating change and resistance to what many perceive to be the source of the problems they seek to address: neoliberal policies. What many of the activists share is a perception that the promotion or imposition of neoliberal policies by some of the world's most powerful states and international financial institutions are exacerbating inequalities within and across nation-states. In addition to free trade agreements, activists identify the structural adjustment programs (SAPs) demanded of poorer, underdeveloped countries as conditions of loans from the IMF and World Bank—such as privatization of nationalized industries, land and other resources; the reduction or elimination of public services; and the opening of economies to foreign capital—as detrimental to their citizens' well-being, liberties, culture, and environment.<sup>25</sup> Workers, women, indigenous peoples, human rights in general, and the environment—areas of concern that prompted transnational activism decades ago—are perceived to be increasingly vulnerable, and newer democracies increasingly at risk of failure, under these policies. The perception that neoliberalism is the cause of shared concerns has enabled organizations to work together and mobilize others against a common enemy—whether it be an international financial institution or a state like the United States.

“Anti-globalization” and “anti-neoliberalism” therefore provided a common frame for mobilization against CAFTA-DR. Shared criticisms of the FTA that came through at the local and transnational levels included the negotiation process itself (it was

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<sup>25</sup> These aren't the only structural adjustments mandates that accompanied loans by the IMF and World Bank. There were others that had to do with the flow of capital and financial sectors and debt reduction. However, these are known among the general population and therefore more relevant to the point I'm making here.

fast, exclusive, not transparent, and attempts to include civil society merely amounted to telling them what was happening, and not seeking input from them)<sup>26</sup>; the FTA would be unfair to Central American farmers vis-à-vis Americans (because American farmers would continue to get subsidies from the U.S. government); it would be harmful to small farmers and other poor in both rural and urban areas; it would create low-wage, exploitative jobs (in *maquilas*); it lacked a “parallel development agenda”; and it would be harmful to the environment. It was perceived as yet another U.S. invasion, and the erosion of sovereignty through mandates to change national laws and protect outside investors’ rights. The significance of the transnational features of the opposition to CAFTA-DR should not be overstated, however. In the chapters that follow I provide a more nuanced analysis of the anti-CAFTA-DR movements to enhance our understanding of them as groups of actors embedded in and negotiating particular constraints or opportunities for success in a domestic context that existed prior to, and that would remain long after CAFTA-DR’s approval.

While CAFTA-DR provided a political opportunity for opponents of neoliberalism and free trade, the existence or absence of political opportunities at the domestic level played an important role in the mobilization against the states. Domestic institutions and state-civil society relations in Costa Rica created interests that would oppose the FTA—for example, public employees who feared loss in the face of privatization, which the FTA mandated. Engaging in “politics as usual,” the state responded to the initial opposition by encouraging citizen review of the document and

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<sup>26</sup> A 2005 (Condo) INCAE Business School report identifies this as the primary complaint emerging from the resistance: “The main complaint of sectors opposing the treaty was that they felt excluded from this process, and that the negotiating texts were not to be disclosed by any of the Central American nations until they were concluded.”

encouraging a national dialogue about the FTA. Local level associations and political parties opposed to the agreement formed and mobilized even more opposition. As opposition grew, the *No al TLC* movement made threats that there would be large demonstrations if the people were not given the opportunity to vote on the FTA. In keeping with an established pattern of accommodation, the state responded favorably toward their demands. While a social movement against the FTA emerged in Nicaragua, interaction between the state and civil society remained relatively subdued. In contrast to Costa Rica, Nicaragua lacks institutions guaranteeing or promoting a place for civil society in state decision-making. The domination of the political system by the two largest parties prevented the emergence of a third party that could advance the demands of civil society in civil society and within the state. In response to pact-making among the two largest parties, the most significant civil society organizations asserted that they would not endorse or develop close ties with any parties.

I explain below that while institutions did not determine the outcome of any political process, they did create constraints and opportunities for state and non-state actors alike. Moreover, change exerts pressure on institutions and patterns of engagement between state and non-state actors do. The politics surrounding CAFTA-DR therefore reveal features of long-standing institutions and more contemporary state-civil society relations associated with each state's adjustment to the adoption of neoliberal policies.

## **Section II: Key concepts and linkages between civil society and political society**

This project highlights the way that domestic institutions and historic patterns of engagement between civil society actors and political elites in Nicaragua and Costa Rica

mediated the FTA approval process in each country. This section defines concepts central to this analysis, including “institution,” “democracy,” “civil society,” “political society,” and “the state.” I provide a brief characterization of each country’s democracy, and discuss the nature of and relationships among the arenas and actors—the state, political society, and civil society—that I claim are crucial to our understanding of the domestic politics surrounding CAFTA-DR in Nicaragua and Costa Rica. Additionally, I discuss the findings of surveys findings used to evaluate the linkages between citizens and political elites in Nicaragua and Costa Rica. I contend that these quantitative assessments of attitudes and behaviors provide some evidence for the argument advanced in this text, and that they are enhanced by the qualitative assessments of the institutions and state-civil society like those provided here.

#### *Defining and studying institutions*

A study of institutions begins with the assumption that institutions can explain why people do what they do, and therefore why governments create or reproduce the laws, regulations and policies that they do. In the most general sense of the word, institutions are mechanisms for structuring behavior and decision-making in society. They can exist in the form of laws and policies, organizations, and widely-held norms and common practices, and often they are comprised of elements of each. These different features of institutions require attention to the formal expression of rules, and the common practices that they encourage or discourage. A study of institutions therefore requires identification of the explicit rules—the laws, regulations, and policies—that identify what is and is not allowable. But these aspects of institutions cannot tell us everything about behavior for two reasons: 1) No institution identifies

exactly what must be done in every conceivable or inconceivable situation; and 2) The opportunities and constraints for social actors that are established by institutions are not always used or followed, and indeed inaction and breaking rules are as much a part of meaningful social behavior as are exploiting and following rules. Studying institutions for the sake of understanding social phenomena therefore requires attention to how interests and ideas intersect with established rules and procedures to produce particular patterns of behavior—including the creation, maintenance, or alternation of formal institutions like law and policy.<sup>27</sup>

To capture the positive and normative aspects of institutions I employ a conception of them that views actors as culturally-constructed and constrained actors. This approach is akin to that taken by sociological institutionalists. Sociological institutionalists have argued that, “Many of the institutional forms and procedures used by modern organizations were not adopted simply because they were most efficient for the tasks at hand, in line with some transcendent ‘rationality.’ Instead... many of these

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<sup>27</sup> Hall and Taylor (1996) identify three common approaches to studying institutions within political science: historical institutionalism, rational choice institutionalism, and sociological institutionalism. Within the first two camps, scholars use a “calculus approach” or “cultural approach” to answering the question, “how do institutions affect the behavior of individuals?” Those taking the calculus approach “focus on those aspects of human behavior that are instrumental and based on strategic calculation” (939). With this approach, institutions perform the function of providing actors with crucial information about the behavior of other actors. The cultural approach “stresses the degree to which behaviour [sic] is not fully strategic but bounded by an individual’s worldview. That is to say, without denying that human behaviour [sic] is rational or purposive, it emphasizes the extent to which individuals turn to established routines or familiar patterns of behaviour [sic] to attain their purposes” (939). With this approach, institutions “provide moral or cognitive templates for interpretation and action” (939). Rational choice institutionalists employ the calculus approach; historical institutionalists may employ one or the other; and sociological institutionalists tend to take the cultural approach. Historical institutionalists also focus on the structural and functional characteristics of institutions, and their proclivity to persist over time.

forms and procedures should be seen as culturally-specific practices....” (Hall and Taylor 1993).<sup>28</sup> While I portray actors as making strategic decisions, I emphasize that strategy is context-dependent. As I show in later chapters, both civil society and state actors take action based on expectations about how others will behave. These expectations have grown out of the social, political, and economic development of each nation-state. While the actors from Nicaragua and Costa Rica make similar claims and engage in similar activities to advance their goals, the claims and actions are made in ways that resonate with their fellow citizens based on shared experiences and understandings. Existing formal institutions and informal networks and associations have been built around these shared experiences and ideas and contribute to the reproduction of them. In other words, preferences shape and are shaped by the institutions themselves.

Seeing institutions as cultural constructions helps us understand why domestic institutions are highly resilient to international forces. This also helps us understand why institutions across societies can resemble one another, and yet remain functionally different and even unique. Particular histories of societies have produced their particular institutions. In general, institutions are highly path dependent: they are formed by significant events in a nation’s and state’s history, and tend toward reproducing the relations of power that forged them in the first place (Pierson 2000).

My analysis of the domestic institutions in Nicaragua and Costa Rica is situated in an historical analysis of state-civil society relations and institutional development. I focus on laws, practices and norms that promote or impede particular forms of reciprocity between civil society actors and political elites. I demonstrate that during the

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<sup>28</sup> John W. Meyer was influential in this approach. See Meyer and Rowan’s (1977) article, “Institutional Organizations: Formal Structure as Myth and Ceremony.”

development of CAFTA-DR, these laws practices, and norms did or did not facilitate mobilization against the FTA. In Nicaragua, the legacy of personalistic politics, clientalism, and political pacts and changes to the electoral system in recent years limited the capacity of actors from political and civil society to mobilize mass opposition to the FTA. In Costa Rica, existing institutions—including but not limited to a third political party, national industries, state universities, and bureaucracies that incorporate civil society input on policy-making—facilitated the development of interest groups across a broad range of civil society actors that had the capacity to alter the state’s course of action. In each case, state-civil society relations reflected long-standing patterns of engagement between actors in each category, as well as more recent responses to neoliberal reforms.

### *Democracy*

This analysis of the political institutions in Nicaragua and Costa Rica is based on a set of assumptions about the fundamental nature of democracy and how democracy is supposed to work. While definitions of democracy vary widely, a minimalist definition of democracy would suggest the following criteria be met: regular free and fair elections; protection of civil liberties; universal suffrage among adults; and protection from the arbitrary actions of the state or military (Hagopian and Mainwaring 2005). A democracy is generally considered “consolidated” when peaceful transfers of power between political opponents occur over an extended period of time.<sup>29</sup> Despite the widespread

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<sup>29</sup> Schumpeter’s definition of democracy (1950:269), which focused on electoral competition, is implicit in many empirical analyses of democracies. For example, electoral competition is the foundation of the definition of democracy used by Przeworski and Limongi (1997), and is notable in that they classify a regime as a dictatorship if “the incumbents held office in the immediate past by virtue of elections for more than two

usage of some variation of this understanding of democracy, this conception has significant short-comings since elections do not guarantee other characteristics of society now considered fundamental to democracy, such as state actors' adherence to the rule of law or the protection of civil liberties. In a more expansive view of consolidated democracy, state and non-state actors are habituated to democratic practices and rules (Linz and Stepan 1996).<sup>30</sup> But determining when this has occurred has proven difficult, particularly outside of the West.<sup>31</sup> Democratic practices vary considerably. For example, do regular and disruptive protests, like the ones that have taken place in Costa Rica in the past two decades, exhibit the internalization of democratic rules, or a rejection of them?<sup>32</sup> Despite these problems, I adopt the labels used by Hagopian and Mainwaring (2005) and consider Costa Rica a democratic state and Nicaragua a semidemocratic state. At the same time, this project highlights competing visions of democracy, indicating that the quality of democracy remains a point of contention for members of these polities.

### *The state*

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terms or without being elected, and until today or the time when they were overthrown they have not lost an election" (163).

<sup>30</sup> Huber, Rueschemeyer, and Stephens (1997) go even farther by identifying the stages of "participatory democracy" and "social democracy" as important for consolidating democracy.

<sup>31</sup> Some have argued that democratization could be viewed as an ongoing process of improving political equality, which would render the term "transition" meaningless, yet better reflect both the nature of a democratic system and the imperfections of those democracies that serve as the standard against which all new ones are measured (Beetham 1994).

<sup>32</sup> Mainwaring et al. (cited in Hagopian and Mainwaring 2005, 3) identify only three of the Central American states—Costa Rica, El Salvador, and Panama—as democratic; the rest are classified as semidemocratic. A regime was classified as semidemocratic if one or more of the attributes of the minimalist definition of democracy provided above was compromised.



“The state” typically refers to the territorially bounded organization that “claims binding authority, not only over the members of the state, the citizens, most of whom have obtained membership by birth, but also to a very large extent, over all action taking place in the area of its jurisdiction,” and the existence of its authority rests upon its capacity “to monopolize the use of force” (Weber 1964). This common definition of the state is useful for its emphasis on the state as the highest authority to which most people can be subjected. However, this conceptualization of the state presents it as a unified entity, while states in reality are fragmented, comprised of smaller organizations and individuals with different and sometimes contradictory duties, preferences, and interests. Moreover, states do not form in one way, or even develop in one direction (toward a Western model). As Migdal (1994) and others have demonstrated, “In the contemporary Third World, significant state autonomy and state capacity—so glibly, perhaps even teleologically, assumed and expected by some theorists—have not been assured outcomes at all” (11). In other words, the purpose of a state does not guarantee its performance. States must therefore be analyzed as the disorganized and sometimes weak institutions—or constellation of institutions—that they are. At the same time, the state is not the sum of its parts.

Indeed, as this project shows, state actors in Nicaragua and Costa Rica take different positions on CAFTA-DR and generate conflict within the state. The state is therefore not a unified whole, the interests of which can be determined from assessments of individual or aggregated interests or ideas. Additionally, the state’s monopoly on the legitimate use of force is questionable when the use or threat of force by citizens against the state—as occurred in Costa Rica—is considered legitimate by citizens and even

members of the state. When referring to state actors I am therefore referring to individuals that make up the centralized power invested with the authority to regulate society through the creation and implementation of laws and associated norms and practices. Some of the state actors identified in this project are supporters of CAFTA-DR, and some of them are not.

While the process of Spanish colonization imposed inchoate state structures on societies in Nicaragua and Costa Rica, each state has developed in part through the emergence of actors and groups outside of the state, which have challenged one another for control of the state, or challenged the state directly. While the early struggles were typically between powerful land-holding elites, over time they came to involve struggles between elites and groups of peasants, small landowners, and merchants. Increasingly, state actors had to make accommodations to other powerful individuals and groups, or repress them, in order to stay in power. How the state and these non-state actors interacted early on established patterns that would shape state-civil society relations in decades to come (Mahoney 2001; Paige 1997).

### *Civil society*

In very general terms, “civil society”<sup>33</sup> refers to that arena of social activity between the family and the state: “that arena of the polity where self-organizing groups,

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<sup>33</sup> The concept of civil society as a distinct arena of political activity has a long history in theoretical and empirical analyses of democracy (Cohen and Arato 1992). In its early nineteenth century versions, the concept was used to distinguish market activity from that of the private household; the market economy was deemed to have a civilizing function (Ferguson 1995; Avritzer 2006). In the twentieth century, the concept evolved a distinction between market activity and other social activities occurring outside of the state. In this conception of civil society, civil society is differentiated from “the steering mechanisms that coordinate action in the economy (money) or in formally organized bureaucratically structured organizations (power)” (Cohen and Arato 1992, 429).

movements, and individuals, relatively autonomous from the state, attempt to articulate values, create associations and solidarities, and advance their interests” (Linz and Stepan 1996, 7). Civil society is, like the state, fragmented and more than the sum of its parts. As subsequent chapters will demonstrate, even when actors from civil society appeared united in their opposition to CAFTA-DR, they had diverse and divergent perspectives and advocated for a variety of strategies for advancing their goals. Nevertheless, like the state, civil society has some features that set it apart from other arenas of society.

Civil society in this project also refers to “the social fabric formed by a multiplicity of self-constituted territorially and functionally based units [excluding families and business firms] which peacefully coexist and collectively *resist subordination* to the state, at the same time that they *demand inclusion* into national political structures” (Oxhorn 2006, 68 ([emphasis in original])). To be sure, the members of civil society that have formed the opposition to FTAs in the region, and CAFTA-DR in particular, have articulated that opposition as active resistance—in the form of disruptive protests, for example, and even legal action against the state—and are making demands for the inclusion of civil society in the decision-making processes.

The separation between civil society and the state should not be overstated. As Waisman points out, “civil society is autonomous in the sense that its constituent units are self-governed, but it is still linked to the state, and it operates within its institutional channels” (2006, 21). Gellner’s (1994) definition of civil society presents it as a countervailing force to the state. He defined it as “that set of diverse non-governmental

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According to this perspective, civil society is the web of voluntary associations that exist between the economy and the family and outside of the state.

institutions which is strong enough to counterbalance the state and, while not preventing the state from fulfilling its role of keeper of the peace and arbitrator between major interests, can nevertheless prevent it from dominating and atomizing the rest of society” (Gellner 1994, 5). To be sure, not all civil societies have the capacity to serve as a counterbalance the state. This project investigates this relationship more closely in Nicaragua and Costa Rica and finds that civil society in the former lacks the capacity of the latter to present a significant challenge to the state. An important point, however, is that democratic systems are defined in part by the potential for individuals to form such institutions and actively advance an agenda different from that of the state’s, or at least alter it. Of course, this potential is closely linked to capacity, which can vary according to the other democratic institutions of the state and their features, as well as access to financial resources, and powerful allies. As Macdonald (1997) reveals, and as is made clear through CAFTA-DR itself, states play an important role in increasing the capacity of civil society actors in Nicaragua and Costa Rica. As a result, the line between state cooptation and state empowerment of civil society is a very fine one.

While a wide array of organizations participated in the process of building the movement, educating the public, and developing and implementing plans of action against the state, unaffiliated individuals also engaged in some or all of these activities. In theory—as discussed here—civil society includes a much larger sphere of actors, and relative to this project, it included actors that supported CAFTA-DR, or who were indifferent to it. My claims about the capacity of civil society are therefore about those who wanted to effect change in the state’s course of action, not simply society as a whole.

*Political society*

Civil society is linked to the state in part by political society— “that arena in which the polity specifically arranges itself to contest the legitimate right to exercise control over public power and the state apparatus” (Linz and Stepan 1996, 8). Political society is comprised of representative agents and institutions of the state, such as political parties, elections, and legislatures.<sup>34</sup> In a democracy, many state actors emerge from political society. However, not all state actors have been a member of or are currently a member of political society. Therefore, political society and the state are not coterminous. It is important to maintain a distinction between the state and political society precisely because they can and do perform different and even contradictory functions. However, maintaining the distinction is difficult because the line between the two is continuously shifting.

Support among citizens for political society—in terms of positive approval ratings or participation in party activity—is generally understood to suggest that government is working properly. Support for actors and institutions that comprise political society indicate that they are successfully transforming citizens’ preferences into laws and policies. Low support indicates the opposite, and could create conditions for democratic breakdown. Political parties serve as an important mechanism for transforming public interest into public policy. As Sartori has stated, parties are the “intermediary structure between society and government” (1976, iv). They are not the only mechanisms for the transfer of interest from civil society to the state—indeed, social movements are another

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<sup>34</sup> “In short, political society, informed, pressured, and periodically renewed by civil society, must somehow achieve a workable agreement on the myriad ways in which democratic power will be crafted and exercised” (Linz and Stepan 1996, 10).

very important such mechanism—but that is the primary function that they serve in the eyes of most citizens.

While citizens' approval of parties and active engagement with them indicate strong linkages between civil society and political society, they do not tell us anything about the *nature* of those linkages. This support could be a consequence of corruption, patronage, and clientalism—in other words, politicians may be buying their support from citizens or civic organizations. When this is common in a society, the autonomy of civil society is compromised, and the democratic character of the system becomes questionable. Democracies, by definition, are characterized by governments that are responsive to their citizens. It is true that clientalism does “have the capacity to organize and institutionalize relations of democratic accountability and responsiveness” Kitschelt (2000, 872). Yet, like other institutions, clientalism can fail to provide what citizens demand and interfere with the capacity of civil society actors to organize freely, without fear of harm or suffering, and put pressure on political elites when they are not responding to citizens' needs or demands. Therefore, the existence of strong linkages between political elites and citizens should not be read as an indication that political and civil societies are working in a democratic fashion. At the same time, some information about the linkages between political parties and institutions and citizens can provide some insight into how citizens view and interact with political elites.

#### *Linkages between political and civil societies in Nicaragua and Costa Rica*

Analyses of linkages between citizens and elites can enhance our understanding of the political environment in which the mobilization around CAFTA-DR took place. Scholars have attempted to assess linkages between citizens and political elites through

surveys that ask citizens about their engagement in politics and attitudes toward politicians, political parties, and political institutions. Results of surveys conducted by the Latin American Public Opinion Project (LAPOP) of the Center of the Americas at Vanderbilt University provide mixed results on the strength of the linkages between citizens and political elites in both Costa Rica and Nicaragua. However, in general, Costa Ricans are more supportive of political parties and their system of government. I argue that the results of these studies help us understand general public sentiment, and in both cases, how attitudes toward politicians and relationships with political parties factored into the mobilization of opposition to CAFTA-DR. It is important to recognize that these studies do not assess other institutional factors that mattered for the mobilization of opposition, and the action of state actors.

The LAPOP surveys reveal a significant gap between Nicaraguans' and Costa Ricans' support for their political systems. In these studies, general support for one's political system was measured as a composite of several indicators assessing citizens' attitudes toward the courts, political institutions in general, the protection of citizens' basic rights, pride in one's political system, and belief in support for the political system in general. Nicaraguans—compared to Costa Ricans and citizens of other countries in the Americas—have a low level of support for the political system. In 2004, only 28% of Nicaraguans expressed attitudes favorable to the support of democracy, while 48% of Costa Ricans expressed attitudes conducive for a stable democracy. Moreover, once controls for social and economic development were introduced, Nicaraguans' support for their political system dropped to the second lowest among the eleven countries in the study, while Costa Ricans' support remained the strongest (Seligson 2004, ix). Costa

Ricans ranked number one among the eleven countries included in the study, while Nicaraguans ranked seventh. In the 2006-2007 study, Nicaraguans' overall support for their political system ranked 17 out of 22 (45.3 on a scale from zero to 100). Costa Rica, on the other hand, had the fourth highest level of support for the political system (64.0), behind Canada (69.2), the United States (66.6), and Uruguay (64.3).

The LAPOP data provide some mixed results on the linkages between political elites and citizens and two very different pictures of support for political institutions and democracy in Costa Rica and Nicaragua. Costa Ricans do express greater support than Nicaraguans for political parties and political institutions in general, and Costa Ricans express greater support for their political system in general. These results confirm the conventional wisdom that Costa Rica is a more consolidated democracy, and they suggest that Costa Rica is a more stable democracy. These data provide evidence of strong linkages—at the levels of perceptions and attitudes—between members of civil society and political elites in Costa Rica, yet Costa Ricans expressed greater dissatisfaction with existing political parties. Conversely, in Nicaragua, the strongest linkages between the citizens and parties appear in the areas of party identification and participation in party meetings. At the same time, voter turnout in Nicaragua for both presidential and legislative elections is low, especially when compared to voter turnout in Costa Rica. This information, combined with Nicaraguans' lower trust in political parties suggest that while citizens are connected to their parties, political parties are not working the way Nicaraguans' want them to. Nicaraguans' low support for government in general provides further indication that the strong political-civil society linkages are not



necessarily a sign of a high quality democratic system. Table I.2 summarizes some of these indicators of citizen-party linkages in Nicaragua and Costa Rica.

**Table I.1 – Citizen-party linkages in Nicaragua and Costa Rica<sup>35</sup>**

	% vote in presidential election	% vote in legislative election	Difference pres/legis vote	Party ID	Attend meetings Mean (0=low)	Work for party*
Nicaragua	61.2	46.8	14.4	49.8	.3	10.9/ 16.8
Costa Rica	70.8	92.7	-21.9	36.2	.1	11.2/ 19.6

\* The top number indicates the percentage of total number of respondents who answered yes to the question “Did you work for any candidate or political party during the last presidential election?” and the bottom number indicates how many of those who identify with a political party answered yes to the same question.

As I show in subsequent chapters, trust in government was low in both countries at the time of CAFTA-DR’s introduction.<sup>36</sup> In Costa Rica, this distrust in government and the existing political parties was channeled into the development of a third party, a party which became very influential in the CAFTA-DR opposition movement and the state’s action on the FTA. However, the eruption of a divisive social movement against CAFTA-DR and the emergence of a third party can’t be explained by these data alone. Without looking more closely at the institutions we cannot fully understand why dissatisfaction with the state and political parties in Nicaragua did not result in significant challenges to the system there. These data can help explain the politics surrounding

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<sup>35</sup> Adapted from Boidi (2008, 55).

<sup>36</sup> The attitudes expressed by the survey respondents are believed to be associated with levels of trust in political actors (Lipset 1994) which in turn is believed to be generated through a vibrant associational life (Putnam 2000). The comparative analysis provided here complicates our understanding of the relationship between low trust and association or civic engagement, given that trust was low in both countries, yet Costa Rica produced a significant mass movement that is by definition a manifestation of high civic engagement.

CAFTA-DR when situated in an historical analysis of state-civil society relations and the development of institutions in both countries. In the case of Costa Rica, the support for the political institutions and political system combined with long-standing patterns of opposition and accommodation, which in turn allowed the development of mass mobilization against state action. In Nicaragua, attachment to the dominant parties has only served pact-making between them and their consolidation of their power, insulating those parties and the state from citizens and civil society organizations.

### **Section III: The methodology and methods employed for this project**

While themes of anti-imperialism and anti-neoliberalism and concerns about a growing democratic deficit run through the opposition to FTAs, the manifestation and significance of contestation vary from one venue to another. This project aims to answer the questions, “What explains the protest, and the variation in it”? To answer this question, I employ the “comparative method”<sup>37</sup> and the methods of historical institutional analysis to unpack the development and manifestation of the contestation in two states simultaneously negotiating an FTA with one another and the United States. This methodology is appropriate to the project at hand: identifying the conditions that produced different domestic responses to the same transnational process.

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<sup>37</sup> The comparative method—or generally speaking, the systematic analysis of a small number of cases—was promoted by Przeworski and Teune in their influential 1970 textbook, *The Logic of Comparative Social Inquiry* and became a prominent approach to comparative politics (Hall 2002). David Collier (*The Comparative Method*, 1993) offers a defense of the method against growing concerns that it is not as scientific as large-N quantitative analysis.

The comparative method is one of several widely accepted methodologies available to comparative politics scholars comparing two or more cases.<sup>38</sup> As a methodology, its fundamental logic of inquiry is based on the idea that examining *difference* can help us understand social phenomena better. The comparative method involves systematic comparisons of a small number of cases for the purpose of better understanding and explaining something in light of one or several important differences among them. It is particularly well-suited for developing knowledge about phenomena of significance that are not found in large number, and for examining relatively new phenomena for which existing theory is inadequate or does not exist. The subject of this project fits these criteria. While liberal international relations theories allow for pluralism in trade politics, the dynamics of domestic opposition to contemporary FTAs remain unclear.

The comparative method can be applied in a number of ways. One of the most common is to select comparable cases based on Mill's method of similarity or difference. With this approach, one seeks either cases that are alike in all important respects but one, or which are different in all important respect but one; the variation—or variable of similarity or difference—is the key to understanding causation in this approach. Thus, one would identify an outcome of interest to be explained—the dependent variable—and then identify the predictors—the independent variables—thought to contribute

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<sup>38</sup> The other most widely used methodologies are large-N quantitative analyses, and Charles Ragin's (2000, 2008) qualitative comparative analysis (QCA). Given the increasing number of FTAs, and FTAs between small and large countries, quantitative analysis of some aspects of FTAs is possible. However, more work needs to be done on developing further theories about FTA politics that could inform the identification of key variables for analysis.

significantly to the outcome. The ultimate goal is to identify the variables that are necessary or sufficient to cause the outcome.

I do not employ Mill's method, and therefore my selection of cases may appear unorthodox. I have chosen cases based not on difference in prior conditions or outcome alone, but based on difference in expected outcome and actual outcome in each case. First, trade theory predicts that small states will embrace trade. Nevertheless, there was significant opposition to CAFTA-DR from civil society and state actors in each state. Second, the countries' historical experiences and support for neoliberalism, as well as prevailing attitudes and ideas about government, suggest that Costa Rica would be more amenable to free trade and less likely to produce massive mobilization against CAFTA-DR. As mentioned above, opposition to CAFTA-DR in Costa Rica produced the most significant mobilization against state policy in over a half century, and contributed to the rise of a third party there. This is surprising given that its economy is relatively more diversified and integrated into the global economy, and that citizens exhibited widespread support for the political system even following the negotiation of CAFTA-DR. Nicaragua's economy, however, is less diversified and the country's dependence upon a handful of export commodities makes its extremely poor population even more vulnerable to fluctuations in the global economy. Moreover, Nicaraguans exhibit low support for the political system, and socialism remains a salient political ideology there (Nicaraguans re-elected the first socialist president shortly after CAFTA-DR was ratified there). Therefore, this unorthodox selection of cases presents a fruitful avenue of inquiry because it forces us to revisit expectations about political behavior based on information about both the material conditions of each country and prevailing political ideologies.

Because the countries are very dissimilar, yet subjected to the same transnational process—CAFTA-DR—the comparison provides the opportunity to analyze the same political process in different political contexts. For this reason my analysis conforms to the approach Skocpol and Somers (1980) call the “comparative history as the contrast of contexts.” According to Skocpol and Somers, this approach “makes use of comparative history to bring out the unique features of each particular case included ... to show how these unique features affect the working-out of putatively general social processes” (178). As one of the featured users of this approach, Reinhard Bendix, explains, “Comparative analysis should sharpen our understanding of the contexts in which more detailed causal inferences can be drawn. Without a knowledge of contexts, causal inference may pretend to a level of generality to which it is not entitled” (qtd. in Skocpol and Somers 1980, 181). Given its attention to the particular domestic political contexts of Nicaragua and Costa Rica, this project should sharpen our understanding of the relationship between historic patterns of development and contemporary domestic and transnational politics in each country. At the same time, I expect this project to contribute to our understanding of the politics of other FTAs and transnational processes more broadly.

As explained above, I contend that the domestic institutions and established patterns of engagement between state and non-state actors explain the variation in the CAFTA-DR opposition movements in Costa Rica and Nicaragua. To analyze the state-civil society relations and the institutions, I examine politics in Nicaragua and Costa Rica over a long period of time prior to CAFTA-DR’s introduction to establish how the actions I document do or do not mirror others that have occurred previously. Like other historical institutionalists, I analyze “historical organizational and institutional

configurations...and long-term processes” to “make visible and understandable the overarching contexts and interacting processes that shape and reshape states, politics, and public policy-making” (Pierson and Skocpol 2002). Therefore, while I emphasized above that I consider institutions cultural artifacts, I do not engage in a cultural analysis of institutions.<sup>39</sup> However, I analyze the institutions in Nicaragua and Costa Rica as distinct from one another and consider those distinctions significant in terms of differences in both the rules and norms that exist in each country.

I investigate and analyze interactions between non-state actors and political elites from several perspectives. First, I use existing historical analyses of the development of institutions and state-civil society relations in each country to establish prevailing patterns of interaction among state and non-state actors in these countries. From this research I identify patterns of rule as well as patterns of resistance, cooptation, and accommodation established in both countries since their independence from Spain.

Second, I use polling data on attitudes toward CAFTA-DR, and national level attitudinal data about government and political parties in each country. While not much polling data on attitudes toward CAFTA-DR is available, what does exist indicates that attitudes among the general public toward the FTA changed as more information about the FTA was disseminated by state and non-state actors. The polling data therefore indicate that publicity of the FTA influenced public opinion about it. The relationship between the public opinion and the decisions of state actors is made evident in statements

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<sup>39</sup> While I recognize that institutions are cultural artifacts, I do not engage in the kind of discourse analysis that would accompany an account of the way commonly-held views and values were forged and are reproduced through the institutions. Cruz (2005) has produced an excellent account of political culture and institutional development in Costa Rica and Nicaragua, which I do use to support my claims about long-standing patterns of engagement between citizens and elites in each country.

and actions taken by state actors.<sup>40</sup> The data on attitudes about and among political elites provide some insight into citizen-party linkages and support for the democratic institutions and system of government. My sources of these data are the Americas Barometer from LAPOP (the 2004 and 2006-2007 reports) and the Latinobarometer. The existing levels of support for government and parties can help us understand the motives and capacity of civil society actors to mount a significant challenge to the state when the FTA was introduced and approved.

Finally, I analyze the events and actions of state actors, political elites, and members of civil society engaged in the opposition movement during CAFTA-DR's development and approval in each country. My evidence for this analysis includes primary documents such as Web sites, booklets, reports and press releases distributed by state and non-state actors; media reports and scholarly accounts of the politics surrounding the FTA; and formal and informal conversations conducted during my fieldwork in Nicaragua, Costa Rica and Guatemala in June, July, and August of 2008. Over the course of twelve weeks, I talked to almost everyone I met about CAFTA-DR and free trade in general; attended the 8<sup>th</sup> annual Foro Mesoamericano de los Pueblos ("Mesoamerica en resistencia... No al neocolonialismo del 'libro comercio'"); and conducted open-ended interviews with state and non-state actors affiliated or familiar with the opposition to CAFTA-DR. I conducted twenty-three open-ended interviews with individuals working with organizations that were at the forefront of the domestic opposition movements, or who were otherwise familiar with the politics surrounding

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<sup>40</sup> I show in subsequent chapters that public opinion became significant in Costa Rica, where the FTA was put to a referendum—in response to public pressure—and ultimately decided by the people.

CAFTA-DR in their country. Interviewees included representatives of non-governmental organizations; politicians; legislative staff members; university faculty; and citizens. I also interviewed two officials working for the U.S. Department of State and one working with the office of the U.S. Trade Representative. Upon my return to the U.S. I conducted two additional interviews with U.S. Trade Representative employees and six open-ended interviews with members of U.S.-based organizations that lobbied for or against CAFTA-DR. I do not identify any of the interviewees by name to protect their identities.<sup>41</sup> The information obtained from my conversations with Central American citizens, the 8<sup>th</sup> annual Foro Mesoamericano de los Pueblos, and the interviews verifies, clarifies, fills gaps in and adds details and perspectives to the public information about CAFTA-DR provided by the state and non-state actors as well as media accounts of the events surrounding the FTAs development and approval.

#### **Section IV: Overview of remaining chapters**

The following chapter, *Chapter II: Regional Integration in the Americas*, provides an overview of efforts over the past six decades to promote regional economic integration in Central America and throughout the Americas, as well as opposition to trade liberalization there. In doing so it lays the foundation for my argument that domestic institutions and patterns of engagement between political elites and civil society shaped the support and opposition for the Central American Free Trade Agreement (CAFTA-

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<sup>41</sup> This research was approved by the Office of Research and Sponsored Programs at Rutgers, the State University of New Jersey (protocol #E08-452). Approval was granted based on my expressed commitment to protecting the anonymity of the interviewees. Confidentiality is essential for both obtaining accurate information and protecting the safety of research subjects given the history of political violence in Central America and the extant tensions between the U.S. and leftist governments and their allies throughout the region.



DR) in Nicaragua and Costa Rica. This chapter documents changes in the scope of regional trade liberalization over the past few decades; contemporary FTAs not only remove trade barriers—the focus of previous liberalization efforts—but also mandate changes in national laws that alter rights and obligations in areas other than trade. The history provided in this chapter reveals that the promotion and opposition to CAFTA-DR cannot be understood apart from earlier efforts from within and outside of Central America to secure trade liberalization in the region for economic *and* democratic development. The histories provided in this chapter therefore illuminate the vulnerability of small states like Nicaragua and Costa Rica in the face of powerful outside forces, as well as the ways that small states' domestic institutions and state-civil society relations continue to mediate transnational policy development.

*Chapter III: A History of State-Civil Society Relations in Nicaragua and Costa Rica*, analyzes the development of state-civil society relations in Nicaragua and Costa Rica to illuminate the institutions and established patterns of engagement between political elites and civil society actors that came into play during CAFTA-DR's development and approval processes. Toward this end, this chapter provides a comparative history of the economic and political development of Nicaragua and Costa Rica. This comparison highlights similarities and differences between the two countries' political and economic development, and contemporary economic policies and political institutions. The variation in the countries' political economy and institutions are accompanied by differences in state-civil society relations. These, in turn, affected the nature, extent, and impact of the opposition to CAFTA-DR in each country. I conclude that while the introduction of transnational policy provides a space for state and non-state

actors to advance their ideas and interests, domestic patterns of engagement between state and civil society actors remain salient in trade policymaking. Although the focus of this chapter is on the historic development of domestic institutions and state-civil society relations, it does examine the role of outside actors and other transnational processes in the development of the domestic political landscape. In other words, domestic and transnational processes transform one another; therefore, while FTA politics are shaped by domestic institutions, FTAs are also implicated in democratization in new democracies.

*Chapter IV: Nicaragua* analyzes support for and opposition to CAFTA-DR's development and approval in Nicaragua. I argue that even with a significant transnational anti-CAFTA-DR movement, domestic patterns of engagement between the state and civil society shaped the politics surrounding CAFTA-DR in Nicaragua. In particular, the politics surrounding CAFTA-DR in Nicaragua reflect the personalistic politics and the state's domination or exclusion of civil society organizations. I argue that these are a legacy of Nicaraguan politics prior to the 1979 revolution, as well as the cooptation of and social polarization within civil society that occurred during and after the revolution. The Nicaraguan case demonstrates that while proponents and opponents of CAFTA-DR accessed some resources—such as funding, information, and publicity—through transnational networks and institutions, the scope of the mobilization around CAFTA-DR and its effects were shaped largely by state-civil society relations and institutions in Nicaragua.

The next chapter, *Chapter V: Costa Rica*, analyses politics surrounding CAFTA-DR in Costa Rica to illuminate the role of domestic institutions and state-civil society

relations in the fate of the FTA there. The anti-CAFTA—or *No al TLC*—social movement in Costa Rica was significantly greater than Nicaragua’s or that of any other Central American country, and had a greater impact on the FTA’s development, approval, and ratification processes than any other domestic opposition to CAFTA-DR. This mass movement against CAFTA-DR caused the polarization of Costa Rican society, the likes of which that country had not experienced in sixty years. Outside actors participated in Costa Rica’s movement, and Costa Rican organizations and associations participated in the transnational resistance to the FTA. However, the success of Costa Rica’s domestic movement—in terms of its size and magnitude—and the near defeat of the FTA is a product of the country’s democratic institutions. In this chapter I argue that the politics surrounding CAFTA-DR, and the large anti-CAFTA-DR movement, resulted from formal and informal institutions that enable citizens to hold their representatives accountable for their actions and policies. Even though the domestic anti-CAFTA-DR movement did not succeed in blocking passage of CAFTA-DR, it did contribute to a transformation in the balance of power among political parties. Democratic institutions at the time of CAFTA-DR’s development and approval process converged in a way that facilitated the *No al TLC* movement and its near success. This chapter demonstrates how Costa Rica’s social, political, and economic context gave rise to such a forceful social movement, and why members of the state and political society responded to the *No al TLC* movement the way that they did.

The final chapter concludes this text by explaining in greater detail the significance of my findings about the role of institutions and state-civil society relations in mediating transnational processes. First, these findings help us understand state-civil

society relations in Nicaragua and Costa Rica, which can be useful for identifying important features of state-civil society relations in other small states and new democracies. These findings also contribute to our understanding of how transnational processes affect small states and new democracies. Third, these findings may help us understand the variation in protest and support for FTAs in different contexts within Latin America over the past fifteen years and in years to come. Finally, the results of this project point to the need for scholars to examine the relationship between domestic politics and trade liberalization based on an understanding of the domestic institutions as products of lengthy social, economic, and political processes that have and continue to define the nation-state and constrain actors as members of it.

## Chapter II: Regional Economic Integration in the Americas

This chapter provides an overview of efforts to promote regional economic integration in Central America and throughout the Americas, as well as opposition to trade liberalization there. This chapter documents changes in the scope of regional trade liberalization over the past few decades. Contemporary FTAs not only remove trade barriers—the focus of previous liberalization efforts—but also mandate changes in national laws that alter rights and obligations in areas other than trade. Although they are negotiated by trade ministers from each country and then approved by presidents, FTAs must be approved by national legislatures before implementation may begin. The scope of FTAs, combined with the domestic institutional procedures for their approval, make them sites of contestation. The history of integration efforts covered in this chapter reveals that the promotion of and opposition to CAFTA-DR cannot be understood apart from earlier efforts from within and outside of Central America to secure trade liberalization in the region for economic *and* democratic development. The histories provided in this chapter therefore illuminate the vulnerability of small states like Nicaragua and Costa Rica in the global economy, and the ways that powerful outside actors—the U.S. in particular—influence democratization processes. At the same time, these histories reveal the significance of small states' domestic institutions and state-civil society relations for transnational politics and policy development.<sup>42</sup>

The first section of this chapter provides a brief discussion of the motives behind integration and describes the efforts made in the 1950s and 1960s to promote regional economic integration in Central America. The second section discusses significant

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<sup>42</sup> In subsequent chapters I demonstrate that domestic institutions influenced the support and opposition for CAFTA-DR in Nicaragua and Costa Rica.

political and economic events in Central America between the 1970s and 1990s, with attention to the reasons why economic integration and development did not occur. Next I discuss the resurgence of integration and liberalization efforts in Latin America from the early 1990s to 2002, noting key differences between this “new” era of regionalism and liberalization, and that of the 1950s and 1960s. The fourth section reviews the development of the North American Free Trade Agreement (NAFTA)<sup>43</sup> and CAFTA-DR, and opposition to them. The fifth section reviews the financial support for trade capacity building provided to the Central American governments and civil society organizations for the implementation of CAFTA-DR. Each section includes references to the role of the American government and international organizations in the region because these have influenced economic and political developments in both countries.

## **Section I: Regional economic integration in Central America in the 1950s and 1960s**

### *Brief overview of motives behind integration*

Economic integration involves the coordination of economic policies among a group of countries.<sup>44</sup> According to Haas (1968), regional integration is “the process

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<sup>43</sup> This regional trade agreement between the United States, Mexico, and Canada has become a model for the FTAs advanced throughout the Americas.

<sup>44</sup> Yarbrough and Yarbrough (1999, pp 425-7) identify five levels of economic integration, with the lowest level representing the lowest level of policy coordination. At the lowest level is the preferential trading agreement, in which member countries agree to offer each other lower tariffs or otherwise lower trade barriers. The next level is the free trade area. This involves eliminating all barriers to trade among the group members – for all traded goods, or a list of selected goods. The third level is the customs union. Customs unions offer members no barriers to trade and a common external tariff on trade with nonmembers. The fourth level is the common market. Common markets extend free trade to factors of production, such as labor. They also typically provide fixed exchange rates among members. The highest level of economic integration is the economic union. This level of integration involves the coordination of economic policies and a common currency. CAFTA-DR doesn’t fit perfectly into this categorization because it involves both preferential trade agreements between the United States and each Latin American

whereby political actors in several distinct national settings are persuaded to shift their loyalties, expectations and political activities towards a new centre, whose institutions possess or demand jurisdiction over the pre-existing national states” (6). Early theories of regional integration originated in either the realist tradition of international relations theory, or stressed the function that regional cooperation served. The inability of these theories to fully account for cooperation or breakdowns in integration efforts inspired scholars to look more closely at state actors along with the international system and forces as factors in the construction of national interests and state action. Research in this vein produced a body of work on intergovernmentalism, which emphasizes the role of state actors’ preferences in the politics of integration (Moravcsik 1991; 1998). Within this body of research, scholars emphasize that the actions of governments are shaped by domestic limitations (Milner 1997). Among these limitations are the desires and demands of domestic interest groups; while state actors seek to maintain or amass power, doing so necessitates responsiveness to domestic pressure groups. To a certain extent, Central American states’ experience with integration reflects the process of integration described by intergovernmentalism. Much of the early work on intergovernmentalism emerged from analyses of the European Union, which is comprised of states that are different in important ways from the Central American states. The higher level of development in Europe created greater incentives for economic cooperation and interdependence there. The Central American states, however, are all small and export-oriented toward larger, “core” states. While small states theoretically can gain more in relative welfare from international trade, the vulnerability of small states in a global

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state and the harmonization of economic and other policies and procedures among the signatories.

economy provides incentives for protectionism (Krasner 1991). Nevertheless, state actors in Central America are motivated to pursue regional integration because it can enable them to meet national goals, including economic development, and the capacity to work more effectively with actors within and outside of the region.

The role of structure is critically important for understanding state action and integration in Central America. In Central America, structural constraints—particularly underdevelopment and dependency on outside markets and financial assistance—have imposed limits and shaped the possibilities of state action. State actors make economic policy decisions within a global economic environment that has been shaped largely by other, more powerful states. However, the more powerful states have not *determined* the actions taken by small states like Central America. In Central America, regional integration has “emerged through the interplay of a state elite that is adapting and strategizing in the context of structures” (Sánchez 2009). Another important structural feature of regional integration is the domestic context. As elsewhere, Central America’s elites’ preferences are shaped by domestic interest groups’ preferences, capacities, and their perceptions of the costs and benefits of the terms of integration. Governments can enjoy a greater autonomy vis-à-vis domestic politics and pursue broader or more idiosyncratic goals “when the net expected costs of co-operation to interest groups are insignificant, ambiguous, balanced or uncertain” (Moravcsik 1993, 484). In Central America, weak linkages between political elites and organs of civil society have influenced the integration process. In general, the weakness of social forces vis-à-vis the state has furthered the centralization of state power as integration is pursued. Thus, “despite the transition of the region towards democracy in the 1990s, the influence of



civil society and social forces in the process of revitalizing integration has been very limited” (Sánchez 2009, 6), furthering the trend of government control of regional institutions that characterized the process from the beginning. Nevertheless, as I show later, the impact of civil society on CAFTA-DR varied in Nicaragua and Costa Rica, and the events in Costa Rica demonstrate that civil society can be quite influential.

CAFTA-DR is part of a longer process of regional integration and liberalization in Central America. It builds upon the Central American regional economic institutions established in the 1960s and 1970s—specifically, the Central American Common Market, or CACM—and it liberalizes further trade between the United States and the Central American and Caribbean nations established in the 1980s (by the Caribbean Basin Initiative, or CBI). These post-WWII integration and liberalization efforts were advanced by proponents—ruling parties, export-oriented businesses, international organizations and financial institutions, and the United States—as essential for economic reform and democracy in Central America. The liberalization efforts resumed in the 1990s and efforts to secure passage of CAFTA-DR continued in this vein.

Comparative politics scholars have shown that economic development and democratic development are linked, yet the relationship between economic reforms and democratization remains ambiguous. In some cases and regions the two processes are complementary and robust, and in others, the relationship is weak (Bunce 2001; Haggard and Kaufman 1995; Hagopian and Mainwaring 2005). As a region, Latin America has produced mixed results, with some countries achieving economic growth while democratizing, and others growing their economies but not furthering democracy.

Processes of economic integration and trade liberalization have intersected with, but not always advanced, transitions to and the consolidation of democracy in Central America.

Based on the minimalist definition of democracy and setting aside concerns about the quality of democracy, democracy did not always accompany early trade liberalization efforts in Central America. Between 1945 and 1985, while Central American states were attempting to deepen regional integration and the U.S. and U.N. were promoting global trade after World War II, authoritarian regimes remained or were reinstated throughout Central America.<sup>45</sup> Several Central American states transitioned late in the “third wave” of democratization—the spate of democratic transition that occurred throughout the developing world after 1978 (Huntington 1991)—but not all are considered fully democratic.<sup>46</sup> Economic reform has been pursued by presidents throughout the region since the 1980s, and yet democracy remains fragile.<sup>47</sup> While the relationship between economic and political liberalization is therefore not clear, political instability is generally not good for economic growth, just as economic crisis can be a threat to democratization. Despite ambiguity surrounding the relationship between economic and

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<sup>45</sup> Mainwaring and Hagopian (2005) classified the five Central American political regimes between 1945-2003 as follows (D = democratic; S = semidemocratic; A = authoritarian): Costa Rica 1945-1948 (S), 1949-2003 (D); Nicaragua 1945-1983 (A), 1984-2003 (S); Honduras 1945-1956 (A), 1957-1962 (S), 1963-1981 (A), 1982-2003 (S); El Salvador 1945-1983 (A), 1984-1991 (S), 1992-2003 (D); Guatemala 1945-1953 (S), 1954-1985 (A), 1986-2003 (S).

<sup>46</sup> As of 2003, only Costa Rica, El Salvador, and Panama were considered democratic (Mainwaring et al, cited in Hagopian and Mainwaring 2005, 3); the rest were classified as semidemocratic. A regime was classified as semidemocratic if one or more of the attributes of the definition of democracy provided above was compromised.

<sup>47</sup> On June 10, 2009, the United States suspended \$65 million in aid to Nicaragua for President Ortega’s failure to address allegations of election fraud; and on June 28, 2008, Honduras’s democratically-elected president was deposed by the military and has been in exile ever since. Events like these typify post-transition, unconsolidated democracies.

democratic development, FTAs are advanced by their proponents with the argument that the former will help move along the latter.

*History of integration in Central America through 1970*

Efforts to achieve economic integration and trade liberalization are not recent phenomena in Central America. Following their independence from Spain in 1821, Guatemala, Honduras, El Salvador, Nicaragua, and Costa Rica formed the Central American Federation. The federation lasted only 14 years—it fell apart in 1838—yet the countries did not forsake economic integration and have continued, in various ways, to pursue it ever since. The countries share geographical, historical, and cultural characteristics that can facilitate cooperation. However, the development of different national interests, and different development trajectories have created obstacles to regional integration (Orantes 1972). As mentioned above, the states' focus on exports to core states left little incentive for cooperation and encouraged protectionism: "By 1950, all the countries were relatively well connected with the world market, but intra-regional and internal communications were poorly developed" (Orantes 1972, 3).<sup>48</sup> Moreover, variation in levels of industrial and institutional development across the states have made cooperation unpopular or difficult.<sup>49</sup> These contributed to the failure of early efforts at

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<sup>48</sup> 1950, interregional trade amounted to only 3.6 percent (\$8.3 million) of the countries' imports from third countries. 80 percent of this trade took place between Guatemala, El Salvador and Honduras, in part because of the more highly developed communication systems among these northern countries (Orantes 1972, 7).

<sup>49</sup> Different countries developed different export sectors. After WWII, prices for their commodities—such as bananas and coffee—rose, creating prosperity and the further development of those export sectors. Costa Rica, Nicaragua, and El Salvador exhibited the highest rates of growth in the period; however, the impact of the growth varied with each country's level of development. Costa Rica, El Salvador, and Guatemala had more highly developed export sectors and thus benefited more from the higher prices for their

integration, and were identified as potential obstacles to the negotiation and implementation of CAFTA-DR.

In the mid-20<sup>th</sup> century, significant regional integration plans for the region were devised from outside of and imported into Central America. While the involvement of the United States in Central American politics precedes the post World War II development agenda set forth at the July 1944 Bretton Woods meeting of Allied nations,<sup>50</sup> the American government and United Nations played a significant role in the regional economic efforts that emerged from Central America in the 1950s. Following WWII, Northern European states and the United States (singularly and through the United Nations) worked vigorously to promote industrialization and modernization throughout the non-industrialized regions, or less developed countries (LDCs) of the globe. To advance this project, the United States and the United Nations facilitated the development of regional economic organization among the Central American governments. On October 14, 1951, the governments of Costa Rica, El Salvador, Guatemala, Honduras and Nicaragua created the Organization of Central American States (Organización de Estados Centroamericanos, or ODECA)—what would become the umbrella organization for regional coordination. Several years later, ODECA's foreign ministers decided to create separate organizations for fulfilling ODECA's mission; these included the Central

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exports. The growth from exports facilitated the expansion of internal markets and industrialization.

<sup>50</sup> 44 Allied nations met at Bretton Woods in July, 1944, to plan the economic recovery of WWII. This meeting established international monetary and trade institutions that would become integral to re-development in Europe and late industrialized countries; these institutions included the International Monetary Fund and the International Bank for Reconstruction and Development, and gave rise to the World Bank, and the World Trade Organization (formerly the General Agreement on Tariffs and Trade, or GATT, which was created in 1947 out of the talks at Bretton Woods in 1944).

American Common Market (CACM), the Central American Bank for Economic Integration, and the Secretariat for Central American Economic Integration (Secretaria de Integración Económica Centroamericana, or SIECA). These were created through the General Treaty on Central American Economic Integration between Guatemala, El Salvador, Honduras, and Nicaragua on December 13, 1960.<sup>51</sup> Costa Rica joined several years later. The stated purpose of the agreement was to unify the economies of Guatemala, Honduras, El Salvador and Nicaragua with the expressed interest of improving the lives of each country's people (Booth, Wade and Walker 2006). The CACM would become the most significant organization for implementing regional economic development goals and objectives through the mid-1960s.

For most of these countries' post-independence histories, power was concentrated in the hands of a very small percentage of the population, namely a relatively few large landholders who oversaw the growing export industries. Revolutionary activity in the countries in the 1940s altered elite perspectives about their self-interest. State actors began to acknowledge the state's role in addressing widespread poverty, and sought to do this in part through the development of a public sector dedicated to both economic and social development. However, the new liberal programs and the development of technocratic approaches to governance remained controversial and the subject of intense contestation among elites. In the 1950s and 1960s, the political regimes of each of the Central American states, except for Costa Rica, were unstable or repressive.<sup>52</sup> Presidents

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<sup>51</sup> The CACM was ratified by Guatemala, El Salvador and Nicaragua in 1961; Honduras in 1962; and Costa Rica in 1963.

<sup>52</sup> I discuss in greater detail Costa Rica's exceptionalism in the following chapter, which provides the political and economic development histories of Nicaragua and Costa Rica.

were sometimes elected, but the elections were marred by corruption and fraud.<sup>53</sup> The actions of the ruling parities were generally beyond meaningful reproach by citizens and contested mainly only by other elites. Moreover, the internal conflicts spilled over into regional affairs, to which the Central American governments responded with request for assistance from the Security Council of the United Nations, the International Court of Justice, and the Organization of American States (OAS). The development of the regional economic organizations was therefore pursued by elites within and outside of the region, and occurred with little involvement of the social sectors (Orantes 1972; Sánchez 2009).

The Cold War and concerns about communist Cuba intensified U.S. involvement in Central America. In early 1961, U.S. President John F. Kennedy established the Alliance for Progress, an ambitious, 10-year plan that sought to improve the health, well-being, and prospects of all Latin Americans. The Alliance for Progress became a resource for the integration efforts of the Central American states; through it the U.S. provided \$617 million in aid to Central American countries for projects like roads, schools, and ports between 1962 – 1972 (Booth, Wade and Walker 2006; 24, 218). Despite these investments and success in its early years, the CACM had little success after the early 1960s for a variety of reasons, some of which are related to the organization itself, and others of which are related to inter-regional conflicts, domestic civil wars, rising oil prices worldwide, and falling commodity prices. The CACM ultimately collapsed in 1969 as an immediate result of a brief but consequential war between Honduras and El

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<sup>53</sup> For example, from the mid-1950s through the mid-1970s, even though there were elections in Nicaragua, the country was ruled by Anastasio Somoza Debayle, a dictator who promoted export-led development and from which he benefited greatly.

Salvador (commonly referred to as the Soccer War, given its eruption after the two countries competed for a slot in the World Cup). The war lasted only four days, yet it took a decade for the two countries to agree to a peace settlement. The origins and aftermath of the war exemplify how economic disparity between countries fueled nationalism and hostility among nationals toward their neighbors; together with some of the other factors mentioned above, nationalism helped erect barriers to cooperation among states throughout the region. As a result of the myriad sources of conflict, the umbrella economic organization, ODECA, suspended activities in 1973, stalling progress toward regional integration among the five Central American states until the early 1990s.

During the CACM “boom,” the Central American states experienced steady economic growth. Between 1962 and 1971, GDP grew an average of 3% in Guatemala; over 2% a year in El Salvador; an average of 3.9% a year in Nicaragua; an average of almost 1.5% per year in Honduras; and an average of 3.4% in Costa Rica (Booth, Wade and Walker 2006). However, in all countries but Costa Rica—the region’s only democracy at the time—the poor would not benefit for long from this increase in wealth, and the economic growth contributed to an even greater disparity in wealth between the countries’ wealthy elites and the poor. Even in Nicaragua, which experienced the fastest rate of industrialization during this time, the rise in working class living standards and earnings was short-lived. There, the Somoza dictatorship kept wages low, and those who had benefited in the 1960s only suffered as the economy took a turn for the worse in the early 1970s.<sup>54</sup> In Guatemala and in El Salvador, unemployment stayed the same or

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<sup>54</sup> Nicaragua’s first crisis of the decade was an earthquake that the capital city, Managua, on December 23, 1972. The earthquake – the most lethal on record for the western hemisphere above South America at that time – killed approximately 5,000 and injured

increased, and land reform measures favoring landowners or other elites contributed to increased rural poverty. In Honduras, low levels of growth and industrialization during the 1960s meant that future declines in wages would not be as severe, yet widespread poverty would remain. In all cases, consumer prices rose steadily over the decade, and working class wages were steadily declining by the end of the 1960s (Booth, Wade Walker 2006).

## **Section II: Significant political and economic events of the 1970s – early 1990s**

The inter and intra-state conflict that precipitated the demise of the regional economic organization (ODECA), combined with the sustained rise in the OPEC oil prices beginning in 1973, stalled economic development in Central America and plunged most of the countries into economic crisis. The oil shock of 1973 precipitated a decline in real wages and triggered high inflation—rates that ranged from 11 – 13% per year between 1973-1978 throughout the region— and high unemployment (up to 21 percent in El Salvador by 1978) (Booth, Wade and Walker 2004). The failure of the economic programs of the 1960s to significantly improve the material well-being of most Central Americans, combined with high inflation, produced dissatisfaction among large segments of the population with their political rulers and elites. In this section I discuss how these events relate to the transformation of the state and civil society in Central America between the 1960s and 1990s. Second, I review the significant economic events and

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approximately 20,000. Nearly 250,000 of the city's 400,000 residents were displaced; many were afflicted by the disease and famine that followed (United States Geological Survey). Samozá declared himself head of the National Emergency Committee and took control of the relief effort. He used the disaster for personal gain and to build up the National Guard. His failure to deliver on the reconstruction promises he made and misuse of international cost him the support of many in the business sector and eventually contributed to the development of the Sandinistas' success years later (Walker 2003; Paige 1997).



economic reforms of the 1970s through the 1990s.

From the early 1970s through the 1990s, political repression, economic crisis, and the spread of democracy would combine in Central America to produce new forms of conflict between the elites and the masses. As mentioned above, despite the existence of democratic institutions—specifically, democratic constitutions and elections—democracy did not really exist in Central America outside of Costa Rica in the 1960s. In each of the other Central American countries, the state was controlled by elites and economic policy was formulated and implemented by a few. These non-democratic arrangements had been challenged by the masses in El Salvador (1932), Nicaragua (1927-1933), Guatemala (1944-1955), and even Costa Rica (1948) in the form of rebellion or revolution. In Central America, only Costa Rica's mid-twentieth century conflict produced a lasting change in the political regime; it dissolved the military and produced a democratic government dedicated to social spending (on health, education, and various forms of other support and welfare programs). While the economic growth of the 1960s may have had the potential to usher in social and political change,<sup>55</sup> the economic crises that hit in the early 1970s intensified discontent with the economic and political inequality in each

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<sup>55</sup> Modernization theory suggests that economic development promotes democratic development. Lipset's (1959) theory is that modernization increases overall level of education which in turn increases tolerant attitudes, restrains people from adopting extremist doctrines, and increases their capacity for rational electoral choice. Additionally, modernization reduces inequalities in wealth, causing more people to have a stake in the system; where there is enormous inequality in wealth, the poor are a greater threat to the established order, and the wealthy don't want democracy because they don't see the poor as fit to participate in political decisions (an arrogant attitude which only makes the poor more hostile toward the wealthy). In sum, industrialization increases education, wealth, equality, and communication which makes the lower and upper classes more moderate and creates a larger middle class which is by nature moderate. All of these changes in society are believed to increase the probability of a more stable form of democratic politics. While this causal relationship is debated, it has been and remains influential in U.S. foreign policy.

country. The economic crises of the early 1970s therefore fueled the smoldering domestic conflicts and would ultimately consume significant amounts of domestic resources through the next two decades.

The domestic conflicts outside of Costa Rica were between allies and representatives of economic elites—often the military and the state—and popular organizations and social movements representing primarily poor and indigenous groups. While their mobilization against the state was dangerous and often violently repressed, the organization and resistance from within civil society was instrumental in the transformation of the regimes in the region (Waisman, Fenberg and Zamosc 2006). These civil society actors were often mobilized by political activists inspired by Marxism and their own revolutionary pasts. Moreover, growing support for human rights internationally, and changes in Church doctrine—and an emphasis on liberation theology in particular—assisted grassroots movements and organizations in their struggles for freedom from repression and violence at the hands of the state.

In Nicaragua, persistent inequality and growing poverty and political repression under Somoza laid the foundation for a civil war during the 1970s. In the early 1960s, a small group of students broke away from the National Socialist Party and formed the Sandinistas, named for their very own peasant revolutionary, Augusto Sandino, who had been killed by the founding father of the Somoza dynasty. After many of the founders of the Sandinistas were killed in a clash with the government in 1967, the remaining ones worked quietly to gain support among students, intellectuals, and the urban and rural poor. The Sandinistas eventually won over more and more of the business elite as the elite grew increasingly disgruntled by Somoza's tyranny and abuse of state power—

including channeling international relief for the devastating 1972 earthquake into his estate (Paige 1997). The war culminated in the overthrow of Somoza and the installation of a socialist government, albeit one very much committed to both the accommodation of various sectors of society—including large land and business owners—and participatory democracy.

Despite the fact that Costa Rica deepened the development of its democratic institutions after its 1948 revolution, the world economic crises of the 1970s contributed to political instability there as well. The economic crises of that decade produced a trade deficit that contributed to a balance of payments problem that depressed the economy (Booth 1998). Initially, the government maintained levels of social spending. In 1980, the national budget deficit reached 8 percent of GDP, leading the government to seek financial assistance from abroad. This only contributed further to the country's debt, which triggered a recession. In 1982 the newly elected Luis Alberto Monge agreed to cooperate with the United States in its anti-Sandinista efforts. In exchange for its support, Costa Rica received a tenfold increase in assistance from the U.S. over the previous eight-year period. The assistance was combined with macroeconomic controls to stabilize the economy. While they produced temporary relief, they did not produce a lasting economic recovery. Increasingly dissatisfied with their government—and in particular a betrayal of the social democratic policies as well as involvement in the war in Nicaragua—Costa Ricans took to the streets. The resistance became uncharacteristically hostile for the country, and included terrorists attacks, violent protests, the formation of paramilitary forces, and even threats of coups (Booth 1998).

Increasingly uneasy about the political instability and growing popularity of the

far Left in the region, the United States government made Central America a priority during the 1980s. While U.S. President Jimmy Carter had accepted, albeit with concerns, the Sandinista victory in Nicaragua, President Reagan identified it as a grave threat to peace and prosperity in the region, and potentially the world.<sup>56</sup> He sought to address the threat through a combination of economic and military interventions. The economic interventions built upon the dominant view that economic development would help foster political stability. In 1982 President Ronald Reagan proposed to the Organization of American States (OAS) the development of the Caribbean Basin Initiative (CBI). The CBI established preferential trade agreements (PTAs) for 27 nations in the Caribbean and Central America; while not all exports were initially included, many major exports like produce, frozen seafood, and specialty foods were. Moreover, the CBI established bilateral development assistance between the U.S. and the CBI countries. The CBI also included provisions that helped further export-led development and private foreign investment. Later expansions of the CBI extended access to other important exports, such as apparel and footwear, and increased the amount of foreign aid provided by the United States.<sup>57</sup> Reagan's commitment to the region's development through the reduction in trade barriers with a set of economic carrots and sticks for particular countries. His administration cut off aid to Nicaragua, and increased aid to Costa Rica in exchange for that country's willingness to provide assistance with the U.S. military

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<sup>56</sup> This was the height of the Cold War, and the allegiances between leftist governments in Latin America and the Soviet Union were perceived by Reagan as a major threat to the power of the U.S. globally.

<sup>57</sup> Pelupessy and Weeks (1993) find that the overall effect of CBI was minimal. The CBI initially did not extend duty-free access to enough of the region's most significant export sectors. Additionally, during the 1980s, U.S. Presidents and Congress were approving more and more protectionist policies.

efforts to subvert the Sandinistas—namely armament of and shelter for the *Contras*.

Though a discussion of Reagan’s foreign policy in the region is sufficiently documented elsewhere and beyond the scope of this chapter, his policies are widely-recognized as a major factor in the failure of the Sandinista government and changed the course of political and economic development in Nicaragua in the late 1980s.<sup>58</sup>

The CBI was part of a broader new economic development strategy commonly referred to as structural adjustment. The new economic model was promoted by the U.S. government—largely through the Agency for International Development (USAID)—and international lending institutions—like the International Monetary Fund (IMF) and the Inter-American Development Bank (IADB)—through their loans and other aid to the Central American states. Together, agents of these institutions promoted what became more commonly known as neoliberalism, or the “Washington Consensus.” Its core elements favored across-the-board (rather than selective) tariff reductions; openness to foreign investment; market-based strategies for economic development; and membership expansion.<sup>59</sup> To receive assistance, Central American leaders were required to implement political and economic reforms. The economic reforms involved privatization of state-owned enterprises, reductions in public services (to balance budgets), deregulation, currency devaluation, and reductions in trade barriers (Suominen 2008).

The structural adjustment programs (SAPs) implemented in the 1980s have had mixed results throughout Latin America. In Central America the programs failed to

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<sup>58</sup> See Stahler-Sholk (2000) for a concise overview of the influence of the U.S. and other states in the region during this period.

<sup>59</sup> Sebastian Edwards (1995) modified this for the Latin American context. According to Edwards the “Latin American Consensus” was characterized by control of public sector deficits; the opening of external sectors to foreign competition; deregulation through privatization; and poverty-reduction policies (58-59).

produce the debt reduction and growth desired. Some point to the failure of the programs to account for the political barriers to market reform—namely, that repression itself served to interfere with the reforms being performed by repressive governments (Pelupessy and Weeks 1993). Additionally, rising protectionist sentiment in the U.S. and elsewhere and declining world demand in the 1980s hurt Central American exporters (Ray 1989). Moreover, the debt service required of the Central American states diminished consumer demand among Central Americans. Capital flight increased (a total of six thousand million dollars between 1980-1987), and gross fixed investment declined considerably over the 1980s and by 1989 was below the 1979 level in all five countries (Pelupessy and Weeks 1993). As a result, inequality and debt only increased.

As tables II.1 and II.2 demonstrate, between the 1950s and 1980s, Central American states became less reliant upon the U.S. as a trading partner, and the United States became a greater source of direct economic assistance to each state. These trends reflect the Central American states integration into the global economy, as well as the U.S. interest in remaining influential in the region. In the next section I discuss the push for regional integration within Central America in the 1990s. Integration was pursued by the heads of Central American states, in part as a consequence of the states' diversifying economies and expansion into global markets. The push for integration also came from the United Nations, the United States, and international financial institutions that saw it as a path toward political stability and economic growth.

**Table II.1 – Central America's economic dependence on U.S. foreign trade (in %)**

		<b>Exports</b>				<b>Imports</b>		
<b>Country</b>	<b>1948</b>	<b>1960</b>	<b>1970</b>	<b>1980</b>	<b>1948</b>	<b>1960</b>	<b>1970</b>	<b>1980</b>
Costa Rica	78.6	52.3	42.5	34.9	77.7	45.5	34.8	34.5
El Salvador	77.4	35.1	21.4	29.7	73.5	42.9	29.6	25.2
Guatemala	89.0	55.6	28.3	28.7	76.2	46.0	35.3	33.7
Honduras	72.9	57.9	54.6	53.1	78.7	55.9	41.5	42.2
Nicaragua	74.5	40.4	33.2	38.7	83.8	52.7	36.5	27.5

Source: Coatsworth (1994, 19)

**Table II.2 – U.S. economic assistance to Central America (in millions, 1982 \$)**

<b>Periods</b>	<b>Costa Rica</b>	<b>El Salvador</b>	<b>Guatemala</b>	<b>Honduras</b>	<b>Nicaragua</b>	<b>Totals</b>
1953-57	25.6	3.1	41.9	10.3	9.2	117.3
1958-61	24.0	6.9	52.9	16.8	23.1	142.7
1962-64	40.9	58.7	36.0	25.6	27.9	248.0
1965-69	42.4	30.7	33.4	25.9	47.5	242.4
1970-77	21.8	14.7	29.4	29.3	31.1	169.9
1978-81	16.9	56.3	26.6	40.0	27.3	185.5
1982-88	154.5	343.6	82.6	137.7	0	739.5

Source: Coatsworth (1994, 19)

**Section III: The new regionalism and liberalization from the early 1990s to 2002**

Regional integration efforts among Central American states resumed in the early 1990s, with the urging of the same actors identified above—the United States government and international political and economic organizations such as the United Nations and World Bank—and with commitment on the part of Latin American leaders.

In part due to outside intervention, Liberal governments<sup>60</sup> were in power throughout the region and the political situation in each country had stabilized. Leaders within and outside of the region acknowledged that the fate of democracy in Central America in the 1990s would remain “intimately connected to the persistent, structural problem of social and economic inequality” (Walker and Armory 2000, xv). Leaders in the region pursued economic stability and growth through economic liberalization. By this time, in every Central American state the ruling party or coalition expressed at least a willingness, if not a commitment, to deepen the economic reforms introduced in the 1980s. These reforms were met by opposition from an array of groups within civil society who believed these reforms only exacerbated existing inequality, threatened their interests, and/or undermined democratic development. This section traces the changes in liberalization policies pursued by state leaders during the 1990s; the next section covers the opposition from civil society to these policies.

While the past policies of liberalization remain influential in the region, they have been modified and repackaged in the form of a new economic development paradigm—Latin American “neoliberalism.” This program was created by the United Nations Economic Commission for Latin America and the Caribbean (ECLAC) and launched from Santiago, Chile, with the 1990 ECLAC publication, *Changing Production Patterns with Social Equity* (Leiva 2008). Key features of neoliberalism include pragmatism—

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<sup>60</sup> “Liberal” in the Central America does not mean the same thing that it does in the United States. In the Central American context it generally refers to parties that support a smaller role for government in social affairs and economic development (beyond policies that facilitate investment, industrial development, commerce, and the protection of private property rights). Liberal governments historically promoted trade liberalization and regional integration. “Left” refers to politicians and parties that advocate a stronger role for the state in economic affairs and the provision of an array of social services.



having been informed by the failures of the neoliberal programs of the 1980s—and a greater emphasis on social issues than the previous economic development programs. Moreover, while the policies of the 1980s were adopted by Liberal governments, neostructuralism has been adopted and promoted by many of Latin America's center-Left governments (Santiso 2006). Macroeconomic stability remains a major goal of the new approach. However, a much greater emphasis is placed upon state actors' capacities—political and institutional—to consolidate the market reforms introduced in the 1980s and better incorporate civil society as a partner and benefactor of the changes. The three foci of the new agenda are addressed in the 1998 ECLAC publication, *The Fiscal Covenant: Strength, Weaknesses, Challenges*. With the new approach government success is determined not only by balancing the national budget through drastic cuts (as was the pattern in the 1980s), “but also through exercising political leadership over the different actors so as to be able to construct a consensus around the ‘fiscal covenant’” (Leiva 2008). The relationship between economic and political development is made explicit in this new approach to liberalization. A major difference between the old and new efforts, however, is the recognition that democratic development doesn't necessarily emerge from economic policy. Instead, the former must be directed along with the latter.

By the end of the 1990s, the new approach had moved from an emphasis on “changing productive structures with social equity” to “managing globalization” through better public policies (Leiva, 2008). The ECLAC publication *Productive Development in Open Economies* (2002) emphasized the role of international trade as a key to successful development, alongside of good governance. It encouraged policies that would lead to: 1) the region's improved position in the international economy; 2) technological

development and innovation; 3) enterprise and job development in the formal sector; and 4) a strengthened productive structure through consolidation of important sectors (ECLAC 2002; Leiva 2008). These objectives were visible in other documents issued by the World Bank and the trade agreements that would emerge from the region in the 2000s.

An important feature of the new economic development agenda for the region is a new form of trade liberalization associated with the “open regionalism” of 1990s. This regionalism is considered a different type of regionalism from that which occurred in the 1960s (Eden and Li 2004). First, the integration model of the 1960s—the old regionalism—lacked incentives for genuine integration. According to Eden and Li (2004), “The underlying policies of protectionism, state intervention, and bureaucratic authoritarianism meant that governments only halfheartedly engaged in region building. Tariffs were lowered only where domestic firms were weak or nonexistent, while nontariff barriers such as licenses and quotas exploded” (25). Second, the new regionalism emerged from economic crisis—the debt crisis that swept through Latin America in the 1980s. Individual states and the International Monetary Fund and World Bank responded with structural adjustment programs throughout the region, opening states to the world economy. Third, the new regionalism integrates across regions; while the old regionalism was characterized by South-South agreements (or North-North, in the case of the U.S. and Canada’s free trade agreement), the new regionalism includes North-South agreements, often connecting a larger and smaller state that border one another. While preferential agreements permitting Southern states access to Northern markets

existed,<sup>61</sup> the free trade agreements that have emerged between Northern and Southern states promote deeper economic integration. The new regionalism is characterized by trade agreements that go beyond the elimination of tariff barriers among partners to reductions in nontariff barriers, and harmonization of regulations.<sup>62</sup> Moreover, newer agreements liberalize not only trade in goods but also services, investments and technology.

The new regionalism was embodied in two hemisphere-wide trade liberalization initiatives introduced in the early 1990s: the Enterprise for the Americas Initiative (EAI), and the Free Trade Area of the Americas (FTAA). These initiatives were embraced by the president of the United States and many Latin American leaders. Support for regional integration was also made evident in the resurgence of integration efforts within Central America; there, leaders came together to revive the regional economic organization that had contributed to the economic boom of the 1960s, but had been largely defunct since the end of that decade.

The first hemispheric plan for regional integration was the EAI, proposed on June 27, 1990, by President George H. Bush for the purpose of stimulating economic development in Latin America. The EAI had three goals: (1) expand two-way trade between the U.S. and with Latin American and Caribbean countries; (2) reduce and restructure official bilateral debt owed by Latin American countries to the U.S.

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<sup>61</sup> The Caribbean Basin Initiative discussed earlier is one example. Also, these were common between European Community and former European colonies (established through the Lomé Convention) and permitted through the General Agreement on Trade and Tariffs (GATT).

<sup>62</sup> Another feature of the new regionalism is the attention to regional security by customs unions. Since the early-1990s, the four regional economic organizations in Latin America have incorporated into their framework security issues such as terrorism, piracy, and drug trafficking (Samford 2009).

government (complementing the Brady Plan); and (3) promote direct investment in the region. At this time, the U.S. had bilateral FTAs with Israel<sup>63</sup> and Canada (CUSFTA)<sup>64</sup>. The EAI signaled the U.S. interest in expanding free trade between the U.S. and Latin American states. On June 24, 1991, the United States signed a framework agreement with Argentina, Brazil, Paraguay, and Uruguay establishing a Council on Trade and Investment—the first regional framework agreement signed since the EAI was announced. The council was charged with monitoring investment relations, identifying opportunities for expanding trade and investment through liberalization and other appropriate means, and negotiating implementing agreements. At the signing of what became known as the “Rose Garden Agreement,” President Bush asserted that the proposal for the agreement had come from the four Latin American countries, and he reaffirmed the U.S. commitment to a free trade area stretching from Alaska in the North to Tierra del Fuego in the South (Fitzwater 1991). By 1992 every country in the Western Hemisphere except Cuba, Haiti and Suriname had signed similar framework agreements with the United States establishing Trade and Investment Councils in each country charged with the same mandate (Development Gap 1992).

Like the EAI, the re-emergence of the Central American economic development organizations reflected the tenets of the neostructuralism and open regionalism described above. The first concrete step toward the Central American restructuring was the 1991 Protocol of Tegucigalpa to the 1962 Charter of the Organization of Central American

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<sup>63</sup> The U.S.-Israeli FTA was adopted under U.S. President Ronald Reagan and Israeli Prime Minister Shimon Peres, and entered into force September 1, 1985.

<sup>64</sup> The U.S.-Canada FTA was adopted under Canadian Prime Minister Brian Mulroney and U.S. President Ronald Reagan, and entered into force in January 1, 1989. CUSFTA was later replaced – and expanded – with NAFTA.

States (ODECA). In 1993, Guatemala, Nicaragua, Honduras, El Salvador, Costa Rica plus Panama signed the Central American Economic Integration protocol to the General Treaty on Central American Economic Integration of 1960, which committed the signatories to regional trade liberalization, including the elimination of tariffs, the creation of a regional customs union and authority, a common external trade policy, monetary and financial integration, and the free movement of labor and capital among the member states (Suominen 2008). The 1991 protocol established the Central American Integration System (Sistema de la Integración Centroamericana, SICA), which establishes the political mechanisms for decision-making and accountability. It is comprised of the General Secretariat (based in San Salvador), the Council of Ministers, Executive Committee, the Central American Parliament, the Central American Court of Justice, and the Meeting of Central American Vice Presidents. The 1993 protocol affirmed the role of the Secretariat of Central American Economic Integration (SIECA) to provide technical and administrative assistance for the integration process.<sup>65</sup> SIECA is charged with ensuring that efforts toward economic integration are in accord with political, cultural and social objectives throughout the region (Suominen 2008).

The second hemispheric integration initiative would come to be known as the Free Trade Area of the Americas (FTAA). In December of 1994, 34 heads of state from the Americas met in Miami at the First Summit of the Americas. There they signed a Plan of Action for coordinating efforts toward making “practical progress on the vital tasks of enhancing democracy, promoting development, achieving economic integration

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<sup>65</sup> SIECA was established by the 1960 Treaty on Economic Integration, but its role was expanded in 1993 to facilitate integration through implementing the decisions of the sub-system, including preparing reports and making proposals for integration.

and free trade, improving the lives of their people, and protecting the natural environment for future generations” (Summit of the Americas 1994). In their Declaration of Principles,<sup>66</sup> the participants committed to the pursuit of the FTAA– what was to become, in effect, a free trade agreement among nearly all states in the hemisphere. The participants declared that trade was a key to prosperity: “Free trade and increased economic integration are key factors for raising standards of living, improving the working conditions of people in the Americas and better protecting the environment” (Summit of the Americas 1994). This summit and the principles reflect the perception among leaders that deeper integration would lead to domestic economic growth, and that this view was widely shared by leaders in the region.

The EAI, the revival of economic integration in Central America, and the pursuit of an FTAA represent Latin American leaders’ commitment in the early 1990s to economic openness and integration. Over the course of the decade, Latin American states would pursue trade with states throughout the region and across the globe. Moreover, while Bush’s EAI program signaled the U.S. interest in trade liberalization,<sup>67</sup> and the U.S. would remain a strong proponent of free trade, it was Mexico, Central American states, and other Latin American states that initiated trade talks leading to FTAs with the United States. For example, it was Mexico’s leadership that proposed NAFTA. Following NAFTA and prior to CAFTA-DR, Central American states and Mexico entered into FTAs of their own. Mexico signed an FTA with Chile in 1992; Costa Rica in

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<sup>66</sup> These principles were given the title “Partnership for Development and Prosperity: Democracy, Free Trade and Sustainable Development in the Americas.”

<sup>67</sup> Free trade has not been easy for U.S. leadership to secure, however, and has not always been established on the terms its U.S. proponents would like. The general public in the United States has consistently been opposed to free trade in general (Drezner 2008), and existing institutions create obstacles to trade policy development (Goldstein 1993).

1995; Nicaragua in 1998; and one with El Salvador, Guatemala, and Honduras in 2001. On September 5, 2000, Mexican President Vicente Fox Quesada announced his intent to push the integration with Central America even further, through the Puebla-Panama Plan (or Plan Panama). Clearly, there was interest among the small states of the region in trade liberalization. As economic theory suggests, state actors—including leaders of small states—pursued free trade for the purpose of economic development. Therefore, while the FTAs are associated with the economic policies promoted by the United States and the U.S. retains significant power in the region, given Latin American leaders' support for FTAs, trade liberalization policies must be understood as more than policies reflecting only U.S. interests and be seen as reflecting the interests of influential actors within Latin American states and societies.

At the same time, the historic influence of the U.S. and international organizations remains an important factor in trade liberalization and regional politics in Central America. Despite the broad support for the FTAA among state leaders at this initial summit, the FTAA was not accomplished by the 2005 deadline and has been stalled for years. By the late 1990s and the turn of the 21<sup>st</sup> century, it had become clear to leaders of the industrialized world and international financial organizations like the World Bank that trade liberalization could not take place without attention to the imbalances in resources and power between the less developed countries of the global South and the advanced industrialized countries of the global North (more on this below). These imbalances have proven to be problematic for the completion of the FTAA, and remain an issue in all North-South trade agreements, including CAFTA-DR.

Even a brief and incomplete discussion of the origins and structure of Central America's regional economic development highlights two very important features of contemporary trade liberalization in Central America. First, efforts to promote regional integration and trade liberalization are not new, and in fact date back to a particular political and economic development program that involved heads of non-democratic Central American states and significant actors outside of Central America. Second, the scope of trade liberalization today is much greater than it was in the 1950s and 1960s. These features of the liberalization process in Central America factor prominently in the contemporary politics of trade liberalization there. Both are important for our understanding of the contestation surrounding the CAFTA-DR.<sup>68</sup>

#### **Section IV: Opposition to free trade from civil society**

Although free trade throughout the Western Hemisphere is not advancing through one Free Trade Area of the Americas, trade liberalization has been advancing through bilateral agreements and regional agreements. Given the history of U.S. intervention in domestic politics, the asymmetry between the U.S. and small states, and the scope of the contemporary FTAs, the FTAs are often contested by state and non-state actors. Consequently, as economic integration and trade liberalization have been advancing in the Americas, organizations, movements, and networks opposed to its particular instantiations have been growing. While not all opposition comes from outside of the state, significant opposition to "free trade" has emerged from civil society. It can come

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<sup>68</sup> Although the focus of this dissertation is largely on CAFTA-DR and other U.S. trade agreements in Latin America, Latin Americans in general and Central Americans in particular have opposed trade agreements between their countries and the EU and China, to name a few. As will be discussed in greater detail in this dissertation, the opposition is fueled by objections to specific aspects of the trade agreements, as well as liberalization in general.



from powerful interests wanting to protect their market share—as was the case with corn, rice, and bean growers in Nicaragua, and U.S. sugar growers during CAFTA-DR’s development—and a wide range of organizations representing an array of human rights and environmental concerns. In small, less developed countries like Nicaragua, the material and “post-material”<sup>69</sup> interests are interconnected. For example, small-scale production of staples like rice, corn and beans is not just a job but a way of life. FTAs are perceived to be a threat not only because they may disrupt the local production of food but also because they alter cultural practices. The civil society organizations therefore often contend that that the free trade model advanced by many states must be met with “the other possible America,” (Berrón 2007) and that the economic regionalism must be met with “alternative regionalisms” (Brennan and Olivet 2007). This section documents the origins of CAFTA-DR, and the nature and repertoires of the opposition to it.

Included in this history is a discussion of the politics surrounding the North American Free Trade Agreement (NAFTA)—the free trade agreement between the Canada, the United States, and Mexico, which went into effect January 1, 1994. NAFTA is significant for it remains an influential referent for both proponents and opponents of FTAs in the Americas. NAFTA provided a model for states wishing to engage in FTAs with the United States, and for non-state actors opposed to them. This section places the development of opposition to CAFTA-DR in historical context and highlights the

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<sup>69</sup> Here I am referring to values like concern for the environment and human rights. Scholars such as Inglehart (1997), and institutions such as World Bank, posit that economic development enables people to develop concern for matters other than those closely associated with survival. The experiences of many small farmers and indigenous people call into question the separation of these values, also referred to as “self-expression” values by Inglehart, from material concerns.

transnational aspect of free trade politics, including the opportunities made available to non-state actors through transnational institutions and other resources. Subsequent chapters reveal that while transnational support and opposition is a hallmark of contemporary trade politics, domestic institutions and established patterns of engagement between political elites and members of civil society continue to mediate the trade policy approval processes.

### *NAFTA*

NAFTA was the first and remains one of the most significant examples of the new regionalism in the Americas. As mentioned above, the new free trade agreements do not consist simply of eliminating tariffs on goods, but rather they establish or alter rules and rights that affect virtually all aspects of production and service delivery within contemporary nation-states. The length of the final trade policy illustrates its scope and complexity; NAFTA is over 300 pages long, and the text of national tariff schedules and other lists exceed 2000 pages (Hall and Nelson 2004). The scope of changes that accompany free trade agreements invites contestation from within governments and civil societies over the costs and benefits expected, feared, or desired from them.

Mexico's President Carlos Salinas de Gortari first proposed that the United States extend the Canadian–U.S. Free Trade Agreement (CUFTA) to Mexico at the Davos World Economic Forum in February 1990<sup>70</sup>; President Bush accepted the proposal at the hemispheric summit in San Antonio the following June. While the ultimate goal of the FTA was to increase trade and investment to spur economic development in each state, it was pursued by the U.S. for other reasons. President Bush perceived the agreement as an

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<sup>70</sup> Mexican President de la Madrid had begun the process of trade liberalization in 1993, and Mexico acceded to the GATT in 1986.

opportunity to improve diplomatic relations with Mexico, quite notably on issues related to immigration (Weintraub 2004). The United States did not need the agreement for economic growth to the extent that the Canadians and Mexicans did. Both Canadian and Mexican exports to the U.S. far exceeded exports to the rest of the world, while U.S. exports to Canada and Mexico were much less significant than exports to the rest of the world (Weintraub 2004).

NAFTA elicited vehement criticism from an array of interest groups, social movements, and politicians within the U.S., Canada and Mexico. Numerous national and transnational movements formed to block passage of NAFTA during the agreement's development and approval processes.<sup>71</sup> More than any other trade agreement, it initiated unprecedented forms of transnational anti-free trade activism (Hogenboom 1998; Macdonald 2005).<sup>72</sup> Opposition came from U.S. labor organizations worried that the FTA would result in a loss of jobs for American workers; environmentalists (from all three countries) worried that the agreement would undermine existing environmental regulations (create a "race to the bottom") and exacerbate environmental problems in

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<sup>71</sup> The coalitions that formed for and against the agreement were surprising to many at the time and are still considered "peculiar," as was the shift in public evaluation of the agreement from 1990 to the mid-1990s (Hall and Nelson 2004). Contrary to what standard theories of political economy would predict, the public opinion "shifted dramatically in the absence of any change in the underlying political and economic fundamentals" (Hall and Nelson 2004). In the early part of the decade, Americans' positive evaluations of the FTA far exceeded low evaluations of it. By the mid-1990s the positive and negative evaluations had converged. The change in public opinion can be attributed to increased publicity to it over that period given the political circumstances and events described above, and the broad scope of the agreement and uncertainty surrounding its impact.

<sup>72</sup> While CUSFTA was controversial in Canada, it faced little resistance in the United States. Laura Macdonald's (2005) comparative analysis of the roles of women's organizations and movements in the opposition to CUSFTA and NAFTA describes the different political climates in Canada and the U.S. during the development of each treaty.

Mexico, where regulations were nonexistent, weak, or went unenforced; and human rights groups worried about the exploitation of Mexican workers employed by large transnational corporations, which had developed a reputation for underpaying or otherwise mistreating workers in developing countries.

Mexican and Canadian legislatures approved NAFTA before the U.S. Congress did. In the U.S., passage of the FTA appeared uncertain up until a few days before a final vote on it in the House of Representatives.<sup>73</sup> On November 17, 1993, NAFTA implementation legislation was approved by the U.S. House of Representatives by a vote of 234-200; it passed in the U.S. Senate by a vote of 61 to 38 on November 20. It was signed into law by President Bill Clinton on December 12, 1993, and entered into force in Canada, Mexico and the United States on January 1, 1994. NAFTA created the world's

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<sup>73</sup> NAFTA had become highly politicized and controversial by the time Clinton took office in January of 1993, and ultimately consumed an enormous amount of political capital of U.S. President Bill Clinton (Palmer 2006). Unionized labor and environmental groups – key Democratic supporters – had come out strongly against the FTA from the beginning of the negotiation period, and sustained their opposition to it throughout its development. Also working against Clinton politically was the re-authorization of “fast track” legislation in 1991. This legislation authorizes the president to negotiate trade agreement and restricts Congress to an “up or down” vote on the final agreement. This was heavily debated in Congress yet eventually passed both chambers with substantial majorities in late May of 1991. Of particular significance in the development of public opposition to the agreement was one of Clinton’s opponents in the presidential race; NAFTA became a focal point of the 1992 presidential campaign when Independent presidential candidate H. Ross Perot identified it as a major threat to the well-being of American workers. During his campaign he warned voters NAFTA’s passage would be accompanied by a “giant sucking sound” – the sound of manufacturing jobs in the U.S. moving to Mexico – providing one of the most memorable sound bites of the campaign itself, and vivid assessments of the FTA’s relevance to the average American. To overcome these, Clinton embarked on a major public relations campaign, and fulfilled his campaign promise to negotiate environmental and labor protections and dispute mechanisms to be attached to the FTA in the form of side agreements. Finally, Vice-President Al Gore and former presidential candidate Ross Perot engaged in a televised debate on NAFTA just a few days before the FTA vote; Gore’s resounding success in the debate was a blow to Perot’s anti-NAFTA campaign

largest free trade bloc after the European Union. Trade between the United States and its NAFTA partners has soared since the agreement entered into force; U.S. two-way trade with Canada and Mexico exceeds U.S. trade with the European Union and Japan combined, and U.S. goods exported to NAFTA partners nearly tripled between 1993 and 2008, from \$142 billion to \$418 billion (U.S. Trade Representative Web site).

While the domestic and transnational opposition to NAFTA was significant during its development, one of the most important transnational events inspired by it occurred after the agreement was signed. On the day that NAFTA went into effect, January 1, 1994, the Zapatista Army of National Liberation (the EZLN, or Zapatistas)—a movement representing indigenous peoples in Mexico—launched a protest in the southern Mexican colonial city San Cristobal de las Casas. The EZLN's development predated NAFTA by several years, yet NAFTA's entry into force was considered an extension of the Mexican government's economic policies that had cost many indigenous people their land and livelihoods, and it provided a high profile political opportunity for the EZLN to raise awareness of the movement's claims beyond Mexico (Muñoz 2006). The protest did indeed receive international coverage, and succeeded in exposing the government's brutality against the Zapatistas.<sup>74</sup> By the end of the year, their cause had become a rallying point for indigenous peoples, human rights, and resistance to neoliberalism<sup>75</sup> across the globe.

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<sup>74</sup> Protesters wore black masks and carried wooden rifles, but the demonstration was peaceful. As the protesters retreated, they were followed by federal police in tanks and subjected to air strikes. Twelve days later, Mexican President Salinas ordered a ceasefire. With the aid of the Catholic Church, the government and Zapatistas negotiated a peace accord, but the Zapatistas later withdrew (Muñoz 2006).

<sup>75</sup> The history of anti-neoliberalism in Latin America goes beyond NAFTA and the Zapatistas' uprising, but I use NAFTA and the Zapatistas' activities as the starting point

NAFTA coincided with another important and new opportunity for mobilization—the proliferation of the Internet. This new technology would facilitate the emergence of networks of civil society organizations working against neoliberalism and help promote models of participatory democracy that civil society organizations wanted to establish within their own countries. The Zapatistas used the Internet to foster connections with human rights, indigenous, and other anti-neoliberal activists from across the globe. In doing so, they demonstrated to the world the power of transnational communication and organizing, and inspired mobilization against states despite, or because of, NAFTA's (and neoliberalism's) success. Equally important, they articulated a critique of, and provided an alternative for the neoliberal order<sup>76</sup> that citizens and interest groups in both the global North and South were questioning, if not fighting in their own backyards. The international coordination and mobilization attained by the Zapatistas inspired the formation of transnational coalitions and demonstrations that have taken place ever since.<sup>77</sup> From July 27-August 3, 1996, the Zapatistas hosted the first in a series of international meetings (*encuentros*) for organizing resistance to neoliberalism,

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for my analysis of the transnational opposition of the DR-CAFTA because the Zapatistas and the networks their activities have spawned have been very influential in Central America. Moreover, although the economic policies of the 1990s are considered distinct from neoliberalism, as the previous discussion of neostructuralism indicates, neoliberalism maintains significant currency for opponents of U.S. economic objectives for the region.

<sup>76</sup> One popular slogan advanced by the Zapatistas was “a world in which many world fits” (EZLN). This is a response to the hegemony and homogenization associated with neoliberalism.

<sup>77</sup> The EZLN was major force in the formation of the Peoples Global Action (GPA). Three hundred delegates from seventeen countries met in Geneva in 1998 for the founding conference of the PGA; this network would become instrumental in organizing the protests of the WTO meeting in Seattle in late 1999. The 1999 WTO protests, referred to as “the battle of Seattle,” made it clear that the resistance to free trade was growing and made future trade talks the site of significant displays of transnational protests.

the *Intercontinental Meeting for Humanity and Against Neoliberalism*. Approximately 3,000 activists representing 43 countries and five continents attended the meeting in Chiapas, Mexico (Wood, 2005). The network form of mobilization and action employed during NAFTA's approval process and after its entry into force by the opposition would become common for social movements organizing against neoliberalism in general and trade agreements in particular. The transnational sphere created by the FTA and improvements in communication technology enabled various forms of collective action and social movement repertoires to become "modular" and transferable to distant locations and causes (Tarrow 1998).

Opposition to the new open regionalism and the NAFTA model of free trade grew throughout the Americas after NAFTA's entry into force. The introduction of the Free Trade Area of the Americas signaled widespread commitment among states to the model. In response, actors within civil society that opposed the spread of the NAFTA model of free trade convened at the "Our Americas Forum" in Belo Horizonte, Brazil, in May of 1997, which coincided with the meeting of the Americas' trade ministers and the Americas Business Forum. Approximately 700 representatives of civil society organizations and activists participated in the forum. There they agreed to mobilize their organizations to build a broad-based movement throughout the Americas "to confront the current economic model and corporate rule" (Common Frontiers). The idea of creating an alliance gained more momentum at the People's Summit in Santiago, Chile, in April of 1998. There, approximately 2000 activists and representatives of civil society organizations—including labor unions, trade coalitions, NGOs, and social movements—convened to discuss the alternative model of development. This effort culminated in the

creation of the Hemispheric Social Alliance (HSA) at a similar meeting held in Costa Rica in March of 1999.<sup>78</sup> The Hemispheric Social Alliance has remained an important resource for grassroots organizations and other members of civil society for communicating about FTAs, mobilizing opposition to them, and developing a consensus-based model for decision-making in line with alternatives to neoliberal models of development.

### *CAFTA-DR*

Several years after NAFTA went into effect, the Central American states approached President Bill Clinton at the San Jose, Costa Rica hemispheric summit and expressed interest in a FTA with the United States. In 2000, the CBI was expanded to include the US-Caribbean Basin Trade Partnership Act (CBTPA). It extended duty free access to apparel and footwear exported to the United States—significant industries for the region—and increased development assistance (the increase in assistance was relief for hurricanes Mitch and George). However, the Central American states were interested in furthering trade liberalization with the U.S. and deepening integration, particularly in the wake of NAFTA. While the enhanced CBI provided many of the trade benefits associated with CAFTA-DR, proponents of CAFTA-DR would later argue that the CBI did not go nearly far enough in establishing economic development opportunities for the region. CAFTA-DR proponents also warned that there was no guarantee that the U.S. would renew the CBI upon its expiration in 2008.

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<sup>78</sup> According to the HSA, the alliance is “a forum where progressive organizations and movements from around the Americas can gather, strategize, share information and plan joint actions. As the base and strength of the movement grows, we will be in an even better position to fight for an alternative and democratic development model for our societies” (Common Frontiers).



For two years leading up to the formal initiation of CAFTA-DR negotiations, President Bush and leaders of the Central American states made public gestures signaling intent to enter into an FTA. On September 24, 2001 Central American and U.S. foreign trade officials issued a joint declaration pledging to explore the possibilities of deepening and strengthening trade among these countries. By this time it was becoming apparent that negotiating the FTAA would not be as easy as expected—due to the concerns about asymmetry in development among countries throughout the region—and the terrorist attacks in the United States on September 11, 2001 increased the Bush Administration’s interest in regional security. These events contributed to President Bush’s decision to pursue a regional FTA with the Central American states.<sup>79</sup> On March 24, 2002 a meeting between the Central American Presidents and President Bush in El Salvador affirmed the intentions of all parties to engage in an FTA. Finally, on January 8, 2003 President Bush and the heads of state of five Central American countries formally announced through a joint statement that they would enter into formal negotiations of a free trade agreement. Negotiations for CAFTA began January 27, 2003 (Association of Caribbean States).

Leaders of the Central American states asserted that CAFTA would spur economic development. Support for CAFTA from business organizations and exporters underscored this aspect of the agreement. As discussed above, economic development and political development are considered interdependent by leaders of states and international financial organizations, and have therefore been integrated into the

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<sup>79</sup> On November 27, 2001 officials from each of the six countries participated in the first workshop for technical issues, the foundation for subsequent negotiations. The second technical workshop began February 25, 2002; a total of six workshops were held throughout the course of 2002. On January 16, 2002 President Bush mentioned in his State of the Union address that his administration’s foreign trade policy priorities included a free trade agreement with Central American countries.

institutional mandates of the new regional economic organizations, as well as economic development schemes promoted in the region by the U.S. and international organizations. A Costa Rica INCAE Business School report summed up the declared need for CAFTA-DR as follows: “Without CAFTA, it is possible that the region will lose the longterm benefits from improved trade and greater political, social and economic development” (Condo 2005). In addition to the Central American presidents and the Bush Administration, the World Bank, the Inter-American Development Bank, and the Organization of American States (OAS) promoted development of a U.S.–Central American FTA as a necessary step forward in Central America’s political and economic development.

The challenges to negotiating a truly regional agreement were made clear at the outset of the negotiations. These challenges related to variation among the countries’ levels of economic and political development and associated variation in institutional development. They were laid out clearly in a press release issued from the U.S. Embassy in Costa Rica in November, 2002, in which the Costa Rican Minister of Foreign Trade, Mr. Trejos said he expected that tariff schedules would vary from country to country due to different political sensitivities and that the region has “has a long way to go toward self-convergence” in services sector since each country's service sector is at a different level of development and liberalization (U.S. Embassy in Costa Rica). Despite these challenges, the five Central American states entered the negotiations with the intent to negotiate as a group and maintain “solidarity.” Even as the country with the least in common with the others, Costa Rica’s commitment to a united front was made clear in the press release cited above. In it the Costa Rican Minister of Foreign Trade asserted

that, “Solidarity among the five countries—and the ability to agree on common negotiating positions—will be crucial to a successful conclusion of the FTA....” Finally, the trade minister spoke of the need among the smaller countries to received trade capacity building assistance for the integration process, and noted that the smaller economies would need help complying with labor and environmental protections (U.S. Embassy in Costa Rica January). The Costa Rican trade minister’s words reflect the commitment of the Central American states to regional integration, despite the asymmetry between them, a long history of regional conflict, and the vulnerability of small states in a global economy.

When formal negotiations for CAFTA-DR were announced in the fall of 2002, the Office of the United States Trade Representative (USTR) made it clear that the Bush Administration expected negotiations would conclude by the end of 2003. There were nine rounds of negotiations between the United States and the Central American states. The first round was held in Costa Rica in January, 2003; the second round was held in Ohio in February, 2003; the third round was held in El Salvador in March-April, 2003; and the fourth round was held in Guatemala in May, 2003. By this round drafts for all chapters under negotiation were available but no substantial progress was reached. Negotiations started to fall apart at this point as irreconcilable differences in the Central American states’ resources and national interests emerged.

The fifth round of negotiations was held in Honduras in June, 2003. The Central American negotiating position disintegrated further in this round, with Costa Rica being the most interested in defending its sensitive sectors. The sixth round was held in New Orleans in July-August, 2003, and the seventh round was held in Nicaragua in

September, 2003. The chapters on labor and the environment were closed during this meeting. On August 4, 2003, the U.S. Trade Representative Robert Zoellick formally notified the U.S. Congress that the Bush Administration intended to integrate the Dominican Republic into the CAFTA negotiations. The eighth round was held in Texas and the ninth Round was held in Washington, DC, in December 2003. All chapters were closed but Costa Rica was not satisfied with the results, forcing the negotiations into overtime. The ninth round extended into January, 2004. Costa Rica and the U.S. were able to reconcile differences over details regarding the state-run insurance and telecommunications sectors opening process, and the treatment of certain sensitive agricultural products and duty-free treatment of apparel products made from materials outside the region. CAFTA was signed by the presidents of the five Central American countries and the United States in May of 2004.<sup>80</sup>

Upon completion of CAFTA-DR negotiations the USTR issued a press release in which Trade Representative Robert Zoellick announced, “[with] each Central American nation, we worked to tailor market access provisions to reflect individual circumstances” (U.S. Trade Representative 2004).<sup>81</sup> Therefore, though the name suggests otherwise, the trade agreement was negotiated to some extent bilaterally between the U.S. and the Dominican Republic, and between the U.S. and each Central American state. This outcome indicates that particular interest groups within individual states remain significant in FTA negotiating and approval processes.

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<sup>80</sup> This schedule was taken from the 2005 INCAE Business School report prepared by Dr. Arturo Condo, Dean of Innovation and Institutional Development.

<sup>81</sup> This press release, dated January 24, 2004, affirmed Costa Rica’s willingness to participate in the agreement, after negotiations with Costa Rica broke down in December of 2003.

Even though the Central American states approached the United States, the negotiation process was lead by the U.S. In the end, the original negotiation timeline was extended because of opposition from Central America, and Costa Rica in particular. As discussed below, the U.S. set a fast-paced negotiating schedule, and permitted little—and mostly perfunctory—participation from civil society organizations. This would contribute to the growing mobilization against the agreement both within the U.S. and in Central America as the agreement was negotiated. Opposition to the agreement heated up after its approval by all parties to the agreement. This occurred because the FTA would need approval by national legislatures after it was signed by the heads of each state. While national legislators in democratic systems are theoretically sensitive to their constituents' demands, the extent to which and how they are accountable to citizens is a factor of domestic institutions and patterns of engagement between members of civil society and political elites. As is evident from the following analyses of Nicaragua and Costa Rica, both domestic institutions and prevailing patterns of engagement between state and non-state actors shape how, and the extent to which, citizens can affect the actions of state actors in the area of trade policy.

The need for legislative approval, even if legislatures can't amend the FTA, turns the FTA approval process into another political opportunity for state and non-state actors to advance their interests. While FTAs have been cast in a positive or negative light as a pro-growth or unfair policy, they are examined at the domestic level on the merits of particular programs and policies associated with them. Once a legislature approves an FTA, it must alter existing or create new legislation to implement the policy. Approval can be made conditional upon deals made within domestic legislatures and even across

states, so long as those deals don't interfere with the terms of trade established by the FTA.<sup>82</sup> Entry into force occurs once the signatories have complied with the policy harmonization requirements established by the FTA.

Opposition to CAFTA emerged from a range of organizations, movements, and actors within civil society even before trade talks were formally announced.<sup>83</sup> This reflects the power of the lessons learned, and the lasting networks created by the opposition to neoliberalism in general and NAFTA in particular. Not only had Mexicans' experience with NAFTA raised awareness about FTAs, but also it put FTAs on the agenda of civil society organizations throughout Central America. The opposition to CAFTA-DR therefore cannot be detached from the transnational associations that had grown out of the opposition to NAFTA and other neoliberal policies taking root in Mexico and South America. As I show later, the transnational efforts are nonetheless mediated by domestic institutions and state-civil society relations.

One network in particular, the Foro Mesoamericano de los Pueblos (FMP), provided a crucial space for members of civil society in Central America to discuss concerns about free trade and advance alternatives to it. This network grew out of a small meeting of mostly Mexicans who met in May of 2000, in Tapachulo, Chiapas, Mexico to exchange ideas about resistance to Plan Puebla Panama (PPP, or sometimes simply Plan Panama)—the large-scale infrastructure development plan proposed by

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<sup>82</sup> Examples of domestic deals that have facilitated domestic approval of FTAs include government employment support programs for workers who lose their jobs as a result of an FTA. An example of a transnational deal made after an FTA was signed by presidents includes the environmental commission created for the review of environmental disputes under NAFTA.

<sup>83</sup> "No al TLC" was the slogan used by its opponents in Central America.

Mexican president Vicente Fox that year.<sup>84</sup> The next year, this network held a meeting in Xelaju, Guatemala, which hosted 800 people from across the region. This meeting permitted the formation of alliances across issues and place, and gave rise to a commitment to sharing experiences and establishing a large network for creating an alternative to neoliberal development. It convened once a year for several years thereafter. Attendance at the meetings has fluctuated between 1,000 – 1,600 people, and between 255 – 350 organizations. While each meeting has focused on a variety of different sub-themes—such as youth, women, indigenous people, health, natural resources—every meeting has been dedicated to sharing information, ideas and experiences for the purpose of replacing the neoliberal model with an alternative socio-economic model. This space served as an important site for building the alliances that mobilized opposition to CAFTA-DR; indeed, representatives of many of the groups that opposed CAFTA were in attendance at the 2008 meeting in Managua.<sup>85</sup>

One of the first events organized to advance opposition to CAFTA was a meeting that coincided with President George W. Bush's four-day tour through Latin America March 20-24, 2002, which included a stop in El Salvador. On March 24, 2002, free trade opponents held a meeting in San Salvador, El Salvador, titled, "Another Central America

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<sup>84</sup> This plan was announced in September 2000 by Mexican President Vicente Fox. The plan had been in the works within Mexico's PRI party prior to Fox's elections, and is viewed by the Inter-American Development Bank as a crucial step toward development of the region. The 25-year plan calls for the construction of a development corridor from Southern Mexico to Panama. It calls for the improvement or construction of over 5 thousand miles of roads and highways; over one thousand miles of electrical lines; the construction of gas plants and dams, and six large scale 'development zones' for manufacturing plants and processing facilities. The PPP was touted by Fox and other proponents as complementary to the Free Trade of the Americas (FTAA work) and the DR-CAFTA.

<sup>85</sup> My source for this is the materials I gathered at the 2008 meeting in Managua, and from the interviews I conducted there.

is Possible.” Hundreds of activists from the region gathered there to discuss the potential impacts of a free trade agreement between the U.S. and Central America. According to attending and prospective participants, many more would have attended, but numerous buses from Nicaragua and Honduras were detained at the border, preventing those activists from participating (Hansen-Kuhn 2004). Participants at the forum established the Central American Popular Bloc (Bloque Popular Centroamericano), which would coordinate actions on CAFTA throughout the region (Hansen-Kuhn 2004). Reflecting back on the development of the Popular Bloc, and responding to a question about why popular organizations were saying “no” to CAFTA, Magda Lanuza from the Centre for International Studies in Nicaragua stated in a 2004 interview,

The Central American Popular Bloc has been set up, involving NGOs, farmers, trade unions and so on, to carry our popular education to explain the issues to local communities. Even private sector businesses are concerned: the poultry industry and beer companies fear the influx of multinational corporations. Our alternative is to say no to CAFTA, linking up with our allies in the US. We oppose not the details, but the principles of the Agreement. We are going to defend our economic and social rights as stated in our constitution. Our people have the right to grow their own food and farm their own land. Those behind the Agreement talk about reducing poverty: in fact, they mean killing the poor. (qtd. in Phipps 2004)

The above passage raises the myriad interests that would comprise the transnational and domestic anti-CAFTA movements. Of particular importance is the mix of concerns about the impact of CAFTA, and how they blend what are traditionally considered material interests—like those of the beer producers—with so-called post-material interests such as sovereignty and self-determination. As I discuss in later chapters, this mix of interests can be a source of strength and weakness for the opposition movements in their domestic contexts. While the resistance to neoliberalism and foreign interference and/or control mobilized a wide spectrum of civil society interests, not all would be as



interested in blocking a trade deal as they were in securing protections of their interests in the FTA that would be negotiated. The initial display of opposition was meant to signal to political elites the potential of civil society to hold them accountable for poor policy-making decisions.

Protests continued throughout the region while the CAFTA-DR negotiations took place. Some were domestic affairs, comprised of mostly a country's nationals and directed at their own legislatures. The FMP and other regional meetings helped facilitate large international demonstrations both during and after the negotiations. On April 2, 2003, tens of thousands of protesters from all over Central America held a rally outside of the official CAFTA negotiating session being held in San Salvador, El Salvador (Hansen-Kuhn 2004). From July 21-24, 2003, approximately 1,500 people from Central America and Mexico attend the fourth FMP conference, "For People's Self-Determination and Resistance," which was held in Tegucigalpa, Honduras. The conference culminated in a march to the presidential palace attended by more than 10,000 people opposed to CAFTA and Plan Panama. From July 19-21, 2004, an array of civil society actors from throughout Central America met in El Salvador at the fifth Foro Mesoamericano de los Pueblos. There, representatives of more than 700 organizations signed a petition against CAFTA. Even the seventh meeting of the FMP, held in Managua, Nicaragua from July 14-16, 2008 was organized around resistance to free trade; it was titled, "Central America in Resistance.... No neocolonialist free trade" (*Mesoamérica en Resistencia... No al neocolonialismo del Libre Comercio*). 1,256 people participated in the forum.

Another significant force in the opposition to CAFTA-DR was the *Iniciativa Mesoamericana de Comercio, Integración y Desarrollo Sostenible (CID)*. The CID was a

group of leading environmental, labor, and farmer/peasant organizations and networks from the region that participated in the CAFTA-DR negotiation process via a “side room” where they were informed about and could comment on the negotiations. Those organizations that participated in the CID were considered by other CAFTA opponents as “sell outs.”<sup>86</sup> Their participation also raised concerns that it would legitimize a process that was fundamentally unacceptable to many of the CAFTA-DR opponents. However, members of the CID did become dissatisfied with the negotiations process and attempted to bring them to a halt. In its July 2003 Third Progress Report, the CID stated that “Given the importance of the CAFTA in the economic, political and social context of the region, it was emphasized that full and genuine participation of all productive sectors and civil society should be ensured” (Iniciativa CID 2003a, 3). Their calls were not heeded, and subsequently the CID issued a moratorium on the negotiation process based on the fact that their requests for citizen participation and impact studies were ignored.

Unlike the FMP, the CID advocated for a trade agreement with the U.S., albeit one that ensured protection of vulnerable sectors of the economy and society, and one that ensured protection of democratic procedures that permitted the ongoing participation of these sectors in decision-making processes. In other words, the CID was concerned about both specific and technical policy changes initiated by CAFTA, and the democratic deficit that many of the staunch CAFTA opponents associated with FTAs in general. In these ways it therefore reflects the unique position of many interests within small, developing countries as globalized yet ambivalent embracers of freer trade at the beginning of the twenty-first century.

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<sup>86</sup> Personal interview between this author and members of the anti-CAFTA-DR movement.

As mentioned above, the opposition to CAFTA-DR involved direct communication between local movements and organizations, and coordination through regional networks. The transnational character of the resistance went beyond Central America and Mexico, to include actors from South America, the United States, and Europe. The efforts of the FMP, CID and Bloque Popular were supported by a number of outside organizations, including but not limited to Oxfam America and the Alliance for Responsible Trade. In the United States, anti-CAFTA efforts were led by the Stop CAFTA Coalition, coordinated through the Committee in Solidarity with the People of El Salvador (CISPES).<sup>87</sup>

One of the biggest criticisms of FTA was the negotiation process itself—that it was fast, exclusive, not transparent, and that state attempts to include civil society merely amounted to the state telling civil society organizations what was happening, and not seeking input from them. This point about civil society involvement—or lack thereof—in the negotiating process comes up over and over in the CAFTA opposition materials, and in first-hand accounts of the process by members of civil society organizations. That this message reached a broader audience is made evident in a 2005 INCAE Business School report, which identifies this as the primary complaint emerging from the resistance: “The main complaint of sectors opposing the treaty was that they felt excluded from this process, and that the negotiating texts were not to be disclosed by any of the Central American nations until they were concluded” (Condo 2005, 36). Indeed, this was the impetus for the CID’s declaration of a moratorium on the trade talks. The critiques of

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<sup>87</sup> This grassroots organization was founded in 1980 to mobilize support among Americans for ending U.S. intervention in El Salvador and “dedicated to supporting the Salvadoran people’s struggle for self-determination and social and economic justice” (CISPES Web site).

the negotiation process are linked to concerns about the FTA's erosion of sovereignty through mandates to change national laws and protect outside investors' rights. For opponents of the FTA, the process by which the FTA is negotiated reflects the new relations of power it will establish. The "democratic deficit" associated with the U.S. FTAs and neoliberalism in general has been an important feature of the opposition to the FTAs. The importance of civil society participation in the CAFTA-DR process, indeed in all aspects of decision-making relative to economic, social, political matters was made clear in the materials and even organizational forums produced by the opposition.

Several other themes emerged from the transnational opposition. For each Central American state, the position of Central American farmers vis-à-vis American farmers was a main point of contention and was accompanied by demands from Central American farmers that a fair trade deal would require the discontinuation of U.S. subsidies to U.S. farmers. The opposition argued that the FTA would be harmful to small farmers because they could not compete with the agricultural goods and food coming from the U.S. NAFTA and its displacement of small farmers in Mexico were often invoked to make the case that under CAFTA-DR, the U.S. could dump corn in Central America and in the process destroy the livelihoods of farmers there. The opposition also argued that the FTA would exacerbate inequality by creating mostly low-wage, exploitative jobs like those that existed in the foreign-owned manufacturing plants (*maquilas*). Another significant source of opposition was concerns about the FTA on the natural environment in Central America. CAFTA opponents argued that in various ways—by not mandating strict environmental regulations, by protecting investors' rights to natural resource extraction, and by mandating permission to patent unmodified

organisms—the FTA would be harmful to the environment. Some argued that the CBI already established access to the U.S. market and that CAFTA-DR was therefore simply unnecessary.

More than two years after negotiations were completed, the fate of CAFTA-DR remained uncertain in all the states, including the state considered to be in the most advantageous position and the most influential in shaping the terms of the final agreement—the U.S. The CAFTA opposition movement had grown, and conflict over the FTA within national legislatures had emerged. By early 2006, opposition to the agreement from within civil and political societies threatened to undermine the deal in every state, even the smaller economies. As Elisabeth Malkin noted in a March 2, 2006 *New York Times* article titled “Central American Trade Deal is Being Delayed by Partners,” the delayed approval “is in part a sign of how complex the negotiations have been, [and] it also reflects the extent of the concerns about the agreement in the tiny economies it will affect.” This lays bare the significance of vulnerability—real or perceived—for state and non-state actors in the small states. It also reflects the power of the domestic institutions and state-civil society relations in these small states to alter the course of integration promoted by more established and powerful states like the U.S. Even though CAFTA-DR would eventually pass in each Central American state and the U.S., it was by no means a “done deal” and quite possibly could have been defeated. It came closest to defeat in Costa Rica, where civil society opposition marshaled formal and informal institutions—from the political parties, the electoral system, and the constitution, to civic associations and networks—to force the state to put the fate of the agreement directly into the hands of the electorate.

## **Section V: Outside funding for CAFTA-DR's implementation**

CAFTA-DR was adopted by each of the states present at its inception. El Salvador was the first Central American state to implement the DR-CAFTA, on March 1, 2006. CAFTA-DR entered into force in Honduras and Nicaragua on April 1, 2006; in Guatemala on June 1, 2006; and the Dominican Republic, on March 1, 2007. Costa Rica approved the FTA on October 7, 2007, and it went into force there on January 1, 2009. At the time of this writing, the Central American countries are engaged in trade talks with the European Union, which is expected to produce a Central American-European Union free trade agreement similar to CAFTA-DR.<sup>88</sup>

As discussed above, the final agreement deals with more than just the elimination of tariffs, and its success is recognized as being contingent on the capacities of the Central American states and civil societies to implement it. Toward this end, the World Bank and the United States government are providing technical and financial assistance for its implementation. This assistance reveals a widespread awareness that simply lowering barriers to trade will not produce either the economic or political benefits desired. Moreover, this assistance is made available to these states because they are small, developing countries.

The need for technical and financial assistance in implementing trade policies was brought to the attention of the World Bank by a contingent of developing countries—

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<sup>88</sup> The EU suspended trade talks following Honduran President Manuel Zelaya's forced removal from office in June of 2009. The EU refused to recognize the new president, effectively freezing talks between the regions. In October of 2009, delegations from the EU and Central America met in San Jose, Costa Rica to discuss the possibility of resuming talks. According to the Costa Rican Trade Minister, representatives from Brussels indicated talks could resume after the elections in Honduras were held in November of 2009 (ICTSD 2009).

some big, some small—through both WTO trade talks and the FTAA talks. At the global level, ministers from developing countries belonging to the WTO made it clear in the late 1990s that without assistance from the WTO, they would continue to struggle with implementation of the Uruguay Round of trade agreements.<sup>89</sup> Briefing notes of the DOHA Ministerial 2001 indicate that the implementation issues raised by developing countries were to be central in the upcoming DOHA talks.<sup>90</sup> WTO Director General, Mike Moore, asserted that “Developing countries have won.... They have succeeded in focusing the attention of all governments on the difficulties they have faced in implementing our agreements. It is also clear that further efforts to rebalance past agreements in any significant way will require new negotiations” (Moore 2001). The briefing notes further indicated that the least-developed countries in particular lacked the financial, human and institutional resources necessary from implementing the complex Uruguay Round agreements.

The trade capacity building support for CAFTA-DR will be provided in a number of ways, in order to help foster the institutional development of both the states and civil society, and regional organizations deemed necessary for trade success. The culmination of the political process that produced them, these programs reflect and advance state and

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<sup>89</sup> DOHA 2001 Ministerial Briefing Notes indicate that many developing countries had raised their problems with implementation prior to the 2<sup>nd</sup> Ministerial Conference held in Geneva in May 1998.

<sup>90</sup> At the Fourth Ministerial Conference in November 2001, held in Doha, Qatar, Ministers to the WTO provided a mandate for a new round of trade negotiations on a range of subjects, most notably agriculture and services. These negotiations were expected to end January 1, 2005. Negotiations were stalled in Cancun in 2003, in Geneva in 2004, and Hong Kong in 2005. In July 2006, Director General Pascal Lamy suspended negotiations. Informal negotiations continue—the most recent being the WTO’s 7<sup>th</sup> Ministerial Conference in Geneva, December 2009—yet prospects for concluding the round of negotiations remain uncertain.

civil society involvement in the implementation of economic reform in Central America. The degree to which civil society organizations succeeded in securing support for their programs most certainly varies, and varies along the lines of the institutional capacities of civil society organizations to influence state actors. Nevertheless, as the National Action Plans of Nicaragua and Costa Rica demonstrate, civil society is identified as a key partner in trade capacity building.<sup>91</sup>

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<sup>91</sup> Up until 2003, the greatest obstacle to the FTAA was considered the United States; the U.S. president needed “fast track” negotiating authority reauthorized by Congress in order to enter into the FTAA (Prevost 2005). Congress finally passed legislation granting the president fast track negotiating authority in August 2002 (sometimes referred to as “trade promotion authority”) (Weber and Prevost, 2002; and Weber 2003 offer a discussion of the Congressional debates surrounding this legislation). By this time, the political landscape in South America and globally had changed. Two elections in Latin America proved especially significant for the future of the FTAA. In October of 2002, Brazilians elected the former head of the Workers Party, Luiz Inacio da Silva (Lula), and in March of 2003, Argentineans elected Néstor Kirchner president. Representing workers, farmers, and others who expected to lose as a result of the implementation of the FTAA’s and the North-South liberalization scheme advanced in WTO trade talks, Lula helped organize opposition to both global trade talks and then the FTAA. At the WTO meeting in Cancun in 2003, Brazil and 21 other less developed countries (including China and India) blocked progress in the Doha Round of trade talks. Known as the G-22, the group of LDCs represents about half the world’s population and two-thirds of its farmers. The group rejected limits on government regulation of foreign investment and business activity in their countries, and demanded the end to Northern countries’ agricultural subsidies as a condition of the trade agreements. As a result of their coordinated front, the Doha Round trade talks remain unfinished. Success in Cancun emboldened Brazil’s President Luiz Inacio da Silva (Lula) and other Latin American states to challenge the FTAA framework. In November 2003 – just prior to an upcoming negotiation on the FTAA – sixteen Latin American countries agreed to a reduction in the scope of the FTAA, limiting it primarily to tariff reduction within the hemisphere and permitting flexibility in agreements to account for countries’ varying levels of development and needs. The United States was not a party to this agreement. Prior to the agreement, the FTAA was meant to be a total package creating binding agreements for all 34 countries in nine areas: market access; agriculture; services; investments; government procurement; intellectual property; competition policies; subsidies; anti-dumping and countervailing duties; and dispute settlement. No progress toward the FTAA has been made since this time. While many opponents of the FTAA look favorably upon its demise - the Hemispheric Social Alliance considers the FTAA’s demise a success (Berrón 2007) - it has not ushered in the end of trade liberalization. Indeed, it is widely



The CAFTA-DR development process involved the development of National Action Plans for Costa Rica, El Salvador, Guatemala, Honduras and Nicaragua to identify each country's trade capacity building needs. According to the Web site of the United States Trade Representative, the action plans “serve as a tool for mobilizing and managing trade capacity building assistance—both from public and private sources—to support participation in the negotiations, implementation of the negotiated agreements, and help make the transition and changes necessary to realize the linkage between trade and development.” The plans were developed to identify the priorities and strategies for trade capacity building to be supported by the United States and other donor organizations. They make it clear that trade liberalization is not an easy or benign process. Nicaragua’s plan—given the title *Capacity Building and Best Use of Trade Agreements Plan of Action*—states a primary purpose of the plan is to help the country “address the challenges of trade liberalization” (National Action Plan – Nicaragua 2007, 7). The sub-heading of the Costa Rica plan reads *Main obstacles and support needs for institutional capacity building during the implementation, transition and adjustment to trade liberalization*, and states that the “document is intended to serve as a guide for both the donor community and the government institutions of Costa Rica to help them arrange and channel technical and international financial cooperation resources” (National Action Plan – Costa Rica 2007). These documents do not reflect novel efforts to identify the countries’ development needs; Nicaragua, for example, had developed a similar plan years before to identify priorities for IMF funding. In Nicaragua, the plans were developed primarily by state actors, and civil society organizations indicated that they

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recognized that the dissolution of FTAA negotiations encouraged the development of bilateral trade agreements, including CAFTA-DR (Prevost 2005).

had not been sufficiently consulted in the process (Bradshaw and Linneker 2003). The development of these plans by the state, and the references to civil society within them, reflect both the priorities of the donors and the need for the states to pursue them in order to receive funding.

U.S. funding for the trade capacity building was announced even before the FTA was approved by national legislatures in each Central American state. The office of the USTR published a CAFTA Policy Brief in June 2005 titled, “Financial Support for CAFTA-DR: More than \$3 billion for rural development, labor enforcement, and other priorities” (U.S. Trade Representative 2005 [emphasis in the original]). In the brief, the USTR announced it would work closely with other organizations to maximize impact of the CAFTA’s Committee on Trade Capacity Building (to include representation from the United States government, the World Bank, the Inter-American Development Bank, and other donors). President Bush’s FY2006 budget request included approximately \$200 million for Central America for development assistance and capacity-building.

CAFTA-DR is integrated into the development objectives of the World Bank. According to the World Bank, it is offering assistance to the Central American countries, “at their request, in the design of strategies to ensure that this accord [CAFTA-DR] can effectively promote inclusive development” (World Bank Web site). The Bank approved a total of \$1.14 billion in loans to bolster investments and reforms in support of DR-CAFTA's complementary agenda. The loans are intended to provide financing for infrastructure development (roads, ports and electricity), rural development, improvements in the investment climates (customs modernization, reductions in costs of doing business), and programs or policies for strengthening governance and institutions.

The financial commitment for each eligible country is represented in the table below.

**Table II.3 - World Bank loans to CAFTA-DR countries**

<b>Country</b>	<b>Loan Amount</b>
Dominican Republic	\$20 million
El Salvador	\$182 million
Guatemala	\$406 million
Honduras	\$183 million
Nicaragua	\$346 million

The “complementary agenda” identified here was established as part of the World Bank’s analysis of the Central American countries’ experiences with trade and other liberalization measures in recent decades, and the prospects for economic growth with the implementation of CAFTA-DR. The Bank conducted and published its assessment, *Dominican Republic-Central American Free Trade Agreement (DR-CAFTA): Challenges and Opportunities for Central America* in 2005, prior to the agreement’s approval by any of the signatories’ legislatures. This document discloses sobering statistics about the inability of trade liberalization to promote growth and decrease inequality in the region. Furthermore, it cautions that the CAFTA-DR

[S]hould not be seen as a silver bullet. On the positive side, it is a potentially more useful tool than the combination seen so far of unilateral removal of trade barriers and trade preferences, as it effectively guarantees long-term market access to the largest trading partner and locks in the reforms of recent years, boosting credibility and attracting investment. However, DR-CAFTA alone should not be expected to unleash radically higher levels of trade and growth, for the same reasons that trade policies since the early 1990s obtained only limited results. Countries will need to accompany DR-CAFTA implementation with policies to address key constraints and bottlenecks in order to reap the full social and economic results of this initiative.... (World Bank 2005, 30)

The remaining chapters of the report provide country-specific elements of a development initiative envisioned by the World Bank.

In addition to the support from the World Bank, the Inter American Development

Bank, which works closely with the World Bank, announced it was prepared to provide \$1.6 billion in loans for trade capacity building in the Central American region. The total amount under consideration for each country is displayed in Table II.4 (U.S. Trade Representative June 2005).

**Table II.4 - Inter American Development Bank loans to CAFTA-DR countries**

<b>Country</b>	<b>Loan Amount</b>
Dominican Republic	\$285 million
El Salvador	\$375 million
Guatemala	\$281 million
Honduras	\$142 million
Nicaragua	\$103 million
Costa Rica	\$417 million

Additionally, the same policy brief announced funding to be made available through the Millennium Challenge Corporation (MCC), an agency of the United States government established in January 2004 to provide aid to some of the poorest developing countries. The MCC is based on the principle “that aid is most effective when it reinforces good governance, economic freedom and investments in people” (Millennium Challenge Corporation Web site). The MCC helps to combine aid with trade, directing U.S. assistance funds toward countries with good government and sound trade and economic policies. That said, the first countries for which loan amounts were identified were Honduras and Nicaragua—the two countries where leftist parties had the most support. On June 13<sup>th</sup>, 2005, the MCC board approved \$215 million in aid for Honduras, and \$175 million in aid for Nicaragua. Similar amounts were expected for the Dominican Republic, El Salvador, and Guatemala, depending upon appropriations and competition

among candidate countries.<sup>92</sup>

While this funding is appropriated to governments, members of civil society play a role in securing it and are expected recipients of it. The National Plans and press releases from the Office of the United States Trade Representative, for example, identify civil society as a key to the effective implementation of trade liberalization. Subsequently, these actors see themselves, and are perceived by states to be a part of the liberalization process. Some of the non-state actors that opposed CAFTA-DR have even criticized the United States and the international financial institutions for not awarding sufficient funds to help the Central American states adjust to trade liberalization (Stop CAFTA Coalition). While it is impossible to identify exactly what any one actor has contributed to the final FTA, given the hundreds of actors involved in the development of any FTA, there is clearly a role for non-state actors in the economic reforms in Latin America supported by the U.S. and major international financial organizations. What this means for civil society actors will vary, however. Some civil society organizations—like the Humane Society International—have changed their position on FTAs in order to receive funding and participate in the implementation process.<sup>93</sup> Other members of civil and political societies, such as those who participate in the FMP, remain committed to their struggle to advance an “alternative” trade agenda. Therefore, to some extent whether and how the institutional changes promoted by the FTAs and attendant plans and programs will affect the capacity of civil society organizations will depend on the organizations

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<sup>92</sup> On June 10, 2009, the United States government announced it would suspend \$65 million in MCC aid to Nicaragua. The U.S. government suspended the aid because of allegations that the recent elections were fraudulent, and the Nicaraguan government has not launched a satisfactory investigation of these allegations (Johnson 2009).

<sup>93</sup> From a personal interview conducted by this author.

themselves.

## **Conclusion**

Presidents and ruling parties have pursued FTAs for both political and economic reasons, and they are negotiating them with an eye toward existing or prospective agreements. Recognizing that the agreements provide opportunities to advance their interests—domestically and internationally—non-state actors use the agreements as opportunities to make demands of their own state, other states, and international institutions. This chapter has demonstrated that the promotion of CAFTA-DR and the opposition to it are part of a longer history of trade liberalization and resistance to free trade within each state and among actors located throughout the Western Hemisphere. This chapter documents the interest among the small and developing Central American states to pursue regional economic integration and trade liberalization in general for the sake of pursuing economic growth. At the same time, the scope of the new FTAs make them sites of contention where both state and non-state actors aim to protect existing rights or secure new ones in the face of the changes that implementation of the FTA mandates. In small states like Nicaragua and Costa Rica—states that have been and remain dependent upon assistance from the U.S. and international organizations—the politics surrounding FTAs are not only struggles over tariff schedules and subsidies from the state, but also debates about the countries' fate as sovereign, democratic states.

While localized in the form of demonstrations outside of national legislatures, marches through city streets, or even acts of civil disobedience such as blockading roadways, the opposition to CAFTA-DR was connected across place and time to the other, related efforts to stop or alter trade liberalization. At the same time, CAFTA-DR

reflects contemporary features of the domestic arenas where state and non-state actors attempt to advance their goals. As such, the FTA and the politics surrounding it illuminate the significance of domestic institutions and historic patterns of engagement between political elites and civil society in Costa Rica and Nicaragua. Today, opposition to FTAs always has a transnational component, facilitated by the use of advancements in communication technologies. Additionally, unifying targets—institutions such as the WTO and neoliberal and imperialist policies—have enabled members of civil society to organize and sustain opposition to the FTA across countries and cultures. The additional resources made available by the transnational nature of FTAs have not trumped the significance of domestic institutions. As the politics surrounding CAFTA-DR demonstrate, the nature of the democratic contexts of Nicaragua and Costa Rica shaped the development and approval processes of CAFTA-DR in each country. In subsequent chapters I provide a detailed discussion of the opposition to CAFTA-DR in Costa Rica and Nicaragua to demonstrate the ways in which the domestic arenas shaped the CAFTA-DR politics.

### **Chapter III – State-Civil Society Relations in Nicaragua and Costa Rica**

This chapter analyzes the development of state-civil society relations in Nicaragua and Costa Rica to illuminate the role of established patterns of engagement between political elites and civil society actors in the politics surrounding CAFTA-DR. Toward this end, this chapter provides a comparative history of the economic and political development of Nicaragua and Costa Rica. The variation in the countries' political economy and institutions are accompanied by differences in state-civil society relations. These, in turn, affected the nature, extent, and impact of the opposition to CAFTA-DR in each country. This chapter highlights the role of outside actors and events in the development of domestic institutions and state-civil society relations in Nicaragua and Costa Rica, yet the focus remains on mapping the domestic political terrain in these states to identify significant patterns and features of the domestic contexts that shaped the development of opposition to CAFTA-DR.

The first section of this chapter provides a brief discussion of the political and economic development of each country since its independence from Spain until its transition to democracy. Previous scholarship has demonstrated that developments in each Central American state during this time have contributed to each country's unique political and economic development. The next two sections analyze significant economic and political developments in Nicaragua and Costa Rica following their transitions to democracy and through the 1990s. Section II focuses on political and economic development in Nicaragua following the 1979 Sandinista revolution. Section III analyses Costa Rica's economy and politics following its transition in 1949. The final section reviews key features of the state-civil society relations in each country at the time



CAFTA-DR was introduced.

## **Section I: Political and economic development from independence to democratic transition**

The roots of the political and economic structures that exist in Central America today were established by the Spanish colonists, but the paths of political and economic development have varied across the states. Moreover, while the United States and other states and events outside of Nicaragua and Costa Rica have exercised influence in the region post-independence, the nature and impact of the influence have varied. This section identifies key moments and actors in the countries' histories, beginning with some history from the colonial period, but focusing mostly on the political developments of the late nineteenth and first half of the twentieth centuries. The patterns of engagement between civil society and political elites that exist in each country today are to some extent a legacy of the actors and events during these periods.

Both Nicaragua and Costa Rica gained independence from Spain in 1821. For a short time thereafter they were members of the Central American Federal Republic. The federation disintegrated in 1838 when Costa Rica pulled out subsequent to a coup there. Throughout Central America, domestic politics over the course of the rest of the century consisted mainly of struggles between elites aligned with either the Conservative or Liberal parties,<sup>94</sup> and the military. Even though the states hosted elections in the early

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<sup>94</sup> "Conservative" and "Liberal" have a very different meaning in the Central American context than the U.S. Describing the labels for the Central American context, Walker and Armory (2000) characterize them as follows: "Before independence and for a while afterward, Conservatives espoused authoritarian, centralized government, centrally regulated economies, and a continuation of the special privileges enjoyed by the Catholic Church. Liberals, on the other hand, advocated decentralized government, limited

twentieth century, most people were denied the opportunity to participate and they were fraught with corruption and fraud. The features and consequences of the instability and repression have varied considerably; Costa Rica and Nicaragua exemplify the vast differences in democratic development to emerge from the region.

As was the case with most other colonies and many small states, exports fueled the Central American states' early political and economic development. Prior to their independence from Spain, colonists expropriated gold, slaves, cacao and valuable dyes (indigo and cochineal) from the Central American states. Their location, tropical climate, and abundant natural resources—water, forests, minerals, and rich soil—have been, and remain, key to the economic development programs pursued in the Central American states.<sup>95</sup> The distribution and use of these resources has varied among the countries along with their political and social development. The development of coffee as an export commodity was particularly significant in each country for its growers and processors emerged as some of the most powerful elites and forces in each society (Paige 1997). The early land distribution patterns in Costa Rica and the state's support of small farmers as part of its export-oriented development agenda contributed to its earlier democratic development.<sup>96</sup> In Nicaragua, state policies of exclusion and repression of peasants fostered bloody civil wars and hostile state-civil society relations early on. The

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representative democracy, the separation of church and state, and free trade and the abolition of most economic regulation" (xix).

<sup>95</sup> For example, according to U.S. State Department's country profile of Costa Rica, Costa Rica's "major economic resources are its fertile land and frequent rainfall, its well-educated population, and its location in the Central American isthmus, which provides easy access to North and South American markets and direct ocean access to the European and Asian Continents."

<sup>96</sup> Historians of the region disagree on the extent to which the early land tenure pattern mattered, but it does stand out as a significant structural feature of Costa Rica's development.

significant differences between the contemporary economies, politics, and societies of Nicaragua and Costa Rica can therefore be traced back to the states' nineteenth century programs (Mahoney 2001; Paige 1997).

### *Costa Rica*

Costa Rica is located just north of Panama and south of Nicaragua, west of the Caribbean, and east of the Pacific Ocean. It is 51,100 square kilometers, slightly smaller than the state of West Virginia. Colonial development occurred more slowly in Costa Rica than in other Central American states because of its relative lack of desirable minerals. Many of the indigenous people who lived in the region when the Spaniards arrived either died from disease brought by the colonists, or fled. Some were assimilated into the emerging society through intermarriage. As a consequence, Costa Rica's population is considered relatively homogenous, given that other Latin American countries today have sizeable populations of indigenous peoples (i.e. Guatemala, Mexico, Ecuador, Bolivia) and African descent. Even though slaves were imported from Africa, Costa Rica would experience a labor shortage for much of the colonial era. This shortage contributed to the country's unusual political development. Although an aristocracy evolved and controlled large areas of land and peoples residing within them, the labor shortage promoted family farming and free rural wage labor. Costa Rica never developed the quasi-feudal hacienda system that was common throughout Latin America, and it never needed a large army or police bureaucracy to control the labor force. Additionally, given Costa Rica's distance from the colonial capital in Guatemala, local political elites were somewhat isolated and over time developed local councils throughout the country (Booth 2000). These early economic and political practices would establish a pattern of

more equitable land tenure and political incorporation among a large segment of the population (Woodward 1985). This in turn assisted the development of higher levels of political and economic equity in Costa Rican than the other Central American states. However, as Yashar's (1997) comparison of the political development of Guatemala and Costa Rica reveals, neither state's political economy was ripe for democracy at this time. Like the other Central American states, Costa Rica would go through a long period of political instability following its independence from Spain before democracy would take hold.

Costa Rica's withdrawal from the Central American federation was precipitated by Braulio Carrillo's seizure of Costa Rican presidency and declaration that he was to be "dictator for life" in Costa Rica. Although Carrillo headed a politically repressive regime, he distributed municipal lands to the inhabitants, increasing the number of small landholders. This in turn helped form a class of smallholding yeoman farmers (Booth, Wade, Walker 2006, 54). This land tenure pattern, combined with social programs in years to come, would lay the foundation for greater social, political and economic equity in years to come. However, Costa Rican politics would remain unstable for some time following Carrillo's coup: "From 1824 through 1905, roughly a quarter of Costa Rican presidents served no more than a year in office, one in six was toppled by a coup, and over one-third of the period was spent under military rule" (Booth 2000, 90). Moreover, Costa Rica was ruled by military generals more than half the time between 1835 and 1899. This period produced six different constitutions. Civilian governments were usually elected indirectly and didn't last very long. This chaotic period underscores the fact that early structural conditions by themselves cannot explain Costa Rica's

democratic development (Yashar 1997; Mahoney 2001). The political and economic development of the country would emerge as a combination of early patterns of development, a nationalism centered on development and peace, and choices made by elites when confronted with political or economic crises.

Despite—or because of—the political instability during this period, Costa Rican elites attempted to establish Costa Rica’s “difference” from other Central American states for purposes of nation-building, and ultimately national prosperity. This difference was established through the characterization of Costa Ricans’ virtues as hard-working and peaceful people. As early as 1825, national leadership describe the people of Costa Rica as poor but “industrious,” “calm,” and “patriotic,” and claimed that so long as Costa Ricans remained virtuous, they would enjoy “eternal and exemplary tranquility” (*Manifiesto de la Asamblea del Estado*, cited in Cruz 2005). Costa Rican leaders also sought to distance themselves from their neighbors to the north, who engaged in bloody and apparently chaotic civil wars following independence from Spain. Costa Ricans were reminded—instructed—by their leaders that unlike the Nicaraguans, they were “hardworking, pacific people, dedicated to agriculture and devoted to commerce” (Cruz 2005, 99). These characterizations of Costa Ricans served to help form a nation self-defined by peace and economic development. Moreover, it served to develop a unique notion of sovereignty among Costa Ricans. For them, autonomy meant having “the freedom to be peaceful and industrious” (Cruz 2005, 100). These ideas were incorporated into political and institutional arrangements beginning post-independence, and remain very much a part of the national identity to this day.

Therefore, while Costa Rica endured a dictator, military rule, and frequent

changes in leadership, these were tempered by a unique mix of pacifist and developmentalist rhetoric and policies intended to promote prosperity through expanding economic, political and social opportunities for Costa Rican citizens. In 1870, Colonel Tomás Guardia, a Liberal, implemented a series of development plans that involved railroad construction and the promotion of education. Guardia also succeeded in separating the military from the dominant class authority and making it an autonomous, professional organization. Not only did this lead to a decrease in military activities, it freed up revenue for other programs, including education (Mahoney 2001). The promotion of literacy led to enfranchisement (literate males were given the right to vote in the first round of elections), and then popular mobilization produced a new Catholic Party candidate in 1889. “Albeit by rioting rather than voting, this incident marked the first time ordinary citizens (angered by heretofore rare hard times) meaningfully affected politics” (Booth 2000, 91). This incident would help establish the patterns of accommodation between the state and its citizens that would come to characterize state-civil society relations throughout the twentieth century. While the development of democratic institutions would create other means by which citizens could affect state policy, Costa Ricans would on occasion, over the course of the next century, take to the streets to make demands of the state or protest policy. These demonstrations did not usually become violent, and often the state would attempt to appease citizens with more favorable programs or policies.

At the turn of the twentieth century, urbanization, increased foreign trade, and improved transportation systems were producing economic diversification, and social diversity, the latter largely through migration. Between 1905-1914, the promotion of

literacy continued; direct elections were established; and free and open opposition campaigns for public office were permitted (Both, Wade and Walker 2006; Mahoney 2001). These economic, social, and political changes contributed to the development of labor organizations and then political parties representing non-elite interests. The labor unions formed the Reformist Party (Partido Reformista, PR), and the Costa Rican Communist Party. A successful strike by banana workers against the United Fruit Company in 1934 led to the development of a powerful labor coalition. The coffee-growing elites would now have to contend with the parties representing the working class (Paige 1997).

The competition among elites and between elites and the newly emerging social and political forces came to a head in the late 1940s. In 1940, a Christian reformer and coffee grower named Rafeal Angel Calderón Guaria was elected president (he ran as a member of the Republicano, or Republican Party). He instituted social security reforms that were unpopular with his own party. To maintain power, he forged an alliance with the Communist Party and the Catholic Church. Together they enacted a labor code that protected the right to strike. In an effort to appease the opposition, Calderón established a national election board and gave control of it to the opposition, the National Union Party (Partido de Unión Nacional, PUN). In the election of 1948, the opposition candidate, Otilio Ulate Blanco, won the election. The election was known to be fraudulent, however. As a result, the members of Calderón's party, who made up a majority in the national assembly, refused to certify Ulate's victory. The social democrat Jose Figueres Ferrer and his National Liberation Army (Partido de Liberación Nacional, PLN) seized the opportunity created by the impasse. Figueres staged a rebellion and in a

short but bloody civil war defeated the regime, army and unions. Figueres and his party ruled for eighteen months before he was officially elected president. Although he repressed the unions, Figueres and his party maintained Calderón's reforms and implemented new social reforms favorable to workers and the lower classes (Booth 2000, 92). Building upon a "well-established tradition of political accommodation" (Booth 2006, 56), over the next three decades Figueres and his social democratic party implemented social democratic policies that would contribute to greater political incorporation and economic opportunities for more Costa Ricans.

Figueres' success rested upon his the promotion of the "myth of rural democracy" embraced by the coffee elite (Paige 1997, 221). While Costa Rica was not an egalitarian society, the interdependent relationship between the coffee elite and the small farmers—estimated to number between 65,000 and 100,000—advanced the nationalist ideal that Costa Rica was exceptional in its democratic structure and peace. The elites' ideas about the role of coffee in the development and the stability of the country contributed significantly to their policies. In particular, they believed that the structure of coffee production—tens of thousands of small farmers—was the best way to redistribute the wealth of export revenues. Coffee had become synonymous with the nation; a threat to the coffee industry was therefore a threat to the nation. The coffee farmers felt the same way. Even at the height of the Depression, a period of economic and political turmoil, conflict between the farmers and the elite was contained: "Accommodation and class collaboration, not class conflict and polarization, were the goals on both sides" (Paige 1997, 239). Elites did not readily support Calderón's reforms—they were pressured by working class organizations, the Communist Party, and the Catholic Church, and



Calderon himself—but by the time Figueres came to power, they had embraced them.

Figueres continued to advance social policies by reminding both the coffee elite and the tens of thousands of small farmers that their interests were unified.

Though he drew upon the national myth and symbols of democracy and solidarity to advance his policies, Figueres' state-led development program ultimately pushed out the old coffee elite and facilitated the emergence of an agro-industrial class. Among the most significant of his reforms included: 1) nationalization of the banking system; 2) the establishment of state institutions for the management of electricity, telephones, insurance, aviation, and oil refining; 3) state-sponsored development projects in the area of sugar-refining, cement, and fertilizer production; and 4) the provision of credit, technical assistance, and other support for small-holder cooperatives among coffee producers (Paige 1997, 254). These policies transformed the relations of power between the old elite and small farmers by facilitating the emergence of an agro-industrial class. This class, comprised of exporters of sugar and bananas, and meat-packers, in addition to coffee processors, rose as a direct consequence of Figueres' state-led development programs. It included some of the old coffee elite—those who managed to benefit from increased competition that they fostered—but alienated others. Ultimately, Figueres' programs would serve to both increase the role of the state in the economy, and empower a class that would become instrumental in promoting neoliberalism later in the century.

In addition to advancing social democratic policies and programs through increasing the role of the state in development, Figueres and his party advanced Constitutional reforms in 1949. Among the most significant provisions of the Constitution were the abolition of the armed forces, and the establishment of the Supreme

Electoral Tribunal (Tribunal Supremo Electoral, TSE). These reforms would shape the development of democracy in the decades to follow. The former would keep the country from becoming embroiled in the civil wars that devastated other Central American societies and economies in the second half of the twentieth century, and the latter would help maintain the political legitimacy of candidates elected to office. “With the election fraud and rule manipulation behind them, a broad array of political elites of various social classes gradually embraced democratic rules of the game. Cooperation and accommodation of various economic and political forces became the rule....” (Booth 2000, 92).

The 1949 Constitution marks Costa Rica’s transition to democracy.<sup>97</sup> It advanced democratization by establishing citizens’ rights to form political parties, and through the promotion and protection of civil liberties as well as social and economic rights, including “the economic rights to organize, bargain collectively, and strike; equal pay for equal work, minimum wages, overtime pay, paid vacation, housing, and a system of public health care” (Booth 2000, 93). Costa Rica’s new democracy was institutionalized over the decade following the Constitution’s adoption. The process of institutionalization was facilitated by both elites and other social classes (Paige 1997; Yashar 1997). The increasing socio-economic diversity that emerged in the first half of the twentieth century had fostered the development of working and middle classes that used emerging civil liberties and nascent democratic institutions to mobilize, organize,

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<sup>97</sup> The adoption of the 1949 Constitution is typically used as a marker of Costa Rica’s transition to democracy; Mainwaring and Hagopian (2005, 3) classify Costa Rica as a democratic regime as of 1949. The fact that it was implemented over the course of the following decade affirms the significance of this event in Costa Rica’s history of democratization.

and effectively make demands upon the state. In the 1950s, the PLN “forged a new liberal-democratic regime marked by an inclusive interelite accord on fair elections as the only means to compete for power” (Booth 2000, 93). Through proportional representation, small parties could obtain seats at the local, regional, and even national levels. Very quickly, however, Costa Rican democracy became effectively a two-party system. For the most part, the political system would be dominated by the social democratic party (the PLN), and then the PLN or PUSC after the mid-1980s (these are discussed in further detail in the next section).

### *Nicaragua*

Nicaragua is Central America’s largest country in terms of its geographical area; it is 129,494 square kilometers, approximately the size of New York state. In Nicaragua, vestiges of colonial power struggles remained post-independence and shaped domestic political development over the remainder of the century. Following Nicaragua’s independence from Spain, the British claimed control of the present-day Mosquito Coast (on the Atlantic Ocean). The eastern half of Nicaragua was inhabited by the Miskitu (or, Mosquito) and Sumu Amerindians. Caught up in the battle between the Spanish and the British over the Atlantic coastline, these indigenous peoples obtained firearms, and eventually used them against the colonists to wrest control of the Atlantic coastline. In 1894, an autonomous region was established for the Miskitu; the eastern half of Nicaragua was divided into the North Atlantic Autonomous Region (Región Autónoma Atlántico Norte, RAAN) and the South Atlantic Autonomous Region (Región Autónoma Atlántico Sur, RAAS). Today, the Miskitu and Sumu remain Nicaragua’s largest indigenous populations; only about 3% of the present Nicaraguan population is

indigenous. It is estimated that in western Nicaragua, a population of over one million indigenous people was reduced to a few tens of thousands by the time the Central American states achieved independence (Booth, Wade and Walker 2006). The indigenous peoples left in the western part of the country would become a source of labor for the landowning elite and were denied economic and political rights well into the twentieth century.

Nicaraguan nationalists wanting to obtain control of the coast from the British sought help from the United States government. In 1849, Nicaragua and the U.S. signed a treaty which gave the U.S. exclusive rights to the construction of a canal across the country. Like Panama, Nicaragua was considered an ideal location for a trans-isthmus shipping route. In exchange for its rights to the prospective canal the U.S. offered Nicaragua protection from foreign invasion. A contract giving a U.S. business the rights to build the canal was formalized, but upon implementation, the British retaliated with force. The conflict led to a settlement between the U.S. and Britain whereby both countries agreed that neither one would have exclusive control over any trans-isthmus canal.<sup>98</sup> However, the U.S. remained involved in Nicaraguan politics, particularly as U.S. business interests in the region deepened.

From 1838 through the first two decades of the 1900s, two groups of elites dominated Nicaraguan politics: the Liberal elite of Leon and the Conservative elite of Granada. The Conservative Party is the oldest party in Nicaragua, and ruled for most of the second half of the 19<sup>th</sup> century. Its base was rural Nicaragua and the majority of its

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<sup>98</sup> The construction of the Panama Canal tempered the conflict some, though dreams of another trans-isthmus transportation route across Nicaragua continue to circulate among presidents and developers.

members was cattle ranchers or otherwise affiliated with the industry. The Liberal Party emerged at about the same time as the Conservative Party. Its base was primarily urban, though hacienda owners who produced coffee also comprised a significant part of it. The Liberals were a proponent of Central American unity, while the Conservatives preferred protectionism. The rivalries between the two parties were accompanied by bloody civil wars that gave outsiders the impression that the country was in a state of anarchy. As American businesses developed economic ties to the area, the conflict between the Conservative and Liberal parties in Nicaragua, and the violence and political instability they generated, intensified U.S. involvement in Nicaragua's domestic and international affairs. In general, the United States government supported whichever elite was willing to protect America's growing interest in the area as a strategic location for trade and a source of valuable natural resources (Brockett 1998).<sup>99</sup>

By mid-19<sup>th</sup> century, coffee cultivation was thriving in Costa Rica and Guatemala, and proving to be a lucrative export commodity. Recognizing this, some of the Nicaraguan elite began to promote coffee production for export. Although coffee cultivation was made more difficult in Nicaragua by virtue of its landscape, poorly developed transportation and civil wars, a powerful coffee elite did emerge and secured policies favorable toward coffee export from the state. One of the most significant of the early state policies was the agrarian reform law of 1877. This law privatized communal

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<sup>99</sup> In the mid 1850s, an American named William Walker led a self-made army to seize control of Nicaragua. He seized the presidency in 1856, but was forced out the following year. His association with the Liberals spoiled their chances for national office until 1893; that year, José Santo Zelaya rose to power. In the meantime, Conservatives, who were supported by the U.S., held power. The U.S. would become central to the overthrow of Zelaya in 1909 and the success of the Conservative Somoza regime from the 1930s-1970s (Brockett 1998).

lands in the northern part of Nicaragua. While the law gave the region's inhabitants the opportunity to purchase the land, the peasants were unable to do so. The occupants—indigenous and mestizo peasants—rebelled in 1881 in what became one of the region's most significant peasant uprisings. The peasants were met with violent repression by the state—thousands of peasants were killed—and ultimately lost. The state continued to pass policies that made it difficult or impossible for the indigenous and mestizo peasants to secure land for their own economic benefit. As peasants left the coffee farms in search of their own land to farm, the state passed vagrancy laws—in 1894 and 1901—to prevent them from establishing their own farms and to help address the labor shortage on the coffee farms. Early 20<sup>th</sup> century governments continued to sell national lands and even expropriated land owned by the church for coffee production. Peasants working on the national lands were expelled (Brockett 1998).

The Nicaraguan state's land use policies and treatment of the peasants was unquestionably harsh and non-democratic. The state's actions established a pattern of engagement between the political and economic elite and peasants characterized by conflict and violence. At best, peasants could expect minimal rewards from the rival political parties for their acquiescence. At worst, the peasants were killed or forcibly removed from their land. The state violence did not keep them subdued, however. Despite the threat of violence, peasants continued to fight the state over the course of the land reforms, and became increasingly organized as they did so. Their mobilization became a threat to the Nicaraguan state and caught the attention of the U.S. Viewing Nicaragua's stability as vitally important to U.S. interests in the region, the U.S. government became more directly involved in maintaining order in Nicaragua at the turn

of the twentieth century. The U.S. identified the peasants' activity as a threat to American business and other U.S. interests for the duration of the twentieth century.

By the early 1900s, the U.S. government had set up a military base in Nicaragua to more effectively protect Americans' claims to property in the country. With the exception of a nine month period between 1925 and 1926, the United States maintained troops in Nicaragua from 1912 until 1933. From 1927 until 1933, U.S. Marines stationed in Nicaragua engaged in a running battle with forces led by Liberal Gen. Augusto C. Sandino, who rejected a 1927 negotiated agreement brokered by the United States to end the latest round of fighting between Liberals and Conservatives. Sandino led a grassroots movement against the Nicaraguan state and the U.S. troops to secure land and political power for peasants in the countryside. He and his army of mostly peasants managed to establish control of vast parts of the northern region of the state in the 1920s and early 1930s. Sandino would become one of the most influential figures in twentieth-century Nicaraguan politics.

Following the withdrawal of U.S. troops in 1933, Sandino pledged his loyalty to the newly-elected President Juan Bautista Sacasa. In turn, Sacasa granted Sandino and his army control over a large portion of a northern region of the country (Jinotega) where they were permitted to establish communal farms. Upon his return to the northern territory, Sandino, along with his father and a friend, were ambushed and returned to the capital, Managua, where they were executed (February 21, 1934) by Anastasio Somoza García, commander of the National Guard. Two years after Sandino's assassination, Somoza García outmaneuvered the Liberals, forced Sacasa out of office, and took over the presidency. Somoza would become the "father of the dictatorship" that would rule

Nicaragua for the following five decades (*Envio* Team 1984). Sandino's legacy would become the inspiration for the development of the grassroots movement—the Sandinista National Liberation Front (Frente Sandinista Liberación Nacional, FSLN which was born in 1961), or Sandinistas—that would eventually overthrow the Somoza dictatorship.

Somoza and the two sons who succeeded him (Luis Somoza Debayle, who ruled from 1956-1963, and Anastasio Somoza Debayle, who ruled from 1967-1972 and 1974-1979) maintained close ties with the United States by virtue of their political and economic activities, and maintained power in part through their control of the National Guard. During World War II Somoza García's support of the Allies brought Nicaragua relatively large amounts of military aid from the U.S. and integrated its economy into the wartime hemispheric economic plan by providing timber, gold, and cotton to support the Allied effort. Because most of Nicaragua's exports went to the United States, the growth in trade increased Nicaragua's economic and political dependence on the U.S. (*Envio* Team 1984).

The Somoza dynasty was eventually brought down in 1979 by the FSLN, which had been organizing throughout the region since the 1960s to overthrow the Somoza dictatorship and address the vast inequality and poverty experienced by most Nicaraguans. Leaders of the FSLN analyzed Nicaragua's power relations from a socialist perspective, and advocated armed struggle for bringing down Somoza (*Envio* Team 1984). At the same time, they were joined by elites in the agro-export industry (most notably the Chomorros, who had made their fortune from sugar). The Sandinistas eventually rose to power through armed struggle, which involved hundreds of thousands of peasants, students, intellectuals, petty bourgeoisie, and former allies of Somoza. Their



guiding vision was freedom from the dictator. While the FSLN was not always unified, particularly over military and political strategies, it achieved unification in March of 1979, which enabled it to overthrow Somoza later that year. By this time, Somoza had lost his grip on any significant factions within the Liberal and Conservative parties, having alienated many of his elite supporters through his increasingly greedy appropriation of state funds and resources (Mahoney 2001). The Sandinista revolution of 1979 was possible because of the broad-based coalition behind the FSLN; its strength stemmed largely from shared resistance to Somoza's greed and repressive tactics, and not shared ideology.

From the beginning the Sandinistas advocated both pluralism and participatory democracy, private and communal production. Early on they redistributed property, including much of Somoza's land, and established farmers cooperatives. They would also establish hundreds of organizations to implement large-scale social programs that provided educational opportunities, health care services, and low cost staple food items. The organizations they developed were formally incorporated into the decision-making structure of the Government of National Reconstruction. While this structure facilitated the patronage and clientalism that characterize the FSLN's relationship with its constituent base today, it did contribute to the development of a vibrant civil society. The success of this movement and then political party has been a major force in Nicaraguan politics as a catalyst of political change. Even though it did not, at first, offer all of the components of the minimalist definition of democracy, the revolution of 1979 did lay the foundation for democratic institutions. It eventually produced a democratic constitution that remains largely intact (though recent reforms to it have become the subject of

controversy). Despite its democratic achievements, the movement's socialist rhetoric and policies precluded it from receiving the blessing of the United States as a democracy until the FSLN was voted out of office in 1990. Nevertheless, the 1979 revolution and the ten years of Sandinista rule following it are significant events in Nicaragua's transition to democracy. Nicaragua is generally still considered to be in the process of democratic transition.

From independence through the nineteenth century, politics in both Costa Rica and Nicaragua were dominated by large landowning elites. The regimes were repressive—much more so in Nicaragua than Costa Rica—and unstable. Several key differences in their colonial experience, domestic leadership, and relationship with the United States, however, would contribute to differentiation in their political development during the twentieth century. The early establishment of a greater proportion of small landowners in Costa Rica set the stage for the development of a larger middle class and a more inclusive polity there by the mid-twentieth century.<sup>100</sup> Moreover, the state's project of nation-building helped establish a common identity and one associated with peace and democracy. Socially and politically prepared for democracy, Costa Rica benefited further from transitioning to democracy during an economic climate favorable to growth. Again, these propitious conditions did not guarantee democracy. Democracy was ultimately established through strategic efforts by governing coalitions in the 1940s to

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<sup>100</sup> Moore's (1966) argument about the development of democracy is applicable to Costa Rica in broad terms. While Costa Rica's domestic structure did not produce democracy, it did give rise to two of what Moore identifies as the main conditions of the development of democracy: the transition to commercial agriculture and the development of a middle class (bourgeois).

cultivate electoral support in the countryside in exchange for state services (Yashar 1997).

Meanwhile, in Nicaragua, the concentration of land ownership and wealth in the hands of a small elite enabled the elite to deny large segments of the population political and economic rights and benefits. The exclusion, combined with the experiences of violence and extreme poverty contributed to rebellions, which were typically met with greater violence and political repression. Although the disenfranchised sectors of society were eventually able to organize, align with some of Somoza's former allies, collectively topple the dictatorship in 1979, and establish democratic institutions, they did this during a period of economic crisis. Even though the transition to democracy in Nicaragua would empower people to engage in democracy in many ways, the transition failed to produce strong democratic political institutions. The institutionalization of democracy in Nicaragua has been undermined by the social polarization and persistent poverty and inequality perpetuated by the civil war and economic crisis of the 1980s. Thus, while Costa Rica's early experience with democracy fostered the cultivation of democratic institutions and norms alongside of economic growth, Nicaragua's experience with revolution during an economic crisis illuminate the challenges of achieving political and economic development at a time when resources for both are scarce (Sandbrook et al 2007).

## **Section II: The post transition economic and political developments in Nicaragua**

This section analyzes the economic and political developments that followed the Sandinista revolution in 1979. Manwaring and Hagopian (2005, 3) categorize Nicaragua as authoritarian until 1984 and semidemocratic until 2003 (the latest year included in

their analysis), and the U.S. government identifies 1990 as the year in which Nicaraguan elections “placed Nicaragua in the ranks of Latin American democracies” (U.S. Department of State Web site, Background note: Nicaragua). However, 1979 marks the beginning of this transition because it transformed the state in ways that expanded political and civil societies.<sup>101</sup> The revolution made it possible for a greater number of Nicaraguans to participate in politics, and the revolutionary government institutionalized democratization through changing state structures and state-civil society relations. It altered state structures through the development of a more democratic constitution (adopted in 1987) and the implementation of meaningful elections, and it promoted and supported the development of civil society organizations, such as citizens’ national and neighborhood organizations. Regardless of whether or not widespread agreement upon the moment of transition can be reached, the events that happened in the years prior to and following 1979 are significant for understanding Nicaraguan political and civil societies, and its form of democracy. While economic growth and adherence to the formal democratic rules of the game had furthered democratization in Costa Rica in the 1950s and 1960s, political and economic repression during these decades in Nicaragua set the stage for a bloody civil war and for a socialist revolution. The Sandinista victory signaled a break from the past and offered the political possibility for widespread public participation in decision-making processes. Despite the inability of the Sandinistas to retain power and implement their goals, the ideals of the FSLN remain salient throughout society, and particularly within civil society movements and organizations. At the same

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<sup>101</sup> I am not alone in making this argument. Close (1999), for example, in his analysis of the Chomorro administration, recognizes the Sandinista revolution as the beginning of the country’s transition to democracy. Paige (1997) contends that Nicaragua is in some ways exemplary of Moore’s (1966) path to democracy from revolution from below.

time, the top-down relationship between the party and the civil society organizations it established remains. The contemporary political institutions and links between political elites and civil society therefore contain vestiges of pre- and post-revolution state-civil society relations.

Following their victory in Nicaragua, the Sandinistas instituted the Government of National Reconstruction in July, 1979. The government inherited a country ravaged by war—an estimated 50,000 people were killed—and significant economic challenges. These challenges revolved around helping its largely poor population meet its basic needs while promoting economic development as a formerly export-oriented economy in a depressed world economy. Its production capacity was diminished by the war—there was an estimated \$1.5 billion in property losses, and export crops had not been planted (Booth, Wade, Walker 2006). Moreover, the government inherited \$1.6 billion in international debts from the Somoza regime.<sup>102</sup>

The Sandinistas attempted to transform the economy through the transformation of politics and society. It would do this through the promotion of pluralism and participatory democracy. For the first time in the country's history, the poor would be considered a central actor in this transformation. At the same time, the government recognized its need for support from the capitalist class. As a result, "In comparison to other twentieth-century revolutions, Nicaragua's Sandinist [sic] government remained

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<sup>102</sup> Many Nicaraguans' experienced a rise in real wages and well-being during the 1960s. This changed in the 1970s as world oil prices spiked and commodity prices rose. While GDP grew in the 1970s, Nicaraguans' well-being declined in part as a consequence of the devastating earthquake of 1972 (which left tens of thousands homeless and without work), and in part as a consequence of fiscal mismanagement by the state. This included Somoza's personal appropriation of foreign assistance for earthquake relief and rebuilding.

remarkably pragmatic and unusually tolerant of its domestic critics” (Booth 1985, 29). The government—the Governing Junta of National Reconstruction (JGRN, or junta)—characterized its goals as development with a mixed economy comprised of four sectors: traditional businesses in the private sector, the state sector, production cooperatives in the city and the countryside, and the peasant and artesanal sector (Conroy 1985). The government declared that the underlying principle of the overall development strategy was the satisfaction of basic needs. This was to be achieved through expanding popular participation, agrarian reforms, providing credit to small farmers, small private producers, cooperatives, and the state sector (Conroy 1985).

Redistribution of the land was crucial to the political and economic development objectives of the Sandinistas. Redistribution of land was necessary for achieving greater equity, and for establishing a form of socio-economic sustainability associated with self-governance. Two distinct waves of reform converted approximately 30 percent of the arable land into privately held cooperative farms (about one-third) and higher technology state farms (Conroy 1985). To address interconnected issues of social inequality and environmental degradation,<sup>103</sup> Somoza’s land was redistributed to peasants so that they

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<sup>103</sup> There was an interest in “organic” agriculture, the result of devastation wrought by the use of pesticides under Somoza. Somoza permitted the use of chemicals banned in Northern countries; use of these chemicals caused serious illness and even death among fieldworkers in the Leon cotton zone in 1952. Fifteen years later, the government approved a Cotton Experimental Center in Posoltega, where multinational corporations could test pesticides for a fee that was considerably less expensive than the fees charged in their home (Northern) countries. The continued application of pesticides—often without full understanding of their effects on humans or the environment—was also supported by USAID loans for pesticide imports (Weinberg 1991). The use of pesticides and its harm to those who work with them has once again become a problem. The reality of this perhaps most apparent in the existence of a tent city located in the middle of Managua. Hundreds of farmers have been living in bamboo and black plastic huts in the

could farm individually and collectively. The success of the Sandinistas' land redistribution efforts, organic agriculture, and other rural programs to transform agricultural and production practices throughout the country were undermined, to a great extent by the civil war and the U.S. embargo. Nevertheless, a vision for equitable, sustainable development became widely popular among the masses under the Sandinistas' leadership.

The Sandinista government sought to serve the needs of the poor and enfranchise them through a form of participatory government based in part on the development of hundreds of grassroots organizations. One of the first efforts to include the public in the transformation of Nicaraguan politics and society was the 1980 Literacy Crusade, in which the state and hundreds of thousands of volunteers and students worked together to improve literacy. The FSLN also established an extensive network of neighborhood organizations (the Sandinista Defense Committees, or CDSs) to serve as little neighborhood governments. The CDSs carried out administrative functions and were involved in local security, food distribution, and health care provision. Other influential national organizations founded by the FSLN included the Nicaraguan Women's Association; the July 19<sup>th</sup> Sandinista Youth; the Rural Worker's Association (ATC); the National Farmer's and Cattleman's Union (UNAG); and the Sandinistas Workers' Central (Booth 1985, 30). These organizations received money from the state to assist members, and were given formal representation in governmental decision-making bodies and on the Council of State (Walker 2000). As a result, they "played a central role in the implementation of social programs and boosted production" (Walker 2000, 74), and

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city's central park for years to call attention to the effects of the pesticide use and to demand assistance and justice from the government.

facilitated the spread of information, debate, and decision-making among Nicaraguans. Although they were affiliated with the FSLN, these organizations were permitted autonomy and succeeded in advancing citizens' interests when they conflicted with existing or proposed policy. For example, members of ATC and UNAG forced the government to change agriculture policy several times between 1979-1983, and communities successfully pressured it to adopt community-based, preventative, and participatory medical programs (Booth 1985). A U.S. embassy report placed membership in grassroots organizations at seven to eight hundred thousand people, nearly half of the country's population aged sixteen years or older (cited in Walker 1991).

While the Sandinistas developed an extensive political organization dedicated to transforming Nicaragua's politics, economy and society, they embraced a pluralist system and encouraged representatives of the upper-middle class to participate. The creation of the Council of State was a corporatist structure that would run the national legislature until 1985. The Council had a total of 51 seats, and represented political parties from across the political spectrum; popular organizations (such as the farmers, women's and youth organizations); labor organizations; the military; the church; indigenous groups<sup>104</sup>;

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<sup>104</sup> The Sandinistas' dual objectives of plurality and consensus did not successfully accommodate the indigenous populations of the Mosquito Coast. After the FSLN's victory, the indigenous organization the Alliance for Progress for the Miskitu and Sumu (ALPROMISU) wanted to maintain its autonomy. The FSLN was concerned that this would interfere with its plans to integrate the coast with the rest of the country. It convinced the organization to change its name to Misurasata—a blend of indigenous tribes' names and "Sandinista." Yet tensions emerged between the Misurasata and Sandinistas because the Sandinistas viewed solidarity from a class perspective and worried that acknowledging ethnic distinctions would undermine its vision for the country. The Misurasata rejected what it considered assimilationist programs promoted by the FSLN. The leader of the Misurasata eventually became an enemy of the Sandinistas, and encouraged counterrevolutionary activity on the coast. The Sandinistas responded by relocating thousands of settlements to stop the attacks (National Network in



and private sector organizations. The Council was charged with typical legislative duties: proposing and approving laws, reforming administrative units, ratifying treaties and conventions, deciding matters related to citizenship, and writing electoral laws. It was also charged with drafting a new constitution. While the revolutionary government retained veto power over the Council, the Council frequently influenced the government's laws. By the end of the first legislative session there were two opposing coalitions. While the pro-regime coalition dominated, the conservative minority was not ignored. While the minority coalition did not prevail when it was in direct conflict with the dominant coalition, the FSLN and its allies permitted open debate and did concede points to the conservative minority even on laws that affected the FSLN's power, including the laws regulating parties and elections (Booth 1985, 35-39).

The existence of the two opposing coalitions reflected increasing dissatisfaction among the former Somoza allies and other agro-industrial elites who had supported the revolution. At the heart of the dissatisfaction was the incompatibility of visions for economic and political development among members of the revolutionary government. The agro-industrial elites supported proprietary agro-export development while representatives of the popular sectors of society supported state-centered accumulation. As Paige (1997) argues, "it is unlikely that any amount of political freedom would have resolved this contradiction" (310). Moreover, the division reflected different ideas about politics. While the elites favored "liberty" from government tyranny, the FSLN party majority touted "solidarity" and envisioned greater involvement of the masses in the newly created democratic system. These tensions, combined with outside intervention

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Solidarity with Nicaraguan People 1983, 86-90). Relations between the Mosquito and Sandinistas, as well as the Nicaraguan state, have remained tense ever since.

from the U.S., served to undermine the Sandinista project and ultimately gave rise to the Liberal coalition within the decade.

While the FSLN encouraged and experimented with pluralism, consensus-based decision making, and open debate of political opinion at the outset of its tenure, the intervention of the U.S. in political affairs led the FSLN to declare a State of Emergency in 1982, which was accompanied by constraints on press coverage and political activity. Within 2 years of the Sandinista victory, the U.S. suspended aid to Nicaragua, and in late 1981 U.S. President Ronald Reagan declared U.S. opposition to the Sandinista government. An initial budget of US \$19 million dollars was sent to support the Contras—opponents of the Sandinistas made up mostly of members of the National Guard, or Somoza supporters (*Somocistas*). The U.S. also awarded financial assistance to Honduras and Costa Rica in exchange for their governments' protection of Contras in military camps in. As the Contras' capacity to fight the Sandinistas grew, the Sandinistas dedicated more and more of Nicaragua's revenue to fighting the Contras. The diversion of state funds from social programs to fighting the Contras undermined the Sandinistas social, political, and economic agenda. Moreover, the violence eroded participation in politics and weakened support for the Sandinista government. According to the United States Department of State, military and nonmilitary assistance to the Contras and other Sandinista opponents between 1982 and 1990 amounted to US\$300 million. This figure did not include an additional US\$100 million obtained by the United States National Security Council, and aid solicited from private organizations and foreign governments, much of it devoted to weaponry (cited in Booth, Wade and Walker 2006).

Despite the conflict, the FSLN remained true to its commitment to pluralism and democracy and held popular elections on November 4, 1984; 75% of the population participated in what would become the most closely observed election in Latin America to that point. The constraints on press and assembly were removed for these elections. There had been elections under Somoza, but they were never considered opportunities for real contestation. The election in 1984 was therefore the first genuine opportunity for political parties to compete. FSLN candidate Daniel Ortega Saavedra and other Sandinista candidates won 67 percent of the valid votes. A total of seven political parties competed in the election—three to the right of the Sandinistas, and three to their left (Walker 2000, 74-75).<sup>105</sup> Subsequent elections would be held in 1997, 2001, and 2006.

A new Constitution was adopted in 1987. This constitution enshrined a commitment to pluralism and permitted the proliferation of political parties. Despite this and other remarkable achievements of its early years, the Sandinistas struggled to maintain power during the final years of the decade. Their demise was a consequence of the incompatibility of visions discussed above, and the civil war. Fighting the Contras forced the government to shift more and more resources from social programs to the war. As the economic situation became more grave—hyperinflation in 1988 exceeded 33,000—people became occupied with survival and had less time for grassroots activity,

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<sup>105</sup> The ballot included the Sandinistas (FSLN), the Independent Liberal Party (PLI), the Democratic Conservative Party (PCD), the Nicaraguan Socialist Party (PSN), the Popular Social Christian Party (PPSC), the Communist Party of Nicaragua (PCdeN), and the Popular Action Party Marxist-Lenninst (MAP-ML). Three parties opted to abstain from the elections; these included the Social Christian Party (PSC), Social Democratic Party (PSD), and the Constitutionalist Liberal Party (PLC). The Conservative Party of Nicaragua (PCN) was not yet granted legal status as a consequence of a dispute over its name (the PCD opposed the use of “conservative” in the PCN name). The two political parties associated with support for the U.S. included the Nicaraguan Democratic Force (FDN) and the Democratic Revolutionary Alliance (ARDE) (*Envio* Team 1984).

eroding the widespread practice of participatory democracy. The change in national political institutions also played a role. The Council of State was replaced by the democratically elected national assembly in 1985.<sup>106</sup> Representation would once again be based on geography and channeled through political parties, which precipitated the return to a two-party dominant system and personalistic politics. Finally, out of desperation to hold onto power, the Sandinistas appropriated the grassroots organizations for their own political purposes. “This ‘tasking’ from above tended to deprive the organizations of their autonomy and, hence, their legitimacy in the eyes of ordinary people. Accordingly, by 1990 the neighborhood committee movement and the women’s organization had virtually collapsed. Only the farmer’s organization, which had maintained much of its autonomy, was still doing well” (Walker 2000, p 77). The participatory form of democracy promoted by the revolutionary government was therefore short-lived. The experience with participatory democracy and pluralism was too brief, and institutions not yet consolidated, for new patterns of engagement between elites and citizens to transform the old. By the end of the 1980s, despite—or because of—their experience with a completely different model of governance and the proliferation of political parties, the Liberal and Conservative elites would form a counterrevolutionary government that would ultimately reconsolidate power into their hands.

After a decade of civil war spurred by U.S. sanctions, military intervention, and a massive electoral campaign in support of the opposition political parties, the Sandinistas

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<sup>106</sup> Williams (1994) argues that after deposing Somoza, the Sandinistas introduced two types of government—first the participatory form, or “popular revolutionary democracy” characterized by the significant growth and activity of grassroots organizations—and then the more traditional electoral and constitutional form of democracy. The former thrived until 1985, and then was supplanted by the latter.

were defeated in the 1990 national election by the National Opposition Union (Unión Nacional Opositora, UNO). It is widely recognized that the United States played an active role in the UNO's formation and victory. The U.S. government, under President George H. Bush, invested tens of millions of dollars in advising the Sandinista opposition on electoral strategy (including their unification into a coalition), funding programs and services of "nonpartisan" civil organizations that in reality shared the opposition's agenda, and invested in the escalation of the civil war. UNO's candidate, Violeta Barrios de Chamorro, won 55 percent of the valid vote (Walker 2000). Chomorro was the first female elected to head a Latin American republic. She was also the widow of Pedro Joaquín Chomorro—a prominent newspaper publisher and leading opponent of Somoza when he (Chomorro) was assassinated in 1978—and a member of one of the country's large sugar elite. She had been a member of the first Sandinista government.

Chamorro's victory, and the FSLN's concession of power looked to some like evidence that democracy was working in Nicaragua. However, the next ten years would suggest the opposite. Chomorro's election was declared by the United States government and mainstream media as Nicaragua's passage from Marxist totalitarian dictatorship to Western-style democracy. This mischaracterization of the election obfuscates the Sandinista platform and practice, and the fact that Nicaragua was far from being consolidated at the time of Chomorro's election (Close 1999). The under-institutionalization of all arenas of democracy would become more pronounced as the 1990s progressed. One legacy of this is that civil society became energized and briefly empowered, yet eventually became pawns in political power struggles (Macdonald 1997). Moreover, the involvement of the U.S. and sustained opposition to it by the Sandinistas

fueled polarization within Nicaraguan society, further exacerbating the prospects for consolidation of democracy (Walker 2000, 78).<sup>107</sup> Consequently, Nicaraguans remain highly politicized, but divided, and because civil society organizations lack sufficient institutional resources necessary to shape policy or hold politicians accountable, and instead have become dependent upon political parties and even outside states. Without the institutions—specifically, the grassroots organizations and the state structures that ensured their participation in national level policy-making or even local decision-making—the democratic gains of the first part of the Sandinista reign could not last. Although the Sandinistas succeeded in carving out a place for new players, old attachments to the Liberal and Conservative parties re-emerged as politicians vied for power in the unstable political and economic landscape of Nicaragua in the late 1980s. These would remain significant political forces for the following decades as well.

When Chomorro took office, poverty was as widespread in Nicaragua as it was at the time of the revolution. She was tasked with getting the economy going, and to do this she introduced some of the same economic reforms that other Latin American states adopted to deal with the economic crises of the 1970s and 1980s. The Sandinistas had adopted some forms of structural adjustment to curb the hyperinflation of the late 1980s, but they did not do it as part of an IMF deal (Bulmer-Thomas 1987). The Chomorro administration implemented the economic reforms with the support of, and based on

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<sup>107</sup> Walker asserts that “The unique legacy of ten years of revolution and experiment with participatory democracy empowered Nicaraguans, who would remain demanding despite the institutional breakdown of the grassroots organizations; the result has been a less elite, but ‘messier’ politics” (Walker 2000, 172). While the former part of his claim is substantiated, the latter part has not proved true in recent years. In the first decade of 2000, Nicaraguan politics have become both messier, and more elitist. This is made evident by the pact making between the FSLN and PLN, and the success of Ortega’s increasingly authoritarian government.

conditions mandated by, outside lenders. The reforms had very different objectives than those of the Sandinistas'; privatization, free trade, and cuts in government expenditures were pursued with the belief that these, rather than an increase in communal ownership and redistribution, would promote development and lift people out of poverty (Close 1999). Initially, the policies curbed inflation and produced slight economic growth, but by the end of the decade it was clear that the increase in cheap imports and support for agro-exports; the long-term cutbacks in government services; and the privatization of state enterprises would not produce the growth expected, and in fact may have exacerbated poverty and inequality. Un- and under-employment, and social problems such as drug addiction, domestic violence, crime, and homelessness soared (Walker 2000; World Bank 2005).

Although they had declined in number and many of the neighborhood organizations were no longer operational, some civic organizations remained viable and were instrumental to the smooth transition of power from the Sandinistas to the Liberal Chamorro government. One of the most salient issues for the Chomorro administration was the issue of land ownership; several organizations played a role in facilitating the privatization of land for farmers:

The Rural Worker's Association, the National Union of Farmers and Ranchers, and mixed Contra/Compa groups of former combatants, were involved in the negotiations regarding the privatization of state farms, successfully insisting that some of the land be deeded to former workers and ex-combatants. The National Worker's Front did the same in the privatization of urban state-owned properties. At other times, when the government was unresponsive, these and other groups staged marches, demonstrations, and strikes to force government respect for the interests of ordinary people. (Walker 2000, 80)

The active participation of national organizations in negotiations, and citizen demonstrations during Chomorro's administration reveal that the 1979 revolution did, to

some extent, establish a foundation for organization and activism within civil society.

While some of the grassroots organizations that were established as part of the Sandinista party-state evaporated, others became autonomous. The autonomous were not completely shut out of decision-making processes under Chomorro's leadership. Their role was minimized however, and increasingly politicized.

Changes within political parties—themselves a consequence of the institutionalization of electoral democracy—were a significant factor in changes in state-civil society relations. By the end of the 1990s, the once very dissimilar FSLN and the Liberals had become much more alike. Both parties realized that they had to offer some accommodations to the other to stay in power. Moreover, the country's dire economic situation left leaders with more limited options for recovery. With its ballooning debt, Nicaragua desperately needed financial assistance, but that which was offered by those willing to provide it—the IMF and the United States—came with conditionalities. In order to receive the financial aid, the Nicaraguan state had to privatize national industries and cut spending on social welfare programs (Close 1999). By the late 1990s, the FSLN itself appeared to be very different from the organization it was at the beginning of the decade. Many of the party's middle- and upper-level members had left the party, unwilling to adapt to the political and economic changes that had taken place over the decade. Many of those that remained had adapted by becoming more moderate. Only a small group of the original FSLN controlled the party bearing its name.

As the FSLN disintegrated, political and civil society changed. As support for the FSLN dwindled, new parties formed around the original Sandinista ideology. One of the most significant parties to emerge in the mid-1990s was the Sandinista Renovation



Movement (Movimiento de Renovación, MRS). The MRS was established in 1995 by Sandinista dissidents, including some who had been part of the revolutionary government. The MRS would run successful candidates for municipal and national level offices in the early 2000s, and even offered a seemingly viable presidential candidate in 2005, but whose campaign was brought to an end by his sudden death. While the emergence of the MRS and other parties appeared promising to those dissatisfied with the FSLN and Liberal coalition, a series of pacts between the FSLN and PLC (Partido Liberal Constitucionalista; Liberal Constitutional Party) effectively shut out other parties and civil society organizations. Over the course of the 1990s and 2000s, the state distanced civic organizations from decision-making processes further, and civic organizations found it impossible or undesirable to form coalitions with political parties.

Nicaraguan politics of the late 1990s has been dominated by pacts established between the leaders of the PLC and the FSLN. In 1999, conservative president Arnoldo Alemán (“the fat man”) and Daniel Ortega—who remained at the forefront of the opposition in the national assembly since his defeat in 1990—brokered a political pact (*el pacto*) that gave their two parties 90 percent of the seats in the National Assembly. The impetus for this pact is seen as an attempt to evade prosecution for crimes committed by Alemán in the 1990s. Alemán and Ortega used their near dictatorial power to exert power over other branches of and departments in government; through patronage they staffed the Supreme Court and the Supreme Electoral Council, among others. One of their first acts was to alter the Nicaraguan constitution to restrict competition and therefore preserve their power. The pluralism promoted and initially institutionalized in

the 1987 constitution has been undermined significantly in recent years by this pact and other efforts by the PLN and FSLN to solidify their control.

These pacts have been widely seen as corrupt, and have contributed to high levels of dissatisfaction with government among Nicaraguans. In one survey conducted in April 1999, nearly half of the respondents saw the Alemán administration as “the most corrupt government in Nicaragua’s history” (*Envio* Team 1999). A CID-Gallup poll taken in 1999 found that 77 percent of Nicaraguans doubted the president’s honesty, and that support for the two major parties had dropped to 20 percent each (Central America Report 1999).

In 1999, the bulk of the grassroots organizations created during Sandinista rule simply gave up trying to work directly with government and the FSLN, and mobilized an opposition movement they hoped would recapture for them some of the political power they had a decade earlier. In the wake of Hurricane Mitch—which swept through the country in late 1998, killing and displacing tens of thousands of people and destroying livelihoods and communities along the way—many grassroots organizations joined with national and international NGOs to confront the common disaster. They formed an umbrella organization called the Civil Coordinator for the Emergency and Reconstruction (CCER, now often referred to as simply the Civil Coordinator or Coordinadora Civil).<sup>108</sup>

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<sup>108</sup> The CCER process quickly became intertwined with the Poverty Reduction Strategies Papers (PRSP) process. This process was aimed at the development of a National Poverty Reduction framework, mandated by the World Bank following the 1999 G7 summit where leaders agreed to provide debt relief to very poor countries. The Heavily Indebted Poor Countries (HIPC) initiative was launched for this purpose. It was fought for by leaders of poor countries and members of civil society; civil society participants in the CCER had also been involved in a global movement for this debt forgiveness (CCER 1999a). The HIPC initiative was believed to mark a shift in World Bank policy. One of the tenets of the new philosophy was broad public participation (World Bank 2000).

Comprised of 320 social movements, non-governmental organizations, sectoral networks, territorial networks, producers' associations, unions and federations, the CCER conducted a needs assessment of the communities affected by Hurricane Mitch in order to prioritize the distribution of aid and development activities. The CCER published the *Social Audit for the Emergency and Reconstruction* in April of 1999, and its *Proposal for the Reconstruction and Transformation of Nicaragua* in May of 1999.<sup>109</sup> The first paragraph of the audit expresses organization's commitment to transparency and public accountability in the channeling of aid, emphasizing these as "ethical principles central to national reconstruction and development" (CCER 1999a, 6). The CCER was viewed as an opportunity to institutionalize these principles, which have dogged much of the country's political history.

The CCER also established a participatory process for monitoring and evaluating its own work. This can be understood as an attempt to implement the Sandinista vision for participatory democracy—a vision articulated but never actualized. The CCER asserted that "this social audit has been a first experience in a new kind of political process that places people at the center of the discussion. We know it's just a first, but very important, step towards developing a model of direct and broad-based citizen participation" (CCER 1999a, 7). In an accompanying document, the *Proposal for Reconstruction*, the civil society organizations proposed institutionalizing this citizen-led, consensus-based approach. Moreover, they offer it as the alternative to the increasingly

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However, as Bradshaw and Linneker (2003) demonstrate, guidelines for broad participation were vague. The Nicaraguan government exploited this ambiguity and effectively ignored the CCER's recommendations for poverty reduction strategies.

<sup>109</sup> The sub-title of the May 1999 proposal is "Converting the tragedy of Mitch into an opportunity for the sustainable human development of Nicaragua."

top-down management of public affairs, which they consider to be an obstacle to Nicaragua's development. The document further states that "In initiating this process, we assumed an enormous challenge: to seek a national consensus in a country where the imposition of ideas has prevailed over dialogue and negotiation, frequently leading to force and violence" (CCER 1999b, 11-13). The rest of the report details the connection between the country's political, economic, social, and environmental challenges, and continuously faults authoritarianism and top-down approaches for the country's existing economic, political, and social challenges and problems. Over and over, the document declares that citizen participation at and across local and regional levels can provide solutions to these problems.

Political parties and civil society organizations responded to *el pacto* by forming alliances not only with ideological kin, but also with parties and organizations that spanned the political spectrum. Various parties disgusted by the behavior of the Liberals and FSLN created a third force, "The Fatherland Movement," to challenge the established parties in the 2001 general election (Walker 2000). The coalition that emerged "was comprised of Sandinista splinter groups and six other political parties, the huge and influential [Civil Coordinator], fifty other social organizations and economic guilds, and individuals. As an alliance, it spanned the political spectrum from left to right and [had] divergent goals" (Isbester 2001, 211). Although the alliance was large enough to be registered and to run in the next elections, several of its member parties were denied the right to register their parties. The constitutional reforms and a new electoral law adopted

in 2000 as part of *el pacto* had placed significant limits on political party participation<sup>110</sup> (Zelaya 2000). The reforms had an immediate impact on the 2000 elections, by consolidating the power of the two dominant parties:

From the national, regional, departmental and municipal structures right down to the presidency and vice-presidency of every local voting center, all leadership posts fell into the hands of only two political parties, the PLC and the FSLN. Although secondary positions were offered to the other two participating parties, the parties to the pact controlled the final and fundamental decisions from their monopoly of magistrate positions. (Zelaya 2000)

The results of the elections demonstrated that even a multi-party and broad-based coalition of civil society organizations lacked the capacity to influence the FSLN-PLC controlled state. While some of the obstacles to party participation were legally established through the electoral reforms of *el pacto*, some were the result of the government's blatant disregard for the law.<sup>111</sup>

By the end of the 1990s, Nicaraguan politics were very different from those of the late 1980s. A gulf had developed between the PLC-FSLN-dominated state and opposition parties and civil society. The revolutionary party had become aligned with the opposition. The FSLN retained significant power in government—and just enough popular support to keep it there—yet many believed it had betrayed its original economic and political agenda. By aligning with the conservative PLC it participated in market-based economic reforms. Moreover, under Ortega's leadership, the FSLN had become an

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<sup>110</sup> These limitations included the elimination of a voter petition system that allowed citizens to present independent candidates in municipal and regional elections. It also increased the number of signatures needed by a party to get on the ballot, even for parties already legally registered. Combined, these served to decrease the number of political parties that could participate in the elections (Zelaya 2000).

<sup>111</sup> Complaints were registered with the electoral ombudsman about the implementation of the electoral laws, and when the ombudsman indicated support for the aggrieved, the government slashed its budget almost in half (Isbester 2001).

increasingly authoritarian party—it rebuked or expelled from the party those who criticized or challenged it in any way. A preference for consensus-based decision-making was replaced with rule by decree within and outside of the party. Consequently, although the FSLN remained a significant political force, those civil society organizations not in bed with the FSLN had come to see it and many other political parties as enemies rather than allies.

Although autonomy from the state is a defining feature of civil society organizations in democratic systems, to be effective civil society organizations must have some capacity to influence the state. In Nicaragua, civil society organizations remained strong—as is evident from the activities of the CCER—but their capacity to influence the state had diminished significantly by the turn of the 21<sup>st</sup> century. The pact between the PLC and FSLN gave the leaders of the two parties near total control of government, and left many civil society organizations largely unrepresented and increasingly unable to influence the state. Although the pact was different in significant ways from those of a half century before, in that “there would be no guarantees of seats or positions, and elections were understood to be competitive and without foreseeable results, [it] was still about quotas of power, because this pact cemented support for a package of constitutional changes and amendments to other laws that protect the interests of the two leaders and their parties” (Close 2004, 11). Therefore, the “democratic” two-party system had become a system supporting a largely unresponsive elite—in other words, Nicaraguan politics in the late 1990s functioned in the top-down and exclusive manner that it had for most of the country’s history.

By the end of the 1990s, many Nicaraguans had become dissatisfied with political elites and government in general. Their dissatisfaction has only intensified since the turn of the century, and institutions have weakened. Although Aléman's successor—Bolaños—succeeded in launching a partially successful investigation into Aléman's allegedly illicit activities and those of other members of his party, Bolaños' own illicit activities have deepened perceptions of government as corrupt. This dissatisfaction is accompanied by vestiges of the social polarization that occurred during the revolution and Contra war. Together—the changes in and flaunting of democratic rules by the two dominant parties, and widespread disapproval of government among citizens and many civil society organizations—have diminished the capacity of civil society organizations to influence the state.

As the 2006 elections drew near, powerful members of the PLC and FSLN withdrew from the parties and encouraged others to do so. The result was a split in the two dominant parties that signaled change might be possible. However, thanks in part to *el pacto*—which had produced a constitutional change that lowered the percentage of popular votes a candidate needed to be elected—the split ultimately returned Ortega to power as president with under two-fifths of the popular vote. The political in-fighting had consequences for CAFTA-DR's fate in the national assembly. As I explain in the next chapter, the FTA was overshadowed by the corruption scandals, and became a bargaining chip in negotiations over both implementation of the corruption charges and upcoming elections.

### **Section III: The post transition economic and political developments in Costa Rica**

This section analyzes the economic and political developments that followed Costa Rica's transition to democracy. It provides an overview of Costa Rica's social democratic policies, and changes to them that occurred following the economic crises of the 1970s. The structural adjustment programs (SAPs) implemented following the debt crisis of the early 1980s have been viewed by many Costa Rican citizens as an erosion of those earlier policies, which are associated with Costa Rica's relatively higher standard of living and model democracy. The economic reforms begun in the 1980s have played an important role in the political and economic development of Costa Rica over the past few decades. The change in economic policies would ultimately usher in dissatisfaction with government in the 1990s and 2000s that would produce what some feared a threat to democracy—political behavior ranging from violent protests, to abstention from elections, to an increase in party fragmentation (Booth 2007). This section examines changes in political and associational life since Costa Rica's transition to democracy and the implementation of more recent economic reforms to illuminate key features of state-civil society relations there. While the protests from civil society have become more frequent, the state's response to the protests and changes in political society are a product of the long-standing patterns of engagement between political elites and citizens in Costa Rica.

Costa Rica has been recognized as Latin America's oldest and most stable democracy (Booth 2007, Seligson 2008). Costa Rica's success with democracy is attributed in part to the PLN's successful implementation of social democratic policies after the 1948 civil war (Sandbrook 2007). Except for occasional victories by opposition coalitions, the PLN dominated Costa Rica's national politics from 1949 until the 1980s.



Its more moderate stance relative to leftist governments elsewhere in the region kept it on the good side of the United States.<sup>112</sup> From the late 1940s through the early 1970s, Costa Rica's government succeeded in nationalizing industries, redistributing wealth, and empowering citizens in ways that set it apart not only from other Central American states, but also other developing Latin American states and the United States.

Costa Rica's post-war policies reflected a strong role for government in economic and social development. Early on, the PLN nationalized the banking and insurance industries, and erected social welfare programs that were "ambitious for a developing country" and bested other Central American states (Booth, Wade and Walker 2006, 57-59). Moreover, Costa Rica succeeded in redistributing wealth: "During the 1960s and early 1970s, Costa Rican public policy redistributed income toward the middle three-fifths of the populace, mainly at the expense of the richest fifth" (Booth, Wade and Walker 2006, 58; Felix 1983). The state also enacted land reform that redistributed land to peasants in the late 1970s. This helped buffer some of the rural populations from the effects of the global economic crisis that hit early in the decade (Seligson 1980). Together, redistribution in Costa Rica prevented the movement of most of the wealth generated during the economic "boom" of the post-war era into the hands of the elites, as was the case in the other Central American countries. Additionally, the redistributive policies expanded the middle class in Costa Rica, reinforcing democratization and preventing the kinds of violent mass mobilizations that occurred in other Central American states in the 1970s. At the same time, the Costa Rican economy would

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<sup>112</sup> The PLN came to power by defeating the Communists in the 1948 civil war, whereas many of the pro-democracy forces in other Central American states were Communist or otherwise too far left for the comfort of the United States government.

eventually flounder, and peasants, labor and the middle class would become a formidable challenge to the state when it reversed its policies in the 1980s and 1990s.

In addition to social democratic economic policies, the Costa Rican state organized community development organizations throughout the 1960s and early 1970s. These organizations could receive financial assistance from the state to fund local improvement projects. While at first these organizations were easily co-opted by the state, over time they organized and developed into a significant and relatively autonomous political force in society. They enhanced the capacity of citizens to make demands of and hold the state accountable, and were themselves involved in the strikes and demonstrations that emerged in the late 1980s and 1990s in response to the state's economic reforms (Booth, Wade, Walker 2006).

Costa Rica's policies, as well as the PLN's and other parties' adherence to the formal democratic rules, promoted economic growth and furthered democratization in Costa Rica in the 1950s and 1960s. However, neither would shield Costa Rica from the fallout of the world-wide economic crisis of the 1970s. As was the case in most places, in Costa Rica the rise in oil prices contributed to a rise in the prices of consumer goods. At the same time, real wages fell, and demand for consumer goods declined, causing inflation and prompting private-sector layoffs. Real GDP of Central American economies grew during the 1970s, and was affected only slightly by the 1973 oil crisis. According to Bulmer-Thomas (1988) Central American economies were sheltered from the 1973 oil crisis to some extent by a rise in their exports, particularly bananas, coffee, and sugar (188-189). Nevertheless, while the first oil crisis "did not seriously undermine the real side of the economy...it had a profound impact on the financial side" (188). As

import prices in dollar terms rose, so did inflation in the small, open economies. As a result, the Central American states experienced rapid acceleration of inflation rates in 1973 and 1974.

The government did not initially scale back spending, which ultimately led to large budget deficits. The government then borrowed heavily from abroad, increasing the debt further. In 1981, Costa Rica defaulted on its debt, making it the first country in the region to do so. By the early 1980s, Costa Rica was in an economic downward spiral. These circumstances would precipitate changes in state policy; foster the rise of a new contender to the PLN's strength (the PUSC); and generate more contentious politics.

Desperate for assistance, the government traded cooperation with the U.S. effort to overthrow the Nicaraguan Sandinistas in exchange for aid; between 1981 and 1988, the U.S. provided over one billion dollars in aid to Costa Rica, representing a tenfold increase over the previous eight-year period (Booth 2000, 100). The assistance helped initially, but did not provide a long-term solution to the problems of ballooning debt and a trade deficit. In 1985, the World Bank and other international financial institutions and lenders (including the IMF, the U.S. and the European Community) offered financial assistance in exchange for the implementation of structural adjustment programs (SAPs).

Beginning in the mid-1980s, therefore, the PLN changed its approach, adopting a neoliberal, free-market orientation reducing state involvement in the economy. These changes reflect both the international financial agencies' mandates; the rise of the PUSC, a pro-neoliberal party; and changes in the policy preferences of PLN elites. According to Booth (2007), "This change, hotly debated internally, reflected the rise of certain globally oriented financial sector interest within the party's leadership, to supersede the

protectionist industrial sector interests once dominant among PLN leaders” (314). Indeed, some PLN elites (like Oscar Arias) themselves stood to benefit from the neoliberal policies (Paige 1997). Very quickly, the policies of the PLN and those of its primary opponent—the PUSC—became very similar. Both parties were willing—and did—enact the structural adjustment programs promoted by the United States and international financial organizations.

Costa Rica implemented three different phases of structural adjustment. The first SAP, approved in 1985, focused on the reduction of government spending, employment, and participation in economic activities. SAP II, approved four years later, extended the SAP I programs and added new goals. The goals of this program included tax reform; elimination of subsidies to public services, railroads, and refining; the promotion of non-traditional exports; and tariff reduction. Some of the effects included “a cut in the government’s share of GDP from 11.1 percent in 1985 to 9.9 percent in 1990, privatization of numerous firms, reduced budget deficits, reduced debt service, partially privatized banking, and increased fees for public services” (Booth 2000, 100). SAP III was pursued in the mid 1990s to further consolidate the new model for economic recovery and growth.

Costa Ricans’ dissatisfaction with the SAPs and the two dominant political parties’ support for them produced a change in citizens’ attitudes and behaviors toward the state that would alter somewhat state-civil society relations. Protests increasingly became the avenue through which members of civil society expressed their disapproval of state policy and sense of betrayal by their leaders. The protest activity in the mid-1980s through the mid-1990s was accompanied by a decline in support for political

parties. Together, these helped lay the groundwork for the third party that would break the dominant parties' stronghold on government, and that played a key role in the mobilization against CAFTA-DR.

As discussed above, beginning in the late nineteenth century, popular mobilizations and protests of state policies by citizens or other organizations from civil society have shaped political society and often been met with accommodation by the state. Even though elites dominated politics through the nineteenth century, collective action among citizens affected politics in important ways. From the 1889 mobilization that forced the military to accept an electoral opposition candidate, to the strikes in the 1930s and 1940s that produced pro-labor policies, organization and resistance among citizens contributed to the development of formal and informal patterns of state responsiveness to the people even before Costa Rica's official transition to democracy. Even during the boom times, Costa Ricans would engage in contentious politics to deepen, expand, or protect their rights and interests. These incidents were not met with political repression, as they might have been in neighboring states, but with a willingness on the part of state and political society actors to incorporate citizens' demands into policy or institutional change. Even at the most difficult moments—in the 1970s and 1980s, as the state was in the throws of an economic crisis and/or under pressure from outside lending institutions to cut public expenditures—the state would respond to social movements protesting economic reform with a willingness to engage in constructive dialogue. This would often entail carving out space for Costa Rican movements or organizations in agency-level decision-making process, and ultimately resulted in the protection of public employees and popular programs. For this reason, the Costa Rican

state didn't completely dismantle all of the social welfare programs achieved in early decades (Sandbrook et al 2007). Nevertheless, the effects of the SAPs were felt by many and perceived by even more to be the undoing of the country's laudatory social and democratic systems. The SAPs would therefore become pivotal in state-political-civil society relations in the decades that followed.

The protests of peasant farmers following the first round of SAPs exemplify the state's attempts to resolve citizen discontent. In 1985, the Costa Rican state agreed to diminish price supports for growers. This, combined with the influx of imports of grain, threatened the livelihood of small producers. The policies that produced the change in the nature of agricultural production and grain consumption were perceived by farmers as a threat to national food security, or food sovereignty. This would contribute to the organization of farmers, and eventually their march through the capital in September of 1986. This march of approximately 1000 farmers would end with an uncharacteristically violent clash between the police and the protesters. As Edelman (1999) explains,

For the peasants, the assault on the march and the broken promises made in the Cathedral [designated as a safe space for the protesters] became key symbols of their new adversarial relation with the government. The largely accurate perception that even a well-intentioned president was helpless in the face of the international financial institutions contributed to a growing sense of desperation and rising militance. (104)

Ultimately, the state responded to the peasants with some concessions. The Minister of Agriculture, Alberto Esquivel Volio, cancelled planned cuts in support prices for some of the grains, and issued a program entitled "A Permanent Dialogue" that expressed a commitment to Costa Rica's sovereignty, but did not completely defy the state's new neoliberal agenda. Moreover, the state entered into negotiations with the agricultural sector that produced an agreement calling for, among other things, strengthening the

agricultural sector institutions and institutionalizing the participation of peasant organization representatives in the planning and program implementation of them (Edelman 1999).

The state's efforts at accommodation would not satisfy or mollify opponents of its economic reform. As time passed, more and more resistance to the economic reforms would come from not simply interest-based organizations, but actors from a wide variety of civil society organizations or unaffiliated citizens worried about the direction their country was going. During the third round of SAPs, Costa Ricans held numerous demonstrations to express their disapproval of the country's economic situation and the government's programs for improving it. Cut after cut to public programs was met with popular resistance, some of which became violent. By this time, many Costa Ricans had come to associate the unfavorable economic changes taking place within their country with the U.S. and the international institutions like the World Bank and the IMF. "Neoliberalism" had become associated with these cuts in social programs, and it became an epithet used by the growing numbers of opponents of the government and the economic policies it pursued. Costa Ricans' perceptions of the consequences of neoliberalism would have a significant impact on politics in the country at the turn of the 21<sup>st</sup> century.

Despite discontent with the economic problems and reforms, surveys from the 1970s through the 1980s reveal that Costa Ricans at that time viewed their government and democratic institutions as legitimate (Booth 1998). Moreover, Costa Ricans exhibited the kind of peaceful, conventional political behavior that is associated with the consolidated democracies of industrialized countries. Costa Ricans, until the past three

presidential elections, voted in high numbers; engaged in political campaigning; organized and volunteered for civic purposes; and communicated with their elected officials. For decades, the government had encouraged civic participation in the form of community organization, and has incorporated it into policy making—as is illustrated in the example of its response to the peasant farmers, but in other areas as well, such as citizen budgeting and environmental law-making.<sup>113</sup> The protests that emerged in response to the SAPs were a condemnation of what many considered a change in not only economic policy, but democratic practices. Many Costa Ricans viewed the state's change in course as a mandate from outside institutions and greedy domestic elites. Their policies were in turn considered an infringement of Costa Rica's sovereignty and Costa Ricans' civil rights.

Perhaps more so than any other protest event, the civil resistance to the privatization of the Costa Rican Instituto Costarricense de Electricidad (ICE) in 2000 reflected the nature and extent of citizen disapproval of the economic reforms, and their capacity to mobilize against them. A public entity, ICE controlled the country's electricity and telecommunication industries. In early 2000, the Legislative Assembly voted to approve—in the first of three necessary votes—the opening of ICE to competition, including foreign competition. The liberalization of ICE was supported by

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<sup>113</sup> Costa Rica's experience with participatory budgeting has been analyzed from a number of perspectives. Indeed, many development agencies feature participatory budgeting when reporting on the success of particular projects or programs. Bräutigam (2004) provides a brief review of Costa Rica's experience in comparative perspective. Although citizen participation is low compared to the other countries analyzed, Costa Rica's process is characterized by accountability and transparency. Citizen participation in the area of environmental law-making is exemplified by the development of FECON—an umbrella environmental organization that is empowered by a national law to participate in state policy-making on matters related to the environment. FECON is discussed in greater detail in Chapter V.



both major parties and the president, and presented not as privatization, but as reform that would ultimately strengthen ICE and the provision of electricity and telecommunications services across the country. Opponents of the state's liberalization plan—referred to as the “Combo”—included student groups, labor unions, and an array of civil society organizations. Until the Legislative Assembly's first vote on reforming ICE took place, opposition to the state's initiative was quiet and confined to exchanges between the opposition organizations and the state. After the assembly vote, these organizations were joined by “dozens [of] other organizations and tens of thousands of unaffiliated individuals in some of the largest demonstrations in the nation's history, paralyzing the country and forcing the government to alter its policy choices” (Frajman 2009). This coordinated display of disapproval took the government by surprise. Having heard “the voice of the people,” the government killed the initiative altogether. President Miguel Ángel Rodríguez went from saying (in spring of 2000), “the protests do not go beyond the same people that have attended many protests during this and other administrations,” to saying (months later) “if Costa Ricans do not agree with the proposed solution, which I believe is the best, then we have to look for another option” (qtd. in Frajman 2009). However, the decision of the government not to open ICE and its industries, and the protests that emerged to protect them, did not disappear forever with Combo's demise. CAFTA-DR would revive both.

The liberalization of Costa Rica's telecommunications and insurance industries would become one of the most salient aspects of CAFTA-DR, which mandated that both undergo a gradual opening process. Given the number of vested interests—most especially, the state employees—in the industries, they would become a major force in

mobilizing resistance to CAFTA-DR. At the same time, the dismantling of ICE represented more than just the loss of jobs for thousands of people. Many people were angered by the Combo initiative because it represented “the unwillingness of policy-makers to engage the citizenry in explaining its vision for the ICE and the country” (Frajman 2009, 46). In other words, Costa Ricans considered the Combo a snub by the government. Moreover, the privatization of ICE was symbolic of an undesirable transformation of Costa Rica brought about by globalization, and their leaders’ eagerness to sell-off ICE for foreign capital. Opposition to the Combo initiative emerged not only from concerns that utility prices would rise, but also from the perception among citizens that deep-seated national values were at risk (Frajman 2009).

The protests of the mid-1990s mark the beginning of what would become a shift in the Costa Rican political landscape, but not a fundamental challenge to state sovereignty or complete reconfiguration of state-civil society relations. First, the government permitted the protests, and at times responded positively to them, indicating widely-held respect for civil liberties, including the rights to assembly and expression. The state’s toleration of the protests reflects the long-standing tradition of accommodation of demands from civil society organizations as well as the state’s interest in maintaining Costa Rica’s reputation for being a peaceful, rational, democratic nation. Unlike other Central American states, “Even when demands escalated into civil disobedience, demonstrations, strikes, and riots, the [Costa Rican] government usually responded with moderate force and used study and compromise to defuse conflict” (Booth 2006, 61). Second, the protests did not cause serious political decay, such as a coup attempt or a breakdown of public order. Instead, the growing political discontent

with the state policies and its representatives ultimately produced a new political party—the Peoples' Action Party (PAC).

The protests and the formation of a new political party provide evidence of the Costa Ricans' commitment to electoral democracy and regard for formal political institutions, as well as the capacity of members of civil society to serve as a check on the state. The fact that Costa Rica remained the poster child of democratic development during the economic and political turmoil of the mid 1970s-mid 1990s reflects the capacity of its civil society, political society, and democratic institutions to channel demands and concessions from both civil society and the state relatively peacefully. Moreover, the emergence of the PAC reveals that Costa Rica's system worked to channel demands from citizens who were increasingly dissatisfied with their elected officials, into the creation of a new political party whose members have the potential to alter state policies. Indeed, the transformation of the political landscape from the mid-1970s forward reveals the endurance of longstanding patterns of engagement between citizens and their representatives—patterns characterized by dialogue, mass protest and mobilization, and even the transformation of institutions in service to historic national commitments to peace, sovereignty and economic development.

The economic crisis of the 1970s, and the economic reforms that followed, produced the first formidable opposition party in Costa Rica. The PLN dominated Costa Rican politics until 1983, when the Social Christian Unity Party (Partido Unidad Social Cristiana, PUSC) was born. Although party platforms tended to converge thereafter, the PUSC became dominant. Its success at this time can be attributed to Left party fragmentation, concerns about security (related to the wars elsewhere in Central

America), and the increasing popularity of liberalization (structural adjustment)<sup>114</sup> as a solution to the economic crisis of the 1980s. “Costa Rica’s party system by the 1990s appeared to have developed a duopoly of strong centrist parties,” which eventually led to a decline in the major parties’ membership, and low trust in the parties and national government in general (Booth 2007, 306). These concerns resulted in low levels of (traditionally high) voter turnout in both the 1998 and 2002 elections. Voter turnout ranged from approximately 81-84% between 1962 and 1994, and was 69.9% in 1998; 68.8% in the first round of elections in 2002, and 60.2% in the run-off; and 65.2% in the 2006 election.

Although Costa Rican politics had been dominated by two parties for decades, small parties did gain ground in the 2000s, and eventually displaced the once dominant party, the PUSC, to fourth place in the Assembly. Increasingly dissatisfied with the PLN and PUSC, Costa Ricans elected three times more small party Legislative candidates in 2002, bringing the number of small party candidates in the Legislative Assembly to twenty-one, out of fifty-seven. The 2002 election marked the beginning of significant party fragmentation in Costa Rica. Although it ranged from zero (1953, 1966) to 26.1 percent in 1974, party fragmentation averaged 5.3 percent from 1953-1998. At the next election, that of 2006, twenty-seven small party candidates were elected to national office. The result was uncharacteristic party fragmentation.<sup>115</sup> In 2002, party fragmentation was 30.4 percent, and in 2006, it jumped to 55.5 percent. According to

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<sup>114</sup> Liberalization and the programs associated with structural adjustment were becoming increasing well-known. As a result, both support and opposition for them grew.

<sup>115</sup> The ideas for party fragmentation discussed here are based on Roberts and Wibbels (1999). Booth defines party system fragmentation as “the vote percentage of third-place to the nth-place party in presidential elections” (2007, 312, fn 8).

Booth, the party system fragmentation indicates instability in the party system, a “main cause [of which] was the splitting off of the Citizen Action Party (PAC) from the PLN behind a defected Liberación leader and PAC presidential candidate Ottón Solís. The PAC deeply cut into PLN votes and legislative seats” (2007, 312). The salience of CAFTA-DR and the resistance to it prior to and during the 2006 election played a significant role in the PAC’s success at the polls that year.

Dissatisfaction with the PLN had been growing since the 1980s and the PLN’s deterioration was becoming apparent by the 1998 election. CID-Gallup tracking polls taken since the early 1980s reveal that between 1980 and 1988, approximately 41% of Costa Ricans identified with the PLN; 30% identified with the PUSC; and 27% identified with another party or no party. Support for the PLN varied between 1992-2000, from 27% to 35%, and then slipped back to 27% in 2002. Support for the PUSC during this time steadily grew; in 2002, 43% of respondents identified with the PUSC. Support for third or no party remained constant at 30% during the 1992-2002 period. In the 1998 election the PLN Legislative candidates won only 34.8% of the vote, ten percent less than the party’s normal legislative vote share. The PLN did worse in the following election, in large part due to the defection of voters to the PAC. In 2002, the PLN received only 27.1% of the legislative vote, and 31.1% of the presidential vote. The presidential contest required a run-off, in which the PUSC decisively defeated the PLN (by 58 to 42) (all polling data cited in Booth 2007, 313).

The PAC had become a serious contender for a top spot among the national political parties by the early 2000s. Voters dissatisfied with their representatives voted for the PAC in large numbers in 2002, making it clear that citizens could move beyond

protest and elect representatives to exact policy change. Survey data from 2002 reveal that the PLN lost many of its voters to the PAC, the PUSC, or abstention: “More than one sixth of 1998 PLN voters switched to the PAC in the first round of the 2002 election. This was nearly twice the PUSC’s loss rate to PAC.... In the run-off, the PLN won back only one in four of the PAC first-round voters, doing worse than either the choice to vote PUSC or abstain” (Booth 2007, 316; citing Seligson, Booth, Gómez 2003). Although some voters’ defection from the PLN to the PUSC suggests that the PAC did not represent only an alternative to the neoliberal model, the PAC was committed to many of the types of social democratic policies pursued by the PLN during its first three decades in power.

With the development of CAFTA-DR, the PAC took a strong position against the imposition of a NAFTA-style trade deal for Costa Rica. Indeed, CAFTA-DR provided a means by which the PAC could distance itself from the other parties—not only in speech, but also in action through the mobilization of citizens in opposition to it. For the seven years following CAFTA-DR’s introduction, the state, political parties and citizens would use the agreement to continue the debate over neoliberalism and the country’s past as well as future. The rise of the PAC prior to and during CAFTA-DR’s development is significant for it demonstrates that members of political and civil society could use existing institutions to mount a significant challenge to the dominant parties and an alternative to the state policy.

CAFTA-DR elicited more contestation in Costa Rican society than any previous economic reform—proposed or implemented. While the polarization of society that

accompanied CAFTA-DR's development and approval was a concern for many,<sup>116</sup> it provided yet another display of the strength of Costa Rica's political institutions, and illustrated the capacity of civil society actors to organize and influence state actors. To be sure, it exposed the weaknesses of the political system. As I discuss in greater detail in a subsequent chapter, the pro-CAFTA government engaged in unscrupulous behavior prior to the referendum on the treaty, and may have eroded further Costa Ricans' trust in political parties, politicians, and government. Similarly, the inability of the PAC to effect much change as a minority party is considered by some an indication that the democratic institutions in Costa Rica have been thoroughly corrupted by the parties that have been in power for most of the past two decades. Nevertheless, I contend that the PAC and CAFTA-DR opposition movement's challenge to the state could not have come as close as it did to blocking the agreement and reversing the course of economic policy there if the institutions and state-civil society relations were not strong. Given the interdependent relationship between CAFTA-DR and the PAC's performance in the 2006 election, it is discussed in greater detail in the chapter on Costa Rica.

## **Conclusion**

This chapter has reviewed key political and economic developments in Nicaragua and Costa Rica to highlight their different paths to development and democracy. These paths are significant because the historic development of political institutions and democratic transitions shaped the political and civil societies that do the work of democratization—or “consolidation”—once the democratic constitutions and electoral

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<sup>116</sup> Groups on both sides of the issue expressed dismay that the society could become so divided; this claim could be made for political purposes, as well as to express genuine concern about the health of the nation's democracy.

rules are established. Scholars have shown that laws by themselves cannot guarantee democratization—that the cultivation of democratic norms and habits in both political and civil societies is essential for democracy to become “the only game in town.”<sup>117</sup> The quality of democracy in each country is significant for understanding the debates over CAFTA-DR because it would shape how those debates played out in each country. Moreover, given the fact that CAFTA-DR has the capacity to alter domestic institutions and relations of power in significant ways, the context of the CAFTA-DR debates can also help us understand the possibilities and limitations of those debates to transform existing patterns of engagement between members of the state, political society, and civil society.

While some form of democracy is largely supported by elected officials and most citizens in both countries, the histories of these countries reveal that the quality of democracy varies considerably. While the political and economic developments of the 1970s and 1980s covered here marked significant turning points in both countries, the state-civil society relations that existed in each country prior to the 1980s established patterns of engagement that influenced how members of the state and civil society responded to those developments. The historic and contemporary roles of political elites and members of civil society continue to be contested as actors in each arena struggle to maintain or enhance their power, to maintain or transform the institutions that they’ve inherited from the past. The comparative history provided here indicates that Costa Rica’s development has established a political context in which members of civil society have more formal and informal resources available to them for fulfilling their role as a

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<sup>117</sup> Linz and Stepan (1996) p. 5, who credit the phrase to Guiseppe di Palma.



check on state power. This is not to say that they always have succeeded or will succeed in the future. However, the capacity for Costa Ricans to organize, mobilize, and effect state policy has proven significant, particularly in comparison with that of Nicaraguan. Despite having hosted a revolution that began the process of democratization, Nicaragua remains a place where civil society organizations lack the capacity to secure concessions from the state or hold ruling elites accountable.

This comparison of Nicaragua's and Costa Rica's historical development, transitions and democratization also illuminates the role of economic resources in democratization. In Costa Rica, the transition and consolidation of democracy occurred alongside of economic growth. The state was able to accommodate the increasing demands made upon it by diverse sectors of society. In Nicaragua, people became political citizens at a time when the state could not respond to their demands for the expansion of economic opportunities. Dissatisfaction with the state and political parties has fueled divisions within civil and political societies there, making both impotent in the face of pact-making and corruption among the dominant parties' leaders. Consequently, while Nicaragua has a history, albeit brief, of participatory democracy, the lack of institutional and financial resources available to citizens and civil society organizations keeps them at an arms length from the state.

The comparative history provided herein indicates that the proximity of political and civil societies is important for understanding the opposition to CAFTA-DR. Even though the two arenas of political activity can be made distinct for analytical purposes, they are closely intertwined in model democracies. The autonomy of civil society is generally seen as a key feature of a strong civil society, yet democracy requires a

mutually reinforcing relationship between the state, political society, and civil society. Citizens need politicians to respond to their demands—to introduce and allocate resources for legislation, policies, and programs. Similarly, politicians need citizens to support their laws, policies, and programs to advance them within the state institutions. Too much of an adversarial relationship or too much distance between them undermines democracy. Democracy can also be jeopardized when the state and political parties coopt citizens and civil society organizations. The politics surrounding trade can be used as a lens for analyzing the nature and effect of these relationships. In the following chapters I examine the state-political-civil society relations during CAFTA-DR's development and approval in Nicaragua and Costa Rica to demonstrate their salience for domestic and transnational policy today.

## **Chapter IV: Nicaragua**

This chapter analyzes support for and opposition to CAFTA-DR's development and approval in Nicaragua. This analysis calls attention to the Nicaraguan state's vulnerability as a poor country, and its susceptibility to domination by the U.S., but focuses on the weaknesses within civil society and political society that factored into the FTA's development and approval processes. I argue that these weaknesses stem from both the country's political development prior to the 1979 revolution, and the decades that followed. The legacies of elite rule and the Sandinista government are of particular importance for understanding the politics surrounding CAFTA-DR. While the Sandinistas established civil society organizations and promoted civic engagement, civil society activity was controlled by the party. It contributed to the development of civic engagement norms and civil society organizations that are typically associated with democratic regimes. However, civil society remains weak in terms of its ability to influence the state. The weakness of civil society is in part a function of the two main parties, which have succeeded in consolidating their parties' power in government over the past two decades. This consolidation of power has not only shut out civil society organizations but also contributed to citizens' low trust in government. Finally, Nicaragua remains mired in poverty, which undermines the capacity of citizens and civil society organizations to organize and mobilize. As a consequence, civil society organizations not directly connected to one of the dominant political parties have little capacity to affect state policy. While the formal institutions had changed, the patterns of engagement between political elites and civil society during CAFTA-DR's development and approval process in many ways mirrored those that existed prior to the 1979

revolution. The Nicaraguan case demonstrates that while opponents of CAFTA-DR accessed some resources—such as funding, information, and publicity—through transnational networks and institutions, they lacked political opportunities and resources at the domestic level. Some state actors gave attention to the concerns about CAFTA-DR that emerged from civil society, yet the anti-CAFTA movement never developed enough leverage over state actors to alter the FTA’s development or approval process.

As discussed in Chapter II, after their passage, free trade agreements (FTAs) like CAFTA-DR produce changes in laws and regulations, create new institutions, and even provide funding for projects and programs that are associated with implementing the FTA. Consequently, FTAs are mechanisms for institutionalizing new rights, obligations, and capacities of state and non-state actors. As instruments of institution building, FTAs cannot be ignored by groups that want to preserve, expand, or secure a place in decision-making processes for themselves and those who share their interests. The inevitability of change in domestic laws that accompanies implementation of CAFTA-DR means that the stakes for both state and non-state actors are high during trade talks, which helps explain the mobilization that occurred as CAFTA-DR was being negotiated and thereafter.<sup>118</sup>

While this chapter does not assess the quality or efficacy of these mechanisms, it demonstrates that CAFTA-DR became an important site for state and non-state actors in Nicaragua’s inchoate democracy to advance rights and obligations; establish or maintain programs and legitimacy; and enhance their own capacity for action—including through financial assistance. This helps explain why FTAs like CAFTA-DR are the subject of

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<sup>118</sup> Mobilization continues after an FTA is signed by all parties to it because FTAs have to be approved by national legislatures. Negotiations for side agreements and other deals—such as appropriations for funding trade related projects—can be, and often are made after negotiations are closed and the FTA is subject to legislative debate.

contention even within small states that might benefit from opening their markets to cheaper and higher quality goods.

This chapter's focus on domestic politics in Nicaragua necessitates an examination of the role of the U.S. in the politics surrounding CAFTA-DR. As demonstrated in Chapter II, CAFTA-DR is connected to a longer history of liberalization efforts pursued from within and outside of Central America. Moreover, the country's poverty and debt have made it dependent upon outside financial assistance. The United States is one of those outside actors that have provided aid to Nicaragua for the sake of advancing its national interests through altering domestic policy there and throughout Central America. To promote the FTA, the U.S. agreed to provide Nicaragua large sums of trade capacity building assistance. Adhering to its long record of intervention in Nicaraguan politics, the U.S. provided support to CAFTA-DR proponents in the form of financial support for a government sponsored pro-CAFTA public relations campaign there, as well as for the implementation of the agreement. Finally, there is evidence that the U.S. pressured the lead leftist opponent, Daniel Ortega, to facilitate the FTA's passage in the National Assembly. While I do not argue that passage of CAFTA-DR is reducible to the influence of the United States, the role of the United States government cannot be ignored since its policies have helped shape the political and economic development of Nicaragua and it remains an important source of financial aid for the poor country. Additionally, its support for CAFTA-DR helped generate support among Nicaraguans, many of whom didn't know anything about the FTA. U.S. involvement in the FTA's passage was therefore an important, but not the only, factor in the outcome of CAFTA-DR.

The first section of this chapter provides an overview of the justifications for CAFTA-DR provided with its introduction. As classical economic theory predicts, CAFTA-DR is advanced in Nicaragua by the state on the grounds that it will not only promote, but is essential for economic development. This economic development, it is suggested by CAFTA-DR proponents, will also promote democracy in Nicaragua and the region. The second section reviews the critiques of the FTA that emerged from displays of coordinated opposition among the anti-CAFTA actors, and from individual organizations or actors. This section illuminates the shared and divergent goals and objectives of members of the opposition movement. The third section discusses key actors and events in political society in Nicaragua prior to and during CAFTA-DR's development there. In the fourth section I show how domestic patterns of engagement between the political elites and civil society facilitated passage of CAFTA-DR. The fifth section reviews the basic argument of this chapter.

### **Section I: CAFTA-DR's introduction and the justification provided for it**

Nicaragua fits the bill of the small state that economic theory predicts would welcome free trade. At the same time, its status as a small developing country makes it extremely vulnerable to fluctuations in the global economy. An agricultural-based and export-oriented economy dominated by a handful of commodities,<sup>119</sup> Nicaragua's economy is vulnerable to fluctuations in commodity prices and other global economic

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<sup>119</sup> Primary commodity exports are coffee, beef, seafood, tobacco, bananas, sugar, and gold. Apparel and textiles assembled in free trade zones are another significant export (U.S. Department of State Web site – Background note: Nicaragua; CIA World Factbook Web site – Nicaragua).

forces (Bulmer-Thomas 1988).<sup>120</sup> The state has attempted to reduce vulnerability in a number of ways—from protectionism to economic diversification<sup>121</sup>—but more recently has embraced openness. Nicaragua’s precarious position as a small state desperate for economic development opportunities puts it at a disadvantage during trade talks with states like the U.S. While there is widespread support for development, ideas about how that development should occur are a source of significant debate and contentious politics in Nicaragua. This section documents arguments for the FTA by state and non-state actors in Nicaragua, and the U.S. government, and the following section highlights the positions held by various actors in the anti-CAFTA-DR movement.

At the time of CAFTA-DR’s introduction, Nicaragua was (and remains) a country “transitioning” to democracy, and in many ways was (and remains) a prototypical “less developed country” (LDC). It is consistently ranked one of the poorest countries in Latin America: it has the second lowest per capita income in the Western Hemisphere and nearly half of the population lives below the poverty line (CIA World Factbook Web site). Given its low level of literacy, life expectancy, and income, the Human Development Index (HDI) ranked Nicaragua 121 out of 175 (2003)<sup>122</sup>. It is estimated that the country must project economic growth rates of at least 4% to be able to provide a

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<sup>120</sup> For example, the high price for coffee in the early 1970s contributed to Nicaragua’s continued growth, while lower prices for it later in that decade contributed to its debt crisis.

<sup>121</sup> The Sandinistas considered diversification an important part of economic development, which was a departure from the Somozas’ export-oriented economic development agenda.

<sup>122</sup> According to the HDI Web site, the HDI “provides a composite measure of three dimensions of human development: living a long and healthy life (measured by life expectancy), being educated (measured by adult literacy and enrolment at the primary, secondary and tertiary level) and having a decent standard of living (measured by purchasing power parity, PPP, income).”

better quality of life for its citizens (Hegg, Venerio and Seligson 2007). Both state actors and citizens in Nicaragua rank economic problems as a priority for the country. While citizens' desire for economic development is associated with their desire for improved material well-being, elected officials advocate economic development as a means for lifting the country out of poverty as well as achieving political ends. The connection between economic development and political development offered by political elites ranges from support for the institutionalization of a stable, pro-market liberal democratic system (exemplified by the pro-CAFTA President Enrique Bolaños), to support for a more social democratic system and sovereign state—at least one less reliant on financial assistance from the United States (exemplified by the anti-CAFTA leader of the FSLN, Daniel Ortega).

Nicaragua's status as a semidemocratic state and very poor country factored heavily into the arguments made for CAFTA-DR within Nicaragua and the U.S. Authoritarian pasts are considered a potential threat to democratic development, particularly as citizens in new democracies face economic hardships and political elites must implement tough economic reforms. Despite Nicaragua's extended experience with authoritarianism, support for democracy among citizens and legislators, even during periods of economic crisis, is deepening (although it is still low, particularly when compared to Costa Rica). Support among legislators for authoritarianism during periods of economic crises declined in Nicaragua between the late 1990s and mid-2000s (from 15.7% to 3.3% of legislators in support of authoritarianism) (Sáez 2008, 66).<sup>123</sup>

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<sup>123</sup> The question read: "With which of the following sentences to you agree the most?—Democracy is preferable to any other form of government; In the context of an economic



Moreover, most elected officials in Nicaragua believe that economic development is a priority for the government, and a considerable number of them view it as a primary function of democracy. In a survey of national legislators conducted between 1996 and 2001, “economic development” was considered an important advantage of democracy for 15% of the Nicaraguan legislators (while this was an important aspect of democracy for an average of 10% of the respondents from Latin America as a whole) (Sáez 2008, 74-75).<sup>124</sup> Surveys of citizens indicate that citizens are most concerned about employment, poverty, and the performance of the national economy. According to surveys conducted in 2004, 35% of respondents identified unemployment as the country’s most urgent problem; 23% identified the economy as the country’s most urgent problem; and 22% viewed poverty as the most urgent problem.<sup>125</sup> These same surveys reveal that Nicaragua’s citizens’ perceptions of the performance of the national economy are correlated with their support for the political system. In 2006, 66.7% of respondents rated economic performance as bad or very bad; these responses corresponded with low evaluations of the political system (Hegg, Venerio and Seligson 2007, 50-51). At the same time Nicaraguans indicated a low evaluation of the political system, they still supported electoral democracy above authoritarianism: “56.8% prefer democracy as the form of government as opposed to 17.0% who would prefer an authoritarian form of

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crisis and political instability, an authoritarian government may be preferable” (Sáez 2008, 66). The percentages reflect support for the second sentence.

<sup>124</sup> These results come from a series of surveys of Latin American legislators by a group of professors and researchers at the University of Salamanca (Sáez 2008). The surveys were carried out in two rounds; in Nicaragua, the first round was between 1996-2001, and the second round was conducted between 2002-2006.

<sup>125</sup> These numbers were slightly different in 2006; at that time, 27% of respondents identified unemployment as the country’s most urgent problem; 24.5% viewed poverty as the most urgent problem, and 15% identified economic problems as the country’s most urgent problem (Hegg, Venerio, Seligson 2007, 25).

government; for 15.0%, it does not matter whether the government is authoritarian or democratic, and 11.2% did not know” (Hegg, Venerio and Seligson 2007, 73).<sup>126</sup>

Political rhetoric and citizens’ evaluations of their government therefore indicate that support for democracy is increasing but still low, and that economic development is a priority for Nicaraguans.

Citizens’ concerns about their well-being, the national economy, and even the future of democracy were tapped by proponents of CAFTA-DR (as well as opponents, as is demonstrated later). Support for CAFTA-DR in Nicaragua came from typical proponents of free trade—the Liberal<sup>127</sup> President Bolaños and his party, the PLC (Partido Liberal Constitucionalista, or Constitutionalist Liberal Party), and private enterprise.<sup>128</sup> In addition to the Liberal party, other major supporters of CAFTA-DR in Nicaragua included the American Chamber of Commerce of Nicaragua (Cámara de Comercio Americana de Nicaragua, or AMCHAM); the Central American Bank for Economic Integration (Banco Centroamericana de Integración Económica, or BCIE); and Nicaragua’s business association, which represents large business in every sector of the

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<sup>126</sup> The findings also reveal that there was “strong support for electoral democracy (72.4%) as opposed to an unelected strongman (16.0%) ... [and] on a 0-100 scale, the average of Nicaraguans who think that democracy is better than any other form of government is 60.37” (Hegg, Venerio, Seligson 2007, 73). The authors found that support for the political system decreased between 2004 and 2006, and while economic performance did not meet expectations, the authors attribute that decrease in support for government to the pacts between the two major parties’ leaders (these pacts are discussed in detail later in this chapter).

<sup>127</sup> “Liberal” in the context of Nicaraguan politics refers to those parties which have historically supported a market-based economy and free trade—what would be considered a “conservative” position in the United States.

<sup>128</sup> As discussed below, Bolaños would be kicked out of the PLC during his term as president, and form a new political party, the APRE (Alianza por la República, or Alliance for the Republic). Support for CAFTA-DR by the PLC would become conditional upon Bolaños’ cooperation relative to the fallout of the corruption charges against former president (and PLC leader) Arnoldo Alemán.

economy, the Superior Council for Private Enterprise (Consejo Superior de la Empresa Privada, or COSEP). The United States was also very active in promoting CAFTA-DR in Nicaragua; representatives of the U.S. Department of State and the Office of the United States Trade Representative (USTR) frequently visited Nicaragua to extol the virtues of CAFTA-DR for Nicaragua, and sound warnings for the country's demise if CAFTA-DR wasn't approved by the Nicaraguan National Assembly. Additionally, the U.S. Agency for International Development (USAID) funded public relations campaigns—carried out by the Nicaraguan state—to educate the Nicaraguan public about the benefits of CAFTA-DR.

State support for CAFTA-DA was made on the grounds that it would bring much needed jobs and provide important economic development opportunities. When CAFTA-DR was put to a vote before the National Assembly, the pro-CAFTA materials disseminated by the state asserted that Nicaragua would grow under CAFTA-DR—a message visually represented by a picture of a healthy seedling—and declared that “our opportunity to progress rests with the vote of the deputies” (LAC Trade). Later, President Bolaños also argued that the agreement was necessary for furthering democracy in the region, and for blocking the advance of “non-democratic” forces such as Cuba’s President Fidel Castro and Venezuela’s President Hugo Chavez. Bolaños even traveled to Washington, DC to testify on its behalf. At the signing of the Millennium Compact Agreement (MCA)<sup>129</sup> between the United States and Nicaragua in July of 2005 in Washington, DC, Bolaños stated:

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<sup>129</sup> This agreement represented a five-year loan from the U.S. to Nicaragua in the amount of \$175 million. It would be administered by the Millennium Challenge Corporation (MCC)—a lending institution established under the presidential administration of George

For our region, CAFTA is paramount. CAFTA is far more than an economic issue. It's also a security issue. CAFTA will consolidate the gains made by our region during the past 15 years in stabilizing democracy, the market economy and a safe neighborhood for the U.S. If Congress were now to send a message that the U.S. is now turning its back on the Central American region by rejecting CAFTA, the negative economic, political and security implications of such a message will be difficult to assess. (Bolaños 2005)

In the above passage, Bolaños is affirming his commitment to the goals of the MCC, which are to promote market-based economic development in Central America and other countries where the United States is interested in promoting democratic allegiances. In Nicaragua, the argument for CAFTA-DR focused more on the FTA's capacity to promote national economic development and create jobs for Nicaraguans—reflecting state actors' understanding of the primary concerns of the Nicaraguan people.

Actors from the business sectors also appealed to the Nicaraguans' desire for employment opportunities and economic development. They made the argument that without the agreement, investors would go elsewhere in Central America with their investment dollars. According to the business sectors, CAFTA was necessary for bringing much-needed jobs to the country, which is way behind other Central American nations when it comes to investment. Honduras and El Salvador each export some \$2 billion worth of apparel a year for example, while Nicaragua exports around \$600 million in apparel. As Juan Carlos Pereira, a Nicaraguan businessman who heads the government-back investment company Pro-Nicaragua put it: "We lost a decade in the '80s because of the war....We are only now starting to catch up and we need CAFTA more than anyone else" (qtd. in Harman 2005). Pereira also indicated that about \$400 million worth of projects were up for grabs: "That represents about 7,500 jobs that are

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W. Bush for the purpose of making funds available to developing countries so long as the countries conform to U.S. standards of democratic governance.

coming to Central America. I don't know how many will come to Nicaragua, but I will tell you—if we don't have CAFTA, not a single one will come here” (qtd. in Harman 2005). Pereira’s argument communicates the message of necessity and urgency that came across in many of the CAFTA-DR proponents’ claims. It was also the message of the state-funded campaign for CAFTA-DR initiated during the negotiation process.

Widespread concerns about employment, poverty and the economy, as well as growing support for democracy even during economic crises could provide an incentive and a favorable environment for the state to pursue trade talks—particularly for a small state like Nicaragua. As discussed in Chapter II, however, Latin America has also been home to significant opposition to free trade. While a lack of support for trade among the public does not mean a state cannot successfully pursue free trade,<sup>130</sup> the potential for widespread opposition to free trade was a concern for state actors in both the United States and Central America. The opposition to free trade in other Latin American countries has created problems for the state, including violent attacks on it.<sup>131</sup> Some anti-FTA protests have succeeded in stalling the operation of business and government in capital cities and throughout country sides. These “success stories” for opponents of

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<sup>130</sup> Even in the U.S., for which data are available over a longer period of time, the relationship between public attitudes about trade and trade policy do not converge. Drezner (2008) found that the U.S. public has been consistently protectionist while federal legislators have pursued free trade. Moreover, the public interest group Public Citizen asserts that U.S. federal legislators have been elected or deposed based upon their trade policy preferences, but provides no evidence to support this claim. In 2008 it posted an article on its Web page titled “Election 2008: Fair Trade Gets an Upgrade: Trade issues Play Unprecedented Nationwide Role in Congressional, Presidential Races; Officials’ Trade Views Move Closer to Public’s” (Public Citizen 2008). A politician’s career prospects and his or her vote on free trade policy is thus often ambiguous.

<sup>131</sup> Baker (2009) provides evidence that some Latin American citizens do support free trade because they associate it with increased access to imports of higher quality and low cost.

neoliberalism have contributed to the development of anti-neoliberal forces—organizations and movements—throughout the region. Attuned to this, state actors have recognized the need to educate the public on the benefits of liberalization and all that accompanies it, which is why free trade negotiations between the U.S. and Latin American countries since NAFTA have been accompanied by state-funded public relations campaigns. Despite the increases in anti-neoliberal activism, in Nicaragua, many people were not familiar with free trade agreements or CAFTA-DR early on in the negotiation process. Concerned about what this ignorance might portend for the future of the agreement, the pro-trade state and its allies invested in convincing citizens that CAFTA-DR not only benefited, but was necessary for economic development and prosperity in Nicaragua.

The Nicaraguan government, with support by from the U.S., funded a publicity campaign to promote CAFTA-DR among Nicaraguan citizens. USAID's Latin American and Caribbean (LAC Trade) office supported these campaigns during the CAFTA-DR negotiation and after the negotiation process. During negotiations, a Civil Society Outreach Program (CSOP) public relations campaign was implemented in each Central America state by the CARANA Corporation (LAC Trade; CARANA 2004). A national survey from a private firm conducted in September of 2003<sup>132</sup> indicated that only 7% of the Nicaraguan population understood that CAFTA was a free trade agreement under negotiation, and only 2% knew what the negotiations were about. The report, developed for the Nicaraguan Ministry of Development, Industry and Commerce (MIFIC), identified this lack of knowledge and understanding among the public as one of the

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<sup>132</sup> By September 2003, several anti-CAFTA protests and demonstrations had been held in Nicaragua.

greatest obstacles to the agreement's success. The other significant obstacle identified by the report was the anti-CAFTA activity emerging from civil society (CARANA 2004).

In response to the findings of the initial survey, the MIFIC convened a group of communications specialists to design a campaign promoting the CAFTA-DR negotiations. Called "CAFTA: Our Bridge to the Future," the campaign consisted of radio and television announcements; popular education booklets and brochures; newspaper supplements; and Web pages. As the title of the campaign indicates, the message was that CAFTA would result in more investment in Nicaragua, more progress, better quality jobs, and higher quality products. The campaign appeared to have worked. Following the campaign, a survey of 800 people found that 78% had "read, seen or heard" the pro-free trade agreement announcements; 81.5% knew that they were about CAFTA; and 82.9% stated that the materials helped them understand the agreement. A poll of 1,200 people conducted when the FTA reached the National Assembly found that 66% were in favor of the agreement and 23.4% were against it (Fonseca 2008).

While the publicity campaign funded by the U.S. and Nicaraguan governments could be attributed with having made a significant difference in the National Assembly's ultimate approval of CAFTA-DR, as I discuss below—and in subsequent sections—the development of a stronger anti-CAFTA campaign was inhibited by the existing institutions and state-civil society relations, and legislators' positions on CAFTA-DR changed with other political events. The investment in the public opinion regarding CAFTA-DR indicates public opinion matters to state lawmakers. Lacking the financial resources for a similar campaign, and the capacity to mobilize citizens and put pressure on the state through other channels, civil society organizations were unable to generate

significant coordinated opposition to the state. The weakness of civil society vis-à-vis the state was made evident in the lack of response from the state to civil society demands, and the willingness of state legislators to use CAFTA-DR as a bargaining chip in inter-party power struggles.

## **Section II: Opposition to CAFTA-DR**

Opposition to CAFTA-DR in Nicaragua emerged from an array of organizations within civil society based on both ideational and interest-based concerns. In the analysis provided here we can see that CAFTA-DR represented more than just free trade; it not only altered tariffs, but also offered a model of development that was intensely controversial. We can also see that despite common characterizations of it as such, opposition to free trade is not simply about opposition to capitalism, neoliberalism, or imperialism. Many within the CAFTA-DR opposition movement saw it as an important political opportunity to secure narrowly defined interests as part of a broader development agenda for the country. Consequently, the opposition to CAFTA-DR had a broad base, and was comprised of organizations and movements that had different goals and objectives. This was both a blessing and a curse for the movement. Those familiar with the grassroots organizations and movements of Nicaragua contend that the anti-CAFTA movement there was more integrated than many other movements in Nicaragua in recent history (Quandt 2005). Nevertheless, the diversity among the goals and objectives of the members of the anti-CAFTA movement hampered mobilization against the state. This section reviews the various interests, and alternative visions for development provided by CAFTA-DR opponents. The views from political society are discussed in the following sections.



As in other Central American states, the opposition to CAFTA-DR in Nicaragua included farmers' organizations, women's movements, worker's unions, environmental organizations and movements, religious groups and organizations, indigenous peoples' organizations and movements, and other organizations and movements dedicated to promoting an array of human rights and civil liberties. Key themes of the Nicaraguan opposition were concerns that CAFTA-DR would contribute to unemployment and labor rights abuses; put small and large farmers out of business; obstruct access to affordable medications; and enable multinational corporations to extract resources and develop industry without local oversight. The FTA was also seen as inherently undemocratic. A standard characterization of the opposition to CAFTA-DR is that members resisted the FTA based on their objections to the model of free trade it represented—one that benefited the United States and business owners, at the expense of the poorer Central American countries and their citizens. This message seems to have been received; during my fieldwork in Nicaragua in the summer of 2008, ordinary citizens I talked to about free trade associated free trade with big companies coming into the country and exploiting labor and resources.

Many members of the opposition operated at both the domestic and transnational levels, sharing information, using the same discourse, and coordinating strategies—including protests—for advancing their anti-CAFTA agenda.<sup>133</sup> For this reason, opposition to the FTA used broad and familiar frames of anti-neoliberalism, anti-capitalism, and anti-imperialism to mobilize the opposition within and across national

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<sup>133</sup> Finley-Brook and Hoyt (2009) provide a detailed account of the transnational activism and the relationship between U.S.-based efforts, particularly the Stop-CAFTA Coalition, with the anti-CAFTA movements in Central America.

borders. Examples of the ways that the opposition connected CAFTA-DR to these larger forces include the display of Che Guevara t-shirts and banners displayed at anti-CAFTA rallies in Costa Rica (National Catholic Reporter 2005); an image of Uncle Sam wrapping his arms around Central America (Scott 2007); and frequent claims by members of the CAFTA-DR opposition that CAFTA is the Central American version of the North American Free Trade Agreement (NAFTA).<sup>134</sup>

While these themes of anti-neoliberalism and anti-imperialism resonate with Nicaraguans given the country's colonial history and U.S. involvement in the country over the past century, the positions of the FTA opponents varied. Indeed, the number of organizations, networks, associations and movements that comprised the CAFTA opposition movement numbered in the hundreds.<sup>135</sup> The anti-CAFTA organizations shared information and collaborated in collective displays of protest against the state, yet members of the CAFTA opposition held very different views about the problems associated with the FTA, and what could be considered as viable solutions. To make clearer the differences among the actors within the anti-CAFTA coalition, I identify three

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<sup>134</sup> This author heard this from many of the CAFTA-DR opposition members interviewed (in the United States, Nicaragua, and Costa Rica), and at the 2005 annual meeting of the Nicaragua Network and the Foro Mesoamericano de los Pueblos in July 2008. It was a theme that emerged early on; in reporting on some of the earliest anti-CAFTA demonstrations in Nicaragua, the Nicaragua Network stated that opposition "groups note the proposed 'CAFTA' agreement seems to be a continuation of the same policies put forward in treaties such as NAFTA. They note that NAFTA, instead of benefiting the majority, as promised, has had disastrous consequences for workers, farmers, and the environment in all three countries included in the treaty" (Nicaragua Network March 18, 2002).

<sup>135</sup> I did not attempt to identify every participant in the movement; this number is based on my fieldwork and reading of CAFTA opposition documents, some of which list their numerous authors, contributors, or collaborators. One indication of the number of formal organizations included in the movement is an anti-CAFTA letter submitted to the U.S. Congress on October 8, 2004, and signed by over 160 organizations based in the U.S. and Central America.

significant networks organizing and mobilizing opposition to CAFTA-DR in Nicaragua.<sup>136</sup> This classification illuminates the differences in overarching goals. The first network I discuss is the FMP (Foro Mesoamericano de los Pueblos), which includes those that rejected the FTA outright as a manifestation of globalization, capitalism, or U.S. imperialism, and attempted to mobilize opposition to the FTA primarily around these ideas. The second network I discuss is the CID (Iniciativa Mesoamericana de Comercio, Integración & Desarrollo Sostenible, also referred to as Iniciativa CID), which included civil society actors that participated in the negotiation process or otherwise actively attempted to secure specific policies during the negotiation process, and afterward provided specific critiques of the final agreement and lobbied against it. The third network discussed here is the Coordinadora Civil (the Civil Coordinator, formerly known as the Civil Coordinator for Emergency Reconstruction [CCER])—the network of non-governmental organizations and associations formed after hurricane Mitch struck the country in 1998. These scope and features of these organizations are representing in table IV.1 below.

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<sup>136</sup> The three I've chosen to highlight were by no means the only transnational networks that were active in the CAFTA opposition movement. Some others that are worth mentioning, given their high profiles or significant activity in the anti-CAFTA movement, include the Bloque Popular, a broad based coalition of grassroots organizations based in Honduras; the Hemispheric Social Alliance, an anti-free trade organization that developed alongside of the FTAA; and the Stop CAFTA Coalition, a coalition supported by the El Salvadoran justice advocacy organization CISPES. Each of these connected U.S.- and Central American organizations and contributed to the mobilization of opposition to CAFTA-DR through the development and dissemination of information. I have not included these networks because their activities overlap with those of the organizations featured in my analysis.

**Table IV.1 – A sample of CAFTA-DR opposition networks active in Nicaragua**

<i>Network</i>	<i>Scope</i>	<i>Features</i>
Civil Coordinator	Domestic <i>Participants:</i> Approximately 350 grassroots groups, associations and organizations	Umbrella organization <i>Overarching goals:</i> Participatory democracy; Responsible and accountable government implementation of programs for underserved populations in Nicaragua
CID	Transnational <i>Participants:</i> Approximately 20 formal organizations representing: Farmers unions Environmental organizations Trade unions	Network of formal organizations that participated in negotiations <i>Overarching goals:</i> Secure fairer trade agreement; Secure protections for workers and the environment throughout Central America
FMP	Transnational <i>Participants:</i> Between 800-1,300 Nongovernmental organizations, social movements, intellectuals, and individual activists	Forum for anti-FTA activism <i>Overarching goals:</i> Defeat FTAs; Provide viable alternatives to capitalist models of development throughout Central America and Mexico

As discussed in previous chapters, the FMP was convened around the principles of anti-globalization and they remained outside of the negotiation process. The FMP provided a crucial space for members of civil society in Central America to discuss concerns about free trade and advance alternatives to it. This network was born in 2000 when a small group of Mexicans met to exchange ideas about resistance to Plan Puebla Panama (PPP, or sometimes simply Plan Panama)—the large-scale infrastructure development plan proposed by Mexican president Vicente Fox that year. The next

year, this network held a regional meeting in Guatemala that drew approximately 800 people from across the region. This meeting permitted the formation of alliances across issues and place, contributing to the development of an anti-neoliberalism network throughout the region. Convening once a year, this forum has served as an important site for building the alliances that mobilized opposition to CAFTA-DR; indeed, representatives for all of the major opponents to the FTA were in attendance at the 2008 meeting in Managua. That meeting was given the title, “Meoamerica en resistencia... No al neocolonialismo del ‘libro comercio.’”<sup>137</sup>

The CID was a vocal opponent of CAFTA while working to influence the negotiation process. The CID is a Central American transnational network comprised of approximately 20 leading environmental, labor, and farmer/peasant organizations and networks from the region (discussed in the background chapter). Its members believed that working with the states during the negotiation process would produce better outcomes than taking an extreme position (like that of the FMP). The Nicaraguan-based groups and organizations involved in the CID were Centro Alexander Vön Humboldt; Confederación Sindical de Trabajadores – “José Benito Escobar” (CST-JBE); Federación Nacional de Cooperativas Agropecuarias y Agroindustriales (FENACOOOP R.L.); and the National Union of Farmers and Ranchers (UNAG). These are prominent organizations within Nicaragua, and were highly visible in the domestic and regional resistance to CAFTA. The CID worked vigorously to influence the negotiation process at every point, expressing what it considered to be a broad-based grassroots response to CAFTA. However, the CID’s involvement in the negotiating process made it suspect. To maintain

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<sup>137</sup> My source for this is the materials I gathered at the 2008 meeting in Managua; presentations at the forum; and interviews I conducted there.

legitimacy with the rest of the FTA's opponents, it presented its proposals only in public. According to the executive director of the Humboldt Center, "This was how [the CID] maintained [its] autonomy from the state and [its] legitimacy with the rest of Nicaraguan society" (qtd. in Fonseca 2008). Nevertheless, its participation in the negotiating process created tension between its members and other anti-CAFTA-DR organizations and movements.<sup>138</sup> For the most part, the CID's proposals were "directed at political hot potatoes, such as agricultural subsidies, Nicaraguan small and medium farmers' productive limitations, working conditions and environmental standards, as well as the possible dangers represented by patents on generic medicines and biodiversity" (Fonseca 2008).

As discussed in Chapter III, the Coordinadora Civil is Nicaragua's largest network of grassroots organizations. It was formed to facilitate the needs assessment of the country's communities devastated by Hurricane Mitch in October of 1998 and to implement the reconstruction process, but also adopted an agenda of social, economic, and political transformation. Comprised of 21 networks—representing more than 350 national NGOs, social movements, sectoral networks, producer associations, unions, collectives and federations—the Coordinadora Civil sought to establish a process for consensus-based decision-making that reflected the ideals of participatory democracy that

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<sup>138</sup> The existence of tension between the CID and other organizations, networks and movements was relayed to the author in personal interviews in Nicaragua in July 2008. This tension was not attributed with having a serious impact on the organizations' capacities to organize, but the CID's participation in the negotiating process was considered antithetical to anti-neoliberalism, anti-globalization, and anti-imperialism. The CID was provided financial and other support by OXFAM. Some familiar with the organizations involved asserted that OXFAM's participation was strategic. According to my informants, OXFAM didn't expect the CID to be successful, but it wanted the opportunity to be able to advance a critique of the FTA from the position of one that had attempted to work with the state.

emerged during and after the 1979 revolution. Believing in strength in numbers, it called on the national government to not only incorporate its recommendations for building sustainable communities, but also to make government more transparent and accountable to the Nicaraguan people. The Coordinadora Civil learned quickly that despite its strength in terms of numbers, the government—dominated by the PLC and the FSLN—could, and would neglect the network’s demands without suffering repercussions from either the Nicaraguan electorate, or the international community. By the time CAFTA-DR was introduced, the Coordinadora Civil had become a vocal critic of the government and declared its commitment to autonomy from all political parties. By the time CAFTA-DR was submitted to Nicaragua’s National Assembly, the Coordinadora Civil had published a 170-page report on the country’s representation crisis<sup>139</sup> (Karlos 2004).

Given its broad membership and determination to remain a legitimate challenger and alternative to the corrupt politics that were associated with the government in the wake of the PLC-FSLN pacts, the Coordinadora Civil sought to maintain an outsider’s position during the CAFTA-DR negotiations and approval process. It voiced its members’ concerns about CAFTA-DR through a report that provided an analysis of the expected impacts of the FTA on Nicaragua’s environment and the agricultural sector, and consequences of the FTA’s provisions regarding intellectual property and investment (Coordinadora Civil 2004). Its analysis mirrored those of other CAFTA-DR opponents: it expressed grave concerns about the impact of the FTA on the health of Nicaragua’s environment; the ability of Nicaragua’s producers to compete with producers based in the U.S.; and legalization of exploitation of Nicaragua’s resources through the intellectual

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<sup>139</sup> The document is titled: “¿A quienes representan y para quienes legislan los diputados? Crisis de representatividad en la Asamblea Nacional.”

property rights and investment chapters of the FTA. It asserted unequivocally that the Nicaraguan government should not ratify CAFTA-DR, and it called for more research into the possible consequences of the FTA for Nicaragua. It called for a national dialogue in which all affected persons and sectors could participate, and ultimately sought a national referendum on the FTA. In many ways the concerns expressed by the Coordinadora Civil mirrored those of the CID and even the FMP, yet unlike the CID the Coordinadora Civil remained an outsider, and unlike the FMP the Coordinadora Civil encouraged more research into the FTA and left open the possibility that a more favorable trade agreement with the U.S. could be obtained. Its position reflected closely that of Costa Rica's biggest anti-CAFTA political party—the PAC.

Some groups and organizations within these networks were very active on their own voicing their critiques of the FTA. The biggest interest groups opposed to CAFTA-DR—those with the largest membership—were farmers' organizations. Farmers were among those expected to be hardest hit by CAFTA. When CAFTA was being negotiated, FENACCOOP—which represented 915 farmers cooperatives at the time—and the National Union of Farmers and Cattle Raisers (UNAG)—which represented 70,000 farmers and cattle raisers at the time—demanded that the asymmetry between U.S. and Central American agricultural sectors be factored into the FTA. This meant excluding sensitive products, such as rice, corn, and beans. Writing on behalf of FENACCOOP (in October 2003), Cáceres, one of the organization's negotiators stated the organization's interests, strategy, and position as follows:

We've used an obvious political argument to fight for exclusion of these three products and guarantee our food security: 250,000 families in Nicaragua will be ruined if rice, beans and maize are included in CAFTA, and that would create tremendous destabilization. It would end up making the region unapt [sic] for



business, both for us and for the United States.

FENACCOOP has gotten involved in this negotiation precisely to defend the production of those three basic grains. While we've sought to strengthen our position by making alliances to add other producers and contributing on other issues, the heart of our strategy is to defend the basic food of the majority of Nicaraguans. This isn't an easy fight. Right up to this most recent round in Managua, the United States has expressed willingness to exclude white maize from the negotiations, but not rice or beans. (Cáceres 2003)

This passage reflects the strong presence of conventional interest groups in the opposition, and their rationale for participating in it. The Nicaraguan producers claimed that the subsidies afforded U.S. agricultural producers meant that they could sell their goods in the Central American market for up to 60% below production costs in Central America (Cáceres 2003; Wahlberg 2004). Moreover, many of the cooperatives and dairy farmers represented by these organizations produced for local consumers, not for export. The FTA would therefore not only undermine their existing business, but also fail to assist them. The plight of Mexican farmers was frequently invoked in the resistance movement to make this point: CAFTA, like NAFTA, would lead to the unemployment and dislocation of thousands of small farmers forced to compete with the highly subsidized, more technologically advanced, and wealthy U.S. agricultural producers.

The environment figured prominently in the opposition to CAFTA-DR in Nicaragua even though it lacked strong interest group representation. Like NAFTA, CAFTA-DR was considered a threat to the environment by opponents because it would encourage unsustainable—and unhealthy—development in a country with lax (relative to developed countries) environmental laws, and little capacity to enforce them. Moreover, CAFTA-DR opponents were concerned that the FTA's provisions protecting investors' rights would subordinate Nicaraguans' rights to decide how natural resources should, or should not be developed. In particular, opponents of CAFTA-DR expressed concerns

that CAFTA-DR would result in indiscriminate logging; the privatization of water; the exploitation and destruction of the region's biodiversity through the patenting of plants and other organisms; and significant increases in pollution as a consequence of increased industrial development (Coordinadora Civil 2004; personal interview with Centro Humboldt employees). Indeed, the increased access to Nicaragua's natural resources granted by CAFTA-DR led many opponents to characterize the FTA as a "re-colonization" of Central America.<sup>140</sup> Although these issues lacked many or strong interest groups, there was potential for mobilizing people around these issues.<sup>141</sup> However, doing so proved difficult given the limited capacity of the opposition movement.<sup>142</sup>

Some opponents also vehemently opposed using Nicaragua's foreign debt as a justification for CAFTA-DR. While the foreign lenders like the World Bank, IMF and U.S. government argued that the terms of the FTA were favorable for reducing the country's poverty by helping alleviate national debt, many opponents believed the debt should be forgiven given the country's history of exploitation by the North and its grinding poverty (Phipps 2004; Jubilee South Web site). The terms of the FTA that worried many opponents were its provisions protecting intellectual property rights and investments in natural resources. Some immediate concerns for opponents were the

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<sup>140</sup> The "re-colonization" of Central America was a theme at the 2008 FMP meeting in Managua. The phrase was also used in anti-CAFTA-DR materials produced in the U.S., such as those published in the *Multinational Monitor* (Ricker 2004) and others.

<sup>141</sup> For example, Nicaraguans I spoke with who had heard of CAFTA and believed it to be bad for Nicaragua didn't cite the environment as a reason. At the same time, they would complain about the pollution, and express concerns about the loss of the country's trees.

<sup>142</sup> One long-time NGO worker told me that the "environmental organizations here come and go with funding."

mechanisms in CAFTA-DR that encouraged—if not guaranteed—privatization of water and extended protection of patented pharmaceuticals. The former would surely mean that a vital public resource would become controlled by an outside interest, over which Nicaraguans would have no control. The latter would make generic medicines more expensive or cost-prohibitive for most Nicaraguans, resulting in grave—and inhumane—health problems for many of Nicaragua’s poor citizens (Dickerson and Iritani 2005). As with the environmental concerns identified above, outcomes such as these were equated with an extension of colonial-era power structures. Opponents characterized them as not simply unbalanced, but unjust.

To be sure, the perceived failures of past structural adjustment programs and neoliberalism in general, perceptions of the impact of NAFTA on Mexico and Central America, the history of U.S. imperialism, and persistent inequality and poverty inspired many in the opposition to commit themselves to the FTA’s defeat. A common theme was that Central America and Nicaragua was “up for grabs” in the FTA development process. As the leader of FENACOOOP put it, “We have to remember that our room for maneuver as a region is very limited and at times we feel that all we’re defining [at the CAFTA negotiating table] is whether we’re committing suicide or will die a natural death. It’s that crude” (Cáceres 2003). The self-perception of their country as small and weak was often coupled with assertions by Nicaraguans that they could, and ought to have the power to, determine their own destiny (which CAFTA would prevent).<sup>143</sup> At the same

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<sup>143</sup> Nicaraguans exhibit support for both sovereignty and solidarity. This was made apparent to me at a rally honoring the 29<sup>th</sup> anniversary of the revolution. The rally, held in central Managua, was attended by tens of thousands of Nicaraguans, many of whom came from the countryside. Featured speakers included Daniel Ortega, his wife, and heads of state and other high ranking political officials from other Latin American

time the movement actors decried unjust power relations and advocated alternatives to a NAFTA-style trade agreement, those alternatives remained elusive.

Statements from opposition movement actors and sympathetic observers indicate that Nicaragua's dependency on outside assistance complicated matters for the movement actors. It did so by virtue of the fact that the civil society organizations and the government depend on outside financial assistance, even as they express a desire for the country to be less dependent on this assistance. As is made evident in the passages below, getting there seems impossible—though worth trying. These tensions, however, made mobilizing and organizing around a common vision difficult. CAFTA-DR's opponents accused the government of lacking vision for significant change in Nicaragua's trajectory, while at the same time expressing a willingness to adapt to the FTA so long as sufficient assistance was provided.

The FTA was seen—by not only potential producers, but also citizens, politicians, and NGOs—as an important opportunity for development assistance. The ruling party and those that participated in the side room negotiations were fully aware of—and even participated in the shaping the terms of—this assistance. As FENACOOP's Cáceres (2003) asserted:

Another important issue that must be resolved is that of development aid. If we're agreeing to eliminate tariff barriers in five, ten, twelve, fifteen years, it's because we need protection before those deadlines, with the logic that we will be in a different and better situation with respect to competitiveness, product diversification and stability. We clearly need cooperation to get us from our current situation to the position we need to be in when the deadlines agreed to in the baskets [of protected goods] come into effect, because Central America's economies aren't currently capable of competing with these products at unprotected prices.

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countries, including Cuba, Venezuela, Honduras, and Bolivia. They rallied the crowd by praising both national sovereignty for, and solidarity among, the Latin American states.

Cooperation is—or should be—complementary to CAFTA so that the agreement truly generates development. We’ve taken the official negotiators at their word and said to them: a free trade agreement can effectively be an instrument that promotes our development so long as we also have financial, technical and material resources. If not, it will only serve to further disarticulate our weak economies. (Cáceres 2003)

This passage calls attention to the variety of perspectives represented by opposition movement actors. Unlike critiques that dominated at the FMP forums, the above passage reveals not a critique of the model of trade, or even trade between rich and poor countries. Instead, it demands that the inequality be addressed through what has become an established method—financial assistance from the North to the South.

Even though FENACOOOP did not suggest that FTAs need to be replaced with fundamentally different visions for development, it did call for a Nicaraguan vision for development, and cautioned against allowing CAFTA to be the guiding force in development. For example, Cáceres decried the lack of discussion of Nicaragua’s National Plan, asserting that “there’s no way you can discuss a free trade agreement as a development instrument if you’re not clear about the development strategy into which it will be inserted. In this context, the risk is that CAFTA itself will become Nicaragua’s development strategy rather than one instrument of it...” (2003). This statement once again indicates a willingness within the anti-CAFTA-DR movement to embrace trade. At the same time, it reflects the distance between civil society and the state. Here, FENACOOOP is faulting the government for not providing any leadership on a development agenda. Although civil society organizations were consulted, they were not made meaningful partners in the National Plan development process.<sup>144</sup> As one observer

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<sup>144</sup> As discussed in Chapter II, the National Plan was developed as a requisite for receiving assistance from the IMF, World Bank, and the United States.

commented later when comparing Bolaños to Ortega, who would succeed Bolaños, “The Bolaños government at least pretended to consult civil society organizations on matters of public policy, whereas the Ortega government doesn’t even go through the motions” (Bendaña 2009). Members of the CAFTA-DR movement saw the National Plan development process as an opportunity for dialogue over the country’s future, but as is made clearer below, the state did not.

The call for Nicaraguans to develop their own model for development emerged from outside the movement as well. In their article “A Disempowering Fetish,” Peter Marchetti S.J., and René Mendoza V. diagnose and offer some prescriptions for moving beyond what they view as a reactionary, facile, and ultimately detrimental “No free trade” mantra. Like others critical of CAFTA, they see CAFTA as an outgrowth of Nicaragua’s history of colonialism, and then domination by the United States. But they argue that the resistance must do more than simply reject the model; it must become a force for change. The failure of actors in the resistance to devote energy to alternatives is disempowering: “Although the complaints against CAFTA or demands for a different CAFTA are correct in terms of ethics and efficiency, they leave Central and South America waiting for a change in the U.S. positions.... Rather than reacting like a traditional NGO seeking to put out fires as soon as they break out, we need to ... place ourselves in the context of globalization and identify our own model of accumulation” (Marchetti and Mendoza 2005). Not one unified vision emerged from the CAFTA-DR opposition, though many agreed with this statement. As will be made clearer below, the opposition movement did not receive much support from members of political society. The political leadership would approve the FTA with little debate.

The concerns expressed by Cáceres, Marchetti and Mendoza, and many others in the opposition movement were not as much about the erosion of existing institutions, as they were in Costa Rica. Instead, the Nicaraguan opposition movement saw CAFTA-DR as a threat to possibilities. Moreover, they tried to use CAFTA-DR to advance ideas for transforming existing or creating new institutions that would promote development that benefits the majority of Nicaraguans, including members of their organizations. While this was an immediate response to CAFTA-DR, it also addressed problems related to the pact-making between the two dominant parties and what many saw as a crisis in national government. They raised concerns about Nicaragua's sovereignty, and worried that the new institutions mandated by CAFTA-DR would undermine efforts to improve democratic representation, particularly transparency and accountability. These concerns reflected allegiance to the ideal of participatory democracy, as well as disaffection from the FSLN. The fact that opposition to CAFTA-DR in Nicaragua emerged in part from a lack of democratic institutions in both civil and political societies sets it apart from the opposition in Costa Rica, where resistance was based in part on protecting those institutions.

These members of the CAFTA-DR opposition movement articulated a critique of the failures of the recent and current governments, and national leaders to take into account the desires and demands of Nicaraguan citizens. Cáceres closes his article praising Nicaragua's team of CAFTA negotiators, and states that "It's just a shame that it represents a government so removed from the people." From FENACOOOP to the Coordinadora Civil, members of the resistance movement articulated a vision for citizen-led, grassroots, consensus-based decision making as an alternative to the recent and

extant model of governance. The state and even international financial institutions identify civil society as a partner in development. Indeed, Nicaragua's National Plan indicates support for civil society and a commitment to improved democratic institutions. However, the visions for participatory democracy held by members of the opposition movement, and the vision of civil society presented in the National Plan and supported by the World Bank, USAID, and others, are very different. Members of the anti-CAFTA campaign sought a greater role for civil society in the decision-making processes that affect them—something seen as particularly necessary given that the existing institutions are not facilitating this and the current leadership is not representing them.

Although the FMP, the CID, and the Coordinadora Civil and other prominent non-governmental organizations mobilized opposition to CAFTA-DR, Nicaragua's anti-CAFTA coalition did not mobilize nearly as many people as did Costa Rica's. While the FTA was being negotiated several demonstrations in Nicaragua drew crowds ranging from several hundred to several thousand people. From June 3-4, 2003, over 600 people representing citizens' organizations from the region convened in Managua for a two-day strategy session on CAFTA. The meeting coincided with a round of official CAFTA talks, and protests were held in front of the hotel where the talks were conducted (Hansen-Kuhn 2004). On September 22, 2003, several thousand Nicaraguans representing unions, women, youth, farmers, environmental and other citizens' organizations gathered in Managua to protest the official CAFTA talks being held there (Hansen-Kuhn 2004). This protest came on the heels of the world trade talks held in Cancun just a few days earlier; the talks in Cancun broke down as developing nations (the G21) maintained a united front against the U.S. and the E.U. which refused to cut



agricultural subsidies to their own farmers. These protests demonstrate the linkages between the domestic anti-CAFTA coalition and the regional and even global resistance to economic domination by the U.S. and other developed countries, and the financial institutions that they established and which are perceived to represent the industrialized countries' interests (and not those of Nicaraguans).

Protests continued in Nicaragua after the FTA was signed by President Bolaños and prior to its approval by the National Assembly. In September of 2005, the Coordinadora Civil organized a protest expected to turn out around 20,000 people (Rowling 2005). Instead, only about 4,000 people showed up (Harman 2005). Trade unions and the National Association of Agriculturists and Livestock Producers (UNAG) were among the many civil society organizations that participated in the protest. This would be the last large domestic demonstration against the FTA in Nicaragua. The National Assembly voted to approve the FTA the following month.

The various positions, goals and objectives held by members of the CAFTA-DR opposition movement reflects a broad base of opposition to the movement as well as divisions among the opposition members. A review of some of the claims from the anti-CAFTA movement members reveals an array of perspectives on trade, but a shared distrust and dissatisfaction with their national government. Member of all three networks discussed here—the Coordinadora Civil, CID, and FMP—appealed to anti-globalist, anti-capitalist, and anti-imperialist sentiments. At the same time, members of the Coordinadora Civil and CID recognized the FTA as an opportunity for achieving specific goals and objectives, such as protections against imports, environmental regulations, and protections for workers. Some members of the opposition even accepted deeper

economic integration, and wanted more U.S. support for the implementation of the FTA. While members of the Coordinadora Civil and the CID participated in the meetings of the FMP, the FMP was primarily a site of opposition to free trade in general. These differences among the members of the opposition most certainly presented challenges to coordination and mobilization of citizens.<sup>145</sup> However, diversity of interests and ideas among opposition members can contribute to the strength of anti-trade movements; as I show in the following chapter, a much larger anti-CAFTA-DR movement emerged in Costa Rica and it too was comprised of a multitude of interest and ideas. The variation in the two countries' movements can be traced to the under-institutionalization of civil society in Nicaragua and the increased concentration of power among the two dominant parties there. These were evident in the divisions among the opposition movement members in Nicaragua and their limited engagement with political society. The nature of the institutions and relations between political and civil societies reflects a tension between historic development processes and the partially successful efforts by members of each group to transform the nature of the state in recent decades.

### **Section III: Nicaragua's political society at the time of CAFTA-DR's introduction**

Several sources of data on Nicaraguans' attitudes toward and participation in political parties provide some indication of the quality of the country's civil-political society linkages. The results of the 2006-2007 Latin American Public Opinion Project (LAPOP) survey provide mixed results on the comparative strength of civil-political society linkages in Nicaragua (Seligson 2008). For example, while nearly half of all Nicaraguans identify with a political party, only about one-third of the respondents

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<sup>145</sup> Personal interview by author with members in the anti-CAFTA-DR movement. See also Finley-Brook and Hoyt (2009).

surveyed trust political parties. These data also reveal that Nicaragua is a highly polarized country—with most respondents identifying with political parties that are on the far right or far left of the political spectrum. At the same time, the corruption scandals involving national politicians and the formation of pacts between the two largest party's leaders prior to and following CAFTA-DR's introduction reveal that political elites in Nicaragua have succeeded in breaking the law and ignoring public condemnation of their behavior with impunity. The events described here provide qualitative evidence that despite the influence of the Sandinista revolution and the existence of democratic institutions, personalistic politics and abuses of power by the leading parties remain common.

In Nicaragua, when formal negotiations for CAFTA-DR began (January 2003), the nation was still grappling with the consequences of *el pacto*, the 1999 pact between the dominant and ostensibly rival parties' leaders—Daniel Ortega of the leftist FSLN's (Frente Sandinista de Liberación Nacional, or Sandinista National Liberation Front) and Arnoldo Alemán<sup>146</sup> of the conservative PLC (Partido Liberal Constitucionalista, or Constitutionalist Liberal Party). The collective attitude of Nicaraguans toward their national government was increasingly negative. The political pacts combined with the flagging economy are attributed with decreases in support for the political system during the first decade of the twenty-first century (Hegg, Venerio and Seligson 2007). For many citizens, both the pacts and the poor economic performance were indicative of a national political elite out of touch with citizens. As Marchetti asserted in 2002, "In Nicaragua,

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<sup>146</sup> Alemán served as president of Nicaragua from January 10, 1997 – January 10, 2002. He was preceded by Violetta Chomorro, of the UNO (National Opposition Party, or Unión Nacional Opositora) party, who was elected on April 25, 1990. He was succeeded by his vice-president, Enrique Bolaños, who served as president until January 10, 2007.

many people are praying for some miracle that would eliminate the two protagonists of the infamous Ortega-Alemán pact from the political game.” At the end of 2002, it appeared that Nicaraguans’ prayers might come true. By then, Enrique Bolaños, Alemán’s successor (and member of his party at that time), had achieved some success in this regard by permitting corruption charges against Alemán (and other allegedly corrupt officials in his party) to be investigated. Support for Bolaños within and outside of elite circles was short-lived, however, as politics as usual continued, and the country’s economic situation only worsened. The final vote on the CAFTA-DR became embroiled in a crisis of governance that stemmed from power struggles between Bolaños and members of the PLC and the FSLN.

For years, Alemán had been fighting charges that he had embezzled millions from aid to the Nicaraguan government and funneled the money into his own estate. His position as a member of the National Assembly had granted him a shield of immunity that could only be removed by a majority of Assembly members.<sup>147</sup> On December 12, 2002, the Assembly voted 47-0 to revoke his protection. Thirty-eight of the votes were from FSLN members, and 9 came from Alemán’s PLC; the remaining 35 PLC members walked out of the chamber before the vote. Some of the defectors burned tires in the street in protest, claiming that Alemán was a great man, as great a man as Anastasio Somoza. A telephone poll conducted by *La Prensa* found that 77% of respondents

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<sup>147</sup> According to constitutional reforms adopted in 2000, both the former president and vice-president are also representatives (the former by entitlement and the latter as an alternate), as are the second place finishers of the presidential and vice-presidential candidates from the same election.

supported the vote.<sup>148</sup> Alemán appealed, but the appeal was denied. On December 22, 2002, two judges found him guilty of crimes of fraud and conspiracy against the state, for \$1.3 million taken from the state-owned TV channel, and for money laundering involving as much as \$97.2 million stolen from the government and hidden in foreign bank accounts. Nevertheless, Alemán was not sent to jail, but instead was sentenced to house arrest (NotiCen 2003).

Alemán's conviction did not put an end to the corruption and deal-making among members of the assembly. While it appeared that Bolaños was turning over a new leaf, *El Nuevo Diario* reported that Alemán's light sentence was brokered by Bolaños and was supported by Daniel Ortega. Bolaños brokered the deal to reunify his party; he needed to regain support of PLC deputies that had become "Arnoldista" hard-liners during the recent campaign (NotiCen 2003). However, following Alemán's conviction, Bolaños was kicked out of the PLC. Bolaños responded by helping to form another political party, the APRE (Alianza por la República, or Alliance for the Republic), which included a handful of other dissident members of the PLC and the Conservative Party (PC). Even though Alemán was no longer in power, he was known to wield it from his house, where he would remain under house arrest for years to come.

At first, Bolaños' attention to the corruption allegations and Alemán's conviction were welcomed by the public. However, feeling the effects of a flagging economy, citizens increasingly voiced dissent with the Bolaños' government's attention to corruption. In June of 2002, the Nicaragua Network reported that "a groundswell of disaffection concerning the Bolaños administration's priorities is beginning to make itself

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<sup>148</sup> It should be noted that this poll surveyed mostly urban dwellers, and Alemán's supporters live in the countryside and most likely were not included in the poll.

felt,” and quoted a street vendor as saying “To be anti-corruption is fine, great!... But, once again, this whole mess tends to be the elite preoccupied with itself. What difference is throwing Byron Jerez [former head of the tax revenue office] in jail going to make to the likes of me or Nicaraguans like me?” (Nicaragua Network 2002). Members of the FSLN also decried the attention to corruption and called for making the economy a priority. Despite the widespread disaffection with corruption, it was proving increasingly difficult for Bolaños to focus on it. Victor Tirado López, formerly a member of the Sandinista leadership, was reported as saying “the government needs to give at least as much time, publicity and resources to re-building Nicaragua's economy as it does to fighting corruption. Yet, to date, we still await even the outlines of a coherent economic plan.” Furthermore, according to the Nicaragua Network report, former Foreign Minister Emilio Alvarez Montalván declared that regardless of the president’s agenda, Bolaños was “ ‘set fair’ for collision with the country's ‘caudillos’ (strong men). ‘That's Nicaragua's tradition....Whatever Bolaños tries to do, he'd better be ready for major confrontations with vested interests” (Nicaragua Network 2002). While Bolaños pursued Aleman’s conviction, members of the FSLN continued to use the economy to criticize the Bolanos’ administration. At the end of 2002, Walmaro Gutierrez, speaking for the FSLN and for most other critics, stated “I see no sign of [economic] advances. What we have here is simply a smokescreen. Certainly the fight against corruption has been something; however, it obscures the fact that, despite its promises, this government has been completely unable to get the country moving again. In health, education, transportation, public services, everywhere the story is the same. Jobs down, prices up. Not only has the country not progressed, in fact it's gone backwards” (Nicaragua Network 2003).

Thus, when CAFTA-DR was introduced Nicaraguans were dissatisfied with government and the economy. The PLC was in power, and the FSLN remained the primary “opposition” party. The meaning of opposition, however, was ambiguous, given the series of pacts between Alemán and Ortega, and the political and the national crisis that followed Alemán’s conviction. Although Alemán was under house arrest, members of his party remained faithful to him and sought to unseat Bolaños. Through negotiations with Ortega and the Sandinistas, members of Alemán’s party advanced constitutional reforms in 2004 intended to weaken the president’s power, and to strip members of Bolaños’ party of immunity from criminal prosecution. The reforms also included a constitutional revision that would eventually permit Ortega to win the presidential election in 2006. (Ortega had run for president in previous elections but lost each time, earning only about 40% of the vote.) Ortega offered to grant Alemán immunity (and then a pardon if necessary) in return for providing the votes necessary to change the electoral law so that the presidency could be won with a smaller percentage of the popular vote; the Assembly agreed to change the threshold from 45% to 35%.

The deal-making lead to a national crisis in governance, which precipitated the intervention of the Organization of American States (OAS) and the United States government. The constitutional reforms adopted by the PLC-FSLN controlled National Assembly not only transferred significant power from the executive branch to the legislative branch, they also threatened Bolaños’ term in office by stripping the president of immunity from criminal investigations. Bolaños responded by calling on the OAS for protection from what he claimed was the beginning of a coup attempt. The OAS investigated but didn’t find anything to support Bolaños' claims. Bolaños then made a

live television speech (in which he was flanked by the heads of the army and police) and declared that “A constitutional coup d'etat is being planned, something that would mean the return of another collective dictatorship, a dictatorship with two heads but still a dictatorship. Watch out!” FSLN and PLC spokespersons responded that it is the president who is acting like a dictator (Nicaragua Network 2004). Then, on January 6, 2005, the justices of the Central American Court of Justice ordered the Nicaraguan National Assembly to suspend the second round of legislative ratification of the recently passed constitutional reforms.<sup>149</sup> The Organization of American States supported the Central American Court’s ruling; the Nicaraguan Supreme Court declared it invalid, and declared that the National Assembly’s actions were constitutional.

The involvement of outside organizations only heightened the political tension. In its statement regarding the stand-off between the executive and the National Assembly, the OAS stated that any “serious disagreement between the main state powers of a country in the continent was of great importance for the whole hemisphere,” suggesting that the OAS would consider intervening in the matter (Nicaragua Network 2005a). The PLC and FSLN received this as a threat to national sovereignty. At a press conference hosted by the parties, Ortega read a declaration written by himself and Alemán, stating that “any intervention from outside in national matters which should be resolved by the Nicaraguans themselves in accordance with the country's status of a sovereign republic would be totally inappropriate. As we have seen in the past, outside

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<sup>149</sup> Bolaños had sent an appeal to the Central American Court challenging the actions of the Nicaraguan National Assembly. Constitutional amendments must be passed in two successive National Assemblies. The old Assembly passed the amendments that weakened the executive and threatened Bolaños personally. If the new Assembly were to pass the amendments again, they would become part of the constitution.



intervention has only brought disgrace and pain to our country” (Nicaragua Network, January 2005a). Concerned that the impasse and associated mounting tension could escalate into violence, the United States and international organizations supported the Nicaraguan leaders’ willingness to engage in a “national dialogue” for reaching some kind of agreement. The dialogue—which consisted of talks among representatives from the PLC, FSLN, and Bolaños’ party—culminated in no permanent solution. The Assembly ultimately agreed to guarantee that Bolaños could serve his entire term, and decided that the constitutional matters should be voted upon by the Assembly following the next elections.

The vote on CAFTA-DR would become entangled in this power struggle between Bolaños, Ortega, and Alemán, and their parties. As tensions between the executive and the National Assembly mounted, the passage of CAFTA-DR began to appear unlikely. In May of 2005, the PLC announced that it would not vote to ratify CAFTA-DR unless the Bolaños government offered legislation to protect labor rights and vulnerable workers in the agricultural sector. This was an indication that the PLC had heard some of the demands from its political base, which is mostly rural. Moreover, the PLC had announced it wanted to wait to vote on the FTA until the U.S. Congress had voted on it, which was looking unlikely at that time.<sup>150</sup> This indicated that CAFTA-DR was not something the PLC party members were eager to support, suggesting further that it was aware of the unpopularity of the FTA (without the support of the PLC and FSLN, Bolaños could count on no more than eight votes in favor of the FTA) (Nicaragua

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<sup>150</sup> At this point, CAFTA-DR’s passage in the U.S. House of Representatives appeared unlikely; it ultimately passed, but only after the voting period was extended, and the Bush Administration delivered favors to Republicans in exchange for their support.

Network 2005f). In early September 2005, Peter Brennan, trade officer at the US embassy, told the press, “The US would not think well of an Assembly decision to remove any member of the executive branch. Nor would it look well on the non-passage of DR-CAFTA legislation. The US has invested so much in Nicaragua.... [W]e would not like to see damage done to the economic progress that has been made” (qtd. in the Nicaragua Network 2005g). By then the permanent counsel of the OAS had issued a declaration that supported the Bolaños government; it declared that “any action that could aggravate further the political crisis in Nicaragua be suspended” and it declared that should the situation worsen, it was prepared to call an emergency meeting of the OAS General Assembly and foreign ministers from across the continent to discuss possible measures to isolate Nicaragua (Nicaragua Network 2005g).

The PLC responded with threats that if Bolaños didn’t commit to making changes to Alemán’s sentence, it would withhold support for CAFTA-DR. On September 7, 2005, The Coordinator of the PLC bench in the National Assembly, Enrique Quiñonez, announced that the PLC would not pressure the Sandinistas to put CAFTA on the Assembly’s agenda. By this time, the PLC had conditioned its deputies’ “yes” votes on CAFTA on the executive branch's acceptance of the Supreme Court ruling to grant Alemán “family life regime,” a conviction status that would give him substantially more freedom than house arrest afforded him. “Bolaños is playing ping pong with someone who represents so much for our party, our leader Arnaldo Aleman,” said Quiñonez (qtd. in the Nicaragua Network 2005g). At the same time, the FSLN party member and Assembly President Rene Núñez stated that her party was ready to approve a set of parallel laws to protect the sectors which would be most affected by CAFTA-DR before

bringing it to a vote. Again, this move by the FSLN leadership demonstrates that state actors anticipated CAFTA-DR would have adverse impacts on certain segments of society, and they were prepared to try to mitigate them. While the PLC's intransigence indicated the possibility of CAFTA-DR's defeat, the FSLN's willingness to facilitate CAFTA-DR's passage revealed that CAFTA-DR opponents couldn't count on there being any true opposition to the FTA within the National Assembly. With this, members of the opposition indicated that "the only hope for those opposed to the unfair deal [CAFTA-DR] is that President Bolaños and the PLC do not come to an agreement on the terms of Arnoldo Alemán's imprisonment soon" (Nicaragua Network 2005g).

Initially, Ortega was a staunch opponent of CAFTA-DR. When CAFTA negotiations began in January of 2003, he declared "We are going to strongly demand that the government and the international organizations change the rules, because we do not accept the way it is being presented now." He also noted that the United States subsidizes its farmers and "in that way they produce a cheaper product with which our small farmers cannot compete" (Nicaragua Network 2003). In April of 2005 Ortega told a crowd of several thousand gathered to protest the treaty in Ticuantepe (20 km south of Managua) that the FTA would create "a real social earthquake [by putting] thousands of agricultural producers" out of work (World War 4 Report 2005).<sup>151</sup> In September of 2005 he was quoted by the *Christian Science Monitor* as saying "Bush is taking up CAFTA because it is his way of keeping central America from looking south" (Harman 2005), implying that the FTA would prevent Nicaragua from joining forces with Venezuela or

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<sup>151</sup> The FTA served as a rallying point during his campaign; he was already campaigning for the 2006 presidential elections before CAFTA had been ratified by Nicaragua's national legislature.

other radical Leftist governments. As this and similar statements indicate, CAFTA was an opportunity for Ortega (and others) “to express other issues...not only as a way to oppose the U.S., but to gain political leverage” (Jacobstein qtd. in Harman 2005). That month Ortega participated in the Coordinadora Civil-organized march against CAFTA that drew approximately 4,000 people.

Ortega’s position wasn’t nearly as steadfast as he projected it to be. On October 10, 2005, Ortega, serving as head of the National Assembly,<sup>152</sup> permitted a vote on CAFTA-DR, knowing that it would pass at that time. The National Assembly voted 49-37 in favor of the FTA after five hours of debate. All 37 “no” votes were cast by members of the Left. That same day, Ortega met with then President Bolaños to negotiate the dissolution of another FSLN-PLC agreement. It appeared that Ortega’s stance was inspired by a recent visit by U.S. Deputy Secretary of State Zoellick, who stated publicly that business in Nicaragua would suffer if the FSLN and PLC did not dissolve the pact. On October 5, 2005, Zoellick told Nicaraguan business leaders gathered in Managua that their “opportunities ... to continue doing business with the United States ... will be lost” if they supported political parties trying to unseat Bolaños before the regularly scheduled elections to be held the following year (Brinkley 2005). Zoellick also met with politicians who claimed to oppose the efforts to unseat Bolaños. Members of the PLC later indicated that they were backing away from their alliance with Ortega and the Sandinistas. In referring to the pact, Zoellick stated that “I think there is a genuine public movement that suggests that a wide spectrum, a large number of people, have reacted quite negatively to the pact” (Brinkley 2005). Mr. Zoellick’s visit right

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<sup>152</sup> Rene Nunez, who was serving as National Assembly President, was away at the time.

before the CAFTA-DR vote cannot be discounted as a factor in the vote on the FTA. But threats from the U.S. cannot explain the domestic politics surrounding CAFTA-DR in the years and months leading up to the vote.

The National Assembly's vote on CAFTA-DR cannot be divorced from the domestic politics described above. From the events reviewed above, it is apparent that CAFTA-DR's fate in the National Assembly was tied to domestic power struggles among the political elite. The outcome of the Nicaraguan elections the following year indicate that the influence of the U.S. in Nicaragua is limited in some ways. The U.S. warnings that it would discontinue support for Nicaragua if Ortega won would not keep him out of office. In September of 2005, Roger Noriega, the Bush administration's outgoing top envoy to Latin America (who has called Ortega a 'hoodlum'), told the Managua newspaper *La Prensa* that if the Sandinistas returned to power, Nicaragua would "sink like a stone and reach depths such as those of Cuba" (qtd. in Harman 2005a). Ortega won the 2006 election with 38% of the popular vote.

As the slim margin of victory indicates, Ortega was not returned to office by a majority of Nicaraguans. The victory was made possible by the constitutional changes brokered by the PLN and FSLN, and Ortega's control of the FSLN. Chomorro (2009) describes the conditions which gave rise to Ortega's victory and his party's strength as follows:

Nicaragua's resurgent FSLN did not come from a coalition of growing social movements, but rather from an electoral machine that maintains a privileged relationship with its constituent social groups and, thanks to the beneficial pact made with the PLC, has significant influence on state powers including the Supreme Electoral Council, Supreme Court of Justice, and Inspector General. Ultimately, Ortega's victory cannot be attributed to a mass endorsement of his stance against the neoliberal policies of his predecessors, as the majority of poor voters in Nicaragua—six out of every ten—voted against Ortega. (3)

This description of Nicaragua prior to Ortega's victory calls attention to the gap between the many members of the CAFTA-DR opposition and their supposed ally in the National Assembly. Despite his rallying against the FTA, Ortega was not on the same side as many who mobilized against the FTA. As is made clearer below, he was and remains more foe than friend to many of Nicaragua's civil society organizations.

The domestic politics surrounding CAFTA-DR reflect not just Nicaragua's vulnerability as a small state, but also coordination problems within civil society. These are related to a lack of mechanisms for members of civil and political society—other than those affiliated with the two dominant parties—to exert pressure on the state. The U.S. played a role in CAFTA-DR's passage, just as it has played a role in many significant political and economic developments in Nicaragua for nearly two centuries. Similarly, these interventions have shaped the conditions in which members of the Nicaraguan state, political, and civil societies relate to one another. However, these relations cannot be reduced to outside intervention alone.

#### **Section IV: Domestic institutions and CAFTA-DR's passage**

In this section I argue that the politics surrounding CAFTA-DR reflect the domestic political context of Nicaragua, and that features of it facilitated passage of CAFTA-DR. The politics surrounding CAFTA-DR reflect pre- and post- revolutionary patterns of engagement among political elites and between political elites and members of society. Strong party ID among many Nicaraguans and the recent pacts help explain why the country can continue to be run by elites of the two dominant parties. In this section I show that particular institutions—both formal and informal—maintain the distance between civil society organizations and political parties. Despite strong party

ID, citizens are dissatisfied with the parties and their government, which many view as corrupt and out of touch with citizens. These features of Nicaragua's political culture have only served to embolden state actors and weakened the position of opposition political parties and civil society actors opposed to CAFTA-DR.

State-civil society relations in Nicaragua reflect the long-standing concentration of power within the office of the executive branch of government, as well as *el pacto*—the recent PLC-FSLN reforms that concentrate power within the two dominant parties and that limit pluralism. Even though the 1987 constitution established by the Sandinistas (and to some extent, constitutions that came before it) enshrined the formal distribution of power among the executive, legislative, and judicial branches of government, *in practice* the president had the capacity to limit and even subordinate the other branches (Hegg 2003). The existence of a presidential system of government with broad formal powers is associated with “the political culture of the elites, which have a strong tendency toward unipersonal and authoritarian governance” and is attributed to the success of regimes such as the dynastic dictatorship of the Somozas (1936-1979) and the Sandinista revolutionary government (Hegg, Venerio and Seligson 2007, 5). While the Sandinistas benefited from this legacy, they initiated a transition toward power-sharing with the legislative branch that would be pursued throughout the 1990s and early 2000s. The reforms of 1995 are generally viewed as a success in this regard, while the political reforms of 2000 and 2004—the product of *el pacto*—are viewed with skepticism and are considered a threat to democracy (Close 2004).<sup>153</sup>

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<sup>153</sup> The primary reforms of 1995 included the following: the transfer of the president's power to levy taxes to the National Assembly exclusively; the granting of power to the National Assembly to approve international treaties and agreements signed by the

The reforms of 1995 were the product of consensus within the National Assembly, while the reforms of 2000 were the product of deal-making between the two major parties that have served to strengthen the two major parties. Most notable in this regard are the reforms associated with changes in the electoral system, which give major parties more representation on the Supreme Electoral Council and Vote Receiving Boards.<sup>154</sup> While the reforms may ultimately have the effect of reducing volatility in the party system and promoting governability, citizens and political observers view the reforms as a threat to the legitimacy of Nicaragua's political system (Close 2004).<sup>155</sup> According to Hegg, Venerio and Seligson (2007), the 2000 pact was "seen by a wide

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president of the republic; the crafting of regulations against government corruption; greater control of the national budget, and other regulations to prevent immediate re-elections, dynasties, and nepotism. The reforms strengthened the judicial branch by establishing a minimum annual budget of 4% of the national income and granting it autonomy from the other branches. The reforms also strengthened the municipalities by guaranteeing funding from the central government, and full political, fiscal, and administrative autonomy. The reform was also favorable to the autonomous regions of the Caribbean by granting them, among other things, veto power over any concession of their natural resources to the central government if their own autonomous governments did not support such concessions. Along with this the Council of Economic and Social Planning (CONPES) was established as an authority that would monitor the effects of government policies on civil society. These constitutional reforms were accompanied by electoral reform that was very favorable to political pluralism and to the wide participation and representation of the country's minority parties (Hegg, Venerio, Seligson 2007).

<sup>154</sup> According to Hegg (2003), the 2000 electoral reforms require that representatives from the winning party and second place finisher from the last election be elected alternatively as president and first member of these electoral councils. In this way, the system can guarantee that the interests of the major parties will be addressed but not those of the other competing parties. "This measure has caused uncertainty among minority parties and suspicions over the neutrality and professionalism of this State power" (Hegg, Venerio, Seligson 2007).

<sup>155</sup> According to Hegg, Venerio, and Seligson 2007, "Through various surveys, Nicaraguan citizens have shown their strong disapproval of these constitutional and electoral reforms, which diminish the degree of legitimacy of the new institutions that have been established as a result of the political pact" (3).



spectrum of Nicaraguan society as backsliding of the country's institutional democratic process, since the objective of the pact was to guarantee power quotas to both parties to the detriment of pluralism and to the establishment of conditions of equal competition for all political groups" (3). Even though major parties had dominated national politics since the Sandinista revolution, smaller parties were permitted greater access to power and this was considered an important element of the country's new democratic system. The 2000 and 2004 reforms were adopted by the PLC and FSLN not to promote pluralism, but to ensure that their dominance would continue.

Following the Sandinista revolution, Nicaragua's leaders promoted a broad and competitive pluralist system of democracy. Toward this end, proportional representation was established and small parties were permitted access to governing bodies. As a result, a multitude of small parties emerged. Nevertheless, two major parties tended to dominate at the national level. In the 1984 elections, the two primary political forces took 77% of the votes; in 1990, the primary groups received 90% of all certified votes, while the third group did not reach 1%. In 1996, the major parties took 98.6% of the vote, and in 2001 the two major parties took 95.2% of the votes. In the 1996 elections, 26 different political groups competed; 19 of these disappeared because they did not receive enough votes to elect even one representative. In the 2001 elections, 23 groups ran candidates. In the post-revolution era, many of the small parties have appeared around election time, and then disappeared afterward. While the proliferation of parties has been identified as a problem for governance in general, the capacity of parties to contend for office in Nicaragua has been emblematic of the transition from authoritarianism to democracy.

The popular condemnation of *el pacto* suggests that Nicaraguans do not prefer that their political system be dominated by two parties alone.

The pacts between the PLC and FSLN therefore represent and institutionalize a return to Nicaragua's oligarchic past. From the time of Nicaragua's independence from Spain until the Sandinista revolution, power-sharing has been achieved through the creation of political pacts between the Liberal and Conservative parties. Therefore, while Nicaragua's system of government is ostensibly a democratic system, decision-making at the federal level has been insulated from pressures from below. Although changes in this system were introduced by the Sandinistas and the Chomorro Administration that followed, the PLC and FSLN pacts have reversed course. This has had significant consequences for representation in Nicaragua.

One of the most significant consequences is that the pacts have made it virtually impossible for third parties to provide a viable alternative to the FSLN. While party fragmentation and the proliferation of parties has the potential of making governance difficult, it can also transform politics (as will be seen in the case of Costa Rica). Even before Alemán was elected, disaffection for Ortega within the FSLN created a schism within the Left that produced a popular alternative: the Sandinista Renovation Movement (Movimiento de Renovación Sandinista, or MRS). It was formed by Sandinista dissidents in 1995 in an attempt to reorient the party to its original socialist agenda. Although the MRS was formed in part as a rejection of the direction the FSLN was taking after its defeat in 1990, the FSLN and the MRS joined forces for the 2001 presidential elections, and the 2000 and 2004 elections. However, the relationship between the parties would deteriorate very soon after the 2004 elections.

In 2005, the MRS decided it would run its own presidential candidate. The MRS candidate, Herty Lewites, had been an integral member of the FSLN and close to Daniel Ortega at the time of the 1979 revolution, and had served as mayor of Managua as a member of the FSLN. When he announced his intention to run for the presidency in March 2005, he was expelled from the FSLN. Lewites, who was from a rural region and therefore had appeal there as well as the city, was widely popular among leftists and presented a formidable challenge to Ortega. Shortly after his announcement, a Gallup poll indicated Lewites was the most popular politician in the country.<sup>156</sup> To many he represented real change, given his willingness to break from the FSLN to pursue “good government” that responded to both Nicaragua’s poor and business communities (Ruiz 2005). Lewites would die of a heart attack before four months prior to the election, so it is not possible to ascertain just how popular he could have become. Nevertheless, his short-lived popularity demonstrated that the MRS had the potential to garner enough support to depose the FSLN.

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<sup>156</sup> The results of a CID-Gallup poll conducted on March 14, 2005 revealed that among Sandinista supporters, support for Ortega has fallen by 16 points since October and currently stood at just 31%, while 59% of Sandinistas supported Lewites (up 21 points since October). The poll showed that Lewites was the most popular political figure in the country: 60% of those asked said they had a favorable opinion, followed by Eduardo Montealegre with a 41% favorable rating, and only 26% gave Daniel Ortega a favorable rating. The Sandinistas came out as the top political party, preferred by 36% of all respondents (up 5 points since October). Only 28% supported the PLC (down two points since October). The FSLN had swept the departmental capitals and many of the smaller cities and towns during the recent municipal elections. In response to the poll’s results, Director of CID-Gallup, Fred Denton, asserted that “there is a connection between the rise in support for the FSLN and the enthusiasm being created among the population by Lewites” (Nicaragua Network 2005d).

The on-going deal making between the FSLN and the PLC, and their leaders' ability to act with impunity contributed to growing public dissatisfaction with these parties, creating an opportunity for a third party like the MRS to secure more power. However, the MRS would not succeed in mounting a successful challenge to the established order because the new electoral rules established by *el pacto* shut out the opposition. Old patterns of elite politics had reemerged. As had existed in Nicaragua in the nineteenth century and for most of the twentieth, electoral democracy did not make politicians accountable to citizens. By 2004, members of the PLC and FSLN dominated public offices throughout the country, despite the fact that citizens were increasingly unhappy with government.

In some ways, the development of the MRS paralleled that of the PAC (Partido Acción Ciudadana, or Citizen's Action Party) in Costa Rica—the party formed by a former PLN (Partido Liberación Nacional, or National Liberation Party) party member and former advisor to Costa Rica's former (and recently re-elected) president Oscar Arias. In both countries, the emergence of an alternative leftist party was the product of leftist party members—elites and citizens—becoming dissatisfied with the direction of their party, and corruption. In both cases, third parties also emerged in response to scandals involving members of their original parties abusing their political power for personal gain. In Costa Rica, the PAC's founder, Ottón Solís, would come close to being elected president and the party itself became the largest minority in the national assembly. In Nicaragua, however, the MRS would become an increasingly important critic of the pact, but then a victim of it. After becoming president in 2006, Daniel Ortega would spearhead more changes to the electoral rules that would block the

participation of the MRS in elections, as well as permit allegedly fraudulent elections resulting in FSLN victories.

State actors did respond to some of the concerns expressed by opponents of CAFTA-DR, but state actors never expressed regret over it, nor were they willing to put it to a vote of the people, as occurred in Costa Rica. To the extent that the anti-CAFTA actors made a difference, it was those that advocated reform to the FTA, not complete rejection of it. The FTA simply did not become the subject of debate within society or the state to the extent that it did in Costa Rica. In March of 2005, representatives from both the PLC and the FSLN declared conditional support for CAFTA-DR based on the passage of parallel legislation protecting vulnerable agricultural sectors, labor, and the environment, and preventing the privatization of water. The PLC's National Secretary, Wilfredo Navarro, asserted that the PLC would ratify CAFTA so long as these laws protecting labor and agriculture were passed, and added that "Even if the other parties are not willing to ratify the agreement, once it has been ratified by the U.S. Congress the PLC will be ready to do the same here" (qtd. in the Nicaragua Network 2005c). FSLN Delegate Alba Palacios, President of the Labor Committee, said her party also wants laws that guarantee protection of the environment and labor rights, and the prevention of water privatization<sup>157</sup>: "Until these laws have been passed the FSLN will not consider ratifying

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<sup>157</sup> The water bill was not popular with civil society organizations. They vehemently opposed the legislation and argued that it cleared the way for the state-owned water company to become partially owned by a foreign private firm. The Nicaragua Network reported the reaction from civil society as to the introduction of the water bill by the Environmental Committee of the National Assembly as follows: "The committee held so-called consultations with several governmental, private and civil society organizations over the last two months. The recently formed Alliance Against the Privatization of Water, a coalition of 20 groups from civil society which has become the most significant body opposing the government's plans to privatize the vital liquid, strongly criticized the

the CAFTA agreement” (qtd. in the Nicaragua Network March 21, 2005a). These gestures reflected recognition of the concerns of the anti-CAFTA movement. They also reflected provisions of the FTA which encouraged the development of labor and environmental regulations in each country.

Even though demonstrations against the FTA continued through 2004, assembly members and state officials indicated early in 2005 that the Assembly was not interested in engaging in debate with civil society over the FTA, and sent the message that it was effectively a “done deal.” In April of 2005, Carlos Noguera, (PLC) chair of the National Assembly Special CAFTA Committee, asserted that CAFTA-DR would be ratified by mid-April of that year. At that time the CAFTA committee was meeting with representatives from the Ministry of Industry, Promotion and Commerce to discuss CAFTA’s possible negative effects on agricultural production, employment and labor rights. Noguera asserted that once the committee’s report was presented, the National Assembly would have an opportunity to debate it. The Nicaragua Network reported that “While the National Assembly still has the option to reject CAFTA, almost all government functionaries talk as if it is certain that it will be ratified. The occasional Sandinista parliamentarian speaks out against the campaign to hurry the Assembly into taking a vote on CAFTA—Walmart Gutierrez, for example, who on March 11 said the agreement is ‘far too complex’ and the Executive branch should not hurry the Assembly to make a decision. Little in-depth criticism is being offered by anyone in government, however” (Nicaragua Network 2005c). While Daniel Ortega would use the FTA to

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bill and stated that the role they were permitted to take in the consultations was nothing more than that of an observer, with no opportunity to voice their opinions” (Nicaragua Network 2004).

remind people of his anti-imperialist orientation, members of civil society had few strong allies in government or political society. Even though the leaders of the political parties would use a vote on CAFTA-DR for political leverage months later, their message was that CAFTA-DR would be approved.

Civil society organizations responded with more demonstrations. On April 14, 2005, over one thousand people took part in Nicaragua's largest domestic (primarily) demonstration against DR-CAFTA to that point. The demonstrators marched from the Ruben Dario traffic circle in the center of the Managua to the National Assembly, but when no one from the Assembly came out to receive their demands, they marched on to the Presidential Palace (Nicaragua Network 2005e). At the march the protesters declared that this demonstration was going to be the first of many to come. In response, a government official asserted that future protests would not matter because the legislators had already made up their minds; Azucena Castillo, Minister of Industry and Commerce, declared that “We now have confirmation that a majority of Assembly members will vote in favor of CAFTA” (qtd. in the Nicaragua Network 2005e). Although future events would prove differently—the defeat of CAFTA did become a real possibility as the executive and legislative branches fought over Alemán’s future—this statement reflects the distance between the state as well as elected officials, even those (namely, FSLN party members) who had sided with the CAFTA-DR opposition movement.

A consequence of the reforms of 2000 and 2004 is that there is low trust in parties among citizens. This low trust in political institutions has made it difficult for opposition parties to mount significant opposition to the state. Henry Ruiz, a former FSLN party

leader and legislator and co-founder of the MRS linked the low trust in government to the paralysis of civil society:

Today we see that nobody shows up even when the grassroots movements are called upon to fight for causes related to them. And that's not because the masses have lost interest in their own affairs; it's because they've lost faith in the idea that any political force responds to and represents them. All the grassroots movements representing popular interests that fought for them in Alemán's time always ended up with those interests being negotiated by the Alemán government and the FSLN, and the results invariably went against what the people were fighting for. Seeing that happen repeatedly demobilized the social movements. It produced a political scenario of continuous deals and pacts that are now expressed basically in the resolutions of the administration of justice. (Ruiz 2005)

Ruiz's sobering statement reveals why a political environment characterized by low support for government among citizens is not always ripe for mass mobilization against the government.<sup>158</sup>

Although written several years later, this assessment of the potential for mobilization in Nicaragua applies to the period prior to CAFTA-DR's approval: "Without an active, conscious, organized, and mobilized majority there can be no transformation [of Nicaragua's politics].... Discontent is one thing, but having an organized basis for social transformation is quite another. In Nicaragua there is no significant organizational basis for transformation, and structures for civic participation are very weak" (Bandaña 2009, 14). These statements point to the underinstitutionalization of both civil and political societies. Both are perceived to lack and do lack the institutional resources necessary to advance their agendas and to hold state actors accountable.

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<sup>158</sup> Cynicism was a theme of conversations I had with ordinary citizens and representatives of civil society organizations. Cruz (2005) identifies cynicism as an element of Nicaraguan political culture.



The domestic debate over CAFTA-DR unfolded amid corruption among the highest public officials buttressed by oligarchic patterns of rule that enabled ruling elites to consolidate power and act with impunity. Clientalism and patronage continue to characterize party-citizen relations,<sup>159</sup> creating disincentives for opposition to the two dominant parties. Therefore, even with the support of powerful outside actors, including political elites from the U.S. and other Latin American state and international non-governmental organizations, civil society and political society faced significant institutional barriers to mobilizing opposition in Nicaragua. While some level of autonomy is important for civil society organizations, without financial or institutional support they can end up pitted against one another for support and funding, as has been the case in Nicaragua in recent years.<sup>160</sup> The under-institutionalization of civil society is a significant area of difference between Nicaragua and Costa Rica. In the next chapter I demonstrate how Costa Rica's institutions were used by members of them—from civil and political societies—to coordinate a mass movement against CAFTA-DR.

## Conclusion

When CAFTA-DR was introduced in Nicaragua—a poor, semidemocratic state—it entered a volatile political environment. Its fate was not perceived by its proponents—including the powerful United States—as guaranteed, and indeed, the outcome of the approval process in the National Assembly could have been very different than it was.

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<sup>159</sup> Ortega is widely known to run the FSLN with an iron fist; he has served as its secretary general for almost three decades. During my fieldwork in June and July of 2008 I learned from conversations with common citizens that many people have their jobs based on their allegiance to one party or another, and party identification is a big part of family identification.

<sup>160</sup> From interviews with representatives of civil society organizations involved in the anti-CAFTA movement.

This does not mean that everything about the politics that surrounded CAFTA-DR would be unpredictable; indeed, much of the events that unfolded reflected long-standing patterns and more recent characteristics of engagement among elites and between the state and citizens. Ultimately, the pacts and the political turmoil served primarily to demoralize the public, to prevent strong opposition from within political society, and to keep many civil society organizations locked out of decision-making processes. The fact that members of the opposition to CAFTA-DR did not share all of the same reasons for opposing CAFTA-DR made mobilization of opposition more difficult.

Failing to recognize the different perspectives held by opposition movement members obscures the extent to which some of the activity within the opposition movement was less a repudiation of globalization and more a vehicle for securing desirable policies. These differences also expose the limitations of transnational activism. FTAs are not single-issues; consequently, they create opportunities, but also challenges for domestic and transnational movements. The opportunities are associated with their potential to implicate and therefore reach a broad segment of the population. For example, anti-FTA campaigns have been comprised of otherwise odd bedfellows, such as environmentalists and labor. Once “at war” with one another, these groups joined forces in the anti-FTA campaigns to secure environmental and labor provisions in the FTAs (or side agreements, as was the case with NAFTA). The challenges for anti-FTA groups arise from their differences in ideas about trade, strategies for success, and understandings of what may or may not be acceptable in a final trade agreement. In Nicaragua, civil society organizations also faced challenges related to their lack of institutional and financial resources.

In advancing these arguments I highlight a feature of trade policy contestation that is often elided by the literature on globalization. The analysis provided here reveals that while themes of anti-neoliberalism, anti-globalization, and anti-U.S. imperialism were used by some opponents of CAFTA-DR, not all members of the opposition flat-out reject trade agreements, deeper economic integration (globalization), or U.S. aid. For state and non-state actors in small, poor countries like Nicaragua, FTAs represent opportunities and threats. On occasion, the anti-globalization and anti-neoliberalism rhetoric was used to advance political and policy related goals through the free trade agreement. These “anti” frames proved useful, in that they helped mobilize resistance to the FTA and captured the attention of state actors. However, members of the state and civil and political societies that opposed the agreement also advocated for particular trade provisions and funding, recognizing that the FTA had the potential to advance their political agendas in the future.

These differences reflected Nicaragua’s ambivalence toward the agreement. This ambivalence is in part a factor of Nicaragua’s vulnerable position as a small, poor state highly dependent on outside resources. As a small LDC, state and non-state actors in Nicaragua are aware that it cannot compete equally with large, developed states in the global economy. Yet its poverty—and the widespread desire to overcome it—compel leaders to embrace opportunities for improving its economic development potential, even if they are risky. FTAs, and CAFTA-DR appear to many as such an opportunity. To others, they appear to be a threat to economic prosperity and democracy. These divergent views characterized the debate over CAFTA-DR within and outside the movement.

The concerns over CAFTA-DR's impact on democracy in Nicaragua is linked to Nicaragua's relationship with the United States, as well as its long history of non-democratic rule by elites. Those from within the CAFTA-DR opposition movement who objected to the FTA because of its non-democratic nature saw the blockage or transformation of the FTA as a necessary step in improving domestic governance. Indeed, the fact that the state—controlled by the PLC and FSLN—did not adequately advance the interests of civil society during CAFTA-DR's approval provides evidence of this. A highly politicized but under-consolidated democracy, Nicaragua's political environment encourages power grabs among elites rather than their investment in linkages with civil society and the development of credible commitments with them. The series of events that surrounded CAFTA-DR's development and approval there also show that while this kind of environment may be ripe for passage of an FTA like CAFTA-DR, it is also the most unlikely place for implementation of CAFTA-DR to succeed, given that good governance is believed to be essential for successful liberalization.

## Chapter V: Costa Rica

This chapter analyses politics surrounding CAFTA-DR in Costa Rica to illuminate the role of domestic institutions and state-civil society relations in the fate of the FTA there. The anti-CAFTA—or *No al TLC*—social movement in Costa Rica was significantly greater than that of Nicaragua’s or that of any other Central American country, and had a greater impact on the FTA’s development, approval, and ratification processes than any other domestic opposition to CAFTA-DR. This mass movement against CAFTA-DR caused the polarization of Costa Rican society, the likes of which that country had not experienced in sixty years.<sup>161</sup> Outside actors participated in Costa Rica’s movement, and Costa Rican organizations and associations participated in the transnational resistance to the FTA. However, the success of Costa Rica’s domestic movement—in terms of its size and magnitude—and the near defeat of the FTA is a consequence of domestic institutions and state-civil society relations there. Even though the domestic anti-CAFTA movement did not succeed in blocking passage of CAFTA-DR, it did contribute to a transformation in the balance of power among political parties. This chapter demonstrates how Costa Rica’s institutions and established patterns of engagement between the state and civil society gave rise to such a forceful social movement, and why members of the state and political society responded to the *No al TLC* movement the way that they did.

Costa Rica’s democratic institutions are considered some of the strongest in the hemisphere. The contentious politics that surrounded CAFTA-DR emerged precisely

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<sup>161</sup> Statements like this were reported to this author in personal interviews with members of the anti-CAFTA movement; have circulated in media and other accounts of the events; and is stated on the Web site of the Costa Rican network of environmental organizations, FECON, <http://feconcr.org/Quienes-somos.html>.

because there are many active and strong civil society organizations in Costa Rica; civil society is incorporated into state decision-making processes; and there is a history of state response to demands from different sectors from within civil society. Contentious politics emerged in part because the negotiation process for the FTA did not provide for adequate participation by civil society actors, but also because citizens were dissatisfied with the convergence of the dominant party's platforms and economic policies. The convergence of the two dominant parties' platforms since the 1980s reflected growing support for neoliberal programs in society and the state, but to many Costa Ricans it was evidence of an increasingly unresponsive and greedy leadership. The protests of CAFTA-DR thus reflected simmering discontent with the reversal of social democratic policies and the advancement of neoliberalism, both of which many Costa Ricans perceived to be pursued by state actors without regard for the needs and desires of the citizens. At the same time, the protests fit a pattern in Costa Rican politics, whereby protests of state policies have been met with accommodation by the state. Finally, many citizens perceived CAFTA-DR as a threat to the country's democratic institutions. The *No al TLC* movement emerged in part as a product of, and an effort to protect, Costa Rica's political institutions and the incorporation of civil society actors into the formal decision-making processes.

This chapter begins with a discussion of the state of Costa Rica's economy when CAFTA-DR was introduced; an overview of the justification for CAFTA-DR provided by its proponents there; and an overview of efforts made by state actors and agencies during and immediately following the CAFTA-DR negotiation process to promote the FTA. As was the case in Nicaragua and elsewhere in Central America, CAFTA-DR was

advanced in Costa Rica by the state and businesses on the grounds that it is essential for economic development. In a significant departure from other states, however, Costa Rica rejected some of the terms of the final agreement, holding up the negotiation process.

The next section traces the evolution of the *No al TLC* movement in Costa Rica and reviews the goals and objectives of its key members. The third section analyses changes in political society in Costa Rica prior to CAFTA-DR's introduction and during its development there. The fourth section demonstrates how the domestic context facilitated the emergence of the anti-CAFTA opposition and conditioned the state response to it.

### **Section I: Costa Rica's economy and the arguments for CAFTA-DR**

As discussed previously, Costa Rica's economic development is generally considered exemplary for late developing countries and the region. The post-WWII global economic boom contributed to the country's economic development during the 1950s and 1960s. The economic growth has in turn contributed to the development of a middle class and the consolidation of its democratic institutions. Although the country has experienced significant economic downturns and even crisis since the 1970s, the country's economy has steadily expanded over the past 25 years. It grew at an average of 5% a year in the 1990s, and has "generally outpaced the average growth rate for the region in the current millennium" (World Bank – Costa Rica Country Brief). Moreover, it has attracted one of the highest levels of foreign direct investment per capita in Latin America, due to its political stability; relatively high education levels; and fiscal incentives offered in the free trade zones (CIA World Factbook Web site – Costa Rica).

Like Nicaragua and many other small, late industrializing countries in the tropics, Costa Rica's economy is highly dependent upon how it uses—or does not use—its

natural resources. Yet certain features of its land use and economic activity distinguish it from Nicaragua and the other Central American states. It is more highly industrialized than the other Central American states, and at the same time it has more land area under some form of protection—nearly 25% of its territory—which has contributed to the development of its large tourism industry. Costa Rica is the only Central American country where the agriculture sector is not its largest source of revenue (Costa Rica Economic Development Corporation [CREDC] Web site). While agricultural exports are still significant—particularly bananas, pineapple, and coffee—manufacturing and industry overtook agriculture as the most significant contributors to GDP in the 1990s (U.S. Department of State Web site – Background Note: Costa Rica). Tourism is the second largest income-generating sector. The success of the tourism industry is intimately linked to protection of the environmental integrity of the country’s rain forests and beaches.

The economic growth combined with redistributive economic policies has meant that many Costa Ricans have enjoyed a standard of living that is among the highest in the region. Costa Ricans also have one of the highest incomes, using per capita income as the measure. In 2000, Costa Rica’s GNI<sup>162</sup> per capita was \$3,710 (Nicaragua’s GNI per capita was \$730).<sup>163</sup> In Costa Rica, the poverty rate has remained around 20% for the past twenty years—a rate that is low in comparison to neighboring countries (World Bank – Cost Rica Country Brief). Given its relatively high level of literacy, life expectancy, and income, it ranks the highest among the Central American states on the

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<sup>162</sup> Measured using the Atlas method, and in current (2009) US\$.

<sup>163</sup> This had increased by 2007, when the FTA was put on the referendum. Costa Rica’s GNI per capita in 2007 was \$5,560 (Nicaragua’s GNI per capita was \$980) (World Bank – Cost Rica Country Brief).



Human Development Index (in 2003, Costa Rica ranked 42<sup>nd</sup> out of 175 countries).<sup>164</sup>

However, not all Costa Ricans have benefited from the country's economic growth over the past few decades. According to the World Bank Web site, "deteriorating incomes among the bottom fifth of the population since 2000 are undermining poverty reduction efforts, even as the well-off do better" (Cost Rica Country Brief). Therefore, while Costa Rica's economic development is considered admirable compared to its neighbors and for the region, poverty and inequality remain significant socially, politically, and economically.

As was the case with Nicaragua, and as economic theory predicts, CAFTA was pursued by the state with the expectation that it would promote economic development. It was promoted by the president at the time, Abel Pacheco, of the Social Christian Unity Party (Partido Unidad Social Cristiana, or PUSC), and many members of his party.<sup>165</sup> As was the case in other Central American states, proponents of CAFTA-DR in Costa Rica were exporters, business organizations, and the chamber of commerce. The consensus among these actors was that CAFTA was a necessary step forward in Central America's development and integration into the global economy. Formal negotiations for the Central American Free Trade Agreement between the United States and the Central American states were announced in the fall of 2002, and commenced in January of 2003

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<sup>164</sup> This figure is for 2003. Costa Rica's ranking on this index was about the same when measured again in 2007; the 2009 HDI report, which uses 2007 data, placed Costa Rica at 54 out of 182 countries (Human Development Index Web site).

<sup>165</sup> Pacheco's party, the PUSC, came to power in the 1980s on a pro-neoliberal platform.

in San Jose, Costa Rica.<sup>166</sup> Talks were expected to conclude that same year. Costa Rica would become the only state not willing to sign the agreement at the end of 2003.

As mentioned in previous chapters, free trade agreements do not consist simply of eliminating tariffs. They are a bundle of deals about tariffs and quotas—and now investment and intellectual property and investment rights and the development of regulations and institutions affecting other areas of production and consumption—brokered through a negotiation process that includes state representative and key stakeholders, yet which remains highly secretive. While agreeing upon the terms of a trade agreement may prove impossible during bilateral negotiations, reaching agreement is even more challenging with multiple states involved, and when those states have marked differences in their sectoral strengths and weaknesses; levels of political and economic development; and private and public interests. Indeed, while leaders of Central American states, including the Costa Rican Minister of Foreign Trade, expressed a desire to negotiate in solidarity, differences in the countries' levels of development would make this impossible. In a press release disseminated at the outset of the negotiations, the Minister was quoted as stating, “Solidarity among the five countries—and the ability to agree on common negotiating positions—will be crucial to a successful conclusion of the FTA...” (U.S. Embassy in Costa Rica). The Trade Minister was optimistic that the countries could overcome their sectoral differences, differences in institutionalization, and even differences in state visions for integration in general. The variation within the states would prove to be more significant than even the Costa Rican leaders had

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<sup>166</sup> On August 4, 2003, the U.S. Trade Representative (USTR) Robert Zoellick formally notified the U.S. Congress that the Bush Administration intended to integrate the Dominican Republic into the CAFTA negotiations.

anticipated.

As discussed in Chapter II, regional integration in Central America was put on hold during the 1970s and 1980s. While Nicaragua and other Central American states were experiencing civil war, Costa Rica was experiencing relative peace and becoming more integrated into the global economy. While it already had a longer history of interest in integration beyond the region (compared to the other Central America states), the economic reforms implemented in the 1980s had made Costa Rica by the 1990s an exporting nation reliant upon international trade beyond the region for economic development (Sánchez 2009).<sup>167</sup>

In general, CAFTA-DR would force the country to come to terms with thorny issues regarding integration. Sánchez (2009) identifies four major reasons why the Costa Rican state officials would be concerned about regional integration. First, Costa Rican officials worry that “the highly socially differentiated model of development of the other states which has been a source of recurrent domestic instability” will spill over into Costa Rica (34). Second, Costa Rica associates high economic costs with a loss of competitiveness vis-à-vis other Central American states, as well as a loss of revenue from the elimination of customs duties. Third, Costa Ricans fear reductions in border controls that might permit increases in migration to Costa Rica. Fourth, Costa Rica’s exports to the other Central American states have been declining. Although CAFTA-DR was more outward oriented than just the Central American region, provisions within it that might bring about or exacerbate these concerns could not be avoided during the CAFTA-DR

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<sup>167</sup> Costa Rica also relied more than the other states on protectionist policies and governmental support to producers for economic development; the model of import-substitution industrialization had prevailed in the several decades following its transition to democracy (1948).

negotiation and approval processes.

Despite the aforementioned concerns about integration, the Costa Rican state projected confidence that the Central American countries could maintain a united front against the U.S. Costa Rica's vision for solidarity would not come to fruition; the unified front began to disintegrate during the first few months of negotiations, and by the fifth round (held in Honduras in June 2003) Costa Rica was emerging as the most protective of its sensitive sectors. By the ninth round, held in Washington in December 2003, all chapters were closed but Costa Rica was not satisfied with the results achieved at that date. The ninth round went into overtime; Costa Rica and the U.S. negotiated into January, and it was then that Costa Rica and the U.S. worked out details over the state-run insurance and telecommunications sectors opening process, and the treatment of certain sensitive agricultural products and duty-free treatment of apparel products made from materials outside the region.

A general conclusion from the negotiations process is that the different level of skills among the teams,<sup>168</sup> the diversity of interests of sectors, and the relative urgency of some countries, made a unified position impossible (Condo 2005). The talks ran into January of 2004 and the agreement was delayed because Costa Rica's negotiation team was unsatisfied with the details regarding the state-run insurance and telecommunications sectors opening process, and concerns related to certain sensitive agricultural products (particularly rice) and duty-free treatment of apparel products made from materials outside the region. The delay in negotiations and the signing of the treaty reflect the issues that emerged from Costa Rica in particular, and Costa Rica's *No al TLC* movement

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<sup>168</sup> Nicaragua's National Action Plan speaks to this, and identifies the need for assistance in developing the capacity to negotiate better with prospective trading partners.

could have prevented Costa Rica from entering into the agreement while the other Central American states and the U.S. went forward with it.

Like Nicaragua, the Costa Rican state—namely, the Costa Rica’s Ministry of Foreign Commerce (COMEX)—implemented a Civil Society Outreach Program (CSOP) at the start of the FTA negotiation process. While the CSOP program was supported by the United States Agency for International Development (USAID) and implemented by a company contracted with that agency, a report on the process (Condo 2005) indicated that Costa Rica’s CSOP incorporated lessons learned from its own previous trade negotiations.<sup>169</sup> According to the company hired to facilitate the public outreach program—the CARANA Corporation—of all the CAFTA-DR signatories, Costa Rica provided the most opportunities for public participation during the FTA’s development.<sup>170</sup> According to the Appendix to CARANA’s final report, “[O]ver 400 companies, associations, groups or individuals in different sectors [in Costa Rica] were consulted during the negotiations. COMEX also participated in over ninety seminars or conferences carried out by other organizations (CARANA 2004b).<sup>171</sup> This is not surprising, given the Costa Rican state’s history of working with civil society organizations. While critics of CAFTA-DR would question the motives and integrity of the process, the CSOP process reflects previous state efforts to include the Costa Rican citizenry in policy-making.

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<sup>169</sup> Similar programs have been implemented in South American countries, including Chile, during its FTA negotiations with the U.S., so it is likely that Costa Rica learned from other countries’ experiences as well.

<sup>170</sup> The COMEX plan, “Information, Consultation, and Participation with Costa Rican Civil Society in the Free Trade Agreement Negotiations,” is cited in the report on the civil society meetings compiled by the CARANA Corporation.

<sup>171</sup> The *Appendix: CAFTA Civil Society Inventory* lists all public meetings on CAFTA held in each Central American state as part of the CSOP process.

The CSOP process certainly contributed to CAFTA's publicity in Costa Rica, but its impact over time is unclear. According to CARANA's report, the government's CSOP increased awareness and a better understanding of CAFTA across the general population. In a survey conducted in December of 2002, 43% of the population had not heard of or knew about CAFTA or what it was. In February of 2004, this only 12% of the population did not know about CAFTA (CARANA 2004b, A.1).

While the CSOP process was intended to cultivate favorable perceptions of CAFTA and support for it, the number and protests of the FTA increased after the negotiation process concluded in January 2004. These protests and other activities of the FTA's detractors seemed to have made a difference. Between 2004 and 2006, support for CAFTA-DR among the general population declined 10 points—from 66 to 56—on a scale from 1-100 (Vargas-Cullell, Rosero-Bixby, and Seligson 2006, 160).<sup>172</sup> The decrease in support occurred in all groups—in other words, sex, age, level of education and region of residence were not associated with the change in attitude toward the FTA. A CID-Gallup poll conducted for *La República* newspaper in August 2006 indicated that support for CAFTA fell from 61% in October 2005 to 41% at the time the poll was conducted (Zueras 2006). When asked about the agreement in 2006, most Costa Ricans indicated ambivalence toward it. In 2006, 20% of the population had neutral feelings toward the FTA, and of the 80% who did register an opinion toward it, 30% favored it;

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<sup>172</sup> This is a statistically significant finding. The 2004 survey did not ask a battery of questions about CAFTA, but it did include the question, "How much do you believe that the free trade agreement will help improve the economy?" The responses were recorded on a scale from 1-7, with 1=none, and 7=very much. Changes in response to this question were used to measure changes in support for CAFTA-DR (Vargas-Cullell, Rosero-Bixby, Seligson 2006, 159-160).

20% opposed it outright; 51% supported putting it to a referendum; and 50% favored renegotiating it (Vargas-Cullell, Rosero-Bixby, and Seligson 2006, 154).

Flagging support for the agreement was met with threats from some producers and exporters that they would relocate if CAFTA-DR was not ratified. For example, the largest tuna company in Central America and the Caribbean, Sardimar, which employed 1,000 workers, indicated that it would be forced to relocate if CAFTA is not ratified. Sardimar General Manager Thomas Gilmore stated that “we have decided to transfer operations to another country in the region if Costa Rica does not approve CAFTA in its entirety by March 2008. We’re leaning towards El Salvador” (qtd. in Zueras 2006). Diego Artiñano, general manager of the Atlas Eléctrica company, which employed 1,200 people, asserted that while existing jobs were not at risk should the agreement fail, without CAFTA a planned major expansion could not take place. According to Artiñano, CAFTA was necessary to ensure “a stable, forward-looking environment” (qtd. in Zueras 2006). An agricultural producer, Melones de Costa Rica, warned that if CAFTA didn’t pass in Costa Rica, it would move its growing operations north to Nicaragua to avoid 29.9% tariffs on goods it exports to the U.S. market. If it pulled out, Costa Rica would lose 5,000 jobs. Shirley Saborío, executive director of the Union of Private Sector Chambers and Associations (UCCAEP), which represents the private business sector in Costa Rica, summed up the position of the business community when she said, “What is at stake is the country's development, because there is no alternative to CAFTA in the foreseeable future. It consolidates trade benefits with Costa Rica's main market. What we have now is a worst-case scenario, where every country except ours has ratified CAFTA. The pressure to cut off unilateral benefits for a country that negotiated but did not ratify

CAFTA will be tremendous” (qtd. in Zuera 2006). While some business owners were feeling confident that CAFTA-DR would pass in Costa Rica, the state would not take any chances when the vote on the FTA approached. As discussed below, even though recently elected President Oscar Arias would put the FTA to a vote of the people, state agencies and members of his own cabinet worried that the FTA would fail, and attempted to ensure its passage through increased positive publicity of the agreement.

## **Section II: Opposition to CAFTA-DR**

The delay in the negotiation timeline foreshadowed problems with passage of CAFTA-DR in Costa Rica. Despite the problems toward the end of the negotiations, the agreement was signed by Costa Rica’s president, Abel Pacheco (PUSC). Initially, the greatest source of resistance in Costa Rica was from a core group of Costa Rican activists concerned about the consequences of an FTA with the United States. Over time, as specifics of the agreement became widely-known, unions, farmers, and other civil society organizations mobilized opposition based on both the principles of the agreement—often understood broadly as neoliberalism, or imperialism—and concrete changes mandated by the FTA. The resistance reflected discontent with 25 years of structural adjustment and liberalization, which according to many in the *No al TLC* movement had deep and harmful political, social, and environmental consequences in Costa Rica. For others, the FTA threatened their livelihood or failed to include what they perceived to be necessary protections. Costa Rican civil society organizations participated in the transnational organizations discussed in the chapter on Nicaragua—namely, the CID (Iniciativa Mesoamericana de Comercio, Integración & Desarrollo Sostenible), and the FMP (Foro Mesoamericano de los Pueblos)—as well as other transnational efforts to defeat CAFTA-



DR. The anti-neoliberalism found in the transnational anti-CAFTA-DR movement was therefore also present in the Costa Rican anti-CAFTA-DR movement. For many in the *No al TLC* movement, CAFTA-DR would usher in decreases in public investment in social services; the sale of national resources, including oil, water, and rights to biodiversity; and the promotion of large-scale agriculture and other forms of development at the expense of small and medium-sized business owners (Trejos 2007). However, while many of the critiques of the FTA advanced by the resistance in Costa Rica were similar to those offered by groups in Nicaragua and the transnational anti-CAFTA network, some concerns were much more pronounced, and the resistance would be manifested differently given Costa Rican institutions and state-civil society relations. Actors in Costa Rica's *No al TLC* movement dedicated a significant amount of resources to educating, organizing and mobilizing Costa Ricans to put pressure on national leaders to reject CAFTA-DR as bad policy for Costa Rica.

Resistance to the FTA was evident from the very beginning of the negotiations. On January 27, 2003—during the first round of negotiations, which were held in San Jose, Costa Rica—hundreds of Costa Rican activists from social movements, unions and environmental groups held a peaceful protest in the capital. Several months later, on April 2, 2003, Costa Ricans contributed to the tens of thousands of protesters from all over Central America protesting the CAFTA negotiating session being held in San Salvador. On October 20, 2003, approximately 3,000 Costa Rican students, workers and activists marched to the Legislative Assembly in protest of CAFTA. On November 21, 2003, 5,000 Costa Rican telecommunications and insurance workers, students and other activists, marched to the Legislative Assembly and to the Presidential Palace to express

their opposition to CAFTA (Hansen-Kuhn 2004). While similar demonstrations were taking place in other Central American countries, the ones in Costa Rica were increasingly representative of the diversity of its movement.

Even though discontent with neoliberal policies inspired many of the protesters to participate in the anti-CAFTA demonstrations, the FTA's impact on the employment or livelihoods of tens of thousands of Costa Ricans was especially important in the development of the anti-CAFTA movement. CAFTA-DR mandated privatization of the national telecommunications and insurance industries, threatening the employment, benefits and pensions of the industries' employees. Costa Rica's National Association of Public Employees (ANEP), which represented tens of thousands of employees, followed the negotiations closely and was one of the first to study and organize opposition to the FTA. As in Nicaragua, the opposition represented individuals with an array of interests and ideas about the agreement—some rejected it outright as a neoliberal, imperialist project of the United States, while others rejected it based on particular aspects of the agreement that threatened the health and welfare of groups or sectors. While there was some division between these two groups early on, they would unite in what would become the broad-based massive social movement that would, at times, bring the country to a halt and cause political elites to reverse their position on the FTA.

The early demonstrators were not the only ones working to raise awareness about CAFTA-DR. Throughout 2004, ANEP was joined in demonstrations by trade unions, state universities, farmers, grade school teachers, religious groups, indigenous peoples, women's organizations, small business owners, former Presidents of Costa Rica (Rodrigo Carrazo and Luis Alberto Monge), politicians (from the PLN, PAC and even PUSC) and

many unaffiliated citizens. In May of 2004, both ANEP and the teachers' union, the National Association of Educators (ANDE), produced reports on the negative consequences of CAFTA. ANDE, along with the anti-CAFTA organization Encuentro Popular, disseminated a booklet on CAFTA titled "Cómo Quedó el TLC." The 19-page booklet explained in very simple terms the expected negative consequences of the FTA for Costa Rica. 25,000 copies were distributed to teachers and another 15,000 to other Costa Ricans. It was developed to counter COMEX's public affairs campaign, "El ABC del TLC." Through its campaign, the government ran radio and television ads, and disseminated an information piece as an insert in newspapers. The government asserted that 53% of Costa Rican exports go to the United States and an estimated 500,000 jobs are tied to this business. It also asserted that the elimination of import taxes would stimulate export business and encourage the expansion of current ones (Kimitch 2004). The booklet distributed by the teachers and the anti-CAFTA movement focused on job loss expected to occur as a result of CAFTA. It contested the government job loss figures, and claimed that the number of jobs affected if CAFTA wasn't signed would be closer to 90,000, not 500,000. The booklet pointed out that the Caribbean Basin Initiative (CBI) already provided Costa Rican exporters access to U.S. markets, and would not expire if CAFTA was not signed.

ANEP's report was produced in collaboration with former presidential candidate Rolando Araya, PAC leader Ottón Solís, José Merino of a new leftist party that was active in the *No al TLC* movement (Frente Amplio), and former Justice Minister José Miguel Villalobos (who also launched a new political party). It highlighted the job loss that could be expected from CAFTA's implementation, and the negative consequences of

the FTA for farmers and small business owners. It stated that cow, pig, poultry, grain and vegetable farmers would be made vulnerable since they would have to compete with the subsidized U.S. imports of food and grain. The report also asserted that the dairy industry would suffer from competition from other Central American countries. The report pointed out that most of the benefits brought by CAFTA would go to big businesses, and foreign companies in particular. It noted that three percent of export businesses are responsible for 75% of all exports and that many of the businesses were not Costa Rican but instead multinational firms based in the United States (among these are Intel, Baxter HealthCare, Pfizer Zona Franca, Sara Lee and Dole).<sup>173</sup> Finally, the report argued that the opening of the telecommunications and insurance industries to the private market would threaten the Costa Rican Electricity Institute (ICE)—an institution the Costa Ricans had “saved” from privatization by the state in 2000, and the most lucrative component of the government-run telecommunications business.<sup>174</sup>

Even when demonstrations were held for different political issues, civil society organizations, citizens, and political parties used the opportunity to voice opposition to CAFTA-DR, often connecting the primary grievance to the FTA. On March 20, 2004, Costa Rican activists held a concert and mobilization in San José against CAFTA and the Iraq War. On May 1, more than 6,000 Costa Ricans commemorated May Day with demonstrations showing support for workers and resisting privatization of public telecommunications and insurance services, and the signing of CAFTA. Later that

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<sup>173</sup> Sánchez-Ancochea (2008) documents the linkages between the domestic and transnational firms.

<sup>174</sup> The reference to ICE is significant given the large protests that erupted in 2000 in order to protect it. ICE, as a national organization, came to symbolize the nation as the state attempted to dismantle it. The government’s effort to privatize it cast the government as one that didn’t care about the will of its people (Frajman 2009).

month, on May 31, some 20,000 Costa Ricans marched to the Legislative Assembly to express their opposition to CAFTA. Deputy Gloria Valerín (a member of the PUSC, Pacheco's party and the majority party) vowed to vote against the agreement, adding, "I am pleasantly surprised by the massive support for this effort by the Costa Rican people. Now it is our job to make sure more Deputies vote against CAFTA" (qtd in Hansen-Kuhn 2004). Between August 23-30, 2004, tens of thousands of Costa Ricans brought the country to a halt to demonstrate opposition to a foreign company's control of vehicle inspection services, and for much needed wage increases (more on this below). The protest also featured anti-CAFTA displays. The government acceded to several of the protesters' demands, leading to resignations by four ministers (including the trade and finance ministers) and other top economic advisors (Hansen-Kuhn 2004). In December of 2004, Albino Vargas, Secretary-General of ANEP, was quoted as saying that the resistance was growing and promised to be fierce, and that the public enterprises would be defended "tooth and nail" because Costa Rica's citizens would not stand for the privatization of their national industries. He added that while a similar sentiment could be found elsewhere in Central America, it would most certainly be loudest in Costa Rica; "Our big battle will be staged in the streets and in Congress," he said (qtd. in Mora 2004).

While ANEP, ANDE and other large organizations; three of the four state universities; and politicians opposed to the agreement were among the most prominent spokespeople for the anti-CAFTA movement, the message of the movement was disseminated and reached by a broad audience. Small organizations and associations started popping up on a regular basis in opposition to the FTA. Many of these emerged for the sole purpose of defeating the FTA, and became important for informing

individuals not associated directly with a sector expected to suffer from CAFTA (Trejos 2007). Groups like “Women Against CAFTA” (Mujeres Contra el TLC) kept Costa Ricans informed of anti-CAFTA issues and events and spread the message of the opposition across borders, even across the globe. They stitched together a banner of squares representing the “diversity of groups, people and organizations” that formed the resistance (Paquita Cruz of Women Against CAFTA) and carried and displayed the banner at events throughout the country, including conferences, concerts, rallies and festivals. They also took it to the U.S. Social Forum held in Atlanta in June 2007; the 5<sup>th</sup> Continental Meeting of Indigenous Women of the Americas; and to other events in Central and South American countries. The Feminist International Radio Endeavour (FIRE) provided extensive coverage of women’s participation in the movement and assisted the Women Against CAFTA with the banner. They also helped the organization launch a daily radio program—“Women of the No”—on a local radio station and broadcast through the Internet. The radio program featured interviews and reports on the anti-CAFTA activities (Thomson and Toro 2007).

The *No al TLC* grew through activities like that of the Mujeres Contra el TLC and other forms of grassroots mobilization. Much of the mobilization was done by ordinary citizens who reached out to family members and neighbors (Trejos 2007). Several features of the anti-CAFTA campaign could resonate with many Costa Ricans. These included pride in the country’s social welfare system and democratic institutions; an anti-elitism toward the state and big business; and support for the environment. Therefore, even though many of the members of the movement came from different backgrounds or had different interests, many shared these cultural referents. Even though the state would

provide some allies for the movement—as is discussed in greater detail below—the *No al TLC* movement gained momentum as a movement resisting what citizens considered abuses of power by the people they elected to represent them, and the United States. The anti-CAFTA campaign advanced the argument that the FTA would mean the exploitation and devastation of the country's beloved natural resources, given the FTA's provisions guaranteeing protection of investor rights and intellectual property. Moreover, the *No al TLC* campaign equated CAFTA with the loss of Costa Rica's sovereignty. University of Costa Rica (UCR) political science professor Luis Guillermo Solís voiced this concern when he stated,

Under CAFTA, Costa Rica would surrender its power to effectively regulate environmental, labor and investment standards, and it would forfeit the ability to prosecute private companies directly for breaking the law, since they would be shielded by their governments.... We've had a good relationship with the United States precisely because we have not had the social problems of other countries in the region.... Now we see the United States as an ally, rather than a master, but that could be damaged (under CAFTA). (qtd. in Goodier 2005)

Like the transnational and other domestic anti-CAFTA movements, Costa Rica's *No al TLC* movement portrayed CAFTA as an instrument of the rich and the struggle over it as one between the rich and the poor. At the same time, the protection of existing institutions—from ICE to the National Biodiversity Law—was a theme in the *No al TLC* movement not prevalent in that of Nicaragua or the other domestic movements. The *No al TLC* movement expressed concerns about national sovereignty, like the other domestic movements, but it also communicated a desire to protect specific institutions.<sup>175</sup>

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<sup>175</sup> All of the members of the *No al TLC* movement—within civil and political societies—with whom I spoke expressed this concern. The loss of sovereignty and the erosion of democratic institutions were a principle concern. Implicit in their desire to protect the existing institutions was a belief that they permitted citizen participation in state decision-making processes, and that CAFTA would undermine or undo this achievement.

Just like the dismantling of ICE, the CAFTA provisions on investor rights and intellectual property symbolized the loss of sovereignty and the dismantling of the country's public welfare sector. For many Costa Ricans, the country's exceptional (for the region) level of economic development and democratic institutions are considered products of the social democratic policies of the state. *No al TLC* marches and demonstrations and campaign materials emphasized that the FTA was a threat to the country's education and health care system, and would be particularly harmful to the country's most disadvantaged people. When CAFTA was signed by the negotiators in late January of 2004, the heads of ICE and ANEP declared that the FTA would destroy the country's institutions and result in sharp increases in the prices of public services and insurance. Albino Vargas, secretary general of ANEP declared that the agreement "puts the future of Costa Rica's public institutions at great risk. In addition to the Costa Rican Electricity and Telecom Institute (ICE) and the National Insurance Institute (INS), CAFTA also compromises the Social Security System (Caja) by obligating the country to apply stricter intellectual property rights laws" (Borges 2004a). Speaking for the growing anti-CAFTA movement, he went on to say that "We are also worried that CAFTA may lead to the privatization of the country's water services [and that] Costa Rica will lose its current model of public services based on solidarity. The most vulnerable sectors and even the middle class will be left unable to pay for basic services" (qtd. in Borges 2004a). These lines would become something of a mantra for members of the *No al TLC* movement, and it would prove very effective in uniting hundreds of thousands of people. As Trejos (2007) put it, "the expansion of public services is a central element of the resistance in Costa Rica: people who have had access to these



services clearly know what they can lose and have been demonstrating their determination to defend it.”

Resistance to CAFTA-DR based on the FTA’s threats to the environment provides another important example of how existing institutions facilitated the mobilization against CAFTA, and the working relationship between the PAC and the *No al TLC* movement. Concerns about the environment were much more pronounced in the CAFTA-DR resistance in Costa Rica than in Nicaragua (or the other Central American states). While concerns about the impact of the FTA on the environment were consistently articulated throughout the transnational anti-CAFTA campaign, Costa Rica’s domestic *No al TLC* movement consisted of more formally established environmental organizations and grassroots associations dedicated to environmental protection in some form or another than Nicaragua’s domestic coalition. This can be attributed to Costa Rica’s long-standing commitment to the preservation of, and subsequent economic dependence upon, its natural environment and related tourism.<sup>176</sup> Costa Rica supports

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<sup>176</sup> The development of Costa Rica as a popular nature travel destination has been facilitated by the concerted effort begun in the late 1960s to prevent the destruction of rainforests. Locals, foreigners and international scientists began to express concern about the consequences of deforestation in the 1960s. The first nature reserve was established in 1965, and the first national park was officially created until 1969 (Weinberg 1991 108; Honey 2008, 169). By 2006, Costa Rica had “160 protected areas, falling into eight categories, ranging from completely protected biological reserves, to national parks where tourism, research, and infrastructure are allowed (but nothing can be extracted), to refuges where controlled development and extraction are permitted.” (Honey 2008, 170). Today, management for the protected areas has been somewhat decentralized; the country is divided into ten regional conservation areas, each of which has its own director responsible for management and community outreach. The combination of government support for conservation and tourism has helped make Costa Rica “ecotourism’s poster child” (Honey 2008, 160). Deforestation remains a primary environmental concern today, along with other environmental problems and issues associated with development, including soil erosion, coastal marine pollution, depletion of fishing stocks, solid waste management, and air pollution.

significant governmental programs and structures, public interest non-governmental organizations, institutions of higher learning, and private institutions (from local to transnational businesses) with vested interests in the environment—especially related to conservation, biodiversity, and sustainable development. Many of these participated in the *No al TLC* campaign out of concerns about the FTA's impact on the environment, helping to amplify the domestic and transnational resistance to CAFTA-DR.

The involvement of the PAC in the resistance facilitated the anti-CAFTA campaign. The PAC's platform and the environmental organizations' agenda complemented one another. Sustainable development is an integral component of the PAC's platform. Party headquarters maintained a list of the “ambientalistas contra el TLC,”<sup>177</sup> which facilitated communication between the PAC and groups. The environmental organizations convened at the outset of the negotiations, and coordinated their resistance as they learned more about the FTA during the negotiation process. None of the groups participated in the negotiation process that permitted civil society participation (the “side room”), but they communicated with those who were privy to information about the negotiations. Additionally, the environmental organizations and networks created the Bloque Verde. The Costa Rican Federation for Environmental Preservation (La Federación Costarricense para la Conservación del Ambiente, FECON) served as the epicenter of this network.<sup>178</sup>

FECON is a network of Costa Rican organizations that develops actions for the

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<sup>177</sup> I obtained this list in August 2008 from a legislative staff member who had worked with the PAC throughout the *No al TLC* campaign. The list included Costa Rica-based organizations and networks as well as regional transnational networks.

<sup>178</sup> From personal interview (August 2008) with a participant in the *No al TLC* movement who worked closely with the PAC and the environmental organizations.

defense, protection, and recuperation of the environment, while seeking to improve living conditions for the country's poorer populations. FECON was born on October 29, 1989, the culmination of the growth of environmental organizations throughout the country. FECON grew out of their recognition of the need to think and work together, to establish an environmental *sector* in society. Today it is comprised of 30 nongovernmental organizations from different parts of Costa Rica. Moreover, it has been recognized as an official representative of environmental concerns, and has received legal protection as an important civil society organization through National Law 218, the Law of Civil Associations (Ley de Asociaciones Civiles). Given its status, it has considerable experience in front of the Costa Rican legislature, where it has secured a permanent presence in the decision-making processes related to environmental laws and rules. It works closely with the Ministry of Environment and Energy, the National System of Preservation Areas, and the National Commission for the Management of Biodiversity, among others. FECON's efforts are focused on increasing environmental awareness among Costa Ricans; promoting the defense of the environment; and outlining an alternative development model for the country. It has been instrumental in the development of an assembly convened for the identification of water management principles; the development of the Payment by Environmental Services (Pago de Servicios Ambientales, or PSA), a funding mechanism established for the restoration of forests<sup>179</sup>; the defeat, through local level referenda, of three hydroelectric plants; and the

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<sup>179</sup> To promote conservation and help mitigate some of the environmental threats posed by development, Costa Rica implemented in the late 1990s what was then an innovative program of environmental protection and conservation called the Payments for Environmental Services (Pago de Servicios Ambientales, PSA). Essentially, the program compensated forest landowners for "value created by either planted or natural forest on

National Biodiversity Law. It actively seeks collaboration with indigenous peoples' organizations, small farmers, and local and regional environmental organizations to develop strategies to promote environmental protection.<sup>180</sup>

The end of 2004 marked a turning point in FECON's activities. As a result of the introduction of CAFTA-DR, FECON embarked on an organizing and mobilization process to halt the advance of CAFTA-DR (and later the Central America-E.U. FTA). According to FECON, CAFTA-DR represented the privatization of the common goods (resources of the environment and public institutions) and impinged upon the universal exercise of fundamental rights (which include, according to FECON, diet, health, education, and leisure). FECON worked to organize its own members and build an alliance between them and others; these efforts culminated in the Green Block (Bloque Verde), and a National Environmental Forum against CAFTA-DR in May of 2006. The Green Block sought to articulate the negative impacts of free trade on the environment and economic and social sustainability. It gathered and promoted perspectives from ecologists, rural and native communities, and other community-based organizations as part of the resistance to CAFTA. It worked closely with organizations that focus on women's, youth, and rural development. Even after the referendum it remained committed to mobilizing resistance to free trade, articulating what members perceive to be negative consequences of free trade for their communities and the environment.

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their land and recognized four services: 1) greenhouse gas mitigation; 2) hydrological services; 3) scenic value; and 4) biodiversity" (Sánchez-Azofeifa et al. 2007, 1166). The funding can go directly to landowners, or organizations working as intermediaries for small holders. Primary funding for the program comes in part from a 15% tax on consumer fossil fuels (established under the 1996 Forestry Law), 3.5% of which goes directly to the PSA program.

<sup>180</sup> This information was obtained through personal interviews with environmentalists and from the FECON Web site and the Hivos Web site partner description.

Bloque Verde also worked against the legislative agenda focused on implementing some of the most significant aspects of CAFTA-DR, namely those related to intellectual property rights and biodiversity.<sup>181</sup>

### **Section III: Political society prior to and during CAFTA-DR's development in Costa Rica**

The politics surrounding CAFTA-DR in Costa Rica reflect established patterns of engagement between citizens and political elites there. As discussed in Chapter III, for much of Costa Rica's post-transition period, Costa Rican politics were dominated by a social democratic party, the National Liberation Party (Partido Liberación Nacional, or PLN). The emergence and strength of the social democracy is attributed to the country's early development (in particular, a relatively egalitarian land tenure pattern for small farmers); a strong democratic nationalism (Cruz 2005); and strategic choices made by elites at critical moments (Yashar 1997). The economic policies pursued by the state in the nineteenth and twentieth centuries contributed to its political development by creating a solid middle class. The PLN and its policies experienced significant challenges in the 1980s, however. Global economic forces are attributed with the shift from a social democratic to more pro-market economic policies,<sup>182</sup> though not a complete dismantling of the welfare state (Sandbrook et al 2007). At the same time, the shift in the state's policies reflected a change in the interests of the PLN's leadership, which stood to benefit from liberalization (Paige 1997). Beginning in 1983, the PLN would have to contend

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<sup>181</sup> From the FECON Web site and interviews with Costa Rican environmentalists.

<sup>182</sup> As discussed in Chapter III, the debt crisis of the early 1980s would lead the state to seek outside assistance. The U.S. and international financial institutions like the IMF offered such assistance with conditionalities that involved dismantling protectionist and redistributive policies.

with a powerful pro-market party, the Social Christian Unity Party (Partido Unidad Social Cristiana, or PUSC). The PUSC's pro-neoliberal platform initially set it apart from the PLN, yet both parties embraced structural adjustment as a partial solution; consequently, the economic platforms of the parties merged during the 1980s and 1990s. Voters began to express their dissatisfaction with the lack of political options in the mid-1990s. By the end of the decade, a strong third party emerged as a contender for one of the major party's positions. This third party, the Citizen's Action Party (Partido de Accion Ciudadana, PAC), was instrumental in the mobilization of the resistance to CAFTA-DR, and CAFTA-DR was an important opportunity for the PAC to advance its agenda.

CAFTA-DR would become a part of changes to take place in Costa Rica's domestic political environment between 2002 and 2006. These changes included decreases in voter participation, support for political institutions, support for the political system; an unprecedented increase in party fragmentation; and the emergence of a third major party. Although party fragmentation can be a harbinger of democratic decline given that numerous parties can present obstacles to governance, in Costa Rica's case, the proliferation of parties and the emergence of a strong third party is evidence of democratic institutions providing mechanisms for citizens to hold state actors accountable for unpopular decisions. The PAC emerged as a response to citizens' growing frustration with the two dominant parties and reflected citizens' increasing dissatisfaction with corruption among elected officials at the national level.

As in Nicaragua, political corruption contributed to a growing dissatisfaction with and distrust of government; this, in turn, affected how the politicians supporting or

opposing CAFTA-DR would be perceived. In Costa Rica, two former presidents—Miguel Angel Rodríguez (1998-2002) and Rafael Angel Calderón (1990-1994), both of the PUSC—were involved in scandals. In October, 2004, Rodríguez was accused of accepting kickbacks from a French telecommunications company which had been awarded a large government contract during Rodríguez’s presidency (trade liberalization and the privatization of the telecommunications industry were primary goals of his when he was president). Later reports disclosed that he had received money from the government of Taiwan and had deposited the money in a bank account in Panama. Subsequent to the allegations, Rodríguez stepped down as president of the OAS. Calderón was charged with accepting a personal check for half a million dollars from a Finnish medical equipment firm as part of a deal between the company and the Costa Rican Social Security System.<sup>183</sup> According to the CAFTA opposition, this damaged the “credibility of the elites who have pushed for the trade agreement” (Vargas qtd. in Mora, 2004). To be sure, the nature of the scandals—personal deals between the free-trade proponents and major international firms wanting to do business in the country—supported claims by the anti-CAFTA members that the FTA would serve primarily to line the pockets of politicians and big business.<sup>184</sup>

Costa Ricans’ support for democracy remains among the highest in Latin America; in 2006, 87.7% of survey respondents said they prefer democracy over any

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<sup>183</sup> According to an April 2009 *Tico Times* article, a partner to the bribe verified the illicit transaction (Long 2009). Calderón maintained his innocence at that time.

<sup>184</sup> Even though the anti-CAFTA materials focus on critiques of neoliberalism and/or the consequences of the FTA for specific groups in society, the members of the *No al TLC* movement with whom I spoke suggested that the reason the FTA passed was not because politicians really believed it would help the country, but because they would benefit directly from it. These scandals were further insult to the political injury incurred by the PLN’s presidents’ broken promises in previous years.

other form of government (Vargas-Cullell, Rosero-Bixby, and Seligson 2006, 76). The average system support in Costa Rica is between 7 and 20 times higher than that of its Central American neighbors. (Nicaragua has the lowest support on the isthmus: 45 on a scale of 0-to-100.) At the same time, Costa Ricans' exhibited an increasingly negative view of the efficacy of government and trust in political institutions during the first part of the twenty-first century. Between 2004 and 2006, there was a notable and widespread decline of trust in social and political institutions and organizations, especially Congress and the police (Vargas-Cullell, Rosero-Bixby, and Seligson 2006).<sup>185</sup> While trust in political parties in general did not decline, they received the lowest score—36 on a 100 point scale.<sup>186</sup> Between 2004 and 2006, the average support for the political system in general in Costa Rica dropped from 68 to 64 points on a scale of 0-to-100 (a statistically significant drop). This reflects a decrease in perceptions of the system's legitimacy. While the drop of four points doesn't appear to be a big change, it is the second lowest level of support observed in Costa Rica in almost thirty years (from 1978 to 2006). It is attributed to the corruption scandals that emerged in late 2004. According to Vargas-Cullell, Rosero-Bixby, and Seligson (2006),

Since both trust and perception of government efficacy declined significantly during the period under analysis, increasing numbers of people are located in the realm of low trust and poor perception of government efficacy, with its consequent depressive effect on support. In summary, the poor job of the Pacheco de la Espriella administration and the corruption scandals that affected the image of key state institutions explain part of the fall in support for the system that occurred between 2004 and 2006. (58; 65)

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<sup>185</sup> Twenty of the twenty-two institutions or organizations experienced a drop in public trust of varied magnitudes. Trust in the Church; the Comptroller General and the Office of the Ombudsman; and political institutions in general decreased only slightly.

<sup>186</sup> As discussed in a previous chapter, trust in political parties relative to other institutions is low in Costa Rica; elsewhere in the region; and across the globe.



While the corruption scandals were a source of widespread outrage and certainly contributed to the erosion of public trust and perceptions of government efficacy, the performance of the dominant parties caused a shift in Costa Ricans' behaviors before 2004. This shift resulted in significant party fragmentation in the 2002 election.

Although it has proportional representation and numerous parties generally compete for seats during national elections, high levels of party fragmentation were not typical for Costa Rica. Although it ranged from zero (1953, 1966) to 26.1 percent in 1974, party fragmentation averaged 5.3 percent from 1953-1998.<sup>187</sup> In 2002, party fragmentation was 30.4 percent. At the next election, that of 2006, party fragmentation reached 55.5%; twenty-seven small party candidates were elected to national office. During the same time period, dissatisfaction with the dominant political parties and corrupt officials altered voters' priorities relative to parties, candidates, and policies when it came to electing a president. In general, survey data from the 1994, 2002, and 2006 elections reveal that citizens' primary reason for voting for a presidential candidate had changed from "the party" to "the candidate" or "programmes [sic] and proposals"<sup>188</sup> (Booth 2007, 317). In 1994, 43.8% of the PLN's voters indicated that the party was most important; this declined to 12.8% in 2002 and 15.8% in 2006. Meanwhile, the candidate became increasingly important; it grew as the top priority for voters from 29.6% in 1994, to 35% in 2002, to 43.7% in 2006 (when the PLN ran former Costa Rican President and Nobel Peace Prize winner Oscar Arias). Finally, programs and proposals had become

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<sup>187</sup> The ideas for party fragmentation discussed here are based on Roberts and Wibbels (1999). Booth defines party system fragmentation as "the vote percentage of third-place to the nth-place party in presidential elections" (2007, pm 312, fn 8).

<sup>188</sup> A notable exception to this is the PUSC vote in 2006, in which it ran a candidate significantly less popular than Oscar Arias or Ottón Solís.

increasingly important for PLN voters, rising in significance from 26.6%, to 52.1%, and then dropping back to 31.6%. Programs and proposals were the top priorities for PAC voters in the 2002 and 2006 elections. While the party itself grew in importance for the voters between the elections—1.6% of PAC voters ranked it as the priority in 2002, while 5.5% of its voters ranked it as the priority in 2006—it was still considerably less important than programs and proposals—a priority for 66.9% of PAC voters in 2002 and 53.3% of PAC voters in 2006. The candidate was less important for PAC voters in 2006 than it was in 2002, down to 25.1% from 31.5%.

As dissatisfaction with the PLN grew, former PLN voters shifted support to smaller parties, and most notably to the growing PAC. The PAC was founded by former PLN Deputy Ottón Solís in 2000. Solís was minister of economic planning during President Oscar Arias's first term, and then served as president of the Economic and Social Council of the Organization of American States (OAS). Prior to leaving the PLN, he was chair of the Costa Rican National Assembly's Economics Committee, and was an adviser to President Jose Figueres. Solís formed the PAC in response to growing dissatisfaction among voters with the PLN, particularly its support of neoliberal policies, and its involvement in corruption. He ran for president in 2002, forcing the first-ever presidential run-off between the PLN and the PUSC. Solís captured 26% of the votes in the first round. The introduction of the PAC onto the scene altered the balance of power in the 2002 elections; its popularity with the electorate led to the defeat of the PLN by the PUSC.

Even before CAFTA was introduced, Solís earned the reputation for opposing free trade. *The Economist* reported that during the run-up to the 2002 election, Solís

“campaigned against corruption, and for protectionism” (*The Economist* 2002). In a 1996 interview, he made it clear that he supported modernization, making government more efficient, and addressing the trade deficit. But he was very critical of the structural adjustment programs adopted in the 1980s and 1990s because they did not promote investment in the factors of production—human capital, physical capital, and land. He supported investments in the state, and in turn, state investments in these factors of production. When asked “What sort of results has free trade had on the country?” Solís replied,

If you want to choose a single damaging policy, it has been the policy of reducing import tariffs. As a result of a massive ignorance, the neoliberals have felt that commercial policy is just tariff reduction. What has happened is the country has become an importer of things that previously we produced behind protectionist barriers. This has introduced a change in relative process so that now there is a structural trade deficit problem. (*Multinational Monitor* 1996)

To many, the PAC provided a credible and viable alternative to “politics as usual.” It would also provide a viable presidential candidate opposed to CAFTA-DR. Indeed, Solís ran for president on an anti-CAFTA platform in 2006.

The massive social polarization and demonstrations over CAFTA-DR made it a presidential election issue. By the time the election came around—February of 2006, almost exactly two years after CAFTA-DR was signed by all parties—the election had become an election primarily about the FTA. Even the U.S. State Department Web site asserts that Arias “listed passage of CAFTA-DR, along with fiscal reform, infrastructure improvements, improving education, and improving security as primary goals for his presidency” (Background Note: Costa Rica). Although polls on the eve of the election showed that Arias was firmly in the lead, the election was in fact too close to call by the end of election day. The presidential election was held on February 5, 2006, but because

the results were so close, the winner wasn't official until weeks later (the results on February 7, with 87% of total votes cast, were 40.2% for Solis and 40.5% for Arias). Oscar Arias won, beating Solis by a mere 1.12%. Though there is no way of telling, it seems that only Arias, with the reputation he had as former president and Nobel Peace Prize winner, could have beat Solis:

In a time of anger over previous presidents' corruption and declining popular support for government, Arias' public stature and honest reputation undoubtedly contributed to his victory. Perhaps calling into question his personal magnetism, however, Arias managed to convert a comfortable lead into a razor-thin win of only a few thousand votes by taking unpopular stands on certain economic issues late in the campaign. (Booth 2007, 328<sup>189</sup>).

The PLN therefore fared better in 2006 than in 2002, but the PAC remained strong.

Oscar Arias picked up 27 per cent of the PAC's voters, while retaining 83 per cent of the PLN's own 2002 voters. The PAC retained 69 per cent of its 2002 voters and benefited most from the PUSC meltdown by picking up 43 per cent of 2002 PUSC voters (by contrast, the PLN picked up only 33 per cent of PUSC voters) (Booth 2007, 316).

While these results indicate that a sizeable portion of the support for Solis was associated with a rejection of the PUSC—and possibly because of the corruption of its high level officials—CAFTA-DR remained a salient issue, and one that wasn't resolved by the outcome of the presidential election.

As the presidential election ballots were being counted (and recounted), Arias agreed that if he won, he would open dialogue on CAFTA-DR. But once announced the victor, he resumed strong support for the agreement, until it became clear that this would

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<sup>189</sup> Booth's source for this is a lecture given by Manuel Rojas Bolaños at the "América Latina 2006: Balance de un año de elecciones," Instituto Interuniversitario de Iberoamérica of the University of Salamanca, the Fundación Carolina, and the Centro de Estudios Políticos y Constitucionales, Madrid, Spain, May 30, 2006.

lead to more, and possibly greater, civil unrest. ANEP and other major opponents threatened that if CAFTA-DR didn't go to a referendum, there would be a "referendum in the streets." These organizations had demonstrated their might by taking to the streets in 2004, causing then president Pacheco to express a willingness to demand renegotiation of the agreement, even though this would have been a violation of the terms of the agreement. Eventually Arias agreed to put the FTA to a vote of the people. The referendum was originally set for September 23, but then moved to October 7 because the constitutionality of the FTA was now being challenged—the Constitutional Chamber of the Supreme Court had to determine whether or not the FTA violated the national constitution. The agreement was deemed constitutional and the Supreme Elections Tribunal (TSE) administered the referendum on October 7, 2007. This was the first time any FTA would be decided by popular vote. Like the presidential election, this vote was close, with approximately 49% of the public voting against the agreement and 51% for it.

#### **Section IV: Domestic institutions, state-civil society relations, and CAFTA-DR's passage**

The politics surrounding CAFTA-DR reflect the domestic political context of Costa Rica—both the nature of the democratic institutions that have evolved since the nineteenth century, and the more recent political events that have worried Costa Ricans about their political institutions and the responsiveness of their elected officials. The politics surrounding CAFTA-DR in Costa Rica reveal both the resilience of the country's democratic institutions as well as more recent developments in state-civil society relations brought about by the state's pursuit of neoliberal economic reforms (Sánchez-Anochea 2008). The politics are characterized by a citizenry that expects and demands

responsive government officials, and a state that seeks to accommodate citizens while transforming widely supported institutions. Therefore, while the events described above and below indicate that the Costa Rican state is not always responsive to its citizens—and that in fact elites have acted with complete disregard and disrespect toward them—the state does remain accountable to citizens. The power of citizens vis-à-vis the state is made evident in the ways that political elites have responded to the concerns of citizens relative to corruption and the dismantling of the welfare state, and to the concerns expressed by citizens and civil society organizations during the CAFTA negotiation and approval processes.

Despite growing discontent with political parties in the 1990s and into the 2000s, strong linkages between civil and political societies remained, and facilitated the development of a third party. We can see through the state-civil society relations during the CAFTA-DR negotiation and approval process that these linkages—comprised in part by state institutions employing large numbers of citizens as well as formal institutions guaranteeing civil participation in state decision making—emboldened civil society to express its discontent with the FTA, and influenced some state actors to accommodate some of the demands from civil society. Very early on in the negotiation process, civil society organizations mobilized members and coordinated their opposition to the FTA. Key state actors responded to the demands of the civil society organizations early on, as well as to the growing movement, ultimately allowing the FTA to be put on a referendum. Even though they were criticized by members of the *No al TLC* movement, the president and leaders of state agencies did respond to the pressure from the movement.

One of the first indications that civil society mattered to political elites was the negotiating team's refusal to accept CAFTA-DR before negotiating side agreements that guaranteed protection of some of its most sensitive sectors. Of particular importance were the telecommunications and insurance sectors. President Pacheco had promised that ICE would not be touched by the agreement. It was, yet while the U.S. wanted immediate liberalization of them, Costa Rica negotiated a gradual opening process (of three years) for them. Costa Rica also held firm in negotiating access to U.S. markets for agricultural products and apparel. The final agreement was not received by the early CAFTA opponents as a victory for Costa Rica, however. Upon the announcement that Costa Rica and the U.S. had reached an agreement and signed CAFTA in late January of 2004, Fabio Chaves, president of the Association of Costa Rican Electricity and Telecom Institute Employees (ASDEICE), said "When [U.S. Trade Representative Robert] Zoellick visited the country he said the telecommunications sector could be opened in eight to ten years. Costa Rica agreed to do it in two to three years. We believe the Costa Rican people have been ripped off" (qtd. in Borges 2004a). Albino Vargas, secretary general ANEP, stated that "What was negotiated is unacceptable" (qtd. in Borges 2004a). The fact that Costa Rica "stood up" to the U.S. appeared significant, given that all of the other Central American states signed the agreement on the U.S.'s schedule, despite concerns about the fast pace and some of their own vulnerable sectors. But when the results of the negotiations were made public, the Costa Rican leadership no longer appeared as strong, and its actions were not appreciated by members of the growing resistance.

Another early indication of the state's recognition of the importance of civil society was the implementation of the CSOP program. As mentioned above, Costa Rica's CSOP program was the largest of any of those implemented in Central America. Like the other CSOP programs, it contributed to the public's awareness of CAFTA-DR, and a favorable opinion of it. Although the press coverage of the protests also contributed to awareness of the FTA, the CSOP process most certainly provided another channel of communication between civil society and political elites. In addition to the hundreds of meetings held between producers, the ministry of foreign trade, COMEX, participated in approximately 100 meetings between civic organizations, universities, unions, and nonprofit organizations. Although the CSOP process was intended to provide opportunities for dialogue between the state and civil society, it was not perceived by anti-CAFTA organizations as entirely fair. Given that the *No al TLC* portrayed the state as the enemy—in particular, first Pacheco and then Arias and the PLN—its critique of the CSOP process is not surprising. Vargas (2007) reported that COMEX would not attend local meetings on CAFTA if it expected opponents to be there. Ultimately, the CSOP may have facilitated opposition to CAFTA-DR by publicizing the FTA.

The *No al TLC* movement took the position that the state was secretive throughout the negotiation process and used this as one of the ways to mobilize opposition to the FTA. Various members of the opposition claimed that they called for an opportunity to participate in “defining at least the minima or maxima of what would be negotiated, and to be able to closely monitor the process” (Trejos 2007). Although they were invited by COMEX to participate in a “consultation” process, the opposition



declared that this process was superficial—that hundreds of recommendations were submitted to the state but that the government wouldn't commit to any of them. Eugenia Trejos, a close follower of the *No al TLC* movement, characterized the process as follows:

Popular movements were treated as mere recipients. Their well substantiated arguments, were never taken into account. This became even more evident when the text of CAFTA was published, well after negotiations had been concluded, since during the talks the texts were declared “confidential” in order to “not disclose the national strategy,” even for members of parliament who demanded access to them....

Even after the negotiating process was over, it was not possible to get documentation on the process since it was claimed to have been “lost” with the change of ministers from the past administration. In fact, the only ones who did have access to the negotiation process, as advisers to the government, were representatives of the chambers of commerce. So much so that one of their business leaders is presently the Minister of Foreign Trade. (Trejos 2007)

The exclusion of civil society from the negotiation process was a theme of the anti-CAFTA campaign. While the organizations were not afforded the seat at the negotiation process that they wanted, the negotiation process was not transparent, and COMEX didn't respond to their demands in a way that satisfied members of the anti-CAFTA movement, state actors—including the president and deputies in the National Assembly—did increasingly respond to the growing opposition represented by the movement.

Protests after the negotiation process concluded only increased. ANEP and other organizations at the head of the opposition responded by mobilizing throughout society. While the anti-CAFTA protests were merged with other issues—such as salary increases for public employees—the protests gave the anti-CAFTA movement visibility and demonstrated its strength. Their success could be seen in both growing opposition outside of the state, and later divisions within the state and political society. The

opposition outside of the state became a crisis for the government when unions staged protests of CAFTA-DR, along with three other important issues for unions, in August and September 2004. The four major demands by unions were: dismantling the monopoly held by the vehicle inspections agency; rejection of CAFTA-DR; an increase of public salaries—more than the 4.5% increase approved by the government in the previous month; and an overall halt to the rising cost of living (*The Tico Times* 2004). The protests and road blocks orchestrated by unions and other civil society actors effectively shut-down the country on several occasions, putting enormous pressure on the government to negotiate an agreement that the unions would accept. The government and representatives of more than 30 unions and driver associations negotiated an agreement on August 31; the agreement was negotiated by members of Pacheco's cabinet and was signed by Pacheco. As part of the pact, the government agreed to increase the salaries of the country's 157,000 public employees by 0.5% above a 4.5% increase already reached (Borges 2004b). However, the agreement did not put an end to the controversy. In the following weeks several members of Pacheco's cabinet—including some who had participated in the negotiations—resigned. These included his Finance Minister, the Labor Minister, the Trade Minister, the Minister of Transport, the Minister of Police, and his right-hand man, the Presidency Minister. Several indicated that the government could not afford the deal and resigned in protest because they felt the government was alienating the business and economic sectors. After this series of resignations, only nine of Pacheco's original 21 cabinet members remained. Rumors spread that Pacheco was going to resign; he denied the rumors on September 10 and asserted that he had

confidence in his Cabinet and in his country, and that he had significant support from each of the sectors represented by the ministers.

The incidents above exposed divisions within Pacheco's administration over economic policy in general and CAFTA-DR in particular. Pacheco himself began to express misgivings about the negotiators, and the FTA. When asked why he allowed the negotiators to sign an agreement that was not favorable for Costa Rica, he responded by saying "I trusted (the negotiators). I can't be Superman and do everything... I'm like the conductor of an orchestra" (qtd. in Stanley 2005c). Pacheco's former Foreign Trade Minister, Alberto Trejos, who oversaw Costa Rica's negotiation team, discounted Pacheco's remarks by responding "The interpretation that the President is external to CAFTA is not correct. He was the one who made the decision to start the negotiations; the big decisions during the negotiations; and the decision to sign the treaty" (qtd. in Stanley 2005c). Pacheco was unwilling to send the treaty to the Legislative Assembly for its review until after the FTA was approved by the U.S. Congress. This indicated his declining support for the FTA. This also led several more senior trade officials in the Trade Ministry, including Trejos' successor, to resign (Stanley 2005a). Three officials left in the first part of the year because they felt Pacheco's refusal to send the FTA to the assembly was holding up ratification of the trade deal, a move that was not in the country's best interest. One of the officials, Roberto Echandi, asserted "This (2005) is a crucial year for promoting and discussing reforms that are crucial for the economic future of the country, but nevertheless, the Executive Branch continues insisting on avoiding that discussion" (qtd. in Stanley January 2005a). While Pacheco's wavering was viewed

as faltering leadership by some of his party members and other state officials, it reflected his attention to the demands, and growing significance of the *No al TLC* movement.

In an attempt to deflect criticism, in April of 2005, Pacheco formed a commission of prominent citizens—the Council of Notables—to analyze the final agreement (Stanley 2005b). The council’s position on the FTA was neutral—it didn’t come out strongly in favor of it or against it—but it recommended that the FTA should not be implemented without a series of measures to protect the poorest sectors of society, which were believed to be vulnerable and sure to lose if the FTA passed (Vargas 2007). Pacheco’s formation of the council was yet another sign of his ambivalence toward the agreement following growing opposition to the FTA from civil society, political society, and the state. Indeed, as discussed in a previous section above, he himself later came out in favor of renegotiating the agreement. His actions were indicative of an elected official who is cognizant of his vulnerability as a proponent of an unpopular program in a democratic system. Even though he himself would not be up for re-election—successive re-election of a president is barred by the Costa Rican constitution, and he would be in his eighties the next time he could run—mounting opposition to the FTA and polarization of society over it was increasingly making governance difficult for him. Pacheco finally sent the FTA to the Legislative Assembly for legislative review in October of 2005. At that time, ex-President Luis Alberto Monge (1982-1986) was joined by dozens of business leaders, intellectuals, former legislators and statesmen in a petition to Pacheco urging him to scrap CAFTA and negotiate a separate, bilateral trade agreement between Costa Rica and the

United States.<sup>190</sup> Monge was a prominent member of the PLN, but he left that party because of its party's pro-CAFTA stance (Goodier 2005).

In early 2006, the state's Office of the Ombudsman issued a report that echoed many of the opposition's concerns about the FTA. The Ombudswoman, Lisbeth Quesada asserted that her office reviewed it from a "human rights perspective" and concluded that it was worrisome. This came after consulting with other government offices about the possible impacts CAFTA would have on them. Quesada declared that "none could give a satisfactory answer" to her inquiry about how the FTA would impact their offices. Quesada went on to say that "CAFTA still has not been discussed in depth, and Costa Ricans don't have transparent information to be able to make a decision," and that further studies are necessary (Roberson 2006). Although the Ombudswoman declared her office was not taking a stand in support or opposition to the agreement, her findings indicated that support within the state for the FTA was not unified. Her capacity to produce a report that did not sing the praises of the agreement is yet another example of the responsiveness of the state to civil society.

The reversal of positions among political elites—not only, but most notably Pacheco's—and the divisions within the state and political society make it clear that the opposition from within civil society influenced the state actors and members of political society. As debate intensified in society, more members of the PLN and the PUSC—the party of the president who sent Costa Rica into negotiations—changed their position (or

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<sup>190</sup> Monge was also quoted as stating "We want an agreement with the United States, but not under the terms that are approved. Costa Rica has singularities in its socioeconomic development that differentiate us...from the rest of Central America. There are many things (in CAFTA) that don't have anything to do with our country's interests; rather, they correspond to our Central American brothers" (Goodier 2005).

party). The responsiveness of the state has numerous precursors in Costa Rican society. In an interview after his term as president was up, Abel Pacheco invoked Costa Rica's history. When asked by a reporter if he thought holding off on submitting CAFTA to the Legislative Assembly was the right thing to do, Pacheco responded "I think I sent CAFTA at the right moment. If I had sent it earlier, it would have lent itself to violence. Here in Costa Rica, one has to discuss things. If you try to force it, the country explodes, as history has shown time and again" (qtd. in Kimitch and Stanley).<sup>191</sup> Although Costa Rica has a reputation for being a peaceful country with highly consolidated democratic institutions, a place where citizens' demands are expected to be channeled through parties and electoral processes, protest is part of Costa Rica's recent democratic history. Accommodation has taken place in response to both contentious politics—protests and demonstrations carried out by unions and other organized interests and citizens—as well

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<sup>191</sup> Later, in that same interview, Pacheco revealed his discontent with the tradition of dialogue. He stated that the newly elected president, Oscar Arias, would face enormous challenges governing because "Moving ahead here is very difficult because everyone has a different opinion. The President's decisions are questioned by the Legislative Assembly, by the Constitutional Chamber of the Supreme Court (Sala IV), by the Ombudsman, by the Comptroller General, by the Government Attorney's Office, and by each citizen....Therefore, governing Costa Rica is completely an art." He then went on state that Costa Rica should call a Constitutional Assembly to redefine the powers of the different branches of government. In response to the question, "Is this possible?" he said, "Why wouldn't it be possible? This is a functioning democracy. Despite being such a mess, Costa Rica continues to be a democracy that works." At the same time, he advocated hierarchy and strengthening the power of the Executive: "We have to explain to Costa Ricans that if we continue with this mess, this country will not survive. The President must have a mandate.... If I get to my house and I want to eat dinner and the gardener says no, because we haven't finished talking about what we are going to plant today; and the cook says no, because you haven't (paid me); and the children say no, don't give any food to dad because yesterday he hit us; with this, I will leave the house....This is what is happening in Costa Rica, because there is no authority. And not only is there no authority, but also, anyone can assume it."

as through the development and institutionalization of citizens or other civil society committees charged with a role in formal decision-making processes. The events surrounding CAFTA-DR mirrored previous state-civil society relations in Costa Rica. At the same time, the extent of the mobilization against CAFTA, when viewed in the context of more recent history and the increasing number of protests against neoliberal policies, indicates that the policies are having an impact on state-civil society relations.

After Arias' election in February of 2006, the politics surrounding CAFTA-DR changed to reflect greater unity among legislators and between the Executive and Legislature, and growing resistance from civil society. Having won on a pro-CAFTA platform, and with his party in the majority in the Legislative Assembly, Arias was in a good position to move CAFTA through the legislative process. However, massive anti-CAFTA demonstrations in October of 2006 and February of 2007 would complicate his plans. Then, in April of 2007, the Supreme Elections Tribunal (TSE), which previously indicated it would not support a referendum process for the FTA, reversed its position.

The decision of state officials—appointed and elected—to put the FTA to a referendum is perhaps the most significant indication of the state actors' deference to the *No al TLC* movement. A proposal to put the FTA to a referendum started making its way through the Legislative Assembly in early 2005, as public opposition to the movement was growing, and as politicians were gearing up for the February 2006 election. The proposal that was making its way through the Legislative Assembly at that time stipulated that the referendum could not take place six months prior to or following the elections. Ultimately, the assembly created provisions for a referendum. In mid-April of

2007, the TSE was called in<sup>192</sup> to determine that such a referendum would be legal. One day after the TSE declared the referendum was legal, President Arias held a press conference declaring that he would send the matter to the Legislative Assembly the following day. The referendum was conditioned upon approval by the Legislative Assembly—at least 29 of the 57 legislators had to approve it—or the collection of 132,000 signatures in favor of a public vote. Arias’ decision to put the referendum matter before the Assembly was not an attempt to defeat the referendum, but rather to speed up the referendum process. Putting the FTA to a vote of the people meant that the assembly would be barred from voting on the FTA unless voter turnout for the referendum did not meet the required minimum. According to the press, President Arias, who had been adamant that only the Legislative Assembly should decide the fate of the FTA, said that the TSE statement caused him to change his mind and that while “[The ruling] surprised some of us— including me” it is “a historic decision... a new era in our democratic development” (qtd. in Stanley 2007). The referendum on CAFTA would be Costa Rica’s first ever referendum. The decision to put the FTA on a referendum received praise from some opponents of the FTA, while some viewed it as a form of cooptation (Trejos 2007). At that point, public opinion polls indicated that Costa Ricans were just about evenly divided between support and opposition for the agreement. The outcome of the vote was by no means certain (Lauer 2007).

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<sup>192</sup> The TSE’s ruling was initiated by a former legislator and CAFTA opponent (José Miguel Corrales) who wanted a ruling from the state before he and other organizers began collecting signatures for the referendum. According to the law, they would have had as long as nine months to gather the signatures (Stanley 2007).



Arias' support for the referendum is an important display of his recognition of the power of the opposition to the FTA. Although he would remain an ardent opponent of the agreement, his decision to support the referendum process signaled support for what would appear like the most democratic process for deciding the FTA's fate. This was significant in that it continued the tradition of at least some state accommodation of the citizens' demands. Arias and others were acutely aware that perceptions of government were low, and that its legitimacy was in peril. Given Costa Rican citizens' willingness and capacity to hold state actors accountable for unpopular decisions, the social and political polarization over CAFTA-DR indicated that elected officials would be punished if its action on CAFTA did not appear representative. Even though Arias had tried to use his victory as a sign that the people supported CAFTA, the strength of the opposition from civil society, and divisions within the state and political society belied a different truth. Putting the FTA to a referendum was the best way to ensure that the outcome of the vote on CAFTA-DR appeared to be what the people wanted.

The referendum would not be the objective measure of the public will Arias hoped for. Instead, it took place in a political environment shrouded in yet another political scandal—this one involving Arias, his Cabinet, and the promotion and use of unethical tactics to secure CAFTA-DR's passage. On July 29, 2007, Kevin Cassis, the Vice-President and Minister of Planning, and Fernando Sánchez, a legislative deputy and cousin of President Arias, sent a memo to President Arias<sup>193</sup> imploring him not to trust the Costa Rican people with the referendum on CAFTA-DR, and outlining a six-page

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<sup>193</sup> The entire memo or sections of it were reproduced by a variety of sources within Costa Rica and the United States. The selections provided here are taken from the English translation of the memo made available through the Washington Office on Latin America (WOLA).

strategy for ensuring the FTA's passage. The memo was leaked to the Costa Rican press in early September of 2007, about one month prior to the referendum on CAFTA. This memo made it clear that CAFTA-DR was a priority for the government—even more important than securing its legislative agenda. It is significant in that it provides insight into prominent state actors' perceptions about the Costa Ricans' attitudes about government and CAFTA in particular, and it reveals the vice-president's complete disregard for the Costa Ricans' rights and the democratic process. The last part would raise the ire of many Costa Ricans, and eventually lead to Cassis' resignation.

In the opening paragraph, Cassis and Sánchez acknowledge Costa Ricans' trust in government is low, in part because of political officials' abuse of power.<sup>194</sup> The memo then underscores the need for government to work more closely with business, and uses the 2000 protests of the privatization of the state-run electricity company (ICE) as an example of what the state must avoid. It states that “To form a coalition and to make the defense of the treaty a collective job is crucial not only to overcome this lack of legitimacy, but also to avoid ... the same imbalance that was broadly visible during the ‘combo’ conflict ... when the organization of the opposition had no more counterweight than the lonely voice of the government” (Cassis and Sánchez 1). Recognizing that the government needs particular kinds of allies in this coalition—ones that will make the state's claims that CAFTA is good for the people of Costa Rica credible—the memo goes on to identify strategies for positioning itself effectively vis-à-vis the *No al TLC*

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<sup>194</sup> The memo states, “Even before the recent scandals that have diminished trust in the political establishments, the levels of credibility of the government were very low and probably insufficient to give legitimacy to such a controversial project. At this time nobody believes a word said by the government or the politicians and for this reason, it would be lunacy to delegate in them the defense of the treaty” (Cassis and Sánchez 1).

movement.

Cassis and Sánchez acknowledge that the anti-CAFTA movement is strong; indeed, its success is the reason that the government must take concerted action to alter public opinion on the FTA. They argue that the *No al TLC* movement has been successful because it has framed the anti-CAFTA campaign as a struggle between the rich and the poor. The government, they claim, must now counter that by making it appear that workers and small business owners support CAFTA:

The campaign about CAFTA is becoming what we should have never allowed it to become: a struggle between rich and poor, and between the government and the people. The coalition against us is formidable: universities, the church, unions, environmental groups, etc. And, on the other side, in favour of CAFTA, there is only the government, and some of the big entrepreneurs. There is no way to win like this. It is very urgent to include in the campaign, at least, the small entrepreneurs, the worker unions, and whatever we can from the cooperative movements. And when we say they should be included in the campaign we simply mean that the faces of their leaders should ‘appear’ everywhere. Obviously, if these leaders can also effectively control part of these social movements, it would be better. (Cassis and Sánchez 2)

In addition to supporting manipulation as a tactic to win people’s support, Cassis and Sánchez implore the president to hold all PLN mayors accountable for ensuring their municipalities ultimately supported CAFTA. They are unequivocal in making the point that mayors whose voters oppose the agreement should be punished by not receiving a penny from the government.

Finally, they assert that the government must make a concerted effort to “stimulate fear” among Costa Ricans, particular among “very simple people.” He says government must “choose very well the faces of the massive communications of the YES, using almost exclusively, workers and small entrepreneurs. Likewise, we have to greatly increase the presence of the government in the media.” Cassis and Sánchez

suggest generating four types of fear: fear of loss of jobs<sup>195</sup>; fear of attack on Costa Rica's democratic institutions<sup>196</sup>; fear that a CAFTA defeat will put Costa Rica in a class with Cuba, Venezuela and Nicaragua<sup>197</sup>; and fear of the consequences of CAFTA's defeat on governance<sup>198</sup> (Cassis and Sánchez 3-4).

This memo is not an indication of strong linkages between the state, political society, and civil society. Indeed, it reflects the opposite: a state run by individuals with no regard for the democratic institutions that (in theory) got them where they are. This was not the first time in recent history that elites would act this way—and get caught. Indeed, to many Costa Ricans the corruption scandals in 2002 and 2004 and the privatization of ICE were indicative of exactly the same kind of elite behavior. The fact that citizens responded to the ICE decision-making process with protests that shut down the country, and with negative perceptions of their government accompanied by changes in voting behavior were evidence that citizens were paying attention to their public

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<sup>195</sup> They suggest the use of “testimonials of very simple people in precarious situations that might loose their job, or have already lost it because of the non approval of CAFTA” (Cassis and Sánchez 3).

<sup>196</sup> They state it is “crucial to make YES the equivalent of democracy and institutionality...and make NO the equivalent of violence and disloyalty to democracy.” Cassis and Sánchez's argument for this reveals a sophisticated understanding of the role of emotions in voter behavior, and the increasingly negative images of the region's socialist leaders: “We have to understand one thing: no one is willing to ‘die’ for free trade, but maybe they would for democracy. We have to give YES an ethical motivation, and not only an instrumental one” (Cassis and Sánchez 3).

<sup>197</sup> They argue, “We have to insist everywhere on the connection of the NO with Fidel, Chaves and Ortega, in very strident terms. It is possible that this kind of campaign might be uncomfortable to some people, but it is almost sure that it can have a considerable impact amongst the simplest people, which is where we have the most serious problems” (Cassis and Sánchez 4).

<sup>198</sup> Cassis and Sánchez assert that “Many people simply haven't made the connection that a triumph of NO in the referendum will leave the government in a precarious situation, with its effectiveness totally reduced, and the country in a situation of poor governance. That connection has to be induced” (Cassis and Sánchez 4).

officials and would demand adherence to the rule of law and respect for their roles as representatives of public will (as opposed to the will of the elites). Arias and many other pro-CAFTA supporters in government supported the referendum because they could expect to be punished by voters if they didn't.

Nevertheless—and not surprisingly, given that Arias remained an ardent supporter of the FTA—the government did implement a campaign to educate people about CAFTA's widespread benefits, and reports of threats to workers were reported. Around the time of the memo leak, the Costa Rican press reported that the proponents had already spent \$500 million dollars on promoting CAFTA (compared to anti-CAFTA expenditures of \$30 million) (Carlson 2007). Arias condemned the memo yet did not stop trying to convince the Costa Rican people that passage of CAFTA was necessary; he asserted that failure to pass the FTA would be “collective suicide” (*Reuters* 2007). The U.S. was reportedly involved in the efforts to promote CAFTA. It was reported that the U.S. helped fund the publicity campaign, and days prior to the vote, the U.S. Trade Representative issued statements in Costa Rica claiming that the United States would not renegotiate the agreement if the Costa Ricans failed to approve it. Even though the Costa Rican government called for a moratorium on news about the agreement two days before the vote, CNN provided coverage, which meant that hundreds of thousands of Costa Ricans—and a demographic likely to vote—did have access to U.S. news on the FTA. Some employees reported being told by their employers that if they voted against the FTA they would lose their job.<sup>199</sup>

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<sup>199</sup> Relayed to this author in personal interviews with members of the *No al TLC* movement and staff in the Legislative Assembly.

Although members of the *No al TLC* movement consider these events significant to the FTA's passage, the impact of the fear-mongering is ambiguous. First, the message that a "no" vote would have dire consequences had been circulating for a long time by this point. As indicated above, major companies and the Chamber of Commerce sounded the alarm in 2006. The last minute threats may not have been that significant because the message was "old news" for many. Second, the areas where workers reported being threatened by employers turned out to be areas where sizeable numbers of voters voted against the FTA. Moreover, the memo leak itself may have undermined the state's agenda. Prior to the memo leak, polls were showing that support for the FTA outweighed opposition to it. After the memo leak, the opposition increased, making the support and opposition about even (Carlson 2007). In her coverage of the *No al TLC* movement, anti-CAFTA sympathizer Eugenia Trejos (2007) asserted that the state's pro-CAFTA media campaign, which focused its attacks on certain union leaders in order to discredit the movement, was ineffective:

The reality is that more and more people could see that all of these people were joining the movement to reject CAFTA while only big business and government argued in favour. At the same time, a level of mistrust that Costa Ricans have when they feel that someone is trying to impose something on them emerged: a part of the people's opposition was generated precisely by the multimillion-dollar advertising campaign in favour of CAFTA and by the government's insistence that the country must approve it.

The strength of the *No al TLC* movement was made quite evident on September 30, 2007. That day approximately 100,000 people marched through San Jose to demonstrate broad-based, widespread opposition to the FTA. Among other things, demonstrators chanted "Costa Rica is not for sale," donned t-shirts with Ché Guevara's face on them, and called for the protection of businesses owners, farmers, and the country's social welfare

programs (*Reuters* 2007; Carlson 2007).

Regardless of its impact on the FTA vote, the memo and other state efforts to secure a favorable vote for CAFTA-DR indicate that while President Arias was willing to put CAFTA-DR on the referendum, it wasn't out of a genuine interest in letting the people decide the fate of CAFTA-DR. It was a necessary move, given the widespread resistance to the FTA, and the low trust in government. Arias needed the passage of CAFTA to at least appear legitimate not only so that his party could implement it, but also so they could govern at all.

## Chapter VI: Conclusion

The anti-CAFTA-DR movements in Nicaragua and Costa Rica compared demonstrate that free trade agreements provide political opportunities for state actors and members of political and civil society actors to advance particular interests and ideas. They also reveal that the passage of an FTA is highly contingent on domestic political opportunity structures. The capacity of Nicaraguans and Costa Ricans to take advantage of the political opportunity presented by CAFTA-DR is in part a function of domestic institutions and established patterns in state-civil society relations—in other words, both formal and informal rules of the domestic political game. In both countries, the existence of institutional opportunities and resources is linked to historical political and economic development processes, as well as more recent political and economic developments. The more highly developed democratic institutions in Costa Rica have contributed to the capacity of civil society to organize and mobilize formidable opposition to the state there. At the same time, the use of those institutions was facilitated by a set of norms and expectations about the role of the state that have developed many decades. Resistance did not come from institutions, but rather individuals with particular interests and ideas about international and national politics. Ultimately, the presence of particular interests, ideas and institutions in Costa Rica explain why significant opposition to CAFTA-DR emerged there; why that opposition influenced state actors; and why that opposition nearly succeeded in stopping approval of the FTA.

Costa Rica's experience with CAFTA-DR and its variation from Nicaragua's demonstrate that domestic institutions and state-civil society relations can be significant factors in opposition to transnational processes—even in small states that are less



powerful than other parties to the agreement. The Costa Rican experience reveals that the nature of the linkages between civil society, political society, and the state contribute to the political opportunity structure and resources citizens need to challenge the state and hold representatives accountable. In Costa Rica, institutions such as state-run industries and laws protecting civil society organizations' participation in state-policy making, combined with expectations that state officials respond to citizens' demands provided mechanisms for not only communication between the state, political society and civil society, but also mechanisms by which citizens could hold state officials and party members accountable for their actions. Civil society actors in Nicaragua encountered a very different political opportunity structure—one that offered few opportunities for them to effectively pressure the state to reconsider or even discuss CAFTA-DR. In Nicaragua, the lack of institutions and resources for civil society actors, combined with laws inhibiting the development of viable third parties, made pressuring the state much more difficult. The fact that state actors in Nicaragua issued statements along the lines of “more protests won't matter—the Assembly is ready to approve CAFTA” and did not respond to protesters when they marched in front of government buildings in months leading up to the vote is emblematic of the relationship between the state and civil society that existed in Nicaragua at the time of CAFTA-DR's approval.

As the cases of ANEP (the public employees union) and FECON (the network of environmental organizations) in Costa Rica illustrate, civil society is incorporated into the Costa Rican state to a considerable extent. FECON does not operate completely outside of the state, but rather it works with the state to shape policy. Having gained legitimacy with the state, and having secured a place as a national resource for information and

support of state policy, it guarantees civil society participation in environmental decision-making. The ability of the civil society organizations to remain autonomous was also made evident through the organizing and mobilization of FECON; legally protected by the state, it nonetheless can turn on the state to advance its agenda. This relationship is legal and cultural—given that norms and laws maintain this relationship and that such a relationship is deemed desirable and is in fact expected. Electoral support for redistribution of wealth, state involvement in the economy, and a form of participatory politics has been institutionalized in Costa Rica over decades. These have produced strong opposition to elites considered out of touch or just plain greedy, and their policies, including CAFTA-DR.

#### *Looking Ahead – Costa Rica*

Despite the existence of some established institutions and state-civil society relations, the implementation and continued pursuit of neoliberal policies by Costa Rican presidents and national legislators is causing new configurations of state-political-civil society relations to emerge (Sánchez-Ancochea 2008). What the party fragmentation and electoral volatility of recent years portend for Costa Rican democracy remains to be seen. Some are concerned about what these might mean for Costa Rica's highly regarded political system; an open and competitive electoral system dominated by two centrist parties is considered an important feature of consolidated liberal democracy (Booth 2007, 325). At the time of his writing (2007), Booth suggests that there are two principal challenges to Costa Rica's system, based in part on indicators from other Latin American countries in recent decades: democratic breakdown, and personalistic domination of the parties and emergent populism. These seem unlikely for Costa Rica, given its historic

preference for alteration of parties in power (Carvajal Herrera 1978; Sojo 1995: 78), and the constitutional prohibition on immediate presidential self-succession (in 2003 the court ruled that presidents could run for office again after sitting out a term). However, the rise of the PAC alongside of the decline of the PUSC could be an indication of the re-emergence of the two-party system. In 2009, the PAC appeared to be the strongest candidate to replace the PUSC as the second major party in the system. According to an April, 2009 CID-Gallup poll, which asked respondents who they would vote for in the 2010 presidential election, 36 percent of respondents indicated support for Laura Chinchilla of the PLN, and 29 percent indicated support for Ottón Solís of the PAC. Only eight percent responded that they would support the PUSC candidate Rafael Ángel Calderón. Seven percent of the population indicated that they would vote for the Libertarian Party (Movimiento Libertario, ML), and 20 percent of the population indicated they were unsure or would vote for another choice (Angus Reid Global Monitor 2009). On February 7, 2010, Chinchilla was elected president with 47 percent of the popular vote; Solís received 25 percent, and Otto Guevara of the ML received 21 percent of the vote. It appears that the PAC has a strong hold on a block of seats once held by the PUSC, but it does not represent new leadership for the PUSC's base. In the wake of CAFTA-DR it is clear that the PAC is the party offering an alternative to the free market-oriented PLN and PUSC. While CAFTA-DR did not introduce the PAC, it provided an opportunity for it to flourish and establish itself as the opposition.

What is the status of members of the *No al TLC* movement, and what can we expect from them, and Costa Rican politics in the future? In August of 2008, many of the *No al TLC* members with whom I spoke about their experiences expressed (and

exhibited) fatigue. They remained committed to the ideals, the alternatives, and the leaders that the *No al TLC* movement produced, but were clearly disheartened by the ongoing defeat of their remarkable offensive against what many perceived to be the most powerful and pernicious forces on the globe. The spirit of the movement was alive in the Legislative Assembly as members of the PAC and other opponents of CAFTA-DR fought implementing legislation, yet victory was never theirs—they simply could not secure enough votes. Moreover, members of the opposition believed that the results of the referendum—despite being close, and in the minds of some, even bought—had emboldened the PLN. It offered the PLN the opportunity to assert that implementing CAFTA-DR was advancing the will of the people. The results of the February 2010 national elections may be an indication that most Costa Ricans support the PLN's embrace of liberalization and other neoliberal policies, but also that a significant number still support the alternative vision of democracy and development offered by the PAC during the battle over CAFTA-DR.

The psychological impact of CAFTA-DR's passage is significant, and at least temporarily put a damper on the movement members' enthusiasm for working for a reversal of course in state action. But CAFTA-DR has already made an impact on political organization in Costa Rica that could make advancing change easier. I provide the following statement from a leader in the Costa Rican *No al TLC* movement to demonstrate the impact of the civil society activism on local politics more broadly speaking:

The patriotic committees that have survived are now interested in making an impact at the municipal level. Many of them are in the middle of a debate about whether to do so as civil society organizations or whether to work towards the creation of small local political parties. We are all involved in this, and trying to

be hopeful and keep up our spirits. When one of us encounters a problem, there is someone ready to help. I think we can use the metaphor of birds to explain what I mean. I am referring to the flocks of birds which fly hundreds of thousands of kilometers seeking a better climate, with birds taking turns to lead the way and to protect the others from the full force of the onrushing air, before dropping to the back and being replaced by another. (Rodriguez, qtd. in Grain 2008)

Even though they may be discouraged, the *No al TLC* movement actors have not given up. CAFTA-DR has entered into force, yet given all that needs to be done to implement it, and given that states can withdraw from FTAs (even though this has not yet happened in the region), the institutions and agents discussed here will affect the implementation process of CAFTA-DR and future trade agreements. They have been actively promoting their ideas and interests in trade talks between Central America and the European Union, and have their work cut out for them given that the election of the PLN's Laura Chincilla in February of 2010 indicates that the government will continue to pursue free trade and other neoliberal policies in years to come. While an assessment of the *No al TLC*'s impact on political organization is beyond the scope of this paper, it is clear from the election results from the past three national elections that PLC has established itself as a significant link between citizens disaffected with the state's policies over the past decade—and for which CAFTA-DR was emblematic—and state actors committed to a change in course.<sup>200</sup>

### *Looking Ahead – Nicaragua*

Daniel Ortega is an important factor in the fate of CAFTA-DR and other trade deals, and in the consolidation of institutions and state-civil society relations more

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<sup>200</sup> The PLC received nearly as many popular votes in 2010 as it did in 2002 (approximately 334,000). It received the most votes in the 2006 election (409,000). Its number of seats in the Legislative Assembly decreased as a result of the most recent election, however; it went from holding 17 seats to 11 seats. The growth in the ML and the emergence of other small parties explain this loss.

generally in Nicaragua. Ortega was elected president on November 7, 2006, almost one year after CAFTA was approved by the National Assembly. Despite claims by the U.S. President and other top U.S. officials that Ortega's election would mean the end of U.S. aid, Ortega won the election with 38% of the votes. He was not elected into office by the popular sectors—the urban and rural poor whom he claims to represent; nearly two-thirds of their votes went to other candidates.<sup>201</sup> He was supported by party loyalists, who stand to benefit from handouts from government so long as the FSLN is in power (Chomorro 2009; Jarquín 2009). Moreover, despite his railing against the U.S. and imperialism, Ortega has not blocked the implementation of CAFTA-DR. Indeed, he remains a vocal critic of U.S. aid and involvement in Nicaragua and the region and has made very clear his allegiance to Venezuela's President Hugo Chavez. Ortega's first official act as president was to sign on to the Bolivarian Alternativa para las Americas (ALBA), a regional trade agreement with Venezuela, Cuba, and Bolivia.<sup>202</sup> According to Bandaña (2009), Ortega's government "talks Left but acts Right" (11), and like others doing this in

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<sup>201</sup> A division within the conservatives prior to the presidential election pitted the followers of Alemán against a breakaway Liberal Party (Alianza Liberal) headed by a U.S.-approved technocrat banker, Eduardo Montealegre; Montealegre received 29% of the votes. That division "sealed the fate" of the election as neither faction reached 30% on its own (although together they counted for 53%). The MRS garnered 9% of the vote (Bendaña 2009).

<sup>202</sup> This is presented by the leaders of these states as an alternative, solidarity-based trade model, and they are promoting it as Latin America's key to "real" development—meaning development that serves the interests of Latin Americans, not those of the U.S. His immediate move to have Nicaragua join ALBA can be read as a thumb of the nose to the United States, and years after his election he remained critical and dismissive of U.S. involvement in the area, even going so far as to assert that all U.S. aid is sent to Nicaragua with bad intentions. However, until the U.S. became concerned about reports of election fraud, it did not suspend any aid or assistance.

the region, is actually serving the interests of international investors and bankers.<sup>203</sup> As with Somoza, government in Nicaragua today is controlled by individuals who stand to benefit from the new trade model: “the financial groups and the economic groups linked to exports and imports have been the major beneficiaries of Nicaragua’s limited growth since 1990, and the Ortega government has not touched that logic. FSLN leaders now belong to that group and are busy consolidating themselves there with the advantages offered by their party’s five years in office” (*Envio* Team 2008a). In other words, although Ortega’s rhetoric does not indicate it, government policy reveals that Nicaragua is on board with neoliberalism.

Ortega remains aligned with Alemán and the PLC, and his behavior since being elected make it clear that he is determined to amass power in any way he can. Like Venezuela’s Hugo Chavez, who is very popular among Nicaraguans, Ortega has employed a strategy of populist appeals and self-glorification since he lost power in 1990.<sup>204</sup> His willingness to do just about anything to maintain his power was made quite apparent prior to the 2006 election, when he converted to Catholicism and married his partner of 30 years, Rosario Murillo. He also switched his position on abortion, and ordered his party members to repeal a century-old law permitting abortion when the life of the mother is endangered (Bendaña 2009). These moves were widely interpreted as a

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<sup>203</sup> Jarquín (2009) sees this strategy for political hegemony as a combination of “authoritarian populism for the popular sectors” and “authoritarian corporatism for the business elite” (9).

<sup>204</sup> I attended the celebration of the 29<sup>th</sup> anniversary of the Sandinista revolution held in the center of Managua in July 2008. It was attended by tens of thousands of people, as well as heads of state from throughout Latin America, including the president of Honduras, Bolivia, Ecuador, Uruguay, and Venezuela. The cheers for Chavez were noticeably much greater than those for Ortega. In fact, the crowd did not respond with as much enthusiasm for him at all. References to Sandino and the revolution, however, elicited unparalleled applause and other forms of audible adulation.

means for securing the support of the Catholic Church. Since his re-election he has spent tens of thousands of government dollars on larger-than-life-sized billboards of himself standing with a fist raised in the air, with the slogan “Arriba los pobres del mundo!” (Rise up poor people of the world!) written in big bold letters above his head.<sup>205</sup> He has been instrumental in the revocation of the MRS’s legal status; on June 11, 2008, the Supreme Electoral Council of Nicaragua declared the party illegal on the grounds that it had failed to comply with various requirements of the electoral law.<sup>206</sup> Protests of the ruling were met with police force and resulted in altercations.<sup>207</sup> In September and October of 2008, he authorized the raid of the offices of two women’s organizations that had roots in the Sandinista movement and strong ties to the FSLN, and seized their computers and files on the grounds that the government had reason to believe they were conspiring against it (*Envio* Team 2008b). This was part of an effort to force the Luisa Amanda Espinoza Nicaraguan Women’s Association (AMNLAE), which has 60 women’s centers throughout the country, to incorporate with new Sandinista Women’s Movement created by the new ruling party (of which Ortega’s wife is a significant part). Recently, he has refused to address the Miskitos’ demands for autonomy<sup>208</sup>, making his claims to represent the underdogs of the world ring hollow. In June of 2009, after he refused to investigate

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<sup>205</sup> Many of these billboards have graffiti like “DICTADORA” painted across them.

<sup>206</sup> One of the most significant members of the MRS, Dora Maria Tellez, had just begun a hunger strike and was receiving significant publicity (front page newspaper coverage) days prior to the this decision (this author read and heard daily coverage of it while conducting fieldwork in Nicaragua in June and July of 2008).

<sup>207</sup> Reported in the press and discussed between this author and Nicaraguans in Nicaragua at that time.

<sup>208</sup> On April 19, 2009, leaders of the Nation of Moskitia called for secession from Nicaragua and announced their intent to create the Communitarian Nation of the Moskitia. The leaders warned that if necessary they would fight for independence, backed by a new Indigenous Army of the Moskitia. They sent a letter to U.N. Secretary General Ban Ki-moon asking for support and protection (Rogers 2009).



allegations of election fraud in the last election, the U.S. government suspended millions in aid through the MCC. These are just a few examples of Ortega's tactics to both increase his popularity with the majority of Nicaragua's poor, enlarge his power base, and to quash any existing or potential threats to it.

At the same time that he is extolling the virtues of ALBA, Ortega is refusing to publicize details of the deals made through it. The lack of transparency is frustrating to those who share his critiques of globalization and U.S. policies in the region.<sup>209</sup> Ortega is not able to meet the democratic demands that emerged from the resistance to CAFTA-DR. The following characterization of Nicaragua indicates that state-civil society relations have only worsened since Ortega's election:

At present, the nature of government is not undergoing a change, nor has there been any proposal for or interest in change by those in power, except for a change in the constitution to allow Ortega's re-election. Ortega's efforts to consolidate his strategic alliance with the Right while simultaneously seeking to keep it divided and mitigate dissent within his own party has resulted in a dangerous growth of a cultural and political disconnect between the upper classes and marginalized sectors of society. (Bendaña 2009, 12)

Despite the implementation of some state-run welfare programs, poverty in Nicaragua remains widespread, making it difficult for Nicaraguans to turn away assistance of any kind. The challenge for Nicaraguans as most Nicaraguans see it—or at least as is made evident through an analysis of the resistance—is not simply stopping trade, but rather making more out of the economic and political opportunities that more trade and integration might create. The extent to which this can happen under Ortega, given his displays of hostility toward civil society organizations, opposing parties, and the country's own laws, remains questionable.

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<sup>209</sup> This was reported in the Nicaraguan press in the summer of 2008, and was a matter of concern to the civil society actors with whom I spoke at that time.

Many who opposed CAFTA-DR understand that Nicaragua is in a vulnerable position, and will continue to need assistance from outside in order to take advantage of any opportunities trade may offer. While members of the anti-CAFTA movement railed against dependency, they also facilitated the acquisition and implementation of this assistance by informing citizens about trade policies, and mobilizing them to put pressure on governments and financial institutions to provide as much assistance as possible. For some, like Humboldt and the Humane Society International—civil society organizations that participated in the negotiations to the extent made possible by the states—the assistance provides institution building opportunities that can be expected to incorporate them further into the decision-making processes. At the same time, it may make them tools of the state. Whether CAFTA-DR will perpetuate poverty, inequality, and dependency, or promote transparency, accountability, and participatory democracy is yet to be seen, and will depend on domestic leadership as well as outside pressures. Given that the FTA affects a wide range of activities, and the financial resources and power of actors varies, we should expect that the institutional development and impact to be uneven. Ultimately, as with most policy in Nicaragua, CAFTA-DR's impact will be determined by the nature of state-civil society relations and resources made available to both by outside actors. These outside actors include international aid organizations and foreign-based NGOs, as well as international financial institutions and the United States government. The creation of new winners and losers will most certainly produce new sites of contestation and demands on the state from civil society in years to come.

*Conclusion*

Leaders of small states have an incentive to pursue free trade because in theory, free trade has the potential to increase revenue generation and improve the well-being of citizens. However, liberalization makes small states more vulnerable to the vagaries of the international market. Moreover, the new FTAs alter institutions that affect much more than trade, such as investment rights, property rights, and environmental regulations. Given the broader scope of these FTAs and the uncertainty associated with them, analyses of trade politics must consider the preferences of a wider range of actors within the state and civil society, as well as the opportunities and constraints they face to advance their ideas and interests. An analysis of institutions and state-civil society relations is crucial for understanding the trade politics surrounding these FTAs because both channel interests and ideas, and create and foreclose opportunities for action.

In the end, while international actors, particularly the United States and international lending institutions, exerted significant pressure on the Central American states to adopt the FTA, state actors still had to consider their domestic constituents when acting on the FTA. While interest groups and ideas about free trade were important for promoting CAFTA-DR and mobilizing civil society actors against it, their emergence and influence on state actors was determined to as significant extent by the resources made available through domestic institutions and patterns of engagement between elites and civil society determined. Any effort to understand FTA and other transnational politics therefore necessitates looking not only at existing ideas and interests, but also the formal and informal institutions that actors can use to advance their agendas.

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### TEACHING EXPERIENCE

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