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FEATURED Q&A

Has Costa Rica's President Picked a Good Cabinet?



Costa Rica's new president, Carlos Alvarado (center), posed with several members of his cabinet earlier this month. // Photo: Government of Costa Rica.

Q Carlos Alvarado was sworn in May 8 as Costa Rica's president, along with a new cabinet that includes several members of the Social Christian Unity Party, or PUSC, which is allied with the ruling Citizens' Action Party in Congress.

Notably, Alvarado appointed the PUSC's 2018 presidential candidate, Rodolfo Piza, to the post of minister of the presidency. What are the biggest challenges facing Costa Rica and Alvarado's government? What do his selections of cabinet members and other moves since taking office say about the way he will govern? Will Alvarado and his cabinet be able to work effectively with the country's legislators following an election that showed high levels of political polarization?

A Kevin Casas-Zamora, senior fellow at the Inter-American Dialogue, managing partner of Analítica Consultores and former vice president of Costa Rica: "Carlos Alvarado has started his administration amid great expectations. Sensing the weakness of his political hand—his party controls 10 out of 57 seats in the Legislative Assembly—he cast a wide net to assemble his cabinet. The result was positive, up to a point. The cabinet features well-respected figures from different parties, including a competent economic team. However, it falls short of a coalition government. The opposition figures who accepted cabinet positions did so in their personal capacity, that is, without any endorsement from their parties. Their presence does not entail an arrangement to provide the government with a stable working majority in Congress. Alvarado's 'National Unity Government' has the appearance of a coalition, but not the substance of one. That makes

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TODAY'S NEWS

POLITICAL

Venezuelans Elect Maduro, Critics Call Vote Invalid

In what critics decried as a "sham" election that was marred by low turnout, socialist Nicolás Maduro won a second term as Venezuela's president on Sunday with 68 percent of the 5.8 million votes cast.

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POLITICAL

Duque Maintains Lead in Colombia Presidential Vote

A new poll shows support for conservative Iván Duque has risen to 42.5 percent, while leftist candidate Gustavo Petro, a former mayor of Bogotá and rebel fighter, was in second place with 29.5 percent.

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ECONOMIC

U.K.'s Johnson Makes First Latin America Trip

The United Kingdom's foreign secretary, Boris Johnson, is on a five-day tour of the region to court new trade ties after his country broke free of the European Union last year.

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Johnson // File Photo: British Government.

POLITICAL NEWS

Venezuelans Elect Maduro, Critics Call Vote Invalid

In what critics decried as a “sham” election, Venezuelan socialist Nicolás Maduro won a second term as president on Sunday with 68 percent of the 5.8 million votes cast, The New York Times reported. Turnout was reported to be “extremely low,” with more than half of voters staying home. Opposition leaders had called for a boycott of the election, although former Lara State Governor Henri Falcón and another lesser-known candidate campaigned against Maduro. Falcón received 1.8 million votes, while Javier Bertucci, a political novice and an evangelical minister, received 925,000, according to authorities. Maduro’s new term will last six years. “The process undoubtedly lacks legitimacy and as such we do not recognize it,” said Falcón. A jubilant Maduro, 55, quickly claimed victory, however. “The revolution is here to stay!” Maduro told a crowd of supporters at a rally Sunday, Reuters reported. Chile’s president, conservative Sebastián Piñera, criticized the result. “Venezuela’s elections do not meet minimum standards of true democracy,” he said. “Like most major democratic nations, Chile does not recognize these elections.” Panama’s government also said it would not recognize the result. However, leftist nations in the region such as Cuba and El Salvador sent congratulatory messages to Maduro, who has promised to prioritize economic recovery after five years of recession and hyperinflation which have left millions of people hungry or sick and sent hundreds of thousands abroad seeking better living conditions. The United States has threatened deeper economic sanctions, which could target Venezuela’s critical oil sector. Last Friday, the U.S. Treasury Department levied sanctions against one of Venezuela’s most powerful men, accusing Diosdado Cabello Rondón of narco-trafficking and corruption, The Wall Street Journal reported. “The Venezuelan people suffer under corrupt politicians who tighten their grip on

power while lining their own pockets,” Treasury Secretary Steven Mnuchin said in a statement. [Editor’s note: See related [Q&A](#) in last week’s Energy Advisor.]

Duque Maintains Lead in Colombia Presidential Vote

A new poll released Saturday showed conservative candidate Iván Duque is holding on to his lead over rivals ahead of Colombia’s May 27 presidential election, Reuters reported. Support for Duque rose a slight 0.2 percentage points to 41.5 percent in the Invamer poll, as compared with its last survey in April. Leftist candidate Gustavo Petro, a former mayor of Bogotá and rebel fighter, was in second place with 29.5 percent, down 1.5 percentage points from the same survey, while centrist Sergio Fajardo was third with 16.3 percent and center-right Germán Vargas was at 6.6 percent. The new poll, commissioned by media outlets Semana, Blu Radio y Noticias Caracol, shows that although Duque continues to lead in both the first and second rounds, the scenario for a runoff vote scheduled for June 17 would be closer than previously thought, with Duque winning by 25 percentage points.

ECONOMIC NEWS

U.K. Foreign Minister Touts Trade on First Latin America Trip

The United Kingdom’s foreign secretary, Boris Johnson, spent Sunday in Buenos Aires as part of a five-day trip across Latin America, Bloomberg News reported. He is the first British foreign secretary in more than two decades to visit the country, against which Great Britain fought a war in the 1980s over control of the Falkland Islands that left hundreds dead. Johnson has been courting new trade ties after his country broke free of the European Union last

NEWS BRIEFS

Plane in Cuba Jet Crash Had Been Subject to Complaints in the Past

A Mexican company whose plane crashed in Havana Friday had been the subject of two serious complaints about its crews’ performance over the last decade, the Associated Press reported Sunday. Authorities in Guyana and a retired pilot for Cuba’s national airline told the news service that the plane, flown by Damojh Aerolíneas, also known as Global Air, was barred from Guyanese airspace after its crew allowed dangerous overloading of luggage on flights. Friday’s crash in Cuba left 110 people dead.

Italian Insurer Generali Eyes Expansion in Brazil, Argentina

Italy’s Generali, Europe’s third-largest insurer, aims to expand in parts of Latin America, particularly Argentina and Brazil, Reuters reported today citing an interview with Chief Executive Philippe Donnet published in La Repubblica. “(Growth) will be mainly organic but if there are acquisition opportunities that allow us to speed up growth then we will evaluate them,” Donnet said. Generali is slated to reveal a new business plan at the end of November. Last July, Generali sold its insurance business in Colombia to German rival Talanx Group for about \$34 million.

African Migrants Rescued on Boat Offshore Brazil

About two dozen African migrants were rescued Saturday offshore northeastern Brazil by fishermen, the Associated Press reported. The disabled boat contained refugees from Senegal, Nigeria, Guinea, Sierra Leone and Cape Verde, along with two Brazilians. Although thousands of people from Africa and the Middle East try to reach Europe in smugglers’ boats, such journeys to Brazil have been rare.

year, under the so-called Brexit referendum. “The U.K. is open for business,” Johnson said Sunday after he arrived in Buenos Aires from Peru. A former mayor of London, Johnson and Argentina Foreign Minister Jorge Faurie laid a wreath in memory of those who died fighting on both sides in the Falkland Islands conflict. Under the administration of Cristina Fernández de Kirchner, Argentina squabbled frequently with Britain over the Malvinas, as the islands are known in Argentina, in particular over oil exploration activities undertaken by British companies near the disputed territory. In Peru on Saturday, Johnson met with President Martín Vizcarra in the eastern Amazon rainforest city of Iquitos. Johnson is scheduled to meet in Chile this week with President Sebastián Piñera and Foreign Minister Roberto Ampuero, with plans to visit a British-funded project that trains young women in computer coding skills, The Independent reported.

South Korea Opens Market to Brazilian Pork

Brazilian Agriculture Minister Blairo Maggi said Friday that South Korea had opened its market to Brazilian pork, Agência Brasil reported. South Korea is the third-largest importer of pork products in the world, following Japan and China. Sales are expected to add up to more than 30,000 tons a year. Initially, only four Santa Catarina-based meatpacking plants will have the credentials to sell pork to South Korea. Last year, Brazil’s fresh pork exports totaled \$1.47 billion, 40 percent of which came from Santa Catarina. Some countries have banned Brazilian meat products due to concerns over foot-and-mouth disease. Last month, the European Union decided to ban meat imports from 20 Brazilian plants amid concerns about sanitary controls. Brazilian trade organization ABPA estimated that the ban could affect 30 percent of poultry exports to the bloc. Brazil pledged to contest the ban at the World Trade Organization, saying Europe was using the pretext of health concerns to unfairly block Brazilian imports.

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it unstable and of limited efficacy. The multiparty cabinet has been well received in terms of public opinion, but this is unlikely to last long. It will probably wither as the 2020 midterm local election approaches and the presidential ambitions of several cabinet members—including, crucially, Rodolfo Piza—start to create friction within a highly heterogeneous administration. Alvarado will have to move fast to tackle a fiscal imbalance that reached 6.2 percent of GDP in 2017. The swift approval by Congress of a tax hike looks essential for the new administration. While this is likely to happen, it would entail a big political cost for Alvarado. Opposition parties, including those whose members occupy cabinet seats, are demanding draconian spending cuts and a major reform of employment rules in the public sector in return, moves that are viscerally opposed by trade unions, a key part of Alvarado’s electoral base. In order to keep his bold experiment together, Alvarado will soon have to show that he is able to wring painful concessions from his base while managing the fault lines within his government. A tall order, no doubt.”

A Luis Castro, partner at BLP Abogados: “The fiscal deficit and growing debt are the most immediate threats to Costa Rica’s economic stability. The deficit reached 6.2 percent of GDP in 2017 and is expected to surpass 7 percent in 2018. This ties in to the urgent need for fiscal reform, which has faced stiff opposition from political sectors, unless reform is passed along with a reduction in government spending. Crime and security have been worsening, which become a key area of concern. The new administration should move aggressively to return a sense of safety to the general public. The country has also been lagging on infrastructure for many years. The Solís administration completed projects that had started in prior administrations, but did not actively promote development of new

infrastructure (with the exception of a bridge that was rebuilt) and did not support using concessions. The new administration has already announced it will move forward with the expansion of a key toll road concession. Alvarado took office with a record low congressional representation—only 10 congressmen out of 57. This forces his government to be in constant negotiation with other parties to achieve the required majorities for passing legislation. Alvarado’s runoff campaign was based on the idea of a ‘National Unity Government’ with people representing all key parties. This was the basis for his agreement with Rodolfo Piza. His selection of cabinet members is consistent with his campaign promises and has eased concerns of detractors that he would not honor his promises once in office. Also, the addition of recognized and respected businessmen such as André Garnier as a point of contact for the private sector has been very well received by the private sector and foreign investors. The block comprised of the PLN and PRN makes up for over half of Congress, and the PLN will likely want to take advantage of this to act jointly whenever possible. Piza, who has been appointed minister of the presidency, will have to negotiate constantly to successfully push the president’s agenda in the Legislative Assembly.”

A Rogelio Douglas, president and founder of the Caribbean Sustainable Development Group in Limón, Costa Rica: “Only a couple of weeks after the new democratically elected government took office, the buzz and expectations are all positive, ignoring the usual opposition criticism, which has already started. The top government officials who are already seated are recognized as educated and competent. The biggest challenge the country faces is a national budget deficit of more than 6 percent, necessitating fiscal adjustments in order to reduce that to the stated goal of 3 percent over the next four years. This is a major task,

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given that the proposed fiscal changes being considered in the Legislative Assembly are fundamentally based on taxing the working class even more. Costa Rica has been very successful economically, maintaining an average GDP growth rate above 4 percent for more than two decades. A major contributor to this economic stability is the stable flow of foreign direct investment, which reached a record in 2017 at \$3.08 billion. However, most of the corporations investing in Costa Rica fall under the free trade zone laws, meaning that they are exempt from many (if not all) taxes for years to come. This scenario is compounded when you add the usual tax evasion, fraud and corruption. In January 2016, the World Economic Forum published an article claiming that 10 percent of Latin America's population had accumulated 71 percent of its wealth and, should this pace continue, the gap will spread further to an unbelievable 1 percent controlling 99 percent of the wealth by 2020. The article alarmingly declared that Ecuador and Costa Rica are in the highest bracket of corporate income tax loses with roughly 65 percent. The challenge for Costa Rica and President Carlos Alvarado's government is to effectively chip away at the budget deficit while equitably spreading the pain so those that earn more contribute more, reducing the risk of social turmoil, and regaining our 'Pura Vida' status."

A **Montserrat Sagot R., professor of sociology and director of the Center for Women's Studies Research at the University of**

Costa Rica: "After the first round of the electoral campaign in Costa Rica, which showed the growing presence of socially conservative and evangelical voters, it became apparent that the entire political spectrum was going to be moved to the right. In order to win the election, Carlos Alvarado needed to make alliances with many sectors that were located to the right of his own party,

particularly regarding economic and fiscal issues. It was also evident that he needed to moderate his views on social issues, such as same-sex marriage and sex education. Although the cross-party consensus that Alvarado needed to secure the presidency also included the leftist Frente Amplio, the most important proposals for the 'National Unity Government' were put forward by the Social Christian Party (PUSC), Alvarado's main ally during the second round. That may create important contradictions between his own party's proposals and views and the proposals included in the agreement signed with Rodolfo Piza, recently appointed as minister of the presidency. In addition, contradictions may also emerge as a result of a very heterogeneous cabinet that includes members of several political parties, ranging from the center-right to the left. After only two weeks, the enormous differences related to fiscal policy between Edna Camacho, coordinator of the government's economic team, and the Frente Amplio have already arisen. Further, there is no consensus among the different parties included in the 'National Unity Government' about how to deal with country's most pressing issues, such as the growing fiscal deficit, widening inequality, unemployment and decaying infrastructure. Finally, although some members of the Partido Liberación Nacional (PLN) are in the cabinet, that party has not been willing to commit to the 'National Unity Government,' and the PLN, along with the Partido Restauración Nacional (the evangelical party that lost the election), has enough seats in the Legislative Assembly to form a majority that could block many of the proposals presented by the government. Thus, the polarization that, in fact, exists in the country could translate to the Legislative Assembly and create a deadlock in the government."

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