TRANSNATIONAL ALLIANCES AND DEVELOPMENT POLICY IN LATIN AMERICA:
Nontraditional Export Promotion in Costa Rica*

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In the 1980s, students and practitioners of the political economy of development in Latin America became enthralled with East Asia's spectacular economic performance. Researchers wrote cross-regional comparisons trying to discover where Latin America had gone wrong and how it could catch up to the "four dragons," meaning South Korea, Taiwan, Singapore, and Hong Kong (see Deyo 1987; Gereffi and Wyman 1990; Haggard 1990). This quest to determine the key ingredients of East Asia's growth held particular policy relevance as many Latin American countries sought to escape from the "lost decade." The best-known attempts to describe the political basis for East Asia's successful turn toward policies stressing export-led growth have emphasized two factors: initiative of state leadership and highly capable technocracies insulated from societal interference (Haggard 1990; Wade 1990). Among Latin America countries, Chile, the region's premier exporter, seemed to confirm these ideas.

Despite this focus on statism, an alternative path to export-led growth developed in several Central American and Andean countries during the 1980s and early 1990s. This model was born not from a visionary state but from transnational coalitions in which foreign-aid officials, state technocrats, and private business leaders ally to lead outward-oriented economic reforms. To illustrate the argument, this article will begin by considering what is thought to be the central obstacle to formulating and implementing changes in economic development policy. I will then discuss how and why transnational actors take on the responsibility of solving this problem. The next several sections present evidence from a

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Costa Rican case study to flesh out the various steps in this path to export-led growth: why a country would abdicate leadership, what drives external and internal actors to unite, and exactly how a transnational alliance goes about achieving a change in development strategy. The conclusion offers a comparative perspective on Costa Rica's success.

COLLECTIVE-ACTION PROBLEMS AND DEVELOPMENT STRATEGY

An enormous political problem is thought to afflict nations shifting from import-substituting industrialization to export-led growth strategies. Those who gained from the old economic model will view themselves as potential losers and thus resist the change. Meanwhile the future beneficiaries of export-led growth, such as nontraditional exporters,[1] scarcely exist at the point of transition and thus can hardly be expected to organize a forceful lobby for the new policies (Haggard and Kaufman 1992, 19). This problem really involves two separate collective-action dilemmas, one about how to neutralize opposition and the other about the difficulties of finding adequate leadership for the program of export-led growth.

A substantial literature now exists on how structural adjustment, including export-led growth programs and associated policy changes, might be implemented despite real or potential societal resistance (Stallings and Kaufman 1989; Nelson 1990; Przeworski 1991; Haggard and Kaufman 1992; Haggard and Webb 1994; Pastor and Wise 1994; Haggard and Kaufman 1995). Far less is known about the ways in which the second collective-action dilemma, that of finding leadership for the new model in the absence of its beneficiaries, can be solved. The problem persists even beyond the initiation of policy reforms favorable to exporters because the private sector can be expected to practice a "wait-and-see" strategy by "withholding investment until much of the residual uncertainty regarding the success of the reforms is eliminated" (Rodrik 1991, 230). This demand for reform credibility (Rodrik 1989) means that the leaders of export-led growth must be willing to carry the new program forward while patiently cultivating support coalitions. Before addressing the problems of who might provide such leadership, I will review what is needed to launch a push toward modern nontraditional exports.

First, the idea of export promotion in the form of a "coherent framework of policy-relevant knowledge" must be available to a country (Haggard 1990, 46). The concept may be formulated within international

1. Most export-led growth policies are meant to increase new or nontraditional exports. The precise definition of such exports varies from country to country. In general, a nontraditional export is an item that a particular country has not produced before or has produced previously but is only now exporting, or a traditional export for which a new market has been found. For further discussion, see Barham et al. (1992, 43n.).

intellectual circles, but domestic actors must have access to it. Next, the idea needs to be adopted by the country and translated into specific policy changes on the macro and micro levels.[2] This step will require a lobbying effort by the proponents of the new policy outlook, the success of which will depend on organizational capacity, access to key policymakers, and financial resources. Even in closed authoritarian regimes, bureaucrats and advisors compete for the leader's attention. Finally, nontraditional export programs lead countries into an area where they have little experience, one that will require new investment. Hence the oft-felt need to attract foreign-export firms, copy models from other countries, provide market information, and supply technical assistance.[3] These tasks cost a good deal of money because they involve building new export-promotion institutions, opening foreign offices, and contracting the services of international consultants. Thus the complexity and expense of launching an export-promotion drive further reduce the possibility that a nascent class of exporters will provide this collective good.

Scholars have thus far identified two possibilities for groups that might serve as the visionaries and implementers of export-promotion programs. The East Asian experience suggests that state technocrats are best able to foresee the need for export-led growth and implement it. But recent research has concluded that societal groups may be more helpful in initiating export-promotion programs than was once thought. For instance, it turns out that even in Chile, one of the purest examples of state-led shifts toward outward orientation, officials relied on social coalitions to support economic policy change (Silva 1993, 526–59). Also, research on Southeast Asia has turned up cases in which the private sector allied with public officials to initiate and implement export-promotion policies (Doner 1992; Laothamatas 1991). I will argue here that a third path exists, one in which transnational relations have resulted in policy shifts toward export-led growth.[4]

2. The key macro-level policy instrument is the exchange rate. Sectoral and micro-level incentives aimed at promoting exports include special credit lines, preferential access to foreign exchange, tax rebates, direct subsidies, the establishment of export-processing zones, relaxed regulations on foreign investment, and simplified customs procedures.

3. Economists often insist that simply changing the macroeconomic environment—chiefly the exchange rate—is sufficient to launch programs promoting export-led growth. Nevertheless, all the successful Asian exporters and Brazil as well have done much more. Even in Chile, the paradigmatic neoliberal success story, the government of General Augusto Pinochet provided nontraditional exporters with soft loans, subsidies, tax breaks, and a state agency to assist in marketing their products abroad. On Chile, see Moran (1989, 491–502) and Schurman (1995).

4. Transnational relations can be defined as "regular interactions across national boundaries when at least one actor is a non-state agent or does not operate on behalf of a national government or an intergovernmental organization" (Risse-Kappan 1995, 3).

BUILDING TRANSNATIONAL COALITIONS

The Right Circumstances

There are more third world countries that could use external help in setting up export-led growth programs than will receive it, for transnational alliances form only when the goals of the bilateral or multilateral development organization match conditions in the host country. To delve so deeply into another country's affairs, external actors must have their own reasons for wanting to make that nation's export-led growth strategy succeed. In the case of U.S. bilateral assistance, the basis for selecting aid recipients has always been geopolitical; however, multilateral institutions have other criteria. Despite differences in selection criteria, both types of donors tend to reflect the economic interests of the dominant world powers like the United States. Since the 1980s, these priorities have included market-oriented economic prescriptions aimed at making recipient countries healthy enough to participate in the world economy and to repay commercial creditors (Kahler 1993, 368). Although the beneficiaries of these agencies are mostly selected in Washington, the personal commitment and skills of the in-country staff help determine how well the program will work.

Third world countries are most likely to accept the activities of transnational alliances when they desperately need foreign aid to counteract external-accounts problems (such as balance-of-payments deficits or debt-service difficulties). When undergoing an economic crisis, these countries often suffer from what I call "state failure." In such instances, a third world government cannot or will not carry out functions usually handled by public entities. Typically, a country's administrative and fiscal resources are overwhelmed by the economic crisis and cannot be stretched to launch new programs, especially those with which officials have little experience.[5] Consequently, transnational alliances tend to blossom where a gap exists between a country's resources and the financial and technical requirements of a new economic model. This situation occurs most often in the least-developed countries of the third world.

Despite these broad mutual interests, an external development organization still confronts the problem of how to penetrate the local political game, a situation that makes domestic allies indispensable. Economic crises often produce such allies because during these periods, existing domestic coalitions tend to disintegrate and their members look for new partnerships (Gourevitch 1986). Technocrats and businesspersons make good coalition partners for external development agencies because

5. State failure includes government failure but is broader. Government failure refers to government interventions that do not work because the goals are beyond the reach of government resources or because of incompetence, inefficiency, corruption, or capture by a social group (see Wolf 1979).

they are experts at the domestic political game, have access to policy-makers, and provide a cover for outsiders and local officials who want to avoid accusations of foreign intervention. What cements the transnational alliance is the ability of the partners to help each other attain individual goals (which may be overlapping) via explicit and implicit trading of resources. Partners in the best alliances will also hold a shared set of values regarding national development (Grindle and Thomas 1991).[6]

The transnational coalition model described here extends beyond theories of international bargaining[7] and transcends the concept of international networks of like-minded economists.[8] Rather, this model is closer to the idea of a social coalition in which external actors become players within the domestic political arena and to which the members bring various power resources—foreign aid, weight in the economy, public prestige, and important contacts in public and private sectors.[9] But as Carrie Meyer (1992) has noted, the transnational model seems to have certain advantages over domestic coalitions, especially when the alliance forms largely outside the host government.

First, the transnational alliance may be able to shield its financial resources from the rent-seeking or distributional pressures to which they would normally be subjected within the domestic budgetary process. Second, externally funded nongovernmental organizations often escape political interference in decision making as well as civil-service regulations. Similar to the way that the insulation of the East Asian states allowed them to act independently, these conditions give transnational alliances the flexibility to change direction rapidly, to expand and contract their operations, and to hire the best-qualified domestic and foreign personnel.

6. Allies that work best in an export-led growth coalition are the ones who believe in economic modernization, pragmatism, openness to the global economy, and the superiority of the private sector.

7. Bargaining over which measures a country will agree to implement is the subject of most literature on international aid and other kinds of international agreements. For an example, see Mosley, Harrigan, and Toye (1992). When domestic politics are considered in these bargaining models, they appear in what are termed two-level games, in which leaders occupy pivotal positions from which they simultaneously bargain with their foreign counterparts and try to manipulate domestic debate to allow ratification of the international agreement. For applications of this model, see Evans, Jacobson, and Putnam (1993). These bargaining models best fit cases of periodic negotiations in which domestic actors lead in ratifying and implementing an agreement.

8. Several writers referring to transnational alliances and economic policy change seem to employ this meaning (see Haggard 1986; Kahler 1992; and Stallings 1992). Another body of literature directly concerned with transnational coalitions exhibits a similar definition. These scholars suggest that transnational networks offer ideas to domestic leaders, who then decide whether to adopt and implement them. Examples can be found in Risse-Kappan (1995).

9. Transnational coalitions could also be thought of as an internationalized version of Sylvia Maxfield's "policy currents" (1990, 18), in which state and social actors form alliances to lobby for particular policies.

Examples

This scenario of direct foreign involvement in the organization and implementation of an export-led growth program is not unusual. For example, writers on the Taiwanese and South Korean cases have supplied fragmentary evidence that transnational alliances composed of USAID officials and government technocrats provided the export-promotion idea to Chiang Kai-shek and Park Chung Hee, convinced these leaders that it was the best way to replace the potentially disastrous withdrawal of U.S. assistance, and implemented the initial stages of the programs.[10]

But most examples of this phenomenon have been more recent. After the late 1970s, well-known changes in the world economy pushed Latin American and African countries toward international financial institutions for assistance (Stallings 1992). The advice forthcoming from the International Monetary Fund (IMF), the World Bank, and USAID was that countries should drop import-substituting industrialization and develop export industries, especially new ones, based on comparative advantages. Where nations lacked the capacity to mount full-fledged export drives, external actors have stepped in to organize and implement the programs.

For example, the World Bank has been deeply involved in the design and implementation of structural adjustment programs in sub-Saharan Africa. In several cases, the World Bank made up for thin technical capacity in African ministries by using its own team members to gather data and design policy changes. The bank would then implement and monitor the reforms via a small cadre of expatriate and domestic technocrats, whose salaries it sometimes paid. According to one analyst, the World Bank staff believe that the general credibility of its economic prescriptions will be affected by the outcome of its programs in Africa (Callaghy 1990, 283).

The United States has an equally large stake in the Central American and coca-producing Andean countries, whose nontraditional export drives it has underwritten in the 1980s and 1990s (especially those in Guatemala, Honduras, Costa Rica, Ecuador, and Bolivia). For the United

10. Bruce Cumings has argued that in South Korea and Taiwan, "the export-led program was decided by the United States" (Cumings 1987, 70). Unfortunately, his case was based partially on a misinterpreted quote (see Stallings 1990, n. 20). Stephan Haggard, despite his generally statist perspective, also seems to provide evidence that the United States practically forced the Park regime to adopt export-promotion policies and that a Korean committee including USAID officials helped exporters obtain assistance in production and marketing. See Haggard (1990, 68–71) and Haggard, Kim, and Moon (1991). As for Taiwan, a similar pattern is discernible in Wade (1990), which describes an alliance between USAID and local technocrats that lobbied the regime to adopt export promotion as the solution to the coming withdrawal of U.S. assistance. In Taiwan, USAID was also involved in designing the program's incentives, building support institutions, and seeking U.S. firms as possible investors. This involvement was clearly financial and technical. The literature is murky as to whether USAID actually forced its preferences on Taiwan.

States, helping these nations revive their economies is a means of demonstrating the benefits of legal, market-oriented capitalist development. In fact, USAID has developed singular institutional experience in providing export-led growth as a collective good.

During the 1980s, USAID piloted its own export-promotion programs in Costa Rica and came to consider its success there as a model for similar efforts in other Latin American countries. In Costa Rica, USAID built a coalition with business owners and respected technocrats to design the legislation undergirding the new outward orientation, convince the populace of the importance of export promotion, finance a new government agency, set up foreign investment offices, and provide technical assistance. The case study I present is based on interviews, documents, and some two thousand pages of photocopied minutes of executive board meetings of the USAID-financed export-promotion center, the Coalición Costarricense de Iniciativas para el Desarrollo (CINDE). I collected these materials during research trips to Costa Rica in 1990–1991 and 1994.

ECONOMIC CRISIS AS A WINDOW OF OPPORTUNITY

The set of conditions facing Costa Rica and the United States in the early 1980s could hardly have been more propitious for building a transnational alliance. Costa Rica entered the 1980s with a sense of economic desperation, caught in a scenario now familiar to students of Latin America. The country's economic troubles began with the oil shocks of the 1970s and culminated in the early 1980s with skyrocketing international interest rates on its foreign debt and stagnation and declining prices for its main commodity exports (bananas and coffee). The simultaneous demise of the Central American Common Market (CACM), which embodied the regional import-substituting industrialization scheme, only made matters worse.[11]

By all accounts, the administration of President Rodrigo Carazo (1978–1982) mishandled the crisis. The president issued contradictory initiatives, while his weak Unidad coalition contributed to paralysis in the legislature. Carazo's government was unable to chart a consistent economic policy course,[12] honor agreements with international financial institutions,[13] service its foreign debt,[14] or design a program to promote

11. For discussions of the causes of the economic crisis, see Fallas Venegas (1981), Rivera Urrutia, Sojo, and López (1986), Rovira Mas (1989), and Nelson (1990).

12. For details on the inconsistencies of President Carazo's economic policy, see Fuerst Weigand (1986) and Rivera Urrutia (1984).

13. In 1980–1981, Costa Rica reached three separate agreements with the International Monetary Fund (IMF) but violated the conditions of each one. Relations reached a low point when President Carazo expelled the IMF's representative from the country in January 1982, saying that IMF conditionality violated Costa Rica's sovereignty.

14. On 18 Sept. 1981, the Central Bank suspended all payments (interest and principal) on the foreign debt held by commercial banks.

TABLE 1 Costa Rican Economic Indicators, 1978–1992

Year	Average Annual Inflation[a] (%)	GDP Growth Rate (%)	Unemployment (%)	Real Wages[b]	Debt-Service Ratio
1978	6.0	6.3	4.5	119.0	23.0
1979	9.2	4.9	4.9	124.7	23.1
1980	18.1	0.8	5.9	100.0	29.1
1981	37.1	−2.3	8.7	88.3	15.3
1982	90.1	−7.3	9.4	70.8	12.5
1983	32.6	2.9	9.0	78.5	50.6
1984	12.0	8.0	5.0	84.7	25.3
1985	15.1	0.7	6.8	92.2	36.6
1986	11.8	5.5	6.2	97.8	26.3
1987	16.8	4.8	5.6	89.2	12.1
1988	20.8	3.4	5.5	85.2	17.4
1989	16.5	5.7	3.8	85.7	19.2
1990	19.0	3.6	4.6	87.2	23.9
1991	28.7	2.3	5.5	83.1	18.4
1992	21.8	7.7	4.1	88.5	20.6

Sources: For inflation figures and GDP growth rate, *IMF Yearbook of International Financial Statistics* (Washington, D.C.: International Monetary Fund, various years); for unemployment, *Yearbook of Labor Statistics* (Geneva: International Labour Organisation, various years); for real wages, *ECLAC Statistical Yearbook for Latin America and the Caribbean* (Santiago: ECLAC, 1995); for debt-service ratios, *World Bank World Development Report* (Washington, D.C.: World Bank, various years).

[a] Consumer price index
[b] Real average wage index, 1980 = 100

exports and investments to generate additional foreign exchange. On the contrary, by the time Carazo left office in May 1982, the economy was in a nosedive, and it hit rock bottom that same year (see table 1).

Before the Carazo administration ended, a group of prominent industrialists began to lobby the United States for some form of direct aid. By 1982, when Central America was topping the agenda of the Ronald Reagan administration, the United States had become interested in supporting economic recovery and private-sector development in Costa Rica. The resulting alliance between representatives of the U.S. government and the Costa Rican private sector quickly assumed leadership in defining an export-led growth plan at the beginning of the next administration. Perhaps the ascent of this alliance would have been less surprising under the disastrous leadership of Rodrigo Carazo than during the successful stabilization efforts of President Luis Alberto Monge (1982–1986). But as will be argued here, a number of reasons can be cited to explain why the Costa Rican state failed to assume leadership of the export-led growth program.

A Weakened State

When Monge and his Partido Liberación Nacional (PLN) took office in June 1982, he moved quickly to improve relations with external creditors and stabilize the economy. A standby agreement signed with the IMF in December 1982 led to a new agreement in 1983 by the Paris Club (a group composed of the major Northern creditor governments). The fiscal deficit was slashed from 14.3 percent in 1981 to 3.4 percent in 1983, and the exchange rate was unified in November of the same year (Nelson 1990, 184–85).[15] The IMF loan and increased U.S. aid relieved pressure on the balance of payments. Within two years, the Costa Rican economy rebounded with reduced inflation, a positive growth rate, and improving real wages.

Although the Monge administration worked closely with the IMF and USAID on the stabilization measures, the president's party and his own cabinet remained divided over the need for structural adjustment. Members of the PLN, a conservative social democratic party,[16] disagreed sharply over the need to pursue neoliberal economic reforms, particularly privatization of state enterprises and trade liberalization. After all, public-sector employment, state intervention in the economy, and the regional scheme emphasizing import-substituting industrialization had brought the country substantial benefits. Thus the Monge administration did not take the lead in calling for a new outward orientation, privatization, reduction in public employment, or removal of agricultural subsidies. Instead, forward movement on these issues came only where the international financial institutions could find common interests with segments of the private sector or the state.

USAID officials viewed export promotion as the heart of structural adjustment and therefore chose to devote substantial resources to building an alliance in this area. In early 1983, members of this alliance approached President Monge to tell him about the founding of CINDE, their own private export-promotion center (fully funded by USAID), and requested the creation of a new ministry of investment and exports (with USAID to pay 100 percent of the costs for the first three years). The president acquiesced and made no effort to wrest control away from USAID. In addition to the ideological split in the PLN, another factor

15. Concluding that the de facto devaluation of the *colón* had overshot it real value, officials partially revalued the currency at the point of unification. This move actually dampened inflation and restored confidence in the economy.

16. The PLN is not a labor party, but it has championed protective labor legislation as well as universal health and education policies.

contributing to Monge's passive role in export promotion was the absorption of all government resources by the twin jobs of stabilizing the economy and dealing with the border security problems brought on by the Sandinista-Contra conflict.

Moreover, the Costa Rican state already owned a failed nontraditional export institution, a fact that would have discredited any further efforts by the state. The Costa Rican government had established CENPRO (Centro de Promoción de Exportaciones e Inversiones) in 1968 to promote nontraditional exports and attract foreign investment in these industries, precisely the tasks later undertaken by USAID in the 1980s. By the time the Carazo administration closed its foreign offices in 1981, the CENPRO experiment was widely viewed as a failure.[17] USAID refused to deal with CENPRO in the 1980s because of a study by Arthur D. Little that reported negatively on virtually every aspect of CENPRO's performance.[18]

Finally, under the Reagan administration, USAID's approach changed from one of working on projects addressing basic human needs through government agencies to private-sector development via nongovernmental organizations.[19] In sum, CENPRO's ineffectiveness, the temporary but paralyzing split over structural adjustment within the PLN, and overcommitted government resources produced state failure in Costa Rica. This situation, combined with USAID's ideological preference for the private sector, eliminated the possibility of the Costa Rican government taking a leadership role in nontraditional export promotion in the early 1980s.

Origins of the Alliance

Thus at the beginning of the 1980s, Costa Rica's economic crisis, the consequent need for financial assistance, and temporary state failure provided a set of circumstances favorable to forming a transnational alliance. A closer focus on the actors involved in the coalition reveals that they almost simultaneously found incentives to seek out partnership with each other.

After 1979, Costa Rican industrialists felt squeezed by reduced export opportunities within the Central American Common Market, the increasing interest rate on liabilities held in dollars, a maxi-devaluation,

17. My interviews confirmed that private and public-sector representatives agreed that CENPRO achieved little in the way of export promotion. Most blamed poor personnel management and inept programming within CENPRO, although government policy clearly favored investment in import-substituting industrialization throughout the 1970s. In addition, foreign investors in nontraditional export industries (such as garment assembly and new agricultural products) became much more interested in Caribbean Basin opportunities after CENPRO's demise.

18. See "CENPRO: En el contexto de una estrategia para el desarrollo de las exportaciones de Costa Rica," in-house document, Arthur D. Little International Inc., San José, Oct. 1982.

19. Interview with USAID official, Washington, D.C., 24 Oct. 1990.

and the inaccessibility of credit in the state banking system. Searching for fresh capital, independent groups of businesspersons made the initial overtures to the United States that led to the export alliance.[20] A group representing the private Costa Rican bank BANEX finally met with success at the end of 1981, when it received a ten-million-dollar loan from USAID. The BANEX group brought together private bankers, industrialists, and coffee exporters whose original goal involved lending to various manufacturing and agricultural export enterprises, including traditional ones. USAID officials, in contrast, viewed the bank as a vehicle for diversifying Costa Rica's export base, as members of the USAID mission were already beginning to think that new sources of foreign exchange would be needed to help overcome the economic crisis. The two sides compromised on these goals, forming what a consultant's report called "a symbiotic relationship."[21]

Meanwhile, the Reagan administration began to reorient U.S. economic policy toward Costa Rica and its neighboring countries in early 1982. First, in an effort to improve the economic prospects of the region as a whole, President Reagan announced the Caribbean Basin Initiative in February (which was eventually passed by the U.S. Congress as the Caribbean Basin Economic Recovery Act in 1983). This legislation provided for duty-free entry of nontraditional exports into the United States from member countries until 1995 (and later indefinitely).[22] Twenty-two Caribbean and Central American countries became the beneficiaries. The United States expected the Caribbean Basin Initiative to aid regional development mainly by promoting U.S. investment there. Also in 1982, the United States began to expand its USAID mission in Costa Rica. A new director, Daniel Chaij, arrived in January 1992 with a mandate to keep Costa Rica afloat as a "beacon of democracy" in Central America.[23]

The initial contact with BANEX proved to be a conduit to a deeper relationship. The new USAID chief initiated breakfast meetings twice a week with two representatives of the BANEX business group to discuss

20. Political leaders also lobbied the United States for help. Before and after President Monge's election, he met with U.S. officials in Washington to ask for financial support.

21. See "Evaluation of the Private-Sector Productivity Project as Implemented through the Corporación BANEX," in-house document, Arthur D. Little International Inc., San José, June 1983, p. 13.

22. Unfortunately, the Caribbean Basin Initiative excludes many of the region's most important exports: textiles and apparel, petroleum, footwear and other leather goods, canned tuna, watches and watch parts, sugar, and beef. Partial compensation for these restrictions is available under U.S. Tariff Schedules 806 and 807, which allow firms operating in foreign countries to reexport articles assembled from U.S. components and pay duty only on the value-added portion of the products. In 1991 the U.S. Congress extended the Caribbean Basin Initiative's benefits indefinitely.

23. Author's interview with Daniel Chaij, Director of USAID/Costa Rica (1982–1987), Washington, D.C., 18 Oct. 1990. These are his own words. USAID was often candid about the role that Costa Rica was to play in U.S. foreign policy in the region and how it related to USAID generosity with economic assistance. See, for example, USAID (1984, 14).

the root causes of the Costa Rican economic crisis. During one such meeting, he offered to provide funding to establish a private nonprofit export promotion center, which was named the Coalición Costarricense de Iniciativas para el Desarrollo (CINDE). This small group set to work handpicking members of CINDE's future board of directors, inviting those chosen into the breakfast circle for almost a year's worth of meetings before CINDE began formal operation in January 1983.[24]

Coalition Partners and Their Resources

Although USAID possessed tremendous financial resources, the agency valued its Costa Rican partners as influential members of the business community and seasoned players in the local political arena. CINDE's original board of directors brought together nationally respected independent businessmen and intellectuals, none of whom were nontraditional exporters. Seven businessmen with ties to the private banking sector (including large industrialists and a coffee exporter), an economist, a political scientist, and an engineer with extensive government experience sat on the board. Although slightly more than half belonged to the ruling PLN, the board was self-consciously nonpartisan. Several of the private-sector Costa Ricans were current or past presidents of the major business chambers. The academic members were also important PLN technocrats and thus had the ear of President Monge and his ministers. As one member of the original group explained, they came to serve as Trojan horses.[25] Several were eventually appointed to high-level posts in the cabinets of Monge and the next president, Oscar Arias (1986–1990).[26]

While the Costa Ricans' main resource was their standing in Costa Rican society, USAID's most important asset was money. The United States dramatically increased economic assistance to Costa Rica in 1982. Total U.S. (nonmilitary) assistance to Costa Rica between 1946 and 1981 amounted to 191 million dollars. But the total between 1982 and 1990 soared to 1.3 billion (see table 2). Most of the money came in the form of cash grants from USAID's Economic Support Fund, a mechanism used by the United States to assist countries in which it had a strong security interest (Newton 1988, 3). Costa Rican authorities held almost constant negotiations with the IMF over macro-economic targets and secured the

24. Author's interviews with former members of the CINDE board of directors, San José, Feb. and Mar. 1991.

25. Author's interview with a former member of the CINDE board of directors, San José, 20 Feb. 1991.

26. Dr. Eduardo Lizano became President of the Central Bank in 1984; Jorge Manuel Dengo served as the Minister of Exports in the Monge administration and as First Vice President under Arias. CINDE's first Executive Director, Dr. Fernando Naranjo, was Minister of Finance in the Arias administration. Another original CINDE official, Guido Fernández, was appointed ambassador to the United States by President Arias.

TABLE 2 *U.S. Bilateral and Multilateral Assistance to Costa Rica, 1982–1995, in Millions of U.S. dollars*

	U.S. Bilateral Assistance				Multilateral Assistance		
Year	*ESF*	*Other Economic*[a]	*Military*[b]	*Total*	*World Bank*	*IMF*	*Total*
1982	20.0	30.8	3.5	54.3	0.0	98.6	152.9
1983	155.7	57.5	2.6	215.8	0.0	0.0	215.8
1984	130.0	40.1	9.2	179.3	0.0	0.0	179.3
1985	160.0	49.9	9.2	219.1	80.0	54.8	353.9
1986	123.6	36.4	2.5	162.5	0.0	0.0	162.5
1987	142.5	42.7	1.8	187.0	0.0	51.7	238.7
1988	90.0	15.3	0.5	105.8	0.0	0.0	105.8
1989	90.0	28.3	0.5	118.8	200.0	53.8	372.6
1990	63.6	14.1	0.5	78.2	0.0	78.2	
1991	25.0	28.5	0.7	54.2	0.0	45.0	99.2
1992	10.0	9.6	0.5	20.1	0.0	0.0	20.1
1993	0.5	21.8	0.5	22.8	23.0	29.9	75.7
1994	0.0	6.4	1.0	7.4	22.0	0.0	29.4
1995	0.0	5.6	0.5	6.1	0.0	78.0	84.1

Sources: Data provided by the U.S. Embassy, Costa Rica; USAID (1989, 1995); Development Gap (1993); and Economic Intelligence Unit, *Quarterly Economic Review of Nicaragua, Costa Rica, and Panama*, various years.

[a] Includes development assistance, Central American Peace Scholarships, Peace Corps, and food aid (PL-480 Titles I and II and Agricultural Act of 1949, Section 416 assistance).
[b] Includes military aid, training, and counternarcotics assistance.

country's first structural adjustment loan from the World Bank in 1985. Even so, USAID contributed more assistance than these two agencies combined during the 1980s, making it the lead donor throughout the decade.

These foreign and domestic partners possessed complementary resources that in combination formed a powerful alliance for export-led growth. Two other factors helped cement the alliance. The first was the substantial ideological cohesion among USAID officials and CINDE board members. Interviews and CINDE minutes reveal that most shared the fear that Costa Rica's economic deterioration would provoke political destabilization, a common desire to roll back state intervention in the economy, and the belief that USAID officials and foreign investors would be positive influences on Costa Rica.

Second, the partners found that they could use each other and the CINDE organization to lobby for measures related more peripherally to export promotion. For example, USAID asked for the board's assistance in privatizing companies grouped under the state holding company, CODESA (Corporación Costarricense de Desarrollo, Sociedad Anónima), and supporting a new private international tropical-agricultural training center named EARTH. In turn, certain businessmen on the board seemed at least as interested in how CINDE and USAID could help expand the private banking sector as they were in export promotion.[27] One consultant's report noted that USAID's Costa Rican office followed "a pervasive practice that utilized CINDE as the Mission's 'beast of burden' for the implementation of many activities not directly linked to achieving the organization's developmental objectives. (In this regard, the CINDE Boards of the early years are equally at fault for having supported some of their own tangential activities.)" (Jackson, 1988, 19).

MEETING THE REQUIREMENTS OF A NONTRADITIONAL EXPORT DRIVE

The Role of Foreign Expertise

USAID brought the idea of export diversification and outward orientation to the alliance in the breakfast meetings predating the formal establishment of CINDE.[28] Remarkably, however, interviews and documentation make it clear that neither the U.S. officials nor the Costa Ricans knew how to achieve these goals. Although the USAID director and other high-ranking officers normally attended board meetings, they offered little technical expertise because the Washington headquarters could provide them with little guidance (Jackson 1988, 24). CINDE was considered an experiment, given the fact that the U.S. State Department had never funded a private-sector business-promotion project of its size. To overcome this knowledge barrier, USAID officials frequently contracted with foreign experts to help CINDE design its programs and policy papers. Two examples demonstrate the usefulness of USAID's ability to locate and pay for this kind of assistance.

As soon as CINDE had been approved, USAID officials hired outside evaluators to lend advice on what steps Costa Rica should take to launch an export-led growth program. In January 1983, CINDE hosted a visit by consultants Teodoro Moscoso and Leo Suslow, architects of Puerto

27. CINDE minutes show that its membership partially overlapped with the Asociación Bancaria Costarricense (ABC) and that CINDE and USAID cooperated with the ABC in 1984 to pressure the Legislative Assembly into passing bills favorable to private banks. USAID had already made several large long-term, low-interest loans to three private Costa Rican institutions. BANEX (a bank) obtained a ten-million-dollar loan in 1981; COFISA (a private finance company) also received a ten-million-dollar loan in 1982 and the local-currency equivalent of a five-million-dollar loan in 1983; and the Private Investment Corporation (PIC, a finance company set up by USAID in 1984) was awarded a one-million-dollar grant and a twenty-million-dollar loan in the same year. Examination of the composition of the boards of directors of these institutions and that of CINDE shows substantial overlap during the years the loans were made.

28. Author's interviews with anonymous former members of CINDE's board of directors and with former USAID officials, San José, Feb. and Mar. 1991.

Rico's Operation Bootstrap.[29] They concluded that Costa Rica should concentrate on industrial exports and try to attract foreign investment in that sector. The pair also recommended that the government create a new Ministerio de Exportaciones (MINEX), which would be permitted to hire non-civil-service employees to meet the need for technically capable staff.[30] When a subgroup of CINDE's board of directors presented the plan to President Monge, he agreed to establish MINEX, appointed CINDE's candidate as minister, accepted USAID financing, and allowed MINEX to hire non-civil-service employees, measures all recommended by the consultants. MINEX later evolved into COMEX (the Ministerio de Comercio Exterior), responsible for negotiating international trade agreements, while CINDE retained most of the export-promotion functions.

USAID officials also hired foreign consultants to help redesign CINDE at a crucial turning point in its history and to manage its day-to-day operations from that time onward. In 1985, USAID officials in Costa Rica decided to overhaul CINDE because of pressure from their superiors in Washington for faster results. To this end, they contracted with experts from the Irish Development Authority (IDA) and the Carana Corporation (a U.S.-based business consultancy firm). These consultants restructured CINDE's program to attract foreign investment and managed it for the following seven years. The program became the heart of the organization. It soon opened foreign offices in the United States, Europe, Japan, and Hong Kong and achieved substantial success in attracting foreign assembly plants.

International consultants also dominated the two technical departments that supported the investment program. One administered a USAID management-training grant that funded seminars led by foreign experts on subjects like marketing and quality control. The other, the CAAP (Consejo Agropecuario y Agroindustrial Privado), was added in 1985 to provide technical assistance to growers of nontraditional export crops, lobby for regulatory modifications affecting the export of perishable goods, and create a data bank on wholesalers and produce prices for public use. Several foreign consultants were permanently assigned to the CAAP's offices, while others were hired periodically to lend advice on particular production, disease, or marketing problems.

29. Puerto Rico's state-sponsored industrialization strategy begun in the 1940s was known as Operation Bootstrap in English and Operación Manos a la Obra in Spanish. Moscoso headed the program that offered tax incentives and subsidies to U.S. manufacturing firms willing to relocate production to the island (and reexport to the United States). The strategy's success in attracting U.S. industry drew worldwide attention in the 1960s and 1970s.

30. Leo Suslow and Teodoro Moscoso, "Prospects for the Industrialization of Costa Rica: Report of the Mission to Costa Rica," in-house document, CINDE, San José, 21 Jan. 1983.

The CINDE Coalition and Export Policy

During CINDE's first three years of operation, its Costa Rican board of directors and the USAID officials with whom they worked successfully translated the idea of pursuing export-led growth into policy changes. In so doing, the coalition relied heavily on the lobbying capabilities of the board members and their contacts with the Monge administration. CINDE began its role as a supra-interest group for exporters in January 1983, when three directors (all prominent members of the PLN) presented the results of the Suslow-Moscoso visit to President Monge and asked him to create MINEX. A pattern developed in which CINDE directors repeatedly obtained audiences with President Monge, his ministers, or other top officials to push the current CINDE cause.

As for policies affecting nontraditional exports, only modifications in the exchange rate did not result directly from CINDE lobbying. An agreement between Costa Rican authorities, the IMF, and USAID led to exchange-rate unification in late 1983 and to putting the *colón* on a crawling peg in early 1985.[31] Cross-conditionality among the IMF, USAID, and former CINDE board member Eduardo Lizano (president of the Banco Central de Costa Rica from 1984 to 1990) limited political interference in the exchange rate. But all other important changes related to nontraditional exports originated with CINDE.

For example, because of CINDE's actions behind the scenes, Law 6955 promulgated in February 1984 contained policy modifications crucial to nontraditional exporters. Key among them was legislation providing for the export contract, through which the government provided nontraditional exporters with a lucrative fiscal incentive known as the CAT[32] as well as 100 percent tax relief on profits, nontraditional exports, and imported inputs.[33] Law 6955 also improved drawback regulations (providing for duty-free import of partially manufactured components to be processed and reexported), which made the option more attractive to assembly industries. Finally, the legislation provided for creating a "one-stop investment center" that would simplify and centralize the paperwork required of firms wanting to export from Costa Rica. It opened in 1988. Consultants contracted by CINDE drew up these sections of the legislation, and CINDE board members led the way in lobbying them through

31. The Banco Central de Costa Rica makes weekly adjustments in the exchange rate by comparing the value of the colón with that of a basket of major currencies.

32. Certificado de Abono Tributario (tax-credit certificate). CATs are worth up to 20 percent of a firm's nontraditional export sales and are negotiable on the national stock exchange.

33. The export contract expanded some existing incentives (such as the CAT), added new ones (like the income-tax exemption), and repackaged them all in a way that would be easier for nontraditional exporters to use. The CAT first appeared as part of the Industrial Promotion Law of 1972 but was little used until 1984.

TABLE 3 Costa Rican Nontraditional Export Regimes, 1986

Incentive	*Free-Trade Zones*	*Drawback*	*Export Contract*
Tax exemptions			
Machinery and intermediate inputs	100%	100%	100%
Profits	100% (8 years) 50% (4 years)	100%	100%
Tax rebates	None	None	Up to 20% of FOB value
Customs benefits	On-site inspection[a]	None	None
Local market sales	Up to 40%, subject to approval	None allowed	No restrictions[b]
National value added and local content requirements	None	None	35% minimum national value added

Sources: Information provided by CENPRO, the Costa Rican Free-Zone Corporation, and Saborio (1992, 204–5).

[a]This is a significant timesaving benefit, given that all other exports must pass customs at the airport or docks where twenty-four-hour delays and problems in warehousing goods awaiting inspection (especially perishables) are common.
[b]Tax benefits awarded for exported goods only.

the Legislative Assembly by meeting with government functionaries, congressional representatives, ministers, and the president himself, usually on an informal and individual basis.

CINDE also joined forces with MINEX and Zeta Investments, a private firm, to pressure the government into allowing the private sector to participate in running the state-administered free zones. A public corporation created two free zones in 1981, but they failed to attract investors. CINDE and the Zeta group teamed up to push legal modifications in 1984 and 1985 that allowed free zones to operate in the Costa Rican Central Valley (a much more attractive location) and permitted the private sector to administer them. Nine free zones are now operating in Costa Rica.

Most policy changes central to the nontraditional export drive took place between 1983 and 1985. Table 3 compares the incentives offered by the export contract, the drawback regime, and the free zones. Individual plants can benefit from only one set of regulations, and foreign and domestic investors are treated equally.

An important contribution made by the Costa Ricans in CINDE, particularly by a former editor of the leading daily *La Nación*, was an appreciation of the value of educated public opinion in their democracy.

TABLE 4 *U.S. Economic Assistance as a Percentage of Costa Rican Imports and Gross Domestic Product, 1982–1990*

Year	*U.S. Economic Aid (in millions of U.S. dollars)*	*Percentage of Imports*	*Percentage of GDP*
1982	50.8	5.7	1.4
1983	213.2	20.3	5.6
1984	170.1	14.6	4.1
1985	209.9	16.9	5.1
1986	160.0	11.0	3.7
1987	185.2	10.8	4.1
1988	105.3	6.2	2.2
1989	118.3	5.9	2.4
1990	77.7	3.5	1.5

Sources: Calculated from table 2 and from import and GDP data from Inter-American Development Bank, *Economic and Social Progress in Latin America,* various years.

The Costa Ricans insisted that CINDE launch a massive public-relations campaign to complement the lobbying program. As part of this effort, CINDE officials met with political figures and community leaders to explain the connections among export generation, foreign-exchange earnings, employment, and social welfare in Costa Rica. The campaign produced promotional literature in several languages, organized excursions to Costa Rica for foreign journalists, and put commercials on local television telling the population that the only way out of the economic crisis was through export-led growth. CINDE organized a nationwide contest among students with prizes for essays about the importance of increasing production and improving export performance. Another contest invited Costa Ricans to send in entries for CINDE's slogan. CINDE also made donations to private voluntary organizations serving cooperatives, peasants, artisans, and women that undertook projects at least indirectly related to the promotion of nontraditional exports.

It should also be noted that CINDE's most active period of lobbying corresponded exactly to the years in which U.S. economic assistance had its largest impact on the Costa Rican economy (table 4). This fact reinforces descriptive evidence linking U.S. leverage via aid and a policy switch toward export-led growth in Costa Rica.

AUTONOMOUS DECISION MAKING AND THE TRANSNATIONAL MODEL

The fact that CINDE could not be held accountable to anyone in Costa Rica, including the local government, afforded the organization substantial insulation and flexibility in its operations. CINDE's autonomy from Costa Rican authorities was rooted in its financial setup, in which USAID exercised complete monetary control over CINDE. The United States founded CINDE with the local currency equivalent of a grant of 11,850,000 dollars in 1983 and remained CINDE's only source of financial support until 1991. USAID also required CINDE's Costa Rican administrators to seek USAID permission for any expenditure exceeding twenty thousand dollars. Thus at its most extreme, CINDE was autonomous of any Costa Rican authority but entirely beholden to USAID.

USAID also maintained an unusual degree of control over the Economic Support Funds that it granted to Costa Rica, exercising substantial leverage over the economic conditions under which export promotion took place. This situation resulted from the extraordinary breadth of power exercised by USAID's Costa Rican mission director from 1982 to 1987.[34] During his tenure, USAID avoided the slowness and distortions that public debate might have brought to its plans by deciding not to ask the Costa Rican Legislative Assembly to approve the Economic Support Fund transfers (Adler 1984, 81).[35] The counterpart funds generated by ESF grants and loans to the Banco Central de Costa Rica (BCCR) were technically controlled by a joint U.S.–Costa Rican decision-making process. In reality, the Central Bank did not even sign a good number of the required memoranda of understanding testifying to this cooperation, and consequently Costa Rican authorities were often unaware of the uses to which the local currency accounts were put (USAID 1988, i–ii). Interviews with former public and private-sector representatives reveal their belief that the USAID director exercised actual control over many of these accounts, thus retaining a tangible source of power in order to ensure that the conditions that Costa Rica "agreed to" in the Economic Support Fund documents were met.[36]

CINDE's autonomy from the Costa Rican government and even from the private sector also lent the organization a great deal of flexibility. In the area of employment, CINDE's flexibility was far superior to that of the Costa Rican government. While government agencies were restricted to hiring civil servants and offering relatively low wages, CINDE (and MINEX during the time it was funded by USAID) could pay higher salaries and contract workers of any nationality. CINDE managers used this freedom to hire workers who spoke English and possessed technical or business skills. In my observation, CINDE staff members were much better qualified in export and investment promotion than were CENPRO employees.

34. The director's power was unusual even by USAID's standards. Personal conversation with a USAID official, Sept. 1992.

35. The legality of this decision is unclear.

36. This situation continued until 1988, when President Arias insisted that USAID transfer legal ownership of the counterpart funds to Costa Rica. The Arias administration also chose not to submit the Economic Support Fund agreements for legislative ratification.

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CINDE's autonomy and flexibility also contributed to USAID's ability to remake the organization quickly after 1984, when it became clear that some of CINDE's programs were not working. In addition to setting up a policy lobby during its early years, CINDE attempted to stimulate investment in nontraditional export industries directly by donating funds to local business associations for product-feasibility studies and sending board members to meet potential investors at Caribbean Basin Initiative conferences sponsored by the U.S. State Department in the United States, Europe, and Asia. These programs produced little direct impact on Costa Rica's nontraditional export growth, however. By the end of 1984, members of the USAID mission in Costa Rica had grown distressed by these failures because of constant pressure from headquarters in Washington to show immediate, tangible results from mission efforts to promote nontraditional exports.

To remedy the problem, USAID used its control over CINDE to impose solutions unilaterally. In January 1985, USAID announced to the CINDE board of directors that it had signed a two-year contract with a consultant from the Irish Development Authority (IDA) who would design a new strategy to attract foreign investment. In the following months, USAID virtually overhauled the organization. CINDE minutes reveal that through decentralization, USAID stripped power from the board and the executive director. USAID concluded the restructuring in November 1985, when another private consultant became director of the Programa de Inversiones y Exportaciones (PIE), the CINDE unit responsible for promoting foreign investment and developing local exports.

By the beginning of 1986, CINDE had been remolded into a new organization, transformed from a small entity micromanaged by its Costa Rican board of directors to a large organization run by foreign consultants. Most of the work on policy and public relations was completed, and CINDE therefore switched to smaller and less frequent behind-the-scenes efforts to change laws and regulations to benefit exporters. The consultants in charge of the PIE program made attracting foreign investment CINDE's new focus. They were convinced that only foreign investment in manufacturing could increase Costa Rica's nontraditional exports rapidly and that the promotion of domestic export industries would have to be postponed.[37]

PIE leaders decided on a strategy of attracting U.S. apparel manufacturers to Costa Rica, thereby taking advantage of a trend toward offshore production.[38] Personnel from CINDE's overseas offices were trained

37. Information provided here on the strategy of the PIE program comes from a series of interviews that I carried out in 1990–1991 in San José with Dr. Anthony Shiels, Investment Advisor at CINDE, and Carlos Torres, former general manager of PIE. See also Torres (1985).

38. In the 1980s, labor costs motivated U.S. textile firms to seek offshore production sites (see Bonacich and Waller 1991).

in the IDA method of attracting foreign investments. This aggressive technique of selling Costa Rica's offshore production benefits to U.S. textile firms became the center of CINDE's promotional efforts. For the USAID mission, desperate for quick results in nontraditional exports, emphasizing assembly industries made sense. These firms can move from deciding to produce in a particular country to being in full operation there in less than a year. And thanks to earlier CINDE lobbying efforts, attractive incentives for drawback industries were already in place. The light-assembly industry held the additional appeal of having the potential to reduce unemployment, still a problem for Costa Rica in the mid-1980s. As will be shown in the section on results, this attempt to stimulate textile exports was extremely successful.

In addition to the advantages inherent in the autonomy and flexibility of this kind of transnational alliance, there are disadvantages as well. First, the development model designed by a transnational alliance reflects the priorities of that narrow coalition. In the Costa Rican case, USAID's priority was to increase nontraditional exports rapidly, and that led to choosing to woo foreign light-assembly industries rather than assisting domestic companies in exporting. Second and relatedly, when the transnational alliance and the organization that it sets up are not accountable to the host country, little public debate takes place on the key issue of development strategy.[39] For these reasons and because the external actor's intervention is usually temporary, this model may be a fragile one. In this instance, USAID radically reduced funding to Costa Rica during the 1990s and closed its offices there in 1996.[40]

RESULTS

Costa Rica's drive to increase nontraditional exports has succeeded dramatically. Between 1983 and 1992, the value of nontraditional exports soared from 90 million dollars to 781 million, while the proportion of export earnings they represented quadrupled from 10 percent to 42 percent over the same period.[41] In 1993 the leading Costa Rican nontraditional exports were textiles (757 million dollars);[42] fresh and frozen fish and shrimp (91 million); flowers, ornamental plants, and foliage (81 mil-

39. Meyer (1992) also treats the problem of unaccountability.

40. I examine the consequences of USAID's withdrawal from Costa Rica in Clark (1995).

41. The data for 1983 come from José Salazar, Pedro Morales, Eugenio Morales, and F. Salas, "Precios, incentivos, y reformas de política en el sector agropecuario de Costa Rica," in-house document, Ministerio de Planificación, San José, 1988. CENPRO provided the 1992 figures. In Costa Rica, a nontraditional export is anything other than coffee, bananas, beef, sugar, cotton, and a few other insignificant exports. Nontraditional exports are sold to "third markets," meaning those outside Central America.

42. Figure for the gross value of Costa Rica's textile exports was taken from CATECO (Cámara Textil y de Confección), "La industria textil y confección en Costa Rica," in-house document, Feb. 1994, p. 1.

lion); and fresh pineapple (54 million).[43] CINDE claims responsibility for attracting 146 foreign investment projects, creating 18,000 jobs (55 percent in apparel and textiles) in Costa Rica between 1986 and 1990, and fostering at least 17 percent of nontraditional exports.[44]

While this article has traced the creation of the policies and institutions that anchor Costa Rica's nontraditional export drive, the outcome of these efforts has also been influenced by independent economic factors, particularly because investment in three of the four top new industries is predominantly foreign. But in the latter half of the 1980s, Costa Rica was competing with twenty-one other Caribbean Basin Initiative beneficiaries as well as with countries outside the region for foreign investment in the same industries. Hence, the quality of Costa Rica's domestic policy environment and the aggressiveness of its investment-promotion campaign must have contributed significantly to its success.

Overall economic growth accompanied export success. Costa Rica's gross domestic product increased by an average of 4 percent per year over the same period.[45] By 1990, USAID was touting CINDE as a model for private-sector export promotion. And in a 1991 statement before the U.S. Congress, USAID showcased Costa Rica in arguing that aid-backed economic reforms (primarily promotion of nontraditional exports) had brought benefits to Latin American countries.[46]

THE CINDE COALITION IN COMPARATIVE PERSPECTIVE

A transnational coalition will assume leadership in shifting a country toward export-led growth only under certain circumstances. First, the country must be selected by an external development organization because it holds some importance for the outside entity. Second, the country must be willing to accept the presence of the transnational alliance, something most likely to exist during an economic crisis when foreign assistance is badly needed. Third, compatible local allies must be available to guide the external entity through the domestic political process.

Costa Rica's transnational alliance developed out of a coincidence of all three factors. In Costa Rica, a coalition led by USAID that included local businessmen and technocrats pulled the Monge administration into nontraditional export promotion, designed key policies, lobbied them

43. Information on 1993 export levels of flowers and plants, seafood, and pineapple from unpublished CENPRO data, 1994.

44. CINDE, "Progress Report: Employment," in-house document, Marketing Division, Sept. 1990, San José; and "Investment Results," in-house document, Marketing Division, Sept. 1990, San José.

45. Calculated from table 1.

46. Statement of James H. Michel, Assistant Administrator, Latin American and Caribbean Bureau, before the Subcommittee on Western Hemisphere Affairs, U.S. House of Representatives, 5 Mar. 1991, Washington, D.C.

through the Legislative Assembly, and implemented programs to attract foreign investment and supply technical support. The transnational alliance took this lead role during a time when the Costa Rican government was politically and financially unable to do so. To launch the nontraditional export drive, the CINDE coalition relied on the enormous quantity of financial assistance provided by the United States, the ability of USAID to contract with international experts, and the political skills of domestic allies.

To assess the generalizability of the Costa Rican case, it is essential to evaluate the performance of similar efforts in other countries. During the 1980s, USAID worked at promoting nontraditional exports in Guatemala and Honduras and toward the end of the decade founded similar programs in Ecuador and Bolivia. In Guatemala and Honduras, nontraditional agricultural and light-assembly exports have increased rapidly but have yet to reach the absolute levels of Costa Rican exports. New agricultural exports, especially shrimp, have done well in Ecuador. Yet Bolivia offers the most interesting case for comparison because that is the country where USAID tried hardest to replicate the Costa Rican model, even hiring the same two consultants who revamped CINDE in 1985. But among the countries in which USAID has carried out export-promotion activities, Bolivian levels of economic development and political stability differ most from those in Costa Rica.

Bolinvest, CINDE's counterpart in Bolivia, was established by USAID in 1989, charged with the same mandate, and placed under the management of the same expatriate private consultants. USAID wanted Bolinvest to help create a nontraditional export drive like Costa Rica's. To date, the results have been disappointing. Although global statistics for Bolivia's nontraditional exports are not publicly available, USAID's data show that total Bolivian exports actually dropped slightly between 1989 and 1993 (the last year of available data), while Costa Rica's increased in every year after 1983.[47] Compared with CINDE's record of attracting 146 foreign investment projects and 18,000 jobs to Costa Rica between 1986 and 1990, Bolinvest claims to have brought in 19 foreign firms and 937 jobs between 1989 and 1993.[48]

One evaluation of Bolinvest found that, as with CINDE, the flexibility and autonomy of the organization helped it make adjustments when the original plan to attract U.S. investors failed and MERCOSUR began to look like a more promising trade partner in the early 1990s

47. This comparison uses only the free-on-board (FOB) value of exports, which does not include the value of assembled products. If apparel exports to the United States (the destination of almost all such exports from Latin America) are added, the gap between the two countries' performance becomes even wider in favor of Costa Rica. All data were taken from USAID (1995).

48. Data on Bolivia from Louis Berger International (1994). Costa Rica's employment-generation figures are higher partly because garment-assembly plants are labor-intensive and the textile industry is far less important in Bolivia. Nevertheless, the performance data reveal a striking difference between the two countries.

(Louis Berger International 1994).[49] But the report also found two areas of difference between Bolivia and Costa Rica that offer clues as to why transnational coalitions may be more effective at stimulating export-led growth in some countries than in others.

First, Bolivia is a less attractive investment site for domestic and especially foreign businesses. Bolivia's landlocked geography and distance from major markets results in steep transportation costs. This drawback combined with its poorly educated population, inadequate infrastructure, and recurring political instability discourage investors, even those interested primarily in low-wage labor. Many sub-Saharan African countries share these problems and have also fared poorly with export promotion in the 1980s and 1990s, despite World Bank efforts to help. It appears that transnational alliances cannot overcome marked underdevelopment and political instability. That is, structural factors may limit the effectiveness of transnational coalitions.

Second, the evaluators implied that the Bolivian project has gained only moderate support from the private sector, clashed with the government over who will control investment promotion, and only partially succeeded in creating a policy environment favorable to exporters. In comparison, the foreign and domestic members of the CINDE coalition perceived that they each stood to gain by pooling resources and shared a common desire to further private-sector development. The partners pursued a thorough modification of policy before moving into direct promotion activities and maintained a positive relationship with the government. This comparison suggests a link between the quality of the relationship among external and internal actors and outcomes in export promotion. The willingness of an aid donor to help a particular country is a necessary but not sufficient condition for establishing a successful transnational alliance. Domestic actors must also be willing to contribute to the coalition's goal of leading the country toward export-led growth.

49. At the time of evaluation, Brazil, Argentina, Paraguay, and Uruguay made up the Mercado Común del Cono Sur. Chile and Bolivia joined MERCOSUR in 1996.

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