

Coping with Globalisation in Small Countries. “Leading Coalitions” and Development Paths in Costa Rica and the Dominican Republic in the 1990s

Diego Sanchez Ancochea (*)
Institute for the Study of the Americas, University of London
Diego.sanchez@sas.ac.uk

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Abstract

This paper discusses the impact of globalization in small, Latin American countries by comparing the evolution of state-society relations in Costa Rica and the Dominican Republic during the 1990s. In particular, the paper makes two basic claims. First, globalisation has had some common effects on the politico-economic structure of Costa Rica and the Dominican Republic, leading to increasing concentration and financialization of capital and to a weakening of the bureaucratic capabilities of the state. Second, however, the ultimate effect of these processes was different in the two countries, depending on the alliances that the state created with different social forces during the previous period of import substitution industrialization.

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1. Introduction

During the last twenty-five years globalisation has become a central characteristic of the world economy. Time and space are shrinking and many borders have disappeared, giving rise to an increasing interdependence between economies, between cultures and between people. Globalisation is characterized by the organization of financial and productive activities on a global basis and has resulted in a dramatic expansion of international trade and capital flows. The process has been driven by three main forces: the new strategy of transnational corporations, the expansion of the financial sector, and the shift in economic policy in both developed and developing countries.¹

What has been the impact of globalisation in the politico-economic structure and prospects for economic development in small Latin American countries? This paper constitutes an attempt to answer this question by comparing the evolution of state-society relations in Costa Rica and the Dominican Republic during the 1990s.² In particular, I make two basic claims. First, globalisation has had some common effects on the politico-economic structure of Costa Rica and the Dominican Republic, leading to increasing concentration and financialization of capital and to a weakening of the bureaucratic capabilities of the state. Second, however, the ultimate effect of these processes was different in the two countries, depending on the “leading coalitions” created during the period of import substitution industrialization (ISI).

By leading coalitions I am referring to the formal and informal partnership that the state gradually creates with specific social classes, and by which these social classes achieve particular influence in the process of policy design. During the 1960s and 70s, both Costa Rica and the Dominican Republic consolidated leading coalitions that had domestic industrial and commercial capital as a key member, but that were otherwise different. In the Dominican Republic the number of capitalists with direct relationship with the state was smaller than in Costa Rica and its economic strength larger. Moreover, in Costa Rica, a second group -public employees- was also influential in shaping the model of development. Contrary to the Dominican Republic, where attempts to strengthen the labor movement in the public sector always failed, in Costa Rica trade unions flourished in the public sector in the 60s and 70s. In the mid-1970s an estimated 43% of public sector employees were unionized, as against 5% of private sector workers.³ The participation of public employees in the Costa Rican leading coalition was a key force behind the expansion of social spending during this period at much higher rates than in the Dominican Republic.

The debt crisis of the early 1980s and the process of neoliberal globalization severely questioned the survival of the previous leading coalitions. In Costa Rica, the reduction (or at least freezing) of public employment as well as several reforms of the bureaucracy weakened the influence of trade unions in policy design. At the same

¹ Sanchez, D., “Globalization and Inequality in the Developing World: Potential Benefits with Real Costs”, *CEPA Working Paper*, New York, 2003.

² As such, the paper does not analyze the external dimension of globalization, which has translated in a shift in the export structure of both countries towards manufacturing goods and tourism. For an evaluation of the impact of manufacturing exports in Costa Rica and the Dominican Republic, see Sanchez, D., “Following the East Asian export miracle? The Limitations of Manufacturing Specialization of Small Latin American Countries in the New Global Economy”, *Paper prepared for delivery at the 2004 Meeting of the Latin American Studies Association*, Las Vegas, Nevada, October 7-9, 2004.

³ Rottemberg, S. (ed) *The Political Economy of Poverty, Equity and Growth. Costa Rica and Uruguay*, (Oxford, 1993).

time, the concentration and financialization of domestic capital severely undermined the economic and political position of small and medium firms. Since no new working coalition has been consolidated Costa Rica is still struggling to define its future path of accumulation and distribution.

In the Dominican Republic, large families continued being the most influential economic and political actors. While labor in the Dominican Republic remained marginalized and suffered from high levels of unemployment, large family conglomerates had time to successfully adapt to the new internal and external conditions of the economy during the 1980s and 90s. They moved to new sectors (including tourism), built strategic alliances with TNCs and maintained close ties with the state. Nevertheless, the economic crisis that began in 2002, which was partly caused by the excessive (illegal) expansion of some banks, shown once again the institutional weakness of the state as well as the limits of the Dominican exclusive coalition between the state and large business groups under globalization.

The comparative case study presented in this paper has at least three broader theoretical implications. First, it highlights the need to study the interrelation between the changes in the global economy and the domestic politico-economic structure in order to understand the evolution of small economies. As Jose Itzigsohn shows in his study of labor markets and economic policy in Costa Rica and the Dominican Republic, particular development trajectories depend on historically determined, domestic circumstances.⁴ They are, however, also “limited by the systematic constraints of the world economy [which] impose boundaries on the scope and effectiveness of state action”.⁵ Second, the paper illustrates the usefulness of what Evans (1995) called the comparative institutional political economy approach (CIPE), stressing the interest of specific elements within this line of research.⁶ CIPE research usually concentrates on the “quality” of the interrelations between the state and society, that is, the degree to which the state is able to build positive partnerships with various social forces.⁷ Yet, the analysis of the composition of such interrelations –i.e. description of which social forces have a direct influence on the state- is also important to understand patterns of development and its changes over time. Third, the paper also illustrates the difficulties to maintain a human development centred model under globalisation. While Costa Rica is still regarded as a successful example of human development, most of its advances concentrated in the decades before 1980. In the last two decades and despite the attraction of high tech foreign investment, Costa Rica has had a disappointing record in terms of income distribution and improvements in human development.

The paper is organized in three more sections. Section 2 discusses the characteristics of import substitution industrialization in Costa Rica and the Dominican Republic during the 1950s and, especially, 1960s and 70s, and emphasizes the creation of different leading coalitions in each of the two countries. Section 3 describes the effect that globalisation has had in the two countries, distinguishing between convergent effects and ultimate differences. The paper finishes with some conclusions that highlight the asymmetric effect in the two countries.

⁴ Itzigsohn, J. *Developing Poverty. The State, Labor Market Deregulation, and the Informal Economy in Costa Rica and the Dominican Republic*, (University Park, 2000).

⁵ Ibid, p. 12.

⁶ Evans, P., *Embedded Autonomy. States and Industrial Transformation*, (Princeton, 1995).

⁷ See, for example, Evans, P. *Embedded Autonomy...*, Maxfield, S. and B. Ross Schneider (ed.), *Business and the State in Developing Countries*, (Ithaca, 1997), and Heller, P., *The Labor of Development. Workers and the Transformation of Capitalism in Kerala, India*, (Ithaca, 1999).

2. Costa Rica and the Dominican Republic during the ISI period: encompassing versus exclusive leading coalition

The 1950s, 60s and 70s were a period of dramatic transformation for a large fraction of the developing world; economic growth accelerated and a selected number of large countries “rose to the ranks of world-class competitors”.⁸ Economic success in the “rest” was made possible by new leading coalitions between domestic and transnational capital and the state, which played a leading economic role.

Small countries were generally slower in their process of economic transformation. They tended to industrialize later and were more dependent on transnational corporations and global markets.⁹ In Latin America most small countries experienced relatively low rates of economic growth during this period. While real GDP per capita in Latin America as a whole grew at an annual average rate of 2.4% between 1950 and 1979, in Uruguay the annual rate of growth was only 1.0%, in Honduras 1.4% and in El Salvador 1.9%.¹⁰ The Dominican Republic and Costa Rica, however, were notable exceptions to this trend, growing at annual average rates of 3.1% and 2.6% respectively and experiencing a significant process of structural change.¹¹ Both countries gradually substituted a primary-based economy with a more diversified one in which the industrial sector played a major role and the service sector became the largest one. During this period both countries also laid the foundations for the ulterior export expansion that took place during the 1980s and 90s.

As in most other developing countries the state was at the heart of the process of economic growth and structural change. Economic policy was geared towards expanding domestic capital accumulation and providing increasing investment opportunities in new sectors of the economy. These policies contributed to the creation of a new industrial class, which became the government’s closest ally.

Similar rates of economic growth and similar processes of transformation should not obscure the differences in the structures of accumulation and distribution between the two countries. In the Dominican Republic, Trujillo’s dictatorship, which had created a personalistic political system and a highly unequal economy, was replaced, after several years of political uncertainty, by a semi-democratic system. The state, led by Joaquin Balaguer between 1966 and 1978, expanded public investment and subsidies for industrialization, but social spending remained low and modernization of traditional agriculture did not take place. In Costa Rica the state also promoted industrialization through incentives and protection of the domestic market. The state, however, also used the banking system, which had been nationalized in 1949, and public spending, especially in social services, to develop a more democratic economic structure and expand human development more rapidly.

More importantly, during this period the state in each of the two countries built particularly close ties with specific social classes; these initial coalitions in turn

⁸ Amsden, A., *The Rise of the Rest. Challenges to the West from Late-Industrializing Economies*, (Oxford, 2001)

⁹ Shapiro, H. and L. Taylor, “The State and Industrial Strategy”, *World Development*, 18(6), 1990, pp. 861-878.

¹⁰ GDP is measured in 1990 international Geary-Khamis dollars. The Latin American average includes 44 countries. Source: Maddison, A., *The World Economy. A Millennial Perspective*, (Paris, 2001).

¹¹ The rates of economic growth of Costa Rica and the Dominican Republic, while respectable by regional standards, were quite low when compared to those of South Korea (5.9%), Taiwan (6.3%) or Singapore (4.5%).

determined the direction of the subsequent policies in an iterative political process.¹² In the Dominican Republic, Balaguer actively supported the growth of large, family-owned conglomerates that progressively extended their interests to most sectors of the economy.¹³ At the same time labor in both the private and the public sectors remained weak. In Costa Rica, an alliance between the emerging industrial capitalists and the middle class supported state intervention. Some large investors did appear during this period, but the creation of a permanent bureaucracy, the promotion of cooperatives and the growth of small and medium firms with political ties to the state strengthened the position of other social classes as well.

The role of the bureaucracy as a political force in Costa Rica and its absence in the Dominican Republic was particularly important. In Costa Rica a civil service law that secured the stability of public employees and limited political influence on appointments was approved in 1949. The creation of this law increased the quality of the state and the legitimacy of state intervention, and made public employment socially attractive for a new professional class. In the words of former President Figueres, “engineers, economists, doctors, lawyers, specialists in various branches of organization theories, progressively occupied different administration positions. They assumed their new roles not just as ways of living, but also as an effective service to the citizens and the nation”.¹⁴ At the same time public employees became a formidable political force through their trade unions, demanding high wages and the expansion of social services and other development-related spending.

In the Dominican Republic a civil service law was not approved until the early 1990s. Jobs in the public sector during the period 1950-1980 were assigned based on political loyalty and were often terminated after a change in Administration. This was particularly critical at the middle management and administrator levels, which were completely subordinated to the leader in power.¹⁵ As a result, public employees never had an autonomous political influence in the direction of economic policy; they were unable to secure improvements in the standards of living for themselves or growing resources for health, education and other social services.¹⁶

3. Costa Rica and the Dominican Republic under globalisation

During the 1980s and, especially during the 1990s, a dramatic shift in the development model of Latin America took place. Neoliberal reforms across the region, together with an expansion of global financial flows and a shift in the productive strategy of TNCs, resulted in the consolidation of a new politico-economic structure in which the relations between state and society experienced significant changes.

¹² This is type of “iterative state-society interactions” is a common feature of the historical evolution in developing countries. See Houtzager, P., “Introduction” in Houtzager, P. and M. Moore (ed.), *Changing Paths. International Development and the New Politics of Inclusion*, (Ann Arbor, 2003).

¹³ Moya Pons, F., *Empresarios en conflicto. Políticas de industrialización y sustitución de importaciones en República Dominicana*, (Santo Domingo, 1992).

¹⁴ Doryan, E., *De la abolición del ejército al premio Nóbel de la paz. Ideas, poder y estrategias de desarrollo durante cuatro décadas de la economía política costarricense*, (San José, 1990). Translation is mine.

¹⁵ Wiarda, H., *Dictatorship, Development and Disintegration. Politics and Social Change in the Dominican Republic*, volumes 1 and 2, (Ann Arbor, 1975).

¹⁶ For an explanation of the reasons behind the creation of different leading coalitions, see Sanchez, D., *Leading Coalitions’ and Patterns of Accumulation and Distribution in Small Countries. A Comparative Study of Costa Rica and the Dominican Republic under Globalization*, Unpublished Ph D Dissertation, New School for Social Research, 2004.

This process of neoliberal globalisation had some common effects in most countries, as the comparison between Costa Rica and the Dominican Republic clearly shows.¹⁷ Domestic capital became increasingly concentrated and linked to TNCs, and financial capital increased its economic and political influence. Within the public sector, there was a deterioration of many public institutions and policy design moved increasingly to the hands of private foundations and political technocrats.¹⁸ The reduction in the expansion of public employment also diminished the influence of trade unions in policy design.

At the same time, however, the particular consequences of such trends in each country varied, according to the particular nature of their state-society relations. In particular, globalisation has put into question Costa Rica's broad leading coalition, making advances in human development harder than before. Trade unions in the public sector weakened during the 1980s and were not longer influential in policy design. Meanwhile, capital concentration and the slow privatisation of the banking sector increased the economic and political influence of large firms and reduced its dependency on the state. The Dominican Republic initially maintained its exclusive large capital-state leading coalition under globalisation. Large family conglomerates had time to successfully adapt to the new internal and external conditions of the economy during the 1980s and 90s. They moved to new sectors (including tourism), built strategic alliances with TNCs and maintained close ties with the state. The expansion of large groups, together with the increase in foreign exchange generated through remittances and exports, resulted in high rates of economic growth during the 1990s, but did not lead to a substantial improvement in social spending. Moreover, the inability of the state to regulate capitalist expansion, especially in the financial crisis, ultimately resulted in a deep financial crisis of which the Dominican Republic is still recovering.

In order to illustrate both the similarities and differences in the recent development paths between Costa Rica and the Dominican Republic, I discuss each country's experiences, focusing on the evolution of domestic capital and changes in the public sector, as well as recent developments in the socio-economic structure.

Costa Rica

Capital concentration, transnational links and financialization

Neoliberal globalisation in Costa Rica led to three defined trends within domestic capital during 1990s. First, there was an increase in the concentration within the private sector with the largest firms adapting particularly well to the new policy model. Second, the large investors were increasingly focused in the Central American and Mexican markets. At the same time, investors from other countries increased their presence in Costa Rica, particularly in the financial sector. Finally, the largest domestic firms increased their ties with TNCs.

¹⁷ For the effect of globalization in Central America, see Colburn, F. and F. Sánchez, *Empresarios centroamericanos y apertura económica*, (San José, 2000).. For the evolution of large groups in the bigger Latin American countries, see Peres, W., *Grandes empresas y grupos industriales latinoamericanos*, (Mexico, 1998).

¹⁸ MacLeod, Dag, *Downsizing the State. Privatization and the Limits of Neoliberal Reform in Mexico*, (University Park, 2004) describes a similar process when analyzing privatization in Mexico since the mid 1980s.

Despite the failure of the diversification strategy that large firms adopted during the 1980s, large Costa Rican firms were quite successful during the 1990s.¹⁹ While aggregate data on the performance of leading firms does not exist, data from the stock market and my own interviews highlight the positive performance of the largest firms. Table 1 contains the evolution of assets, profits and net worth in real terms in 1986, 1989 and 2000 for the ten firms that were in the stock market at the beginning and end of the period.²⁰ Six of the ten firms experienced an increase in their assets larger than the expansion of GDP between 1986 and 2000; the same can be said with respect to net worth. Even more significantly is the fact that eight out of the ten expanded their net profits over and above the growth of GDP during the whole period. The performance of Florida Ice and Farm (probably the largest domestic firm in the country), Durman Esquivel and Cormar was particularly significant. On the opposite side we find Lachner and Saenz, which over-diversified and did not recuperate a stable growth path until recently.

TABLE 1 ABOUT HERE

The interviews with managers from Florida Ice and Farm, Atlas Electrica, Durman Esquivel and Cormar, all of which are large firms within the Costa Rican context, confirmed the stock market data and showed how large firms were able to benefit from the neoliberal policy package.²¹ The companies grew considerably thanks to an expansion of its market share in the Costa Rican market and to their entry into other Central American countries.

Since Central American beer companies have always had a tacit agreement of non-aggression, Florida opted to extend their operations to related business areas within Costa Rica. In 1995 it launched the mineral water “Cristal” (gaining a large market share in a few years) and in 2001 it started producing the juices Tropical. As a result of the introduction of this two new products employment, assets and net worth expanded substantially. Between 1994 and 2002, for example, employment increased from 1,500 workers to 2400.

Florida’s success was supported by its ability to fund new investment in relatively good terms. Thanks to its large size and its investment in some of the new private banks (mainly Banex), the beer giant benefited from the deregulation and liberalization of the banking sector to obtain cheap credit in the domestic financial market as well as from international financial institutions. Florida also took advantage of the reduction in tariffs on intermediate goods since beer production is highly intensive in imported inputs, including malted cereal grain, hops and fermenting chemicals. At the same time, Florida did not suffer from trade liberalization because

¹⁹ Sanchez, D. *Leading coalitions*’..., chapter 4.

²⁰ A limitation of this analysis that should be acknowledged comes from the fact that many firms that were listed in the stock market in the late 1980s did not appear in 2002. There are only complete series from 1986 to 2002 for six firms, which were among the largest ones already in 1986: Florida Ice and Farm, Industria Nacional de Cemento (currently Holcim), Atlas Electrica, Durman Esquivel, Corporacion Abonos Superior and Cormar. Table 1 concentrates in the period 1986 to 2000 to incorporate three more firms. The belief that capital was increasingly concentrated was in any case shared by most of the academics and business manager that I interviewed in the summer of 2002. See also Sojo, C., “En el nombre del padre: patrimonialismo y democracia en Costa Rica” in Sojo, C. and M. Rojas. *El malestar con la política*, (San José, 1995). Moreover, the disappearance of some firms from the list in recent times does not mean that they have gone out of business; it just signals a change in their financing strategy.

²¹ Interview with one manager from each of the firms, San Jose, Costa Rica, September and October, 2002. Unless otherwise stated the information for the following paragraphs come from these interviews.

of its complete control of the Costa Rican beer market, which is characterized by high levels of customer loyalty.

The growth of Atlas Electrica, Durman Esquivel and Cormar rested in the Central American market and benefited from the new political efforts to promote economic integration within the region. During the 1980s and 1990s Durman Esquivel invested in El Salvador, Guatemala, Nicaragua, Mexico, Honduras, Peru and the Dominican Republic -in this case in a joint venture with Metaldom and the Grupo Corripio. Like other Costa Rican large firms, Durman Esquivel benefited from the deregulation of the banking sector and the arrival of foreign banks (especially, Scottiabank and Citibank) to obtain funds at relatively advantageous interest rates.

Atlas Electrica's expansion of sales at an annual rate of more than 20% during the 1990s also had the regional market as its corner stone. Unlike Durman Esquivel, Atlas' regional expansion rested more in exports than in investment in other countries. Atlas's recent strategy was facilitated by the signing of free trade agreements with Mexico and the Dominican Republic and by the revival of the Central American Common Market.²²

In 2001 Atlas bought the Salvadoran company Centron –formerly LA INDECA- when SETECO, a Dutch group that owned INDECA, went bankrupt. The purchase of Centron helped Atlas to increase its total sales by 48% and increase its regional market share in refrigerators to around 50%. In 2002 exports to Mexico accelerated and contributed nearly one third to total sales. The success in the Mexican market was made possible by the use of well-known trademarks such as White Westinghouse and Frigidaire. The association with a strong Mexican supermarket chain (Fansan) was also important.

Cormar, the regional leader in logistics (i.e. the transports of exports and imports, storage, and inventory management), is one of the most illustrative examples of the “new” Costa Rican firm and was both an active promoter and a clear beneficiary of the neoliberal policy package.²³ Cormar's growth in the last two decades was made possible by the state-promoted expansion of exports; trade liberalization that resulted in the expansion of imports; and the promotion of FDI that resulted in the arrival of large TNCs that demanded a variety of high-quality logistic services. Cormar also benefited from recent efforts towards economic integration in Central America, becoming one of the leading firms in the regional logistic market. In the late 1990s Cormar also began managing the inventory of some large firms such as Farmacias Fischel, Procter and Gamble, Gillette and Johnson and Johnson.

The success of these and other similar firms, which was facilitated by the new neoliberal policy package, translated into significant increases in the income of the largest capitalists. Income for the firm owners in the top decile –the “rich capitalists” – increased with respect to almost all groups in society, especially between 1997 and 2001. In 1997 monthly income of the rich capitalists was 3.6 times larger than average income, 5.2 times larger than the average income of the median decile and 24.9 times

²² Atlas benefited from other economic policies, including tariff reductions on intermediate goods and the deregulation of the financial sector. The reduction of tariffs on intermediate goods was particularly important since 80% of Atlas' inputs (which represent more than three fourths of the final price of Atlas' kitchen appliances) come from abroad. The public sector was also instrumental in Atlas' survival in a more specific way; in 1987, when in the midst of a financial crisis that affected many Costa Rican firms no private investor wanted to purchase Atlas' bonds, a public bank bought a whole new issuing.

²³ Cormar's growth has not only benefited the founders of the firms, which are still the largest individual investors, but many other large Costa Rican capitalists. This is so because many of the large clients of the firm such as Florida Ice and Farm have also a more or less significant stake in Cormar.

larger than the average income of the poorest decile; in 2001 these numbers had gone up to 4.6, 7.1 and 37.8 (see table 2).²⁴

TABLE 2 ABOUT HERE

The process of capital concentration was particularly significant in the financial sector since the mid-1990s. Between 1986 and 1997, when the liberalization of the financial market began and was consolidated, the number of financial institutions grew from 25 to 42. At the same time, the share of assets and net worth of the largest banks decreased. Since 1997, however, Costa Rica experienced a dramatic process of concentration within the financial sector; the share of the three largest banks in total assets went up from 30.75% in 1997 to 48.81% in May 2003. In 2003 the ten largest banks controlled more than 80% of total assets and 70% of net worth. Meanwhile, the “privatization” of the Costa Rican financial system, which began with several reforms promoted by USAID during the mid 1980s, continued during the 1990s. In 2003 public banks had only 1.6 times more assets than private banks, compared to 5.1 in 1989 and 3.3 in 1993.

Concentration in the banking sector coincided with a simultaneous process of regionalization. Given the relatively limited historical development of the banking sector in Costa Rica, it may not be so surprising that by 2003 only three of the largest ten banks in Costa Rica were controlled by domestic investors (see table 3).

TABLE 3 ABOUT HERE

Between 1998 and 2003, Scotia Bank bought Banco Mercantil (becoming the fourth largest bank in Costa Rica by volume of assets) and Cofisa and BFA merged and were later bought by the Salvadoran giant Grupo Cuscatlan (Estado de la Nacion, 2001, chapter 3). Even more significant was the acquisition of Banex, the third largest Costa Rican bank, by the Panamanian Grupo del Istmo in 1999, which became one of the leading financial groups in the region.

Regionalization of the financial sector was just one of the dimensions of the transnationalization of the Costa Rican private sector. Another key change was the establishment of linkages between large Costa Rican firms and TNCs. With the exception of Durman Esquivel, TNCs entered into all the companies discussed earlier.²⁵ Atlas Electrica sold 20% of the firm’s equity to the Swedish firm Electrolux in 1996, a company that had bought White Westinghouse (a long term allied of Atlas) a few years earlier. Cormar decided to incorporate the US firm Air Express International (AEI) as a shareholder in order to expand its distribution channels and reduce transport costs. When Danzas –the logistic firm of Deutsch Post- bought AEI, Cormar became a partner of one of the two largest global groups in logistics. Danzas currently owns 36% of the firm. Florida Ice and Farm was one of the large Costa Rican firms that resisted longer without establishing property linkages with TNCs. Ultimately, however, the company was forced to react to the entrance of some beer giants in other Central American countries. In 2002 Florida sold 25% of the ownership in Florida Bebidas –its main subsidiary- to the Dutch TNC Heineken.

²⁴ It should be acknowledged at this time that income data from household surveys has significant methodological shortcomings, especially to measure the process of capital concentration at the top. Juan Diego Trejos, one of the most prominent Costa Rican researchers on income distribution and the use of the Household Income Surveys, insisted in its deficiencies to measure non-labor income (interview in San Jose, Costa Rica, August 2001). It would be much more useful to have information on the evolution of income of the richest 1% as well as on the distribution of firms’ shares among key investors. Nevertheless, this data is not currently available.

²⁵ Durman’s interactions with TNCs have been limited to licensing agreements. The main one has been an alliance with the American company ADS Worldwide to produce the large PVC tubes Rib Loc in Latin America.

The group Mas X Menos, owner of the supermarket chains Mas X Menos and Pali, shows more clearly than any other company what is happening with large investors in Costa Rica.²⁶ The supermarket division of Mas X Menos –Corporacion de Supermercados Unidos- implemented an ambitious plan of regional expansion beginning in 1998. That year the company opened 24 supermarkets Palí in Honduras, El Salvador, Nicaragua and the Dominican Republic with a total investment of around US\$12 million (3,250 million colones).²⁷ During the second half of the 1990s the main regional competitor of Mas X Menos was the supermarkets La Fragua, owned by the Guatemalan family Paiz in a joint venture with the Dutch TNC Royal Ahold. In January 2002, however, La Fragua, Royal Ahold and Corporacion Supermercados Unidos created a new regional joint venture, the Central American Retail Holding Company (CARHCO). CARHCO integrates all the retail activities of the Costa Rican and the Guatemalan firms, as well as Corporación de Compañías Agroindustriales – Mas X Menos’s division of food production and distribution.

The evolution of the public sector: the crisis of the Costa Rican bureaucracy
Neoclassical accounts of the economic crisis in Costa Rica in the early 1980s identified excessive state expansion as one of the main responsible forces. According to Eduardo Lizano, former president of the Costa Rican Central Bank, pressures from the public bureaucracy and other interest groups led to the creation of a “populist, paternalistic and gremial” state and to the excessive expansion of public spending.²⁸ Not surprisingly, reducing the size of the state and, particularly, its employment capacity became a primary policy goal.

Both the Monje (1982-1986) and Arias (1986-1990) administration decided to freeze public employment in agreement with the International Monetary Fund (IMF) and the World Bank.²⁹ Public employment remained stable at around 155,000 employees and its contribution to total employment decreased by more than 3 percentage points between 1985 (19.1%) and 1991 (15.9%). The freeze in public employment eroded significantly the bargaining position of trade unions and affected more generally the influence of labor in policy design.³⁰

The efforts to reduce the size of the public sector and the influence of the bureaucracy became more vigorous during the early 1990s through the implementation of a program of voluntary mobility (‘movilidad voluntaria’) funded with resources from USAID.³¹ The program affected between 3,500 and 13,000 positions depending on the estimates.

²⁶ *El Financiero*, various issues, *Actualidad Económica*, various issues, *Diario La Nacion* (January 4, 1999), *Diario El Siglo* (December 20, 1999) and information from their web page.

²⁷ In El Salvador and in the Dominican Republic Mas X Menos decided to close its supermarkets after only three years in operation. In the Dominican Republic the company was unable to adapt to the cultural particularities of the country and compete with the efficient and aggressive domestic counterparts (*El Financiero*, no 296, 22-28 January 2001).

²⁸ Lizano, E., *Ajuste y crecimiento en la economía de Costa Rica, 1982-1994*, (San José, 1999), p.1.

²⁹ The freeze in public employment coincided with the creation of a “state” apparatus organized and financed by USAID. See Robinson, W., *Transnational Conflicts. Central America, Social Change, and Globalization*, (London, 2003).

³⁰ The impact of the freezing of public employment on the strength of the trade unions was highlighted by a leading member of the trade union confederation “Confederación de Trabajadores Rerum Novarum” (interview in San Jose, Costa Rica, August 2002).

³¹ Villasuso, J.M., “Economía política de las reformas estructurales en Costa Rica”, *Simposio Internacional del Proyecto de Investigación Reforma Económica y Cambio Social en América Latina y el Caribe*, Cali, 1999.

The programs of voluntary mobility reduced the bargaining position of trade unions, already weakened since the 1980s, even more.³² It affected in particular workers with long tenure in the public sector and thus likely participants in trade unions. Trade union membership, which has always been concentrated in the public sector, decreased from 15 to 10% of the total labor force between 1990 and 1999. Also, by reducing the efficiency of the public sector (as discussed below), the reforms reduced the social prestige of the Costa Rica bureaucracy.

Voluntary mobility had a negative effect on the quality of the civil service and, as a result, in the autonomy and long-term performance of the public service. According to many specialists I interviewed, it was the most successful and qualified workers that decided to use the program to shift jobs.³³ As the Director of the Civil Service explained, “[the program of voluntary mobility] allowed a lot of good workers to leave because they could find a job somewhere else. The bad workers remained”.³⁴ Miguel Gutierrez Saxe, director of the UNPD’s program Estado de la Nación argued that “the civil servants were recognized not only in terms of money but also of prestige. This worsened a lot [in the last decade] and I think it was partly due to the program of voluntary mobility”.³⁵ Juan Manuel Villasuso believes that “in the last twenty years there has been a worsening in the efficiency of the public sector mainly because the most qualified people have left”.³⁶

The voluntary reduction of public employment was not the only measure that affected the autonomy of the state and reduced the influence of trade unions. At least two other measures should be highlighted.³⁷ First, the number of “puestos de confianza” (i.e. people that are directly appointed by the Ministers or director of each institution and that leave with her/him) also expanded.³⁸ The tendency to create these new posts outside the bureaucracy began in the 1980s with financial assistance from the United Nations and other international institutions.³⁹ The Minister of Foreign Trade and all his team of advisors, for example, were initially paid with funds from USAID. In the 1990s these group of professional technocrats became even more important, especially after a modification of the Law of the Civil Service in 1998, which expanded the number of public positions that could be occupied by non-civil servants to include all general directors and sub-general directors in each institution.⁴⁰

The new positions in the public sector were occupied by a new generation of highly qualified technocrats that usually shared little common values with the civil

³² Interviews with two leading members of the Confederacion de Trabajadores Rerum Novarum (San Jose, Costa Rica, August 2002) and of the trade union confederation “Central Del Movimiento de Trabajadores Costarricenses” (San Jose, Costa Rica, September 2002).

³³ Interviews with Miguel Gutierrez Saxe (San Jose, Costa Rica, September 2002), Guillermo Lee Chin (San Jose, Costa Rica, October 2002), Juan Manuel Villasuso (San Jose, Costa Rica, September 2002), Mario Mora (San Jose, Costa Rica, August 2001), chief advisor of the PLN in the National Assembly at that time and former vice-minister of Planning in the Figueres Administration (1994-1998), and Juan Diego Trejos (San Jose, Costa Rica, August 2001), professor of Economics at the UCR and research fellow in the Instituto de Investigacion en Ciencias Economicas (UCR).

³⁴ Interview in San Jose, Costa Rica, October 2002.

³⁵ Interview with Miguel Gutierrez Saxe (San Jose, Costa Rica, September 2002).

³⁶ Interview of Juan Manuel Villasuso (San Jose, Costa Rica, September 2002).

³⁷ Several of my interviewees also pointed out to the increase in the number of public employees working with temporary contracts in Costa Rica. The lack of a census of the public sector in Costa Rica, however, makes this hypothesis impossible to prove.

³⁸ Estado de la Nación, *Séptimo informe del Estado de la Nación en Desarrollo Sostenible*, (San José, 2001), chapter 1.

³⁹ Interview with Juan Manuel Villasuso (San Jose, Costa Rica, September 2002).

⁴⁰ Interview with Guillermo Lee Chin (San Jose, Costa Rica, October 2002).

servants in general and with trade unionists in particular. According to Gutierrez Saxe, “each four years a whole elite of ‘confidence posts’ changes, so that a body that used to be made of public servants becomes a body of the political system that incrust itself in the public administration, arrives, learns and then leaves. As a result many institutions have lost institutional memory”.⁴¹ For Leonardo Garnier, Minister of Planning in the Figueres Administration (1994-1998), these experts were many times needed to “make things work” but their expansion “prevented institutional development and led to the creation of parallel technical bodies to the state”.⁴²

Several decisions from the Constitutional Court also limited the ability of public workers to negotiate collective agreements.⁴³ In 1979 the General Law of the Public Administration prohibited the signing of collective bargaining agreements (‘convenciones colectivas’) between the state and the public employees.⁴⁴ The impact of this law during the 1980s was limited because public employees could always appeal to the arbitration of the Labor Courts.⁴⁵ In 1992, however, the Constitutional Court found this mechanism unconstitutional for all civil servants.⁴⁶ Since then, civil servants have been forced to accept the decisions that are agreed at the Bargaining Commission for Public Wages (‘Comision Negociadora de Salarios del Sector Publico’).⁴⁷ While they participate in this commission, trade unions are quite unsatisfied with its functioning because they find little room for real negotiation.⁴⁸

Undefined leading coalition and unclear development path

The lack of a stable leading coalition between the state and specific social forces questioned the direction of the development model in Costa Rica. The old leading coalition between a disperse private sector, the state and public servants that had been created and consolidated during the post-Second World War era did not survive the shocks of the 1980s. As we have seen in the preceding discussion, the public bureaucracy and its trade unions ceased to directly participate in policy design. At the same time, concentration in the private sector coincided with the relative marginalization of small and medium producers. The result was, in the words of the former Ministry of Planning Leonardo Garnier, that “a lot of different groups are trying to identify what is their role in the new society and how they can manage to improve after the crisis (...). It is not just that there is not a [national] project but also that there is not an underlying [stable] structure to support a new project”.⁴⁹

⁴¹ Interview with Miguel Gutierrez Saxe (San Jose, Costa Rica, September 2002).

⁴² Interviews with Leonardo Garnier, former Minister of Planning and currently professor of Economics in the UCR (San Jose, Costa Rica, August 2001 and 2002).

⁴³ Interview with Juan Diego Trejos (San Jose, Costa Rica, August 2001).

⁴⁴ Blanco, M., *Los compromisos del gobierno de Costa Rica en materia de libertad sindical*, (San José, 1993).

⁴⁵ Bonifacio, J.A. and G. Falivene, *Las relaciones laborales en el nuevo contexto de las reformas administrativas*, 2002: <http://www.clad.org.ve/siare/innotend/laboral/laboral.html>

⁴⁶ The decision of the Constitutional Court did allow collective bargaining agreements for the public employees that are not subject to “the regime of public employment” (Ibid). This has allowed workers in many autonomous institutions to obtain higher wage increases than other public employees and has contributed to further erode the legitimacy of the bureaucracy.

⁴⁷ Castro, M., *Violación de disposiciones laborales por el gobierno de Costa Rica*, San José, 2001: http://www.aseprola.org/documentos/denuncia_libertad_sindical/denuncia_libertad_sind1.htm

⁴⁸ Ibid, section 3.4. The same idea was expressed by two of the trade union leaders I interviewed.

⁴⁹ Interview with Leonardo Garnier (San Jose, Costa Rica, August 2002).

The negative consequence of the lack of a stable leading coalition in Costa Rica became clear during the Rodríguez Administration (1998-2002). Miguel Angel Rodríguez, one of the most prominent neoliberal economists in the country, came to power with an ambitious program of neoliberal reforms. Since he did not have sufficient political power to launch his program (he had been elected in an election with low participation and did not control the National Assembly), Rodríguez decided to organize a process of national consensus (“concertación nacional”) to build social support.⁵⁰

The process of national consensus was initially organized as a corporatist effort with participation from the state, the business sector and the trade unions. The objective was to develop an agenda in which “the business sector could accept some demands of the trade unions if the trade unions accepted their demands”.⁵¹ Pressures from other social groups (e.g. rural movements, feminist and environmental groups, small and medium producers) and from the Catholic Church and the public universities –which had been appointed as guarantors of the whole process- led to an opening of the concertacion. This opening resulted in the expansion of the agenda to include topics that were not priorities for the government such as rural development, the environment and corruption.

Despite contributing to bringing together labor and capital in some key topics, improving the relations between the government and civil society and reaching more than 150 agreements, the process of concertacion was not a success in the medium term. At the end of 1999 most of the agreements reached that required approval from the Legislative Assembly had not passed.⁵²

Probably one of the most severe failures of concertacion nacional was its inability to reach an agreement on what to do with the ICE and other public institutions. The different social forces involved in the process of negotiation only agreed on the need to strengthen the ICE and create a regulatory agency for the telecommunication sector.⁵³ This lack of social consensus on this topic reemerged during the failed attempt to liberalize the energy and telecommunication sectors and resulted in one of the most severe political crises of the last two decades.

On March 2003 the Legislative Assembly approved a Law to reform the ICE. The law, which was popularly known as “Combo del ICE”, incorporated two different reform proposals prepared by the government in 1998. They involved the opening of the telecommunication sector to private producers, an expansion of private involvement in the generation and production of electricity and a shift in the legal character of the ICE.⁵⁴

⁵⁰ The following discussion on the process of national concertation is mainly based in Estado de la Nacion., *Quinto Informe del Estado de la Nacion en Desarrollo Sostenible* (San José, 1999), Estado de la Nacion, *Sexto Informe del Estado de la Nación en Desarrollo Sostenible* (San José, 2000), Gutierrez Saxe, M. and J. Vargas Cullell “Conversaciones sobre la experiencia y desafíos de la concertación nacional de 1998 en Costa Rica”, San José, unpublished manuscript, 1999, as well as in the interview with Gutierrez Saxe (San Jose, Costa Rica, September 2002).

⁵¹ Jiménez, R., “Elementos de una agenda de reforma económica” in Jiménez, R. (ed.), *Estabilidad y desarrollo económico en Costa Rica. Las reformas pendientes*, (San José, 1998), p. 567,

⁵² Estado de la Nación, *Sexto informe...*, chapter 5.

⁵³ Estado de la Nación, *Quinto informe...*, box 5.4.

⁵⁴ Estado de la Nacion. *Septimo Informe ...* and Solís, M., “Entre el cambio y la tradición: El fracaso de la privatización de la energía y las telecomunicaciones en Costa Rica”, *Ciencias Sociales*, 95, 2002, pp. 33-47.

The project was strongly supported by the business class and the two major parties, all of which saw the liberalization of the telecommunication and electricity sectors as a way to improve the efficiency and quality of the services and continue to attract foreign direct investment. What neither politicians nor business leaders could expect was the opposition that exploded in the days after the approval of the project. As Marco Vinicio Ruiz, then head of the industrialists, told me “I always thought that the key was that the political parties agreed on the reforms. In this [“the combo”] they agreed but society rejected their decision”.⁵⁵ The protests began the day of the approval of the law and extended for more than three weeks. Protests involved strikes in the public universities, the port of Limon and several public autonomous institutions, spontaneous road blockings and a hunger strike by four students, and culminated with a general strike in the 4 of April.

The immediate cause of the crisis, which ultimately resulted in the abandonment of the reform attempt, was the high support that the ICE had among the Costa Rican citizens. According to a survey done by the firm Unimer and published by the newspaper La Nacion in 2000, a majority of the population was against the privatization of the internet system, the cellular system and, especially the housing telecommunication system.⁵⁶

The “combo del ICE” was more generally a sign of the overwhelming discontent of a majority of the population with the direction of the country. The 2000 Unimer survey already mentioned found out that 84.1% of the Costa Ricans believed that the protests were “part of a general discomfort” with the government and the political elite. While there was clear agreement among TNCs, domestic capital and the state in the need to deepen the neoliberal economic reforms, a majority of the Costa Rican population did not agree. Trade unions in the public sector were able to seize the opportunity and recuperate in the streets some of the influence they had lost in the process of policy design.

After the “combo del ICE” the government understood the need to reincorporate trade unions –and social movements more generally- in the design of the development model. In 2001 and 2002 it promoted the creation of mixed legislative commissions in which business associations, trade unions and other social movements –with voice but no vote- meet with legislators to discuss particularly important policy issues. According to the sociologist and director of FLACSO-Costa Rica Carlos Sojo, the mixed legislative commissions “are interesting mechanisms of deliberative democracy that try to bring civil society closer to the traditional mechanisms of decision making”.⁵⁷ The government also promoted the creation of an Economic and Social Council (‘Consejo Economic y Social’), a corporatist institution in which members of labor, capital and the government are represented.

At the same time the business community is also trying to establish new links with trade unions and other social movements. In 2001 the Chamber of Exporters (‘Camara de Exportadores de Costa Rica’, CADEXCO) together with the trade union confederations Rerum Novarum and the National Association of Public Employees (Asociacion Nacional de Empleados Publicos’, ANEP) published a general policy

⁵⁵ Interview with Marco Vinicio Ruiz, San Jose (Costa Rica), August 2002.

⁵⁶ The survey can be found in the web page http://www.nacion.com/In_ee/encuestas/unimer/6-2000/encuesta.htm

⁵⁷ Interview with Carlos Sojo, director of FLACSO-Costa Rica, San Jose (Costa Rica), August 2002. Neoclassical economists have been more critical with the creation of Mixed Legislative Commissions. Eduardo Lizano, for example, sees the process with suspicion and is afraid that it will convert the Costa Rican liberal democracy into a corporatist system (interview in San Jose, Costa Rica, August 2002).

proposal for Costa Rican development. The document, which was an attempt to prepare Costa Rica for the upcoming negotiations of the Free Trade Agreement of the Americas, called for the promotion of the industrial and agricultural sectors oriented towards the domestic market.⁵⁸

In 2001 the Union of Chambers also began to meet periodically with trade unions and other social movements. The talks between the business peak association and trade unions concentrated on four different areas: employment, economic policy, education and the creation of the Economic and Social Council. After a few months they agreed on a set of general guidelines including the need to design a National Employment Plan that improves the training system and increases productivity; the expansion of the tax burden (taxes as a percentage of GDP) without increasing tax rates and the rise of the efficiency and autonomy of the public sector.⁵⁹ Despite all these efforts, little real advances have been achieved in the last few years in most key policy areas. In particular fiscal policy and government spending are still a major problem for Costa Rica; within the new neoliberal economic model, Costa Rica is finding increasingly hard to maintain high social spending and expand public investment while securing low public deficits. Part of the problem has been the inability of Costa Rica to increase the tax burden, which has remained below 13% of GDP between 1995 and 2002 (as compared to 16%, for example, in the case of the Dominican Republic).

Dominican Republic

Capital concentration, transnational links and financialization

Neoliberal globalisation, which in the Dominican Republic was accelerated by a neoliberal package implemented after the 1990 economic crisis, was particularly beneficial for large domestic groups during the 1990s.⁶⁰ They were better able to adapt to the new economic conditions than small and medium firms. Table 4 summarizes some basic information on seven of the most important groups discussed in the following pages and illustrates their recent pattern of expansion. Like in Costa Rica, large family groups built closer ties with the financial sector; during the 1990s all large Dominican groups had the financial sector as its core business or had invested in financial institutions. Four of the largest groups before 2003 had their core business in the financial sector: Grupo Popular, Baninter, Grupo BHD and Grupo Financiero Nacional. The Grupo Corripio, which according to its founder has tried to remain independent from commercial banks, has a substantial participation in Banco del

⁵⁸ Interview with a leading figure of the trade union confederation “Confederación de Trabajadores Rerum Novarum”, San Jose (Costa Rica), August 2002.

⁵⁹ Information comes from an internal document provided to me by the trade union confederation Rerum Novarum in August 2002.

⁶⁰ According to a well-known Dominican economist and former government official who has done research on the subject (interview, Santo Domingo, Dominican Republic, June 2002) in the Dominican Republic during the 1990s there were nine large economic groups: Grupo Corripio, Grupo Popular, Grupo Baninter, Grupo Financiero Nacional, Grupo Vichini, Grupo Leon Jimenes, Grupo BHD, Grupo La Romana and Grupo Mercasid (families Bonetti, Vitiens and Armenteros). Most names in the list coincide with those offered by other observers I interviewed and with some list published in the Dominican economic press. Revista Mercado, for example, elaborated in 1997 a list of the ten most powerful Dominican entrepreneurs based on a poll to 154 executives. The list includes all the names in mentioned by the Dominican economist with the exception of Grupo BHD, Grupo Vichini and Grupo la Romana. Revista Mercado adds the construction group Grupo Moya (head by Diego de Moya) to the list. See “Los Diez Grandes”, *Revista Mercado*, July 1997.

Progreso –above 5%- and has also invested in a second Dominican bank. Grupo Leon Jimenes was the owner of the Banco Profesional, a small development bank, and has recently acquired the Banco Nacional de Credito (Bancredito) from the Grupo Financiero Nacional. The families Armenteros and Bonetti part owners of the agro-industrial giant MercaSID, have significant investments in different banks including Banco del Progreso. According to a well-known economist and former government official “no matter how many attempts to reform the banking laws have been made, banks continue being a window used by some groups to obtain financial resources”.⁶¹

TABLE 4 ABOUT HERE

Dominican groups have been even more active than Costa Rican firms in creating new alliances among themselves and with foreign firms. Mergers and acquisitions have been common, especially in the financial sector. Capital concentration in the financial sector began in 1990, continued at a slower pace during the 1990s and accelerated during the recent economic crisis of 2002-2003. Before its own crisis in 2002 Baninter was an active player in the process of acquisitions. Between 1990 and 1995 Baninter acquired Banco Universal as well as a development and a mortgage bank. In 1996-1997 it bought the financial group Bancomercio (which had been intervened by the Central Bank), including an insurance company, a development bank, a mortgage bank, a commercial bank, the newspaper El Siglo and other smaller businesses. The process of expansion of Baninter continued with the purchase of Banco del Exterior in 1998 and Banco Osaka in 2001. All these operations were done with full support from the Monetary Board of the Central Bank and left Baninter as the second largest bank in the Dominican Republic at the beginning of 2002.⁶²

Baninter was not the only active financial group in the process of mergers and acquisitions. Since the mid 1990s Grupo Progreso, Banco Hipotecario Dominicano (BHD) and Banco del Progreso also acquired smaller banks and insurance companies.

Outside the financial sector the most significant merger took place between Mercalia and SID to create MercaSID in June 1999 as a response to the increasingly liberalized economic environment.⁶³ Mercalia and SID were the two leading companies in the production and importation of food and mass consumption products.

Unlike in Costa Rica, this process of capital expansion and concentration among Dominican groups coincided with a strategy of diversification. During the 1990s large Dominican groups continued growing and expanding to new activities within their core sectors and to new sectors of a still quite closed Dominican economy. Some examples illustrate the spectacular nature of this process that has only stopped with the most recent crisis. The Grupo Corripio maintained a healthy rate of growth for four decades. According to its chairman Jose Luis Corripio the group “has been growing [consistently]... Our strategy was a constant process of slow and unspectacular growth year by year”.⁶⁴ Between 1997 and 2002 the number of Corripio’s employees increased from 5,600 to 7,100. Growth of the group remained concentrated in the Dominican domestic market and was made possible by the creation

⁶¹ Interview in Santo Domingo (Dominican Republic), June 2002.

⁶² *Diario Hoy*, April 13, 2003. Unless otherwise stated other information from Baninter comes from various issues of *Diario El Caribe* and *Listin Diario*.

⁶³ Unless otherwise stated the information about MercaSID in this section comes from *Revista Mercado* (various issues) and MercaSID’s webpage at www.mercasid.com.do.

⁶⁴ Quote from the article “El magnate dominicano”, *Estrategia y Negocios*, July 2003. Unless otherwise stated, the information about the Grupo Corripio in this section comes from that excellent article as well as several articles from the monthly *Revista Mercado*.

of new businesses and new alliances. Investments in mass media increased significantly during the 1990s; in 2003 the company controlled the morning daily Hoy, the evening daily El Nacional, the free newspaper El Día, the magazine Ahora, several television channels (including Teleantillas and channels 2, 11 and 30) as well as the editing company Editora Corripio.

During the 1990s Grupo Corripio also expanded its involvement in the industrial sector. In 1996 Grupo Corripio allied with the Colombian firm Cementos de Colombia and the Spanish Umar (subsidiary of the TNC Holcim) to acquire the privatized Cementos Colón, producer of concrete. The performance of Cementos Colón since then has been nothing less than spectacular. According to *Estrategia y Negocios*, in 2000 the firm had annual sales for US\$30 millions and increased its market share from 5% in 1998 to 17% two years later.⁶⁵ In 2000 Grupo Corripio also created a joint venture with the Costa Rican Durman Esquivel and with Metaldom –a large Dominican producer of metal products– to start producing PVC pipes in the Dominican Republic.⁶⁶

The diversification of SID before 1999 and MercaSID, after the merger with Mercalia, took place within the food and cleaning sectors. Between 1990 and 1999 SID acquired the Dominican firms Industrial Jabonera (producer of soap Kinder), Mistolin Dominicana (Mistolin disinfectants), Dominicana de Fragancias (toothpastes) and Caribe Industrial. The company also increased the number of TNCs it represents in the Dominican Republic, adding firms such as the ice-cream producer Wall's and Kimberly Clark (producer of Kleenex, Huggies and Kotex). MercaSID has maintained the same expansionary strategy. In 2001 it bought a significant share of Industrias Veganas, which has a market share of 70% in salami and other meat products; in 2002 MercaSID acquired Manantiales Chrystal, a leading producer of drinking water.

The expansion of the financial groups Baninter and Grupo Financiero Nacional until their crisis in 2002-2003 was also remarkable. In addition to the acquisition of several banks described above, between 1995 and 2002 Baninter bought or founded several TV channels including Telecentro and the all news channel RNN, several radio stations including a large share of Radio Cadena Comercial and the leading newspaper Listín Diario. Baninter also created the first Dominican free newspaper (El Expreso) and the first economic daily (El Financiero). The group was also the representative of Fuji in the Dominican Republic and owned the cable company Aster.

The Grupo Financiero Nacional, owned by the family Pellerano, has been an “example of diversification...[with firms that occupy] leading positions in their respective markets”.⁶⁷ The family Pellerano started in the insurance sector with the creation of the Compañía Nacional de Seguros, which was the building block of the Grupo Financiero Nacional. During the 1980s Maximo Pellerano founded Bancredito and the Free Trade Zone (FTZ) of San Isidro. Bancredito became one of the five largest banks in the Dominican Republic during the last decade. In 1997, for example, it was the third largest in terms of assets. In 2002 the FTZ of San Isidro was the

⁶⁵ “Las 75 empresas más admiradas de América Latina y República Dominicana” in *Estrategia y Negocios*, September 2000.

⁶⁶ Interview with a manager from Durman Esquivel, San Jose (Costa Rica), October 2002.

⁶⁷ Statement by Arturo Pellerano, president of the telecommunication company Tricom and son of the founder of the group Maximo Pellerano in *Revista Mercado*, 1996. Unless otherwise stated the information about the Grupo Financiero Nacional and its subsidiaries come from *Revista Mercado* (various issues), Bancredito's Annual Financial Statement, 2002 and Tricom's webpage at www.tricom.com.do.

seventh largest in terms of built space and employment.⁶⁸ The FTZ of San Isidro offers a wide range of financial services to their firms through the Grupo Financiero Nacional and communication services through Tricom.

During the 1990s the family Pellerano used the financial support of the Grupo Financiero Nacional and the experience gained in the FTZ to create the telecommunication company TRICOM. In 1990 TRICOM signed a contract with the government to begin offering all telecommunications services in the Dominican Republic. This agreement broke the monopoly that the foreign firm CODETEL, currently owned by Verizon, had on the Dominican phone market and led to the sustained growth of TRICOM during the 1990s. In 1992 the company entered into the long distance business and in 1995 it obtained the right to connect to the main line owned by CODETEL. In 1995 it also began to offer cellular and beeper services. The expansion of TRICOM, which was facilitated by the participation of Motorola in its ownership (40%) since 1994, was continuous until 2002. According to data from the company profits after taxes grew from US\$3.1 millions in 1995 to US\$22 millions in 1999. Between 1995 and 1999 the number of fixed lines went up from 5,191 lines to nearly 120,000; in 2001 the company also had a 50% market share in the cellular sector.

Many large groups also benefited directly or indirectly from the expansion of the construction sector, which was actively promoted by the public sector. The construction sector grew at an annual average rate of 11.1% in real terms between 1991 and 2002 and its share in real GDP went from 7.5% to 12.7%. Like in the 1980s, construction inputs were also among the highest growing industrial goods in the 1990s. Between 1990 and 1999 real production of concrete grew at annual average rate of 7.5%, that of rebar by 13.1% and paint by 8.7%. Meanwhile industrial production as a whole only grew at an annual average rate of 3.1% during the same period.⁶⁹ Construction has generated large profits for large groups like Grupo Corripio. Cementos Colon, which Corripio bought with other partners in 1996, grew by 28% in 1998 and became profitable (after an investment in the company's name, the building and machinery for more than US\$31 million) in less than four years. According to Durman Esquivel the new factory of PVC that it opened with Grupo Corripio and Metaldom in 2001 generated profits faster than any other of Durman's investments in Central America, Mexico and the Caribbean.⁷⁰ The expansion of the construction sector, which was made possible by the growth of tourism, real estate and public investment, also benefited other medium and large family groups such as Grupo Moya, the family García (owner of Industrias Nacional and Ferretería Americana) and Grupo Tavarez. The Grupo Moya, in particular, benefited from several large contracts with the public sector as well as from private construction projects. The expansion of the group was also made possible by the construction of several bridges including Puente Mella, Puente Yaguaza and Puente Ozama, the renovation of several airports and the construction of one of the largest housing projects in the Dominican Republic, the "Ciudad Modelo Mirador del Norte".⁷¹

⁶⁸ CNZF, *Informe estadístico del sector de zonas francas 2002*, (Santo Domingo, 2003).

⁶⁹ Rates of growth calculated from original data collected in CEPAL, *Desarrollo económico y social en la República Dominicana: los últimos veinte años y perspectivas para el siglo XXI. Tomo II* (Compendio Estadístico), (Santo Domingo, 2001), p. 411.

⁷⁰ Interview with a manager from Durman Esquivel in San José (Costa Rica), October 2002.

⁷¹ Information from a CD published by the firm in 2002.

The unsolved weakness of the public sector

The 1990s witnessed the first real attempt of the Dominican government to modernize the bureaucracy. In 1991 the government passed a landmark legislation that created the figure of the permanent civil servant. According to an official from the European Union program for the modernization of the state in the Dominican Republic, “the law of 1990 is of European standard”.⁷² The law established the creation of a new regime to hire public employees in the public sector to “guarantee the selection, stability retention, training and promotion of the public servants”.⁷³

The actual implementation of the Law, however, was disappointing. In a political system dominated by clientelism, political parties need public jobs to offer to their political clientele and have shown little inclination to create permanent public positions. As a former leading government official in the first Fernandez administration recognized, “there is a serious problem of political clientelism in the Dominican Republic”, which makes the creation of a real bureaucracy particularly hard.⁷⁴ According to the director of the Office of Public Personnel (‘Oficina Nacional de Administración y Personal’, ONAP) between 1993 and 2000 only 1,291 employees were incorporated into the new civil service regime. When the PRD government arrived into power it made an effort to expand the number of civil servants; yet, by mid-2002 less than 1.5% of total public employees had been incorporated into the regime and could therefore benefit from employment stability. In 2002 the Dominican government had still not defined a clear set of norms for the hiring of public employees or a clear human resource plan.⁷⁵ Budgetary constraints prevented the institution in charge of training public servants (‘Instituto Nacional de Administracion Publica’, INAP) from starting to function until 1997, six years after the approval of the law.

The result of the permanent weakness of the public employees was that the bureaucracy was no closer to playing an active political role in the 1990s than it had been in the 1970s or 1980s. Trade unions in the public sector were weak or non-existent and clientelism and short-termism in the creation of public jobs remained. According to an incomplete census of public employment published in 1997, more than one fourth of the more than 300,000 workers employed by the Dominican government had been working in the public sector for less than a year and nearly half have been working for less than four years (ONE, 1997). In some key institutions the situation was even more shocking. In the Presidency of the Republic 38% of the nearly 5,000 employees had been working for less than a year; in the Secretary of Finance 47% of the employees had been working for less than two years and only 9% have stayed in the institution for more than twenty.

The weakness of the bureaucracy together with the lack of technical expertise of the political parties also limited the capacity of the state to define the development path of the country. The task of setting a policy line for the country in the Dominican Republic fell into the hands of external consultants and private foundations. According to a former UNDP consultant and government official, key components of the NEP that the Balaguer Administration implemented in 1990-91 were initially designed by Glen Jenkins from Harvard University in 1989 with financial support from UNDP. When the crisis exploded in 1990 the Technical Secretary of the Presidency asked UNDP for economic advice and decided to implement Jenkins’ proposals on tax and

⁷² Interview in Santo Domingo, Dominican Republic, July 2002.

⁷³ Introduction of Law 14-91 of Civil Service and Administrative Career.

⁷⁴ Interview in Santo Domingo, Dominican Republic, July 2002.

⁷⁵ Interview with a high ranking technical public official in Santo Domingo (Dominican Republic), May 2002.

tariff reforms.⁷⁶ UNDP also advised the government to initially pass most of the reforms through presidential decree.

During the Fernandez (1996-2000) and Mejia (2000-2004) administrations the Fundación Economía y Desarrollo (FEyD) was instrumental in pushing the neoliberal agenda of the World Bank and other international financial institutions. In 1991 the World Bank and the Dominican Central Bank decided to design a five-year macroeconomic plan and commissioned the FEyD to elaborate it. The program, which was published in 1993 and was later updated in 1996 for the period 1996-2000, became the cornerstone of economic policy for the Dominican government.⁷⁷ Members of the FEyD occupied various positions in the Central Bank, the Presidency of the Government and the Secretary of Finance from which they advised both the Fernandez and Mejia administration.

High but unsustainable growth: the limits of the state-capital leading coalition

The 1990s, especially its second half, were a period of high growth in the Dominican Republic. Between 1996 and 2001 real GDP, measured in local currency, grew at an annual average rate of 5.7%, two percentage points higher than in Costa Rica. High growth was made possible by an expansion of foreign exchange generated by tourism, remittances and exports from the free trade zones, and also by the acceleration of private investment. Gross private investment increased by more than 200% in real terms between 1990 and 1999, concentrating mainly in the construction sector.

Economic growth did contribute to a moderate expansion of social spending and real wages. Nevertheless, the growth of real wages was significantly lower than that of GDP, and social investment remained extremely low by regional standards. In 1999 the Dominican Republic only spent US\$135 per capita in public social spending as opposed to US\$622 in Costa Rica. As a percentage of GDP public social spending was only higher than in Guatemala and El Salvador.⁷⁸

The main beneficiaries of economic growth were once again the large family groups, which took advantage of their close ties to the state to set the pace of the reforms. The ability of these large families to influence the state manifested itself on many occasions. They were able, for example, to partly reverse the tariff reduction approved by decree in 1990. According to Jaime Aristy “between 1990 and 1993 some industrial sub-sectors were able to recuperate most of the effective protection that they have lost in 1990... therefore, they increased their profit margins. On the other hand, other sectors, that have not the same influence on the government, were not able to improve their effective protection”.⁷⁹ Among the most protected products were those produced by SID (toothpaste, oil, detergents), Grupo Leon Jimenes (beer) and Grupo Corripio and other construction conglomerates (rods).

The close ties with the government and their knowledge of the Dominican economy allowed large groups to either compete successfully with TNCs or, most

⁷⁶ Interview in Santo Domingo, Dominican Republic, June 2002.

⁷⁷ For a complete discussion of the proposals see the original plan in Dauhajre, A. et al., *El Programa. Programa macroeconómico de mediano plazo para la República Dominicana, 1996-2000*, (Santo Domingo, 1996).

⁷⁸ CEPAL, *Anuario estadístico de América Latina y el Caribe, 2002*, (Santiago, 2003).

⁷⁹ Aristy, J., “Liberalización de la balanza de pagos. Efectos sobre el crecimiento, el empleo, y la productividad. El caso de la República Dominicana”, in Ganuza, E. R. Paes de Barros, L. Taylor, and R. Vos (eds.), *Liberalización, Desigualdad y Pobreza: América Latina y el Caribe en los 90*, (Buenos Aires, 2001).

often, become indispensable partners for them. Dominican Republic's small size, its insular character, and the existence of powerful domestic capitalists limited the incentive that TNCs had to invest in the country without a local partner. When the Costa Rican Durman Esquivel decided to enter into the Dominican Republic, for example, it realized that doing it alone was risky because large groups had too much political power. Durman, which had invested alone in Central America and Mexico, decided then to create a joint venture with Grupo Corripio.⁸⁰

British Tobacco, a much larger foreign firm, was not as successful. When British Tobacco decided to enter alone into the Dominican market in 2001, it faced substantial difficulties with customs and other public institutions from the beginning. According to British Tobacco, Customs established an excise tax on their twenty-cigarette boxes that was four times that applied to other domestic producers –i.e. Leon Jimenes. While it is true that the Ministers of Finance and of Industry and Trade promised to solve the problem, the conflict between Customs and British Tobacco lasted for several months.⁸¹

In the construction sector, the pressure of medium and large groups together with that of the powerful lobby of engineers resulted in the obligation for foreign firms to invest in the Dominican economy through joint ventures with domestic companies.⁸² As a result, domestic construction firms still control not just public investment projects but also the construction of most hotels and private housing.⁸³

The close ties between large family conglomerates and the state contributed to high capital accumulation during the 1990s; yet, the financial crisis that erupted in 2002 shown both the limits of the exclusive alliance between the state and large groups and the institutional weakness of the state.

When Baninter and Bancredito began experiencing difficulties during the last trimester of 2002, they both received ample support from the government. The Central Bank gave discounts and other lending to Baninter for more than 41,000 millions pesos. This financial assistance was far beyond what it was legally permitted under the law and continued even when it was unclear whether Baninter could survive.⁸⁴ The Mejia administration was also actively involved in the failed attempt to merge Baninter with the domestic financial group Grupo Progreso.⁸⁵

After months of backing Baninter the government changed gears and accused Baninter's head Ramon Baez Figueroa of economic fraud in May 2003. Only then it became public that Baez Figueroa had allegedly been running a parallel bank that generated losses of more than 44,000 million pesos (around 12% of GDP and 60% of government spending). Deposits in the parallel bank were used to finance the acquisition of new firms by the Grupo Intercontinental and by Baez himself.

Months later, after Bancredito was sold to the Group Leon Jimenes, the Central Bank also accused the Pellerano family (former owners of Bancredito) of creating a parallel bank. According to the Central Bank, the Pellerano had used Bancredito to finance the expansion of other firms of their group including Tricom.

⁸⁰ Interview with a manager from Durman Esquivel, San Jose (Costa Rica), October 2002.

⁸¹ See *Listin Diario*, June 10, 2002.

⁸² OECD *The Business Environment Report on Dominican Republic*, (Paris, 2003).

⁸³ Caporaso, G., *Guía del inversionista de República Dominicana*, (Santo Domingo, 2002).

⁸⁴ See *Diario Hoy*, April 9, 2003.

⁸⁵ The information on Baninter after its crisis has been quite extensive. The following section is based on various articles from the Dominican newspapers *El Caribe* and *Diario Hoy* and from the US newspapers *The Miami Herald* and the *Wall Street Journal*. It is also based on web reports from JP Morgan and from a presentation that handed to the press by officials from the Central Bank when the government announced the intervention of Baninter.

Although it is still too early to know what really happened at Baninter and Bancredito during the 1990s, the financial crisis revealed some interesting patterns of state-large businesses relations. First, the last three administrations were unwilling or unable to supervise the behaviour of large groups. Baninter and Bancredito had been running a double accounting and using unreported funds to finance their expansion to new sectors of the economy. Their behaviour, which contributed to the “miracle” of the 1990s, should have been noticed by any sensible supervisor. Second, large groups also used their resources to finance political parties and its leaders and support other Dominican institutions. Baninter allegedly used resources from the parallel bank to purchase goods and services (such as SUVs and trips to various places) for a long list of politicians, including the three presidents of the Republic, Joaquin Balaguer, Leonel Fernandez and Hipolito Mejia. Baninter also made contributions to most segments of the Dominican elite, including the Catholic Church, the military, the artistic community –Baninter become a key sponsor of cultural events- as well as several foundations and NGOs.

While there is no doubt that the size of Baninter’s donations and illegal contributions was unusually large, it may be a good indication of the relationship between the large groups and the government. In the Dominican society it is “traditional” for large groups to finance political parties, as recognized by Jose Luis Corripio in a newspaper interview in 2002.⁸⁶ The largest groups are also directly involved in supporting non-governmental organizations and foundations as well as cultural events. Through all these mechanisms they contribute to setting the political, economic and cultural agenda of the country

Third, the management of the two bank interventions also showed the preoccupation of the government with the well being of large investors. Instead of repaying only 500,000 pesos per bank account to Baninter’s depositors (as the Monetary Code establishes), the Mejia administration decided to guarantee the full amount of all deposits. The government and the Central Bank also made the commitment to honour the offshore accounts, something that was not legally required. This decision benefited a few large investors asymmetrically since only 85 accounts held 77% of Baninter’s total deposits in the Dominican Republic and offshore when the bank was intervened.⁸⁷

4. Conclusion

The comparative case study of the Costa Rican and Dominican case shows that neoliberal globalisation has resulted in some common trends. Trade liberalization, together with the increasing economic power of transnational corporations, has led to increasing concentration and transnationalization of capital. At the same time, financial liberalization and the expansion of financial capital in the world economy has contributed to the expansion of the banking sector in both Costa Rica and the Dominican Republic.

The state has also been affected in similar ways in both countries. The new accent on the reduction of public deficits and the redefinition of the state bureaucracy– which was partly caused by policy recommendations from the World Bank and the International Monetary Fund- diminished the role of the state as employer and weakened the public sector’s capacities.

⁸⁶ “El magnate dominicano”, *Estrategia y Negocios*, July 2003.

⁸⁷ Information from an Op-Ed published by Bernardo Vega in the daily newspaper *El Caribe* on November 23, 2003.

Similar general trends, however, have affected the two countries in very different ways. Neoliberal globalisation has severely questioned the survival of the Costa Rica's human development centred model, which had been supported by a coalition between the state, public employees and a disperse domestic capitalist class. The reduction in the role of the state as employer, the deterioration of the bureaucracy's capacities, and the strengthening of a small segment of an increasingly internationalized domestic capitalist class have all conspired to reduce the support for state-centred policies. They have also hindered the achievement of faster advances in human development. At the same time, however, the inability of the country to build a new leading coalition and completely eliminate the influence of trade unions has questioned the survival of the neoliberal project in Costa Rica.

In the Dominican Republic, the effects of globalisation have been somewhat different. During the 1990s, the country experienced high rates of growth thanks to the brief easing of the foreign exchange constraint and to the domestic expansion of capital accumulation (particularly in the construction sector). Large domestic groups, which grew significantly under import substitution industrialization, controlled the pace of economic reform and become an indispensable ally of foreign capital.

The model, however, proved unsustainable. The inability of the state to regulate financial capital and prevent excessive credit creation led to the bankruptcy of two banks, a sharp devaluation of the peso and, thus, to the demise of the optimistically called "Dominican miracle". This may be, in fact, another lesson of the process of neoliberal globalisation: the liberalization of financial flows may act as a disciplining force, preventing excessive, inefficient rent seeking behaviour from the capital class for too long. The extent to which this may result in the creation of more democratic and equal politico-economic structures, however, remains unclear.

Table 1.CR. Growth of assets, net worth and profits for the firms listed in the stock market, 1986-2000. Real colones

	Assets					Net worth				
				Total growth for the period					Total growth for the period	
	1986	1989	2000	1986-2000	1989-2000	1986	1989	2000	1986-2000	1989-2000
Industry										
Florida Ice and Farm	132	149	398	202	166	47	112	350	640	211
Industria Nacional de Cemento / Holcim	110	83	158	43	91	96	63	82	-14	30
Atlas Electrica	52	46	65	24	40	18	19	42	130	127
Durman Esquivel, SA ¹	30	29	161	444	456	15	14	65	329	365
Trade										
Corporación Lachner and Saenz ³	88	112	51	-42	-55	26	32	10	-61	-67
Agencia Datsun, SA ⁵	31	39	47	51	22	7	12	22	240	78
Corporación Abonos Superior, SA	16		75	361		6		30	440	
Capris, SA	10	8	20	91	137	4	9	7	70	-18
Services										
La Nación	47	45	96	102	112	28	27	36	27	33
Cormar	7	13	61	758	375	2	4	7	237	95

Net profits					
				Total growth for the period	
	1986	1989	2000	1986-2000	1989-2000
Industry					
Florida Ice and Farm	23	27	76	224	182
Industria Nacional de Cemento / Holcim	9	5	19	116	259
Atlas Electrica	3	2	7	158	194
Durman Esquivel, SA ¹	2	3	10	319	208
Trade					
Corporación Lachner and Saenz ³	3	4	3	-6	-24
Agencia Datsun, SA ⁵	0	1	1	145	127
Corporación Abonos Superior, SA	0		3	1085	
Capris, SA	0	1	1	276	47
Services					
La Nación	4	5	7	71	43
Cormar	1	1	3	291	140
	1986	1989	2000	1986-2000	1989-2000
Nominal GDP / CPI	13406.43	14852.51	25218.52	88	70

NOTES:

(1) Data from September 30th, 1987.

(2) GDP data comes from calculations done by the Instituto de Investigación en Ciencias Económicas (UCR) from original data of the Central Bank of Costa Rica. It uses constant colones of 1991.

(3) The data on assets, net worth and profits is divided by the Consumer Price Index of the corresponding year.

(4) Data on assets, net worth and profits corresponds to September of each year.

Source: Actualidad Economica, various issues

Table 2. CR. Monthly income in Costa Rica for the rich firm owners in relation to other groups, 1991-2001

	1991	1993	1995	1997	1999	2001
Rich capitalist/Average	3.993	3.717	4.186	3.604	3.764	4.585
Rich capitalist/Poorest	28.150	21.907	27.919	24.859	26.995	37.816
Rich capitalist/Decile 5	5.653	5.256	6.124	5.210	5.637	7.162

Source: Own calculations from data of the Costa Rican Annual Household Survey (various years).

NOTE: Rich capitalist is define as firm owners in the top decile Average refers to the average level of income from all participants in the labor market. Poorest refers to average income of the lowest decile and decile 5 refers to average income of the fifth decile.

Table 3. CR. Ten largest private banks functioning in Costa Rica, May 2003, (ranked by assets)

	Nationality	Year of creation
Banco Interfin	CR ¹	1981
Banco San Jose, SA ²	Nicaragua / CR	1968
Banco Banex	Panama (since 1999)	1981
Scotiabank de Costa Rica, SA	Canadian (80%), CR (20%)	1987/1995
Banco Cuscatlan de Costa Rica SA	Salvador	2002
Banco Promerica, SA	Nicaragua / CR	1995
Banco Improsa, SA	CR	1995
Citibank SA	USA	1970
Bancentro, SA (LAFISE)	Nicaraguan	1990
Banco BCT, SA	CR	1981

Source: Actulidad Económica (various issues) from original data of the the National Stock Market and Sojo (1995)

(1) According to the information from the World Bank, Interfin is owned by domestic capitalists (83.7% of total equity), FMO (a Dutch development finance company), the Central American Bank of Economic Integration as well as other small Investors

(2) Bank of America until 1985 when it began to be called Banco de San José

Table 4. DR. Some large family domestic conglomerates in the 1990s

Group	Investors	Core sectors	Expansion during the 90s	Participation in banks	Link with TNCs	Situation in 2004
Grupo Corripio	Familia Corripio	Trade / Manufacturing	Acquisition of the newspapers Hoy, El Nacional, El Dia, Ahora as well as several TV channels. Acquisition of Cementos Colon in joint venture with foreign firms. Joint venture with Metaldom and Durman Esquivel (CR) to produce PVC pipes	Banco del Progreso	Representative of several TNCs in the country. Expansion in some new areas has been based on joint ventures with foreign firms	Not known problems
MercaSID	Familia Vitienes Familia Armenteros Familia Bonetti	Agro-industry	Merger between SID and Mercalia. Acquisition of Industrias Jaboneras, Mistolin Dominicana, Dominicana de Fragancias and Caribe Industrial. Participation in Industrias VEGANAS. Representative of many new international products	Banco del Progreso (Bonetti) Banco Gerencial & Fiduciario (Armenteros)	Representative of many mass consumption products in the country. Signed a collaboration contract with Unilever already in the 1970s	Not known problems
Grupo Leon Jimenes	Familia Leon Jimenes	Beer & Tobacco	Acquisition of the main Dominican beer company in the 1980s. In 1996 it created Industrias de Alimentos to import and distribute several food products. In 2003 it acquired Bancredito	Banco Profesional. It recently acquired Bancredito, now called Banco Leon.	Phillip Morris has a participation in the group	Strengthened after the crisis. Entered into the banking sector
Group	Investors	Core sectors	Expansion during the 90s	Participation	Link with	Situation in 2004

				in banks	TNCs	
Grupo Financiero Nacional	Family Pellerano	Insurance Banking FTZ Telecommunic	Creation of Bancredito and the FTZ of San Isidro in the 1980s. Creation of TRICOM in 1990	Bancredito	Motorola has a participation of 40% in TRICOM	Was forced to sell Bancredito. Pellerano was also forced to resign as CEO of TRICOM
Grupo Baninter	Family Baez	Insurance Banking	In the banking sector it acquired Banco Universal, Bancomercio, Banco del Exterior and Banco Osaka. Acquisition of TV channels and several newspapers	Baninter		Bank was liquidated and most branches sold to Scottia Bank. Baez Figueroa is in jail accused of banking fraud.
Grupo Popular	Familia Gru llón Smaller participation from Avelino Abreu, Pinturas Popular and Manuel Tavares among other investors	Banking	Acquisition of El Caribe as well as Radio Cadena de Noticias and creation of the TV channel Cadena de Noticias. It has participation in Grupo M and owns one of the largest insurance companies in the country	Banco Popular		Remains the leading bank in the country
Banco BHD	Familia Caro Ginebra, Brugal, Rafael Eduardo Selman	Banking	Acquisition of Banco Fiduciario and creation with Citibank and Bancredito of the pension fund AFT Siembra	Banco BHD	Banco Sabadell (Spain)	Remains one of the leading banks in the country. Its main investors continue to have interests in many other sectors of the economy

Source: see discussion in the text. For BHD also its Annual Report 2001

