

## **Chronology of the History of Central America**

**By: Dr. Frank J. Collazo**

**November 26, 2012**

140 million years ago: Extending from Mexico to Honduras, the Central American volcanoes produced when the Cocos tectonic plate slipped beneath the Caribbean plate in a process called subduction. Central America experienced frequent volcanic activity at sites including Mexico's Nevado de Colima, Popocatepetl, and El Chichon, and Costa Rica's Volcán Poás and Volcán Arenal.

25 million years ago: Central America, a particularly unstable region of the earth's crust, is on the western edge of the Caribbean plate. Subduction of oceanic crust beneath this edge, beginning in the Miocene Epoch, has lifted the land from the sea. In the earliest stage, a peninsula and archipelago formed.

Three million years ago: The scattered islands coalesced to form a true land bridge, or isthmus, linking North and South America. Keeping pace with subduction and uplift have been volcanic eruptions—Central America has at least 14 active volcanoes—and frequent earthquakes. In this century alone, Managua, the capital of Nicaragua, has twice been destroyed by earthquakes. The most recent, in 1972, took 10,000 lives.

5000 BC: Human habitation of Costa Rica dates from at least 5000 BC, but in comparison with the great civilizations of pre-Columbian America the Native Americans of Costa Rica were neither numerous nor highly developed.

1<sup>st</sup> Millennium: The Maya civilization originated in the highlands of Guatemala before the 1st millennium BC and reached its greatest flowering between AD 300 and 900 in autonomous city-states in what are now northern Guatemala, Honduras, Belize, and Mexico's Yucatán Peninsula. After 900, however, the Maya civilization declined, and its people came under the influence of Toltec people from Mexico.

300-900 AD: The Maya civilization in Central America reached its height during this period. Many ruins of the ancient civilization have been excavated in El Salvador, including huge limestone pyramids.

1502: Christopher Columbus established Spain's claim to Central America, when he sailed along its coast from the Gulf of Honduras to Panama. His reports of great wealth beyond the mountains that ran the length of the heavily populated isthmus stimulated Spanish conquest, which was launched from Hispaniola under Columbus's son, Diego. He sailed along Costa Rica's Caribbean shore in 1502 and gave the region its name, meaning "rich coast." Despite the name, Costa Rica had few resources of interest to Spanish explorers. Spanish conquest, therefore, came later than in most of the rest of Central America, delayed by the absence of obvious wealth as well as by the hostility of the natives.

1510-13: The charismatic Vasco Núñez de Balboa founded Spain's first truly productive colony in America at Darién in 1510 and went on to reach the Pacific Ocean in 1513.

1517-19: His successor, Pedrarias Dávila, who ordered Balboa's death in 1517, extended the colony considerably, founding Panama City in 1519, from which he initiated the subjugation of Nicaragua and Honduras. The subsequent conquest of Central America became a bloody struggle among Spaniards representing interests in Panama, Hispaniola, and Mexico.

1561: Juan de Cavallón led the first successful Spanish colonizers into Costa Rica in 1561.

1562-1565: Juan Vásquez de Coronado founded Cartago, the capital until 1823, and other Spanish settlements in the central valley, where most of the population is still concentrated.

1563: Cartago, a city in central Costa Rica, capital of Cartago Province near San José was founded by the Spanish conquistador Juan Vásquez de Coronado. The town subsequently became an important commercial center with an estimated population of more than 35,000.

1570: Spain administered Costa Rica as part of the kingdom of Guatemala from 1570 forward. Such circumstances as Costa Rica's remoteness from Guatemala City and its lack of wealth allowed it to develop with less direct interference and regulation than the other provinces of Central America.

16<sup>th</sup> Century: Since the Spanish conquest in the 16<sup>th</sup> century, Spain had administered the region as the Kingdom of Guatemala, which included Central America and the Mexican province of Chiapas. The Kingdom of Guatemala, in turn, was part of a larger colonial administrative region, the Viceroyalty of New Spain, based in Mexico City. However, the Kingdom of Guatemala was governed primarily by officials in the capital of Guatemala City.

17<sup>th</sup> Century: The British settlement at Belize had grown from a buccaneering and logging camp to become the principal port of Central America's foreign trade. Spanish decline during the 17<sup>th</sup> century permitted increased autonomy for the colonial elite who, with the cooperation of church and state, dominated the oppressed Native American and mestizo (mixed Spanish-Native American heritage) working class.

1736: San Jose was established as Villa Nueva (New Town); the settlement was selected as the nation's capital in 1823.

18<sup>th</sup> Century: Spain's Bourbon kings, trying to regenerate the empire, inaugurated reforms that promoted new economic activity but also challenged the longtime accommodation between the landholding elite and the bureaucracy.

19<sup>th</sup> Century: The kingdom's various provinces and cities had grown to resent the power exerted by Guatemala City's bureaucrats, merchants, and Catholic Church officials. As liberals returned to power later in the 19<sup>th</sup> century, they often expressed enthusiasm for restoring the federation. Guatemala's Justo Rufino Barrios and Nicaragua's José Santos Zelaya both attempted to achieve this by military conquest, but failed.

19<sup>th</sup> Century: Tobacco exports promoted the growth of a more prosperous society, and Costa Ricans became prominent in the intellectual and political life of Central America. San José developed as a center for coffee production, and it became a major manufacturing city in the mid-20th century.

Mid-19th Century: The nation's first president, Juan Mora Fernández, launched educational reforms. An education law provided for free, universal education for both sexes.

1800's: Costa Rica has had a stable democracy since the late 1800s. More people are of Spanish descent in Costa Rica than anywhere else in Central America. Most of the Native American inhabitants died off or fled after Spanish settlers arrived. Today, the country has small *mestizo* (mixed Spanish and Native American) and black populations. US investors introduced banana cultivation along the Caribbean coast.

1808-1814: Spain was occupied by French troops. During this time, Spain's control over the American colonies weakened, and independence movements began in many areas of Latin America.

1812: The Spanish governor, or captain general, repressed all such attempts in Central America, but a liberal interim government took power in Spain and passed a constitution that allowed the Central American provinces greater local autonomy.

1814: When King Ferdinand VII was restored to the Spanish throne, he revoked these rights, but a Spanish revolt in 1820 reinstated liberal rule. That year Central America held elections for city and provincial councils that prompted the first widespread, public political debates in the region. These developments gave the upper class in Central America a new feeling of autonomy and control over their own destinies.

1821: When Mexico declared its independence from Spain in 1821, each Central American city decided on its own whether to join the new Mexican Empire formed under the leadership of Agustín de Iturbide. The region of the Viceroyalty of New Spain that comprises Guatemala, Honduras, El Salvador, Nicaragua and Costa Rica declared independence from Spain. Soon after independence, the area became part of the fleeting Mexican Empire.

The situation began to improve after Costa Rica gained independence in 1821. Today, the country is known for having the highest standard of living in Central America as well as the highest literacy rate and longest lifespan.

The Creole elite in the captaincy general of Guatemala followed Mexico's lead and severed its allegiance to Spain.

1821-1823: When Spanish rule ended in 1821, the country became part of Mexico until 1823.

September 15, 1821: In Guatemala, a council declared the kingdom independent of Spain on this date.

1822: Guatemala formed a government, and incorporated the former kingdom into Iturbide's empire. But some other cities of the kingdom declared their independence from Mexico and from Guatemala. Civil war erupted when San Salvador, in what is now El Salvador, and Granada, in Nicaragua, resisted Guatemala's attempt to force them to join the Mexican state.

1823: Subsequent to the ousting of Agustín de Iturbide and the fall of the Mexican Empire, the territory of Central America declared its independence from Mexico. A constitution drawn up in 1824 created a federation, the United Provinces of Central America, which included Guatemala, Honduras, El Salvador, Nicaragua, and Costa Rica. This first step toward federal nationhood failed quickly, but the idea of Central American unity persisted.

1823-1840: United Provinces of Central America, federation of states in Central America was established after these states had declared their independence from Spain and Mexico. The republic comprised the states that are now Costa Rica, El Salvador, Guatemala, Honduras, and Nicaragua. Each had its own state government under a federal president and constitution.

1824-38: Costa Rica became then part of the United Provinces of Central America. However, it avoided involvement in the civil wars that plagued the latter federation.

1824: The United Provinces drew up a constitution that established a national government under a president and a unicameral congress, but left a great deal of authority to the five individual states. Modeled in part on the liberal Spanish constitution of 1812 and the Constitution of the United States, the document abolished slavery, guaranteed individual liberties, and contained other liberal provisions, but it also recognized Roman Catholicism as the established church of the republic. Only men who owned property could vote.

1825: The United Provinces held its first national election. Salvadoran liberal Manuel José Arce defeated the Honduran moderate José Cecilio del Valle to become the federation's first president. The election was disputed, but the Congress finally settled it in Arce's favor. To strengthen his position, Arce sought to gain support from Guatemalan conservatives over the issue of religious authority. El Salvador wanted to have its own bishop rather than being subject to the bishop of Guatemala, which Salvadorans viewed as a sign of subordinate status to their rival. Arce promised Guatemalan conservatives that he would not support the Salvadoran request, an action that alienated his liberal backers.

1826: Arce arrested the liberal Guatemalan state governor, Juan Barrundia, and replaced him with the conservative Guatemalan Mariano Aycinena. Meanwhile, the states failed to turn over adequate revenues to the federal government, and it soon went deeply into debt to British bankers.

1826-1829: Civil war broke out in 1826 between liberals and conservatives in the federation, and a frustrated Arce resigned the following year. The war ended in 1829 when liberal forces, led by Honduran General Francisco Morazán, conquered Guatemala City. Elected president of the federation the following year, Morazán introduced radical reforms, restricting the power of Catholic clergy, introducing trial by jury, encouraging foreign investment and immigration, and turning communal, church, and public lands over to private owners.

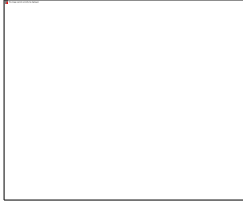
1832: Morazán returned and took over the Costa Rican government in an attempt to restore the federation, but he was quickly overturned.

1833-1835: In El Salvador, Morazán faced a major revolt by Native Americans, led by Anastasio Aquino. Meanwhile, Nicaragua and Costa Rica were aloof from the federation as they struggled with their own internal political problems.

1834: Del Valle defeated Morazán's bid for reelection as president, but del Valle died of natural causes on his way to the inauguration. Morazán, who had received the second highest number of votes, remained in office and continued his reforms, exiling many conservative opponents and moved the federal capital from Guatemala City to San Salvador. But after suppressing the Aquino revolt, a more serious uprising spread across Guatemala, which would result in the collapse of the federation. Intense regionalism, political intrigue among the elite, and civil war resulted. The liberals moved the capital from Guatemala to El Salvador, but their policies still faced bitter opposition and rebellion from conservative members of the elite and the rural masses.

1838: The Guatemalan revolt was led by Rafael Carrera, a conservative former army officer from a poor Guatemalan family. Supported by Native Americans, other rural residents, and clergy, Carrera toppled the liberal governor of Guatemala, Mariano Gálvez, and captured Guatemala City in 1838. Morazán sent federal troops to fight Carrera, but the union was beginning to disintegrate. Those who favored states' rights gained control of the federal Congress and declared that the states were free and independent political bodies. Honduras, Nicaragua, and Costa Rica seceded from the federation, refusing allegiance to Morazán's government. However, they still called themselves states and did not proclaim independent republics until many years later. Morazán continued in office, but only a shadow of a federal government remained. Guatemalan revolutionary and dictator Rafael Carrera helped Guatemala gain independence from the United Provinces of Central America in 1840. With the support of conservative landowners and clergy, he ruled as dictator for 25 years.

1840: Guatemalan revolutionary and dictator Rafael Carrera helped Guatemala gain independence from the United Provinces of Central America. With the support of conservative landowners and clergy, he ruled as dictator for 25 years.



Internal conflicts and civil war divided the federation throughout its existence, and by 1840 it had disintegrated into five separate units. However, efforts to restore a Central American union have continued through the 20th century.

1840: Efforts to reunite the Central American federation failed. But unity was still seen as a desirable goal—to give the states more power when dealing with foreign nations and to tie together people with a common heritage. But as conservatives came to power in each of the states, they rejected a restored federation, associating the idea too closely with the hated Morazán and his liberal policies. The effective end of the United Provinces came, when Carrera routed Morazán in the battle at Guatemala City. Morazán fled into exile. Morazan was executed by a Costa Rican firing squad on September 15, 1842.

1843: San José, which contains a mix of colonial Spanish-style structures and modern architecture, is the site of the University of Costa Rica (1843), which includes the Tropical Studies Organization and the Latin American Demographic Center; the National Library; and the National Archives.

1847: Carrera's Guatemala was the first formally to declare itself an independent republic.

1848: Costa Rica was the second formally to declare itself an independent republic.

1849: United States interest, however, rivaled British interest after 1849, for the isthmus offered the quickest routes to the gold mines of California.

1849 to 1859: Coffee-grower J. Rafael Mora served as Costa Rica's president.

1850-55: The Clayton-Bulwer Treaty of 1850 resolved some areas of the Anglo-American conflict, but in 1855 William Walker, a U.S. soldier of fortune, invaded Nicaragua with an army of followers.

1854: Nicaragua was third to formally declare itself an independent republic.

1855: Meanwhile, the completion of the Panama Railroad in 1855 caused Central American commerce to shift away from Belize to the more accessible Pacific coast ports. Mora took the lead in organizing Central American resistance against William Walker, a U.S. adventurer who took over Nicaragua and invaded Costa Rica.

1856: El Salvador was the fourth formally to declare itself an independent republic.

The Central American states did take joint action at times. Perhaps their greatest act of unity occurred in 1856, when a U.S. soldier of fortune, William Walker, made himself president of Nicaragua. Walker, who had brought in U.S. mercenaries to support a Nicaraguan liberal faction, planned to form a Central American union under his own leadership. The conservative governments of all five Central American states, led by Costa Rican President Rafael Mora, formed an army to defeat Walker. But after their victory, those governments showed no interest in union.

1857: A united Central American conservative army drove him out with British assistance.

1859: After a bloodless coup ousted the conservative Mora, liberal domination followed, notably under Tomás Guardia.

1862: British influence extended along the Caribbean coast as far as Panama, and Belize officially became a British colony (British Honduras).

1864: Honduras was the fifth formally to declare itself an independent republic.

1865: Carrera became dictator of Guatemala, ruling until his death in 1865. He also frequently exerted control over El Salvador and Honduras, using force to depose or install leaders.

1870: After 1870 liberal dictatorships arose which, in the name of order and progress, promoted the development of coffee as the region's main export; at the expense of a more diversified agriculture, banana cultivation, mostly controlled by foreign interests, also became important.

1870 to 1882: Costa Rica became committed to heavy foreign investment in railroads and other public improvements.

1897: A busy cultural center in San José, Costa Rica's National Theater was built with funds collected from a tax on coffee exports. The building's arcade, exterior sculptures, and marble-columned lobby reflect the architect's desire to produce a majestic structure that rivaled the opera houses of Europe.

1899: The banana empire created by US businessman Minor Keith became the United Fruit Company. United Fruit developed the lowland coasts and built railroads and other communications, but it also made Costa Rica more dependent on foreign markets and capital. After 1900, the US-based United Fruit Company was a major force in Central America's economy. Developing railroads, shipping, and other subsidiary interests, the company was known as the "Octopus" among resentful Central Americans.

20<sup>th</sup> Century: The efforts at reunion have at times led to greater cooperation among the states. The economy of Costa Rica remained agricultural through most of the 20th century, until manufacturing overtook agriculture in the 1990s in economic importance. Most of the country's

economic activity takes place on the central plateau. Overall living conditions in Costa Rica are high by Latin American standards, and the country has a large middle class.

Economic growth in the 20th century produced a new middle class that began to challenge the continued rule of traditional elites. Beginning in Costa Rica, reformist and revolutionary parties had emerged in every country by the middle of the century.

Late 20<sup>th</sup> Century: It has seen persistent poverty, political instability and social injustice in many of the Central American republics still undergoing modernization.

Early 1900s: Railroad lines in Costa Rica were severely damaged by an earthquake and were shut down indefinitely. Roads total 35,889 km (22,301 mi); some 680 km (some 425 mi) of roadway forms a portion of the Inter-American Highway.

1903: US investment and government became the dominant force on the isthmus, beginning with the establishment of Panamanian independence.

1912-33: The United States helped form the Central American Court of Justice, but U.S. military occupation of Nicaragua during this period undermined its effectiveness.

1914: The huge gates and concrete chamber of Gatún Locks during construction of the Panama Canal were completed in 1914. The canal's locks were the largest ever built at the time.

1930s: Arias saw the rise of a strong communist movement, which organized strikes on the banana plantations. The reformist National Republican Party (Partido Republicano Nacional, or PRN) won the presidency with León Cortes Castro in 1936 and again in 1940 with Rafael Angel Calderón Guardia. Calderón lost the support of wealthy conservatives by implementing a labor code and expanding social welfare. His party then turned to the communists and the Catholic Church for support.

1948: Costa Rica has had no armed forces since 1948 when the PLN came to power and abolished the army. The only security forces are the 4500-member Civil Guard and the 2000-member Rural Guard. When the PRN attempted to continue in power after a narrow defeat in the 1948 elections, a new political force, the National Liberation Party (Partido de Liberación Nacional, or PLN), overthrew it. Led by José Figueres Ferrer, the PLN became the country's dominant party. Figueres disbanded the army, nationalized the banks, expanded social welfare programs, extended voting rights, and imposed a 10 percent tax on private capital to pay for social and economic development. Under moderate governments, Costa Rica became Latin America's most democratic country. Figueres served as president from 1953 to 1958 and again from 1970 to 1974.



1951: Among the institutions formed to promote political and economic cooperation were the Organization of Central American States (1951) the Central American Common Market (1960), and the Central American Integration System (1993).

1960: The Central American Common Market (CACM), established, included all the Central American countries except Panama and Belize.

1960-1996: Guatemala witnessed 36 years of fighting between alleged left-wing groups and a repressive military. Thousands of people were killed and hundreds of thousands migrated to escape this conflict, which ended with the signing of a peace agreement in December 1996.

1963: The entry of Costa Rica into the Central American Common Market brought about major increases in trade in that region although its importance has since waned. In 1995 Costa Rica joined in the formation of the Association of Caribbean States (ACS). A free-trade organization, the ACS comprises the members of the Caribbean Community and Common Market (CARICOM) as well as 12 Latin nations bordering the Caribbean.

1968: The Arenal volcano erupted for the first time in more than 500 years, causing extensive damage and loss of life.

1970: Cahuita National Park was created in the province of Limón to protect a coral reef along Costa Rica's Caribbean coast. The park also has excellent beaches.

1969-1970: Among these was the infamous "Soccer War" of 1969 between El Salvador and Honduras, caused in part by CACM rules that favored El Salvador as well as Honduran policies against migrant Salvadoran workers. As a result, CACM trade was affected for more than a decade. Other countries' internal conflicts also played a role in the disturbance of trade and by 1970, intra-CACM trade was insignificant. The larger factories in the country began to produce petroleum products, chemicals, pharmaceuticals, and plastics. From the 1980s on, foreign-owned firms opened factories in Costa Rica for assembling electronic products and clothing for export. Medical equipment companies and pharmaceutical companies also opened plants in Costa Rica.

1974-1978: The PLN won the presidency with Daniel Oduber, but differences between him and

1976: Some 25,000 people were killed in an earthquake registering 7.5 on the Richter scale and centered in the Motagua depression in Guatemala. This quake left 25 percent of the country's population homeless.

1978-79: Figueres, along with economic troubles, brought an opposition coalition headed by Rodrigo Carazo Odio to power in 1978. His administration was troubled by growing instability throughout Central America and by an economic crisis made worse by falling coffee prices and high oil prices. The government failed to meet the terms of loan agreements with the International Monetary Fund (IMF), and international bankers refused to provide more loans. In

Nicaragua, the Sandinista guerrilla movement overthrew the Somoza dynasty during this period. The United States then became involved in a major effort to support the counter-revolutionary “contra” forces against the leftist Sandinista government, leading to many deaths and great suffering on both sides.

Early 1980’s: Costa Rica experienced rapid population growth and consequent strains on its economy.

1980s: El Salvador’s people and economy were ravaged by civil war through these years. Following the civil wars of the 1980s, the Central American Parliament was established to serve as a forum for discussing issues of common concern. Its members are elected by popular vote in each member state. Costa Rica has not yet agreed to join.

1982: The PLN returned to power when Luis Alberto Monge Alvarez was elected president. Monge cut government spending on social welfare and other programs. He also turned to the United States for aid. To receive assistance, Monge pledged to cooperate with the United States in opposing leftist movements in Central America. Also, in 1982, a crude-petroleum pipeline across western Panama was completed.

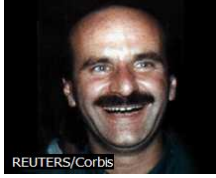
1986: Monge was succeeded by Oscar Arias Sánchez, also of the PLN. Arias closed camps near the border with Nicaragua that were set up under Monge to train contras—U.S.-backed counterrevolutionaries dedicated to bringing down Nicaragua’s leftist government. Arias won consensus among Central American leaders for a peace plan, which created a framework for settling civil wars and democratizing countries in the region.

Oscar Arias Sánchez was first elected president of Costa Rica in 1986 and was awarded the Nobel Peace Prize in 1987 for his successful efforts to forge a peace agreement with the presidents of five nations in Central America to sign an accord to end war and promote democracy. Arias lost the presidency in 1990 but returned to office in 2006 after a narrow election victory. The United States curtailed aid during his term, contributing to Costa Rica’s ongoing economic problems. In addition, several drug- and arms-related corruption scandals involving PLN politicians marred his administration.

1989: Political repression and corruption in Panama prompted the United States to intervene to remove Panamanian leader Manuel Noriega, who was allegedly connected to Colombian drug cartels.

Early 1990s: The countries of Central America had relatively under developed economies in which agriculture was the most important sector. Manufacturing largely involved processing raw materials. The annual per capita income was low.

1994: José María Figueres Olsen was elected president of Costa Rica in 1994. He is the son of former president, José Figueres Ferrer.



1990: The inability to solve Costa Rica's economic problems has prevented either political party from dominating the executive office. Rafael Ángel Calderón Fournier, son of former president Rafael Calderón, won the 1990 presidential election as the candidate of the conservative Social Christian Unity Party (PUSC). Calderón encouraged free-market economic policies and cut public spending.

Costa Rican economist and politician Miguel Angel Rodríguez, of the Social Christian Unity Party, is shown here thanking voters for their support after winning the presidential election on February 1, 1998.



Reuters/Miguel Angel Rodriguez/Archive Photos

1998: The conservative economist Miguel Angel Rodríguez of the Social Christian Unity Party narrowly defeated José Miguel Corrales of the ruling PLN in a presidential election that centered on Costa Rica's economic problems.

October 1998: Hurricane Mitch savaged Central America, killing at least 11,000 people, leaving thousands more missing, and displacing more than two million others. Nicaragua and Honduras absorbed the brunt of the damage, but El Salvador, Guatemala, Belize, and other countries in the region also felt the effects of the storm. Some observers called Mitch the worst natural disaster ever to strike Central America.

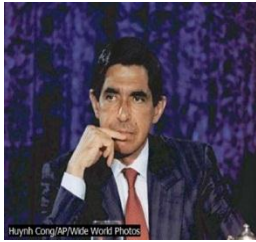
1999: The Panama Canal is a major shipping link between the Atlantic and Pacific oceans; Panama took over its operation from the United States.

2002: The Social Christian Unity Party held on to the presidency when Abel Pacheco was elected president. Pacheco managed to win because of a split in the opposition PLN and the formation of the breakaway Citizens' Action Party (PAC).

2004: A general strike, called by the country's public sector unions, was accompanied by mass demonstrations. At the same time corruption scandals embroiled a number of prominent political

figures, including Pacheco and former presidents Figueres and Rodríguez. Several government ministers were forced to resign over the controversy.

2005: Former president Oscar Arias Sánchez announced his candidacy for the 2006 presidential elections. Arias campaigned under the banner of free trade, arguing that Costa Rica must join the rest of the countries in the region in approving the Central American Free Trade Agreement (CAFTA). His opponent, Ottón Solís, maintained that CAFTA would hurt the country's farmers and worsen Costa Rica's economic difficulties.



Late 19<sup>th</sup>/Early 20<sup>th</sup> Century: Costa Rican politics had its share of irregularities, the clear trend was away from military solutions toward a more orderly political process. Costa Ricans took pride in having more teachers than soldiers and a higher standard of living than elsewhere in Central America. Coffee remained the mainstay of the economy, but a growing urban middle class began to challenge the political control of the coffee elite with more modern political parties.

2002: The country's gross domestic product (GDP) was \$16.8 billion, or \$4,270 per person. GDP is a measure of the value of all goods and services a country produces.

2003: The value of imports was \$7.4 billion and exports, \$5.8 billion. The chief exports included bananas, beef, coffee, machinery and electrical equipment, sugar, and textiles. Principal imports were manufactured goods, machinery, transportation equipment, chemicals, crude petroleum, and foodstuffs. Chief purchasers of exports are the United States, the Netherlands, Guatemala, Germany, and Malaysia. Leading suppliers of imports were the United States, Mexico, Japan, and Venezuela.

2004: The annual budget figures showed revenues of \$4.2 billion and expenditures of \$4.2 billion. Controlling the national debt remains a problem for the government.

2005: Arias announced he would once again run for the country's highest office. He campaigned on a platform of free trade, declaring that Costa Rica must join the rest of the region in approving the Central American Free Trade Agreement (CAFTA) with the United States. His opponent, Ottón Solís, maintained that CAFTA would hurt the country's farmers and worsen Costa Rica's economic difficulties.

2006: In a close and hotly contested election, Arias defeated Solís and returned to the presidency for a second term.

Source: Microsoft ® Encarta ® 2007. © 1993-2006 Microsoft Corporation. All rights reserved.