Forests, Livelihood, and Grassroots Politics: Chile and Costa Rica Compared

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Community forestry and reforestation, small-scale non-timber extractive activities, and agroforestry have long been advocated as means to implement the basic needs and social equality components of the concept of sustainable development. A voluminous literature has emerged on the rise of movements supportive of grassroots development strategies and studies of their projects. A few analysts have also recognized that political factors were necessary aspects of the struggle to implement grassroots development projects; for without political action policy prescriptions are rarely transformed into actual policy (Goldsworthy, 1988; Keck 1995). More recently, some advocates of grassroots development strategies have observed that without compatible political-legal frameworks and national incentives, grassroots development initiatives run grave risks of either failing, not emerging, or never being scaled up from a handful of isolated projects (Richards, 1997).

Despite these advances, the political conditions that generate pro-grassroots development policy supported by the ecological, peasant, and native people’s movement remains under-theorized (Silva, 1997; Hurrell, 1991). I argue that four variables – state structures, social forces, international factors, and ideas – shape the pro-grassroots development movement’s opportunities to become members of larger coalitions. It is the composition of those coalitions that determines the power of pro-grassroots development forces to influence policy-making. Of course, the effectiveness of pro-grassroots development coalitions also depends on the configuration of alliances among social forces, state actors, and international actors opposed to them.

Chile and Costa Rica are useful cases for a number of reasons. Both have recent forest legislation promoting grassroots development; thus, they are suitable for the study of factors conducive to their formulation. But the cases also provide an opportunity to examine factors non-conducive to the formulation of grassroots development-friendly policy. In Chile, a second bill with a grassroots development component has been defeated. In Costa Rica, policy formulation spanned two administrations; grassroots development-friendly measures were much stronger in the first than in the second. Chile and Costa Rica also offer a nice contrast with respect to explanatory factors: international variables were significant in Costa Rica but relegated to background conditions in

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Chile. Thus, we can explore the relative significance of domestic versus external variables in generating support coalitions for or against grassroots development in the forest sector. The two cases also differ on a second key explanatory dimension – the degree of development of the timber industry. It was high in Chile and low in Costa Rica. This affected the relative political strength of timber industrialists in the policy process, which influenced their coalitional proclivities. The same can be said of peasant organization; it was stronger in Costa Rica than in Chile.

**Grassroots Development and the Sustainable Development of Forests**

In public policy circles, there is widespread agreement that sustainable development – making environment compatible with development – rests on four principles: a healthy economy, social equity, maintenance of environmental quality, and participation (WCED, 1986; World Bank, 1992). However, there are sharp differences over how to achieve these values (Redclift, 1987 and 1992). One strand of the debate, dominated by the subfield of environmental economics, favors mild reforms to the market-based organization of our economies and societies, reforms centered on technical solutions to the environmental consequences of our civilization (Pearce and Turner, 1990; Pearce and Warford, 1993; Carle and Christie, 1993; Goldin and Winters, eds, 1995; Van den Bergh and Van der Straaten, eds, 1994). An alternative view questions this strategy’s ability to generate an integrated approach to sustainable development. It does not believe that such policy prescriptions provide the instruments to meet the basic needs – or livelihood requirements – of impoverished populations, especially in the rural areas of the developing world; it is sceptical of the impact of mild technological reform on long-term environmental quality; and it doubts meaningful participation can be achieved by these means (Redclift, 1992; Hampson and Reppy, 1996; Commoner, 1990; Schumacher, 1973; Daly, 1977; Pepper, 1993; Hall, A. 1997).

At the heart of the alternative grassroots development approach lies a deep-seated conviction that the expansion of free-market economics hinders
achievement of the egalitarian, ecological, and participatory goals of sustainable development (Painter and Durham, 1995; Annis, ed., 1992). Attaining these values in rural contexts requires organizing local communities and small-scale economic activity on the basis of sustained-yield practices. The grassroots development approach appreciates nature for its intrinsic and instrumental value; therefore the focus is on small scale use and technology in an effort to mimic natural processes. It privileges the values of local autonomy, solidarity, self-regulation, and citizen participation in decision-making over the penetration of market forces that reduce participation to the implementation of a few projects designed by others. At its irreducible core, participation is about a focus on organized communities as a vehicle for the self-determination of subordinate class and ethnic-based social groups (Friedmann and Rangan, 1993: 1-10; Ghai, 1994: 1-12; Ghai and Vivian, 1992: 1-19). Moreover, participation extends to broad deliberation by organized civil society in defining policy agendas, prescribing solutions, and formulating policy as well as helping to implement it. Given these assumptions, the livelihoods of peasants and small farmers are better served by organizing communities and building small scale enterprises. The hypothesis is that more of the income generated stays in the community in the form of higher wages, social benefits, and capitalization.

Economic sustainability also depends on cooperative behavior to pool resources and know-how, and on projects that link local, regional, national, and world markets. Many organizational forms encourage cooperative behavior. Which organizational form emerges often depends on land tenure. Where communal land tenure prevails, projects tend to be run by leaders with roots in the community. These leaders frequently seek to balance the employment and redistributional benefits of the enterprise with the need for investment. Where land is owned individually, cooperatives pool resources. These usually involve warehousing, distribution, marketing, and the provision of financing and materials (seeds, implements, and training). If the participants in the cooperative form a tightly-knit community they may agree to pool savings for general services to the community (education, health, and infrastructure). Conversely, they may simply enjoy the individual benefits of increased income.

With respect to the sustainable development of the forest, grassroots development approaches in the public policy debates favor community forestry and

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JUNAFORCA – Junta Nacional Forestal Campesina (National Forest Peasant Association)
MAG – Ministerio de Agricultura (Ministry of Agriculture)
MIRENEM – (Ministerio de Recursos Naturales, Energía y Minas (Ministry of Natural Renewable Resources, Energy, and Mines)
MINAGRI – Ministerio de Agricultura (Ministry of Agriculture)
MUCECH – Movimiento Unitario de Campesinos y Etnias de Chile (Unitary Movement of Chilean Peasants and Indigenous Peoples)
NGO – nongovernmental organization
ONF – Oficina Nacional Forestal (National Forestry Office)
PN – Servicio de Parques Nacionales (National Parks Service)
PUSC – Partido Unión Social Cristiano (Social Christian Union)
SINAC – Sistema Nacional de Areas de Conservación (National System of Protected Areas)
TFAP – Costa Rican Tropical Forestry Action Program
USAID – United States Agency for International Development
VS – Dirección de Vida Silvestre (Wildlife Service)
reforestation: organized peasant or indigenous communities help design, implement, and manage timber extraction under small-scale, low impact, sustained-yield practices. Forests, however, also have multiple uses and the grassroots development approach urges organized communities to mix forestry and reforestation with agroforestry, intercropping, and non-timber extractivism (Browder, 1989).

Agroforestry refers to techniques that combine cattle or native fauna ranching and agriculture with either standing forests and/or plantations. Intercropping is a practice compatible with reforestation for plantations or watershed protection. Compatible crops are planted in between the tree seedlings. This provides a material benefit to the owner of the land, who then does not have to forgo all of the benefits of the land while he/she waits for the trees to mature. Non-timber product uses of the forest include the extraction of non-timber products from the forest, pineapples, palm hearts, rubber, nuts, honey, spices, and assorted fruits and seeds. Extractive reserves have become a buzz word for areas specifically designated for such use.

Understanding the Politics of Forest Policy Reform

This paper examines the factors that influenced the inclusion or exclusion of grassroots development components to three pieces of new forest legislation. Costa Rica's new law unambiguously gave incentives for grassroots development in native forest management and reforestation. The policy process, however, spanned two stages over six years; initial formulations were more grassroots development-oriented than the final result. Meanwhile, Chile experimented with two separate bills. In one, it was not possible to include even indirect incentives for grassroots development in the management of native forests; and still the bill may never be approved. By contrast, the reformation of Chile's reforestation law, which used to benefit large-scale timber interests exclusively, explicitly redirected a share of incentives to smallholders and peasants.

I draw on political economy theorizing about economic and political change to explore how and when ideas, state structure, social forces, and international factors influence outcomes with respect to the inclusion or exclusion of grassroots development components to forest policy reform (Schamis, 1991; Smith, 1991). The choice of this literature seems relevant for two reasons. First, it addresses all of the major factors that allow one to disentangle the relevant actors, their interests, and the power resources at their disposal. Neither the state, society, the international arena or intellectual influences remain as 'black boxes' (Silva, 1997). Second, this political economy literature addresses large-scale changes that, like the problem of sustainable development, involve difficult value choices.

With respect to the 'how', at the most general level, international and domestic economic and political structures and ideas define actors, interests, incentives, options, and power resources. As Jeffry Frieden (1991) has pointed out, such methodology is the stock and trade of political economy approaches. In keeping with international relations theorizing, at the broadest level, the policy preferences of international level actors such as the World Bank, the
United Nations, and the U.S. and European governments constitute a permissive condition (Waltz, 1954). At the very least, their policy orientations and new international regimes generate diffuse pressure for change on national level actors (Keohane and Nye, 1977). However, as Stephan Haggard (1990) observed, they can also act more directly in the domestic policy-making arena. At that stage, as Rueschemeyer, Stephens and Stephens (1992) have argued, they augment the power resources of domestic actors. Where reform of forest legislation and decrees are concerned, the United States and the World Bank tend to support market-oriented solutions; whereas the United Nations and the more social-democratic governments of Northern Europe and Scandinavia favor inclusion of grassroots development incentives.

Domestic economic and political structures define state actors and most of the social groups active in the policy process, as well as their power resources. In forest policy, these are mainly the lead agencies of the executive for this issue area, industrial timber interests, farmers, peasants, and indigenous peoples. In democratic regimes, political parties may also be significant actors. Much of the power of state actors flows from the authority vested in them by virtue of their position in the cabinet hierarchy. In democracy, the power of state actors also depends on the balance of power between the executive and the legislative branches of government. The capabilities of social groups, in large measure, stem from their economic and organizational strength.

The degree of cohesiveness of state structure is also a key factor in weighing the relative power of social groups and state actors. Two features are important for gauging it. First, the cohesiveness of state structure partially depends on the permeability of state institutions to social actors in the policy-making process. Where they are closed, state actors have more leeway of action than where organized social groups participate. Second, a clear hierarchy of ministries and policy consensus among the top leadership of those ministries can bias state institutions in favor of some social groups versus others, depending on the porosity of those institutions to social forces and bureaucratic practices. Conversely, fragmented interministerial relations often reflect splits among state elites, offering more of an opportunity for societal penetration if those institutions are also permeable to those groups (Krasner, 1989; Kaufman and Haggard, 1995; Skocpol, 1979; Jenkins and Klandermans, eds, 1995; Kriesi, et al., 1995; Tarrow, 1994 and 1996).

The policy stances of domestic actors have several sources. Extending Peter Haas's (1990) arguments, ideas about environment, development, and the causes of deforestation heavily influence the policy proposals of state actors. The sharing of similar views of causation and policy prescription across state actors also contributes to the cohesiveness of state structure. By contrast, the posture of business, farmer, and peasant groups largely derives from economic interest based on their situation in the structure of production. Of course, material interests may dovetail with more intellectually-driven conceptualizations, forging a bridge between different actors (Keck, 1995). Indigenous peoples often draw from their cosmology and their material interests, i.e., protecting their territory and way of life.

However, some important social forces, such as the environmental nongovernmental organizations (NGOs), are not defined by domestic or international structure. In this paper, the term refers to not-for-profit organizations run by
middle-class professional staffs, whose policy stances generally derive from their intellectual and scientific training. This means they can be advocates of either market-friendly or grassroots development approaches to the sustainable development of forests. Some of the large environmental NGOs of the developed world are significant international actors in their own right; domestic NGOs in developing countries can be important players in the local policymaking process. Their power resources often hinge on their financial and organizational capabilities and the quality of the expertise available to them.

Mapping the constellation of actors, interests, and power, however, is only the starting point for analysis; it is the interaction between them that usually accounts for policy outcomes. Those outcomes depend on the dynamics of coalition formation between social groups, state actors, nongovernmental organizations, and international actors. Given this assumption, this article develops a framework to analyze alliance formation and the structural conditions that define the power of competing coalitions with alternative policy stances.

One strand of the development studies literature recognizes that because the state is not considered a unitary actor, the pattern of alliances between ministries and social groups are essential (Migdal, 1996). A significant degree of power for both partners flows from the authority of the state institutions involved. There are, however, two additional criteria that should be added. First, the relationship is reciprocal. Social actors benefit from their state allies, but the latter also gain. Social actors contribute their relative economic and organizational capabilities to the ends of state actors. Secondly, in democracies political parties may become part of such coalitions, in which case the power of the legislature may augment or diminish the capabilities of competing alliances (assuming the legislature is not unduly subservient to the executive).

Establishing these linkages is crucial for grassroots development. The social movements literature has argued persuasively that alliances between movement organizations and state actors is vital for the success of movements (Jenkins and Klandermans, eds, 1995; Kriesi, et al., 1995; Tarrow, 1994 and 1996). This is especially true of movements struggling against established practices from outside the policy-making process. Their chances of influencing policy reform improve when they gain support from state actors. This assumes the state has some 'porosity' to social groups. These theoretical insights can be improved with the application of the following refinement. The power of the alliance is strengthened to the degree that the state institutions backing the movement are higher up in the ministerial hierarchy and have support from other institutions relevant to the issue (cohesive state backing for the issue) (Keck, 1995; Silva, 1994).

A second refinement strengthens the utility of the social movements literature. The power of movement also depends on the capabilities of countervailing coalitions. Thus, for example, business sectors may also enter into alliances with state actors. Research on business-state relations has long noted such linkages (Evans, 1979, 1992; Schneider and Maxfield, 1997). Moreover, business groups may also find partners among environmental NGOs and think tanks. The notion of competing coalitions and their impact on policy outcomes has a venerable history in the political economy literature (Gourevitch, 1986). But these have generally focused on competing social coalitions vying to influence the state, not of competing alliances that included social and state actors.
This article further underscores that alliances are not exclusively between state and social actors. When present, international actors and treaties can decisively increase the power of coalitions between domestic state and social actors because of their financial, organizational, and diplomatic capabilities (Haggard 1990; Rueschemeyer, Stephens, and Stephens 1992). Because the interests of external forces are not uniform, they may support advocates of either industrial or grassroots development. In short, complex, competing pro-industrial and pro-grassroots development alliances may include state, social group, and international actors.5

Having examined the how, what patterns do the Chilean and the Costa Rican cases suggest with respect to when in the policy process ideas, state institutions, social groups, and international factors affect forest policy as defined in legislative bills and decrees? This approach seeks to overcome debates over the primacy of one of these variables over the others. The issue is important for practical as well as theoretical reasons. Movement leaders might benefit from insights on where to focus their energies at different stages of the policy process.

The ideas of cohesive policy-making teams in the ministry charged with crafting policy were most important in the earliest stages of the policy-making process (the policy-initiation stage) when ministries prepared the first drafts of legislative bills or decrees for the executive. In these cases they all intended to stimulate grassroots development. But once that first draft became public, society-centered, interest-based factors played the dominant role in the ensuing policy debate and its outcome. It was the strength or weakness of social groups, whether industrial or peasant, that, in the first instance, influenced the degree to which legislation and decrees that expressed the ideas of cohesive policy-making teams prevailed. The strength of those social groups depended on their economic power, their degree of organization, and on their ability to forge alliances with government actors and benefit from their institutional power. The fact that the core of state support for the policy-making teams was roughly equal across cases, and that the government's pro-grassroots initiative did not always prevail, underscores the key role played by society-centric factors. Finally, the role of international factors was clearest in Costa Rica, where they augmented the power of the domestic groups they supported. In Chile, although external factors were only background conditions, international concern over the environment played a permissive role by elevating the forest sector to a prominence it had formerly lacked in policy debates.

Forest Policy Reform in Chile

Chile emerged from over a decade and a half of labor-repressive military rule with a healthy, growing economy based on free-market economics. Exports of commodities in which Chile had a comparative advantage — timber, fruits, and fish products — were key to the new economic model. The civilian government that replaced the dictatorship, the Concertación de Partidos por la Democracia, vowed to retain the basic socio-economic model of the outgoing regime; but it was also committed to redressing issues long neglected by it, including the environment (Drake and Jáksic, 1991; Silva, 1996). As a result, forest policy
reform received relatively high priority in the Concertación governments of Patricio Aylwin (1990-1994) and Eduardo Frei, Jr. (1994-present). International focus on the issue added legitimacy to the enterprise.

**Chile’s forest sector: problems and policy responses**

Approximately 14 percent of Chile’s territory is covered by forests, with well over 80 percent located in the south. Chile possesses around 7.5 million hectares of potentially productive temperate forests composed of native species, 1.75 million hectares of plantations of exotic species (not indigenous to Chile), mainly radiata pine but also some eucalyptus, and 1.4 million hectares of temperate native forests in the national parks system. Most of the forests and plantations are privately owned (Núñez, 1994; INFOR, 1995; Donoso and Lara, 1996).

At present, Chile’s timber industry is mainly based on the industrial exploitation of commercial plantations of radiata pine and some eucalyptus. The industry has been highly successful in terms of investment and export earnings. Although the policies that produced this industrial success were introduced in the 1950s and 1960s, the promulgation of Decree Law 701 in 1974 provided stronger incentives. And, even though the forestry law of 1931 still applies, DL 701 and amendments currently constitute the main body of applicable forest legislation in Chile (República de Chile, 1974, 1979). DL 701 gave tax breaks and subsidized 75 percent of the costs of establishing plantations (in some years, in fact, the subsidy was up to 90 percent). The area under cultivation surged. In addition to direct subsidies and tax breaks, DL 701 set criteria for land use (forestry, agriculture, and other uses). It also regulated the silviculture of both commercial plantations and native forests.

This style of forest sector development violated many of the principles of the emerging concept of sustainable development. First of all, the expansion of the commercial plantation subsector had a number of negative environmental and ecological effects. Although commercial plantations initially mainly reforested barren lands not suitable for other uses, by the middle of the 1980s timber firms and farmers began to substitute economically ‘worthless’ native forests with plantations or alternative land uses (CONAF, 1993; PAF, 1992). This represented a threat to biodiversity, as thousands of hectares per year (some estimate as much as 10,000 to 20,000 hectares per year) were clear-cut (CODEFF, 1992). The trend continues unabated (Banco Central, 1995).

Industrial development based on large-scale plantations violated another key principle of the well-rounded, integrative model of sustainable development: that development attend to the livelihood or basic needs of impoverished populations. The industry was highly oligopolistic. A few firms in the capital-intensive pulp and paper sector controlled most of the industry; and these firms belonged to Chile’s largest and most powerful conglomerates. Moreover, since the middle of the 1980s, Chilean companies have associated with foreign capital, and in the early 1990s foreign direct investment by large international corporations increased markedly (Gwynne, 1993, 1996; Rozas, 1986; Paeile, 1986). To be sure, the plantation industry offered some employment. However, taking advantage of labor laws designed during the dictatorship, large-scale companies usually pay low wages and offer poor working con-
ditions, although there are notable exceptions (Donoso and Bahamonde, 1994; Ormazábal, 1993). Moreover, since most forests are privately owned, large firms often put pressure on smallholders to sell or abandon their claims. This disrupts peasant communities, forcing abandonment of villages and migration to cities (Donoso and Bahamonde, 1994; Verscheure, 1996). Finally, the regulations of DL 701 made it very difficult for smallholders to access its benefits, i.e., to establish small plantations and eventually reap the economic benefits of timber sales in well-established national markets. Of course, nothing in DL 701 promoted community forestry.

In sum, the structure of the timber industry overwhelmingly privileged large-scale enterprise over medium and small-scale firms, not to mention smallholders and peasants. There was certainly nothing in Chile’s forest policy that gave incentives to smallholders, community forestry or reforestation, biodiversity preservation, and small-scale multiple use of forest habitats. Worse, the decline in the economic value of the native forests, the volatility of markets, and titling problems meant that smallholders and peasants had a difficult time managing native forest harvests sustainably. Hence a strong incentive to change land use when the opportunity arose.

Given these biases, once Chile redemocratized, there was a national clamor for measures to reverse these trends and to stimulate the sustainable development of native forests and plantations in a way that included small-scale farmers and peasants in the fruits of the forest sector’s bounty, and that protected the forest’s biodiversity. Since taking office in 1990, two successive governments of the Concertación have introduced two pieces of legislation designed to promote the sustainable development in the forest sector: the Native Forest Recovery and Development Act, and Reform of DL 701. The former addresses the substitution problem via economic incentives (a tax on clear-cutting), offers faint-hearted industrial policy for the subsector (some incentives for native forest management), and neglects the livelihood issue. By contrast, the reform of DL 701 redirects an existing industrial policy toward the satisfaction of the basic needs of peasants and smallholders.

Taken together, the bills reveal the absence of a national policy to move Chile’s forest policy in the direction of the well-rounded, integrative model of sustainable development. The bills exhibit a bias towards large-scale industrial and market-friendly orientations to forestry, preferably plantations, with little interest in the sustainable development of native forests, by far the largest and most vulnerable of the two forestry subsectors in terms of area, population, and number of sensitive ecosystems. Only the bill with lesser scope – reform of DL 701 – directly addresses the basic needs component of sustainable development. Neither bill, however, contemplates either multiple use of the forest or offers incentives for cooperative behavior. Moreover, funding for the incentive programs is low and controlled, which is the reason for allocating funds on the basis of competitive project proposals. Approximating sustainable development in Chile’s forest sector requires policies that provide for the forest’s economic use with due respect for maintaining environmental quality, attention to social equity, and mechanisms for the participation and empowerment of citizens and communities – a tall order to be sure. Formulating such policy for native forests appears to be Chile’s main stumbling block on the road to the
forest sector's sustainable development. Although less extensive in coverage, policies related to reforestation are a step in the right direction.  

The politics of forest policy reform in Chile

The description of Chile's attempts to reform forest policy in the mold of sustainable development raises several questions. What factors explain Chile's difficulties in crafting forest policy reform more closely attuned to the well-rounded, integrated model of sustainable development? What conditions skewed the native forest bill so overwhelmingly against promoting community forestry while the bill to reform DL 701 was more successful on that measure? Why was the native forest bill policy process so much more conflictive than reform of DL 701?

In Chile, international conditions were mainly background, permissive factors. International agencies were pushing sustainable development, which demanded some policy response, but none were directly involved in Chile's policy-making process. Therefore, the Chilean case offers an opportunity to examine the relatively unsullied impact of domestic structure. In both cases, cohesive teams of policy makers initiated the bills. But once the proposals were on the table, variation in degrees of support and opposition by social forces, their economic and institutional power resources, and their alliance patterns explain the differences between the native forest and the DL 701 reform bills.

Conflict over the Native Forest Recovery and Development Act

The debate over the Native Forest Recovery and Development Act has spanned two administrations and remains terminally blocked in the legislature, which amounts to a victory for its opponents. This piece of legislation began its life early in the administration of President Patricio Aylwin, the first democratic government to replace the military dictatorship. During his government, the ideological background of the policy-making team was instrumental in shaping the initial draft of the bill. The core of the policy-making team had long advocated the sustainable development of native forests from a grassroots development point of view. During the transition to democracy, they were called upon to serve on the technical team that put together the Concertación's campaign program for environmental issues. With the victory of the center-left Concertación they obtained important positions for forest policy-making under the wing of the Ministry of Agriculture (MAG), principally in the Corporación Nacional Forestal (CONAF). Most of the core members were from social-democratic political parties.

This team put together the core precepts of the native forest bill introduced to Congress in 1992 and approved by the House of Deputies with a few modifications in 1994 during the Aylwin administration (CONAF, 1992; Cámara de Diputados, 1993). While the original bill was far from ideal, it formulated a mild industrial policy to build a native forest timber industry. The policy added value to the timber from that subsector via an incentive for native forest management (75 percent of sustained-yield management costs). In a related issue, the bill made a stab at land use planning by limiting substitution of native forests for plantations with exotic (non-native) species. Lastly, the fiscal in-
centive also amounted to an indirect way of addressing the basic needs component of sustainable development. To facilitate access by smallholders and peasants to the subsidies, they would be made available on demand (CONAF, 1992).

As soon as the initial draft of the bill was made public in the early 1990s, conflict broke out. The struggle over the native forest bill reveals how competing coalitions used economic capabilities and executive and legislative institutions as power resources. It developed over three stages of the policy process. In the first stage, the timber industry, supported by the entire industrial sector (as represented by that sector's peak association), allied with the Forestry Institute, the Ministry of Economy, and the Secretariat General of the Presidency to stop the bill from reaching the Congress. The policy-making team, however, prevailed at this stage because it had cohesive support from the agencies responsible for the policy: the minister of agriculture and the president of the republic.

Defeated in its direct confrontation with the executive, the timber industry took its struggle to the Congress. In its bid to defeat the bill in the House of Deputies, it gained support from the business community (in particular from the powerful manufacturers' association), conservative political parties, and environmental NGOs closely linked to the private sector. Had it not been so strong economically, it is unlikely that these would have paid much attention to the timber industry. However, political parties belonging to the Concertación dominated the House of Deputies, supported the executive's initiative, and approved the CONAF/MAG-sponsored bill with few modifications (Cavieres, 1991; Rodrigo, 1993; Cámara de Diputados, 1993). The bill then passed to the Senate, where the timber industry's coalition had the upper hand because conservative political parties dominated it and had absolute veto power over initiatives from Deputies. It remained blocked there until the end of the Aylwin administration (Vial, 1996b; Carrillo, 1996; Verscheure, 1996; Araya, 1996).

The timber industry coalition's success in blocking the native forest law in Congress was a major factor in the Frei administration's (1994-present) redrafting of the bill (Vial, 1996b; Carrillo, 1996). The new administration's policy-making team was drawn from different sources: the undersecretaries of the ministries of finance, agriculture and secretary general of the presidency (El Mercurio, 1995; Estrategia, 1995). In keeping with the Frei administration's more pro-business and fiscally conservative stance, this team sought to appease the timber industry and environmentalists (Verscheure, 1996; Vial, 1996a, 1996b; Carrillo, 1996). Because business interests and conservative political parties opposed the substitution clauses (in their eyes they impinged on constitutionally guaranteed private property rights) the new team edited those clauses out. In the interest of mollifying fiscal conservatives it narrowed access to fiscal incentives for forest management. Successful applicants would only receive a fixed sum, a one-time only payment in the form of a reimbursement for initial outlays. To soothe conservationists they put a relatively high price on the substitution of healthy standing forests (Vial, 1996b; Carrillo, 1996).

Conservationists, political parties, and social and state actors (CONAF and other agencies) interested in promoting national parks and grassroots development for native forest management are strongly opposed to the new bill (La Época, 1996a; Las Últimas Noticias, 1996; La Nación, 1996; El Mercurio, 1996,
This coalition has availed itself of legislative rules to deadlock the bill (La Epaca, 1996c). It is not expected to overcome this impasse (Cavieres, 1997 and 1998).

The policy-making process and reform of DL 701

As had been the case with the Native Forest Recovery and Development bill, a cohesive team of policy makers in the state, with full backing from the president and the minister of agriculture, were responsible for policy initiation (El Mercurio, 1995; Estrategia, 1995). As previously mentioned, the Concertación was committed to redressing the most egregious social inequities produced by the military government. One of those had been the de facto exclusion of smallholders and peasants from the fiscal incentives of DL 701. The idea from the very beginning was to redirect subsidies to that sector (El Diario, 1995; Lagos, 1995b; Vial, 1996a, 1996b; Carrillo, 1996). Subsidies for the industrial plantations would be discontinued because it did not need them for further expansion. The industry was successful; the procedures, markets, and techniques were well-established; ample credit was available in private financial markets.

The institutions and nominal heads of the policy-making team were the same as those in charge of the revision of the native forest bill (El Mercurio, 1995; Estrategia, 1995). But the staff that designed the bill came from different agencies: mainly from the Ministry of Agriculture’s Institute for Agrarian and Husbandry Development (INDAP) and some of the CONAF staffers involved in the original native forest bill (Díaz, 1996). INDAP was historically the MAG’s agency for rural extension; thus, it had experience and contacts with the organized peasant sector (Díaz 1996; Venegas, 1996; Aburto, Rodrigo, Urrutia, 1995; INDAP 1993, 1994). Given these connections, the Unitary Movement of Chilean Peasants and Peoples (MUCECH) was invited to participate in the initial policy formulation (MUCECH, 1995a, 1995b; Chile Ambiente, 1995). The MUCECH’s participation was also encouraged through the launching of a pilot reforestation program for smallholders managed by the CONAF and the INDAP (Díaz, 1996; Uriarte, 1996; Díaz, et. al., 1995). By all accounts, the MUCECH aided in the reformulation of many of the regulations that had prevented them from benefitting from the original DL 701 (Informe Comisión MUCECH/MINAGRI, 1994). In fact, the MUCECH was responsible for pointing out to the Ministry of Agriculture and the CONAF what those mechanisms were in the first place. The MUCECH’s involvement in the process resulted in the extirpation of clauses that would have impeded smallholder participation, and generated clauses that aided the bill’s grassroots development-friendly orientation (Díaz, 1996; Jofré, 1996). These clauses dealt with the definition of ‘smallholders’ and the conditions of access to incentives.

The main reason this bill is expected to pass is the lack of strong opposition by the timber interests (Lagos, 1994a; Drouilly, 1994). Unlike the case with native forests, the timber industry was only mildly disgruntled rather than up in arms (Carrillo, 1996; Vial, 1996b). Consequently, it never sought to form larger coalitions to kill the bill. Instead it has worked with conservative political parties and the executive directly to negotiate two changes. One involved retention of some portion of the subsidies, which they are not likely to obtain. How-
ever, they have been more successful in extending tax exemption clauses, which had also been eliminated in the original bill (Carrillo, 1996). As a result the bill was quickly approved in Deputies and now awaits passage in the Senate, where stiff resistance is not expected (Lagos, 1994b; Chile Forestal 1996a; Diez, 1996).

A number of factors lay behind this relative quiescence. The main reason was that DL 701 had been a highly successful industrial policy. The firms in the affected sector were large and growing. By the 1990s, they had ample access to private credit, the markets they operated in were relatively stable, and the technology was well-established. Therefore, the commercial plantation timber industry did not require continued subsidies to be successful. They may still have been useful at the margin, but they were no longer crucial. As a result, bitter policy clashes were avoided. Moreover, because the bill only applied to denuded and marginal lands apt for reforestation, there was no conflict over control of a natural resource. Eventually, peasants and smallholders would probably sell their product to the large companies (Vial, 1996b; Carrillo, 1996, Díaz, Uriarte, 1996).

The fact that existing policy had resolved so many of the market questions meant that a number of thorny issues had already been decided: the policy's costs, assessment instruments, and the worth of the effort were known quantities. This made it much more difficult for timber interests to drive a wedge between different ministries and agencies. And that inhibited only mildly disgruntled private sector opponents from launching direct attacks against reform proposals.

By contrast, the native forest law involved drafting original legislation for an economic sector about which there was little hard information. The resource itself – the native forest – was of little perceived economic value. Markets, firms, and technology were volatile or primitive, and basic research on the quantities and quality of the resource were lacking. These conditions of uncertainty fed disagreement among government officials about the cost of the subsidies, where to draw the line on what to subsidize, or whether it was worth spending government funds for such a woefully underdeveloped economic sector in the first place. Moreover, the powerful plantation-based timber industry knew exactly what it wanted to do with the resource and was bitterly opposed to being regulated. It found allies in government and in the Senate to fight the bill, which, in their view, shackled their ability to dispose of the resource as they saw fit.

More at the margin, participation in the formulation of the reformed DL 701 by the social groups meant to benefit by it dampened the effectiveness of the timber industry's lobbying within the government. The MUCECH strenuously defended its recommendations from attacks by the Timber Corporation (CORMA, the timber industry's business association) both within the Ministry of Agriculture and in Congress (Jofréd, 1996). By most accounts this contributed to relatively small rather than major degrees of backsliding, mainly with respect to redirecting subsidies away from industry to the peasant sector (Díaz, 1996, Jofréd, 1996). By the same token, the absence of participation by the social group meant to benefit by the native forest bill probably contributed to the ease with which the Frei government reversed the spirit and letter of the bill.

There were a number of reasons for this lack of participation. To some ex-
tent, it was due to this social sector’s poor degree of organization. At least in part, this was because timber from native forests, with the exception of wood chip production, was not perceived to be an economic resource. This meant that peasants and smallholders had little incentive to organize – there was too much risk and effort for uncertain results. Reforesting for plantations of exotic species, however, merited action because the returns were more tangible; thus, the MUCECH became interested. The fact that smallholders in native forest areas were neither smaller in number nor more dispersed than the social group that undertook reforestation further supports the economic argument. Moreover, the CONAF had little experience with the people that inhabit the native forests. Its institutional development during the military government brought it into much closer contact with the large-scale corporations of the commercial plantation industry. It was, therefore, a smaller step for the CONAF to work with peasants in reforestation, an activity it mastered (Jofré, 1996, Díaz, 1996; Peña, 1996).

Forest Policy Reform in Costa Rica

For over a decade, Costa Rica has had a commitment to the incorporation of the grassroots development approach to sustainable forestry in policy and projects (Carrière, 1993 and Thrupp, 1993). Beginning in the mid-1980s the forest service encouraged community forestry, culminating in a 1990 bill for a new forest law that sought to deepen support for such measures. A protracted, highly politicized struggle erupted over the proposed legislation. The conflict blocked the bill in the congress; and, as was the case in Chile, the ensuing policy debate spanned two administrations. In the process, grassroots development supporters suffered setbacks, but were not entirely defeated. A compromise bill with scaled-back grassroots development features became law in 1996.

Costa Rica's forest sector

Costa Rica enjoys an international reputation as a stable democratic nation committed to social equity and conservation. Historically, Costa Rica has suffered from high rates of deforestation (Lutz et al., 1993). Of an estimated 1.5 million hectares of remaining primary forest, approximately 400,000 are not in protected areas, thus available for production (Kishor and Constantino, 1993). The causes of deforestation included conversion to agriculture and ranching (by agribusiness and peasants) and logging. There is widespread concern over the effects of deforestation on the preservation of Costa Rica’s high diversity of flora and fauna, on watersheds, the quality of water, and soil erosion (Jones, 1992; Peuker, 1992; Carrière, 1993; Kishor and Constantino, 1993; Lutz, et al., 1993).

Unlike Chile, the forest industry is not a significant component of the Costa Rican economy, and its firms are generally not large or technologically up to date (MIRENEM 1990a; Peuker, 1992; Lutz et al., 1993; Stewart, 1992). Often, land ownership, logging, and milling are not integrated. Many land owners,
especially those with small and medium holdings contract with logging gangs who arrange for transport to the saw mills.

Policy responses

Policy responses to these problems developed between the late 1980s and the early 1990s. The administration of President Oscar Arias (1986-1990) initiated several incentive programs for the sustainable use of the forest in the second half of the 1980s. These included subsidies (tax and credit) for sustained-yield forestry and for reforestation and plantation growing by large, medium, and small-scale enterprises (Kishor and Constantino, 1993: 3-4; Batchelder, 1993: 10-12; Peuker 1992: 13-20). That was followed by the formulation of the Costa Rican Tropical Forestry Action Program (TFAP) (MIRENEM, 1990a). The TFAP unambiguously favored the sustainable development of the forestry sector, with substantial attention to grassroots development. The TFAP advocated sustained-yield forestry, emphasized fulfillment of the basic needs of forest dwellers, and improvement of the forest sector’s contribution to the national economy. To achieve these goals the TFAP proposed land use planning (including set-asides for preservation) to delimit exploitable forest tracts; attention to watershed management; encouragement of sustained-yield logging; incentives for reforestation and plantations; promotion of technological upgrading, improved efficiency, greater integration, and improved marketing of the timber industry; emphasis on agroforestry and fuel-wood management for forest dwellers; development of buffer zones for national parks and other protected areas.

In the early 1990s, many of these prescriptions stood at the core of the legislative initiative for a new forest law. During Rafael Calderón’s administration (1990-1994), initial drafts included significant incentives for grassroots development, such as fiscal incentives for smallholders to sustainably extract timber from native forests and for reforestation with native species as well as exotics. The bill had clauses that strengthened peasant organization for cooperative efforts in community forestry and reforestation. To ensure access to markets, it mandated the integration of their timber in industrial production. It essentially provided no incentives for plantations with exotic species or for large-scale industrial timber enterprises to exploit native forests; and heavily regulated the exploitation and transport of timber (Asamblea Nacional, 1992).

The bill that became law in 1996 during the Figueres administration (1994-1998) was substantially different. It weakened the grassroots-oriented thrust of the original bill without entirely eliminating it (Dirección General Forestal, 1994; Forestry Law, 1996). For privately owned forests, the new legislation emphasized liberalization and deregulation to ‘unshackle’ the private sector, and it stressed plantation forestry while, at the same time, prohibiting land use change. The new law privileged the large-scale private sector in two ways. First, it made it possible for those elite groups to obtain a larger share of funds earmarked for the promotion of managed forestry and reforestation than previous draft bills.15 Secondly, the law gave large-scale timber interests a leading role in new forestry institutions designed to devolve a large share of policymaking and implementation to the private sector. Those new institutions were the Oficina Nacional Forestal (ONF), the permitting agents, and the certifica-
tion agencies. The law dropped all reference to integration of the timber industry or an industrial policy for the forest sector (Asamblea Nacional, 1992; MI­RENEM, 1994; Forest Law, 1996). Despite this change in emphasis, grassroots forestry organizations still have access to fiscal incentives, they have representation on forest agencies and private sector boards, and they are encouraged to work together with government agencies and projects. Their posture, however, is clearly more subordinate to large-scale timber interests and nature conservationists than had been the case in the past.

The politics of forest policy reform

The Costa Rican case presents two explanatory challenges. First, what accounts for the overall greater emphasis on grassroots development there than in Chile? Second, how could anti-grassroots development forces mount such a significant challenge given their weakness in the early 1990s? The crucial difference was that external factors played a much larger role in Costa Rica, because it was much more open to international influence than Chile. Beginning in the 1980s, the development agencies of social democratic Northern European governments were directly involved in the forest sector in Costa Rica. They promoted grassroots development and supported state actors and smallholders and peasants interested in that approach. Moreover, in the 1980s and early 1990s, general international conditions favored grassroots development as well. This was because northern European countries were taking the lead in producing the concept of sustainable development in the Brundtland Commission, with active participation of the United Nations Food and Agriculture Organization (FAO) in the forest sector proper. In response, the United States government sided with market-friendly forces in the state and among timber interests. They were able to block the initial bill. These forces gathered strength in the 1990s as state actors and general international conditions increasingly favored market-friendly, industrial, and conservationist interests. The organizational strength of grassroots development forces, their toeholds in (weak) state institutions, and their alliance of convenience with the private sector were responsible for the maintenance of some favorable conditions for that line of development.

Forest Policy Reform: The Initial Conflict

As had been the case in Chile, the early stages of the policy process (late 1980s to 1992) were shaped by the ideas of a relatively cohesive team of policy makers in the relevant political institutions. In Costa Rica, the Ministry of Natural Renewable Resources, Energy, and Mines (MIRENEM) – established early in the Arias administration – and the Legislative Assembly's Agricultural Commission shared policy formulation responsibilities for the forest issue. However, the path that brought the two teams and their respective institutions together was exceptional.

Policy initiation, by tradition rather than constitutional law, rested with the executive. In the late 1980s, a cohesive group of experts in the Forest Service (the Dirección General Forestal, DGF), with full support from the minister and higher ranking staff of the MIRENEM, sought to strengthen the social component of sustainable development and to increase the state's responsibility (República de Costa Rica, 1986; and Ministerio de Recursos Naturales,
Energía y Minas, 1990: pp. 43-7). To that end, they enacted a number of decrees that reformed the forestry law of 1986 (which was already an improvement over the 1969 law). These decrees established fiscal and institutional incentives for grassroots development in forestry and gave the DGF more authority over privately owned forests. The measures were fully congruent with the social democratic orientation of President Arias’ Partido Liberación Nacional. Although these policy-makers wanted to propose a bill that gave those decrees greater force of law, it was too late in the Arias administration to do so. The time to introduce bills in Costa Rica is at the beginning of governments, not the end.

The elections of 1989 brought a change of administration from the center-left Partido Liberación to the conservative Partido Unión Social Cristiano (PUSC) under Rafael Calderón (1990-1994). Under the minister and vice-minister, Hernán Bravo and Mario Boza, the MIRENEM was more interested in pursuing legislation to create a national system of protected areas (SINAC) than in reforming forest policy. However, forest policy became an urgent priority for institutional reasons: the strict separation of powers between the executive and judicial branches of government. In May 1990, forest policy was thrust upon the MIRENEM when the Costa Rica’s Constitutional Court, the Sala IV, ruled the 1986 forest law unconstitutional because of an obscure property rights dispute (Mendoza, 1990). The magistrates gave the MIRENEM and the Agricultural Committee of the National Assembly 90 days to draft and approve a new bill. Yet the issue was so conflictive, that it took approximately two years.

Once again, the ideas of a cohesive group of the experts in the key institutions charged with policy initiation explain the thrust of the bill that emerged. From mid 1990 to mid 1992, a group of like-minded experts in the forest service and the technical team of advisors to the legislative commission drafted the initial strongly pro-grassroots development-friendly bill with increased state control over forestry. This team placed high value on an industrial development policy for the forest sector, grassroots development initiatives, tighter government regulation of the private sector, and strengthening the DGF.

The policy-making team’s favorable disposition towards peasants and smallholders and belief in state intervention heavily influenced the pro-grassroots development cast of forest legislation and its regulatory and industrial policy emphasis. But these ideas were quite similar to those held by Chilean policy-makers in the policy initiation stage of the native forest law. Why, given the similarity in outlook between the groups of experts responsible for policy initiation, did more of the grassroots development agenda shine through in Costa Rica?

A large part of the answer is that in Costa Rica the cohesive teams of experts were not as isolated as they had been in Chile. They were supported by a social-democratic European government aid agency, a peasant advocacy department in the Costa Rican government, and an organized forest peasantry. This coalition provided external financial resources, specialized institutional capability, and social power that allowed the group of experts from the MIRENEM, the DGF, and the Assembly’s Agricultural Committee to more fully articulate a grassroots development approach to the sustainable development of the forest.
The involvement of an international actor was a key catalyst for strengthening the capabilities of domestic actors interested in grassroots development. The Netherlands' foreign aid agency had long supported more social democratic, grassroots development oriented approaches to sustainable development. It provided a substantial amount of the financial resources for the incentive programs for smallholders in reforestation and managed extraction in native forests. The Dutch also insisted on the creation of an office of peasant development in the DGF – the Departamento Campesino Forestal (DECAFOR) (Solís, 1993: 11).

The incentive programs, however, were not just the brainchild of Dutch aid agency officials. The Dutch, the MIRENEM, and the DGF were also responding to rising demands from peasant organizations who felt that existing incentives (tax breaks on property with forests or tree plantations and income from timber sales as well as incentives granted on a reimbursement basis) only benefitted the timber industry. But the Dutch not only provided ideas, money, and sponsored institutional strengthening for the peasant sector. They also built social capital. Over time, the creation of DECAFOR and the incentive program strengthened peasants and smallholders organizationally and economically, forming social and institutional power bases to influence policy. This was the greatest contribution of the Dutch, for they were not directly involved in the reform of forest policy in the 1990s with one exception: the disposition of the funds they had provided for the incentive programs – which were held in trust funds.

Timber interests were outraged at the grassroots development and state control-oriented thrust of the new forest bill. But since they were economically weak and disarticulated, especially in comparison to their Chilean counterparts, what could they do to stop it? The relative lack of development of timber interests made it difficult for them to enlist help from other business sectors to lobby higher instances of government. For the most part, their firms were not highly capitalized, or technologically sophisticated, and they were not connected to Costa Rican conglomerates. Moreover, by and large, the industrialists did not own the forests. They were almost entirely in the hands of smallholders and peasants, which was why timber industrialists, by and large, contracted with mobile logging teams for the supply of raw materials.19

Timber interests were aided by forging a coalition with state officials; an act that significantly increased their state-institutional sources of power. Timber interests found allies in the Calderón government, which was more inclined to support the private sector and market solutions in general, and which had appointed a minister and vice-minister of MIRENEM that shared this orientation. Although such a shift in state support would have sounded the death bell for any bill in Chile, it was not sufficient for the victory of market-friendly forces in Costa Rica because state cohesion was significantly laxer there than in Chile. Despite the views of ministers and vice-ministers, the main technical teams basically remained unchanged due to civil service clauses and political maneuvering. Although administratively attached to the MIRENEM, the DGF existed by virtue of an independent law, which made it impossible to sack the director who had been appointed during the Arias administration. By court order, this director was on the technical team, as was the director of DECAFOR.
Moreover, the locus for policy formulation had passed from the executive to the Assembly, which was mostly sympathetic to the advisory team’s position. Under these circumstances, the new minister of environment could not over-ride the bill that contained significant support for grassroots development in forestry even though he opposed it.20

Given the orientation of the technical teams and dominance of the legislative over the executive, what prevented the bill from passing in 1990-1991? Again, international factors played a decisive role. Although the heads of the MIRENEM could not significantly change the orientation of the forest bill, the fact that market-friendly officials occupied such positions of state power opened an opportunity to step up opposition to the grassroots development and state control-oriented forest bill by summoning help from the United States Agency for International Development (USAID). The head of the rural development department strongly advocated market-oriented policies, and was an admirer of the Chilean timber industry. USAID provided the resources and organizational know-how to, first, contract a market-oriented environmental think tank to develop a counter bill, and second, to improve private sector organization by pulling together the different subsector groups under the umbrella of a single organization – the Cámara Costarricense Forestal (CCF) – to lobby bureaucrats and the Assembly.21 In highly politicized maneuvering they blocked the original bill, which was quite advanced in the legislative process.22 After minister Bravo resigned, the new minister and vice-minister Boza were content to let the bill languish in committee. Once the electoral season began in 1993, the bill was all but forgotten.

**Breaking the deadlock: markets, technocrats and peasants**

The deadlock between grassroots and market-oriented forces forced a compromise bill, a process which began in earnest in the administration of José Figueres O. (1994-98), with René Castro at the head of MIRENEM. Like his predecessors, Minister Castro initially was not interested in reviving the forest policy debate. He gave a much higher priority to strengthening the Sistema Nacional de Areas de Conservación (SINAC), weakening the DGF, focusing on global commons issues (greenhouse gas linkages), promoting bioprospecting, and linking incentives to the environmental services of ecosystems (which in the forest amounted to substituting traditional incentives for conservation certificates (Segura, Kaimowitz, and Rodríguez, 1997; Martínez, 1997). This was a much more technocratic approach than that of the Arias and Calderón administrations.

Again, it was the fragmentation of Costa Rica’s political institutions that thrust the forest policy issue on the executive. The legislature was becoming more activist in introducing bills than in the past, and the government was facing a rebellious majority party in the Assembly. The traditions of executive control of the policy agenda and of their party in the legislature were breaking down.

In the first months of the Figueres administration, deputy Ottón Solís introduced a highly preservationist forest policy bill to counter the holdover bill from the previous administration. It had strong restrictions on cutting timber
and prohibited land use change. It gathered significant support from the public and members of the Assembly.

Minister Castro responded by reworking the bill inherited from the previous administration. The general thrust was more market-friendly than the original bill because Castro and his team were part of a Liberación government that embraced the world trend toward market economics, and that had to implement fiscal austerity measures. Castro supported deregulation and liberalization of the forest sector, promoted the sharing of executive responsibility between the private sector (as represented by the CCF) and the MIRENEM (as represented by the DGF), and advocated reorganizing the incentive programs (J. Rodríguez, 1997; Arias 1997), including the elimination of the traditional incentives for reforestation and native forest management: the Certificado de Abono Forestal; Certificado de Abono Forestal por Adelantado; and Certificado de Abono de Manejo. For its part, the DGF sought to retain MIRENEM dominance in proposed agencies in which the state and the private sector would share responsibility for policy formulation and implementation, which primarily referred to the proposed Oficina Nacional Forestal (ONF) (Canet, 1995 and 1997; Peralta, 1995; Salazar 1995; Barrantes, 1995, 1997).

Because the DGF, the private sector, and the smallholder sector had different views than the heads of MIRENEM on these subjects, minister Castro formed a reconciliation committee between the private sector (the CCF) and the executive (the DGF and a number of other institutions) (Rodríguez 1997). The bill that emerged favored deregulation and liberalization, settled on 50-50 representation of state and private sector representatives, restructured the administration of incentives, and retained the existing incentive categories while adding others (MIRENEM, 1994b).

The reconciliation committee saw the formation of counter-intuitive alliances on a number of issues. For example, the peasant organization, the Junta Nacional Forestal Campesina (JUNAFORCA), joined the large-scale timber interests in the CCF in representation of the 'private sector'. Both had an interest in deregulation and liberalization of forestry and private sector majority representation on government decision-making institutions (the proposed ONF). JUNAFORCA, also wanted more freedom from DECAFOR's oversight. This alliance was primarily directed against the DGF and its insistence on more control and less responsibility for the private sector. The organizations of large-scale timber interests and peasant organizations also made common cause against Minister Castro's attempts to eliminate the incentive programs for reforestation and timber extraction. They supported a proposition to restructure the administration of the incentive programs: four separate trust funds would be managed by one unit.24

Within the general trend for liberalization and administrative restructuring, the JUNAFORCA used its alliance with DECAFOR and the institutional power it gave them to push for clauses that, within the general market schema, would benefit the peasant sector. This meant assured representation on forest policy-making boards, limited veto powers, and a special fund and window for the peasant sector in a restructured financial institution for fiscal incentives. The united private sector also prevailed upon the government to retain the incentive programs (Solís 1995; Canet 1995; Quirós 1995; Ramírez 1995; MIRENEM 1995a and 1995b).
For the reconciliation bill, peasants and large-scale timber interests formed a fragile alliance in order to pool their organizational power for deregulation and devolution of policy-making and policy implementation responsibilities to the 'private sector'. In this, they had support from Minister Castro, meaning they counted with the institutional power of the executive offices of the MIRENEM. However, institutional fragmentation still protected the DGF and the JUNAFORCA. Based on its own institutional power, the DGF was able to protect itself from dominance by the private sector, and the JUNAFORCA was able to rely on DECAFOR to advance its specific interests as opposed to those of the large-scale timber interests.

The private sector concentrated on working with the executive branch in the belief that the MIRENEM's bill would be the basis for the parliamentary debate, as was traditionally the case in Costa Rica. But the increasing fragmentation of the Costa Rican political system betrayed them. Due to changes in the party system, the legislature had developed a new activism. The legislative committee reviewing forest policy came up with its own bill, which incorporated elements of the MIRENEM bill and Ottón Solís' conservationist bill, and added new elements of its own. Overriding the MIRENEM, the legislature strengthened conservation measures, and restored the state's preeminent role in regulation and control of forestry (Martínez, 1997; González, 1997; Comisión Permanente de Asuntos Agropecuarios, 1995).

It also cut most of the special clauses supportive of grassroots development in forestry. Peasant and smallholder organizations retained specific representation on boards, but always structured in a way that favored large-scale interests; a portion of the funds from the incentive programs were also reserved for peasants and smallholders (Comisión Permanente de Asuntos Agropecuarios, 1995).

Faced with a revolt of the party of the government in the Agricultural Committee of the Assembly, minister Castro and the top policy-making team in the MIRENEM took matters into their own hands in 1995. In a bold measure that must have counted with support from the presidency to succeed, Castro disarticulated his major opposition within the MIRENEM. Using his institutional power, Castro implemented the SINAC by decree. Thus, through an act of administrative reorganization, Castro essentially eliminated the DGF, and with it the DECAFOR. That also meant a reduction in the fragmentation of state institutions that had stymied the ministers of the MIRENEM under both Calderón and Figueres. The SINAC was the purest expression of the ideas that permeated policy-making circles, deregulation, decentralization, client service, and an emphasis on biodiversity conservation and the valuation of nature based on the concept of environmental services rather than sustained-yield resource utilization (Segura, 1997; MINAE, 1997).

The SINAC had four general objectives. First, to consolidate Costa Rica's protected areas in order to guarantee the conservation of the nation's biodiversity. Second, to strengthen the management of those areas and their environs. Third, to facilitate and foment the responsible use of natural resources for the economic and social development of the country. Fourth, to ensure – with the participation of civil society – compliance with technical and legal norms established to achieve sustainable management of natural resources (MINAE, 1997).

The guiding principles to achieve these objectives were administrative de-
centralization, functional deconcentration, client service, and democrati-

ization. Decentralization meant that most decisions that used to be taken in San

José’s central office would devolve to eleven regional administration centers
called conservation areas (áreas de conservación, AC). Each AC was further
divided into subregions. Decentralization also ensured that most personnel
would be stationed outside of the capital city. Functional deconcentration
meant that the separate departments, DGF, PN, and VS would no longer exist
as such. Instead, at the regional and subregional level the personnel that used
to belong to those agencies would be ‘polyfunctional’, they would attend to
problems regardless of whether they involved resource use, preservation or
protection. In theory, these two elements would provide better service to the
clients (both human and nonhuman) of MIRENEM, such landowners seeking
use permits for forests, processing applications for incentives, taking care of
forest fires, attending to accusations of abuse of protected areas, or managing
parks. A streamlined SINAC central office (SINAC Central) would be in
charge of defining overall policy and strategy, and standardize rules and regu-
lations for the ACs. Democratization referred to greater citizen participation
in the regions through local organizations. Individual ACs were territorial
units modeled on the principles of the United Nations’ Man in the Biosphere
program (MINAE, 1997).

The SINAC greatly strengthened Minister Castro by reducing fragmenta-
tion of power in his ministry. All of the top people now supported his vision.
The SINAC also strengthened Castro’s position with regard to the Legislature
on the forestry bill because the principal agency for control the Assembly
sought to support (the DGF) had been eliminated. As a result, legislators had
to strike some compromises with MIRENEM, which the environmental law of
1995 had transformed into the Ministry of Environment and Energy (MINAE).
Because increased state control under the new decentralized adminis-
tration was not feasible, deregulation, liberalization, and devolution of policy-
making responsibility to the private sector were emphasized, primarily with
respect to permitting, transportation and control of timber extraction. The
regulatory body later reinforced that trend, because Castro’s policy-making
team picked Guillermo Arias, a man who favored the more market-friendly
approach.

The 1996 forestry law brought all of the trust funds that the DGF had admin-
istered under one administrative roof, the Fondo Nacional Financiero Forestal
(FONAFIFO). New funds were encouraged through market-oriented interna-
tional ventures like biotechnology prospecting and several international car-
bon off-set arrangements. Reforestation, rather than use of standing forest,
was the goal. All disbursements would be on based on contributions to the
environmental services of the forest (climate change abatement, protection
against erosion, contributions to watersheds, protection of habitat). Foot-drag-
ging on traditional incentives became the norm. The new law also streamlined
the permitting process for timber extraction on private land and privatized
much of the process. Private agents, the ‘regencies’ were empowered to take
over the permitting process and control of extraction. Transportation, by the
same token, was sharply deregulated. And the private sector shared in policy
formulation and implementation in the National Forestry Office and the Certi-
fying Commissions.
This schema represented a triumph for conservationists and for large-scale, industrial timber interests. The new system privileged biodiversity conservation in protected areas and left forests in private hands more open for extraction. The ascendancy of conservationist ideas was evidenced by tying new incentives to the environmental services of the forest and the phase-out of the traditional incentive structure (Martínez, 1997; González, 1997; Segura, 1997; Comisión Permanente, 1996). By the same token, the private sector has used their dominance of the ONF and the certifying commission to define a policy agenda that stimulates large-scale industrial plantations of timber from exotic species for export. True the ONF did not emerge as a true policy-making board with equal representation for the public and private sectors. Although it was now strictly a private sector organization, the ONF was reduced to advisory and trade association functions. Still, the private sector uses this forum as a platform to keep grassroots development-oriented proposals from getting on the policy agenda. Given these tactics by timber interests, the JUNAFORCA left the CCF and now works with a much reduced DECAFOR to establish a policy agenda in the new institutional setting. The greatly diminished DECAFOR, however, has few resources with which to support a redefinition of a program for grassroots development in forestry (Canet, 1997). The sector faces new challenges in learning how to apply for project funds earmarked for environmental services programs (Bauer, 1997).

Despite these setbacks, grassroots development opportunities are still greater in Costa Rica’s forest policy than in Chile (Dirección General Forestal, 1994; Forestry Law, 1996). The social afforestation and managed native forest incentives of the 1980s had important consequences. They built social capital by generating organizational strength in the smallholder sector. Strong regional associations have learned how to manage projects and how to participate in policy-making. They have confederated in the JUNAFORCA. They continue to exploit their linkages to international NGOs, friendly government aid agencies, and multilateral institutions. This provides resources to continue. So do the retention of the traditional incentives, but even they are supposed to be faded out over the next few years. The definition of environmental services to include functions covered under the traditional incentives assures some level of continued financial support for those peasant organizations. In other words, portions of the new funding sources and of the old incentive system were reserved for peasant, smallholder, and medium-holder use (Forestry law, 1996; Araya M.V., 1997; E. Rodriguez, 1997). Moreover, they still retain a place on all decision-making boards, whether government or private. Thus, with some sources of funding and representation on policy-making boards, they have an opportunity to make themselves heard and try to gather support for their positions as they seek to redefine grassroots development in Costa Rican forestry. At the very least, these conditions offer the possibility of defending themselves against the worst onslaughts of their detractors.

**Conclusion**

This paper analyzed when and how ideas, state institutions, social groups, and external factors affected recent the forest policy – expressed in legislation and
decrees – of Chile and Costa Rica. The focus was on how the relationship between these clusters of variables affected the degree to which recent forest legislation incorporated stimuli for the grassroots development component of the concept of sustainable development. In terms of outcomes, Chile’s legislative framework exhibits a weaker commitment to the grassroots development component of sustainable development than Costa Rica. Its largest forest sub-sector – the native forests – essentially does not address the issue; the smaller subsector does, but in a more limited manner than need be. Costa Rica had much a more direct and diverse approach to the problem that covered both native forests and plantations.

In terms of explanation, Chile offered a window into the politics of sustainable forest policy in democracies where international factors were not directly involved. Newly democratic Chile showed that the ideas of the core policy-making team can be the key to understanding the initial policy formulation, which emphasized native forest management and grassroots concerns. At a deeper level, the case exemplified the politics of forest policy when industrial, plantation-based timber interests are powerful social actors. When timber is a key export product, and when the companies are part of a country’s leading conglomerates, they can gain support from other ministries and government agencies to change the content of bills they find offensive. Under these circumstances, the policy-making team must have more solid state institutional backing in the form of strong support from their minister, and perhaps of the presidency itself, or else their proposals will be vetoed before the bill is ever presented to the legislature. If the bill makes it to the Congress, economically powerful and important social actors may enlist the help of conservative parties to defeat the executive’s bill – the legislature’s institutional powers and the political strength of conservative parties permitting. This bloc’s task will be made easier to the extent that the executive lacks an organized social constituency for its bill, in this case the peasantry, Native American nations, or small-scale farmers.

The dynamics of the bill to reform DL 701 in Chile nicely contrasts these points. The policy-making team and state institutional backing were roughly the same as for the native forest bill, highlighting the significance of society-centric factors. The main difference was that the timber industry did not oppose the 701 bill. The case also shows that linkage between the policy makers and organized grassroots social groups helps the policy process in two ways. First, information from the target group aids in insuring that proposed policy can achieve the desired goals. Second, the alliance can defend more strongly against reverses in policy orientation when opposition arises.

Where international factors play a more direct role they augment the power resources of domestic actors, both state and social. Democratic Costa Rica suggests how complicated those relationships can be when proposed forest policy has a strong grassroots development component to it; when both U.S. and social-democratic European countries are involved; when timber interests are not strong; and when peasants and farmers are organized. The case demonstrates that policy-making teams that combine ideals of social justice with environmental concerns can infuse the first drafts of forest policy with a well-defined grassroots development orientation. Their position tends to be strongest when backed by their ministry; when they serve an organized peasant and farmer constituency; when key legislative committees support them; and when
social-democratic European countries offer financial assistance. In other words, promoting grassroots development requires that the policy-making team have cohesive backing from the political institutions relevant to the policy issue, in this case from the executive and the legislature. Such an alliance of political actors provides significant institutional power. Further, the policy-making teams are strengthened and enriched by their association with an organized peasantry. It provides organizational power and valuable input into and legitimation for the policy itself. Alliance-building with more social democratic external actors can be crucial as a catalyst and support for the entire grassroots development movement. Since these foreign governments are not the regional hegemon, they cannot become more directly involved in the internal politics of Central American countries even if they wanted to.

Under these conditions, weak timber interests must search for allies or lose ground to initiatives that favor peasants. They may find them in the form of a minister who does not support the policy recommendations of subordinate agencies. When there is less than fully cohesive support from the ministry, the pro-grassroots development policy-making team in semi-autonomous or autonomous agencies will need the backing of higher level political actors (in this case the legislature) or else the bill will be killed. But, even when such backing is available, direct intervention on behalf of market-friendly forces by the regional hegemon – the United States – can deflect the outcome by offering financing for the drafting of alternative bills to the appropriate think-tank; by organizing timber interests; by coordinating the efforts of opponents of the grassroots development friendly bill.

Costa Rica also highlights the difficulty of killing grassroots development approaches to forest policy once they have been included in the policy process. The Figueres administration tried to after the SINAC swept away the state institutional toeholds (DGF and DECAFOR) of grassroots development proponents. This accomplishment meant that a well integrated policy-making team that favored conservation and market-oriented forest policies had finally achieved cohesive institutional support within the executive. This forced the legislature, a source of mild opposition, to adjust. By the same token, the establishment of the SINAC left the organized peasantry without strong allies in the state; and it had never really had them in the key legislative committee under Figueres.

Yet counter-intuitive alliances, weak state institutional toeholds, and international factors kept grassroots development in forestry on the policy agenda and in the legal framework. Large-scale, medium-scale, and smallholders, united in the CCF, vigorously fought against the elimination of the traditional incentive structure because both benefitted from them. Their high-pressure confrontational tactics against the MINAE and President Figueres were partially successful. Traditional incentives would be phased out instead of immediately eliminated, allowing for a period of adjustment. Moreover, this same producer alliance forced the MINAE to redefine environmental services to include traditional productive activities in reforestation and sustained-yield management of native forests.

Although the alliance broke up after these victories, smallholder associations are not completely isolated politically. They retain linkages to weak state actors (DECAFOR was diminished but not eliminated as was the case
with the DGF). They also retain connections to international agencies in their search to redefine the meaning of a pro-grassroots development agenda in forestry in terms of the discourse of biodiversity conservation. Once again, in a country so open to external influences, international support may be crucial. Either directly (through concrete projects) or indirectly (through project conditionality and institutional conviction), international institutions continue to emphasize that livelihood concerns are key to successful conservation efforts. This provides an opportunity for JUNAFORCA and its allies to find new ways to link the biodiversity conservation and global commons discourse with the livelihood issues.

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Notes

1. Of course, policy consensus along these lines does not preclude widespread disagreement in academic and NGO circles over the usefulness of the concept of sustainable development, what should be sustained, how it should be sustained, and whether anything can be sustained. For a representative sample see Daly and Townsend, eds (1993).
2. A wide range of techniques, or approaches to the use of forest resources, exists, although none advocate clear-cutting. Some are closely modeled on sustained-yield techniques. The primary interest continues to be extraction of maximum cubic meters possible without affecting regeneration. Species are inventoried and rotation plans are plotted. Extraction often involves the use of skids or tractors. Regeneration may be natural or with the planting of seedlings. Other approaches are more sensitive to mimicking natural processes. For example, the size of a cleared area may imitate that of a natural tree fall with natural regeneration (Hartshorn, 1989).
3. There is significant concern over whether such projects can survive in a climate of market-driven international and domestic competition led by large-scale enterprises (Assies 1997).
4. For ‘situation’ as an analytic concept see Gourevitch (1986).
5. For an excellent case study of these dynamics see Schmink and Wood (1992).
6. In 1994, the forest sector employed about 95,000 people (two percent of the economically active population), 60 percent in industry and services and 40 percent in silviculture and extraction (INFOR, 1995).
7. For a dissenting view see Gómez (1993).
8. For further details on the bills see Silva (1997: 3-6).
9. This is at least true for the social equality and the empowerment of local peoples components of sustainable development. There is some concern over whether reforestation policies merely provide license for substitution with exotic species or rhetorical cover for cut-and-run logging.
11. Among others, the forestry subcommission of the Concertación campaign included Aarón
Cavieres, Jaime Tohá, Juan Moya, Luis Otero, Fernando Bascul, Jorge Catemillán, and Ignacio Leighton. For the Concertación’s platform see Lara, Cavieres, Cortés, and Donoso (1989).

12. The set of shared interests that made this alliance possible are articulated in the public policy debates, see Infante (1991) and CIPMA (1992); also author interviews with Vial (1996), Carrillo (1996).

13. The undersecretary of finance, Manuel Marfán (1993), was a former academic from CIEPLAN, thus, Joaquín Vial (1996a, 1996b) of CIEPLAN (a think tank connected to the Concertación) contributed the economic incentive portion of the new law; Eduardo Carrillo (1996). Both were interviewed by the author.

14. For examples of the gulf between the executive’s bill, championed by the Senate, and that of the House of Deputies, see Raga (1995), Lara (1996), and CORMA (1994).

15. This was done largely through a restructuring of the incentive program. The traditional incentive programs – subsidies which, in effect, were grants – were to be phased out over five years and replaced with credit instruments. Large-scale property owners suffered from elimination of the Certificado de Abono Forestal (CAF), but they would have the financial capability and organizational know-how to access credit. Because of the workings of the market, small-scale landowners who depended on the CAF por adelantado (CAFA) and the CAF de manejo forestal (CAFMA) would have less access to credit. Furthermore, more funds – based on allocation of hectares per incentive – would go to landowners with holdings of 1 to 300 hectares (small-scale holders are from 1 to 50 ha.) for the Certificados para la Conservación de Bosques, meaning forests would not be logged. Only the more well-off can afford that. Finally, with the discontinuation of the CAF por Adelantado, reforestation would only receive tax incentives, which, by definition, discriminates in favor of large-scale holders.

16. The institutional setting for legislation in Costa Rica is complex, and, for idiosyncratic reasons that cannot be developed here for lack of space, even more so in the case of natural forest policy. For the basics see Carrière (1991).

17. The incentives for smallholders were the Certificado de Abono Forestal por Adelantado (giving the incentive before undertaking forest management rather than as reimbursement) and the Fondo de Desarrollo Forestal (based on a trust fund given by the Netherlands). Institutional development largely hinged on the creation of the Departamento Campesino Forestal in the Dirección General Forestal.

18. For the policy orientation of the legislative commission, I relied on author interviews with key actors in the process. These included José Luis Salas, technical director of the commission; Gilbert Canet, director of the Forest Service’s Office of Peasant Development; and Gastón Vargas, chief aide to the Legislative Commission. All were interviewed in San José, Costa Rica, Nov. 1994 and Feb. 1995.

19. These data are from author interviews with key market-friendly participants, Enrique Barrau, Agricultural Development Officer, USAID; Raúl Solórzano, Executive Director of the Centro Científico Tropical; Luis Fernando Sage, forest industrialist; Alfredo Peralta, forest industrialist; all interviews were in May 1993 and Nov. 1994, San José, Costa Rica.

20. These data were collected during author interviews with key actors on both sides of the debate. On the more grassroots-oriented side these included José Luis Salas, technical director of the commission; and Gastón Vargas, chief aide to Legislative Commission. All interviews in San José, Costa Rica, Nov. 1994. On the more market-friendly side, interviewees included Enrique Barrau, Agricultural Development Officer, USAID; Raúl Solórzano, Executive Director of the Centro Científico Tropical; Luis Fernando Sage, forest industrialist; and Alfredo Peralta, forest industrialist; all interviews were in May 1993 and Nov. 1994, San José, Costa Rica.

21. In addition to the author interviews from the previous note, see Centro Científico Tropical (1992) and Unión Nacional de Empresarios Forestales (1993). For lobbying efforts, see National Assembly (1994).

22. Author interviewed Luis Fernando Sage, forest industrialist; Alfredo Peralta, forest industrialist, and now vice president of the Cámara Costaricensa Forestal; and Edgar Salazar, executive director, Comisión de Desarrollo Forestal de San Carlos. All interviews were in May 1993 and Nov. 1994 in San José and Ciudad Quesada, Costa Rica.

23. See notes 15 and 17 for details.

24. The Certificado de Abono Forestal, the Certificado de Abono Forestal por Adelantado, the Certificado de Abono Forestal para Manejo, and the Fondo de Desarrollo Forestal.

25. Author interviews were with key large and small-scale private sector timber interests and
peasant organizations, Luis Fernando Sage; Alfredo Peralta; Edgar Salazar; and Magda Solís, executive director of the Junta Nacional Forestal Campesina. All were interviewed in May 1993, Nov. 1994, and Feb. 1995 in San José and Ciudad Quesada, Costa Rica.

26. Author interviewed Magda Solís, JUNAFORCA, Nov. 1994. JUNAFORCA carried out the negotiations on behalf of peasant organizations. See also JUNAFORCA (1994).

27. The strengthened conservation measures centered on valuing the environmental services of the forest; thus, they placed a premium on forest preservation as exemplified in the emphasis on the Certificados para la Protección del Bosque (CPBs that required no forest intervention for 20 years to qualify), which replaced the three types of Certificados de Abono Forestal (CAFs) as the preferred incentive. In 1997, the CPBs received a quota of 50,000 hectares, while the CAFs were apportioned 7,000 hectares a piece (Cámara Costarricense Forestal, 1997: 1).

28. Funding and the allocation of hectares per incentive type were decided upon a yearly basis by decree. Officials delayed in making those decisions, holding up payment of past and future disbursements for six months, and up to a year in some cases.

29. Money raised from biodiversity prospecting, joint implementation, and tradable carbon offset certificates are mainly destined for the consolidation of protected areas. Buying private lands in parks is a high priority. By the same token, no hard data exist on the effects of the law on rates of timber extraction from forests under private ownership. Most observers, including supporters of the law in the Assembly, believe that extraction rates have increased, some say to an alarming extent. These observers agree that the law has too many loopholes and is excessively lax, which results in insufficient control. The most pessimistic observers argue the law leaves the fate of privately owned forests entirely in the hands of their owners, which virtually guarantees their extinction.

30. Moreover, the certifying commission was strictly a voluntary organization, in which certification gave companies greater freedom from government oversight.


32. The Forest Law of 1996 eliminated the DGF because it did not authorize the creation of a separate forest service. The State Forest Sector (Areas Forestales del Estado) would take over the DGF’s functions.

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