

Does the Global South Import Ideology Shifts? Evidence from Costa Rica and CAFTA-DR

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Abstract

Previous research has shown that regions negatively impacted by trade have shifted toward political extremes in developed nations. The developing world has largely gone overlooked in this realm. Looking at Costa Rica, a developing nation with a stable democracy and who ratified CAFTA-DR in 2009, I use canton-level vote shares and political party manifesto data to estimate political ideology at the canton-level across elections. Using change in imports by election cycle, I use a shift-share analysis to estimate import competition experienced in Costa Rica. Results show that increased exposure to import competitions shifts political support toward relatively right-leaning political parties. Decomposing political ideologies into social and economic dimensions suggests that the observed shift is driven by social policies, by as much as three times than economic policies. This finding provides evidence of links between adverse economic shocks to ideological shifts within developing nations.

1 Introduction

In recent history, we have seen the Global South has increased their participation within the global economy (Bown and Crowley, 2014). Developing nations have used international relation tools, such as Free Trade Agreements (FTAs) to propel their own economic growth forward. At the same time, increased globalization has become politically divisive across the world. Although, it is not necessarily that opinions against globalization have become more popular, but rather that political agents have prioritized it in the political debate (Walter, 2021). Contemporaneously, recent political outcomes have seen an increase in support toward right-wing/nationalist ideologies. Colantone and Stanig (2018b, 2019) attribute these shifts as a direct response to increased international trade. Worth noting is the fact that these effects have been documented in the Global North: with labor market effects of increased import competition increasing political polarization in the US (Autor et al., 2020) and extreme push-back against globalization culminating in political events like the Brexit referendum (Sampson, 2017; Colantone and Stanig, 2018a). Given that developing nations have increased their global market participation, it is important to gain insight into how deeper international integration may impact their local politics as well.

By looking at Costa Rica, this paper shows that developing nations are not immune to political effects of increased international trade. Costa Rica is a great nation to conduct this analysis given that they ratified the Central America Free Trade Agreement (CAFTA-DR) in 2009. This was a highly politicized event that culminated in a popular vote referendum to approve the FTA. By using voting data from general elections, political party election manifestos, and international trade flows between signatory nations, I analyze to what extent increased import competition/trade impacts political ideology support at the canton-level.¹

A novel contribution of this analysis is the use of a canton-level political ideology measure. It is constructed by combining political party election manifesto data with party vote shares

¹Costa Rica's administrative levels ordered from largest to smallest are province, canton, and district.

at the canton-level for each election cycle. The use of political party manifestos allows me to estimate their political ideologies. And by weighing them to vote shares at each election, I can observe the ideological position for cantons and how they shift across election cycles.

To conduct the empirical analysis, I employ a shift-share measure as done in [Autor et al. \(2013, 2020\)](#) and [Dauth et al. \(2014\)](#) which captures the level of import competition at the canton-election dimension. Cantons are differentially exposed by their lagged employment composition using Costa Rica's 2000 census. Because the analysis is subject to endogeneity concerns due to import demands from the US into Costa Rica, I conduct an instrumental variable (IV) approach using the cumulative trade volume between the US and other signatory nations.

I find that regions that experience increased import exposure shift their political ideology toward the relative right. These shifts in support are observed to be as much as 1.83 standard deviations in the political ideology measure. Further, a decomposition of political ideologies into social and economic policies further shows that a significant part of this switch comes from support for more conservative social policies, by as much as three times than economic policies. This trend supports results shown in [Danieli et al. \(2022\)](#), likely highlighting a cultural shift mechanism. Considering the possibility that regions may be net exporters rather than importers, I conduct an analysis using net imports instead. Results using this trade measure yield similar results to the import only specification, although there is a loss in statistical significance.

This paper contributes to the existing literature of political effects of increased trade integration/globalization. It also provides evidence of these effects being present in developing nations, a section of the world which has largely gone understudied.

This paper proceeds as follows. Section [2](#) summarizes the relevant literature to globalization, trade, and interactions with political outcomes. Section [3](#) provides background information on Costa Rica's political context and CAFTA-DR. Section [4](#) describes the data used in

the empirical analysis and Section 5 details the construction of the necessary variables and presents the empirical strategy in more detail. Section 6 presents the results analyzing the relationship between exposure to import competition and political ideological support shifts in Costa Rica. Lastly, Section 7 concludes.

2 Literature Review

Globalization has been documented to impact local labor markets and the politics of developed nations. In the United States, [Autor et al. \(2013, 2020\)](#) find that import competition has had significant negative effects on manufacturing labor and also has shifted voters toward the political extremes. Exploring the effects of international trade on US presidential elections, [Jensen et al. \(2017\)](#) demonstrates that increases in imports are associated with a decrease in vote shares for the incumbent candidate. [Che et al. \(2022\)](#) look at the effects of exposure to trade liberalization on voter behavior, with results showing that voters subject to increased import competition shifted their votes to the more protectionist political party at the time.

In Germany, [Dauth et al. \(2014\)](#) find that labor markets were negatively affected by the rise of Asian nation in the world economy. They also show that trade integration with regional neighbors increased employment in the same labor markets, functioning as an attenuating force. Remaining in Germany, [Dippel et al. \(2022\)](#) show that support for nationalist parties was driven by exposure to imports from low-wage countries and that increasing exports has the opposite effect. In France, [Malgouyres \(2017\)](#) finds evidence that import competition exposure increased votes for far-right political parties. [Caselli et al. \(2020, 2021\)](#) show similar results in Italy, where increased import competition from China and immigration intensity contributed to electoral support of far-right parties. Similarly, [Iacoella et al. \(2020\)](#) show that trade reforms explain the recent rise of populism in Brazil.

There has been substantial amount of research conducted to show that increased trade can

directly impact the political realm. However, it has been concentrated on the Global North. Looking at the 1980s and 1990s, [Goldberg and Pavcnik \(2007\)](#) summarize the literature and provide empirical evidence of the evolution between globalization and inequality in the region. More contemporaneously, [Dix-Carneiro and Novak \(2023\)](#) provide a magnificent summary of globalization research in Latin America. Importantly, they address how the political channel may be a mechanism for globalization to impact inequality in the region. In a survey chapter, [Colantone et al. \(2022\)](#) discuss the global backlash to globalization, but they are unable to demonstrate these effects in the developing world.

Looking directly at the effects of Free Trade Agreements, [Bustos and Morales-Arilla \(2024\)](#) look at whether the North American Free Trade Agreement (NAFTA) affected the leftist candidate's 2006 presidential election in Mexico. There has been a limited amount of research surrounding CAFTA-DR. Using the referendum to analyze how much economic fundamentals drive attitudes toward trade, [Mendez and Patten \(2023\)](#) find that economic factors, such as firm of employment, help explain 6% of the variation in voting patterns. Importantly to the present analysis, this is variation that cannot be attributed to political ideology.

This paper helps to fill the gap in the literature regarding developing nations. I provide evidence of political dynamics in a developing nation directly attributable to increased trade flows through a FTA. Additionally, the use of political party ideology is novel in this context and helps lend evidence to political shifts due to increased globalization.

3 Policy Context

3.1 Costa Rican Political Structure

Costa Rica is a representative democratic republic and one of Latin America's most enduring and highly rated democracies, consistently ranked among the region's strongest by major international indices. The Economist Democracy Index gave it an 8.29 (out of 10) score in

2024.² The government itself is made up of three branches: an Executive, an Independent Judiciary, and a Legislature. For the purpose of this paper, I concentrate on the Legislative branch which is organized through a unicameral Legislative Assembly. There are 57 seats in the Assembly, with all legislators serving a 4-year term in the same cycle.

Voting is compulsory but not strictly enforced, as evidenced by a mean 69.73% turnout rate through the sample period. All citizens are automatically enrolled to vote once they become 18 years of age. This eliminates some traditional barriers to voting experienced in countries like the United States.

National elections are held every 4 years and are both the executive and the legislature are on the ballot. Rather than voting directly for individual legislators, voters are asked to select which political party they support. The voter may generally be aware of which candidate would be seated if the party receives sufficient votes, but it is safe to assume that individuals vote for the party rather than the candidate. This is significant to the present analysis because voters are largely voting for the party platform, not the individual legislator. This circumstance lends confidence in measuring regional political ideologies as the policies a party supports will not necessarily vary across space.

The multi-party political structure of the Assembly means that coalition governments are the norm. The mean number of political parties within each legislature is 7, and no single party has held an outright majority (29 legislators) during the sample period. The party with most consistent representation has been the National Liberation Party (PLN) holding a mean of 22 seats per cycle. The PLN is characterized as a centrist to center-left party and receives a mean political measure score of -1.61 . The full party summary statistics can be found in Appendix table [A1](#) and graph can be found in Appendix figure [B1](#).

²Over the sample period, the same ranking averaged out to 8.08 which characterizes it as a full democracy.

3.2 Political Context of CAFTA-DR

The Central America Free Trade Agreement (CAFTA-DR) is observed by the United States, Costa Rica, Nicaragua, Guatemala, El Salvador, Honduras, and the Dominican Republic. The primary objectives were to encourage expansion and diversification of trade, eliminate trade barriers, promote conditions of fair competition, substantially increase investment opportunities in the non-US nations, and provide protection and enforcement of intellectual property rights, as determined by Article 1.2 of the treaty. For the non-US signatory countries, this meant an immediate elimination of import tariffs on about 80% of US imports and the other 20% to be phased out over time. The results of this would have local economies be subject to an increased volume of goods originating from the US. Exports headed to the US did not see much change as they already entered the US duty-free under the Caribbean Basin Initiative (1984), which CAFTA-DR continued and superseded. In Costa Rica, there was an increase in Foreign Direct Investment (FDI) (see Figure B2 in the Appendix) and trade volume originating from the US (see Figure B3a in the Appendix).

The FTA itself was negotiated through the early 2000s with talks concluding successfully in 2004. Costa Rica was unable to approve the ratification of the agreement through their legislature and so posed the decision to the voting age populace via a referendum in 2007. The question on the ballot was "Do you approve of the Dominican Republic, Central America-United States Free Trade Agreement?" with a simple yes or no choice. The referendum was approved with a 51.56% majority with a 59.2% turnout rate.

4 Data

4.1 Election Results Data

Voting results are observed at the canton-election level. Because Costa Rica operates under a multi-party system, the data tabulates votes that each political party obtained at each

election by canton. The data itself is sourced directly from the constitutionally mandated election commission of Costa Rica (TSE, for its name in spanish). The sample period covers 6 election cycles, following their 4 year cycle, from 1998 to 2018. All 81 cantons across all 7 provinces are recorded in the data.

4.2 Political Party Manifesto Data

Political party manifesto data comes from the Comparative Manifesto Project (CMP) ([Lehmann et al., 2025](#)). This data consists of policy-coded political party election manifestos. The text is split into single statements, called quasi-sentences. These statements are then coded into an individual policy position category. The unit of observation in the data is the share of quasi-sentences within each policy category. For example, a reported value of 3.194 under the “Protectionism: Negative” would indicate that 3.194% of the manifesto is coded in this category. Due to limitations of coding each manifesto and the availability of historic manifestos, the data contains information on 8 different Costa Rican political parties across the sample period. However, not all parties appear in each election as some may come into existence or others may cease to exist due to lack of support.

4.3 Trade Flow Data

Data on trade flows between nations is sourced from the UN Comtrade Database. I collect data on volume of trade between signatory nations where the non-US is the primary reporter. Unfortunately, the Dominican Republic does not appear in the data and is thus omitted from the analysis. The data reports imports and exports, both in weight and value, between both nations by HS industry. The sample period runs from 1994 to 2018. The trade flow data begins at an earlier year than the political party data because it is necessary to have trade data prior to each election to properly measure their import competition vulnerability.

In order to properly harmonize HS codes across years, I use concordance maps to equate all

years to HS0 categories.³ This ensures that goods that are traded are consistent across the sample period.

4.4 Demographic Data

In order to properly control for other regional characteristics that may influence political outcomes, I collect canton-level demographic data from the Costa Rican 2000 census. This is accessed through the Minnesota Population Center (2020). Data are collected for households with individuals identified within each household. I primarily gather data on industry of employmen (if the individual is employed), which I then aggregate to counts at the canton-level. The occupation-industry data is coded using the International Standard Industrial Classification of All Economic Activities (ISIC3), I use concordance maps to harmonize them onto HS0 categories so they can be matched with the trade flow data. Canton demographic summary statistics can be found in Appendix table A2.

5 Methodology

5.1 Political Ideology Measure

In order to properly measure the political ideology of each canton, I first use the political party manifesto data to create a “Political Party Score”. I follow the proposed methodology for use of the Comparative Manifesto Project data detailed in Lowe et al. (2011):

$$\text{Political Party Score}_{pt} = \log \left(0.5 + \sum_i z_{ipt}^+ \right) - \log \left(0.5 + \sum_i z_{ipt}^- \right), \quad (1)$$

where $\sum_i z_{ipt}^+$ and $\sum_i z_{ipt}^-$ are the sum of the frequency of “right-leaning” and “left-leaning”, respectively, policy statements i made by political party p published for the election in year t . These sums results in values greater than 0, with the difference being the stated political

³I use maps contained in the R Package `concordance` (Liao et al., 2020).

position of the party. The preferred policy variables used in this equation can be found in Appendix table [A3](#).

This measure ranks each political party, at every observed election, on a comparable political spectrum. Values are mechanically bound between -5 and 5 due to the fact that if a party were to only have “right” or “left” coded policy statements the maximum value would be equal to 100. The obtained value indicates whether a party is left- or right-leaning, as indicated by a negative or positive value. A higher score (more positive) indicates a more right-leaning party and a lower score (more negative) indicates a more left-leaning party. Given the political context of Costa Rica as a left-leaning political country, all but one political parties receive a negative Political Party Score across elections. Results of this measure are shown in Appendix figure [B1](#).

The Political Party Score measure is then used to create a political ideology data point for all cantons at each election cycle. I weight the score by each political party’s p vote-share w obtained in canton c in election year t . I sum over all political parties to obtain a weighted average at the canton-level. Because not all parties that participate in each election are observed in the Manifesto data, the political ideology measure is normalized using the sum of all observed political party vote shares;

$$\text{Political Ideology}_{ct} = \frac{\sum_{p=1}^n w_{cpt} \times \text{Political Party Score}_{pt}}{\sum_{p=1}^n w_{cpt}}. \quad (2)$$

Given that this constructed variable is measured at every election cycle, it allows me to dynamically observe canton-level political ideology throughout the sample period.

5.2 Import/Export Exposure Measure

To capture the exposure to trade component, I follow the shift-share approach as done in [Autor et al. \(2013, 2020\)](#) and [Dauth et al. \(2014\)](#):

$$\text{Import Exposure}_{ct} = \underbrace{\sum_k \frac{L_{ck,2000}}{L_{c,2000}}}_{\text{Share}} \times \underbrace{\text{Imports}_{kt}}_{\text{Shift}}. \quad (3)$$

The two main components in the equation above are the share of individuals in canton c employed in industry k in the year 2000, and the observed shift in imports by industry k in year t . The "shift" is further weighted by per worker in industry k :

$$\text{Imports}_{kt} = \frac{\Delta M_{kt}}{L_{k,2000}}, \quad (4)$$

where the change in imports (ΔM_{kt}) is measured for industry k between years t and $t - 1$.⁴

This Import Exposure measure captures how vulnerable to import competition canton c is in year t . Figure B4 shows the election to election change in the measure. The measure itself has a mean of 0.48, with standard deviation of 0.15 across the sample period. The share of labor is static and set in the year 2000 due to endogeneity concerns of local employment industry composition responding to changes in local economies as they likely adjust to the new equilibrium created by increased trade. The Export Exposure measure is created using the same methodology, using export values per industry k instead of imports. In the analysis I report Net Imports as well, these are measured using the difference between Import Exposure and Export Exposure values.

5.3 Model

The main model to be estimated is:

$$\text{Political Ideological Lean}_{ct} = \beta_1 \cdot \text{Import Exposure}_{ct} + X_c + \gamma_t + \gamma_p + \varepsilon_{ct}. \quad (5)$$

⁴I also ran the analysis below using the differences between election cycles, that is to say, the differences between 2010 and 2006, for example. The preferred specification uses yearly trade data.

The dependent variable is the political ideological lean of canton c measured from results of the election in year t . β_1 captures the average effect of the change in import exposure, relative to the previous election cycle, at canton c for the election held in year t . X_c are canton-specific socioeconomic controls observed in the year 2000: average age, unemployment rate, proportion female, proportion of college educated, and average years of schooling. The fixed effects γ_p and γ_t are province and time (election cycle). I use province fixed effects instead of canton fixed effects due to the fact that legislative deputies are determined as a proportional representation of province vote-shares, not canton.⁵

5.4 Endogeneity Concerns

A concern when considering the econometric approach detailed above is the possibility of endogeneity originating from demand of imports. Previous literature have utilized imports between other countries and the trading partner, which is the US in this context. I employ a similar approach, by using the trade of goods between the US and the other signatory nations. Using the cumulative trade volume between the US and Nicaragua, Honduras, El Salvador, and Guatemala.⁶ By using the other signatory countries as an instrument for imports entering Costa Rica from the US, I directly address the possibility of Costa Rican demand for US goods being the primary driver of changes in imports.

6 Results

Results from regressions of equation 5 are reported below. All estimations are for the period of 2002 to 2018, which observes 5 election cycles. I conduct separate analyses for imports exposure, which only includes import trade data, and net imports exposure, which is the difference between import and export exposure as described above.

⁵Specification tests can be found in Appendix Tables A4 - A7. Results are similar across specifications. The preferred specification was chosen due to the political context.

⁶As a robustness test, I test the possibility of one country being the primary driver in the instrumental variable approach. I employ a “leave-one-out” analysis and results are presented below in tables 4 and A9.

6.1 Effects of Import Exposure on Political Ideology Lean

By construction of the Import Exposure measure, results should be interpreted as the average effect of a 1,000 USD increase in a canton's exposure to import growth, which is driven by increases in national imports per worker, is associated with an increase (rightward shift) or decrease (leftward shift) in the canton's political ideology lean. The primary results of the model can be found in table 1 below. Column 1 and column 2 use only imports in the creation of the import exposure measure, while column 3 and 4 use net imports. Additionally, these results show trade data at different period intervals: columns 1 and 3 use election cycle frequency (every 4 year difference), while columns 2 and 4 use yearly trade data. For all other results discussed below, the preferred specification uses the yearly frequency trade data as it should minimize measurement errors in the data.

Results show that, on average, more import exposed regions shift their political ideology toward the relative right. This result is as expected from previous literature on the topic. This effect holds whether we consider either imports or net imports are considered. Looking at columns 2 and 4, which use the yearly trade data results, a 1,000 USD increase in a canton's import exposure is associated with a 0.1007 unit rightward shift when considering only imports and a 0.1457 unit rightward shift when using net import exposure, in their political ideology lean. Given the standard deviation of the dependent variable of the political lean index (0.309), this corresponds to approximately a 0.33 and 0.47 standard deviation shifts, respectively.

Putting this in the US political context helps to provide a more familiar insight as to the magnitudes of the reported effects. I compare it to the ideological distance between the 2008 Democratic Party platform, with a political party score of (-1.0038) and the 2016 Republican Party platform (0.2987) using the same policy variables. This is a gap of 1.3025 units. The estimated effects of a 1,000 USD increase in yearly import exposure is associated with a rightward shift equivalent to 7.7% of the estimated ideological distance between Obama-era

Democratic positioning and Trump-era Republican positioning. The corresponding effect for net import exposure is roughly 11.2% of the same distance.⁷

Table 1: Import Exposure Effect on Political Ideology Measure

Trade Data Frequency	Dep. Var: Canton Political Lean			
	(Cycle)	(Year)	(Cycle)	(Year)
Imports	0.0248** (0.0118)	0.1007** (0.0473)		
Net Imports			0.0356*** (0.0084)	0.1457*** (0.0339)
Mean Dep. Var.	-1.40	-1.40	-1.40	-1.40
Std. Dev. Dep. Var.	0.309	0.309	0.309	0.309
Observations	315	315	315	315
R ²	0.94359	0.94364	0.94694	0.94719
Within R ²	0.11255	0.11330	0.16512	0.16906
Time FE	✓	✓	✓	✓
Province FE	✓	✓	✓	✓
Demographic Controls	✓	✓	✓	✓

There are 63 cantons and 7 provinces in the data. Positive coefficients indicate a relative ideological movement rightward, and a negative coefficient indicates a relative ideological movement leftward. Standard errors are clustered at the canton-level and are presented in parenthesis below the coefficients. All regressions are weighted by the canton electorate reported in 1994. The demographic controls included are at the canton-level and include unemployment rate, proportion female, average age, proportion with college education, and average years of schooling. These variables are obtained from the 2000 Costa Rica census. Statistical significance is displayed as * = $p < 0.1$, ** = $p < 0.05$, *** = $p < 0.01$.

While the Import Exposure measure's use of pre-sample period (2000) industry shares directly mitigates the possibility of reverse causality, endogeneity may still be largely present if the national import trend itself reflects domestic demand shocks correlated with local political sentiment rather than purely foreign supply changes in trade due to the FTA. To isolate the variation in import growth attributable to supply-side shocks stemming from CAFTA, I instrument for Costa Rica's import exposure using imports between other signatory nations and the US, following the approach of [Autor et al. \(2013\)](#).

⁷For these calculations, I use the corresponding coefficient and divide it by the estimated distance. This results in $0.1007/1.3025 = 7.73\%$ for imports and $0.1457/1.3025 = 11.19\%$ for net imports.

6.2 Instrumental Variable Approach

Table 2 shows results of the IV approach where CRC-US imports are substituted with US imports by the other signatory nations. Notably, results only remain statistically significant when only imports, although the net imports IV result remains positive. This result aligns intuitively with results shown in Autor et al. (2013, 2020) where the backlash-to-trade mechanism runs through import competition and job displacement, not the trade balance. This is likely due to countries having differing comparative advantages in the type of goods they export, making the net imports analysis noisy. The IV coefficient presented in column 2 suggests that political ideology shifts are understated in the OLS model, increasing to 0.5658.

These IV results suggest that increased import exposure has clear and direct effect on political ideology toward the relative right. Using the same analogy above with US political parties, the IV suggests that the shift in ideological distance is in fact a 43.44% shift from the Obama Democratic Party to the Trump Republican Party. These results are quite meaningful in understanding the direction of political impact that import competition through FTAs may cause in receiving nations.

Considering that political ideologies are aggregates over a wide range of underlying policy dimensions. Parties and voters usually hold distinct, and perhaps even conflicting, positions on economic policy (regulation, internationalism, etc.) and social policy (welfare support, education funding, etc.) and an external shock to trade exposure may plausibly effect these dimensions differently. To better understand the channel through which import exposure operates in the political realm, I decompose the ideology measure into economic and social policy components and re-estimate the baseline specification separately for each.

Table 2: Instrumented Import Exposure on Political Ideology Measure (Yearly Data)

	Dep. Var: Canton Political Lean			
	(OLS)	(IV)	(OLS)	(IV)
Imports	0.1007** (0.0473)	0.5658*** (0.2092)		
Net Imports			0.1457*** (0.0339)	0.0796 (0.0865)
First Stage F-test Statistics				
Imports	-	15.496	-	-
Net Imports	-	-	-	16.140
Mean Dep. Var.	-1.40	-1.40	-1.40	-1.40
Std. Dev. Dep. Var.	0.309	0.309	0.309	0.309
Observations	315	315	315	315
R ²	0.94359	0.91815	0.94694	0.94621
Within R ²	0.11255	0.11330	0.16512	0.16906
Time FE	✓	✓	✓	✓
Province FE	✓	✓	✓	✓
Demographic Controls	✓	✓	✓	✓

There are 63 cantons and 7 provinces in the data. Standard errors are clustered at the canton-level and are presented in parenthesis below the coefficients. All regressions are weighted by the canton electorate reported in 1994. The instrument consists of trade data between the US and other signatory nations (except the Dominican Republic). The demographic controls included are at the canton-level and include unemployment rate, proportion female, average age, proportion with college education, and average years of schooling. These variables are obtained from the 2000 Costa Rica census. Statistical significance is displayed as * = $p < 0.1$, ** = $p < 0.05$, *** = $p < 0.01$.

6.3 Import Exposure Effects on Different Political Policy Dimensions

In order to decompose political ideologies present in the political party manifestos, I use the same methodology used to create the political ideology measure in section 5.1, with a different subset of policy statements variables to help determine each score. Policy variables used for both the economic policy and social policy ideologies can be seen in Appendix table A3.

Results of this empirical exercise are shown in table 3. Note that these results are for the

specification that use imports only, the analysis for net imports shows statistically insignificant coefficients and can be seen in Appendix table A8. Coefficients are reported for both the OLS model and Instrumented approach.

Table 3: Instrumented Import Exposure on Decomposed Political Ideology Measure

	Economic Policies		Social Policies	
	(OLS)	(IV)	(OLS)	(IV)
Imports	-0.0349** (0.0153)	0.1676* (0.0897)	0.0892*** (0.0333)	0.4888** (0.1941)
First Stage F-test Statistics				
Imports	-	15.496	-	15.496
Observations	315	315	315	315
R ²	0.92360	0.90817	0.90862	0.87262
Within R ²	0.13760	-0.03667	0.11146	-0.23860
Time FE	✓	✓	✓	✓
Province FE	✓	✓	✓	✓
Demographic Controls	✓	✓	✓	✓

There are 63 cantons and 7 provinces in the data. Positive coefficients indicate a relative ideological movement rightward, and a negative coefficient indicates a relative ideological movement leftward. Standard errors are clustered at the canton-level and are presented in parenthesis below the coefficients. All regressions are weighted by the canton electorate reported in 1994. The instrument consists of trade data between the US and other signatory nations (except the Dominican Republic). The demographic controls included are at the canton-level and include unemployment rate, proportion female, average age, proportion with college education, and average years of schooling. These variables are obtained from the 2000 Costa Rica census. Statistical significance is displayed as * = $p < 0.1$, ** = $p < 0.05$, *** = $p < 0.01$.

There are three takeaways to understand from these results: (1) Coefficients for the IV approach, as shown in columns 2 and 4, are both positive which represents a rightward political ideology shift as a consequence of increased import competition. (2) Notably, import competition appears to affect support for social policies at a higher magnitude than economic policies. (3) The OLS and IV coefficients for the economic policy flips from a negative value to a positive one.

The fact that social policies seemingly are a larger driver of the observed shift and that the coefficients across models of the economic policies might be related. For one, the economic

policies of the observed political parties receive nearly the same score across time. That is an interesting factoid of Costa Rican politics, where political parties are not necessarily disagreeing in meaningful ways on the economics of the country.⁸ They, are however, positioning differently on social policies which helps explain the estimated shifts on support for relatively right-leaning social policies. The coefficient signs flipping from negative to positive when considering the OLS and IV models may be explained by confounding or omitted variables. Alternatively, the economic nature of import competition may be correlated strongly with pre-existing economic ideology.

Further, since economic and social policy go in different directions in the OLS model, there might be some theoretical input that could provide more insight. If negative exposure to trade, as observed through import competition, materializes through economic self-interest channels, we should expect that the political ideology response would appear more strongly on economic policy. Alternatively, if it works through cultural backlash or anxiety toward globalization, social policy should show a stronger response. The present analysis is not constructed in a way to answer this question directly. In either case, the true direction of these effects is obscured by these results and poses an interesting avenue for future research on the matter.

6.4 Robustness Tests - Leave One Out Analysis

To test the robustness of these results, I conduct a leave-one-out analysis where each signatory nation within the instrument is bootstrapped and tested. Results can be found in table 4. These results show coefficients for the instrumental approach that only includes import exposure while the analysis that uses net import exposure can be found in Appendix A.1 table A9.

Table 4 shows the estimates of this exercise. Each column represents the CAFTA signatory

⁸Variation in the economic policy score is tightly concentrated around the mean, while the social policy score shows more variance as evidenced in Appendix table A1.

country that was left out of the model.

Table 4: Robustness Test: "Leave-One-Out" Signatory Country Imports Analysis

Dep. Var: Canton Political Lean				
Excluded Country:	Nicaragua	Honduras	El Salvador	Guatemala
Imports	0.3858** (0.1459)	0.8043** (0.3069)	0.7392 (0.7689)	1.056** (0.4856)
First Stage F-test Statistics				
Imports	63.714	10.875	3.8411	6.8478
Observations	315	315	315	315
R ²	0.93406	0.88530	0.89560	0.83617
Within R ²	-0.03744	-0.80457	-0.64261	-1.5775
Time FE	✓	✓	✓	✓
Province FE	✓	✓	✓	✓
Demographic Controls	✓	✓	✓	✓

There are 63 cantons and 7 provinces in the data. Standard errors are clustered at the canton-level and are presented in parenthesis below the coefficients. All regressions are weighted by the canton electorate reported in 1994. Each specification consists of removing the column country from the pool of countries and using the remaining trade data. The demographic controls included are at the canton-level and include unemployment rate, proportion female, average age, proportion with college education, and average years of schooling. These variables are obtained from the 2000 Costa Rica census. Statistical significance is displayed as * = $p < 0.1$, ** = $p < 0.05$, *** = $p < 0.01$.

Across all specifications, the reported coefficient on import exposure remains positive. This reinforces that the main findings is not a circumstance of the trade data from any single country. The instrument strength tests present an interesting result. These test statistics suggests that excluding Nicaragua (F-test Statistic = 63.714) actually strengthens the instrument considerably, indicating that Nicaragua's trade flows are not essential essential, and may even dilute, the instrument's relevance. The resulting loss of statistical significance in these columns is therefore more plausibly attributable to weak-instrument variance inflation than to genuine heterogeneity in the underlying effect, and these three specifications should be interpreted with appropriate caution rather than skepticism toward the main results.

6.5 Robustness Tests - Imports From Other Trade Partners

As a placebo test, I re-estimate the baseline specification using the shift-share instrument from Costa Rica's with countries outside of CAFTA-DR but who are still significant trade partners. For this exercise I use imports from China, Canada, and Mexico. Neither of these nations should proxy for the direct trade exposure experienced that the primary instrument captures. Results from this test are presented in table 5. Results using net import exposure are presented in Appendix A.1. Each column shows results for an individual trade partner.

Table 5: Robustness Test: Instrumenting Using Trade Data Between Costa Rica and Mexico, China, and Canada

Trade Partner:	Dep. Var: Canton Political Lean		
	China	Canada	Mexico
Imports	4.158 (4.774)	0.1708 (0.2411)	-0.2742* (0.1640)
First Stage F-test Statistics			
Imports	0.56281	7.4024	17.680
Observations	315	315	315
R ²	-0.99632	0.94306	0.92709
Within R ²	-30.408	0.10417	-0.14717
Time FE	✓	✓	✓
Province FE	✓	✓	✓
Demographic Controls	✓	✓	✓

There are 63 cantons and 7 provinces in the data. Standard errors are clustered at the canton-level and are presented in parenthesis below the coefficients. All regressions are weighted by the canton electorate reported in 1994. The demographic controls included are at the canton-level and include unemployment rate, proportion female, average age, proportion with college education, and average years of schooling. These variables are obtained from the 2000 Costa Rica census. Statistical significance is displayed as * = $p < 0.1$, ** = $p < 0.05$, *** = $p < 0.01$.

The first result to notice is that the placebo tests using trade data with China and Canada are both weak instruments and yield coefficients that are not precisely estimated. This is consistent with the absence of a direct increase trade channel such as CAFTA provides for trade with the US.

The coefficient of Mexico presents an interesting result, where the instrument is relatively strong and the coefficient shows some weak statistical significance. Even more importantly, the coefficient is negative which indicates an average canton political ideology shift toward the left; the opposite of the main results when considering trade with the US. To assess whether the constructed import exposure measure is confounded with general trade between the nations rather than the specific CAFTA-DR channel, I examine the correlation between them. The two instruments are moderately correlated, $r = 0.53$ (weighted by electorate), which suggests that cantons with greater trade exposure due to CAFTA-DR show greater exposure to trade with Mexico. This is consistent with the shared underlying industry composition being present in both measures. Rather than interpreting this as fully independent variation, where Mexican imports have the opposite effect of US imports, these results should be thought to reflect partially overlapping exposure to trade-intensive local industries.

7 Conclusion

Exposure to import competition is a natural consequence of increased international trade. As local economies engage in international competition via imports, they become vulnerable to negative impacts that may have different effects across different regions. There is an extensive literature showing the effects of increased trade on employment, wages, and economic outcomes, but much little has been said about political responses. Most notably, [Autor et al. \(2020\)](#) show that trade-exposed US commuting zones shifted toward more conservative representation following the China shock and [Colantone and Stanig \(2018b\)](#) document similar import-competition shifts toward nationalist and radical-right parties across Western Europe. Less focus has been given to how these effects materialize in developing nations. The present analysis fills that gap by presenting evidence that developing nations political ideologies are vulnerable to the effects of increased trade. Results shown are consistent with the observed shifts in developed economies, where there have been documented rightward

shifts in political ideology as a consequence of regional import exposure.

By using a shift-share approach using industry composition by canton in Costa Rica and imports originating from the US, I test whether the increased trade volume as a consequence of CAFTA-DR has an effect on regional political ideologies in Costa Rica. Results show that higher import exposed cantons will, on average, shift their political support toward relatively more right-leaning political parties. Due to the possibility of endogeneity in the demand for US imports, an instrumental variable approach using the other FTA signatory nations is employed. The IV estimates suggest that the rightward shift in political ideology is independent of demand for imports of the sending nation. Additionally, after decomposing political ideologies into economic and social policies, as coded through political party election manifesto language, results show that political support for shifts toward the right in both dimensions. The shift toward more conservative economic policies may suggest an increase in demand of more protectionist/anti-globalization policies. Interestingly, social policies show a higher magnitude shift in political ideology. This may be indicative of the experienced cultural shifts toward conservative policies as a consequence of globalization, as also shown in [Dippel et al. \(2022\)](#). That this pattern holds in Costa Rica, a middle-income economy with a different labor market structure, political party system, and history of trade integration than other studied advanced economies, suggests that the politically destabilizing effects of trade exposure may be a more general feature of how communities respond to economic shocks, rather than being exclusive to institutional features of high-income democracies.

This analysis is not without limitations. The empirical strategy relies on a single country's political context and makeup, and while Costa Rica's trade liberalization experience under CAFTA-DR is a useful and clean setting for identification, these findings require further contextualization to other developing economies.

As Costa Rica and other similar developing economies continue to integrate into global markets through free trade agreements, like CAFTA-DR, policymakers should anticipate that

the resulting economic frictions come with political consequences that extend beyond labor market outcomes. The stronger observed shift in social policy attitudes, relative to economic policies, suggests that political responses to trade exposure may operate through more than self-interest economic channels. There may exist a cultural or identity-based backlash that materializes through social policy support. This merits closer attention in future research on trade and political economy in all settings. Further understanding these channels is increasingly important as more developing economies look for deeper global integration, and as these agreements are political in nature, their durability may depend not only on their economic benefits, but on how local communities respond politically to disruptions.

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A Appendix

A.1 Appendix A - Tables

Table A1: Political Party Summary Statistics

Party	Elections	Political Party Score		Economic Policy Score		Social Policy Score	
		Mean	SD	Mean	SD	Mean	SD
FA	2	-2.78	0.55	0.32	0.27	-1.82	0.03
ML	4	-0.32	1.78	0.8	0.48	-0.09	1.73
PAC	4	-1.73	0.42	0.42	0.27	-1.17	0.09
PIN	1	-1.05	—	0.4	—	-0.58	—
PLN	8	-1.61	0.25	0.95	0.4	-1.05	0.39
PNR	1	-0.5	—	1.1	—	-0.49	—
PRC	1	-1.79	—	1.16	—	-1.55	—
PUSC	8	-1.43	0.32	1.08	0.39	-1.05	0.05
All		-1.41	0.98	0.8	0.43	-0.95	0.83

Note: Summary statistics on political party ideology score across dimensions and parties. The political parties are presented using their abbreviations. The elections columns shows how many elections they participated in the sample period. The mean and standard deviation columns represent the mean value across all time periods.

Table A2: County Demographics

	Female	Age	Highschool	College	Schooling (Years)	Unemployment Rate	Population
Mean	50%	34.64	15%	6%	7.05	5%	45,193
SD	2%	1.44	6%	5%	1.27	2%	39,656
Min	46%	31.62	4%	1%	4.88	2%	11,650
Max	53%	37.61	29%	24%	10.43	12%	244,570

Note: Table with summary statistics at county level of Costa Rica in 2000. Columns are: Proportion female, county age (years), proportion with highschool education attainment, proportion with college education attainment, years of schooling, unemployment rate, and population. These values are computed using IPUMS International data of the Costa Rica 2000 census.

Table A3: Components of Political Ideology Measure

Policy Dimension	“Left” Position	“Right” Position
Political Lean		
Foreign Alliances	101: Foreign Special Relationships (Positive)	102: Foreign Special Relationships (Negative)
Militarism	105: Military (Negative)	104: Military (Positive)
Internationalism	107: Internationalism (Positive)	109: Internationalism (Negative)
Constitutionalism	203: Constitutionalism (Positive)	204: Constitutionalism (Negative)
Decentralisation	301: Decentralisation (Positive)	302: Centralisation (Positive)
Protectionism	406: Protectionism (Positive)	407: Protectionism (Negative)
Keynesian Policy	409: Keynesian Demand Management	414: Economic Orthodoxy
Welfare State	504: Welfare State Expansion	505: Welfare State Limitation
Education Spending	506: Education Expansion	507: Education Limitation
Economic Lean		
Foreign Alliances	101: Foreign Special Relationships (Negative)	102: Foreign Special Relationships (Negative)
Internationalism	107: Internationalism (Positive)	109: Internationalism (Negative)
Decentralisation	301: Decentralisation (Positive)	302: Centralisation (Positive)
Market Economy	403: Market Regulation	401: Free Market Economy
Government Econ.	404: Economic Planning (Positive)	402: Supply-side Incentives (Positive)
Protectionism	406: Protectionism (Positive)	407: Protectionism (Negative)
Government Policy	415: Marxist Analysis (Positive)	414: Economic Orthodoxy (Positive)
Economic Growth	416: Anti-Growth Economy (Positive)	410: Economic Growth (Positive)
Social Lean		
Constitutionalism	203: Constitutionalism (Positive)	204: Constitutionalism (Negative)
Welfare State	504: Welfare State Expansion	505: Welfare State Limitation
Education Spending	506: Education Expansion	507: Education Limitation
Way of Life	602: National Way of Life (Negative)	601: National Way of Life (Positive)
Morality	604: Traditional Morality (Negative)	603: Traditional Morality (Positive)
Civics	606: Civic Mindedness (Positive)	605: Law & Order (Positive)
Multiculturalism	607: Multiculturalism (Positive)	608: Multiculturalism (Negative)
Labor Groups	701: Labor Groups (Positive)	702: Labor Groups (Negative)

Table A4: Import Penetration Effect on Political Ideology Measure

	Dep. Var: Canton Political Lean					
	(1)	(2)	(3)	(4)	(5)	(6)
Constant	-1.364*** (0.0113)		-1.112*** (0.2333)			
Imports	-0.1175*** (0.0359)	0.0293** (0.0113)	-0.1199*** (0.0372)	0.0260** (0.0115)	-0.1238*** (0.0396)	0.0241** (0.0120)
Proportion Female			0.6896*** (0.2430)	0.8794*** (0.2094)	0.6811*** (0.2464)	
Average Age			-0.0130** (0.0062)	-0.0061 (0.0053)	-0.0122** (0.0056)	
Proportion College Educated			-0.3390 (0.2201)	-0.1261 (0.1665)	-0.3704** (0.1754)	
Average Years of Schooling			0.0002 (0.0178)	-0.0230 (0.0146)	0.0088 (0.0200)	
Unemployment Rate			0.9563* (0.5379)	0.7136* (0.4261)	0.5801 (0.4335)	
Observations	315	315	315	315	315	315
R ²	0.04822	0.93806	0.05620	0.93983	0.06225	0.94847
Within R ²	-	0.02551	-	0.11293	0.05823	0.01952
Year FE	-	✓	-	✓	-	✓
Province FE	-	✓	-	-	✓	-
Canton FE	-	-	-	-	-	✓

There are 63 cantons and 7 provinces in the data. Positive coefficients indicate a relative ideological movement rightward, and a negative coefficient indicates a relative ideological movement leftward. Standard errors are clustered at the canton-level and are presented in parenthesis below the coefficients. All regressions are weighted by the canton electorate reported in 1994. The preferred specification used in the main analysis uses all control variables reported above, year and province fixed effects. These variables are obtained from the 2000 Costa Rica census. Statistical significance is displayed as * = $p < 0.1$, ** = $p < 0.05$, *** = $p < 0.01$.

Table A5: Net Import Exposure Effect on Political Ideology Measure (Election Cycle Trade Data)

	Dep. Var: Canton Political Lean					
	(1)	(2)	(3)	(4)	(5)	(6)
Constant	-1.382*** (0.0072)		-0.9730*** (0.2832)			
Net Imports	0.0323 (0.0215)	0.0374*** (0.0089)	0.0320 (0.0237)	0.0371*** (0.0078)	0.0307 (0.0257)	0.0404*** (0.0103)
Proportion Female			0.6951*** (0.2366)	0.6707*** (0.2112)	0.6838*** (0.2303)	
Average Age			-0.0141* (0.0073)	-0.0152*** (0.0053)	-0.0133** (0.0059)	
Proportion College Educated			-0.1003 (0.1782)	-0.0900 (0.1660)	-0.1284 (0.1649)	
Average Years of Schooling			-0.0149 (0.0143)	-0.0143 (0.0144)	-0.0088 (0.0178)	
Unemployment Rate			0.4434 (0.4766)	0.3926 (0.4071)	0.2130 (0.4450)	
Observations	315	315	315	315	315	315
R ²	0.00662	0.94161	0.01238	0.94386	0.01553	0.95207
Within R ²	-	0.08130	-	0.17229	0.01131	0.08800
Year FE	-	✓	-	✓	-	✓
Province FE	-	✓	-	-	✓	-
Canton FE	-	-	-	-	-	✓

There are 63 cantons and 7 provinces in the data. Positive coefficients indicate a relative ideological movement rightward, and a negative coefficient indicates a relative ideological movement leftward. Standard errors are clustered at the canton-level and are presented in parenthesis below the coefficients. All regressions are weighted by the canton electorate reported in 1994. The preferred specification used in the main analysis uses all control variables reported above, year and province fixed effects. These variables are obtained from the 2000 Costa Rica census. Statistical significance is displayed as * = $p < 0.1$, ** = $p < 0.05$, *** = $p < 0.01$.

Table A6: Import Exposure Effect on Political Ideology Measure (Annual Trade Data)

	Dep. Var: Canton Political Lean					
	(1)	(2)	(3)	(4)	(5)	(6)
Constant	-1.365*** (0.0113)		-1.116*** (0.2302)			
Imports	-0.4467*** (0.1417)	0.1193** (0.0457)	-0.4568*** (0.1472)	0.1049** (0.0463)	-0.4716*** (0.1565)	0.0982** (0.0481)
Proportion Female			0.6976*** (0.2403)	0.8797*** (0.2094)	0.6863*** (0.2442)	
Average Age			-0.0128** (0.0061)	-0.0060 (0.0053)	-0.0121** (0.0055)	
Proportion College Educated			-0.3356 (0.2181)	-0.1246 (0.1666)	-0.3669** (0.1740)	
Average Years of Schooling			-0.0004 (0.0177)	-0.0231 (0.0146)	0.0083 (0.0198)	
Unemployment Rate			0.9410* (0.5322)	0.7145* (0.4261)	0.5745 (0.4302)	
Observations	315	315	315	315	315	315
R ²	0.04364	0.93814	0.05161	0.93987	0.05747	0.94852
Within R ²	-	0.02675	-	0.11355	0.05343	0.02048
Year FE	-	✓	-	✓	-	✓
Province FE	-	✓	-	-	✓	-
Canton FE	-	-	-	-	-	✓

There are 63 cantons and 7 provinces in the data. Positive coefficients indicate a relative ideological movement rightward, and a negative coefficient indicates a relative ideological movement leftward. Standard errors are clustered at the canton-level and are presented in parenthesis below the coefficients. All regressions are weighted by the canton electorate reported in 1994. The preferred specification used in the main analysis uses all control variables reported above, year and province fixed effects. These variables are obtained from the 2000 Costa Rica census. Statistical significance is displayed as * = $p < 0.1$, ** = $p < 0.05$, *** = $p < 0.01$.

Table A7: Net Import Exposure Effect on Political Ideology Measure (Annual Trade Data)

	Dep. Var: Canton Political Lean					
	(1)	(2)	(3)	(4)	(5)	(6)
Constant	-1.382*** (0.0072)		-0.9680*** (0.2825)			
Net Imports	0.1319 (0.0866)	0.1529*** (0.0360)	0.1305 (0.0953)	0.1516*** (0.0318)	0.1256 (0.1030)	0.1655*** (0.0417)
Proportion Female			0.6922*** (0.2369)	0.6675*** (0.2118)	0.6823*** (0.2306)	
Average Age			-0.0142* (0.0073)	-0.0153*** (0.0053)	-0.0133** (0.0059)	
Proportion College Educated			-0.0984 (0.1785)	-0.0878 (0.1661)	-0.1266 (0.1654)	
Average Years of Schooling			-0.0149 (0.0143)	-0.0143 (0.0144)	-0.0089 (0.0178)	
Unemployment Rate			0.4369 (0.4760)	0.3852 (0.4062)	0.2058 (0.4463)	
Observations	315	315	315	315	315	315
R ²	0.00692	0.94188	0.01267	0.94412	0.01580	0.95235
Within R ²	-	0.08561	-	0.17611	0.01159	0.09337
Year FE	-	✓	-	✓	-	✓
Province FE	-	✓	-	-	✓	-
Canton FE	-	-	-	-	-	✓

There are 63 cantons and 7 provinces in the data. Positive coefficients indicate a relative ideological movement rightward, and a negative coefficient indicates a relative ideological movement leftward. Standard errors are clustered at the canton-level and are presented in parenthesis below the coefficients. All regressions are weighted by the canton electorate reported in 1994. The preferred specification used in the main analysis uses all control variables reported above, year and province fixed effects. These variables are obtained from the 2000 Costa Rica census. Statistical significance is displayed as * = $p < 0.1$, ** = $p < 0.05$, *** = $p < 0.01$.

Table A8: Instrumented Net Imports Exposure on Decomposed Political Ideology Measure

	Economic Policies		Social Policies	
	(OLS)	(IV)	(OLS)	(IV)
Net Imports	-0.0165 (0.0131)	0.1014 (0.0753)	0.1201*** (0.0292)	-0.0593 (0.0716)
First Stage F-test Statistics				
Net Imports	-	16.140	-	16.140
Observations	315	315	315	315
R ²	0.92334	0.91342	0.91299	0.89924
Within R ²	0.13460	0.02269	0.15390	0.02018
Time FE	✓	✓	✓	✓
Province FE	✓	✓	✓	✓
Demographic Controls	✓	✓	✓	✓

There are 63 cantons and 7 provinces in the data. Positive coefficients indicate a relative ideological movement rightward, and a negative coefficient indicates a relative ideological movement leftward. Standard errors are clustered at the canton-level and are presented in parenthesis below the coefficients. All regressions are weighted by the canton electorate reported in 1994. The instrument consists of trade data between the US and other signatory nations (except the Dominican Republic). The demographic controls included are at the canton-level and include unemployment rate, proportion female, average age, proportion with college education, and average years of schooling. These variables are obtained from the 2000 Costa Rica census. Statistical significance is displayed as * = $p < 0.1$, ** = $p < 0.05$, *** = $p < 0.01$.

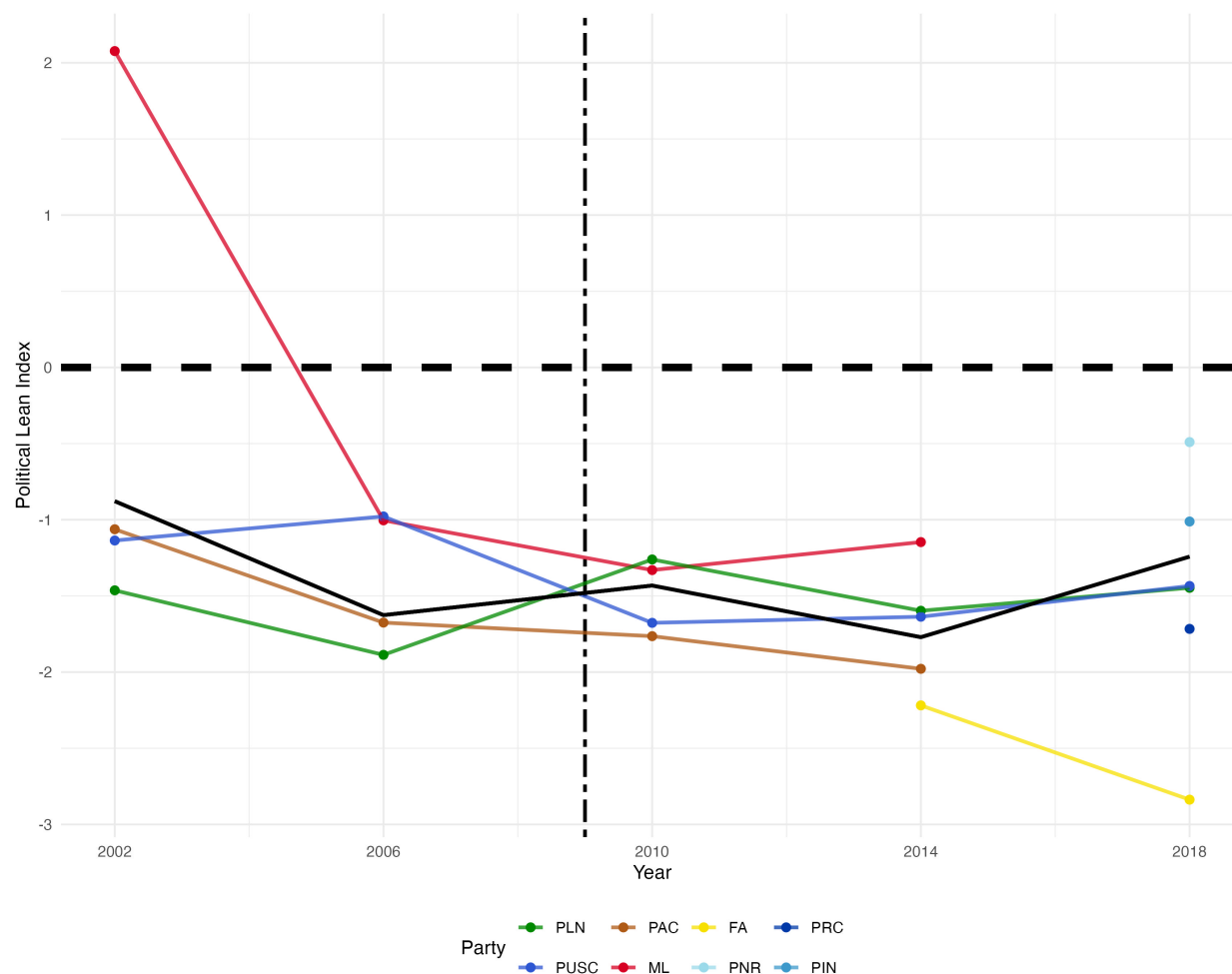
Table A9: Robustness Test: "Leave-One-Out" Signatory Country Net Imports Analysis

Excluded Country:	Dep. Var: Canton Political Lean			
	Nicaragua	Honduras	El Salvador	Guatemala
Net Imports	0.0586 (0.1166)	0.1188 (0.0968)	0.0055 (0.1336)	0.1166** (0.0583)
First Stage F-test Statistics				
Imports	10.046	12.448	11.973	20.440
Observations	315	315	315	315
R ²	0.94549	0.94702	0.94280	0.94700
Within R ²	0.14240	0.16652	0.10002	0.16610
Time FE	✓	✓	✓	✓
Province FE	✓	✓	✓	✓
Demographic Controls	✓	✓	✓	✓

There are 63 cantons and 7 provinces in the data. Positive coefficients indicate a relative ideological movement rightward, and a negative coefficient indicates a relative ideological movement leftward. Standard errors are clustered at the canton-level and are presented in parenthesis below the coefficients. All regressions are weighted by the canton electorate reported in 1994. The preferred specification used in the main analysis uses all control variables reported above, year and province fixed effects. These variables are obtained from the 2000 Costa Rica census. Statistical significance is displayed as * = $p < 0.1$, ** = $p < 0.05$, *** = $p < 0.01$.

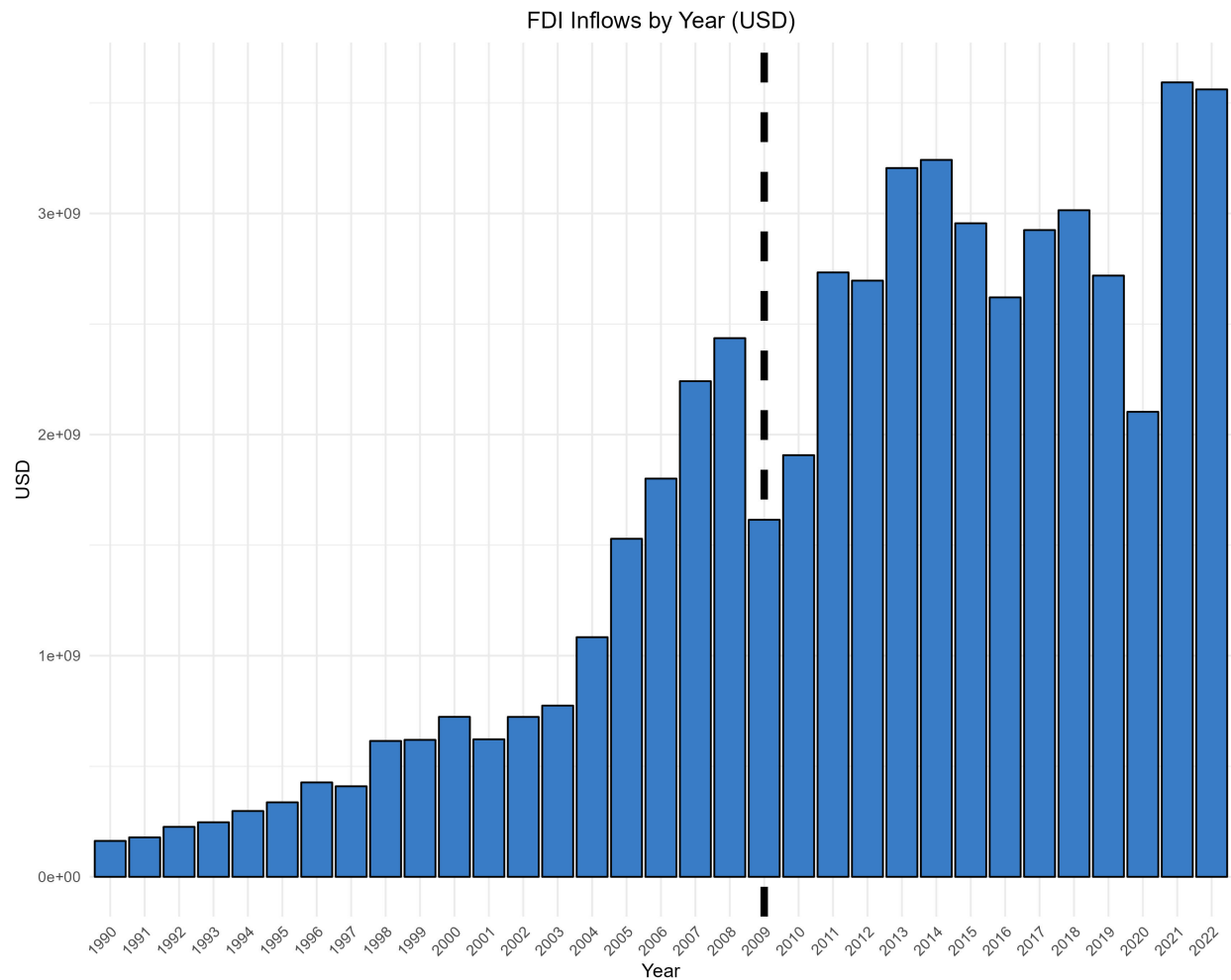
A.2 Appendix B - Graphs & Images

Figure B1: Political Party Score



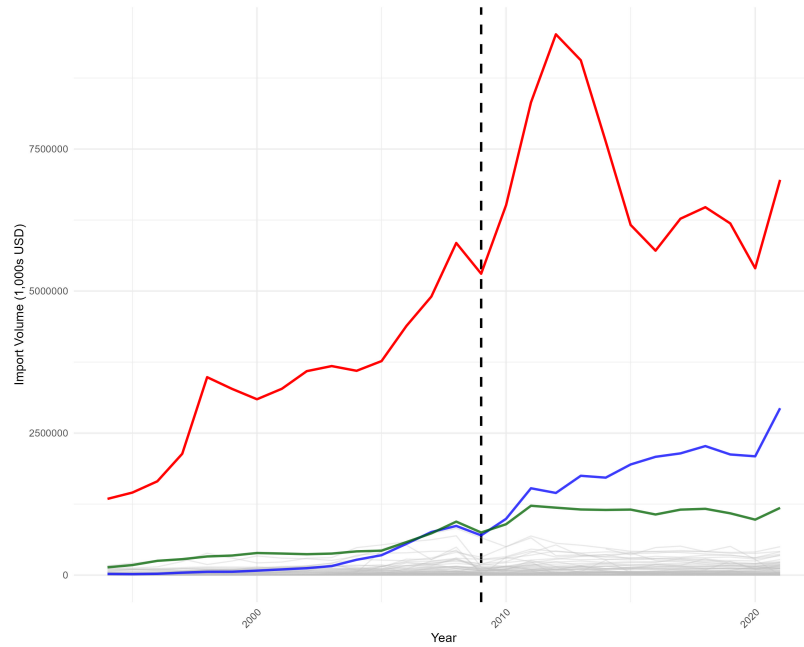
Note: Graph shows each Costa Rican political party in the data mapped by their Political Ideology Measure for every election they appear in. Each color represents an individual party. Only two parties appear in every election (PLN and PUSC). The black line represents the weighted average score per election, where the weights are the national vote-share received by each party in that election. The black dot-dashed-vertical line is set at 2009, which is the year that CAFTA-DR went into effect. Given the political context, it is normal for parties to “exit” and new ones enter as political powers shift. All but one observation point receives a negative score, indicating that the legislature is relatively left-leaning. A score of zero should not be interpreted as the true-center of the political ideological spectrum. The absence of a party in any given election indicates that they did not gain any legislative seats, but they may have participated in the election.

Figure B2: Yearly FDI Inflows Entering Costa Rica

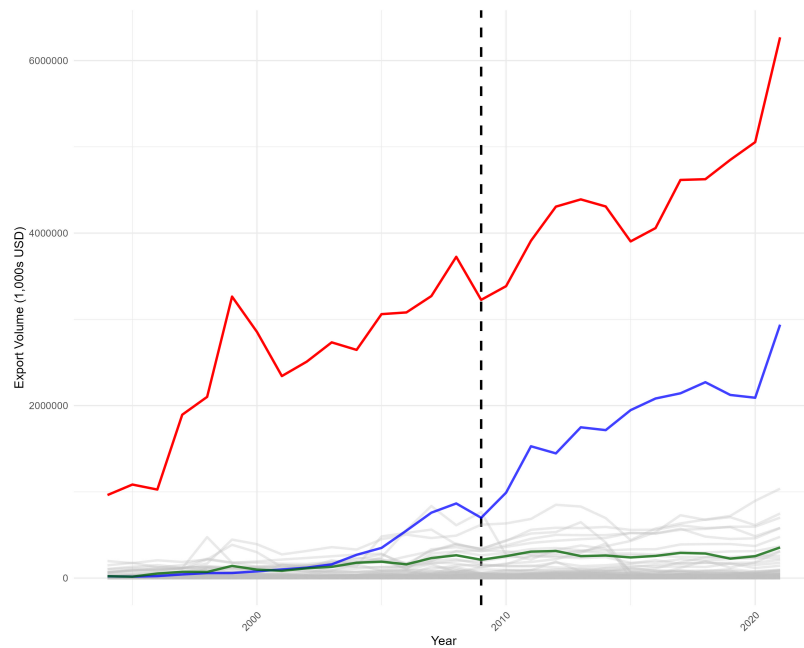


Note: Total Foreign Direct Investment (FDI) inflows for Costa Rica in USD for the period 1990-2022. There is a clear increase in FDI entering the country surrounding the time CAFTA-DR was being decided internally (negotiations concluded in 2004). The black dashed-vertical line represents the year (2009) when CAFTA-DR went into effect.

Figure B3: Trade Volume between Costa Rica and Rest of World



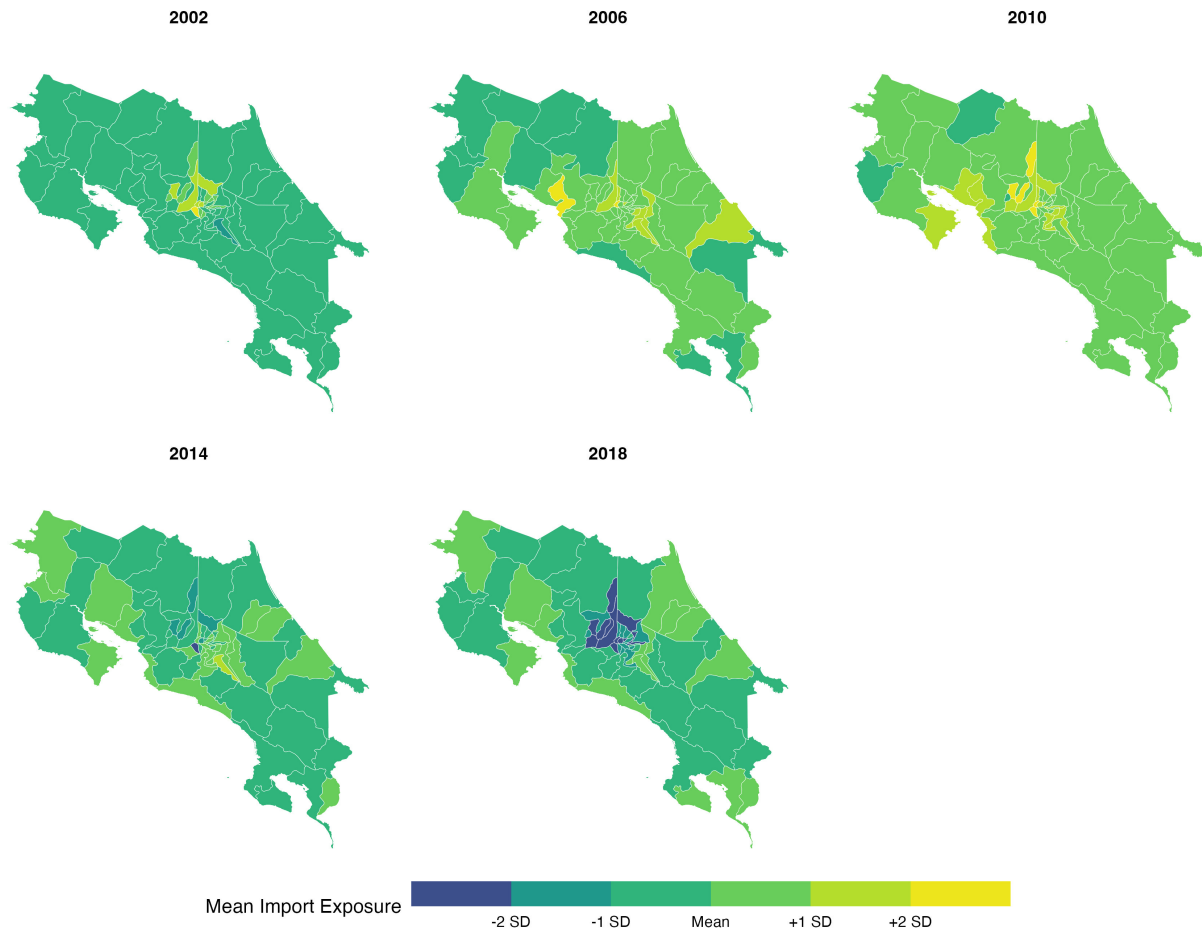
(a) Imports



(b) Exports

Note: Panel B3a shows imports into Costa Rica from 1994 to 2021. Panel B3b shows exports from Costa Rica for the same time period. Values are in thousands of USD. Highlighted in Red is trade with the US, Blue is China, and Green is Mexico, which are the largest import trade partners of Costa Rica. The dashed vertical line represents the official starting year of CAFTA-DR.

Figure B4: Regional Import Exposure Measure Across Years



Note: The panel shows each election year and all regions in the data. The filled areas represent the import exposure measure for each region at each election. The color gradient is measured as standard deviation differences from the mean at each election. Notably, the country becomes more import exposed after CAFTA-DR goes into effect (2010 panel) and over time readjusts toward less import exposed positions.