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COSTA RICA

President's State of the Union Message

On Labor Day, 1 May, President Abel Pacheco of the Social Christian Unity Party (PUSC) gave his third “state of the union” address to the Legislative Assembly, which was immediately criticized by opposition party members, some political analysts and the media for its lack of clarity and for numerous important omissions. The full text of Pacheco’s 24-page speech can be found at: www.nacion.com/informe/

Visibly upset, the head of the Libertarian Movement faction in Congress, Carlos Herrera, stated that Pacheco’s address “was like counting a pile of beans,” meaning that the President used his time to mention countless small achievements but avoided discussing a series of important issues that he himself categorized as “priorities” for his administration.

Congresswoman Epsy Campbell of the Citizens Action Party (PAC) stated: “[Pacheco] made an evaluation of a country that didn’t appear to be the one in which we live, where the majority of the problems are resolved or about to be resolved.”

Pacheco cited advances in education, technical training, health, housing, tourism, agriculture and international commerce but without mentioning any specifics. The President was criticized for not discussing and proposing solutions to the rising cost of living and the increase of poverty, inflation and unemployment, neither did he mention the serious state of deterioration of the nation’s roads and the need for new road construction.

The President blamed his administration’s failure to achieve its socioeconomic goals and to reduce the level of poverty in the country on the Legislative Assembly’s failure to approve the fiscal reform package and on the increased cost of petroleum imports. The fiscal reform package has been discussed in legislative commissions for more than three years, some of its provisions have been denounced as being unconstitutional by members of the Supreme Court, and it is still undergoing modifications in committee—due to numerous contradictions, duplications, lack of precision and other deficiencies—before being presented in its final form for discussion before the full Legislative Assembly, where it may not have enough votes for approval (currently there are 29 for it and 38 against it).

If passed, the fiscal reform package would generate about \$383 million yearly in new tax revenue to finance the government's operating budget, which would include increased funding for education, road repairs and social programs.

Public Opinion Poll Results

The latest Unimer-*La Nación* poll, taken between 1-10 Apr, called attention to the "high cost of living" as the main concern of most Costa Ricans: 44% of those interviewed stated that their income was not enough to cover their basic needs, while an additional 47% stated that their income was barely enough to live on, and only nine percent reported that they had "more than enough" to cover their monthly expenses. The poll reported that 73% of those interviewed perceived that the socioeconomic situation in the country is worse today than a year ago.

A summary of other poll results and items highlighted in recent media coverage is given below:

- Growing economic crisis regarding the high cost of living, significant growth of inflation (from 11.34% in Mar '04 to 13.61% in Mar '05), middle-class debt increase due to consumer spending via credit cards and loans for car purchases, and the nation's internal and external debt.
- Social unrest over public corruption (including two former presidents and numerous officials of the Social Security Administration and the National Institute of Electricity, ICE), drug trafficking, proposed reforms to ICE and the National Insurance Institute, the Central American Free Trade Agreement (known as CAFTA), Retieve's (a Spanish company) monopoly on annual obligatory vehicle inspections, misappropriation of government funds designated for road repairs, lack of government assistance to help those in poverty as well as flood and earthquake victims, and a lack of public security.
- Presidential election debate over the candidacy of former President Oscar Arias of the National Liberation Party (constitutionality issues over the legality of running for a second term), who has a strong advantage over all the other candidates: 40% of expected voters.

Other Unresolved Issues

INS Controversy. The National Insurance Institute (INS) failed to pay \$4.7 million in taxes to the Ministry of Finance (Hacienda) during '96-'03 for payments that it made to international reinsurers. However, since '03 INS has made the proper tax payments to Hacienda as required by law. But INS officials have refused to disclose information to the public and the media regarding its contracts with reinsurers—who they are, how much was paid to each one and for what purpose—even though the Constitutional Court has ordered INS to do so.

CONAVI Controversy. On 4 May, the Constitutional Court (Sala IV) ordered the government to turn over to CONAVI (National Road Administration) its share of gasoline taxes, so that CONAVI would have the funds needed to make important road repairs on major highways. However, the Pacheco government has refused to do so, claiming that it needs these funds to pay for basic government operating costs. The CC ordered the government to pay CONAVI about \$287 million that it had misappropriated between '98 and '05 from gasoline taxes; for every dollar of gasoline tax, 30 cents is designated by law for road repairs. So far this year, Hacienda has only given CONAVI \$42.5 million of the \$112.8 million it should have received from gasoline taxes. Consequently, many of the nation's

major roadways have suffered serious deterioration since '98, which has angered motorists in general, has provoked truck drivers to stage numerous protests, and has caused many tourists to return home with complaints about poor road conditions in Costa Rica.

International Airport Management Conflict. Alterra Partners (AP) has a contract with the government to operate and develop the infrastructure of Juan Santamaría International Airport, located about 30 km southwest of San José, near the city of Alajuela in the Central Valley. AP is now suing the government to recover \$9 million that it should have received from airport revenues based on the original contract to cover infrastructural development. However, the government unilaterally modified the agreement in '03 to reduce airport tariffs, which has resulted in an estimated loss of \$21 million in airport revenues between '03 and '05. Consequently, AP suspended most of its major airport development projects in Mar '03 because the lending institutions stopped payment on approved loans to AP due to AP's reduced capacity to repay those loans after the government reduced the airport tariffs. This conflict is currently in the process of arbitration.

Record Drug Bust on Caribbean Coast

In the early morning hours of 23 Apr, a police anti-drug task force captured eight suspects (seven foreigners and one Costa Rican) in the vicinity of Laguna Samay (Pococí, Limón province) on the northeastern Caribbean coast, and confiscated 2.5 tons (2,555 kilos) of cocaine worth an estimated \$40 million. According to police authorities, this was the largest cocaine cache ever discovered on Costa Rican soil.

According to a preliminary police investigation, the majority of the suspects arrived in Costa Rican waters on 13 Apr aboard a Colombian "go-fast boat" (a 40-foot launch powered by four outboard motors of 400 horsepower each and capable of carrying 4,000 kilos of cargo) that apparently ran out of gasoline near the mouth of the San Juan River, which forms the border with Nicaragua. The drug smugglers—four Colombians, two Nicaraguans and one U.S. citizen—were forced to beach the boat at Laguna Samay, where they buried their cargo of 125 packages of cocaine in the nearby jungle and sought refuge in a shack located about one kilometer away on a coconut farm. Apparently, a local 17-year-old Costa Rican boy helped them obtain food, water and other supplies. However, a few local residents observed some of this suspicious activity and notified the local police, who found the abandoned boat and began a stakeout of the farm house and beach area.

Five police units participated in the surveillance and capture of the drug suspects: regular police agents, drug control agents, members of the Office of Intelligence and National Security (known as DIS), along with members of the Coast Guard in a coordinated effort by land, air and sea.

—Clifton L. Holland