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COSTA RICA

Calderón and Rodríguez Free but Not Clear

Within a week of one another, ex-presidents Miguel Angel Rodríguez ('98-'02) and Rafael Angel Calderón ('90-'94) were granted partial freedom after almost a year in preventive custody, yet both still await judicial processing of their respective cases.

On 29 Sep '04, José Antonio Lobo, a former executive of the Costa Rican Institute of Electricity, testified before the Attorney General that Rodríguez had demanded 60% of the \$2.4 million contract the government signed with Alcatel, a Spanish telecommunications firm. Rodríguez, then Secretary General of the Organization of American States, replied from Washington, D.C. that he had only received a \$140,000 loan from Lobo. Rodríguez returned to Costa Rica to respond to the charges, was arrested upon his return at Juan Santamaría Airport, and subsequently spent five months in prison before being released into house arrest—where he remained until 13 Oct.

On 22 Oct '04, Calderón was arrested for suspicions about the commission he received for his role as legal consultant for Fischel during its mediation of the \$39.5 million medical equipment sale between the Finn company, Instrumentarium (now owned by GE) and the Costa Rican Social Security System. He was held in La Reforma Penitentiary until 23 Mar '05, when he was released into house arrest—where he remained until 19 Oct.

In an interview with *La Republica* published 20 Oct, Rodríguez insisted on his innocence, and said that his case illustrates fundamental problems in the Costa Rican judicial system. “If this can happen to an ex-president,” said Rodríguez, “[imagine] what can happen to a Costa Rican with less capacity for legal defense.”

Following his release, Calderón expressed his confidence in the Costa Rican judicial system and that “within the framework of our laws, justice will conclude this process, and the truth will shine over lies and falsehoods,” said Calderón. He added that he possesses information supporting his innocence, which has not yet been released to the press.

However, on 25 Oct, in an interview on the Finn news program *Spotlight*, Walter Reiche, president of Fischel, said that Instrumentarium had indeed increased its commission to Fischel from 20% to 22%, and that the increase was to be used to pay Calderón and others for “political-legal consulting.”

The two former presidents are prohibited from leaving the country, approaching its borders, or visiting any of its sea or airports. Additionally, they must sign in every 15 days at the respective judicial offices processing their cases. Calderón’s lawyer said that the reasons for the two former presidents’ releases were unrelated.

State of the Nation

The tenth annual State of the Nation report reveals that in ’04, the national average income decreased, poverty rates increased, political party sympathies diminished and the government continued its general neglect of social investment in exchange for maintaining fiscal equilibrium: a situation, the report concludes, comparable to “a nation eating its future.”

Each year, the nation’s four public universities, along with the Ombudsman’s Office and the UN, sponsor the report, which provides national leaders and policy makers with statistics and analysis regarding current national conditions.

Though the country has experienced substantial economic growth over past decades, present income levels, in real terms, are comparable to those of 20 years ago. The 5.8% decrease in average income—the third straight year of decline—coupled with a 1.6% drop in buying power, caused the cost of living to be ever more unmanageable for thousands of families. From ’03-’04, the number of families unable to meet their basic living needs increased from 121,900 to 154,900; 36% of the population is now poor.

The report cited the arrests of former presidents Rodríguez and Calderón as examples of a vulnerable political climate, in which the number of political parties is increasing, while overall party membership dwindles. The report concedes that the effects of the cases against the ex-presidents are impossible to determine, but the prevailing pattern of an increasingly apathetic citizenry (illustrated by lower levels of party loyalty) might be an indication.

According to the report, insufficient tax revenue has disabled the government’s discretionary spending ability, which in ’04 represented 20% less of overall tax revenue than in ’80. There are fewer police officers today—serving a larger population—than in ’80. The education sector is insufficiently funded, and little money remains to help a growing population of impoverished Costa Ricans.

President Abel Pacheco said that the Permanent Fiscal Reform Plan currently in the Legislative Assembly, designed to reform the country’s tax system, would allocate more money for social spending and reduce national poverty rates.

The State of the Nation report director, Miguel Gutiérrez Saxe, said that fiscal reform will be insufficient to reverse the trends cited in the report. “We have to figure out how to widen the tax base,” said Gutiérrez. He additionally advocates more cooperative tactics between local companies and multinational corporations, allowing Costa Rican owned businesses to manufacture and sell more of the materials used by multinationals.

Still, for all of its negative findings, the text does report increased earnings in tourism and coffee sectors, as well as overall improvements in educational investment, and describes the Costa Rican government as the oldest and most stable democracy in Latin America.

ICE Modernization and DR-CAFTA Sent to Assembly

President Pacheco had maintained that DR-CAFTA would not be sent to Congress until the Law to Modernize and Strengthen the Costa Rican Institute of Electricity (ICE) was drawn up and in front of legislators. Three days after that occurred, DR-CAFTA was sent to the Legislative Assembly for final ratification.

ICE

The new law intends to revamp ICE into a more competitive entity within an open-market environment. If the law is approved, the national electricity and telecommunications company would be granted greater autonomy to accrue debt and pursue development strategies. However, ICE would be required to remain accountable to governmental scrutiny and maintain high-levels of transparency. Additionally, further spending beyond \$150 million in debt, would require governmental approval.

The president of ICE, Pablo Cob, expressed strong support for the proposed changes. “We are extremely pleased and satisfied with the new text, which contains the necessary points to modernize ICE and to facilitate the development of two crucial entities: electricity and telecommunications.”

The ratification of DR-CAFTA will invariably pit ICE against larger multi-national competition. In an 18 Oct article appearing in *La Republica*, executives from both Mobil America and AT&T expressed their eagerness for Costa Rican telecommunications to open its doors to multinational expansion. ICE, as a state business, currently holds a monopoly on the nation’s electricity and telecommunications services.

DR-CAFTA

President Pacheco sent DR-CAFTA to the Legislative Assembly for ratification on 22 Oct to mixed national reaction. Costa Rica is the only participant in the trade agreement yet to ratify, and many do not expect a decision until Feb of next year.

Sending DR-CAFTA to the Legislative Assembly prompted student protests on many university campuses as well as threats from the National Social Network that a nationwide strike would be held in Nov. President of the Chamber of Industries, Jack Liberman, whose organization has previously voiced impatience over the CAFTA delay, said “The president’s decision is one more step in the right direction.”

During a 21 Oct press conference, President Pacheco said that the delay to send DR-CAFTA to the Assembly has not been wasted time. “This decision has been [made] at the opportune moment,” said Pacheco. Adding that during the 14 months since CAFTA was signed, “the country has had the opportunity to inform itself, discuss and form opinions on the utility of the agreement.”

The 3,072-page document cost \$82,000 to print in the government's official publication, *La Gaceta*. The commission will now analyze the document on the legislative floor until commission president Rolando Laclé calls for a final vote.

President Pacheco and Legislative Assembly president Gerardo González, both conceded that it will not be possible for the deliberation process to conclude before 1 Jan '06, when the other DR-CAFTA participants are scheduled to commence the agreement. González added that he does not foresee debates opening until 15 Feb '06, following the Assembly's holiday and the national elections to be held on 5 Feb '06.

The latest GID-Gallup poll shows that 64% of Costa Ricans surveyed supported ratifying DR-CAFTA.

Campaign at a Glance

Party	Presidential Candidate	1st Vice-presidential Candidate	2nd Vice-presidential Candidate	CAFTA	Latest GID-Gallup Standings
National Liberation	Oscar Arias	Laura Chinchilla	Kevin Casas	For	45%
Citizen Action	Ottón Solís	Epsy Campbell	Marita González	Against	16%
United Social Christian	Ricardo Toledo	Lilliana Salas	Ramón Iglesias	For	14%
Libertarian Movement	Otto Guevara	Rogelio Pardo	Ana Gabriela	For	11%

Union for Change	Antonio Alvarez	Eleonora Badilla Saxe	Jorge Arroyo Pérez	For	9%
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—Robert Fischer