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Costa Rica Cabinet Change

by LADB Staff

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Costa Rican President Abel Pacheco is denying publicly and acknowledging privately that his government is in crisis in the aftermath of a settlement agreement he reached to end massive protests as September dawned. He now struggles for breath in a Cabinet vacuum occasioned by the resignations of his top ministers.

On Aug. 31, Pacheco told a news conference the country was on the verge of a coup after transport workers and unions staged a long series of demonstrations to protest a monopoly the government gave a private company to conduct mandatory vehicle inspections. The protesters contended that the bid to offer the service, won by the Spanish company Riteve Syc, violates the Constitution in that a private company cannot be granted a monopoly. Before the settlement, union officials had warned that the protest actions, which included paralyzing highway blockages, would proliferate.

The threat gained weight when secretary-general of the Frente Interno de Trabajadores del Instituto Costarricense de Electricidad (FIT-ICE) Fabio Chavez announced that the state electricity and telecommunications sector was prepared to strike in support of the heavy-transport and taxi drivers (see NotiCen, 2003-11-06). "And, if necessary," he said, "we will go on an indefinite strike until the government deigns to abandon this arrogant attitude." Chavez described the monopoly as one "fostered by economic power and permitted by political power." The organizations had petitioned for reopening the bidding to allow for multiple providers. Absent that, he promised "a great national strike from border to border, from coast to coast."

The overwhelming presence of worker organizations during two previous days of traffic disruption left no doubt of their ability to mount such a strike. Pacheco briefly attempted some weak saber rattling with the threat that state workers involved would lose a day's pay, but quickly moved back toward deal making. The result was that by Sept. 1 an accord was reached with the Movimiento Civico Nacional (MCN), an umbrella organization, which acceded to the demand to break the monopoly held by the Spanish company and even threw in a salary increase for state workers.

Fierce rejection of the deal

Costa Rica's largest newspaper took loud exception to the arrangement. "This epilogue does not invite the respect or the concurrence of the peaceful citizenry but rather the outrages of other groups, convinced that, by violent means, they will achieve their ends," wrote La Nacion. The editorial went on to lambaste Pacheco's settlement for the "signal" it sent to a watching world and for his admission to the press that the protests had brought the country to the point of "institutional failure."

At the news conference in question, Pacheco rationalized what he was about to do. "In Latin America, movements are surging that swing the pendulum toward the left, toward the serious left,

and we understand that this has to reverberate in Costa Rica also. I remind you of the moments we live in: closed ports, the airport about to close, the route to the Atlantic closed, the route to the Pacific closed, without gasoline the country was at the point of being without gasoline," said the president of the siege that lasted from Aug. 23-31 and that had the support of most of civil society.

Chronicle of the exodus

The commentary in La Nacion was the flash before the blast. The first shockwave blew the treasury minister out of the Cabinet. Alberto Dent quit the government taking economic coordinator Ronulfo Jimenez with him, both furious at the accord and at other ministers who engineered and supported it, Minister of the Presidency Ricardo Toledo above all. Former minister Dent said that Toledo and Transport Minister Javier Chavez made concessions leading to an unacceptable rise in public spending by allowing first a 4.5% salary increase, and then another .5% to end the protests. Toledo brushed off the comments, denied a political crisis, and said that, despite the raises, the government was maintaining fiscal discipline.

Rumors emerged from the clash that Banco Central de Costa Rica president Francisco de Paula would resign too, but de Paula denied any plan to leave. He would stay on, he said, to keep working on reducing inflation, maintaining macroeconomic stability, and "managing monetary policy with the prudence required to mitigate inflation that has risen in the first months of the year as a consequence of, primarily, unfavorable developments in the international oil market and in other basic materials."

Toledo and Minister of Foreign Trade Alberto Trejos also found it necessary to deny their intent to leave the government, but, on Sept. 6, Toledo resigned, citing "personal exhaustion (desgaste) after just over a year in the post." This is no small loss. Pacheco has leaned heavily on Toledo during the past year and he has been a stalwart among dilettantes, in that he is the twelfth minister to leave the government since its May 2002 inception. Toledo will return to his duties as a deputy in the legislature, a post left open by special arrangement while he served as minister.

Claims of exhaustion notwithstanding, most analysts agree he was under pressure to leave by the rest of the Cabinet, led by the angry economic sector. Unnamed sources within the executive have said that the leading candidates for Dent's job had set the departure of Toledo as a condition of employment. Joining Toledo in departure, treasury vice minister Selena Alvarado took her leave, followed by foreign trade vice minister Gabriela Llobet and Anabel Gonzalez, who headed the Central America Free Trade Agreement (CAFTA) negotiations (see NotiCen, 2003-12-18). The economic sector of the government adrift and abandoned, Pacheco took to the pulpit to assure the populace, but the private sector was shaken. They had expected a quick replacement for Dent, not more loss of stability.

Deputy Juan Jose Vargas of the opposition Bloque Patriotico said, "Costa Ricans love Don Abel, but he is having credibility problems by trying to please everyone." He added that it was clear that economically powerful groups demanded Toledo's head. For the other side, Albino Vargas, secretary-general of the Asociacion Nacional de Empleados Publicos (ANEP), one of the country's

major unions, said, "There is a crisis, and it is the result of a clash between two distinct visions of the development of Costa Rica."

One vision is the neoliberal view, that of Dent and Jimenez; the other is more moderate, in keeping with the aspirations of the people. "There is a climate of uncertainty and anxiety that could end in anarchy or total chaos," he said. There had been Cabinet bailouts in the past, but never of this magnitude, and it still wasn't over. Next to go were Javier Chavez, who just two days before confirmed his intention to stay on, and Foreign Trade Minister Alberto Trejos, who had given the same assurance. Now the entire economic cabinet was gone.

The private sector was in a state of deep consternation because of the loss of Trejos, Gonzalez, Chavez, and Llobet. President of the Union de Camaras Samuel Yankelwitz expressed the sector's concern and encouraged Pacheco to hurry along with putting a new team together. "Lets forget sectarianism or private interests," he said, because "Costa Rica demands of us a true civic spirit in the face of the situation the country is in."

The private sector's greatest concern was the CAFTA agreement. Camara de Comercio president Evita Arguetas said her group "is extremely worried about the uncertain direction that CAFTA could take and about the threat of ungovernability. We hope our president makes new nominations as soon as possible with Costa Ricans dedicated to the stability of the country and a broad vision of all the sectors that make up our society." Pacheco reconstitutes, reaps more grief Pacheco got the message.

On Sept. 13 he named five new ministers. For treasury, it was Federico Carrillo Zurcher; for foreign trade, Manuel Gonzalez Sanz; for transport, Ovidio Pacheco Salazar, who will move from his present job of minister of labor. That job will be taken by Fernando Trejos Ballester, the current vice minister. For minister of the presidency, Pacheco named Lineth Saborio Chaverri. Some of Pacheco's picks were received with reservations. Carrillo has no experience in the public sector and reportedly has a confrontational personality. He was, until January of this year, director of the national stock exchange (Bolsa Nacional de Valores) and had a checkered history there. Some governing-party deputies in the Asamblea Legislativa were dismayed by the appointment.

ANEP was also miffed. Their press release on Carrillo noted, "Whoever knows him identifies him as one of the Chicago Boys." The reference is to a group of conservative University of Chicago economists linked to Gen. Augusto Pinochet (1973-1990) in Chile, although Carrillo actually received his master's degree in finance from Northwestern. But Pacheco defended his pick on personal grounds. Carrillo said he would carry on in the line of Dent and of Walter Bolanos before him, "like a relay race." Gonzalez is Costa Rica's permanent representative at the UN Commission on Human Rights (UNCHR) in Geneva and was not even in the country when the appointment was announced. It will be a few weeks or a month before he takes office. More importantly, he is a lawyer with no foreign-trade background, causing grave doubts within the ministry, according to reports.

Lineth Saborio is currently Costa Rica's first vice president. Ovidio Pacheco Salazar is a lawyer with long political experience. He was secretary-general of the Partido Unidad Social Cristiana (PUSC)

from 1995 to 1997 and a two-term legislator, 1990-1994 and 1998-2002, at which time he became labor minister.

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