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## Costa Rica's Corruption Influences OAS

by LADB Staff

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Former Costa Rican President Miguel Angel Rodriguez (1998-2002) has been asked to resign his new post as secretary-general of the Organization of American States (OAS) for having received a payoff in a corruption scandal involving contracts let by the state telecommunications monopoly, the Instituto Costarricense de Electricidad (ICE). The resignation demands have so far come from within Costa Rica, but OAS officials are, so far informally, looking into the circumstances. This is the second such scandal to involve a Costa Rican former president in as many weeks, and it is being taken seriously because the country has long benefited from a reputation as one of the most politically trustworthy in the hemisphere (see NotiCen, 1998-10-01).

His impeccable reputation was a major factor in Rodriguez's election to the OAS leadership (see NotiCen, 2004-06-10). Rodriguez has admitted receiving US\$140,000 in commissions from the French company Alcatel, a supplier to ICE. The scandal involves members of the two major political parties, the governing Partido Unidad Social Cristiana (PUSC) and the opposition Partido Liberacion Nacional (PLN), but the entire political class has felt the blow. Political analyst Nuria Marin said the situation is so serious that it "transcends the parties and affects the democracy and institutionality in general."

Underscoring the seriousness with which these revelations are taken, the national congress (Asamblea Legislativa) on Oct. 4 passed a motion asking the administration to process Rodriguez's removal from the OAS post if he does not resign on his own. The vote was decisive; 42 of the 57 members of the unicameral body favored the measure.

Deputy Laura Chinchilla of the PLN said the intention was to force Rodriguez into "an immediate resignation." Failing that, the next step would be to "solicit the government of Costa Rica to take the necessary steps to request the immediate firing" of the secretary-general, she said. The vote was taken shortly after Rodriguez responded to a letter from President Abel Pacheco asking him to "separate immediately from the Secretariat General and return to the country to confront the corresponding responsibilities." By return letter, Rodriguez told Pacheco, "I can assure you that I will make my defense with all the dignity and rectitude that my country and its judicial power, to which I reiterate my respect, deserve." It was the denial of any thought of resignation that triggered the legislative action. The PUSC has already removed Rodriguez from membership by action of its Consejo Politico.

### *Irked by reluctance*

The legislative move coincided with a meeting in Washington at OAS headquarters of ambassadors spurred by the scandal. Sources there emphasized that this was not a meeting of the Consejo Permanente, a statement taken to mean that no formal action could be taken. Rodriguez denied any intention of resigning because to do so would be to admit guilt. His letter to Pacheco defended his

innocence, saying, "It is not possible, in the Costa Rica I know, that there would be the intention to cause great harm to me personally, my family, and the institution I represent today irrespective of my state of innocence." He said he had not the slightest fear of facing Costa Rican justice in response to any accusation against him, no matter how reckless the charge might be.

In the absence of formal charges, Rodriguez demanded that he be assumed innocent until proven guilty. This demand could prove disingenuous. Rodriguez may have immunity from prosecution as OAS secretary-general. The OAS charter stipulates that he and other high officials "shall enjoy the privileges and immunities corresponding to their positions and necessary for the independent performance of their duties." Whether that immunity applies to actions occurring prior to appointment has not been examined or determined.

Rodriguez's troubles started barely a week ago, just days after he became secretary-general, with the disclosure that ICE officials and their family members had received millions of dollars from Alcatel. The payments, according to Costa Rica's largest daily La Nacion, which broke the story, were allegedly made through an account in a Bahamas branch of Cuscatlan International Bank, which is owned by a company headed by a relative of Alcatel's top official in Costa Rica.

### *Glass houses?*

Somewhat ironically, a US\$100,000 donation to Pacheco's presidential campaign also came from this account before the 2002 elections. Pacheco admitted getting the donation, saw nothing abnormal in it, and said it did not result in any special benefit to Alcatel. Nonetheless, ICE has awarded Alcatel, as its largest vendor, US\$258 million during the last three years in contracts related to cellular phones and other services. Also, denials notwithstanding, the contribution appears to violate the Costa Rican electoral code, which limits private contributions to 13 million colones, about US\$36,000 at the time it was donated.

Another provision of the code prohibits donations from foreign companies. A legislative commission is investigating other foreign donations to Pacheco. The details of the case in which Rodriguez is enmeshed would amount to a major scandal for ICE and for the country even without the OAS connection. The money, after leaving the Bahamas, was further cleansed through a bank account owned by Jeane Gallup, wife of Jose Antonio Lobo, a former member of the ICE board of directors. Lobo is under court-ordered restriction from leaving the country while he is being investigated for corruption in another case, involving another Costa Rican ex-president, Rafael Angel Calderon (1990-1994), another state entity, the Caja Costarricense de Seguro Social (CCSS), and another foreign company, Instrumentarium-Medko Medical, a Finnish company. Gallup has already left the country, bound for New York.

In the ICE case, the payment to Lobo's wife, amounting to about US\$2.4 million, was made by yet another intermediary, Servicios Notoriales Q.C. This company is owned by the law firm of Luis Adrian Quiros, and directed by Quiros' wife, whose sister, Carmen Valverde, is married to Alcatel's general manager, Eduardo Valverde. Carmen Valverde was also secretary-general of the PLN until she resigned last week to, it was reported, avoid any association between the party and the payments. The day after Valverde's resignation, however, an association did surface.

A member of the PLN finance committee said that the party's presidential candidate, Rolando Araya, had received a US\$100,000 donation from Servicios Notoriales, which received US\$9.6 million in transfers from Alcatel in 2003. Rodriguez has admitted taking money from Lobo, but claimed that the amount was only US\$140,000 and that it was a personal loan used to finance his campaign for the OAS job, which he fully intended to repay. His account, however does not comport with that of Lobo, who said that Rodriguez had received millions from Alcatel and that Rodriguez had demanded of him 60% of a "prize" (premio) of more than US\$2 million given Lobo for the approval of a contract for the installation of 400,000 mobile-phone lines.

Lobo told investigators that, in addition to the US\$140,000, he had also given Rodriguez US\$370,000 in cash, delivered directly to the presidential office. Lobo was minister of housing during the Rodriguez presidency. Attorney General Francisco D'alanese said he had evidence to disprove Rodriguez's version of the transactions. Pacheco, meanwhile, his administration already shaky from a mass resignation of his Cabinet (see NotiCen, 2004-09-16), has taken the high road in dealing with this and the other major scandal involving ex-President Calderon. He congratulated the press for fighting corruption at his weekly Cabinet meeting, and he promised government collaboration in the fight. He announced a special budget supplement for both the attorney general's office and for the Organismo de Investigacion Judicial (OIJ). The money will come from the budgets of other agencies and will pay for 20 new prosecutors, seven new OIJ investigators, two judges, and two judicial aids, all of whom will be assigned to corruption investigations.

### *The damage is not controlled*

This scandal and others of equal seriousness with which it is interwoven have diminished the image of Costa Rica as a country somehow different from, and better than, its Central American neighbors, in the unanimous view of commentators. But the damage is not limited to Costa Rica. If Rodriguez quits, the OAS is set to suffer too. His first order of business was to be a restructuring to bring efficiency to an organization overburdened by a crushing influx of new mandates brought about by regional integration during the past decade, according to his own announcement made soon after taking office on Sept. 15.

In just weeks, he has already consolidated 29 disparate units into seven departments. It was believed that Rodriguez, trading on his excellent reputation, might have been able to accomplish this formidable task.

Hattie Babbitt, US ambassador to the OAS from 1993 to 1997, told a reporter in late September, "The bad news is that the OAS desperately needs restructuring to achieve greater efficiency in a time of increased demands and diminished budgets. The good news is that the need is so desperate that Rodriguez may actually be able to turn his management skills and commitment to reform into reality.

His biggest challenge will be personnel costs, the biggest consumer of OAS budget dollars by far. The OAS is the recipient of repeated "unfunded mandates" from the Summit of the Americas

process and directly from the member states themselves. Member states must step up to their responsibility to pay for the increasing number of services they ask the OAS to provide."

On Oct. 5, Rodriguez had made a decision; he would stay on at OAS, asserting that his difficulties at home would not compromise his effectiveness in office. An OAS diplomat anonymously told reporters, "He has assured us that this situation will not interfere with the performance of his duties." Rodriguez had opted to keep away from the media, leaving the anonymous diplomat to speak, if not for him, for the OAS. He said the prevailing sentiment among ambassadors was to exercise prudence, to "wait and see what course this matter is going to take."

Ambassadors who agreed to being named seemed to confirm that their governments had opted on the side of prudence. Nicaragua's Salvador Stadthagen said, "Our government is against corruption, but we don't have sufficient information." Peruvian diplomatic advisor Ana Rosa Valdivieso used very similar language in expressing her government's position. But there was also widespread agreement that Costa Rica's scandals would spill over, creating image problems for the OAS. "The more time passes, the worse it's going to be for the OAS, with the little credibility he has, and there are still those who are of the opinion that he will not be able to stay in office long," said the anonymous diplomat. Rodriguez, meanwhile, focused on the job. He went on a working trip to Granada and Haiti and was on the road when the Consejo Permanente met on Oct. 6.

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