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U.S.-based Bellsouth Involved in Influence-Peddling Scandal in Nicaragua

by LADB Staff

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BellSouth de Nicaragua, a subsidiary of US-based BellSouth International, is at the center of a scandal involving influence peddling in the National Assembly. The company's alleged actions are in violation of the US Foreign Corrupt Practices Act, which prohibits US firms from offering bribes to foreign government officials. The firm won a concession in 1997 to buy 49% of Telefonía Celular de Nicaragua and to provide wireless telephone service to the Pacific coast region and Managua. BellSouth is accused of contriving to gain majority control of the company by inducing the National Assembly to change the General Telecommunications and Postal Service Law that restricted foreign ownership to 49%.

Former BellSouth director general Carlos Fernandez Roque said that, in September 1998, directors of BellSouth de Nicaragua and BellSouth International met in Managua with Ethel Arguello de Calderon and hired her as a consultant at a monthly salary of US\$6,500. She had recently been fired from her job with Empresa Nicaraguense de Telecomunicaciones (ENITEL) because of allegations of corrupt practices.

Arguello had little knowledge of cellular telephones, but her main job was to get the telecommunications law changed, said Fernandez. Her husband, Assembly Deputy Silvio Americo Calderon of the governing Partido Liberal Constitucionalista (PLC), introduced the bill in February 1999 and got it passed in December 1999. At the time, Calderon was chair of the Assembly's Communications, Transportation, Energy, and Construction Committee. He is at present in the running for a seat on the Consejo Supremo Electoral (CSE).

In an interview with the daily El Nuevo Diario in January, Fernandez said he warned BellSouth de Nicaragua directors and the home office in the US that the company was violating US law. Fernandez said he told lawyers for BellSouth International in February 1999 about the arrangement with Calderon's wife.

In May, company lawyers went to Managua and ordered BellSouth de Nicaragua directors to fire her. Shortly thereafter, Fernandez said, the Nicaragua directors forced him to resign, offering him US\$165,000 to sign a document affirming that the company had violated no laws. Fernandez refused to sign and is now suing the company. Through Telefonía Celular de Nicaragua's public relations director Julie Hershkowitz, the company denied hiring Calderon's wife to influence legislation. Hershkowitz said the company had not used any corrupt tactics and that the telecommunications law had been changed after Calderon's wife left the company.

Furthermore, the beneficiaries of the change were the Nicaraguan people, who would receive better service, she said. Fernandez says BellSouth now owns 89% of Telefonía Celular instead of the 49%

it was limited to before the law was changed. In the Assembly, Deputy Noel Vidaurre of the Partido Conservador de Nicaragua (PCN) said BellSouth had "bought" Calderon and advised him to resign from the Assembly and withdraw his candidacy for the CSE seat. He criticized Walmaro Gutierrez of the PLC for his defense of Calderon. Gutierrez had said Calderon had not engaged in influence peddling since it was not an offense recognized by Nicaraguan law.

Calderon denied he was influenced by BellSouth in his lobbying efforts on behalf of the legislation, and said various other firms such as Consejo Superior de la Empresa Privada (COSEP) and ENITEL supported the change in the telecommunications law. He said that allowing foreign ownership of Nicaraguan businesses would encourage more foreign investment and help the privatization process of ENITEL and other state companies. He accused Fernandez of attacking him and his wife to hurt BellSouth's image and to boost his chances of winning his lawsuit.

But an editorial in the daily La Prensa argued that, regardless of whether the crime of influence peddling exists in Nicaraguan law, Calderon should publicly apologize for his actions. If Calderon did not foresee the implications of a conflict of interest in his wife's employment with BellSouth, said the editorial, "we are then facing a case of total incompetence and lack of good judgement, and he should resign his post." [Sources: El Nuevo Diario (Nicaragua), 01/25/00, 01/26/00, 01/28/00; La Prensa (Nicaragua), 01/25/00, 01/29/00, 01/31/00]

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