



Tico Times/Mónica Quesada

GOOD News, Bad News: Lucila Barcenas holds her granddaughter, who shares her name, at their home in the poverty-stricken shantytown Triángulo Solidario in Tibás, north of San José. The annual Household Survey, released Nov. 4 by the National Statistics and Census Institute (INEC), showed that poverty nationwide has decreased slightly since last year, though individual incomes continue to fall. (Story, page 6.)

Central Valley Drinking Water Threatened

State of Emergency Requested

BY ROBERT GOODIER

Tico Times Staff

Fourteen months after the discovery of a diesel and oil leak into a drinking reservoir in Barreal de Heredia, authorities are taking sudden, decisive action: the National Emergency Commission (CNE) called for a declaration of emergency Wednesday that, if signed by President Abel Pacheco as expected, will loosen government purse strings for the expensive cleanup. The polluted reservoir, under the auspices of the Heredia Public Services Company (ESPH), is 160 meters deep and coated with an oil slick 20 meters below the presumed source of the leak – a gas station that was closed after discovering the problem.

So far, there is no sign the gas has contaminated other reservoirs or aquifers, but if it does, as authorities suspect it could, it will render undrinkable the tap water of up to 320,000 people in Heredia and San José (TT, June 24).

Heaping further pressure on the embattled National Water and Sewer Institute (AyA) – which faced at least one other water-quality controversy earlier this year when a study showed dangerously high nitrate levels in drinking water, and is now embroiled in an epic workers' strike – residents of an upscale neighborhood in Santa

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Summit Falls Flat

BY REBECCA KIMITCH

Tico Times Staff

WHILE many analysts are calling last week's Summit of the Americas a failure, all was not lost for President Abel Pacheco, who came home from Argentina with an assurance from U.S. President George W. Bush that the pressure is off regarding the Central American Free-Trade Agreement (CAFTA).

Bush told Pacheco to "take your time" regarding CAFTA, the Costa Rican leader told reporters following their bilateral meeting Nov. 4 in the Argentinean seaside resort of Mar de Plata. Although Costa Rica remains the only CAFTA signatory country not to have ratified the agreement, Bush showed respect for this country's legislative process, Pacheco said.

Beyond this, however, Pacheco had little positive to

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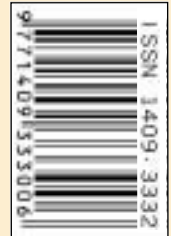
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Investors Plan Lawsuit Against Costa Rican Gov't

BY ROBERT GOODIER

Tico Times Staff

(Part two in a two-part series on the government's handling of the multimillion-dollar Villalobos investment operation.)

CLAIMING that the government turned a blind eye to an allegedly illegal investment operation for more than a decade while officials and even the family of an ex-President were collecting interest, then closed it in an illegal raid three years ago, a group of more than 300 former investors with the Villalobos brothers' defunct high-interest loan operation plan to

sue for damages in the World Bank's International Centre for Settlement of Investment Disputes (ICSID).

They are bypassing the Costa Rican legal system, in which a trial of one of the brothers, Osvaldo Villalobos, is still pending. They contend the issue is not the innocence or guilt of the two brothers, but rather, how the government handled the issue from its beginning perhaps as long as 20 years ago to its end in a July 4, 2002 raid on the brothers' offices.

"It's a double-edged sword," the group's organizer, U.S. expatriate Jack Caine said. "If (Luis Enrique Villalobos, the leader of the operation) is guilty, they (the government) should have regulated (the invest-

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Emergency Contraception Debate Reaches Assembly

BY MARÍA GABRIELA DÍAZ AND JEFFREY VAN FLEET

Tico Times Staff

DEBATE over the controversial "morning-after pill" has continued in recent weeks, with a Legislative Assembly decision to exclude mention of emergency contraception from a health reform bill drawing criticism from pro-choice and feminist organizations.

In Costa Rica, no law specifies whether emergency contraception is prohibited or permitted, according to Rodolfo

Delgado, legislator for the Social Christian Unity Party (PUSC). Proponents of the method say it should be considered a right and be part of the nation's family planning strategies, while its opponents argue its acceptance would open the door to the legalization of abortion.

A bill to reform the country's General Health Law promised to fill the legal void surrounding the issue by defining access to emergency contraception as a right. However, the Social Affairs Committee, charged with discussing the bill, removed the clause three weeks ago before sending

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Investors Claim Gov't Raid Was Illegal

(From Page 1)

ment operation) and if he's innocent, they brought down a legitimate businessman."

CAINE is leading the charge against the government, hoping it will reimburse the investors in his group, each of whom lost thousands to millions of dollars when the operation closed shortly after the raid.

His lawyers, witnesses and the tottering mountains of documents in his home-based office may prove that the government shirked its duty to protect investors while the Villalobos brothers took their funds for as long as 15-20 years (TT, Nov. 4). Or, Caine's group might demonstrate that the government moved on the brothers illegally, forcing the closure of their operation and putting their clients in the poorhouse.

After what loyal investors say was a 15- to 20-year run of on-time monthly interest payments of 2.8-3%, Luis Enrique Villalobos fled the country with what authorities estimate was \$800 million of investors' money (TT, March 14, 2003). He disappeared shortly after police raided his offices in the San Pedro Mall and Osvaldo's home on July 4, 2002, seizing documents, computers and cash, and later froze \$7 million in Villalobos bank accounts in Costa Rica (TT, Nov. 14, 2003). The raid panicked the more than 6,000 investors who had entrusted the brothers with minimum loans of \$10,000 each.

Osvaldo Villalobos, Luis Enrique's brother and business partner, endured more than two years of preventive detention until last April when he was released on a kind of parole, not allowed to leave the country while his trial is pending (TT, April 1, 2005). Both brothers are charged with fraud, illegal financial intermediation and money laundering.

CAINE'S group charges that the raid on the office was illegal – a unilateral operation excused by a trumped-up money-laundering allegation and authorized by a drug-crimes prosecutor.

Police investigated the Villalobos businesses multiple times in the 10 years leading to the raid and never found evidence of money laundering. The Tico Times saw documents from the anti-drug police, the government's financial business regulator, the Superintendence of Financial Entities (SUGEF) and the Comptroller General's Office that make no mention of evidence of wrongdoing even after a handful of investigations in the late 1990s and the years before the raid.

Regardless, drug-crimes prosecutor Walter Espinoza, leading the government's case against Osvaldo Villalobos, ordered the money seizure.

"When the police don't have evidence, they do a seizure anyway because of the drug law," Caine said.

ESPINOZA acted when the Royal Canadian Mounted Police (RCMP) had asked for assistance in the arrest of a group of Canadian drug traffickers dubbed the OILCREW (TT, July 12, 2002). The RCMP suspected the OILCREW was laundering up to \$300,000 in the Villalobos operation and used drug money to buy a \$95,000 condominium in Jacó on the central Pacific coast.

At Caine's request, the RCMP assigned Sergeant Cam Croal to investigate allegations of wrongdoing in the raid on the Villalobos offices and the subsequent seizure of more than \$7 million from Villalobos bank accounts. The results, of which The Tico Times has a copy, were released in May and state that Costa Rican prosecutors raided the offices on their own – the Mounties were all in Jacó at the time,



LUIS Enrique Villalobos.

wrote a lengthy attack on the legality of the raid, called the White Paper, which was mentioned in the RCMP report and was vindicated, in part, by the RCMP's findings. The third point of his 23-pronged attack on Espinoza and the government's handling of the affair is that Espinoza "convinced" a judge and the press that Canada had requested a raid.

In his defense, Espinoza, who cannot talk to the press about this issue while Osvaldo Villalobos' trial is pending, told the RCMP that Costa Rican authorities decided to seize goods and money and Canada cannot approve or disapprove the action, which was a sovereign decision made in an ongoing investigation into the Villalobos businesses.

IN an interview with The Tico Times (and also in his White Paper), José Miguel Villalobos leveled a second attack at the raid: "No evidence whatsoever was found that the Villalobos brothers administered the Canadians' money. Rather, it was discovered that they opened bank accounts with (state bank) Banco Nacional. But Banco Nacional was not investigated at any time."

The raid on the condo in Jacó turned up

and they had never asked for the seizure of documents, money or the account freezes.

José Miguel Villalobos (no relation to the Villalobos brothers), special counsel to Osvaldo Villalobos' defense and presidential hopeful on the Democratic National Alliance ticket,

checkbooks from state bank accounts, the RCMP report confirmed, but though the RCMP had requested that Costa Rican authorities "conduct searches to identify bank accounts, financial transactions and/or tangible assets related" to five of the six Canadians arrested in the OILCREW operation, Canada did not see the evidence seized until more than a year after the raid, and the state banks were not investigated. The evidence remained in a Costa Rican legal limbo until Aug. 21, 2003, shortly before Canada convicted the key conspirators. (Five of the six arrested have been convicted; the sixth has yet to go to trial.)

José Miguel Villalobos, like Caine, is pushing for a court ruling that drug-crimes prosecutor Espinoza overstepped his legal authority in authorizing the raid, arguing that the OILCREW arrest was a pretext to move on the Villalobos brothers.

"THIS process should have ended a long time ago," Villalobos said. "There is no evidence of any of the three crimes (of which the state accuses the Villalobos brothers) and the state is spending Costa Rican money in an absurd penal process because of Espinoza's irresponsibility.

"Costa Rica is responsible for the damages caused and will have to indemnify all the victims, including the interest they would have accrued," he said.

Besides the possibility of an out-of-line prosecutor, Caine's group would like the World Bank court to consider a further accusation: that the government knew the Villalobos brothers operated an illegal investment scheme and did nothing about it.

Caine bases part of his allegation that the government knew that the Villalobos brothers were running an illegal investment scheme on a beneficiary statement confiscated from the Villalobos brothers' offices, a copy of which he showed The Tico Times. It shows that Karen Christiana



JOSÉ María Figueres.

Figueres, sister of ex-President José María Figueres (1994-1998), was an investor and named her sister Kirsten Figueres as a beneficiary. The statement is dated Oct. 31, 1996, the last year of Figueres' presidency.

In the same year, the anti-drug police were investigating the Villalobos brothers and warned the Superintendence of Financial Entities (SUGEF) that they might be operating an illegal investment scheme (TT, Nov. 4). However, SUGEF, which regulates financial businesses, certified the Villalobos' currency exchange company that year.

FURTHER evidence that the government had knowledge of the operation is report number 30-DEF/222-03/04 by the Judicial Investigation Police (OIJ), dated Jan. 30, 2004, of which The Tico Times has a copy. It alleges that the Villalobos brothers made a series of loans totaling \$6.6 million to Figueres' brother José Martí Figueres during Figueres' presidency.

Caine and company are in a registration process for a hearing with ICSID, where, if it's granted, they will air these complaints and dozens of others each with the myriad nuances Caine's compiled documents will afford. Meanwhile, there is no time frame for ICSID's decision.

"This process should have ended a long time ago... The state is spending Costa Rican money in an absurd penal process."

—Special Counsel
José Miguel Villalobos

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