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'Vesco Fever'

Fast-Moving Millions Quicken Costa Rica's Financial Pulse

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By Marlise Simons
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SAN JOSE, Costa Rica—"It must be Vesco again. Who else can spend that kind of money around here?" muttered a local businessman. "I hear the price was $2.5 million."

Two weeks ago, it was the sudden sale of the Gulf Oil concession that had people speculating. The Gulf sale included 40 service stations and a sea terminal, while the buyer, Cari S. A. was only a small company with two gas stations. A month ago, it was the mysterious purchase of the coffee plantation El Molino. And before that, "someone" buying 40 per cent of the Royal Dutch Hotel.

Costa Rica, the coziest, most democratic and most progressive of the Central American republics, has a case of "Vesco fever."

In effect, every business transaction of any importance these days is attributed to American investor Robert L. Vesco, charged by the U.S. Securities and Exchange Commission with defrauding offshore mutual funds of $224 million, and presently living and investing in Costa Rica.

"We're obsessed by him, we think he's everywhere," a well-placed lawyer lamented last week. "Every time a piece of land is sold, or a few shares are changing hands, people say: 'it must be Vesco again'."

The Vesco gossip of downtown San Jose is no doubt overblown, but Vesco's arrival in this country of less

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than 2 million inhabitants has nevertheless had a drastic effect.

Over the past few months, he has pumped at least $61.1 million through its small economy (last year's Gross National Product was under $1 billion). He has hooked Costa Rica into the tangles of the international scandal of Investers Overseasservices and he has turned himself into the main campaign issue for next year's presidential elections here.

ROBERT L. VESCO
. . . finds "Arcadia"

Not that Vesco was the first foreign mutual fund manager to be attracted by Costa Rica's free exchange market and unrestricted investment possibilities. Clovis McAlpin a 55-year-old Texan, recently accused of defrauding mutual funds of $28 million by the German Security Holders Association, has been flourishing here since 1968.

One of the secrets of his success has been his friendship with Costa Rica's President Jose Figueres, who in 1969 helped McAlpin obtain a Costa Rica diplomatic passport with accreditation in Belgium. This occurred, McAlpin confirmed last week, three months after he had bought $2 million worth of shares in the ailing San Cristobal holding company, founded and partly owned by President Figueres.

Since then, McAlpin's closed-end Capital Growth Company and Jose Figueres have maintained their association, which reportedly inspired a McAlpin donation of $700,000 to finance the presidential election campaign in 1970.

In this atmosphere of cooperation, McAlpin invited a few friends for dinner at his hacienda last June. The guest list include New York promoter Richard Pistell, former Cuban Ambassador to the United Nations Alberto Innocente Alvarez, Figueres, and newcomer and holder of IOS funds, Robert Lee Vesco.

Few people know what was discussed, but the effects of that night were far-reaching: Vesco began to fly in with the regularity of a commuter, and like McAlpin he made his gesture towards the San Cristobal farm, an unsecured loan of $2.15 million.

For San Cristobal, whose vice president is Jose Marti Figueres, the president's son, the dollar injections have brought visible good health. Its farm, La Lucha has switched production from natural to artificial fibers and looks more like a sprawling village than an industrial farm with housing for its workers, a school and its own power station.

The Vesco group, President Figueres and his advisors spent the summer of 1972 charting their own future and that of Costa Rica, the heart of which was a plan for a self-governing international free-money zone with schemes for banks, corporations and trusts.

This zone would literally be a walled-in area, near the airport, with a business and a residential district. The area would be entirely self-governing, implying that only approved companies and employees could be admitted and even Costa Ricans would need permission to enter the haven.

In exchange for this international sanctuary, the promoters would be required to invest a certain proportion of their capital in Costa Rica.

The planning was done most discreetly. Only the workers at San Jose airport knew of the white-and-blue Boeing 707 which belonged to "a gringo millionaire" and chuckled about the "sauna bath for two" on board.

But few people knew that Vesco, meanwhile, had founded Interamerican Capital S.A. and five other shell companies in Costa Rica through which he began to channel funds.

According to his lawyer, Fernando Fournier, Vesco also bought "a building in Palmar Sur and plots of land along the airport highway," allegedly in preparation for the financial haven. Fournier, of the well-known law firm Facio, Fournier and Canas in which Costa Rica's Foreign Minister Gonzalo Facio is senior partner, also applied for Vesco's Costa Rican passport. But on Dec. 18, by which time Vesco's name had become controversial, Fournier dropped his client.

The first glimpse of what is now a national scandal came with the publication of the free-zone scheme. Although he plan appeared to be anonymous, it created an outrage in Costa Rica's Congress.

Deputies said that Costa Rica would "sell its democracy to a bunch of foreigners and gangsters," protest letters were circulated, and, when a petition was signed by a large majority of deputies, the project was buried as fast as it was born.

President Figueres denied any connection between the project and Vesco, but when the SEC filed its complaint against Vesco and his associates, accusing them of an enormous securities fraud in the United States, Costa Ricans became further alarmed.

Spotting an alliance between President Figueres and the Vesco group, the opposition National Unification Party got its teeth into the issue which they will not abandon before next February's presidential elections. The six local papers began competing for Vesco news, uncovering favors granted to Vesco and denouncing the fact that passengers and cargo arriving on Vesco's plane passed through neither immigration nor customs.

By year's end, La Nacion, the newspaper which has followed the Vesco trail most ardently, suddenly saw 10 per cent of its stock sold for $186,000 cash to "someone we think is a front for Vesco," according to staff members.

Soon all business deals in the country seemed to point to Vesco's financial or Figueres' political brain. But "Don Pep," as everyone calls the colorful and eccentric president, has a reputation for not being easily flustered. He abolished the nation's army in 1948 with one stroke of his pen, once slapped an impertinent student, and foiled a recent hijacking while personally wielding a machine gun at the airport.

Following foreign and domestic charges of political corruption, Don Pepe appeared on national television. He defended Vesco's right to invest in Costa Rica and condemned "that reactionary force called Wall Street" for trying to damage "a small democratic country like ours."

In an interview in his private residence last week the 67-year-old president said:

"I'm too old to be scared by the laws of another land, or the morals of banking groups. I'll even fight the World Bank if they want to interfere here. Mr. Vesco and his associates have nothing to hide, and they haven't stolen money."

"For years," Figueres said, "the funds of Latin America have gone north, and then it was all moral and legal. Now that it is coming our way, everything is suddenly immoral and illegal. Did the U.S. ask questions when former Dictator Fugencio Batista sent his money up from Cuba?"

"Mr. Vesco, his family, and the dozen other families of his group are all welcome here," the president went on, "and they know we won't be cowed by the SEC or Wall Street."

Asked where Vesco's money had been invested, Figueres said: "I don't keep track exactly, but the investments are all very creative and very secure."

The president added, laughing: "I assure you it is true that both McAlpin and Vesco have invested money in firms I founded. And now everybody is making a fuss. Let me tell you that they've done only 35 per cent of their business with us, and the rest has gone into businesses owned by the opposition."

Meanwhile, the local scandal continues. Even the arrival of Vesco's car, a Mercedes-Benz, made front-page news, as did confirmation from the immigration office that Costa Rican passports had been granted to Vesco and associates Norman Le Blanc, Milton Meissner, Ulrigh Strickler, Stanley Graze, Frank Beatty and Richard Clay.

A 1971 law permits a provisional passport to be extended to foreign "pensioners" for five years. It also grants certain tax and import privileges and an option on Costa Rican citizenship.

Faced with continued adverse publicity and a newly formed congressional committee to investigate the activities of mutual funds, Vesco decided "to appear before the Costa Rican people for the first time."

The president's office assisted him in buying television time and, on March 6, Vesco told a nation-with audience that it had become necessary" to give a brief explanation about my humble background and my goals in life."

Vesco vehemently denied charges made against him by the SEC and repeated President Figueres' thesis, claiming that he was persecuted by the SEC because he employed his money "in developing countries rather than in the finance corporations listed on the U.S. stock exchange."

"I fell in love with Costa Rica on my first visit," Vesco explained. "Along with several business acquaintances, we brought our families, enrolled our children in excellent schools and started our new life in this American arcadia."

A newly appointed public relations representative in San Jose, Paul Espinosa, held a press conference and bought space in every local newspaper to attack the SEC and defend Vesco. Espinosa, was bitter about "the scandal raised in Costa Rica."

"People are acting here as though Vesco were smuggling or buying up half the country," Espinosa said. "He has not invested in mutual funds here and has no intention of mixing in politics."

In his television address, Vesco himself said that he had invested "$25 million or a little more" in Costa Rica. But since there is no stock exchange here and shares are normally made out to "the bearer", there is no sure way of knowing the extent of Vesco's interest here.

It is known, however, that Vesco bought $5 million worth of seven-year government bonds and "a sum" has gone to Quimicas Laminadas, a company producing prefabricated housing, controlled by President Figueres' son-in-law. Local banking sources feel that the purchase of the Gulf concession ties in with Vesco associate Richard Pistell's suggestion to build a trans-Costa Rican oil pipeline.

As for Vesco's future in Costa Rica, obviously much depends on the outcome of next February's elections. The congressional committee, which is curently holding hearings into the activities of both Vesco and McAlpin, is expected to recommend legislation for greater control of foreign investment.

But since the government Liberation Party controls Congress, such a law is not likely to be adopted before the elections.