

# Liberalizing the Costa Rican Telecommunications Market

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MA Project  
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## 1. Scenario

For the purposes of this project, I assume the fictitious role of a consultant hired by a fictitious multinational telecommunications service provider, GlobalCom.

GlobalCom is interested in entering the Costa Rican telecommunication services market, but Costa Rica does not yet allow foreign competition in this market. The company has tasked me with developing a strategy for pushing Costa Rica to allow foreign companies to enter its telecommunication services market. My report also includes analyses of the opportunities that would be presented by the company's entry into the market.

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## 2. Executive Summary

GlobalCom stands to gain approximately five million dollars annually in a liberalized telecommunications market in Costa Rica. This Central American country stands out from its regional partners as an economic trendsetter, having already begun the internet boom that will soon hit its neighbors in Central and South America and the Caribbean. It is in the interest of GlobalCom to pursue the liberalization of the Costa Rican market, establish itself in that country, and use the country as a springboard to launch its growing information technology business throughout the region. GlobalCom already maintains a part-time representative in San José, which demonstrates the company's commitment and interest in this market.

The introduction of foreign competitors into the Costa Rican telecommunications market requires a constitutional amendment to dissolve the current state-owned utility company's monopoly position in the market. Such an amendment requires an overwhelming (2/3) majority of votes in the Legislative Assembly, which is comprised of fifty-seven deputies.

Telecommunications reform has become a notoriously difficult political issue for the current administration. President Rodriguez came into office intending to reform the telecommunications sector, and he introduced privatization legislation several years ago. That legislation was defeated despite the fact that the President and prominent leaders from the business community all supported the effort.

In a new attempt to pass reform legislation, Rodriguez recently began a process of national consensus building designed to minimize political gridlock. The process has already resulted in the creation of a law that would gradually open the telecommunications market to outside competitors. While the process has not succeed in dampening the spirit of opposition leaders, both major parties have agreed to introduce a compromise bill on the floor of the assembly. If passed, this bill will open the telecommunications market to foreign competitors yet maintain the national utilities company as a state-owned enterprise.

Now that both parties have committed to this debate, momentum seems to be building and the outlook for the passage of a compromise bill is positive. The likely result will be an opening of the Costa Rican market in which the state maintains some stake in the operation of the national utilities company. The exact nature of the relationship between the Costa Rican government and the new national utilities company is not yet clear, making it imperative that GlobalCom push for rules that will create a level playing field for foreign competitors.

GlobalCom should pursue a strategy aimed at assuring the passage of telecommunications reform, which not only opens the market to foreign competitors but allows them to compete freely and fairly with any quasi-governmental telecommunications provider as well.

Due to the relatively small size of the Costa Rican legislature and the leading role that it plays in policymaking, lobbying legislative deputies should be the focus of GlobalCom's strategy. Using the company's own representative for this is essential due to influence-peddling laws that prohibit the use of paid lobbyists. In conjunction with the local business community, GlobalCom should be able to conduct a media campaign that will raise public support and awareness of the issue of telecommunications reform. By bringing the issue to the public, GlobalCom can ensure that telecommunications reform makes its way into the ongoing election campaign. GlobalCom may even be able to prompt legislators to consider more ambitious reforms, such as signing the WTO Basic Telecommunications Agreement.

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### **3. Commercial Analysis**

GlobalCom stands to gain large profits from the liberalization of Costa Rica's telecommunications market. Conservative estimates place the first year's revenue at approximately five million dollars, and recent trends show that demand for telecommunications services in Costa Rica is growing rapidly. Furthermore, Costa Rica is on the forefront of Central America's information technology development, and can

serve as a starting point for GlobalCom's own development as an information technology service provider in the region. Costa Rica is far ahead of its neighbors in transforming its economy from the production of just primary products toward a diverse set of manufacturing and services industries that depend on efficient information transfers.

GlobalCom's market potential in Costa Rica depends on the range of services it will offer to Costa Rican individuals and businesses. This analysis assumes that GlobalCom will offer international long distance as well as complete telecommunications services to Internet service providers. It also assumes that GlobalCom will be able to secure one-quarter of the existing market in these products. While it is impossible to predict exactly who will enter the Costa Rican market and how many customers will stick with the newly privatized or corporatized ICETEL, one-quarter is a fairly conservative estimate considering the higher quality of services that GlobalCom will undoubtedly provide as well as the effects of any pre-liberalization marketing campaign.

Approximately 77 million minutes of international long distance telephone calls originate from Costa Rica each year (see Figures 1 and 2). One-quarter of this figure is approximately 19.25 million minutes. Available figures show that an average three-minute local call at peak hours costs approximately 6.5 colones (in 1995). Extrapolating a ballpark figure for an international long distance phone call of the same duration for the current year brings us to 18.59 colones. (6.5 colones multiplied by 1.43 to account for currency depreciation, then doubled to account for the more expensive cost of international long distance). 18.59 multiplied by 19.25 million totals 357,857,500 colones, or US\$ 1,391,197.

Figure 1.

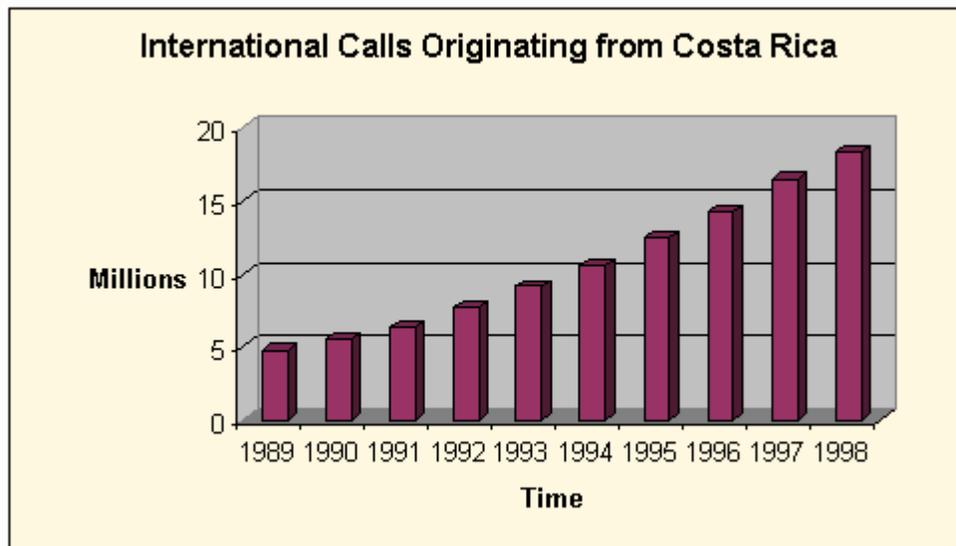
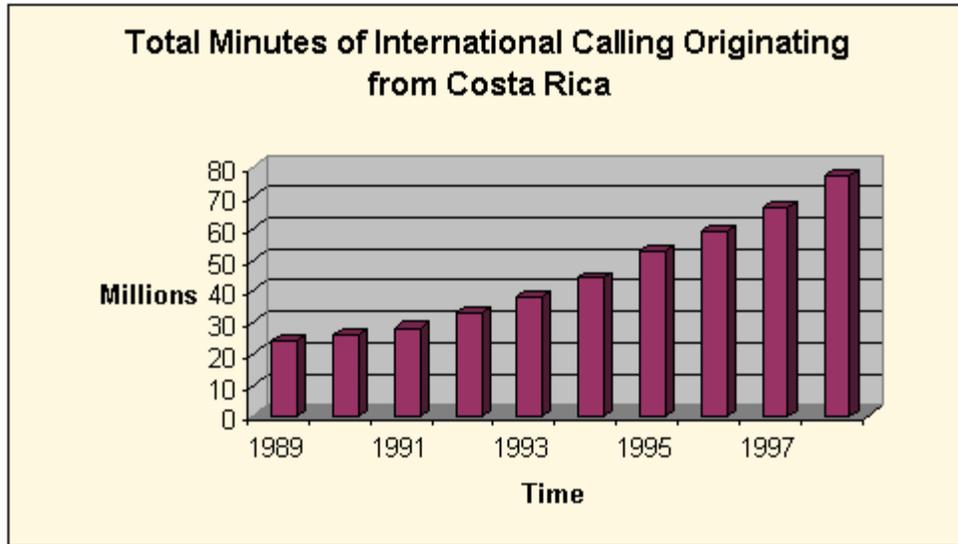


Figure 2.



The profit potential for providing telecommunications services to Internet service providers (ISPs) is extremely difficult to determine due to a fundamental lack of data on the prices that ICE's subsidiary RACSA charges to ISPs. In order to arrive at a figure, it will be assumed, once again, that GlobalCom will secure one-quarter of the market. It is highly likely that GlobalCom can secure a much larger portion than this due to its new emphasis on providing extremely high quality telecommunications services on a global scale.

Figure 3.

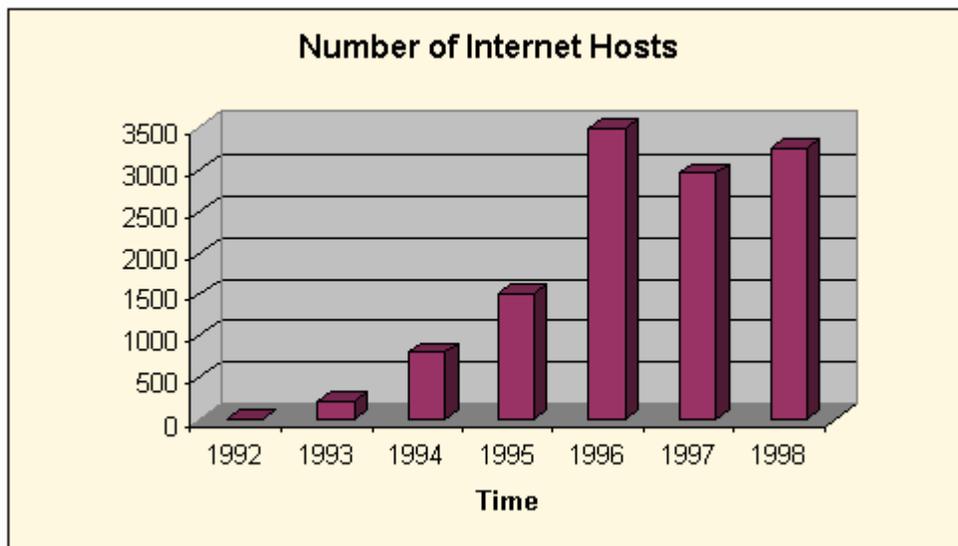
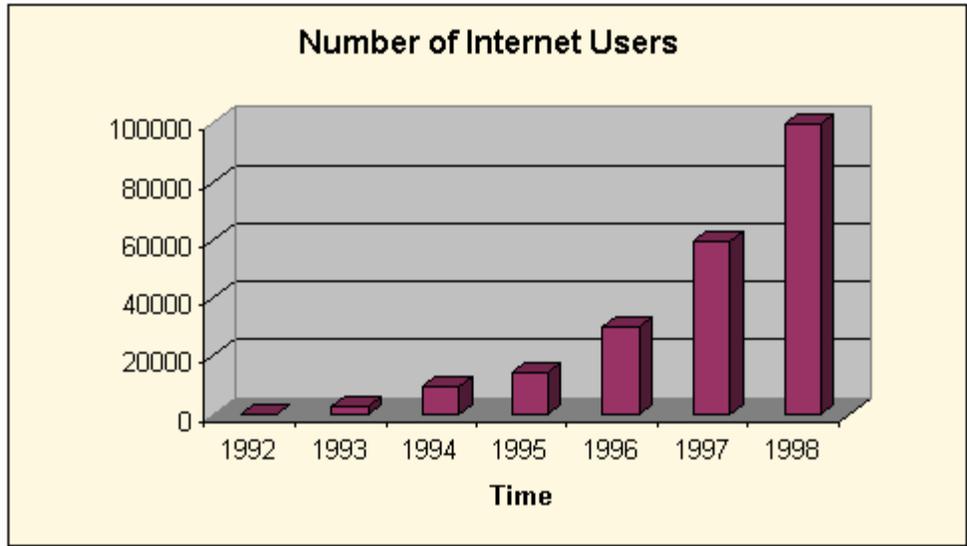


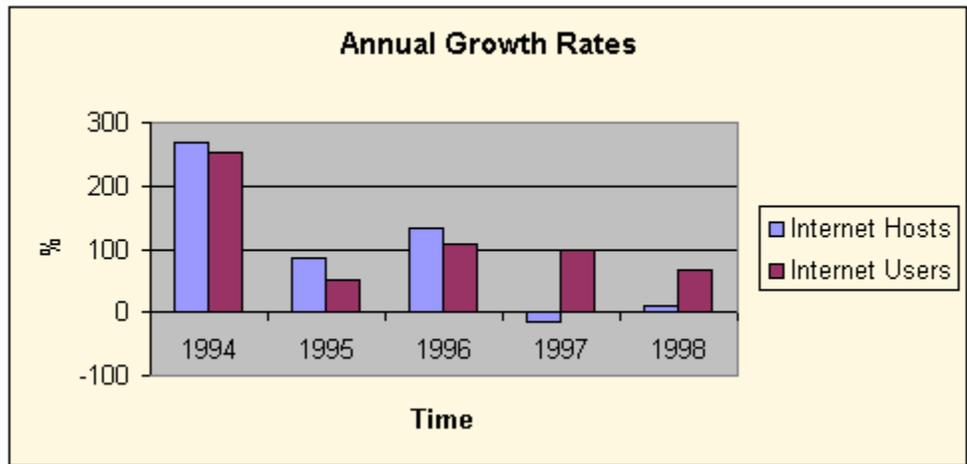
Figure 4.



One-quarter of the current ISP market would equal approximately 815 ISPs. It is important to note, however, that while the number of ISPs has stabilized somewhat over the past two to three years, the number of Internet users has grown tremendously, providing a particularly optimistic forecast for this market (see Figures 3 and 4). If GlobalCom charges US\$1,000 as a start-up fee for ISPs that switch to its service (this would include a complete overhaul of the ISP's current system and connection to GlobalCom's worldwide state-of-the-art network) and a \$100 average monthly fee (this fee would vary, of course, depending on the number of Internet users hosted by each ISP), the total intake from one ISP per year would be \$2,200. Multiplying this number by one-quarter of the market brings the total gross yearly income to \$1,793,000.

Of course, this only represents the first year's annual gross revenue. It is important to look at the rates at which each of these markets is growing in order to get a sense of just how much may be earned in the future.

Figure 5.



Although the initial boom in new Internet users and ISPs has tapered off, both have continued to post impressive positive growth rates over the last several years (see Figure 5). The international long distance market shows a relatively more stable pattern of growth (see Figures 1 and 2), which is to be expected from an older and more established industry. As the market for Internet technology develops, growth rates can be expected to even out.

Overall, there is no question that the telecommunications market outlook in Costa Rica is extremely positive. In just two of the various types of service that GlobalCom may offer, conservative estimates place annual gross revenue at well over one million dollars each (and closer to two million in the case of ISPs). A strong marketing campaign and a decision to provide more services to Costa Rican businesses and individuals could easily push total gross revenues over five million dollars a year. It will be well worth GlobalCom's effort to pursue liberalization of the Costa Rican telecommunications market.

#### **4. Legal and Political Analysis of Telecommunications Reform**

The national utilities company (ICE) enjoys a legally-mandated monopoly for the provision of telecommunications services. Only a constitutional amendment can dissolve this monopoly.

In Costa Rica, constitutional amendments require a two-thirds majority vote in the Legislative Assembly. They must also pass a second vote in the Legislative Assembly during a later session, which means that the process of amending the Constitution is lengthy, particularly because before a bill reaches the floor of the Assembly, it must go through a review process similar to the U.S. Congress's committee process.

In the case of the telecommunications reform legislation, the Committee on Government and Administration has already reviewed proposed amendment legislation. Its own subcommittee that handles legislation pertaining to telecommunications and energy reform first agreed to a version of the bill and then sent it to the full committee. The full committee recently came up with another version of the bill that will soon be debated on the Assembly floor.

Considering Costa Rica's history of fierce debate over telecommunications issues, the final version of the telecommunications bill may look significantly different from the version that begins the floor debate. Accordingly, a comprehensive lobbying effort should be Telegobe's top priority.

Costa Rica's constitution and campaign finance laws have created a virtual two-party system with a strong Legislative Assembly and a relatively weak executive. The state contributes funds to the electoral campaigns of parties that win five percent or more of the vote, which makes it difficult for candidates from third parties to break into the system. This makes for a wide range of views within a single party and reduces the influence that parties have over the voting habits of their deputies. Furthermore, votes on the floor of the Assembly are rarely recorded or publicized, and there is little

repercussion for crossing party lines. All of this gives deputies significant latitude in their voting habits and makes them prime targets for lobbying activities.

President Rodriguez's previous failure to pass privatization legislation is evidence of the relatively diminished role of the president in Costa Rican politics. He is able to introduce legislation, but cannot necessarily muster a two-thirds majority vote through his efforts or influence alone. Rodriguez has used the power of the executive to determine the agenda of the current extraordinary legislative sessions in order to focus attention on the issue of telecommunications reform, but even this will not bully opposition leaders into making large concessions.

The key to achieving the required two-thirds majority is to form a multi-party consensus. In order to build such a consensus, voters and local Costa Rican interest groups need to be pulled into the campaign for telecommunications reform. Indeed, any steps toward de-politicizing the issue will undoubtedly speed up the process, which has been held back more by political interests than by problems related to substantive issues.<sup>1</sup> Both major political parties support telecommunications reform, but they differ on minor technical issues of how that reform should be carried out. Taking the issue to voters and interest groups will put pressure on politicians to drop their political grandstanding and begin serious work on a viable piece of compromise legislation.

Deputies that currently hold office will certainly feel some degree of pressure from interest groups and an informed public, although they cannot be re-elected immediately and are therefore somewhat insulated from this pressure. Accordingly, attention should be focused on the candidates in the current electoral races.

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## **5. Current Status of Telecommunications Reform**

A compromise text of the telecommunications legislation has finally emerged from committee and is ready to be discussed on the floor of the Legislative Assembly. The proposed legislation is titled *The Law for the Improvement of the Public Services of Electricity and Telecommunications and the Participation of the State*. It sets forth a process for liberalizing the energy and telecommunications sectors and describes the role the state will play in these markets.

For GlobalCom, two aspects of the reform legislation are crucial. The legislation must:

1. permit the entry of foreign companies into the telecommunications market, and
2. ensure that the market will be truly competitive and free of favoritism.

To date, the debate over telecommunications reform has focused on the pace of liberalization and the nature of the state's involvement in a liberalized market. Very little has been made of the issue of a level playing field other than to say that the telecommunications market should be truly competitive.<sup>2</sup>

President Rodriguez is a member of the Social Christian Unity Party (PUSC) and has supported telecommunications reform since the beginning of his presidency. The

opposition party, the National Liberation Party (PLN), has blocked all of his attempts at reform, although the parties almost reached agreement on several occasions.

To try to break the deadlock between the parties, President Rodriguez initiated a process of national consensus building in which interest groups from various business sectors and society were invited to provide input into the telecommunications reform process. A formalized process for considering this input produced a piece of legislation, which was essentially a compromise between Rodriguez's attempts to fully privatize the telecommunications industry and conservatives' efforts to maintain the national utilities company as a state-owned monopoly. The law did not make it through the committee process intact, but it did bring the Rodriguez administration and the opposition much closer together, and it established a cooperative process for the first time. Subsequently, the Sub-Committee on Utilities Reform came out with its own compromise bill, which brought the issue closer to resolution than perhaps ever before.

Specifically, the compromise legislation takes into account concerns over profit utilization and the gradual opening of the market. The bill, which will soon to be debated on the Assembly floor, calls for:

- A three-stage process of liberalization that is subject to review by an oversight entity;
- ICE to become a quasi-private entity;
- ICE to use 100 percent of its profits in order to develop its business for up to five years (after which deputies will revisit the issue of profit utilization);
- The executive to develop a National Plan for the Development of Telecommunications; and
- Creation of a quasi-governmental regulatory agency that will sell radio frequencies concessions and monitor for (and respond to) anti-competitive behavior.

The bill states that one of its objectives is to "increase the participation of businesses in the market of telecommunications through the promotion of effective competition in the provision of domestic and international telecommunications."<sup>3</sup> In Article 126, it discusses the promotion of competition with regard to telecommunications:

The sustainable development of public telecommunications services and their efficient provision will proceed through the gradual liberalization and promotion of effective competition.

It is understood that effective competition does not exist when an operator or group of them displays a market power that gives them the ability to significantly influence the price or rate of the public telecommunications services, harming the rights of its users and obstructing the entry and encouraging the exit of new operators or users of the services, in conformity with that established in articles 195, 196, and 197 of this law.<sup>4</sup>

Opposition leaders are already planning to attack the legislation, and members of the subcommittee that approved the proposed bill have even said they will not give it their full support on the Assembly floor. To effectively counter this opposition, GlobalCom should immediately begin a comprehensive lobbying effort. Keeping in mind the two priorities for GlobalCom—market opening and fair competition—the company should push for the introduction of stronger language that would protect open and fair competition and limit the state’s involvement in supporting ICE.<sup>5</sup> Indeed, the bill needs to go further than it currently does to ensure that there will be a level playing field among all competitors both foreign and domestic. It must specifically outlaw government bailouts or subsidization of ICE, and it must specifically allow for the failure of ICE. That is to say, each participant in the market, including the state-owned provider, must operate under the same levels of risk and uncertainty.

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## **6. GlobalCom’s Action vis-à-vis the Proposed Bill**

GlobalCom should take steps to convince legislators that the telecommunication bill’s current language on anti-competitive practices and its provisions for the establishment of a quasi-governmental regulatory body are not enough to ensure a level playing field for all competitors in the telecommunications market. GlobalCom should also stress the benefits of liberalization, making sure that they understand that deputies understand that the sooner liberalization begins, the sooner it will pay off for Costa Ricans.

GlobalCom’s lobbying expenditures will need to be balanced against the profits that can be expected in Costa Rica’s relatively small market. The need to comply with Costa Rican lobbying regulations will also constrain GlobalCom’s activities. Nonetheless, GlobalCom should launch a comprehensive attempt to see that the legislation passes during the current Assembly session. If it doesn’t pass during the current session, resources will only be wasted and business opportunities will be forestalled if not lost.

GlobalCom’s strategy should focus on three major objectives:

1. Ensuring the passage of a telecommunications reform amendment that opens the Costa Rican market to foreign competition.
2. Inserting language into the bill that would ensure a level playing field among all telecommunications providers, including ICE.
3. Convincing the Costa Rican leadership to sign onto the WTO Basic Telecommunications agreement and thereby solidify the reforms brought about in the first two objectives (this objective should be considered secondary to the other two).

In Costa Rica, campaign finance laws have weakened party influence and have given individual deputies high levels of autonomy to make their own choices over whether or not to vote for a particular bill—particularly because votes are rarely recorded or publicized, and there are few repercussions for crossing party lines. Accordingly, GlobalCom should focus its lobbying efforts on the Legislative Assembly’s 57 deputies.

Specifically, GlobalCom should send a representative to the office of every single deputy in the Assembly. It is critical to note that any representative who visits a member of the Assembly must be a direct representative of GlobalCom, not a paid lobbyist. Costa Rican law dictates that all lobbying on behalf of an interest group or stakeholder must be done by a member of that organization.

GlobalCom should instruct its San José representative to schedule visits with deputies as soon as possible. During each visit, the representative should clearly make the case for the law and emphasize the benefits of liberalization for the Costa Rican economy and public. Secondly, he should make the case for specific language that guarantees a level playing field for foreign and domestic telecommunications service providers—including safeguards against anti-competitive practices that ICE might employ due to its quasi-governmental status. Finally, the notion of joining the WTO Basic Agreement on Telecommunications may be broached, depending on how the deputy responds to the preceding discussion.<sup>6</sup>

In terms of adding language to the legislation, deputies must be convinced that such language is in Costa Rica's best interests. It will be important to emphasize that the benefits of competition will be maximized only if a large number of companies choose to offer services in Costa Rica and that multinational companies will be discouraged from entering the market if they believe that ICE is maintaining an unfair advantage over its competitors. Only the strictest language that guarantees a level playing field will assuage these concerns.<sup>7</sup>

The issue of the WTO Basic Telecommunications Agreement may be handled in a similar manner. By signing onto this internationally recognized treaty, Costa Rica will demonstrate to foreign investors that it is serious about reform and that their investments in telecommunications cannot be wiped out by a rapid change in government policy.

Of course, the legislative campaign is more likely to be effective if it can be shown that a large number of groups rather than just one foreign company are interested in the same outcome. Within Costa Rica there are many organizations that have long supported privatization and reform of the telecommunications sector. Enlisting their support can only enhance the chances of passing desirable legislation. GlobalCom should tap this pool of interested parties in order to strengthen its lobbying activities and increase the impact of its public awareness campaign.

The most active supporters of telecommunications liberalization are businesses that will benefit from the lower costs and higher quality services that competition will bring. Costa Rica's business community is tightly knit and centered in San José.

Two organizations that GlobalCom should approach are the Costa Rican-American Chamber of Commerce and the Union of Private Business Chambers and Associations (UCCAEP). The first of these maintains a permanent committee called the Committee on High Technology that plays host to both Costa Rican and American companies and has taken an active role in promoting telecommunications reform over the past several years. Members of UCCAEP also have a major interest in seeing telecommunications rates drop and service quality rise. These two organizations alone represent literally dozens of

individual companies that can help with the lobbying effort and lend credibility and clout to the reform campaign.

GlobalCom should organize a strategy meeting as soon as possible in order to kick-off a unified lobbying and media campaign.

Although lobbying the deputies will be GlobalCom's single most important activity, a strategy for reaching out to the public will enhance GlobalCom's chances for successfully influencing the Legislative Assembly's debate. Polling data show that the public is extremely uninformed when it comes to telecommunications reform, but when people understand the issues they tend to support reform. Furthermore, they tend to blame the Rodríguez administration for failing to disseminate information. All this points to a public relations failure on the part of the PUSC and the Administration; it should have been possible to keep the PLN and other parties from blocking the legislation.

### **Public Survey on Telecommunications Reform**

According to *La Nación*, Unimer Research International conducted a survey of 1,201 Costa Ricans to determine their knowledge of the issue of telecommunications and energy reform.

- 48.4 percent of Costa Ricans said that they were completely unfamiliar with the plans to reform ICE.
- 21.8 percent claimed to know very little about telecommunications and energy reform.
- 20.8 percent had a general idea of the issue.
- 3.1 percent assured researchers that they understood the propositions.<sup>8</sup>

The Unimer study went further, asking questions about the Rodríguez Administration's handling of the issue and citizens' opinions on what should be done with ICE.

- 75.6 percent of the 512 people who claimed to have a general idea or know very little about the initiatives answered "no" when asked whether the Rodríguez administration had offered information regarding the reforms; only 21.8 percent answered "yes."
- 68.1 percent of the 512 declared that the government had managed the ICE reform process poorly.
- 21.5 percent believed that the government was functioning well.
- Of all of the people who claimed to have a certain degree of understanding of the reform process, 70.2 percent favored a reorganization of ICE to make it more efficient.

- 8 percent of those people favored the gradual introduction of competition to the market.
- 6.4 percent did not support either of these options.
- 5.6 percent supported selling off some services.<sup>9</sup>

Combating public ignorance on the issue of telecommunications reform will be important in ensuring that the reform legislation can pass the second vote that is required for constitutional amendments. Building public support for reform legislation will also lay the groundwork for getting legislators to agree to sign the WTO Agreement on Basic Telecommunications. Without strong constituent interest in the issue, opposition deputies will feel free to delay and filibuster for political gain.

A media campaign must recognize the cultural significance of ICE as a state-owned institution. As one of the most successful state-run monopolies in the region, ICE has gained a positive reputation and is a symbol of national progress for many Costa Ricans. ICE has done much in the way of fostering economic growth and development, as well as promoting the development of a computer literate society. This is the fiftieth anniversary of ICE. To be perceived as disparaging the institution might undo any positive effects of a media campaign.

Instead, GlobalCom and other parties interested in reform should jointly sponsor a series of newspaper inserts and other forms of advertising that applaud ICE for the service that it has provided for Costa Rica. The campaign should recognize ICE's outstanding achievements yet also explain the need for a new type of telecommunications market that can lead Costa Rica into the future. By emphasizing the benefits of liberalization for the general public and downplaying any criticism of ICE, the coalition can keep the campaign positive.<sup>10</sup>

GlobalCom must launch its strategy immediately since the deadline for passage of this bill is next month. GlobalCom and its partners must prioritize the various objectives of their strategy. It is of the utmost importance that a simple liberalization bill pass during this session. Otherwise the entire process will be delayed for at least two more sessions.

Since the passage of some sort of reform seems fairly likely, GlobalCom should also strongly emphasize the insertion of language that would guarantee a level playing field for foreign competitors. This is a reasonable objective despite the small amount of time left before the close of the legislative session. The necessary language does not diverge significantly from that already included in the bill; instead it simply reinforces and clarifies existing principles.

GlobalCom should be less emphatic, however, concerning the WTO Basic Telecommunications Agreement. Too much emphasis on the Basic Telecommunications Agreement has the potential to derail any progress made with regard to the other two objectives. If Costa Rica were to sign the WTO Basic Telecommunications Agreement, it

would first have to specify exactly what sort of commitments it is prepared to take on, which would require consideration of a whole host of technical details that the current legislative session is not ready to debate. Inserting language that even states the intention to sign the agreement might dissuade support from deputies who would otherwise vote for liberalization. At this point, it is advisable to simply mention the agreement as another avenue for showing foreign investors just how committed Costa Rica is to the reform process.

Once this legislative session is over, GlobalCom should focus on building public support for the next vote through an expanded media campaign and by incorporating the issue of telecommunications reform into the pre-electoral political campaigns. When the next legislative session begins, GlobalCom and its partners will be able to draw upon this public support, and hopefully upon election rhetoric as they lobby deputies once again.

The second round of lobbying should mirror the first. It should emphasize the importance of passing telecommunications liberalization legislation that guarantees a level playing field for telecommunications service providers (both foreign and domestic). After the legislation has passed the first of the two needed votes, the issue of the WTO Basic Agreement on Telecommunications should also be broached. It should be stressed that the WTO Agreement does not lock Costa Rica into anything that it is not including in its own law. Costa Rica could simply come up with a schedule of commitments that repeats the language of its own law. Signing the WTO agreement will help attract foreign telecommunications investment by showing foreign service providers that they can expect the Costa Rican market to remain stable.<sup>11</sup>

GlobalCom should seek a Costa Rican co-sponsor for the media campaign to ensure that Costa Ricans don't think it is only foreign companies that will benefit from telecommunications reform. The company should also sponsor its own commercial advertising campaign so when liberalization legislation is passed GlobalCom's name will already be synonymous with high-quality telecommunications services. A commercial media campaign, however, should not be launched until the legislation is actually passed.

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## **7. The Economics of Telecommunications Reform: Why Costa Rica Will Benefit**

Once competition is introduced into Costa Rica's telecommunications market, Costa Rican telecommunications customers will enjoy lower prices, higher quality services, a wider array of service choices, and state-of-the-art technology. A more efficient telecommunications sector will improve the efficiency of numerous business endeavors, thereby boosting the whole country's economy. An improved telecommunications infrastructure will also help attract increased levels of foreign direct investment.

As a state-run and state-supported entity, ICE lacks a commercial incentive to provide the best possible services at the lowest possible cost. It also lacks the financial ability to invest in the acquisition or development of new infrastructure. As a state-run institution, it is subject to fiscal restraints that slow the introduction of new technology, which is particularly problematic since the cost of maintaining a state-of-the-art

telecommunications network is skyrocketing. Satellite, cellular, and information technologies are changing at breakneck speed. The longer that Costa Rica under-invests in its telecommunications sector, the farther behind it will slip.

### **Costa Rican Telecommunications: One Step Behind**<sup>12</sup>

*The Forum for Consensus Building is a diverse group of governmental and private sector representatives that were tasked with analyzing the telecommunications industry and developing a proposal for reform. The Forum found that, compared to countries at development levels similar to its own, Costa Rica's telecommunications infrastructure comes up painfully short. The group concluded that the results of this gap could be dramatic. The gap could reduce productive efficiency across a large number of industry sectors and reduce foreign direct investment.*

"In order to compare the state of our telecommunications infrastructure with that of the rest of the world, we must first determine which are the most appropriate countries to select. We must not fall into the habit of comparing Costa Rica with other Latin American countries that perennially lend us a false sense of security in the state of our development. Instead we must compare Costa Rica to countries at similar development levels development—countries with whom we compete for export markets and foreign investment. Those countries are: Chile, Ireland, Mexico, New Zealand, Switzerland, Singapore, and Taiwan." According to studies conducted by the *International Telecommunications Union* in 1995, there are five major categories in which Costa Rica is compared to these other nations: teledensity, service quality, efficiency in the supply of services, investment, and rates.

**Teledensity:** Costa Rica is surpassed in cellular teledensity in every case and is surpassed by a majority of countries in fixed-line teledensity. Costa Rica is losing competitiveness compared to its global competitors.

**Service Quality:** Costa Rica has not only the greatest unsatisfied demand for services, but also the longest average wait for installation of telephone lines (up to three times as long as that of Chile or Mexico). It is important to note that although Costa Rica's level of service failures is about the same as Mexico's and lower Chile's or New Zealand's, the timetable for repairs is far longer.

**Efficiency in the Supply of Services:** Costa Rica is at a serious disadvantage in terms of the number of lines per employee and the level of investment per employee.

**Investment:** Costa Rica invests approximately US\$20 in telecommunications for every inhabitant. In other countries, the investment ranges from two to ten times higher. Since 1992, the country has annually invested less in telecommunication than the amount needed to maintain the

current level of personal welfare enjoyed by Costa Ricans.

**Rates:** ICE has attempted to reduce the effect of under-priced local calls on rates for international calls, but the problem still exists. International calls are still relatively expensive, and the price of a three-minute domestic call does not appear to be all that low. This reduces the competitiveness of our productive sectors."

Opening up the telecommunications sector to private telecom service providers would have several positive effects on the Costa Rican economy. First and foremost, the unsatisfied demand for telecommunications services would rapidly shrink as providers soak up those tens of thousands of customers who have been awaiting service for weeks or even years.

Then, once unsatisfied demand for telecom services is soaked up, free-market competition will begin to change the face of Costa Rica's telecom industry. Whether or not ICE participates as a private or quasi-private entity in the telecom market, service providers will begin attempts to expand their customer bases by lowering rates and improving their services. They will also want to try to expand their overall customer base, which will require investment in physical infrastructure.

Private companies also have an economic incentive to provide service to those who were previously not served by ICE due to geographic or other restrictions. Numerous communities in Costa Rica still do not have adequate (or in some cases any) telecommunication services, and these could be tapped for customers by any company with the resources to make the initial capital investments. Therefore, the process of liberalization will likely increase teledensity and provide a larger number of Costa Ricans with the opportunity to obtain telecommunications services.

Costa Rican businesses will also benefit from liberalization. As the telecommunications infrastructure becomes more efficient, teledensity increases, prices drop, and service quality improves, Costa Rican businesses will find themselves wasting less time and money in dealing with an inefficient telecommunications system. They will also find that it is easier and cheaper to communicate with customers and business partners—particularly those who are located in foreign countries.<sup>13</sup>

What may be the most significant result of telecommunications liberalization is an increase in foreign direct investment. Indeed, attracting foreign investment has been a major goal of the Rodriguez administration, and a principle objective in Costa Rica's economic development strategy for some time. But while the country boasts a well-educated and low-cost work force, foreign companies may be turned off by the inefficient communications services that ICE currently provides. Foreign investors may instead choose to invest in any number of other countries within or beyond the Central American region that have more efficient communications and comparable work forces.

Once the telecommunications sector is liberalized, and service quality, prices, and reliability improve, Costa Rica will be far more attractive to foreign companies wishing to establish themselves in Central America. Concerns over the declining quality of telecommunications (due to insufficient investment by the Costa Rican government) will transform into a recognition that open competition in the telecommunications sector will continue to provide high quality service at a reasonable price. Foreign investors will appreciate the stability that comes with a competitive market.

Of course, liberalizing the telecommunications sector will also attract telecommunications service providers who will need to hire a wide assortment of workers in order to operate in Costa Rica. Workers at ICE who are concerned about losing their jobs may be able to find work at a foreign telecom provider once liberalization occurs. In fact, scholars have found that telecommunications liberalization tends to have a positive effect on employment.<sup>14</sup>

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Footnotes:

<sup>1</sup>Herbert Rodriguez, President of Ticopager S.A., and the Costa Rican-American Chamber of Commerce Committee on High Technology, has placed all of the blame for the pace of reform on party politics, he may be consulted as a resource if politics become an issue during this campaign. His actual statement is quoted in Appendix K.

<sup>2</sup> Excerpt from the proposed law: *The operators of public telecommunications services will carry out their activities with respect for the principles that guarantee effective competition and avoid the commission of acts that impede, restrain or distort the market.* Translated by Andrew Dyer

<sup>3</sup> From the text of the law, pg. 31, translated by Andrew Dyer

<sup>4</sup> From the text of the law, pg 84, translated by Andrew Dyer

<sup>5</sup> Refer to Appendix D for sample amendment language.

<sup>6</sup> See Appendix J for a Sample Leave-Behind Materials for Deputy Meetings

<sup>7</sup> Refer to Appendix D for Sample Amendment Language

<sup>8</sup>"A Oscuras con Cambios al ICE," *La Nación*, October 23, 1999.

<sup>9</sup> "A Oscuras con Cambios al ICE"

<sup>10</sup> *La Nación* maintains a circulation of approximately 113,000 copies, *La Prensa Libre* maintains a circulation of approximately 50,000 copies, *Diario Extra* maintains a circulation of approximately 100,000 copies, *La República* maintains a circulation of approximately 60,000 copies. See Appendix G for a Sample Newspaper Insert. See Appendices H and I for Newspaper and Television Advertising Rates.

<sup>11</sup> The appendices to this report provide a complete guide and series of sample documents that may be used to carry out the strategy outlined above. Refer to the table of contents for a guide to the appendices

<sup>12</sup> Foro de Concertacion, propuesta gubernamental, (Translated and paraphrased by Andrew Dyer).

<sup>13</sup> For more information on the macroeconomic effects of increasing telecommunications efficiency see: World Bank Economic Review, Vol. 9, Number 2, pp. 287-304, 1995.

<sup>14</sup> Ben A. Petrazzini, "Competition in Telecoms—Implications for Universal Service and Employment," Public Policy for the Private Sector Note No. 96, World Bank, October 1996.

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## Appendix A

### Timeline for Telecommunications Reform Strategy

**March 23, 2000:** Send out letter to potential members of the Telecommunications Reform Coalition, including foreign and domestic businesses and organizations. Solicit white papers from organizations such as the Union of Private Business Chambers and Associations.<sup>1</sup>

**March 30, 2000:** Hold a meeting with interested members to coordinate the lobbying effort. Draw up a list of deputies, determine their current attitude toward the pending reform legislation, determine which organization faces the greatest chance of swaying or solidifying the vote of each member.

**April 1, 2000:** Begin lobbying deputies. Visit the offices of each deputy, talk to staff members or the deputies themselves if possible, leave behind informational materials and drafts of possible amendments. Focus on the benefits of telecommunications reform for Costa Rica, not on the commercial opportunity for GlobalCom.<sup>2</sup>

**April 6, 2000:** Release op-ed pieces to all major newspapers.<sup>3</sup>

**April 10, 2000:** Begin media campaign, distribute first newspaper insert.<sup>4</sup>

**April 20, 2000:** Release second newspaper insert, or TV ad.

**April 30, 2000:** End of the extraordinary legislative session. The law must be passed by this date or telecommunications reform must wait for the bill to pass in the following two sessions, which will take well over a year. Lobbying efforts should be heaviest in April.

**Between the end of the current legislative session and the beginning of the next:** Conduct a media campaign that informs the public of the benefits of liberalization. Use this campaign to make telecommunications reform an issue for electoral candidates. Build public support that may be used in the lobbying effort in the upcoming legislative session.

**Beginning of the next legislative session:** Re-visit deputies to ensure passage of the bill for the second time. Push for an amendment to bind Costa Rica's obligations in the WTO Basic Agreement on Telecommunications.

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## Appendix B

### Budget for Carrying out GlobalCom's Strategy

The proposed strategy is extremely cost efficient because GlobalCom already has its own representative in Costa Rica with all of the connections, supplies, and know-how to conduct and organize a campaign. GlobalCom will incur virtually no extra costs. Rather it can redirect the efforts of its San José representative toward the lobbying and media campaigns for the next several months. There will be, of course, the opportunity cost of not having this representative working on projects in other parts of the region.

The following is a list of additional costs beyond the use of the part-time representative:

- Hosting a meeting of interested parties in order to coordinate the campaign.
  - \$5,000
- Newspaper inserts<sup>5</sup>
  - \$2,000 per insert, per paper, per day
  - 15 inserts = \$30,000
- Other media releases (TV, Radio, etc)<sup>6</sup>
  - ₡75,000 per TV station, per ad, per week
  - 4 stations = ₡525,000
  - 2 weeks = ₡1,050,000 = \$3,500

The total cost of this entire campaign, not including the salary of GlobalCom's representative in Costa Rica, will be between \$38,500 and \$50,000 depending on the extent of media coverage. This investment is extremely low compared to the financial and strategic gains that are likely to be produced.

This budget only reflects the strategy to pass the first bill during this extraordinary legislative session. It does not include a commercial media campaign to build up GlobalCom's image before liberalization or a more extensive campaign that will likely be needed in order to ensure that Costa Rica signs onto the WTO Basic Telecommunications Agreement. Even an extended campaign, however, will not cost an exorbitant amount of money. Lobbying is not expensive, particularly because GlobalCom already has a representative in place, and advertising is not unreasonably expensive since Costa Rica is such a small country.

The only long-term expense that GlobalCom will incur is the cost of additional media coverage. Depending on the extent to which GlobalCom wishes to invest in a commercial or political media campaign the long-term investment is not likely to exceed \$100,000. This is still a very minimal amount of capital compared to the commercial benefits it might secure. GlobalCom may wish to hire its current San José representative as a full-time employee or even hire an additional representative that will enable the company to keep up the San José representative's current activities as well as cover the issue of Costa Rican telecommunications reform. This would cost the company up to \$75,000 for one-and-a-half employees.

In this case, the grand total of both the short- and long-term campaigns will be \$225,000 over the next year. This figure, a high estimate, is the equivalent of only 4.5 percent of the first year's anticipated revenue. Of course, GlobalCom's costs would be reduced even further if other coalition partners also pay for a portion of the media campaign, which is likely.

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## Appendix C

### Deputies in the Legislative Assembly

#### PUSC

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**Appendix D**

**Sample Amendment**

The liberalization of Costa Rica's telecommunications sector will include the introduction of free and fair competition among telecommunications service providers both foreign and domestic. Understanding the special circumstances of this liberalization process, that is the quasi-governmental nature of ICETEL, it is recognized that free and fair competition must not only be supported in the language of the law, but must also be recognized in its substance.

- Under no circumstances will ICETEL or any of its subsidiary organizations receive favorable or preferential treatment not afforded to its competitors on the basis of its special relationship with the government of Costa Rica. Such treatment includes, but is not limited to the areas of government procurement, frequency concessions, and regulation.
- ICETEL will receive no aid or support from the Costa Rican government not afforded to its competitors.
- ICETEL will be allowed to go out of business like any of its competitors.
- ICETEL may not use its relationship with former ICE divisions (i.e. ICELEC) to unfairly harm the competitive advantage of its competitors.
- ARETEL is tasked with monitoring ICETEL to see that it complies with the above-stated criteria; ARATEL and maintains the authority to penalize ICETEL if it does not. Financial penalties shall be equal to the amount found to be gained by any of ICETEL's illicit actions.
- Costa Rica will sign the WTO Basic Telecommunications Agreement, binding under international law all commitments to liberalization included within this document.

These stipulations are deemed appropriate considering the special nature of ICETEL as a quasi-governmental institution. They exist to reassure foreign competitors that the Costa Rican market will be truly free and fair, thus encouraging foreign telecommunications service providers to enter the market and compete with ICETEL.

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## **Appendix E**

### **Sample White Paper on Telecommunications Reform from Private Businesses**

This is the fiftieth anniversary of ICE, an institution that has served Costa Rica admirably and effectively, not only by providing essential services to our population, but also by helping to distribute the technology and know-how that make our people the most educated and technically adept in Central America. ICE has helped make Costa Rica into an attractive investment target for Intel and other foreign companies, and such foreign investment helps our economy grow and raises the welfare of our citizenry. We thank ICE for all that it has done, but we recognize that the time has come for change.

Opening the telecommunications sector to competition will lower prices, improve service, and increase the variety of payment and service options available to Costa Rican businesses and individuals. Maintaining a closed telecommunications sector threatens to undermine Costa Rica's attractiveness to foreign investors and erode the efficiency of local businesses. It is our opinion that liberalization of the telecommunications sector will greatly benefit Costa Rica's economic development.

Opponents of liberalization claim that it is risky to allow a strategic sector such as telecommunications to be controlled by foreign enterprises. They also argue that relinquishing the government monopoly on telecommunications will subject this country's citizens to potential rate hikes that push the cost of basic telecommunications services beyond the reach of everyday Costa Ricans.

We believe that it is far riskier to continue to under-invest in telecommunications and that liberalization alone will bring investment levels up to a rate that provides the latest information and communication technology. Furthermore, we believe that, with liberalization:

- The average Costa Rican business and citizen will benefit from lower—not higher—prices, and they will receive more—not fewer—services and service options.
- The Costa Rican government will be freed from the cost of maintaining a modern telecommunications system at a time when such costs are rapidly rising.
- Potential foreign investors will take a closer look at Costa Rica as a target for investment.

According to ICE's own statistics, approximately 40,000 Costa Ricans are waiting to have telephone lines installed. Over the past ten years ICE has never been able to bring this list of customers below 28,000, and in the last five years the number has been closer to 60,000. The time that these businesses and individuals wait for a line to be installed reduces their productive efficiency and creates a drag on the Costa Rican economy.

At the present time, ICE is able to charge any price it wants to Costa Ricans who have no other choice than to accept it. While policymakers currently determine the price based on a variety of economic and social factors, it is highly unlikely that the price of a phone call accurately reflects the underlying costs for that service. In fact, ICE uses revenues from its telecommunications division to support other endeavors in energy-generation. This artificially raises the price of telecommunications, and revenues that should go to improving or maintaining the telecommunications system are instead used to improve energy generation. Indeed, Costa Rica has not invested at levels sufficient to maintain current telecommunications standards, let alone improve them.

In a liberalized market, foreign or domestic competitors will have a commercial incentive to offer the highest quality service at the lowest possible price. In this way, the price of telecommunications will reflect the true value of that service, plus the cost of maintaining and improving the service in the future. Telecommunications companies will find it to their advantage to maintain state-of-the-art telecom systems that are reliable and cost-efficient. The key to success for these providers will be to reduce the number of disconnections, breakdowns and interruptions at the lowest possible cost.

Introducing competition in the telecommunications sector will not threaten Costa Rica's strategic interests; in fact competition supports these interests by giving all companies an incentive to improve the existing system. Our telecommunications infrastructure, which is critical to the economic development of our nation, will be strengthened—not weakened—through liberalization because companies will have the same interest as our citizens: a strong, reliable, and efficient infrastructure.

In terms of strategic interests, allowing our system of telecommunications to stagnate or even decay due to a lack of funds on the part of the Costa Rican government is a much more dangerous proposition. The Forum for National Consensus Building has noted that Costa Rica has not invested enough in telecommunications to maintain the country's current level of welfare. If Costa Rica cannot afford to maintain its current level of welfare now, there is little chance that it will be able to do so in the future, particularly because the price of maintaining and developing cellular, satellite, fixed-line, and information technology systems is increasing rapidly. If our infrastructure continues to fall short of international standards in terms of efficiency and reliability, Costa Rica will fall further and further behind.

In today's economy, information transfers are a key part of more and more business activities. In turn, this makes reliable and efficient telecommunications systems indispensable. If Costa Rica is seen as having an unreliable, or a declining telecommunications system, foreign companies will be discouraged from investing in our country, particularly because competitor countries are facilitating massive private-sponsored improvements in their own telecommunications infrastructures.

Given a choice between two comparable countries with reasonably well-educated work forces and relatively low labor costs, a company looking for investment opportunities will surely choose to invest in countries with better infrastructures, including telecommunications infrastructures.

Foreign investment is important to Costa Rica's current economic transformation. Foreign investors bring capital, jobs, and know-how to our country and thereby increase GDP and employment. A decrease in the flow of foreign direct investment could have significant negative consequences for our economy.

As Costa Rican businesses, we operate in a free market, competing with foreign entities and amongst ourselves in order to stay in business. Competition makes us stronger by penalizing us for inefficiency and waste. Because our customers may at any time choose our competitors, we are forced to offer reasonable prices and high quality services. Competition will strengthen the telecommunications sector in exactly the same way.

There is no risk involved in liberalization. Liberalization will drive down telecommunications prices and raise service standards. It may appear that liberalization will allow the private sector, even foreign companies, to control a vital sector of our economy. The real controlling force, however, will be competition, which will command every enterprise to offer reasonable prices and efficient, reliable service.

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## **Appendix F**

### **Sample Op-Ed Piece for Costa Rican Newspapers**

#### **Telecommunications Liberalization Supports Economic Development**

ICE has supported Costa Rica's economic development for fifty years, distributing technology and know-how across the country. For this we thank ICE. The functioning and development of our economy is based on infrastructure that ICE has provided.

Nonetheless, globalization and technological development are placing new demands on our infrastructure—demands that won't be met by ICE alone. We implore the Legislative Assembly to pass the *Combo Energético* so that Costa Rica can continue to prosper in the new millennium.

Liberalization of the telecommunications sector will attract foreign telecommunications service providers who maintain state-of-the-art systems that function reliably and efficiently. These providers will offer services heretofore unavailable in Costa Rica. They will compete with each other for Costa Rican customers through price reductions and improved service quality. Perhaps more significantly, they will expand their base of customers by financing the installation of telecommunications systems in previously ignored parts of the country.

Indeed, competition will take the telecommunications pricing system out of the hands of politicians and allow the market to determine prices—which will make prices more predictable and therefore attractive to foreign investors, such as Intel, who are deciding whether to invest in Costa Rica. Higher quality services will also attract investors who, up until now, were turned off by low completion rates for domestic and international calls and the lengthy waiting list for line installation. Liberalization of the telecommunications market will increase the efficiency of businesses across the country since they will spend less time and money dealing with bad connections or waiting for new lines.

Of course the benefits of competition will only be realized if competitors choose to enter the market. Foreign telecommunications service providers will not enter the Costa Rican market if they perceive it to be biased in favor of the current state monopoly provider. Deputies in the Legislative Assembly must recognize this and add specific wording to the reform legislation that will address head-on the fears of foreign competitors. The language should specify that ICETEL will receive no preferential treatment or support from the Costa Rican government.

Telecommunications liberalization will promote Costa Rica's economic development in the years to come. Introducing foreign competitors into our market is not an indictment of ICE but rather an acceptance of the realities of today's global economy. Once again we thank ICE for the leadership that it has provided over the last fifty years.

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## Appendix G

### Sample Newspaper Insert

**Support Telecommunications Liberalization!**

**Support the Passage of the Combo Energético!**

**Support the Economy of Costa Rica!**

**Support Lower Prices for Domestic and International Calls!**

**Support Higher Service Quality!**

**Right now the Legislative Assembly is debating a bill that would lead to reduced telephone rates, and boost Costa Rica's economic welfare.**

**Make sure your deputy knows that you support the Combo Energético.**

**Support pre-candidates that endorse telecommunications reform.**

**With Liberalization Comes:**

- **Lower telephone rates.**
- **Faster response time for service calls.**
- **More reliable service.**
- **State-of-the-art technology.**
- **Innovative services and pricing plans.**

**Expanded telephone service to areas previously not covered.**

ICE deserves our warmest thanks and appreciation for providing Costa Rica with first-rate telecommunications services over the last fifty years. This remarkable institution has driven our economy by providing businesspeople with the means to connect with partners and customers.

Now, a liberalized telecommunications sector will build on this foundation by providing better technology and higher levels of investment than Costa Rica has ever seen. Private companies with enormous financial resources can develop an infrastructure that will streamline communications and effectively promote the use of the Internet for businesses and individuals. Support this process as it carries Costa Rica into the 21<sup>st</sup> century by supporting the passage of the Combo Energético, and by supporting pre-candidates who believe in telecommunications reform.

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**Footnotes:**

<sup>1</sup>See Appendix E for a Copy of a possible white paper from businesses.

<sup>2</sup> See Appendix C for List of Deputies, and their e-mail addresses, and Appendix J sample leave-behind packet.

<sup>3</sup> See Appendix F for a sample op-ed piece.

<sup>4</sup> See Appendix G for a sample newspaper insert, and Appendices H and I for prices of newspaper and television advertising space.

<sup>5</sup> See Appendices for Prices of Newspaper Advertising

<sup>6</sup> See Appendices for Prices of Television Advertising

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## Appendix H

### Prices of Newspaper Ad Space in La Nación

# TARIFAS INTERNACIONALES

(Última Actualización: 1 de febrero del 2000)

	SECCION A		
Código	Tamaño	Tarifa \$ B/N	Tarifa \$ F/C
A-2	23X2	95	-
A-4	23X4	190	-
A-8	23X8	360	-
B-2	47X2	190	-
B-4	47X4	360	-
B-8	47X8	675	1,110.00
C-2	71X2	275	-
C-4	71X4	520	855.00
C-8	71X8	985	1,625.00
D-2	95X2	360	590.00
D-4	95X4	675	1,110.00

D-8	95X8	1260	2,080.00
E-2	119X2	440	725.00
E-4	119X4	830	1,370.00
E-8	119X8	1605	2,645.00
F-2	143X2	520	855.00
F-4	143X4	980	1,620.00
F-8	143X8	1920	3,170.00
G-2	167X2	590	970.00
G-4	167X4	1130	1,865.00
G-8	167X8	2240	3,695.00
H-2	190X2	675	1,110.00
H-4	190X4	1260	2,080.00
H-8	190X8	2265	3,735.00

<b>Campos Pagados sección A</b>			
<b>Código</b>	<b>Tamaño</b>	<b>Tarifa \$ B/N</b>	<b>Tarifa \$ F/C</b>
C-4	71X4	570.00	945.00
D-4	95X4	740.00	1,225.00
D-8	95X8	1,390.00	2,290.00
H-8	190X8	2,490.00	4,110.00

<b>POSICIONES PREFERENCIALES</b>
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<b>Codigo</b>	<b>Tamaño</b>	<b>Precio F/C \$</b>
3-A	1520x8	4,160.00
7-A	1520x8	4,080.00
9-A	1520x8	4,040.00
11-A	1520x8	4,000.00
12-A FC	1520x8	3,940.00
12-A BN	1520x8	3,040.00
Contrap- A	1520x8	4,160.00
Contrap-Viva	1520x8	3,655.00
Cintillo 8-A BN	71x8	1,170.00
Cintillo 8-A FC	71x8	1,870.00
Cintillo 16 -A BN	95x8	1,520.00

<b>VIVA</b>			
<b>Código</b>	<b>Tamaño</b>	<b>Tarifa \$ B/N</b>	<b>Tarifa \$ F/C</b>
A-2	23X2	85	-
A-4	23X4	170	-
A-8	23X8	320	530.00
B-2	47X2	170	-
B-4	47X4	320	530.00

B-8	47X8	610	1,005.00
C-2	71X2	250	-
C-4	71X4	470	770.00
C-8	71X8	885	1,460.00
D-2	92X2	320	530.00
D-4	95X4	610	1,005.00
D-8	95X8	1135	1,870.00
E-2	119X2	395	650.00
E-4	119X4	750	1,235.00
E-8	119X8	1440	2,380.00
F-2	143X2	470	770.00
F-4	143X4	885	1,460.00
F-8	143X8	1730	2,850.00
G-2	167X2	530	870.00
G-4	167X4	1020	1,680.00
G-8	167X8	2015	3,325.00
H-2	190X2	610	1,005.00
H-4	190X4	1135	1,870.00
H-8	190X8	2030	3,345.00

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**Appendix I**

## Television Advertising Rates

Mínimo una pantalla por hora, 24 horas al día 15 segundos cada una.

Día \*

¢ 1.667

Paquete

¢ 50.000

Fin de semana \*\*

¢ 8.335

Mas I.V.

\* Minimo 4 días

\*\*De Viernes a Lunes ( 9:00 am )

18 pantallas disponibles de 8:00 p.m. a 10:00 p.m. de 30 segundos cada una

Con un maximo de 9 clientes se garantiza 1 pantalla por hora, de 30 segundos cada una.

Paquete completo

¢75.000

Como máximo por pantalla

¢ 3.000

Mas IV.

\* La cantidad de pantallas y horarios estan sujetos a la ocupación del canal

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## Appendix J

### Leave Behind Materials for Deputies

Leave behind materials should include the following:

- Cover letter
- Analysis materials that describe why liberalization will benefit Costa Rica
- Supporting documents from outside experts (articles, white papers, etc.)

The following is a cover letter for the leave behind materials. The other documents are included in other sections of this report and may simply be attached. At the bottom of the following cover letter is a list of the other documents that should be included as part of the leave-behind packet for all deputies.

Dear Deputy:

Thank you for giving us the opportunity to visit your office and express our concerns regarding the ongoing debate on telecommunication reform. We visit you today not only as a telecommunications service provider, but also as a future participant in the rapidly growing Costa Rican economy. It is our hope that you will recognize the tremendously positive impact that telecommunications liberalization will have on this nation's economy, and that you will support economic growth and development by supporting liberalization.

Liberalization of the telecommunications sector will allow Costa Rica's infrastructure to respond quickly and efficiently to changes in the economy. Over time it will introduce competition that will drive down prices and increase the quality and variety of services

available to private citizens and corporations. Liberalization will also attract foreign companies who will invest their own capital in Costa Rica and help expand the reach of telecommunications throughout the country. Finally, once ICETEL completes the transformation to a private or quasi-private entity, it will free government resources that may then be used to address other needs.

ICE currently provides telecommunications services that are unparalleled by any other state-owned institution in Latin America, and Costa Rica is rightfully proud of this achievement. However, as ICE celebrates fifty years of leadership, it is important to recognize that the next fifty years of growth will be based, in part, on Costa Rica's ability to attract foreign direct investment, and foreign investors won't come unless they know they will have access to cutting edge communications technology. Liberalizing the telecommunications system will open it to private investment that will speed Costa Rica's acquisition of state-of-the-art wireless and information technology—technology that other countries are already rapidly acquiring.

Of course, foreign telecommunications providers will only invest in Costa Rica and help the country update its telecommunications infrastructure if they are assured a level playing field. Costa Rica's laws need to clearly spell-out ICETEL's status as a quasi-private institution so foreign competitors understand that ICETEL will receive no favoritism or special privileges due to its unique circumstances. Newer and stronger language such as that in the attached amendment proposal must be added to the proposed text for the new telecommunications law. Costa Rica should also consider signing the WTO Basic Telecommunications Agreement in order to demonstrate to foreign investors the stability and durability of its commitment to open and fair competition within the telecommunications sector.

Once again, thank you very much for this opportunity.

Sincerely,  
GlobalCom

[Included along with this cover letter should be a copy of the *Economics of Telecommunications Reform: Why Costa Rica Will Benefit* (Section 6), a copy of the proposed amendment language (Appendix D), and a copy of the white paper from businesses (Appendix E).

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## Appendix K

### **Historical, Political, and Institutional Background**

In 1945, when Costa Rica promulgated its latest constitution, it abolished its armed forces and institutionalized state-owned enterprises in telecommunications, energy, and many other sectors. Since that time, Costa Rica has enjoyed a peace and relative prosperity unequalled in Central America. It has become known as "the Switzerland of Central America."

Now the country is poised for unprecedented economic expansion. Indeed, it is rapidly shedding the weight of its import substitution policies of the past as it participates in Latin America's movement toward export oriented growth strategies and trade liberalization. The country's relatively well-educated work force, its open economy, and its high-quality infrastructure have given it a head start on the rest of Central America. UN, USAID, and Peace Corps development support are already being pulled out of the country.

Nonetheless, Costa Rica will need to see through the privatization of key state-owned enterprises if it is to fully realize the benefits of economic development. For example, in today's world of rapid technological change, the Costa Rican government can no longer afford to support ICE (*Instituto Costarricense de Electricidad*, the Costa Rican Electricity Institute), the government-owned monopoly supplier of energy, telecommunications, and Internet services. ICE rightfully takes credit for promoting economic development over the last few decades. Now, however, ICE needs to be reformed to facilitate Costa Rica's future economic progress. Unfortunately, relatively few politicians and very few public citizens recognize this need, which has left the reform process caught in a net of political rhetoric and public ignorance.

In order to more fully illuminate the current challenge of privatizing ICE, the following sections describe:

- The political and economic history of Costa Rica;
- Costa Rica's political institutions and the legislative process of telecommunications deregulation; and
- The current status of telecommunications deregulation in Costa Rica.

## **Relevant Costa Rican History**

The political and economic stability that characterize Costa Rica's late twentieth-century development belie the country's chaotic and unstable colonial and independent pre-WWII history. The principal culprit of this disorder—an inordinately powerful coffee-growing elite—was also responsible for maintaining a large-scale governmental presence within the Costa Rican economy. This legacy persevered into the modern era, as did the country's dependence on export agriculture, which only recently began to diminish in a process that has placed Costa Rica at an economic crossroads.

During the colonial period, which followed Columbus' arrival in 1502, Costa Rica was of little of interest to old-world explorers, and it maintained its spot on the back burner of the Spanish Empire until independence in the 1820s. The post-independence era witnessed the rising importance of coffee exports and the development of an elite social class made up of coffee plantation owners. Their economic power translated easily into political clout; as Costa Rican politics oscillated between democracy and military rule, this elite demanded increasing support from the government.

The growth of political parties did little to stabilize Costa Rican politics. Instead, vicious competition between parties and boom-and-bust economic cycles led to constant political

upheavals until the Constitution of 1949 established an independent electoral commission and new electoral laws. The armed forces were disbanded at the same time, which reduced the probability of a military coup.

The Constitution of 1949 also introduced the concept of Autonomous Institutions (AIs) as a means to "further weaken the executive branch through the devolution of political power to technocratic agencies beyond the control of the executive. . . . [And to] promote the social, economic, educational and cultural well-being of Costa Ricans without interference from politicians."<sup>1</sup> Now, the President may appoint or remove AI heads, but he enjoys no direct control over their actions. Created in 1949 to manage the country's energy and telecommunications, ICE was one of the first autonomous institutions to be established.

Ironically the new electoral and campaign finance laws created a virtual two party system. "Two major parties dominate Costa Rica today: the PLN and the PUSC, which together regularly account for more than 95 percent of the presidential vote."<sup>2</sup> In a convoluted system of elections, the two parties' leaders heavily influence the selection of candidates for future elections. However, because party leaders enjoy relatively minimal power to control the behavior of delegates once they assume elected office, Costa Rica's political parties are fractious; crossing the party line is commonplace in the Legislative Assembly. The PLN, Costa Rica's most powerful political party, does not have a unified position on the issue of telecommunications reform. It is generally known for its strong support for the creation of autonomous institutions and for embracing a policy of government involvement in the economy.

Because deputies in the Legislative Assembly and heads of Autonomous Institutions now hold powers formerly held by the Executive, interest groups focus their lobbying efforts on these officials. Lobby groups, however, must be careful not to violate Costa Rica's influence peddling laws, which stipulate that all lobbying activities must be carried out by the individual or organization who is to benefit from such activities.

While government policy has minimized the role of labor unions in Costa Rican politics, other interest groups do find a place in the national dialogue. Business associations such as the Chambers of Industries, Commerce, and Agriculture or the National Association for Economic Growth (ANFE) maintain a vocal presence in national politics. International financial institutions such as the World Bank, IMF, and USAID have also used conditional grants or loans as incentives for Costa Rican policy changes.

Lobbying organizations often use newspaper advertising to spread their messages. *La Nación*, with approximately 113,000 readers, is the country's most widely distributed paper. Other papers include *La Prensa Libre*<sup>3</sup>, *Diario Extra*<sup>4</sup>, or *La República*<sup>5</sup>.

Heavy government intervention in Costa Rica's economy and society, mostly under the direction of the PLN, defines this country's development since the Civil War. After a wave of nationalization that brought energy, telecommunications, and the national banking system under state control, the PLN took over where the governing *junta* left off. It created many AIs, which made it difficult for non-PLN administrations to repeal PLN initiatives.

In 1962, the PLN instituted a policy of Import Substitution Industrialization (ISI) designed to decrease Costa Rica's dependence on agricultural exports that had traditionally subjected the country to unpredictable booms and busts. Thus, trade barriers were erected against products from all trading partners except those of the Central American Common Market (CACM) of which Costa Rica was a member. Import substitution industrialization helped Costa Rica to increase its total percentage of industrial exports, but it fostered inefficiencies and created a soaring trade deficit based on the importation of raw materials.

By the early 1970s, Costa Rica's economy was much more diverse, although coffee and bananas continued to represent an extremely high proportion of export earnings. Although the PLN did not always hold the presidency, it was undoubtedly the driving force in public policy. It instituted massive state involvement in the economy by creating even more AIs and adopting both a nationalized health plan and a new universal social security system.

Until the late 1970s, Costa Rica's main sources of export earnings—coffee and bananas—earned high stable prices. This allowed the PLN to develop expensive government programs that have resulted in impressive social and economic achievements. By 1978, Costa Rica's economy was relatively diverse (in comparison with its near total dependence on coffee and bananas several decades earlier), and its population was healthy, and relatively well off. But the good times could not last forever, and in the late 1970s and early 1980s they came to a crashing halt.

Political instability in the Central American region reduced the Central American Common Market to virtually nothing, and the prices of Costa Rica's principal export crops dropped. Because its manufacturing sector developed behind a wall of protection, the disintegration of the Central American Common Market signaled the disappearance of Costa Rica's only viable market for manufactures. The country's debt soared along with oil prices that added costs to an already inefficient manufacturing sector. Costa Rica's economy plummeted into the worst recession since the Great Depression of the 1930s.

Ironically, the economic crisis of the early 1980s precipitated a radical change in PLN economic policy. Using the strong public mandate from its 1982 election, the PLN transformed itself into the party of the free-market and instituted a successful package of austerity measures designed to reign in the economy. It began to sell off the AIs that were once the bread and butter of PLN politics.

Costa Rica reoriented its economy with support from the IMF and, more importantly, the United States and USAID. By selling off and deregulating government institutions, Costa Rica reduced the burden on its national coffers while promoting competition. The United States' Caribbean Basin Initiative also offered preferential tariff rates to Costa Rican exports that partially offset the loss of the Central American Common Market. Free trade zones (FTZs) fostered the growth of non-agricultural exports such as textiles, and a conscious effort to diversify led to the promotion of non-traditional agricultural exports (NTAEs) such as cut flowers.

Now the WTO and United States recognize Costa Rica as a country that maintains relatively few barriers to trade. Costa Rica's open economy attracts important foreign investment and capital that helps further the progressive diversification of its economy. Many of the inefficient state-owned enterprises are gone, but a few remain.<sup>6</sup>

Current political debate centers on the scope of neoliberal reforms rather than their existence. Miguel Angel Rodriguez, the current president and a member of the PUSC, maintains a centrist approach that acknowledges Costa Rica's social democratic leanings. He is a strong proponent of privatization efforts, including privatization of ICE, but he also supports protective agricultural tariffs. Without an overwhelming mandate (like the one enjoyed by the PLN in 1982) or an acute economic crisis to create pressure for reform, it will be difficult for Costa Rican politicians to achieve further economic reforms.

Opposition parties can appeal to the electorate's sense of pride in Costa Rica's social democratic values, thwarting the leadership's chances for reforming the Costa Rican economy.

## **Costa Rican Political Institutions**

The Ulate-Figueres Pact of 1948 put an end to Costa Rica's last civil war; it allowed a governing *junta* to rule by decree for eighteen months after which the president-elect Otilio Ulate Blanco assumed power under the soon-to-be-constructed Constitution. A popularly elected constituent assembly finished that task in 1949, creating the basis for Costa Rica's current political regime.

The Constitution of 1949 prescribed a new system of electoral laws that dramatically impacted the nature of politics and lobbying in Costa Rica. It established the Supreme Electoral Tribunal (TSE) to oversee elections and interpret electoral law. It enfranchised women voters, and it reduced the voting age to twenty (this was subsequently reduced to 18 in 1971). Since the TSE made voting mandatory, Costa Rica's voter turnout has averaged nearly 80 percent.

Presidential, Legislative Assembly, and municipal officer elections are held simultaneously on the first Sunday in February every four years. The next elections will be in 2002. There are seven legislative electoral districts, each of which holds a certain number of seats in the Legislative Assembly based upon proportional representation.

Votes for the President are aggregated at the national level. The state provides campaign funding for parties that received at least five percent of the vote in the previous election, making it difficult for third parties to break into the two-party system. Also, the President must win at least 40 percent of the vote, or face a runoff election. This makes it less likely that disgruntled factions will break off from established parties, but creates a wide diversity of political opinion within one party, which sometimes makes party solidarity impossible to achieve.

### **Executive Branch**

The new constitution and subsequent amendments created a weak executive. The President may introduce legislation only with the approval of the appropriate minister, exercise decree only if it lies within existing law, and serve only one term in office. He may not be reelected or veto any budget bills. The President does, however, have the power to invoke extraordinary legislative sessions in which he controls the agenda, doles out discretionary funds for pet projects, and heavily influences the next set of party candidates. He also has responsibility for preparing the national budget (but may not veto any amendments), and appointing the heads of the AIs and his cabinet ministries.

### **Legislative Assemblies**

The Constitution of 1949 devolved much of the President's power to the fifty-seven member Legislative Assembly. This body has the ability to introduce and pass legislation, which may be vetoed by the President. A two-thirds majority is needed to override an executive veto, except on budget bills. Most of the real work of the Legislative Assembly happens in the six permanent committees, but real policy debate and formulation still takes place on the Assembly floor.

Deputies cannot serve two consecutive terms, yet they may return to the Assembly after one election cycle has passed. This results in very few veteran deputies (only 11 percent return for a second term).<sup>7</sup> The Assembly elects a President who makes committee appointments. This election follows party lines strictly so the majority party takes the most important seats on all of the committees. Most legislation passes with a simple majority, however constitutional amendments require a two-thirds majority.

### **Judicial Branch**

The Costa Rican Judiciary is an extremely independent branch with twenty-two members and thirty-seven alternates. It commands at least six percent of the national budget as mandated by law. The Legislative Assembly elects justices for staggered eight-year terms, which are automatically renewed unless two-thirds of the Assembly objects. Since 1989, the Court has been divided into four chambers that examine particular legal issues. The newest, *Sala IV*, deals with interest groups' legal objections to government policies. This is a popular new avenue for interest groups to push for policy change.

### **Autonomous Institutions**

These quasi-governmental institutions maintain a high level of control over policy in their particular domain. While the President appoints and may remove the heads of these agencies, the institutions themselves are not legally responsible to any branch of government. AIs such as ICE even hold the capacity to raise revenue, which further distances them from governmental influence. A two-thirds vote of the Assembly is required to create or abolish an Autonomous Institution.

### **Political Parties**

Two parties have traditionally dominated Costa Rican politics. Third parties hold a small minority of Assembly seats. One of the dominant parties is always the PLN. Although

this party now espouses a somewhat neoliberal agenda, it has social democratic roots and its constituents continue to exhibit pro-government leanings.

At present, the PLN's opponent, the PUSC, holds both the Presidency and a majority in the Legislative Assembly. This has prompted the PLN to oppose the PUSC's efforts to reform ICE, even though the PLN recently espoused a pro-liberalization policy concerning the privatization of many AIs. Right now, Miguel Angel Rodriguez strongly supports the introduction of competition into the telecommunications market.

Costa Rican political parties do not traditionally maintain strong control over their members' voting habits. Assembly votes are rarely recorded or publicized, and it is common for deputies to cross party lines with little repercussion.<sup>8</sup> It is therefore possible for lobbyists to form a multi-party consensus around political issues.

## **Telecommunications Reform**

Telecommunication reform may be accomplished several ways: 1) ICE itself may institute reform under its mandate as an Autonomous Institution; 2) the President may, with the approval of the relevant minister, introduce legislation in the Assembly (which would require a bill to pass in the Legislative Committee on Government and Administration and then win a two-thirds vote on the Assembly floor); or 3) a deputy may introduce legislation in the Assembly. It is extremely unlikely that ICE would choose to relinquish its monopoly, and in fact the institution is known to oppose such reform.

## **Lobbying**

Considering the power of the deputies and Costa Rica's high voter turnout, public support is important to any lobbying effort. Newspaper, radio and television advertisements offer an effective means of putting an issue on the campaign agenda.

While it is helpful to have the President's support for change, his limited authority means he should not be the prime target of lobbying efforts. The committee that will review a proposed piece of legislation should instead be targeted. Because the majority party in the Legislature controls committee appointments, it is worth the effort to lobby that party extensively. In the event that a two-thirds majority is needed, lobbying organizations must be careful not to alienate the opposition party, lest their issue become an opposition rallying cry.

Finally, *Sala IV* in the Supreme Court is important because it hears cases in which an interest group opposes a particular policy on legal grounds.

## **Telecommunications Deregulation in Costa Rica**

The lengthy debate over telecommunications deregulation in Costa Rica prompted Herbert Rodriguez—President of Ticopager S.A., and President of the Costa Rican-American Chamber of Commerce's High Technology committee—to state:

We have been discussing the liberalization of the telecommunications market for more than four years, and we have achieved nothing. The intentions have been good, but nothing more than intentions. . . . The problem is purely political, it does not matter whether the country benefits or comes to harm, what is important is how to make life as hard as possible for the ruling party. Every party has its position depending upon whether it is in the government or the opposition.<sup>9</sup>

Indeed many in the business community are extremely frustrated over telecommunications reform. The process of market liberalization is mired in party politics, the public's lingering sentimental attachment to ICE, and general ignorance of the issue.

In fact, there is widespread support for reform in what would appear to be all the right places. President Miguel Angel Rodriguez himself announced, "If this reform is not approved this week, all of ICE's transformation will fall at least one year behind due to unavoidable legal and constitutional procedures. And to lose one year is to lose too much time."<sup>10</sup>

Telecommunications reform also has overwhelming support from domestic and international businesses and organizations. In a survey of 600 businesses in tourism, agriculture, industry, commerce, construction, services, and financial services, UCCAEP (The Union of Private Business Chambers and Associations) found that:

- 39 percent of businesses favored eliminating the monopoly on telecommunications and privatizing ICE;
- 41 percent of businesses favored eliminating the monopoly on telecommunications and not privatizing ICE; and
- 20 percent did not favor any changes in the current telecommunications system.

There is also international support for telecommunications reform in Costa Rica. In its *Investor Attitude Study*, the U.S. Department of Commerce's Office of Latin America and the Caribbean stated:

The best infrastructure services are provided by the state telecommunications and energy company, ICE, which has long been a source of pride by the general population. However, there is consensus by U.S. investors (and increasingly by the overall business community) that although ICE may have served the country well in the past, greater private investment will be needed to modernize services. Most U.S. investors are generally satisfied with existing telecommunications services, although there can be a long delay to get a telephone line installed, costs could be more competitive, and cellular service is at times erratic. The main concern, though, is if the country is going to be successful competing in the high-tech world, the investment and technology needed to keep telecommunications at the cutting edge can best be acquired through private participation.

[U.S. companies believe that the Government of Costa Rica could improve the investment climate by establishing a] framework for competition in telecommunications, particularly for cellular and value-added services.<sup>11</sup>

It is surprising that reform has remained elusive despite such high level and widespread support. The nature of that support, however, creates opportunities for opposition parties to forestall reform. According to *La Nación*, Unimer Research International conducted a survey of 1,201 Costa Ricans to determine their knowledge of the issue of telecommunications and energy reform. A strong majority of those polled professed to know little, if anything, about the proposed reforms.

- 48.4 percent of Costa Ricans said that they were completely unfamiliar with the plans to reform ICE;
- 21.8 percent claimed to know very little about telecommunications and energy reform;
- 20.8 percent had a general idea of the issue; and
- 3.1 percent assured researchers that they understood the propositions.<sup>12</sup>

The Unimer study went further, asking questions about the Rodríguez Administration's handling of the issue, and citizens' opinions on what should be done with ICE.

- 75.6 percent of the 512 people who claimed to have a general idea or know very little about the initiatives answered "no" when asked whether the Rodríguez administration had offered them information regarding the sought after reforms; 21.8 percent answered "yes."
- 68.1 percent of the aforementioned 512 declared that the government had managed the ICE reform process poorly.
- 21.5 percent believed that the government was functioning well.
- Of all of the people who claimed to have a certain degree of understanding of the reform process, 70.2 percent favored a reorganization of ICE to make it more efficient.
- 8 percent of those people favored the gradual introduction of competition in the market.
- 6.4 percent did not support either of these options.
- 5.6 percent would agree with the selling off of some services.<sup>13</sup>

As the numbers show, the public remains largely in the dark concerning telecommunications reform. Nearly half of all respondents said they knew nothing about it, while another twenty-one percent said they know very little. Furthermore, respondents tend to blame the Rodríguez administration for failing to disseminate information.

The numbers also suggest that once the public understands the issue, it tends to favor reform. All this points to a public relations failure on the part of the PUSC and the Administration.

### **Policy Debate**

The Rodríguez administration submitted its reform plan to the *Foro de Concertación Nacional* in May. This body, made up of political parties, unions, civic organizations, and other interest groups, is used to build consensus and thereby make it easier to pass legislation. The telecommunications committee of the *Foro* has recommended a phased ‘opening up’ of the sector over four years that includes full de-monopolization. Instead of privatizing the ownership of ICE, the *Foro* recommended offering ICE’s various services as concessions and making ICE just another competitor in the market.<sup>14</sup>

This recommendation has now become the proposed *Ley General de Telecomunicaciones*,<sup>15</sup> which proposes to make ICE a quasi-governmental state-owned agency operating within a competitive market. In order to accomplish this, articles 188, 189, and 190, of the Costa Rican Constitution require amendment (which requires a two-thirds majority vote in the Legislative Assembly). Rodríguez submitted this bill to the Assembly along with two others that reformed other parts of ICE.

Subsequent debate has covered the timeframe for liberalization, the merits of bundling the three bills, and the issue of profit-utilization. Eventually, the three bills were bundled to form the *combo energético*, which was accepted in the Committee on Government and Administration and is now ready to be introduced on the floor of the Legislative Assembly. The debate on the Assembly floor is expected to be particularly heated, with the PLN emphasizing the need for government oversight during a gradual liberalization process and the PUSC pushing for swifter liberalization.

The exact nature of the legislation will be determined during the floor debate when amendments may be introduced and the bill’s wording may be modified. Accordingly, the floor debate offers an opportunity for lobbying groups such as GlobalCom to insert their language or ideas into the law. The ability of GlobalCom to gain the support of deputies from all parties for a particular amendment or issue will be critical in order to influence the shape of the law.

### **Facts about Telecommunications in Costa Rica**

- 62 percent of telephone lines are in metropolitan areas, 38 percent are in rural areas.
- In 1997 there was a waiting list of 49,000 for new phone lines.
- National calls have a 57 percent completion rate.
- International calls have a 50 percent completion rate.
- In 1995, there were 8.4 workers per 1,000 lines employed at ICE.
- From 1994-1995 ICE’s response to breakdowns averaged 30 hours.

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Footnotes:

<sup>1</sup> Bruce M. Wilson, Costa Rica: Politics, Economics, and Democracy, Lynne Rienner Publishers, Boulder CO, 1998, Pg. 56.

<sup>2</sup> Wilson, 58-59.

<sup>3</sup> *La Prensa Libre* maintains a circulation of approximately 50,000 copies.

<sup>4</sup> *Diario Extra* maintains a circulation of approximately 100,000 copies.

<sup>5</sup> *La República* maintains a circulation of approximately 60,000 copies.

<sup>6</sup> All preceding historical facts were taken from Costa Rica: Politics, Economics, and Democracy

<sup>7</sup> Wilson, 52.

<sup>8</sup> John M. Carey, Term limits and legislative representation, Cambridge University Press, Cambridge, England, 1996, (page number?)

<sup>9</sup> Herbert Rodriguez, October 27, 1999, translated by Andrew Dyer.

<sup>10</sup> "Gobierno en Gran Aprieto", *La Nación*, March 10, 1999. Translated by Andrew Dyer. At the time, Rodriguez was pushing for the passage of a bill that would reform articles 188, 189, and 190 of the Costa Rican Constitution—the articles that pertain to the nature of AIs. He failed to gain the support of the opposing PLN, and the bill failed.

<sup>11</sup> *Investor Attitude Study*, Office of Latin America and the Caribbean, US Department of Commerce, Washington, DC, 1998, Pg. 6-8.

<sup>12</sup> "A Oscuras con Cambios al ICE," *La Nación*, October 23, 1999.

<sup>13</sup> "A Oscuras con Cambios al ICE"

<sup>14</sup> Information paraphrased from "Costa Rica Moves More Slowly, Seeking Consensus," *Latin America Weekly Report*, October, 13, 1998.

<sup>15</sup> See Appendices for Copy of the *Ley General de Telecomunicaciones*

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## Appendix L

People	Interests	Options	BATNA	Objective Criteria
GlobalCom	<ul style="list-style-type: none"><li>• Profits</li><li>• Opening the Costa</li></ul>	<ul style="list-style-type: none"><li>• Lobby for passage of telecom reform.</li></ul>	If telecom reform does not pass in 2000,	<ul style="list-style-type: none"><li>• Estimates of market potential.</li></ul>

	<p>Rican market as rapidly as possible.</p> <ul style="list-style-type: none"> <li>• Achieving the best possible operating environment upon market opening.</li> <li>• Paving the way to compete successfully in the open market.</li> </ul>	<ul style="list-style-type: none"> <li>• Lobby for amendments to the law</li> <li>• Wait to see what happens.</li> <li>• Prepare for market opening with media strategy.</li> <li>• Lobby for passage of new bill after passage of this law</li> </ul>	<p>GlobalCom should work on passing it before the end of the electoral cycle.</p>	
<p>Rodríguez Administration</p>	<ul style="list-style-type: none"> <li>• Passing telecom reform</li> <li>• Avoiding another embarrassing legislative defeat.</li> <li>• Promoting economic growth in Costa Rica</li> <li>• Developing a consensus on the issue.</li> <li>• Improve PUSC chances for re-election.</li> </ul>	<ul style="list-style-type: none"> <li>• Introduce new legislation in an extraordinary session (where Rodríguez controls the agenda)</li> <li>• Lobby for passage of reform</li> <li>• Lobby for amendments to the law</li> <li>• Make his support for PUSC Pres. Candidate contingent upon their support</li> </ul>	<p>If the <i>Ley General</i> does not pass in 2000, Rodríguez should work on passing it before the end of the electoral cycle.</p>	<ul style="list-style-type: none"> <li>• Surveys of dissatisfied Costa Rican businesses.</li> <li>• Reports of positive economic effects of privatization.</li> <li>• Examples from other countries privatization processes.</li> <li>• Unimer study on dissatisfaction of the government.</li> </ul>

		for telecom reform.		<p>(Contained in Appendix Section 5)</p> <ul style="list-style-type: none"> <li>• Study on public knowledge of the issue (Contained in Section 5)</li> </ul>
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<p>PLN-Deputies</p>	<ul style="list-style-type: none"> <li>• Pass modified version of the bill</li> <li>• Return 50% ICE profits to the CRG</li> <li>• Extend timetable for reform implementation.</li> <li>• Take the credit from Rodríguez</li> <li>• Improve chances for PLN presidential and legislative candidates</li> <li>• Receive appointments during the next administration (appeal to the next PLN presidential candidate)</li> <li>• Build consensus within own party on the issue.</li> <li>• Protect Costa Rican consumers and workers from drastic transition.</li> </ul>	<ul style="list-style-type: none"> <li>• Support PUSC version of bill</li> <li>• Support PLN version of the bill</li> <li>• Introduce new legislation or amendments.</li> <li>• Oppose any reform legislation.</li> <li>• Agree on compromise solution.</li> </ul>	<p>If the PUSC version of telecom reform passes, the best alternative for the PLN is to take it to court (Sala IV).</p>	<ul style="list-style-type: none"> <li>• Unimer study on dissatisfaction with the government.</li> <li>• Study on public knowledge of the issue.</li> </ul>
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	<ul style="list-style-type: none"> <li>• Provide CRG with needed cash.</li> </ul>			
PUSC-Deputies	<ul style="list-style-type: none"> <li>• Pass their version of telecom reform</li> <li>• Receive appointments during the next administration (appeal to the next PUSC presidential candidate)</li> <li>• Improve chances for PUSC presidential and legislative candidates.</li> <li>• Promote Costa Rican economic growth.</li> </ul>	<ul style="list-style-type: none"> <li>• Support PUSC version of reform</li> <li>• Support PLN version of the bill</li> <li>• Introduce new legislation or amendments.</li> <li>• Oppose any reform legislation.</li> <li>• Agree on compromise solution.</li> </ul>	If the law does not pass in 2000, the PUSC should work on passing it before the end of the electoral cycle.	<ul style="list-style-type: none"> <li>• Unimer study on dissatisfaction with the government.</li> <li>• Study on public knowledge of the issue.</li> </ul>
PLN-Pre Candidates	<ul style="list-style-type: none"> <li>• Gain support (votes) for the upcoming election.</li> <li>• Become PLN candidate for Pres.elections (appeal to party leadership)</li> </ul>	<ul style="list-style-type: none"> <li>• Support telecom reform (PUSC or PLN version)</li> <li>• Oppose telecom reform</li> <li>• Support more radical telecom reform</li> <li>• Support scaled back version</li> </ul>	Their best alternative is to support a compromise version, which is more likely to pass. Since their party is divided, they should support what some of their party backs and what will likely result from the legislative debate.	<ul style="list-style-type: none"> <li>• Unimer study on dissatisfaction with the government.</li> <li>• Study on public knowledge of the issue.</li> </ul>

<p>PUSC-Pre Candidates</p>	<ul style="list-style-type: none"> <li>• Gain support (votes) for the upcoming election.</li> <li>• Become PUSC candidate for Pres. Elections (appeal to Rodríguez)</li> </ul>	<ul style="list-style-type: none"> <li>• Support telecom reform (PUSC or PLN version)</li> <li>• Oppose telecom reform</li> <li>• Support more radical telecom reform</li> <li>• Support scaled back version</li> </ul>	<p>Support telecom reform, which is their party's platform, thus gaining the approval of Rodríguez no matter what the outcome.</p>	<ul style="list-style-type: none"> <li>• Unimer study on dissatisfaction with the government.</li> <li>• Study on public knowledge of the issue.</li> </ul>
<p>Local Business Community</p>	<ul style="list-style-type: none"> <li>• Better telecommunications service.</li> <li>• Privatization of telecom sector.</li> <li>• More reliable connections.</li> <li>• Better rates.</li> <li>• Wider variety of services.</li> <li>• Shorter waiting periods for new lines.</li> </ul>	<ul style="list-style-type: none"> <li>• Lobby for or against legislation and amendments.</li> <li>• Endorse or oppose pre-candidates</li> <li>• Conduct public information campaigns</li> </ul>	<p>Lobby for telecom reform at a later date.</p>	<ul style="list-style-type: none"> <li>• UCCAEP survey of dissatisfied businesses.</li> <li>• Official numbers of customers waiting for new lines.</li> <li>• Reports on effects of telecom on profits.</li> </ul>
<p>Costa Rican Public</p>	<ul style="list-style-type: none"> <li>• Better rates</li> <li>• Affordable to the general public</li> <li>• 100% cellular coverage.</li> <li>• More FDI in Costa Rica</li> </ul>	<ul style="list-style-type: none"> <li>• Support or oppose legislation or amendments through letters or phone calls.</li> </ul>	<p>Support candidates that support reform.</p> <p>Or take reform to court if they are opposed to it.</p>	<ul style="list-style-type: none"> <li>• Current rates</li> <li>• Predictions of future rates.</li> </ul>

	<ul style="list-style-type: none"><li>• Economic development.</li></ul>	<ul style="list-style-type: none"><li>• Can support or oppose pre-candidates</li></ul>		
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