

11-6-2003

Costa Rica Under ICE Pressure

LADB Staff

Follow this and additional works at: <https://digitalrepository.unm.edu/noticen>

Recommended Citation

LADB Staff. "Costa Rica Under ICE Pressure." (2003). <https://digitalrepository.unm.edu/noticen/9145>

This Article is brought to you for free and open access by the Latin America Digital Beat (LADB) at UNM Digital Repository. It has been accepted for inclusion in NotiCen by an authorized administrator of UNM Digital Repository. For more information, please contact amywinter@unm.edu.

Costa Rica Under ICE Pressure

by LADB Staff

Category/Department: Costa Rica

Published: 2003-11-06

Costa Rica's President Abel Pacheco has caved in to pressures from the US to open the country's telecommunications monopoly, the Instituto Costarricense de Electricidad (ICE) to private investment. On a recent visit, US Trade Representative Robert Zoellick threatened the Pacheco administration with exclusion from the Central America Free Trade Agreement (CAFTA) if it did not comply (see NotiCen, 2003-10-02). There was little delay in Pacheco's coming to heel. He announced that the government would negotiate a "partial opening," meaning the choicest items on the telecom menu, high-speed Internet, cellular-phone service, and data-network services.

The US is not interested, say reports, in the nuts and bolts aspects of the industry, providing telephone lines, or long-distance service. Unions predictably saw the president's reversal on a commitment not to do what he did as betrayal. Said Francisco Aguilar of the Frente Interno de los Trabajadores (FIT), "Pacheco has betrayed ICE (see NotiCen, 2003-06-05) and the different social groups that put their trust in him. We believed in his words. He has chosen to cave in to the demands of powerful economic groups. We have no choice but to take to the streets." Equally predictably, business groups saw the reversal as necessary to the country's economic future.

Software impresario Alex Mora told the press, "Costa Ricans are demanding better-quality services. Nothing will do ICE more good than a little competition. Public banks have thrived as a result of private competition, the same will happen to ICE." Rather than defend backpedaling, Pacheco simply denied having done so. "Costa Rica's position has not changed," he said. We still believe in a strong and nationally owned ICE and are working to make that happen. This is a negotiation. You have to make some concessions to get others in return." Pacheco did, however, defend the US's position on the matter. "The US is not asking us to privatize the institution," he said. "All they want is for some of their companies to be able to provide certain services ICE offers. This request is one we can negotiate."

The president has met with legislators and with ICE president Pablo Cob on the issue and has proposed adding a clause to the CAFTA text committing Costa Rica to legislation allowing foreigners to compete with ICE. Pacheco has asked lawmakers to come to an agreement on an ICE law within ten days. A special legislative commission has, however, been working on such a law for two years and, according to reports, is far from having a bill drawn up.

ICE does stand to benefit somewhat from the presence of other providers in the country. US cellular providers, for instance, would have to pay the monopoly for the use of spectrum rights that ICE owns. Foreign companies would also have to pay for the right to transmit data out of the country. Pacheco makes much of this. "The way I see it, ICE will come out winning as a result of this deal," he said. "The company will collect a lot of money charging companies for the right to use the infrastructure it owns. ICE will be strengthened by this."

Union leader questions presidential action

But, said Alobino Vargas, secretary-general of the Asociacion Nacional de Empleados Publicos (ANEP), "Opening the market is a cheaper form of privatization. ICE has the lowest calling rates in Latin America. Multinational companies aren't going to come here to do acts of philanthropy. They'll come here to destroy ICE. Then they'll raise rates." The unions have charged that foreign companies would do here as they have done elsewhere, offer services at rates far below their actual costs to bankrupt the monopoly. Then another monopoly, this time a private one, would be free to charge what the market would bear. The business sector appears nervous regarding opening the telecom sector since Congress and the unions together could be a powerful force for unrest, and the US could be serious about leaving the country out of the trade agreement if the sector is not opened.

Marco Venicio Ruiz, a CAFTA private-sector coordinator, said, "We respect the Congress but are demanding that they act responsibly. Only they have the authority to decide the country's position. They must commit themselves to defining a timetable for the reforms that must be made to the country's laws. We won't allow filibustering or delaying tactics." Those favoring breaking the ICE monopoly include former President and Nobel Peace Prize (1987) laureate Oscar Arias (1986-1990) and even the founder of ICE, Jorge Manuel Dengo. Dengo favors an opening with clear regulations that would guarantee the strengthening of the institution.

Dengo, also the former vice president of the republic, said he thinks ICE is ready to compete. "ICE is, in Central America, the most prepared in technology, despite criticisms that have been made," he said. "It has complete mastery of energy and communications, even though, in this rapidly advancing field, it is difficult to stay completely up to date." But before any relaxing of the monopoly, Dengo wants to see legislation that gives more autonomy to ICE. "The opening is valid," he said, "but only with the necessary regulation that would permit ICE to deal with private enterprise."

Political leader suggests conditions

Former president of the Asamblea Nacional and presidential candidate of the Partido Liberacion Nacional (PLN) Antonio Alvarez Desanti also supports opening ICE, but not for the usual purposes of privatization, rather as a solution to problems of public debt. Alvarez Desanti advocates an opening with safeguards for both consumers and the institution as a precondition. Writing in the newspaper La Republica, he said, "Any process of opening must start with its strengthening, as well as the elimination of the moorings that have impeded its development. This would permit [ICE] to invest and thereby have access to advanced technology so that it can be available to all Costa Ricans." Alvarez recounted that recent governments have prevented the institute from investing its surpluses. He said, "To put ICE into competition under these conditions limitation of investment is simply to dismantle it." ICE must be able, as a condition of relaxing the monopoly, to be allowed to develop its own investment plan, he said.

For this politician, the ultimate winner must be the consumer, and, to guarantee that, he said the following six points are essential:

1. Universalization of services: All social and regional sectors of the country must benefit urban as well as rural, guaranteeing that the opening neither abandons rural investment nor dedicates itself solely to the most economically suitable sectors.

First class services: The opening must bring services appropriate to a developed country.

Prices and tariffs must be just and equitable: Services must be guaranteed accessible for all consumers.

Maintenance of the principle of solidarity: The present spirit of solidarity to produce the best services for the majority.

Strong regulation: Along with the opening, a regulatory agency must be created with sufficient power to punish abuses effectively and defend the consumer, as well as to regulate those who offer services.

This process must be gradual: It must give enough time to guarantee the strengthening of ICE and the consolidation of the regulatory entity. Alvarez stressed that this opening, done wrong, would be worse than a privatization. He also pointed out that corruption must not be the "guest of honor" in this process, that the utmost transparency must be maintained. Finally, he said, "along with this opening must come a whole national agenda, which is just as important, and which we are not paying attention to." That includes strengthening education and health programs, investing in infrastructure, judicial reform, and new tax legislation. He said these are fundamental pillars to achieve an effective distribution of wealth and a strengthening of the middle class. Former presidents have seen easing the monopoly as an essential modernizing measure. Oscar Arias took two steps toward that end during his administration, both in landlines and in the concession of cellular service. Pacheco's party, the Partido Unidad Social Cristiana (PUSC), first stood for opening the telecom sector during the presidency of Miguel Angel Rodriguez (1998-2002). Unlike Alvarez, however, Rodriguez's interest was in selling off the entity to reduce the debt and the fiscal deficit. Pablo Cob, president of ICE, and Otton Solis, president of the Partido Accion Ciudadana (PAC), have taken positions closer to that of Alvarez. Said Solis, "Opening for the sake of opening does away with the solidarity model and universal access, which I want to strengthen." Solis recalled that, when the banking sector went through a similar "opening" period, the change was conditioned on the creation by private banks of a socially oriented, low-interest credit fund, but that has not been respected. "Certainly the state bank has survived, but not many small producers have," he said. Cob, meanwhile, wants to see a gradual, and only partial, easing. But before any changes, several elements must exist: a reform that allows for investment by ICE that will simplify contracting of goods and services; greater autonomy to administer its human resources; and defining "opportune, adequate, and responsible" accounting methods. When the US, as a routine element in its negotiating strategy, insisted on access to the profitable sector ICE controls, it was also asking that Costa Rica gamble with one of the most important elements of its social contract.

-- End --