

Assignment 05

Name, career field, and country: Juan Callejas, Economics, Guatemala

Instructions: Use critical thinking, data, and academic articles to present two solutions to addressing your assigned issue. One solution should be a market response while the other government. Identify the advantages and disadvantages of each approach. Conclude with an informed stance and provide a complete list of properly cited sources. (Use your favorite browser to find a citation machine. Use your industry's standards for proper citation format.)

Ethical Business Practices (Last names beginning with A-D)

Managers might engage in unethical behavior such as bribery, corruption, or fraud, which can severely impact stakeholders and society. This can be motivated by personal gain or pressure to meet financial targets, disregarding the long-term reputation and sustainability of the company.

- I. Telco Corruption in Guatemala¹
 - a. Tigo, one of Guatemala's two major, participated in a money laundering scheme to bribe congress people so that the company could secure lucrative contracts. The corruption scheme was led by Asisclo Valladares Urruela, former Economy Minister of Guatemala under the presidency of Jimmy Morales and had also served as General Counsel for Tigo, Executive Director of the Tigo Foundation and Presidential Commissioner in charge of PRONACOM, Guatemala's National Competitiveness Program.
 - b. Valladares testified in a Florida court, admitting that he had laundered \$9.5MM on behalf of Tigo to bribe congress people to pass laws favorable to the company, and received \$140,000 in exchange. He pleaded guilty and sentenced to a 1-year sentence in a Florida prison.²
 - c. Market solution
 - i. The market allows for free competition and requires minimum regulation that allows players to freely enter or leave the market according to their business priorities. Prices are set by supply and demand and market share is gained or lost depending on how competitive a company is and how well it serves its customers. In the telecommunications market, private property or at the very least, a competitive bidding process for access to offering broadband services.

¹ Ammachchi, N. (2022). *Guatemala's Former Finance Minister Admits to Money Laundering*. Nearshore Americas. <https://nearshoreamericas.com/guatemalas-former-finance-minister-admits-to-money-laundering/>

² (2022, July 22). *Acisclo Valladares Urruela se declaró culpable en EE.UU. Por lavado de dinero*. Plaza Pública. Retrieved May 20, 2023, from <https://www.plazapublica.com.gt/content/acisclo-valladares-urruela-se-declaro-culpable-en-eeuu-por-lavado-de-dinero>

1. Guatemala's telecommunication's market is highly consolidated around two major players: Claro and Tigo³, and it is currently worth around \$2.3billion (2021) with a CAGR of 3%.⁴
- ii. Advantages
 1. An openly competitive market allows for consumer choice and stronger buying power for customers who can choose and move through different providers based on service, quality, and price.
 2. Competition allows for innovation, improved service and quality and a better product/service offering and selection.
- iii. Disadvantages
 1. It can be harder for companies to secure economies of scale in such a competitive landscape.
 2. It can inevitably lead to natural market consolidation around the strongest players.
 3. Fewer players can lead back to corrupt practices by securing legal privilege or advantage that leaves out weaker players.
 4. Consolidation can lead to higher prices for customers⁵.
- d. Government solution
 - i. Governments can either have a complete monopoly over the telecommunications market or highly regulate it through different entities, price fixing or even granting legal monopolies to private companies that secure the contracts through corrupt means.
 - ii. Advantages
 1. Customers can expect fixed prices from a single or very few options allowed by government.
 2. Governments can force market players to offer certain services for free, like free internet for public schools or in public squares, parks, etc., or free internet for public institutions and government buildings.
 - iii. Disadvantages

³ (n.d.). *Guatemala Telecommunication Market Report (2020-2025)*. Global Monitor. Retrieved May 20, 2023, from <https://www.globalmonitor.us/product/guatemala-telecommunication-market-report>

⁴ (n.d.). *Guatemala Telecom Services Market Size and Analysis by Service Revenue, Penetration, Subscription, ARPU's (Mobile, Fixed and Pay-TV by Segments and Technology), Competitive Landscape and Forecast, 2021-2026*. Global Data. Retrieved May 20, 2023, from <https://www.globaldata.com/store/report/guatemala-telecom-operators-market-analysis/>

⁵ Chevalier Navarajo, S. (2023, March 29). *¿En qué países latinoamericanos es más caro tener internet?* Global Data. Retrieved May 20, 2023, from <https://es.statista.com/grafico/23990/precio-de-internet-de-banda-ancha-fija-en-latinoamerica/>

1. Unsustainable costs for companies can lead to stifled innovation, growth, and service quality.
2. Limited growth means less access to services as companies reach maximum service capacity.
3. Corruption to maintain contracts.

e. Stance

- i. I will always advocate for a market solution to drive a competitive landscape that empowers customer's and gives them choice of different products and services at different price points that better suit their preferences.
- ii. The telecommunications market is considered a "Commanding Height⁶" and because of this, many people might think that this industry should be highly regulated and controlled by government. Experience around the world has clearly shown that this is counterproductive and damaging for consumers.⁷

⁶ PBS (n.d.). *Commanding Heights*. Commanding Heights: The Battle for the World Economy. Retrieved May 20, 2023, from <https://www.pbs.org/wgbh/commandingheights/>

⁷ Stein, Z. (n.d.). *Deregulation*. Retrieved May 20, 2023, from <https://www.carboncollective.co/sustainable-investing/deregulation#:~:text=Deregulation%20allowed%20new%20companies%20to,to%20attract%20and%20retain%20customers.>