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“ Competition with the state-owned companies is the most pervasive problem of doing business in IT in Uruguay.”

—ISP executive, Uruguay

“ I think that this new government must be firmly supported as it has entered with a very positive new IT vision.”

—Internet company executive, Uruguay

Uruguay's Networked Readiness situation is mixed. The nation's highly educated population and high-quality telecommunications infrastructure have spurred ICT activity within the country, but the challenges of stemming the brain drain of ICT talent, promoting national innovation, and maintaining competitive network access prices in a noncompetitive environment have held Uruguay back vis-à-vis the advancement of other Latin American countries. Uruguay ranks thirty-seventh overall in the Networked Readiness Index.

In August 2000, the National Committee for the Information Society was formed by the Government of Uruguay to “construct a strategy, a national response in [the] face of the profound and radical changes that these technologies are producing on the economy, commerce, culture, labor, health, education and even in the use of free time in all of the world.”<sup>1</sup> The Committee comprises high-level public- and private-sector representatives, including the President himself (Ranking in ICT as Government Priority: 30).

Uruguay leads the Latin American region in many key indicators (teledensity, computer and Internet penetration rates), in spite of the fact that its relatively closed telecommunications market is still dominated by the state-owned monopoly provider, and its Internet users are subject to both Internet access fees and a combination of metered and flat-rate local phone fees.

Uruguay also leads the region in education, with the highest adult literacy rate in Latin America (Ranking in Social Capital micro-index: 36). Nine years of education are mandatory, and education at all levels is free. The use of ICT in education is quite extensive, with the core being the Uruguayan Academic Network (*Red Académica Uruguaya*). This network has connected institutions from primary school through university levels.

Uruguay's unemployment has increased steadily since 1998, leading to significant brain drain (Ranking in IT Brain Drain: 57). More than 250,000 Uruguayans left the country between January 1995 and June 2000, and it has been pointed out that “these were not tourists eager to travel abroad, but people who emigrated to other countries in search of secure jobs and dignified lives.”<sup>2</sup>

B2C e-commerce by Uruguayan companies has been slow to take off, due in part to the fact that many companies require that customers show and/or enter an ID card number while making a payment, regardless of whether the order was placed online. E-commerce with non-Uruguayan companies came to a dramatic halt when the Uruguayan customs office dropped an informal tax amnesty on international packages received via courier services (Ranking in e-Commerce micro-index: 48).<sup>3</sup>

Although liberalization of the telecommunications industry has begun in Uruguay, Uruguayans voted against privatizing ANTEL, the state-owned telephone company. ANTEL continues to enjoy a monopoly in fixed-line services, with competition now allowed in ISP services and beginning soon in the long-distance market (Ranking in Effect of Telecommunications Competition: 50).

Software development has become a key industry for the government. Numerous incentives have been implemented to encourage development of this industry. Thus far, the results are promising: software exports have grown 1,330 percent in the last five years and are now a US\$75 million business.<sup>4</sup> Yet, ironically, software piracy is common in Uruguay, with the International Intellectual Property Alliance putting the country on its “priority watch” list.<sup>5</sup>

## Key Facts

|   |           |
|---|-----------|
| Population  | 3,337,000 |
| Rural population (% of total population) 1999                       | 8.96 %    |
| GDP per capita (PPP)  | US\$8,904 |
| Global Competitiveness Index Ranking, 2001–2002                     | 46        |
| UNDP Human Development Index Ranking, 2001 (adjusted to GTR sample) | 32        |
| Main telephone lines per 100 inhabitants                            | 27.84     |
| Telephone faults per 100 main telephone lines                       | 5.60      |
| Internet hosts per 10,000 inhabitants                               | 162.02    |
| Personal computers per 100 inhabitants                              | 9.89      |
| Piracy rate   | 66.00 %   |
| Percent of PCs connected to Internet                                | 7.69 %    |
| Internet users per host   | 6.84      |
| Internet users per 100 inhabitants                                  | 11.09     |
| Cell phone subscribers per 100 inhabitants                          | 13.19     |
| Average monthly cost for 20 hours of Internet access                | US\$13.38 |

**RANK**

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