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Telecommunications Divestment: An Erosion of Democracy in the Caribbean

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Abstract This article examines the undemocratic process of telecommunications divestment in Jamaica and Trinidad and Tobago. The divestment of the telecommunications sector was largely prompted by each state's inability to service external debt. Despite espousing the importance of public participation in the ownership of state-owned enterprises being divested, the governments each limited or excluded nationals from ownership of the telephony companies. Divestment of the telecommunications sector was principally undertaken through private negotiations with Cable and Wireless which has historically provided service to former British colonies. This continued colonization of the telecommunications sector is at odds with the democratic structure of both states.

Keywords Caribbean, democracy, divestment, privatization, telecommunications

This article examines the process of telecommunications divestment and its effects on the democratic process with distinct reference to Jamaica and Trinidad and Tobago. The article initially explores various factors prompting divestment of state-owned enterprises, specifically analyzing the telecommunications sector. It then examines the process of telecommunications divestment in Jamaica and Trinidad and Tobago.

A SIMILAR SYSTEMS COMPARATIVE DESIGN

The two island states of the Caribbean were chosen for a comparative case study, a frequently used policy research method which examines the process by which an intervention or policy action has been implemented, since the two countries possess some notable similarities. This case-oriented comparative research strategy is based on the premise advocated by Przeworski and Teune (1982) that systems as similar as possible with respect to as many characteristics as possible comprise the optimal choices for comparative inquiry. A similar systems design is a 'maximum' strategy for the number of experimental variables, in this case between the two Caribbean states chosen for this study, which, while still large, have been minimized.

With respective populations less than 5 million, the two small island countries bear many common cultural attributes and each boasts a relatively high physical quality of life index. The two countries also fit a similar economic typology, that is, they may both be classified as small, open economies which also may be described as mineral economies, given that bauxite in Jamaica and oil in Trinidad and Tobago have constituted, at various times, at least 40 percent of each country's exports. Further, as former British colonies which both received their independence in 1962, the countries inherited legal systems which owe their basic concepts to English common law and adopted the same political regime type, the Westminster system of parliamentary government with a prime minister as head of government. Jamaica, like most independent countries of the Commonwealth Caribbean, retains the British monarch as the titular head of state represented by a local governor general, whereas Trinidad and Tobago, akin to Guyana, adopted a republican status with a president as head of state. Despite the democratic nature of these states, the governments of both Jamaica and Trinidad and Tobago limited or excluded the citizens from participating in the ownership of public or state-owned enterprises in the process of divestment, as exemplified in the telecommunications sector.

DEMOCRACY

The nature of a democracy is to promote the process of participation in decisions that affect the lives of the citizenry and the social goal of moving toward equality. A participatory democracy is not confined to casting a vote in periodic local and national elections, which is often little more than a symbolic gesture of democracy, but, as Mosco (1989) writes, aims at creating economic and sociocultural participation and equity. A central feature of a democracy is its public character, which thus includes public participation in the economy, as in the divestment or denationalization of state-owned enterprises.

FACTORS PROMPTING DIVESTMENT

The divestment of state-owned enterprises, including telephony companies, has become an increasingly utilized tool of economic reform in developing countries. Structural adjustment programs prescribed by the World Bank have regularly sought institutional reform of state-owned enterprises due to their weak economic performance. Hemming and Mansoor (1987) note that the inefficiency of the public sector is generally associated with bureaucratic failure and political interference. The public enterprise is often employed as an instrument for political patronage in many developing countries. It is thus thought that privatization, by reducing political interference, will improve a firm's efficiency. This rationale stems from the property rights school which contends that a change to private ownership will improve the incentives for productive efficiency performance. Management, as opposed to ownership, is arguably, however, the key to efficiency. Although the long-term goal of privatization may be economic efficiency, Suleiman and Waterbury (1990) recognize that the short-term stimulus has often been deficit reduction. The acquisition of foreign exchange has not, however, generally been publicly declared as an objective of divestment. Rather, privatization is touted as a means to improve the management of state enterprises, thus making the transaction more politically palatable.

The shortage of foreign exchange has nonetheless been a compelling motive for many privatization programs, as many developing countries face a limited choice between foreign equity investment and foreign debt. To scale back the burgeoning state sector by divesting saleable public assets to the private sector has been considered by some governments as a means of handling an acute capital shortage and acquiring funds for debt servicing or capital investments. For countries whose deficits and debts have grown beyond control and cannot be reversed by a continuation of the policy of state ownership, divestiture has become viewed as a means to raise revenue and reduce fiscal and credit pressures.

TELECOMMUNICATIONS DIVESTMENT

In regard to the telecommunications sector, many governments of developing countries are caught in the quagmire of upgrading an antiquated telecommunications system with modern equipment at a capital cost beyond their means. It is thought that private investors with access to commercial lending sources and expanded credit possibilities will be better able to provide the capital necessary for the development of the telecommunications infrastructure and the provision of diverse services. Partners are also sought for their technological and management capabilities. Governments typically seek partners with considerable experience in building and operating telecommunications networks. The divestment of the telecommunications sector is thus more likely to involve the sale of the enterprise as a complete entity, or, at least, controlling interest is sold to a foreign telecommunications service provider. The factors affecting the decision to privatize the telecommunications sector may vary, but one aspect of the outcome is virtually universal: the participation of a foreign investor.

This arrangement limits the ability of the public, the nationals, to participate in the ownership of the firm. Public share offerings, in broadening the structure of private ownership, assist in democratizing the process of divestment. Employee share schemes, though exercised, are often only employed so as to diffuse opposition to privatization. Since public share offerings are generally constrained in developing countries by the thinness of capital markets and the embryonic stature of the stock exchanges, Howard (1992) contends that additional efforts must be made to increase market capacity to handle the float. A stock market offering directed to the small investor can assist in redistributing wealth in a community through broad-based share ownership.

Vickers and Yarrow (1991) recognize those policies associated with promoting wider share ownership, including pricing at substantial discounts to market values, together with measures like share allocation rules that favour small investors, and inducements for them to hold on to their shares rather than sell out at a quick profit. If small shareholders sell their shares within the first year or so, a concentrated shareholding may develop. As Cowan (1990) cautions, the number of shares any one individual may acquire must be limited to curtail the concentration of ownership of shares by the wealthy elites, and create a constituency for privatization as well as a ready market for the nexL offering. The adroit use of the mass media to explain stockholding, share purchase and the potential uses of future dividend payments can be employed to create popular support. Public favor of privatization as well as broad-based share ownership can also be achieved through the distribution of shares free of charge, either directly or in the form of vouchers that are redeemable for shares in former state-owned enterprises.

THE PROCESS OF DIVESTMENT IN JAMAICA AND TRINIDAD AND TOBAGO

This people's capitalism, a process of democratization, was espoused by political parties in both Jamaica and Trinidad and Tobago. The National Alliance for Reconstruction (NAR, 1986) in Trinidad and Tobago stated in their election manifesto that shares in state enterprises to be divested would be offered to workers and their affiliated unions and to local capital. The Jamaican Labour Party (JLP) under Prime Minister Edward Seaga, too, advocated opportunities for the widest possible share ownership which were to be facilitated through the stock exchange. The policies of both the NAR and JLP also emphasized deregulation. The ideological position of the parties conceptualized development in an economy in which the private sector was seen as the engine of growth. As Mills (1989) notes, the appropriate role for the public sector was deemed as providing the infrastructural framework to facilitate the efficienl operation of the private sector. This position was also assumed by the People's National Party (PNP) in Jamaica, which upon returning to power in 1989 under the prime ministership of Michael Manley who had been routed from power in 1980 by the JLP, intensified the privatization policies and market-oriented economic strategies adopted by the opposition. Indeed, as Stone (1992) writes, the policy of divestment represents one of the core areas of continuity in policy making between the JLP and PNP in the 1980s and 1990s. Broadening the base of ownership in the economy, however, was not retained as a priority in either Jamaica or Trinidad and Tobago, as evident in the sale of shares in the state-owned telephone companies in the two countries.

Both Jamaica and Trinidad and Tobago stipulated in a 'Letter of Intent' to the International Monetary Fund (IMF) the divestment of the state-owned telephone company. To qualify for IMF assistance, a borrowing country must agree to implement policy measures set out in these letters. Although the privatization of state enterprises has been stipulated in lending conditionalities by various external agencies, individual companies or sectors are not specified. The decision concerning which firms to divest and the method of divestment rests with the government.

Telecommunications of Jamaica

The telecommunications sector was originally chosen for divestment, in the case of Jamaica, in an attempt to yield funds for the electoral campaign of the reigning administration of the JLP. The impending national elections required that Seaga increase public expenditures, particularly in the areas of roads, health and education. Divestment was employed as a measure to cope with the budget deficit in an situation where an increase in expenditure on social services was deemed indispensable for the government's political survival. Jamaica's system of patronage politics thus explains, in large part, the JLP's decision to divest the telecommunications sector and the timing of this decision. Indeed, as Stephens and Stephens (1989) note, in the Budget debate in the House in May 1988, the year preceding general elections, Seaga projected that a total of J$430 million was to come from divestment in that fiscal year, including J$100 million from Telecommunications of Jamaica.

The JLP also regarded telecommunications as a key to encouraging foreign investment and creating a competitive exporting sector linked to the US economy, and viewed privatization as a means to upgrade the system by accessing technology, finance and foreign exchange. Arguably, this view was simply politically astute and a post-rationalization of the divestment. Regardless of the validity of this argumentation, limited domestic and foreign capital did curtail expansion of the telecommunications infrastructure for the government was restricted in its ability to guarantee funds for capital improvements. Both the Jamaica Telephone Company (JTC), the domestic telecommunications firm which offered local or basic telephony service, and Jamaica International Telecommunications (JAMINTEL), the international carrier, were incorporated into the government's budgeting under IMF credit ceilings for state-owned enterprises. Hence, as Adam et al. (1992) write, the telephony companies found their capital expenditure plans subject to vetoes based on quarterly macroeconomic targets rather than long-term, firm-level planning. The situation was particularly acute for JTC, since restricted expansion of the infrastructure meant that its penetration rate was contained at a low level. It was thus recommended by Mayer Matalon, then chairperson of JTC and deputy chairperson of JAMINTEL, that a holding company for the two firms be created to facilitate privatization.

In early 1987, the government of Jamaica proposed a merger of JTC and JAMINTEL with Cable and Wireless Limited (C&W). C&W was interested in partaking in the holding company as it held a 49 percent shareholding in JAMINTEL and its license was to expire in three years.[1] Matalon, an ambassador at large traveling under the same visa as a prime minister, handled these negotiations which were carried out in London in February 1987. It was agreed that a holding company, Telecommunications of Jamaica Limited (TOJ), be formed to assume the shareholdings of both JAMINTEL and JTC. C&W and the Jamaican government further agreed to procure an eventual merger or amalgamation of JTC and JAMINTEL, which was finally secured via the Telecommunications of Jamaica (Transfer to and Vesting of Assets and Liabilities of Jamaica Telephone Company Limited and Jamaica International Telecommunications Limited) Act, 1995. The actual merger was completed 1 April 1995. It was also agreed that Matalon would serve as the chairperson of TOJ which acquired controlling interest in JAMINTEL on 19 May 1987 and in JTC on 23 July 1987. According to the Accountant General (1988), both JAMINTEL and JTC were wholly owned subsidiaries of TOJ which became a public company on 1 July 1987.

Although C&W, on account of its shares in JAMINTEL, initially held only 9 percent of the holding company, it was agreed, as reported by Telecommunications of Jamaica (1990), that C&W would be permitted to acquire additional shares from the Jamaican government to enable the company to own 20 percent of the company. According to the former president of TOJ, C. Chantrielle (pers. comm., 22 September 1993), C&W was allowed to increase its shareholding to 20 percent as the company could not otherwise reflect its investment in TOJ in its balance sheets due to stipulations in its own corporate act. While it has been contended that 80 percent of TOJ was to be owned by Jamaicans or Jamaican interests ('Move to Merge', 1989), in October 1987, according to the Accountant General (1988), C&W acquired a further 19 percent of the issued share capital of TOJ, giving the firm a 39 percent interest in TOJ. The JLP sold the shares to acquire funds for the international net reserves.

The next year, in September 1988, the JLP made a public offering of shares by placing 13 percent of the government's shares for sale on the Jamaica stock exchange. According to R. Downer (pers. comm., 14 September 1993) of Price Waterhouse, the amount of shares was limited so as not to flood the market. The Accountant General offered 126.5 million ordinary shares of J$1.00 each to the public at J$0.88 per share. Applications for the shares, which had to be paid in full on application, could only be made by Jamaican residents or bodies corporate, incorporated or registered in Jamaica and controlled by Jamaican citizens. Although there was no limit to the maximum number of shares for which an applicant could apply, applications had to be made for a minimum of 200 shares. In making the public share offering, the Seaga administration reputedly sought a broader based share ownership in TOJ, yet the minimal share specification is at odds with the JLP objective of wide share ownership, for the majority of the citizens could ill afford this number of shares. The exception to this stipulation was the employee share scheme.

The Accountant General (1988) reports that of the shares placed on the stock market, about 2 percent were reserved under an employee share scheme. The National Workers Union (NWU), which has represented the staff union of JAMINTEL since its inception in 1971 and that of the JTC for the past few decades, negotiated the employee share scheme. According to the president of the NWU, C. Dobson (pers. comm., 30 September 1993), there was not enough capital to demand more than 2 percent of the shares. Employee share offerings have been used in various countries, such as Mexico, as a way to include workers in the economic participation of the new firm and to counter their opposition to the privatization.

Following the offering on the Jamaican stock exchange, the public held 19 percent of the shares. Spike (1992) writes that nearly 15,000 investors, of a resident population of some 2.5 million, applied for the shares offered on the stock exchange, raising, as Scaga had projected, nearly J$120 million in the process. The government of Jamaica and C&W reflected a mirrored shareholding profile with 40 percent and 39 percent respectively. It was not the intention of the JLP, as written in the prospectus, to reduce the government's shareholding below 40 percent.

The PNP, however, in June 1989, privately negotiated an additional sale of 20 percent of the government's shares to C&W. C&W thus became the majority shareholder with 59 percent of the shares. Then, in November 1990, the Manley administration sold its remaining shares in TOJ, 20 percent, to C&W. The British corporation's shareholding, thus, stood, as it remains to date, at 79 percent.

There was a great deal of public criticism of these arrangements. Indeed, it would have been politically sensitive to democratize the divestment process through a public share offering or, at the very least, by making the additional shares available to existing shareholders. Nonetheless, the PNP excused its actions by stating that it found it necessary to dispose of its remaining shares in order to secure foreign exchange to support the foreign exchange requirements of the Jamaican economy.

Jamaica's foreign debt had steadily increased during the 1980s. According to Ramsaran (1992), in 1980 it amounted to US$1.9 billion or 57 percent of GNP. By 1989, the World Bank (1992) calculated that the total debt stocks had grown to US$4.5 billion or 129 percent of GDP, making it one of the world's most severely indebted countries on a per capita basis. McAfee (1991) notes that Seaga borrowed more during his first two years in office than previous administrations had borrowed in the entire preceding decade. Despite the fact that US assistance, which had dropped to US$2.6 million in 1979, Manley's last year in office, had increased to US$69.5 million in 1982 ('US/Caribbean', 1982), making Jamaica one of the fifth highest per capita recipients of US aid, Seaga amassed an unmanageable debt. Debt servicing, which, arguably, receives higher priority than the expansion of the capital base, has proven problematic for Jamaica and has resulted in the suspension of successive IMF agreements as the government fails to adhere to IMF conditionalities and pass performance tests.

In order to have a standby agreement with the IMF reinstated in 1991, Manley agreed to meet various IMF targets, including the clearing of debt arrears to official and private creditors. It was in Manley's attempts to secure the requisite foreign exchange to meet IMF targets that the shares were sold to C&W. The additional TOJ sales were not part of a broader philosophy regarding the sector. Furthermore, as the minister responsible for Public Utilities, R. Pickersgill (pers. comm., 28 September 1993) notes, the timetable to meet the IMF targets was too tight to permit the process of public share offerings. The sales of shares are thus indicative of a crisis management approach to government. The PNP expended political capital in its haste to obtain foreign exchange. At this time, the Jamaica stock exchange, too, took issue with a clause in the prospectus, which it had not approved, that indicated the government's intention to not further reduce its shareholding.

C&W was, moreover, not particularly interested in purchasing the last 20 percent of the government's shares since the company was already the majority shareholder. Matalon, who, sources reveal, holds close personal ties with both Manley and senior officers in C&W, persuaded C&W to purchase the additional shares. Matalon arranged the sale to C&W with the understanding that the archaic 1893 Telephone Act would be rewritten to reflect new technological developments and the powers of the license would be widened. According to various sources, including the attorney for TOJ, T. Patterson (pers. comm., 17 September 1993), Manley wrote a personal letter promising these arrangements. Although C&W would have preferred to wait until the legislation was passed before actually buying the shares, the IMF targets were too near and the foreign exchange was needed immediately by the Jamaican government, so the company agreed to comply. The PNP sold each 20 percent block of shares to C&W for US$42 million, a price comparable to that paid by C&W for 49 percent of the telephony system in Trinidad and Tobago.

Telecommunications Services of Trinidad and Tobago

The process of divestment and the resultant shareholding structure in Trinidad and Tobago differs from that of Jamaica in several notable respects, including the absence of a public share offering and employee share scheme. The reasons for the actual sale of shares are analogous, however, in that the government was in need of foreign exchange to service external debt obligations and build the international net reserves. The inclusion of a foreign partner in the telecommunications sector was not actually part of a broader reform strategy, though the situation may thus be post-rationalized, as former chair of the telephony company board, K. Hudson-Philips (pers. comm., 5 November 1993) notes.

The structure of the telecommunications sector in Trinidad and Tobago parallels that of Jamaica. TELCO, the Trinidad and Tobago Telephone Company, corresponds to JTC as TEXTEL, the Trinidad and Tobago External Telecommunications Company, corresponds to JAMINTEL. Also, as in JAMINTEL, C&W held 49 percent of TEXTEL and its license was soon to expire. This accounts, in part, for its ownership presence in Telecommunications Services of Trinidad and Tobago (TSTT), which was created soon after the divestment of TELCO with the merger of TELCO and TEXTEL.

Unlike Jamaica, however, the domestic carrier in Trinidad and Tobago had undertaken a massive network expansion and development program which spanned 1981 -6. The expansion was based on general economic growth and accompanying growth in the customer rate base. TELCO's investment was geared toward a much higher level of economic activity in the country. TELCO financed the entire costly program with loans, much of them commercial, for the government had authorized the company to borrow money commercially in 1981. According to TSTT (1991), the bulk of the financing for the development program was secured through the Bank of Commerce in Canada, the Export Development Corporation, also of Canada, the Export-Import or EXIM Bank of the USA and a Japanese consortium led by Sumitomo Bank. TELCO procured a government-guaranteed debt of several million US dollars. Its debt stood at TT$981,125 million in 1986 when the exchange rate was TT$2.40 to US$1.00, reports Pannell Kerr Forster Chartered Accountants (1987). In 1986 its medium and long-term borrowings represented more than 70 percent of total assets, and this figure excludes short-term local financing (TELCO, 1988a).

The decline of the Trinidadian economy had, moreover, reached crisis proportions by this time. The unraveling of the economy in the 1980s is largely attributed to decreased oil earnings due to the depressed state of the international oil market since 1982, an exogenous factor, and declining oil production. The government, that is, the People's National Movement (PNM) under Eric Williams (Prime Minister, 1962-81) and George Chambers (Prime Minister, 1981-6) also mismanaged the petroleum export-led economy during the economic upswing. The PNM failed to mobilize its oil revenue to diversify and increase the internal dynamics of other sectors of the economy. It also failed to curb expenditures during the boom period and prepare for adverse price and production changes.

Although TELCO began to scale down its investment program with the downturn in the Trinidadian economy and thus did not utilize all of the external loans, the company still found itself unable to service its debt which was among the highest of the country's state enterprises. Unfortunately, while most of the infrastructure of TELCO's development program was laid by 1986, resulting in a marked improvement in cost-efficiency and quality of service, the company was in poor economic health. It faced high debt-servicing costs at a time when the economy suffered severe contraction and Chambers had issued a directive that state enterprises were to be self-financing. Further, currency devaluations had the effect of increasing the company's debt-servicing obligations on foreign borrowings. Despite approved rate increases by the Public Utilities Commission in 1983 and 1985 of 100 percent and 20 percent respectively, the company was crippled by the devaluations. The debt, which had to be paid in hard currency, grew unmanageable. The coalition government of the NAB, which had won the elections of 1986, therefore sought a means to refinance TELCO.

In September 1987, TELCO appointed Morgan Grenfell and Co. to serve as financial and technical advisors and assist in implementing a restructuring program which included the introduction of a private equity investor to subscribe to an issue of new shares, the rescheduling of the company's loans and a merger with TEXTEL. Morgan Grenfell arranged for international advertising for a firm to subscribe to 49 percent of the total issued share capital. Following receipt of the 'Information Memorandum' dated February 1988, several firms indicated interest in the shares (TELCO, 1988c). One attraction of TELCO for foreign investors was that the company received a large loss provision for tax purposes. Four companies, Atlantic Tele Network Inc. (ATN), British Telecom (BT), C&W and Telefonica of Spain, submitted offers (TELCO, 1988b). While this open bidding process may be considered democratic for the foreign corporations, it utterly ignored the internal dynamics of democracy by excluding public participation. This undemocratic practice was also contrary to the NAR election manifesto, which was adopted as a policy document by the Cabinet, and, as noted, stated that shares in state enterprises to be divested would be offered to workers and their affiliated unions and to local capital.

Only two offers, those of BT and C&W, were seriously considered. The government was attracted to BT since the company, unlike other firms, develops technology and was willing to buy C&W's shares in TEXTEL which would be available for another company to purchase as its license was due to expire. The government deemed it advisable that the same foreign investor own shares in TELCO and TEXTEL in order to facilitate a merger. C&W, in response to the 'Information Memorandum', indicated in its letter, dated 16 February 1988, to Audley Walker, then chair of TELCO, its interest and willingness to participate in the restructuring of the country's internal and external telecommunications service providers. In addition to its familiarity with the telecommunications sector, the corporate and government culture and political players and process in Trinidad and Tobago, C&W placed a higher bid than BT for the shares. C&W thus succeeded in marketing its services and secured the shares in TELCO.

C&W purchased the 49 percent of TELCO's shares for US$85 million, the first payment of US$50 million was made in December 1989 and the balance paid in April 1990. At the then prevailing rate of exchange of TT$4.25 to US$1.00, the purchase price equaled approximately TT$360 million which was far less than TELCO's TT$900 million investment expenditure. Further, TELCO's loans were rescheduled in 1989. TSTT acquired TELCO's debt with the merger and was allowed to carry TELCO's losses in its books, deducting or applying the losses against earnings or profits. TSTT also did not have to pay corporate taxes until the fiscal year 1994-5 when the TT$900 million debt was liquidated. It can thus be deemed that C&W did very well in terms of its purchase of TELCO. Further, in comparison with Jamaica to whom it paid a comparable price for the last 40 percent of shares in TOJ, C&W acquired a technically superior system in Trinidad and Tobago. In this light, the investment in Jamaica may appear illogical until one considers the telecommunication shareholdings of C&W throughout the region and the consequential control which the company can thus exercise. An acquisition cannot be assessed strictly on the basis of the individual firm, but must be viewed within the context of how this piece fits into a larger corporate puzzle.

Regional holdings of C&W

The antecedents of C&W, the early telecommunications tentacles of the 19th-century British imperial state, are a principal factor for the continued dominance of C&W in operating telecommunications systems in former British colonies. C&W has consolidated its corporate strategy by focusing its efforts on areas where the company is already entrenched. According to the executive chair of C&W (C&W, 1993), Lord Young, this approach has resulted in 'the concept of three regional hubs in Asia, Western Europe and the Caribbean, creating clusters of businesses in order to exploit the benefits of regional mass'.

C&W presently owns shares of the telecommunications systems in 15 Caribbean countries, all former British colonies. C&W has acquired the image of a local company through hiring local staff and directors and by employing 'national' names for the subsidiary companies. The names of these 'national' telecommunications companies, that is Telecommunications of Jamaica, Telecommunications Services of Trinidad and Tobago, may well be considered misnomers. C&W refers to these companies as business units. It is also interesting to note how the corporate strategy of C&W adjusts to each specific environment, as the company advocates competition in the UK while staunchly defending its monopoly position in the Caribbean. C&W also owns, albeit often in conjunction with other firms, undersea fiber optic cable transmission networks in the region as well as satellite earth stations. C&W can route traffic in such a way as is most profitable to it, not the individual 'national' companies. It thereby treats the national companies in the region as satellite companies, not as separate and distinct companies in their own right. Further, regulatory provisions in neither Jamaica nor Trinidad and Tobago require that C&W provide universal service which is based on democratic principles.

Union opposition

This erosion of the democratic process, of national sovereignty and economic independence, is of great concern to the Communications Workers Union (CWU) of Trinidad and Tobago. The CWU, which represented both TELCO and TEXTEL staff, vehemently objected to the restructuring of TELCO's authorized share capital, the conversion of the company's debt into equity and to the subsequent purchase by C&W of 49 percent of the shares. The CWU, writes Townsend (1990), was also critical of the merger of TELCO and TEXTEL due to the involvement of C&W which it considered a recolonization of the industry and not representational of the country. The CWU was not involved in the negotiations nor party to the shareholders' agreement.

CONCLUSIONS

In both Jamaica and Trinidad and Tobago, divestment of the telecommunications sector was principally undertaken through private negotiations with C&W which has historically provided telecommunications service to the former British colonies of the Caribbean. This continued colonization or neo-colonization of the telecommunications sector is at odds with the democratic structure of the state in Jamaica and Trinidad and Tobago. Political parties in both countries stressed the importance of public participation in the ownership of state-owned enterprises being divested; however, the governments failed to fully enact such measures.

Although the JLP did make a public share offering of 13 percent of the shares in TOJ and reserved 2 percent of the shares for an employee share scheme, the PNP made no such offerings and sold the government's remaining 40 percent of shares to C&W. The private negotiations with C&W for these shares were handled by Matalon, the chair of the TOJ board, a situation which poses an obvious conflict of interest and testifies to the power of the elite. Matalon's influence further extends to nepotism in the appointment of his son to the TOJ board. This situation is akin to that in Trinidad and Tobago where C&W recommended the current chair of the TSTT board, Charles Jacelon, who had previously been hired by C&W to advise it in negotiating with the government for the purchase of shares in TELCO. Although privatization is recommended in response to problems in the public sector, problems which include political interference, it would appear that political considerations continue to dominate board appointees, regardless of divestment. Political, not public, considerations have governed the entire denationalization process. The NAR, which had stipulated in its policy platform that shares in state enterprises to be divested would be offered to workers and their affiliated unions and to local capital, utterly disregarded the public in the privatization of TELCO. There was a complete breakdown in the democratic process as the CWU was not consulted and neither an employee share scheme nor a public offering of shares was made available.

In both Jamaica and Trinidad and Tobago it appears that successive administrations mismanaged the government, as evident in the significant accumulation of foreign debt. The inability to service external debt obligations was the primary factor prompting both states to divest the telecommunications sector. Divestment is not a long-term solution to debt-servicing difficulties. To employ this short-sighted approach to what are essentially long-term, structural problems will not increase the productive capacity of either state. The balance of trade deficit will be maintained and the future socioeconomic development and democratic principles of each state jeopardized. Telecommunications divestment in both Jamaica and Trinidad and Tobago has essentially been an undemocratic process as the public was effectively restricted in its ability to participate in the ownership of the firms being privatized. In each country, C&W became the corporate beneficiary of internal deficiencies.

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FOOTNOTES

1. JAMINTEL was formed as a limited liability company in January 1971 with an ownership structure in which the Jamaican government held 51 percent of the issued capital and C&W 49 percent. The company, which provided telex, telegram and facsimile services, data access and leased circuits, was originally created with the understanding that the government could use the profits to buy out C&W. The profits, however, were not employed by the government to purchase the shares and over time the value of the company increased to the point that the government could not afford the shares.

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