



ISSN: 0250-0167 (Print) 1753-5379 (Online) Journal homepage: <https://www.tandfonline.com/loi/rcsa20>

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To cite this article: J P Singh (1998) Unravelling 'the missing link': the provision of telecommunications services in select developing countries, , 24:1, 48-58, DOI: [10.1080/02500169808537844](https://doi.org/10.1080/02500169808537844)

To link to this article: <https://doi.org/10.1080/02500169808537844>



Published online: 04 Dec 2007.



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Unravelling 'the missing link': the provision of telecommunications services in select developing countries*

J P Singh**

ABSTRACT

An important report from the International Telecommunication Union in 1984 singled out telecommunications as 'the missing link' for economic prosperity in developing countries and advocated putting a telephone within the reach of every member of its population. This report was one among the many initiatives which underscore the emphasis given to telecommunications in many developing countries since the mid-1980s. But more than a decade later, the goals of the Maitland Commission Report remain unfulfilled. 'The missing link' behind these unfulfilled goals is the political economy of telecommunications restructurings, now extensively examined by scholars, which shows how these services are being supplied. States' decision-making, within the context of their consolidation of power, is important for understanding these restructurings. Links between telecommunications restructuring and economic development are strong where the state acts as a catalyst among interest groups and follows a demand led strategy. But most developing country states are not catalytic (termed dysfunctional in this paper). The paper briefly surveys seven catalytic/dysfunctional states to offer preliminary observations on the pace (fast/slow), sequence (consistent/capricious) and scope (comprehensive/piecemeal) of their telecommunication restructurings efforts.

'We believe that by the early part of the next century virtually whole of mankind (sic) should be brought within easy reach of a telephone and, in due course, the other services telecommunications can provide.' International Telecommunication Union (Maitland Commission), 1984.¹

'Policy requires politics. Ideas for solving problems are plentiful, but if an idea is to prevail as the actual policy of a particular government, it must obtain support from those who have political power.' Peter Gourevitch, 1986.²

INTRODUCTION

An important report from the International Telecommunication Union (ITU) in 1984, known as the Maitland Commission Report, singled out telecommunications as 'the missing link' for economic prosperity in developing countries and advocated putting a telephone within the reach of every member of its population.³ The report came on the heels of several studies since the late 1960s outlining the links between economic development and telecommunication infrastructures. The benefits of telecommunications to various user groups in an economy (summarised in Table 1) were emphasised by these findings including the use of telecommunications for social delivery tasks (education, healthcare, emergency services), for government efficiency, and for business transactions. Holding telecommunications to be a vital infrastructure for socio-economic development, the ITU noted that 'telecommunications may be viewed not simply as one technology among others, but the neural system of a society.'⁴

The Maitland Commission Report was one among the many initiatives which underscore the emphasis given to telecommunications in many less developed countries (LDCs) by the mid-1980s. Many developing countries restructured their telecommunications infrastructures including internal reorganisation of telecommunications providers, enhanced investments in telecommunications, introduction of competition in provision of services, and framing of comprehensive information policies of which telecommunications would be a part. Countries such as South Korea and Singapore eliminated their waiting list for telephones; Mexico and Argentina privatised their telecommunication providers in the hopes for better service; while India and China set ambitious goals for future provision. But more than a decade later most developing country residents are nowhere close to having a phone within walking distance of where they live. In many countries not even privileged groups like

* Paper prepared for presentation at the 38th Annual Convention of the International Studies Association, March 19, 1997, Toronto, Canada

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Table 1

Studies showing benefits of telecommunications according to user groups

USER GROUP	REPRESENTATIVE WORK	BENEFITS OF TELECOM
1 Urban residential	Chs 10-11: Saunders et al, 1994 ^a	Demand for telecom highest among highly educated and high income people
2 Rural users	Parker et al 1989 ^b	Helps diversify economic base of rural America, much of it through externalities
3 Small/Medium-sized Businesses	Tyler, 1981 ^c	Business costs incurred in Kenya due to lack of telecom (e.g. supply cost, managerial costs): sales loss for industry & services
4 Large users	NTIA 1992 ^d	Several examples of large users (e.g. banks, retailers) reaching markets and linking busi. units
5 Government administrations	Kochen 1982 ^e Ch 7: Saunders et al 1994 ^f	*Computer conferencing for central planning *Substitution of telecom for travel *Administrative efficiency
6 Public/private social delivery systems	NTIA 1992 ^g Saunders et al 1994. ^h Pierce and Jecquier 1983 ⁱ	Telecom helps deliver health services, education, emergency services, etc.
7 Exporters	IIFT 1988 ⁱ	Telephone/telex traffic and international trade: parallel growth rates, former growing faster than latter

a Robert J Saunders, Jeremy J Warford and Bjorn Wellenius, *Telecommunications and economic development, Second Edition*, (Washington, DC: The World Bank, 1994).

b Edwin B Parker, Heather E Hudson, Don A Dillman, Andrew D Roscoe, *Rural America in the information age: Telecommunications policy for rural development* (The Aspen Institute and University Press of America, 1989).

c Michael Tyler, *The impact of telecommunications on the performance of a sample of business enterprises* (International Telecommunications Union, Geneva, 1981).

d National Telecommunications and Information Administration, *The NTIA infrastructure report: telecommunications in the age of information* (US Department of Commerce, National Telecommunications and Information Administration, 1992).

e Manfred Kochen, 'Opportunity Costs for Computer Conferencing during and for Economic Development', in Mehroo Jussawalla and DM Lamberton, eds, *Communication economics for development* (East-West Center, Hawaii, Pergamon Policy Series on International Development, 1982).

f Saunders et al, *Telecommunications*.

g NTIA, *The NTIA*.

h Saunders et al, *Telecommunications*.

i William B Pierce & Nicolas Jecquier, *Telecommunications for development* (International Telecommunications Union, 1983).

businesses or elite bureaucracies can boast of these services. The average number of main telephone lines per 100 population in 1991 for all developing countries was 2,3 (0,3 for least developed) compared to 37,2 for all industrialised countries.⁵

What have we learned from a decade of restructuring efforts, many of which remain slow, capricious and piecemeal? By calling telecommunications a 'missing link,' did the Maitland Commission ignore another missing link? This article holds the latter to be the case. It is no coincidence that just as LDCs restructured their telecommunications, scholars turned their attention to the comparative political economy of these efforts. We now know that the

extent to which telecommunications abets development will be dependent on the particular workings of the states and influential interest groups in these countries. The major determinants of change are now obvious but work remains to be done in fine tuning these determinants to explain specific outcomes. Among other things, we still need to explain the pace (slow/fast), sequence (capricious/consistent) and the scope (comprehensive/piecemeal) of these restructuring efforts.

This article builds on historical institutionalist literature to propose a synthesis of many findings on telecommunications restructuring. The key to unravelling 'the missing link' is state decision making and the

types of pressure on states, both of which must be understood within the context of the construction and maintenance of legitimacy by states. Only a few states, termed catalytic in this article, will supply services with obvious links to demands from these user groups and to areas of high productivity. Depending on historical circumstances, a catalytic state can come about in response to (or independent of) pressures external to itself. Only a few newly industrialising countries (NICs) such as Singapore and South Korea may be deemed as catalytic limiting their generalisability. This article examines these two countries briefly before turning to what it calls near-catalytic states (Malaysia and Mexico) which approximate these conditions and help with generalisability. These states often pursue or reveal fast, consistent and comprehensive telecommunications restructuring programs.

Most states in LDCs, termed dysfunctional in this article, are not catalytic. They are either special interest driven (China and India) or they act predatorily (Zaire and Myanmar) to construct and maintain their legitimacy. Special interest-driven states often favour a few groups and thus their restructuring efforts are often slow, inconsistent and piecemeal. Predatory states are an extreme case, either not providing any services or providing a few to a select group only.

The types of pressure on the state are important for understanding how the state will arbitrate or not arbitrate them. External pressures in the telecommunications case include major user groups such as urban and residential users, different types of businesses and government administrations (see table 1). Other interest groups are domestic and international equipment manufacturers, international organisations, and foreign governments. Cohesive pressures, as in a coalition of interest groups, can prod the state toward fast and consistent restructuring while heterogeneous pressures (as in multiple coalitions or interest groups) are often difficult to resolve resulting in slow and piecemeal change. Even a near-catalytic state facing heterogeneous pressures such as Malaysia had a hard time sustaining its restructuring policies which it had introduced earlier with speed and consistency. Dysfunctional states facing heterogeneous pressures have a harder time. Heterogeneous pressures made Indian telecommunications policies grid-locked until 1991 when an economic crisis allowed the state to introduce major changes which too became difficult to implement because of the same pressures. Only predatory states such as Zaire can afford to ignore all pressures. Table 2 (explained later) summarises types of pressure and state decision making processes for the seven cases discussed in this article. But before discussing the seven cases separately, the political economy of restructuring state decision making and types of pressure is explained in detail.

AN ANALYTICAL FRAMEWORK: STATE DECISION-MAKING PROCESSES

The key to understanding state decision-making processes in the context of the discussion above is

how cohesive or heterogeneous pressures, especially where they are multiple or conflicting, are resolved through the state. States are revenue and power maximisers. Provision of telecommunications services is a sub-part (often a minuscule part) of this agenda. It would then be unrealistic to expect that the state's motives for supplying telecommunications services would coincide with those of the demanders or result in efficient outcomes. North sums up the issue well in a larger context: '[I]t is exceptional to find economic markets that approximate the conditions necessary for efficiency. It is impossible to find political markets that do.'⁶

Attempts to explain the politics of restructuring by focusing on formal political institutions like those in developed countries are not possible, as the existence of permanent or highly developed institutions is an untenable assumption to make in many developing countries. Because of the uniqueness of formal institutions in each country, comparative analyses also become difficult.⁷ A slight variant of this 'old institutionalist' analysis focuses on the regime type to explain outcomes. The pace of privatisation initiatives in various developed countries is thus explained by whether the regime represents several competing interests (pluralist), one in which the government plays a strong role (statist) or one which is cohabited by mutually accommodating interests (corporatist).⁸ But economy-wide studies show that it is incorrect to assume that a particular regime would necessarily adopt a particular development strategy.⁹

Political science scholars working in the historical institutionalist tradition point out three relevant aspects of state decision-making processes which are relevant for us to analyse the inner workings of the state in developing countries and also to provide cross-national comparisons.¹⁰ The first aspect concerns state autonomy or the degree to which the state is independent of (or not captured by) interest groups or the population at large in carrying out its actions. The second characteristic, known as state capacity, concerns the degree to which the state is actually successful in its actions, which in turn depends on its cadre of officials and other resources (financial, institutional, historical circumstances). Finally, the degree to which state actions are development oriented is dependent on the history of state interest and involvement in development issues. The first two aspects relate to institutional aspects of development. The third aspect is specified historically and comes close to being a 'behavioural' factor, but in as much as the degree of state involvement in development issues becomes permanent, it can be taken as an institutional characteristic. Either way, the historical institutionalist tradition clearly points toward analysing institutions in their environmental context, and thus the development orientation of a state would hardly be inconsistent with it.¹¹

This article builds upon the preceding concepts to speak of state 'manoeuvrability' and 'responsibility' to highlight the importance of state capacity, development orientation and the legitimacy struggles of the state under varied circumstances. 'Manoeuvrability'

takes into account state resources and capacity, and the embeddedness of the state in societal relations while leaving it room to impose its agenda and shape societal choices.¹² Without capacity, state autonomy means nothing and thus both dimensions are necessary in positing manoeuvrability. State 'responsibility' directly benefits the cause of development while also helping the state to increase its legitimacy. It refers to the state's ability to use its capacity effectively toward development-oriented tasks assigned to it historically while at the same time increasing its legitimacy.¹³ Placing state responsibility in the context of construction of legitimacy and state capacity distinguishes it from what has been called a 'developmentalist state'¹⁴.

A catalytic state can both manoeuvre and be responsible. It shapes an active developmentalist agenda with respect to vital societal interests. A dysfunctional situation follows if one or both of the variables are severely lacking. A lack of manoeuvrability (with or without a lack of responsibility) will produce a state which is dominated by special interests or is unstable or both, though it can, under special circumstances, act responsibly in carrying out development initiatives. In reality, most states in developing countries have some degree of manoeuvrability as the most powerful actors in their polities, otherwise they could not survive. Therefore, special interest domination is applied here in the strict sense of a few interest group preferences being dominant on the state agenda. Special interests, while present in catalytic states, too, are seldom able to dominate state agendas. Their preferences in catalytic circumstances are often shaped by state agendas. An absence of responsibility with a high degree of manoeuvrability, on the other hand, will produce a predatory state which seldom takes any developmental initiatives.¹⁵ Repressive force might be needed for continuation of authority in case of the special interest dominated or predatory dysfunctional state.

A catalytic state will not only meet user demands but also play a dirigiste role in shaping future preferences. Dysfunctional states will do one of the following things:

- (a) supply services to those with the most access to its decision-making procedures (special-interest-dominated state). A few or many (depending on the context) user demands are met in this scenario although provision may be neither efficient nor optimal. The state may also supply these services to other groups because it helps the state increase its legitimacy.
- (b) not supply services to any group or all to a few individuals which help it dominate (predatory state). The links to user demands hardly ever exist here.

Table 2 summarises the results from country cases chosen for illustration.

Cases in table 2 have been carefully picked, in a two-step process, according to variation in explanatory variables.¹⁶ In the first step, cases are chosen on

the basis of whether the states are catalytic (Singapore, South Korea), near-catalytic (Malaysia, Mexico), dysfunctional in terms of special interest domination (China, India), or dysfunctional in terms of being predatory (Zaire). Two countries were picked for each state-type (except predatory) to reflect the variation within each type for the other explanatory variable, namely the variety of pressures (cohesive or heterogeneous) on the state by interest groups (including clubs) in telecommunications. These pressures, by definition, are nonexistent for predatory states and, therefore, only one predatory state is illustrated.

The types of state and varieties of pressure present us with different sets of outcomes which are consistent across similar cases. There is no great heterogeneity of pressures in telecommunications upon Singapore, Mexico, China and Zaire in terms of the basis of their support or legitimacy.¹⁷ Restructuring initiatives (if any) in these states are more streamlined and trouble free than for the other three cases. South Korean, Malaysian, and Indian states represent a variety of pressures. Restructuring initiatives here often run into a number of problems, especially for dysfunctional states such as India. Catalytic and near-catalytic states are also able to play a decisive role in shaping the overall policies governing telecommunication restructuring. Even with heterogeneous pressures, catalytic states like Korea or near catalytic ones like Mexico, at least in the short-run, are able to play a dirigiste role in shaping societal preferences toward stream-lined outcomes.

What do these categories (types of state decision-making process and varieties of pressure) mean in terms of this article? It means that demands or pressures from interest groups alone will not create their supply in state hands. Telecommunications analyses sometimes assume that states in developing countries do little else than provide telecommunications services (most of which are limited to provision of telephones). But state actions are always reflective of the larger socio-political backdrop. Choices states make are sometimes as dependent on the micro levels of interaction with specific interest groups as they are on the state concern with construction of its legitimacy, the latter implying obedience and/or acceptance of state control by society. States' prerogatives to increase their legitimacy demand that we remain sensitive to the sources of pressures for such restructuring.

Crises of legitimacy in the developing world extend to both catalytic and dysfunctional states. States which had been able to marginalise social groups now find themselves in an increasingly tenuous situation vis-à-vis their legitimacy. Thus, the South Korean state has experienced everything from student riots to trade union strikes and middle-class dissatisfaction. No longer able to marginalise these groups, the state has tried to appease these groups through various mechanisms. Provision of telecommunication services may be understood in this regard. The South Korean waiting list for telecommunication services which exceeded half a million in 1980 was brought

Table 2

Types of state, pressures and outcomes in telecommunications restructurings

TYPE OF STATE	VARIETY OF PRESSURES	COUNTRY	OUTCOMES+
1 Catalytic	<i>cohesive</i> : international business. Other latent pressures.	Singapore	*Comprehensive policies *Singapore Telecom privatisation smooth *Impressive infrastructural provision
	<i>somewhat heterogeneous</i> : domestic & international business pressures. Trade unions. Other latent pressures.	South Korea	*Comprehensive policies *Nepotism in liberalisation, Worker strikes *Impressive infrastructural provision
2 Near-catalytic	<i>cohesive</i> : economic crisis pressures contained through PRI	Mexico	*Comprehensive policies emerging *Telmex privatisation smooth *Future liberalisation might be rough *Impressive growth in services
	<i>heterogeneous</i> : powerful ethnic Malay and Chinese. Federal provinces	Malaysia	*Comprehensive policies emerging *Earlier liberalisation/privatisation smooth *Now 'privatisation run amok' *Impressive growth in services
3a Dysfunctional: special interest domination	<i>cohesive</i> : coalition of govt. ministries, export interests, foreign manufacturers	China	*No comprehensive policies *very low teledensity *Ambitious service enhancement program *Emerging powerful service providers: smooth transition
	<i>heterogenous</i> : disparately powerful business groups, urban users, export interests, latent rural pressures	India	*No comprehensive policies *very low teledensity *Ambitious service enhancement program *Messy, nepotistic and complex liberalisation
3b Dysfunctional: predatory	<i>none</i> : state lacks legitimacy	Zaire	*Services concentrated in Kinshasa & among select few *Extremely low teledensity

+ Comprehensive policies among outcomes refer to consistency of telecommunication restructuring with overall development initiatives and also to formulation of policies and regulations governing the restructured telecommunications sectors.

close to zero by the end of the decade. This is also the case in providing services to rural ethnic Malays in Malaysia. In India a pro-rural strategy (essential for any party to come to power) guided Rajiv Gandhi's administration's (1984 - 1991) - and those of subsequent administrations - commitment of resources to rural telecommunications projects after it was made a development priority. In India, the state also uses a pro-rural rhetoric to deflect the demands of urban groups.

The links between state legitimacy and telecommunications restructuring are not straightforward. Legitimacy may not be accorded just because the proposed

restructuring takes place.¹⁸ States in many developing countries, as well as Eastern European countries and the former Soviet Union, continue to face crises of legitimacy even after restructuring efforts. Restructuring may also not actually take place in spite of state rhetoric which is designed to buy legitimacy. Thus, while the state's concern for providing services to rural areas in India is reflective of its rural bases of support, the breadth of the rhetoric is matched only by the narrowness of implementation. States in developing countries are often caught in a desperate struggle to survive and state legitimacy is a slow exercise in rhetorical politics, implementation failures, and mixed

successes. We must be sensitive to such discriminations in discerning trends in telecommunications policies.

THE CASE STUDIES

CATALYTIC STATES

Catalytic states, as noted earlier, will meet the demands for restructuring and also play a dirigiste role in shaping future preferences. Korea and Singapore are examples. Both possess enough autonomy and capacity (without being controlled or beholden to any particular interest group), giving them considerable manoeuvrability to arbitrate societal preferences. While Singapore follows an outward oriented development strategy which favours international capital over domestic, foreign capital does not dictate Singapore's internal politics. In spite of recent partial privatisation, the telecommunications sector remains predominantly state-run. Similarly, while the Korean government protects domestic capital over foreign and the Chaebol's (South Korean conglomerates) close links to the government are now producing scandal and scrutiny, past governments ensured that the Chaebol did not gain too much in political strength while at the same time worked explicitly (or through backdoors) to meet their demands. Korea's Economic Planning Board deliberately sought to prevent monopoly interests through the workings of the Chaebol during the period of rapid growth and liberalisation in telecommunications.

Consistent with their economic development strategies, both Korea and Singapore emphasised business users in meeting telecommunications demands initially. These users, who tend to be concentrated in major metropolitan areas, account for a majority of telecommunications traffic registered and revenues earned. Starting with the Market Access Fact Finding talks with the US in 1987, there were also international pressures on Korea to open its market. While the telecommunications restructuring was driven by business demands, the state nonetheless retained sufficient manoeuvrability in both cases to later channel the revenues toward other sources of demand, which, among other policies, helped the state maintain its legitimacy. Thus, urban residential pressures for telephones in Korea were met by the end of the 1980s. Singapore also brought down a waiting list of two years for telephones in 1972 to less than two weeks by 1979. Telecommunication densities (number of main lines per 100 population) of nearly 40 for Singapore and 34 for South Korea in 1992 are high by international standards and waiting lists nonexistent.¹⁹ The advanced industrial countries usually have 50-55 main lines per 100 population.

State responsibility in Singapore and Korea led to the design of comprehensive policies which made telecommunications a part of their long-run development strategy. Singapore's drive to become an 'intelligent island' by 2000 with an all-pervasive fibre optic network by 2005 is closely tied to its status as an entrepôt and the desire to remain an important financial center. Its 'second industrial revolution'

implemented in the 1980s emphasised services and high-technology and relied on information technologies to effect the transition.²⁰ Long-run plans are implemented easily in Singapore because of close coordination among the various offices of the state and strong leadership from the executive. Coordination among departments of the Ministries of Finance, Trade and Industry and Communication is seen as especially important for success in introducing the National Information Technology Plan in 1986. Korea's drive in telecommunications was similarly guided by a strong executive and by the impetus given to its electronics industry in the 1980s. The year 1983 was singled out by the state as ushering in 'the period of the development of the information industry.'²¹ A number of legislative obstacles to restructuring were overcome between 1989 and 1991.

Korea's approach toward telecommunication restructuring has been cautious, the state hedging between pressures from Chaebol and international pressures, both for enhancing and liberalising telecommunications services. Another element making the state cautious is latent pressures from Korean workers and urban groups. In fact, plans to privatise the main telephone carrier, Korea Telecom or KT, in 1995 were met with strikes by the workers (KT has almost 60 000 workers). President Kim Young Sam described it as equivalent to 'an attempt to overthrow the state,' itself indicative of how seriously the state views these pressures.²² KT's privatisation, which is now beginning to happen, was on the agenda for the last five years. (The country's deregulation and privatisation measures in general met with worker strikes and unrest in late 1996-early 1997.) In the future, KT will compete with the privately held Dacom in international service and domestic long-distance service provision. Dacom was originally established by the government in 1982 to meet demands for data services. Cellular service is perhaps the most competitive, with Korea Mobile Telecom Service competing with Shingsei Mobile Telecom (a subsidiary of a consortium led by the powerful Pohong Iron and Steel). Charges of nepotism involved both Roh Tae Woo and Kim Young Sam in awarding cellular licenses in the early 1990s to the Chaebol led by Sunkyong. The latter was eventually placated with a lucrative share of Korea Telecom.

Singapore's restructuring is streamlined and shaped decisively by the centralised and cohesive Singaporean state. The 1980s witnessed the national telecommunication monopoly, now known as Singapore Telecom become a major regional player. Singapore Telecom now single-handedly supplies an entire range of services and was given a monopoly of 15 years in 1992 to do so. Almost a quarter of the company was also privatised, starting in 1993 in what was seen as one of the hottest stock offerings in Asia. The complaints, if any, about Singapore Telecom services come from a sophisticated set of users who might have these complaints in Manhattan or the City, too. But as Singapore becomes part of the international information bazaar, pressures for political liberalisation might increase, in turn undermining the

strong presence of the Singaporean state in the economy.²³

NEAR-CATALYTIC STATES

Mexico and Malaysia come close to being catalytic states. While not presenting the kind of comprehensive and dirigiste policies which characterise South Korea and Singapore, these states nonetheless acted quickly toward restructuring telecommunications for national economic development. In Mexico's case, the chief element driving change was a deep-seated economic crisis and change was ushered in fast.²⁴ Comprehensive information policies are still catching up with the transformations in the industry structure which perhaps were ushered in too fast following the economic crisis and political consolidation from mid-to late-1980s. The Malaysian state was able to impose an ambitious restructuring agenda starting in the mid 1980s because of its political strength but much depends on its ability to keep a healthy balance among the demands of various ethnic groups in society. Following the rioting in May 1969 and the announcement of the new economic policy (NEP) in 1970, telecommunications along with the rest of the economy has been used to correct the economic balance between the affluent Chinese and the native Malays (*bumiputeras*). The awarding of many lucrative telecommunication contracts and licenses to *bumiputera* groups in the last decade has to be seen in this light. The Malaysian government's manoeuvrability and its responsibility toward development is thus ultimately tied in with its struggle for legitimacy.

In spite of the uncertainty of economic factors in Mexico and ethnic politics in Malaysia, current telecommunication indicators in both countries compare well to those of Singapore and Korea in the early 1980s when the latter took off in terms of telecommunications growth.²⁵ Again, business users obtained these services first and urban residential users were targeted next. The Malaysian government is also increasingly concerned with provision of services to rural areas because of the nature of its federalism and ethnic politics.

Malaysian telecommunication restructuring reveals the influence of its disparately powerful domestic groups and a few international pressures. Malaysia was one of the first countries to corporatise its telecommunications monopoly (now known as Telekom Malaysia) in 1987 and partially privatise it in 1990 when one-quarter of its stock was sold. But the last decade and a half also reveals the powerful influence of *bumiputera* groups who obtained lucrative installation contracts in the 1980s and captured licenses for service provision in the 1990s. A liberalised telecommunications sector in Malaysia featured eight major players apart from Telekom by 1995 poised for providing a variety of services. Eventually, Prime Minister Mahathir Mohammed intervened himself and admitted that the field was too crowded and options for the eight new providers were narrowed.

Mexico's restructuring, which centred on the privatisation of the national telecommunication carrier

Telmex in 1989–90, was more tightly woven than Malaysia's restructuring process. It came on the heels of a macro-economic restructuring programme which began to tilt the balance in Mexican politics toward the middle class and international business as the ruling party, PRI, desperately consolidated its power base after the debt induced economic crisis after 1982. (The crisis-induced nature of Mexican politics distinguishes it from its catalytic counterparts in East Asia.) PRI is traditionally the labour party of Mexico and even as it favoured the last two groups, it was able to hold labour more or less in its purview (in spite of the centre-left presidential candidate Cardenas' strong challenge to PRI's Salinas in 1988). Furthermore, Mexican politics are highly centralised around the executive, allowing it to pick the winners and losers easily while building support for PRI.²⁶ Future changes may be harder as the state's control over the privatised Telemex weakens, coupled with PRI's increasing attrition of power base. Telmex lost its monopoly over long-distance service on 1 January, 1997, and the plurality of domestic and international players in the market, coupled with PRI's weakened base, means that future restructurings might not go as smoothly as in the past.

In spite of their impressive telecommunications growth rates and the speed of liberalisation, both Malaysia and Mexico reveal the difficulty that states face in framing comprehensive information policies and regulations after the market has already been liberalised. The Mexican state was a bit more successful, finding itself slightly constrained only with the 1996 liberalisation, but by 1995 Malaysia was already seen as 'a case of privatisation run amok.'²⁷

DYSFUNCTIONAL SPECIAL INTEREST DRIVEN STATES

Dysfunctional states are either special interest dominated or predatory. For special-interest-dominated states, efforts to improve telecommunications at the club are in response to providing privileges to individually powerful interest groups. Sectoral or economy-wide coalitions are either too narrow (China) or not forthcoming (India). While a few productive sectors of the economy may be favoured, others may be completely ignored because of their lack of clout with the state. States possess some manoeuvrability and responsibility but the latter depends on the history of state involvement in development initiatives and the kinds of pressures that the interest groups bring on the state to promote economic development. Overall, states find it difficult to rationalise the rules and policies for service provision even for the favoured groups.

China and India are examples of special-interest-dominated states marked by piecemeal restructuring and granting of special favours. Telecommunication densities are very low (0.68 for China and 0.73 for India in 1992) and the waiting lists are high (over 0.7 million in India and nearly 2.3 million in China in 1992).²⁸ The telecommunication monopolies are ridden with inefficiencies and serve as the rallying

point for a few interest groups to demand change. Comprehensive information policies of the sort found in catalytic states are lacking in China as well as India. No clear vision in terms of integrating their telecommunications sectors with their overall economic development strategies or trajectories has emerged in either of the cases although state estimates for future service enhancement and telecommunication investment are high in both cases. Both states do exhibit some responsibility toward development and possess enough capacity to be able to carry out these tasks in accordance with their legitimacy prerogatives. But both countries are also primarily driven by awarding favours to groups with most access to state decision making. Thus, whereas countries such as Singapore and South Korea were able to manoeuvre away from being captured by special interest groups (and therefore frame comprehensive information policies benefiting many societal groups), dysfunctional states are unable to do so.

China might at first seem to be an odd choice for a special-interest-dominated state for telecommunications because the state seems so insular. Its highly authoritarian and centralised decision-making procedures, however, reveal the influence of powerful groups which account for everything from awarding of lucrative economic contracts to widespread corruption within the government. In telecommunications, the challenge to the telecommunications monopoly, the Ministry of Posts and Telecommunications (MPT), has come from other powerful ministries within the government and politically powerful groups of domestic and international large users. In China's centralised context, where channels to elite decision making are limited, the challenge to MPT coalesced in a coalition centred on the two newly formed inter-ministerial service providers known as Liantong and Jitong. Liantong is more powerful with its shareholders coming from the influential electronics, railways and power ministries and is poised to become China's second carrier. Jitong is owned by 26 state institutions and will provide a variety of specialised services. Provincial administrations are also being given more power to provide telecommunication services. While not providing services, MNCs led by Alcatel, AT&T and Motorola are selling a lot of equipment to a country which is seen to have the most ambitious service-enhancement programme in the world, even if comprehensive policies are lacking. Chinese telecommunication goals include provision of 100 million digital phones by the year 2000.

While decision making is not as transparent as other developing countries, two things nonetheless stand out in China's context. First, a coalition for restructuring telecommunications with access to state's decision making exists. The reform coalition consists of a powerful group which includes the major manufacturing and user ministries, large national users, local governments and interest groups and international equipment suppliers and service operators.²⁹ Chinese politics being insulated accounts for the narrowness as well the existence of a 'reform coalition' among its privileged groups. (A small number of privileged

groups would find it easy to form a coalition.)³⁰ Second, restructuring has, in turn, mostly benefited the coalition partners. This is evident from the networks available to powerful ministries, equipment deals for MNCs, and availability of advanced services for users in Special Economic Zones and export-oriented areas such as Guangdong and Fujian.

Indian reform efforts in the 1980s were halting and nepotistic even though demands from businesses, urban residential users and government administrations continued to grow. India was pushed toward further telecommunications liberalisation after a severe fiscal and balance of payments crisis in 1991. Specialised services, including cellular, were liberalised between 1991–94 and the basic telephone service, was liberalised after the announcement of the national telecommunications policy in 1994. The 1994 policy announced ambitious goals for provision of telephones (20 million lines by 2 000) and also liberalised the telecommunications sector further. The state-owned monopoly, the Department of Telecommunications (DoT), could not be corporatised or privatised due to resistance from its 480 000 workers (tacitly supported by 18 million employees in other state-owned enterprises). DoT will now compete with a private player in each of the 15 regions (known as telecom circles) announced by the state.

Each stage of the liberalisation process in India has been marked by the awarding of contracts and licences to those with most access to the state's decision-making processes along with many court battles and scandals. Unlike China, a liberalisation 'coalition' has not emerged in India, given its more democratic environment and a plurality of actors. The many things happening simultaneously in the Indian telecommunications landscape reveal the many influences at work on the Indian state. The Indian state's juggling between several interest groups (including the entrenched constituencies within the state-owned monopoly) is producing one of the most complex liberalisation programmes ever undertaken. In the meantime, many groups (or sub-parts of these) with the highest demand for telecommunications services (large users, exporters, urban consumers), continue to be left out of the restructuring initiatives. The Indian state also must hedge between meeting the demands of urban areas where the revenues from telecommunication services are high and those of rural areas where the revenues are low but where nearly three-quarters of the voters live. Unlike China, indirect pressures on the Indian state for maintaining its legitimacy, operating in a somewhat democratic climate, are more urgent.

DYSFUNCTIONAL PREDATORY STATE

A predatory state is the worst case scenario. The state is manoeuvrable but lacks responsibility including the ability to meet societal demands. Zaire's teledensity was 0,09 for 1992.³¹ Mobutu Sese Seko in Zaire has little legitimacy and his hold on power, which slipped considerably in 1996 due to ethnic warfare in the Eastern provinces, is mainly through violent force,

hardly conditions suited for long-term economic development policies. A handful of users have benefited from state handouts but there is no consistency in policy, regulation or long-term plans for an industry structure. Most of Zaire's telecommunications services (including Motorola's provision of cellular phones) are located in Kinshasa with the exception of Gecamines in the south-eastern part of the country accounting for more than three-quarters of the country's foreign exchange.³²

CONCLUSION

This brief survey of telecommunication service provision in seven countries leads to one inevitable conclusion. We cannot expect that a centralised authority such as the state will supply telecommunication services efficiently, but its actions in concert with external pressures (in as much as it meets their demand) may help it approach efficiency rather than deviating from it. This explains the apparent paradox that even states which are special-interest-dominated will undertake telecommunication restructuring initiatives which result in provision of services to groups beyond the ones who have direct access to the state. Furthermore, the state might have to provide these services to maintain its power.³³ The sub-optimal outcomes will be of one of the following types:

- *Restrictions on service provision*

States can muster any number of arguments ranging from resource constraints (material, financial, human) to an outright rejection of telecommunications as a development strategy to restrict service provision in spite of pressures from interest groups to the contrary. Thus telecommunications may not be a development priority because the state feels it is a luxury item or it may not commit resources to it even after making it a development priority. Telecommunication sectors then continue to reveal waiting lists and poor quality of services even though the benefits from increasing the quantity and quality of services outweigh the costs.

- *Cross-subsidisation*

Levels of cross-subsidisation among services, often quite high, reflect the differential treatment accorded by the state to different user groups in accordance with external pressures and internal prerogatives of the state. Rural areas may be emphasised in state plans whereas urban areas need these services the most because the state needs to increase its legitimacy in these areas. This does not mean that the rural areas actually get these services. As in other state programmes, there is a big difference between rhetoric and implementation. Of course, depending on the context, rural areas may be left out altogether where the state effectively keeps them out of its decision-making procedures. The extreme case of cross-subsidisation, one that extends beyond telecommu-

nications, is one where the state uses the telecommunications sector purely as a 'cash cow' and siphons off revenues to be used in other sectors.³⁴

Unless sectoral or economy-wide coalitions are forthcoming, states may move very slowly toward addressing the problems of telecommunications. Even with collective action forthcoming, state plans in telecommunications are often at the mercy of the overall political-economic climate. Entire plans might be derailed or delayed by crises in succession or elections, put on the backburner because of crises or priorities in other sectors, ignored to let things calm down, or at times showcased briefly to invite foreign investments in other sectors. The list is endless but in each case telecommunications reform is linked with priorities outside of telecommunications while being dependent on the intensity and variety of pressures for restructuring.

As scholars, we care about inconsistencies and contradictions in economic restructuring efforts but we are less successful in explaining them. The framework proposed in this article qualifies pressures for change by showing how these pressures are seldom rationalised and how in many circumstances they remain weak, resulting in piecemeal and inconsistent changes. Policy makers and multilateral development agencies are regularly concerned about 'partial reform' in developing countries these days.³⁵ In the context of this article, it is as important for us to understand the causes of this 'partial reform' as it is for us to formulate measures for the future.

'The Missing Link' report, while correctly noting the links between telecommunications and economic development, assumed that the LDC states were sufficiently prepared to implement the recommended measures. Much has also been made specifically of telecommunications as a leapfrogging technology which would help developing countries accelerate their pace of development and become part of global economies. But these scenarios do not account for the role politics plays in these efforts. Politics can only be more intense when technological needs are expressed through interest groups and coalitions impacting on states. Kindleberger calls these 'the relationships between economic interest and political power.'³⁶ Telecommunications users and other interest groups must be able to prevail over states to get their demands met. 'The lobbying organization must, besides agreeing on its own policies, go through the compromises and procedures needed to change government policy.'³⁷ States do not exist solely to provide telephones (or other telecommunication services) and, even when they do, they are likely to be motivated by factors other than the provision of telephone service. Whether or not emergent policies benefit specific interest groups or nations as a whole will depend less on the efficacy of an ideal economic strategy and more on the historical institutionalist context of its implementation.

NOTES

- 1 International Telecommunication Union, *The Missing Link: Report of the Independent Commission for Worldwide Telecommunications Development* (Geneva: International Telecommunications Union, 1984), 4.
- 2 Peter Gourevitch, *Politics in hard times: Comparative responses to international crises* (Ithaca: Cornell University Press, 1986).
- 3 ITU, *The Missing Link*.
- 4 W Pierce and N Jacquier, *Telecommunications for development* (Geneva: International Telecommunications Union, 1983) 19.
- 5 United Nations Development Program, *Human Development Report* (Oxford: Oxford University Press, 1996), 167.
- 6 Douglass C North, Economic Performance Through Time, *The American Economic Review*, 84 (June 1994), 361.
- 7 These analyses also continually resort to behavioural and historical variables in explaining outcomes. For good applications of old institutionalist analyses in telecommunications see, Peter F Cowhey, 'The political economy of telecommunications reform in developing countries,' in Bjorn Wellenius & Richard D Stern, *Implementing reforms in the telecommunications sector: lessons from experience* (Washington, DC: The World Bank); Roger G Noll, The political and economic context of communications policy, in Marcellus S Snow, *Marketplace for telecommunications: regulation and deregulation in industrialized democracies* (New York: Longman, 1986).
- 8 For a telecommunications study involving UK's pluralist institutions and France's statism and Germany's corporatism, see Raymond Duch, *Privatizing the economy: telecommunications policy in comparative perspective* (Ann Arbor: University of Michigan Press, 1991).
- 9 Milner argues that even a strong state like France is infiltrated significantly by sectoral interests. Helen Milner, *Resisting protectionism: global industries and the politics of international trade* (Princeton, NJ: Princeton University Press, 1988). Haggard shows that inward-oriented development strategies in Latin America did not necessarily result from authoritarian rule. Stephan Haggard, *Pathways from the periphery: the politics of growth in the newly industrializing countries* (Ithaca, NY: Cornell University Press 1990).
- 10 Representative works relevant here include, Stephan Haggard and Robert R Kaufman, *The political economy of democratic transitions* (Princeton: Princeton University Press); Joan Nelson, The politics of economic transformation: is Third World experience relevant in Eastern Europe?, *World Politics* 45 (April 1993); Sven Steinmo, Kathleen Thelen and Frank Longstreth, eds, *Structuring politics: historical institutionalism in comparative analysis* (Cambridge: Cambridge University Press, 1992); Louis Putterman & Dietrich Rueschemeyer, eds, *State and market in development: synergy or rivalry?* (Boulder: Lynne Rienner, 1992); Peter Evans, Dietrich Rueschemeyer & Theda Scocpol, *Bringing the state back in* (Cambridge: Cambridge University Press, 1985). For an application of this view in telecommunications, see Paul Eric Teske, *After divestiture: the political economy of state telecommunications regulation*, (Albany, NY: State University of New York Press, 1990); Ben A Petrazzini, *The political economy of telecommunications reform in developing countries: privatization and liberalization in comparative perspective* (Westport, Conn: Praeger, 1995).
- 11 An excellent example of historical institutionalist analysis is provided by Kohli, who traces the origins of the South Korean 'developmentalist' state to the Japanese occupation of the country (1905–1945) and the consolidation of administrative control under the Yi dynasty prior to Japanese occupation. The history shows the origins of state capacity and autonomy which are now taken to be analogous to the South Korean state. 'Where do high growth political economies come from? The Japanese lineage of Korea's "developmental state"', *World Development* 44 (1994).
- 12 The concept of embedded autonomy is developed by Peter Evans, 'The state as problem and solution: predation, embedded autonomy, and structural change,' in Stephan Haggard & Robert R Kaufman, eds, *The politics of economic adjustment: international constraints, distributive conflicts, and the state* (Princeton, NJ: Princeton University Press, 1992).
- 13 Harvey B Feigenbaum and Jeffrey R Henig write of state responsibility in a narrow sense as de facto assignment of responsibility as determined by public values and expectations as well as formal legal definition. The political underpinnings of privatization: a typology, *World Politics*, 46 (January 1994), 208.
- 14 For a seminal work on the developmentalist state see Gordon White, ed, *Developmental state in East Asia* (London: Macmillan, 1988). Also see Robert Wade, East Asia's economic success: conflicting perspectives, partial insights, shaky evidence, *World Politics* 44 (January 1992).
- 15 The terminology employed here is consistent with Mancur Olson, Dictatorship, democracy, and development, *American Political Science Review* 87 (September 1993). North also writes of a predatory state (as opposed to one based on social contract) but it is not clear in his conception why such a state would undertake development-oriented tasks. Douglass C North, *Structure and change in economic history*, (New York: W W Norton 1981), chapter 3. The answer is provided by Olson (ibid), who shows that even autocrats might have an encompassing interest in providing public goods if only to maximise their revenues and taxes. Thus, in the conception given by me a predatory state is presented as a limiting case of no responsibility and not beholden to any external pressures. A special interest dominated state can act responsibly depending on historical and revenue maximisation factors.
- 16 King, Keohane and Verba tell us that cases picked on the basis of variation in explanatory variables are better than those picked on the basis of variation in dependent variables or both sets of variables. Gary King, Robert O Keohane, Sidney Verba, *Designing social enquiry: scientific inference in qualitative research* (Princeton: Princeton University Press, 1994).
- 17 This does not mean that states enjoy a high degree of legitimacy (ranging from nearly none in Zaire to high in Malaysia) or that they are not responsive to a diversity of pressures beyond telecommunications. Furthermore, cohesive pressures once unbundled might actually reveal a variety of pressures.
- 18 For a case study of how the Indian government used telecommunications restructuring to increase its power, see Bella Mody, State consolidation through liberalization of telecommunications services, *Journal of Communications* 45 (Autumn 1995).
- 19 International Telecommunication Union, *World telecommunications indicators on diskette* (Geneva: ITU, 1995).
- 20 Eddie C Y Kuo, Singapore, in Eli Noam, Seisuke Komatsuzaki and Douglas A Conn, eds, *Telecommunications in the Pacific Basin: an evolutionary approach* (New York: Oxford University Press, 1994), 265.

- 21 Quoted in Kwang-Yung Choo and Myung-Koo Kang, South Korea: structure and changes, in Noam et al, *Telecommunications in the Pacific*, 299.
- 22 Quoted in *The Economist*, 10 June 1995, p 35.
- 23 *World Press Review*, April 1995, p 8.
- 24 Waterbury shows how deep economic crises allow a state to bring in a change team which comprises of technocrats with few or no links to the political arena allowing the state to usher in rapid economic restructurings. John Waterbury, The heart of the matter? Public enterprise and the adjustment process, in Haggard and Kaufman, *The Politics of Economic*, 191.
- 25 Mexico had a teledensity of 7,54 in 1992 and Malaysia that of 9,91, which compares well with 7,34 in South Korea in 1982, though not so well with Singapore's of 25,86 in the same year. ITU, *World Telecommunications*. Arguably, Singapore's case is little different, given its city-state status and growth in services in the 1970s.
- 26 Cowhey, *The political economy*, 554.
- 27 *The Far Eastern Economic Review*, June 15, 1995, p 64.
- 28 ITU, *World Telecommunications*. These statistics correspond to registered waiting lists. Unregistered demand in most developing countries is much higher, the reason being that most people who do not hope to get a telephone from public monopolies do not register for one!
- 29 Zixian Tan, Challenges to the MPT's monopoly, *Telecommunications Policy* 18 (April 1994), 180.
- 30 Mancur Olson, *The logic of collective action: public goods and the theory of groups* (Cambridge, MA: Harvard University Press, 1965).
- 31 ITU, *World Telecommunications*.
- 32 *The Los Angeles Times*, Signs of pitiful public sector: in Zaire, walkie-talkies proliferate as phones fail, 28 November, 1988.
- 33 The 'encompassing interest' of an autocratic state in improving economic productivity is acknowledged by Olson ('Dictatorship') although he also notes that these regimes have uncertain rules and structure governing transition of rulers and thus the rulers interest in productive measures seldom lasts beyond a generation. This last point, while casting a shadow upon the states termed catalytic and near-catalytic in this article, is nonetheless consistent with their overwhelming interest in development. Furthermore, it seems that South Korea, Singapore, Malaysia, and Mexico, while riddled with political succession problems, have all continued their economic policies beyond a generation.
- 34 Peter F Cowhey and Jonathan D Aronson, Trade in services and changes in the world telecommunications system, in Peter F Cowhey, Jonathan D Aronson, & Gabriel Gzekely, eds, *Changing networks: Mexico's telecommunications options* (San Diego: Center for US-Mexican Studies, University of California, Monograph Series, 32, 1989), 7-9.
- 35 *The Wall Street Journal*, The outlook: Mexico's woes show risks of partial reform, 13 February, 1995, p A1.
- 36 Charles Kindleberger, *Economic response: comparative studies in trade, finance and growth* (Cambridge, MA: Harvard University Press, 1978) 57.
- 37 Mancur Olson, *The rise and decline of nations: economic growth, stagflation, and social rigidities* (New Haven: Yale University Press, 1982) 57.