

flashpoint

Political Viewpoints of Godfrey Smith

...against the backdrop of a deeply cynical electorate, I sensed that people wanted to hear the views and opinions of their leaders, not just giving an interview during a scandal or a crisis, but arguing, reasoning, debating for the benefit of the public...

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And Now For My Next Trick

A political magician confidently takes center stage before a national audience of 300,000.

He is staking his reputation and maybe also his career on this trick.

Carefully but with poise, he draped his black magician's cloth over the cash rich, \$30 million-a-year private phone company and before Belizeans could say "Badass Barrow!" he deftly yanked it away.

Voila! The private phone company was government owned.

The magician he bowed deeply from the waist in appreciation for the spontaneous standing ovation of deafening applause ripping across the nation.

He had outdone himself. Not only had he magically converted a real, live private company into a government-owned one, but he had made its mighty, larger-than-life, feared and ruthless billionaire owner, Lord Ashcroft, actually disappear.

His name, to be sure, would go down as one of the most dazzling political magicians in the country, if not the region.

Intermission

The magician took a deep draught from his silver cup of success, savoring the taste of that abundant, warm, fortifying political goodwill.

From his private dressing room he could hear the people, his audience, milling around and marveling at how neatly and adroitly the black man's magic had been performed.

Political tricks were all well and good but audiences, he knew, were fickle. They liked to be entertained by bold new political tricks but could soon turn nasty if these were not backed up with economic tricks.

The show was not over. Far from it. He had made the British peer disappear but knew that not far off-stage the man was planning a dramatic and explosive re-entry onstage before the curtain fell and everybody went home.

Somewhere backstage

The magician's assistants worked feverishly behind the scenes to prepare him for the second part of the show. The second part would be more difficult to perform, especially since there was no script for it. It would have to be played out in real time with unknown actors and no script.

The assistants knew the country's debt to GDP ratio hovered around 80%. This was in itself alarming. The International Financial Institutions considered that a government's debt-to-GDP ratio should be below 60%.

Even using the lower figure of BZ \$300 million as the compensation cost of the company, this would take the public and publicly guaranteed contingent liabilities up by another 15%.

This kind of wildly escalating debt-to-GDP ratio would wreak havoc on the country's international credit ratings unless the rating agencies and the IFIs could be satisfied that a quick sale of the company's shares would completely extinguish the cost of compensating the shareholders for the compulsory acquisition.

So who will buy the shares?

The magician's assistants calculated that the Belize Social Security Board could pick up a substantial portion of the shares. This was the only quasi-government entity that had any substantial amount of liquid cash to speak of anyway.

But SSB is only good for, at a stretch, \$50 million worth of shares. And even to achieve this, it would have to mop up its cash deposits held at the various local commercial banks.

This they knew was not easily accomplished. The banks have lent money against the presumed stability of those SSB deposits. To suddenly remove those deposits could introduce a significant degree of volatility into the banking sector.

If SSB drew down on its deposits with the commercial banks to pay for a portion of the shares, the banks which are required by the Central Bank to maintain a portion of deposits in liquid form, would experience a tightening of liquidity. They couldn't seriously expect the magician to work from such a script.

How about a concessionary loan from Taiwan to pay off a substantial portion of the total compensation to be paid for the shares?

First, the new KMT government of Taiwan has publicly announced that it is moving away from dollar diplomacy since it is pursuing more cordial relations with mainland China. Bad relations with mainland China had spawned the dollar diplomacy with both sides essentially buying diplomatic allies with hard currency.

Secondly, even had there not been a change of policy, Belize's quota of loans from Taiwan is

fully subscribed. Taiwan could not easily lend Belize another \$50 - \$100 million without coming under pressure from its other diplomatic allies in Central America, the Caribbean and Africa for similar favorable treatment.

Thirdly, typhoon Morakot has caused billions of dollars in damage to Taiwan. The loss of life and destruction of housing has already cost the government some political goodwill which it can't afford to further dissipate by giving away money to a beggarly nation.

But even factoring in the unlikely \$50 million from the Social Security Board, to achieve the much ballyhooed majority Belizean ownership of shares will require local businessmen to fork up over \$100 million liquid cash, assuming the price tag for the company is indeed BZ \$300 million.

Belizean businessmen can't come up with that kind of liquid cash. On paper they are good for it. But most of them are already heavily indebted.

The handful who have positive net worth and several millions on deposit with US banks are conservative and will not easily be induced to draw down on their reserves accumulated over many years for a politically inspired venture the outcome of which is uncertain.

That leaves the foreign investors. This is the playing field of Michael Ashcroft. He has played before in a scene similar to this, in fact.

A previous government had decided it wanted him out of the telecommunications picture in 2003 and purchased his Carlisle Holdings' 52% stake in the company.

By March 2004 the government had sold the company to US businessman Jeffery Prosser who paid with promissory notes. The only thing not accurately predicted by Ashcroft was the day that he would have re-acquired the company.

He went to work making it impossible for Prosser to raise the money and indeed ended up with Prosser's shares as well as those of the Royal Bank of Trinidad and Tobago which held some shares as security for loans advanced to Prosser. The whole episode proved to be a thoroughgoing fiasco for the government.

This, of course, was a very different government.

The magician's assistants had read *Dirty Politics*, *Dirty Times*, Ashcroft's story of his personal war with the British Labour Government and the *London Times*. So they had an idea what to expect from him.

They projected that he would launch a series of timed lawsuits locally and internationally to tie up the company in litigation and make it unattractive.

He was capable of threatening and intimidating potential investors if it furthered his interest.

He could be expected to name investors in long, drawn out lawsuits forcing them to incur expenses and explain themselves to their own shareholders.

He would pay a high priced reputable firm of publicists to tell his story to investors,

governments institutions and anyone who cared to listen.

His would be a story of the investor who bailed out a reckless and irresponsible government which had presided over its own economic meltdown, funded an opposition to the tune of millions only to be turned upon, vilified and victimized.

He could, with some credibility, demonstrate with characteristic thoroughness that Belize is a place of corrupt, greedy politicians who shaft investors to reward their cronies.

He will say, *"If you don't believe me, ask Stan Marshal from Fortis, the power company or Cascal, the previous owners of the water company who were forced to sell and leave Belize."*

All that before making his own unscripted, unannounced appearance, like a *deus ex machina* in the middle of the magician's second act.

Inside the national gallery intermission had ended and the crowd had taken its seat waiting for the show to resume.

The lights dimmed, the curtain rose and the audience fell silent.

Enter the IFIs, foreign investors and a handful of local businessmen. They are looking tentatively up at the façade of building with letters that read "Esquivel Telecom Center".