11-5-2003

TELMEX Acquires U.S. Company's Latin American Operations

LADB Staff

Follow this and additional works at: https://digitalrepository.unm.edu/sourcemex

Recommended Citation

This Article is brought to you for free and open access by the Latin America Digital Beat (LADB) at UNM Digital Repository. It has been accepted for inclusion in SourceMex by an authorized administrator of UNM Digital Repository. For more information, please contact amywinter@unm.edu.
TELMEX Acquires U.S. Company's Latin American Operations

by LADB Staff
Category/Department: Mexico
Published: 2003-11-05

Mexican giant telecommunications company TELMEX has acquired AT&T's operations in Latin America, taking a major step to expand its presence throughout the region. TELMEX paid US $208 million for AT&T Latin America Corp., outbidding Spain-based Telefonica and Brazilian telecommunications company Embratel. TELMEX reached the initial purchase agreement in late October, but the transaction only became final with the approval of a US Bankruptcy Court in Florida. The purchase price includes US$36 million in debt owed by AT&T Latin America Corp. to creditors.

AT&T's Latin American subsidiary had operated under Chapter 11 Bankruptcy since March of this year. "We consider this [transaction] very important for TELMEX," said Arturo Elias Ayub, the company's director of strategic alliances. "It will allow us to give more complete service to our multinational clients."

Company officials said the acquisition gives TELMEX the opportunity to integrate its voice, data, and internet systems in Mexico with those in Argentina, Brazil, Colombia, Chile, and Peru. "Latin America is an area with great potential for the development of the telecommunications industry," said TELMEX chief executive Jaime Chico Pardo.

The company took the first major step toward its expansion in Latin America in 2000 by creating its America Movil subsidiary to oversee expansion of cellular telephone operations in South and Central America (see SourceMex, 2000-09-20). America Movil has proven to be a profitable venture for TELMEX. In the third quarter of this year, the company reported profits of US$172.7 million, seven times higher than in the same period in 2002.

TELMEX has taken other steps to expand in Central America, acquiring Guatemalan telephone company Telgua from private parties in 2000 (see NotiCen, 2000-04-13). TELMEX had failed in an earlier attempt to acquire Telgua from the Guatemalan government (see NotiCen, 1997-12-18).

TELMEX still has eye on US market

TELMEX, owned by Mexican entrepreneur Carlos Slim Helu, has been in a battle with US telecommunications companies and regulators to enter the US market, partly because of the Mexican company's efforts to block competition at home (see SourceMex, 2002-02-20).

In May of this year, TELMEX gained a victory of sorts when it received limited permission from the US Federal Communications Commission (FCC) to operate in the US, but it has yet to define the extent of participation in the US market. TELMEX later acquired about US$350 million in bonds
issued by US telecommunications company WorldCom, raising speculation that the Mexican company was poised to take over the financially strapped US competitor.

Slim Helu said, however, the purchase was simply a financial transaction to take advantage of a sharp decline in the bonds. "We're not thinking of acquiring it or forming part of the board," Slim told a news conference in June.

Slim is quietly gaining a foothold in other US telecommunications companies. In late October, the Mexican entrepreneur purchased US$111 million of stock in Texas-based SBC Communications Inc. Analysts say TELMEX may yet make a major move to enter the US market to compete directly with US telecommunications companies. For now, the company’s focus is on expansion in Latin America. "We are a company with a long-term commitment in its investments," said Chico Pardo, who noted that many competitors are withdrawing investments from Latin America.

The TELMEX executive said the company's strategy is not only to acquire other firms but also to form joint ventures with existing companies. "We are also looking for associations and alliances that would allow us to form an integrated system," said Chico Pardo.

The TELMEX expansion is just one example of Slim's growing influence in global business. The entrepreneur, considered the richest man in Latin America, is also expanding his hold in the retail and electronics sectors. In late October, Slim's Grupo Sanborns announced the preliminary purchase of the six stores that US retailer J.C. Penney had operated in Mexico. The Texas-based retailer had operated one store each in Mexico City, Monterrey, Leon, Chihuahua, Cancun, and Merida, but decided to shut them down because of a lack of profit. "The deal includes the acquisition of 100% of common stock of J.C. Penney S.A. de C.V.," Grupo Sanborns said in a prepared statement. (Sources: Reforma, 06/24/03; Associated Press, 06/23/03, 10/21/03; El Financiero, 05/30/03, 06/19/03, 10/27/03, 10/30/03; The Dallas Morning News, 10/30/03; Reuters, 10/29/03, 10/31/03; Spanish news service EFE, 09/21/03, 11/03/03; Dow Jones news service, 10/24/03, 11/03/03; Milenio Diario, 05/30/03, 09/07/03, 11/04/03; El Sol de Mexico, 06/26/03, 11/04/03; El Universal, 10/27/03, 10/31/03, 11/03/03, 11/04/03; La Cronica de Hoy, 10/27/03, 11/04/03; Unomasuno, 11/04/03

-- End --

©2011 The University of New Mexico, Latin American & Iberian Institute All rights reserved.