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Mexican Billionaire Carlos Slim Promotes Public-Partnership to Foster Growth

by LADB Staff

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Billionaire Carlos Slim Helu, named by Forbes magazine as the world's third-richest person this year, is quickly becoming one of Mexico's most powerful behind-the-scenes power brokers, proposing a private-public business model that has attracted some attention in Mexico and overseas. In its 20th annual list of the world's richest people, released in March, Forbes put Slim's net worth at US\$30 billion, surpassed only by US billionaires Bill Gates and Warren Buffett, with fortunes estimated at US\$50 billion and US\$42 billion, respectively.

Slim, one of only three Latin Americans among the world's 100 richest people, rose to third place from his fourth-place ranking in 2005. The two other Latin Americans are Brazilian bankers Joseph and Moise Safra. The Forbes magazine article named nine other Mexicans in its list of 793 billionaires. They were Jeronimo Arango, Ricardo Salinas Pliego, Alberto Bailleras, Roberto Hernandez, Maria Asuncion Aramburuzabala, Lorenzo Zambrano, Emilio Azcarraga, Isaac Saba Raffoul, and Alfredo Harp Helu. Azcarraga and Salinas Pliego own the country's two largest television networks, Televisa and TV Azteca.

Aramburuzabala, who is married to US Ambassador to Mexico Tony Garza, made her fortune in the beer industry. Zambrano is owner of CEMEX, one of the most rapidly expanding Mexican multinational companies. Slim's vast business empire accounts for about 40% of the listings on the Mexican stock exchange (Bolsa Mexicana de Valores, BMV), including telecommunications giant TELMEX and business conglomerate Grupo Carso. Slim's cellular telephone company America Movil, which was spun off from TELMEX, has become one of Latin America's largest cellular-telephone operations, mostly through acquisitions of existing operations in other countries. He also has major holdings in real estate, retail, construction, and technology in Mexico, the US, and Latin America.

Model presented through Acuerdo de Chapultepec

Slim, one of the most powerful forces driving the Mexican economy, espouses a philosophy of private-public partnerships as the best vehicle to promote development and growth. He has sought to bring his ideas into the 2006 presidential election by putting together an economic blueprint called the Acuerdo de Chapultepec, endorsed by 400 business leaders and dozens of politicians, including most presidential candidates. The 12-page document officially called the Acuerdo Nacional para la Unidad, el Estado de Derecho, el Desarrollo, la Investigacion y el Empleo was launched at a ceremony at the Chapultepec Castle in Mexico City in September 2005 (see SourceMex, 2005-10-12).

Presidential candidates Roberto Madrazo of the former governing Partido Revolucionario Institucional (PRI) and Felipe Calderon of the center-right Partido Accion Nacional (PAN), as well as several members of the governors association (Confederacion Nacional de Gobernadores,

CONAGO), have endorsed the document. Three other presidential candidates, Andres Manuel Lopez Obrador of the center-left Partido de la Revolucion Democratica (PRD), Patricia Mercado of the Partido Alternativa Socialdemocratica y Campesina (PASC), and Roberto Campa of the Partido Nueva Alianza (PANAL), have declined to sign the accord.

Lopez Obrador's decision not to sign on stands out in particular, since he appears to have forged the closest relationship with Slim and has endorsed the vision of a private-public partnership on public-works projects. The two men cooperated on an ambitious renovation plan for the historic district of Mexico City when Lopez Obrador was mayor (see SourceMex, 2003-07-02 and 2005-08-24). "The project has replaced antiquated water lines, buried unsightly power cables, repaved streets with cobblestones, painted building facades, and installed old-fashioned street lights," the Mexico City English-language newspaper The Herald said in July 2005.

Lopez Obrador has made it known that he supports Slim's vision, which he said is the best way to promote employment and growth. "I am convinced that the only way for our country to advance is to combine the engine of private investment with the engine of public investment," Lopez Obrador said in an interview with the Mexico City daily newspaper Reforma in March of this year.

Slim has declined to endorse Lopez Obrador outright, preferring to keep contacts with all major parties. Still, the billionaire has supported Lopez Obrador in other ways, including making a statement that he could work well with any of the candidates. This statement appeared to rebuff other members of the business sector, who raised concerns that Lopez Obrador's policies would not be good for business. "They could be efficient people from the left or the right who understand the world, who have a vision of the world, a vision of the future. It makes no difference to me," Slim said at a business conference in Mexico City at the end of March. "We are going to continue investing, whoever wins," the billionaire added. "We think long term, not just four or six years."

Conversely, Slim has not hesitated to blame President Vicente Fox's administration for a lack of growth in Mexico, particularly for his policies to keep tight controls on government spending (see SourceMex, 2003-07-02). Slim, central-bank governor feud over business practices Slim recently feuded with Guillermo Ortiz Martinez, the chief governor of Mexico's central bank, the Banco de Mexico, regarding the monopolistic tendencies of the TELMEX empire.

In a speech to a business group in March, Ortiz criticized TELMEX's efforts to remain the dominant telecommunications company in Mexico. By inhibiting competition, said Ortiz, TELMEX was keeping Mexico's telephone rates among the highest in the world, which in turn was blocking economic growth. Slim objected strongly to Ortiz's comments, saying that TELMEX had reduced rates by 60% since its privatization in 1991 (see SourceMex, 1991-01-16) and had not raised rates in the last five years. Slim argued that rates appeared high because of the very low purchasing power of the population, caused by 23 years of inadequate economic policies that have focused on keeping interest rates high to promote low inflation and economic stability. "This policy is unsustainable," said Slim. "We're living in this policy of stability and we're stuck."

Furthermore, Slim accused Ortiz of hypocrisy because he endorsed policies during his tenure as finance secretary that encouraged state-run enterprises such as the Comision Federal de

Electricidad (CFE) to charge high rates to consumers. Ortiz headed the Secretaria de Hacienda y Credito Publico (SHCP) from 1995 until 1998, when he was appointed to head the central bank. Ortiz was deputy finance secretary during the administration of President Carlos Salinas de Gortari (1988-1994).

Some political observers sided with Ortiz, saying that TELMEX was indeed inhibiting competition, which was harmful to the Mexican economy. Political analyst Denise Dresser, who teaches at the Instituto Tecnológico Autónomo de México (ITAM), said Slim's business practices are similar to those employed by the PRI during 70 years of government. Quoting Peruvian writer Mario Vargas Llosa, she described the PRI as the "perfect dictatorship," for the way it was able to keep power with little or no dissent for many years. She said Slim now promotes the "perfect monopoly," as evidenced by his clever behind-the-scenes manipulation of the Acuerdo de Chapultepec. "Just as the PRI denied the existence of a regime that controlled everything, Carlos Slim denies any aspirations of an enterprise that wants full control," Dresser said in a column published in the Mexico City daily newspaper Reforma.

"Yet he is accomplishing this, signature by signature, consensus by consensus, applause by applause. The Acuerdo de Chapultepec [is the vehicle] that legitimizes surrender. It symbolizes the collective permission to push for individual interests." Dresser said the agreement is presented as an instrument of growth, when it really seeks to maintain the status quo. "It is no coincidence that one of the objectives of the Acuerdo de Chapultepec is to promote infrastructure projects and that Carlos Slim has created IDEAL (Impulsora del Desarrollo y el Empleo en América Latina SA) for this purpose," said Dresser. "It is also no coincidence that [Slim] has identified 109 megaprojects and that his company has proposed to develop them."

Zapatistas, others criticize Slim's plan

The most vocal critic of the Acuerdo de Chapultepec has been Subcomandante Marcos, the charismatic spokesperson for the Ejército Zapatista de Liberación Nacional (EZLN). Marcos, who has renamed himself Subdelegado Zero to promote the EZLN's alternative vision for Mexico during the political season, views the accord as another instrument for the business elite to impose their agenda on the Mexican people (see SourceMex, 2006-01-18).

"The powerful elite have come to a consensus with the Acuerdo de Chapultepec and managed to convince the presidential candidates to kneel before them," Marcos said at a rally for the EZLN's Other Campaign in mid-March. "No one up there earned their riches legitimately. They have obtained their wealth by deposing, stealing, cheating, imprisoning, and assassinating people."

Marcos has directed his blistering criticisms primarily at the PRI and at President Fox, but he has saved some of his anti-establishment comments for Lopez Obrador, whom he has accused of supporting neoliberal economic principles (see SourceMex, 2005-08-24).

Other citizen groups not affiliated with the EZLN's campaign have also criticized the Acuerdo de Chapultepec. Jose Luis Sanchez Gonzalez, a leader of the Movimiento Nacional Aquí Estamos, said Slim and all the other business leaders who are promoting the accord are "responsible for creating the poverty that afflicts 60 million Mexicans." Sanchez instead called for a redistribution of wealth.

"How can the richest man in Latin America be heading a project that sells itself as the solution to the economic underdevelopment facing our country?" he said.

Slim, in the meantime, continues to push his vision of a private-public partnership. At a forum in Guadalajara in mid-March, Slim said Mexico must invest at least 25% of its GDP to attain a 5% GDP growth. "This can be achieved through a formula where private and public capital is merged with savings to promote infrastructure development and other economic activities," he said. Slim was among a handful of business leaders invited to address thousands of delegates at the World Water Forum in Mexico City in March (see SourceMex, 2006-03-22).

Among the proposals he presented was creating an autonomous water authority to manage water distribution in the Valley of Mexico, which includes Mexico City and much of Mexico state. Some experts have forecast extreme water shortages in the area because of aging infrastructure, a surge in population growth, and poor management techniques. In some areas of the metropolitan area, the quality of water is so poor that residents have been forced to buy bottled water for daily use.

Slim said his proposed water authority should be managed by a private entity, although he emphasized that this does not mean privatization of water distribution. "The right to water is undeniable," he said. "But consumers are going to have to pay for the service so that it no longer becomes subject to the limitations of the federal budget."

Slim creates new charitable foundation

Slim's ascent on the latest Forbes list came at about the same time as the release of a Mexican government report illustrating a rapid increase in the gap between the rich and the poor in Mexico. The report, issued by the Secretaria de Hacienda y Credito Publico (SHCP) on March 13, said the richest 10% of Mexico's population owns 39.6% of the country's wealth. In contrast, the lowest 10% only owns about 1.1%, said the report, which was produced at the request of the Chamber of Deputies.

The report compared data collected in 2004 with similar statistics in 2002. The report noted that even government supports such as pensions, university tuition, and electrical subsidies tended to favor those with higher incomes over those with fewer resources. The release of the Forbes article also came just a couple weeks before Slim announced plans to shore up his charitable foundation Asociacion Carso AC.

In late March, the billionaire announced plans to donate cash and stock owned by his family in IDEAL to the foundation to help finance education and health for the poor. The donation, which includes an undisclosed amount of cash, boosts the assets of the foundation to US\$2.8 billion from US\$300 million. Slim said Asociacion Carso will serve a need that the government has been unwilling or unable to address. "The foundation will have all the funds it needs to reach the objectives," said Slim. "And who will give it the resources? Not the government." Asociacion Carso is the second charitable foundation created by Slim. The first, Fundacion Telmex, was created in 1995 primarily to provide scholarships for low-income students. (Sources: www.acuerdodechapultepec.org; Businessweek, 03/28/05; Spanish news service EFE, 03/09/06; La Crisis, Bloomberg news service, 03/10/06; El Economista, 03/10/06, 03/14/06; La Cronica de Hoy,

01/02/06, 03/21/06; El Financiero, 03/10/06, 03/14/06, 03/21/06; Agencia de noticias Proceso, 03/09/06, 03/20/06, 03/22/06; Reuters, 03/24/06; Reforma, 03/13/06, 03/14/06, 03/16/06, 03/21/06, 03/23/06, 03/25/06, 03/26/06; The Herald-Mexico City, 07/05/05, 03/10/06, 03/28/06; La Jornada, 01/02/06, 03/10/06, 03/14/06, 03/16/06, 03/21/06, 03/29/06; El Universal, El Economista, 03/10/06, 03/14/06, 03/29/06)

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