

EO [S]

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The main character of “**Harry Potter**” gets older. **Chucho and Bebo Valdés**. First father and son tour together at the piano. **Carlos Slim**, the second richest man in the world. **Coffee** of three religions. **Montragüe**, the valley of the vultures. The truth about the **children with godfathers** in Ecuador. Fashion with an air from the prairie. Fine and cold **Cuisine**.

INTERVIEW

[03] Mexican businessman of Lebanese origin, 67 years old, is one of the most powerful and wealthiest man in the planet. For the “Forbes” interview, almost equal in millions to Bill Gates. His empire is distributed between finances and oilrigs, and is undeniably the king of telecommunications.

CARLOS SLIM THE SECOND RICHEST MAN IN THE WORLD

By: **Francesc Relea**. Photography by **Marcelo Salinas**.

The “Engineer” , lost in thought, scans the catalogue of the coming auction at Christie’s in New York. Nineteen century paintings, furniture, a very large collection of porcelain, cloths, jewelry and souvenirs from the big screen will be auctioned at prices that fluctuate between 200 and 500,000 dollars. It will not be an ordinary auction, because a large part of the legacy of Maria Felix, the most dazzling beauty the Mexican film industry has given, who passed away in April 2002, will be sold. “Prices are low” says the *Engineer* to his assistant without taking his eyes off the catalogue’s pages. “Given me an instant” , he says apologizing, while the photographer sets the lights. The *Engineer* that is how his collaborators call him, is Carlos Slim Helú, 67 years old, descendant of Lebanese that migrated to Mexico, father of three daughters and three sons, with a BA in Engineering from the UNAM, (National Autonomous University of México), owner of the largest economic empire in Mexico and the second wealthiest man in the world, according to *Forbes* Magazine. Great collector of paintings and sculptures, the king of telecommunications, exhibits his artistic heritage at the Museo Soumaya in Mexico City, which houses the second most important collection outside of France, of sculptor Auguste Rodin. Slim’s main office is in the head office of the financial group Inbursa, in the high part of the city. In this marble stairs and walls building is a replica of “La Pieta” of Michael Angelo that has the blessing from the Vatican and the certification of the Buonarroti House. There is also a large exhibition hall, where you can find abundant Latin American and European

paintings. In the noble floor of the building, two Rodin bronze sculptures with patina, *The Eternal Spring*. Police surveillance is obvious but not overwhelming.

Presiding over the *Engineer's* office is a painting of American landscape painter Conrad Wise Chapman. Sitting down in his domain, without a jacket, his initials embroidered, green tie and a Cohiba Landeros cigar in his hand. Next to him, Arturo Elías Ayub, the son in law who acts as the speaker of the empire from the position of Director of Social Communication of Grupo Carso (Car, from Carlos and So, from his wife Soumaya, who passed away in 1999). This is how we are received by the most powerful man, they say in Mexico, friend of rich and famous throughout the entire world and who in the *Forbes'* list of millionaires is every day closer to being number one, the American Bill Gates, owner of Microsoft . Last year Slim was number three, but the value of his multiple companies increases at such speed in the markets that some publications even give him the first place.

His empire is distributed between telecommunications, trade, infrastructure and banks. He gives direct employment to 220,000 persons and indirect jobs to half a million people and contributes 6.3% to México's GDP and has an estimated net worth which is higher than 53 billion dollars, in a country where half the population is at the threshold of poverty. Not even his worst opponents doubt about his good smell for businesses, condition that he has cultivated since he was very young. The tycoon is criticized when there is revision of the overwhelming hegemony he has in the telecommunications sector.

He is the master and lord of fixed and mobile telephony in Mexico and controls a large quota of the Latin American markets. It is difficult for his competitors to overshadow him and they complain that since he bought Teléfonos de México (Telmex), the gigantic state-owned company that was privatized at the beginning of the nineties, he abuses monopoly practices before the condescending regulating entities.

During the last years, Slim has shown special interest in philanthropy without abandoning his businesses. Through his two foundations and three institutes for health, education and sports, he has financed 200,000 surgeries, 70,000 eye glasses, 150,000 scholarships and has donated 95,000 bicycles. He has committed himself to invest up to 10 billion dollars in the next four years in his philanthropic projects.

"It doesn't matter" is Carlos Slim's answer to the question if he would like to be the wealthiest man in the planet. "When you start to compete to win the 100 meter race or a marathon, it can make some sense to try to win the gold medal, but this is not a competition. The entrepreneurial activity is a vocation. It is stimulating to see how things, plans, entrepreneurial objectives are met".

How did you start to make money?

Well the allowance ("Domingo") my father gave me. That was the first money.

Let's say in the business world.

The first one was by saving and investing since I was a child. I had investments when I was small. It was not money from my work, it was my allowance, but when I was 12 years old I already had made my first investments. Business-wise I started 42 years ago. In 1965 I organized several companies: Constructora Carso, a copper mine, a soft drinks bottling company, real estate, housing promotion, this brokerage house, Bolsa Inbursa... I had six or seven companies.

Did your true economic takeoff come about with the privatization of Teléfonos de México (Telmex)?

No, I would say it was ten years prior to the purchase of Telmex. On the one hand, with an industrial investment in 1981, in a tobacco company, Cigatam, that generated a great deal of cash flow and allowed us to invest in other things. We manufactured Marlboro and other brands. The cigarette business has always paid many dividends and in our case we reinvested them, because this company has been paying significant dividends for the past 26 years. When the debt crisis came in 1982, we were the only ones that invested. We bought some companies at 1.5% of their book value.

That means that the debt crisis benefited you.

I believe that the debt crisis affected the entire world. What happened is that also the banking nationalization took place and it generated distrust and caused the flight of capitals. Many foreign companies sold their national operations. Then, we bought and invested. I would say that we Mexicanized six or seven companies, from aluminum factories to tires, chemical products, Sanborns. The value of the companies fell like off the cliff. For example, what today is Wal-Mart was worth 77 million dollars in 1982, and what today is Cementos Mexicanos (Cemex) was worth 26 million dollars. At that time we made the big investments. We paid peanuts for important stocks. These were good times to buy cheap. We got these companies going and subsequently we sold some of them.

100% of British American Tobacco, leader in the sector, cost Slim five million dollars and sold it in 40 million. In 1984 he bought a significant package of Bancomer stock (today BBVA) in 55 million dollars cash and it included the Bancomer insurance company. Then he decided to sell. Previously in 1981 he had created the Inbursa investment fund, of which he proudly speaks: "Since it was created until 1990 the shares value never dropped, except for September 1992. In those 26 years, its compounded annual yield in dollars had been 22.4%. Not everything is Telmex.

Not everything is Telmex, because Carlos Slim's empire includes a conglomerate of interests in many sectors, such as finances, railroads, commercial centers' chains, mines, industrial components, cigarettes and infrastructure (roads and

oilrigs). But it is in telecommunications – fixed telephony (Telmex), mobile (América Móvil) and Internet (Prodigy) – where Slim is the leader.

“The important thing about a company, like América Móvil, 15 years ago it was worth zero, and it has had a spectacular growth. It is a company that has grown at 66% for 16 years, based on the acquisitions of initial operations for its development, and of concessions and licensees in order to be able to operate. Last year, one out of every two Latin Americans had a mobile telephone and this year two out of every three. In some Latin American countries we have a penetration that is similar to that of the United States”.

What is competition to you?

An incentive.

Are you in favor of competition?

Of course. You do it better. Imagine that we had no competition. We would not have gone out of Mexico. When Telefónica came here, we decided to go abroad. It is a pity that they did not let us go into Spain.

If you are a defender of free competition, why are you accused of the opposite, not only by your competitors, but also by international organizations like the World Bank and the OECD?

International organizations push so that the developed countries' companies control the markets. Of course they are managed by them.

The World Bank for example?

It is the best example. Who appoints the President of the World Bank? When have you seen a little Mexican or a Latin American as President of the World Bank? On the other hand, attacks are strongest during periods when there is competition. Between 1991 and 1996, in Mexico there was a long distance service monopoly and nobody criticized it. In 1997 competition came in and criticisms and claims just poured in. Criticism is back today because technological convergence is coming and unlike what happens in the world, they want Telmex in Mexico to lag behind in technological development. We are going into Latin America as the third or fourth operator. Telefónica has merged with Bell South and we did not object to the merger, and it went to 70% in Peru, to 50% in Chile and to 50% in Argentina and we said nothing. Now then, what happens in Mexico? International organizations say that Mexico has the highest price of the OECD? Ask Telefónica or Merrill Lynch if this is true.

Well you control the majority of the market.

No. See this is very interesting. We have 90% of the fixed lines, which is 25% of the total lines. But we have 48% of segment A. This means, that our competitors are not interested in sectors B, C, D and E. Obviously we do not have 48% there, we have 100%. If Telmex has invested in the 10 or 15 years that we have been in the business 1.5, 2 or 2.5 billion dollars a year and the other invests 100 million, it is normal that we are stronger. It is as if Wal-Mart invests 1 billion dollars a year and another store invests 50 million, or El Corte Inglés invests 1 billion and the other one 100 million. Which one is going to be bigger?

According to the Consumer's General Attorney's Office in Mexico, Telmex is the company against which there were more complaints filed in 2006, more than 8,000.

It must be true.

And Radio Móvil Dipsa, which is Telcel, your mobile company, is number four in the list of complaints.

We should see these claims versus the number of customers. Eight thousand complaints are very few for 19 million customers. What we should see is not how many complaints there are, but rather if they are settled satisfactorily.

Without counting your companies, what do you think about monopolies?

Monopolies? They can be cartels but not monopolies. They may exist at world scale, but not in Mexico. If there is no offer, or investment and the prices are high, it is fatal if there is substantial offer and the price is low. What is the negative effect of there being three or four companies? It is very difficult to think, even with globalization, that in some countries there are more than three competitors.

"I TRY TO FIND THE BEST HEALTH, EDUCATION AND JOBS IN LATIN AMERICA. POVERTY IS NOT FOUGHT WITH CHARITY".

We are talking about Mexico, which is not precisely a small country. Do you think the absolute dominant position of Cemex, which controls more than 80% of the cement market, or of Televisa and TV Azteca, which distribute 95% of the Television concessions, is beneficial for the economy of the country?

What is harmful of oligopolies is that, based on that, they impose investment conditions, price, service or alternatives. There may be two companies competing very hard and that offer a large variety of products to their customers. Any maybe in another country there are eight companies, and the service is very expensive, and there is no offer and they are no good. I do not like to make general statements. For example, in the U.S. automobile sector there are General Motors, Ford and Chrysler, three companies.

In the case of television, is it harmful that there are only two consortiums?

That there are two, three or five is harmful if there is not sufficient opening. But the current technology, with the digital convergence, will allow thousands of channels. Then this problem will no longer exist. The important thing is prices and services.

Is philanthropy your life project for future years?

My life project of the recent past and the future is to try to find that there is better health, education and better jobs in Latin America. We are fully convinced that poverty is not fought with charity and welfare. Trillions of dollars have been given away in the last 50 years, pardoning the debt, food, medicine, donations and more donations. Thousands of NGOs have *dollarized*, many seminars, there are experts in philanthropy, in fund raising ... and poverty continues to exist. Instead, poverty has been solved in many countries, specially in Asia and in Europe, through economic development. China and India get millions out of poverty with jobs and education. You, the Spaniards, were relatively worst than us twenty-five years ago. The only way is with health, education and employment. We are going to engage in that.

Throughout the interview, Slim speaks through the interphone with his secretary or one of his assistants to request a document or to ask for some data. "Give me the Clinton Initiative paper of the September Meeting". He starts to read. "This is the analysis of poverty that I do. The best way to face poverty is through investment, education, development and employment. Charity, donations, Santa Claus, alleviate, but only temporarily" When he speaks about his philosophy to fight poverty you hear one of his most frequent examples: "You should not teach how to fish, as says the ... You have to teach to fish, because if you only teach how to fish people will live in auto-consumption. You have to teach to sell the fish, so that they can exchange fish for other goods. For example, in China, a good part of the population lives in auto-consumption, just like in our countries, that live in marginalization".

It is easy to agree to more and better education, health and employment. The thing is how to achieve it.

There are activities that can be resolved with profitability and others that need the support of our foundations. In culture, health and education, the foundations play the main role. But for employment, the proposal that we present has several directions. One is investment in infrastructure. Just like we invest in telephony and telecommunications, there should be investment in roads, water, electricity, ports, airports. Housing and tourist infrastructure provide many jobs.

Would these infrastructure projects be carried out through your company Impulsora del Desarrollo y el Empleo en América Latina (IDEAL, as per initials in Spanish)?

Yes. In IDEAL we have already achieved one thing: that a lot of people turn their eyes towards Latin America to invest in infrastructure. Spain leads this. The world funds, the banks, the investors have the conditions needed for any interesting and viable project to have funds. We should benefit from this world juncture of abundance of long term financing and low interest rates, to do everything that is necessary.

This would allow you too to make good business.

I am not interested. It is likely. I hope so. Because if we make good business, that means that everybody will go heads in and all that infrastructure that is necessary will be built. We have donated 29% of the IDEAL shares to the Carso Foundation.

How much is the investment that you give to the philanthropic projects?

I do not set the limits. The Carso, Telmex and the Historical Center of Mexico City Foundations are worth 5 billion dollars. Everything that we invest in infrastructure has to be profitable, undoubtedly.

In health and education there are parts that are profitable and there are others that are not profitable.

You have just presented in New York the initiative against poverty of former president Bill Clinton and the Canadian mining Tycoon Frank Giustra.

It is interesting, Clinton greatly holds Latin America in great esteem and is now doing that largest operation here. I hope it is the first one of many more in this region. We are going to start with 100 million dollars.

Do you also have a large cities' free wireless coverage project?

We have bought a Chinese supplier to make a rural connectivity band. Look, what the population needs is integrated services: of voice, video, data. The best services, at the best prices, under the best conditions. And each one is going to buy what they feel like buying. And they won't care if it comes by air, fiber optic, copper or coaxial. What they are interested in is good service. The consumer will have all kinds of options. And this will allow for there to be more content creators. Just like there were experimental movies, there can be experimental television.

Let us talk a little bit about politics. Did you consider at any point in time that Andrés Manuel López Obrador, the left wing candidate, could become the President of Mexico?

In electoral processes, what we are interested in, is the democratic system. The most important thing for a country is the soundness of its institutions. I believe that the paradigms of the new civilization are democracy, plurality, freedom, creativity,

innovation, diversity, human rights, environment, competition, globalization, productivity. I dealt with López Obrador because he, just like President Fox invited me to head the historical center executive committee; a great experience. It was the same formula, a foundation to raise the socioeconomic level of the people who live in the historical downtown area of Mexico City, which had significantly deteriorated. On the other hand, a corporation that for profit purposes, buys the real property in the historical center, refurbishes and sells it. This corporation placed convertible bonds at a zero interest rate. The corporation's equity is 45 million dollars, I have a smaller percentage. There, both the Federal Government as well as López Obrador's played a very important role. They fixed the streets. A new police force was placed and security improved. People that consider that it is very expensive to live in other neighborhoods, are moving to the downtown area.

Did you get along well with López Obrador?

We had four or five meetings. The historical center project experienced the largest attendance, coincidence and cordiality between Fox and López Obrador that I had seen.

What do you think about López Obrador's ideas to end poverty?

What is he presenting to end poverty?

You know, first the poor and attack the privileges of the rich.

I am convinced that economic, social and education marginalization and malnutrition are obstacles to development. It is not only an ethical and moral problem. It is also an economic need. We have to incorporate all of those marginalized people to the economy society, to modernity. This new civilization is supported in the well being of others. I do believe that the poor have to be a priority.

How is your relationship with Felipe González?

Good, very good.

What is your relationship with the former Spanish president?

Friendship.

Nothing about work?

Sometimes we have given conferences together.

Isn't he your consultant on political issues? For example in the Chapultepec Agreement?

I asked the entire world. Of course Felipe gave his opinion. For several months I presented the project to many people. I coordinated the project. Other governors of Mexico and other countries knew the project. Of course there are contributions from Felipe, and also of the conversations that we both had.

“WITH FELIPE GONZALEZ I HAVE A FRIENDSHIP RELATIONSHIP, WE GIVE CONFERENCES TOGETHER AND I ASK HIM ABOUT SOME PROJECTS”.

It is an agreement that is quite diluted, don't you think?

No, no. The agreement has five items: legal security, physical security, sustainable economic growth, human capital and physical capital ... What is President Calderón doing? He subscribed it. The IDEAL and the foundations' project is precisely that: human capital and physical capital.

Have you had any dream that has not come true?

Development and employment.

Anything personal?

That is personal. That is the challenge and the commitment that I have?

Will you leave business to dedicate full time to philanthropy?

Well, you are always poking your nose around, more or less. They go together. For example, the foundations cannot act outside Mexico. Everything we do outside of Mexico will have to be done with outside funds.