Who cares about billionaires? Politicians who want to bring economic development to their countries should care.

Billionaires in the making

By Michael Schuman with Riva Atlas, Lisa Bransten, Graham Button, Philippe Mao and Katarzyna Wandycz

SEVEN YEARS AGO Thaksin Shinawatra was a lieutenant colonel in the Royal Thai Police Department. Today he's an Asian cellular mogul worth $1.6 billion.

Six years ago Malaysia's Tajudin Ramli started a small communications company. The company is now worth over $3 billion, and Ramli, 48, owns 38%. *(For more on Shinawatra and Ramli, see stories, pp. 159 and 164.)*

From the countries of the developing world—the emerging markets as they're now called—are springing individual fortunes in truly amazing numbers. In 1987 FORBES' first survey of world billionaires included only 6 Latin American billionaires, and 2 of them were cocaine lords, now dead; on this year's list are 42 Latin billionaires; by all appearances, every one is legitimate.

Excluding Japan, in 1987 FORBES reporters found only 14 Asian billionaires. This year the number is 46.

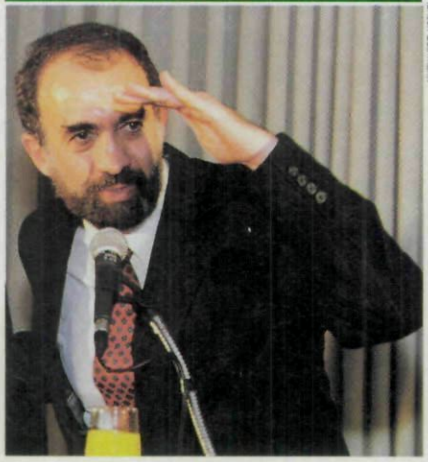
Yes, FORBES reporters are more experienced and digging deeper. But much more important, the developing countries really are emerging, and wealth—at both the micro and macro levels—is accumulating as economic liberalization sweeps the globe. Wherever politicians have learned to rely on market forces, economies have grown and the local roster of billionaires has surged. Some economist should create a billionaire index, to show where in the world material progress is greatest.

Mexico is the textbook case. After some fairly intensive research in 1987, FORBES found one billionaire family, the Garza Sadas. President Miguel de la Madrid and his successor, Carlos Salinas de Gortari, began opening up the country's economy. The number of state-owned enterprises has fallen from 1,155 to under 200. Inflation is down from 160% at one point in 1987 to 7% now. Mexico joined GATT and signed on to Nafta, opening up trade and creating jobs. With at least 24 billionaires, Mexico ranks fourth in the world as a breeding ground for the species, after the U.S., Germany and Japan.

The lesson here is fairly obvious: to predict whence the next bursts of billionaires will issue, look for countries where markets are opening. The most promising country right now: India, where Prime Minister Narasimha Rao and his finance minister, Manmohan Singh, are snipping red tape and burning up regulations that have enslaved India's businessmen for half a century (FORBES, *May 23*).

Among the Indian business families sure to reach billionaire status in the near future are the Ruias of Bombay. They're now worth about $500 million—in purchasing power terms, that would make them multibillionaires, but that's another story *(see box, p. 149)*.

Brothers Shashi Ruia, 49, and Ravi, 44, took over their late father's tiny trading company in 1969, and have turned it into a $1 billion conglomerate with operations in steel, shipping, construction, oil and gas, and finance. In 1990 the Ruias got into sponge iron, a raw material for steel. They brought a sponge iron plant piece by piece from Germany to western India, which more than doubled the total capacity in India. Now their flagship company, Essar Gujarat, is the largest producer of sponge iron in the world,



Hanoch Guttmann

Benzion Landa of Indigo N.V.
His stake is worth over $500 million.

India's Shashi and Ravi Ruia
Taking advantage of less red tape.

Forbes: Zbenja

Citic Pacific Chairman Larry Yung
Already living like a billionaire.

and exports half of its production.

Essar Gujarat is building a $1.5 billion steel mill, due to start up by year-end, that will be able to compete with any mill in the world. The Ruias are also building a $600 million power plant and are planning a $1.6 billion oil refinery. "The reform is opening up more business opportunities," says Ravi Ruia. "And we will take advantage."

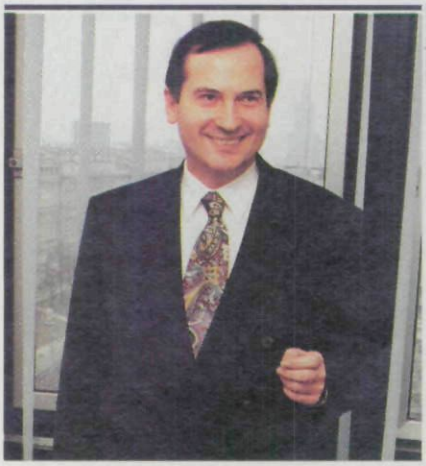
Or take Delhi's Jindal family, now worth $350 million. Patriarch Om Prakash Jindal, 64, started making steel pipes in the 1950s and now is India's largest private manufacturer of stainless steel. The Jindal Group's sales have jumped tenfold, to $500 million, in only the past eight years. But the growth could have been much faster. Under the old regulations, the Jindals were unable to get licenses to expand their business. Now that they no longer need those licenses, Jindal is planning a $1 billion steel mill near Bangalore and is spending $100 million to double his stainless steel output. The Jindals expect their Jindal Group, with $500 million in assets now, to be a $3 billion group in five years.

This will most likely earn the Jindal family a place among FORBES billionaires, but, more important, it means that all Indians will benefit as top-quality steel replaces weaker materials in buildings, highways, railway bridges.

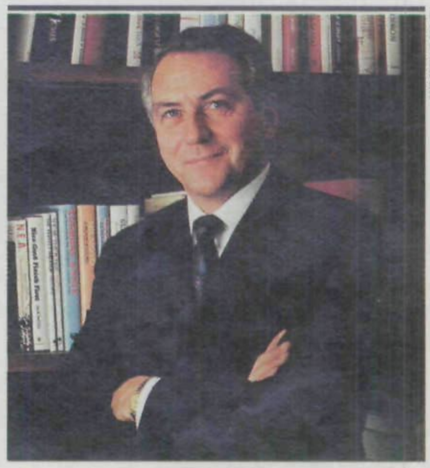
Pune's Rahul Bajaj, now worth at least $500 million, controls Bajaj Auto, India's largest maker of motor scooters. Bajaj's net worth should rise as tens of millions of Indians enter the middle class.

And last, but far from least, there's the Goenka family, also worth at least $500 million. Based in Bombay, family leader Rama Prasad Goenka has created a $1 billion (sales) group in only 15 years; it specializes in chemicals, pharmaceuticals and information technology. The Goenkas plan another $1.5 billion of new projects.

What about China? In a sense it is already well represented by the overseas Chinese billionaires profiled in the preceding and succeeding stories. But as economic reforms continue, the People's Republic itself will spawn many huge fortunes. The Shanghai and Shenzhen stock exchanges are now attracting hundreds of homegrown companies. Half a dozen Chinese companies have gone public on the Hong Kong Stock Exchange, and dozens more are expected to soon; mainland investments, largely in Hong Kong's skyrocketing real estate market, are estimated in the tens of billions of dollars.



Marek Szymański



Kordas & Associates

Polish entrepreneurs (clockwise from top): Jan Wejchert, Zbigniew Niemczycki and Marek Profus
Making millions on Jurassic Park, a Baltic Sea resort and aircraft from the former Soviet Union.

One Chinese entrepreneur who stands out is Rong Yiren, China's vice president. Pre-World War II, Rong's father and uncle built an extensive Shanghai-based empire of flour mills, textiles, machinery and printing factories. In 1949 the communists won the civil war and most of Rong's family fled abroad. But Rong Yiren decided to stay. Called the "Red Capitalist," he was permitted to live the high life, driving around Shanghai in Mercedes-Benzes and Cadillacs. But with the Cultural Revolution, the family's interests were seized and Rong was reportedly forced to be a janitor.

Deng Xiaoping rehabilitated Rong in 1979, when Deng urged Rong to start the China International Trust & Investment Corp. (Citic), Beijing's de facto investment bank. Despite its official image, Citic looks a lot like a family-run business. Since 1987 Rong's son, Larry Yung, 52, has run Citic's publicly traded Hong Kong investment arm, Citic Pacific. With a market cap of $3.6 billion, Citic has interests in trading and distribution, aviation, telecommunications, power generation and real estate.

Just who in Beijing owns stock in Citic and/or in Citic Pacific is murky. But it is a fact that Rong Yiren's son Larry Yung lives like a second- or third-generation billionaire. He drives expensive cars, reportedly spent over $7 million for former British Prime Minister Harold Macmillan's 14-bedroom home in Sussex, and is building a 16,143-square-foot mansion in Vancouver. Larry Yung's taipan status was consecrated early this

Robert Trippett/Sipa

Uganda's Yoweri Museveni (left) with Mayur Madhvani of the Madhvani Group and representatives of NutraSweet in Washington, D.C. last month
Reforms are luring foreign investors back to a country once synonymous with despotic chaos and economic devastation.

year when he was elected to the Board of the Stewards of the Royal Hong Kong Jockey Club.

New billionaires should also emerge in Israel, where economic liberalization began in earnest in the late 1980s. Restrictions on investment in the stock market have been lifted; stock prices rose an average of 50% in 1992 and 1993. Since 1992, 350 Israeli companies have gone public in New York and Tel Aviv.

Privatization of state-owned enterprises has made Eliezer Fishman, Israel's first buyout king, rich. He teamed up in 1987 with Bear, Stearns to buy Jerusalem Economic Development, a property company. Fishman has since taken the company public. His interests in the company, together with other equity investments and substantial real estate holdings in the Tel Aviv area, are worth an estimated $400 million.

Another future billionaire is Benzion Landa. A Canadian citizen based in Israel, he took his digital color printer company, Indigo N.V., public in May. With Indigo's market value recently around $713 million, Landa's 72% stake is worth $513 million.

Zohar Zisapel used to head the Israeli Defense Ministry's Department of Electronic Research. Today he and his brother, Yehuda, control computer network equipment maker RAD Data Communications Ltd. and 13 affiliated companies, with combined sales of $150 million. The Zisapels' stake in their companies, two of which have gone public since 1992, is worth an estimated $250 million.

In Eastern Europe, too, people are getting seriously rich as bureaucratic barriers to invest and expand are torn down. Marek Profus is probably Poland's richest man. He owns Profus Management, a conglomerate with 1993 revenues of $720 million. His primary business: trading Russian weapons. He buys aircraft from desperate manufacturers throughout the former Soviet Union and sells them to India, China, Eastern Europe and the Arab countries.

While Poland's new rich can live as well as the average Western billionaire, their assets—their companies—are still in the very early stages of accumulation. Remember, Poland shed communism only five years ago; at that time a typical private business in Poland was a shoemaker or a grocery store, employing two or three people. By contrast, Britain's Schroder family has had nearly two centuries to compound its wealth *(see p. 200)*.

In the circumstances, then, Poland's Zbigniew Niemczycki, probably worth over $50 million, is off to an impressive start. Keeping a small army of bodyguards at home, he owns half of $200 million (1993 revenues) Curtis International, which manufactures televisions and VCRs, and develops commercial and residential real estate. His other investments include a luxury hotel on the Baltic Sea and the first private airport in Poland. For expansion capital, Niemczycki hopes to sell a minority equity interest in Curtis to Western investors this September.

Jan Bogdan Wejchert is also worth some $50 million. He owns over half of $100-million-plus (1993 sales) ITI, a media, food-processing and commercial real estate conglomerate. Wejchert is a film distributor for Paramount and Universal, bringing Hollywood films like *Jurassic Park* and *Schindler's List* to Poland much faster than the old communists.

And then there is Africa. South Africa's Harry Oppenheimer is the continent's only billionaire, and the prospects for more are not bright. While most of the world has embraced free markets, many African countries still stagnate under corrupt governments that have stifled private enterprise and crippled economies.

But amid the gloom and doom is the unlikely exception of Uganda. Once synonymous with despotic chaos and economic devastation, Uganda in recent years has become a showcase for economic reform in Africa. Key elements in President Yoweri Museveni's recovery plan: abolishing price controls, establishing a market-determined exchange rate, ending currency restrictions, downsizing the army and civil service, and selling off state-owned businesses.

The results: Since 1987, when Museveni began the reforms, economic growth has averaged 5%, and inflation has fallen from over 200% to less than 5%. Foreign investors are beginning to return.

Rising out of the ashes is the Madhvani Group, Uganda's largest industrial group, with annual turnover of over $100 million—up from nothing in 1989, when the Madhvani family, with roots in India, began in earnest to rehabilitate businesses that had been expropriated by Idi Amin in 1971. The despot expelled the Madhvanis and 70,000 other South Asians after accusing them of exploiting blacks and "milking the economy."

At the time, the Madhvanis, with assets of around $120 million, controlled more than one-third of the industrial investment in the country. The centerpiece was the Kakira Sugarworks, a 22,000-acre plantation situated on Lake Victoria. The family also owned a brewery, a candy factory, textile and steel mills and tea estates. Visitors to the Madhvanis' elegant house at Kakira recall taking tea on a terrace that was surrounded by strolling Indian peacocks and featured a breathtaking view of the headwaters of the Nile.

After Amin was driven from the country in 1979, the Madhvanis were among the first Asian families to return to Uganda. Most of their sugar plantation had reverted to bush, however. So with help from the World Bank and other lenders, the Madhvanis undertook a $55 million rehabilitation effort. They've also been rejuvenating their tea estates, a soap factory, a confectionery factory, a steel mill and a brewery. Last month the Madhvanis and NutraSweet, a division of Monsanto, began producing a blend of cane sugar and aspartame to be marketed throughout East Africa.

The Madhvani's Ugandan enterprises now employ capital of around $200 million and account for about 9% of the country's GNP. Mayur Madhvani, 45, a director of the family's Ugandan interests, says sugar production should hit pre-Amin levels of around 70,000 tons in 1995, with volume rising to 130,000 tons by 1998. At the rate things are going, it's a safe bet that they'll be Uganda's first dollar billionaires—as long as the government holds to its course of economic liberation.

Bigger than Gates and Perot

WHEN converted into dollars at prevailing exchange rates, the fortunes of Uganda's Madhvanis, India's Ruias and China's Rongs don't add up to $1 billion apiece. Yet in their respective countries they're much more powerful—and may live better—than typical U.S. or European billionaires in their home countries.

This paradox results from the difference between simple exchange rate conversions and more complicated purchasing power parity, or PPP. FORBES uses exchange rates to convert a foreign fortune into dollars for purposes of our billionaires list. Example: With the rupee/dollar rate now at 31/1, an Indian businessman would have to have a net worth of 31 billion rupees to be a dollar billionaire. We can identify only two such Indian fortunes *(see p. 182)*.

In developing countries, however, most goods and services are cheaper than in the U.S. Rochester, Wis.-based Runzheimer International, a consulting firm specializing in relocating employees, says a housekeeper in New Delhi costs 37 cents an hour and $1 an hour in Beijing, but $4.36 in a typical U.S. city. (Add 14% if you want to be legal on U.S. taxes.)

According to the Futures Group, a Glastonbury, Conn.-based management consulting firm, in India 31 rupees can actually purchase goods and services worth nearly $5 in the U.S. Looked at this way, the rupee/dollar rate is really 31/5, and an Indian needs net assets worth only 6 billion rupees to be a dollar billionaire. Using purchasing power parities, India's Lalit Mohan Thapar, who controls Ballarpur Industries, is worth $300 million based on the exchange rate but can buy $1.5 billion worth of Indian goods and services. China's Rongs can buy about $1.5 billion worth, and Uganda's Madhvanis maybe $1.2 billion worth.

Measuring PPP is tricky, however. Many of the Third World rich like to buy the same things—suits by Armani, cars by Mercedes—as the First World rich, and local tariffs on luxury goods make many items in a wealthy Third Worlder's consumption basket more expensive than for his First World counterpart. A Mercedes 320E, for example, costs over $9,000 more to own and operate in Mexico City and about $3,500 more in Warsaw than in the U.S.

But no matter how you calculate a PPP index, it's foolish to think that $1 billion means the same in Bombay as it does in Tokyo or New York. Says Peter Kennedy, emerging markets director at the Futures Group: "The bigger point is that, relative to their own countries, these wealthy people [in emerging countries] wield an extraordinary amount of economic clout that goes way beyond the likes of a Ross Perot or Bill Gates."

–MICHAEL SCHUMAN


SAMSUNG