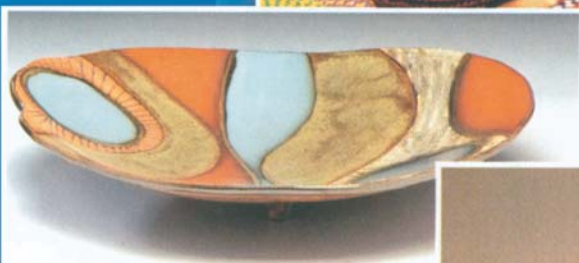


INDO - LAC BUSINESS

July-September 2007

News Magazine for Latin America & Caribbean Region ■ Rs.100

**India-Brazil Two-Way Trade
Target \$10 bn by 10
Mission Possible**



→ **INSIDE** ←

**Focus: Investment in Peru
Economy: Ecuador**

Founder Chairman
Late Shri R.K. Prasad

Distributed by:
New Media Communication Pvt. Ltd.
in association with
Export-Import Bank of India

Managing Editor: Satya Swaroop
Director: B.K. Sinha
Group Editor: Dev Varam
Consulting Editors: Prabhu Sinha, Umesh Luthria,
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Santosh Gangurde &
Vijay Wangade
Art Director: Santosh Nawar
Visualizers: Maya Vichare & Sagar Banawalikar
DTP: Nilima Kadam & Mohammad Ismail
Photographer: Bilal Khan

BRANCHES:

Kolkata: Anurag Sinha, Branch Manager,
A-7/1, Satyam Park, 2nd Lane,
Near 3A Bus Stand,
Thakurpukur Kolkata- 700 104
Tel: 098300 15667,
033-24537708
Email: anurag@newmediacomm.biz

Pune: Jagdish Khaladkar, Regional
Director,
Tel: 098230 38315
Geeta K., Regional Head, Sahyog
Apartments 508, Narayan Peth,
Patrya Maruti Chowk Pune 411030.
Telefax: 020 2445 1574
Email: pune@newmediacomm.biz
jagdishk@vsnl.com

Australia Office: Bandhana Kumari Prasad,
129 Camboon Road, Noranda,
Perth, W.A. 6062
Tel: 0061 892757447
Email: bandhana@newmediacomm.biz

**International
Marketing:** Tripat Oberoi & Shailesh Patel

New Media Communication Pvt. Ltd.,
B/302, Twin Arcade, Military Road, Marol,
Andheri (E), Mumbai - 400 059 India
Tel: +91-22-2925 0690. Telefax: +91-22-2925 5279
E-mail: enquiry@newmediacomm.biz
www.newmediacomm.com

Printed & Published by
Satya Swaroop and printed at:
M/s Young Printers, A-2/237,
Shah & Nahar Industrial Estate, Lower Parel,
Mumbai- 400 013 and published from
B -302, Twin Arcade, Military Road,
Marol, Andheri (E), Mumbai - 400 059. India

Editor: Veerendra Bhargava

The news items and information published herein have been collected from various sources, which are considered to be reliable. Readers are however requested to verify the facts before making business decisions using the same.

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Dear Reader,

Greetings. India and Brazil, two of the world's fast growing economies, have entered a new phase of B2B cooperation after the heads of the two respective governments facilitated the signing of a host of agreements between the two countries recently. A key development has been the setting up of a joint India-Brazil CEO Forum to ensure that the bilateral trade target of \$10 billion is achievable by 2010. Both Indian Prime Minister Manmohan Singh and Brazilian President Luiz Inacio Lula da Silva, who flagged off the Forum on 4 June 2007 during the latter's visit to India, are confident that this target is quite achievable in view of the immense untapped potential existing between the two countries. The cover story of the current issue of Indo-LAC Business looks at the opportunities awaiting to be explored by the business communities of both the countries. Investment in infrastructure has been the top most priority for Latin American countries. Recently Peru hosted a meet on public-private-partnership in facilitating investment in infrastructure, which is vital to the overall economic growth of the region. We carry it in the focus section of the magazine along with an in-depth write-up by well-known corporate leader Diego de la Torre on Peru's positive investment climate and the avenues that the sectors of mining and oil offer to investors. R. Viswanathan, an authority on Latin America believes that India needs to take advantage of the opportunities that Argentina offers following its economic resurgence in recent years. He also pays a touching farewell tribute to Ambassador Jorge Heine of Chile, who returns to academics after his tenure in New Delhi as his country's top diplomat. Nestling in the north western region of Latin America is Ecuador, a quite country of great promise. We highlight both its economy, which is predominantly export-oriented, and its potential as an enchanting tourist attraction. Mexican small and medium enterprises (SMEs) are keen on joint ventures with their Indian counterparts. We carry a news report on the outcome of a recent visit to India of a Mexican SME business delegation. The Andean Development Corporation (CAF) plans to initiate projects and programmes to improve trade relations between Latin America and Asia and the Pacific region. We carry a report. Besides these, the issue carries the usual regular features.

Wish you happy reading,



Satya Swaroop

Managing Editor

satya@newmediacomm.biz

India-Brazil Two-Way Trade



Target \$10 bn by '10 Mission Possible

Brazilian President Luiz Inacio Lula da Silva's recent visit to India has galvanized business communities from both countries to resolve to step up bilateral trade and achieve the target of \$10 billion by 2010. During that three-day visit in June 2007, President Lula's and Prime Minister Manmohan Singh had set up a powerful Forum of Chief Executive Officers (CEOs) of both countries to ensure that the two-way trade target of \$10 billion by 2010 would be met and taken well beyond that mark thereafter.

The fact that both the Indian and Brazilian economies joined the trillion dollar (GDP) economies almost around the same time (Brazil in April and India in May 2007) have given a new confidence boost and a new dimension to their two-way trade. Against this backdrop the governments and business of the two countries have set an ambitious goal of

\$10 billion dollars of bilateral trade by 2010. It is a mission quite possible.

The first meeting of the India-Brazil CEOs Forum was held on 4 June, which was addressed by President Lula and Prime Minister Singh. In his speeches to the Forum and another meeting with Indian business leaders President Lula inspired confidence and optimism among the latter. The next meeting of the Forum will be held in Brazil in December 2007 to initiate necessary follow-up action.

The Forum consists of 17 CEOs from India and 14 from Brazil. List attached. **Cochairman from India is Ratan Tata and from Brazil it is Sergio Gabrielli, CEO of Petrobras.**



The Forum will suggest to the both governments their ideas for more trade and investment. But more than that, the CEOs Forum has elevated the level of understanding and dealing to the top level.

President Lula was accompanied by more than 100 businessmen, the largest-ever Latin American business delegation to have visited India. The delegates were busy with meetings and deal-makings and some of them stayed behind

and visited other cities.

Some large industrial corporations from both India and Brazil have already started collaborations in their respective fields.

- Brazil's Petrobras is getting into three offshore blocks in India in joint venture with Oil and Natural Gas Corporation (ONGC). In return Petrobras has given equity to ONGC's Oil is gearing up enter Brazil.
- Brazil's CVRD has already set up an office in Delhi and is doing business with a number of Indian companies. They are looking for investment opportunities.
- Essar is exploring mining opportunities in Brazil.
- BPCL is getting into a Joint Venture with Petrobras for ethanol in Brazil

"India-Brazil trade has the potential of achieving a target of \$10 billion by 2010 and can also go beyond that mark", said President Lula said during his visit.

Addressing a meeting of Indian business leaders organized jointly by the Confederation of Indian Industry (CII), the Associated Chambers of Commerce and Industry (ASSOCHAM) and the Federation of Indian Chambers of Commerce and Industry (FICCI), President Lula said that both the countries should diversify their trade potential in view of their rapid economic growth

Earlier, Manmohan Singh, Prime Minister of India and President Lula formed the CEO's forum. The Forum broadly represents the business communities of both the countries, which will and look at the business opportunities between the two countries and focus their attention towards achieving a bilateral trade target of \$10 billion by 2010.

President Lula said that Brazil and India had created G20, which made both the countries important in the WTO negotiations and in fulfilling the Doha Round successfully.

"The interest of the developing countries and the farmers' dependent solely on agriculture are the priorities of the discussion in WTO", President Lula said,

adding, "I've been working on the idea that 21st century will be the century of opportunities for the countries who could not take the advantage in 20th century".

He said that there was a huge potential in the renewable energy sector and Brazil, along with India and South Africa, were working towards creating a world group to make bio-fuel a source of renewable energy. "This can generate jobs in the country side and reduce poverty", President Lula added.

"India and Brazil need to create a world market by supporting each other and need the private sector to cooperate in this effort," said President Lula.

He said that Brazil was currently running a 'Growth Acceleration Program' with an investment of \$250 billion with its focus on development of infrastructure and Indian entrepreneurs could directly invest in that sector.

President Lula said India and Brazil had not even identified 10 percent of the bi-lateral trade opportunities and there was a lot of potential in the exchange of technology and engineering capabilities. Brazil could contribute to India's agricultural sector whereas India could provide pharmaceutical technology to Brazil, he said adding that the governments and business communities from both the countries should focus on increasing the bi-lateral trade with the increased opportunity in the current world market.

Indian Minister of Commerce and Industry Kamal Nath said India and Brazil had already emerged as the strong voices of developing nations in the Trade negotiations.



"The Brazilian business delegation accompanying the President will give positive signals to the business communities of both sides and will further strengthen the relations leading to further increase in trade and investments between both the countries," Kamal Nath said.

Brazil is the third largest trade partner in the Latin America and the trade between the two countries should rise to \$10 billion as targeted, he said.

Brazil's Minister for Development of Industry and Foreign Trade Miguel

Joao Jorge Filho said that Brazil and India held immense potential in pharmaceuticals, bio-fuels, Information Technology, food processing, automobiles parts, mining, civil aviation, medical equipment, infrastructure and railway equipment.

He said that Brazil was looking forward to Indian entrepreneurs to explore a great opportunity to exchange experiences and knowledge. The Minister said that joint-ventures and partnerships in the field of IT, engineering, petroleum, chemical and medical sectors were already adding to the business between the two countries. New sectors of businesses should be looked at, he added.

India's Minister of State for External Affairs Anand Sharma said that India and Brazil shared strong bi-lateral trade relationship which and global dimensions. The CEO Forum had accepted the challenge of growth set by the leaders of Brazil and India where both the countries should play their rightful role among developing countries, he added.



Brazil's new economic growth cycle and improved solvency has made Brazil as a favored business destination in the Latin America, said

Brazil's National Confederation of Industry (CNI) President Armando Monteiro Neto said that his country had competitive and diversified industrial structure. He identified the main sectors as chemicals, food products, automotive vehicles, aviation, basic metal, machines and clothing.

"India and Brazil are both consumer-driven societies and are open to investment and joint ventures from India and other countries," he added.

V R S Natarajan, Chairman BEML and Chairman of the CII Brazil Committee informed President Lula that CII would soon be opening its office in Brazil, its first in the Latin America and Caribbean region.

Malvinder Mohan Singh, Chairman, CII National Committee on

Technology and CEO and Managing Director, Ranbaxy Laboratories Ltd said Brazil and India had robust economies and both the countries believed in inclusive growth.

He said that both the countries were collaborating in bio-technology and pharmaceutical sectors and held a lot of opportunities in other sectors too. Singh added that both the countries faced similar challenges in the world market and together should explore the potential.

Saroj Kumar Poddar, Former President, FICCI said that energy was a key area of concern for Brazil and India where both the countries should work together on the technology of using ethanol and other natural sources of energy. Aviation and defence could be two areas of major collaboration between the two countries, he added.

Indian infrastructure sector needs \$350 billion investment and Brazil is taking keen interest in the development of Indian infrastructure and technology required in this sector, said

Rakesh Bakshi of ASSOCHAM said India and Brazil had lot of trade opportunities in energy, healthcare, IT and tourism sectors.

Meanwhile, Murli Deora, Minister for Petroleum & Natural Gas called on the President, Brazil, Luiz Nacio Lula Da Silva and discussed the potential for collaboration and cooperation between India and Brazil as both are growing economies and the international economic interests of the two nations are similar.

Expressing satisfaction with the present level of collaboration between India and Brazil in the energy sector, Deora indicated that the Indian navratna national oil companies like ONGC, IOC, BPCL and GAIL are further interested in E&P in Brazil.

Deora informed the President that on the Brazilian example, India has also started mixing of ethanol with petrol. Presently 5 per cent ethanol blended petrol (EBP) programme has been launched in major parts of India.

The minister requested that India would like to collaborate with Brazil on EBP for better technology to gain from the experience and expertise of Brazil. ■

The India-Brazil CEO Forum

The Forum - Indian Side

Ratan Tata (Co-chair), Chairman, Tata Sons Ltd; Subodh Bhargava, Chairman, VSNL; Dr. Surinder Kapur, Chairman & Managing Director, Sona Koyo Steering Systems Ltd; V.R.S. Natarajan, Chairman & Managing Director, Bharat Earth Movers Ltd; R. S. Sharma, Chairman and MD/ R.S. Butola, Managing Director, OVL, Dhruv Sawhney, Chairman & Managing Director, Triveni Engineering & Industries Ltd; Malvinder Singh, CEO & Managing Director, Ranbaxy Laboratories Ltd; Pramod Chaudhari, Chairman, Praj Industries Limited; Ramalinga Raju, Chairman, Satyam Computers; S. Ramadorai, Chief Executive Officer, Tata Consultancy Services; Gautam Thapar, Chairman, Ballarpur Industries Ltd.; Jamshyd Godrej, Chairman & Managing Director, Godrej & Boyce Mfg Co. Ltd.; Sunil Kant Munjal, Managing Director & CEO, Hero Corporate Services Ltd.; K.V. Kamath, Managing Director & CEO, ICICI Bank Ltd. Mukesh Ambani, Chairman, Reliance Industries Ltd.; Deepak

Parekh, Chairman, HDFC; and Tarun Das, Chairman, Haldia Petrochemicals Ltd & Chief Mentor, Confederation of Indian Industry.

Brazilian side

José Sérgio Gabrielli (Co-chair), CEO, Petrobrás (Energy); Armando Monteiro, Chairman, Confederation of Brazilian Industry; Vitor Hallack, Chairman, Camargo Correa S.A.; Paulo Godoy, CEO, Alusa Holding ; Deonísio Petry, Managing Director, Figwal Transportes Internacionais Ltd; Flávio Machado Filho, Vice-Chairman, Andrade Gutierrez (Construction); José Antonio Martins, Vice-Chairman, Marcopolo S.A.; Nilo Jose Panazzolo, Managing Director International Affairs, Banco do Brasil S.A; Giacomo Feres Staniscia, CIO-CTO, Atech Tecnologias Críticas (Software); Rúbio Fernal, Director for Business Development, Odebrecht (Construction); Nestor Giacomini, Managing Director, Randon (Transport equipment); Orlando José Ferreira Neto, Managing Director, Embraer (aircraft); Rui Lopes, Vice-President, Grupo Gerdau, (steel) and Hermelindo Ruete de Oliveira, Managing Director, Copersucar (sugar and ethanol). ■

India's ONGC & Brazil's Petrobras Sign Swap Agreement

India's Oil and Natural Gas Corporation Ltd (ONGC), and the Brazilian oil major Petrobras recently reached an agreement on swapping of interests in offshore blocks in India and Brazil allowing entry of Petrobras into India and an increased presence of ONGC Videsh Limited's (OVL) presence in Brazil.

ONGC has offered the Brazilian oil firm Petroleo Brasileiro SA a stake in its east coast blocks in exchange for getting a 15 per cent stake in a Brazilian exploration acreage.

The swapping agreement signed between the two oil companies today "marks an increased presence of ONGC Videsh Ltd (the overseas arm of ONGC) in Brazil and the entry of Petrobras in India," an ONGC statement said in New Delhi.

The agreement was signed by chairman, ONGC group of companies R.S. Sharma, CEO of ONGC Videsh Ltd. (OVL) R.S. Butola and president and CEO of Petrobras Jose Sergio Gabrielli De Azevedo.

Jose Sergio Gabrielli De Azevedo, President and CEO of Petrobras said: "India was always a strategic country for us. The deal emphasises the strength of our relationship with ONGC and our belief in the Indian story."

CEO of OVL R.S. Butola said: "Brazil is an important element of our global growth strategy. We believe that an increased interest in the area is attractive and re-confirms our commitment to growth in Brazil."

Petrobras, according to the press note, had in April last year "accommodated OVL by waiving its right of pre-emption in the (Brazilian) offshore block BC-10" where the Indian firm acquired 15 per cent interest from Shell.

Shell has 50 per cent stake in the block located about 120 km south-east of the city of Vitria, Espírito Santo state, in water depths ranging from 1,500-2,000 meters. Petrobras has the remaining 35 per cent.

The agreement was the culmination of the MoU signed with Petrobras in September 2006 in Brasilia. ■

Mining, Oil, Hold Bright Prospects

Peru Offers Positive Investment Climate

Over the last few years, Peru's economy and international image have changed dramatically, according to Diego de la Torre, Partner, Aleteia Capital. Following is the text of Torre's analytical study of Peru's economy and its investment climate.

The radical changes and open economic policies applied during the nineties put Peru in a sensible path of economic recovery. As a result, foreign investment into the country has been providing Peru with resources to sustain its economic growth rate. This clearly reflects international confidence in the country's future, considering the social and political issues currently present in Peru.

The impressive results achieved by Peru's economy brought back international credibility to the country. This is reflected in the reports of risk classification agencies. Peru is working hard to get the Investment Grade, which

seemed a utopia not long ago. The stable macroeconomics policies, clear

investment rules, new labour laws, and privatisation have attracted foreign investment. On the other hand, tight fiscal and monetary policies have also contributed to achieve extraordinary economic results. Peru's 6.4% GDP growth rate in 2005 and 7.9% in 2006 were among the highest in Latin America. The annual average growth projected for 2007-2008 is 7.0%, which is well above the region average. Inflation is no longer a problem with an independent and very professional central bank management. There are still, however, other economic indicators that Peru has not yet developed to the desired levels. Despite the efforts made, infrastructure is still rudimentary and the stock market is still relatively small.



Free Trade Pacts

Peru's international policy has been increasingly active. Peru has tried to get Peru involved in all international trade negotiations, including the Andean Pact and GATT, reflecting the interest of Peru for free trade. Peru has just signed a Free Trade Agreement with the United States (it is expected to be approved by the US congress in June) and it is actively searching for a similar agreement with the European Community. Nevertheless, international trade in Peru is still incipient, despite the export boom of the last three years and the positive commercial



Diego de la Torre is Chairman and co-founder of La Vega S.A., the largest building materials distribution company in Peru. de la Torre has, in part, been able to achieve such considerable success because his ability to build cultural and business bridges between the Andean migrants from the highlands and the "western" sector of Peruvian society. He developed the intangible assets of his company that allowed the design of structure, culture and business processes that have become benchmarks in the industry. La Vega is ranked among the top 150 companies in Peru. He is also the founder of Quikrete Peru, a joint venture with an American company which has led and pioneered the production and development of dry ready mix concrete in the Peruvian market. de la Torre is also Professor of Business at the Universidad del Pacífico in Lima. His research interests include the dynamics of start-ups and how to foster trust, understanding and ethical business relationships.

He was recently invited by the Canadian Government to make a presentation about intangibles at the Organization of American States in Washington D.C.

Currently, he is researching about how good corporate governance practices can boost market capitalization. In July 2006, he was a speaker at the Global Leadership Summit in London, event sponsored by the Financial Times and Business Week.

balance. Export and import mix give no sign of a significant change towards capital-intensive manufacturing or knowledge based product and services. Peru still seems to be focusing on exploiting its natural resources during this stage of its economic growth. Fortunately, this is starting to change.

Politically, Peru is starting to consolidate its main institutions such as the judiciary, electoral systems and political parties. The current political situation with the strong leadership of the renewed and economically literate Alan García provides an attractive framework for investors.

In one of his visits to the United States previous to his election, investment bankers commented that his economic approach was so sound and sensible that they thought they were listening to Alan Greenspan instead of Alan García. Democracy concerns have been considerably reduced with the recent election of García, a proven democrat.

A reasonable sense of security given the defeat of terrorism during the 90's provides a good environment for foreign and domestic investment. However, security is one of the great challenges of the administration.



Socially, there are many things still to be done. One of these is unemployment, despite some progress made. We will also need a painful but unavoidable public restructuring. Another one is education, where investments made have not been sufficient to significantly improve the current situation. In addition, the gap in income distribution remains an important task for all Peruvians. To reduce the risk of social unrest and to avoid the election of a populist government in 2011, García must increase investment and concern for these issues. Despite the current problems, there is still a feeling of hope and security. More resources should be directed to solve these problems. It is hard to predict if improvements will be seen in the short term but politicians have to keep their promises and show progress.

Peru has been in a tricky situation: It has had to deal with too many internal problems, while always having to perform in a way acceptable to the IMF. Peru's first priority was to get out of the critical condition by making it eligible for foreign investments and to gain back investor's confidence. They have managed this turnaround stage reasonably well. Because of this and thanks to its sensible economic policies, Peru can and has to start to develop a strategy for the future.

Currently Peru's economy is still very resource-oriented, mainly because of the technology, infrastructure and skill level. They have to decide where they want to head. To make the economy less vulnerable and to guarantee sustainability of growth, Peru will have to work towards a more industrialized and capital-intensive and knowledge based economy. They will have to do so, mainly by educating and training its work force, as well as by creating the necessary productive infrastructure. Peru will be able to make this switch and is already working on it. Despite the lack of a clear long-term strategy, Peru has initiated its development with a



long-term approach. Never before in Peru's history has this been the case. In all the previous booms Peru was only exploited. Thus they are finally able to pursue more strategic goals than the ones imposed by the IMF.

Attractive Sectors

The final balance looks positive. Investment in Peru is attractive, especially in the privatized companies, which have shown great result so far. Attractive sectors at the moment are in mining and oil; while the construction, tourism and agriculture sectors promise good prospects in the near future.

Peru compares very favourable with the macroeconomic indicators of other Latin American countries given its low inflation, stable currency and an above average projected GDP growth for the next years. ■

Economic Results				
	2004	2005	2006	2007*
Private investment % GDP	15.2%	16%	16.9%	18.7%
GDP Variation	5.2%	6.4%	7.9%	6.8%
Confidence index	38%	43%	56%	N/A
Public Investment Growth	5.7%	12.2%	14.6%	34.7%
Private Investment Growth	9.1%	13.9%	19.9%	16.3%

* Projected

Peru hosts PPP meet on Investment in Infrastructure & Development

The forum "Investment in Infrastructure and Development: Public Private Partnerships" organized by the Special ProInvestment Commission of the Peruvian Congress and Corporación Financiera de Desarrollo (COFIDE), with support from the Andean Development Corporation (CAF), was held June 22 in Lima Country Club. The event emphasized the need to implement innovative, efficient and effective schemes to improve development infrastructure, particularly in the regions.

The forum, was attended by distinguished speakers and panelists from the public and private sectors, will underscore close cooperation between public and private sectors in an effort to close the enormous gap in infrastructure investment in Peru.

Those who attended the event included President of Congress Mercedes Cabanillas; president of the Council and Ministers Jorge del Castillo; CAF representative in Peru Germán Jaramillo; COFIDE President Luis Rebolledo Soberón; president of the Special Commission ProInvestment Cesar Zumaeta; Minister of Energy and Mines Juan Valdivia; and president of Banco de la Nación Enrique Cornejo.

The forum identified important regional demands related to infrastructure appropriate for development

through public-private partnerships, promote exchange of ideas and, in particular, develop a broad dialogue based on greater knowledge with a view to building the consensus needed to guarantee the dynamic and sustainable development of infrastructure investment.

The activity also contributed to the exchange of international and national experiences on the importance of speeding up investment in infrastructure and the role that public-private partnerships can play by debating their advantages and limitations.

The event also aimed to promote dialogue between agents (lawmakers, national authorities, subnational governments, civil society, private companies, etc) whose shared vision is needed to guarantee dynamic and sustainable investment.

The CAF contribution will be reflected in a substantial improvement in the possibilities of policymaking and identification of priorities and implementation mechanisms related to investment in infrastructure projects with a view to attracting more local and international resources.

CAF has consistently supported initiatives to encourage the dialogue focused on improving conditions as a way of guaranteeing that investments in

development infrastructure are sustainable and executed with transparency, promoting decisions based on the best information available for all the agents involved.

Support for this type of event strengthens the recognized leadership role of the regional development bank in this area. CAF's participation will also continue building consensus with the subnational governments participating in the forum. ■



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LatAm Infrastructure Investment Index Chile, Brazil top WEF rankings

In the World Economic Forum's new index measuring attractiveness for private investment in infrastructure in Latin America, Peru follows the top three closely, while Venezuela, Bolivia and Dominican Republic have the least attractive environment.

Chile, Brazil, Colombia and Peru lead the region with respect to the attractiveness of their private investment climate for infrastructure. Covering 12 economies in Latin America and the Caribbean, the study, "Benchmarking National Attractiveness for Private Investment in Latin American Infrastructure", assesses the main drivers of private investment in infrastructure projects for ports, airports, roads and electricity.

This is the first time that the World Economic Forum has developed an index specifically analysing the investment environment for infrastructure.

The World Economic Forum on Latin America 2006 in São Paulo

'Deeper LatAm Regional Integration Vital'



Two Latin American presidents have called for deeper regional integration and increased investment in education, two priorities that mirrored a consensus among the 400 business, and government leaders from 28 countries participating in the World Economic Forum on Latin America held recently in Santiago, Chile.

"It is important that you believe in the integration of Latin America," Brazilian President Luiz Inacio Lula da Silva said. "There is no development unless there is integration of energy, highways or communications. There has to be a degree of political trust among us."

Later, Chile's President, Michelle Bachelet, told participants that for her country and other Latin American nations to reach a higher level of growth and productivity, "the priority is to take a great leap to ensure quality education for all." Added Bachelet: "We want to grow to be inclusive and be inclusive to grow."

identified poor infrastructure as a major obstacle to the region's ability to compete globally and as one of the priority areas in which the World Economic Forum needed to explore alternatives and catalyse actions to overcome the current shortcomings.

The study features the Infrastructure Private Investment Attractiveness Index (IPIAI), a customized, methodological tool gauging the institutions, factors and policies making it attractive for private investors to invest in infrastructure projects. An assessment of infrastructure investment opportunities is also performed for each of the countries covered.

Infrastructure Index	Private Investment Rank	Attractiveness Country Score
1	Chile	5.43
2	Brazil	4.40
3	Colombia	4.33
4	Peru	4.23
5	Mexico	4.04
6	Uruguay	4.02
7	El Salvador	3.97
8	Guatemala	3.64
9	Argentina	3.41
10	Venezuela	3.37
11	Bolivia	3.34
12	Dominican Republic	3.33

The eight pillars measured by the IPIAI are:

- Macroeconomic environment: economic stability, market size and growth prospects
- Legal framework (rule of law), including regulatory efficiency, public ethics and the effectiveness of dispute settlement procedures
- Political risk
- Ease of access to information
- Sophistication and development of the financial markets

During the meeting, participants considered a number of priorities for the region and decided on five on which to focus: education, the environment, R&D investment, efficient taxes and infrastructure. In a number of sessions, panellists and participants stressed the need for Latin America to deepen integration.

"This Santiago Consensus on policy priorities represents "a more deliberate and multifaceted effort to achieve higher growth and equity," said Richard Samans, Managing Director, Centre for Public-Private Partnerships, World Economic Forum.

In an earlier session, José C. Grubisich, Chief Executive Officer, Braskem, Brazil, and a meeting Co-Chair, explained: "It is not sufficient to bring growth back to our economies. We should focus on how to bring about a stable macroeconomic position and combine growth

that enable infrastructure financing

- The country's track record on private investment in infrastructure over the past 15 years
- Relations between government and society, including society's willingness to pay for the services related to infrastructure
- Government readiness to deal with and ability to facilitate private investment in infrastructure

"The IPIAI provides country-specific diagnostics about relative national strengths and weaknesses in attracting private infrastructure investment," said Irene Mia, Senior Economist at the World Economic Forum's Global Competitiveness Network.

"From an investor's perspective, the IPIAI provides a customized toolkit for investment decisions and location choices in Latin America while it guides policy-makers in the choice of the best policies to foster their national attractiveness for private investment in infrastructure and in prioritizing sectors and measures," said Julio Estrada, Research Projects Manager for Latin America at the World Economic Forum.

The twelve countries included in the study were grouped into four different clusters, each showing a specific attractiveness profile. The classification under a particular cluster has specific policy implications for a given country in that it indicates the reforms and policies to prioritize to catalyse high volumes of private investment in infrastructure, which differ from those for countries in other clusters. With an environment extremely conducive to private investment in infrastructure, Chile is in a class of its own in the region. It is therefore no surprise that Chile has been one of the most salient countries worldwide in terms of the amount of private investment in infrastructure made in the past two decades.

and investment to reduce poverty."

An over-arching priority is to boost investment in infrastructure, education, R&D and environmental protection. "The question is how we may be able to invest more," said Andrés Velasco, Minister of Finance of Chile. "We have to have good sound projects. A major priority is to reduce the costs of investment." This means reforming capital markets, ensuring that the banking system is sound, bringing interest rates down, and promoting innovation and venture capital. All of this will drive new growth and productivity and address inequities, Velasco reckoned.

In closing the meeting, Samans announced that next year's World Economic Forum on Latin America will be held in Mexico.

Cluster 1 is formed by Brazil, Peru and Colombia, who show a fairly strong performance across most pillars, with the exception of the legal framework for Brazil, the civil society government related dimension for Peru and the track record on private investment projects for Colombia. What is common to the three countries is that their governments and entrepreneurs face a challenge of execution and innovation, to deal with the specific complexities in increasing the flow of successful projects.

Cluster 2 is composed of Mexico and El Salvador. Both perform fairly strongly in the general investment environment dimensions and, very importantly, they also display a developed financial sector, providing financing for infrastructure investment projects. At the same time, they have a weak track record on private infrastructure investment and perform poorly in the pillar that relates to the social and civil society government relations. To boost investment in infrastructure, these countries should implement short-term policies and administrative reforms and make a centralized effort to get key projects going.

Cluster 3 includes Guatemala and Uruguay and, to a lesser extent, Dominican Republic. These countries have decent general investment environments but are weak in the infrastructure investment specific factor. In particular, Guatemala shows little sophistication in its financial markets, with an underdeveloped pension fund system. Dominican Republic has a similarly underdeveloped financial system with the added complexity of a very recent and severe bank crisis from which it is only starting to recover. Uruguay's financial system also has yet to fully recover from the macroeconomic crisis of the first half of the decade, displaying very little long-term credit availability in local currency and pension funds investing mainly in government debt. Reforms to streamline projects and improve the government's capacity to facilitate private investment are a priority, together with those targeted at reinforcing and



developing the financial sector, which are more complex and require a comprehensive and consistent medium-term approach.

Cluster 4: In this cluster, which includes Argentina, Bolivia and Venezuela, general investment conditions are poor. Most private infrastructure investment in these countries is related to industry-specific initiatives in areas where benefits are directly captured by investors (mining, oil and gas). The use of private investment to provide public goods is almost nonexistent. The challenge for these countries is the adoption of an extensive agenda of reforms targeted at improving the general investment climate.

The study is based on publicly available hard data as well as perception data. In particular, the authors used the results from the World Economic Forum's Executive Opinion Survey (EOS) and conducted a mini-survey among practitioners and legal experts on government readiness to deal with and manage private investment projects. Data from the Centre d'Etudes Prospectives et d'Informations Internationales (CEPII) and Latinobarómetro were also used.

"Perception data represents a useful complement to hard data, since they capture key dimensions of national attractiveness for private infrastructure investment and for infrastructure quality, for which there is no quantitative data available for all the countries covered," said Thierry Geiger, Economist at the World Economic Forum's Global Competitiveness Network.

The authors of the study are Irene Mia, Julio Estrada and Thierry Geiger of the World Economic Forum.

India must look at Argentina for Joint Venture Avenues



R. Viswanathan

The Argentine economy has recovered remarkably well after the economic and debt default crisis of 2001. The Argentines had to suffer and resolve the crisis on their own and this has helped establish a solid foundation for the country's future. Indian businesses would do well to tap this large and growing market, says R. Viswanathan

While Indian companies in recent years have established their presence in Brazil, Mexico and other Latin American countries, Argentina, the third largest market, has missed their attention. The main reason is the negative perception after the Argentine economic crisis and debt default of 2001. However, in the last four years, the Argentine economy has recovered, stabilized and turned around remarkably.

Remarkable Recovery

The cumulative growth of the Argentine economy since 2003 has been over 40 per cent. The growth projection for 2007 is 7.5 percent and for 2008 over six percent. This growth is comprehensive and inclusive; unemployment and poverty rates have fallen.

External debt has been brought down to a manageable \$113 billion in June 2007 from \$171 billion in 2004. In January 2006, Argentina paid its entire \$9 billion debt to the International Monetary Fund (IMF) ahead of schedule and freed itself of external policy prescriptions.

Exports have been booming, touching a record \$46 billion in 2006, and are set to cross \$50 billion in 2007. Since 2002, the country has been recording trade surpluses of over \$10 billion annually. Foreign exchange reserves have been growing steadily; they touched \$43 billion in July 2007.

The devaluation of the currency from one peso to a dollar in 2001 to 3.07 pesos to a dollar in July 2007 has made exports competitive and attracted more tourists. Inflation was contained at 9.0 per cent in 2006 and is likely to decline in 2007.

Recovery After Crisis

This is not yet another cycle of recovery after crisis, as has happened many times in the past. This time around there seems to be a paradigm shift in mindset. Politicians,

business leaders and the public seem determined to create a new future. This is evident from the new economic trends.

Since 2003, and for the first time in four decades, Argentina has posted current account and fiscal surpluses every year. Investment rate reached 23.5 per cent of GDP in 2006, a record in the country's economic history. Also, the domestic savings rate of 26.5 per cent of GDP in 2006 was unprecedented. These are clear signs of the new discipline and determination, which have been complemented by an increasingly stable political set-up that is providing a conducive environment.

Historic Turning Point

The 2001 crisis was a historic turning point for Argentina not only economically but also politically and culturally. It shook the fundamental psyche of the Argentines. They learnt an unforgettable lesson. No country or financial institution was willing to help them during their most difficult period. They saw the contrasting cases of Mexico, Thailand and Korea, which were promptly rescued by the financial powers and institutions. The Argentines had to suffer and resolve the crisis on their own. Driven to the wall, they managed to settle the bond

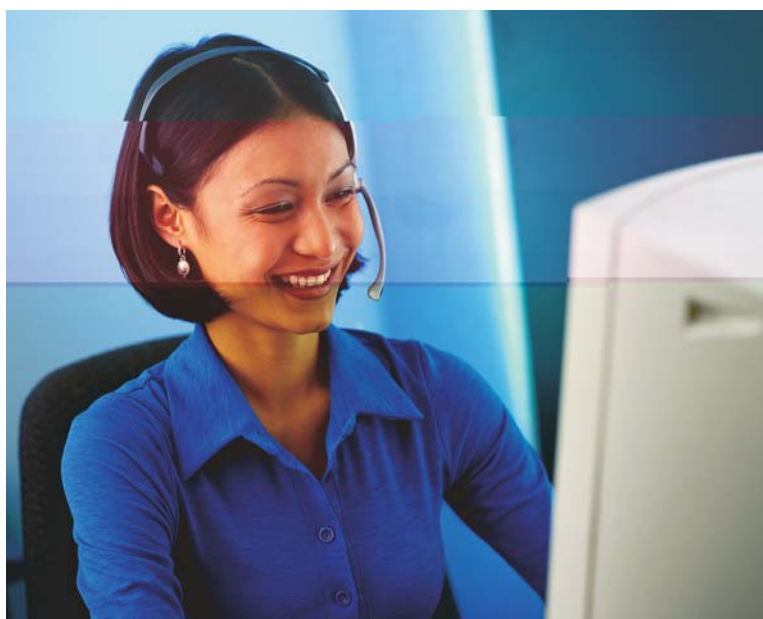




repayment of \$80 billion, offering an audacious 30 cents to a dollar. No one expected this to succeed and many thought it was a bluff. But Argentina managed to pull it off. This has given the Argentines a new sense of achievement, pride and responsibility. And has established a solid foundation for a new future based on realism, pragmatism, discipline and self-reliance.

Indian businesses need to understand this paradigm shift and focus on the future. They should look at the opportunities offered by this large market, of 40 million people, a GDP of \$290 billion and a land area of 2.7 million sq km, almost equivalent to that of India. It is an agricultural powerhouse and a large exporter of wheat, corn, soya, edible oils and meat.

Argentina is self-sufficient in energy. It has 31 billion barrels of oil reserves and produces 800,000 bpd (barrels per day), of which, 300,000 bpd is exported. It is the second largest gas producer in Latin America and exports to Chile. It is rich in mineral resources such as iron, bauxite, zinc, lead, copper, potassium, silver and gold.



The manufacturing industry is relatively large and diversified and is strong in automobiles, auto parts, consumer goods, pharmaceuticals, paper, cosmetics and food processing. Besides its own market, Argentina has duty-free access to the larger market of Mercosur as a member of this customs union. India has concluded a PTA (Preferential Trade Agreement) with Mercosur for 450 items of exports and an equal number for imports.

In 2006, India's trade with Argentina was \$1,239 million, of which, \$290 million constituted exports and \$949 million imports. Argentina was the largest source of imports of India in Latin America in 2000, 2001 and 2003 and is now the second largest. India's main exports are chemicals, vehicles, engineering products, textiles and traditional items. Edible oil accounts for 75 percent of imports, and the others include paper pulp, leather, wool and minerals.

Business Deals

Indian companies have started exploring investment and joint venture opportunities. United Phosphorus has acquired an agrochemical plant. Glenmark took over Argentine pharma company Servyl SA in November 2005. Tata Motors is in a joint venture with Fiat in Argentina for production of small cars. ICICI has a BPO in Buenos Aires and other Indian IT companies are looking at the possibility of BPO and ITES operations making use of the high literacy rate and low cost of operations.

Indian companies are pursuing mining and railway projects and are also looking at agribusiness. They can buy soya farms and produce soya oil to supply to India, which imports edible oils worth \$12 billion annually. This is a good time to buy assets, factories and farms, as the prices now are half of what they were before the devaluation in 2002.

(The author is with the Ministry of External Affairs. His views are personal. He can be contacted at rv@rviswanathan.com.) ■

Farewell to Ambassador Heine

Be Happy and Merry; Confirm & Call Back on Your Blackberry



Jorge Heine

July 2007 witnessed a host of lunches, dinners and cocktail parties almost every day to bid farewell to the most visible, read and heard foreign Ambassador in India, Jorge Heine of Chile, who left the country on the last day of the month.

Ambassador Heine gave more lectures in universities, addressed thinktanks, chambers of commerce and published more articles in Indian newspapers than any other Ambassador in India. He has written and talked about Latin America, politics, economics and globalization.

The envoy and his charming economist wife Norma hosted so many parties and networked with many Indian intellectuals, journalists and socialites. During his time, there had been many celebrity visits between the two countries including ministers, chiefs of armed forces, businessmen and the high point was the visit of Chilean President Ricardo Lagos in March 2005. Thanks to him, Chile has emerged as the largest source of India's imports from Latin America. India's imports from Chile in 2006 amounted to about \$1.7 billion and are growing.

Ambassador Heine is going back to his first passion - academics. He will become from 1 August, CIGI Professor of Global Governance at Wilfrid Laurier University in Waterloo, Ontario. This will be a joint appointment with the Centre for International Governance Innovation, Canada's premier think-tank on international relations. He will be teaching in a PhD program in Global Governance, within the newly established Jim Balsillie School of International Affairs, that has been established with a US 100 million endowment, of which half has come from Balsillie, co-chairman of Research in Motion (RIM), the company that invented the Blackberry.

Hmm .. there is a coincidence here. I call him as the Blackberry Ambassador, because he would instantly reply to my mails from his blackberry from any part of the world.

Ambassador Heine is a multidimensional personality. He is a diplomat, academic, writer, consultant, election observer and he had also served as Minister in the Chilean government. He is the Vice-President of the International Political Science Association (IPSA). He was professor in Stanford and Heidelberg universities, besides Chilean and Puerto Rican universities. He has authored/ coauthored eight books on international affairs.

Ambassador Heine and I had a competition as to who would write more articles in Indian papers. While the competition in India will continue, he has overtaken me in the global stage. He has been writing and lecturing in all the continents of the world and has established a larger international network. He has been a source of inspiration to me in the last three years.

Adios Ambassador Jorge Heine

By R. Viswanathan

A 10-year National Plan to Boost Exports

ECUADOR

Ecuador has drawn up a national plan for the promotion of exports for the period 2001-2010. The plan focuses on high quality products, organic and ecological production processes. It seeks a commitment from the industries for the protection of the environment and for improving the well-being of the Ecuadorian population as a whole.

The plan aims to boost exports of Ecuador's traditional products, such as bananas, shrimp, coffee, and cocoa as well as non-traditional products that have thrived in recent years and made a significant contribution to the country's trade balance favoring the diversification of Ecuadorian exportable goods.

BANANA

Did you know that three out of every ten bananas eaten worldwide come from Ecuador? Ecuador is the world's first exporter of bananas, producing fruits unique for their high quality and exquisite flavor in a production process that meets all international environmental protection requirements. The adequate climate and the quality of the soils allow Ecuadorian banana plantations to resort to only half of fungicide cycles relative to other banana producing countries.

Bananas are available all year long. Currently there are approximately 180,000 hectares of banana plantations. The banana sector represents 2% of the jobs in the country.

Banana varieties cultivated in Ecuador are: Valery, Grand Cavendish, Grand Naine, and Lacatan.

Main destination markets include the United States, the European Union, Russia, New Zealand, the Middle East, Japan, Argentina, and Chile.

Ecuador also exports semi-finished products such as banana puree, banana flour, dehydrated banana, and banana chips. Likewise, Ecuador offers certified organic bananas, available all year long.



Plantain

Ecuador is one of the world's largest exporters of plantains. Main export varieties are Barraganete, Dominico and Fhia-21.

The product is available all year long. Plantain is exported mainly to the United States and in lesser amounts to Belgium, Spain, Germany and Italy.

FISHING

Ecuador exports a large variety of seafood, processed according to international standards. Different presentations meet consumer demands: fresh, frozen, canned or in individual portions. Canned fish is the main seafood export.

The main species caught in Ecuadorian waters include: Yellowfin tuna, Skipjack tuna, Bigeye tuna, Mahi Mahi, Swordfish, among others.

Ecuadorian tuna meets all the requirements of the mammal protection program regulated by the IATTC- the Inter-American Tropical Tuna Commission. Therefore, Ecuadorian tuna has been labeled "dolphin-safe".

Fresh tuna is exported in slices, fillets, loins and with head. Frozen tuna is exported with the head, in precooked loins. Tuna is processed in soy and salt, and packed either as natural loins, loins in brine, in oil, as well as natural solid tuna.

The largest market for Ecuadorian fresh tuna is the United States. Frozen tuna is exported mainly to Spain, Colombia, Costa Rica, and Italy.

Canned tuna is exported mainly to the USA, Holland, Colombia, the United Kingdom, and Chile.

Tilapia

Ponds dedicated to breed Tilapia cover an estimated 12,300 acres, with a monthly exportable offer of 2,300,000 pounds.

Tilapia has a delicate flavor and firm texture, it can be presented in many ways and with different types of sauces. It is offered fresh or frozen, in fillets or whole.

Tilapia has large bones only in the central part, so it is an ideal food for children. Major destination markets include the United States, Europe, and Colombia.

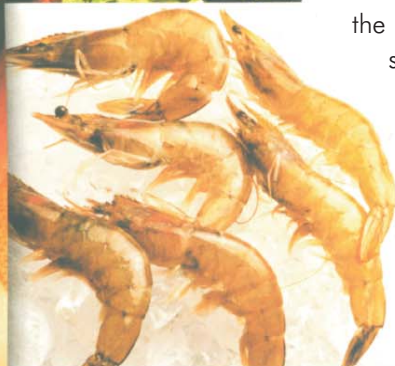
FLOWERS

Ecuadorian flowers are considered the best in the world for their matchless quality and beauty. The geographical situation of the country generates microclimates and a luminosity that lends unique characteristics to the flowers, including: long, thick and perfectly vertical stems, large buds, and extremely bright colors.

Ecuador is the world's third largest exporter of flowers, and grows a broad variety of roses that allows it to dominate international markets with a distinct product. Natural factors are combined with a highly developed industry, which employs trained labor and cutting-edge technology. During the last 15 years our growers have produced and exported flowers in increasingly more innovative ways.

Total flower plantations cover 3,300 ha. The annual production of flowers





reaches approximately 85,000 tons, 99 % of which is exported. Additionally, the industry uses ecological techniques and there is trend towards obtaining green certificates and seals that guarantee that the productive process is based on ecological and social principles.

The flowers with the largest share in exports include roses, gypsophilas, carnations, chrysanthemums, etc.

Our main exports markets are the United States, Holland (which imports flowers and then re-exports them to other countries in the European Union), Italy, Germany, Russia, Canada, Argentina, Spain, France, Switzerland, and the Ukraine. We have also begun exporting flowers to Chile, China, and Brazil.

SHRIMP

The shrimp industry has developed quite successfully in Ecuador during the last 30 years. Approximately 95% of shrimp exports come from shrimp farms, and the remaining 5% from catch in the warm waters of the Pacific Ocean.

The adaptability of several shrimp species to captivity, added to efficient post-harvest management and demanding packaging controls, result in shrimp with excellent flavor, color and texture, qualities that have earned it international recognition as the world's best shrimp.

Ecuador offers several shrimp presentations all year long; shrimp packing plants use modern processing systems and attractive water-proof packaging to satisfy the needs of the most demanding markets:

- Frozen in block 1QF
- Whole shrimp (semi IQF)
- Shrimp tails
- Shelled
- Deveined
- Cooked
- Ready to shell
- Breaded
- Brochettes
- Ready to serve: shrimp rings, crab cheese and brochettes

Major market destinations include the United States, Asia, and Europe.

COCOA

Ecuador is currently the world's largest supplier of fine or flavor cocoa. Cocoa is the oldest export product of Ecuador. There are approximately 263,800 hectares of cocoa plantations in the country.

Ecuador produces and exports cocoa beans all year long, in the following varieties:

Ecuador exports cocoa beans and semi processed cocoa mainly to the United States, Germany, the Netherlands, France, Japan, Italy, Colombia, Chile, Spain, Mexico, England, etc.

Bonbons

Bonbons are manufactured with fine cocoa grown. Bonbon varieties exported include shaped bonbons, bonbons with fruit and praline centers (known as fine bonbons), chocolate, milk and cereal bars, hazelnut chocolate spreads and others.



WOOD

The wood sector is currently one of the productive sectors with the greatest potential for development and economic growth in Ecuador.

The Ecuadorian wood industry is known in the world market for supplying highly value-added and quality products such as boards, plywood, and fiber (MDF).

In addition, Ecuador is the world's largest exporter of balsa wood; also new products such as eucalyptus shavings for paper pulp have attracted foreign investment to the country. The Ecuadorian wood sector contributes generating direct jobs for more than 200,000 people per year.

Currently, the main species planted in the country include eucalyptus, pine, balsa, pachaco, teak, cutanga, and laurel.

Approximately 42.9% of the land area of Ecuador is covered by forests. More than 50% of all lands have forest potential. The total forested area of the country adds up to approximately 11.6 million hectares, of which 99% are native forests.

Major export destinations for wood construction materials include the United States, Mexico, Venezuela, Colombia, and Cuba.

Furthermore, in the Andean region, Ecuadorian labor is considered as high qualified; finished products include different types of home, kitchen and office furniture.

Wooden furniture exports have grown at a swift pace in recent years, with the United States, Martinique (Fr.), Panama, and Peru as its main destination markets.

COFFEE

Ecuador is one of the few countries in the world that grows almost all varieties of green coffee: washed Arabica, natural Arabica, and Robusta.

Coffee plants are well adapted to the different ecosystems of the four regions of the country: the Coast, the Highlands, the Amazon region, even the Galapagos Islands produces organic crops.

Coffee crops in Ecuador cover an approximate land area of 568,300 acres. Arabica coffee is harvested between June and August and is exported between June and December, while Robusta coffee is harvested and exported between May and December. Coffee is exported in fresh beans packed in 152-pounds hemp sacks.

In addition to green coffee, Ecuador exports industrialized coffee in various forms, including spray dried and freeze dried coffee. It is sold in bulk and in packages with different forms, such as sachets, cleltapacks, tin cans, and glass containers.

Main exports markets for coffee include Germany, the USA, England, Poland, Japan, Russia, Belgium, Chile, and Holland.

MANGO

From October to January, Ecuadorian mango: your best option! Currently there are approximately 19,000 acres of mango plantations registered in Ecuador, 16,300 of which produce mangoes for export.





Main export varieties are Tommy Atkins (65%), Haden, Kent, and Keith. In order to meet international plant health requirements, Ecuador has built 6 hydrothermal treatment plants that guarantee the eradication of fruit flies.

Main destination markets for mangoes include the United States, Canada, Belgium, Spain, Holland, Colombia, New Zealand, Mexico, and Chile.

The weight of fresh mangoes for export ranges from 9 to 26 oz., according to the destination market.

In addition to supplying fresh mango to the world market, Ecuador exports products prepared from this exotic fruit in different presentations, such as juice, concentrate, IQF cubes, slices, etc.

More than 90 % of the world's imported passion fruit concentrate comes from Ecuador. Ecuadorian passion fruit is increasingly more coveted in the world market for its exquisite flavor and the perfect acidic content. It is harvested all year long.

Ecuador is the world's main supplier of passion fruit concentrate (50°Brix) and juice (14715° Brix). Additionally, though in lesser proportion, fresh fruits, seeds and even the aroma are exported.

Passion fruit is rich in vitamins (A, B and C) and minerals. Because of its high nutritional content, it is used in the preparation of beverages, dairy products, baby food, baked goods, etc. Passion fruit by-products are also used in other industries. For example, the aroma is used to prepare essences, ground seeds are used to make meal with a high percentage of proteins; the oil extracted from its seeds is used to make beauty or other food products.

Major export markets for passion fruit concentrate are: Holland, USA, Belgium, the United Kingdom, the Bahamas, and Germany.

PINEAPPLE

Pineapple is one of the country's most popular fruits, rich in minerals and vitamins (A, B and C). The main varieties of exportable pineapple grown in Ecuador are Smooth Cayenne, known as "Champaca" or "Hawaiian", and the Golden Sweet or super sweet variety, also known as "Md2".

The annual average tonnage of fresh pineapple produced by Ecuador during the last decade reached approximately 59,000 tons., of which approximately 10% was exported.

Pineapple is exported all year long as fresh fruit, juice, jelly, preserved in syrup or in dehydrated slices. There is also a small number of companies dedicated to processing pineapple in frozen cubes and slices.

Major destination markets include: the USA, Chile, Germany, Italy Belgium - Luxembourg, and Spain.

PLANTS AND HERBS

In recent years, the use, production, processing and commercialization of medicinal and aromatic herbs has created a lot of interest in Ecuador. Likewise, the innovative uses and benefits of these products have generated great demand around the world.

Ecuador produces an estimated 500 species of medicinal plants. Of these, 228 are registered as the most used and some 125 have been identified as the most sold. They are harvested either in the wild or cultivated. They are



sold fresh, dried as powdered extract, or as essential oils.

The varieties most commonly used include paico, horse's tail, aloe vera, and black nettle. We export ginger and ginger oil, Almizclillo, Cascarilla, Cascarillon y Condurango, etc.

Ecuador exports these products to the United States, Germany, France, Italy, and Holland.

Several companies and/or organizations dedicated to the production of aromatic and medicinal herbs already have the organic certificate or are starting organic production in hopes of obtaining an international certificate.

CERAMIC

Pottery has a millenary tradition in Ecuador. There is wide variety of objects that can be made with ceramics, but it is the flat ceramics industry that has grown the most in recent years flat ceramics are used to cover floors and walls.

Recently, investments have expanded to diversify production lines and to introduce synthetic porcelain as a product with good export prospects.

The broad range of ceramic products include flatware or household china, which has penetrated the international market.

A large number of craftsmen are dedicated to the production of artistic or hand-crafted ceramics, using diverse techniques and displaying a creativity that is passed on from one generation to another.

Export destinations for industrialized ceramics are mainly the United States and Puerto Rico, and to a lesser proportion Colombia, Chile, Peru, and Panama. Ecuadorian craftsmen have enormous creativity to transform diverse materials into art pieces. Using their traditional skills, they make modern objects with defined and functional lines; each piece is the result of the dedication and effort these artists put in their jobs.

The different types of handicrafts produced in the country include art works in balsa wood, tagua or vegetable ivory, decorative ceramics, indigenous textiles and embroideries, jewelry, etc.

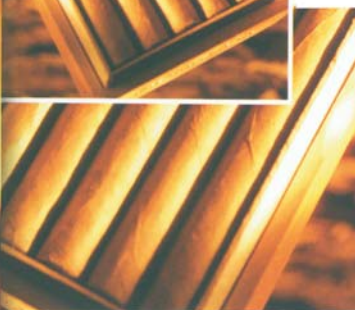
Major destination markets include the United States, Italy, Spain, the Netherlands Antilles, Japan, Colombia, and Germany.

TOBACCO & CIGARS

The province of Los Rios, located in the center of the Ecuadorian coastal region, is a fertile territory with diverse organic characteristics. For this reason, and thanks to the permanent cloud cover and a special type of luminosity the region offers favorable conditions to grow high quality tobacco leaves. Two tobacco varieties for export are grown in Ecuador: blond and black.

In addition, the country exports cigars that are highly recognized and praised throughout the world for their high quality. Cigars of different varieties and sizes are manufactured, according to the demand in consumer countries.

Major destination markets for black tobacco and cigars include the United States, the Dominican Republic, Holland, Belgium, and France.



BAMBOO

Ecuador's bamboo is hailed as the **WORLD'S BEST BAMBOO**. Bamboo, better known in Ecuador as "caña guadua", "cana brava", or simply as "cana", is recognizable for the white band around the knot and the thorns on its branches; it belongs to the numerous bamboo family found in nature.



"Guadua" originated in the Americas, where there are approximately 26 classes of this cane; however, only in Ecuador, Colombia and part of Venezuela we find the species known by scientists as "GUADUA ANGUSTIFOLIA KUNTZ".

Bamboo is exported in stacks and heaps measuring 6 m. high. Main destination markets include: Peru, Argentina, Chile, the USA, Spain, and Holland.

TAGUA

Tagua is the dry fruit of a species of palm tree native of the Ecuadorian tropical region. We began selling tagua around 1865 to Germany, which had discovered that this product could be used to make excellent quality buttons for haute-couture wear.

Nowdays tagua is used in several industries for the manufacturing of buttons, cameos, pins, toys, miniature figurines, chess pieces, cane grips, and many other everyday products.

Today, Ecuador is the only exporter of tagua rods (discs used to manufacture buttons), which are classified according to size and placed in bags for export.

Tagua rods are exported all year long, mainly to Italy. France, Korea, the United States and Spain, also import this Ecuadorian product.

SHOES & LEATHER

Ecuador has a high potential for leather and leather goods exports: these products include fine leather work, saddlery, clothing, and footwear. In recent years the footwear sector has grown 64% on average. The national production remains at the forefront, with models and product lines that reflect international trends and meet world demand.

Major markets include Spain, Colombia, Italy, the United States, Mexico, and Hong Kong (People's Republic of China).

HEMP FIBRE

In recent years, hemp fiber has become a significant item in the exportable offer of the country: There are approximately 0.6 ton/acre of hemp fiber crops.

Hemp fiber is used to manufacture a broad variety of security papers, currency paper and all sorts of trust and other financial papers. It is also used to manufacture tea bags, cigarette paper, tissues, surgical gauze, disposable diapers, ship ropes, etc. Hemp fiber is also the best isolation material for electric conduction cables.

Hemp fiber is exported all year long, mainly to the United Kingdom, Brazil, Spain, and the United States.

TOQUILLA STRAW HATS

Ecuador has become popular in recent years for its high quality toquilla straw hats. For a long time it was thought that these hats came from Panama, because originally



Panama was the largest importer of these hats.

This famous hat is very useful and comfortable, especially in summer and in hot weather. Its traditional elegance has always been admired and currently serves as inspiration for fashion designers in European countries. Major importers of these hats include the United States, the United Kingdom, France, Canada, Germany, Japan, Italy, and Spain.

CANDIES

Ecuadorian candy makers manufacture candies with different flavors and colors, including hard candy in mandarin, honey, milk, strawberry, naranjilla, orange, lemon and mint flavors; also chewable candy, chewing gum or soft candies with mint, coconut, rum and fruit flavors, as well as chocolate and powdered sweets.

Major destination markets include Colombia, the United States, Peru, Mexico, and Argentina.

CANNED VEGETABLES

Ecuador has comparative advantages in the production of agricultural and agro-industrial goods; for this reason, exports from this sector have grown rapidly, as in the case of string beans.

Ecuador started exporting fresh green beans and preserved beans in brine in 1989. This vegetable is rich in proteins (21.5%) and vitamins (thiamin, riboflavin and niacin). Beans are exported in 5 oz. cans, cooked and ready to eat, in boxes holding 24 cans each.

Other canned vegetables for export include palm hearts, red beans, black beans, grits, lentil stew, beans with bacon, pickles, and onions.

ASPARAGUS

Ecuador grows asparagus all year long and has agro-ecologic areas suitable for this crop. Thanks to its gastronomic value, the product offers attractive features for international consumers. It is an ideal vegetable for diets because of its nutritional value, its low sodium and high iron and vitamin A and C contents. It is eaten fresh, canned, dehydrated or in soups and other food concentrates.

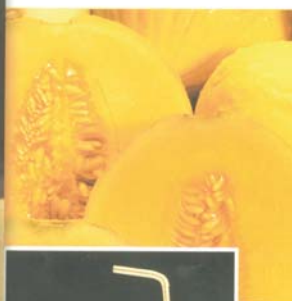
Ecuador grows varieties such as white Faribo Hybrid and its 4C 66 and 4C 72 hybrids; and the green Jersey Giant and its 4C 177 F1 and 4C 157 F2 hybrids.

Major export destinations include the United States, the United Kingdom, and the Netherlands Antilles.

MELON

Melons are rich in minerals and in vitamins A, B1, B2, and C. Currently there are approximately 2,400 acres dedicated to melon crops for export. Major export varieties include Cantaloupe, Honey Dew (Orange Flesh and Green Flesh), Yellow Canary (known as Honey Dew in Europe), and in a lesser proportion Galia and Frog Skin.

Ecuadorian melons can be found in most large markets around the world. Major destinations include Spain, Holland, the United States, and Aruba. ■



Ecuador

An Enchanting Escape Into Nature

Snow-clad mountains. Lush-green jungle. The deep-blue sea. Pristine beach islands. Cities thronging with smiling people. A huge variety of flora and fauna. Ecuador means a magnificent nature escape.

Located on a privileged geographical region of the planet (Northwestern South America), with spectacular topography, Ecuador finds itself divided into two hemispheres by the Equator line. It is bordered by Colombia in the north, Peru in the south and east and the Pacific Ocean to the west. It shelters 22 provinces that make up four different worlds: the Andes, the Amazon, the Coast and the Galapagos Islands. It is considered to be among the top 17 countries in the world with the highest biodiversity, but number 1 per unit surface area. It boasts 25 state protected areas, nature reserves and vast forests where some 1,640 species of birds, 4,500 butterflies, 345 amphibians and 258 mammals live, among others. Two of its national parks, the Sangay and Galapagos National Parks were declared World Heritage Sites by UNESCO.

Its distinct landscapes have allowed the development of small and big, diverse and colorful cities. Quito, Ecuador's capital, is proof of a magnificent colonial past. It boasts the largest historic center in Latin America. Likewise, Cuenca presents a Hispanic legacy with its churches, cobblestone streets and town squares.

Both cities were acknowledged as World Cultural Heritage Sites. Guayaquil, on the other hand, is a bustling city where around its harbor, century's old fishing, trade and export traditions meet state of the art urban planning and design. Guayaquil is a mix of history and modern development. Guayaquil is the model of urban regeneration of Latin America. Ecuador, paradise for adventure, is a land of many cultures.

In addition to its largely dominant mestizo population, 13 indigenous nationalities live together on its 256,370 square kilometers. The culture of the Zapara people in the Amazon region, was also declared a "Masterpiece of the Oral and Intangible Heritage of Humanity" by UNESCO. Delicate handicrafts, traditional celebrations and a delicious gastronomy are testimony to the rich diversity of this country.

Volcanoes more than five thousand meters high tower above the



mythical Andes mountain range, snow-covered mountains and ancient ice glaciers. Cotopaxi, the tallest active volcano in the world (5,897 meters above sea level), is a perfect setting of charming villages and fertile valleys. Chimborazo (6,310 meters above sea level) boasts five summits that rise over rock flanks and an expansive Andean plateau. On the other hand, Cayambe is the only snow-covered mountain located on latitude 0°. The Northern Illinizas (5,116 meters above sea level) and Southern Illinizas (5,305 above sea level) are referred to as a couple, the male and female mountains, by the indigenous people of the region. The imposing Antisana (5,704 meters above sea level) can be easily recognized by its characteristic double cones joined by a shallow ridge.

The Mindo-Nambillo forest is home to one of the most important bird reserves in the world, where parrots, humming birds, baker birds, sparrow hawks and many "Andean Cock of the Rock" thrive in this protected environment. The Andes, run through the middle of Ecuador like a long avenue cutting through amazing plateaus, cloud and tropical forests, lush valleys, picturesque villages, historical towns, turquoise-colored lagoons, waterfalls, lakes and rivers.

Jungle – A Profound Green Mystery

Rising above the exuberantly colorful and thick Amazon vegetation, the pointed summits of the Sangay and Altar volcanoes can be spotted. Reserves and National Parks in the Amazon region shelter more than 600 species of fishes as well as tapirs, anacondas, boa constrictors, turtles, alligators, jaguars, deer, armadillos, bears, monkeys, giant rodents and an infinite number of birds. Ecuador shelters the greatest diversity of plants and animals per square kilometer in the world. It occupies third place in the world for its variety of amphibians and fifth place for its papilionidous butterflies. Tropical humid forests and immense lagoons have shaped the rich fauna of Cuyabeno's Reserve, a privileged place where pink dolphins and reptiles can be found in abundance. Black caiman thrive in the Limoncocha lagoon, located in the Limoncocha Biological Reserve. Another natural beauty is the Sumaco-Napo Galeras National Park which, together with Yasuni, have been declared Biosphere's Reserve by UNESCO. Here visitors can venture on a path that climbs through six elevations before finally reaching the Sumaco volcano. Above a plain surrounded by mountains, the Papallacta thermal springs hold legendary healing powers. The jungle has been a "natural pharmacy" for indigenous communities for many centuries as they rely on its medicinal plants to cure their aches and pains. Ten percent of the world's plants can be found in this country.

Pristine Beaches

From north to south, beautiful beaches stretch along the





Ecuadorian Pacific coast. Bordering harbors, fishing villages, and modern cities, protected mangrove forests grow abundantly in this humid climate. Spreading its gigantic terracotta roots, the tallest mangroves in the world (64 mts.) can be found in the Majagual forest, in the Cayapas-Mataje Ecological Reserve. At the National Machalilla Park, once home to pre-Columbian settlements, the sea, un-touched beaches and woods tell stories of ancient cultures. The Isle of La Plata is a paradise of colorful birds that can only be found on this Island and the Galapagos Islands. Between June and August, humpback whales arrive from Antarctica to mate. The greatest marine bird refuge in Ecuador is at Santa Clara Isle, south of the coast. The soft sea breeze caresses the Route of the Sun, running through deserted beaches, fishing villages and attractive and modern resort towns such as Salinas and Bahia de Caraquez, a picture-perfect ecological town surrounded by tropical dry forests and archaeological sites.

A Living Museum

Galapagos is one of the most important national parks on earth. It includes 13 major islands and dozens of islets and minor islands. Located about one thousand kilometers off the coast of Ecuador, it is famous for its white sandy shores, cactus forests, giant turtles reserves and colorful birds that can be found only on the Galapagos Islands. In addition, bullfinches, frigates, albatross and pelicans can be seen fluttering around. The scientist Charles Darwin said it best: "they are unique".

The Archipelago is a living laboratory for animal species that can't be found elsewhere on the planet. Puerto Baquerizo Moreno, located on the island of San Cristobal, is the capital of the Galapagos Islands. The island's attractions include Lake El Junco, the Sleeping Lion rock formation, Lobos Island and the Tijeretas Hill. The Charles Darwin Scientific Station, located on the Isle of Santa Cruz, has been working on various environment protection projects for many decades.

The Galapagos giant turtles, whose average lifespan is approximately 150 years, also live on Santa Cruz island. Floreana, Genovesa, Santiago, Espanola, Seymour Norte, Plazas, Santa Fe or Isabela serve as shelter for many endemic species, living on this paradise. The Galapagos Islands and its marine reserve were declared a World Natural Heritage Site by UNESCO. They're also recognized as one of the top seven places in the world for snorkeling and scuba diving. Here visitors share the ocean with whales, giant rays, swordfish, hammerhead sharks,

sea lions and more.

Heritage & History

With an outstanding Renaissance beauty and Baroque architecture, Quito was the first American city to be declared a World Cultural Heritage Site by UNESCO. Many of the churches' and convents' interiors are coated with gold leaf and shelter valuable works of religious art, made by indigenous and mestizo artists such as Pampite and Samaniego. The Escuela Quitena is famous around the world and was established during Quito's colonial era. In Quito, residents and visitors alike say they can "Touch the Sky with their Hands" because of the city's breathtaking height, standing 2,830 meters above sea level. Temples and Museums such as San Francisco, San Agustín, La Catedral, La Compania or Santo Domingo can be discovered in the city's magnificently preserved Colonial Center. The largest in the Americas, the city's colonial district tells a story far beyond its architecture. Another UNESCO World Heritage Site, Cuenca's beautiful historic center boasts a unique type of Republican architecture that gracefully blends with its picturesque surrounding. It is famous for its lively year-round cultural activities as well as its international art biennial exhibitions and literary meetings. Other beautiful cities with an important past and well-preserved historic centers are Riobamba and Loja. In ancient times, Ingapirca the Temple of the Sun, located near Cuenca, was used by the Cafiarí and Inca Cultures for ceremonies and rituals. An elliptic structure built with carved stones, is the most important archeological complex in the country. The ruins include a cemetery, solar observatories, paths and chambers for priests, amongst other mysterious corners.

A Multicultural Country

13 indigenous nationalities and dozens of settlements preserve their diverse and ancestral traditions, their clothing, spirituality, language and their own "cosmovision." Their shamanic rituals are fascinating, as the "limpias" (spiritual cleansings and physical healings) and their communication with deities after consuming the ceremonial "ayahuasca" plant, which has hallucinatory properties. For centuries, natives have lived in the forest of the Amazon, taking care of nature from which they obtain natural healing remedies for an infinite number of illnesses. The deep knowledge of the Amazon jungle that the Zapara people have, manifests itself in their language, rites, their mythology and art, as well as with their traditional medicine. In the Andes, mythical characters and old traditions to honor the sun and the harvest are still celebrated. The Kichwas from the highlands are a very developed group as Otavalos who are known around





the world for their indigenous market, one of the most important in the Americas. Another strong community is the Saraguro people of the Cotacachi region, an important ecological area that has been recognized and awarded for its sustainable and environmental friendly actions. The sophistication of handi-crafts from these and other communities can be seen in their textiles and handicrafts, leather and wooden works. In Sigsig and Montecristi, visitors can purchase the famous straw hats known as "Panama Hats", which were historically mislabeled.

Just one step is enough to slide from the Northern hemisphere to the Southern hemisphere. At Latitude 0°, in the middle of the world, shadows disappear in the presence of the midday sun. The first inhabitants carefully followed the course of the stars. The Inca people were subdued by this energy center. It was so important that they incorporated it as part of their empire. Charles-Marie de la Condamine, a French scientist, traveled to Ecuador in 1736 to measure the earth at the equator. Today, this is one of the most visited and important tourist, scientific and cultural centers in the country.

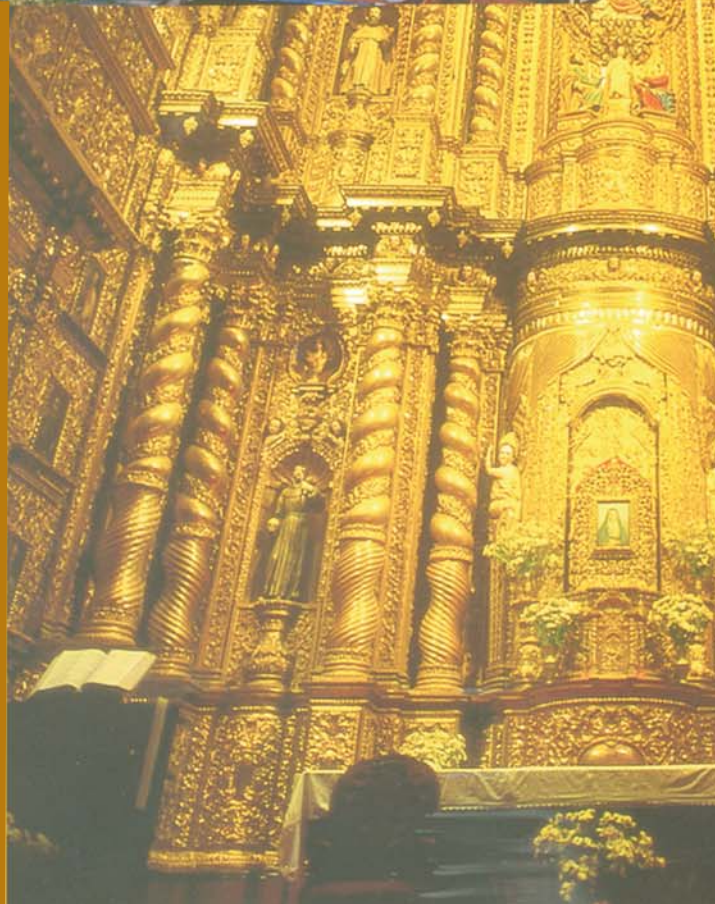
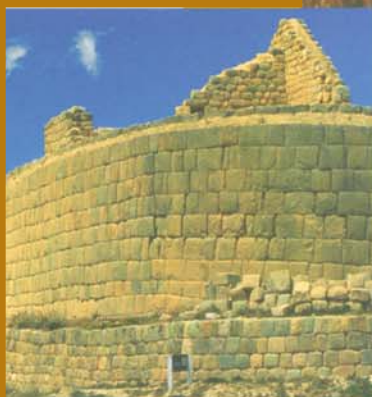
Standing over the imaginary equatorial line, the "Mitad del Mundo" monument is the sphere of the world built on top of a trunked pyramid. Lining the main road that leads to the monument stand 13 statues representing the wise men from the French Geodesic Mission, which participated in the measuring of the terrestrial Meridian arch. Because of its location, Ecuador's weather is like an eternal springtime. The geographic diversity that runs throughout the country creates a series of climates and micro climates that experience slight variations during the year.

The continual warmth of the sun can be seen on the smiles of some 12 million mestizos and indigenous people, Afro-Ecuadorians and whites who call Ecuador home. People in big cities are hospitable and welcoming of visitors. Some indigenous communities open their homes to travelers in order to share their customs, their way of life and belief system or "cosmo vision." Various community tourism projects have recently been developed in different areas of the country, although most are in the Amazon region. Visitors will come away with a much deeper understanding and appreciation for a people's history when told by a native's perspective. Old colonial "haciendas," located near lakes and ponds, still preserve the atmosphere from long ago, offering the charming discovery of mestizo roots'. A stroll through

flower, cacao, coffee, banana and sugar cane plantations with a visit to a shrimp farm will send visitors on a gastronomic journey that will enliven their sense of smell, taste and sight.

Ecuador's strategic location is ideal for visitors, investors and twenty-first century entrepreneurs who want to do business in the country. From the middle of the world, Ecuador opens its doors to commercial and cultural exchange. Conventions, fairs and international congresses frequently take place in Quito's Baroque style historic center, Guayaquil's modern design infrastructure and state of the art technology and Cuenca's magical surroundings. Guayaquil is known for its superior shopping, outdoor sports, especially water sports, tropical nature, nightlife and coastal gastronomy. Quito also offers excellent modern shopping malls, art galleries, museums, theaters, handicrafts, and popular markets. Although highly different in style, both of these cities' are considered excellent gastronomy destinations.

Everything in Ecuador can be found within an arm's reach. When visiting Ecuador many regions found around the planet can be seen in just one trip. A short thirty-minute drive from Quito will bring visitors to the midst of the highlands and cloud forest from where one can descend to the jungle. A short thirty-minute flight from Quito will take visitors to endless coastal white sands and pristine beaches. Less than a 90 minute flight, visitors will reach the enchanted Galapagos Islands, a living scientific paradise. Soft to hard core adventure sports abound, ranging from hiking and biking to ice climbing and scuba diving. So compact is Ecuador that one can reach the Amazon from the Pacific on a mountain bike, crossing waterfalls and stopping to climb the majestic eternal snow-covered Andes. Rafting and kayaking in the torrential rivers of the Amazon region pumps visitors' adrenaline on a daily basis. Deep sea and river fishing, paragliding from Pichincha mountain, diving in the Galapagos or simply traveling through the immense national parks located a close distance from picturesque villages and bustling cities is a thrill. These are just some of the highlights of Ecuador's four worlds and spectacular travel offerings. ■



United Phosphorus Acquires Three Argentine Firms

United Phosphorus Ltd (UPL) of Mumbai has acquired three Argentinian agrochem and seeds companies. The first acquisition was Reposo SA in 2005, the second Advanta a Dutch company(2006) which has Argentine units and the third was ICONA in 2007 With these, UPL now has four manufacturing units and a R and D unit (employing 100 Argentines). The R and D unit is bringing out a new sunflower oil branded as Nutrisun, a high-stearic oil, as an alternative to transfat edible oils.

UPL is a global crop protection,seeds and chemical company with a turnover of 408 million dollars in 2006 which is expected to go up to 561 million dollars in 2007. Market cap of the group is 2 billion dollars. It has been on acquisition spree, having acquired 20 companies from around the world including in Japan and UK. UPL ranks as the third largest generic agrochemical company in the world.

I met Rajju Shroff (the senior) and Jai Shroff (the junior, globe-trotting and ambitious young man, typical of the go-getter, new generation of globalised Indian entrepreneurs) recently. They are upbeat about their Argentine operations. They are also doing business in Brazil, Mexico and the rest of Latin America.

Later, I met Hariharan, chief of the international operations of Excel

Group from Mumbai, which is exporting agro chemicals to Argentina. This group is also planning acquisitions in Argentina.

Another company Punjab Chemicals and Crop Protection Ltd (PCCPL) has acquired an Argentine company " Sintesis quimica " for 10 million dollars, recently.

Being an agro power, Argentina is a natural and large market for Indian cos doing business in agro inputs such as chemicals and machinery. Besides exports, Indian cos can also explore imports and tech transfer from Argentina, which is advanced technologically and commercially in agri and food processing business. Our import of soy oil from argentina was over 800 million dollars in 2006 !

Guess what is common between the three Indian companies, apart from their Argentine acquisitions! The owners of all the three companise are "Shroffs".. related by blood but competitors in business !.. Viva el mundo de Shroffs ! ■

Indian KPO in Buenos Aires

The Indian company CRISIL-IREVNA has opened a KPO (Knowledge Process Outsourcing) unit in Buenos Aires. This unit does equity research and offers investment research services to the world's leading investment banks and financial institutions. They work with Standard and Poor and other companies. The unit is operational since June 2007.

CRISIL is the leader in credit rating business in India and one of the top rated in the world. CRISIL acquired IREVNA and later Standard and Poor has acquired stake in CRISIL more at <http://www.irevna.com>

The unit in Buenos Aires employs 25 Argentine staff and has plans to expand the strength. It is being run by Mr Chetan Majithia.

I spoke to Chetan this week about his experience. He is there for the last one year. He is happy with the quality of Argentine professionals and the low cost of talents there. Crisil had done market research about other countries and decided to open unit in Argentina, because of the

cost advantage and availability of professionals. We are not talking about spanish speaking professionals here. The KPO work is done in English.

Chetan had two problems: getting visa for Argentina (one of his colleagues was given a 15 day single entry visa! this is surprising and shocking. The government of argentina has signed an Agreement with India under which they give three year multi entry visa) ; secondly the legal procedure for establishment of companies is complicated and time consuming.. as it was in the pre-reform days of india ! Chetan's work permit application is pending for the last four months.

These are, of course, minor and solvable problems.

It is worthwhile for other Indian IT and BPO companies to explore the opportunities for IT, BPO and KPO operations. ICICI from India has already established a BPO in Buenos Aires employing 360 staff... in my 19 July blog story. ■

Mexican SMEs keen on JVs with Indian food processing firms

A business delegation from Mexico, led by Rosalio Rodriguez, Corporate Director of the Bimbo Group of that country met visited India recently and met Dr. Chandrapal, Secretary and other officers of the Ministry of Micro, Small and Medium Enterprises (MSME) in New Delhi.

The Bimbo group is a prominent baking company at global level manufacturing products like bread, pastries, cookies, cakes, chocolates etc. The



delegation expressed keen interest in making investments in the bakery sector in India and discussed the collaboration possibilities with micro, small and medium enterprises engaged in bakery, bread making etc. in India.

The Ministry of MSME had earlier signed a Memorandum of Understanding on cooperation in the field of micro, small and medium enterprises with Secretariat of Economy of Mexico on 27 March 2006. Food processing sector has been identified as an area of priority attention for promoting trade and cooperation between the two countries under the MoU.

The delegation would also be visiting Mumbai on 2nd and 3rd August, 2007 to see bakery units and study the retail and distribution channels of various bakery products. ■

India, Mexico sign pact to avoid double taxation

India recently signed a Double Taxation Avoidance Agreement (DTAA) with Mexico for the avoidance of double taxation and for the prevention of fiscal evasion with respect to Taxes on Income, here today. This Agreement shall enter into force on a date to be notified in due course. The Agreement also aims at promoting economic co-operation between the two countries.

The Agreement was signed by Indian Finance Minister P. Chidambaram and Ms. Patricia Espinosa Cantellano, Foreign Minister of Mexico.

The DTAA between India and Mexico will cover in the case of India, income-tax including any surcharge thereon and in the case of Mexico, the federal income-tax.

The DTAA provides for taxation of dividend, interest, royalties and fees for technical services-both in the country of residence as well as the country of source.

However, the rate of tax in the country of source shall

not exceed ten percent of the gross amount of payment in case the beneficial owner of the payments is a resident of the other Contracting State.

The DTAA provides that capital gains from alienation of shares of a company shall be taxable in the country where the company is a resident. The incidence of double taxation shall be avoided by one country giving credit for taxes paid by its residents in the other country. There is a provision for exchange of information in cases which are under investigation in either of the two countries. Both countries shall assist each other in collection of revenue claims.

There is also a provision for limitation of benefits under the DTAA to prevent misuse of the provisions of the DTAA.

The Agreement will further stimulate the flow of capital, technology and personnel between the two countries. It will also contribute to the tax stability and reduce any obstacles in providing mutual co-operation. ■

Argentina, now a full CAF member



Argentina has decided to become full member of the

Andean Development Corporation (CAF).

This development followed a meeting between Argentine President Nestor Kirchner, who was accompanied by the ministers of Economy and Production, Miguel Peirano, and Planning, Julio de Vido, with CAF President & CEO Enrique Garcia, recently,

Minister Peirano announced his government's decision to become a full member of CAF. The new capital contribution agreed will be US\$543 million which, added to the US\$100 million subscribed previously, brings Argentine participation to a total of US\$643 million. A guarantee capital of US\$126 million will also be established.

"This decision is a milestone in the institutional life of

the Corporation. Argentina will be the first country to become a full member under the recent amendment to the CAF Establishing Agreement which permits Latin American and Caribbean countries that are not members of the Andean Community to accede to this category on conditions similar to those of the founding countries," Garcia said.

Full membership for Argentina will expand CAF's financing spaces in favor of the country, making possible new approvals for substantial amounts for economic and social infrastructure projects, and support for micro-small- and medium-sized enterprises in public and private sectors. It will also give an important boost to the regional integration process.

During the meeting in Casa Rosada, a US\$300-million loan agreement was signed to partially finance the Rincón Santa María-Rodríguez Electricity Interconnection Project, to be executed by the Argentine Secretariat of Energy of the Ministry of Federal Planning, Public Investment and Services.

This project is the seventh operation that the multilateral financial organization has approved for Argentina. In the last three years, CAF has approved loans for investment projects in favor of this South American nation for some US\$1.30 billion, especially Road Integration Corridors Program, Phase I (US\$150 million); La Picasa Rail Viaduct and Sector Strengthening (US\$35 million); Rehabilitation and Paving of El Pehuenche International Pass (US\$80 million); Comahue-Cuyo Electricity Interconnection (US\$200 million); Argentina-Paraguay Integration Road Works which are part of the Yaciretá Termination Plan (US\$110 million); Expansion of Energy Transport Capacity in Buenos Aires Province (US\$45 million); and now the US\$300 million loan signed during the meeting. ■



Boosting trade between LatAm & Asia Pacific

The Andean Development Corporation (CAF) plans to take specific action to finance programs and projects identified by the countries of the Latin America in an effort to expand trade relations with the Asia-Pacific countries and stimulate cooperation in the region.

CAF President & CEO Enrique García made this statement during the opening of the II Forum on the "Latin American Pacific Basin Initiative" organized in Lima by the Peruvian ministries of Foreign Affairs and Foreign Trade with the participation of foreign and trade ministers and high-level representatives from Colombia, Costa Rica, Chile, Ecuador, El Salvador, Guatemala, Honduras, Nicaragua, Mexico and Panama.

"We were pleased to support the foreign relations and Trade ministers of Peru in their request for a non-reimbursable technical cooperation grant to finance studies prepared by specialized consultants, which will be the basis for a constructive debate at this time. For this reason, it is satisfying to participate in this opening session and I reaffirm CAF's willingness to support this and other initiatives related to creating better opportunities for the region."

The CAF head added that the Latin American Pacific Basin Initiative was clearly of great importance. It

represents the actions of 11 countries with a combined GDP of over US\$1.4 billion, 50 million inhabitants, foreign trade worth US\$35 billion, and great trade prospects.

Trade and intra-regional relations have been growing rapidly. The countries of the region have 11 trade agreements with their counterparts in the Asian basin, together with investment protection agreements.

García added that Latin American countries would be able to participate in the vast and vigorous Asian market, which has a much higher growth rate than the region, as they achieve an effective productive transformation and export products with value added; improve competitiveness in infrastructure, logistics, technological innovation; generate development clusters; create sources of financing and intelligently negotiate trade and investment agreements.

"You can count on CAF taking specific actions to finance programs and projects aimed at achieving the objectives proposed in this forum. Seven of the countries represented in the Latin American Pacific Basin are CAF shareholders and I hope that all can become partners of the institution in the future," García said. ■

\$50-m LoC for Banco Votorantim

The Andean Development Corporation (CAF) has granted a \$50-million line of credit to Banco Votorantim, in view of the positive management and strengths of the institution to finance foreign trade, working capital and investment by companies in low risk sectors with high value added in this shareholder country of the Corporation.

CAF President & CEO Enrique García said with this operation "we are continuing, efficiently and coherently, to play an important role in financing Brazilian banks based on the expansion and growth of

the country's financial sector in recent years." It is one more expression of the catalyzing role assumed by CAF in favor of investment and foreign trade promotion, he added.

Banco Votorantim began as a stockbroker in 1988 and became a bank in 1991. It is part of the Votorantim Group and since December 2006 has become the 10th bank in Brazil by assets. Its strategy targets the corporate market, segmented into three groups: large corporate, corporate group and medium companies. ■

New Internet portal launched

The virtual address www.caf.com now has a new design and content and navigation structure facilitating the search for information for the 45,000 users who visit the site each month.

The Andean Development Corporation (CAF) has announced the launch of its new Internet portal www.caf.com which redefines the previous architecture. This is definitely good news for the approximately 45,000 users who visit this portal each month in search of information of interest. The change goes beyond a simple updating of design and programming technologies. The aim is to offer a website with outstanding content, organization and presentation, which is attractive and useful to its target audiences, which reflects the transparency that characterizes the Corporation's management and operations, where visitors can rapidly evaluate content, obtain the information they need and experience friendly internal navigation. This ambitious project and the decisions that it involved were based on a benchmarking survey



which compared the new CAF portal with those of other multilateral financial organizations, combined with market research and a careful study of the site.

The project was developed throughout with the support and advice of the consulting firms: Contenido Inteligente, Mijao, 72DPI, Condo Consulting and Tendencias Digitales. The result: the new website www.caf.com. A portal which gives visitors a comprehensive view of the many areas in which CAF is working in favor of regional integration and sustainable development in Latin America. ■

\$200 m loan for Ecuador to improve drinking water & sanitation services

The Andean Development Corporation (CAF) has recently approved a US\$200 million loan for the Republic of Ecuador to partially finance the Environmental Sanitation for Community Development Program (Promadec), to be executed nationwide by Banco del Estado (BEDE), in coordination with the Ministry of Urban Development and Housing (MIDUVI).

CAF President & CEO Enrique García explained that "This contribution aims to improve the quality of life

and health conditions of the poorest marginal rural and urban populations in the country through sustained expansion of coverage, quality and efficiency of the basic services of potable water, sewerage, and collection and disposal of solid waste." Promadec will benefit around 1,800,000 people. "This is part of the CAF strategy to combat poverty and favor Latin American development," he added.

The Program will also improve the planning, execution and follow-up of sectoral policies, as well as the managerial capacity and independence of the service operating agencies and companies, by means of technical assistance programs, fostering fiscal responsibility in the municipalities, and strengthening a unified and ordered system of channeling public funds to sectional bodies. ■

Bond issue for \$245 million in Japan

The Andean Development Corporation (CAF) has completed a successful bond issue in Japan for 30 billion yen, approximately US\$245 million. The issue was in two series at three and seven years on the lowest margins ever obtained by the Corporation in this market. The placement agents were the Japanese Daiwa and Nomura banks.

The initial amount offered was 15 billion yen, but following the Corporation's successful marketing, which included visits to major Japanese institutional investors, demand more than doubled the initial offering, and the size of the issue was increased to 30 billion yen. Numerous Japanese institutional investors subscribed to the issue, representing a varied range of sectors including insurance companies, asset managers, public institutions and, for the first time for a CAF issue, a broad group of regional banks.

CAF President & CEO Enrique Garcia, announcing the news, said that "the purpose of raising these funds is to finance important projects in line with the CAF mission of promoting the sustainable development and regional integration of its 17 shareholder countries, in both public and private sectors."

This is the Corporation's sixth issue on the Samurai market since 1993 and the first public issue by a Latin American issuer in 2007 on this market. For the multilateral organization, its presence in Japan is an important part of its strategy of



diversifying markets and investors, and reducing financing costs.

Including this issue, CAF has made four bond issues in 2007 for total amount of US\$600 million, an overall total of 57 issues - on very competitive conditions - throughout its history.

The Japan Credit Rating Agency (JCR) recently upgraded the CAF prospect rating to positive. The institution currently has four ratings granted by the most prestigious international agencies: Fitch (A+), JCR (AA-), Moody's Investor Service (A1), and Standard & Poor's (A+). ■

Forging stronger ties with Italy

A delegation from the Andean Development Corporation (CAF) led by CAF President & CEO Enrique García recently visited Rome and met with Italian Prime Minister Romano Prodi, Foreign Minister Massimo D'Alema, Minister and Vice Ministers of Economy and Finance Tommaso Padoa-Schioppa and Vincenzo Visco, respectively, and other personalities from the political and business world.

García said, "This is part of the process of forging closer links between CAF and Italy. This alliance is a vehicle of support for Latin American development and combating poverty in our region." It is an important step toward the Italian Republic's subscription to the CAF capital in the near future, he added.

During various meetings, the delegation gave presentations on the Corporation and discussed cooperation between Italy and CAF, taking into account that this European country perceives the multilateral financial organization as a very important international organization in the Latin American continent.

During the meetings, Italian authorities and business leaders expressed interest in building closer ties between Italy and the Latin American region based on the existence of deep cultural and commercial links. In this respect, they expressed recognition of CAF as a key actor in regional development. ■

India-Brazil Comercio bidireccional



Meta \$10 bn Misión Posible

La visita reciente del presidente brasileño Luiz Inacio Lula da Silva's a India ha galvanizado las comunidades empresariales de ambos países para resolverse a ascender el comercio bilateral y lograr el objetivo de \$10 mil millones para 2010. Durante esta visita de tres-día en junio 2007, Presidente Lula y Primer Ministro Manmohan Singh habían establecido un foro poderoso de Directores generales (directores generales) de ambos países para asegurar que el objetivo del comercio bidireccional de \$10 mil millones por 2010 sea alcanzado y sea llevado más allá de esa marca después.

\$10 mil millones de dólares del comercio bilateral por 2010. Es una misión bien posible.

La primera reunión del Foro India-Brazil de directores generales fue celebrada el 4 de junio, que fue dirigido por Presidente Lula y Primer Ministro Singh. En sus discursos al Foro y otra reunión con líderes indios de negocio Presidente Lula inspiró la confianza y el optimismo entre éste, La próxima reunión del Foro será celebrada en Brasil en diciembre 2007 para iniciar la acción necesaria de seguimiento.

El Foro consiste en 17 directores generales de India y 14 de Brasil. Lista adjuntada. El copresidente de India es Ratan Tata y de Brasil es Sergio Gabrielli, director general de Petrobras.



El hecho que las economías indio y brasileña unieron las economías de PIB de trillón casi alrededor del mismo tiempo (Brasil en abril e India en el 2007 de mayo) ha dado un nuevo empujo de la confianza y una nueva dimensión a su comercio bidireccional. Frente a este fondo los gobiernos y negocio de los dos países han puesto una meta ambiciosa de

El Foro sugerirá a los ambos gobiernos sus ideas para más comercio y la inversión. Pero más que eso, el Foro de directores generales ha elevado el nivel de la comprensión y transacción al nivel más alto.

El presidente Lula estuvo acompañado de más de 100 empresarios, la mas grande delegación latinoamericana del negocio a haber visitado India por la primera vez. Los delegados estuvieron ocupados con reuniones y negociando

acuerdos y algunos de ellos se quedaron y visitaron otras ciudades.

Algunas grandes corporaciones industriales de tanto de la India como Brasil ya han empezado las colaboraciones en sus campos respectivos.

- Brasil Petrobras está entrando en tres bloques externalizados ("offshore") en India en la empresa conjunta con la Corporación del Petróleo y el Gas natural (ONGC). A cambio Petrobras ha dado la equidad al Petróleo del ONGC que se prepara para entrar Brasil.
- Brasil CVRD ya ha establecido una oficina en Delhi y negocia con varias compañías indias. Ellos buscan las oportunidades de la inversión.
- Essar explora las oportunidades mineras en Brasil.
- BPCL entra en una empresa conjunta con Petrobras para el etanol en Brasil

"El comercio de India-Brasil tiene el potencial de lograr un objetivo de \$10 mil millones para 2010 y puede superar esa marca", dijo que Presidente Lula decía durante su visita.

Dirigiendo una reunión de líderes indios de negocio organizado colectivamente por la Confederación de la Industria india (CII), las Cámaras Asociadas de comercio y la Industria (ASSOCHAM) y la Federación de Cámaras de Comercio e Industria Indias (FICCI), el Presidente Lula dijo que ambos países deben diversificar su potencial del comercio en vista de su crecimiento económico rápido.

Anteriormente, Manmohan Singh, el primer Ministro de India y el Presidente Lula formaron el foro de director general. El Foro en términos generales representa las esferas empresariales de los países, que buscara las oportunidades del negocio entre los dos países y enfocan su atención hacia lograr un objetivo del comercio bilateral de \$10 mil millones por 2010.

El presidente Lula dijo que Brasil e India habían creado G20, lo que hizo los países importantes en las negociaciones de OMC y en cumplir la serie de Doha exitosamente.

"El interés de los países en desarrollo y de los granjeros' dependientes únicamente en agricultura son las prioridades de la discusión en OMC", el Presidente Lula dijo, agregando que, "he estado trabajando sobre la idea que el siglo XXI será el siglo de oportunidades para los países que no podrían tomar la ventaja en el siglo XX". El dijo que

había un potencial inmenso en el sector de energía renovable y Brasil, junto con India y Sudáfrica, preparaba el terreno para crear un grupo mundial para convertir el combustible biológico en una fuente de energía renovable. "Esto puede generar puestos en el campo y reducir la pobreza", el Presidente Lula agregó.

"India y Brasil necesitan crear un mercado mundial por apoyarse uno al otro y necesitan que el sector privado coopere en este esfuerzo," dijo a Presidente Lula.

El dijo que Brasil tiene actualmente un 'Programa de Aceleración de Crecimiento' con una inversión de \$250 mil millones con su foco en el desarrollo de la infraestructura y empresarios indios podrían invertir directamente en ese sector.

El Presidente Lula dijo India y Brasil no habían ni identificado el 10 por ciento de las oportunidades del comercio bilateral y había mucho potencial en el intercambio de capacidades de tecnología e ingeniería. Brasil podría contribuir al sector agrícola de India mientras que India podría proporcionar la tecnología farmacéutico a Brasil, él dijo agregando que los gobiernos y las comunicadas empresariales de ambos países deben enfocar a aumentar el comercio bilateral con la oportunidad aumentada en el mercado mundial actual.

El Ministro indio del Comercio y la Industria Kamal Nath dijo India y Brasil ya habían surgido como las voces fuertes de países en desarrollo en las negociaciones del Comercio.



"La delegación brasileña comercial acompañando al Presidente dará las señales positivas a las comunidades empresariales de ambos lados y reforzará aún más las relaciones llevando al aumento adicional en el comercio e inversiones entre ambos países," dijo Kamal Nath.

Brasil es el tercer más grande socio del comercio en Latino-América y el comercio entre los dos países debe subir a \$10 mil millones como establecido como meta, él dijo.

El Ministro de Brasil para el Desarrollo de la Industria y el Comercio Exterior Miguel Joao Jorge Filho dijo que Brasil e

India tenían el potencial inmenso en productos farmacéuticos, el combustible biológico, la Informática, procesamiento de alimento, las partes de automóviles, la minera, la aviación civil, el equipo médico, la infraestructura y el equipo de ferrocarriles.

El dijo que Brasil esperaba que empresarios indios exploren una gran oportunidad para intercambiar las experiencias y el conocimiento. El Ministro dijo que empresas y asociaciones conjuntas en el campo de Informática, la ingeniería, el petróleo, la sustancia química y los sectores médicos ya añadían al negocio entre los dos países. Se debe investigar nuevos sectores de negocios, él agregó.

El Ministro del Estado para Asuntos Externos de India Anand Sharma dijo que India y Brasil compartieron la relación bilateral fuerte del comercio que tiene dimensiones globales. El Foro de director general había aceptado el desafío del crecimiento establecido por los líderes de Brasil e India donde ambos países deben desempeñar su papel correspondiente entre los países en desarrollo, él agregó.



El nuevo ciclo de crecimiento económico y solvencia mejorada de Brasil han convertido Brasil en un destino favorecido de negocio en Latino-América, dijo.

El presidente de la Confederación Nacional de Brasil de la Industria (CNI) Armando Monteiro Neto dijo que su país tenía la estructura industrial competitiva y diversificaba. El identificó como los sectores principales a sustancias químicas, los productos alimenticios, vehículos automotores, la aviación, metal básico, las máquinas y la ropa.

"India y Brasil ambas son sociedades impulsadas por consumo y están abiertas a la inversión y empresas conjuntas de India y otros países," él agregó.

V R S Natarajan, el Presidente de BEML y el Presidente del Comité de Brasil de CII informó a Presidente Lula que CII

estaría abriendo pronto su oficina en Brasil, su primer en Latino-América y la región caribe.

Malvinder Mohan Singh, Presidente, Comité Nacional de CII sobre la Tecnología y director general y en el Director gerente, los Ranbaxy Laboratorios dijo que Brasil e India tenían las economías robustas y ambos países creyeron en el crecimiento inclusivo.

El dijo que ambos países colaboraban en los sectores de la biotecnología y farmacéutica y tenían muchas oportunidades en otros sectores también. Singh agregó que ambos países enfrentaron los desafíos semejantes en el mercado mundial y deben explorar juntos el potencial.

Saroj Kumar Poddar, Presidente Anterior, FICCI dijo que energía era un área clave de preocupación para Brasil e India donde los países deben trabajar junto en la tecnología de utilizar etanol y otras fuentes naturales de energía. La aviación y la defensa podrían ser dos áreas de la colaboración mayor entre los dos países, él agregó.

El sector de la infraestructura india necesita inversiones de \$350 mil millones y Brasil se interesa mucho por el desarrollo de la infraestructura y la tecnología indias requeridas en este sector, dijo

Rakesh Bakshi de ASSOCHAM dijo India y Brasil tenían muchas oportunidades del comercio en la energía, la asistencia sanitaria, Informática y los sectores de turismo.

Mientras, Murli Deora, el Ministro para el Petróleo & Gas Natural visitó al Presidente, Brasil, Luiz Nacio Lula Da Silva y discutió el potencial para la colaboración y la cooperación entre India y Brasil ya que ambos son las economías crecientes y los intereses económicos internacionales de las dos naciones son semejantes.

Expresando la satisfacción con el nivel actual de la colaboración entre India y Brasil en el sector de energía, Deora indicó que las compañías Navratna (nueve gemas) nacionales indias del petróleo como ONGC, IOC, BPCL y GAIL están interesados aún más en E y P en Brasil.

Deora informó al Presidente que sobre el ejemplo brasileño, India también ha empezado a mezclar etanol con gasolina. Actualmente se ha lanzado el programa de gasolina mezclado por 5 por ciento de etanol (EBP) en partes mayores de India.

El ministro solicitó que India querría colaborar con Brasil en EBP para mejor tecnología para ganar de la experiencia y la pericia de Brasil. ■

La minería, El Petróleo, Tienen Perspectivas Brillantes Peru Ofrece Clima Positivo para Inversión

Durante los últimos años, la economía y la imagen internacional de Perú han cambiado dramáticamente, según Diego de la Torre, Socio, Aleteia Capital. Siguiendo es el texto del estudio analítico de la economía de Perú y su clima de la inversión de De Torre.

El cambio radical y las políticas económicas abiertas aplicadas durante los noventa ponen Perú en un sendero sensato de la recuperación económica. Como resultado, la inversión extranjera en el país ha estado proporcionando Perú con recursos para sostener su tasa de crecimiento económico. Esto refleja claramente la confianza internacional en el futuro del país, considerando las cuestiones sociales y políticas actualmente presentes en Perú.

Los resultados impresionantes logrados por la economía de Perú devolvieron la credibilidad internacional al país. Esto es reflejado en los informes de agencias de clasificación de riesgo. Perú trabaja

duramente para conseguir el Grado de la Inversión, que pareció como una utopía hace

poco tiempo. Las políticas estables de la macroeconomía, las reglas claras de la inversión, nuevas leyes del mano de obra, y la privatización han atraído la inversión extranjera. Por otro lado, las políticas estrictas fiscales y monetarias también han contribuido a lograr los resultados económicos extraordinarios. La tasa de crecimiento de PIB de 6,4% en 2005 y 7,9% en 2006 de Perú estaba entre el más alto en Latino América. El crecimiento medio anual proyectado para 2007-2008 es 7,0%, que es bien alto que el promedio de región. La inflación ya no es un problema con una administración central bancaria independiente y muy profesional. Hay todavía, sin embargo, otros indicadores económicos que Perú todavía no tiene desarrollado a los niveles deseados. A pesar de los esfuerzos hechos, la infraestructura es



todavía rudimentaria y la bolsa de valores es todavía relativamente pequeña.

Acuerdos de Libre comercio

La política internacional de Perú ha sido cada vez más activa. Perú ha tratado de conseguir implicar Perú en todas negociaciones del comercio internacional, inclusive el Pacto Andino y GATT, reflejando el interés de Perú para el libre comercio. Perú acaba de firmar un acuerdo de libre comercio con los Estados Unidos (Se espera que sea aprobado por el Congreso de los EEUU en junio) y busca activamente para un acuerdo semejante con la Comunidad Europea. No



Diego de la Torre es Presidente y cofundador de La Viga S.A., la compañía más grande de la distribución de materiales de construcción en Perú. de la Torre ha podido, en parte, lograr tal éxito considerable por su habilidad de construir puentes cultural y de negocio entre los emigrantes andinos de las tierras altas y el sector "occidental" de la sociedad peruana. El desarrolló las ventajas intangibles de su compañía que permitieron el diseño de la estructura, la cultura y los procesos del negocio que han llegado a ser referencias en la industria. La Viga figura entre las primeras 150 compañías en Perú. El es también el fundador de Quikrete Perú, una empresa conjunta con una compañía Americana que ha dirigido y ha liderado la producción y el desarrollo de la mezcla del cemento listo seco en el mercado peruano. De la Torre también es Profesor del Negocio en la Universidad Pacífico en Lima. Sus intereses de investigación incluyen la dinámica de compañía nueva y cómo fomentar la confianza, comprensión y relaciones comerciales éticas.

Recientemente el fue invitado por el Gobierno canadiense para hacer una presentación sobre los intangibles en la Organización de Estados Americanos en Washington D.C.

Actualmente, está investigando acerca de cómo las prácticas corporativas buenas de gobierno puede aumentar la capitalización bursátil. En julio de 2006, él fue un orador en la Cumbre del Liderazgo Global en Londres, evento patrocinado por la Finance Times y Business Week.

obstante, el comercio internacional en Perú es todavía incipiente, a pesar del boom de la exportación de los últimos tres años y el equilibrio positivo comercial. La combinación de la exportación y la importación no da signo de un cambio significativo hacia la fabricación con enfoque en capital ni productos y servicios basando en el conocimiento. Perú todavía parece estar enfocando a explotar sus recursos naturales durante esta etapa de su crecimiento económico. Afortunadamente, esto empieza a cambiar.

Políticamente, Perú empieza a consolidar sus instituciones principales tales como la magistratura, sistemas electorales y partidos políticos. La situación política actual con el liderazgo fuerte de renovado y económicamente letrado Alan García proporciona una armazón atractiva para inversionistas.

En una de sus visitas a los Estados Unidos antes de su elección, banqueros de inversión comentaron que su enfoque económico fue tan exacto y sensato que ellos pensaron que ellos escuchaban Alan Greenspan en vez de Alan García. Las preocupaciones relativas a la democracia se ha reducido considerablemente con la elección reciente de García, un demócrata probado.

Un sentido razonable de la seguridad dada la derrota de terrorismo durante los



90 proporciona un ambiente bueno para la inversión extranjera y doméstica. Sin embargo, la seguridad es uno de los grandes desafíos para la administración.

Socialmente, todavía hay muchas cosas para hacerse. Uno de éstas es el desempleo, a pesar de algún progreso ya hecho. Necesitaremos también una reestructuración dolorosa pero inevitable del público. Otra es la educación, donde inversiones hechas no han sido suficientes para apreciablemente mejorar la situación actual. Además, la diferencia en la distribución de ingresos se queda una tarea importante para todos peruanos. Para reducir el riesgo de la inquietud social y para evitar la elección de un gobierno populista en 2011, García debe aumentar la inversión y la preocupación por estos asuntos. A pesar de los problemas actuales, todavía hay un sentimiento de la esperanza y la seguridad. Se debe dirigir más recursos para resolver estos problemas. Es difícil predecir si las mejoras serán vistas a corto plazo pero los políticos tienen que cumplir su promesas y mostrar el progreso.

Perú ha estado en una situación complicada: Ha tenido que tratar con demasiados problemas internos, mientras siempre teniendo que desempeñar de una manera que sea aceptable al FMI. La primera prioridad de Perú era de salir de la condición crítica haciéndolo elegible para inversiones extranjeras y para volver a ganar la confianza de inversionista. Ellos han logrado esta etapa transcurrida razonablemente bien. A causa de este y gracias a sus políticas económicas sensatas, Perú puede y tiene que empezar a desarrollar una estrategia para el futuro.

Actualmente la economía de Perú todavía es muy orientada hacia recursos, principalmente a causa del nivel de la tecnología, la infraestructura y la habilidad. Ellos tienen que decidir donde ellos quieren dirigirse. Para hacer la economía menos vulnerable y para garantizar sostenibilidad del crecimiento, Perú tendrá que preparar el terreno para una economía más industrializado e enfocada en capital y basada en el conocimiento. Ellos tendrán para hacer así, principalmente por educar y entrenar su mano de obra, así como por crear la infraestructura productiva necesaria. Perú podrá hacer este cambio y está ya trabajando en ello. A pesar de la falta de una estrategia clara a largo plazo, Perú ha



iniciado su desarrollo con un enfoque a largo plazo. Nunca jamás en la historia de Perú esto ha sido el caso. En todos los booms previos Perú sólo fue explotado. De esta manera ellos finalmente pueden seguir las metas más estratégicas que aquellos impuestos por el FMI.

Sectores atractivos

El equilibrio final parece positivo. La inversión en Perú es atractiva, especialmente en las compañías privatizadas, que ha mostrado gran resultado hasta ahora. Los sectores atractivos están actualmente en la minería y el petróleo; mientras los sectores de la construcción, el turismo y la agricultura prometen las perspectivas buenas en el futuro próximo.

Perú compara muy favorablemente con los indicadores macroeconómicos de otros países latinoamericanos dado su inflación baja, moneda fija y un crecimiento proyectado de PIB más alto que lo mediano para los próximos años. ■

	Resultados Economicos			
	2004	2005	2006	2007*
Inversión privada % PIB	15.2%	16%	16.9%	18.7%
Variación de PIB	5.2%	6.4%	7.9%	6.8%
Indice de Confianza	38%	43%	56%	N/A
Crecimiento de la inversión pública	5.7%	12.2%	14.6%	34.7%
Crecimiento de la inversión privada	9.1%	13.9%	19.9%	16.3%