

INDO - LAC BUSINESS

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Steering a safer course



People's man Morales



Panama - Opening a new Trade channel



Tourism: Brazil & Argentina



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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.

**Dear Reader,**

Greetings. Latin America has been passing through testing times. The electorate in Bolivia and Chile might be tempted to say, "exciting times," because people in both the countries have elected new leaders. Bolivians have chosen Evo Morales as their president, the first-ever indigenous Indian to get the top post. The Chileans have done even better by choosing a woman, Michelle Bachelet, as their President, who has promptly vowed to fill half her cabinet with members of the fair gender. The current issue of Indo-LAC Business congratulates both Morales as well as Miss Bachelet and wishes them success. The focus of the magazine, however, is on Brazil, followed by Argentina, the two biggest economies of Latin America. In a remarkable development, both Brazil and Argentina have wriggled themselves free from the yoke of the IMF debt, setting an example for other Latin American countries to emulate. The current issue carries a stimulating article by R. Viswanathan, a Joint Secretary in the External Affairs Ministry, which sounds a warning to developing countries about the perils of debt trap they might get into due to excess borrowing. Viswanathan also looks at the recent Summit of the Americas, where, Latin America clearly tried to distance itself from the United States of America, and showed its newfound allegiance to China in matters of trade. There is a detailed write-up on Brazil's economy, a world investment report of the UNCTAD, which praises the country for its efforts to pave the way for sustained growth. There is a feature on Brazil's success in developing an ethanol-based energy segment, which helped the country reduce its oil import burden and which should become a model to emulate by all oil-importing countries, especially India. On the bilateral trade front, Panama's Vice President and Foreign Minister Samuel Lewis Navarro's visit opens new avenues for India, which could make use of that country as a gateway to Latin America for its exports. India and Panama have also signed a bilateral trade agreement covering various sectors, including agriculture, science and technology and Information Technology. We present the details. A heartening development is the way that Indian firms are going global by acquiring companies abroad. Tata Consultancy Services (TCS), India's reputed IT services company, has made a foray into Chile by acquiring a BPO firm there. In the pharmaceuticals sector, Dr. Reddy's Labs has bought up Roche's API business in Mexico. We carry reports. One of the most striking features of Latin America is its natural beauty. The current issue presents an exhaustive coverage of tourist destinations of both Brazil and Argentina. Plus we have other regular features.

Wish you happy reading

A handwritten signature in blue ink, appearing to read 'Satya Swaroop', with a long horizontal stroke extending to the right.

Satya Swaroop

Managing Editor

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*Neither a borrower nor a lender be;
For loan oft loses both itself and friend,
And borrowing dulls the edge of husbandry.*

Thus warned Polonius his son Laertes in Hamlet, Shakespeare's most famous play. It's a well-established fact that people, who pay heed to this wisdom benefit from it; and those who don't, and that include individuals as well as nations, come to grief. In modern times, at the international level, borrowing and lending have become the dynamics of economic growth. Developing nations, driven by an ambition to chase high-sounding and elusive targets such as poverty eradication, often fall prey to the device of heavy borrowing. These nations subsequently get entrapped in a vicious circle of debt, borrowing more to pay back the interest on their previous borrowings. Developing countries the world over, especially of Latin America, aptly exemplify this conundrum. In this world of the growing needy, there are as many borrowers as there are lenders. The developed world is surplus with capital, where interest rates are low for that very reason. The situation in developing countries is exactly the opposite. Capital is scarce and interest rates are high. In today's

Steering A Safer Course

economic scenario of globalization and inter-dependence of nations, capital flows from the rich to the poor, like water finding its own level. But the catch here is that companies in the developed West are able to raise cheaper capital and acquire businesses in developing countries. Take the examples of Brazil and Argentina. Brazil faced an economic crisis in 1999 following the sudden withdrawal of funds by multinationals to cover their losses from bad investments elsewhere, especially in Asia. Similar was the case of Argentina, which had accumulated heavy external debts, leading to an economic crisis and payment default. Both Brazil and Argentina have borrowed heavily from the International Monetary Fund (IMF) and learnt their lessons, paying a heavy price. Quite literally. In fact, Argentina's President Nestor Kirchner only recently blamed the IMF for his country's economic ills. Both Brazil and Argentina have decided to wriggle free from the IMF, deciding to pay the accumulated debt in one-go, thanks to a recovery of their economies. In 1990, India faced a similar situation and mortgaged part of its gold to avoid a payment default. India has since come out of that predicament and redeemed its gold again, thanks to its economic recovery following far-reaching reforms. But there are other poor nations, heavily indebted to global agencies, their woes compounded by the bad management of their economies. It is time they pay heed to Polonius' caution and prevent borrowings from "dulling the edge of their husbandry"

- Dev



India, Panama agree to boost bilateral trade

India and Panama have agreed to step up cooperation in a vast range of areas of mutual interest and benefit.



The India-Panama bilateral agreement was signed in November 2005 following the first ever visit of Panama's First Vice President and Foreign Minister Samuel Lewis Navarro to India.

The two sides agreed to explore and strengthen bilateral co-operation in areas such as science and technology, agriculture (including research and agro-industry), energy (including refineries, LNG and pipelines), non-conventional energy sources and maritime affairs. The Indian side, as part of its commitment, agreed to share information, technology and extend cooperation in the areas of interest to Panama.

The two sides agreed to promote trade and business (exchange of delegations, participation in Trade Fairs and business seminars) between the two countries in collaboration with the Chambers of Commerce and private sector. The Panama side invited the Indian companies to invest in the Free Trade Zone, IT and biotechnology sectors in Panama.

The Panama delegation held a bilateral meeting with the Indian delegation led by Rao Inderjit Singh, Minister of State for External Affairs. In this meeting, the two sides discussed strengthening of bilateral relations and cooperation.

The bilateral trade in 2004 was about 60 million US dollars and there is scope to increase it significantly in the future. Indian companies consider Panama as the gateway to the larger markets of Central America and Caribbean. Panama is seeking Indian investment in their

Free Trade Zones and IT sector. The Indian side will request Panama to facilitate business visas for Indians.

The Indian side expressed its willingness to assist Panama in building up its IT Sector through the setting up of a Centre for IT training in the City of knowledge. The Panama side thanked the Indian side for the ITEC training scholarships being given annually for the nationals of Panama.

The Indian side welcomed the first-ever visit of the Foreign Minister of Panama. The two sides agreed to strengthen bilateral relations and have more frequent exchanges of high-level visits in the future.

The two sides exchanged letters of agreement facilitating business visas for visitors between the two countries.

The Indian side expressed its interest in strengthening dialogue and cooperation with the Central American Integration System (SICA) of which Panama is a member. Panama would explore the possibility of hosting the second India-SICA meeting in the first semester of 2006.

The two sides exchanged views on regional and multilateral issues, including UN reforms.

During his six-day stay in India, Navarro, who headed a 22-member delegation consisting of officials and businessmen, had detailed discussions with Commerce and Industry Minister Kamal Nath as well as with Indian businessmen under the auspices of the Confederation of Indian Industry (CII).

The Panama delegation also visited Bangalore and Mumbai and had interactions with Indian companies and investors.

Panama and India are in the process of concluding an Agreement for cooperation in maritime affairs. The 12,000 Indians in Panama are the largest Indian community in Latin America. ■



One-Year multiple Visas assured for Indians

Use Panama as gateway to LatAm

In a significant move, the Panama Government has allowed Indian businessmen one year multiple entry visas to their country to boost trade and economic ties with India.

This was announced by Samuel Lewis Navarro, First Vice-President and Minister of External Affairs Panama, at a meeting with Indian businessmen and entrepreneurs organised by the Confederation of Indian Industry (CII) on recently.

Speaking on the occasion he said that the immigration problem for Indians to Panama had been uppermost in the priorities of his government for the last 15 months and he hoped that this announcement would provide an opportunity for Indian businessmen and industrialists to come to "Our little country".

Navarro said his visit to India was historic as this was the first visit of a Foreign Minister from Panama to India but ties with India dated back to the 1850s when the first Indian immigrants landed in Panama.

"Today Indians form the largest component of businessmen in Panama numbering 14,000 out of the total population of the country of 3 million" he stated.

Navarro said that people in India knew very little about Panama and the objective of this delegation was to invite Indians to come and invest in Panama. He invited Indians to "invest their knowledge and resources in our country."

He said that although Panama was a small country it played a very important role in world trade and about 5.0 percent of world trade goes to Panama. Panama, he stated, had very high living standards for executives due to various reasons. It was the largest free trade zone in the Western Hemisphere, it had enormous advantages by way of logistics and had tremendous scope for Indian participation in fields of energy, bio-diesel, training and education.

"We have a Vision of Panama as a gateway to America, as a launching pad to the markets in Latin America and it is the most important place to conduct business in our part of the globe," he said.

Earlier in his address, R.Vishwanathan, Joint Secretary



Samuel Lewis Navarro

(Latin American countries), said that the importance of Panama stemmed from three major factors - "Firstly Panama is the gateway to the large market of Latin America and it has the best logistics. Secondly, we have a lot to learn from the way you use the Canal as we are also users of the Canal and lastly Panama is important to us because it has the largest number of people of Indian origin," he said.

Talking about the announcement of the multiple entry visas by the Panama Foreign Minister, Vishwanathan said that he was very happy that the vexed problem on immigration to Panama had been solved by Navarro with a stroke of the pen.

Alberto J.Pinzon, Ambassador to India from Panama, said this visit to India would provide an "Opportunity for both of us to interact and grow together."

Earlier, welcoming the delegation V. K. Mathur, Chairman Impex Ltd said that there was much scope for furthering ties with Panama as 6mn tourists from India visited Panama every year and Panama could be projected as a destination to promote tourism.

These opportunities, he said, could be turned into economic ties in some fields. "For instance, India is today exporting 250,000 cars and this figure is expected to go up to half a million by the year 2007. Another field where collaboration could be boosted was in the field of shipping," he suggested. ■



Lessons from Argentina & Brazil

Beware of the Cheap Capital Trap

By R. Viswanathan

While the western companies and consumers enjoy the advantages and benefits of the cost-effective services and manufactures of India and China, they make us feel guilty by using the derogatory term "cheap labour". They talk about the threat to their societies and economies by the unfair competition from the low-cost skills of developing countries. But they forget conveniently their "cheap capital" which takes unfair advantage of the markets of the developing world. The interest rates are very low and there is capital surplus in the developed world. In contrast, the business in the developing countries, face shortage of capital and high interest rates. Obviously the companies from the affluent countries exploit this unfair advantage vis-a-vis the local business.

Brazil provides the best example. It has the highest interest rate in the world. Basic interest rate starts at 18%. If a small businessman goes to a big private banker in Brazil, the banker will raise the interest rate to fifty percent, without batting an eyelid. So the local businessmen find it very difficult and expensive to raise capital. And here comes an American, European or Japanese company into Brasil, getting loans in their home markets at a fraction of the interest rate prevailing in Brazil. They buy up the Brazilian businesses and do whatever they want easily and less expensively. They also bring in their speculative capital to profit from the high interest rates of Brazil.

How then can the Brazilian business compete with the cheap capital coming from the affluent countries? Where is the level- playing field ? This is a familiar scenario in many other developing countries too. The cheap capital can go even beyond giving unfair competition and do worse, as it did in the case of Argentina. In the seventies, when the oil exporting countries became suddenly rich, they parked their new wealth in the big western banks. These banks needed clients and countries to lend and get interest on it. They chose Argentina as one of the suckers. They pushed billions of dollars into the federal and provincial governments and public sector. The funds came unsolicited. The Argentines called this as "Plata Dulce" which means "sweet capital". It was like candies for the kids, given liberally saying " hey kid, here are the candies. Eat as much as you want. Don't worry about the payment, we will talk about it later". Which kid will say no? The greedy and corrupt political and business elite took the easy money eagerly and recklessly.

While a portion of these borrowings went into projects,

much of it got spirited away to the personal accounts of individuals in the western banks outside the country. Now it is pay back time. There is a mountain of debt sitting on the poor Argentinians. The country has accumulated a massive external debt of \$140 billion. Most of their foreign exchange earnings go to pay interest and repay the loans. Under the intolerable burden of the debt, the economy collapsed in 2001 and the government defaulted on payments.

It was not just an issue between the banks and the government. Millions of people, particularly from the middle class were thrown into poverty. The streets of Buenos Aires were filled with people scavenging for food in the garbage dumps. It was a historic humiliation of the once-proud Argentines.

We need to ask a fundamental question: Was there any need at all for Argentina to borrow those billions? Undoubtedly no. The country has always exported more than it has imported. It is blessed with abundant fertile land area producing large volume of agro-products, meat and dairy products and a reasonably strong industrial base. It has a small population of just 40 million. It was one of the 10 richest countries in the beginning of 20th century. It has no ethnic, language or religious problems hobbling its development, unlike the case of some developing countries. So the crisis of Argentina is as much due to the cheap capital, which was thrust upon it, as it is due to the irresponsible borrowers.

The 1999 Brazilian economic crisis was caused not by any internal economic problems but by external forces. It was the result of sudden withdrawal of short-term foreign investment out of Brazil, by the global companies, to make up for their losses during the Asian crisis. This triggered a chain reaction and lead to a crisis in Brazil.

What happened in Argentina and Brazil has been avoided by the policy makers of Chile who have built a check against the flow of speculative capital. There is a lock-in period for incoming investment and penalty for premature withdrawals.

The western world is trying to build walls and barriers to stem the tide of competition arising from the low-cost skills of developing countries. But they want the developing countries to open up their markets for seamless in-and-out movement of their capital. In this context, it would be worthwhile for the Indian economists and policy-makers to study the experience of Argentina, Brazil and Chile and draw appropriate lessons.

The author is with the Ministry of External Affairs. Views expressed here are personal.

Dr. Reddy's Buys up Roche's API business in Mexico

Dr. Reddy's Laboratories Limited announced recently that the Company has entered into a definitive agreement to acquire Roche's API business at the state-of-the-art manufacturing site in Cuernavaca, Mexico including all employees and business supply contracts. The total investment outlay is about USD 59 million including working capital.

This business involves the manufacture and sale of APIs including intermediates to Roche and other Innovator Companies. The product portfolio currently comprises

Roche's API business at the Mexico site, Dr. Reddy's will emerge as a leading player in Custom Pharmaceutical Services (CPS) business and position itself as a partner of choice for Innovator Companies across the globe with service offerings spanning the entire value chain of pharmaceutical services. This strategic acquisition provides an opportunity for our CPS business to grow from the current base of USD10 million to USD100 million over the next 18 months. The integration of these businesses - people and technology; the expertise of the management team and distinctive manufacturing



about 18 products including mature APIs and a range of intermediates and steroids. This acquisition also adds unique steroids manufacturing capabilities to Dr. Reddy's. The Cuernavaca site at Mexico currently employs nearly 340 people and has been inspected by the US FDA and other international regulatory agencies.

Commenting on the acquisition, G.V. Prasad, CEO, Dr. Reddy's Laboratories, said, "With the acquisition of

capability at the Mexico site, with that of Dr. Reddy's strengths in process chemistry and world class research capabilities will provide a strong foundation to drive the next wave of growth in our CPS business."

The Company expects the acquisition to be EPS accretive to Dr. Reddy's and the full year financial impact of the acquisition will be realized from the year 2006-07 onwards.

Pioneer to sell operations in Argentina to Apache Corp.

Pioneer Natural Resources Company is planning to sell its Argentina operations to Apache Corporation for \$675.

The deal is expected to close in the first quarter or early in the second quarter of 2006.

The divestiture is part of the Dallas-based oil and gas exploration and development company's plan to sell off non-operated assets in the Tierra del Fuego region of Argentina.

"The sale of our Argentina assets is consistent with the



strategic initiatives announced last September to deliver enhanced value to our shareholders," said Scott D. Sheffield, Pioneer's chairman and CEO. "It will allow us to reallocate capital to high-return North America development opportunities."

The Argentina assets being sold produced about 32,500 barrels of oil equivalent a day in 2005 and were

expected to produce about that much this year, said Pioneer.

Apache Corp. is an oil and gas exploration and development company based in Houston.

Steering a safer course

Kirchner and Lula: Different ways to give the Fund the kiss off.

Doing without the IMF has underlined Brazil's financial strength and Argentina's economic uncertainty.

Whatever the economics involved, wriggling free from the tutelage of the IMF is always good politics, in Latin America in particular. That is why Brazil's finance ministry announced on December 13th that it would repay early its entire debt of \$15.5 billion, falling due to the IMF over the next two years. The immediate effect was to rush Néstor Kirchner, Argentina's president, into an identical declaration just two days later. He said his government would repay \$9.8 billion to the Fund, before the end of this month. In both cases, the motivations were similar. More telling was the difference in market reaction and policy implications.

Both governments claimed they would make financial gains from the move saving over \$900m in interest payments for Brazil and \$842m for Argentina. In both cases, the more powerful motive was political. Brazil's president, Luiz Inácio Lula da Silva, is burdened with a corruption scandal and a below-par economy as he prepares for a tough fight to win a second term during election this October. Paying off the IMF will please his left-wing supporters without ruffling financial markets. Kirchner runs the risk that by the time he seeks a second term at an election in April 2007, Argentina's economic recovery may have run out of steam. Paying off the Fund



will "generate freedom for national decisions," he said. Even *La Nación*, a habitually Kirchner-sceptic newspaper, hailed this as a "historic" move.

There the similarities end. Brazil's agreement with the IMF has helped steer it through financial turmoil and an inflationary spike. Its repayment exploits the robust balance of its international payments: reserves stand at some \$67 billion. "Foreign investors will understand that Brazil has strong policies," said Joaquim Levy, a senior finance official. They did: the risk premium on Brazil's dollar bonds fell to its lowest level ever sometime back.

Ironically, this gesture of self-confidence comes at a time of fierce debate over the policies that made it possible. The finance minister, Antonio Palocci, is defending high interest rates and a tight budget policy against increasingly shrill attacks from business, the ruling party and his fellow ministers. The odds are that government spending will rise in 2006. But the debate is over whether or not the government should continue to exceed its fiscal targets. In Brazil there is "a growing convergence around a responsible fiscal policy," according to Lisa Schineller of Standard & Poor's, a rating agency.

Argentina's recent experience with the IMF has been far less happy. Only last month Kirchner dedicated the bulk of his speech as the host of the Summit of the Americas to blaming the Fund for Argentina's woes. But the benefits to Argentina from its declaration of financial independence are hardly clear-cut. The government was paying an interest rate of 4.2% on its loans from the Fund. It will repay the central bank partly by issuing new debt, which is likely to pay a coupon rate of around 9%.



In practice, Kirchner has already had much freedom to manoeuvre. In August 2004, Argentina suspended its agreement with the IMF; since then, it has repaid its debts to the Fund as they fell due. Roberto Lavagna, the economy minister until he was sacked last month, wanted a new agreement with the IMF. But Kirchner had made it clear that he would brook no unwelcome conditions from the Fund. Since the IMF was reluctant to contemplate a default by such a prominent debtor, the president got his way.

Thanks to the strength of its recovery, Argentina can just about afford to repay the Fund. Since 2002, exports have increased by around 50% and the central bank's reserves almost tripled, to \$27 billion. Even so, markets reacted unfavourably, with both the peso and bond prices falling. That reaction probably had less to do with concerns about lower currency reserves than with the uncertainties Kirchner has now introduced into Argentina's economic policy by casting off Lavagna and the IMF in short order.

In the new Argentina, the president's word is law: he chose to enact the prepayment by presidential decree, riding roughshod over the central bank's legal independence. In place of the IMF, one of Argentina's

largest creditors is now Hugo Chávez, Venezuela's socialist president.

Kirchner insisted that he will stick to fiscal solvency, "prudent monetary policy and a predictable economic environment". His opponents argue that he will not. His economic team shows no sign of tightening monetary policy even though double-digit inflation has provoked a wave of strikes. Instead, the government has bullied food producers and supermarkets into holding down prices, under threat of higher taxes.

The IMF would have pushed for increases in the tariffs of privatised utilities, many of which have been frozen since 2002. Kirchner's gamble seems to be that he can round up enough investment to overcome critical bottlenecks in energy and infrastructure, allowing growth to continue while easing inflationary pressures. If he fails, Argentina risks a return to the stagflation of its past.

Doing without the Fund is indeed an economic emancipation. But it means that governments must stand or fall purely on their own reputation for financial probity. South America's two largest economies have now put that to the test, in a controlled experiment. *(Courtesy - The Economist)*

Alckmin to Kamal Nath Strengthen Economic Partnership

Governor of Sao Paulo Dr. Geraldo Jose Rodrigues Alckmin, at an interactive luncheon meeting held recently with Kamal Nath, Minister of Commerce & Industry, and organised by the Federation of Indian Export Organisation (FIEO) stated that India and Brazil have all the necessary ingredients to strengthen their promising strategic economic partnership which will enable both the developing countries to enhance their influence on the new global economy.

Addressing the meeting, Kamal Nath stated that India and Brazil, large countries with a large social diversity and a population base, had a total combined trade of US\$ 1.4 billion during 2004-05. Of this, Sao Paulo accounted for nearly 46% of Brazilian exports to India and over 17% of Brazilian imports from India. Both countries were also representing the G-20 in meetings

of the G-4 and were working closely in the G-20 alliance in the WTO agriculture negotiations and FIPs (Five Interested Parties) on WTO matters.



"Brazil has an important presence in Latin America, and India has significant weight age in Asia. We can take advantage of this potential to help increase our participation in both regional markets", he said. Brazil today is known to have the world's most competitive agro-business centre. Besides exporting fruit they also export beef and poultry products, soya, orange juice, coffee and

ethanol on a global scale.

G.K. Gupta, Vice President, FIEO, believed that this meet would offer excellent opportunities to businessmen of both countries to enhance trade and businesses in their respective regions.

Brazil's Macroeconomic Feat Paving way for sustained growth

Brazil is reaping the benefits of macroeconomic consolidation, fostered by a prudent policy stance. Much progress has been made in fiscal consolidation and monetary policy continues to make advancements towards growth. The external adjustment has been remarkable, with strong export performance, making the economy more resilient to changes in market sentiment. These achievements owe much to the strengthening of institutions, in particular to the inflation targeting framework and the Fiscal Responsibility legislation. The economic recovery is now firmly established. But the consolidation of macroeconomic stability needs further structural reform, to ensure that the positive outlook ushers in a virtuous circle of improved confidence and resilient, equitable growth.

Improving the quality of fiscal consolidation

The government's record in meeting the budget targets, even in adverse conditions, is commendable. Public debt management has also been strengthened. But fiscal adjustment has been achieved primarily by hiking revenue and compressing public investment. Widespread revenue earmarking and the introduction of minimum expenditure levels over the years, often through constitutional provisions, have curtailed budget flexibility.

A comprehensive assessment of existing revenue earmarking and mandated spending requirements against the achievement of their intended policy objectives could make for more cost-effective spending. The need for continued fiscal consolidation can therefore be reconciled with that of alleviating Brazil's high tax burden, better channeling budgetary resources to meet society's economic and social priorities.

Enhancing the investment climate

Private investment is recovering but the current level of

investment, particularly in infrastructure, is insufficient to sustain robust growth over the medium term. There is limited room in the budget to boost public capital spending at the current juncture and private investment is discouraged by a scarcity of credit, high intermediation costs, and regulatory uncertainty in several sectors.

Enhancing the investment climate is therefore crucial to improving the economy's growth performance. New bankruptcy legislation, once approved, is expected to ease constraints on loan recovery, encouraging credit and reducing intermediation costs. The overall approach to regulatory reform in network industries, particularly electricity, is well thought out but the risk of regulatory failure should not be underestimated. Public-private partnerships can encourage investment if carried out in a fiscally sound manner, adequately balancing risks between the government and its private-sector partners.

Strengthening social policies

Much has been done in the social area over the last decade or so, with unquestionable improvements in key social indicators, particularly in education. The government already spends a high proportion of GDP on social programmes. Public spending on pensions accounts for a higher share of GDP in Brazil than in the average OECD country, despite Brazil's younger population. But spending on mean-tested programmes, such as income transfers for the care of children, and elderly and disabled persons, amounts to a relatively small share of public social spending, well below the OECD average.

Social policies will need to be strengthened in pursuit of the government's social agenda, prioritising the social programmes that are deemed to be most cost-effective



and conducive to the accumulation of human capital, while maintaining fiscal discipline and galvanising social support for reform. The continued development of Brazil's contributory social insurance should aim to give it a stronger pro-poor profile in the long term.

The Brazilian economy is bouncing back

Brazil's growth performance has been erratic in recent years but the foundations for a sustained recovery seems strong. The measures implemented by the new government that assumed power in January 2003, have restored confidence gradually, which took a beating in the aftermath of the presidential election in 2002. The measures have succeeded in stabilizing foreign exchange markets, reducing credit risk, and taming inflation. The remarkable external adjustment since the floating of the real in 1999, with continued strong export performance and the ensuing turnaround in the external current account, has made the economy less dependent on foreign financing, leading to more resilience to changes in market sentiment.

Having posted anaemic growth in 2001-02 and stagnation in 2003, the economy grew briskly in the first half of 2004, well above market expectations. GDP growth was posted at about 4½ per cent in 2004, facilitated by the monetary easing that took place from the second half of 2003 to mid-2004.

Domestic demand has strengthened, taking over from a period of strong increase in net exports. Private consumption is increasing, pushed by the expansion of credit and improvements in the labour market. Formal unemployment remains high in the major cities but real wages are on the rise. An improved climate for business is providing further impetus for private investment. Net exports will continue to contribute positively to growth, while keeping the external current account in surplus. This is important for sustained recovery as the external sector has been Brazil's Achilles heel for many years,

constraining growth. The gradual reduction in trade restrictions throughout the 1990s has made foreign trade more responsive to external price signals and changes in relative prices. Continued effort to further remove trade restrictions is most welcome. But tariff and non-tariff barriers continue to constrain export growth, particularly in agriculture.

The improvement in the economic outlook owes much to the stronger institutions too. The maintenance of macroeconomic discipline and the prompt policy response to adverse shocks would have been impossible without the reforms in this area. Today, the strengthening of institutions is an on-going process. In the macro area, the inflation targeting framework for monetary policymaking and the Fiscal Responsibility legislation is gaining importance. They have become the main institutional pillars for macroeconomic management and consolidation. These institutions, which were under stress, have withstood many negative shocks the economy had faced earlier. The 2001 OECD Survey of Brazil was particularly skeptical about the resilience of Fiscal Responsibility legislation. Credit goes to the



authorities for their continued resolve in defending and strengthening these institutions, in adverse conditions.

The consolidation of macroeconomic stabilization continues

The consolidation of macroeconomic stabilization will require strict vigilance by the authorities in the years to come. A prudent monetary-fiscal policy mix, in pursuit of continued disinflation and a steady reduction in public indebtedness, must anchor it.

On the fiscal side, high public debt remains an important area of concern. A consolidated primary surplus of at least 4¼ per cent of GDP need to be maintained to ensure a steady decline in the debt-to-GDP ratio, reinforcing the recent trend with an estimated reduction of almost five percentage points. An increase in the primary surplus target in the wake of higher-than-expected GDP growth, over the medium term would be welcome for a faster reduction in the public debt ratio. A reasonable medium-term objective would be to bring the public sector borrowing requirement into balance

over the business cycle, supported by robust primary surpluses and resulting in a sustainable decline in real interest rates. This would create room for manoeuvre as economic conditions change, allowing the fiscal policy to be more counter-cyclical while ensuring a steady reduction in indebtedness.

Public debt management needs to remain prudent. Much progress has been made to strengthen the institutional framework for public debt management, including measures to increase liquidity in secondary markets and to clarify the roles of the Central Bank and the Treasury in issuing public debt securities in domestic and foreign markets. But the relatively high, although falling, share in public debt of instruments paying floating interest rates and securities indexed to the exchange rate, makes the debt dynamics overly sensitive to financial volatility. Public debt management should therefore continue to focus on mitigating rollover risks in “bad” times and reducing exposure to foreign exchange and interest rate volatility in “good” times. This will help the debt dynamics become less vulnerable to changes in market sentiment, allaying concern over the sustainability of Brazil's public debt dynamics, and contributing to further reducing risk premia. At the same time, pressure for renegotiating the debt restructuring arrangements between the Treasury and the regional governments (states and municipalities) should also be firmly resisted, which requires strong political resolve.

Monetary policy should continue to respond swiftly to inflationary pressures. The policy regime is working well, although targets have been missed a number of times, essentially due to adverse supply shocks. It has been instrumental in anchoring medium-term inflation expectations, particularly in situations of financial stress. In a volatile macroeconomic environment, the monetary authorities have been successful in communicating to markets their policy response to adverse shocks, that is capable of accommodating the first-round effects of these shocks, while mitigating their secondary effects on prices and economic activity. In 2004, true to market expectations, inflation remained within the bands set by the government, despite movements in commodity prices. It is understood that the ultimate goal of inflation targeting is to deliver low, stable inflation over the longer term to reduce risk premia and encourage longer-term investment by the private sector. But drastic institutional changes should be avoided in the course of disinflation. While the Central Bank is broadly perceived as being de facto independent, granting it de jure operational autonomy would contribute further to enhancing credibility in macroeconomic institutions.

What are Brazil's main challenges?

Notwithstanding several accomplishments, there are three main challenges identified in the Survey, which need to be addressed. These are:

- Improving the quality of fiscal consolidation,

- Enhancing the investment climate, and
- Improving the cost effectiveness of social programmes

The challenges are interrelated and require a comprehensive set of measures to consolidate recent achievements, boosting the economy's resilience to shocks and paving the way for sustainable growth.

On the fiscal side, the government's record in meeting the annual budget targets is commendable, even in adverse conditions, making the fiscal effort all the more impressive. But fiscal adjustment has been simultaneous with the increase in primary expenditure achieved by hiking revenue and compressing public investment. Non-mandatory spending commitments have been curbed through the ad hoc sequestration of funds during the fiscal year, making budget execution more difficult, in part to accommodate higher-than-expected increases in entitlements. Retrenchment of current spending has become increasingly difficult owing predominantly to downward rigidities in the budget. Revenue earmarking is widespread and minimum expenditure levels have been introduced over the years, often through constitutional provisions, severely curtailing budget flexibility. Also, until 2003, reform of the social security



regime for civil servants had lagged behind the private-sector regime, placing a heavy burden on the budget. Of course the authorities managed to avoid increases in the minimum wage above inflation, which could have exerted a detrimental impact on the budget. In spite of recent progress, emphasis should be put on rationalizing the largest items of current spending to improve the quality of on-going fiscal consolidation.

By tackling these problems, the need for fiscal consolidation can be reconciled with that of alleviating Brazil's already high tax burden in the years to come, channelling the budgetary resources to meet economic and social priorities. Brazil's revenue ratio, at close to 35 per cent of GDP, is already high by international standards and close to the OECD average. It is detrimental to growth as well as to the labour market,

encouraging informality. The OECD methodology for assessing the rigidity of employment protection legislation, suggests that informality in Brazil appears to be more of a fiscal, rather than legal, problem. Alleviating the tax burden on labour would make social security more affordable to lower-productivity workers in the informal sector, while making it more attractive for employers to hire them with a formal contract. However there is no consensus on how this can be achieved, underscoring the need for a comprehensive labour reform. Options for making social insurance affordable to those with low incomes include, variable contribution rates, either by making them progressive or by allowing individuals to choose between alternative levels of protection. By the same token, discussion on the gradual replacement of at least part of the employers' social security contributions by levies on value added could be encouraged.

Rigidities in the budget adversely affect the quality of fiscal adjustment. There is an on-going policy debate about the constitutional provision linking adjustments in the minimum pension to those in the minimum wage. The option of severing this link while preserving the purchasing power of pensions should also be considered.

In health care, a constitutional amendment in 2000 allows for aggregate federal spending, and enhanced increment on sub-national spending, placing Brazil among the countries with high public expenditure on health care in relation to GDP. In education, minimum spending levels per student enrolled in primary and lower-secondary education (1st to 8th grades) have been established, requiring the federal government to top up outlays in the states that cannot afford the national spending floor. In this context, a comprehensive assessment of existing revenue earmarking and mandated spending requirements against the achievement of their intended policy objectives could pave the way for more cost-effective spending.

The social security system has to be financially sustainable over time. This is a pre-requisite for making room in the budget for higher spending on more cost-effective programmes. It is important that Brazil increases its preparedness to cope with the spending pressures associated with the rapidly ageing population. The share of population aged 65 and over is projected to double (9 per cent) by 2020, a rapid pace of demographic change in comparison with OECD countries.

Social security regime for civil servants acts as a drain on the budget, accounting for two-thirds of the overall social security deficit. Civil servants continue to benefit from more advantageous pension entitlements than their counterparts in the private sector. These distortions underscore the reform process. It is required : i) to create defined-contribution complementary pension funds for civil servants at par with the prudential regulations and

operational rules for private-sector workers; and ii) at a later stage, to aim at unifying the pension regimes for federal, state, and municipal civil servants, and standardizing entitlements between the regimes for private- and public-sector workers. Later reform in the social security regime could focus on the introduction of a minimum retirement age, further elimination of exemptions and increasing the contribution period.



The rationalization of current public expenditure would free budgetary resources, which could be used to finance higher, externality-rich public investment. New legislation on public-private partnerships (PPPs), will complement the current legal framework for public procurement, and encourage private investment, particularly in infrastructure. Public-private partnerships will need to be encouraged in a fiscally-sound manner, adequately balancing risks between the government and its private-sector partners. It is important that fiscal consolidation should not be undermined and that the federal government should set standards for the states and municipalities in this area. The policy objective is to standardize requirements for the accounting and reporting of PPP operations, as well as the dissemination of information to markets and society at large, together with the risk assessment of individual projects.

Private investment to be encouraged by facilitating cheaper, more abundant credit

New bankruptcy legislation, once approved, is expected to ease constraints on loan recovery, while protecting the value of collateral and jobs. A good move, although it is not sufficient, for encouraging credit creation and reducing intermediation costs. Additional measures to encourage the expansion of credit and reduce intermediation costs would include the gradual phasing out of directed credits to agriculture and housing, while remaining attentive to the need for public action in the case of market failures, especially with respect to low-income households. This includes gradual alleviation of tax burden on financial intermediation, and continued strengthening of the credit information industry, by enhancing portability of positive information on credit history. Other measures in the reform agenda includes the on-going reform of the legal system and initiatives to encourage housing finance, which can do much to improve the security of property rights, lowering borrowing costs.

(Source: UNCTAD world investment report)

Ethanol - The Wonder Fuel

Looking Beyond Corn

Imagine customers at a fuel pump, having a choice: gas or alcohol? Well that's exactly how it is in Brazil. Ever since the mid-1970s, Brazil has introduced imported gasoline with ethanol, an alcohol distilled from locally grown sugarcane. Today ethanol accounts for 40

it reduce air pollution, but can also include emissions of fine particulates and carbon monoxide. Biofuel can also improve rural economies by creating new jobs and raising farm incomes. By producing ethanol locally, countries have the potential to diversify energy portfolios, lower dependence on foreign oil, and improve trade balances among oil-importing nations.

Producing ethanol on a large scale however may prove to be disastrous as it will only produce modest environmental and economic benefits and could impinge on international food security. Its biggest barrier is land availability. There is already intense competition for land between agriculture, forests and the urban sprawl. With temperatures sky rocketing, water tables plummeting, world grain reserves at an all time low, it is important to note that shifting food crops to fuel production could further tighten food supplies and raise prices,

pitting affluent automobile owners against low-income food consumers.

Placing greater emphasis on land efficiency could definitely bring about a better use for ethanol. Ethanol could be produced on a large scale from French sugar beets and Brazilian sugarcane, which is roughly double that of American corn.

Producing ethanol is no small matter. Growing, transporting, and distilling corn to make a gallon of ethanol, uses almost as much energy as is contained in the ethanol itself. It makes more sense to produce ethanol from sugarcane, given its positive energy balances and higher yields, rather than from corn or sugar beets.

Brazil, for example, could produce enough ethanol to meet total domestic fuel demand by increasing the area used to grow sugarcane for alcohol from 6.6 million acres to 13.8 million acres (5.6 million hectares) or by shifting all current sugarcane acreage to ethanol production. Unfortunately, new fields may cut further into already shrinking rainforests, making them a serious environmental liability.



percent of the fuel sold in Brazil, a commendable feat.

Ethanol can be produced from the common grain to the sugar crops. After blending it with gasoline, as an oxygenate or fuel extender for use in gasoline vehicles, it can then be used alone in "flexible-fuel vehicles" that run on any blend of ethanol and gasoline.

In 2004, Brazil led the world ethanol production, distilling 4 billion gallons (15 billion liters). Other countries in the running include the United States of America, rapidly catching up while producing 3.5 billion gallons last year, mostly from corn, followed by China's wheat- and corn-rich provinces which produced nearly 1 billion gallons of ethanol, and India which turned out 500 million gallons made from sugarcane. France, the front-runner in the European Union's attempt to boost ethanol production, produced over 200 million gallons from sugar beets and wheat. In all, the world produced enough ethanol to displace roughly two percent of total gasoline consumption.

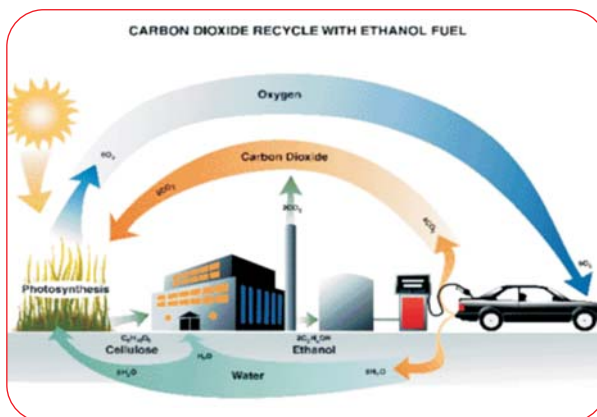
In a world threatened by mounting oil prices, instability in major oil producing countries, climatic change and rural economic decline, an alternative like biofuel for petroleum is today getting world attention. Not only can

If ethanol is to play a larger role in world fuel supply, then its primary source will not be grains or even sugar crops but cellulosic feedstocks, such as agricultural and forest residues, grasses, and fast-growing trees. Today new technologies are being developed using enzymes to break down cellulose and release the plants' sugars for fermentation into ethanol. A demonstration plant using this technology opened in Canada last year, and large-scale production is expected to be commercially viable by 2015.

Collecting agricultural residues, such as corn stalks, wheat straw, and rice stalks for biofuel production, will allow farmers to reap a sort of second harvest, increasing farm income while leaving enough organic matter to maintain soil health and prevent erosion. One likely candidate is switch grass, a tall perennial grass used by farmers to protect land from erosion. It requires minimal irrigation, fertilizer, or

herbicides but yields 2-3 times more ethanol per acre than corn does.

Today, technology is easily available and affordable. Shifting vehicle production to gas-electric hybrids, like



those on the market today, and reducing weight and drag would decrease fuel use several fold. Increasing the role of ethanol in meeting fuel demand, will require ongoing research and development, along with consistent legislative support for biofuel production and greater fuel efficiency in the automotive industry. Shifting

government energy subsidies, such as from oil exploration to biofuel development, is a clear choice, as new oil fields prove increasingly elusive. With improved vehicle fuel economy and the use of more-efficient cellulosic feedstocks, biofuel has the potential to supply a substantial share of the world's automotive fuel. ■

TRADE & INVESTMENT

INDO-MEXICAN

Pact on anvil

The proposed agreement on trade, investment and economic cooperation is on the anvil with the establishment of a Bilateral High Level Group proposed by Mexico. At a recent meeting where the visiting Mexican Deputy Minister of Economy, Alejandro Gomez Strozzi proposed an agreement between the two sides on the setting up of the Group and EVKS Elangovan, Minister of State for Commerce & Industry stated that the proposal is currently under finalization.

Both sides agreed that the present size and composition of bilateral trade and business prospects was far short of actual reality. Indo-Mexican bilateral trade was growing at a satisfactory rate, while the actual volume of two-way trade at US\$ 431.47 million in 2004-05 has been miniscule. India's exports to Mexico were US\$ 352.32 million and India's imports

from Mexico were US\$ 79.15 million. However India's share of Mexico's total imports is only 0.44%.

Mexico has a unique position for investment and joint ventures since it has Free Trade Agreements with 34 countries including USA and EU. USA is Mexico's largest trading partner accounting for about 70% of its imports and about 90% of its exports.

The ministers took into account that to strengthen future economic ties, potential sectors of mutual interest such as IT, software, drugs and pharmaceuticals, new chemicals, biotechnology, tourism and textiles should be taken into account. "The Mexican government has an ambitious E-Mexico project which aims to develop both vertical and horizontal e-connectivity. "Indian companies can definitely make a contribution in this project", Elangovan said. ■



Brazil

The Land of Fun & Festivity

Since time immemorial Brazil has been synonymous for a primeval, tropical paradise, igniting the world's imagination like no other South American country. From the mad passion of Carnivals to the mysteries of the dark Amazon, it is a country of multi-dimensional attractions.

It may not be the Eden of popular imagination, but it is still a land of staggering beauty. There are stretches of unexplored rainforests, islands with pristine tropical beaches, and endless rivers; and there are the people themselves, who delight the visitor with their energy and joy.

Brazilian culture has been shaped not only by the Portuguese, who gave this country its religion and language, but also by the country's native Indians, the considerable African population, and other settlers from Europe, the Middle East and Asia. The coming together of Brazil's culture results in fascinating music, earthy writers, and extremely tasty food.

Fascinating History

You don't need to be a History professor or student to dig your nose into the amazing past of the country as it is evident in its very fabric, that is so diverse and rich.

Brazil's cultural history is as fascinating as the land itself. Unlike the other natives, the Brazilian Indians as they are known, never developed a centralized civilization. Friends of the jungle and the climate, they left very little evidence for archaeologists to study: some pottery, shell mounds and skeletons were the only materials. In fact the native population was quite diverse, and an estimated two to six million lived in the territory that is now Brazil when the Portuguese first arrived. Today there are less than 200,000, most of them in the hidden j

interiors of the jungles.

In 1500, Pedro Alvares Cabral set sail from Lisbon with 13 ships and 1200 crew, for "India", and landed on the Brazilian coast near present-day Porto Seguro by 'accident'. Some historians say it was his intended destination all along, and it's true that his 'discovery' was reported to the king in such matter-of-fact terms that it seems that the existence of Brazil was already well-known to mariners. In 1531 King João III of Portugal sent the first settlers to Brazil and, in 1534, fearing the ambitions of other European countries, he divided the coast into 15 hereditary captaincies, which were given to friends of the Crown.

The most exploitable wealth they found was a wood that produced red and purple dyes, pau-brasil (from which the country derived its name). Organized occupation

only began in 1530, when Portugal sent out the first colonists with domestic animals, plants, and seeds to establish permanent settlements.

The colonists soon discovered that the land and climate were ideal for growing sugar cane, and solved the prodigious labour requirements by enslaving the native Indian population. The capture and sale of slaves soon became one of Brazil's most lucrative trades, and was dominated by the *bandeirantes*, men from São Paulo usually born of Indian mothers and Portuguese fathers.

Gold Discovery (1690-1800)

Brazil has a rich deposit of gold and diamond. During the 16th and 17th century the Portuguese went about expanding their territory. The most important expedition during the period was the discovery of gold. While the gold rush pulled thousands of people away from the coastal plantations, it also attracted fresh immigration from Portugal. Altogether nearly 1,000 tons of gold and 3 million carats of diamonds were taken from the region between 1700 and 1800. The growth of gold mining in Brazil was an important development, which influenced the course of events not only in the colony but also in Europe. Later the Brazilian gold which ended up in London helped to finance the Industrial Revolution.

Coffee

In the 19th century, coffee replaced sugar as Brazil's major export. At first the coffee plantations used slave labour, but with the abolition of slavery in 1888, thousands of European immigrants, mostly Italians, poured in to work on the coffee estates, called *fazendas*.

Modern Brazil is a democratic republican country having gone through many landmark movements and economic roller coaster rides. Today Brazil is attracting foreign investments from many quarters and is growing stronger. Tourism is one of its many profit-making ventures.

Interesting Geography

For the adventurous heart Brazil offers the most fascinating geographical terrains. Laced with long coastlines, mysterious rain forests and meandering rivers, Brazil makes for interesting landscapes. An artist's delight or a tourist's call for experiencing the caveman's life? Perhaps both. It is the largest of the Latin American countries, covering nearly half (47.3 percent) of the continent of South America.

Brazil has 10 neighbors: these includes Suriname, Guyana, Venezuela, and Colombia bound Brazil on

the north. Uruguay and Argentina are on the south, and on the west are Paraguay, Bolivia, and Peru. Ecuador and Chile are the only two countries of continental South America that do not share a border with Brazil. The Atlantic Ocean extends along the entire eastern side of the country, giving it a coastline of 4,578 miles (7,367 km).

Topography

The landscape of Brazil is dominated by two prominent features, the Amazon River with its surrounding lowland basin and the Central Highlands, and a plateau that rises southward from the great river. Most of the Central Highlands consist of a tableland varying in altitude, broken by a number of low mountain ranges and cut by deep valleys. These make for excellent trekking.

Rivers



Meandering through the lush forests and interesting landscapes, Brazil has one of the most extensive river systems in the world with eight drainage basins. The Amazon and the Tocantins Araguaia basins are the two rivers that flow through Brazil. The Amazon, one of the world's largest rivers, offers great river-rafting experience. The river is navigable by ocean steamers as far as 2,414 miles (3,885 km) upstream, reaching Iquitos in Peru. The Paraná-Paraguay river system drains the area from the southwestern portion of the state of Minas Gerais southward until it reaches the Atlantic through the River Plate (Rio da Prata) near Buenos Aires, Argentina.

Brazil's two southernmost states are drained through the Uruguay River also into the Prata. The São Francisco River is the largest river wholly within Brazil, flowing for over 1,000 miles (1,609 km) northward before it turns eastward into the Atlantic. It rises, like the Paraná and the Tocantins, in the Central Highlands of the country. The upper river is navigable for shallow draft riverboats in some areas, but only the last 172 miles (277 km) of the lower river is navigable for ocean-going ships.

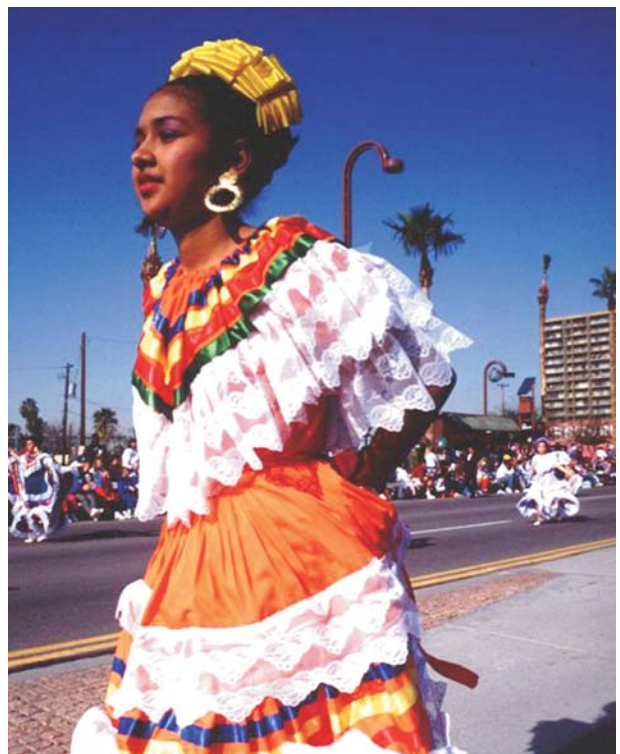
Amiable Climate

Although 90 percent of the country is within the tropical zone, more than 60 percent of the population lives in areas where altitude, sea winds, or cold polar fronts moderate the temperature. There are five climatic regions in Brazil: equatorial, tropical, semi arid, highland tropical, and subtropical. Plateau cities such as São Paulo, Brasília, and Belo Horizonte have very mild climates averaging 66°F (19°C). Rio de Janeiro, Recife, and Salvador on the coast have warm climates balanced by the constancy of the Trade Winds.

Despite the popular image of the Amazon as a region of blistering heat, temperatures of more than 90°F (32°C) are rarely experienced there. In fact, the annual average temperature in the Amazon region is in the range of 72-79°F (22-26°C), with only a very small seasonal variation between the warmest and the coldest months. The hottest part of Brazil is in the northeast, where, during the dry season, between May and November, temperatures of more than 100°F (38°C) are recorded frequently.

People

Various immigrants came to Brazil at various points of time giving the country an interesting mix of people and its multicultural diversities. The three chief races are: the original inhabitants (Indians) who now live with successive waves of Europeans (mainly Portuguese) and Africans (mostly from the sub-Saharan west coast) settlers.



Many tribes speaking other languages (Gê, Arwak, and Karib), on the other hand, who live in the interiors have taken longer to establish contact with the outsiders. Today Brazil's native Indians number about 250,000. They are sub divided into roughly 200 groups and they speak some 180 different languages in spite of sharing ethnic similarity in dress and eating habits.

During the 16th century, Africans belonging to the Bantu and to the Sudanic ethnic groups were brought to Brazil to work as slaves in the sugarcane, and later, in the gold and diamond mines and the coffee plantations. The integration process that had begun between the Europeans and the Indians rapidly spread to include the black slaves.

The country also has a sizeable number of people from Italy, Lebanon and even the Japanese. That indeed accounts for such diverse culture and lifestyle in Brazil.

Visitors' delights

Carnivals

A visit to Brazil remains incomplete without experiencing the mirth and revelry at the carnivals. Carnival's roots go back to the ancient Romans and Greeks who celebrated the rites of



Spring. In the Middle Ages, when the Catholic Church tried to suppress all pagan ideas, it failed when it came to this celebration. The Church incorporated the rite into its own calendar as a period of thanksgiving. The nations of Europe, especially France, Spain, and Portugal, give thanks by throwing parties, wearing masks, and dancing in the streets. All three colonizing powers carried the tradition with them to the New World, but in Brazil it landed with a difference. The Portuguese had a taste for

abandoned merriment, they brought the entrudo, a prank where merry-makers throw water, flour, face powder, and many other things at each other's faces.

Prior to 1840, the streets of Brazilian towns ran riot during the three-day period leading up to Ash Wednesday with people in masks hurling stink bombs and squirting each other with flour and strong-smelling liquids; even arson was a form of entertainment. In 1840, the Italian wife of a Rio de Janeiro hotel owner changed the carnival celebration forever by sending out invitations, hiring musicians, importing streamers and confetti, and giving a lavish masked ball.

Carnival Nationwide

Each city in Brazil celebrates its own unique Carnival and each Carnival reflects the diverse cultures of Brazil. Therefore, a Carnival in the north may be completely



different from a Carnival in the south. Regardless of where you decide to put your endurance to the test, and see just how much festivity you can possibly sustain, you are guaranteed to have an all around unforgettable experience!

Having said that, Rio de Janeiro has the biggest and best-known pre-Lenten carnival in the world - its most colorful event is the Samba School Parade. The samba schools taking part in the parade - each roughly having three to five thousand participants, are composed of poor people from the city's sprawling suburbs.

Brazils Ecosystems

The magical mysteries of Brazil's ecosystems continue to feed the wild imaginations of people the world over. The Amazon Rainforest, Atlantic Rain forest, Caatinga, Southern fields, Savanna are some of the proud eco systems of Brazil that attract the Nature traveler.

Green Destination

Take a trip through some of the extraordinary ecotourism destinations, representing the incredible diversity Brazil has to offer. Just remember, the experience may lead you to take some interesting decisions of your life. For all you know you may never want to go back from the laidback atmosphere of vast expanses of green, mixed with various hues of blue in the form of skies and rushing falls.

The Amazon Jungle, Aparados da Serra and Serra Geral National Parks, Bonito, Caju Island, Chapada Diamantina are some of the great escapes for those who like to experience the primordial earthly beauty of mother nature. Boa Viagem!

Beaches

With over 5000 miles of coastline, the list of beaches well worth your visit is endless. Therefore, comprising a list of the best beaches is quite a challenge. Particularly because in many cases we begin comparing apples with oranges, as the diversity of the beaches ranges so extensively. We have selected a list of beaches which represent this diversity, and promise satisfaction!

These are: Baía do Sancho, Baía dos Porcos, Praia do Leão, Espelho and Coruípe, Jericoacoara, Canoa Quebrada.

Gastronomy

If you believe in the joys of food, cooking, and dining out, then Brazil is just the place for you. Like the Dum Biryani and the pizzas of India, Brazil's cuisine is the

product of tradition and happenstance. Each region of Brazil - depending on its indigenous culture, which the European groups colonized, its nearness to rivers or the ocean annual rain and soil conditions - developed its very own diverse dishes.

Food

The cuisine from Bahia dates back to the time of slavery when the masters saved scraps from the table or leftovers from the previous day's meal to give to the slaves. Some



slaves were allowed to fish and look for shrimp and clams. Remembering their cooking-pot training from Africa, the women would put bits of ingredients together and add the milk of coconuts or the oil from the dendê



palm. Over the years these concoctions were worked out into recipes and were given names. Today it is called Bahian food. Some of its delicacies are:

Vatapá: Shrimp are either cut up or ground together with pieces of fish, then cooked with dendê palm oil, coconut milk and pieces of bread. The dish is served over white rice.

Sarapatel: The liver and heart of either a pig or a sheep are mixed with fresh blood of either animal; tomatoes, peppers, and onions are added and everything is cooked together.

Carurú: Sautéed shrimp are combined with a very sharp sauce made of red peppers and tiny okra.

In the Amazon region, a favorite dish of the locals is pato no tucupi which is pieces of duck mixed in a rich sauce that is loaded with a wild green herb that tingles the stomach for hours after eating. Another typical dish is tacacá, a thick yellow soup that is laced with dried shrimp and garlic.

For the vegetarians there are plenty of green vegetables cooked in delectable sauces or just laid out as rich salads dashed with some exquisite dressings. Go ahead and pamper your taste buds.

Drink

Many international travelers think that Brazilian beer is one of the best in the entire western hemisphere. For generations there have been expert German and Dutch brewers overseeing the manufacturing and processing of all major companies. Brazil produces a powerful,



clear, raw rum (*cachaça*) made from fermented sugar cane alcohol. *Cachaça* combined with crushed lime, sugar, and ice becomes a very popular drink called *caipirinha*. *Guaraná*, a delicious soft drink unique to Brazil, is made out of a fruit from the Amazon.

Other Attractions

It is indeed difficult to list down all that you can do in Brazil. From watching soccer which is the national game

of Brazil to bird watching, caving where time takes on a new meaning, fishing, playing golf, hang gliding & paragliding, horseback riding, kayaking, and surfing; there is plenty to do. The list is practically endless...So just make sure you have enough time.

Ceramics and Sculpture

Exclusive ceramics from Brazil make for ideal gifts. In the northeast of Brazil, the most popular sections of the large markets are the displays of potters and vendors of artistic clay objects, many of which are true sculptures. A number of local artisans are known to Brazilian



folklorists, as well as to artistic circles outside Brazil. Familiar names are Severino, whose characteristic work is in unglazed clay, Mestre Vitalino (Master), the most famous of the folk potters, perhaps because he signed his creations, and Zé Caboclo, from the town of Caruarú, the principal centre of folk sculpture in the State of Pernambuco. The ceramics portray scenes of daily activity, including animals (the horse, the cock, and the Zebu bull), and religious characters (priests and saints) along with traditional themes from the ancient era.

Getting in the Mood

Diverse, vibrant, and full of unexpected wonders, Brazilian culture and its multifaceted infectious magic never fails to win the hearts of all who visit. It would be impossible to see all there is to see of Brazil's unparalleled beauty in one visit. It is a good idea to go prepared, with background on the culture, unique to the regions you plan to visit. So get in the mood for the experience of a lifetime. ■

A Country of **DIVERSE CULTURE**

Cinema

Within a year of the Lumière brothers' first experiment in Paris in 1896, the cinematograph machine appeared in Rio de Janeiro. Ten years later, the capital boasted 22 cinema houses and the first Brazilian feature film, 'The Strangers' by Antônio Leal, had been screened. From then on Brazil's film industry made steady progress and, although it has never been large, its output over the years has attracted international attention.

By the end of the 1940's Brazilian film-making was becoming an industry. The Vera Cruz Film Company was created in São Paulo with the goal of producing films of international quality with Alberto Cavalcanti, a Brazilian filmmaker with an international reputation, as its head. Vera Cruz produced some important films before it closed in 1954, among them the epic 'The Brigand' (O Cangaceiro) which won the Best Adventure Film award at the Cannes Film Festival in 1953.

Among contemporary cinema, the Brazilian film industry boasts of some of the most well scripted, critically acclaimed films that have won awards at international festivals. O Quatrilho, a tale of

two married immigrant couples set in Rio Grande do Sul, where the husbands are partners and end up exchanging wives, directed by Fábio Barreto (1996) and Four Days in September (1998), the true story of the 1969 kidnaping of the American Ambassador to Brazil, directed by Bruno Barreto were both Oscar nominees for Best Film in a Foreign Language. Central do Brasil (Central Station), directed by Walter Salles, won the Golden Bear Grand Prix at the Berlin International Film Festival in 1998, and in January 1999 captured the Hollywood Foreign Press Association's Golden Globe award for foreign language film. The Indian government continues to make special efforts to have Brazilian films screened at its film festivals.

Folk Arts

Brazilian Culture is more than the simple result of specific contributions by Europeans, Africans and Indians. Miscegenation among them has been taking place ever since their very first contacts. These three cultures have insinuated themselves into the way Brazilians feel and act. Today it is



difficult to trace their dividing lines. Brazilian folk arts are among the richest and most varied in the hemisphere.

Folk Dance and Drama

Brazilian folk dance and folk drama are rich forms of popular artistic expression. Subject, rhythm, costume, and choreography reveal the three principal components of the nation's culture in a complex interaction. There are dozens of Brazilian folk dances - such as dramatizations of the early wars between the Portuguese and the Indians. Some of the most popular dance dramas are performed by the groups of *reisados*, *cheganças*, *pastoris*, and *ranchos*.

Music

Brazil's music has the most interesting fusion in the world. The Indians with their reed flutes, the Portuguese with their singers and viola players, and the Africans with their many thrilling rhythms - make it a musical country. It won't be wrong to say that music runs through the blood and veins of the Brazilians. From the classical compositions of Villa-Lobos, to the soft sounds of bossa nova to the driving beat of samba, Brazil has developed music of striking sophistication, quality, and diversity.

Schools of music existed in Bahia in the early 17th century and religious music was played in churches throughout the colony. As with other art forms, musical activity intensified with the arrival of the Royal Family in 1808. King João VI, a music lover, sent to Europe for the composer Marcos Portugal from Europe and for Sigismund von Neukomm, an Austrian pianist, a pupil of Haydn. Local musicians also attracted the King's



attention, such as José Nunes Garcia who was a notable improviser on the organ and clavichord. João VI appointed him Inspector to the Royal Chapel, a body which had more than 100 instrumentalists and singers, many of whom were foreigners.

As in literature and painting, the Week of Modern Art in 1922 revolutionized Brazilian music and brought acceptance to a crop of new composers. Led by Heitor Villa-Lobos, they brought avant-garde techniques from Europe and undertook the challenge of transplanting Brazilian folkloric melodies and rhythms to symphonic compositions. Their music often incorporated many popular musical instruments into classical orchestras.

Brazil's popular music boasts of composers who have achieved international fame like Noel Rosa, Lamartine Babo and Ary Barraso. It developed parallel to its classical music and it also used traditional European instruments - guitar, piano, and flute - with a whole rhythm section of sounds produced by frying pans, small barrels with a membrane and a stick inside (*cuícas*) that made wheezing sounds, and tambourines. Barroso's principal singer, Carmen Miranda, went on to achieve an international reputation when she appeared in a series of Hollywood films.

In the mid 1960's, the haunting, story-telling lyric of The Girl From Ipanema, carried by a rich melodious line, was the first big international hit to emerge from the bossa nova movement of Brazilian singers and composers. It put Brazilian popular music on the world map and brought instant fame to composer Antonio Carlos Tom Jobim and lyricist-poet Vinicius de Moraes.

The bossa nova appeared in Rio de Janeiro in the late 1950's. At first it was played as an intimate music in the apartments of Rio's middle and upper-middle classes. The music mingled the Brazilian samba beat with American jazz. Later on bossa nova became a trademark of a new concept of music - a little sad, sometimes sung off-key, and where the lyrics have great importance. ■



'A journey right to Brazil's musical heart ... passionate ... enjoyably offbeat'
The Times

The Amazing Splendours of Argentina



Buenos Aires - A Shoppers' Paradise

Argentina's capital city is located within the Capital Federal District and forms one of the world's largest metropolitan areas. Buenos Aires is an elegant shoppers' paradise and cosmopolitan center that takes pride in its cultural establishments. There are now few reminders of the city's glorious past, although the immense Catedral Metropolitana (Metropolitan Cathedral), which contains the remains of San Martín, Argentina's liberator, is a notable exception. So is the famous Teatro Colón, the world's largest opera house (with a capacity of 2500 seats), which occupies an entire block on the massive Avenida 9 de Julio, the city's major thoroughfare with its Obelisco (obelisk) at the intersection with Avenida Corrientes (the traditional theater, cinema and nightlife district). Also worth a visit are the Isaac Fernández Blanco Museum of Spanish-American Art, which houses an important silverware collection and is located in a beautiful neo-colonial mansion; the Ambrosetti Museum and the Museum of Colonial History. The old artists' quarter of La Boca, home of the tango, is located along a narrow waterway lined by meat-packing plants and warehouses. Visitors can see a tango show at one of several tango bars for approximately US\$40-60. The San Telmo borough, one of the oldest parts of the city and particularly known for the Manzana de las Luces (Block of Enlightenment), has also preserved its artistic spirit. The city's oldest church, the Jesuit Iglesia San Ignacio, is located here. San Telmo has many cafes, antique shops, tango night spots and a

Sunday flea market on Plaza Dorrego. Buenos Aires' open spaces are particularly notable in the northern part, where a succession of parks stretch for miles along the River Plate.

The Palermo neighborhood contains the Jardín Botánico Carlos Thays (Botanical Gardens), the Jardín Zoológico (zoo), the Campo de Polo (polo grounds), the Hipódromo (racetrack) and the Planetarium.

The city's main shopping districts are located around the microcentro (north of Avenida de Mayo), which includes popular tourist areas like the Florida and Lavalle pedestrian malls, the Plaza San Martín, and the commercial and entertainment areas of Corrientes, Córdoba and the fashionable Santa Fe. North of the microcentro is the chic and upper-class Recoleta borough, famous for its Cementerio de la Recoleta (where many members of Argentina's élite are buried) and the renowned Museo Nacional de Bellas Artes (Museum of Fine Arts), which has works by Renoir, Rodin, Monet, Van Gogh and numerous Argentine artists. Near the presidential palace, the neighborhood known as Puerto Madero is now in serious competition with Recoleta to become the city's most chic quarter. Many of the port's 19th-century warehouses and docks have been transformed into Manhattan-style lofts, expensive restaurants, trendy nightclubs, new office blocks and a university campus.

Further southeast is the Costanera Sur National Park, a nature reserve close to the banking district.

Excursions

Argentina's most important devotional site (attracting millions of pilgrims every year), is the neo-gothic *Basílica Nuestra Señora de Luján*, which is located 70km (43 miles) west of Buenos Aires. Around 113km (71 miles) west of the capital lies the village of San Antonio de Areco, the center of Argentina's gaucho tradition and host to the *Día de la Tradición*, the country's biggest gaucho celebration held annually in November. The village is also known for its artisans, who specialise in *mate* (paraphernalia), *rastras* (silver-studded belts) and *facones* (knives). The country town of Capilla del Señor can be visited on a day trip with an old historic steam train (tickets should be purchased a week in advance).



The Atlantic Coast

Mar del Plata is located approximately 400km (250 miles) from Buenos Aires, and is the main tourist resort on the Atlantic coast. Often referred to as 'Mardel', Mar del Plata's sandy beaches attract thousands of visitors during the December to March season. The many grandiose mansions testify to the city's upper-class origins. Interesting sites include the Villa Normandy (which has a distinctive French style), the Iglesia Stella Maris (a church with an impressive marble altar), the Torre Tanque (an 88m/289ft tower offering good views) and the Villa Victoria (once a literary salon). The Banquina de Pescadores is a picturesque wharf near the port with many restaurants and cafeterias. Mar del Plata is also the site of the largest gambling casino in Argentina.

Elsewhere

Other well-known resorts on the Atlantic coast include Villa Gezell, Pinamar, Miramar and Necochea, the latter being well known for the Parque Miguel Lillo, a large green space beside the beach, whose pine woods are popular for cycling and riding. New resorts are constantly springing up along this stretch of coastline. Most offer deep-sea fishing and watersports. Further south, some 650km (407 miles) from Buenos Aires, lies Bahía Blanca, the largest southern city, whose massive port makes it one of the country's major commercial centers.



The Pampas

The area known as the Pampas consists mostly of flat agricultural land and contains the provinces of Buenos Aires and La Pampa as well as parts of Santa Fe and Córdoba. The area is well known for its horse-breeding tradition and cattle ranches.

La Plata

Located 56km (35 miles) southeast of Buenos Aires, La

Plata is the capital of the Buenos Aires Province and an important administrative, commercial and cultural center. It has one of the country's best universities.

South of La Plata lies the Sierra de la Ventana, whose scenic peaks attract many hikers and climbers. One of the most popular peaks for climbing excursions is the Cerro de la Ventana (1136m/3408ft), which is located within the Ernesto Tornquist Provincial Park.





Santa Fe

The capital of the Santa Fe Province is linked to Paraná, capital of the Entre Ríos Province, via a tunnel beneath the River Paraná. Mainly important as an agricultural and industrial center, Santa Fe's colonial past is still visible in its streets and squares, though there are also many modern buildings. The nearby city of Rosario, on the west bank of the River Paraná, was where the Argentinian flag was first raised and its biggest attraction is the impressive, boat-shaped Monumento Nacional a la Bandera (Monument to the Flag). La Semana de la Bandera (Flag Week) is celebrated annually in June. Nearby is the town of Rufino, an important center for cattle raising. Walking and trekking are popular in the Lihue Calel National Park, an area consisting mostly of desert, located some 226km (142 miles) southwest of the city of Santa Rosa, and known for its pink granite rock formations (reaching up to 600m/1968ft).

Misiones, El Chaco & Mesopotamia

The Misiones Province has a subtropical climate and is nearly surrounded by Paraguay and Brazil. It is most famous for its Jesuit missions and the spectacular Iguazú Falls. El Chaco has a sparsely populated area of nature reserves and parks. Mesopotamia usually refers to the area between the Paraná and Uruguay rivers and comprises the provinces of Entre Ríos and Corrientes.

Posadas

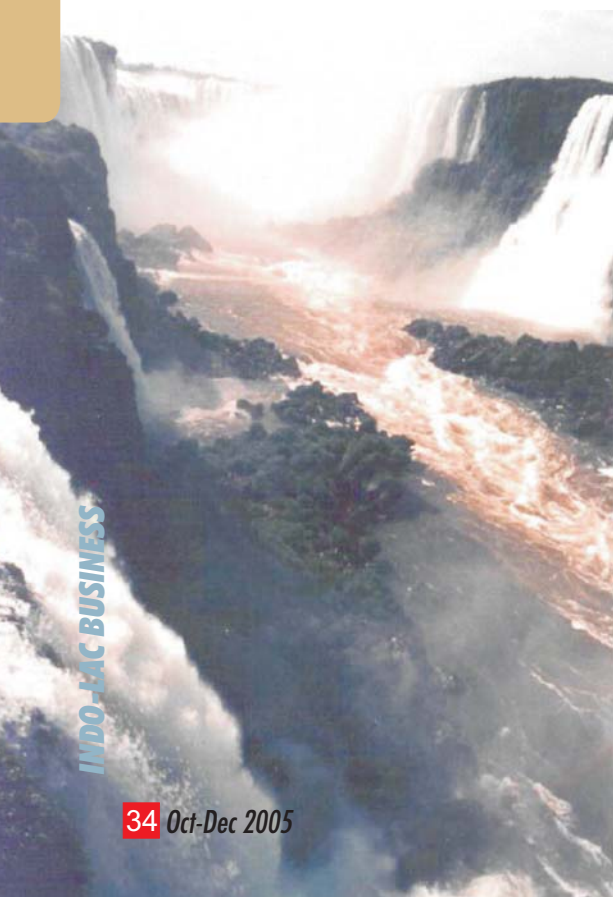
The capital of the Misiones Province, Posada is joined to Paraguay by a modern bridge. The province is well known for its old Jesuit missions, and the

most impressive Jesuit ruins can be visited at San Ignacio Miní, some 50km (32 miles) east of Posada. Jesuit carvings and art are on display at Posada's Museo Regional. The gigantic Yacyreta Dam lies 200km (125 miles) upstream from Posada.



Iguazú Falls

Puerto Iguazú is gateway to the majestic Iguazú Falls (parts of which are located in neighboring Brazil). The falls are located within the UNESCO World Heritage-listed Iguazú National Park, whose subtropical rainforest provides a habitat for over 2000 identified plant species and 400 bird species (for details of hiking trails, see the *Activities* section). The Iguazú Falls are formed by the River Paraná which, before reaching the edge, divides into many channels. The most impressive of these is the Garganta del Diablo (Devil's Throat), which can be approached via a system of catwalks (some of which may occasionally be closed owing to flooding). At their highest point, the falls have a vertical drop more than one and a half times the full length of Niagara Falls. Visitors can catch a good view of the falls from a tower near the visitor center, which also organizes free trips to the Isla San Martín, another good lookout point from which to catch an extensive and crowd-free view.



El Chaco

The capital of the Chaco Province is Resistencia, which prides itself on being a 'city of sculptures' (there are over 200 of them), and is a major crossroads for Paraguay and excursions through the Chaco to the northwest. The Chaco National Park is a large expanse of swamps, grasslands, palm savannahs and forest, which is rarely visited as camping is the only available accommodation. Interesting nature reserves within the area include Estricta Colonia Benitez (in eastern Chaco) and the Pampa del Indio Provincial Park. Campo del Cielo is an area famous for its meteorite fragments dating back some 6000 years.

Formosa

The capital of Formosa Province is a good starting point for excursions to northern Chaco. Interesting buildings in the city include the Casa de Gobierno, which has been declared a national monument. Apart from Formosa's annual week-long *Fiesta del Río* (a nocturnal religious procession), one of the main regional attractions is the massive Río Pilcomayo National Park, an area of swamps, marshland and savannah on the Paraguayan border, whose Laguna Blanca is an ideal spot for birdwatching.

Corrientes

Corrientes, the capital of its namesake province, is one of Argentina's oldest cities. The General Belgrano Bridge over the Paraná River joins the city to Resistencia, the capital of the Chaco Province. Among Corrientes' oldest churches, the Santísima Cruz de los Milagros and the Convento de San Francisco are worth a visit. In the north of the province lies the Esteros del Iberá, an area of marshland, lagoons and lakes providing a refuge for hundreds of bird species, reptiles and mammals such as swamp deer and capibara (the world's largest rodent). There are numerous remains of Jesuit settlements in the vicinity, notably at Yapeyú, the birthplace of José de San Martín. Cattle ranches (*estancia*) can be visited at San Gará, Atalaya and San Juan Poriahú. Well known for its fiestas and carnivals, the Corrientes is also the land of the *chamamé*, a characteristic type of rhythmic music derived from the polka, celebrated in the annual *National Chamamé Festival*.



Paraná

The capital of the Entre Ríos Province can be reached from Santa Fe via the Hernandarias Tunnel under the River Paraná. East of Paraná, near the border with Uruguay, Concepción del Uruguay has numerous spas and river beaches (on the River Uruguay), notably at Banco Pelay and Itapo. The nearby city of Gualaguaychu is famous for its carnival, which rivals those of Rio and Bahía in Brazil. Further north, some 360km (225 miles) from Buenos Aires, lies the El Palmar National Park, whose main attractions are the old yatay palms, some of which are nearly 800 years old.



Córdoba

Located on the bank of the River Primero, Córdoba has preserved much of its colonial past and character. Some of the most interesting colonial buildings include El Cabildo (the Town Hall) and the Casa del Obispo Mercadillo. One of the best streets in which to see colonial buildings is the Calle Obispo Trejos. Also worth seeing are the churches of the Compañía de Jesús, San Francisco and San Roque. Argentina's first university, the Universidad Nacional de Córdoba was founded here. The scenic mountain hinterland known as the Sierras de Córdoba is dotted with colonial hermitages and tourist towns: Cosquín hosts an annual folklore festival and la Falda is a popular resort for excursions to the Sierra Chica. Around Córdoba, numerous Jesuit churches can be visited: Alta Gracia, 35km (22 miles) southwest of the city, is one of the best known. Also of interest is the town of Jesús María, which hosts the *Fiesta Nacional de Domay Folklore*, an annual celebration of gaucho horsemanship and customs.



Mendoza

The Mendoza Province is Argentina's main wine-producing region and the annual grape harvest festival, the *Fiesta Nacional de la Vendimia*, is held in the provincial capital, Mendoza, at the end of February and in the beginning of March. Founded in 1521, Mendoza is characterized by tree-lined streets and a large network (some 500km/32 miles) of irrigation channels. The Andes mountain ranges can be seen in the distance from many parts of the city, whose universities, museums,



theaters and art galleries testify to a lively cultural life. Interesting museums include the Museo Sanmartiniano (for history) and the Museo Popular Callejero (architecture). Most wineries near Mendoza offer tours and tasting. Some of the province's main wine cellars are located in San Rafael. Near the border with Chile lies the famous Mount Aconcagua (6995m/22,944ft), the highest mountain in the Western hemisphere, located within the Aconcagua National Park. A good starting point for exploring the area is Uspallata, located in a serene valley surrounded by mountains. Some of the best ski resorts can be found at las Leñas (one of Argentina's most prestigious winter sports resorts, open from June to October), the Valles del Plata and los Penitentes. Also worth visiting is the striking Puente del Inca, a natural stone bridge over the River Mendoza; and Cristo Redentor (Christ the Redeemer), a famous monument in the high Andes, nearly 4000m (13,120ft) above sea level, offering magnificent views.

San Juan

San Juan, capital of the San Juan Province was rebuilt after an earthquake in 1944. Today, the city is characterized by wide, tree-lined streets and fairly modern buildings. Around 60km (38 miles) southeast from here, the small town of Vallecita attracts large numbers of pilgrims who come to visit the famous Difunta Correa shrine (with the busiest times being around Easter and Christmas). The city of Agustín del Valle Fértil is a good base for excursions to the Ischigualasto National Park, a desert valley also referred to as 'the valley of the moon', owing to its distinctive rock formations and fossils dating back some 180 million years.



Jujuy

The capital of Jujuy Province, San Salvador de Jujuy, was once a stopover for colonial mule traders. It has an interesting Indian market, the Mercado del Sur and, at Termas de Reyes, thermal baths overlooking the scenic canyon of the River Reyes. To the north of the city lies the colorful dry landscapes of the Quebrada de Humahuaca and its isolated peasant villages. The indigenous village of Purmamarca is surrounded by the Cerro de los Siete Colores (Hill of Seven Colors), whose layers show different geological periods. Further up

stands the Paleta del Pintor (Painter's Palette), named after its view of the multi-colored surrounding mountains. The Calilegua National Park lies on the province's eastern border. It has abundant birdlife, some dense subtropical cloud forest and offers good views of the Gran Chaco from Mount Hermoso (3600m/11,808ft).

Salta

The city of Salta, capital of Salta Province, is reputed to have the best preserved colonial architecture in Argentina. The most significant buildings are grouped around the central square, including the Cathedral, the Cabildo (Town Hall) which houses the Museo Histórico del Norte, the Museo Colonial and the Museo de Bellas Artes and the Iglesia San Francisco. The province is well known for its



spectacular train journey, el Tren a las Nubes (Train to the Clouds), which ascends the Quebrada del Toro and climbs up to the *puna* (plateau). The climax of the trip is the crossing of the la Polvorilla viaduct (4182m/13,716ft above sea level). Around 100km (63 miles) south of Salta, the Quebrada de Cafayete is a landscape of barren sandstone known for its distinctive formations, such as the Garganta de Diablo (Devil's Throat). Surrounding Cafayete are many vineyards, which flourish in the warm, dry and sunny climate. Los Cardones National Park is known for its large cacti (*cardó*), reaching heights of upto 6m (20ft).

Tucumán

Is another Andean province offering green valleys with subtropical vegetation surrounded by snow-capped mountains. Within the Tafí Valley lies the Parque de los Menhires, named after its interesting collection of stones decorated by Tafí Indians. Also worth a visit are the ruins at Quilmes, an ancient fortified citadel built by Quilme Indians.

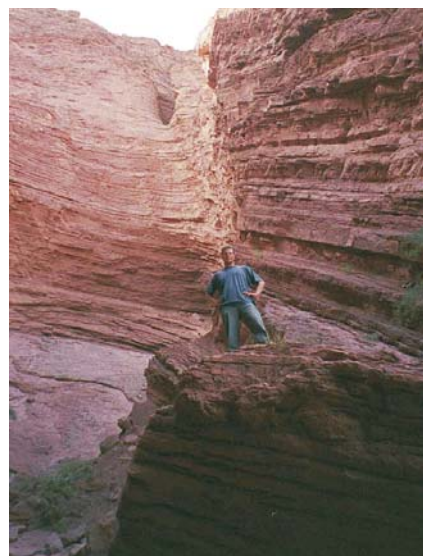
Río Negro

One of the best-known resorts in the southern Lake District is San Carlos de Bariloche, which is surrounded by lakes, glaciers and forested mountains and which has both modern tourist amenities such as shopping areas, casinos, as well as hiking, mountaineering and picnic sites. Skiing is possible in Gran Catedral, a well-known resort with modern facilities. The nearby Nahuel Huapi National Park contains the massive Nahuel Huapi Lake, stretching over 100km (63 miles) to the border with Chile. Within the lake area lies the Isla Victoria, a natural sanctuary, which can be reached by private or organized boat trips. Traveling south, a road through spectacular scenery, passing the shores of three lakes, leads to El Bolsón, 130km (82 miles) from Bariloche, known for its

fruit orchards. The *Feria Artesanal*, a market held in El Bolsón on Saturday (and on Thursday during summer), provides a good opportunity to sample local dishes. Possible excursions within the area include the trail to the Cabeza del Indio, a rock formation resembling the 'noble savage', with good views of the Río Azul and Lago Puelo en route.

Nequén

The town of Junín de los Andes is well known for trout fishing and offers good access to the Lanín National Park. Nearby San Martín de los Andes, located on Lake Lácar, is close to one of Argentina's main winter sports destinations in Cerro Chapelco. San Martín is connected to Bariloche by a scenic road (also called 'the route of the seven lakes'), leading past spectacular lakes and through a landscape of snow-capped mountains, waterfalls and gigantic trees. The region's principal attraction is the Lanín National Park, a fairly untouched area dominated by the extinct, snow-capped Volcán Lanín (3776m/12,386ft), and characterized by rare plant and animal species. On the northern shore of Nahuel Huapi National Park lies Villa la Angostura, a resort whose main interest is the nearby Los Arrayanes National Park. Located on the Quetrihué peninsula (connected



to Angostura by an isthmus), this park is best known for the El Bosque de Arrayanes, a forest of *arrayán* (cinnamon-barked) trees, many of which are over 100 years old. The Siete Lagos scenic road connects the park to San Martín de los Andes.



Chubut

Puerto Madryn, founded by Welsh settlers, is a popular base for excursions to the nearby wildlife sanctuary at the Península Valdes nature reserve in Chubut Province, where large numbers of sea lions, elephant seals and penguins frequent the beaches. Further north, the Isla de los Pájaros bird sanctuary is home to cormorants, flamingos and egrets. A number of trails and spots in the area provide opportunities for observing colonies of sea lions and elephant seals, notably at Punta Delgada, in the sheltered bay of Caleta Valdés, below the cliffs of Punta Loma and the nature reserves of Punta Norte and Punta Pirámide, the latter also being the main base for

whale-sighting trips to the Gulf of San José. The best time to see whales is from August to December. The Punta Tombo reserve is known for its vast colonies of Magellanic penguins (around half a million of which use the reserve as a breeding ground from September to April). Further south, near the sunny town of Esquel, is los Alerces National Park, which protects vast stretches of the tall and long-lived (400 years) *alerce* conifer trees.

Santa Cruz

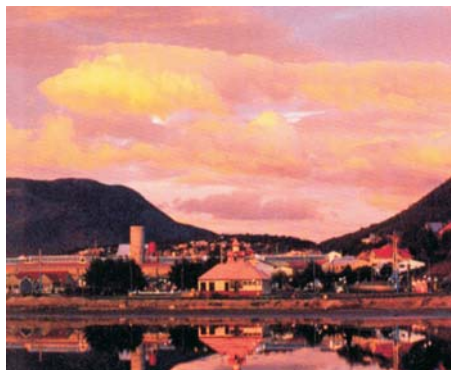
The Glaciers are 78 kms off the locality of El Calafate, in the Province of Santa Cruz. One of the province's main attractions is the UNESCO World Heritage - listed los Glaciares National Park, an area of great natural beauty, with rugged mountains and numerous glacial lakes, including Lake Argentino. Accessible from the busy tourist town of El Calafate, the park's centerpiece is the Moreno Glacier, one of the earth's few advancing glaciers. Huge icebergs calve and topple into Lake Argentino at the so-called Canal de los Témpanos (Iceberg Channel), and there are nearby catwalks and platforms from which to observe this event. It is also possible to visit the Upsala Glacier via a boat trip from Puerto Bandera along Lake Onelli and past floating icebergs.



Ushuaia

The provincial capital is the world's southernmost city, located in a dramatic setting, with jagged glacial peaks rising from sea level to nearly 1500m (4920ft). The Museo del Fin del Mundo (Museum of the End of the World) has exhibits dedicated to the Indians, nature, local history and the many shipwrecks that happened in the area. The nearby Martial is within walking distance and yields spectacular views of the city and the Beagle Channel. The city of Río Grande is mostly a petroleum service center facing the South Atlantic and, though of no particular interest, the surrounding countryside offers good hiking opportunities (particularly around the Garibaldi Pass, where *lenga* tree forests show striking displays of red leaves during autumn). Some 18km (12 miles) west of Ushuaia, the Tierra del Fuego National Park, Argentina's only coastal national park, comprises rivers, lakes, forests and glaciers.

Ushuaia is also a major port for cruises departing to the Antarctic. Day-trips to Antarctica, costing US\$630 including return flights, lunch, and a tour, are possible from Malvinas Argentina International Airport. ■



Se sugieren enlaces en Agricultura, IT y energía

India, Panamá acuerdan reforzar su comercio bilateral

India y Panamá han acordado aumentar la cooperación en una gran gama de áreas de interés mutuo. El



acuerdo bilateral de India Panamá fue firmado en Noviembre 2005 tras la primera visita del Vicepresidente de Panamá y Ministro de asuntos exteriores Lewis Navarro a India.

Las dos partes acordaron explorar y reforzar la cooperación bilateral en áreas tales como ciencia y tecnología, agricultura (incluyendo investigación y agricultura industrial), energía (incluyendo refineries, LNG y tuberías), fuentes de energía no convencional y asuntos marítimos. La parte india, como parte de este compromiso con la cooperación Sur-Sur, acordó compartir información, tecnología y ofrecer cooperación en las áreas de interés de Panamá.

Las dos partes acordaron promover el comercio y negocios (intercambio de delegaciones, participación en ferias y seminarios de negocios) entre los dos países en colaboración con las Cámaras de Comercio y el sector privado. La parte panameña invitó a las compañías indias a invertir en las zonas de Libre Mercado y los sectores de IT y biotecnología de Panamá.

La delegación de Panamá mantuvo una reunión bilateral con la delegación india dirigida por Rao Inderjit Singh, Ministro de Estado de Asuntos Exteriores. En esta reunión, las dos partes discutieron el fortalecimiento de las relaciones bilaterales y cooperación.

El comercio bilateral fue de alrededor de 60 millones de dólares americanos en 2004 y existe la posibilidad de

aumentarlo significativamente en el futuro. Las compañías indias consideran a Panamá como una puerta de entrada hacia los mercados más extensos de América Central y el Caribe. Panamá busca inversión india en sus Zonas de Libre Mercado y sector IT. La parte india solicitará a Panamá que facilite los visados de negocios para los indios.

La parte india expresó su intención de asistir a Panamá en construcción de capacidad en IT incluyendo todo el proceso de establecer un centro para IT en la Ciudad del conocimiento. La parte panameña agradeció la parte india por las becas de formación de ITEC que se conceden cada año a los nacionales de Panamá.

La parte india dio la bienvenida a la primera visita del Ministro de asuntos exteriores de Panamá. Las dos partes acordaron fortalecer las relaciones bilaterales y tener un más frecuente intercambio de visitas de alto nivel en el futuro.

Las dos partes intercambiaron cartas de acuerdo facilitando visados de negocios para visitantes entre los dos países.

La parte india expresó su interés en fortalecer el diálogo y cooperación con el Sistema de Integración Sudamericano (SICA) del que Panamá es miembro. Panamá explorará la posibilidad de organizar la segunda reunión India SICA en el primer semestre de 2006.

Las dos partes intercambiaron visiones sobre asuntos regionales y multilaterales, incluyendo las reformas de la ONU.

Durante su estancia de seis días en India, Navarro, quien encabezó una delegación de 22 miembros consistente en oficiales y hombres de negocios, tuvo discusiones detalladas con el Ministro de Comercio e Industria Kamal Nath así como con hombres de negocios indios bajo el patrocinio de la Confederación India de Industria (CII).

La delegación panameña también visitó Bangalore y Mumbai y tuvo interacciones con compañías e inversores indios.

Panamá e India se encuentran en el proceso de concluir un Acuerdo de Cooperación en asuntos marítimos. Los 12.000 indios en Panamá son la mayor comunidad india en Latino América. ■



Lecciones desde Argentina y Brasil

Cuidado con la trampa del Capital Barato

Por R. Viswanathan

Mientras las compañías y consumidores occidentales disfrutaban de las ventajas y beneficios de los servicios y productos coste-efectivos de India y China, nos hacen sentir culpables utilizando el término derogatorio "mano de obra barata". Hablan sobre la amenaza hacia sus sociedades y economías por la injusta competición de las habilidades de bajo coste de los países en desarrollo. Pero olvidan convenientemente su "capital barato" que toma injusta ventaja de los mercados del mundo en desarrollo. Los tipos de interés son muy bajos y existe un superávit de capital en el mundo desarrollado. En contraste, los negocios de los países en desarrollo afrontan escasez de capital y altos tipos de interés. Obviamente las compañías de los países ricos explotan esta injusta ventaja en comparación con los negocios locales.

Brasil proporciona el mejor ejemplo. Tiene el tipo de interés más alto del mundo. Los tipos de interés básicos empiezan al 18%. Si un pequeño hombre de negocios se dirige a un banquero privado en Brasil, el banquero incrementará el tipo de interés a un cincuenta por ciento sin mover un párpado. Por lo tanto el hombre de negocios local encuentra muy difícil y caro elevar su capital. Y aquí viene una compañía Americana, Europea o Japonesa a Brasil, consiguiendo préstamos en sus mercados nacionales a una fracción del tipo de interés que prevalece en Brasil. Compran negocios Brasileños y hacen lo que quieren fácilmente y menos caro. También traen su capital especulativo para beneficiarse de los altos tipos de interés de Brasil.

¿Cómo puede el negocio Brasileño competir con el capital barato que viene de los países ricos? ¿Dónde está el campo de nivel de juego? Este es también un escenario familiar en otros muchos países en desarrollo. El capital barato puede ir incluso más allá dando competencia injusta y hacer peor, como lo hizo en el caso de Argentina. En los años setenta, cuando los países exportadores de petróleo se hicieron repentinamente ricos, aparcaron su nueva riqueza en

los grandes bancos occidentales. Estos bancos necesitaban clientes y países para prestar y conseguir interés. Eligieron Argentina como uno de los timados. Pusieron billones de dólares en los gobiernos federales y provinciales y el sector público. Los fondos vinieron sin solicitarlos. Los argentinos lo llamaron "Plata Dulce". Era como las golosinas para los niños, dadas libremente diciendo "eh niño aquí están las golosinas. Come tanto como quieras. No te preocupes del pago, ya te lo pediremos mas adelante". ¿Qué niño dirá que no? La avariciosa y corrupta élite política y de negocios tomó el dinero fácil ansiosa e imprudentemente.

Mientras una parte de estos préstamos fueron a proyectos, muchos de ellos fueron a parar a cuentas personales de individuos en bancos occidentales fuera del país. Ahora toca pagar. Existe una montaña de deuda en los pobres argentinos. El país ha acumulado una deuda externa masiva de 140 billones de dólares y ha sido atrapado en la trampa de la deuda. La mayoría de sus ingresos por tipo de cambio extranjero van para pagar el interés y repagar los préstamos. Bajo la carga intolerable de la deuda, la economía colapsó en 2001 y el gobierno faltó en los pagos

No era simplemente un problema entre los bancos y el gobierno. Millones de personas, en particular de clase media fueron lanzados a la pobreza. Las calles de Buenos Aires se llenaron de gente buscando comida en los vertederos de basura. Fue una humillación histórica para los una vez orgullosos argentinos.

Necesitamos formular una pregunta fundamental: ¿Había necesidad alguna para Argentina de tomar prestado esos billones?. Indudablemente no. El país siempre exporta más que importa. Está bendecido con tierra fértil y abundante que produce un gran volumen de productos agrarios, carne y productos diarios y una base industrial razonablemente fuerte. Tiene una pequeña población de únicamente 40 millones. Era uno de los 10 países más ricos al principio del siglo 20. No tiene problemas religiosos, étnicos o de idioma

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obstaculizando su desarrollo, a diferencia del caso de algunos países en desarrollo. Por lo tanto la crisis de Argentina es tan debida al capital barato, en el que confiaron, como a los prestatarios irresponsables.

La crisis económica de Brasil en 1999 fue causada no por problemas económicos internos sino por fuerzas externas. Fue el resultado de la retirada repentina de inversiones extranjeras a corto plazo fuera de Brasil por las compañías globales para compensar sus pérdidas durante la crisis asiática. Esto desató una reacción en cadena y conllevó a crisis en Brasil.

Lo que sucedió en Argentina y Brasil ha sido evitado por los que realizan la política de Chile, quienes han construido un sistema de control contra el flujo de

capital especulativo. Existe un periodo de bloqueado para la inversión entrante y una penalización por retiradas prematuras.

El mundo occidental esta tratando de construir muros y barreras para detener la corriente de competencia surgiendo de las habilidades de bajo coste de los países en desarrollo. Pero quieren que los países en desarrollo abran los mercados para un perfecto movimiento de salida y entrada de su capital. En este contexto, valdría la pena para los economistas indios y los que realizan la política que estudiasen la experiencia de Argentina, Brasil y Chile y representen lecciones apropiadas.

(El autor está en el Servicio Extranjero Indio. Las visiones aquí expresadas son personales.) ■

TCS adquiere una firma BPO líder en Chile

Tata Consultancy Services, la compañía líder mundial de IT y consultoría, anunció que ha comprado el 100 por cien de las acciones de Comicrom por 23 millones de dólares estadounidenses. Comicrom es el líder de mercado en el negocio de subcontratación de procesos de negocio (BPO) de Banca y Pensiones en Chile.

Una compañía privada con 1257 empleados, Comicrom proporciona servicios BPO a bancos, compañías de seguros, fondos de pensiones, cuerpos de gobierno y otras grandes corporaciones de Chile. La compañía tuvo unos ingresos de 35.5 millones de dólares estadounidenses durante el año financiero 2005 y márgenes operativos del 14 por ciento.

La adquisición realza la estrategia de TCS de ser pionero de la próxima generación de verticalizadas y programadas oportunidades de BPO. Comicrom es el competidor líder en el sector de BPO de Banca con un 57 por ciento de participación en el negocio de procesamiento de cheques en Chile y cuenta con más del 70 por ciento de los bancos que operan en Chile como sus clientes.

"Esta adquisición es un paso más en la realización de la estrategia de TCS de adquirir liderazgo en BPO basado en programa para el dominio de Banca y Seguros. También expande la capacidad de TCS en cuanto a convertirse en un competidor de servicios completos", dijo S. Ramadorai, CEO y MD de TCS.


Player

"Comicrom aporta capacidad significativa en los procesos bancarios basados en transacciones y liderazgo de mercado en Chile", añadió.

Tras el reciente compromiso de outsourcing de TCS con el Pearl Group del Reino Unido, la adquisición de Comicrom aumenta más allá la presencia de TCS en la industria global de Pensiones. Comicrom es un participante fundado en este sector en Chile, procesando el 67 por ciento y el 55 por ciento de los pagos de primas totales al mes de cuatro de los siete proveedores de fondos de pensiones y seguros de salud respectivamente. Esto posiciona indudablemente a TCS como un competidor global de primera clase en el sector de Pensiones.

N. Chandrasekaran, Director Global de Ventas y Operaciones dijo: "La adquisición proporciona otro estímulo a nuestras iniciativas estratégicas en el BPO de transacción para el sector de Pensiones y Seguros siguiendo la transacción Pearl en el Reino Unido".

Y añadió: "Como un juego de banca por regiones, la adquisición guiará la creciente presencia de TCS en el sector de banca regional, ya que la experiencia local de Comicrom combinada con la experiencia de TCS en el dominio bancario y activos como Quartz y FNS nos permitirán ofrecer la gama completa de servicios IT y BPO a los bancos de Latino América." ■



El Dr. Reddy

firma un acuerdo definitivo para adquirir El negocio API de Roche en su centro de México



Dr. Reddy's Laboratories Limited anunció recientemente que la Compañía ha entrado en un acuerdo definitivo para adquirir el negocio API de Roche en el centro de fabricación del estado-del-arte de Cuernavaca, México incluyendo todos los empleados y contactos de aprovisionamiento de la empresa. El total desembolso de la inversión asciende a alrededor de 59 millones de dólares estadounidenses incluyendo el capital de trabajo.

Este negocio comprende la fabricación y venta de APIs incluyendo intermediarios a Roche y otras compañías innovadoras. La cartera de producto se comprende actualmente de 18 productos inclusive de APIs maduros y una gama de intermedios y esteroides. Esta adquisición también añade capacidades de fabricación de esteroides únicos al Dr. Reddy's. El centro de Cuernavaca en México emplea actualmente cerca de 340 personas y ha sido inspeccionado por la FDA de EEUU y otras agencias reguladoras internacionales.

Comentando sobre la adquisición, G.V. Prasad, CEO, Dr. Reddy's Laboratories, dijo, "Con la adquisición del negocio API de Roche en el lugar de México, Dr. Reddy's emergerá como un jugador líder en el negocio de Servicios Farmacéuticos a Medida (CPS) y se posicionará como un socio de elección para Compañías innovadoras por todo el mundo con ofertas de servicios que abarcan la completa cadena de valor de los servicios farmacéuticos. Esta adquisición estratégica proporciona una oportunidad para nuestro negocio CPS para crecer desde la base actual de 10 millones de dólares estadounidenses a 100 millones de dólares estadounidenses en los próximos 18 meses. La integración de estas empresas personas y tecnología; la experiencia del equipo directivo y capacidad de fabricación distintiva en el lugar de México, con las virtudes de Dr Reddy's en química de proceso y las capacidades de investigación de primera clase proporcionarán una fundación fuerte para dirigir la próxima ola de crecimiento en nuestro negocio CPS."

La compañía espera que la adquisición genere un crecimiento de EPS para el Dr. Reddy's y el impacto de la adquisición en el completo año financiero se cumplirá desde el año 2006-07 en adelante.

India vence a US, UK, China



La India encabezó el estudio global de confianza en negocios, desarrollado entre compañías de mediana envergadura, dejando atrás los Estados Unidos y Gran Bretaña, lo afirmó el viernes la firma de contabilidad Grant Thornton.

Los descubrimientos apoyan el punto de vista que el centro de poder económico global podría estar cambiando, con el compañero de la India, China peso-pesado emergente económico en el cuarto lugar.

La confianza en negocios en los antes "high-flyers" (ambiciosos y muy competitivos) Gran Bretaña y Estados Unidos cayó tajantemente, particularmente en el estudio sobre más de 7,000 jefes de negocios en 30 países.

India obtuvo el 93% de los encuestados quienes fueron optimistas acerca de las perspectivas del 2006, comparados al 88% del año pasado.

"La economía continúa siendo extremadamente alcista, la bolsa esta rompiendo todo el tiempo los topes semanalmente, la inversión directa extranjera se ha incrementado substancialmente" dijo Vinesh Chandiok, Director de Negocios Internacionales de Grant Thornton, India.

"La creciente confianza en el sector privado y la liberación del comercio aquí así como en la China esta siendo fructífera para las empresas medianas quienes están tomando completa ventaja" afirmó.

Gran Bretaña, ha sido una de las economías más fuertes de Europa en los años recientes pero el Ministro de Finanzas, Gordon Brown, el mes pasado redujo en 50% las predicciones de crecimiento para el 2005 a 1.75%.

El estudio de GT mostró que la confianza en negocios de Gran Bretaña está en su más bajo nivel en cuatro años.

"La confianza en negocios de Gran Bretaña ha descendido dramáticamente", dijo Graeme Forbes, socio de GT en Gran Bretaña, quien citó problemas como el alto costo de combustible y de viajes combinados con apretones en las ganancias debido a las altas deudas del consumidor.

"Todo esta yendo por el camino equivocado... los márgenes se han reducido y los gastos generales se han incrementado produciendo un efecto apretado. Eso es una verdad en mucho de los sectores por el momento".

La caída de la confianza en Gran Bretaña fue reflejada por una baja en los Estados Unidos.

Sólo el 8% de los encuestados Británicos fueron optimistas acerca del año comparado al 46% del año pasado y en los Estados Unidos el optimismo fue 32% más bajo que el del año pasado que fue de 62%.

Canadá, Italia, Australia y Nueva Zelanda también estuvieron bajo pero la antes muy por debajo Alemania vio un crecimiento en la confianza en negocios, mostró el estudio.

Cortesía : REUTERS

