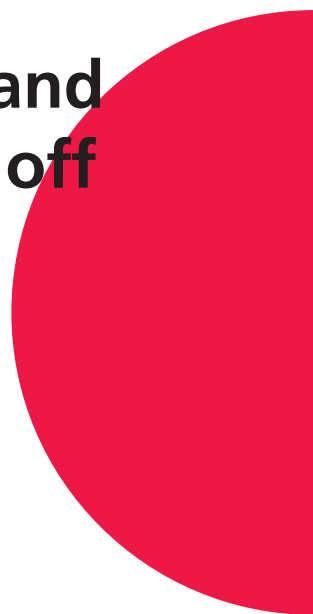


Eugenio Pablo Tigani

ARGENJAPAN'S

The Debt's Solution and
The Economy's Take off



Preface: Miguel Ángel Broda

EDITORIAL DUNKEN

EUGENIO PABLO TIGANI

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The Economy's Take off**

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EDITORIAL DUNKEN

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DEDICATION

Paul, The Apostle, in his letter to the Romans, Chapter 13, Verse 7 tells us: "Pay all that you owe, whether it is taxes and fees or respect and honor". I really thank my wife and sons for their love and daily encouragement, also my parents who are an example of real parents, I also thank my brothers Daniel and David who are good example of brothers. At the same time, I thank my friends in Buenos Aires, Gustavo Pons, Horacio Cavallero and Silvana Cappuccio. My gratitude to my fellow brothers, partners and friends in Chicago, Julio Bonfante, Alejandro Contreras and Carolina Mate Palou for their valuable contribution. A special thought of gratefulness to those Masters who made a difference in my profession, Pedro Waisman, José Chur, Luis Tabak y Miguel Angel Broda.

I do want to honor those men who enriched my faith to believe in miracles, such as I refer in the last lines of this book; those who are, at the same time, good examples of life for millions of people: Thanks Claudio Freidzon, Nabum Rosario, Gerardo Früwirth, Yiye Avila, Reinhard Bonkee, Benny Hinn, Carlos Annacondia, Billy Graham, Walter Berlo, Miguel Kircos y Alberto Panetta.

But above all, I keep the Very First Place to thank The One Who is Worthy to receive Glory, Honor and Praise: Jesus Christ, King of Kings and Lord of Lords.

PREFACE

In this book, Pablo Tigani tackles two subjects of irrefutable interest for any economist related to the world. As much the matter respects to deal with a strategy to renegotiate the debt and promote exports, as reasons that in his opinion help to understand Argentina's crisis, there are two frequent topics to debate during these days.

Concerning the implementation of a strategic alliance having these characteristics and such goals as mentioned, only linked to corporate possibilities up to the present time, it is stimulating the examination of imaginative proposals as the one Tigani formulates. Having this in mind, it is not good that frustration feelings causing this crisis would prevail among professionals. On the contrary, young professionals must dedicate their best efforts in order to study and develop plans and strategies ready to face them. It is also very common to listen to important personalities wonder if benefits that derive from investigation really justify the effort they demand. Sources of that lack of interest towards investigation are found in a certain negligence of the importance that most essential aspects have, and sometimes there is also a certain disorientation of those people who express it.

It is common and understandable in the leadership position, to make a strong focused emphasis on the forecast results about the possible immediate future. However, it could be neglected the fundamental objective that economy pursues which is to alter the future. This is clearly achieved with policies and appropriate strategies so that a country and its population could reach and maintain, in time, a better standard of living. The strategy is a fundamental task of the people in charge of the economic management of a country. Nevertheless, the formulation of a strategy consists also in certain extent, in product of the previous research and development of the knowledge, not despising the creative talent. In this respect the work of Pablo Tigani approaches a series of stimulating ideas, emphasizing

the importance of trying an innovative strategy. As the proposal of five points to understand this work suggests, the book associates the crisis' process of two different and complementary countries with the business experience that has transformed the world of corporations during the globalization. From Chapter Seven on, the book develops an analytical exercise with sharp ideas and really creative strategies. For that reason, he presents and considers a series of financial and commercial techniques, many of them very recognized specifically in corporate scope, but what makes this book more interesting is the fact of repeatedly reflective approaches and associations with the economy of a country, found along its lines. It is a creative and challenging work that I am sure it will serve to stimulate serious discussions on controversial subjects.

The second present element in this book is the permanent reference made to the development of linking with Japan and its corporations. This aspect arouses something more than the intellectual interest of a reader. Probably when this book will be out in the streets, there will be potential leaders who would have already been analyzing the proposal. Progressively, western companies have been opposed by an aggressive and sometimes fatigued competition in behalf of Japanese corporations. It is necessary to recognize that originally its competitive virtue was centered on the costs, but soon those attributes reached quality, technological innovation and other aspects. At this point, there is no doubt that Japan has developed enormous qualities to conceive creative abilities and carry them out with a lot of capability in corporations. This has brought prosperity for many years at a national level in a country that now is living a stagnation period, but that on the other hand, after war and up to one decade ago, did not allowed its inhabitants to grow and improve their lives.

In relation to this subject, Pablo Tigani has an exceptional perspective since he has already carried out executive roles inside the context of an important Japanese commercial brand. In addition, he has kept the position of business consultant in diverse subjects that led him to maintain a close contact with European, American and Argentine businessmen. In this work, Pablo Tigani includes a lot of discipline dealt with business and technical research that later on puts

into perspective using two of his professional skills in his general competence, which confers to this work a special interest.

While prevailed approach in this work is focused on Argentina as and business environmental integrated country, open to the world, I believe that it is not necessary to make any distinction regarding the personal positions of the author.

MIGUEL ÁNGEL BRODA

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INTRODUCTION

“The relevant problems that we face cannot be solved at the same level of thought in which we create them. We must learn to think about a new form, we need a change of paradigm “.

ALBERT EINSTEIN

CHINA and the ex- U.R.S.S. realized that with incremental improvements things would not improve. Both countries recorded the existing bonds between the economic policy and the social situation; each of them needed was a new formula. It was not easy, but they did it.

As a consultant and ex- executive, I have realized that when a corporation is getting bogged down, it faces its problems with standard solutions. In general, it standardizes situations and creates rules. There are many people that use the same previous answers to solve present problems, but it does not work.

Globalization stimulated the necessity to solve unknown crises. In all cases, it was repeatedly applied a uniform and disappointing criterion. Multilateral organisms of credit advanced great packages to moderate the mishaps and many country crises took place time after time.

On the other hand, in the economy of corporations there have been new answers constant and consistently with paradigm changes. Personally, I could see in the management behavior many key factors to run corporations, from the crisis place to the place where the solution arrives.

Any businessman is not satisfied only with solving the crisis. Precisely, opportunities arise in corporations when something new happens. At a high level, it is stimulating to experience something newly appeared in the company environment.

In Argentina, we have never had a worse economic situation with a so unknown international scene. This is really the truth and it is a thought shared by economists of sincere and high reputation. Now we are challenged to generate unknown formulas to face the crisis. If we

do not apply creativity, we run the risk of striking ourselves against obsolescence together with multilateral organisms of credit that do not guess right nor recognize this situation seriously.

The modification of the international economic structure demands a dynamics of flexible resolution of problems, therefore, highly creative. Nimble and expeditious solutions are necessary. It is not possible that a country as Argentine keeps holding four years recession because of insisting with standard measures.

In opposition to the distrust of many conservative experts and civil servant, here is no arcane mystery surrounding creativity. Creativity is an ability in which all technicians would have to be trained if they want to survive inside the dynamics of globalization.

If we do not want that the technological benefits of globalization become frustrated, we must find opened solutions to mitigate all damages we are suffering.

It is necessary to be aware of obstacles that have arisen and that force us to make flexible our mental structures. It is not possible to follow having amendments but it is necessary to find radical benefits. Listen to professional people looking for quantitative supports to explain the inexplicable things, turns out to be intolerable and sarcastic.

Exports:

Paradoxically, the contribution that exports could make to the economy of emergent countries is both unquestionable and unknown by ministerial bureaucracy of its own states. Most of its technicians were trained at universities of countries that do not depend on exports to balance the current account of their balance of payments.

Applying promotional impediments in Argentina has been considered as a sport of the technocracy on duty. As a consequence, exports' development was always diminished in relation to their potential.

At least conceptually speaking, all economists now agree that exports can provide benefits. The problem is that those who agree

with the prevailing focus of the last decade neither know “how to do it” nor “the amount of benefits provided”. That represents a severe restriction and the reason why we did not export at least twice. Our exports can doubtless shoot the growth vigorously up and contribute to solve the catastrophe of debt. It is the only positive variable in to generate twin surplus. I insist that the problem is that nobody has proposed a plan to create a “boom of exports”.

Every day, we listened that there is not financing to export, that needed investments will not arrive, that there is no vocation to export, etc. It is unavoidable to work with ten restrictions that would turn the matter to be not viable according to the conventional analysis.

In companies, decisions are frequently taken on the points located inside a polygon of feasible solutions. That polygon contributed by decisions' theory is formed by abundant restrictions and even having the size of a dot, will never present impractical things. There is a proverb saying: “the mind of the prudent acquires knowledge, and the ear of the wise seeks knowledge “

CHAPTER 1

Five Basic Matters to Understand This Work

- I. DIAGNOSIS:** ¿What are the points that are having negative results on globalization and how do they affect Argentina? From my point of view, the clearly disadvantages are defined by many technicians of indubitable capabilities, and therefore, it is better to face an action plan than get surrounded into more Byzantine discussions. It is imperative to solve the phenomenal disturbances derived from the applied economic policies. There are so obvious problems that they can be shared by presumably different approaches. It was also determined that the problems have more and more shared and solid points of view.
- II. THE OBJECTIVE OF THIS WORK:** It proposes an integral solution to the problem of the external debt and at the same time, gives an exponential impulse to exportation. This work aims to establish a commercial and financial agreement between Argentina and Japan that supplies effective resources to renegotiate the debt and initiate a cycle of maintained growth.
- III. OPTIONS PLAN:** It consists of three alternative innovative proposals so that the political powers support the appropriate one. We will see three summarized options that will be set out as the chosen alternatives. These have been developed with the challenge of not submitting under creativity the established rules as if these were “insurmountable”. I do not specifically see it suitable to consider the economic problems “unapproachable” from the corporation pragmatic focus. In this written work, mental, cultural and traditional barriers are broken. Therefore, the fact of having this work establishing a Breach is a strong and vivid desire here presented. During the writing-working time, I asked myself

many questions and I also propose myself not to make conventional concessions due to fear of censure. Additionally and throughout the essay, I urged myself to think of an acquired technique from swapped associations. For example, How does Argentina default resemble a corporation insolvency problem? I took as a starting point a basic hypothesis based on the non-existence of two classes of economic sciences: one of these, being exclusively useful for nations and other one, an economic science in opposition adapted to be applied by corporations that reside in those countries. If we agree that we want a balance, this one could at the same time, come not only by a debit diminution, but also by an income increase.

- IV. SCENES:** Authentically, I chose the three better possible alternatives according to my convincing preference. Nevertheless, it is not habitual that any President of the Argentine Republic receives three alternative proposals from a Finance Minister. It would have to be obvious that any technician invited to collaborate presents more than one alternative (submitted to certain modifications) and not “an only plan”, irremovable and inflexible. What is more, we would never have to be exposed to run the risk of negotiation of so many modifications that in the end could lessen the value of the original plan. Unfortunately, the strong impulse to keep a position leads, at times, to situations like this one previously exposed. In that case, if at any time an Argentine Economist has that kind political decision level, He would directly have to exert his abilities in the position of President of the Nation. Never do it as Minister of the Executive, or even from his position of Adviser. Being affiliated to or being active in political parties is an alternative that professional economists intolerant of the political class have already considered.
- V. PROPOSAL:** Next, a proposal absolutely different from the typical policies is presented. I firmly believe that this is out of routine limits and is where Argentina can find the economic miracle that really needs.

CHAPTER 2

Why is it necessary to change the focus? Points of View

Bill Clinton clearly said that it is necessary to relieve the debts of the poor countries and to strengthen International Institutions. He believes it is necessary to achieve a point where more people get benefited from the economic globalization. Exactly one year after September 11th, He said: “Our challenge consists of understanding how people could enjoy the benefits and the identity of their own communities and, at the same time, be part of wider communities.

A community idea demands believing in a shared future in which everyone is taking into account, where everyone develops a duty and where the best thing for all is to help each other mutually. To believe in a shared future demands to reject the fundamentalist and radical position of thinking about oneself as the owner of all truth, promoting the idea that we all have something to add as a contribution”

In November of 2002, the President of China, **Jiang Zeming**, opened the Congress of the Chinese CP saying that it is necessary to be adjusted to economic innovations. It is necessary for us to understand that clearly in his country, middle-class has burst in an increasing way. Even when in the speech he separated the country out of the western political model, He rescued Capitalism as a mechanism or instrument to preserve power. This is considered intellectual and practical flexibility. Having a sickle and a hammer as backing curtain of his speech, He affirmed that the CP would not neglect farmers and workers, but assumed today that, in their model, they must include excluded people. In China, as in the rest of the world, a presentation of new necessities is taking place.

It is clear that in China this process is contrary to the one taking place inside the context of emergent countries on the West. The economic changes in China created a middle-class that increased the gap of income and also the difference between the cities and the farm areas. It impresses me much that “to keep with times” and “Innovation”

were the key phrases of a speech where he delineated the policy of the Chinese CP for the next five years. Jian Zeming has a theory called “Three Representatives”. This one includes the recruitment of private businessmen excluded by being catalogued as “capitalist exploiters”, according to his approach. The most important thing is that Mr. Zeming proposes the Chinese CP to stop being the vanguard of the working class to represent the immense majority of the Chinese People. This could be a socialist revolution but in then opposite direction. To include the bourgeoisie instead of undertaking it – Let’s call it the way we want to – They are worried about the way to “include other social layers” into its paradigm and that is an important and remarkable thing.

In this case, it is revolutionary and innovating to think about including employees of multinational companies and entrepreneurs, assuming the intellectual risk to create a conscience in their society that admires them.

Hillary Clinton (New York Democratic Senator) expressed her vision about the replacement of O’Neill as Secretary of State: “When it deals with economy, we need more than new people. What we need are new policies. If we are going to have new people with old politics, we are in a great problem. (November, 2002).

James Wolfensohn. (President of World Bank). He said “The consensus of Washington has died and now, the consensus consists of the idea that we cannot only judge countries hardly according to their finances. Latin-American countries have done very deep reforms, have worked on privatizations, and have improved in general their social indicators as well as very solidly reinforced democracy” (November, 2002).

Joseph Stiglitz. (Nobel Economy Prize, Ex- Economist Head and Senior Vice-president of WB, Adviser of Ex- President Bill Clinton, Professor at Columbia University). In his book, “Globalization and its Discontent”, his opinion is based on the idea that multilateral organisms of credit have caused an excessive suffering to the developing countries. Almost textually, he thinks it is hypocritical to try to help the underdeveloped countries forcing them to open his markets to the goods coming from industrialized countries and at the same time, protect their own markets. He thinks that in order to coexist in a

global community, we must fulfill equitable and right rules that take care of the poor men as well as the powerful ones, reflecting a basic feeling of decency and social justice.

Thesis Mussa. (Ex- Director of The Research Department and Adviser of the IMF, for 15 years he was part of the School of Business Graduates at University of Chicago). He affirms that the IMF made the following mistakes with Argentina, briefly: 1) It was an error to accept fixed exchange rate after its initial opposition, 2) In respect of fiscal responsibility, IMF was too flexible with the Argentine authorities in the Menem's era, 3) According to many experts the aid policies were incorrect (help package or "Blindaje"¹, 4) It was not right to continue providing funds to Cavallo in the year 2001 when convertibility and default were evidently broken.

Ricardo Haussmann, (Ex- Economist and Ex- Head of I.A.D.B., in a much more radical thought, said that the IMF and the Treasury should not continue to collect payments from the country. He proposed to stop payments made to multilateral organisms of credit and he even proposed to offer a bond in Pesos to renegotiate the debt (exchanging in Pesos the external debt). In his opinion, the IMF and the Treasury are handled by a group of incompetent people (said by him in September, 2002 at Universidad Torcuato Di Tella² in Buenos Aires).

The problems that could cause those debtors as Argentina, if they suspend payments to the WB -in a minor extent- and to the I.A.D.B. could cost their downgrade, even before punishing failures in their balances. These, affecting, at the same time, the financial cost of the more than twenty countries that are financed by these two organizations.

Stanley Fischer. (In order of importance, Ex- number two of the IMF). He said in the meeting IMF Annual Assembly and the WB in Washington (September, 2002) that Argentina did not know how to move away of the Convertibility regime when the first hints of its crisis began to appear. He criticized the increasing fiscal deficit of the last

¹ Blindaje (Spanish Terminology), being the idea of receiving a locked package containing help.

² Torcuato Di Tella University in Buenos Aires.

years of President Menem, when paradoxically, the IMF supported his government with credits. It was also publicly exhibited the benefits of his administration, granting him the most covetable tribune to a Conservative Latin American executive agent.

Jeffrey Sachs. (Professor of International Economy at Harvard, Adviser of several governments in Latin America). Some months ago, he recognized that he himself thought, (immediately after default) that all the blame was to be put on Argentineans. Together with Nobel Prize, Joseph Stiglitz, and some other distinguished economists, He started to exhort multilateral organisms of credit and ultra orthodox position sectors of economists that have been part of such “disorder”, according to his own words.

Paul Krugman. (Princeton University Academician) considers that the IMF will not help Argentina. He said “there is nobody in charge of IMF”. What is more, He thinks that in the United States prevails the idea that what is happening in other countries is their own fault.

He considers that there has never been an American Government less worried about international economy as the one of George W. Bush. He points out that the IMF cannot request Argentina to work on more adjustments. Of course, he does not encourage a relationship breakdown, but advises not to do all what they say (Nov. 19th, 2002, Teleconference at the 50th Convention of the Argentina Building Association³).

Mario Blejer. (Ex- President of Central Bank of Argentina and Ex – IMF Officer) He said at the World Economic Forum of Rio de Janeiro (November, 2002), that Argentina was punished in excess and that here the IMF was a negative factor. In the same way, its pro-cyclical positions deepened the recession and produced the crack. In this respect he expressed his shared opinion with Joseph Stiglitz.

“The Highest Compliment Leaders can receive is That Given by the People who Work with Them”. Anonymous.

³ Cámara Argentina de la Construcción: Argentina Building Association.

CHAPTER 3

Mercosur, Argentina, IMF, Liberalization

Everybody agrees and says to agree with free markets and private companies. But that is what they say. If we look at what is happening in most of the countries in the world, we will find that in many of them, the Government as State is growing, not decreasing.

Report given by Cato Institute at the meeting of the Economic Freedom of the World Net (end of 2001), in San Francisco by Milton Fridman (Economy Nobel Prize)

“Only when we develop others, is when we are in constant success”

HARVEY S. FIRESTONE

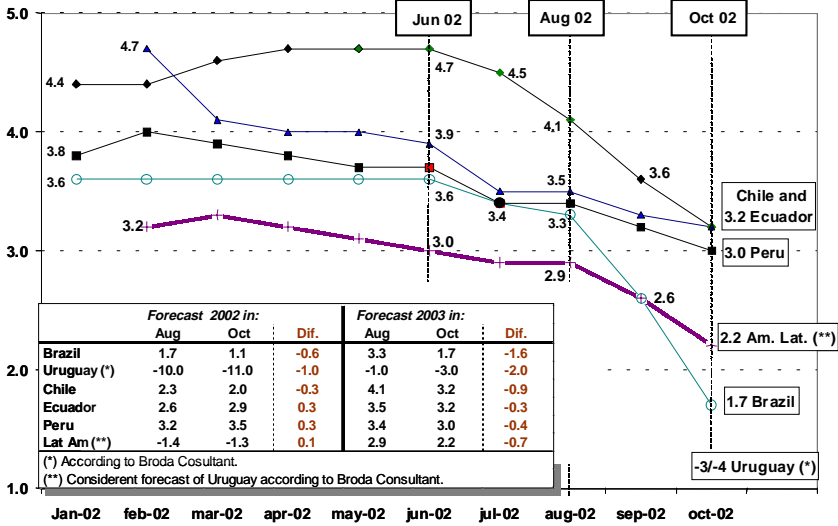
It is a real truth that the citizens of our countries (Mercosur) suffer from “fatigue of the adjustment”. A constant recommendation is front page of newspapers when the IMF visits us: “it is necessary to lower expenses”. This causes feelings “opposed to the IMF” in Argentina Brazil, Uruguay and Paraguay. Even Paraguay, a country of rested and undergone people had to support one violent repression in demonstrations at the beginning of November (2002). The Paraguayan government had to face the disaster. The IMF demanded a tax increase in return for a loan of financial rescue of 200 Million Dollars. The income per capita of Paraguay has been reduced for seven consecutive years. More than 50% of his population lives in conditions of extreme poverty. The Guaraní⁴ accumulated devaluation by 25% until November (2002).

Farming producers, the main part of the economy of the country, are not able to obtain borrowings to finance the harvest and the situation threatens with large losses. Banks do not open loans systems to them unless the country has the support of the IMF, or local government guarantees the operations. While I write these lines, the government of Gonzalez Macchi is collapsing. In fact, if one looks at

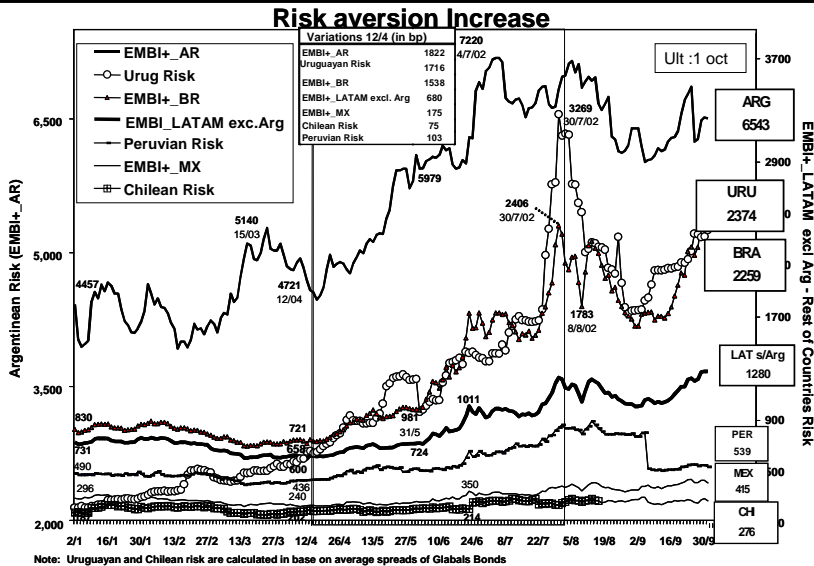
⁴ Guaraní: Currency in circulation in Paraguay.

The region: revision - growth project toward down

GDP 2003 - Variation forecast. Source: Consensus Forecasts



Regional Economy: Latin America



the numbers and we do not limit us to only listen to speeches or repetitions of the influenced journalists, our countries did much more reforms than the developed countries. It is an open secret that in the countries of Europe, the Maastricht agreement closes because of "creative accounting".

The Nineties were accompanied by remarkable progresses related to the orders and aspirations of international economic organisms. Commercial barriers were eliminated; import quota and imports duties were reduced.

As a consequence, Mercosur began to appear as an interesting zone considered like this by the United States of America, the European Union and Asian countries, as well. Ours shopping centers and supermarkets, nonexistent before in a period of time, even having 50% in fall of imports in Argentina, continue to be supplied by many of the products coming from different parts of the world. Twenty years ago, buying a video recorder was a great event in Argentina and it was sold at the price of \$ 1,300 (US Dollars). In other parts of the world, these kind recorders had a price reduced at the third part of this cost and its model was already in use ten years previous than in our country. Nowadays in Argentina, we can buy one only for \$ 100 (US Dollars) and are a completely standard quality product. All during these years, we have acceded to such products as an Italian or a German citizen with a third of their GDP per capita (a ratio before devaluation). Nevertheless, we opened our barriers to commerce in naive way, but also we made an effort releasing financial rules innocently, allowing the entrance of many and strong financial organizations and international insurance and reinsurance agencies.

It is interesting to observe that while our countries did that, at developed countries a system of more protectionism was established. The United States is an example of this; when it levied tariffs on the steel while at the same time Europe strongly increased the agricultural subsidies, making complicated our possibilities of getting markets for our exporting product.

Mr. Bush imposed a "dumping" tax on steel. It's completely absurd. And that is done in name of free trade.

Report given by Cato Institute at the meeting of the Economic Freedom of the World Net at (end of 2001), in San Francisco, Milton Fridman (Economy Nobel Prize).

At that time, we lifted commercial barriers, we sold government assets, and we were opened to the financial system and the capital market as nobody made in a short time. The argument explanation that says we did not adopt with enough rigors the Washington Consensus does not hit the target.

I believe there is no alternative, if the developed countries do not stimulate, or do not sponsor policies as we present in this work, it will be difficult to avoid the breakdown of the global project. In Argentina, only a boom of exports will get to balance the burden of the debt. Clearly, it will have to pass time with possibilities of neither receiving investments nor impelling the domestic consumption.

Privatizations. Capital Globalization: its influence on Argentina. The fiscal deficit. Convertibility Evolution.

Privatization of Services

Sectors considered strategic in any country such as energy, telecommunications and mining were completely opened to the foreign investment. This position obviously turned Argentina into a phenomenal attraction. It is a good matter to transfer monopolies from public sector to reputable private companies, when in term of price vs. efficiency the user and the country do well out of that. In Argentina, the idea of not promoting the competitiveness in this sector was a bad one. Fares, at Dollar price neither contributed to improve life of the inhabitants nor the costs of the companies.

The telephone companies that were quasi-monopoly by many years propose to renegotiate the rise of fares and diminishing quality services. Does it happen in the total satisfaction of the client era? Businessmen are taught that a dissatisfied client, even when he does not complaint, he does not come back. In this case, the client is more or less an assured client to the company, and therefore he is not able

to leave. This is a true cruelty. For a company of services, quality always means being centered on client's necessities. Many of them have the obsession to know the client's opinion. The client today is served quickly and with courtesy, this way, we lecturers instruct listeners. Services are the passion to please and to know the client, and they are the assets of companies. We inclusively know it is uneconomic not producing quality from the beginning. All during these years, we have received gurus from different parts of the world that taught us to understand that the service is a process that can be improved.

We have taken part at Brainstorming, workshops and others, together with companies. Occasionally, the rational thought of an economist is what makes service companies work.

Even in the last instance, when the company's decisions on fares are prospered, the process would have to be guided by a negotiating and marketing creativity. I say that, always trying to find out solutions and never breaking spears or backing down the quality.

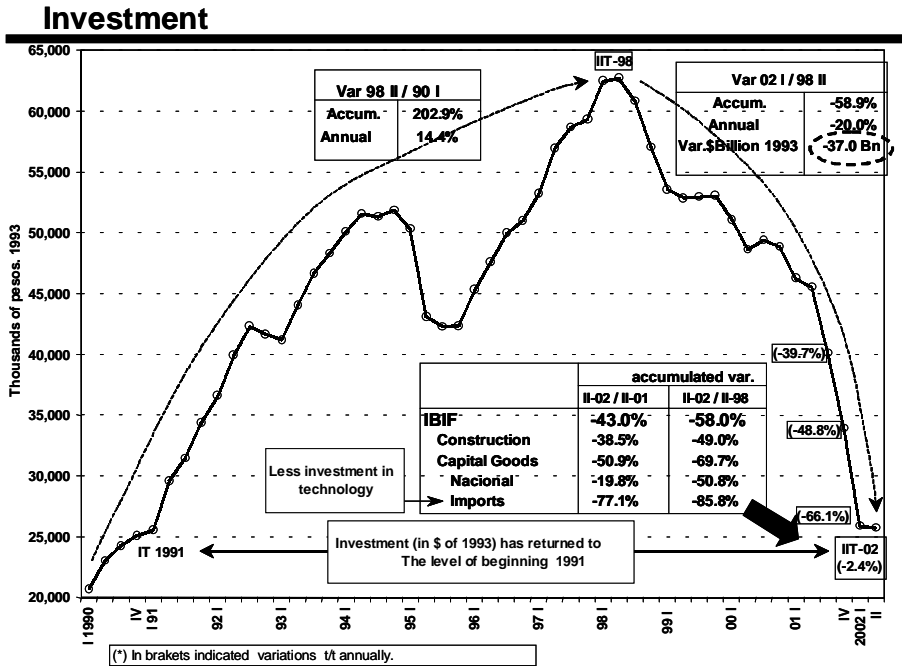
A service company has characteristics of "emotional company". Where are famous commercials? What happens with those famous ones that bombarded our minds?: The "llama" that calls? (Llama meaning "call" in Spanish, but it is also the gender of an animal existing in Argentina), and the Gaucho⁵ who makes a phone call to his mother from a distance town where no telephone was ever found?, where is everything we learned or were taught about? We will not be able to remain indifferent after a twelve-years-training of implanted philosophy. This logical thought is stronger than the economic trends of the country. What are the economists saying when they threaten with collapse in the communicative and energetic areas?

Capitals, banks and unconditional liberation with fiscal deficit

We have seen that capitals are extremely volatile and Argentina pressed by its low saving rates speculated betting continuity, without consistent final results according to the efforts made. It is necessary to reconsider the period and the way in which all international economic relationship have been managed during the last twelve years. The policies followed by suggestion of the multilateral organisms of credit

⁵ Man of the Pampas (Argentina).

in this period finished suddenly, although non-unexpected. It was made evident that we are a very vulnerable country in an unconditional liberalization context. During the year 200,1 capitals fled from Argentina



in a “click” of mouse computer. These transferences generated the most frightful crisis that could be registered from the beginning of globalization.

This phenomenon known as before then is named “flight to the quality” and does not register an antecedent of high speed and damage up-to-date as in the Argentine case. In 1997, the deficit of current account already came showing an increasing tendency.

This deficit, consequence of the imbalance in the public accounts and occurred in the middle of the Argentine bubble, did not observe on the part of the economic and political authorities the minimum vocation to be reduced. The official economic team, apparently orthodox, only made declamations while they remained in their

positions. Is this considered to be political obedience or condominium in silly things? While the economy was growing, the majority of public economists and their private followers turned their sight into another direction. Even when the recited speech to reduce the public expenditure added points for its present defense, the empirical evidence discredited them.

Public income

In respect of the public income after the Tacchi's administration in the AFIP (Federal Administration of Public Income), with the particular contribution of Dr. Peña and "los intocables" (the untouchable)^(*), frontal fighting against tax evasion fell into oblivion. The economy was growing; it was not pressed on the collection increment and it was possible to spend generously. In 1991, the majority of people thought that the reform of tributary law was serious; later on it lost its great occasion. The reform of the social security system had a strong impact on the fiscal income and it set up a key factor of losses in fiscal solution. The context at that, time was in favorable appearance, although some of us perceived that the scene would become a worrisome situation in the medium term. An external shock could cause a definitive attack to capital account; the yellow light was ignited by "tequila effect".

Insufficient exports

In contexts, as after it was described (while Capitals flow) is where the mediocrity of exporting performance is hidden. During 1997, the growth of our exports in the first trimester already registered an 18% fall and a 5.5% fall in the second one, but the variable seemed to be relative. The reason was the mentioned ignorance and the illusion that existed because of the net income level of the capital account.

During the second semester of 1997, as far as it was commented in the first semester (in which we grew 8.2%), a favorable cycle was

(*) Recognized nomination of working team against Dr. Peña's tax evasion.

being set up with external context and green light to deepen the chosen way.

It is important to indicate that we lived that experience during the best year of worldwide economic growth before the crisis of Southeast Asia, taking the previous ten years as a base. In the next years, we could see how Dollar increased its value in 40% (being the Peso directly submitted to it). Nevertheless, as we lived a strong growth of worldwide exports and an explosion of direct foreign investment with abundant international liquidity, the forecast was limited.

The Asian and Russian crisis were published with discretion and artifice, meanwhile our commodities' price suffered a 30% fall.

At the same time, it was supported the re-evaluation of the exchange rate for Real, currency of our main commercial partner (Brazil) until inexorably, devaluation arrived.

This was widely denied as prognosis by the economists satisfied with the "automatic pilot". This was also contradicted emphatically by well-known people as Dr. Cavallo and Lopez Murphy (end 1998, Joint Conference at Instituto Argentino de Ejecutivos de Finanzas). In terms of predicting, 90% of economists having TV exposure made mistakes in respect of after events. Despite the economic conduction, this situation extended and persisted an indemnity attitude, without trying a minimum intention of "organizing something", even when annual speed of quarterly activity fall was dramatic.

It begins a recession cycle – orthodoxy and heterodoxy of central bank of Argentina.

Financial system: strong and weak – the catastrophe arrives:

From growing quarterly between 8% and 10%, we fell 10% (in reverse gear to 100 km per hour, when we were advancing to 180 km in fifth speed). Later, we did not need more external misfortunes to fail. Argentineans went into political campaign and we began to add four years of political conflict because of the power in the majority of the parties.

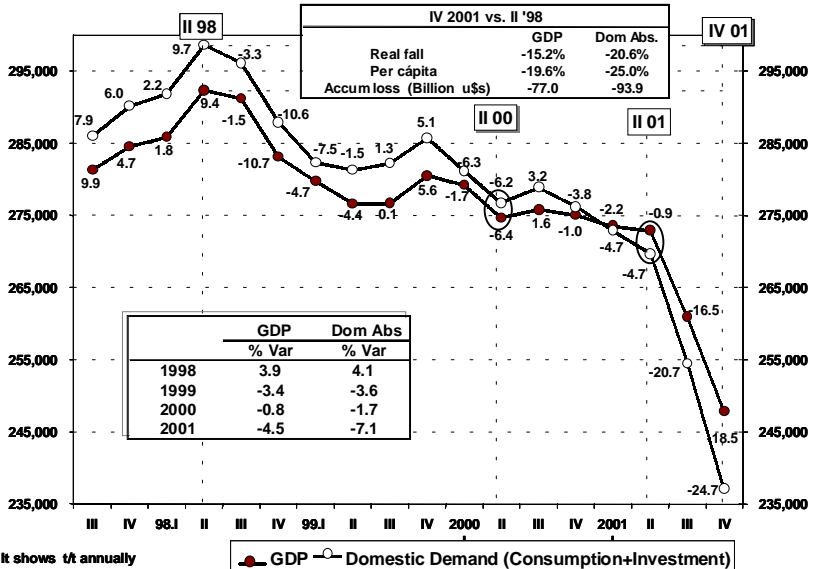
The opposition won and peculiarly the economic policy was reinforced.

Closing year 2001

	GDP					Domestic absorption					Net exports			Diff. In relat to GDP	
	Seasonal Var. y/y (I)	Non-seasonal		Annual Var. t/t (III)	Indirect Var. t/t (IV)	Annual Var. y/y (V)	Total related to GDP		Consumption		Invest. Var. y/y (X)	In relat to GDP (XI)	Expo. Var. y/y (XII)		Impo. Var. y/y (XIII)
		Direct Var. t/t (II)	Annual Var. t/t (III)				Var. t/t (IV)	Annual Var. y/y (V)	(VI)	(VII)					
1999	-3.4	Dragging	1.1%	Dragging	1.2%	-3.6	-3.7	-2.0	2.6	-12.6	1.4	-1.3	-11.3	-1.1	
2000	-0.8	Dragging	-0.4%	Dragging	-0.4%	-1.7	-1.7	-0.7	0.6	-6.8	0.3	2.7	-0.2	0.6	
I 2001	-2.0	-0.6	-2.2	-0.6	-2.2	-2.9	-2.9	-1.8	0.5	-9.5	0.0	0.7	0.8	0.9	
II T	-0.2	-0.2	-0.9	-0.2	-0.9	-2.5	-2.4	-2.1	0.4	-6.2	1.0	4.6	-4.2	1.2	
I sem	-1.1	-1.6	-1.6			-2.7	-2.6	-2.0	0.5	-7.8	0.5	2.8	-1.7	1.1	
III T	-4.9	-4.4	-16.5	-4.4	-16.5	-7.9	-8.1	-6.6	-2.1	-17.2	3.0	5.7	-17.9	0.2	
IV T	-10.7	-5.0	-18.5	-5.0	-18.5	-14.6	-15.0	-12.3	-6.5	-29.4	4.2	0.1	-33.8	0.0	
II sem	-7.8	-17.5	-17.5			-11.3	-11.6	-9.5	-4.3	-23.4	3.6	2.9	-25.7	0.1	
2001	-4.5	Dragging	-6.0%	Dragging	-6.0%	-7.1	-7.1	-5.8	-2.1	-15.9	2.1	2.9	-14.0	0.5	
		Official Forec: -3.7%													

A slide (GDP, Domestic absorption - 1998 - 2001)

PBI – Demanda doméstica – Series desestacionalizadas (en millones de \$ de 1993)



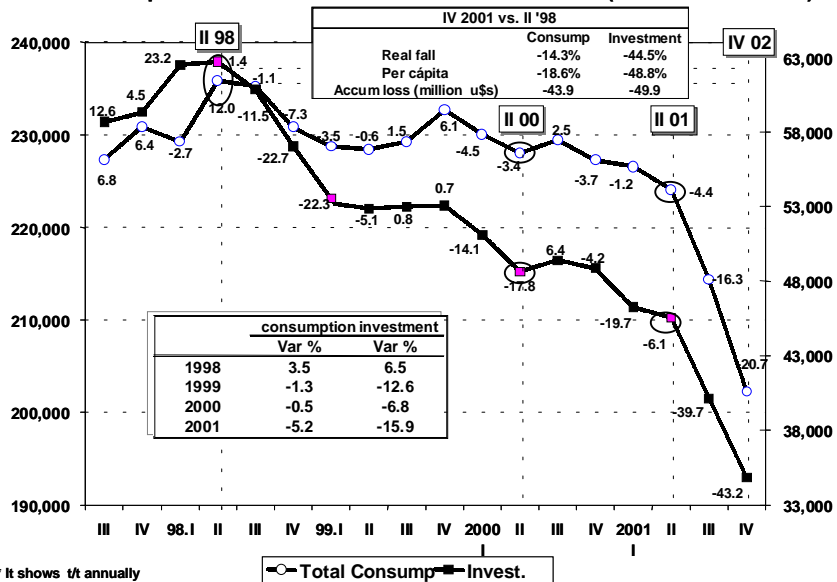
With new President of the Nation, we went through the worst economic and social period of crudest inefficiency of contemporary history.

A “luxury” cabinet of ministers integrated by four economists praised by the financial press, the corporate bankers and international businessman.

A President of the BCRA pampered by the financial system and all management consultants, was the fifth player. Three of them were dismissed and one resigned, in a period of eight or nine months before the debacle. With the succession of silly things of all that team, the dénouement arrived from a systematic crisis (financial) that became worse by the vulnerability, to which we were previously exposed. We had faced the challenge to turn compatible the vertiginous liberalization and the political and social stability, in a country with less than two decades of democracy. The liquidity reached and the boasted solvency and exerting the inflexible reforms of 1994 with the intention of

Consumption and Investment (1998 - 2001)

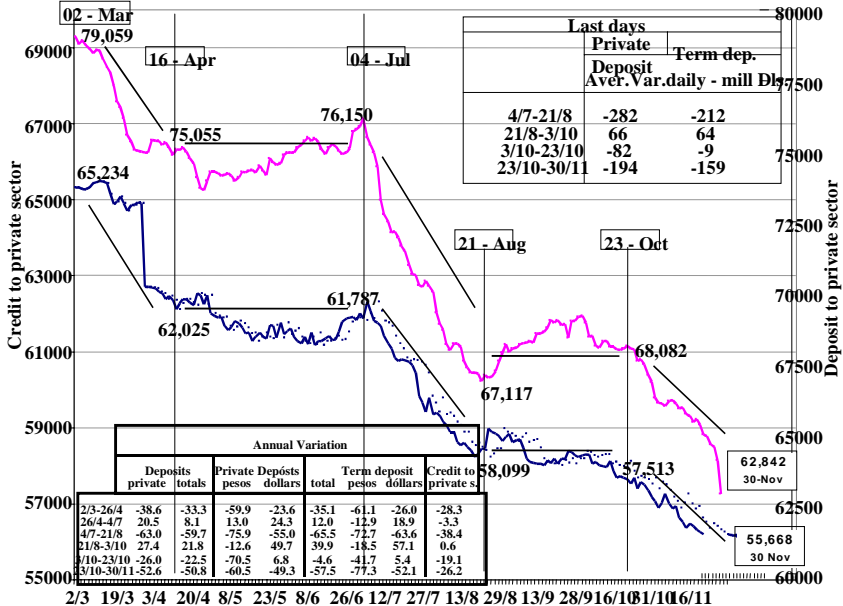
Total Consumption and investment – Series non-seasonal (million \$ from 1993)

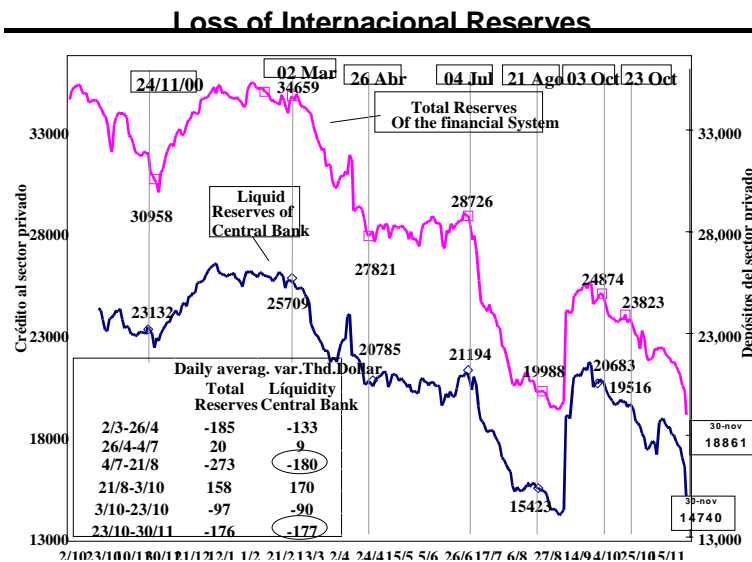


Fall in economic activity level / October 2001

	automobile industry			Industrial production			Construction industry	
	Produc.	Sales	Export	EMI	FIEL	CARTECO	ISAC	Sales of cement
		domest. Market	(Units)					
July 2001	23,321	15,452	10,314	108.5	106.0	123.7	102.7	452,151
Aug.	19,023	15,482	14,191	105.8	106.1	122.4	100.1	449,439
Sep.	16,638	13,780	8,905	101.5	102.3	116.1	90.8	424,934
Oct.	18,211	13,314	13,543	104.7	100.7	119.1	91.0	406,143
Var. y/y (last)	-37.9	-52.5	-5.5	-8.8	-7.9	-8.6	-17.1	-20.4
Var. m/m des.	9.1	0.1	31.7	-1.7	-1.7	-1.4	-3.4	-6.1
last 3 Mth. (Var. y/y)	-40.4	-47.2	-8.1	-8.6	-7.1	-7.3	-16.9	-20.4
Last 3 Mth. vs 3 prev. non seasonal. Annually	-34.4	-7.5	-28.3	-5.3	-4.3	-5.1	-14.5	-14.9
Accum. In the year	-81.5	-26.7	-73.6	-19.4	-16.3	-19.0	-46.6	-47.5
	-25.9	-43.0	29.4	-4.4	-3.3	-5.3	-7.2	-9.2

Deposits and credits to private sector development





fortifying the bank, could not keep the financial system stand and valid. Not even with a generous aid, although inconsistent with the conducted philosophy of the Central Bank, international banks escaped from this confusion. It is evident that the civil servant of that administration, as well as the previous ones, did not intellectually identify with any interventionist or leading measure.

Despite the granting of discountable amount and the attempt to salvage banks, they became in that direction. Rigidity exposed by the Central Bank (BCRA) through the application of norms of the International Adjustments Bank of Basel (Circular 2180), in 1994 where it equated little and middle companies (PyMEs) with large corporations was not worthwhile. The submission of production and work to fortify the financial system were an insufficient attraction for savers remained in the system.

If empirically and not ideologically, the conceived system had been so solid, it would have depended on a civil servant's permanence in an easy chair of the Central Bank.

The emergent cocktail in a tight spot

It is not a good idea cutting oneself a leg or causing bulimia to lose weight. In a turbulent social context, the IMF proposals are at least utopian expressing it diplomatically. Turning down the overhead and the increase of taxes by De La Rúa Government (with four economists in the Minister cabinet and without modifications in the BCRA's board), was the irreversible beginning of a direction towards the abyss in the first months of its steps. Affecting public employees, reducing wages to improve fiscal surplus in a quarter percentage point before imminent default, was the delirium of a Minister under pressure from his own customer, as well. Cavallo gave the last slaps of the drowned, without own control, in resignation and abandoned by his promoters.

Finally, the last day of that long period of the dominant arrangement, it got dark in the Buenos Aires city in the middle of a chaos, with a result of 28 people dead and hundreds of people wounded.

Let us remember that from the time of Juan Vital Sourrouille (Finance Minister of President Alfonsín), Argentina signed 15 agreements with the IMF and it did not fulfill any of them completely. Today, to our great surprise, with that antecedent we continued to receive complicated and unfulfilled requirements. At the same time, our present civil servants are being accused because they don't subscribe what it would obviously be impossible to maintain. If Minister Lavagna could agree again, as others used to do it, Will he not be accused in a couple of months of impostor as Cavallo? The asymmetric return to "Pesos" is worth a chapter aside. This situation generated a legal and unprecedented, insecurity where all contracts were violated; and it was given rise to a regulation very volatile, later exceptional. During many months, nobody believed what other said. A proliferation of public bonds was growing without pause and went on adding to the national debt, and still the relation of debt vs. GNP increased detrimentally. Were there other plans to stop the massacre of people, to stop "cacerolazo" (a demonstration hitting a pan) permanently taking place every Friday and to attenuate the strikes and demonstrations? It is arrogant to think triviality from outside and reduce the outbreak magnitude. Already in October of 2002, in Argentina, 35% of the national companies wit debts higher than 3 million pesos were in

problems. (Source: Analysis of Credit Risk Management – BCRA). The risk of technical insolvency or the loans of “difficult recovery” grew 40% in 10 months. The credits of correct fulfillment fell 50% in the same period. Those who pay the way they are able to through special adjustments are four times more than ones that did it at the end of 2001. A confidential report provided by one of the most important rating agencies in the world, registered default in 55% of the N.D. (Negotiable Duties) of analyzed national companies. As a complement, a 38% additional of the N.D. shows a negative perspective, even when they don't register breaches up to the present date. That is to say 92% is in default or with perspective of that. In addition, banks that concentrated the financial business and lent money from our people to our State, still estimating bonds to 50%, have a negative Equity of 8 billion dollars. In order to compensate banks and deposits exchange, Finance Ministry emitted Dollar bonds received by entities, plus bonds that were received by savers, having a total of bond issue of 15,6 billion dollars and 4,3 billion Pesos, soon after default.

Deposits have increased but the credit continues falling and the situation is precarious. It was proved the weakness of the scheme in the medium term, when the IMF lowered thumb to Cavallo in August 2001. Right there, was the time when facts speeded up in strong violence. The technical default publicly and formally revealed in the Congress, had already been caused when Horst Köller and Ann Kruegger did not answer Cavallo's phone calls. From here on, everything was questioned, from the good relations with the international organisms to the legal regime of foreign investments that eliminated all restrictions in respect of capitals arrival.

CHAPTER 4

Investment, the investor and the long term financing

Neither lowering the public expenditure from 14% to 3% on GNP, nor privatizing quickly, nor opening a country, nor anything could assure the success in the long term. Even the more daring and ambitious investors, who came with the pro-business economy, press heroes of the Nineties know this reality.

Many investors bought very efficient Argentine companies that today are in creditors' meeting or hard problems. Private Equity Fund burst in buying companies haphazardly. There were famous ones, which bought companies free of debts, with interesting fixed assets that could be used like guarantees for later loans. These were companies that, as a result of their performance, paid important sums of money from income tax, and were interesting contributors to the state treasury and to society in general. Simply changing the destiny of the tax (passing from income taxes to financial cost), they took loans which financial cost base was assured. In the end, Credits Bridge originated by the purchases were cancelled through financing by the own company. From 1998 with Russia's default, the financing system to buy companies was not only diminished abruptly, but in addition to that the flow of genuine financing finished to support indebtedness structures and financing of any business activity. Finished leverage takeovers, international and corporate private equity funds begin to turn also towards Brazil where anticipating to the devaluation they landed in swift way. Since then, most of the companies in debt could not face the financial cost which they had undergone and of course, first, they did not pay income tax and later they did not pay in time and with no difficulties to the Banks in the system. Those were several years issuing bonds yield of 14% per annum at Dollars price (junk bonds) to finance purchases, everything charged to the operation of successful companies. A food leader company earning 10% annual on sales, today is seriously complicated. Many balance sheets inflated by

intangible assets signed by the best direct or representative consultants involved in worldwide scandals. It is interesting to observe that the commissions of the most developed accountant schools in the world do not agree in the application of methodology to estimate a brand. In spite of this, in Argentina there were already in use fearless methodologies as standard ones. I could be extended it with sophistry that proliferated in the Nineties and which were detected easily in the diagnoses. An example of it was the increased amounts or nonexistence of stocks when it was made an inventory. Clearly, the objective was to hide losses to continue asking for banking credit. It is an enormous speculation cycle that finalizes when the macroeconomics changes the course and gives up growing. If the countable make-up or creative accounting (allegorical reference) in many of these companies had been deduced, they would have a more negative equity than all banks of the financial system, after the asymmetric Peso exchange. The difference is that in the case of the companies bought by a leverage buyout, the problem was found early before the asymmetric Peso exchange, as soon as it was begun a economic activity deceleration in Argentina, between the second and third quarter in 1998. There was a case of a famous supermarket whose banking debt had increased eight times only in the next year after its acquisition. Speaking about the Banks of the "Super System" that was constructed, I asked myself wich was the financial risk level used to lend? What recover expectation did takers of junk bonds abroad have? Who did advise them? Where is the international investment bank placed in this point? It is clear now that there are shared responsibilities between those who caused damages and the injured ones. Being fair, it is necessary to mention this was a business that allowed huge commissions to its promoters during the Nineties. There were syndicated credits, issues, bridge loans, and lots of operations and yield for its creators. Original founder with simple lucidity fled terrified from the companies that had sold, despising millionaire contracts to continue managing them, very soon beginning the new administration.

With the purpose of fired successful entrepreneurs, the best headhunters arrived in Buenos Aires trampling on with their offer. There was always a search idea for an executive to replace a CEO that left his company and his position. The unpleasant thing was that they often

ended up improvising executives with financial handling, whose capabilities and market knowledge did not agree with the awaited results. In spite of this, everything was running well, while Argentina grew six or seven annual percents. The curtain was opened when Russia speeded its default up. The euphoria of the apparent initial success was followed by failure.

A set of reforms and financial instruments of short-term economic policy to stabilize the rate of exchange and the inflation (the convertibility plan), without a real and attractive investment plan in the long term was never considered a sustainable scheme. When the economy or businesses were concentrated in the short term and do not have a long-term strategy, the results are those we find in front of our eyes. The economy only participated in one game: short term. In the obstinate search to obtain instantaneous recognition, short-term objectives were established that stimulated the myopia. This policy took us to living and succumbing only by the quarterly numbers of the INDEC (National Institute of Statistics and Census).

The inflexible search of the established assumptions for every quarter made everything not related to reach determined goals be forgotten. A feeling to travel in a submarine by ten years was an impediment in the fact of taking advantage for creative opportunities and alternatives. Some economists were not able even think without receiving reproof and haughtiness. With opening barriers, privatizations and liberalization in high speed in a short term were to live existentialism or at least one bubble. The booty of exchange and monetary stability during the Nineties fed the future failure (it eliminated the national industry and most of the Argentine businessman).

Globalization caused the crisis to be in the way of great waves like in the beach when it is necessary to move quickly, or the wave passes over the Nation and this remains to row against the current. Wave after wave immovable Mexico, Asia, Russia, Brazil, Turkey and us face them up in the reef. Whenever a quarter of air blew in the world, Argentina insisted on remaining static while the moving sand swallowed it. Dropping in prices of our commodities, revaluation of Dollar, devaluation in Brazil and us without reaction. During the Nineties many sources of works were destroyed, without forecast

available, and we soon remained without capitals while the country acquired a huge and important debt. In investments as well as businesses, it is necessary to participate in both games simultaneously: in a short and long term. A long-term strategy is basically required to ensure sustainable success and that is no longer a debatable subject. The type of country we want will determine the economy that we will have. This desire must be embraced by a highest conviction support given by those who live in its environment in order to be sustainable in time.

“Businessmen of the year” – 1996 in Argentina

Juan Navarro – Exxel Group

Most of his companies are submerged into acute financial problems from the time before devaluation, default and asymmetric pesification⁶. Proceeding in time, the group was already in exchange to pesification process, selling (getting rid of) their companies, having their total invoicing on decline. In the year 2000 its turnover was 3,7 Billion Dollar and during the period Sept. 2000 to Sept. 2001 (before the IMF's decision to uncouple the Argentina's wagon) reached 30 % approximately) invoiced 1,1 Billion Dollar. Most of his companies are today in creditors' meeting. An economic group that brought together funds for 45 Million Dollars in 1991 and did not stop up to the point of reaching 2 Billion Dollars to do businesses for the amount of 4,7 Billion Dollars. In a few years it was deflated. Was it another bubble?

Luis Otero Monsegur – Bank Frances

A high successful argentine banker who must have considered he was not going to be able to fight in the context that Central Bank of Argentina (BCRA) designed, with an absolute opening market to the foreign bank. In addition, how long could anybody have paid such amount of Million Dollars for an Argentine Bank? He did not doubt about this, since in a previous moment he had the business anger to buy the Argentine Credit Union (belonging to Santibáñez – Gorodisch)

⁶ Change Foreign Currency of Deposits already existing into Pesos (Argentina Currency).

and besides absorbing the problematic Cooperative bank of Caseros. He later sold everything quickly and very well and today he is not longer owner of a national private bank and a high successful Argentine banker, but one who lives on his wealthy investment, a wealthy annuitant.

Eduardo Escassany – Galicia Bank

Another Banker. He thought he could compete or even more than this; he thought that Galicia would be the only national private bank of great size. Obviously, He could not do it. Even with huge financing amounts that he received as a desperate aid to maintain his organization and not to harm the rest of the system but he did not reach his aim.

Today he is outside the system and with no Bank.

CHAPTER 5

Great Opportunity

"There is no security on earth, only opportunity",

ANONYMOUS.

In The World

In general, there is a valuable opportunity to make innovating changes when everything crumbles. How long is it that Argentina does not generate its own ideas? – Asked Charles Sabel, Professor of Columbia Law School. He and others intellectual Americans consider that even under extreme weakness conditions, the indebted countries are not obliged to accept suggestions coming from the IMF. The idea to face

Worldwide Economy

Revision- Growth forecast toward down(IMF)

Var %	96-2000	2001	2002 (p)			2003 (p)		
			May	Oct	Dif	May	Oct	Dif
GDP Worldwide (PPP)	3.9	2.2	2.8	2.8	0.0	4.0	3.7	-0.3
(current rate of exchange)	3.2	1.1	1.8	1.7	-0.1	3.2	2.8	-0.4
-According to Consensus(*)	-	1.0	1.9	1.6	-0.3	3.1	2.8	-0.3
Wordwide Trade Volume (Good and serv.)	8.0	-0.1	2.5	2.1	-0.4	6.6	6.1	-0.5
Commodities Prices								
Petroleum	15.1	-14.0	-5.3	0.5	+5.8	-4.3	-0.8	+3.5
No - oil	-4.8	-5.4	-0.1	4.2	+4.3	7.2	5.7	-1.5
LIBOR (deposits in Dollar)		3.7	2.9	2.1	-0.8	4.5	3.2	-0.8

(*) This forecast are made on a sample base of countries enclosed.Previous forecast belongs to Sept.2002.

another type of negotiation with creditors become more and more strengthen, considering the endless number of armoring agreements, trade-off and big trade-off tried during the last years in Argentina, without reaching the objectives proposed.

Richard Freeman of Harvard and Aruind Panagariya of Maryland also question and reconsider the meaning of the negotiating packages and conditions of IMF. In those academic scopes, debates are arising and they are still taking place in the IMF itself under strict privacy, as a result of the last crisis that took place in Argentina. If this is not true, we would have to take with extreme carefulness what Haussmann thinks about the present people who direct the organization. Some economy technicians already proposed to re-establish mechanisms and conditions applied to the countries having problems so far.

If the expected results were reached, these or other new mechanisms could become a platform for learning and they would replace the defendant' seat and the ostracism to which countries that incur into financial difficulties are submitted.

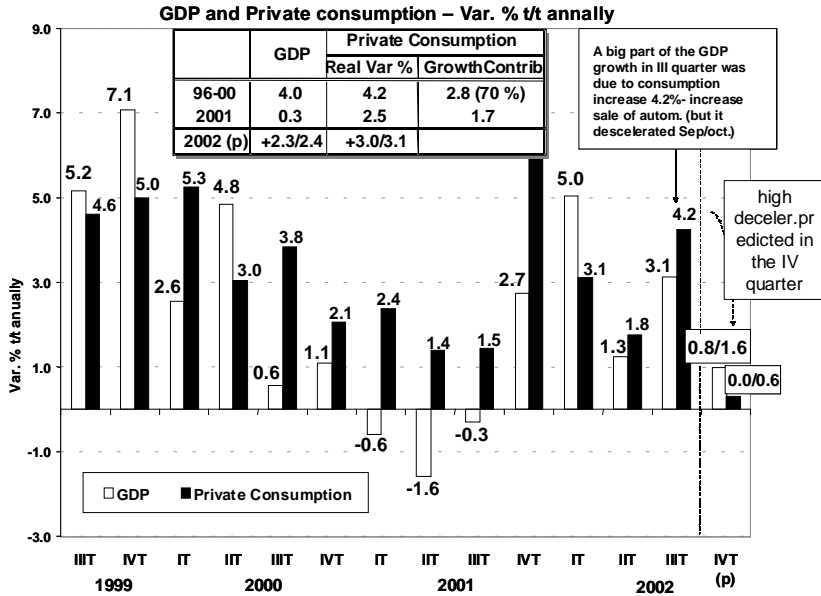
In the United States

From a surplus fiscal year of 130 Billion Dollars in 2001, it passed to a deficit of 140 Billion Dollars in 2002. Although North American economy was already decelerating before the episodes of September 11th and even before Bush assumes his position in government, the thing has now become worse than previously. What seemed to be one short activity's deceleration, became and expanded situation with "handsaw" effects (a positive quarter and the next bad).

When one observes the percentage increases of unemployment and the difference between the real results and the potentials, the fall is relevant. Arabic deposits for the amount of 300 Billion Dollars were taken out from the American Banks.

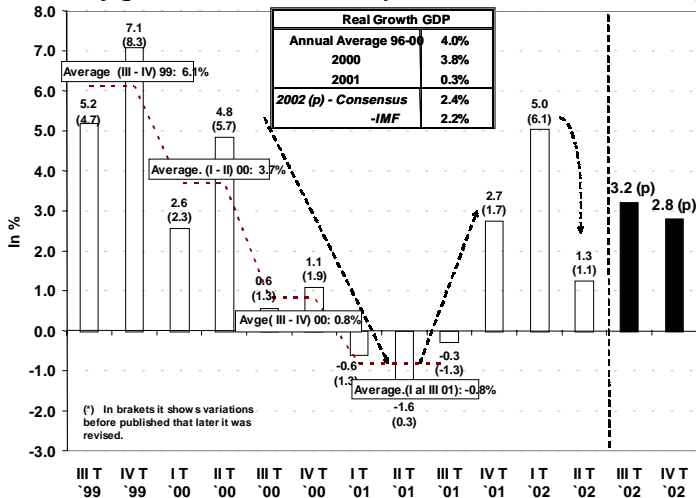
The new experience that has been consolidated in silence, without pause, has been that of the corporate bankruptcies. The last year almost one hundred of big companies requested their creditor's meeting or the famous "chapter eleven" of the Bankruptcy Law to be applied. Even worse the fact of scandals of 2002 such as World Com and the image of

Worldwide Economy: USA - GDP



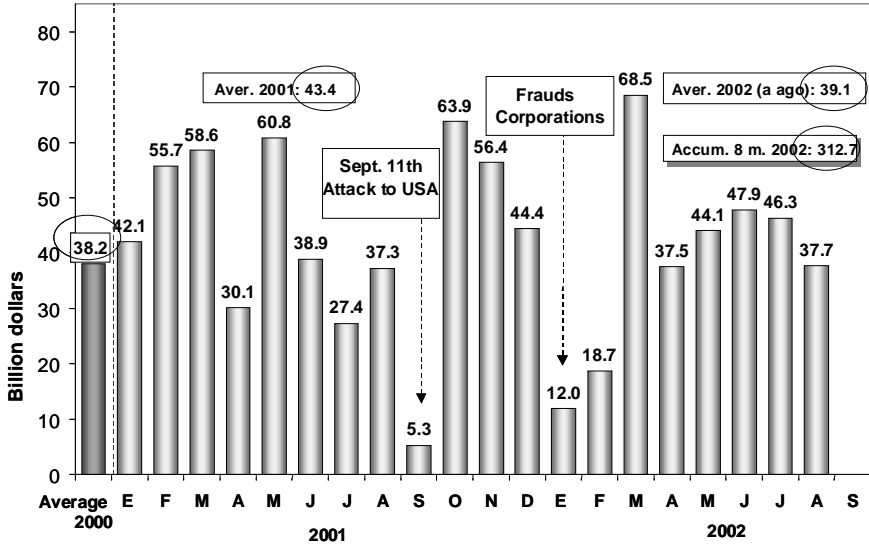
Worldwide Economy: USA

Activity grows slower than it expected. Var. GDP t/t annually.



Entry of Capitals into USA

Net entries portfolio to USA

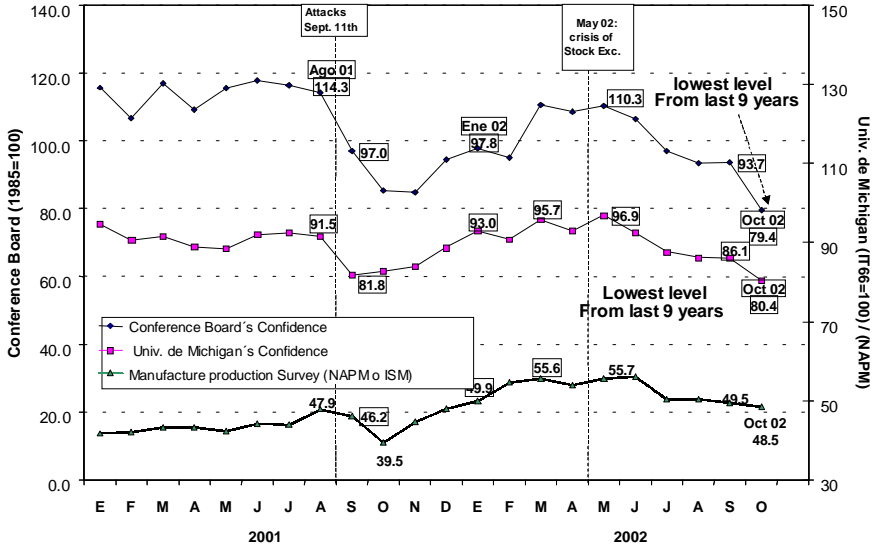


his formerly CEO of the magazine, now appearing on television with handcuffs on CNN to the world. The telecommunications, energy and the airlines companies are more jeopardize and, judging by its balance sheet, there will be news of its badly performance soon. The possible war between USA and Iraq also contributed with its quota. The volume of new issue of corporate bonds diminished, loans come declining from the commercial bank and credits cost is upwards. Even considering there is presently an excess of production capacity at this moment my suspicion is that the wasteful North American citizens will have to reduce their consumption.

Everything mentioned before makes stocks stay stable and the companies that work “Just in Time” (having it as their main goals), make worse their stock strategy. It is diminishing the capital supply that drove the economic growth of the activity during many years. This is a process that began with junk bonds, more and more new shares issue or new companies trade with their shares on the Stock

Worldwide Economy: USA

Deterioration of Consumption's Confidence



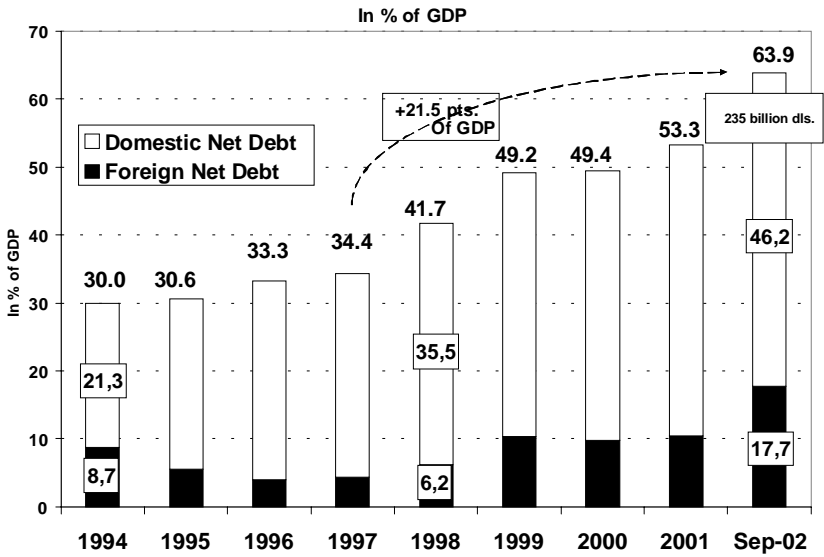
Exchange (I.P.O.) and they took place incessantly. This ended up with the fall of the technological shares (NASDAQ). But now this reality is extended on bank credits and corporate bonds with high qualification. At this moment, 600 Billion Dollars of the denominated junk bonds are issued monthly, nearly 12 percent of the amount that was issued only one year ago. Let us remember the Enron case (in 2001), a fraud in which high yields were paid to investors using new money coming from new shareholders. Because of that, any share or paper was called to be questionable, no matter how much prestigious that could have been during previous years. The traditional investor is in a state of impasse, while he thinks about analyzing more solid options than those frequently used in years before.

Brazil

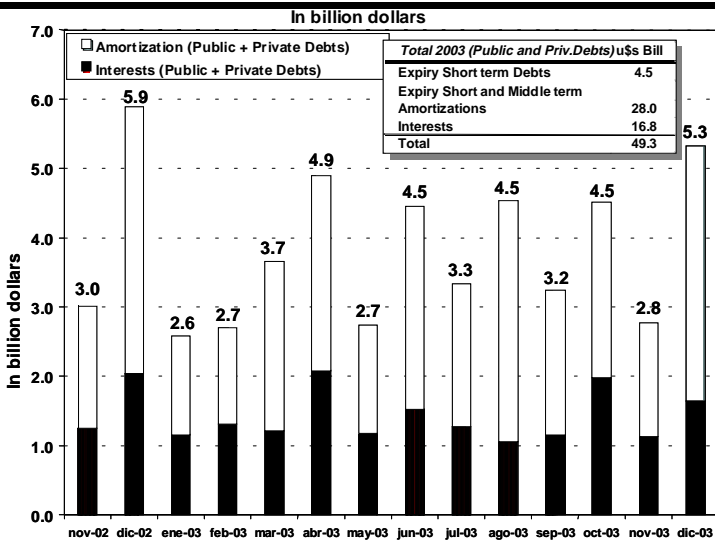
It already has a newly elected President, Luiz Inácio (Lula) da Silva and together with Cardozo has said they will reject the IMF's requested

adjustments. The outgoing President said that neither their government nor the next one would accept the goal of a high fiscal surplus, as IMF

Dynamic of the Debts (net) - Consolidate Public Sector



Foreign Debt Expirations



pretends. The adjustment agreed in September was 3.75 percent on the GDP. Despite of the basic problem of the discussion with the IMF, there is a formidable impulse that the Brazilian national debt accumulated in 2002. The meaning of the IMF's proposal to Lula is nothing else or nothing less than stop applying social programs and public investment plans.

According to Rosendo Fraga, (Nueva Mayoría), the triumph of Lula implies a break of the analytical model between politics and economy in Latin America during the Nineties. According to this, it ended up gaining "the rational" model for the economy, since people when voting they preferred not to risk and decided on the stability.

Japan

It has a deficit situation similar to the one in 1943, at the end of World War II. Despite the acute recession that Japan goes through since 1991 up to now, the commercial frictions with the United States and the type of exchange was being led to strongly increasing the Japanese direct investment in Asian countries. Japan is in the search of higher efficient levels than those recommended by the current traditional formula of which I unfolded opinions in previous chapters. That will be possible deepening in the direction to build more industrial plants outside, as well as it was made in Asia before, in order to reduce import and production's costs.

Conclusion

USA having such own and worldly panorama and different opened fronts, it requires clearing existing and potential problems. This is a great opportunity. Paul Samuelson (Economy Nobel Prize in 1970) said in one occasion:

There are five types of countries: The Capitalists, the Socialists, those who are called of the Third World, Japan and Argentina. These last two have absolutely different systems from the one having in the rest of the countries.

Since then and even though when I was an executive for a huge multinational Japanese Company, I have never stop thinking about that phrase of Samuelson.

CHAPTER 6

Japan: A Country with Deteriorated Performance during a Stated Period

Japan must look for new alternatives and while its government thinks, Standard & Poor's lowered its rating to "AA" in 2001. Moodys made a formal warning, after placing the Japanese domestic debt under overhaul with bearish perspective. If it walks down only a step it would pass to "A +", but if the future cut is more aggressive it could pass to A2 class or what S&P calls strictly "A". In that case, it would have the lowest rating among group G7. Nevertheless, the national debt in Yens has a yield of 1.5% annually to a perspective of 10 years. But if the rate lows even more, it would affect its stock market price and it would raise the interest rate. Then, banks and the insurance companies that already have an important irrecoverable portfolio and potential risks could also be complicated. Clearly, Japan is not Argentina. The national short-term debt pays almost "zero" percent (90 days billing). Last April 1st of 2002 the universal guarantee of deposits that prevailed in Japan expired and that changes, partly, the financial situation.

Japan Vs the rest of all in 2001

During the observed period, Japan shows for us an incomprehensible phenomenon of extended stagnation with high savings and investment rates.

AVERAGE GROWTH (1992 – 2000)	
WORLDWIDE ECONOMY	3.5 %
Developing Asian Countries	7.5 %
NIC's	5.8 %
USA	3.7 %
Latin America	3.4 %
European Union	2.6 %
Japan	1.1 %

Japanese Economy 2002

The most serious forecasts for the year 2002 show a zero or negative growth, high levels of deflation and diminution of public expenditures. Retail prices have been falling every month by almost three years. In 2001, retail in sales fell 6 percent. The unemployment rate was of 5.6 percents and this is the highest rate from the end of Second World War.

Job losses, the depressed balance sheet as a result of falling prices and low profits consequently, make difficult to companies to honor their commitments. Those observers who diminish the risks are still worried about the damage that could cause a downhill spiral over the globe, considering that Japan is an important investing commercial partner and moneylender. Therefore a possible stoppage would affect all the countries and economic players who deal with this one.

Worldwide Economy

Revision - Forecast Growth toward down

	Average 96-00	2001	2002			2003		
			Jul	last	Dif.	Jul	last	Dif.
EE. UU.								
<i>Consensus Forecats</i>	4.0	0.3	2.8	2.4	-0.4	3.6	3.0	-0.6
- JP Morgan			2.8	2.5	-0.3	3.6	3.2	-0.4
- Merrill Lynch			3.2	2.6	-0.6	4.2	3.3	-0.9
- Morgan Stanley			2.9	2.3	-0.6	3.8	2.7	-1.1
- Lehman Brothers			2.6	2.4	-0.2	3.2	2.6	-0.6
- WEFA			2.5	2.3	-0.2	3.5	3.0	-0.5
Euro zone	2.6	1.5	1.3	0.8	-0.5	2.7	1.9	-0.8
- Germany	1.8	0.6	0.9	0.4	-0.5	2.4	1.5	-0.9
- France	2.7	1.8	1.4	1.0	-0.4	2.8	1.9	-0.9
- Italy	1.9	1.8	1.1	0.5	-0.6	2.5	1.8	-0.7
Japan	1.5	-0.3	-0.4	-0.9	-0.5	1.1	0.9	-0.1

Based on Consensus Forecasts

The manufacturing sector – exporter, who led forward the development of this country, must work on innovating changes. The dependency excess on the USA's market causes that many companies suffer the effects that the American recession imposed. A fundamental reason for Japan to emerge as a superpower economy has been the fact that Japanese companies have established thousands of associate companies anywhere in the world.

The expansion of Japanese companies during the Eightieth turned, mainly The United States, as the destination of its industrial investments outside, but by the end of the decade, also Western Europe lived an accelerated increase on the level of Japanese direct investment. The most frequent global strategy is to join a big number of possible activities in a country, giving supply to clients from the origin base and coordinating the activities that specifically have to be done near the buyer.

This was the Japanese model during the decades from the beginning of the Sixtieth to starting of the Eightieth. Toyota Company is a model whose growth and development placed it in an equal footing with the main Detroit's companies. Thinking about it before would have sounded absurd for Americans. In the Ninetieth, things changed and the Japanese companies began to be corporations that have or control activities adding value in many countries. These corporations have demonstrated an extraordinary capability to learn from other countries; not only by taking photos in the exhibitions, as some people are pleased to joke about. The corporate conglomerates through their managers have shown an exciting interest in Argentina. I have experienced this one by myself. But it is not necessary to remain awoken looking for anecdotes, in which I could really abound. A usual question I invariably received in the trip from Ezeiza Airport to the downtown when it transferred to any Japanese engineer was: Which is the reason why the piece of land at the sides of Richieri Freeway is not cultivated? From the electronic to the automobile industry, passing by watch producing, most of main Japanese corporations have taken interest and began the exploratory cycle in Argentina. We were evidently living the booming stage of electronics, computer science, household-electric and the automobiles, motorcycles and mopeds.

This cycle begins with an agency agreement followed by a “joint venture” and finishes with a legal association in a company with operations in the objective country. Unfortunately, the ups-and-downs of our politics, at first, and later our economy aborted all public and private initiative. In 1981, the successive devaluations of the same political regime, which had sent to his maximum exponent in official visit, destroyed the early atmosphere pro-businesses that was supposed to be conquered. Later in 1989, with the hyperinflation process, the companies that began to run the tax promotions in Tierra del Fuego and those, which thought about it, also became frustrated. Since then, things have become changed quite a lot, worldly speaking and mainly, things have changed for Japan, considering that we have had a deplorable continuity of frustration on possibilities of growth and development. From 1989 on, with the fall of Berlin Wall, and in coincident way, began a stagnation process before the “Japanese boom” of the Eightieth. Those three decades of continuous expansion had like corollary, at first a period of deceleration and then a stagnation time. At the beginning it appeared as a foreseeable an irregular period, but the facts are that, the financial exuberance which made the Japanese people begin to travel through Europe as tourists and spend a little more money, instead of only saving, took many years of absorption. The fact is that, from nearby 1990, Japan has not achieved to leave as a country from its crisis and deflation tendency. In spite of trying diverse formulas, some of them from the western area and others of their own, and allocating a huge amount of public money without any transcendental result, months go by in Japan.

In the same way that a sustainable plan is requested to Argentina, Japan is demanded to reformulate its economy with a similar approach to very well known and conventional formulas. Japanese people know that the reforms would aggravate the situation in the short term and they are not sure if that formula is a way for the long term. To tell the truth, nobody in the United States has expectations that Japan accepts the recommendations so and as they have been formulated. At least, I perceived it in New York and Chicago.

What it is sure is that economy does not run as they wait for and it is needed a new transformation in their businesses. Nevertheless, What would it happen if they face a straightforward downsizing as

westerners suggest them? Then, if everything were well from the point of view of cold numbers, benefits would arrive in the long term. Meanwhile, they continue to search innovating solutions, consistent with their concern about general levels of occupation and their people. It is known that the Japanese tradition contemplated the idea of none of the employees fired because of mistakes made, not even by reorganizations in structure. In my experience, I knew that if somebody was moved of the place where used to be, then he was assigned to another position or country, but always within the company. Even more, for a Japanese executive it was unthinkable to listen about competing for a job position, not only because he would not accept it, but also because the other colleague company would not offer it. Labor and family loyalty of the Japanese people, respect and subordination to the authorities and social sensitivity are solid principles in their society. Even if they have their own problems, the immense differentiation that makes Japan distinguishable is that it is really a main worldwide creditor and it does not have record of default or unreliability. All that mentioned before, the respect reached by Japan and additionally, the western ignorance of their culture, remarkably attenuates the will of the conventional recommendations.

The Japanese Domestic Debt

The Japanese State's annual budget (2000) was of 710 Billion Dollars, 2.5 times Argentina's GDP (2000), only from which 57.3 percent was genuine income by tax collection. Bond issues financed the rest. The accumulated debt of the Japanese State in 2001, including debts of the provinces and towns, was of a 30 percent more than the GDP (540 Billion Dollars). As it is mentioned before, this deficit situation of high risk is similar to the one registered in the middle of World War II in 1943. Traditional Japanese families have not given up to save money and take retirement insurance and private pension plans in order to increase the security that public system offers them. This one is slowly reducing the receiving amount of the future pensioners and also delaying the minimum age to receive it. The ages go from 60 to 65 years old.

Fiscal situation

The government's budget for fiscal year 2002 settled down in 610 Billion Dollars. The real incomes (tax collection and other fiscal incomes) reach 380 Billion Dollars. The rest jeopardizes financing with additional government bond issues, which does not appear as a permanent way to solve its problems. Nevertheless, the accumulated internal national debt is 1.3 times the GDP (more than 45,000 Dollars per capita versus 37,500 Dollars in Argentina before devaluation and default). With the aim to analyze life and the internal situation, the Japanese Embassy in Argentina takes a standard family (with two children), with an average income (approximately about 5 million Yens per year) paying a property mortgage (30 Million Yens). The internal debt of Japan represents to them an almost foolish charge for its development. The number that is shown in average represents something as well as nine times the annual income. This is not a small data.

The GDP and Natural Resources

The Japan's GDP is the second highest in the world. This country specialized in the manufacturing, produces and exports huge amounts of electrical appliances and automobiles, industrial activities highly qualified with comfort and in delicate process, in the middle of the worldwide deceleration of the economic activity and the consequent fall in the prices. Japan is a country lacking of natural resources and therefore it has been concentrated in the import of raw materials that it manufactures and produces for export. During the last years, it has imported more and more manufactured food products. How does it sound if together with the rent of a found we present them the possibility to export from Argentina towards the rest of the world and we suggest them to supply and manufacture themselves their own food, with their own standard quality and taste? Clearly said, "made in Argentina".

Japan has a very small cultivatable piece of land that does not provide sufficient wheat, soybean or other seeds to supply it the way it would desire. It has one of the lowest self-provision food rates among developed countries.

Japan knows well that a big percentage of its food must be imported and if currency do not flow as during the Seventieth or the Eightieth's periods, this situation can entangle its performance.

The Japanese Companies

- They make direct investments in the U.S.A., Southeast Asia and Europe
- They build industrial plants of manufacturing product that later export.
- They develop the local industries and create jobs in the addressee countries of their investments.

Figures of Foreign trade and Employment

EXPORTS	450,000 Billion Dollars
IMPORTS	355,000 Billion Dollars
UNEMPLOYMENT RATE (2001)	5 percents

SOURCE: Financial and Economic Statistics, Monthly of Japan.

Agriculture – (Opposed Conditions with regard to Argentina)

Japan is the first net importer of agricultural products in the world. It is the greatest worldwide importer of wheat, corn and meats and second of soybean. The agricultural commercial deficit of Japan is chronic. Invariably, Japan depends on the U.S.A. almost in the 80 percent of the agricultural products.

The Japanese Agricultural Production's Efficiency is Seriously Affected By:

- Agricultural Structure land possession, with properties of reduced size.

- Quite high input costs.
- Farmers' decision is hamper by the official regulations and the action of the cooperative system.

Healthy Food Fanatics have a Great Opportunity as well as Argentina does

Farming producers are being successful in manufacturing products that are commercialized under the concept of “fresh “,” natural “and “organic”. This concept facilitates an access to the Japanese consumer who has doubts about the security, health and quality of imported food products.

What happens if we open door to them so that with their technology and our resources those products begin to over-abound and satiate themselves inside this new wave of products? Even more, this new fashion could become a “shock wave” for Argentina as supplier. Now then, Who does not prefer healthy food?

A Great Opportunity for Argentina: To export Argentine Healthful Products with Japanese Technology and Quality:

Argentina does not produce only first quality meat, wheat and soybean. Those Argentine people who are related to the internal area and the regional economies, know that our food production has a wider variety than the traditional ones known from “the Pampas”, even if do not exist volumes for industrial development reasons. In relation to this, financing and of course political decisions take place. Regional economies modestly export 2 Billion Dollars annually. This is almost nothing compared with their potential and it is really an inexcusable fact.

In the Argentine Northwest and Misiones local tobacco of great worldwide attractiveness is cultivated, which is almost totally exported. In the Northeast, so damaged during the last year, 130,000 hectares of rice were sown, producing 720,000 tons. Only 50% of that number is

Foreign Sector: Exports Performance by product

	10 months		Diference	
	2001	2002	Million Dls.	in %
total Exports	22,540	21,226	-1,314	-5.8%
Highest increase:				
Oil (soya and sunflower) - MOA	1050	1,436	386	36.8%
By-prod. Of soya (pellets) - MOA	1,920	2,147	227	11.8%
Meat - MOA	323	467	144	44.6%
Metals	1,182	1,312	130	11.0%
More decrease:				
Automobile	1,764	1,374	-390	-22.1%
Cereals (wheat and corn)	1,963	1,700	-263	-13.4%
Petroleum	2,001	1,801	-200	-10.0%
Machine and equipments	961	775	-186	-19.4%
Fish and shellfish	601	418	-183	-30.4%
Fuel	1,212	1,031	-181	-14.9%
Soya (seed)	1,233	1,104	-129	-10.5%
Exports agric. (cereal and oil)	6,907	7,094	187	2.7%
% total	31%	33%		

exported. Of a total garlic production of seven million boxes, nothing less than six million is exported and two thirds go only to Brazil. Argentina produced in harvest campaign 2001-2002, 260,000 tons of peanuts, and most of them were exported to the U.S.A. In 1998, cotton production was a record with a million tons, reduced now to only a 20 percent of that figure.

The producers of the High Valley of Rio Negro and Neuquén are the main pear exporters with 300,000 tons, exporting only 25 percent of the apple production (this is approximately 200,000 tons). It is also being exported, 60,000 tons of juice that are specially produce for the United States. If we speak of sugar, this year it we will be exporting more than double (260,000 tons) considering a fall around 30 percent of the international price. Sugar is the second activity in Tucumán Province and it is growing at a rate of between 8 and 10 percent per year and it places the Province in the first exporter state in the world. This year, we overcame the record reaching 1.250.000 tons, however

the fall in the international prices. In Salta Province, bean is concentrated in 187,000 seeded hectares (70 percent of the surface), of a total of 265,000 hectares. The 90 percent of the harvest is exported, basically to Brazil where its price is highlighted and estimated due to the quality of the product. In the Northeast of Argentina, 60,000 tons of tea is produced and 54 percent of them is exported. This is a booming drink like cold refreshment. Right now in the United States, when two persons go to a bar, one takes a soda water and the other a cold tea. Even more, in summer time many people have lunch or dinner drinking cold tea. The wine production and its quality, is already worth a separate chapter and the year 2002 was one of the best performances in history. The qualities of our grapes and the winery production have a great potential. Argentine wines are recognized in increasing way. It is usual abroad in a meeting, to serve an Argentinean bottle of wine; this is something of a great level and worth.

Lift of Japanese barriers, which were Traditional In Other Times

Japan has lifted many of the access barriers to its agricultural markets that in some other time were famous. Formerly, there was excess of protectionism. Considering the results, benefits are not easily questionable. Before that, there were quota and restrictions systems to import meat, citrus, fruit-juices and ice creams. At present time, these markets are open, they are only subject to strict sanitary controls, thing that for this proposal would represent a great competitive advantage in favor of Argentina. The protectionist barriers remain high only in basic and critical products like rice.

Own manufacturing and Agricultural Imports

The own manufacturing is in continuous contraction. The key activity sectors record permanent falls of production. This is seen in cereals, rice, dairy, bovine and porcine meat, fruits and vegetables. This situation gave rise to a phenomenon growth of the agricultural imports that passed from 29,000 million dollars in 1988 to 52,000

million dollars in 1996, due to crisis situation. The items with high growth are: the bovine and porcine meats, ice creams, broccoli, frozen asparagus, vegetables, wines, cherries, and processed foods as well-known "snack foods".

The following are some interesting index processed with information source and database of the Japanese Embassy in Argentina:

Ranking of main Argentine products exported to Japan. (Period: January – December 1999)

Source: Embassy of Japan in Argentina

1. Coppers and its extract
2. Fish meat, fillets
3. Corn for processed animals feed
4. Non alloyed aluminum
5. Sorghum grains for processed animal feeding
6. Aluminum alloy
7. Frozen king prawns /prawns /shrimps
8. Grape must, with more than 1% of alcoholic degree
9. Dog/cat feeding for retailing
10. Wood Layer / chips
11. Fish fillets, excluding hake
12. Cooled and frozen equine meat for human consumption.
13. Re-exported goods
14. Wine /must of grape, in containers of more than 150l
15. Ethyl alcohol, equal degree or superior to 90%
16. Crude petroleum oils for manufacturing petrochemical productions
17. Frozen black hake, excluding fillets, other type meat, livers and eggs

18. Volatile petroleum oil for manufacturing petrochemical productions.
19. Corns, only for popcorn.
20. Hake fillet
21. Broad soy bean, even broken
22. Meat flour, non-apt for human consumption
23. Wine in packages less than 2l
24. Other frozen fish, excluded fillets
25. Frozen cuttlefish and squid for human consumption,
26. Grape juices, non-sugar addition, not more than 10% of the weight of sucrose.
27. Fish flour, non-apt for human consumption.
28. Lemon juice, non-sugar addition, not more of 10% of the weight of sucrose
29. Total or partial enervated tobacco.

TRADE ARGENTINA – JAPON
(Period: 1991 –2001. In Thousand Dollars)

PERIOD	EXP	Var %	IMP	Var %	BALANCE (EXPO- IMPO)	BL TRADE	Var %
1991	603.418	+11,92	448.307	+128,19	+155.111	1.051.725	+42,97
1992	513.668	-14,87	709.168	+58,19	-195.500	1.222.836	+16,27
1993	493.180	-3,99	715.442	+0,88	-222.262	1.208.622	-1,16
1994	436.206	-11,55	672.250	-6,04	-236.044	1.108.456	-8,29
1995	428.900	-1,67	467.285	-30,49	-38.385	896.185	-19,15
1996	521.349	+21,55	467.633	+0,07	+53.716	988.982	+10,35
1997	519.918	-0,27	778.794	+66,54	-258.876	1.298.712	+31,32
1998	695.492	+33,77	984.073	+26,36	-288.581	1.679.565	+29,33
1999	542.656	-21,98	707.947	-28,06	-165.291	1.250.603	-25,54
2000	452.491	-16,62	729.456	+3,04	-276.965	1.181.947	-5,49
2001	398.789	-11,87	500.010	-31,45	-101.221	898.799	-23,96

Source: Embassy of Japan in Argentina.

TRADE ARGENTINA – JAPON
(Period: January – December 2001 – In Thousand Dollars)

2001							
1/01	20.053	-23,74	45.888	-9,19	-25.835	65.941	-14,17
2/01	38.631	-0,17	53.981	+0,02	-15.350	92.612	-0,06
3/01	20.324	-26,03	50.956	+14,85	-30.632	71.280	-0,79
4/01	27.691	+13,08	37.548	-25,97	-9.857	65.239	-13,26
5/01	34.708	-2,74	37.577	-22,45	-2.869	72.285	-14,09
6/01	32.047	-52,07	52.736	-8,55	-20.689	84.783	-31,92
Period 1-6/01	173.454	-20,98	278.686	-8,84	-105.232	452.140	-13,91
7/01	44.527	+10,17	52.684	-65,94	-8.157	97.211	-50,18
8/01	54.382	+4,55	44.321	+21,22	+10.061	98.703	+11,43
9/01	28.016	-15,71	42.552	-53,05	-14.536	70.568	-43,03
10/01	36.449	-19,70	31.180	-38,96	+5.269	67.629	-29,90
11/01	29.655	+23,51	25.128	-25,21	+4.527	54.783	-4,90
12/01	32.306	-14,79	26.696	-52,44	+5.610	59.002	-37,26

Source: Embassy of Japan in Argentina

TRADE ARGENTINA – JAPON
(Period: January – June 2002 – In Thousand Dollars)

2002							
1/02	36.559	+82,31	9.957	-78,30	+26.602	46.516	-29,46
2/02	39.059	+1,11	9.633	-82,15	+29.426	48.692	-47,42
3/02	24.516	+20,63	19.208	-62,30	+5.308	43.724	-38,66
4/02	25.006	-9,70	30.149	-19,71	-5.143	55.155	-15,46
5/02	20.439	-41,11	17.314	-53,92	+3.125	37.753	-47,77
6/02	20.963	-34,59	17.966	-65,93	+2.997	38.929	-54,08
Period 1-6/02	166.542	-3,98	104.227	-62,60	+62.315	270.769	-40,11

Source: Embassy of Japan in Argentina

MAIN EXPORTED PRODUCTS FROM ARGENTINA INTO JAPAN: (Period: January – June 2002 – In Thousand Dollars)

No	Customs Positions	Description	Jan-Jun 2002	Jan-Jun 2001	Var % Jan-Jun 2002/01
1	2603.00-000	Mineral Cooper and its concentrate	34.880.495	22.482.062	+55,15
2	0306.13-000	Prawn/gambas/Shrimps frozen	23.082.699	13.688.219	+68,63
3	7601.10-000	GrossAluminium , no alloy	19.828.984	25.003.406	-20,69
4	7601.20-000	Aluminium alloied	14.913.194	16.959.339	-12,07
5	0304.90-099	Fish meat, excl.Surimi/Filets	10.000.439	9.206.190	+8,63
6	1005.90-091	Corn to produce starch	8.051.564	12.379.794	-34,96
7	1007.00-091	Sorghum cereal to prepare animal food Customs control	4.443.403	6.008.151	-26,04
8	2204.30-200	Must grape, more than 1% alcoholic degree	3.565.991	4.496.652	-20,70
9	9401.90-020	Parts of seats, leather	3.483.732	488.850	+612,64
10	2301.20-010	Fish flour, not for Human consumption	2.943.527	3.356.414	-12,30

Source: Embassy of Japan in Argentina.

11	0303.79-101	Frozen black, excluding fillets and other meat, liver and eggs	2.654.609	3.180.500	-16,53
12	2207.10-190	Ethylic alcohols, equal degree or super. to 90%	2.518.619	4.251.620	-40,76
13	2009.30-211	Lemon juice, non sugar addition, not more than 10%of the wheight of sucrosa	2.287.731	1.607.752	+42,29
14	0205.00-000	Meat equine for human consumption refrigerate/frozen	2.266.931	2.450.756	-7,50
15	1005.90-010	Corn for processed animals feeds.	2.226.873	10.906.938	-79,58
16	0304.20-095	Black hake fillets	2.197.102	3.130.268	-29,81
17	0307.99-129	Squid frozen	2.178.036	-	-
18	0304.20-010	Hake fillets.	1.764.141	1.330.916	+32,55
19	1007.00-099	Sorghum grains for processing animal food	1.691.400	928.506	+82,16
20	0409.00-000	Natural Honey	1.619.128	1.122.491	+44,24
21	2204.29-090	Wine, must of grape, in containers of More than 150 lt.	1.581.720	2.347.308	-32,62
22	0303.79-099	Other frozen fish, excluded fillets.	1.445.183	756.414	+91,06
23	2204.21-020	Wine in packages less than 2 lt.	1.321.941	1.331.248	-0,70

24	2009.60-210	Grape juice, non sugar addition, not more of 10% of the weight of sucrose.	1.223.990	1.045.646	+17,06
25	1209.91-090	Vegetable sees.	845.993	608.990	+38,92
26	0303.78-010	Frozen hake	732.576	149.701	+389,36
27	4302.19-090	Furs tanned, whole	491.346	1.276.662	-61,51
28	0404.10-141	Milk whey to produce food formulated	485.150	-	-
29	5105.29-090	"Tops" of wool	474.060	272.383	+74,04
30	3504.00-029	Protean material and its derivates	466.484	-	-
		SUBTOTAL first 30 products	155.667.039	150.767.173	+3,25
		Others	11.833.320	22.612.380	-47,67
		TOTAL	167.500.359	173.379.553	-3,39

Some items and products that Argentina did not work on exports to Japan (Data period: January – December 1999)

1. Frozen meat and eatable offal of domestic birds, in pieces,
2. Sweet corn, pumpkins, etc
3. Fresh melons
4. Cotton
5. Fats and oils
6. Chewing gum, even with sugar covers, without Cacao
7. Chocolate and preparations of cacao, in blocks, tablets or bars.
8. Pasta (such as spaghetti, macaroni, vermicelli, lasagna, etc)
9. Ready-cooked or conserved tomatoes
10. Fruits mixtures, ready-cooked or conserved
11. Frozen orange juice
12. No frozen orange juice,
13. Grapefruit juice

14. Methanol (methyl alcohol)
15. Wood chemical paste, not of coniferous, prepared with soda or sulfate, semi-whitened or whitened
16. Fiber paste produced from recycled paper or cardboard
17. Combed wool spinning, content weight 85%
18. Copper wastes and scraps

Source: Embassy of Japan in Argentina

CHAPTER 7

Business of Worldwide Economy - Projections – Complements

Forecasts of University Torcuato Di Tella (Dr Alieto Guadagni) anticipate that the Worldwide GDP will grow 1.2 times of compound rate between years 2000 and 2020. The West would lower its participation from 46.3 percent to 38.4 percent. The European Community would pass from 20 percent to only 14.2 percent of the worldwide GDP. Asia would grow from 33 percent to 43.1 percent. As a result, we can conclude that half of the growth would come from Asia. Less than 50 years ago, Asia represented less than the 10 percent of worldwide GDP. At this time Argentina addresses the 10 percent of the exports to Pacific Asia, which will represent an increase of 50 percent in the worldwide production in the future.

The 4th of November of 2002, China signed an economic agreement with the Association of Southeast Asia Nations (ASEAN) that establishes the bases for creating the biggest free commerce zone in the world, that will have 1.7 billion of consumers. The agreement frame of economic cooperation consolidates the commitment of the ten countries of ASEAN:

Brunei-Cambodia-Indonesia-Laos-Malasya-Myanmar-Philippine-Thailand-Singapur-Vietnam to begin the year 2003 with negotiations to lift the commercial barriers with China in a term of ten years. The area has as objective the commerce liberalization of goods and services and the development of a transparent and generous investment regime. Japan, great erudite of those cultures, is working quiet and strategically the boarding of this new door of worldwide attraction. It is obvious that tariff elimination to country members less developed is going to generate strategic investing alliances. The known document indicates that customs procedures will be simplified and will be standardized, and the economic cooperation in areas as agriculture and investments will also be impelled. As I indicated, The FTA will embrace a market of 1.7 billion consumers, with a GDP of 2 Billion Dollars. Probably, it

will become an amazing power to compete with the NAFTA, EUROPEAN UNION and MERCOSUR. Meanwhile, in a disciplined way the ASEAN and JAPAN are completing the details of an economic agreement that would include fundamentals for the creation of a free commerce zone that will also be completed in ten years, as well. Prime minister of Japan, Junichiro Koizumi has proposed that year 2003 will be designated as the "Year of the ASEAN-Japan Trade".

The Proposal's Central Idea For A Business Reengineering In Worldwide Economy (Argentina And Japan Open An Innovating Breach)

During the last twenty years, we have been cherished and we have taken steps for strengthening the relationship between Japan and Argentina. In fact, the performance had no precedents: in only ten years, Argentine Presidents paid three visits to Japan (twice, Carlos Menem and one time, Raúl Alfonsín). We can also mention the trip of Japanese sovereigns to Latin America and Argentina in 1997, a year before reaching the one hundred years from the signing point of the Friendship Commerce and Navigation Agreement. There exists between our countries an atmosphere of affection, cultural appreciation and emotional feelings also between our people. Precisely this is attractive but no sufficient. The diplomacy and the formality in the international relationship generate a suitable framework to do businesses, but they do not do it even in the role of their true responsible ones. Formally and for many years, this link was only in the hands of diplomatic careers or expert politicians in international relations who were designated for that purpose. There were also economists cornered to dogmatic directions, lacking of imaginative vision and in addition, without a pro-business dynamic from our side. From the past, it was comprehensible to consider the diplomatic mission as the way of warm relation and mutual respect, but times have changed. From my point of view, a remarkable success is that during the last years our country designated economists in charge of Chancellery. This began with Mr. Cavallo thirteen years ago (before being Finance Minister), followed with Guido Di Tella, Adalberto Rodriguez Giavarini and, at the moment in the position

of Vice Chancellor, Martin Redrado. Despite the reached progresses, I believe that because of the noticeably “macro” approach, this had a low commercial and business aggressive attitude. First, we have to try to satisfy the real necessities of both countries, being presented a proposal of a reciprocal advantage with limited diplomatic form.

A Strategic Alliance Between Complementary Countries, With Opposite Problems

In a globalized and complex society no country can face by itself the new challenges. Nobody tries to be all-alone, or to do everything at the same time without grotesque consequences. Japan and Argentina are opposite located in the planet. One is on the Atlantic and the other on the Pacific. The size of Japan is somewhat superior to the Buenos Aires Province, although more extensive than Italy; our country has a total area of 2.8 million square kilometers. The Japan's population is more than three times the Argentina's population, residing in a territorial extension seven times smaller than Argentina. Despite the modest space of territory, its population is concentrated in less than twenty percent of the extension, in the plain zone, because the terrain relief is rustic and with volcanoes.

A strategy and a sustainable plan of international economic policy for a country in default must include commercial aspects and financial considerations. Japan and Argentina could cause a huge shock in the expectations at worldwide level.

An agreement with Japan could become the central idea of businesses reengineering on the Argentina economy, and simultaneously change the cultural focus, stimulating the reflection by worldwide intellectuals. This proposal replaces the traditional tactics of “orthodox renegotiations” – socially conceited and instigator of the global aversion movement.

Why Not being able to Repeat Mistakes Without Terminal Risks?

One of the current problems of Argentina is the loss of international trust and consequently its capacity to attract capitals that were functional

in the convertibility scheme. In order to surpass definitively the present crisis, Argentina needs to restructure its public debt, particularly the bonds in default in the hands of private foreign investors as much as internal ones. In this sense, the decision to present a commercial proposal, instead of insufficient and habitual financial renegotiations, will clearly be taking a step to the front.

Any agreement that does not have support, from the point of view of that consisting of future generation of currency flows, will find difficulties to get it materialized. It is not possible to convince the markets and international financial community that we will be able to generate resources, with a bit or high primary surplus. We needed a surplus that allows the State to serve the new interests from a new nominal debt, without considering an inevitable release. Just by the 40 percent of the GDP that we had in 2001 (in Dollars) it would be ingenuous and insolent to repeat a fiscal effort proposal that will turn us into a "normal country".

This phrase that is repeated as if the Argentineans were alienated, is offensive and boring since it comes with "no proposal". An expenditure adjustment in the magnitude demanded by the orthodox economists that surpassed by ex- Minister Cavallo with the rule of deficit zero, was impossible to be carried out and generated a level of social voltage of great dimensions. All we know is how the government of ex- President F. De La Rúa ended up, even when at the beginning he received an unprecedented aid from the Congress that granted "supreme powers". He had first the favor from all-political parties; against later. Not even allied parties supported him, nor unions and colleagues. However, the country said "no to the permanent fiscal adjustment by expense side", before Cavallo said it to Lopez Murphy.

In just a short time Cavallo forgot that its designation took place as a result of an enormous social resistance to the proposal of his predecessor. In the epilogue, Cavallo fell and it was the end of a government, considering that only two years before he had won by overwhelming majority.

The opposition and the own mass of voters made stagger the democratic system. The risks on the attempt were dangerous, highly dangerous and displeased. It is interesting to note that some economists

still propose more of the same and in respect of the public debt, they want to reconstruct it assigning between 6 and 7 Billion Dollars (5/6 points of the GDP) to interests, with no new proposing that finances it. Trying to balance the budget in that way would demand a change of political system with a previous social resistance that could give rise to a national chaos, with its consequent investment exodus, worse than one we come registering. Therefore and still in the middle of a government change, it is necessary to raise a proposal to wake up the confidence in the country. Something new is needed.

The authorities that will opportunely accede to power and those of transition must initiate actions with the different participants involved in this proposal. This proposal encourages an output to reconstruction of the Argentine debt, with an exponential economic takeoff from the prostration situation in which it is today. Innovating talent and associative opportunities will attract the support of the creditors, the multilateral organisms of credit and the Japanese investments as well as from other countries.

A Clear and practical Example In favor of The Proposal

In these months, in spite of default of the Argentina debt, a group of local companies achieved to obtain financing in the middle of the hurricane. Those companies are dedicated to export and more accurate in agricultural food exports. This gives us a pattern of the interest from who decide to finance activities and what is their greatest attractiveness. The most outstanding case is Aceitera Deheza (Oil Company) with headquarters in Cordoba Province, (it has a low profile like most of this type of national companies with great invoicing), dedicated to export oil and sunflower and soybean pellets. It almost commercializes the 90 percent of his production abroad. At only five months of default, this Company obtained a credit of 60 Billion Dollars for pre-financing of exports from CFI – International Financial Corporation. The security to receive the line is the same pre-financing exports. Not even the worst moment in the relation with the IMF, it prevented that World Bank advanced in this type of financing since they were persuaded that the agricultural and food sector in Argentina has a

huge potential. Oil industrialists, even considering all problems that they were to face, accumulated a growth rate of 15.3 percent including July 2002 (Source: INDEC). Another example that we could mention is Brahma Company when in the first haft of the year bought the 37 percent of Quilmes from the Bemberg group in 600 Billion Dollars. The Alta Vista winery (French Group) investing more than 200 Billion Dollars to increase its export capacity to the European market knows what is doing. It could also be mentioned a Dutch winery called "Salentein" which assigned 11 Billion Dollars to enter in the milk and fruit growing market in 2002.

CHAPTER 8

Gold Medal and Standard Recipes to Argentina and Mexico

Gold Medals

An empty and declining civilization idolizes the apparent refinement education that some universities offer. They adore supposed eminencies; they say numbers and data in appearance are solid and conclusive. In debatable and old-fashioned concepts, the capacity of an individual links together strongly to the ability of memorizing and applying the stored information. At university the highest qualifications were to people who had highest memory, or who were strongest concentrated in a single activity. In that evaluation scheme the Main Colin Powell could not qualify for Bush's government and even Irving Wallace should not have written so many books so extraordinarily meticulous. Additionally, we can speak about Bill Gates who did not complete his studies. In the world, the conceptually old economists, usually comment that such-and-such person was gold medal by his qualifications, as if that assigned him more probabilities of being successful success in a position or their theoretical arguments could give them passion by the economy of their country and their people. On the other hand, it would seem that numbers never lie, nor distort reality. It is always spoken of who has the best numbers in such-and-such country and they really exist and are good and very rigorous. But many people are convinced and transmit those ideas and even they make people believe that its life depends unconditionally on fundamentals. If the economy figures and the economists with better marks graduated at best universities, are the success indicators, how could the Argentine case be explained without looking for a scapegoat? Something that we have learned is that nobody knows enough to take a right guess of the GDP growth with ten percent of variation margin in the next year. I do not want to play the formation, student abilities and the high educational houses down. I myself, have a higher degree, we all have necessity of that knowledge. If a professional does not know

instruments, if he has not made exercises and works, he is not able to participate in the connection of any idea and that must be deduced.

Argentina, Its Experience when applying Standard Formulas

It is impossible to think about impelling to grow through internal consumption with the social omission degree that Argentina presents today. If Argentinians wish to offer a sustainable plan, it is sure that we can not settle it down from the same scheme that was experienced because of results reached. IMF's Agreement, as the nineteen agreements signed from 1958, produced fifteen breach of contract, four of them without at least taking place the arranged payments. But what is worse, from the last years of ex- President Alfonsín with the "Spring Plan" seven agreements were signed and it was only possible to fulfill one.

Since then, we have already requested eighteen consecutive waivers the to the IMF's board.

Since the sudden end of Proviso (Peronists Ruling) government in 1976, the stabilization plans generated a debt of 143 Billions Dollars. Nearly (globalize versions) from the Tequila, we have had 20 trimesters with negative variation of the GDP (two third parts of the last seven years) – Which would be the reason to continue insisting? The arguable so much requested by the multilateral organisms of credit, depends today on a capacity that Argentina does not have. If it is not possible to expand the internal market in consistent terms with the re-payment expectations as a consequence of the spectacular fall of consumption and investment, the only alternative is a "boom of exports" in an innovating and creative scheme.

Mexico: Is It A Potential Standard Ending?

Mexico installed reforms of free market with the aim to insert the country in the first world. The North America's Free Trade Agreement (NAFTA), fundamental key of the New Mexican philosophy, helped to turn a closed and stated economy into an economy with plentiful

foreign investment and increasing competition. Since President Fox has assumed his position, finishing 71 years of PRI government (Institutional Revolutionary Party), job positions more than a million, basically in the industrial sector, were destroyed.

The incentive plans for the 250 poor regions of Mexico as infrastructure projects, entrepreneurial micro-projects, and micro-credits to the farmers have been excluded from the government agenda.

Does it mean optimizing the overhead? In the Mexico City only the 30 percent of the "small and medium sized business" is financed by Banks, due to a lots of requirements and high interest rates. During the last two years, the 85 percent of the Mexican Banks have been transferred to the international Bank. Many of them are the same that disembarked in Argentina (BBVA, Scotiabank, HSBC). These banks with higher risk aversion than the ex- Mexican shareholders, are reluctant to give credits, preferring to buy public bonds. These kinds of actions have an impact on the economy. Credits to the private sector fell 6 percent since 2000. The economic authority elevated the liquidity and capital requirements in the financial system and banks will have to fulfill them by the end of 2003. I remember Argentina and although I can not apply the experience in axiomatic way, it invades me an idea: – Is it the same formula? The Executive powers are prepared with a sober budget 2003, with a fiscal deficit by 0.5 percent of the GDP, lower than the target for this year by 0.65 percent. The government will not have the 5.5 Billion Dollars that received in 2002 by sales of assets and it hopes to collect them with taxes and highest efficiency. All these things appear to be like a well-known music in Argentina. In this context and with this formula, the breach between poorest and richest was also extended in Mexico. The scheme previous to Argentine default was relative to the one that Mexico lives at the moment, and from my point of view that figured family has showed the capability to produce the conditions of its own destruction.

CHAPTER 9

The Reengineering of the Country

"I have a dream"

REVEREND, DR. MARTIN LUTHER KING

(The dream of racial equality was difficult but it arrived and changed the history of the United States)

A Simple Proposal to leave the standard monotony

This is a non conventional but vital proposal, with a stable and reliable partner who removes us from the isolation. The conditions of a long-term agreement with the IMF estimate conditions that before have already appeared as accurate handling our economy to incorrect results. From the beginning of the globalization and long before in the capitalist world, in the post war countries, there was an important variability between the different economies from the same system. France, Italy, Germany and Japan made different things with each other, in different times and all, made distant things with respect to the United States and Great Britain, as well. Nevertheless, all these countries are part of G7. Why must we do something uniform and conventional according to IMF's IRAM norms? For example, Malaysia said no, Korea said this is correct, but this one is not acceptable. Perhaps Chile could wait, also Hong Kong and Singapore resisted in the middle of the Asian crisis, but Argentina needs something new. The orthodox plans imply the fulfillment of goals. We have seen that fifteen out of nineteen opportunities were not reached by Argentina.

Instead of fixing only fiscal and monetary orthodox objects with aura of serious, we establish a strategic audacious proposal. An orthodox economist will say, "It is impossible to duplicate exports in a year! He is right; it is impossible to reach that with an orthodox plan. It is necessary to break the conventional scheme. No exponential change can be obtained with a habitual adjustment. I remember an occasion,

when I was in a position of executive and sales had declined. Taking advantage of the fact that the government had pay old prevision debts through bonds, we arranged a selling operation of domestic appliances in exchange for bonds, against the opinion of all staff. The company was allied with an expert.

Bank, both facilitated the beneficiaries' cash and suppressed the troublesome proceeding of shareholding. Gary Friedman, a young lawyer who got tired of the verdicts in North America, guilty or innocent asked himself: Will there exist another alternative rather than this traditional bureaucratic one? As a result of that search, against whichever legal eminence's opposition existed, it began the practice of "mediation", which separated from the scene nothing less than the judge who made decisions. I am a music professor and an active Christian. Many people think that in churches only formal musicians, dressed in black play, and the atmosphere in which they sing to God is solemn and classic as in the Westerns. They should listen to "Delirius" (English musical group) just to mention a group. There are hundreds of them that fill football fields with believers who had abandoned their communion with God. Color attires, fashion haircuts and electronic devices congregate Christians who honor Christ.

Competition among economists to prove who was the most orthodox stimulated resignation and eliminated the ingenious way (ingenuity). We must try new strategies of economic policy and be involved in changing intellectual habits. Let us experience the way to solve new problems with creativity.

Now Japan Represents the Best Opportunity to join Argentina to the Main League. The Perfect Key is identified In Japan.

Japan: It is a model country, productive, exporting, great and credible with low interest rates for financing businesses. As we previously said, Argentina has always been a seductive country for Japan.

Argentina: Is a country with 40 percent of excess capacity, the 44 percent of its working population is unemployed and sub-occupied. Until 2001 its relation Exports/GDP was under ten percent. It was in

the first place of Risk Country with long permanence in the podium. It had a massive flight of capitals in 2001. The diminution in placing product in traditional markets (the U.S.A. and Europe) makes even more attractive the incursion of new limits. Opening, also means to be ready to export to new markets. We cannot continue being a country closed to commerce on the side of its exports and remain concentrated in the traditional options. A "Pro Businesses of Export" atmosphere introduces all type of initiatives. In a company and a country, the only problem with no solution is when their products or services are not sold. When facing so many budget restrictions to export as tax promotions (lines of pre-financing credit, financing and post financing), attendance to fairs, even businessmen who examine exports possibilities render and do what "they can do". That is to say, it is exported what it is demanded. In a more hostile world, as was already described, perspectives expose higher unemployment rates for the future. It is obvious that in those circumstances the world will turn more competitive. In order to face all type of restrictions to obtain scale, we will require experts in industrialization and exports.

Radical Reengineering for Argentine Economy's Businesses. Pure Innovation

We needed a change in conceptual vision. If we run this proposal in Argentina, we finally began to play in two leagues simultaneously. The Combat League in a short term and the Match League of long-term. This burst of a productive economy of export is no other thing that recognition and correction of our derivations. The irruption of a commercial- productive focus changes the way to do businesses and therefore the form to plan life of Argentine citizens. We passed from twenty-five years depositing money for thirty days to strategic plans and productive development. We had first "the mother country contractor", but later the "bank contractor". Before the privatizations, the industrialists were suspected because they made businesses with the State. After the privatizations and the financial opening, the banks lived doing businesses lending money to the State.

A Cultural Reengineering

Why must we finish the “exclusively financial focus” in Argentina? (Paraphrasing Bill Clinton in his electoral campaign) “It is the clumsy culture!”.

The financial focus is an approach that has much to do with the Anglo-American culture and is useful to them. This perspective applied to businesses allows admitting the free circulation of capital, without uncontrolled or excessive volatile ness risks. This form to operate is related and requires what I could call a “conscience of own thing” as country and individual citizen. For these cultures, a transcendental thing is the foundation. From their origins, they are countries with societies founded on Biblical principles emanated from “the Reformation”; in time made flexible, but always present in the popular thought. Respect for the private ownership in their communities, personal and familiar dependency of the own effort and the aid of God. The degree of necessary controls in a society with those original bases is noticeably inferior to the ones from a society that has lived without foundations by many years and in a permanent instability situation. (Historical reference: from a few years after independence, we were already living the anarchy) “Every man for him” could be written in the knavery manuals of the leadership in general: from the evaded one of his social layer to the exaggerated conscientious public employee with three last names of his ancestry, even so foolish and rogue as the first one. Clearly, these are not economic problems but it influences and takes effect on the economy’s operations in a categorical and decisive way.

Living on foundations, is intimately bound to the reformist ethics, where people believe in the system because in consistent form, they are mainly confident and with a higher level of commitment than the average of the countries whose foundation is less solid. It is for that reason these citizens are more confident and their legal system works. Any previous electoral survey in the United States showed that the ninety-nine percent of the voters would not vote a non-believer President or a president without an explicit religious commitment. Is it truth that nobody imagines in Argentina a capable President to request pardons publicly? I could mention even the humiliating examples of a North

American President, giving details of his affair before television cameras to the whole country. Later, a population that after listening to him, forgave him and increased his popularity in vertiginous way. For many reasons that situation is not possible to be lived here in Argentina today. I would like to imagine a civil employee apologizing, but it does not happen. The ex- minister of the Convertibility, affirmed in the United States that he would never again accept to be Finance Minister, will he? In addition, "he does not have anything for regretting". An ex-President and present possible candidates say, "my government was the most successful one". The founding President of "cacerolazo" (hit the pot) or the phrase "all of you go away" said soon after his final leaving by helicopter: "a plot decided to finish my government". In addition, another candidate for President pretends that he was not Minister of the ex-President De La Rúa during two thirds of its mandate. Three ladies with strong mass media image, two recognized Representative plus an ex- Minister, at this time all of them candidates that made pre-electoral campaign with De La Rúa, never mentioned their political responsibility. A private university that it had recognized authorities and professors as Finance Minister, Vice Minister, President of the Central Bank (BCRA), as also other civil employees in the economic and financial area do not assume responsibilities. The President of this university declared in a non-impartial mass media that all misfortunes of Argentina are in the Congress and politicians for he and his training center for which dedicated their activity. It seems that in Argentina nobody is mistaken not regretting his errors. Less than that, nobody is prepared to apologize. Then, in this way, executives or bureaucrats of those societies of reformist origin do not consider reasonable to help. Remember that for its conformation, God and the personal effort are the one in charge to help, each one doing his own part. Although it is a universal law and non-reformist, a principle to request aid is the following: first it is necessary to lament errors, to assume them and then to request tolerance. Our politicians and economists, when they were in power did not do it and they have not done it yet. Those, who allowed the practice to take money cash and to spend it over the possibilities, and left disadvantages to the next, they have not even become disturbed. This is long questionable. But on the other side, moneylenders and bond investors,

ambitious to yield crude and unrealizable profit, must reconsider on this: Who are really their friends in Argentina?

Synthesis of Argentine Exports

The following table shows the Exports' destination before IMF decided to remove the support to ex- minister Cavallo (first eight months tendency of year 2001):

MERCOSUR	(- 4%) A/A
EUROPEAN UNION	(- 3%) A/A
NAFTA	(- 1%) A/A
COUNTRIES FROM SOUTHEAST	
ASIA (COREA-CHINA-JAPON-INDIA)	+34% A/A
MIDLE EAST	+39% A/A
CHILE	+11,4% A/A

Source: CARTECO

Economic Reengineering With Logical Management

In this reasoning scene, wit is common to make recognition of the processes that do not fully work. In this case, we speak about a country, we identify exports business as the one that works not at full pelt:

- When a company is analyzed by itself (we suppose to see the country like a company), its strategy, its executives, its personnel, the applied technology, the procedures, the used processes, it asks itself: What are we doing is the correct thing or the best thing than it can be obtained?

- The fact to be giving priority to fiscal and monetary subjects makes that the export businesses, those of high potential to solve varied interesting issues, are being wasted. Are there businesses or products in which Argentina should try to do and it has not done it yet? Could we add value in terms of labor? Could we add products or services that are not in our exports product list at this moment? Do we export efficiently using technological and productive resources and the infrastructure at full capacity? Do we optimize them? If these questions have a majority “not” as an answer, the second step is:
- **Identification of who could do it better:** The globalization requires understanding of the pressures and reaction. There are demands of high level of technology and know how that today we do not have. Those countries that have them and can use them must be in our associative plans. The reason is that if we don't have which they have and this context goes on, it will be very difficult or maybe impossible to march. The globalization has made a clear process; it concentrated more and more “the supplier” of goods or service.
- **Analysis of the value chain: (concept developed by Michael E. Porter)** – If we divided the economic activities of the country into those strategically important, in order to understand the behavior of overheads and the existing and potential sources of differentiation, we are in the correct direction. A country as a company obtains a competitive advantage when carrying out the important strategic activities, in a way chipper or better than its competitors. The value chain allows us to identify those business components that could be solved with outsourcing. In this way we would establish a high competitive advantage over the other food producers in the world that work isolated. As example we could mention the European and North American powers.
- **Decision:** Outsourcing. If we had tried export policies, which we saw we were not convinced about, we would have

experimented that later, the great industrial countries negotiated their future suppliers in India or South Korea. Given our competitive advantages in natural resources, agricultural foods, etc., we had intensely covered the ways of our competitive areas, those that in spite of it, today appear like exciting possibilities. Economists who strongly resisted a subsidy to stimulate exports, at the present they wish and admire the development performance of software in India. Once Argentina begins to develop its potential agricultural food, it will be enormously capitalized with the strengthening to have alongside a country with experience in generating high productivity. This simultaneously will open the doors to a growth lead by real wages different, from the emergent society which will allow us to encourage the internal market as well.

A New Focus that addressis To Us towards an Economy with Management Vision

*“Harden the thought is the omen of the failure...
Make sure to be always receptive to new ideas”*

GEORGE CRANE

Argentine exports represented less than ten percent of GDP, until the debacle of the end 2001 (according to National Accounts Data that showed that exports in current price was 11 pct of GDP, while analyzing Foreign Trade from INDEC, the exports were 10 pct of GDP or a little superior). Any businesses division in a company that participates in just ten percent on the sales has an eventual potential growth by four or ten times its average. It is very frequent that a sleepy business wakes up and passes from a marginal cell to a main division. It is important to emphasize that from the final of the Alfonsin's Administration, Argentineans have multiplied our exports by four, even our permanent delayed Pesos exchange as a consequence of the

constant application of anti inflationary stabilization plans. Investing time and effort in a strategic alliance to export and to grow with an expert is more healthful than to promote trade-off and mega exchanges. How many new products could Argentina export, with the Japanese industrial feature? Well, hundreds!

In the first place, all things that the Japanese people know that the world requests, because we must know they sleep aboard the airplanes and go by the world looking for clients and investigating potential markets with passion. Second, if we thought with Morita's philosophy, he said: the companies (and I say the countries) must create goods and services independently of which the markets request, since the markets cannot request what does not exist. The soybean ice cream does not exist. Who would eat soybean ice cream? Then, how is it that so many people eat Milanese and pasta of soybean in Argentina? Certainly, a few number of people do it. Japanese companies as SONY, TOSHIBA and other that sell more than 80 Billion Dollars per year invest between six and ten percent of their income in R&D. This would be something as well as an annual average of 8,000 Million Dollars. What would it be of Argentina investing that figure in researching a development in agriculture-food for the world? For example other soybean products, but not so eccentric as the one of the example before, but one eaten in other parts of the world.

CHAPTER 10

The Proposal Base: Granting Japan The “Rent Of a Marketing Fund of Argentine Exports”

The Japan’s Opportunity “Today”

Preference Tariff

We give Japan all necessary things to impel the investments that aim to the exports. Clearly, without incurring in donation attitudes as questioned at ingenuous opening of the nineties. Simply a system by which Argentina is committed to grant tariff advantages in order to facilitate the placing of Japanese product “made in Argentina”.

Preferences as Direct and Specific Foreign Investor for New Exports (Primary and Derivatives Ones)

The Japanese investment will be part of the global process of the alliance. Therefore, it will be significant because it will reveal, from our part more than other thing, the dynamic of the economic process emergent from all proposals. Not only Japan, every investor, invests in a country when the conditions are attractive and the development and profits perspective are considered with a sufficient safety margin. Since the debate in which sovereignty is again in the center of political discussion, compatibility of the Japanese investment is absolutely dissuasive of any doubt that moves away the disappointment of the critic sectors of foreign investments we have experienced. This is necessary to set a criterion and to obtain support for public policy.

Diversification

Japan will be able to compensate its “excessive focus” in electronics – mechanic-metallurgy and computer science. It will diversify its products portfolio and Argentina will send new food developments for a starving world. Japan will take advantage of its experience in industrial and exports integration processes.

A country that reached that the old “Made in Japan”, synonymous of low quality, would become the paradigm of excellence and innovation, can do much.

A great possibility is opened for this country, to enter new markets to compete with European in land food. The Worldwide Trade Organization proposes for 2050, a world without import tariffs. We are just in time. Its commercial leadership in the SEA area will consolidate before that. It could possibly, if wishes so, manufacture its own food for internal consumption.

Threats That Japan Suffers Today

Its excessive “focus” in electronics – mechanic-metallurgy and computer science renders it to a strong recession due to the worldwide economy deceleration. Now its product portfolio is a commodity. Japan lacks natural resources to diversify its supply (foods, energy and sowing lands). Japan imports and spends money in those items that does not have. It will save in this matter.

Argentina’s Opportunity

We shall receive foreign direct investment instead of financial investment (In addition it is unthinkable to receive it in many years). The buying power improvement compared to the ones abroad constitutes one of the most important justification than today we must recover, after the strong devaluation of our currency. Even more, when the main parties and politicians have accepted the autarkic positions is unconceivable at present time. In respect of possible questions on “if this alliance could cause problems with our main partner Mercosur”, clearly, the answer is negative. Considering reciprocity and commercial ethics, it is not possible, since the foreign capital that is invested in Brazil receives as general principle equal legal processing as Brazilian laws grant to national capital. This specially prohibits any type of discrimination, not taken into account in the foreign investments regime, regulated by law from 1962.

Imports of Essential Goods not produced in the country

It will be only possible having financial resources and now we are not clearly having foreign currencies or any other financing, which

does not come from exports, and capitals that are related to export. An inadequate handling of the foreign investments caused a fall in the buying power in the long-term. A ferocious devaluation partly has to do with the outflow of capitals, royalty and dividends payments that strongly surpassed the income from exports or the fall in imports as a consequence of substitution of imports in the last years.

The International Japanese companies that come to settle or to be associated to export will give rise to a proper currency flow in both directions. The Japanese companies do not have as main objective the quick return in record time to their headquarters. Also, it is possible to infer from its observation, Japanese companies that are associates to local companies, always looked for maximizing their profits in the medium and long-term. They search to increase market share more than outlandish profits in the short-term. It will create Joint Ventures and Trading Companies together with local companies. We will industrialize primary products and food "adding value" instead of selling grains crude oil and meat. The employment will grow, we will improve our international perspective, and we will cause a sharp down of interest rates.

Import Technology, "Know How" and Capitalize Our Exporting Patrimony In The Long-Term

In respect of introduction of new technology, this fact could constitute a profit business for Argentina in the medium term. For taking off, our industry needs to implement developments verified for food manufacture. For that reason, technology as much as investments are two indispensable tools. We have already proved with intermediate positions trying to create a capital market, with AFJP (pension funds) and other types to aim cash flows to the production, and the experience was frustrating. We have as an example, Japanese companies that at the end of the war received USA capitals, and they not only contributed with their technology, but financial resources as well. The strong saving capacity and capitalization of those corporations, supported by rigorous development plans, allowed the Japanese capitals slowly retook the control of the main companies. In addition, it also made possible that Japan developed own technologies and for twenty years it has

been an exporter of “know how” to such industrial centers that before supplied them. With the plan running a phenomenal explosion of foreign exchange took place, as much in the account of capital as in the current account.

Incorporate the Best Production Practices (the inventors of the Kaizen, Kamban, Just in Time, Quality Circles, Jidohhka, Deming)

In order to understand the magnitude of what we would be incorporating, we review some basic concepts. If we watch them under a retrospective manner it would allow us to understand more about how in only forty years from the end of the war, Japan reached the second position as worldwide economic leader. Kaizen means improvement and it is a key of Japanese competitive advantage. In addition, it means continuous improvement in personal, familiar, social life and in jobs, as well. When it is applied at work, it is continuous improvement that involves all, businessmen, managers and workers equally.

Operations Scale, reduction of production costs, “Just in Time”, is a technique developed for the production control and the stocks, that is part of the Toyota’s system production. It was created to avoid the waste of production. Warusa-Kagen is a term that means the observation of the things that still are not a problem, but they do not go absolutely well. The worker is who becomes a first grade of improvement and prevention. Kamban means signboard. This is a communication tool in the “Just in Time” system of production and stocks control. We could go on analyzing the benefits that means to incorporate technology and practices that reached highest productivity; best quality and flexible technologies for manufacture practices in a very short time, by means of an alliance with Japan. To better prices of exports in an economy as Argentina, better internal prices that benefit our local consumers. As a result, it would grow the employment based on the activity levels and it is going to generate a virtuous circle of production and employment.

Immediate access To Traditional Markets of Japan

The increasing importance of Asian markets for the Japanese exports, that fully surpasses the exports volume to the United States, endorses the strategic interest of Japan and ours to join, to participate in the consolidation of that economic geography base of domestic consumers in the Asian Pacific area. The direct foreign investments made in the region by Japan, show that trade with Asia will continue increasing, since a significant percentage belongs to the commerce "intra-company" of the conglomerates and its regional subsidiaries. Could we go into markets together with Japan and its subsidiaries in the region, to diversify and commercialize new products from Argentina's plants? The answer is yes.

We could extend its product portfolio with product lines or families that are absolutely lacking in it. Commerce and investment affect the slight joint of industrial and technological Japanese policy. This situation contributes to explain why we could copy the Asian model (taking into consideration the differences of the case) that has become a region more and more centered in commerce and investment joints together Japan, with so favorable results. The idea is to place us in Japan's hand since today it is the dominant player in Asia, technological leader in the region, main supplier of capital assets, "the main exporting center", its main financing source and external assistant in development and more and more main exports destination.

Healthful Business Relations

Japanese companies have made sure not only profits of participant companies, but a maintained increase the regional productivity, as well as improvement of living conditions and consumption in all countries in which they conducted its actions. We observed that despite being an eminently private process headed by the own companies, the growth of the Japanese direct investment is a fundamental component of the industrial and technological policy of Japan. Frequently it has been reinforced by assistance development programs handle by the Japanese government. The growth in Japanese direct investment is the immediate and non-accidental result of maturity of the own internal

market and the increasing necessity to beat local limitations in the economic growth.

Increase of local costs of production, saturation in the internal market, technological development, protectionism and commercial barriers that other countries apply.

Appropriation of “Cultural Know How” from Asian Markets

After the Japanese government lifts restrictions to capital flows toward outside, the national companies began to take action with extreme aggressiveness in order to grow in sales and to produce even more in the regional markets of the Asian east. In this way they exceeded the American investments. How they do? They invest whenever possible in majority subsidiaries to make sure cheaper supplying sources for they production and a big part of them is exported. Between 1977 and 1988, the direct investment of Japan in the region of Southeast Asia quickly grew more than twice with regard to the United States that was tripled. In that period the exports reached the sidereal number of 32 billion dollars. Exports to third countries, as well as the direct sales in the local market of receiving country, have continued being the main attraction for new investments from Japan. At the same time that countries as Korea, Indonesia or Malaysia arose as receiving for investment for the manufactures production, for many Japanese companies the Southeast Asia quickly became its main inputs source for the production and provisions for exporting to other regions of the world.

Long-term Planning:

The enormous exports of Argentine products made by the alliance with Japan must be made with increasing levels of added value. It is a central objective of industrial policy and economic planning in general, since with this proposal in the future, we aspired to generate currency income from financing sources unknown.

Since the mechanisms of market by themselves cannot guarantee stable and necessary foreign currency income based on a mere interchange of goods and services to serve the renegotiation of national

debt, this proposal occupies an absent and interesting space for all interested sectors. I am proposing to use the commerce capacity intra Japanese Company with its own channel of distribution of the subsidiaries in all parts of the world. In addition, this will grant huge advantages for barrier of imports in biggest and protectionist countries. For example in the United States 73 percent of Japanese products that enter the country, do it through Japanese companies that are settled down. Everything is made within the legal channels of commerce and competition, but full optimizing the existing possibilities.

“Pro industrial “ influences from Japanese Companies

Repeating that peculiar strategy government-industry practices by Japan, with approved goals by consensus in the long term, (where the essential is not the speculation and fictional immediacy, but the well being, the balanced development of society and economy as a whole), will represent a decisive and influential paper for Argentineans of the last generations. Creating and teaching the results and verifying the best standard of living that offers this option, we could have an own cultural dynamics of affection for production and work, which certainly we have left on one side. We could replicate the Japan Productivity Center, a labor University that has a program to educate the union executives in strong concepts of businesses administration, so that they could negotiate better with management and could work in a close way.

“Up Sizing” (Fiscal Balance Without Pain)

The deductions to exports at present level generate approximately eight billion dollars annually for the treasury. These rights did not exist during year 2001. If the option of adjustment “UP SIZING” would take place in a scene of growth rate exports, equivalent to the stage post Alfonsín Administration, the multiplication ratio would be approximately 3.7 times.

Returning on this exercise and in a new scene, only the new retention that today produce 8 Billion Dollars, they would contribute 21.6 billion dollars.

Simulating then, if merely exports were duplicated and (ceteris paribus) nothing changed, they would contribute 8 Billion Dollars additional to the public income (base 2002). If we consider that the forecast of primary surplus of the government is 2.17 percents of the GDP, duplicating these retentions we get genuine financing, via primary surplus, as far as reaching 5.57 percents, consistent with paying interests and even to generate saving in a renegotiations as here raised. All without considering other fiscal-external advantages from an economy that grows from foreign trade side. For example if it is necessary importing more than exporting, it will collect it more from the imports side. In a growing economy with the raised paradigm, the possibilities that total collection improves are high.

How is it Explained the Increase of the Collection year-by-year In the Period May – August?

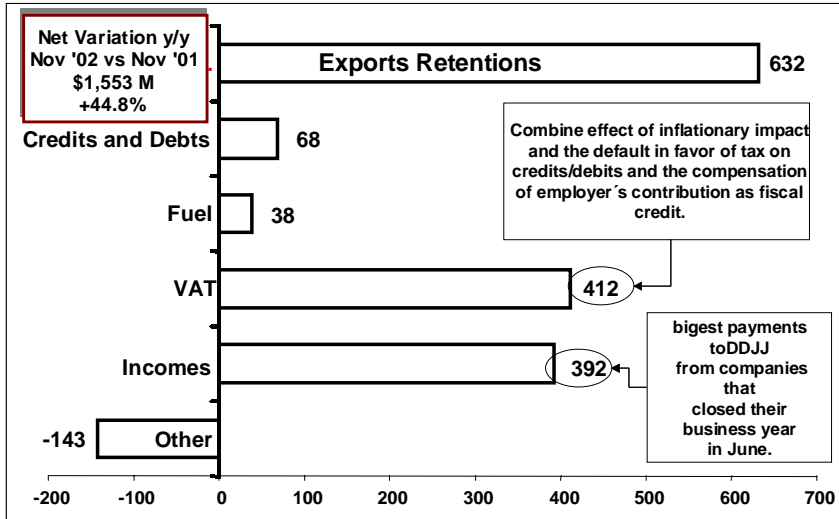
Between Jan. and Nov. tax collection increase by 7.2% annually...

In million Pesos

tax	Accum. 2002 Jan-Nov Observed	Accum. 2001 Jan-Nov Observed	Accum. 2001 vs. Accum. 2002	
	I	II	I-II	Var. %: I/II
Income	7,981	9,450	-1,469	-15.5
VAT - Total	16,434	16,152	282	1.7
VAT DGI	12,110	11,628	482	4.1
VAT DGA	4,324	4,524	-200	-4.4
Return of VAT (-)	2,506	1,626	880	54.1
IVA Total Gross	13,928	14,526	-598	-4.1
Minimum Income presumed	489	516	-27	-5.2
Paid Interests	57	429	-372	-86.7
Personal properties	457	676	-219	-32.4
Foreign Trade(Rights, T. Estad)	1,168	1,512	-344	-22.8
Exports Retentions	4,504	0	4,504	
Fuel	3,853	3,158	696	22.0
Internal taxes	1,538	1,519	18	1.2
Social Security	7,490	7,610	-120	-1.6
Credits and Debits in Curr. Acc.	4,437	2,635	1,802	68.4
Other (net of return)	-240	553	-793	-143.5
TOTAL (without AFJP)	45,662	42,585	3,077	7.2

..but mainly because of retentions and the inflation impact over VAT and Incomes

Variations in annual nominal collections in Novembre - millions Pesos



CHAPTER 11

Attractiveness Of The Proposal And Alternatives No To innovate

There is an only manner to exhibit viability for a banker, to demonstrate him that the debtor will have payment capacity in the future. The main objective of a banker's forecast is to determine in the long term the consequences from the present plan action and then to provide alternatives to support a consistent and sustainable plan. It's clear so that a long-term financial plan is subordinated to the integral plan of country's transactions. In fact, this is the most frequent case of any corporation to get suitable financing. A strategy and an integral action plan. When the financial performance begins with conflict so many times, it ends up affecting economic situation as in companies. This has been happening in Argentina for years. Obviously, the priority of traditional approach should change. It is necessary to develop a commercial strategy that establishes a sustainable plan with a consistent structure of financing. It is not possible to be only applying constant poultice to an extremely weak patient. When papers are reversed and getting the financial agreement is more important than the long-term strategy, inevitably defaults take place and they are the consequence of one's own imprudence. It seems a contradiction, IMF requests to Argentina, which Argentina by it would have to yearn for, a maintainable plan. Would it make sense to reach at unfulfilled agreements again? We have beaten all the record of breach with assistance from IMF. The focus has always been financial; in short or medium term it never was a sustainable plan. The businesses of a corporation and a country need to be maintainable in the long-term. In the private sector, it sounds interesting a financing agreement in consistent form with the yield rate of the project. The criteria to analyze a country agreement do not differ, except in its terminology. One analyzes growth rates instead of yield, fiscal sector instead of cash flow and both cut rate of financing.

Finally, satisfaction of the bonds holder will depend on future growth rates of the issued country. It is difficult to determine forecast

accurately, but without a doubt it is more interesting and maintainable to do it with a plan that adds a new factor of growth. This is only possible to get it with a marginal factor; a “boom of exports”.

Change of Expectations: Our news is so suspicious that this strategic agreement, far from generating distrust would low the risk country and would change the perspective of our creditors. Good news. It shines essential to make high proposals allow to re-position international expectations and they anticipate a reversion in economy cycles. Fundamentals, country risk index stock exchange Index, the asset value models, etc.; they do not always agree with the reality. Sometimes they are exorbitantly high, other very paltry low. – What would it have to happen so that indicators, which anticipate things, abruptly change in Argentina? Let us consider the bondholders of the Phase I or Letes (treasury letters) in default wanting to get rid off them before the renegotiations of the external debt. Who would be ready to pay a higher price than which would it's possible to get in the market today? Those that hope to be able to sell them after Argentina announces a strategic alliance with

Japan. There is a high degree of correlation between expectations and their verification in future periods. As much in consumption as in other variables, these indicators have become important publications at the time of making decisions.

Alternatives to The Proposal

There are sufficient international and domestic threats to Argentina that justifies a creative challenge. The configuration of the new worldwide financial scene assures us that we won't have access to the voluntary credit markets even reaching a definitive agreement with the IMF, neither appointing to Roberto Alemann (prestigious economist – twice Minister of Economy distinguished by bankers and big companies) as Ministry of Economy.

With another “only orthodox” plan it reaffirms and increases unemployment and excess capacity, generating an unimaginable social conflict. The social conditioning is strong to extend the application of

contractive measures as the most traditionalistic sectors propose. If the social situations become anarchy, some countries and corporations would not wish to sign any treatment with Argentina. This can include "not to buy"

Today, the size of Argentine companies does not present advantages to face anything in solitary way. We do not have volumes. It does not exist vocation neither preparation for exporting. This is incompatible with the high necessity to generate foreign currencies and employment. We have an enormous ignorance about exports markets.

During the last twenty-five years we have been deprived of budget support for fostering promotion. From the Financial Reformation of 1977 that eliminated the promotional credits for the manufacturing exports, getting new markets, sales of plants with vacant possession, etc.

We have seen frustrating experiences of exporting partnerships between national colleagues, due to the individualistic culture and the lack of capital in producers associations.

By virtue of the harmony that would have to reign in a local partnership between pairs, it would be necessary the partners were free of rivalries and disputes. This is not opportune time and forms because of the present time that Argentina is living.

Perspectives:

What will we say in conferences in a couple of years? How will we be able to maintain the fact of not innovating, having reached bad results?

CHAPTER 12

Proposal In Figures – Axis of an Integral Plan

Plan “A” (ARGENJAPAN’S) Argentine Bonds stand guarantee by Japan

The proposal consists of a new bonds issue “ARGENJAPAN’S”, by 16.5 billion dollars to exchange in the Renegotiations or Rescue in the call Phase II (balance to re-structure 55 Billion Dollars). These new bonds will rate perfectly with best notes. The rating agencies could be able to evaluate high potential of an operation endorsed by commercial flows, instead of current financing applicable to previous debts stocks (as they were issued before or they still issue by most of the countries). The previous titles are rescued with a release by seventy percent. This is a comprehensible figure and necessary release for renegotiations of both phases of the private debt (I and II). The reason is fatally simple, with seventy percent of release in both sections of private debt, in average (considering the devaluation and the change to peso for PHASE I) Argentina could re-program the maturity dates in a hundred percent of debts with multilateral organisms of credit.

These are attractive conditions for preserving the multilateral organisms; they must be the promotion factor of the presented strategy by themselves. In this way, the situation would be setting in the past in the worse context, although equal relation of Debt/GDP, previous to default of December 2001. However, Exports/GDP ratio is being strengthened, not by increase of exports, but by the deep fall of GDP in Dollars (At the moment 106.79 Billion Dollars approximately, according to CARTECO’s estimations).

Data: At the end of 2001 the National Debt was 144 Billion Dollars, approximately 54 percent of the GDP. The public debt with multilateral and bilateral organisms of credits was approximately 41

Billion Dollars. The remainder was divided in PHASE I: approx. 47 Billion and PHASE II: 55 Billion Dollars.

Final Exchange: Servicing of debts will have to pass from 10 percent to a cautious international rate of 2 percent on the new nominal value. Again, the reason of fall yields is obvious. Assumed default, now bonds would exchange for a sustainable plan with a credible and powerful guarantor. The issuing of debt is another one.

Savings from annual interests (vs. 2001): 5.17 Billion Dollars, since the interests will be paid on the new nominal value of the new debt issue.

Re-programming Of Payment: the new bonds have years of grace to allow the starting of the economy to take place.

Protection And Fee for Japan. Wide Preference Export Tariff Including Its Investments For Exporting. Preference to The Japanese Bank In The Renegotiations Of The Debt

We offer Japan an endorsement guarantee by 16.5 Billion Dollars: through the new contribution in commercial surplus shown in Current Account of Balance of Payments.

Opening a "Screw Account" with automatic revolving to finance new exports in the top. (IMF and WB, naming them as official and strategic sponsors could control this operation).

Rewards to Japan: Following, the reward to Japan consists of an attractive supply of payment or "management fee", where the first three years give profits of three percent of new exports. Subsequently and in decreasing way up to the tenth year, it will be 2 percent.

Ranges: For the first three years 3 %; from the fourth to the sixth year inclusive 2.67 %; from the seventh to the ninth inclusive 2.33 % and finally, a 2 percent in tenth year.

Option: if in the tenth years and in common agreement we would wish to continue by 10 additional years, Japan will pay out a premium equivalent to ten times its last Management fee to extend the management.

Example: duplicating exports (with a fee of 3 percent, Japan would earn 810 million dollars per year, just using its know how). A Simple attraction interests its biggest consortiums in. Their future investments in Argentina shot to them another huge amount of businesses.

Plan “B”: Negotiation (Country to Country)

In this alternative scheme, Japan enters with a premium to take the “commercialization found”.

Entrance Fee consists of granting a Mega-Credit in favor of Argentina by 13.75 billion dollars with the intention of rescuing the National Debts from PHASE II.

Term Credit – Currency – Rate: 10 years in Yens to its domestic rate.^(*)

Funds allocation: In this instance, the rescue plan is made with a release of 75 percent.

Guarantee: It's open a screw account with the same yield ratio.^(*) This is through the additional commercial surplus to balance the current account of the Balance of Payments.

The mentioned revolving will be standardized until the expired date. The endorsement guarantees will be the new exports. The application will be to finance the next ones automatically.

Plan “C”: Direct negotiation with a consortium of exporting industrial private companies (Japanese private sector) – CMN or MNC Japanese Multinational Corporations

The alliances in the businesses that will no longer have to be limited the conventional joint of two companies. From the globalization,

* Zero Spread

there are business groups, which form alliances for the sake of a common intention.

Consequently, it was spreading a new type of competition in the global markets, group against group. Companies that are joined to establish a relation of greater spread with a common aim form these groups or associated corporations.

The companies that individually are member of the group although they defer in size and focus, all of them have functions within the group.

For example Swissair Delta, SAS and Singapore Airlines were united to generate additional reserves, but at the same time buying aircraft or making the maintenance services as well.

These are different things despite they turn around an activity. The computing companies have been joined with the companies of consumption electronics, television operators by cable, telecommunications suppliers and entertainment companies, for mentioning someone.

The strategic alliances are not a fleeting fashion, they have already been enough time of development and improvement, and it is the form that allows us to compete effectively but and even solving new emergent problems of unknown paradigms as an Argentine default. Economists with a western traditional focus used to surprise to them before new strategic proposals.

Vision and use of tactics apply by Japanese multinationals at first sight incomprehensible for our cultures, are exactly what Argentina needs to use. The Japanese approaches are little orthodox but in general they have turned upside down economic and business thought of any classic textbook. These kinds of work have been helping Japan and its companies to increase shares in the markets for forty years.

For example: How does a western person decide if an investment is worthwhile? He adapts the processes of capital budget to handle and to evaluate the investment (Value for money).

It's frequently a short-term focus. How do Japanese people do it? They rate the investment base on improvements that allow them to obtain a better sustainable operational performance (they have always

improved the performance in the time). Long Term. This is a long-term result mentality.

Nowadays it is difficult to find products that don't have a big part of technologies and specialized processes. It's rare a business is rare where getting raw materials, marketing research and distribution does not require of human resources that count on multiple technological skills or very specific for a certain market. It is difficult for a country in default to joint all those assets in only a movement.

In answer to these necessities I have believed an Argentine – Japanese alliance approach to us to take competitive advantages, something that we couldn't do it in isolated way neither with the traditional alliances.

The ferocious competition, to which we are peeped out it, approaches us to a battle that will take place with technologies fundamentally. In the field of emergent countries, the struggle to survive could occur between countries with natural resources and technology and countries with “only natural resources”. In order to get the first we must be jointed to a group of sponsors with critical mass (diverse types of technology, markets, distribution, know how and capital).

In this alternative scheme, one or more groups of the Japanese private sector could come in, including the bank

For example: What companies could provide the funds for the loan and thus to take the “commercialization funds”?

PANASONIC, TOSHIBA, SONY, SHARP, SLING, TOYOTA, MAZDA, MITSUBISHI, KAWASAKI, ETC.

The conditions are the same as before mentioned in point (B).

The amount of 13.75 billion dollars (it's an absolutely manageable amount for any joint of these groups that have interest in diversifying their products portfolio) would get it from its financial banks with guarantees and even without them, leveraging a business of foreign trade as one described here.

Additional Contribution. New Social and Global Contract. A Primary. Contribution – Argentina as a Leading Case

The IMF, the WB, the WTO and the G7 could be together or in indistinct form, sponsors and guarantors of this operation. If globalization adds up to, why don't homogenize a forum with all the regulating institutions of the international economy to solve this kind of problems? It is clear that changing what is a crime against its effectiveness is an interest for these organisms. It's necessary to find an exit for the continuity and operation of these institutions.

It's essential to generate a proposal about of how creating a frame to deal with countries in default. It could be possible to repeat cases of sovereign insolvency. Developed countries will have to be prepared to change the focus and even the international laws. Soon it will be irrelevant to force emergent countries to accept recommendations that lead to uncontrollable social outbreaks. The emergent markets cannot support the increase of their debts anymore. The risk country raises and sooner or later the commitments cannot be fulfilled. Argentina has eighty different issue expired bonds as well as other debts. Many bonds are issued under the laws of New York, which means that any individual bond holder have the right to take a lawsuit and to demand the total payment, a true and troublesome anarchy. It would be marvelous to supply a procedure that assures the collective renegotiations bonds with a solid and reliable guarantee as here exposed.

It would create an initial counter in the WB, in the center of the scene, as an easy-maker and the IMF as a commercial supervisor of reconstruction's debts in default could.

Another alternative would be to leave creditors of bonds as a hole, in syndicated form, directly negotiated the terms of a release with exchange, supervises by IMF and the WB. It could become a leading case consistent with a new global and social contract that shines as much irreversible in Italy with FIAT crisis, as in Argentina with four years of unbearable recession. In that scheme, beginning with the Argentine case, Japan it could carry out an international role, as manager of industrial reactivation in countries with high indebtedness and many natural resources.

Obviously, I am thinking about a great change. If it is made successfully, the new alliances could be applied immediately to all the sovereign debts with low rating, before a worldwide catastrophe of the debt happens. It would be resolved and running a new scene to solve problems of countries with debt of doubtful fulfillment, through sustainable plans of advance payment, even without reaching default. During the crisis of Southeast Asia, Japan proposed to integrate a fund for those countries with a contribution of 100 billion dollars. It would be interesting to authorize to Japan for this kind of problems (countries indebted with natural resources and exporting potency misused because of lack of industrialization and investments). There would be then a new international forum to solve financial problems of countries with potential possibilities. In synthesis a defined procedure that allows avoiding more than a year of anguish to handle sovereign debts when the shipwreck begins.

Contributing to creditors and debtors' interesting

The bankers worried about today and the investment bank would not have to fear in the future for a possible expropriation of bond holders' rights, as surely they will suffer in the present anyway. It would be much more difficult to arrive at default situation after this new possibility. It would improve the deteriorated IMF's image in the emergent countries and international private financial system as well. It would be less questioned its evident political interest and allow concentrate in matter and aspects belong to its *raison d'être*. In addition this would contribute to eliminate progressively the more and more effort assistance make by IMF and its member countries in the last years. This helps was very questioned by the Treasure of the United States in loans for salvage to Mexico, Brazil, Argentina, Korea and Russia that harm the plumbers and carpenters of their country "as said Paul O'Neill". The guessed right and unfortunate suspicion of corruption in granting of private credits would also finish. Later, before the breach from beneficiaries, IMF leaves to subsidize them.

Lamentably, in many cases the IMF is an important creditor and because of its balance it causes conflict of interests with the Banks.

Financial adjustments as habitual ones will not make difference in the way of how sovereign financial difficulties finish, since it is a permanent oppression on the emergent countries and in their population. This option will do much easier to reconstruct debts as Argentina where today there are so many unpaid bonds involved. Additionally, in a possible reconstruction of Brazilian debts, that is basically local, could also include our internal debt, "Phase I -2001" of Cavallo. When finding a new alternative the politicians would give strong signal to be seriously ready to create a practical economic business procedure to avoid or to solve the default and to assume commitments of fiscal solvency through the years in their countries.

Taking advantage of creditors will unfortunately have much difficulty to renegotiate the debt with Argentina and together with present context of deceleration of the worldwide growth; this proposal will contribute to create a dynamic commercialization and harmonious agreement among indebted, creditors and multilateral organisms of credit.

Synthesis

- As an alliance and, with respect to International Economic Policy, is not controversial. It allows extending the possibilities of political coalitions in different directions.
- To end the traumatic Fiscal Insolvency that has exists year-by-year, with an unconventional way out.
- To end of searching for Argentine scapegoat.
- It raises a hope of growth and development.
- Genuine Reactivation of the Economy
- Virtuous Circle (less pressure budgetary on the Social Expenditure because of more activity – Economy grows-Lowers the rates)
- Immediate and forceful diminution of Fiscal Deficit without traumas.

Possible Annexed Actions of Japan that Promote The Argentine Alliance takeoff

Foreign trade Service of Japan could implement a marketing plan launching Argentine Product with Japanese technology and support. Japan could take new products from "Japan Clients" to fairs and exhibitions, accompanying the growth and consolidation of new exports. Additional, Japan could be able to make an effort to get or to grant, "pre financing" (working capital) to finance the start and "financing" to support the growth. In return we can offer as guarantee the payments from new exports.

Attraction For Its Banks (other possibilities Of The Agreement):

We could contract its banks as international financial advisers collaborating in the reconstruction of foreign National Debts with private creditors. They could participate in the process assuring the stability of this enterprise and the fee for their work. We would have to encourage them in the knowledge of this plan; in order that they appear in the international bidding to choose banking institution that advised to Argentina in front of representative of creditors. It would be good for transparency and good sense of the last great renegotiations that the banks were not the same ones that have advised Argentina, with the results well known. The advisory banks will receive a percentage of refinanced amounts that according to estimations of internal sources would be near by one Billion Dollars commission.

CHAPTER 13

The Strategic Alliance Results

- If it hurries its exploration up could be found solid support in order to remove the famous “corralón” (confiscated deposit) and offer a new exchange to honor deposits in Dollars. It is obvious that a fall in the country risk ratio and in systematic risk would work in favor of an unprecedented way.
- Finish with the present unemployment levels.
- Finish with the crisis as a consequence of torment Debts.
- Recover Argentina’s image abroad.
- Strengthen our International Trade.
- Possibility of having branches and Joint Ventures of Argentine companies in Japan and all Southeast Asia.
- Recover the GDP per capita from its dramatic fall.
- Common sense and good news for our people.

People do not want neither could support what they don’t understand. This proposal is pure simplicity:

People don’t want to listen to anything that is not related to production and work.

People no longer distinguish between politicians and economists. They see and associate them in general with an insensitive pathology and think their creative capabilities are inhibited. Prizes 2002, in Economy of the Swedish Academy (Nobel) are the prelude of true changes. This is a challenge for professionals in economic sciences. The heirs of Alfred Nobel wanted to eliminate the Economy prize a

short time ago. Nevertheless it is worrisome that one of them (Kahneman) is not even a traditional economist, but psychologist. His analysis of how the human beings make decisions when they face uncertainty and risk has created a new branch of the economy, although it may not be nice for us. To offer a message from an economist who has an exclusive focus and education as well as a monetary and fiscal tendency will not be more serious.

The last year was Joseph Stiglitz, this year Daniel Kahneman of the Princeton University and Vernon Smith of the George Mason University of Virginia Colorado. The message is clear: it advises the retirement of non-compassion economists who have prevailed for the last twenty-five years. We mean that one who appears in Argentina and many parts of the world as an extremely egoistic person, able to turn anything in a number or to speak of mathematical abstractions. People are deploring to unbearable know-it-all who do not give solutions to their quality of life and give opinion folding their legs in a TV program, and they are not perturbed when speech of unemployment, factories that close, retired and pensioned, poor and undernourished children. It seems to be that preferences are directed to people understandable and simple who trust in their intuition and observation of events to make decisions and frequently do not show off that their knowledge are perfect. The new

Nobel's have revealed that people observe the information around to try to understand how the world works, instead of having a limitless knowledge, which the economists who live in the ozone hole took for granted until now. They also discovered that people have difficulties to calculate the probabilities associated with the occurrence of future events. We must underline, they discovered that the answer in surveys are conditioned by the procedure in which the questions are formulated. This could clearly be subject of manipulation. Although it seems obvious, it's important to know that people calculate risks in a non-proportional way.

For example they have discovered that people tend to exaggerate the probabilities of a nuclear catastrophe, but diminishes the risks of experiencing a car crash.

The classic economist tends to think human decisions in terms of the benefits waited for each possible future scene in respect of associated

occurrence probabilities. But if people very crazily give greater importance to some situations than to others, their decisions will be against the basic calculation. In nearly domestic terms this is an approach of the "Prospective theory" of Kahneman and Tversky (died in 1996). I am not saying the classic economy is useless neither that the monetary and fiscal approach is not an essential and important contribution. It is necessary that we proceed to the transformation, which for many innocents has become an unpleasant and declining science. Notwithstanding it is important to avoid the continuous contests between arrogant personages in order to verify or to demonstrate who knows more and who express with incomprehensible ostentation for common people, what papers or textbooks of the best universities of the world contain. It's intended to contribute applied knowledge with sufficient sensitivity and tolerance to society to work on the problems that it suffers.

This plan is understandable and desirable. It will have a supernatural support, but we do not have enough time to initiate its amalgam with an integral government program.

Probable Opponents

Existing Interest

This proposes could provoke resistance between the traditional bankers and the economic equipment that takes its ahead. Traditional banks that made consultant of the debt at present, will not want to share neither to compete with Japanese banks and new options of negotiation, in which it will be the greater business in volume, nothing less than the maximum default of debts of contemporary economic history. Obviously, if the banks take a risk of possible loss of 10 Billion Dollars commission, they will start up a colossal lobby before the Multilateral Organisms of Credit, questioning the Argentine proposal and probably considering it nonviable adding everything they can say and do.

Let us remember that certain Banks come from the presidency of the famous committee of creditors from the 90's, renegotiating the

foreign Debts, including medals. Let us all remember the well-known and remembered Brady Plan, very favorable in the short-term that became complicated and expensive from 1997, which forced successive and interminable sequences of renegotiations, including the exchange of Mr. Machinea and the Mega-exchange of Cavallo, through which they could avoid default only for one year.

Preexistent Structures With Cultures “Anti Innovation”

The most habitual reaction to face a change is the resistance. Ironies or crudeness are use like “things have always been like this”, “that is not the way to do things in the world”, “we cannot modify the gravity law”, “It doesn’t seem to me beneficial”, “Yes, but...”, “It didn’t never made it”, “if it were so good why didn’t anybody do it before?”, and others.

Changing something is always disturbing for somebody structured or formed in an only thought. The conventional wisdom got at University is the best argument for it and the worse one for a country with problems as Argentina. In Argentina, economists who occupied a position in public sector have that mentality and they find always a reason to explain why a new thing will not work. Argentina needs to flee from that depressed and contagious spirit who kills the imagination in order to improve.

That discouraged attitude to be against to which is not orthodox and to fight all the unknown things, has already had horrifying costs. In our consultant tasks, in addition to brain storming in groups, we usually make personal interviews with directors. We converse about the base for business strategy diagnoses.

In one of them with an executive of an important textile company with financial difficulties, he told me that we could never implement the dressmaking section in a Northern province.

Of course, he gave us as much arguments and abundant experience to also discourage Superman. Not in agreement with that, he signed it ironically, although he authorizes us to try it.

Our proposal consisted to get an annual saving of 800 Thousand Dollars. We implemented the proposal successfully and one day we showed the signed table napkin. All of us have found experienced and sincere people who would seem to know everything.

Many times in companies and of course in countries, we do not think about differentiating strategies because there are intellectual or tradition tying as result of frustration on previous attempts. Right there "impossible ones appear ". For many people these were the countries defeated in the World War II, those of Southeast Asia, the closed economy of Communist China.

Most of innovating advantages come from countries and organizations with human capital and creativity. Argentina offers mathematics professors to the best schools of the United States and Europe. Brains should emigrate since they don't see development possibilities in the country. In this way, intellectuals and producers lose motivation. Who does not think about taking liberties with an external alternative to stop suffering, sometimes? We need to exile historical traditions.

Standardized economists and chancellors, structured and comfortable international public employees must abstain from pressing this proposal.

Very often, in business experience there are immutable things and people, impossible tasks to do in a different way, maintained by obstinate people siezed to their armchair, "sacred cows".

People, strategies, policies, systems, automatism and standardized techniques that say:

"We have always done in this manner and we will not move". These mentalities drown and debilitate competitive strength. The MIT's productivity commission called the great American corporations as "deposit of old attitudes and old-fashioned policies". I want to underline and affirm this observation. Public employees and their advisers, as those executives of the private sector assume political attitudes that were solidified through the years.

In the globalization any reasoning that wants to persist unscathed during more time than necessary will be ineffective and counter-productive; it was demonstrated in only one decade. It was unfortunate

that IMF had given green light to a country and recommended plans out lined decades before, signing agreements, accepting strict requirement failing later.

It is as if a medical committee would discharge a patient, prescribing him a treatment. But when he is coming out he carries expired medicine samples gave to him and as a consequence the patient falls ill and then passes away.

If we persist in these attitudes, we will set towards economic decay together with organisms, institutions and developing countries as Argentina. We have been using plans belonging to inflationary stabilization in the Seventies to deal with countries with deflation process in XXI century.

An additional story about resistance to an innovating project

It tells the story that by the end of XIX century; the American Sea artillery gave 121 targets on 9,500 shots. With that imprecision degree, they reached to win the war declared to Spain. They were the best ones of the world, hitting 1.27 times over 100.

A simple lieutenant of such army observed an artilleryman hitting the target more than the rest of his companions. This man in instinctive way taking advantage of the swinging ship calculated the shot more accurately than others. This observer did not take much time developing the following idea: he armed to a tube with ascent/descent pulley and as consequence of that improved three thousand percents the accuracy of shot.

By chance, could an insubstantial technician, a lieutenant, understand more than his main gun experts, with the best worldwide artillery?

That artilleryman in chief presented the project with the test but they never answered him and didn't took it into account. Nevertheless he became to be an annoying man, challenging the authority. It was true that he had almost lost his job until the arrival of president Roosevelt who listened to him. This President dodge all the bureaucratic barriers after giving him place and support, approved what was soon called the practice of "continuous shooting".

Conclusion

"Vision is the art to see invisible things"

JONATHAN SWIFT

We must get ready to sacrifice honors and reputation. This is a consequence of innovating and facing the apparently "decreed thing, in writing or tacitly".

Sometimes those who resist the idea are those that anyone would think as the best people to realize about advantages to execute something new.

I presented here what in my opinion constitutes the base of a plan for the Argentine economic miracle. Of course that this is not an orthodox plan neither a traditional heterodox. It is not Keynesian nor monetarist either.

This is something strongly intolerable for tradition whatever its direction is. It is pure innovation, almost a provocation to attract a miracle.

I chose creativity, because I believe in miracles. Miracles happen, beyond opposition and skepticism of those who do not dare to believe.

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For many years we have consumed opinions from a single tide of the economic thought. A monotonous speech of support and the application of an only standard formula have arrived at the border. It is necessary that the multilateral organisms of credit, the governments and the economists review the strategies by the light of the events.

This is the time for implementing a transformation of international economic structure and at the same time impulse businesses in countries with different problems, as Argentina and Japan. We could enter a key to drive the imagination of the intellectuals and the civil employees on duty. This proposal abandons all traditional prejudices to face an innovating solution of enterprise direction. The reply to the renegotiation of the Argentine external debt comes by means of a strategic alliance with a different but absolutely complementary country, with supplier companies that add value. An agreement as it is exposed in this book represents, also, the vital joint of a sustainable strategic plan.

