



BG Consulting
Linking two worlds

NEWSLETTER

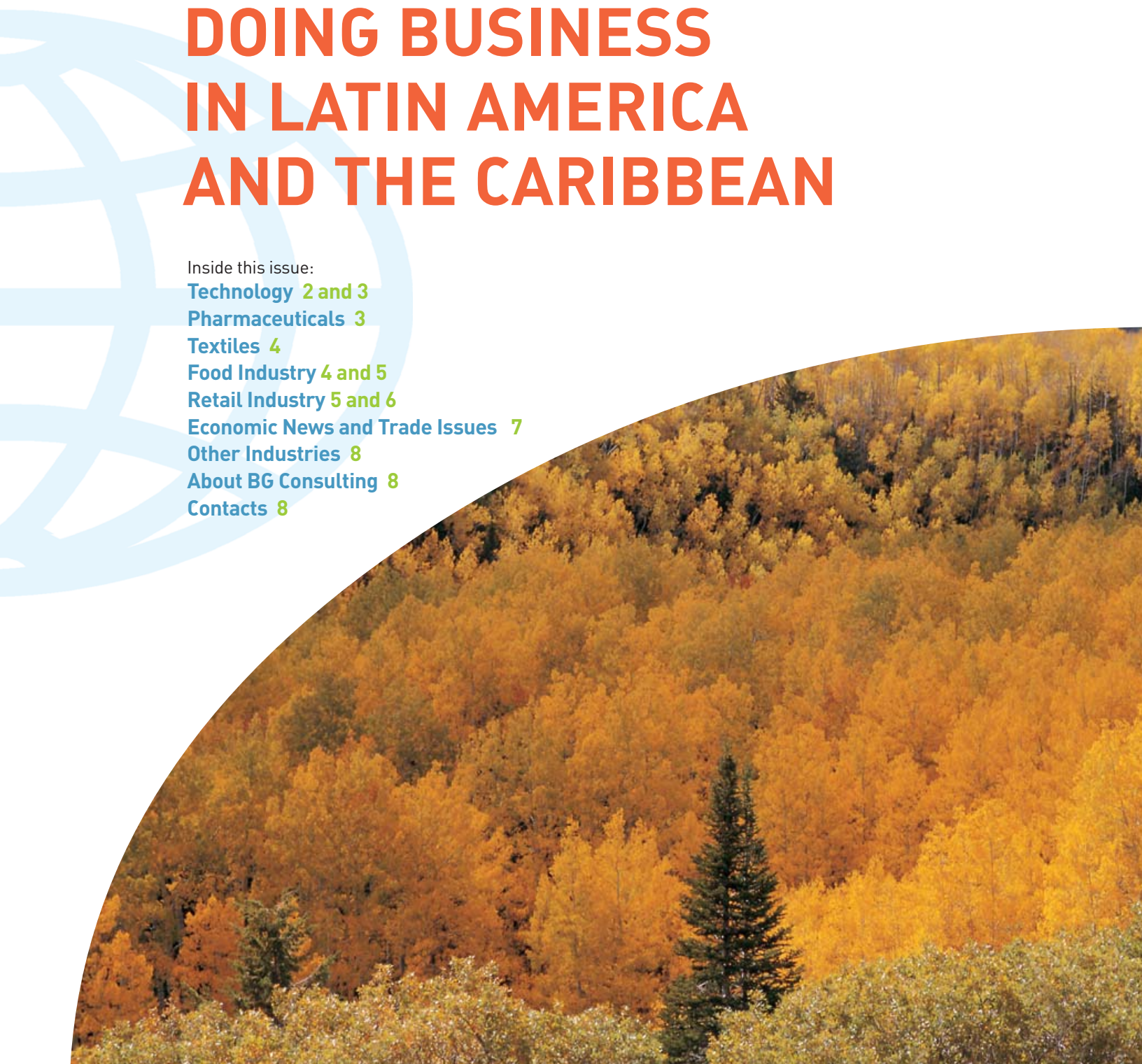
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September 2004

DOING BUSINESS IN LATIN AMERICA AND THE CARIBBEAN

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TECHNOLOGY NEWS

Broadband Wi-Fi Spreads in Latin America

"We expect wireless-enabled POS terminals to become more mainstream over the next several years, particularly when the solution is delivered with the right partners," said Bill Nichols, Verifone's marketing director for Latin America and the Caribbean. With their ease of installation, low cost and high performance, wireless networks now are adding users and advocates in Latin America and other developing markets around the world.

First 3G Wireless Network in Belize

South America : Speednet, a new wireless operator in

as the exclusive provider of a third-generation (3G) wireless infrastructure to bring advanced mobile voice and data services to Speednet's customers throughout Belize. Nortel Networks will immediately begin deployment of its CDMA2000 1X wireless solution portfolio, positioning Speednet to offer a suite of new applications including mobile Web browsing, e-mails, photos, video and music downloads, games, ring tones, location-based and push-to-talk services.

Solid, Profitable And Online: Brazil's Dot-Com Revival...

There are numerous successful e-commerce sites in Brazil. Most notable among them are department store-type retailers



Thousands of smaller, less visible online operations are also profitable and well on the way to consolidating their market positions.

Estimates by Edge Group show that of Brazil's 14 million internet users, four million shop online. Brazilian users are also staying online at a record pace, averaging 13 hours per month, which is more than the average for individuals in industrialized countries.

Telecoms and Technology: Brazil

Wireless phone accounts continue to surge in Brazil. The country's wireless service operators added 1.21m customers in July, 56% more than they signed in the same month last year, according to Anatel, Brazil's telecoms regulator. The wireless market had expanded by 42%, to 55.2m accounts, at the end of July from 38m a year earlier. Lower

handset prices, cheaper calling plans and Father's Day promotions helped drive sales in July. Anatel forecasts that Brazil's wireless phone market will grow to 58m accounts by the end of 2004.

Brasil Telecom to launch mobile service Sep. – Brazil

Brazilian fixed line operator Brasil Telecom plans to provide wireless coverage to 82% of its 30 million-subscriber base by launching a GSM mobile service in September, according to a company statement. French equipment supplier Alcatel (NYSE: ALA) confirmed it would continue to supply GSM/GPRS/EDGE technology for the network, according to a company statement. Alcatel is Brasil Telecom's key supplier for radio access, with its market share in this technology reaching 70% of the operator's potential subscriber base.



Belize, has selected Nortel Networks (NYSE:NT)(TSX:NT)

Submarino, Americanas, Ponto Frio and Magazine Luiza.

E-Commerce grows to 51% in Brazil

(Americaeconomia.com) E-Commerce totaled 250 million U.S.\$ during the first half of 2004, representing a growth from the 51% of a year ago, according to sector analysts.

According to the internet magazine "Info-online", consumers via the internet totaled 2.7 million, which represents a growth from the 35% in relation to the number of registered buyers in the first six months of last year.

The "Info-online" study suggests that of the 12% of Brazilians who used the so-called "e-commerce" in the first half of this year, they made more than 10 registered purchases in that period, while 11% turned to the internet for the first time to make an acquisition.

According to the electronic publication, the most sought after products through the internet were compact discs and videos, in DVD and VHS versions.

AT&T expands in Mexico through Alestra

(AmericaEconomia.com) AT&T, The U.S. telecommunications giant will utilize its subsidiary Alestra to expand internet services, private lines, and connections in the Mexican business

community.

Through this, AT&T looks to broaden the services it offers to the 500 US companies and 6,000 multinationals that arrived in Mexico as a result of The North American Free Trade Agreement.

Today, AT&T is a leading company in local telephone service, long distance, Internet and voice drives, network facts and solutions in all of Latin America and the Caribbean.

Peru Launching 3G Services

The Peruvian operator of the *Telefonica Moviles Group*, the wireless market leader in Peru, has begun offering a comprehensive line-up of third generation (3G) mobile services nationwide using an advanced wireless data network solution from Nortel Networks.

Eutelsat welcomes successful launch of Hispasat's Amazonas satellite

PARIS, Aug. 5 /CNW/ - Eutelsat, one of the world's leading satellite operators and the largest shareholder in Hispasat, welcomes the successful launch of Hispasat's Amazonas satellite which marks a milestone in the company's ongoing expansion in the Americas and the Iberian Peninsula. Equipped with 51 transponders and coverages suited for transatlantic connectivity and pan-American

REFURBISHED MEDICAL EQUIPMENT IN LATIN AMERICA: QUICKENING

Latin America's gradual economic recovery has prompted some of its governments and private institutions to consider increasing their healthcare spending for the first time in several years.

According to the US Department of Commerce, Mexico is one of the region's top markets for refurbished medical equipment, although imports of such equipment can be made only by private clinics and doctors in public health facilities because laws ban the acquisition otherwise of anything other than new goods. Mexican imports of used and refurbished equipment last year are estimated at US\$71.4m, with the market expected to grow by an average of 5-8% a year over the next three years (see table).

Brazil presents another growing market for second-hand medical devices. Although the ANVISA Health Supervisory Agency last year banned the importation of used equipment, it still allows private healthcare facilities to purchase reconditioned items

While Brazil imports approximately 50% of its medical equipment and devices — 40% of which comes from the US — the country has also become an important exporter of sutures, syringes, dental equipment, X-ray film and prostheses, among other items.

Many of Latin America's smaller markets are also seeking either lower-cost Brazilian items or refurbished medical equipment to replace aging machines. The total market for used equipment in Ecuador, for example, was estimated at US\$4.8m last year. Industry experts predict a 3% per year expansion in 2004-05. The market for used equipment grew by 150% in 2002 but has since stabilised. Public-sector institutions are banned from purchasing used items, but with private providers serving 48% of the population there is continued room for sales growth.

communications, Amazonas brings valuable new capacity to Hispasat's fleet, notably for broadcasting, including high-definition television, and interactive broadband services.

Call center to open in Panama

The Nacional Asset Recovery Services, INC., a private company founded out of St. Louis in 1993, is trying to operate another call center out of Jamaica. The investment, mainly in equipment and



installations improvement, exceeded \$3 million. After arriving in Montego Bay, the company decided to consolidate its Latin America operation in Panama after studying various countries—because it was “the most stable and advantageous for the installation of a call center”, as president of NARS Christopher Buehrle affirmed.

TEXTILES INDUSTRY

Clariant Masterbatches Expands Operations in Latin America

Plastics industry processors in Brazil, Argentina and neighboring countries can expect improved access to technical services and accelerated response times now that Clariant Masterbatches has expanded its operations in the region. The world's largest supplier of color and additive masterbatches, Clariant Masterbatches Division announced a new Latin American Business Unit Headquarters in Brazil and new manufacturing plant in Argentina. The Brazilian facility also includes a manufacturing plant and a collaborative design center, ColorWorks™ Studio - unique in South America - where customers can find Clariant know-how to help them develop color and technical solutions.

INDITEX to Open New Stores in Venezuela

Spain's Inditex plans to continue expanding in Venezuela, despite the South American country's ongoing political instability. They are currently looking for possible suppliers for this country.



FOOD AND DRINK INDUSTRY NEWS

Food and Beverages: Brazil/Americas

Belgium-based Interbrew's acquisition of Brazil's AmBev has been approved by the two companies' shareholders. When completed, Interbrew's Canadian unit, Labatt, will be incorporated into AmBev, which with Interbrew will then become InBev (Belgium/Brazil), the world's second-largest and Latin America's top brewer. The deal gives the Belgian owners access to Latin America's fast-growing beer and beverages market. Meanwhile, Interbrew will rationalize its factories

throughout the world to improve its margins.

Food and Beverages: Brazil

Allied Domecq is bringing in vodka production from Poland. The UK beverages group is working with France's Rémy Cointreau to produce the latter's Bols Vodka in the southern state of Rio Grande do Sul — the first time the brand has been made outside Poland. Allied Domecq expects its Brazilian sales to increase by 15% in local currency terms, to R185m (US\$65m), in 2004.

PRESIDENT ALEJANDRO TOLEDO OF PERU, MET WITH PRESIDENT GEORGE W. BUSH IN SEPTEMBER TO PUSH FOR A FREE TRADE AGREEMENT WITH THE U.S. MR. TOLEDO SAID HIS GOVERNMENT IS AIMING TO SIGN THE AGREEMENT BY JANUARY.

FEDEX OPENS TERMINAL IN MIAMI TO EXPAND LATIN AMERICAN NETWORK: MIAMI RECEIVES CLOSE TO 80% OF ITS IMPORTS THAT FILTER THROUGH THE U.S. FROM LATIN AMERICA AND THE CARIBBEAN.

Food and Beverages: Uruguay/US

Uruguay has become the first foreign country to receive US Department of Agriculture accreditation for importing and selling its meat in the U.S. Meat imports from Uruguay will be labelled "certified natural meat", noting that it has been produced without hormones, antibiotics or animal-sourced proteins from animals fed on natural pastures. Fourteen US meat-producing companies carry the same accreditation.

Cargill buys shares of Brazilian Seara

(AmericaEconomia.com) The U.S. Company Cargill, Inc., bought a share of the Brazilian company called *Seara Alimentos*.

The \$130 million acquisition represents the entrance of Cargill to the Brazilian meat business.

RETAIL INDUSTRY

Wal-Mart and Carrefour expand in Brazil

Major foreign retailers have stepped up their investment to ride the wave of Brazil's current economic recovery. Wal-Mart (US) and Carrefour (France) are expanding their local operations, although neither group will threaten Pão de

Açúcar's (Brazil/France) market leadership in the short term (see table).

Wal-Mart, which purchased the dominant chain in Brazil's north-east, is launching more new stores in 2004 than it has in any year since 1998. So far this year the US retailer has opened two Supercenter-branded hypermarkets in the south-eastern cities of Curitiba and São Paulo.

Carrefour, meanwhile, is just emerging from a long restructuring of its logistics operations that was necessitated by a series of unwieldy acquisitions. The company is now poised for fresh expansion, albeit at a slower pace than it set in the late 1990s. According to Jean-Marc Pueyo, who heads Carrefour's local subsidiary, in 2005 the company will complete a three-year US\$550m investment programme.

Consumer Goods and Retailing: Argentina

Supermarket sales growth may be recovering from a recent slowdown. Sales rose by 7.3% year on year in July, according to preliminary official figures. The level was 0.9% higher than in June, traditionally the slowest month for supermarket sales in Argentina. The July increase is in line with the Economist Intelligence Unit's forecast that overall economic growth will

"BUSINESS STRATEGY & VIABLE VENTURES" FOR THE IT/TELECOM & ENERGY/LNG AND PETROCHEMICAL INDUSTRIES IN LAC, CHINA & INDIA

SEMINAR HIGHLIGHTS

The seminar will present business opportunities and provide attendees with potential prospects for companies in the IT/Telecom, Energy/LNG & Petro-Chemical industries created the international "synergy block" between Asia and Latin America/Caribbean (LAC). Synergy arises from the increasing trade and growth of services exchange between the regions supported by the current negotiations for a free trade agreement between India and MERCOSUR, and the expected negotiations of China with the LAC region.

Participants will discover how this block may provide the opportunity for market expansion and sourcing alternatives. The conference will define the benefits emerging from the trend of ASIA-LAC initiatives by providing participants with an understanding of prevailing trends in international economic integration and strategies to align business models to fit these trends. Moreover, through a series of interactive round tables, participants will be able to understand prevailing opportunities in their specific industries.

Some of the topics to be covered include:

- Country-specific Opportunities
- Specific Issues pertaining business transactions
- Presentations of case studies by industry experts
- Deal structuring – Transfer Pricing
- Financing vehicles – Project Finance, Private Investment, Trade Finance etc...

Specific countries covered are, Brazil, Mexico, Costa Rica, Peru, Bolivia, US, China and India. They will be discussed and their particular attractiveness for businesses will be a focus.

Please find more information on Page 8

BG CONSULTING IS WORKING FOR A SPANISH CLIENT IN MEXICO. THE CLIENT IS IN THE BUSINESS OF PRODUCING HOOK EYE FASTENING MACHINERY FOR THE SHOE INDUSTRY.

RETAIL INDUSTRY

also recover from a second-quarter downturn, with GDP expected to expand by some 7% for the year, down from 8.7% annual growth in 2003.

Consumer Goods and Retailing: Brazil

Whirlpool is planning on accelerated exports growth in the second half of the year. The US company, which owns Multibrás, a local white goods (washers, dryers, stoves, fridges) manufacturer that markets under the Brastemp and Consul brands, recorded a 20% increase in foreign sales between January and June compared with the same period last year. For 2004, Whirlpool is shooting for a 33% overall increase in sales volume to 2m

units, double 2002's exports total.

Consumer Goods and Retailing: Chile

Cencosud, a purveyor of supermarkets, home centres and malls in Chile and Argentina, has continued its recent breakneck expansion through the surprise US\$78.5m acquisition of the Montecarlo supermarket chain, which has a 2.7% share of the country's supermarket sales. The transaction raises Cencosud's overall share of Chilean supermarket sales to 23.3%. Strategically, it has also pre-empted Montecarlo's expected acquisition by Falabella, Chile's largest retailing group, slowing the latter's recent move into the supermarket business.



ECONOMIC NEWS

The United States sees a positive economic outlook for Latin American, especially due to Brazilian leadership and Argentine recovery, according to statements made by US Secretary of Treasury John Taylor, published by the Chilean press.

"Brazil is in a positive scenario" and since the economy is the largest in the region, it is in a much better form than it was when it was fearing a crisis", said Taylor in the daily newspaper "El Mercurio".

"Mexico has also done well, especially now with the northamerican economic drive. Argentina had a lot of problems in 2000 and 2001, but has rapidly recuperated although, now it is growing at a slower pace. Mexico now must restructure some of its debt and resolve some of its energy problems". sustained Taylor.

The Economist Intelligence Unit (EIU) also forecasts robust growth in 2004-05. After estimated regional growth of 1.6% in 2003, the EIU forecasts that Latin America's GDP will expand by 4.3% in 2004 and by 3.2% in 2005, boosted by significant improvements in Brazil, Mexico and several smaller countries.

The EIU's forecast for Latin America is predicated on the

assumption that none of the major economies in the region will encounter financing difficulties as a result of the recent reduction of risk appetite among investors in developed countries.



COUNTRY WATCH: ECONOMIST INTELLIGENCE UNIT

Argentina: Improving Standards

The Argentinian economy will grow by an annual average of 4.2% in 2004-08. This will translate into a moderate improvement in living standards following the collapse in recent years. The economic recovery that started in the second half of 2002 still has momentum.

In light of the strength of a range of economic indicators in recent months, such as industrial production and retail sales, experts have revised upwards our 2004 GDP growth

forecast to 4%. In 2005 we expect the recovery to be sustained, although the rate of growth is likely to moderate against a higher level of competition.

Mexico: Short of its potential

The Mexican economy grew robustly in the opening half of 2004, driven by exports reflecting firm U.S demand and private consumption fueled by expanding consumer credit plus buoyant remittances. Going forward, the stimulus to Mexican GDP from exports will soften as U.S GDP growth decelerates. However, we expect investment growth to be underpinned by strong oil prices, which will facilitate public investment in infrastructure. The role of private consumption as an engine of expansion will continue to grow, supported by sustained inward remittances from migrant workers overseas (mainly in the U.S.) and an expansion, albeit from a low base, of consumer credit.

Peru: Growth and policy dilution

Strong growth in construction—propelled by a low-cost growth of 4.3% in 2004 and an annual average rate of 4.1% in 2005-2008. The government will try to keep economic policy focused on prudent fiscal management,

but policy dilution can be expected, affecting the prospects for private investment.

Chile: Sound policy and exports

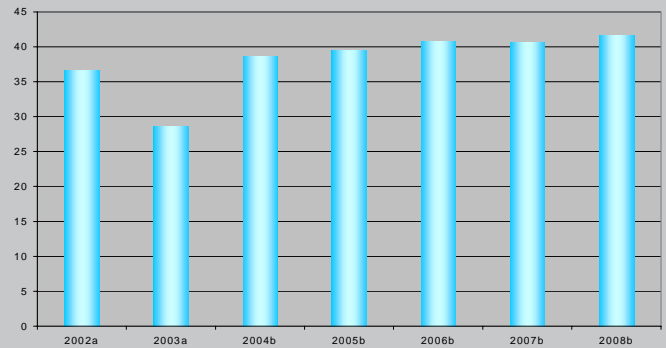
A consistent track of sound policymaking had offered Chile some protection from the shocks transmitted from crisis-hit countries in Mercosur, the customs union comprising Brazil, Argentina, Uruguay, and Paraguay. Growth is forecast to accelerate from an estimated 3.3% in 2003 to 5% in 2004, and then moderate slightly to 4.6% in 2005. A buoyant export sector, mining activity, and investment in infrastructure—particularly water—will lead growth.

A gradually brightening global outlook, a much-improved transport and communications infrastructure and increased business opportunities arising from free-trade agreements will keep exports a strong .

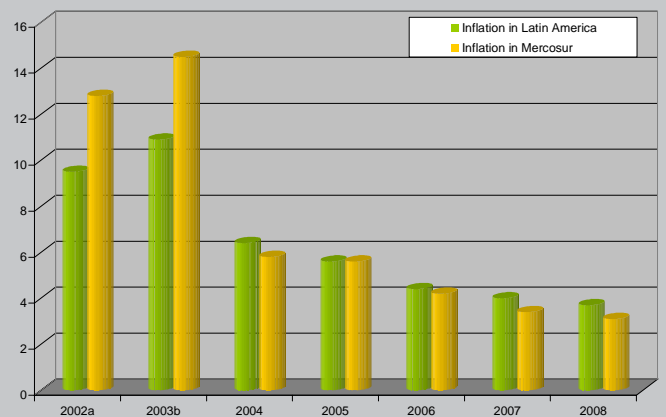


FDI, GDP AND INFLATION FORECASTS

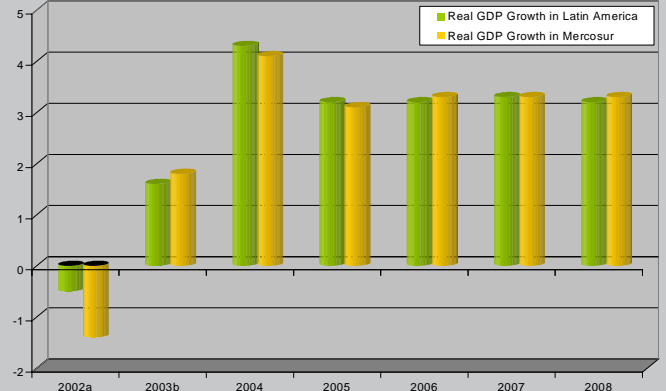
Actual and Forecasted Inward Foreign Direct Investment (US\$ bn)



Actual and Estimated Inflation



Actual and Estimated GDP Growth





BG Consulting
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BG Consulting is a multidisciplinary consulting firm specialized in assisting business and governments of developing countries through a combination of political, economic and legal analysis.

For business, we offer mechanisms to develop the global strategies of business organizations in their investments and international transactions.

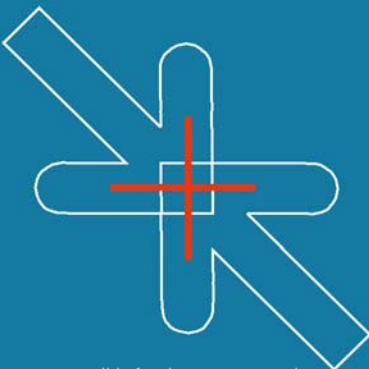
For governments, we identify strategies for development and help them to achieve an appealing investment climate, efficient institutions, transparency, appropriate incentives to the public and private organizations as well as knowledge of the opportunities that the new international context offers.

We also provide services to settle investment disputes for both investors and host States.

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OTHER INDUSTRY NEWS

New Argentinian legislation courts software investment

Lawmakers in Argentina have passed legislation aimed at promoting the local software industry. The law is designed to give Argentina a competitive edge against neighboring Chile and Brazil and place it on a level field with Uruguay (where software producers are exempt from paying income tax) in garnering investment in the industry. These and related measures are expected to augment the software industry's contribution to Argentinean GDP to 3.5% over the next decade from 0.7% at present.

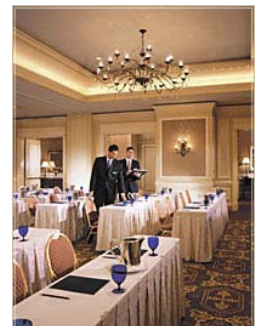
IBM, Motorola, Oracle (all US) and other multinational companies that develop and export software under local outsourcing contracts will enjoy a fresh opportunity as well. The sector is expected to generate Ps5bn (US\$1.7bn) in annual revenues by 2007, up from the Ps3bn (US\$1bn) a year forecast for 2004.

BG CONSULTING: EVENTS, NEWS AND PUBLICATIONS

"BUSINESS STRATEGY & VIABLE VENTURES " FOR THE IT/TELECOM & ENERGY/LNG AND PETROCHEMICAL INDUSTRIES IN LAC, CHINA & INDIA

BG Consulting will be hosting the event which will take place on November 30th, 2004 at the Ritz Carlton Washington DC hotel. You can obtain more information or register by going to:
<http://www.bg-consulting.com/events>

BG Consulting drafted the Code of Ethics for Customs Officers in Panama. It was passed as law on August 2004.



Our President published an article in the International Business Lawyer on August 2004.