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CURRENT TRENDS IN LATIN AMERICA
AND THE ARGENTINE PERSPECTIVE

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Energy Trends in 90s

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CURRENT TRENDS IN LATIN AMERICA
AND THE ARGENTINE PERSPECTIVEVictor Garcia Laredo
SOCMA AMERICANA
Buenos Aires

I'm going to be talking about the changes that are taking place in Argentina as well as in all of Latin America today -- privatization, deregulation, and the modernization of the economy, changes which will serve to strengthen our governments and provide a better quality of life for all of us. I hope to give you an insight into the factors which helped bring about these changes, the support they are receiving, the problems which persist, and the measures that still must be taken so that these positive changes remain in place. I want to offer some useful information that will perhaps contribute to your understanding of the vast area which we refer to as Latin America, and more specifically, give you a thumbnail sketch of what is happening today in the Republic of Argentina, where I live and work.

For many years now, Latin American leaders have travelled to other parts of the world and spoken about the plans and expectations for the region's future. When these well-intentioned projects and plans never materialized, our partners and supporters in the United States and other countries were frustrated and disappointed by our failure to make things work. My intention here today is to describe things as they are, not as they might be, to tell you about what is already happening in the sphere of business and growth of the economies in Latin America.

PRIVATIZATION, DEREGULATION, AND
ECONOMIC RECOVERY IN LATIN AMERICA

The process of privatization which is taking place throughout Latin America goes far beyond merely transferring government assets over to the private sector. In truth, the transfer is a means to an end, not an end in itself. Rather, privatization represents a change in the expectations of society-at-large in Latin America, a turning away from the economic ideologies which dominated our lives for so many years, suffocating private enterprise, hindering progress, and inhibiting creativity in all its aspects, including, many times, the free exchange of ideas.

MASTER

TJ

Today, privatization and the transfer of state assets to the private sector is well underway in Latin America, as illustrated by the following facts:

-- By the end of 1991, 37% of all privatizations taking place in developing countries were in Latin America. This represented 15% of privatizations worldwide.

-- Chile has privatized almost all of its state-run companies, totalling approximately 500 enterprises, as well as its social security system.

-- Mexico has liquidated or sold more than 800 government-run companies, including banks, steel mills, and mines.

-- In my country, Argentina, various companies formerly owned and operated by the government have been or are in the process of being privatized as part of a program that runs through the end of 1992. That process involves three national television networks, power plants, oil fields, railroads, banks, water distribution and sanitation systems, telephone companies, airlines with both domestic and international flights, petrochemical plants, weapons factories, insurance companies, and natural gas fields and pipelines. All of these industries were formerly under the direction of the Argentine government and were generally run as monopolies. So extensive was the government's intervention in the production and regulation of goods and services that it even owned a spaghetti factory!

What makes the process of privatization in Latin America so unique, and is beyond a doubt its most important feature, is that it came about not because of the mandate of an enlightened political leader or the will of a powerful elite who imposed an economic model on society. Rather, it represents the will of the people who live in Latin America, people who want economic freedom, transparent and open economies, and privatization and deregulation of industry.

This past February, I attended the World Economic Forum in Davos, Switzerland. Mr. Vaclav Havel, President of Czechoslovakia, delivered an excellent speech there, part of which I would like to share with you today because I believe it is relevant to what we are discussing here today.

He said, and I quote: "Communism was not defeated by military force, it was defeated by life, by the human spirit, by conscience, by the resistance of man to manipulation. It was defeated by a revolt of color, authenticity, history in all its variety and human individuality against imprisonment within a uniform ideology." End of quote.

Latin America has its own features and certainly differs from Eastern Europe in many ways. In spite of that, Havel's words ring very true. The concept of "manipulation opposed by life and conscience" that he expresses in connection with communism is being experienced today in our region, not against communism, but against government over-regulation of the economy, which has suffocated the free will and initiative of individuals as well as private enterprise for many years.

There are many good reasons why the Latin American people wanted change. For decades, they were forced to either resign themselves to accepting the poor quality of goods and services offered, or to become accessories to widespread bureaucratic corruption.

In November of 1990, Argentina privatized its telephone services. Before that, when these services were provided by the government, those interested in having a telephone line installed or repaired had two alternatives:

-- One was to go through a slow and tedious procedure at the local office of the state-run company and wait for months or years to have their request granted.

-- The other was to pull some strings and find a government employee who, for a sum of money ranging from \$3,000 to \$10,000 depending on the location, could quickly take care of the problem.

Obviously, the money in the latter instance did not end up in the coffers of the telephone company, but in the pockets of the corrupt official.

After the telephone company was privatized, it was discovered that behind the facade of the state-run company there existed a parallel structure that sold telephone services to a network of clandestine subscribers who could afford to pay well for them.

Of course, the astounding inefficiency on the part of the government created the conditions that for all intents and purposes guaranteed this sort of corruption. The Argentine press dubbed this process, of which the telephone company was just one example, "kleptocracy;" or bureaucratic kleptomania.

Before the new deregulatory rules went into effect, in order to export certain products, authorization was required from more than twenty different government offices, and the same kind of thing was true for any of the government agencies which had authorization power of any kind. The process of privatization and deregulation has attacked this burdensome bureaucracy, and deactivated the machinery of corruption which kept it running.

Corruption exists from time to time in all parts of the world and in all forms of government. In most cases, it is eventually discovered, and its perpetrators are punished. But what I have just described is a systematic corruption where authority habitually oversteps the boundaries of the law and, unchecked, goes unpunished.

One aspect of privatization which is often overlooked when discussing its pros and cons is the role it plays in the destruction and dismantling of a corrupt and corrupting system. In countries like Mexico, Chile and Argentina, this has resulted in two distinct groups of people -- those who are enthusiastic and supportive of changes that are helping put an end to decades of in-bred corruption, and those who have lost the special privileges that they enjoyed for so long under the old system.

Among the critics of privatization are those enmeshed in the bureaucracy who have lost the power to make decisions affecting enormous budgets, trade and investment agreements, contract bids, cheap credit, and government subsidies. In Argentina, by the end of 1992 the government will have relinquished to the private sector control of over 23 billion dollars.

The second group of unhappy opponents of privatization are the privileged clients of the once-thriving bureaucracy, who for decades have enjoyed a situation where they could maintain a captive market protected from external competition and take advantage of cheap credit and government subsidies.

And finally among the opposition to privatization we find many labor unions, who cling to obsolete ideas and are reluctant to adapt themselves to the requirements for productivity in a competitive international marketplace. They have been powerful under the state-run system, and they are unwilling to cooperate in ventures in which they will lose their special privileges.

FACTORS THAT LED TO CHANGE IN LATIN AMERICA

Why did it all begin to change in the 1980's? There are many factors which contributed to the awakening, if you will, in Latin America, both within the region itself, and in other parts of the world.

In Latin America, the static and over-regulated system worked against the interests of nearly every sector of the population. Blue collar workers as well as the middle class found themselves increasingly disenfranchised economically, and those entrepreneurs who were operating businesses were thwarted and frustrated by the lack of opportunity to compete in world markets.

This frustration was basic to the change in attitude in public opinion. But there were many concurring factors on the international scene as well.

-- First, the worldwide trend towards a globalization of the economy made it painfully clear to Latin Americans that it was impossible to maintain closed economies, and that the time had come to establish economic policies and practices that were compatible with those of the more developed nations.

-- Second, the astonishing expansion of communications technology throughout the region broke through the barriers that had been built to protect the closed, static system. Rather suddenly, Latin Americans were exposed to new ideas, alternatives, and expectations.

-- Third, the crisis and eventual collapse of Soviet Socialism in Russia and Eastern Europe served to illustrate the failure of static, out-dated economic models in today's world.

-- And finally, it became impossible to fund the government expenditures which were dead-set on maintaining the status quo in closed, over-regulated economies in which inflation and hyperinflation ran rampant.

It was this convergence of needs and opportunities that gave the Latin American privatization process its most unique feature -- the demand for change on the part of the people whose lives were being affected by the dismal economic failures and lack of growth, and their willingness to find politicians who were determined to bring about that change.

For the first time in history, today practically every country in Latin America has a government which is determined to expand its free enterprise system and modernize its economy. And even in places where the government still attempts to hang onto outmoded regulations and statutes which stifle economic freedom, there is no doubt that the people of these countries want change to take place. And eventually, the will of the people, I believe, will prevail.

THE RISKS AND BENEFITS OF THE NEW ECONOMIC MODEL

But the transformation underway has not been easy, nor is the task which lies ahead of us a simple one. There are risks, as well as opportunities, which are generated by the changes taking place. The search for competitive markets has led some Latin American countries to adopt open import policies that represent a 180-degree turn away from the protectionist policies which were sustained by import substitution. But in spite of the great costs generated by such a radical shift in policy, most countries in Latin America support free trade as a way to guarantee their growth and prosperity, provided the United States, Europe and Japan share this conviction and move in the same direction.

This conviction should result from the fact that the entire Latin American region has a potential consumption capacity which is greater than that of any other region or group of countries outside of the industrialized ones.

There are efforts underway which support cooperation and integration among nations in the region, as well as with their overseas neighbors to the north. MERCOSUR, the Southern Cone Market, is an example of this type of integration. Its members include Argentina, Brazil, Paraguay, and Uruguay, and its goal is to eliminate all trade barriers among each other in an effort to stimulate commerce and economic cooperation in the region. It represents a market of 200 million people and about 600 billion dollars annually, similar in size to that of the former Soviet Union. MERCOSUR is already showing signs of success, with an annual increase of 25% in trade among themselves.

Even though MERCOSUR still faces the challenge of bringing diverse national politics into harmony, and eliminating some of the differences that exist among the four countries, it has already become a vehicle for growth and the exchange of ideas, as well as a place where important prospective joint ventures among the four countries can be explored. And according to the World Bank, per capita income in the Southern Cone region will increase significantly during the 1990's.

And there are other reasons to feel hopeful about the future. Unlike Eastern Europe, which must now undergo a complete adjustment in its administrative and legal structures in order to adapt them to a free market economy, Latin America has long been participating in trade agreements with those who adhere to such policies. Moreover, it offers to its overseas trade and investment partners a corps of experienced, qualified and competitive business entrepreneurs.

I work for SOCMA, a large company located in Argentina which is one among many companies in Latin America that has supported privatization and is enthusiastic about regional and hemispheric economic integration.

Our sphere of influence in Argentina is diverse, and we have international business associates as well, that include General Motors, Bell, Motorola, Fiat, Peugeot, and Waste Management International. Other large enterprises in Argentina have assets and activities that can be compared to ours, with international partners from around the world. In addition, many multinational corporations have established themselves in Argentina. In the oil industry, for example, where Exxon, Shell, Mobil Oil, Agip, Amoco, Texaco, Chevron and Total all operate. The existence of these competitive and streamlined business enterprises has helped create the atmosphere necessary for privatization to succeed.

In addition to my responsibilities at SOCMA, I am Coordinator of the Columbus Group, a non-profit organization of business leaders from throughout Latin America who first got together in 1986, and whose aims are to promote industrialization, growth, and trade in the region, to participate in the privatization process, and to attract and support multinational enterprises in the region.

With these goals in mind, the Group has met frequently with top government officials from the region, including presidents, foreign ministers, and treasury secretaries. It has sponsored international seminars and debates with the purpose of paving the way for the positive changes that are taking place. And, as of the beginning of this year, the Columbus Group created the Santa Maria Merchant Bank, a private venture that will support the recent trends by focusing on business opportunities in the region. With privileged access to decision-makers in every country

in Latin America, the Santa María Merchant Bank can provide financial advice, investment capital, and access to the projects which await development in Latin America, as well as to the businessmen and women there who are seeking partners in joint ventures.

INVESTMENT IN THE FUTURE

Investment in Latin America from abroad is crucial to its development and growth. Latin America needs overseas capital, and is expecting an increase in its flow due to the fact that there no longer exists a distinction between the rules that govern domestic and foreign capital invested in our countries.

The possibilities for profitable investment in the region are vast, and range from oil exploration to hamburgers. In fact, in 1991 MacDonald's made a greater margin of profit in Latin America than it did in the United States, according to the International Herald Tribune, which recently quoted MacDonald's profits in Latin America at 183 million, as opposed to 114 million in the United States.

As for the oil industry, I point to the case in Argentina: thanks to the deregulation and privatization processes that have been put into practice by the Menem administration, there now exists an excellent opportunity for high-yield investments.

And the list of other possible business ventures is as large as the need for investment partners. They include the pulp and paper industries in Brazil, and mining throughout the region, an industry in which some outstanding opportunities exist. Investments in construction and the housing industry offer great possibilities, as do the energy, fishing and agriculture, and food processing industries.

The decline in profitability of investments in the United States and Western Europe, and the risks that are involved in investing in Eastern Europe, make Latin America a powerful contender for private investment capital.

Capital markets offer a way to attract investment to the region. They have expanded due to the increasing monetary stability that is part of the overall change in Latin American economic policy. Thus, local businesses now have an opportunity to increase the scope of their investments, something they couldn't do before, due to a lack of domestic capital and high domestic interest rates, or to the lack of access to international credit from the risk-countries involved.

In 1990, while 80% of the financial requirements of the private sector worldwide were obtained through capital markets, in my country, Argentina, banks still monopolized 98% of all credit requested by business enterprises. This situation, fortunately, is rapidly changing. In 1987, government bonds made up 90% of all traded papers. By 1991, private shares represented 80% of the volume traded on the Argentine stock exchange.

Capital markets have been growing at almost break-neck speed for the past several years in countries like Chile, Mexico, and Argentina. The stock exchange in Buenos Aires quintupled its operations between 1986 and 1991. During that same period, the volume traded on Chile's stock exchange increased from 7.5 to 27 billion dollars, and in Mexico, the increase was from 121 to 181 billion dollars.

At first, this stock exchange boom led to quick and easy profits. Now that has given way to more mature markets that offer reasonable profits which are still high compared to those in the United States. And the good news for businessmen is that the profits are being made by the private, and not the public, sector.

In Chile, for example, managers in charge of pension funds are now directing significant savings into private investment. In Argentina, the public offering of stock in the recently privatized telephone company was greeted with enthusiasm that no one could have predicted, with nearly half a million investors clearly demonstrating their support for the new economic model.

In spite of all of the positive factors regarding the future of Latin America and its potential, there are many problems which exist for each and every country and in the region as a whole, including Argentina. I will discuss the problems of Argentina shortly in my presentation, as representative examples of the situation which exists throughout Latin America.

ARGENTINA -- A CLOSER LOOK AT ONE COUNTRY UNDERGOING CHANGE

I have brought some charts with me which summarize some basic information about Argentina which will, I think, point out some of its special features.

Argentina is a vast country. It covers an area of about 1,073,000 square miles, about one-third the size of the United States. Unlike other countries in the region, it is not chiefly a rural society, but an urban one. Almost 85% of its people live in towns or cities, and roughly a third of its population lives in or around the capital city of Buenos Aires.

The urban nature of Argentina's population provides it with an experienced and skilled labor pool, and many highly trained professionals in every field. Many Argentine universities enjoy excellent reputations, and they provide higher education to more than a million students each year. There are five national television networks, and more than 1200 cable TV stations that reach most cities and towns across the country.

While it has many competitive advantages when compared to other Latin American countries, Argentina is not without its problems. In 1989 it found itself embroiled in chaos, with monthly interest rates of 240%. This rampant hyperinflation signalled in a dramatic way the limits of the old model and the need for a new one.

Today inflation has been reduced to a monthly rate of about 1.5%, close to that of the more developed countries. This dramatic decline in the rate of inflation brought with it a decrease in interest rates, the restoration of credit, a rejuvenation on the part of the private sector, and the creation of half a million jobs. It was all made possible by the establishment of governmental reforms, economic freedom, the opening of trade, shrinkage of the fiscal deficit, and a firm policy of deregulation and privatization.

At the core of this change is the Convertibility Law, which was put into effect in April of 1991. It made Argentine currency fully convertible at a fixed rate of one peso to the dollar and mandated that the monetary base must be 100% backed by gold and foreign currency reserves. The act also banned indexation of wages and other contracts.

Within this framework, privatizations have had a two-fold effect:

First, public expenditures were reduced, and this provided the Treasury with funds that could be used to "finance" the transition between the old and the new economic models. As of March of this year, the Argentine government had collected 15 billion dollars from the sale of assets to the private sector, part in cash and part in debt-for-equity swaps.

Since 1989 the country's gold and foreign currency reserves have risen from 30 million to more than 8 billion dollars. Its money supply, so devastated by inflation, is today supported 100% by reserves.

Secondly, Argentina has renegotiated its burdensome foreign debt situation. It has obtained a larger facility credit from the IMF, and has reached agreements with foreign banks within the framework of the Brady Plan, to which it has recently been admitted.

These achievements, however, as important as they are, do not mean that all of Argentina's problems have been solved. There are still sectors of the economy waiting to be deregulated or privatized. There are still many social problems, specifically in the areas of education, health care and social welfare. The Argentine provinces, which are autonomous under the Constitution, have only recently adjusted their own economies to keep pace with national trends, and they are continually pressing the central government for money. And while the collection of taxes has increased, there is still widespread tax evasion.

And then there are the labor unions. Even though they no longer enjoy the power they had two decades ago, they are still opposed to government practices such as independent salary and wage negotiations within separate organizations, and they make their opposition known. Labor and production costs in Argentina are high, and indeed, the cost of living is high, compared to other Latin American countries.

The list of problems goes on. Not all companies in the private sector have adopted the new way of thinking that the transformation requires, nor have they accepted the challenge to fulfill the social expectations that arise in a free market economy. Many of Argentina's politicians still cling to outdated attitudes. The country's judicial system resists organizational streamlining, and acts with infuriating slowness. And, last but not least in this list of problems, is corruption, which has not fully been dismantled.

In spite of all of these less-than-perfect situations which I have just described, however, the pace of change in Argentina is accelerating, and it continues to receive strong support from Argentine citizens. With a predicted annual growth rate of 6.5%, and almost three times that in the industrial sector, Argentina is quite clearly an emerging market, offering a unique opportunity for those who are interested in investing there.

Its potential, like that of much of the rest of Latin America, has been set into motion by free trade, private sector leadership, higher standards of quality and efficiency, and the competition that has been introduced as a result of investments from abroad. Argentina, and indeed all of Latin America, offers those who wish to participate in its future the opportunity to help realize a dream. It also offers a chance to share in the benefits that are certain to result if we work together as partners in the American hemisphere, our common home.

In closing, I'd like to share with you an excerpt from a book by John Gunther entitled "Inside Latin America," which I read as a college student 25 years ago. In it, he said:

"South America lies close to us physically, but North Americans do not know it well. To many in the United States the concept of South America still prominently includes generals in white sombreros on many horses picking their teeth and shooting peasants at random, love in the hot sun, polo ponies, a peculiar capacity for disorganization, the philosophy of mañana, cha-cha-cha, and gigolos drenched in eau de cologne...."

I'm well aware of the fact that prejudices still exist between North and South America. But I hope that today this view, which was nurtured for too long, has begun to fade forever. Because it's no longer valid, if it ever was. And because America, our common home, is today in need of cooperation, initiative, and joint effort from both North and South.

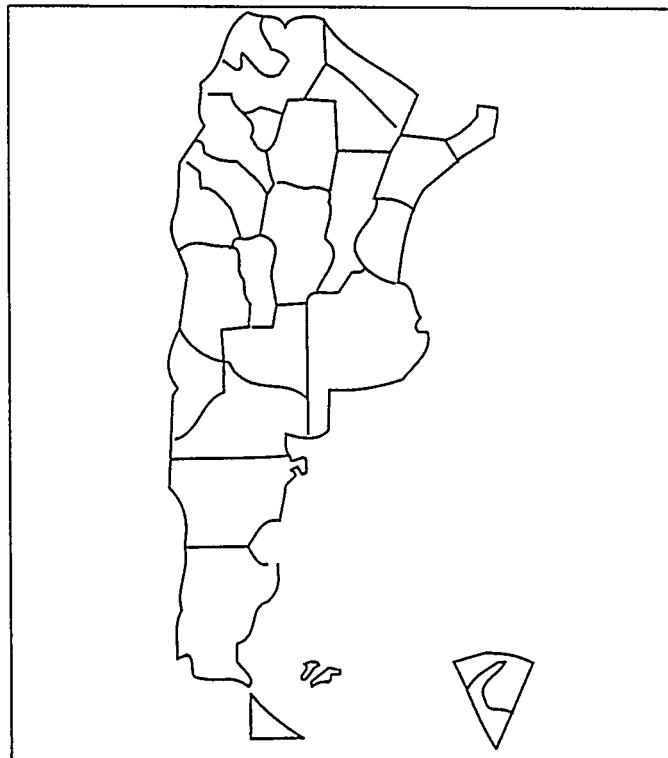
May 7, 1992
Dallas, Texas

ARGENTINA

FACTS AND FIGURES

CURRENT TRENDS IN LATIN AMERICA
AND THE ARGENTINE PERSPECTIVE

Victor Garcia Laredo
May 7, 1992
Dallas, Texas



ARGENTINA GENERAL FIGURES

AREA

Surface: 2,766,900 km² (1,077,919 Sq²)

POPULATION

Total: 32,565,000

Buenos Aires Capital: 3,000,000

Greater Buenos Aires: 11,800,000

Radius 600 km.: 23,000,000

Urban population: 84 %

DEMOGRAPHIC INDICATORS

Annual rate of population growth (1983-88) 1.5 %

Density (1987) 11.6 per sq. km.

Birth rate 23.6 per 1,000

Death rate 8.9 per 1,000

Infant mortality 34.4 per 1,000 live births

SOCIAL INDICATORS

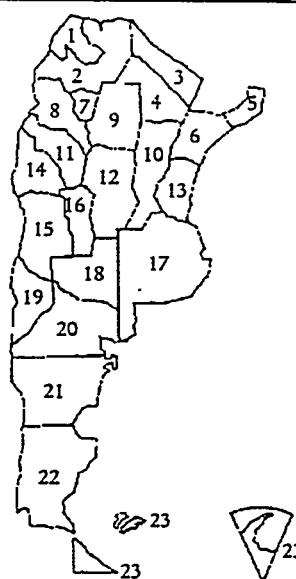
Population per physician 500

Population per hospital bed 200

Access to electricity 87.0 % of population

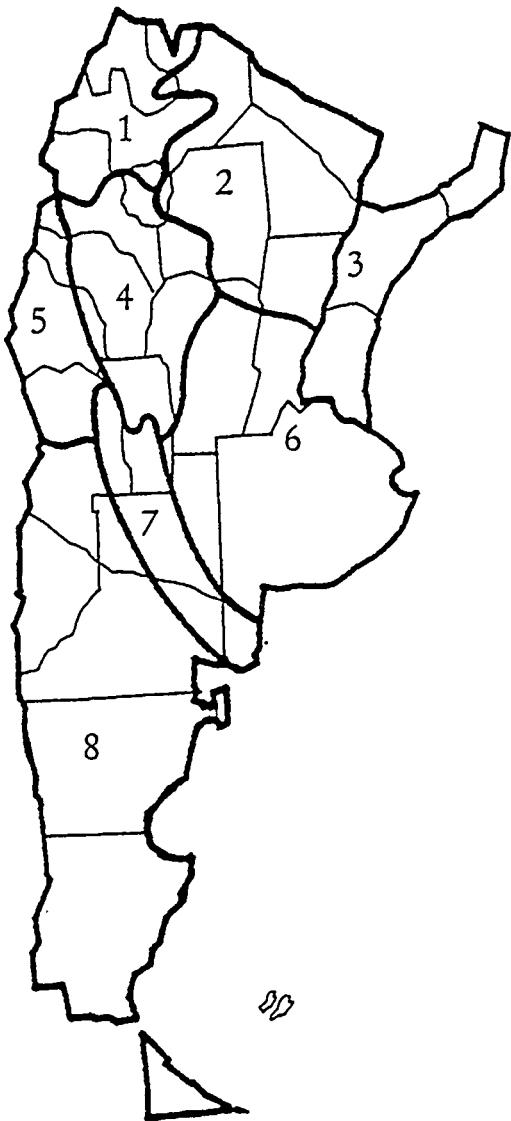
ARGENTINA'S PROVINCES AND CAPITALS (POPULATION IN THOUSANDS)

| | | |
|----|---|---------|
| 1 | JUJUY - San Salvador de Jujuy | 410.0 |
| 2 | SALTA - Salta | 662.9 |
| 3 | FORMOSA - Formosa | 295.9 |
| 4 | CHACO - Resistencia | 701.4 |
| 5 | MISIONES - Posadas | 589.0 |
| 6 | CORRIENTES - Corrientes | 661.5 |
| 7 | TUCUMAN - San Miguel de Tucumán | 972.7 |
| 8 | CATAMARCA - S. F. del V. de Catamarca | 207.7 |
| 9 | SANTIAGO DEL ESTERO - Santiago del Estero | 594.9 |
| 10 | SANTA FE - Santa Fe | 2,465.5 |
| 11 | LA RIOJA - La Rioja | 164.2 |
| 12 | CORDOBA - Córdoba | 2,407.8 |



| | | |
|----|--------------------------------|----------|
| 13 | ENTRE RIOS - Paraná | 908.3 |
| 14 | SAN JUAN - San Juan | 446.0 |
| 15 | MENDOZA - Mendoza | 1,196.2 |
| 16 | SAN LUIS - San Luis | 214.4 |
| 17 | BUENOS AIRES - La Plata | 10,865.4 |
| * | BUENOS AIRES - Capital Federal | 2,922.8 |
| 18 | LA PAMPA - Sta. Rosa | 208.3 |
| 19 | NEUQUEN - Neuquén | 243.9 |
| 20 | RIO NEGRO - Viedma | 383.4 |
| 21 | CHUBUT - Rawson | 263.1 |
| 22 | SANTA CRUZ - Río Gallegos | 114.9 |
| 23 | T. del FUEGO - Ushuaia | 27.4 |

ARGENTINA - AGRICULTURAL FIGURES



GEOGRAPHICAL REGIONS

1 NOROESTE

2 CHAQUEÑA

3 MESOPOTAMICA

4 SIERRAS PAMPEANAS

5 CUYO

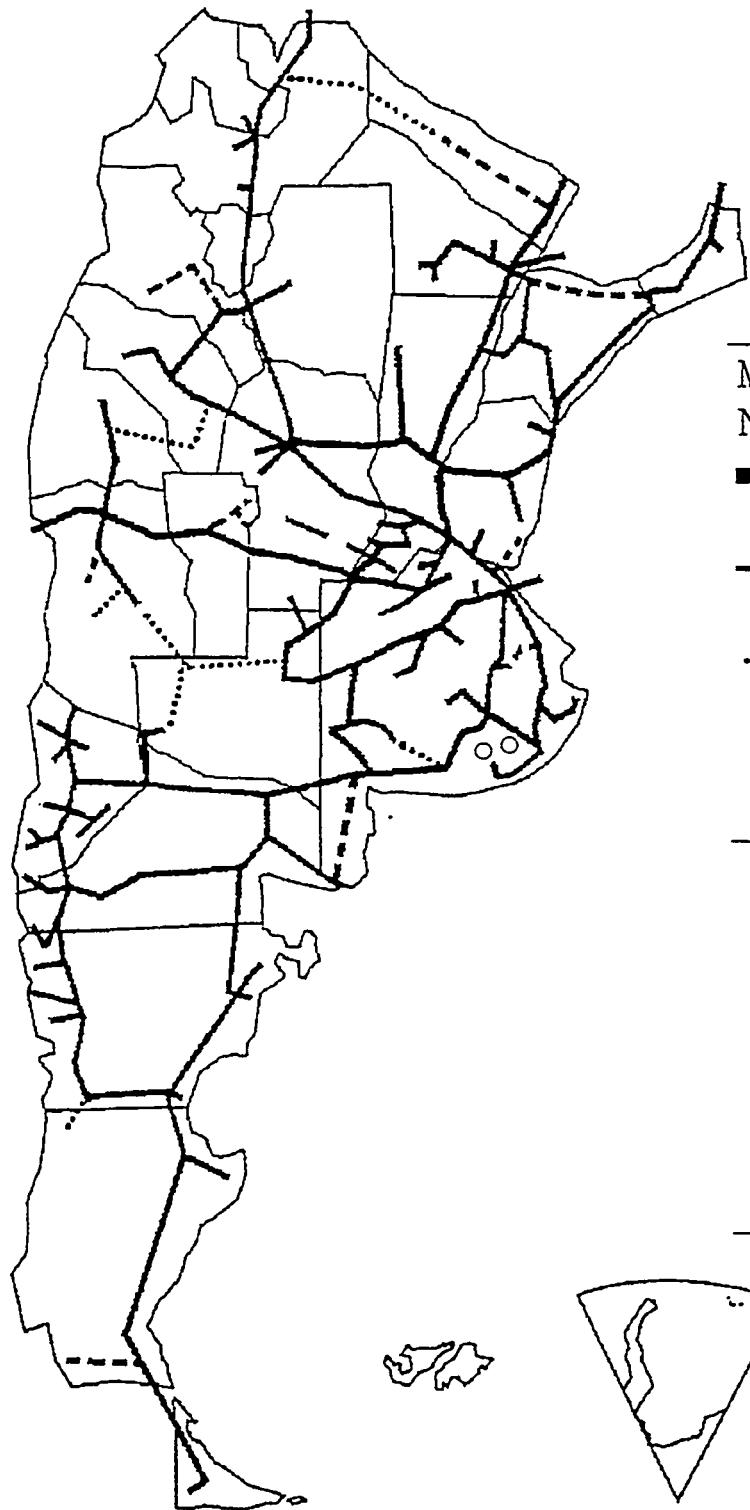
6 PAMPEANA

7 PAMPA OCCIDENTAL

8 PATAGONIA E ISLAS
MALVINAS

| LIVESTOCK (in million of heads) | CATTLE | SHEEP | PIGS |
|---|-------------------|-------|-----------|
| | 49 | 29 | . 3.95 |
| WOODLANDS AND NATURAL FOREST | 156,414,300 acres | | |
| AGRICULTURAL PRODUCTION (in millions of tons) | WHEAT | CORN | SOY BEANS |
| | 9.2 | 7.6 | 2.8 |

COMMUNICATIONS



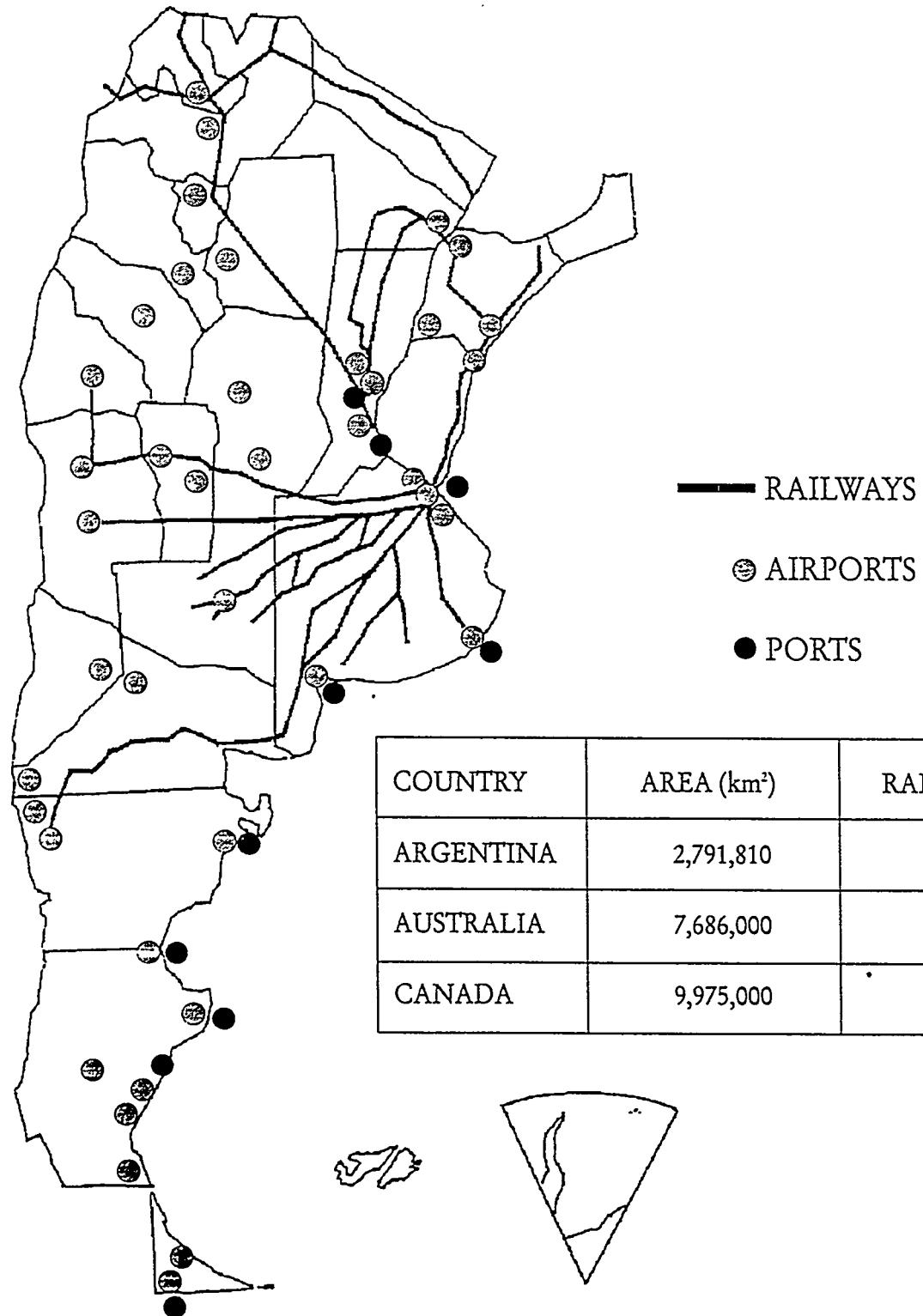
| | |
|-----------------------|------------|
| Telephones: | 3,000,000 |
| T.V. Sets: | 10,100,000 |
| Radio Receivers: | 9,600,000 |
| Newspapers: | 321 |
| T.V. Cable Companies: | 1,200 |

ROADS - A Comparison Among Argentina, Australia and Canada

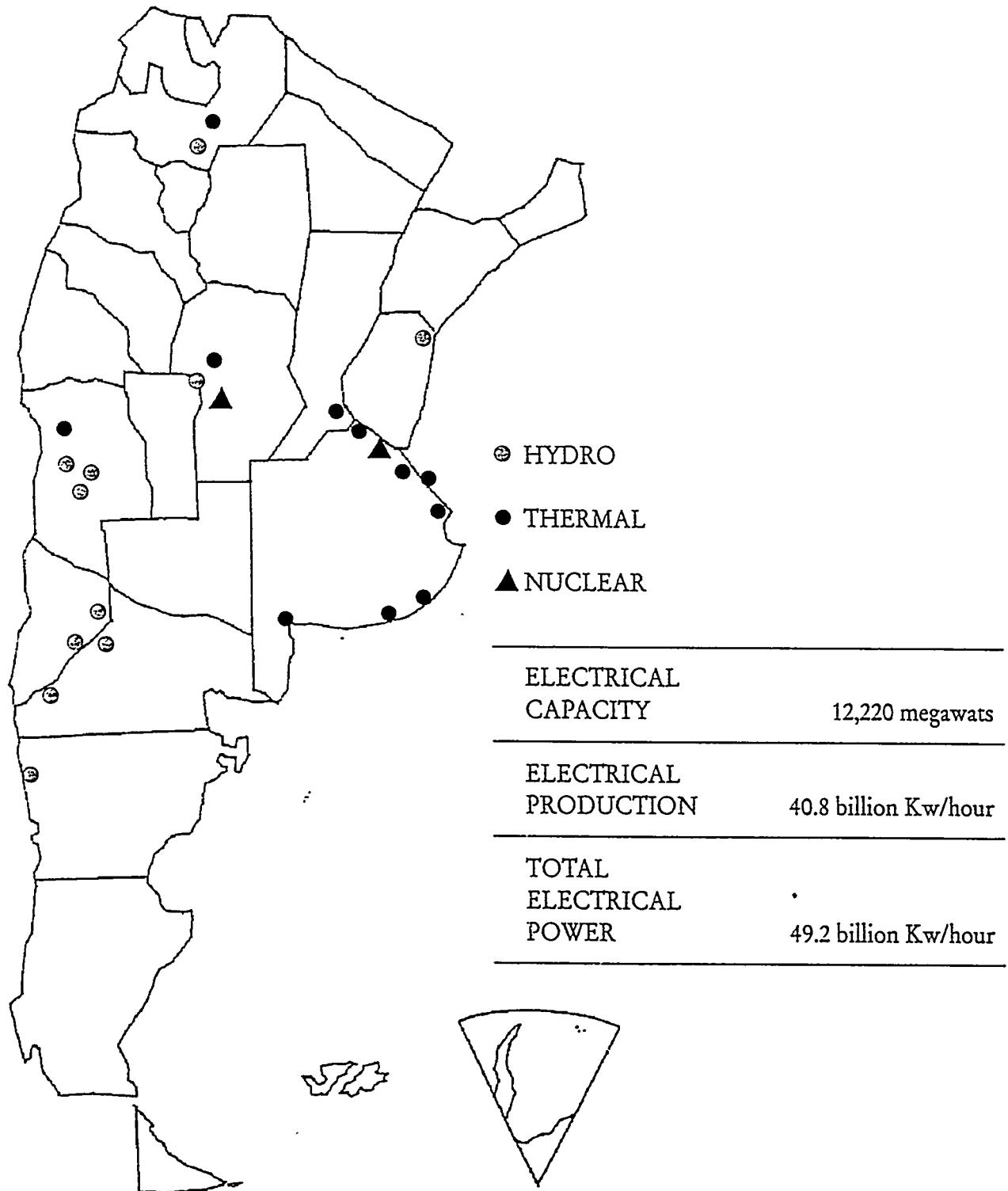


| COUNTRY | AREA (km ²) | VEHICLES | ROADS (km) (* PAVED) |
|-----------|-------------------------|------------|-------------------------|
| ARGENTINA | 2,791,810 | 6,000,000 | 212,000 *67,000 |
| AUSTRALIA | 7,686,000 | 6,842,000 | 837,000 *243,750 |
| CANADA | 9,975,000 | 11,500,000 | 884,272 *250,000 |

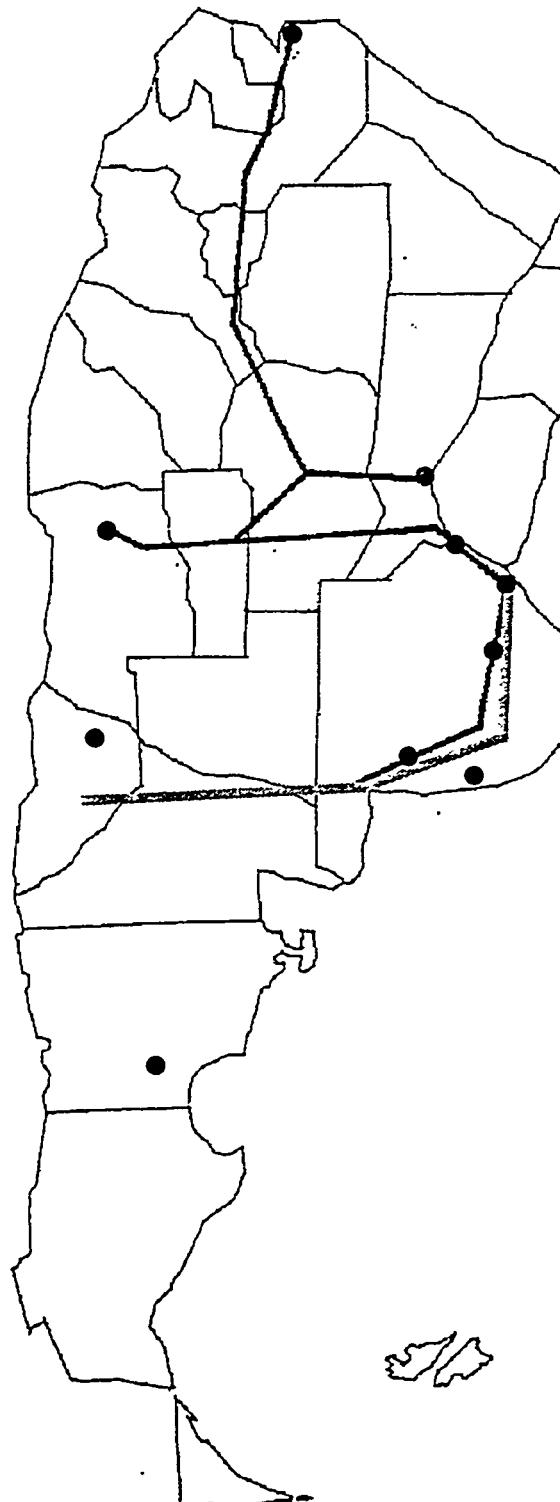
RAILWAYS, PORTS AND AIRPORTS



MAIN POWER STATIONS



REFINERIES, PIPELINES AND PRODUCT LINES



● REFINERIES
Capacity: 35 million ton.

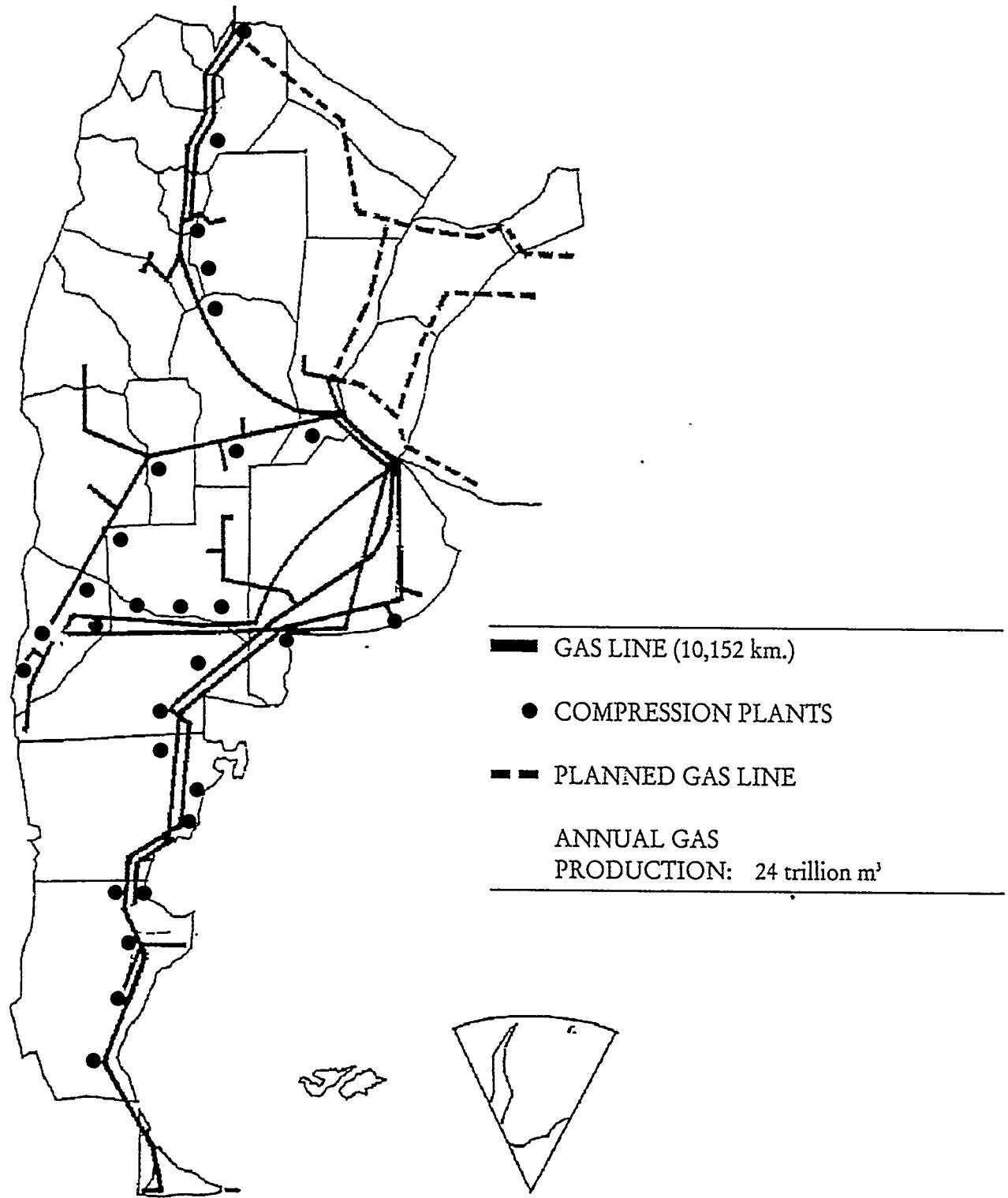
— PIPELINES (2,062 km)

— PRODUCT LINES (3,035 km)

ANNUAL PRODUCTION (in m³)

| | |
|------------|------------|
| CRUDE OIL | 28,000,000 |
| GASOLINE | 6,500,000 |
| DIESEL OIL | 600,000 |
| FUEL OIL | 4,700,000 |
| GAS OIL | 9,000,000 |

GAS LINE COMPRESSION PLANTS

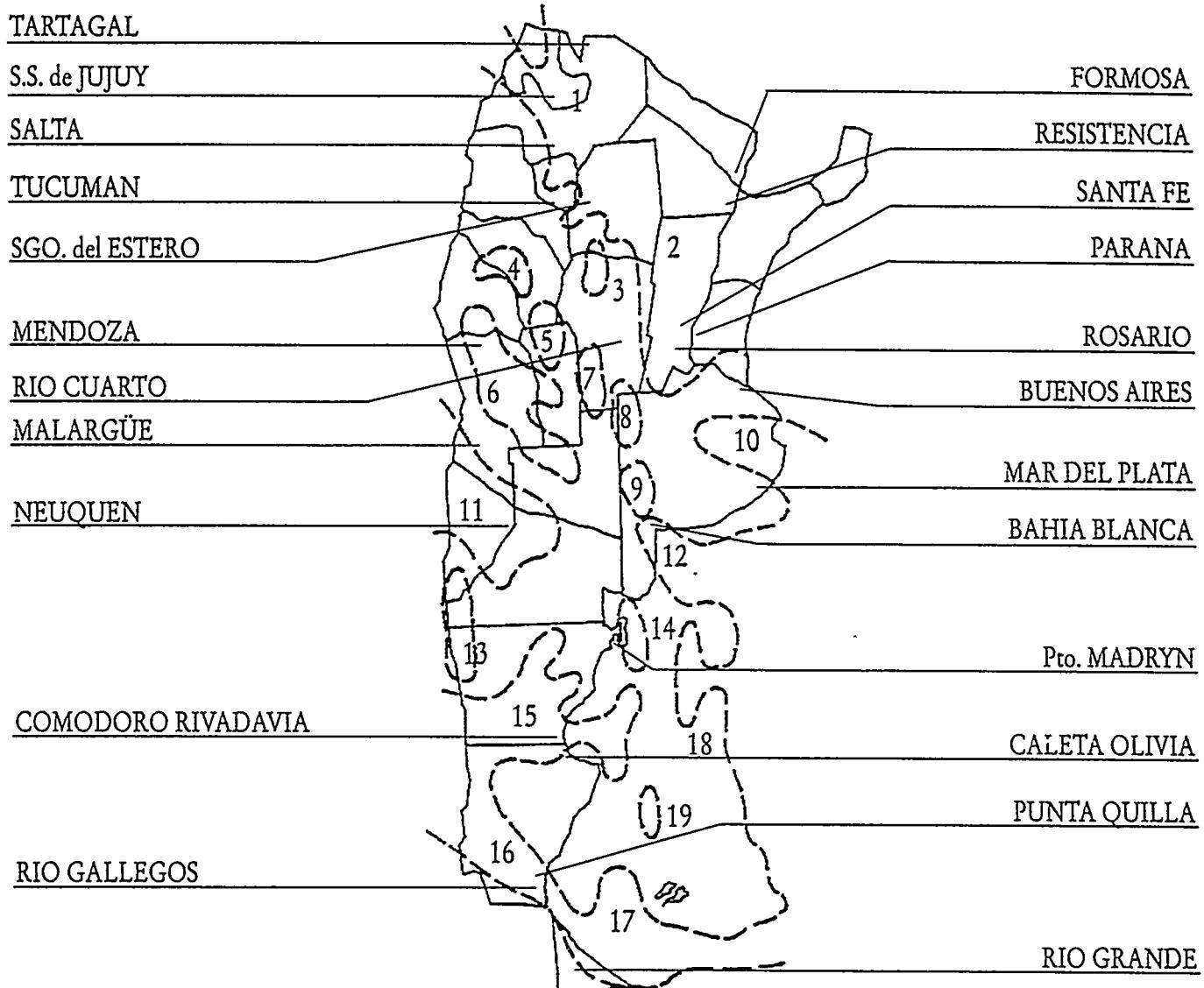


INVESTMENT IN THE HYDROCARBON SECTOR IN ARGENTINA

MULTINATIONAL CORPORATIONS

| | |
|--------------------------|-----------------------------|
| AGIP | NETHERFIELD |
| AMOCO ANDINA PRODUCTION | NOMECO |
| ANDERMAS SMITH | OCCIDENTAL EXPLORATIONS |
| APCO | OCCIDENTAL DEVELOPMENT |
| ARGENTINA HUNT OIL | PECTEN |
| AUSPETROL | PETROBRAS |
| AUSTRALIAN OIL | PHILIPS PETROLEUM |
| BHP PETROLEUM | REPSOL |
| BLIGH OIL AND MINERALS | SANTA FE ENERGY |
| CHEVRON INTERNATIONAL | SANTA FE SOUTHERN PACIFIC |
| DEMINEX | SHELL |
| ESSO | SUPETROL |
| EUROCAN VENTURES | SUN OIL |
| GLOBAL NATURAL RESOURCES | TEXACO |
| MARATHON PETROLEUM | TOTAL AUSTRAL |
| MOBIL OIL | TREND |
| NEIN-NORGEN EXPLORER | UNION PACIFIC INTERNATIONAL |
| NORGEN INTERNATIONAL | |

SEDIMENTARY BASINS IN MAJOR CITIES



SEDIMENTARY BASINS

| | |
|----|------------------|
| 1 | NOROESTE |
| 2 | CHACO PARANAENSE |
| 3 | LAS SALINAS |
| 4 | ISCHIGUALASTO |
| 5 | SAN LUIS |
| 6 | CUYANA |
| 7 | MERCEDES |
| 8 | LEVALLE |
| 9 | MACACHIN |
| 10 | DEL SALADO |

| | |
|----|------------------|
| 11 | NEUQUINA |
| 12 | DEL COLORADO |
| 13 | ÑIRIHUAU |
| 14 | PENINSULA VALDES |
| 15 | GOLFO SAN JORGE |
| 16 | AUSTRAL |
| 17 | MARINA AUSTRAL |
| 18 | RAWSON |
| 19 | SAN JULIAN |
| | |

PRIVATIZATIONS

1990 / 1991

| Company | Cash receipts (in millions of dollars) | Cancellation of Foreign Debt (in billions of dollars) | Employees Transferred | |
|--|---|--|------------------------|---------------|
| Entel | 594 | 5.03 | Telefónica-Telecom | 45,000 |
| Aerolíneas | 260 | 2.01 | Iberia et al | 10,000 |
| Main Oil Areas | 601 | --- | Arg. and Foreign Comp. | 3,000 |
| Other Oil Areas | 398 | --- | Arg. and Foreign Comp. | --- |
| Railroad Lines (Rosario - Bahía Blanca) | 155 | --- | Techint-Iowa | 1,500 |
| Radio and TV | 16 | --- | Arg. Companies | 1,880 |
| TOTALS | 2,024 | 7.04 | | 61,380 |

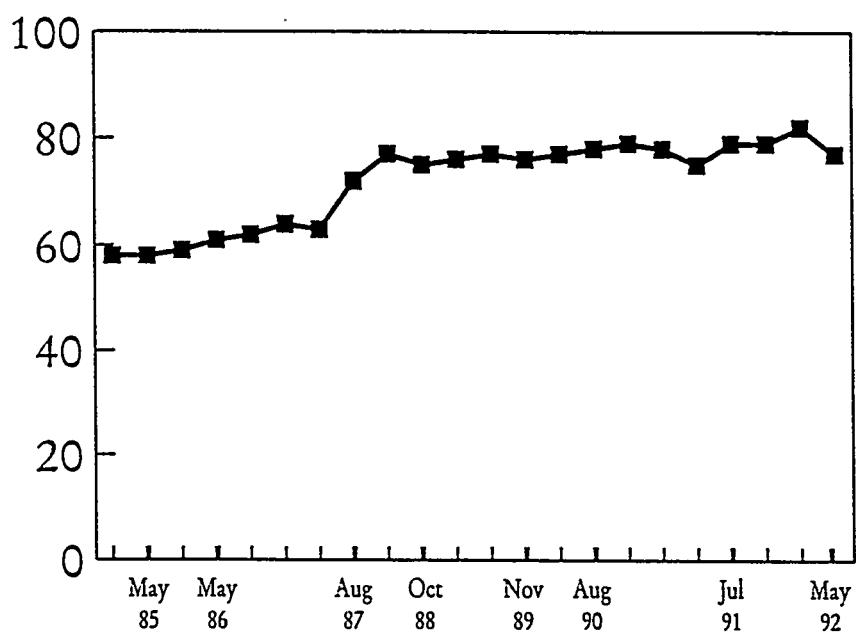
1992

| (In millions of dollars) | |
|-------------------------------------|--------------|
| YPF (Hydrocarbons) | 1,030 |
| Austral Basin | 341 |
| Noroeste Basin | 200 |
| Campo Duran | 250 |
| Others | 239 |
| GAS DEL ESTADO (Gas Company) | 900 |
| Transportation | 600 |
| Distribution | 300 |
| SEGBA (Electrical Company) | 294 |
| Puerto Nuevo | 94 |
| Costanera | 100 |
| Others | 100 |
| AGUA Y ENERGIA (Electrical Company) | 300 |
| Power Stations | 300 |
| HIDRONOR (Electrical Company) | 400 |
| Generation | 400 |
| ELMA (Shipping Company) | 160 |
| Sea Transportation Co. | 150 |
| Private Hospital | 10 |
| ENTEL (Telephones) | 893 |
| Telecom Shares | 893 |
| TOTAL | 3,977 |

(Source: CARTA ECONOMICA)

ARGENTINE PUBLIC OPINION

SUPPORT FOR PRIVATIZATION



The number of Argentines in support of privatization has grown from May 1985 to the present. Although there have been downturns, the tendency is firm and constant, and has risen from 55% six years ago to 78% at the present time.

| CAPITAL FLOW INTO LATIN AMERICA | | | |
|---------------------------------|----------------|-----------------|-----------------|
| (in millions of dollars) | | | |
| COUNTRY | 1989 | 1990 | 1991 |
| ARGENTINA | 1,400.5 | 521.5 | 510.0 |
| BRASIL | 150.0 | 406.3 | 11,626.0 |
| CHILE | 1,149.9 | 2045.4 | 1669.0 |
| MEXICO | 702.3 | 8395.2 | 16,072.8 |
| VENEZUELA | 1,020.2 | 1842.6 | 4,797.0 |
| OTHERS | 577.2 | 175.0 | 829.0 |
| TOTAL | 5,000.4 | 13,386.0 | 40,093.8 |
| Increase year/year | | 167.7% | 199.5% |

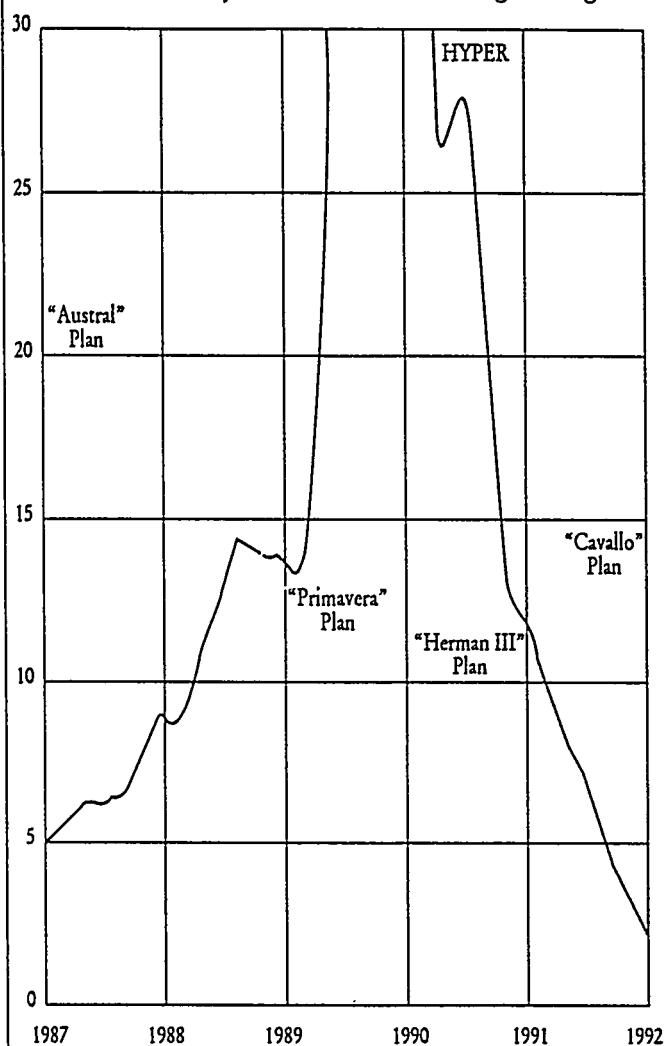
Source: Salomon Brothers

| 1991 LATIN AMERICAN STOCK EXCHANGES | |
|-------------------------------------|---|
| COUNTRY | Average Daily Transaction (in millions of dollars) |
| ARGENTINA | 40 |
| BRASIL | 120 |
| MEXICO | 101 |
| CHILE | 40 |
| PERU | 6 |
| URUGUAY | 1.5 |
| VENEZUELA | 10 |

Source: El Cronista Comercial

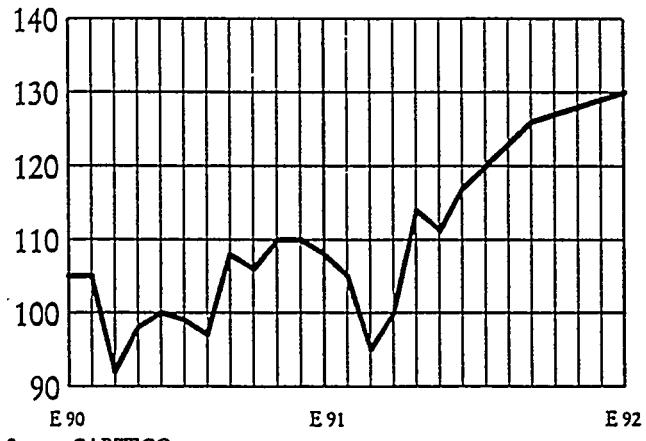
INFLATION RATE 1987 - MARCH 1992

CPI, Monthly % of annual moving average



Source: CARTECO

INDUSTRIAL PRODUCTION (1970=100) General Index



Source: CARTECO

GROSS DOMESTIC PRODUCT (\$ billion)

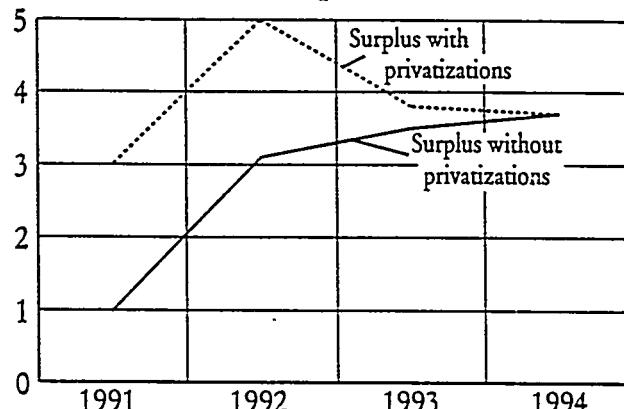
| 1987 | 1988 | 1989 | 1990 | *1991 | **1992 |
|------|------|------|-------|-------|--------|
| 79.3 | 86.9 | 65.8 | 102.6 | 128 | 152 |

* Estimated

** According to guidelines of agreement with IMF

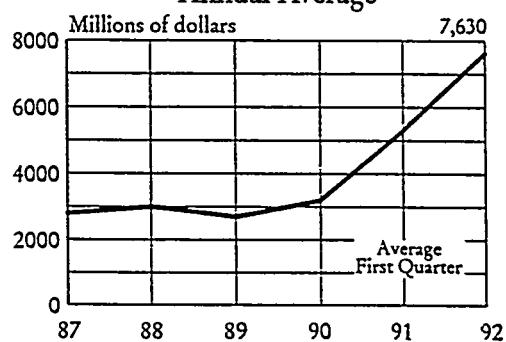
Source: CITIBANK

FISCAL PERFORMANCE PROJECTION Consolidated public sector (in billion of pesos=dollars)



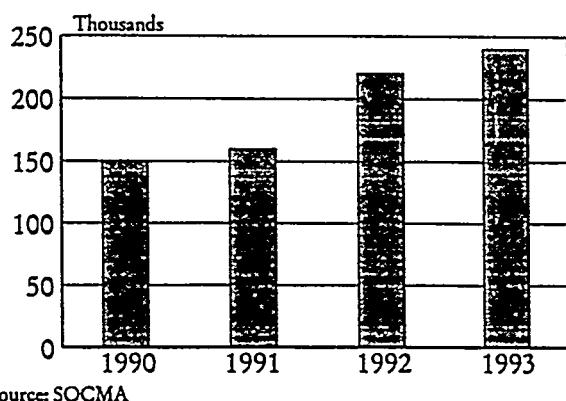
Source: Ministry of Economy

INTERNATIONAL RESERVES Annual Average



Source: BCRA

DOMESTIC AUTOMOBILE MANUFACTURE



Source: SOCMA