



Newsletter

AACC

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Dear Members,

We would like to express our profound sympathy and deepest condolences to the families and friends of the victims of the events of September 11th.

Our heartfelt thoughts and prayers are with those who have suffered the devastating loss of a loved one.

We admire the hundreds of police officers, firefighters, physicians, nurses, emergency medical technicians, military, rescue workers and individuals who put the safety of others before their own.

This terrorist assault on the United States will certainly be characterized as one of the most tragic events in American history. It is an attack against humanity.

It will take time for all of us to come to terms with these tragic events.

America and the world are facing difficult choices, but with determination we will be able to resolve them.

Best regards,
Carlos E. Alfaro
Chairman



Carlos E. Alfaro is Partner at Alfaro-Abogados Law Firm. He is also the Chairman at the AACC.

Editor's Note

Difficult times force us to deal with the reality of who we are. Through this process, we learn to accept what cannot be changed, and gain the strength to change what should be changed. As we are seeing in Argentina, both processes are extremely painful, but if we learn the right lessons and take the right actions, crisis and adversity become the catalysts for change and evolution.

As a positive consequence of these difficult times, we have seen a surprising rise in the participation of Argentines and non-Argentines who want to contribute in different ways, to increase the ties between the United States and Argentina. As explained in detail in this Newsletter, different initiatives have resulted in a) the creation of a co-operation agreement with Universidad Torcuato Di Tella (a top Argentine University),

b) the formation of a new internship program allowing top Argentine students to work in American or Multinational corporations in the United States, c) participation in Seminars and d) knowledge transfer from top members of the financial and business community who prepared articles for our Newsletter where they provide their views on markets, sectors or other business-related subjects.

We hope that this Newsletter can become a forum to encourage and disseminate more initiatives like those mentioned above. We believe that through concrete actions like these, we can create innovative ways to access the talented and influential network from the Chamber in order to share knowledge and experiences that will benefit our country and us all.



Carlos Rohm is Director and member of our Section of Finance at the AACC. He works at JPMorgan Partners

UNIVERSIDAD TORCUATO DI TELLA

We are pleased to announce that we have signed another cooperation agreement with Universidad Torcuato Di Tella ("UTDT"), one of the top Universities in Argentina.

The agreement involves potential participations of our members in University conferences, workshops and events, internship programs, PYMEs matchmaking opportunities, and exchange of reports, field studies and economic information among other initiatives.

Universidad Torcuato Di Tella is a private non-profit organization founded in 1991 by the Di Tella Foundation and the Instituto Torcuato Di Tella, with support from the international philanthropic community.

The University is organized in schools, centers, and departments, with graduate and undergraduate programs in humanities and social sciences. It offers also Ph.D. degrees in Economics and History.



New Internship Programs sponsored by AACC

Dear Members,

I am very pleased to announce that we have recently launched two new Internship Programs sponsored by the Argentine-American Chamber of Commerce - AACC.

As you know, we are constantly promoting and encouraging new projects. We want to maximize the effectiveness of our efforts to expand the scope and range of activities and services for our members. In light of this, we have developed the **University Students Externship Program** and **Master Graduate Internship Program**.

The **University Students Externship Program** the Chamber will allow some of the most relevant argentine students, from the most prestigious Universities, to do an Internship in American, Argentine or Multinational companies in the U.S. By doing this, we will give to our members the possibility of having for ten weeks young talented people from Argentina, in the last year of their studies, committed to take an active role in their companies. This program includes a special course in Politics and Economy at Columbia University.

The **Master Graduate Internship Program** involves the best MBA graduates of IAE, Business School of the Universidad Austral (ranked in 24 position Worldwide). The

Program allow the Master Graduates to be included in the recruiting process of American, Argentine or Multinational companies in the U.S. and become part of their Internship Programs. Our members will have access to recruit the best bilingual graduates in Argentina for their companies.

We think that the programs give us the chance to further develop ties between both the US and Argentine economies while giving our young people an invaluable work experience in the United States.

We have contacted some companies from which we received and outstanding feedback and might contact you in the near future.

We welcome the opportunity to work with our members on these two new interesting programs.

Meanwhile please do not hesitate to contact me directly at (212) 698-2238 for any further information.

Sincerely,
Claudia Schaefer-Farré
Executive Director



Claudia Schaefer-Farré is our Executive Director at the AACC. She is actively promoting existing programs and activities and developing new events.



Economic Outlook

By Alberto Ades – Courtesy of Goldman, Sachs & Co. - September 21, 2001

Alberto Ades is responsible for Latin American Economic Research and Economist at Goldman Sachs & Co. He is also a Director at the AACC.

Preliminary Assessment of September 11 Tragedy

The tragic events of September 11 will likely worsen the outlook for the US and other major economies. At this stage, is difficult to be precise by how much. However, given the still relatively weak cyclical position of most emerging economies and the unresolved financial crises in Argentina and Turkey, we believe that the economic outlook for the emerging economies over the coming one or two quarters is likely to be worse. The uncertainties raised by the events of September 11 are still very significant. For that reason, any assessment of economic consequences must be viewed as extremely tentative. In fact, over the coming weeks, it is quite likely that we will be revising our economic and financial forecasts throughout the world.

Multiple Channels of Transmission

The events of September 11 can be expected to affect the performance of asset prices through several channels. First, economic activity in OECD countries will likely slow down in the next two quarters, placing downward pressure on import demand from the emerging economies. Second, central banks would respond to this likely slowdown by easing liquidity. Assuming risk appetite remains stable (barring likely jolts in coming days) some of that liquidity will end up chasing emerging assets. Finally, commodity prices may get affected, both by changes in the level and composition of economic activity around the world.

The Economic Activity Channel

In the United States, a near-term hit to activity stemming from the sectors directly affected (air transport, hotels, and financial services) is almost certain. Although the tragedy has happened near the end of the third quarter, it might be enough to leave GDP growth in the quarter at close to zero. The risk of similarly weak, or perhaps even negative, GDP growth in 4Q2001 and 1Q2002 is also material. This compares to our previous projections of 1.0%

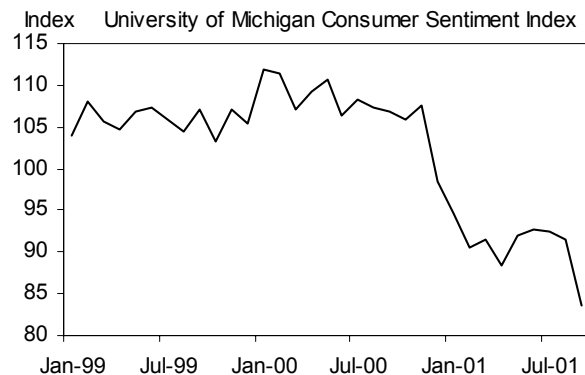
GDP growth history and projections so far

% yoy	Q1-01	Q2-01	Q3-01 F	Q4-01 F	Q1-02 F
United States	2.5	1.2	1.1	1.2	1.5
Euroland	2.4	1.7	1.6	1.7	1.7
Japan	0.3	-0.9	-0.6	-1.1	-0.9

Source: Goldman Sachs

The events of September 11 can be expected to affect emerging markets through their impact on global activity, G-3 interest rates, capital flows, and commodity prices.

Consumer Sentiment Drops Further



Source: Bloomberg



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Economic Outlook (cont')

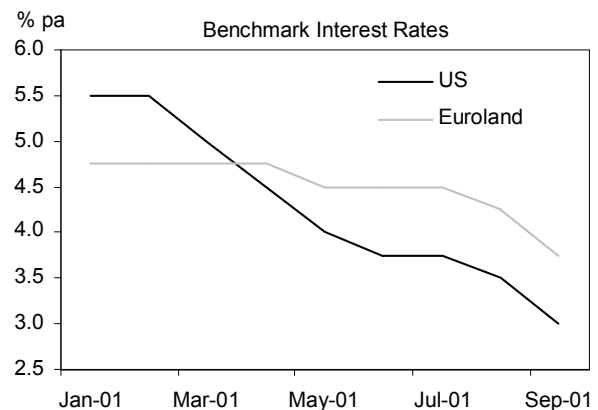
By Alberto Ades – Courtesy of Goldman, Sachs & Co.

annualized growth in 3Q2001 and around 2.5% in the following two quarters. The depth and duration of the setback hinges on the behavior of consumer and business confidence. In this respect, the starting point is not particularly encouraging. The University of Michigan preliminary consumer confidence survey signaled a further down-leg in consumer attitudes in early September, possibly amplified by the stock market woes and rising unemployment.

There are also, however, elements for cautious optimism. First, as we discuss below, the deflationary nature of the shock will prompt additional monetary and fiscal easing. The 50bp easing by the Fed on Monday, September 17 should be seen as the first step on successive easing that could possibly bring the Fed funds below 2.75% or 2.50% by year-end. On the fiscal side, Congress last week swiftly approved the administration's request of \$40 billion to fund rescue and reconstruction activities. Furthermore, the emergency nature of the situation has opened the way to more stimuli in the form of additional appropriations and/or tax cuts. Second, the reconstruction of damaged property will boost economic activity once it gets underway in earnest. Based on these considerations, our New York colleagues reckon that the likelihood of a "V-shaped" recovery from the second quarter of next year has if anything increased.

In Euroland, national accounts data published last week confirmed that growth came to a virtual standstill in the second quarter of 2001. Consumer spending held up well, as in the first quarter, but capital expenditure and exports both contracted. Prior to last Tuesday's events, our European economists believed that domestic demand would have bounced back from this low point, and were looking for annualized GDP growth of 1.6% in 3Q2001 and in the area of 2.5% in both 4Q2001 and 1Q2002. Given the possible downgrades to the US forecasts alluded to above, European growth could

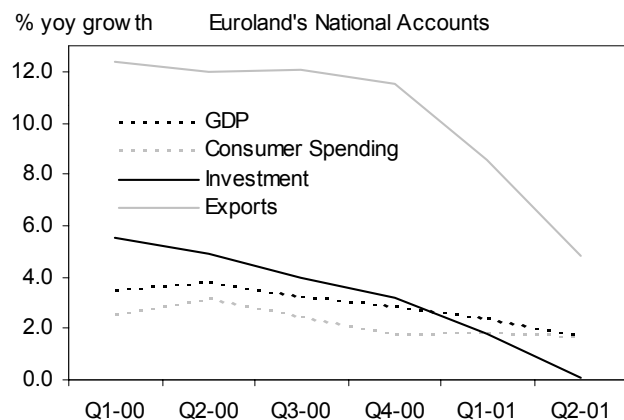
Fed and ECB on easing mode



Source: Federal Reserve, ECB

The recent easing by major central banks will likely be followed by others, and supplemented with fiscal stimulus, especially in the United States.

Investment and Export Slowdown Lower GDP Growth Rate



Source: Goldman Sachs



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Economic Outlook (cont')

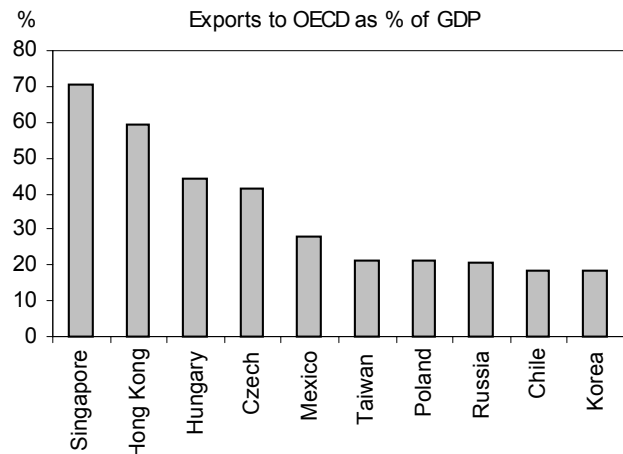
By Alberto Ades – Courtesy of Goldman, Sachs & Co.

be closer to the 1% annualized mark going into year-end. The direct trade impact should be small, and most of the fallout would come from the confidence channel. However, a return to more normal growth rates from the spring still seems likely.

The ECB also cut its repo rate by 50bp to 3.75% on Monday, September 17. The accompanying statement makes plain that this was a deliberate coordinated move with the Fed in recognition of the greater downside risks to economic activity implied by recent events. The market is discounting another 25bp rate cut by the end of the year and a further easing of 25bp in the first quarter of next year. Finally, in Japan the economy is already so troubled that any extra downside from last week's events in the United States may be hard to discern. As is the case for Europe, the direct adverse impact from trade should be contained. Hence, the main channel through which Japan may be affected is consumer confidence. A sharp appreciation of the Yen and/or a slide in the equity market would neutralize the impact of expansionary fiscal and monetary policies. The unsterilized intervention in USD/JPY conducted by the BoJ overnight underscores the authorities' concerns in this respect. The easing by the BOJ on Tuesday, September 18 was more modest than the market had anticipated and it will have virtually no impact on the real economy.

Overall, we are now expecting that real GDP growth in the developed economies (OECD) could be close to zero in 3Q2001 and, subject to much uncertainty, may be negative in 4Q2001. These numbers are weaker than we previously expected, implying that the trough in the global downturn may have been delayed from the middle to the end of 2001. Other things being equal, weaker economic activity will hurt import demand. Countries with large exposure to developed markets (especially Mexico, Colombia, Chile, and the Asian economies) are the most vulnerable. The table on the right shows the 10 largest exporters to the OECD as a percent of GDP.

Major Emerging Economies in Asia and Central Europe Largely Exposed to Slowdown in OECD



Source: Goldman Sachs

Real GDP growth in the OECD could be close to zero in 3Q2001 and may be negative in 4Q2001.

Economic Outlook (cont')

By Alberto Ades – Courtesy of Goldman, Sachs & Co.

**Strong Monetary Response
Likely from G3 Central Banks**

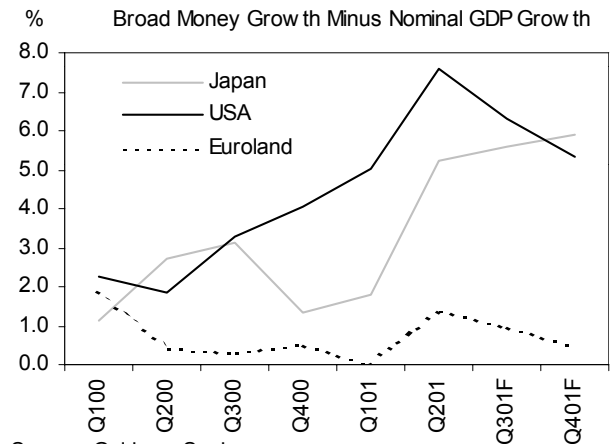
So far, the major central banks' response has concentrated on providing abundant temporary liquidity injections to ensure a proper functioning of financial markets. The Fed and the ECB quickly followed last Monday with what looks as the beginning of a front-loaded easing of interest rate policy. We see the Federal Reserve cutting its target by another 50bp over the coming weeks, while the ECB is likely to cut 25bp before the end of the year and 25bp more in the first quarter of 2002. Cuts of this amount are now more than priced into the front-end of the US curve and are broadly discounted elsewhere.

The easing of monetary conditions will contribute to ongoing substantial rise in global liquidity conditions. As the chart on the right shows, the growth of broad monetary aggregates is far outstripping that of nominal GDP, both in the United States and Japan. Such a situation is likely to persist in the coming two quarters. As in the past two quarters, we expect only a limited portion of that liquidity to flow into the lower-rated credits. As long as risk-aversion remains high (or rises on the back of recent events), most of that liquidity will likely be channeled to the relatively better quality credits in Asia or EMEA.

A Mixed Outlook for Commodity Prices

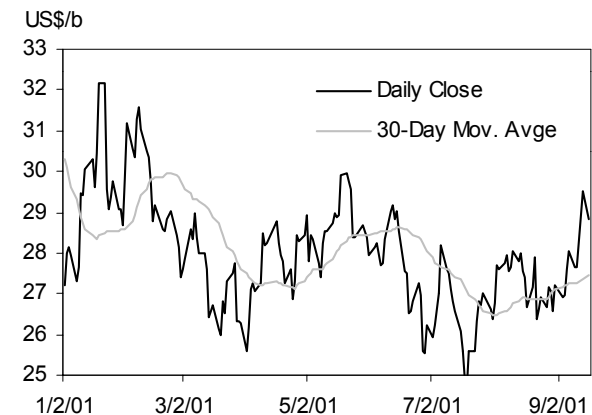
As events unfold, the immediate focus for the oil market will be supply security, but this needs to be balanced against an even weaker demand outlook. In the near term, concerns about political tensions and the potential for military action will likely drive price rallies. Such concerns are likely to rise and fall with headlines and rumors. While these concerns could cause temporary dramatic price spikes, supply concerns are only likely to have a lasting affect if key supply regions are embroiled in military action.

Japan and the United States have aggressively eased monetary conditions in 2001



Source: Goldman Sachs

Oil Prices Trend Up



Source: Goldman Sachs



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Economic Outlook (cont')

By Alberto Ades – Courtesy of Goldman, Sachs & Co.

These supply concerns, however, need to be balanced against the likely potential for further demand deterioration in a market already laboring under the largest demand decline since the 1980-82 recession. By our calculations, pre-attack the global economic slowdown had already caused demand to drop by nearly 3.0 million b/d since the beginning of the year. Recent events will almost certainly damage consumer confidence and retail sales further, putting additional downward pressure on a global economy already near recession.

If there are no supply disruptions, we would expect severe downward pressure on prices once concerns about supply are resolved. In contrast, the tightness in inventories, suggests that if there are supply disruptions, the immediate consequences could be very dramatic, as there is very little inventory beyond those available from the Strategic Petroleum Reserve (SPR) to buffer shocks. In the current context, however, the SPR would likely come in to play very quickly.

Regarding metals, because of the increased probability of a delayed recovery in the industrial economy, metal usage is likely to continue to be weaker for longer, as supply continues to be uninterrupted. This makes more likely that the realized path for prices in the coming months will be similar to that which has been historically associated with full recession.

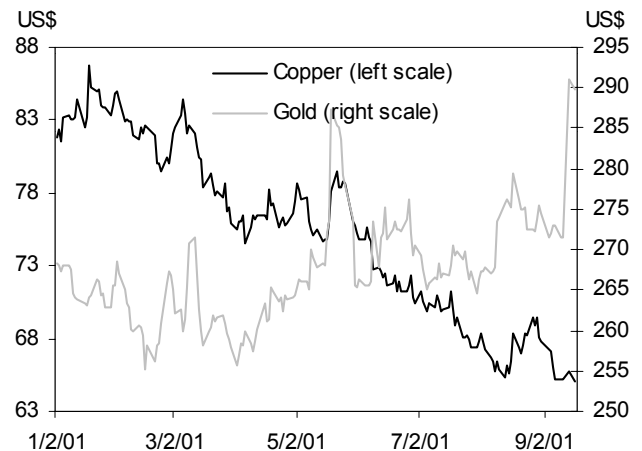
Summing Up

Given the uncertainties that are still involved, the variety of the channels through which the September 11 events may affect the emerging markets, and the varying initial conditions, assessing the impact on assets is not a trivial exercise. We summarize below our current views, but warn that these views may change substantially in coming weeks depending on how events play out, especially in the United States.

Broadly speaking, we expect the negative impact on economic activity over the next two quarters to place

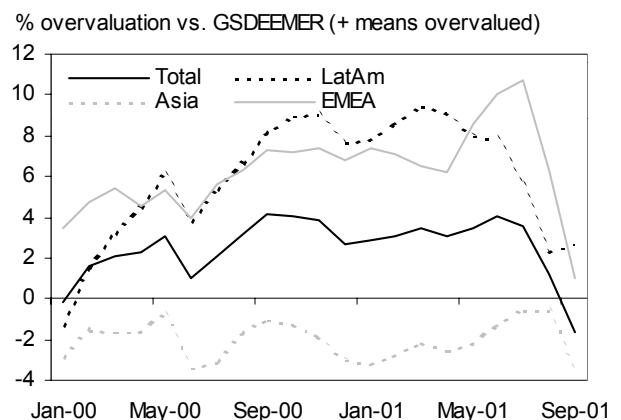
The immediate focus for the oil market will be supply security, but this will be balanced against an even weaker demand outlook.

Gold Price Rallies While Copper Remains on Downward Pace



Source: Goldman Sachs

Emerging Markets Currencies Moved Sharply



Source: Goldman Sachs

Economic Outlook (cont')

By Alberto Ades – Courtesy of Goldman, Sachs & Co.

some additional downward pressure on currencies belonging to countries with relatively stronger trade links with the United States. In Latin America, the Mexican and Chilean pesos will likely remain under pressure. So should be the case of the Brazilian Real, due to large external borrowing requirements. As long as the Real remains under pressure, interest rates in Argentina will remain high and volatile, though some relief could come from a potential weakening of the USD, much anticipated by our G7 currency strategists.

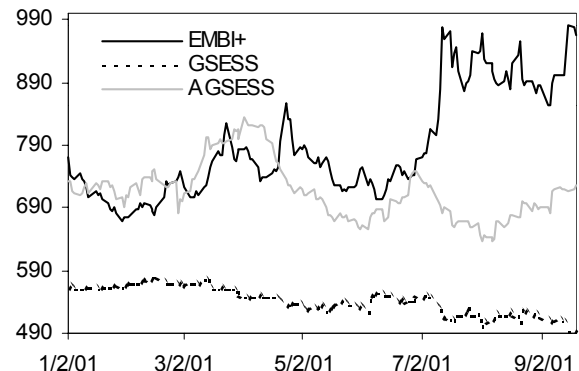
Weaker US activity should also prevent Asian currencies from recovering towards fair value. We would be particularly cautious towards Korea, Singapore, and Thailand. Finally, and as long as US activity remains weak, spillovers to Euroland and to Central and Eastern Europe will maintain the CE3 currencies under pressure. The Polish zloty will likely depreciate more than the rest.

Our hard currency models suggest that, prior to the September 11 attack, external debt was cheap relative to both fundamentals (ability to service debt) and competing assets (high yield, US equities, commodities). However, this applies only to below-investment-grade credits. Up until now, concerns about Argentina and Turkey prevented spreads from converging to fair value. Such a situation is likely to persist in coming months if risk appetite remains depressed. But once appetite stabilizes, the increased liquidity and the V-shaped recovery, which has now become more likely, will probably push spreads substantially down in the high yielders.

Emerging Markets

Bonds are Cheap According to Our Models

Spreads, Bp



Source: Goldman Sachs

Note: GSESS and AGSESS are EMBI+ adjusted



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M&A Market in Argentina in 2001

By Tyron Alain Norris and Facundo Vazquez

The mergers and acquisitions market in Argentina is currently undergoing a transitional period that is expected to last until the latter part of next year. The lack of foreign investment by European and U.S. companies has significantly reduced investment banking and M&A activity in the first half of 2001. Argentina ranked #3 in Latin America (behind Mexico and Brazil) with 97 announced transactions, representing a total of \$5.2 billion. The number of transactions decreased by more than 25%, while dollar volume decreased by more than 50%, compared to the same period in 2000.

Although many foreign companies are looking to invest in Argentina, local companies are not prepared to sell at prevailing market prices. As a result, the mergers and acquisitions market is undergoing a "hold out" period, characterized by a general disagreement between buyers and sellers. On the one hand, many foreign companies are looking to enter the market or consolidate their position in a particular industry, such as real estate, cement, consumer products, media, and communications. On the other hand, the fact that significant discrepancies exist between current and historical valuations is not very encouraging for companies looking to sell at attractive prices. Spain and the U.S. have been two of the leading investors in Latin America, which are actively looking to capitalize on selected M&A opportunities in the region.

For local companies facing distressed situations, the alternatives are more limited, many of which will be forced to sell or find strategic partners that can provide financial support in the short and medium term. Other

companies with a reluctance to sell or lack of foresight, are more likely to face increasing financial difficulties and be forced to restructure in order to avoid default or potential bankruptcy. Already highly levered, many of these companies have hampered their ability to pursue new growth strategies either through acquisitions or organic growth. The strong economic expansion and investment experienced in Argentina in the 1990's promoted the over-extension of many local companies, which faced with a deteriorating economy and a prolonged recession, have been unable to effectively adapt to new market conditions and integrate themselves into the global marketplace.

M&A activity in Argentina is expected to slowly improve going forward, as buyers and sellers come to terms with one another. On the one hand, investors will begin to recognize the inherent value hidden in many of these companies, particularly those that are fundamentally sound, with a significant market share and prospects for growth under a more stable economic environment. On the other hand, owners will begin to look for strategic alternatives, which will help them weather the current situation and provide greater liquidity in the short and medium term.

Tyron A. Norris works at Santander Central Hispano Investment M & A Department in New York.

Facundo Vazquez is the Head of M&A at Santander Central Hispano Investment. He is also a member of our Section of Finance.



New Financing Structures for PYMEs in Argentina

By Andrés Vacarezza

Argentinean Small and Mid-Sized Companies ("Pequeñas y Medianas Empresas" or "PYMEs") constantly face important challenges to obtain financing at competitive conditions. It is worthy to note, however, that there are new financial products that have potential to help revitalize the credit market for PYMEs.

It is vital for Argentina's economy to properly address the issue of PYMEs financing. Argentinean PYMEs generate 71% of the country's value added and 81% of the country's employment¹, evidence of the substantial contribution of small and mid-sized enterprises to the economy. The high stake of PYMEs in the Argentinean economy contrasts with their low representation in the capital and banking credit markets. Particularly in the credit market, PYMEs still do not capture a material share of bank loans. In 2000, according to a recent study presented by Deloitte & Touche, only \$16 billion out of a total of \$84 billion in total loans were destined to PYMEs in the Argentinean banking system (a 19% share). This contrasts with the \$24 billion that financed PYMEs in 1998 (a 29% share of a total of \$83 billion). PYMEs have lost share in the banking credit pie against increased credit directed to big corporations, the government, and mortgage and credit card financing.

PYMEs could use more banking credit, to the extent that it becomes available at reasonably competitive conditions for small companies. In Argentina, despite the fact that small companies finance their operations and value creation mainly through trade payables (48% of total capital structure), they

often need to rely on bank checking account withdrawals (35%). These withdrawals are a quick way of getting bank financing (when available), but they are also expensive (at annual interest rates ranging from 25% to 60%) and short-term in nature.

Despite PYMEs' lack of access to competitive credit terms, new instruments are being introduced that help to expand the financial offering for PYMEs and improve their funding conditions. This is evidenced by the recent increase in PYMEs' demand of lower-cost, longer-term bank loans backed by the guarantee mechanism called "Sociedad de Garantía Recíproca" or "SGR" (Agreement of Reciprocal Guarantee). PYMEs' utilization of SGR-backed financings has substantially increased in 2001. In the first semester of 2001, under the SGR mechanism, banks originated loans to PYMEs of \$47 million, the same amount originated during the whole year 2000². The annual interest rate for these types of loans (excluding the guarantee cost) ranged from 10% to 18%.

The SGR is a guarantee vehicle, introduced by the PYMEs Law # 24,467 (updated by Law # 25,300), that is intended to act as a guarantor of PYMEs in search of bank financing with the goal of improving credit terms and reducing their cost of financing. This guarantee agreement is created when a financial institution or a corporation contributes capital into this new entity or SGR, which does not loan that money but holds it as a guarantee fund. The loan is originated by a commercial bank, but the PYME requests the loan directly to the SGR. The SGR acts as an intermediary that "arranges" the process, assesses the



Andrés Vacarezza works at Goldman, Sachs & Co. at its Investment Banking Department. He is also a Director at the AACC and a member of our PYMEs Committee.



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New Financing Structures for PYMEs in Argentina (cont')

By Andrés Vacarezza

PYMEs credit risk and acts as guarantor of the loan, which is ultimately extended by the bank to the PYME. The SGR assesses and assumes the credit risk, enabling PYMEs to receive loans at a lower interest rate (and for longer periods), while banks can mitigate credit risk and expand their PYMEs client base. The benefits for the SGR contributing partners come in the form of important tax benefits.

Several SGRs have been authorized by the SEPYME (Secretaría PYME, the Secretary of Small and Mid-Sized Businesses, the equivalent of the Small Business Administration in the U.S.), and many new SGR are being formed. For example, the International Finance Corporation ("IFC", the private arm of the World Bank) has made several agreements with important Argentinean corporations to loan money to PYMEs that are suppliers of those corporations (e.g., Aluar, Mastellone, Pecom Forestal, a subsidiary of Perez Companc, and others). The first case the IFC is

implementing is the Edenor SGR (SGR sponsored by Edenor, one of the two electricity distribution utilities operating in Buenos Aires City, serving more than 2 million users). Suppliers of Edenor, about 120 PYMEs, will have access to a line of credit loaned by the IFC at a total annual interest rate of 12% (which includes both the bank interest rate and the guarantee cost). The IFC will act then as the bank, while Edenor SGR will act as guarantor and assess the credit quality of its PYME suppliers, leveraging the knowledge Edenor already has of its supplier network.

With the introduction of creative financial structures and products, PYMEs have more financial options that may also represent potential new business for financial institutions and banks. The SGR mechanism is one example of a financial instrument that, while still being tested in the credit markets, may have potential to create value for lenders and PYMEs (and their clients). We look forward to a positive evolution of the SGRs, an attractive new financing scheme for PYMEs, a key engine of the Argentinean economy.

Notes: 1 INDEC, 1996 – 2 Ambito Financiero, August 1, 2001

Argentinean PYMES News

By Victoria Anda and Andrés Vacarezza

PYMES Seminars in Argentina

Two interesting seminars focused on PYMES recently took place in Buenos Aires, Argentina. The following is a report on the highlights of these presentations.

The first conference, "*Private Equity and Venture Capital: Business Opportunities and Challenges*", was held at the CEMA University, in Buenos Aires, on June 14 of this Year. Panelists included executives of

private investment companies such as Next Venture Capital, Buenos Aires Capital Partners and Pegasus Venture Capital.

The panelists elaborated on the fact that there are considerable investment opportunities in Argentina, a fact that has stimulated the arrival of global investment

*Victoria Anda
is a member of
our Section of
Finance.*



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PYMES Seminars in Argentina (cont')

funds to the Country as well as the creation of new investment funds by local players. In terms of what industries were particularly attractive for investors, logistics, software, healthcare, telecommunications, tourism and agro-biotechnology were mentioned. When speaking about challenges for Argentinean small companies, speakers commented on the difficulties entrepreneurs face to obtain financing for projects and that some companies lack managerial resources.

These challenges were seen by many as opportunities for investment companies to help small companies in overcoming those challenges.

The second seminar, "*New Tools of e-Commerce and International Trade*", took place on August 14 at the Buenos Aires Sheraton Hotel, and was organized by the Commercial Service of the USA and sponsored by the Government of the City of Buenos Aires, The Argentine Chamber of Database and Online Services, the Chamber of Software and IT Services, and Intel.

Highlights of the conference included topics such as "*New E-commerce Trends for Pymes*" and the "*Capital Pyme*" Financing Program sponsored by the City of Buenos Aires. In particular, panelists discussed how IT and E-commerce could help PyMEs to overcome some key business challenges, such as improving service quality, gaining new clients or reducing operational costs. The US Department of Commerce presented the "IT Management Tool", a software that helps to develop a diagnosis of a companies' use of technology, providing information for IT recommendations. Finally, Capital Pyme

Program was described, a process that has been set up to assist local Pymes in need of financing. The Program is able to offer, according to officials, the lowest interest rate for businesses in Argentina: 8% for businesses based in the City and 7% if the company is located in the less developed - southern part- of the city.

Argentinean Pymes Law Approved by the Executive Office

Fernando De La Rúa's Administration finally "reglamented" (approved) the "Pymes Law" (Law for Small and Mid Sized Companies) during the last week of August of this Year, one year after that law was approved by the Congress.

The Pymes Law helps to introduce two financing mechanisms for Pymes: The "*Fondo Nacional de Desarrollo*" (Fonapyme), a fund that will destine \$100 million to finance investments in Pymes, and the "*Fondo de Garantías*" (Fogapyme), a fund that will be formed with a \$100 million contribution by the Government y and the "Banco de la Nación Argentina" (Argentina's biggest bank, owned by the Government) and that will act as guarantor of "Sociedades de Garantías Recíprocas" (SGR) the new guarantee mechanism aimed at reducing Pymes' financing costs (see article "New Financing Structures for PYMEs in Argentina" in this newsletter).

Another relevant aspect of the law is that it establishes the "comprepyme", a mechanism intended to grant preference to Pymes in Government bids, to the extent that the Pyme bid price does not exceed more than 5% of the lowest bid.