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MEDIA PLANET

BUSINESS IN ARGENTINA
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British-Argentine relations enter new phase

Argentina's ambassador to the UK, Federico Mirre, believes his country offers a vast range of opportunities to British investors, from real estate, to, mining, to tourism, services, and the creative industries.

BY JASON MITCHELL

The two countries have had a strong cultural and commercial relationship for 180 years. Before the Second World War, Argentina was home to the largest British community outside of the Empire.

The British introduced polo, football, tennis, golf and rugby to the country, all sports in which Argentines excel today. They built Argentina's railways and helped to set up the banking system. The country is famous for its high quality beef produce – but the British introduced the breeds of cattle most common in the Argentina today, Aberdeen Angus and Hereford.

The Falklands War in 1982 destroyed the relationship for a number of years, but today the bonds between the two countries have been fundamentally restored. Current trade between two nations is around £1bn a year. Argentines are great admirers of British culture, especially its sport, its arts and its music. More and more British people are visiting the country, which is 11 times the size of Britain but barely has 40m inhabitants.

Mr Mirre says: "Argentina has a great deal to offer the world. It has an amazing variety of landscapes: forested areas in the North; the high plateau of Patagonia, the huge farming area in the centre, known as the Pampa; and the Andes mountain range.

"I think that combination of landscapes makes

the country special. Furthermore, it has an historical and beautiful capital city, Buenos Aires, and a unique blend of people of various origins.

"A number of events have affected the Argentine character, including hyperinflation and the military dictatorships. Today, there is a new generation of Argentines ready to work positively to make a contribution to the world."

The country's economy has enjoyed almost Chinese levels of economic growth during the last five years – it has averaged 8.8 per cent – following a severe economic meltdown in 2001 and 2002.

On 28 October this year, Cristina Fernández de Kirchner became Argentina's first elected female president. Her husband, Néstor Kirchner, has been the president for the past four years. One of her greatest challenges on assuming office on 10 December will be to placate inflationary pressures that have built up in the overheating economy. Official figures put inflation at around nine per cent but independent economists believe it is double that number.

Controlling inflation may be the key to attracting more foreign direct investment, which she says will be one of the priorities of her administration.

Last year, Argentina secured £2.34bn in FDI compared with an annual average of £3.5bn in the Nineties, according to the United Nations Conference on Trade and Investment.

"I believe there are many sectors of the country's economy that are of interest to British investors," says Mr Mirre. "Agribusiness remains a very important industry in Argentina. Production of cereals and soya has increased markedly, and Argentine companies are much more involved in the processing of the country's produce before it is exported than before. They have moved up the food chain.

"There is huge potential for investment in the production of gourmet products, whether it be cheeses or whisky, for example. The country has started to export these products but it really is just the tip of the iceberg. This could be a highly profitable business.

"The country's wine industry has been expanding rapidly and many European companies, especially from France and the Netherlands, have been investing in new technology in wine production.

There is much more potential to add value in this way."

He says that Argentina is now exporting more fisheries products abroad than meat and that there are huge opportunities to invest in this sector. There are three main regions for fisheries: the mouth of the River Plate; the waters down from Bahía Blanca in the province of Buenos Aires to the Magellan Straits; and the Southern Atlantic Ocean.

Argentina is rich in minerals but Mr Mirre

thinks the country has not paid enough attention in the past to possibilities in the mining sector. However, today several huge investments are planned in the industry. The London-based mining giant, Rio Tinto, is on the verge of making the biggest current foreign direct investment in Argentina: £831m in a potassium mine in Malargue in the province of Mendoza. It will create 1,500 jobs directly and a further 12,000 jobs indirectly.

The mining sector has a stable legal framework and the government did not change any of its rules during the economic crisis.

He says that tourism is a booming industry and that new four- and five-star hotels are opening up throughout the

country. "It's just amazing, the number of luxury hotels that have been developed in Argentina during the past two years."

The country has a huge amount of human capital, including a well-educated workforce. Buenos Aires is said to have the biggest middle class in Latin America. One of Ms Fernández's priorities is to develop the software sector. A number of Western companies, including TimeWarner and News Corporation, outsource English-language content production to Argentina.

Mr Mirre says that the Falklands Islands issue sits in the middle of the Anglo-Argentine relationship. "However, I am optimistic that common sense should and will prevail. It takes two to Tango, and I think the British government should make an effort to persuade the islanders of the possibility of having a better relationship with Argentina."

Britain and Argentina enjoy a close affinity that stretches back almost two centuries. A renaissance in commercial, sporting and cultural links between the two countries is taking place in spite of differences over the Falklands.



"I believe there are many sectors of Argentina's economy that are of interest to British investors"

FEDERICO MIRRE, ARGENTINA'S
AMBASSADOR TO THE UK

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A super-cycle that has arrived to stay

BY EDUARDO ELSZTAIN

For decades, an ironic quote has been said over the second largest economy in South America: "There are four categories into which countries can be classified: Developed; Underdeveloped; Japan, which nobody can explain how an island with no natural resources could be developed; and Argentina, which nobody can explain how a country with such a magnificent and extensive territory, with all type of climates, rich in natural resources and with a highly literate and entrepreneurial population, could be underdeveloped".

Over the last century, relative prices of raw materials have undergone a sustained negative trend, impacting in major commodity-producer countries like Argentina. However, recent changes in the world economy are pushing up the prices of food and commodities to an extent never imagined and generating situations like the fact that for the first time a kilogram of argentine beef is now more expensive than a "kilogram of a top-notch German car".

To understand how we got into this super-cycle of prices and realise why this scenario has arrived to stay, we should previously understand the new configuration into which the world has recently entered. In the view of the prestigious Mario Blejer, director of the Centre for Central Bank-

ing Studies at the Bank of England, the world is currently experiencing an economic change only comparable to the European discovery of America 515 years ago. The remarkable increase in the world workforce due to the economic reforms of the BRIC booming economies and the astonishing proliferation of new technologies which significantly improves their productivity has a direct impact in the families' income of these emerging countries.

These major changes will have consequences of great magnitude in the global demand for commodities, energy and even fresh water: in the next 40 years, additional 450 million hectares of fertile land (equivalent to 2.5 times the cropland area of the United States) should be required to face a starving world for food and power. Under these circumstances, Argentina is positioning itself not only as a mere producer of raw materials but also increasing its value chain through a robust industrialisation process.

While developing China is emerging as a global manufacturing hub and India as the service industry's back room, South America is becoming the world's groceries and power station. We expect to capitalise the experience of the crisis suffered in 2002 and the current international context to harvest the fruits of this trend, which is only starting.

Eduardo Elsztain is chairman of Argentina's leading agricultural company Cresud and of IRSA, Argentina's largest real estate company.



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In fact, it is the first time since the country's so-called Golden Times at the turn of the 20th Century that the economy has experienced 21 quarters of positive economy growth, which have averaged 8.5 per cent. According to the International Monetary Fund, only a few emerging economies, including China, India and Qatar, have grown more rapidly than Argentina during the past three years.

The country has not quite returned to the famed level of wealth it had when its richest families had mansions built in Europe and then shipped to Argentina brick by brick, but the recent economic success has put it back on the radar screen of investors from all around the world.

Personal investors have been buying real estate in the country in all its forms, especially apartments in Buenos Aires and estates in Patagonia, Mendoza and the Pampa, the huge farming belt near Buenos Aires. The biggest advantage for British investors is that there are 6.4 pesos to the pound.

Multi-national companies have also started to invest heavily in the country again. Volkswagen recently announced the largest German investment ever in Argentina: £145m in pick ups by 2009.

Rio Tinto is on the verge of making the biggest current foreign direct investment in Argentina: £831m in a potassium mine in Malargue in the province of Mendoza.

The Canadian mining company, Barrick Gold Corporation, also plans to invest a total of £1.1bn a gold mine in Veladero in the province of San Juan and in a gold and silver mine in Pascua Lama also in San Juan. The gold and silver mine is on the Argentine-Chilean border, so the investment will be shared between the two countries.

Dr Beatriz Nofal, president of Argentina's National Agency for the Development of Investment, the country's main inward development agency, says: "I think there are three main reasons Argentina offers attractive opportunities for foreign investors: firstly, the vigorous and sustainable economic growth; secondly, the very favourable external environment which has been important

ARGENTINA has been enjoying one of the world's fastest growing economies for the past four years.

The biggest economic boom in a century

for the country's exports; and, thirdly, a re-configuration of the global value chain, which is making the exports of value-added services from Argentina much more significant internationally.

"The country is fortunate because it has a great human capital, an absolute abundance of natural resources and modern industrial capacities. There is huge international demand for its primary materials, food products and bio-fuels, and its talented population means the country can also be a leader in the production of some differentiated manufactures, bio-technologies and value-added services. It also enjoys a tremendous entrepreneurial spirit and an amazing cultural development."

Many commentators believe the economic growth will continue and that the country is set to receive much more foreign direct investment. However, the government of Cristina Fernández de Kirchner, who assumes the presidency on 10 December, faces one big challenge: accelerating inflation.

Argentina suffered a severe economic crisis in

2001 and 2002, when GDP collapsed by 15 per cent. The country's travails were widely reported around the world when the government of President Fernando de la Rúa froze people's bank accounts under the so-called corralito. The country also picked up a bad name when it defaulted on £50bn of its sovereign debt.

The president for the past four years, Néstor Kirchner, Ms Fernández's husband, has pursued a so-called 'heterodox' economic policy. His government has used a mixture of tools to pursue economic growth and high employment. This has included keeping the Argentine peso artificially weak, freezing the price of electricity and natural gas, placing taxes on exports, and pursuing an incomes policy.

Although President Kirchner's strategy has had the desired effect - amazing growth - the International Monetary Fund, Wall Street and the City of London would prefer if the government adopted an 'orthodox' economic policy with more

emphasis on controlling inflation.

According to official figures, inflation in the country now stands at around nine per cent, but independent experts believe the true figure is between 15 and 20 per cent. It is difficult to know the real number because in March this year the government changed the head of the country's inflation-monitoring body, Indec, and is widely accused in the Argentine media of manipulating the statistics.

Ms Fernández's greatest priority will be to combat inflation before a wage-price spiral develops that brings the economic expansion to a sudden halt. Her government must aim for a 'soft landing', which knocks a couple of percentage points off economic growth but brings inflation down to an acceptable level.

Mario Quintana, chief executive of Pegasus Capital, a major Argentine investor in real estate and the retail sector, says: "Argentina is a small country and is not a price-maker in a global con-

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Buenos Aires, left, is a focus for personal real estate investment

text. It cannot set the prices of goods internationally. Historically, the country has done well when the international context has favoured the country, as is the case today. It has never done well when the international environment has been against it.

“International conditions have been in the country’s favour for some time now and I think we have an historic opportunity to leave stop-and-go behind. It’s true that government spending increased dramatically this year, but I ask, ‘when was there a previous election year when the country still ended up with a fiscal surplus?’”

Argentina’s economic success during the past five years has been largely due to a rise in commodity prices, especially for soya. The country’s total exports increased to £22.6bn last year from £12.5bn in 2002, and soya now makes up 24 per cent of its total exports.

Unsurprisingly, the international financial community has been wary of Argentina since it defaulted on its sovereign debt in 2002. The debt was restructured in 2005 but bond-holders were forced to accept a 70 per cent hair cut. Some 24 per cent of bond-holders never agreed to the reduction and have taken a class action against Argentina in courts in the United States.

A number of major foreign investors, including the French-Belgian company, Suez, and the French energy group, Électricité de France, have also suffered because the government froze utility prices. That has discouraged foreign groups from investing in the energy sector, and this year the government was forced to close down major industrial plants for two months so that households had enough electricity supply.

In fact, overall foreign direct investment has still not returned to its Nineties’ levels. Last year, total FDI flows into Argentina amounted to £2.34bn, according to the United Nations Conference on Trade and Development. This is a sharp increase on 2003 when the country received just £780m but lower than the average for 1990 to 2000 when it was securing £3.5bn a year.

Many commentators believe one of Ms Kirchner’s top priorities must be to build stronger institutions and put in place more durable rules. The government’s interference in INDEC rattled many international investors.

Furthermore, foreign investor confidence is only likely to return to the country after it resolves the problems relating to £3bn of sovereign debt with the Paris Club. Argentina wants to expand the maturities on the debt beyond 2012, but talks between the country and club became bogged

down this year after club members insisted that Argentina would need IMF oversight to extend the debt’s duration.

The government has been reluctantly to allow this but recently indicated this it may allow the IMF to monitor the country in a limited way.

Joydeep Mukherji, director of the sovereign ratings group at Standard & Poor’s, says: “The country faces three challenges if it is to attract more investment in the future: the lack of a strong judiciary; no clear rules of the game; and a legacy of volatility. If the next president can create confidence about what the long-term rules of the game are, she should be able to take advantage of the country’s immense potential. I am open-minded about whether this will happen or not.”

One of the consequences of Argentina’s isolation by the international financial community is that the country has very shallow capital markets and hardly any long-term credit. According to Mr Quintana, the total stock of mortgage credit amounts to only three per cent of GDP and the middle class has very limited access to home loans.

The total market cap of companies on Argentina’s main stock exchange, the Merval, is £25.4bn while the total market cap of companies on Brazil’s main index, the Bovespa, is more than £490bn. However, this fact creates a big opportunity for foreign investors because many Argentine companies have a much lower valuation than Brazilian ones and could be ripe for acquisition or investment.

The country must resolve the Paris Club issue and perhaps the hold-outs on the sovereign debt before it is able to fully re-enter the international financial community.

Argentina has a huge range of possibilities for investment but potential investors must understand the country’s business culture.

Katharine Pottinger, a Briton who is helping the exclusive international club, Quintessentially, to set up an office in Argentina, says: “I think there are definite opportunities in the country at the moment, but it is never plain sailing establishing a business in Argentina.

“There may well be excellent opportunities in real estate in the country but I think it’s essential to love the country in the first place. It must be somewhere you want to live in or to visit. I think the key to setting up a business here is that you find Argentine business partners that you can trust 100 per cent. It is also vital that foreign companies try to understand the culture. Argentina is not like any other country in the world – it has elements of the United States, Europe and Latin America.”

Ms Pottinger believes there are great opportunities in more advanced wine production in Mendoza and in the improved marketing of wine internationally.

Tourism is another boom industry in the country. The sector grew 29 per cent last year and new luxury hotels and resorts are being developed throughout Argentina. However, the industry still has huge potential to grow because few countries in the world enjoy such an exciting and culturally-rich capital as Buenos Aires and such an amazingly diverse geography stretching from the Amazon to Patagonia.

However, the tourism infrastructure needs radical improvement. Flights are regularly cancelled between Buenos Aires and other domestic destinations. Furthermore, currently there are no direct flights from London to Buenos Aires.

One of Argentina’s biggest advantages is the sheer amount of agriculture land is has available.

News In Brief**EXCLUSIVE BOUTIQUE DEVELOPMENT JUST LAUNCHED**

Dos Lunas is a stunning new development in Argentina, set on over 5,500 acres of beautiful rolling hills, rivers and lakes, with fantastic horse riding as well as golf courses, trekking and fishing nearby. The estate is one of the few places in the world where you watch the giant condors at close hand.

An acclaimed boutique hotel with a superb reputation forms part of the estate, and is featured by luxury operators such as Abercrombie and Kent. This will be a Someplace Else owned and operated development, and there will only be 120 individually designed properties, each on plots of over 2 acres in size. The area is very popular with wealthy Argentineans, and each property will be designed to the owners’ individual taste, design and specifications. Prices start at £54,950 and 50 per cent financing is available.

Being part of the same estate as the successful hotel means that demand for rental and re-sales should be high from an early stage. Add to this the simply breathtaking surroundings and bespoke house designs and you have an investment and lifestyle opportunity that is set to be very successful in the short, medium and long term.

According to the United Nation’s Food and Agriculture Organization, the country is ranked number eleven in the world in terms of the quantity of agriculture land in use while the UK is placed number 53. Argentina has total agricultural land of 320m acres against Britain’s 41.7m acres.

Land values in Argentina have increased by 30 to 40 per cent during the past two years and are expected to continue rising, as Chinese demand for beef and soya grows. The country also has huge potential to produce bio-fuels.

Buenos Aires is regarded by many people as the intellectual and cultural capital of Latin America. It has many talented, creative people, and the design industry has huge potential to develop if the human resources can be fully tapped. Many international companies, including Time Warner and News Corporation, have outsourced content production to Buenos Aires. Intel has set up a major service centre in the country’s second biggest city, Cordoba, and IBM and Google are investing heavily in Argentina.

One example of an Argentine group that has been successful at marketing its products internationally is the polo equipment and clothing supplier, La Martina. It is the official supplier for the Federation of International Polo, the world governing body for the sport, providing the kit for all the teams that take part in the Polo World Cup.

Adrian Simonetti of La Martina, says: “Our brand is truly global; but in achieving this, it has remained true to its roots and faithful to the spirit of the Argentine way of life.

“Today, La Martina has a unique slice of the market; it is the commercial fashion and polo equipment brand that supports the very growth and popularity of polo at all levels, by sponsoring more than 80 clubs and events around the globe each year.”

Before the Second World War, Britain was the biggest foreign investor in the country. The British built the country’s railways and set up the banking system. The South American country was home to the largest British community outside of the Empire. Despite the Falklands War, many Argentines admire British culture.

Today, trade between the two countries has topped £1bn a year. It is possible that a new era of commercial relationships between the two has begun.

For a long time, commentators have observed that Argentina must be one of the countries in the world that has been least successful at harnessing its natural resources and human capital. At last, this South American giant may be waking up to what it has to offer the world.

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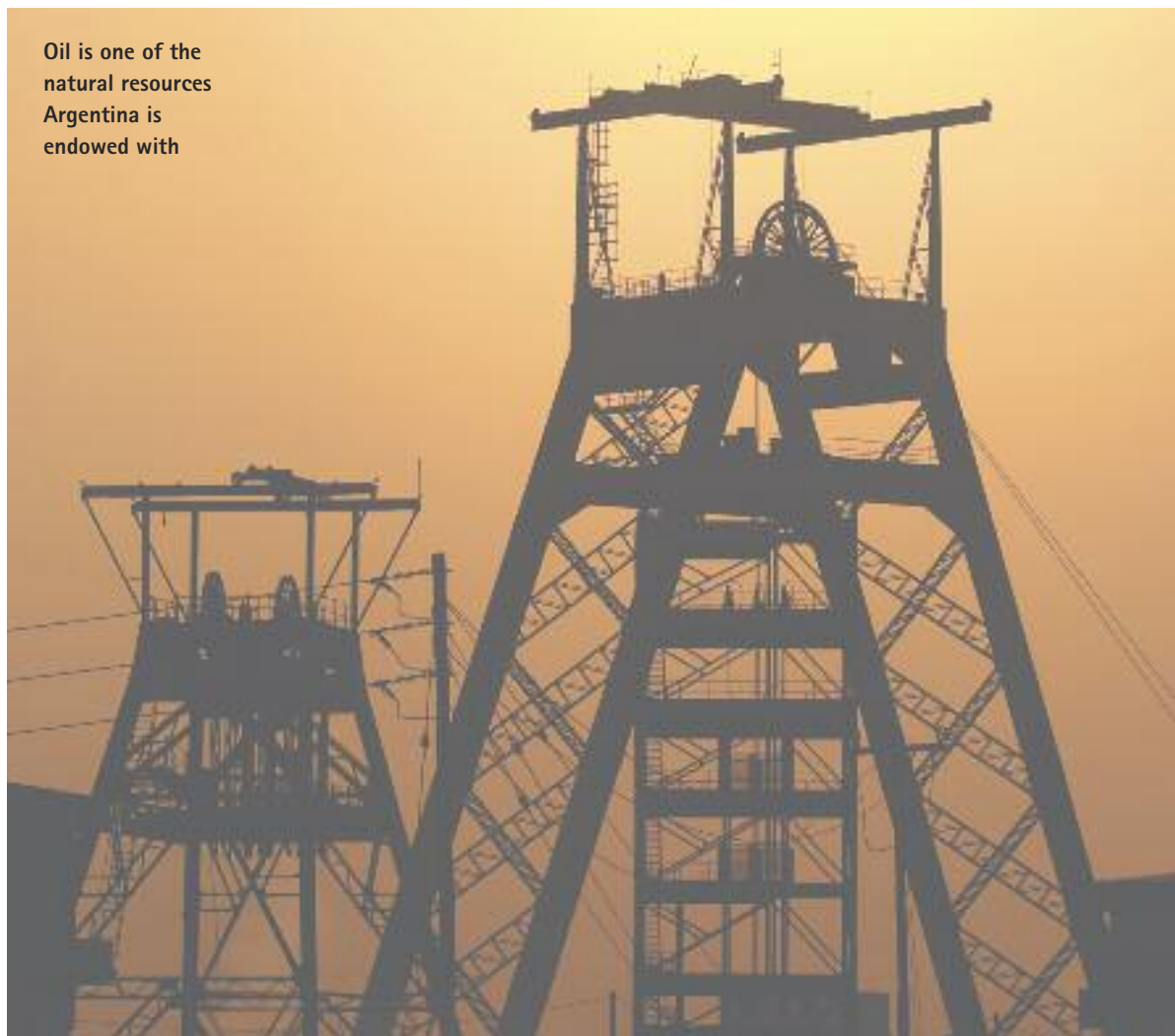
Argentina overflows in natural resources

ARGENTINA, the world's eighth largest country, is endowed with a huge variety of natural resources including land suitable for livestock and crops, fisheries, oil, natural gas, gold, silver, potassium, manganese and many other minerals

Argentina is almost 2,300 miles long and 870 miles wide. Its geography can be split into four regions: the fertile plains of the Pampas in the heart of the country, some of the most productive agricultural land in the world; the minerals-rich Patagonian plateau in the southern half of the country; the sub-tropical area known as Gran Chaco in the north; and the Andes mountains in the west bordered by Chile.

Beatriz Nofal, president of Argentina's National Agency for the Development of Investment, says:

Oil is one of the natural resources Argentina is endowed with



New president expected to more internationalist

She has been closely entwined in the country's politics for many years. Trained as a lawyer, she was a member of Congress between 1995 and 2005. Since then she has been a high-profile First Lady, accompanying her husband on many foreign trips and representing Argentina in many international settings.

However, her husband's administration has benefited from a highly favourable external environment. Ms Fernández might not be so fortunate.

When Mr Kirchner came to office in December 2003, the country's economy was in a state of near-collapse after the severe economic crisis of 2001 and 2002. Yet, since then, it has managed to recover at a remarkably fast pace, mostly because of a weak peso and the strong demand for the country's commodities, especially soya, from China. Soya now accounts for 24 per cent of the country's total of £22.6bn of exports.

However, the government's external financing needs are becoming more urgent and Ms Fernández must improve Argentina's relationship with a number of countries if it is to have full access to the international financial markets.

Professor Pablo Guidotti, dean of the school of government at the University of Torcuato di Tella in Buenos

Cristina Fernández de Kirchner, who will become Argentina's first elected female president on 10 December, is expected to follow a much more internationalist foreign policy than her husband, Néstor.



Cristina Kirchner, is an Argentine politician from the Justicialist Party

Aires, says: "It is still hard to know to what extent Ms Fernández will adopt a different approach in international relations than her husband. She seems much more interested in the country's external image and could well change the way in which Argentina engages with the international community."

The country has had a comparatively isolationist foreign policy since

the Second World War when it was part of the Non-Aligned Movement. Juan Perón, who was president between 1946 and 1955 and again between 1973 and 1974, preached self-sufficiency for Argentina and did not develop close relationships with the US or the European powers.

Mr Kirchner and Ms Fernández are members of the Peronist party, Partido Justicialista, and continue with this Peronist approach to some extent today.

According to Professor Guidotti, Argentina will need to borrow around £3.2bn from the international community next year and a further £4.9bn in 2009. The country's main problem today is that it is in a weak position to issue bonds domestically and internationally, despite having a fiscal primary surplus of three per cent of GDP.

Foreign hedge funds and domestic investors will not buy local public bonds that are indexed to inflation because it is not clear what Argentina's inflation rate is after the government controversially intervened in the measurement of the figure in March this year.

Furthermore, the government faces a number of hurdles if it attempts to issue a bond overseas because it has not settled outstanding claims on £50bn of defaulted sovereign debt. Some 24 per cent of bond-holders who held out on a restructuring of this debt in 2005 could try to sequester any funds Argentina raises by issuing a bond in New York, for example.

Professor Guidotti adds: "Argentina has placed more than £1bn of public bonds through Venezuela this year but that country can only help it out to a small extent.

In mid-November, Ms Fernández named her cabinet and many of its leading members are the same ministers who served under her husband. This indicates that she plans to follow the same foreign and economic policies as Mr Kirchner. She made one important change in appointing the banker, Martín Lousteau, as economy minister. He is aged only 36 and was educated at the London School of Economics.

Pablo Morra, an emerging markets analyst at Goldman Sachs, says: "We believe the new economy minister will maintain the thrust of the current economic policies, in particular its cornerstone, the competitive currency policy."

President Kirchner has been often critical of the US and many European countries, especially the UK over the Falklands issue. His government is seen as siding with the president of Venezuela, Hugo Chávez, over many international affairs, and as not being prepared to commit to the West in the same way as Brazil's President Lula da Silva.

However, many commentators believe that this is just for effect and is an aspect of Peronism that goes down well with the Argentine public. In reality, Argentina maintains good relationships with the US and European governments. It just does not like to show it.

During Ms Fernández's four-year term, her government will have to work hard to improve the country's external image, especially if it wishes to tap the international financial markets.

Since the country defaulted on its external debt and froze the tariffs on utilities – many owned by foreign companies – its government has been seen by international investors as too ready to violate official contracts. For Argentina to secure much greater foreign direct investment, Ms Fernández's government must create a transparent and stable framework for business and show it fully respects the

"Argentina is among the countries in the world with the greatest endowment of land suitable for agricultural production, livestock, and mining.

"It enjoys one of the highest capacities in the world for the production of maize, soya, wheat, and fruit such as apples, pears, and lemons. It has extensive areas of natural and planted forest, allowing for the development of forestry.

"The length of its Atlantic coastline, some 2,935 miles, and the variety of fish species make Argentina one of the best places for fisheries in the world."

According to the United Nation's Food and Agricultural Organisation, Argentina has a total land mass of 687m acres. The total agricultural area is 320m acres, which includes land suitable for livestock and crops. The country ranks number 11 in the world for the amount of agricultural land available, compared with France, for example, which is placed 37th (with 71.6m acres).

The area currently being used only for crops is 70.4m acres. The country has 246m acres of permanent meadows and pastures. According to the Mothers of the Plaza de Mayo, a civil group, the country's produces enough food to feed 300m people.

Luciano Miguens, president of Sociedad Rural Argentina, Argentina's main agricultural association, says: "Argentina has 55m head of cattle and next year's harvest should produce more than 100m tones of crops. Soya now makes up 40 per cent of the total.

"Brazil and Argentina together are exporting as much soya - mainly to China - as the United States. The country produces 3m tones of beef a year and exports 500,000 tones a year.

"Argentina could benefit hugely from the production of biofuels and ethanol, industries which have hardly developed in the country yet."

There has been wide speculation in the Argentine media that the country could become one of the most important in the world for the production of alternative energy. Land prices have risen by 30 per cent during the past two years, and many people expect them to continue increasing.

Carlos St James, president of the Argentine Chamber for Renewable Energy, says: "I think the production of bio-diesel in particular will lead to land prices increasing markedly, especially in the northern province of Santa Fé. A large number of bio-diesel plants have been set up there

that use soya. This is the reason many companies, including European ones, are paying considerable sums for land where they can produce soya and build plants to process it.

"In the north of the country, especially in the provinces of Santiago del Estero and Tucumán, corn and sugar cane crops are also being used for the production of bio-fuels. Historically, these areas did not have much importance and were not taken into account, but now they are valuable. In these areas, a plant called *Jatropha* is grown, which produces an oil that can be used for bio-fuels."

He adds that the advantage of this crop is that it is much cheaper than soya, meaning the price of the bio-fuel could be less.

He says that there is no chance that Argentina could surpass Brazil in terms of ethanol production, because the country specialises in the growing of sugar cane for ethanol use. Sugar cane can be produced in Argentina but only in tiny proportions compared to Brazil.

"On the other hand, Argentina is on its way to becoming a true global leader in bio-diesel, where Brazil is

not that good," he says.

According to Argentina's National Agency for the Development of Investment, the country had 14,500bn cubic feet of proved oil reserves and 15,750 trillion cubic feet of proved natural gas reserves in 2006.

Mariano Gurfinkel, an economist

"Argentina's resource base is sufficient to provide ample opportunity to develop additional reserves"

at the Centre for Energy Economics at the University of Texas, says: "Since 2001, Argentine demand for natural gas has been growing consistently. Production has been able to meet local demand with surpluses being destined to exports. Argentina is a net exporter of natural gas, with exports going mostly to Chile, and smaller exports to Brasil and Uruguay. Argentina also imports natural gas from Bolivia in quantities equivalent to a third of its exports to Chile.

"Argentina's resource base is sufficient to provide ample opportunity to develop additional reserves and pro-

duce natural gas at even greater rates. The main issue is not one of a limited resource but of an inadequate commercial framework for investment in the sector."

He adds that natural gas in Argentina is mostly used for power generation, industrial energy and residential heating. It is by far the cheapest and most rational fuel to use in these sectors.

Petrochemicals, oil, and natural gas are Argentina's second most important exports. The country exported £3.67bn in 2006, accounting for 17 per cent of its total exports. The main oil fields lie in Patagonia and the central-western region, Cuyo.

The north west and the province of San Juan are the most important regions for mining. Metals mined include gold, silver, zinc, magnesium, copper, sulphur, tungsten and uranium. The total exports of mining products was £1.2bn last year, an increase of 70 per cent on 2005.

Few countries in the world have the sheer diversity of natural resources that Argentina enjoys. The country has huge potential for foreign investment in more advantage technologies to harness them.



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Strong pound creates bargains in real estate

The country underwent a severe economic crisis in 2001 and 2002 when many real estate assets halved in price. Many foreign investors snapped up 'distressed assets' which have now returned to their pre-crisis values. While these bargains no longer exist, there are still many opportunities in Argentine real estate, whether in buying apartments in Buenos Aires, holiday homes in Bariloche in Patagonia, vineyards in Mendoza or farmland in the Pampa.

The big advantage for British investors in Argentine real estate is that property and land are priced in US dollars.

Paul Reynolds, owner of Argentine real estate group, Reynolds Propiedades, says: "I think to do well in the country's real estate today you have to be a bit of a black sheep – they have been maltreated throughout history but there's a lot to be said for being one.

"You have to go off and seek opportunities outside Buenos Aires in the interior of the country. That's where the real potential exists today."

He recommends an 1,980 acre ranch on the Rio Manso River in the Patagonian province, Rio Negro, near the border with Chile, which is on the market for £1.6m. This can be used as a cattle rattle but is also ideally placed for an adventure tourism development with log-cabins.

He also suggests the Poncho Moro shared ranch development in the heart of Argentina's famed Patagonian river and lake district, right on the border with Chile.

This includes more than 24,000 pristine acres of Andes wilderness with snow-capped peaks, glaciers, waterfalls, rivers and lakes. Buyers can choose from 21 sites on the river or nine pioneer sites in remote areas of the ranch. Shared facilities for horses, ATVs and recreational equipment come with miles and miles of excellent dry fly fishing on one of the best trout rivers in the world, the Corcovado River.

The 30 homestead sites and ranch interests range from £390,000 for a 50 acre lot to £730,000 for an 80 acre

lot, with complete access to the estate. Buyers can build their own log-cabins or houses.

Neil Rushen, a Briton who moved to Argentina three years and founded Mendoza Property, says: "I think there are now greater opportunities in Argentina than, for example, in France, Spain, the Greek islands, or Eastern Europe. Every one has been looking at those places but it's becoming a bit too late. I think more and more people are considering the wine-producing areas of Argentina,

ARGENTINE real estate - in all its forms - remains one of the biggest opportunities for British investors.

Mendoza and San Rafael."

He says that you can buy 27 acres of uncultivated land in La Llave, an area near San Rafael, for as little as £9,700. At the other end of the scale, he is also marketing a 740-acre vineyard in the best wine producing area of Mendoza for £7.7m, whose business produces an annual return of around 18 per cent.

"Vineyards and ranches in this region have been increasing in value by the order of 15 to 20 per cent a year, but as well as the capital gain you can get a return on the working vineyard or ranch of around 10 to 12 per cent a year; some times the profits can be much higher," he adds.

He is also marketing a 155-acre farm that produces 260,000 kilos of plums a year for £184,600. He says as well as the potential capital appreciation, the business produces an annual return of between 18 and 20 per cent.

An American, Scott Mathis, and his business partners acquired a 716-acre vineyard estate and a nine-hole golf course near San Rafael at the

start of this year, which they have named Algodon Wine Estates. The beautifully-manicured golf course was developed by Ricardo Jurado, the grandson of one of Argentina's best golf-players from the 1930s,

José Jurado, The vineyard produces high quality Malbec and Cabernet Sauvignon grapes from vines planted in 1946.

Mr Mathis and his business partners are selling one hectare- (2.47 acre-) lots of the estate for £73,000 and three hectare- (7.4 acre-) lots for £121,000. The lots have full planning permission and are being marketed to wine and golf enthusiasts around the world. The estate will help the owners to produce and sell their own wines. They

are expanding the golf course to 36 holes.

It is easy for Britons to purchase property in Argentina. They do not need residency. They must acquire a certificate of address – normally the hotel where they are staying is enough – from the police, and obtain a taxation number from the Argentine equivalent of the Inland Revenue, called AFIP, which usually only takes a morning.

Buyers need to find a reputable notary to oversee the transfer of the title deeds and a good money exchange house to carry out the transfer of the funds. Almost all purchases are made in cash and will take place in the office of the notary or money exchange.

It is also easy to transfer money out of the country if the foreign owner decides to sell the property, as long as it can be proved to the tax authorities that all the relevant taxes have been paid.

Capital gains tax does not exist in Argentina but foreign owners must pay an income tax of 21 per cent on any rental income.

Real estate agents normally charge both the purchaser and the vendor a commission of three per cent. It is very difficult for Argentines to obtain mortgages, and it would be nigh-impossible for British buyers to secure a loan locally. Mortgages are also unavailable in the UK for property purchases in Argentina.

However, property prices within the Argentine capital, Buenos Aires, remain much lower than in Britain.

Recoleta, in the heart of the city and near the cemetery where Evita Peron is buried, is one of the most sought after neighbourhoods, because of its traditional French-style, classical architecture. Valuations have increased dramatically since the economic crisis but the price per sq foot is still only around £90 to £100.

A property with a large reception and separate formal dining room is being marketed for £82,700. It should have an annual rental return



of around seven per cent.

Another brand new apartment in Recoleta with a master bedroom and bathroom, a modern kitchen, a reception and powder room, 24-hour security, a solarium, and swimming pool is up-for-sale for £92,000. The price includes all the furniture and decorations so it is available for immediate rental. The predicted annual rental return of this building is six per cent.

Palermo Soho is emerging as one of the trendiest and most Bohemian districts of the city. It is not as close to the downtown area as Recoleta, but is brimming in small boutiques, bars, cafes, and restaurants. A number of stylish, boutique hotels have also recently been developed in the area, including Soho All Suites and Five Cool Rooms. Property in that area sells for around £77 to £81 per sq ft.

The other area that is most popular with foreign buyers, especially North American, is San Telmo. It is the birthplace of Tango and is full of cobbled streets and antique shops. A large number of bars and restaurants have also recently opened up there. On a Saturday and Sunday it hosts the biggest flea market in the city. The central area, around Plaza Dorrego, is seen as safe as Recoleta and Palermo Soho, but outer-lying areas

"Capital gains tax does not exist in Argentina but foreign owners must pay an income tax"



FAIRHILLS
Mendoza Vineyards



are viewed as more dangerous. Property in San Telmo sells today for around £63 to £68 per sq ft.

Peter Haller, an Austrian who has lived in Buenos Aires for more than four years and chief executive of the real estate agent, Maison Buenos Aires, says: "In my opinion the best investment today from the point of view of potential rental return remains Recoleta. I would recommend buying studios or smaller apartments in this district. You should be able to obtain a rental return of around eight per cent, which is good by international standards."

During the past ten years, Buenos Aires's main dock area, called Puerto Madero, has been transformed into a gleaming residential and office district, similar to Canary Wharf. It is host to some of the tallest buildings in the city and contains some of its most prestigious residential developments including El Faro, Le Parc and Torre Renoir. It is home to several five star hotels, including the avant-garde Faena Hotel and Universe and the trendy, Hotel Madero.

Some of the city's best restaurants are also located there, and it is seen as the safest part of the Buenos Aires, as it is protected by the highly-regarded naval police.

Alan Faena, the local fashion designer who

Characteristic coloured buildings made of metal in La Boca neighbourhood, Buenos Aires

developed the Faena Hotel and Universe in collaboration with the French designer, Philippe Starck, is now working on two major new developments in Puerto Madero: Los Molinos and El Aleph.

El Aleph, which is being designed by Norman Foster, consists of a 160-room five-star hotel and, during the first stage, 55 apartments, which are being sold pre-plan for £203 per sq ft. During the second stage, a further 55 apartments will be constructed. The apartments will have full access to all the hotel's amenities, and the hotel can also arrange for them to be rented out.

This will be the first Foster-designed building in South America and is among the most expensive real estate in Buenos Aires.

Los Molinos involves the conversion of two huge warehouses into 90 apartments of an average size of 1180 sq ft. It will be completed in the middle of next year. All of the apartments have already been sold for around £180 per sq ft. It will contain an art district, called the Laboratory of Experimentation in Art, which will showcase the work of many young artists.

There has been some talk in the Argentine media that the property market in Buenos Aires has become a bubble, and this has caused a plateauing out in property prices this year. Some 500 new residential towers are currently being constructed throughout the city and several hundred more have planning permission.

Mr Haller adds: "I don't think what has been happening is a bubble because there is just no credit available to Argentines. It is not mortgage-driven. I don't think mortgages will be available for many locals soon, but when they do become so, that can only have a positive effect on property prices."

The other big opportunity in Argentine real estate lies in office space. There is almost zero vacancy for AAA offices in Buenos Aires. Part of the problem lies in the fact that developers have had problems securing long-term financing to construct offices. In the case of residential developments, many apartments are sold pre-plan and the funds raised have been used to finance the construction; this is not normally possible for office space.

According to Reynolds Propiedades, AAA office space sells at £86 per sq foot and rents out at between £0.95 and £1.2 per sq foot per month.

The northern suburbs of Buenos Aires – including San Isidro and Vicente Lopez – are becoming the most popular destination for new office space, because there is sufficient land available for large developments and many executives live nearby.

Argentine group, Pegasus Capital, which has an offshore real estate fund of £125m and has attracted investors from around the world, recently announced a £26m, 538,200 sq ft office development in Vicente Lopez. It will be rented out for £0.8 per sq foot.

Argentine real estate has been one of the country's most thriving sectors during the past three years, attracting investors from all around the world. This success story looks set to continue, as the local economy carries on expanding and growing worldwide demand for food and bio-fuels pushes up land prices.

Algodon Wine Estates

(www.algodonwinestate.com)

Faena Group (www.faenagroup.com)

Maison Buenos Aires

(www.maisonbuenosaires.com)

Mendoza Property

(www.mendozaproperty.com)

Pegasus Capital (www.pegasusvc.com)

Poncho Moro (www.ponchomoro.com)

Reynolds Propiedades

(www.reynoldspiedades.com)

OPINION

BY JOSÉ ROZADOS

Argentina is the eighth biggest country in the world in terms of geographical size, but with a population of just 40 million people. During the last five years, annual GDP growth has been about nine per cent. Within the country's large and unique geography, the opportunities for real estate investment are becoming ever-more present.

Apartments of high quality and in excellent locations can be acquired for £67 per sq foot and be rented out, on a temporary, furnished basis, with an annual return of ten per cent. Offices of high quality can be rented out for £1.35 per sq foot per month, allowing the landlord to attain an annual profit of more than 12 per cent, while the construction of residential property for sale provides an annual return of around 18 per cent on invested

capital.

"Argentina's best feature is still its land and the huge availability of farmland"

Argentina's best feature is still its land and the huge availability of farmland.

There is more than 1.08m sq

miles of land suitable for agriculture and cattle ranching, as well as for tourism projects. For example, the beautiful natural landscapes and the pollution-free air of Patagonia offer much potential. Rural areas can be purchased for less than £19.55 per acre, reaching £1,955 per acre in the most productive farm land on the planet: the Pampa region.

Undoubtedly, it is well worth forgetting about the distance, taking the trip, and getting to know first hand these regions that remain underdeveloped and apt for very good real estate business.

José Rozados, director of ReporteInmobiliario, best source of information on Argentine real estate

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Beef and wine are integral

An asado, a kind of barbeque, on a Sunday is as important to families in Argentina as a roast dinner on Sunday is to families in Britain. Traditionally, the asado consists of short ribs, rump steaks and flank steaks, and is consumed with red wine from Mendoza, especially Malbec.

Luciano Miguens, president of the Sociedad Rural Argentina, the country's main agricultural organisation, says: "The average Argentine consumes 67 kilos of beef a year, the highest amount per person in the world. It is followed by Uruguay and the United States where the average person eats between 35 and 40 kilos a year."

Alfredo Matilla, head of exports of one of Argentina's most prestigious wineries, La Rural, which produces the Malbecs, Rutini and Trumpeter, says that the average Argentine today drinks 32 to 33 litres of wine a year, down from around 90 litres of wine a year in the Seventies.

"Thirty years' ago, Argentines consumed wine every day with their lunch," he adds. "It was often followed by a siesta. That's not possible in the modern world. However, although Argentines consume less wine today, it tends to be of a much

The consumption of beef and wine together is one of the most quintessential aspects of the Argentine way of life.

higher quality."

Beef and wine have been a traditional feature of the country's way of life for a century. Argentina is a land of immigrants. They came from all over Europe, especially from Spain and southern Italy.

In fact, there are more Italian surnames in the country's telephone book than Spanish, and linguists say that the Spanish spoken in Buenos Aires has the same accent as Italian spoken in the area of Naples, from where many of the original settlers came. The country is the most European in Latin America.

Many of the immigrant families were attracted to the beautiful region of Mendoza, which lies on the foothills of the Andes in western Argentina. It is said to be one of

the sunniest places on earth and was ideally suited for growing vines. They introduced the Mediterranean tradition of wine-making to the region.

The importance of cattle-grazing in the country goes even further to back the 1880s and 1890s when British immigrants introduced Aberdeen Angus and Hereford cows to the country. They are still two of the most common breeds, together with Short Horn.

Argentina has almost 250m acres of permanent pastures and meadows; only a few countries in the world, including the US and Australia, surpass it. Taken as a whole, the country is more than 11 times the size of the UK. Agricultural influences resonate throughout the country's culture. Foreign visitors do not have to venture far outside the capital, Buenos Aires, to see the traditional gaucho or cowboy, often

The region of Mendoza is ideally suited for growing vines



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wearing a red beret and on horseback, driving cattle.

One of the great joys for Western visitors to Argentina is being able to consume wine and beef at very low prices. A meal for two in a good restaurant with a quality red wine can cost as little as 90 pesos or £14. The country is full of parrillas, a kind of steak house, where it is the custom to eat the famous parrillada, a mixture of different types of meat including black pudding, flank steak, pork sausage, liver, and kidneys.

However, when Argentines eat out at a fine steak house they normally consume rump steak, washed down with Malbec.

In 1994, Zeev Godik decided to introduce some of the aspects of the Argentine way of life to Britain when he opened up one of the first Argentine restaurants in London, the Gaucho Grill. His group now owns ten Gaucho Restaurants in the UK, made up of nine in London and one in Manchester, and he plans to open

another two in May and June next year in Richmond-upon-Thames and on the South Bank near Tower Bridge.

"My business started with my love of beef," he says. 'Argentina and great beef are synonymous. It is a matter of individual choice and taste but I believe the country has the best beef in the world. It is very different from the beef produced in the US, where the cattle are closed in feed lots and are fed with a lot of corn.

"Argentine cattle is free range and grass fed. It is as close to organic as you are able to get. It is worked a little harder than American cattle but it is not so fat. It is also totally free of BSE. I think the Gaucho Restaurants have been instrumental in gaining the acknowledgement in Britain of the high quality of Argentine beef and wine."

The meat sold in his restaurants has never been frozen or chilled, and it takes three weeks to ship it from Argentina. He sources around 70 per cent from one producer in Rosario in

the province of Sante Fe, called Paladini, which is famous in Argentina for its ham and sausages but also has a small beef plant.

Mr Godik's ten restaurants sell more than 20,000 kilos of beef a month and 15 per cent of all the Argentine wine consumed in the UK.

"The most popular cuts of beef we sell are fillet, followed by sirloin, rib eye and rump," he adds.

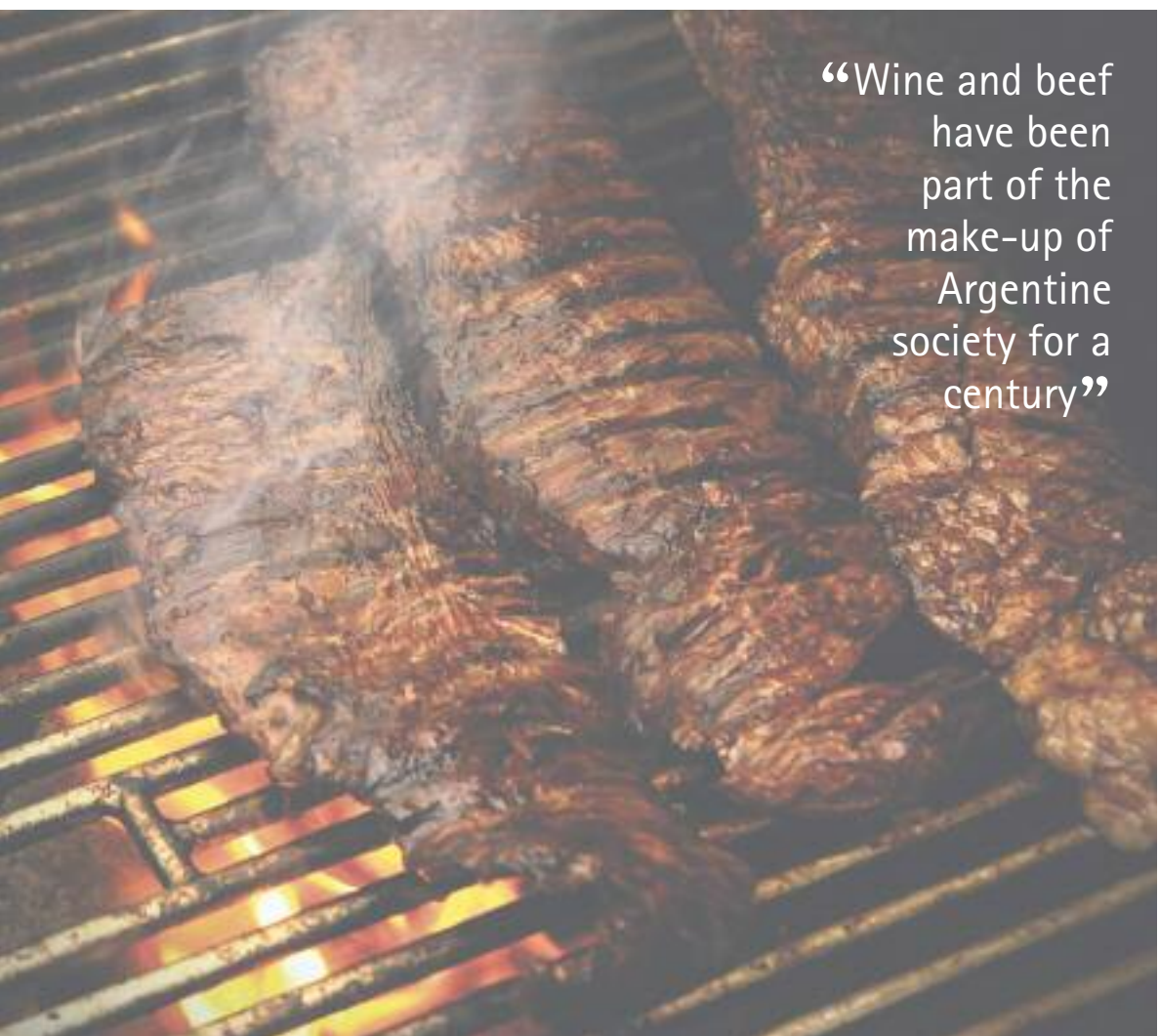
His restaurants stock 160 different wines from 45 Argentine wineries. He says some of the most popular Argentine wines sold in his restaurants include Zuccardi, Weinhert, Flichman and Carlos Polenta.

The total freight on board (FOB) value of bottled Argentine wine exports to the UK was £18.3m in September this year, an increase of 19.8 per cent on the same month last year, according to Wines of Argentina, the country's main wine trade body in Britain.

This compares with total exports to Europe, excluding the UK, of **Continued on page 12**

F PAENA HOTEL UNIVERSE
BUENOS AIRES





“Wine and beef have been part of the make-up of Argentine society for a century”

Continued from page 11

£54.2m in September (an increase of 18.5 per cent on the same month last year) and to the US of £46.7m in September (a rise of 35 per cent on the same period last year).

James Forbes, the UK director of Wines of Argentina, says: “Argentine wine exports to the UK have increased for the fourth month in row. More than 80 per cent of the country’s wine exported to Britain is for the off-trade market.

“I think the very favourable pound/US dollar exchange rate is helping a number of countries to export wine to Britain, including Argentina, Chile and the US. I am very optimistic that the market for Argentine wine in this country will grow. Wines of Argentina has had an office in Britain for about a year and I think we have helped to raise awareness of the high quality of the country’s wine.

“The fact that there are many more British tourists visiting Argentina also helps. They want to drink the country’s wine when they return home. Malbec is the most popular variety of Argentine wine consumed in Britain.”

As well as Malbec, the other main

varieties of Argentine wine are Syrah from Rodano Valley in the province of San Juan, Merlot from the Rio Negro region, Pinot Noir from the Alto Valle of Rio Negro, and Cabernet Sauvignon from Mendoza.

The Argentine Beef Promotion Institute (IPCVA, its initials in Spanish) has been running a campaign in the UK and Europe to improve international awareness of Argentine beef. During 2007, it organised a series of seminars for chefs and caterers in Britain. Furthermore, the IPCVA took part, for first time, in the Royal Show in July at Stoneleigh Park, Warwickshire, and, for the second time, in the International Food Exhibition at Excel in London.

Last month, the institute also took part in one of the largest food exhibitions in the World, ANUGA in Germany, with a display stand of 900 sq m and a restaurant serving the best Argentine beef with seating for 150 people.

Wine and beef have been part of the make-up of Argentine society for a century. More and more people throughout the world, including in Britain, are falling in love with the high quality of the country’s produce.

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It's Arelauquen Golf & Country Club, a 1920-acre venture by real estate developer Burco, which also owns several ranches in Argentine and Chilean Patagonia to cater for top-level travelers.

Arelauquen offers the possibility of owning a property with all the leisure and recreational services one could desire: a 1300 acres of nature reserve, an 18-hole golf course, a polo club with three polo fields, a five-star lodge with five different world-class culinary offerings, everything with all the infrastructure, security and services you could desire.

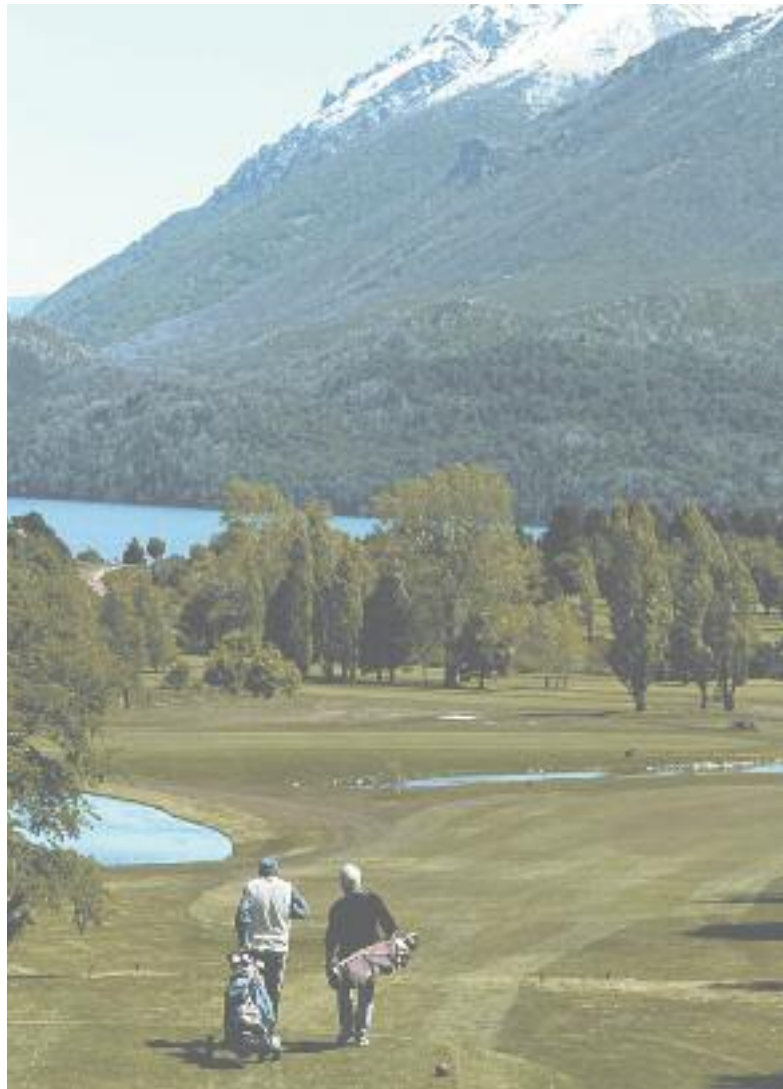
First step would be to know the place by staying for a couple of days at Arelauquen Lodge, of typical Andean style and exquisite decoration - features magnificent views from its salons and 23 guest rooms of mount Catedral, lake Gutiérrez, and the woods of mount Otto that frame Arelauquen.. It is hard to resist the temptation of becoming one of the privileged inhabitants of this paradise, where imposing landscapes and a social and sports infrastructure of the highest level blend with the robustness and quality of the most important development group in Patagonia. For those who fall under the spell of the place, lots and houses are on sale. Those interested in becoming members will have everything worked out for them: land with full service infrastructure, a company division in charge of delivering turn-key homes, and the added possibility of top-level decoration, landscaping, and hotel services.

Sales success is pretty obvious at first sight in 57% rise in prices achieved during the last 3 years, without slowing sales speed. Nationality of buyers shows a quite surprising feature: 46% of lots sold during the last year where bought by foreigners, and more than half of these where UK citizens! Furthermore, 150 private houses have been built with high demand on houses for rent and incredible increase in prices as well.

This success was not achieved

Patagonia, where stylish pleasures meet investing opportunities

In the Argentine Patagonia, amid national parks, mountains, forest and lakes, there's a unique place that offers the opportunity of extremely enjoying a solid investing opportunity.



amazing landscape, extensive, unexplored and special magic of Patagonia are combined with the vicinity of Bariloche City, it's international airport and South America's main ski resort, all just minutes away from Arelauquen.

The "low" value of properties in Ar-

gentine makes real estate investments attractive, specially for European or when savings are in pounds. Prices range considering views and surfaces, but for a \$ 250,000 (pounds) investment you can get a 1-acre lot and 2,700 ft house

But it would be unfair to say buyers are attracted only by the possible appreciation of their investment. Though this is always taken into account, Arelauquen seduces with its lifestyle proposal. Sophisticated outdoors sports include among others golf, fly fishing, skiing and heliskiing, trekking, biking, kayaking, wind surf and polo playing, with the Novillo Astrada from La Aguada Team as hosts of very complete calendar of tournaments.

If you are interested in investing overseas, in premium, high end places or just willing to feel part of the amazing Patagonia, Arelauquen is definitely the ideal starting point, an "investment" to enjoy the whole year round.

For more information visit www.arelauquen.com

through mere chance, but rather as a result of the long-term vision of real estate developer Burco, which apart from investing over 12 million dollars has coined a full-service concept of the utmost quality, luring Argentine nationals, and, quite specially, foreigners.

As always, location is always of extreme importance in real estate. The

Coming soon...

For 2008, Burco is already working on its new project, a Wine and Golf Country club in Valle de Uco, Mendoza, in the heart of the Malbec wine country. This new development will offer private 10 acres wine "fincas" within a real estate development, with golf, polo, hotel and its own wine making.

Argentina takes off as key tourist destination

ARGENTINA has emerged as one of the most important tourist destinations in Latin America since its government devalued the peso in 2002.

According to the country's Ministry of Tourism, the number of foreign tourists who visited the country last year was 4.1m, an increase of 8.7 per cent on the previous year and a jump of almost 60 per cent on 2001.

Last year, more than 650,000 came from Europe and 400,000 from North America. Total spending by foreign tourists amounted to £1.5bn last year, an increase of 23 per cent on the previous year. During the first quarter this year, total spending was £630m, a leap of 41 per cent on the first quarter last year.

Enrique Meyer, the country's secretary of tourism, says: "Argentina's offering for tourists is wide and diverse, and it's this very diversity that makes people enthusiastic about visiting it. Each region – the North, the Cuyo, Patagonia, the Littoral, and the centre of the country – offers, by virtue of its landscapes and its culture, a contrasting option, which complements the other regions.

"Some people are prepared to cover such an immense area in just one visit while others prefer to stop, without the need to rush, in one particular region. Either is a good option and serves an excuse to return to Argentina, and to be made welcome again and again."

Throughout the Nineties, Argentina was one of the most expensive destinations in Latin America because the peso had been pegged one-to-one with the US dollar. Many people from abroad wanted to visit its hedonistic capital, Buenos Aires, and the rest of the astonishingly beautiful

country, but were discouraged by the high prices.

That situation changed overnight with the devaluation: currently, there are 3.1 pesos to the US dollar and 6.4 pesos to the pound.

This exchange rate makes for some incredible bargains. For example, a steak for two in a good restaurant with a fine red wine can cost as little as 90 pesos or £14. A 20-minute taxi journey in Buenos Aires costs just £1.70.

Most foreign visitors coming to Argentina start in Buenos Aires. BA, as it is known, is one of the world's great cities, with a total population of around 13m. It is called the 'Paris of the South': the centre is full of tree-lined, grandiose boulevards built by a former dictator with Napoleonic pretensions. One of the historic neighbourhoods, called Recoleta (near the cemetery where Evita is buried), is abounding in French-style, classical architecture.

Four other areas are popular with tourists: the downtown, Puerto Madero, Palermo, and San Telmo.

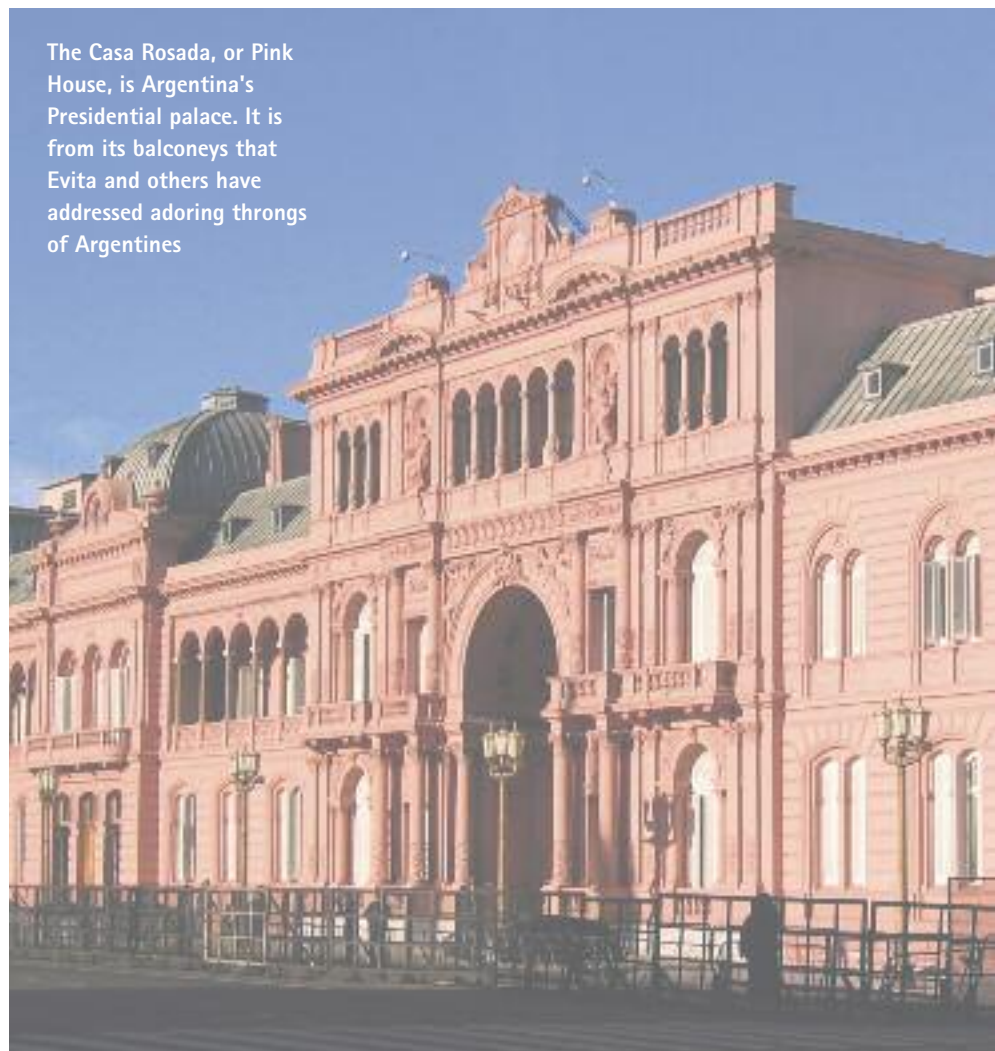
The downtown is famous for the Casa Rosada or Pink House, where Evita used to make speeches from the balcony to adoring crowds. San Telmo is the birthplace of Tango and is full of cobbled streets, colonial houses, Catholic churches, antique shops, cafés, restaurants, bars, and hostels.

The more out-lying Palermo has become one of coolest neighbourhoods of Buenos Aires. The most popular part is called Palermo Soho, and is full of small boutiques, bars, restaurants, clubs and up-market hotels. Many local artists, designers, and writers live there.

Puerto Madero, near the centre, is the old port area that has been turned into BA's equivalent of Canary Wharf: it is full of gleaming residential towers and pristine office blocks.

Alan Faena, the founder of an avant-garde, five-star hotel, the Faena Hotel and Universe

The Casa Rosada, or Pink House, is Argentina's Presidential palace. It is from its balconies that Evita and others have addressed adoring throngs of Argentines



in Puerto Madero, says: "People are now talking about Buenos Aires all over the world. It has become the most fashionable destination in Latin America. The city has the best food, the best culture, incredible weather and is architecturally stunning."

It is said of BA that it's the city that never sleeps. Argentines are bon vivants and love to party. Buenos Aires abounds in bars and night-clubs and regularly attracts the world's leading DJs. The people are famed worldwide for their good looks and like nothing better than to flaunt them.

BA is also becoming one of the principal gay meccas of the world. Barcelona's Axel Hotel Group, which describes itself as 'hetero-friendly', recently opened a hotel in the city.

Most people who come to Argentina will combine some time in the capital with a trip to the interior. When it comes to destinations in the rest of the country, the choice is mind-boggling.

Patagonia is an obvious favourite. The region is immense, more than 200,000 sq miles in size. One

of the most popular destinations is the town of El Calafate, which is close to the Perito Moreno glacier (18.6 miles long with a three mile-wide terminus), considered by many the Eight Wonder of the World.

Other popular locations are Bariloche, with its pristine lakes and breath-taking natural beauty, and Ushuaia in Tierra del Fuego, the most southern city in the world and the gateway to Antarctica. Peninsula Valdez is also to be recommended; it has some of the best whale-watching in the world.

The favourite destination in the North of the country is Iguazú falls, which consists of 275 separate cataracts. Upon seeing Iguazú, the American First Lady Eleanor Roosevelt reportedly exclaimed 'Poor Niagara!', as the South American falls dwarf North America's Niagara Falls.

Another popular location in the North West is the town of Salta, which has a well-preserved colonial centre, and is situated on the foothills of the Andes.

The region of Cuyo contains the provinces



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THE ARGENTINE WINE EXPERIENCE



of Mendoza, San Luis, San Juan and La Rioja. Mendoza has become one of the favourite tourist destinations in Argentina. Its capital, Mendoza City, is beautiful and has excellent views of the Andes. The province enjoys worldwide renown for its high quality Malbec wine, and it is easy to organise a visit to or to even stay at a nearby vineyard.

Cerro Aconcagua, the highest mountain in the Americas at 22,841ft, part of the Andes Cordillera, is located in the province of Mendoza, as well.

Martin Fryer, director of British Council in Argentina, says: "I think there is a wilderness feel about national parks along the Andes right down to Tierra del Fuego that can rarely be experienced in the West today.

"In the West, you just do not feel you can escape quite so dramatically to the end of the world."

One of the frustrations for British visitors coming to Argentina is that currently there are no direct flights between London and Buenos Aires. British Airways used to fly direct until 2003 but its flights to BA now include a stop-over in São Paulo in Brazil. It is understood that the British carriers do not flight non-stop because there is not sufficient premium demand.

"It's ridiculous that there are no direct flights," says Alan Faena. "Air France can manage it from Paris, so why can't British Airways or Virgin do it from London? It's the key to opening up Argentina."

However, the number of British tourists visit-

ing the country is rising dramatically. Journey Latin America, the UK's main travel agent for visitors to the continent, says its payments to Argentine hotels and tourism agencies doubled between 2004 and 2005. It saw another large rise between 2005 and 2006, and expects its payments to increase by a further 25 per cent this year.

Chris Parrot, one of the founders of Journey Latin America, says: "The hospitality and tourism infrastructure in the country has improved greatly in the past two years. "Furthermore, British tourists are now much more prepared to travel long haul and so the whole of Latin America is experiencing an upsurge. Part of the reason is probably that there is no inference of Islam in the region."

According to the Argentine Ministry of Tourism, British travellers stay an average of 15.4 days in the country, higher than the international average of 12.2 days, and almost 70 per cent of the British travellers stay in four- or five-star hotels.

One problem for travel within Argentina is the unreliability of the domestic airlines: flights are frequently delayed or cancelled.

Javier Zlatkis, the founder of the Garden House hostel in San Telmo, says: "This is a great challenge and requires the intervention of the national government. There are structural problems such as the lack of domestic flights and a shortage of

good roads in the interior, meaning that visitors are unable to access regions under-developed touristically but which offer enormous potential."

Next year, Argentina's Institute for the Promotion of Tourism (Inprotur), a state body created by law three years ago, will officially start operating with the launch of the national plan for the promotion of tourism 2008-2010. The UK is among the top five markets in the world that the agency will target.

There will be a series of strategic promotional activities, a new website, an advertising campaign in London, training for agencies, and other special events in the UK.

Argentina's international profile has a tourist destination has improved markedly during the past five years, and more and more Britons are discovering this magical land.

"It is said of Buenos Aires that it's the city that never sleeps"

- Faena Hotel and Universe (www.faenahotelanduniverse.com)
- British Council Argentina (www.britishcouncil.org/argentina)
- Argentina's Ministry of Tourism (www.sectur.gov.ar)
- Garden House Hostel (www.artfactoryba.com.ar)
- Journey Latin America (www.journeylatinamerica.co.uk)
- Axel Hotel (www.axelhotels.com)

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