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Argentina throws money at PCs for its citizens

From...
Industry

May 9, 2000

Web posted at: 10:31 a.m. EDT (1431 GMT)

by Daniel Helfft

(IDG) -- Twenty-three years after being forced to flee Argentina by a military regime's terror campaign, Martin Varsavsky finally decided to make peace with his home country. The 39-year-old economist, who became an Internet entrepreneur and a billionaire while living in Spain, donated \$11.3 million to build an education portal to bring the Web to Argentine schools.

His gesture coincides with a new \$1 billion government initiative to prevent a growing technological chasm between the country's haves and have-nots by providing affordable computers to citizens. These two efforts illustrate a growing realization that both the public and private sectors must be engaged if Argentina is to address its mounting digital divide.

Varsavsky believes Argentina needs to act quickly to increase the 2 percent of schoolchildren who are online, a situation that he says could lead to dire consequences.

"The country is producing a new elite that will wipe out everyone that is not on the Net and that will produce a new oligarchy," Varsavsky says from Spain, where he made most of his fortune in telecommunications and Internet ventures.

His concerns about how the Internet will affect Argentina's social fabric and business environment are shared by government officials, who hope to develop information industries that narrow rather than exacerbate social imbalances within the country. "There are two threats," says Argentina's education minister, Juan Llach. "One is staying behind the rest of the world, and the other one is dividing further our society."

The government is addressing the latter concern by providing any employed citizen a subsidized loan of about \$1,000 to pay for a computer and an Internet connection. The idea is to double the 1 million Internet users in the country and improve the country's technological literacy.

Argentina already is one of the leaders of the new economy in Latin America. It is home to more than half of the Internet startups in the region, according to statistics from Microsoft executives who recently selected Argentina as the first country where it will launch a program to provide technical assistance to young dot-coms. "There are some 600 new companies in Latin America, and 350 are here," says Axel Steinman, Microsoft's South America director.

That is already translating into substantial job creation in a country that has seen unemployment grow dramatically over the past decade. In Buenos Aires at least 15,000 people work in startups, and many more are in various support activities, according to government figures. The Internet boom is also helping the country retain talented youth who otherwise would have emigrated in search of better opportunities.

But officials realize that in order to really develop the Internet Economy the country needs to cultivate generations of tech-savvy people to populate its burgeoning dot-com companies. That's where Varsavsky's vision of Internet-led economic development comes into play.

"The country needs to follow Israel's path [it's] a tiny place with a highly skilled workforce that has allowed the economy to gain enormously from the Internet," he says. Varsavsky is optimistic that the subsidized PCs and wired schools will help by raising Argentina's technological skills and fueling its Internet industries.

But it will be difficult to translate that phenomenon into more equitable income distribution, a goal that has proved elusive throughout Latin America. After years of market-oriented economic policies, the top 10 percent of the population has increased its share of the nation's wealth to 37 percent, while the poorest 10 percent now cling to just 1.5 percent. Everyone hopes the Internet will narrow that gap, not widen it.

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