

a large component of financial services. . . . We have to distinguish between the quality of industry, the type of services and the role of the financial system. . . . When we look at Argentina's future from this standpoint and measure the comparative costs and potential for export, things don't look so simple."

Added to this perspective is the fact that the agricultural sector, the basis for Argentine exports, had to organize a tractorcade last July to call the government's attention to its crisis. Industrial sectors, such as textiles, have practically disappeared due to the so-called "industrial reconversion" or restructuring policy included in Cavallo's economic model. Capital goods and machine-tool industries are operating at 60% of installed capacity. Between December 1992 and today, sales in the interior provinces have dropped by 50%. There are thousands of bankruptcies of small and medium-sized provincial companies who can't survive the prohibitively high cost of credit and utility rates.

### Alarming trade deficit

Most alarming is the trade deficit projected for 1993 which could be as high as \$3.2 billion, up from \$2.5 billion in 1992; the projected balance of payments deficit for 1994 is \$10 billion. Given that income from privatizations has essentially dried up, as Carlos Abalo correctly noted, "what happens with incoming capital will determine the continuity of the economic model." One of Argentina's most prestigious economic analysts, Miguel Angel Broda, who writes for *El Economista*, confirmed that there won't be any problem with these incoming foreign "investments" unless "a) there's a crash of the New York stock market which would change the international financial panorama or, b) NAFTA [the North American Free Trade Agreement] is not approved [in the U.S. Congress] and Mexico plunges into crisis and drags the rest of Latin America with it." Both of these possibilities are quite feasible.

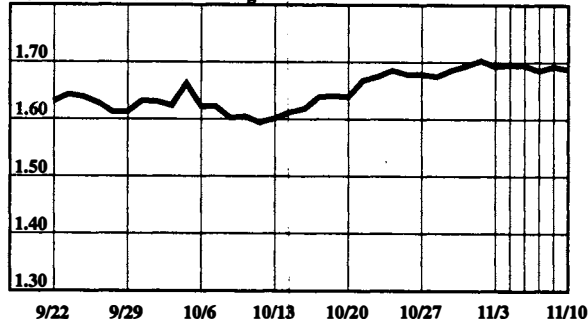
Finally, Daniel Naszewsky, *El Cronista's* economics editor, commented on Nov. 1 that "Argentina is showing an imbalance in its external sector, and it's more obvious every day that if foreign capital doesn't continue to enter the country to compensate for the current account deficit, the future won't be hyperinflationary as in the past, but recessionary." If the solution is more investments of the type mentioned above, then Argentina's only solution will be to continue increasing its public and private debt by issuing bonds that will then be bought up by foreign usurers such as George Soros.

The other option is that discussed in the *Washington Post* and elsewhere, which is that Argentina will increasingly become—this is already the case—a port for the entry and laundering of drug monies. The real question is, who will pay for the "profitability" of this monstrous debt and how much longer can the physical economy and the Argentine people sustain this?

## Currency Rates

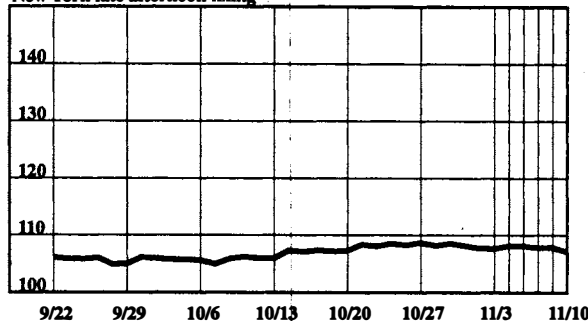
### The dollar in deutschemarks

New York late afternoon fixing



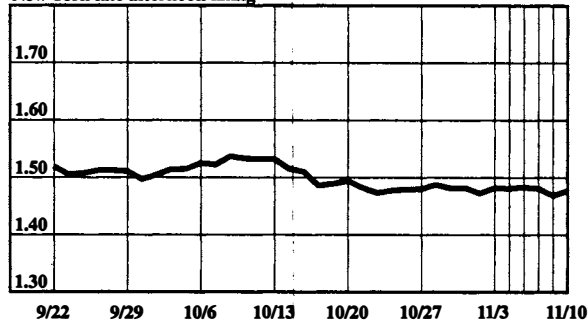
### The dollar in yen

New York late afternoon fixing



### The British pound in dollars

New York late afternoon fixing



### The dollar in Swiss francs

New York late afternoon fixing

