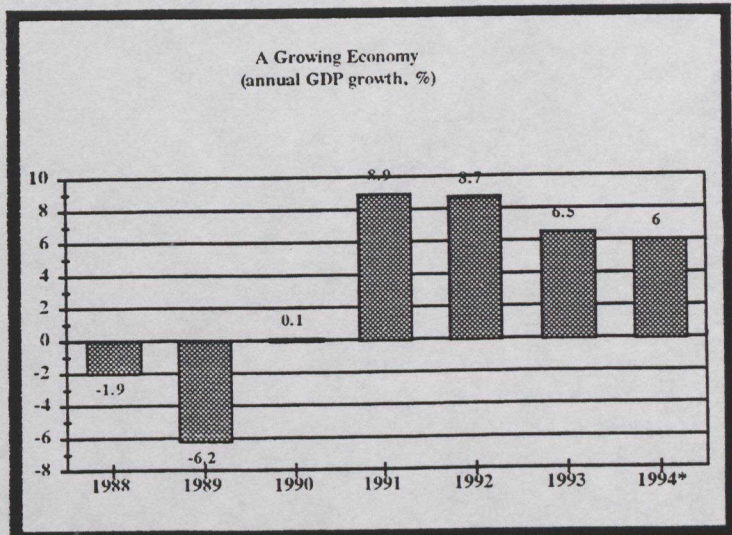


Market Study on the Automotive and Auto Parts Industry in Argentina

originated within a closed economy characterized by widespread intervention and lack of investment.

This program has been the cornerstone of Argentina's economic policy over the past 3 years and has resulted in a drastic reduction of the inflation rate, from an annual rate of 4,923.3% in 1989 to 7.4% in 1993. The gross domestic product (GDP) soared to 8.9% in 1991, 8.7% in 1992, and 6.5% in 1993. During the 1994-95 period GDP is expected to maintain an average annual growth rate of 5-7%. With a 33.6 million population, per capita GDP was estimated at US\$ 7,058 in 1993. In the period between 1991 and 1993, Argentina had the world's third most rapidly growing economy.

<u>PERIOD</u>	<u>ANNUAL INFLATION RATE %</u>
1989	4,923.3
1990	1,343.9
1991	84.0
1992	17.5
1993	7.4
1994	6*



\* Forecasted (Source: INDEC Statistics)

The government's effort in trying to open up Argentina's industry is reflected in its recent tariff reduction: 0% for capital goods, 5% for primary products, 13% for production inputs, and 20% for finished goods. These have been set taking into account the individual competitive conditions prevailing in the various sectors and the relative advantages of contributing to the introduction of equipment and technology for local industry.

Trade Responding

According to preliminary trade data for the first ten months of 1993, exports for the year increased by 7.2% from the level of the same period of 1992, reaching US\$10.9 billion, while imports reached US\$13.3 billion, up 7.8% from the level of the same period in 1992.

The rate of increase in exports has been outpacing the increase in imports. Exports increased 11.1% in September of 1993 and 11.7% in October, while imports increased 5.3% and 2.9% with respect to the same months in 1992. Most important, US\$655 million of the increase in the