

## ECONOMIC COMMISSION FOR LATIN AMERICA

SPEECH BY THE HEAD OF THE DELEGATION OF EL SALVADOR,  
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Upon the invitation of Chile, our friendly southern sister-State, all the delegates of the Latin-American countries have been enabled to meet in this Commission and to outline as clearly as possible their economic conditions and the problems resulting therefrom, and above all to consult in seeking practical and intelligent solutions which would result in a genuine improvement in the standards of living of their respective populations.

Because of the small area it covers (34,126 square kilometres) and the density of its population (58 inhabitants per square kilometre) our country presents distinctive economic characteristics and aspects which deserve to be known and considered.

El Salvador's principal source of wealth is her human potential. Owing to the large number of inhabitants per square kilometre and to their energy and hard work, it has been possible to introduce an ever-growing and swifter rhythm into the country's agriculture, commerce and industry, within the limits of her possibilities.

Coffee, a predominant factor in El Salvador's exports, is likewise a principal source of economic wealth; thanks to it, and to the high price obtained on the world market in recent years, the country's economy is going through one of the most favourable periods in its history.

Among other factors contributing to the economy of El Salvador is the intensive cultivation of the country's soil, mainly in coffee growing; another important factor is the network of roads which spreads over the length and breadth of the country and brings it into contact with the neighbouring Republics of Guatemala, Honduras and Nicaragua.

## STATISTICS

A matter of grave concern to the Government and other institutions is the absence of adequate statistics from which to gain rapidly an accurate knowledge of El Salvador's true economic situation in its manifold aspects.

In the present circumstances we could not give exact data of the actual population, housing, agricultural and industrial production, the extent of the arable soil, etc., and it would therefore be difficult for us to determine our true needs in agricultural and industrial machinery to meet

\*This document is a revised translation of the original which was issued in Santiago.



the requirements of these important classes of production.

Our economy is developing at the rate dictated by the export trade, which is the main source of the country's income.

In 1947 exports amounted to \$40,049,873 U.S., an increase of \$14,238,367 over 1946.

Imports in 1947 rose to \$32,794,929, an increase of \$14,379,298 over 1946.

These circumstances resulted in a favourable trade balance of \$7,819,000 but the balance of payments revealed a deficit of \$3,560,000 for the year 1947, due mostly to the service of the foreign debt. This does not, however, affect El Salvador's favourable position for a surplus of foreign exchange has been accumulated during the past ten years in the Banco Central de Reservas, in commercial banks and in private hands.

From our balance of payments we note that in El Salvador, as in most Latin-American countries, the flow of goods is the main factor determining the credit or debit status of the balance.

#### PRODUCTION

(a) Agriculture: Agriculture is not only the main source of wealth in El Salvador but also the most important factor in satisfying her vital needs in food and in some manufactured goods.

(1) Coffee: The crop for the year 1945-1946 amounted to 1,079,996 quintals, and exports represented a total of \$32,741,421.

(2) Maize: The crop for the year 1945-1946 totalled 2,569,445 quintals. This is the staple food in El Salvador.

(3) Sugar: In the same year production amounted to:  
Granulated sugar .....398,945 quintals.  
Cane by-products .....1,153,588 quintals.  
In 1947 exports totalled \$495,692.

(4) Beans: These are another staple food. The crop for the year 1945-1946 amounted to 484,052 quintals.

(5) Cotton: The crop in the year 1945-1946 totalled 68,593 quintals and exports of raw and processed cotton in 1947 amounted to \$1,053,321.

Wheat, rice, sesame, cocoa, ground nuts, potatoes, indigo, "Peru" balsam and other commodities were also produced but on a smaller scale.

#### LIVESTOCK

This does not constitute a source of wealth from the point of view of exports, but is merely part of the domestic food supply.

/MANUFACTURING



## MANUFACTURING

An intensification has been noted in the development of the various phases of industry and attempts are being made as far as possible to supply those articles which are imported but which could be manufactured from domestic raw materials: thus there has been an increase in the production of oil from cottonseed, ground nuts, sesame and sunflower seed. The output of these oils amounted to 1,244,487 litres for the 1945-1946 crop.

Of cotton fabrics, 4,865,177 metres were produced in mills and 15,521,269 metres on hand looms.

Recently the production of articles derived from agave has expanded.

## MINING

Although this item is a minor one in El Salvador, it has nevertheless followed the general trend in all economic activity: production went up and in 1947 exports of mine products represented a total of \$650,000.

## ECONOMIC POLICY

It is a source of satisfaction to point out that our Government has firmly pledged itself to bring about a favourable economic situation in the country so that the Republic may suffer less from the consequences of the recent war; but world production has not so far been able to cope with the demand, and it is natural that El Salvador should be feeling the effects of the world crisis.

At present, the country has a sound monetary system, thanks to the expanding activities of the Banco Central de Reservas. The rate of exchange for the dollar has been maintained at TWO COLONES FIFTY CENTAVOS FOR ONE DOLLAR notwithstanding the periods of shortage and abundance of foreign exchange. During 1947 the rate for gold per troy ounce was EIGHTY-TWO COLONES TWENTY-TWO CENTAVOS, and the selling rate was NINETY COLONES TWENTY-SEVEN CENTAVOS, which is within the limits set by the International Monetary Fund.

The Banco Central's total international reserve on 31 December 1939 amounted to \$7,840,000; it increased gradually until on 31 December 1947, it reached \$29,230,000.

The later figure does not include the Banco Central's gold contribution to the International Monetary Fund, which is \$640,000.

The circulation of notes and subsidiary currency in March this year represented a total of \$23,242,000.

The result is that, unlike other countries, El Salvador at present has no foreign exchange problem and payments to other countries therefore present no difficulty.

/I consider



I consider it noteworthy that the State's favourable economic situation enables it to be up-to-date in meeting its obligations and in the service of the foreign public debt. Moreover, during the past five years the Fiscal Budget, at the end of the fiscal year, has shown a surplus which is gradually increasing; this is not due particularly to higher taxation but to the protection of the national economy and the careful management of public funds.

Coffee has been and remains the country's main source of wealth, and for this reason El Salvador may be considered a one-crop nation; fortunately during the past few years, thanks to more extensive cultivation of other crops, the export percentage of coffee has declined relatively although there has been no drop in the quantity of coffee exported.

The extension of cultivation has mostly affected cotton, sugar and agave. Cotton exports have increased, as have those of sugar.

The percentage represented by coffee in the country's total exports, previously about 90 per cent, has dropped to 62 per cent, the remaining 38 per cent consisting of other products. El Salvador's problems may be classified into those concerning respectively immediate and less urgent needs.

Among the immediate needs is that of supplying the country with electricity; this depends upon sufficient hydraulic power, since the present growth of industry in cities has created serious problems reflected by an ever-growing shortage of electric power.

One of El Salvador's major problems is lack of fuel, and a suitable plan of electrification would fill this urgent need, to cope with which it has proved necessary in many cases to go so far as to completely deforest our land, with the resulting serious consequences to arable soil.

In existing projects for the development of such a plan, the possibility was also considered of irrigating those areas which do not at present receive the benefit of natural water.

Linked closely with the problem of electrification is that of supplying drinking water to the cities. Suffice to say that the capital of the Republic suffers continually from a shortage of this precious liquid and the problem is directly connected with the lack of sufficient electric power. Among less urgent problems are the country's sanitation, inexpensive homes for workers and peasants, and continuation of the education campaign, which has grown in the past few years; the budget for public education has increased fourfold in the past three years.



Final Considerations. As far as she can, El Salvador will support any suggestion made by the various delegations likely to bring about genuine improvement in the economies of Latin America and the world. We therefore heard with pleasure the statement made by the delegate of Peru that the economic problem is indivisible and cannot be solved if the needs of one group of countries only are taken into consideration and those of the rest of the world are excluded. We likewise feel that, to give new life to our economies, not only must there be contributions of capital from investor countries but also human contributions in the form of immigration wherever it is needed. Due to the density of her population, which in the past few years has made her an EXPORTER OF MANPOWER, especially to the Republics of Honduras and Panama - not counting our many fellow-countrymen living in the United States of America, Mexico and other countries - El Salvador is in no need of mass immigration but is rather in a position to contribute to the colonization projects undertaken or about to be undertaken by our Central American neighbours.

We believe also that trade between Latin American countries should be intensified and full advantage taken of the fact that, due to the great variety of climates on our continent, there are periods in which certain products are plentiful in some countries and lacking in others. Likewise, it must be remembered that some countries, such as Argentina, Chile and Mexico, produce many of the things which the tropical countries of America import from the United States and Europe, and which helped to supply our markets during the recent war. The problem of safe and inexpensive communications between our countries caused us, however, to give up these new supply markets when at the end of the war our communications with North America and Europe were to some extent restored. Another of our important problems, therefore, is to develop means of transportation such as a large and well-organized merchant marine; this problem may be looked into by those of our sister-States with a more extensive economy, greater technical knowledge and adequate manpower.

Our views concur with those of the honourable delegates from France and Mexico that to achieve this it is necessary to create and maintain technical bodies to study the problems brought to light at this conference and to draft plans which would guide us in solving them.

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