Mr. Chairman:

Countries whose economies are still in their infancy, whose national incomes are small and whose standards of living and employment are low, cannot hope, when confronted with the most difficult and complex social and economic problems of all times, to find the way to their solution by their own unaided efforts. To attain a position of true dignity in the community of civilized and prosperous nations, to achieve their genuine economic independence and extend material welfare throughout their territories, such countries must co-ordinate their efforts, co-operate loyally and sincerely with one another, and unite, in sound and close solidarity, all their minds, wills and resources, endeavouring to put into practice the motto of the pioneers of the co-operative system: "All for one and one for all".

That is the way the democracies which fought against totalitarianism seem to have understood their task; and that is why they have established this organization, which, within the framework of the United Nations, is called upon to study the causes of our regional economic maladjustments and by judicious measures and adroit action dispel the distressing preoccupations of today and tomorrow.

The delegation of Guatemala expresses its faith in this new organization. It wishes to thank the Government and people of Chile for their kind hospitality, and at the same time to pay homage to the representatives of nations which with deep perception and a true understanding of democracy, conceived it and gave it form. We feel, Mr. Chairman, that this is an organization not merely for theoretical enthusiasm or political action, but rather for an essentially technical and realistic vision, which will certainly have concrete results.

One of the Commission's tasks must be to focus its powerful analytical lens upon the economy of the Latin American countries. I therefore feel justified, Mr. Chairman, in giving a brief sketch of the more important aspects of Guatemalan economy for the benefit of the representatives here.
More than three-fourths of Guatemala's working population live by agriculture and stock-breeding. Industrial development is limited though in process of slow but steady expansion. Our trade, both domestic and foreign, is substantially greater than that of any of the other Republics of Central America. There is a certain balance in the development of Guatemala's industry and trade in that the latter has not flourished excessively in relation to the former. Lastly, I should say that these activities may be classified in the following order of profitability: trade, industry, stock-breeding and agriculture.

Guatemala is now suffering from the inflationary tendencies also prevailing in other countries of America as a result of the recent great war and of certain domestic factors.

Let me describe in general terms some of the characteristics of this inflationary tendency of wage levels and of the standard of living:

(a) The national standard of living is very low. Judging only by the figure for the average annual income per inhabitant from wages, that conclusion is undeniable for it may be estimated that that figure fluctuates in the neighbourhood of approximately Q.50.00. According to the General Population Census of 1940, the economically employed population (excluding domestic services) may be classified as follows: of the total population of the country, 3,500,000 inhabitants, there are 1,940,000 employed inhabitants. About 90 per cent of the economically active population work in agriculture and stock-breeding and only about 10 per cent are engaged in other activities such as industry, trade and public services. It is clear that Guatemala is fundamentally an agricultural and stock-breeding country.

It may reliably be assumed that the average annual wage for a worker engaged in agriculture or stock-breeding is around Q.100.00 and that the average for a worker engaged in other activities is about Q.400.00. Wage levels and standards of living vary considerably from one sector of the population to another. We have just given figures showing that the average annual wage of a worker engaged in agriculture or stock-breeding may be estimated at Q.100.00 and that the average for workers engaged in industry, trade and urban occupations is some Q.400.00. The
difference between the standard of living of the natives and that of persons of comfortable means of living in the cities, especially in the capital of the Republic, are even more evident, since there is a pronounced class division in Guatemala.

In the month of December 1945 an investigation was carried out in 57 industrial establishments covering 4041 manual workers (3008 men and 1033 women) and the average weekly wage was found to be 4.6.08 or a little more than 9.300.00 per annum. The difference in the average wages of men and women was found to be considerable, the average for the former being 4.6.58 and for the latter 4.4.59.

The average annual wage of State-employed workers was approximately 4.450.00.

Theoretically we may say that the national wage level has risen by 10 or 15 per cent since the coming into force of the constitution of 11 March 1935, Article 53, paragraph 3, of which entitles a worker to receive wages for the seventh day of the week, without working, provided he has worked for the other six days. In point of fact, however, the attempt is still made to evade that provision in some cases, and its application has been uncertain and a source of difficulties. Moreover this increase, even if we suppose that it has taken effect, cannot apply to wages paid on a monthly basis, since a monthly wage is understood to include payment for the seventh day of rest.

The inflationary tendency has affected mainly the lower-paid urban workers living on the basis of a monetary economy. This is due to the fact that a considerable percentage of the rural native population lives on the basis of a consumer or partly consumer economy, and that in rural areas wages are frequently paid in kind (living accommodation, lands for cultivation, food, etc.) so that a rise in prices has little effect. This section of the rural native population produces a sufficiency of the goods it consumes (its needs are very primitive); so that even if its money receipts are small, its expenditure is equally low.

The entry of the United States into the war marked the beginning of the general rise in prices in Guatemala, with a consequent decrease in the purchasing power of the currency; a decrease which became more and more pronounced until in June 1945 the purchasing power of the Quetzal had dropped to about 1/3 of its purchasing power in 1937.
The General Economic Situation of Guatemala

The economic structure of Guatemala is changing slowly but surely. The country still depends largely on coffee as its principal export and source of the foreign exchange required to pay for imports of essential manufacturing goods and raw materials; and even though the Second World War marked the outset of a process of diversification of national production and began an era of the exportation of other products, while at the same time making it possible to intensify existing industrial production, it cannot be guaranteed that Guatemala still depends largely on the production and exportation of coffee, and that the world coffee situation and coffee prices on international markets are the main factors determining our greater or lesser prosperity.

In the last few years the coffee situation has been extremely stable, and this state of affairs has continued to the present. In 1947 mellow coffee maintained the high and stable prices which have brought producers substantial profits in the last few years. In this regard it is fitting to point out that the coffee industry is predominantly owned by nationals and by the State, which means that the foreign exchange obtained from exports enters into the heritage of the Guatemalan community. The other exports fetched prices which were, generally speaking, remunerative.

The general economic life of the country made further progress in 1947, and the high levels reached in the war years were maintained. This may be seen from certain production, employment and weekly wage indices, which do not, however, since they were compiled on the basis of September 1946, permit a comparative analysis of the nature of some of their movements. But other figures, such as those for railway freights and the volume of cheques cleared, show increases indicative of a higher degree of activity.

A brief analysis of the characteristic elements of Guatemalan economy will permit a better appreciation of the situation as a whole.

2. Agricultural Production

Agricultural production in the last three years has been as follows:

<table>
<thead>
<tr>
<th>Year</th>
<th>Coffee Production (in thousands of quintales)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1944-45</td>
<td>1,433.4</td>
</tr>
<tr>
<td>1945-46</td>
<td>1,393.6</td>
</tr>
<tr>
<td>1946-47</td>
<td>1,407.7</td>
</tr>
</tbody>
</table>

While
While coffee constitutes our principal export, maize is the country's basic food, particularly in rural areas where the population is predominantly native. It would therefore be important to know the volume of production of this cereal; but agricultural statistics are not yet sufficiently advanced in Guatemala to provide such figures. It is safe to say, however, that maize production in 1947 was adequate to meet the rather heavy demands of home consumption, since there was no need to import any quantity, as was the case, for example, in 1946. Domestic prices were slightly higher than in 1946.

No statistics are available either for the production of Indian beans, rice, vegetables and other staples; but it is certain that generally speaking production was sufficient to meet home demands.

As compared with 1946, wheat production, for which there are quite reliable statistics, increased 20 per cent in 1947 although it was greater than in 1946 and previous years. This, therefore, led to greater imports of foreign flour. This situation is now being remedied by the utilization of sufficient new lands and soil to meet the demands of home consumption.

Sugar production showed an increase of 11.8 per cent in 1947 as compared with 1946, thus satisfying demand and stabilizing the position of this important product, which was in short supply and rationed for a number of years. As a result of this increase in production the former controls on the sale of this article were removed.

Cotton production is very far from meeting the needs of our textile industry; but the country is trying, as in the case of wheat, to increase production. There is ample land available and the climate and conditions are very favourable, so that it should be possible to meet at least the demands of the home market.

2. Stock-Breeding

Stock-breeding has been one of the most important elements of our country's economy. In 1947 the Directorate-General of Statistics carried out the first livestock census, which showed the following results:

- Cattle: 901,000 head
- Horses: 155,000 head
- Mules and Donkeys: 61,000 head
- Sheep: 613,000 head
- Goats: 61,000 head
- Swine: 374,000 head

It should be pointed out that meat consumption has been increasing in Guatemala and that there is a regular flow of exports to European markets.
Consequently, statistics show that there have been considerable increases in the slaughter of cattle and sheep in slaughter-houses.

b. Industrial Activity

The industrial census conducted in 1947 for the first time revealed the extent to which our national industry had advanced; but it is not possible to ascertain the rate at which the industrialization of the country has developed, since there are no comparative statistics available to show the number of factories, levels of employment, or the volume of production in previous years.

What information there is shows that industry has been growing for some years, although it has not yet assumed the character required to change the country’s basic economic structure. Industrial progress has been slow for a number of reasons, including the difficulty, which has existed since the early years of the recent war, of purchasing machinery and equipment in producer markets.

Of course, there are other, local factors, such as the lack of initiative and enterprise and the shortage of adequate credit, which have prevented the rapid development of industry; but progressive tendencies are now clearly evident. This is probably due in large measure to the Promotion Institute, which has a major role to play in the promotion and development of domestic manufactures.

To provide some picture of the country’s present state of industrialization, let me give you some figures established by the Industrial Census of 1947, which we consider revealing.

Last year Guatemala had some 5,000 factories, 1,000 of which were responsible for the bulk of production. The rest, representing purely domestic industry, cover 20 different activities, the main items of which are food products, clothing manufacture, textiles, timber, skin and hides, tobacco and related products, distilleries and other beverage factories, chemical and non-metallurgical industries, etc.

The thousand industries responsible for the bulk of production employ about 24,000 workers, earning Q. 8.5 million per annum. These industries consume raw materials amounting to Q. 19.5 million per annum; with Q. 575,000 of fuel; and Q. 305,000 of electrical power. Their annual production amounts to Q. 43.8 million, a rather large figure for our national economy. 50 per cent of the raw materials used by these industries are domestic and 41 per cent imported.
5. Price Indices

The inflationary trend in our country which began during the second world war and continued in the immediate post-war period, naturally caused demands for higher wages, with a consequent so-called "inflationary spiral".

Judging by the indices computed, the price structure is now tending to become stabilized at a level substantially higher than the pre-war level. That became clear if we analyze the various indices based on 1937 prices, which rose at such a rate from 1942 or 1943 on that they upset the economic balance and caused extremely harmful inflationary disturbances.

Let us give you some figures which justify those statements:

**INDEX OF THE WHOLESALE PRICES OF 13 BASIC FOOD ITEMS IN THE CAPITAL OF THE REPUBLIC**

\[(1937 = 100)\]

<table>
<thead>
<tr>
<th>Year</th>
<th>Index</th>
<th>Annual Increase</th>
</tr>
</thead>
<tbody>
<tr>
<td>1942</td>
<td>105.8</td>
<td>-</td>
</tr>
<tr>
<td>1943</td>
<td>122.4</td>
<td>plus 26.6</td>
</tr>
<tr>
<td>1944</td>
<td>140.1</td>
<td>&quot; 17.7</td>
</tr>
<tr>
<td>1945</td>
<td>174.3</td>
<td>&quot; 34.2</td>
</tr>
<tr>
<td>1946</td>
<td>216.0</td>
<td>&quot; 41.7</td>
</tr>
<tr>
<td>1947</td>
<td>268.2</td>
<td>minus 9.8</td>
</tr>
</tbody>
</table>

Thus prices began to increase steadily in 1943 and reached their maximum in 1946, when they showed the considerable increase over the previous year of 41.7 points, with the consequent dislocation which so violent a variation must produce in any country. In 1947, however, there was a modest fall of 9.8 points as compared with 1946.

**INDEX OF THE RETAIL PRICES OF 21 VITAL NECESSITIES IN THE CAPITAL OF THE REPUBLIC**

\[(1937 = 100)\]

<table>
<thead>
<tr>
<th>Year</th>
<th>Index</th>
<th>Annual Increase</th>
</tr>
</thead>
<tbody>
<tr>
<td>1943</td>
<td>111.1</td>
<td>-</td>
</tr>
<tr>
<td>1944</td>
<td>129.8</td>
<td>plus 18.7</td>
</tr>
<tr>
<td>1945</td>
<td>152.3</td>
<td>&quot; 33.5</td>
</tr>
<tr>
<td>1946</td>
<td>197.8</td>
<td>&quot; 29.5</td>
</tr>
<tr>
<td>1947</td>
<td>196.3</td>
<td>&quot; 3.5</td>
</tr>
</tbody>
</table>

The above table too shows steady price increases from 1943 on, some such as those of 1945 and 1946 being very great; but it is clear that by 1947 they had achieved some stability, for the increase in that year is insignificant (only 3.5)
as compared with the previous year, and the month-to-month fluctuations are not so great. To a lesser degree, the index of prices of building materials shows the same process of stabilization, since as the rise over the last few years moderated appreciably in 1947.

INDEX OF THE PRICES OF 10 HOME PRODUCED BUILDING MATERIALS IN THE CAPITAL OF THE REPUBLIC

(1937 = 100)

<table>
<thead>
<tr>
<th>Year</th>
<th>Index</th>
<th>Annual Increase</th>
</tr>
</thead>
<tbody>
<tr>
<td>1942</td>
<td>113.8</td>
<td>--</td>
</tr>
<tr>
<td>1943</td>
<td>136.0</td>
<td>plus 22.2</td>
</tr>
<tr>
<td>1944</td>
<td>150.0</td>
<td>plus 24.0</td>
</tr>
<tr>
<td>1945</td>
<td>190.0</td>
<td>plus 30.0</td>
</tr>
<tr>
<td>1946</td>
<td>232.6</td>
<td>plus 32.6</td>
</tr>
<tr>
<td>1947</td>
<td>279.6</td>
<td>plus 17.0</td>
</tr>
</tbody>
</table>

The continued though moderate rise in these prices in 1947 was due to the upward trend in building activity, which may be seen from the following data relating to the Capital of the Republic: in 1947, 845 building projects were completed, as compared with 727 in the previous year. The value of these projects was Q. 1.8 million in 1947, as compared with Q. 1.4 million in 1946. We should also mention here the shortage of some domestic materials which made itself felt in 1947.

The computation of other price indices, more representative in that they include a greater number of articles or products and cover the whole territory of the Republic, was commenced at the beginning of 1946. These indices therefore do not serve to indicate price trends over the main period. Nevertheless, they prove that from 1945 to 1947 prices showed only moderate increases and that they have maintained an appreciable degree of stability in the last few months; which should probably be considered as evidence that prices are tending to find new levels of equilibrium.

5. Foreign Trade

Last year, according to customs statistics, there was an unprecedented flow of imports, amounting to Q. 57.3 million as compared with Q. 36.2 million in 1946 and Q. 23.3 million in 1945. This great increase was due to the deferred demand caused by the last World War, by the rise in the prices of imported goods and by the increase in national economic activity. This influx of commodities last year overburdened the customs houses, and transportation facilities proved wholly inadequate, with consequent over-stocking by importers and merchants, which was reflected, at the end of the year,
a temporary shortage of circulating capital. Banking credit was required on a larger scale to make up for this situation, but the conservative policy jointly adopted by the banks prevented undue credit expansion.

Exports also showed a considerable increase. In 1947 they rose to Q. 52.0 million as compared with Q. 36.7 million in 1946 and Q. 30.4 million in 1945. This increase in the value of exports was greater than their increase in volume, owing to the substantial rise in the prices of our exportable products.

Despite the great increase in the value of our exports, our trade balance in 1947 showed a deficit of Q. 5.3 million; since exports increased by only 42 per cent over 1946, whereas imports rose by 58 per cent over the previous year.

That deficit, however, did not affect foreign exchange reserves of our banking system, since it was compensated by other factors determining our balance of international payments.

This fortunate situation places Guatemala amongst the few countries of the world which have not suffered a reduction in their monetary reserves or required the imposition of exchange controls or other measures restricting free trade. It should, however, be noted that the rate of increase of our foreign exchange reserves has declined; and that if this tendency continues they may stop increasing and even diminish to some extent.

7. Public Finance

The country’s fiscal situation has maintained the prosperity it has known for some years.

The revenue and expenditure of the Public Treasury has been increasing year by year, as can be seen from the following figures for the last five fiscal years:

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>Revenue</th>
<th>Expenditure</th>
<th>Difference</th>
</tr>
</thead>
<tbody>
<tr>
<td>1942/3</td>
<td>13.7</td>
<td>12.8</td>
<td>plus 0.9</td>
</tr>
<tr>
<td>1943/4</td>
<td>16.8</td>
<td>11.6</td>
<td>plus 5.2</td>
</tr>
<tr>
<td>1944/5</td>
<td>16.9</td>
<td>21.9</td>
<td>minus 5.0</td>
</tr>
<tr>
<td>1945/6</td>
<td>29.4</td>
<td>28.9</td>
<td>plus 0.5</td>
</tr>
<tr>
<td>1946/7</td>
<td>40.5</td>
<td>31.4</td>
<td>plus 9.1</td>
</tr>
</tbody>
</table>

The above figures show not only the rise in public revenue and expenditure which has been very pronounced in the last few years, but also the fact that budgets have normally closed with a credit balance; except for the fiscal
year 1944/45, when there was a deficit due to large payments against the public debt.

In the calendar year 1947 State revenue amounted to Q. 43.6 million as compared with a total expenditure of Q. 36.8 million.

Analysis of revenue in the last five years shows that the greatest increases took place in estate revenue, as a result of the nationalization of the coffee plantations owned by Germans at the outbreak of the Second World War. There were also important increases in customs receipts from imports and exports, in the profits tax, owing to the greater profits made in trade and industry and to the fact that tax rates were increased; in taxes on liquors, beer and cigarettes, owing to the steady increase in the consumption of these articles and the notification of the laws to raise the duties on them; and finally in seal and stamp taxes. On a lesser scale all the other forms of State revenue showed increases.

The public debt must occupy an important place in this brief analysis of our financial situation. The prosperous state of the Treasury has permitted the debt to be paid off almost completely as may be seen from the fact that the balance, as of 31 December 1947, was barely Q. 3.8 million—a truly insignificant figure.

We cannot but conclude that a country which is practically free of public debt, and enjoys a budgetary and fiscal position as sound as that of Guatemala, is in an ideal position to undertake large-scale productive works in the economic field, and to make fresh strides in the social field with a view to raising the standard of living of her inhabitants, while at the same time applying, whenever necessary, a fiscal policy calculated to counteract the trade cycle but in full accordance with monetary and banking policy.

8. Social Measures and Laws

Guatemalan economy is developing under full employment conditions, and there are no signs of unemployment in any major branch of activity.

On 1 May 1947 the Labour Code came into effect. That Code regulates the relations between management and labour and sets up adequate machinery for the settlement of disputes. This highly important legislative enactment, based on the social guarantees of the new Constitution of Guatemala promulgated in 1945, served to fill a void in the constitutional life of the country and met a need which had been keenly felt by the workers, who demanded social rights, and by the employers, who wished to know the extent of their duties and obligations in this regard.
The few months that the CoE has been in force have not yet made it possible to assess the full extent of its far-reaching effects on the future development of labour and its participation in our country's economic life. But the mere fact of the existence of such a CoE has an important influence on labour-employer relations, which can now follow fair and recognized rules and procedures.

Last year the Guatemalan Social Security Institute began its work. By its nature, its organization and the scope of its security and relief functions, the Institute is bound to be one of the most influential agencies in the economic life of the country. The first category of benefits it established was workers' compensation for accidents in the course of their employment. This was introduced on 1 January 1947 and as yet covers only workers employed in firms established in the capital and five provinces or departments. In due course the scheme will be extended to other areas and further types of social security measures will be introduced, until they cover throughout the Republic all the risks for which legal provision is made.

At the end of 1947 an important trade union began to draw up, jointly with the firm concerned, the first collective labour agreement. In view of the great size of the firm and the trade union and the progress achieved in their laboursious and difficult negotiations, which culminated in the recent signing of the agreement, it is believed that there will be repercussions in the shape of future collective agreements between other trade unions and firms.

2. Balance of International Payments in 1947

1. Introduction

The study of our country's international payments began in 1946 has produced two successful results worthy of mention: (1) full co-operation was obtained from private sources, both domestic and foreign; and (2) there was a considerable improvement in methods of adjusting the prices of the export articles of most importance in Guatemala's trade.

2. Study of the principal items

Commodity Imports and Exports: The most noteworthy feature of the balance of payments for 1947, as compared with 1946, is the increase in imports and exports and in the corresponding balance, according to the adjusted figures. From 1946 to 1947, the value of our imports rose from Q. 140,3 thousand to Q. 21,526,5 thousand, while the value of exports rose from Q. 4,925,5 thousand to Q. 65,924,3 thousand and the corresponding credit balance from Q. 9,945,2 thousand to Q. 56,641,6 thousand; i.e. in one year the increase in value amounted to Q. 21,122,2 thousand in respect of imports, Q. 24,915,6 thousand in respect
in respect of exports and Q.3,796.4 thousand in respect of the corresponding
credit balance.

These increases in the monetary amount of our foreign trade may, in our
opinion, be attributed to the following causes: (1) in 1947 we imported
and exported more goods than in 1946 in terms of volume and number; and
(2) prices rose considerably in the course of a year, both for imports and
exports. Official statistics - making allowance for their deficiencies - show
that in 1947 imports were only 25 per cent more in weight than in 1946, whereas
their value was 58 per cent higher. Considering the stability of the quetzal in
relation to the dollar, this means that the great increase in the value of impo
in 1947, as compared with the value of the goods imported in the previous year,
is not due exclusively to the greater volume of goods purchased but also
to higher prices.

This statement is proved also by price indices in the United
States, which supplied 74.7 per cent of our imports in 1947. The general index of
wholesale prices in that country rose from an annual average of 121.1 in
1946 to 151.6 in 1947; the cost of living index went up from an annual
average of 139.3 in 1946 to 159.2 in 1947; and average hourly pay for
industrial workers rose from 124.3 cents in December 1946 to 127.8 cents
in December 1947.

As for exports, the average value, f.o.b. Guatemalan ports, of the
coffee shipped in the twelve months of 1947, exceeded by Q.4.13 the average
value of the coffee shipped in 1946, and 132,103 quintals more were exported
in 1947 than in 1946. These two factors -- higher prices and greater volume --
were responsible for the fact that sales of coffee to foreign countries amount
to Q.32,684.5 thousand in 1947 as compared with Q.24,571 thousand in 1946,
with an increase of Q.8,113.5 thousand in the last harvest, all of
which was exported.

The case was different with the banana trade though there was still a
considerable increase in value. For technical reasons of accounting, the
increase in the value of banana exports in 1946 was entered under the item
"Interest and Dividends" and "Capital Transactions", part finding its way to
the "Debit" column of the first-mentioned item, as profits remitted abroad in kind,
and the remainder to the "Credit" column, as long-term capital invest­
ment; while in 1947 the entire increase in the value of banana exports was reentered under "Exports" considerably swelling the "Credit" figures. Hence,
contrary to the debit of Q.5,288.4 thousand shown in the 1947 trade balance,
according to official statistics, the adjusted figures show that the trade
produced a credit balance of Q.8,641.6 thousand. In spite of the tremendous
decrease in banana shipments during the war years, it could not be otherwise, since both volume and prices rose in the case of articles which, without need of adjustments or corrections, represented 82 per cent of the value of our total exports in the period 1939-1946.

Interest and Dividends. Foreign debt service remained about the same as in previous years. Remittances of "Private Firms" under this head indicate, on the other hand, that in 1946, $3,935.6 thousand left Guatemala, as compared with $3,823.6 thousand in 1947; i.e. in this last year, the outflow of international means of payment decreased by $0.1,910.5 thousand.

This decrease, however, is apparent rather than real; what actually happened was that in 1946 remittances of profits resulting from payments for exports almost equalled this decrease, though the amount concerned had neither entered the country nor left it, but, properly speaking, represented returns from the sale of Guatemalan goods abroad, temporarily held in foreign banks. If we omit from this item the sum of approximately $5,000.00 thousand, we shall find that remittances of "Interest and Dividends" if anything rose in 1947 as compared with 1946 by about $0.1,386.0 thousand.

Tourist Trade. Gross receipts of dollars for this trade were estimated at $4,1,565.1 thousand in 1947 as compared with $1,333.9 thousand in 1946, both figures being rather conservative. Net receipts of foreign exchange in the above-mentioned years were $1,306.3 thousand and $239.7 thousand respectively; but these figures are not as reliable as those for gross receipts, since it has not yet been possible to estimate accurately the amount spent by Guatemalan tourists and travellers abroad.

Capital Transactions. Gross capital receipts, according to our 1946 balance of payments, amounted to $6,630.9 thousand as compared with $2,1,082.9 thousand in 1947, with a credit balance of $6,130.6 thousand in the first-mentioned year and a debit balance of $3,714.4 thousand in the second. The 1946 "Credit" figures were greatly swelled, however, by the inclusion of profits obtained abroad from the sale of Guatemalan agricultural products and then returned to the country for investment in the expansion of certain firms. For the reasons
of accountancy explained under the item "Interest and Dividends", the amount of these profits was not included in the value of imports but entered as "Credit" under "capital Transactions". In 1947, on the other hand, such profits were at the value of exports, with a resultant apparent decrease in the figures for capital receipts. The seemingly large capital imports in 1946 are thus merely a matter of accounting. It should be noted, however, that the net outgo of Q.3,747.3 thousand in 1947, caused by movements of capital, is real, most of it deriving from certain commercial firms. This outgo is natural in a country like Guatemala, which receives large amounts from other transactions and enjoys unrestricted freedom in matters of foreign exchange. The free exportation of capital - which has never been infringed in Guatemala - constitutes perhaps the soundest guarantee for foreign capitalists investing money in Guatemalan firms.

Balance of Payments. We have a credit balance, amounting to Q.4,013.6. As the real increase in gold and foreign exchange holdings in the year from 31 December 1946 to 31 December 1947, according to Banco de Guatemala estimates, amounted to Q.3,382.5 thousand, while the balance of payments shows a credit of Q.4,013.6 thousand, our estimate and assessment of the country's international transactions actually differs by Q.631.1 thousands. The difference - inevitable in such computations - is really very small, since the "Debit" and "Credit" movements of the Balance amount to a total of Q.1,414.5 thousand.

Final Observations. It should be noted, that owing to certain features characteristic of our economy and of the psychology of the Guatemalan people, not all Guatemalan imports are paid by dollar remittances made through the national banking system; but that on the other hand not all monetary returns from exports revert to the country through the bank; that part of the value of our imports is financed either by deposits made by Guatemalans abroad or by money from foreign firms investing new capital or reinvesting their profits in Guatemala; and that in addition to foreign exchange holdings in our banking system, Guatemalans hold in banks abroad - especially in the United States - considerable amounts in sight deposits and securities, the value of which can be readily assessed, and which constitute not a flight of capital in the strict sense of the word, but rather a complement or even backing for our economy. Judging by some authentic though incomplete data in the possession of the Banco de Guatemala, these deposits and securities abroad must amount to some 25 or 30 per cent of our total international reserves.

These features and methods of operation, which are characteristic of Guatemalan economy in its relations with other countries, explain why many of the anxieties and apprehensions caused by the apparent state of our trade
balance are lacking in foundation and disappear when we examine the real
movements of our country's international payments, as evidenced by our balance
of payments.

9. Final Observations

From what I have said it is evident that present conditions in Guatemala
are highly favourable for intensive economic development.

Although national production has not yet reached the levels we might desire,
and is not sufficiently diversified, it is in process of development, and is
capable of large-scale expansion.

There is a tendency towards the stabilization of domestic prices, which are
now at a higher level, of course, but are largely due to the violent and harmful
fluctuations experienced up to 1946.

The international market for our main national exports is still stable
at substantially increased price levels.

The state of the Treasury is still very good, and this puts us in a position
to adopt a policy of fiscal expansion in the interests of our economy,
particularly in respect of large-scale works and the exploitation of our
natural resources.

The unit of currency, the quetzal, is on a par with the United States
dollar. The country has no economic or exchange controls. We have sufficient
foreign exchange, and are holding our ground, free of economic upheavals, and
making progress, even if not with extraordinary speed.

Finally, our monetary position is unusually sound, and we may therefore
say without undue optimism, that Guatemala appears, at present, to enjoy a
situation as favourable to her economic and social advancement that now is the
opportunity moment for her to take advantage of her actual and potential
resources by overall planning and a well co-ordinated economic policy
calculated to maintain the economic balance at high levels of employment and
real income, raise the standard of living of her people steadily and promote
the progress of the nation in every field.

To that end, all that is needed is an appropriate and just solution of
the problem of export quotas and priorities in the highly industrialized
countries, so that we may be able to buy the required equipment and spare
parts and the basic building materials, the shortage of which is very
pronounced and persistent in Guatemala.

We feel that if a solution is found to these problems; if coffee prices
are stabilized by careful joint action on the part of the specialized agencies;
if freight charges are lowered and the new sea routes established; if the
greed of the big foreign monopolies operating in Guatemala under tax conditions
unfair to our country is restrained; if we succeed in lowering the prohibitive rates imposed on us by electrical companies composed of foreign shareholders; and finally if, sooner or later a multilateral clearing system is established on the Continent - as the representative of Peru suggested - to make up for the shortage of foreign exchange suffered by some of the Latin-American countries with which we could profitably trade Guatemala will be able to promote and diversify her production, foster her light industries with the immense variety of her raw materials and give greater impetus and flexibility to her whole economic system.

With her variety of potential wealth - animal, vegetable, mineral and tourist - her great diversity of climates and fertile lands, her own financial resources, now sufficient, for the initial undertakings; and with the assistance of sound foreign capital, which is invested in the country on equal terms with national capital and is subject to the same tax laws, Guatemala could certainly increase her real revenue, raise the standard of living of the masses, carry out an extensive program of immigration and colonization, such as she has in view, and contribute modestly but surely, to the general prosperity and the maintenance of the economic balance of our Latin America.

I have outlined the main characteristics of Guatemalan economy, which indicate that our country's economy is sound and stable and her international position favourable. It should, however, be noted, as can be seen from what I have said on that subject, that inflation has made considerable strides in Guatemala, as in all the other countries of the world. Moreover, if Guatemala's economic and industrial development, which I described statistically is to be amplified and strengthened, it will require the introduction of modern technical methods, a more thorough study of her potential resources and the training of her working population.

What I have just said is based, moreover, on the document prepared by the Secretariat for this session, E/CN.12/9, in which we read that in the opinion of the ad hoc Committee on the Proposed Economic Commission for Latin America, the steady increase in the prices both of the goods they consume and of the commodities they produce, is feeding the inflationary spiral in Latin America. The document also states that shortages of machinery and equipment seriously jeopardize the development of these evolving economies.

Accordingly, the delegation of Guatemala proposes that the Secretariat of the Economic Commission for Latin America be instructed to initiate, as soon as possible, a study of the trend of price inflation in Latin America, bearing in mind the part played therein by the prices of imported goods, especially those of industrial and transport equipment.

/ The delegation /
The delegation of Guatemala is also of the opinion that the technical assistance and services of the Secretariat of the Commission will be extremely useful and opportune for countries which will use them to learn their own resources, study the best way of processing and utilizing them, and set up the administrative machinery required to devise the most adequate means of mobilizing national resources.

Finally, the delegation of Guatemala wishes to point out that when the Secretariat undertakes its study of the characteristics of the economies of the Latin American countries - a study which has been requested again and again by various delegations and which we too deem very useful and desirable - Guatemala will be prepared to afford it all the assistance necessary and to amplify the economic information which I have just set forth briefly as a preliminary outline.