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Guatemala Takes Action Against Capital Flight

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The Guatemalan government under President Vinicio Cerezo has established a series of measures to control capital flight, a move bound to irritate a significant portion of the private sector. Recently the Junta Monetaria (monetary board), which oversees financial and monetary policy, hired the Swiss company Generale Societe de Surveillance (SGS) to supervise all foreign trade and currency transactions. SGS, then, is to be the government's major tool to staunch the flow of capital abroad. The Cerezo administration estimates that $3 billion left the country last year. Capital flight of this magnitude is considered very serious. For instance, the current national budget is $1.2 billion, less than half the annual capital flight, while the country's aggregate foreign debt is $2.4 billion, still less than capital flight. Meanwhile, the government expects a $200 million deficit this year. Capital flight occurs in several forms and contexts. Administrative corruption is one avenue. Government bureaucrats and military officers have used state facilities to engage in illegal international transactions. In this way, large amounts of money have been deposited in foreign banks. Next, the private sector frequently overcharges itself for imports. Capital flight then, occurs via overpayment to foreign suppliers. The latter deposit the excess payment into bank accounts, purchase assets, and the like for their Guatemalan "friends." (The private sector is obligated to obtain foreign exchange from state banks.) According to the Banco de Guatemala, in 1985 export revenues totaled $1.175 billion, while imports came to $1.062 billion. The Banco estimates that 30% of all foreign trade transactions are not properly reported, and that up to $671 million last year left the country via overpayment on imports. The private sector has expressed its opposition to new government regulation of international transactions through the Comite Coordinador de Camaras y Asociaciones Agricolas Comerciales, Industriales y Financieras (CACIF). [Basic data from CERIGUA (Guatemala), 9/16/86, and Inter Press Service, 9/16/86.]

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