Doing Business In El Salvador: A Country Commercial Guide for U.S. Companies

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Chapter 1: Doing Business In El Salvador

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- Market Overview
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Market Overview

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- The U.S.-Central American-Dominican Republic Free Trade Agreement (CAFTA-DR), entered into force March 1, 2006 between the United States and El Salvador. El Salvador was the first nation in Central America to implement the agreement. The agreement has also entered into force with Guatemala, Honduras, Nicaragua, and Dominican Republic, and is awaiting approval by Costa Rica.
- El Salvador belongs to the World Trade Organization. It has free trade agreements with Chile, Mexico, Dominican Republic, Panama, Taiwan, Colombia, and Central America. Free Trade Agreements with Canada and the European Union are under negotiation.
- Like the rest of Central America, El Salvador offers an open market for U.S. goods and services. Tariffs are relatively low and were reduced further with the implementation of CAFTA. VAT rate is 13%. There are almost no import restrictions. Standards take ISO, Colombian and Mexican and those in the U.S. as reference. Labeling and testing are not major issues.
- El Salvador has close ties to the U.S and is only a 3-4 hour flight from key U.S. gateways.
- As of December 2007, trade statistics indicated that the United States is El Salvador's leading trade partner, enjoying a 35.6% import market share. The U.S. is the destination of 50.8% of Salvadoran exports. Central America and Mexico are other top bilateral trade partners.
- Increased trade with the United States is key to further growth and development. El Salvador offers an outstanding platform for industrial and service investments aimed at re-exports.
- The Government of El Salvador (GOES) views private investment, both domestic and foreign, and increased trade as crucial to development.
- The government has a marginal role in the economy due to privatizations that began in 1990.
- El Salvador has the most open trade and investment environment in Central America and is surpassed in Latin America only by Chile, according to the Heritage Index of Economic Freedoms. In 2008 El Salvador was ranked 33 at 69.2 percent, "moderately free," out of 162 countries (see http://www.heritage.org/research/features/index/countries.cfm).

- Transparency International Corruption Perception 2007 Index ranked El Salvador 67 out of 179 countries (see http://www.transparency.org/policy_research/surveys_indices/cpi/2007).
- The U.S. dollar is the official currency. El Salvador enjoys excellent macroeconomic stability, low inflation, and one of the lowest interest rates in Latin America.
- Per capita income has risen during the last decade. Consumer demand is fueled both by the increase in income and the massive inflow of remittances from Salvadorans living in the United States.
- More than 2.5 million Salvadorans live in the U.S. The most outstanding feature of El Salvador's balance of payments is the country's dependence on remittances, by far the largest source of foreign income. In 2007, remittances reached $3.6 billion, up from $3.3 billion in 2006.
- El Salvador enjoys a democratically elected government and has an excellent relationship with the United States. Most Salvadorans view the United States favorably.

Market Challenges

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U.S. firms need to be aware of certain challenges, including the following:

- The judicial system presents significant hurdles for U.S. companies. The system is slow and tends to favor national interests. Attempts at establishing commercial arbitration have not been supported by the judiciary.
- IPR protection is in its early stages and making progress.
- The expiration of the Multi Fiber Arrangement (MFA) at the end of 2004 caused dislocations and disinvestments in El Salvador's textile maquiladora sector. In contrast, the most efficient and largest companies in the sector are expanding by vertical integration. Investment decisions from foreign textile mills and textile finishing companies are moving forward.
- Under the electricity sector law approved in April 2003, the government can influence the retail price of electricity. This adversely affects potential investors in the sector.
- Although the National Civil Police force has improved, high levels of crime add measurably to the cost of business operations.
- Low levels of literacy and of English as a Second Language are long-term drags on economic development.

Market Opportunities

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El Salvador offers a steady and growing market for a wide range of U.S. goods and services. U.S. companies exporting to Mexico under NAFTA are well positioned to increase exports by taking advantage of CAFTA. Best prospects include:

- Automotive Parts and Service Equipment
- Dental Equipment
- Printing and Graphics
- Travel and Tourism

Major Projects Include:

- La Union Port construction and other projects related to a possible dry canal
- Rehabilitation of railroad
- Renewable-energy generation of electricity
- Regional electric grid interconnection
- Regional telecommunications interconnection
- Regional Highway interconnection
- $461 million investments in education, public services, enterprise development, and transportation infrastructure projects funded by the Millennium Challenge Corporation (learn more in chapter 7).

Major projects are generally financed with funds from Inter-American Development Bank (IDB), Central America Bank for Economic Integration (CABEI) and Millennium Challenge Corporation.

Market Entry Strategy

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- The use of agents and distributors is the most common way to export U.S products and services.
- One agent is sufficient as commercial activity is concentrated in the capital San Salvador and the size of the country does not justify regional agents.
- Agent or representative agreements should be non-exclusive. An exclusive territorial contract is recommended only when the business relationship has proven to be stable, professional, and profitable for both parties. An exclusive agent is entitled to compensation for damages upon termination of the relationship. A local lawyer should be consulted.
- U.S. companies should visit potential partners or agents prior entering into a relationship.
- U.S. firms should check the bona fides of potential partners as soon as a business relationship begins to develop.

Chapter 2: Political and Economic Environment

For background information on the political and economic environment of the country, please click on the link below to the U.S. Department of State Background Notes.

http://www.state.gov/r/pa/ei/bgn/2033.htm

Chapter 3: Selling U.S. Products and Services

- Using an Agent or Distributor
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Using an Agent or Distributor

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The use of agents and distributors is the most common way and a very effective means to market new products. For El Salvador, one agent for the country is sufficient as commercial activity is concentrated in the capital city of San Salvador. An exclusive territorial contract is recommended only when the business relationship has proven to be stable, professional, and profitable for both parties. For first-time partners or new-to-market companies, an authorized distributor or an alternative to exclusive representation is recommended.

U.S. companies should become familiar with Sections "B" and "C" of Chapter III, Title III of the Salvadoran Commercial Code, which regulates the agent and distributor relationship. According to article 392, an agent, representative, or distributor is a natural or juridical person who, on a permanent basis and with or without legal representation and through a contract, is appointed by a principal to establish a representation or distribution agency for a specific product or service in the country. The representation or distribution agency may be exclusive or any other type agreed upon by the parties. The Commercial Code also specifies causes to terminate or modify the contract. These include failure to fulfill the contract, fraud by the agent, serious negligence, and continued decrease in the sale or distribution of the merchandise or services due to the representative agent. Revealing confidential information by the representative agent that prejudices the distribution of the product is also grounds for termination.

If the principal should terminate, modify or not extend the representation, agency or distribution without having met any of the conditions specified in Art. 398 of the Commercial Code, the agent shall be entitled to compensation for the damages. The law describes the compensation allowed.

Under CAFTA-DR (Chapter 11 of the agreement), the commitment acquired by El Salvador regarding representation or distribution contracts specifies that provisions of the Salvadoran Commercial Code will not apply to any distribution contract signed after the date the treaty entered into force, but it must be clearly stated in the contract (see CAFTA Text: Chapter 11. Cross-Border Trade in Services). http://www.ustr.gov/assets/Trade_Agreements/Bilateral/CAFTA/CAFTA-DR_Final_Texts/asset_upload_file7_3931.pdf

In El Salvador, as in other countries, finding the right partner is a key for success. For a nominal fee, the Commercial Section of the U.S. Embassy in El Salvador offers a range of services to help U.S. companies find potential partners, agents or distributors. U.S. firms interested in those services can request them from the nearest U.S. Export Assistance Center (USEAC) or visit the Commercial Service San Salvador web page (www.buyusa.gov/elsalvador/en/services).

The local lawyer plays a critical role in providing in-depth analysis of the legal consequences of contracts or agreements with local partners, and other crucial issues. The lawyer is also useful to U.S. companies wishing to participate in government tenders. As legal representative, the lawyer can obtain bid documents and forward them to the company in the United States. While the Embassy Commercial Section cannot recommend a specific lawyer, it does provide a list of prominent lawyers in different business areas who can be employed to assist foreign companies. Please contact: San.Salvador.Office.Box@mail.doc.gov for more information.

Establishing an Office

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The government of El Salvador's National Investment Office (ONI - Oficina Nacional de Inversiones; http://www.minec.gob.sv/oni/maineng.html) operates a "one-stop" window to help foreign companies and individuals complete the requirements needed to obtain a license to establish a business in El Salvador, whether it is a branch, agency, office, or joint venture; it also provides assistance with labor related issues, immigration, and information about the Free Trade Zone Law regime. Hiring a local legal representative or lawyer to work with ONI is recommend as a way to help ensure that all steps are completed.

The Registry of Commerce Office of the National Registry Center (CNR-Centro Nacional de Registro, http://www.cnr.gob.sv/) has created an “Integral Services Window” so individuals can submit in one place the requirements to open a business requested by the National Registry Center, Ministry of Finance, Ministry of Labor, and Social Security Institute (ISSS). http://www.cnr.gob.sv/rc_servicios_integrales.aspx

Following is a list of needed authorizations or licenses that can be obtained:

a) Society or Company Registration
b) Initial Balance Registration
c) 1st time Establishment Registration
d) Income Tax Identification Number (NIT) (Ministry of Finance)
e) Value Added Tax Identification Number (IVA) (Ministry of Finance)
f) Invoices Correlative Registration (Correlativo de Facturas) (Ministry of Finance)
g) First time Employer’s Identification Number (NIP) (Salvadoran Social Security Institute)
h) Work Place Registration (Ministry of Labor)

Currently, the minimum capital required for a business to begin operations is $11,428.

All companies operating in El Salvador must prepare their accounting records in Spanish. The Spanish version of the accounting system must be approved by a certified public accountant. The names of the company's board of directors and administrative personnel must be provided to the Commerce Registry.

Also, the U.S. company must obtain municipal services clearance from the municipality where the company and its facilities will be located and a certification that the firm is properly registered in the National Industrial and Commercial Establishments Directory at the General Director of Statistics and Census (Direccion General de Estadisticas y Censos, DIGESTYC, http://www.digestyc.gob.sv/). Once the Commerce Registry has issued the company's license, it must be published in a local newspaper.

Firms that sell or manufacture pharmaceuticals must obtain a permit from the Superior Council for Public Health (Consejo Superior de Salud Publica, CSSP; http://cssp.gob.sv/Cssp/login.do?cmd=login). The Council must also approve each pharmaceutical product as safe for sale in El Salvador. Improvements to reduce time to register pharmaceutical companies and products have taken place. The creation of a "one-stop" window has reduced to 15 days the company registration process, and 20 days for a product registration.

Companies in the banking and insurance sector that intend to collect deposits, manage investments, or receive payment for premiums or investment services are regulated by the Superintendent of the Financial System (Superintendencia del Sistema Financiero, SSF; http://www.ssf.gob.sv/) and must register with this agency.

An environmental permit is required for all activities including road infrastructure, activities at maritime ports, sewage system, mining, energy transmission, dams, water development, fishing industry, tourist industry, agro industries, urban construction and others listed in the environmental law. (Ministry of Environment and Natural Resources, MARN; http://www.marn.gob.sv/).

Franchising

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While U.S. franchises have been present in El Salvador for at least 30 years, they began to increase rapidly during the last ten years and this trend has accelerated. U.S. fast-food franchises (such as pizza, sub sandwiches, and hamburgers) have been the most successful. Despite the increasing number of used vehicles imported in recent years, automotive service franchises have not yet had much success in the market. Office supply franchises have had limited growth. U.S. franchises operating in El Salvador include hotels and car rental, auditing/accountancy, credit reports, mobile advertising and media marketing, print shop/one hour photo labs, beauty/hair salons, fitness centers, computer learning, child care/learning centers, video rental, exterminator services, and dry cleaning. A trademark protection law passed in 2002 improved protection of trademarks and distinctive signs to international standards. To get full protection, the trademarks must be registered at the Intellectual Property Registry at the National Registry Center. A longstanding dispute between a prominent U.S. franchise and its former franchisee suggests that enforcement of franchise contracts in the courts

can be difficult. Consequently, we urge franchisers to develop their business carefully based on careful analysis of the business bona fides of their potential franchisees.

Direct Marketing

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Privatization of telecommunications has greatly improved the possibilities for direct marketing by allowing telemarketing services and created new target audiences on cable television. The number of cellular phone and Internet users has dramatically increased. Reliable telecommunication services have allowed more use of fax and mobile communication features, and e-mail. As a result, direct marketing is easier than before. Although the Government of El Salvador (GOES) is making efforts to upgrade its public mail system, the business sector normally uses local private delivery companies. Door-to-door sales by U.S. cosmetics and household products firms, under-the-door promotional flyers, full color inserts in newspapers and direct-from-television sales are increasing, as is the use of e-mail for direct marketing.

Joint Ventures/Licensing

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Joint Ventures involving U.S. and Salvadoran companies must be legally established in a contract signed by both parties. Foreign investments, whether a joint venture, direct investment, partnership, branch or subsidiary, must be incorporated in El Salvador to operate. Once incorporated and duly registered, the investment enjoys national treatment.

Licensing is included in the Law for Trademarks and Other Distinctive Signs, approved in 2002, which raises protections for trademarks and distinctive signs to internationally accepted standards and obliges national and foreign firms to register in the Commerce Registry and the Intellectual Property Registry. To have the exclusive right of the use of commercial names and trademarks, any expression and/or advertising sign, including patents and industrial designs, a lawyer or legal representative must register the trademark at:

Registro de Propiedad Intelectual
Centro Nacional de Registros
1a. Calle Poniente y 43 Ave. Norte No. 2310
San Salvador, El Salvador
Tel. (503) 2260-8000 / 2261-8600
Fax (503) 2260-7916

Web Page: http://www.cnr.gob.sv

Selling to the Government

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In April 2000, the GOES enacted the modern and transparent government Procurement and Contracting Law, which increased the efficiency and transparency in public sector purchases and contracting procedures and helped to eliminate corruption. CAFTA Government Procurement Chapter also ensures transparency, competitiveness, and guarantees market access to U.S. suppliers (CAFTA-Chapter 9 on Government

Procurement; http://www.ustr.gov/assets/Trade_Agreements/Regional/CAFTA/CAFTA-DR_Final_Texts/asset_upload_file766_3926.pdf).

For small government purchases, sellers should contact the procurement office in each ministry or autonomous institution, consult postings on the web pages of each institution, or visit the government purchasing website http://www.comprasal.gob.sv/moddiv/HTML/. Generally, sellers need to speak Spanish to be successful. For purchases worth more than US$10,000-20,000 (depending on the ministry or agency), the government publishes a tender in the major newspapers and/or sends written notices to various embassies. Salvadoran law calls for civil engineering and construction projects that are financed by the Government of El Salvador's own funds to give preference to Salvadoran companies. This law is not a major trade barrier since most large projects receive aid or loans from international financial institutions, and therefore are open to international bid, including U.S. companies. Government tenders received by the U.S. Embassy are placed on the Department of Commerce's National Trade Data Bank or on-line Electronic Bulletin Board as "Foreign Government Tenders", Export Portal www.export.gov under Trade Leads, and are commonly posted by the Government of El Salvador in the "Business Development" publication of the Inter-American Development Bank. While a WTO member, El Salvador has not signed the government procurement agreement.

Distribution and Sales Channels

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Large distributors usually import most consumer products, and large department stores import directly from manufacturers or exporters. The large distributors have well-established networks of buyers, but handle such a wide range of products that they often cannot dedicate the time and resources necessary to promote new or lesser-known products. Many well-known U.S. products are imported via distributors in El Salvador and not directly from the producer. As a result, many U.S. products gain name recognition before a formal supplier/distributor relationship is set up. Small retailers often travel to the U.S. to purchase and carry back products themselves. This is especially true for used vehicles and auto parts, clothing, jewelry, cosmetics and certain household goods. Major distribution centers are located at free trade zones in order to export outside the Central American region. Imported containerized products frequently enter via neighboring Atlantic ports in Guatemala and Honduras, fewer through El Salvador's Pacific maritime port Acajutla. Air cargo comes through El Salvador's International Airport in Comalapa.

Selling Factors/Techniques

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New consumer products are often introduced at a reception in an upscale hotel, together with a newspaper and billboard ad campaign. As competition increases, creative sales promotions such as contests, drawings, raffles, etc., become more relevant. Samples of products are often handed out at supermarkets and department stores. Participation in local exhibits and sponsorship of local events and conferences is a common local practice for brand positioning. Shared budget for promotional campaigns and advertising is highly appreciated by local importer/distributor, and simple things such as the availability of brochures and other promotional materials in Spanish are very helpful for marketing products. U.S. companies interested in finding representatives or distributors should look for ways of adding value to the relationship, such as supporting

local marketing efforts in order to increase potential sales. Each sector has its peculiarities and techniques; therefore the Commercial Section encourages U.S. companies to approach the Embassy for specific information.

Use of e-mail and the Internet has made great advances in recent years. The Chamber of Commerce and Industry reported that more than 90% of its members use e-mail, up from slightly more than 50% of its members who had an e-mail address just a couple years before. About half now use the Internet to promote their businesses. The American Chamber of Commerce reports that all of its members have e-mail, while only about 85% use the Internet to promote their business.

Electronic Commerce

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Electronic commerce is still in an early stage. The Government and the National Commission for the Information Society (CNSI), an alliance of the public, private, and academic sector, is currently drafting a legal framework for electronic commerce and digital signature laws. In 2003, the government created the National Strategy ePais, which incorporates all the information technology and communication initiatives (see http://www.epais.gob.sv/).

During the past four years, the government has used the Internet to facilitate information, promote commerce, reduce bureaucracy and improve services to the public. For example: some import/export documents can be now processed electronically through a system administered by Customs, and the Ministry of Agriculture; trade data and economic indicators can be downloaded from the Central Bank; taxes can be paid through Internet; companies can register their supply and demand of products and services. Real estate will soon be registered electronically.

El Salvador has 11 Internet providers. As of December 2007, the General Superintendent of Electricity and Telecommunications (SIGET) reports 5,439 subscribers of commutated Internet, and 28,751 subscribers of dedicated Internet. As new telephone providers improve access to telephone lines in rural areas and provide better services in metropolitan areas, additional Internet growth will be seen. The Government is also using the Internet to make available to the public the large amount of information that it generates; for example it created the Government Services Guide (http://www.servicios.gob.sv/) website to provide information of more than 800 services provided by public institutions.

The government also fosters the creation of Infocenters (http://www.infocentros.org.sv/nai/) in an effort to reduce the gap, and to facilitate the SMEs' access to information and e-commerce through the Internet. On the private sector side, the electronic commerce division of the Salvadoran Chamber of Commerce and Industry is carrying out e-commerce efforts. More and more companies have a presence in the Internet but only a few are doing business transactions involving payment with credit card or prepaid cards, such as the department store "Siman", http://www.siman.com.sv, or virtual stores of art, crafts, books and music, http://www.latienda.com.sv.

Trade Promotion and Advertising

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Advertising in El Salvador is mainly through TV, radio, and newspapers, and it is estimated that 10% of advertising is dedicated to outdoor advertising. Depending on the target market, nature of product, purpose of the message or marketing plan, advertising agencies will recommend the most appropriate media mix and outdoor advertising items.

In terms of mass communication, the country has 16 commercial television stations nationwide, and 7 channels for specific departments. The main VHF channels are 2, 4, 6 and 12, from which the first three are a conglomerate that reaches approximately 80% of the viewers. Five newspapers circulate in the country with an estimated daily circulation of 281,000. Four of these have Internet versions. Two of the newspapers are the leading dailies with nationwide coverage and about 75% of the total circulation. The main radio stations are located in the city of San Salvador. There are approximately 200 FM radio stations in the country but only 20% broadcast nationwide. Statistics indicate that 70% of FM stations are music, and 30% are news programs, commentary, religious, sports and/or educational programs. The American Chamber of Commerce, the Chamber of Commerce and Industry, and the Salvadoran Association of Industry, as well as other trade organizations, circulate monthly and bi-monthly journals that accept advertising. Magazines such as Estrategia y Negocios, El Economista, and Central America Today are better advertising vehicles for economic and business groups, with regional vision.

The leading Salvadoran newspapers with circulation over 90,000 each and nationwide distribution are: La Prensa Grafica, TEL. (503) 2241-2364; FAX: (503) 2241-2000; http://www.laprensa.com.sv; and El Diario de Hoy, TEL. (503) 2271-0100; FAX: (503) 2271-2040; http://www.elsalvador.com. Circulating mainly in the capital with about 30,000 daily: El Mundo, TEL. (503) 2225-3300; FAX: (503) 2225-3178; http://www.elmundo.com.sv; and Mas, TEL. (503) 2281-1477; FAX (503) 2222-2046. The smallest is Co-Latino (estimated circulation 14,000), TEL. (503) 2271-1303; FAX (503) 2271-0971; http://www.diariocolatino.com.

The Convention & Fair Authority (http://www.fies.gob.sv) organizes several exhibits and trade events on a regular basis. For company or brand promotion, the most well known are the fashion, the automotive, and the biannual International Fair. The Catalog Show organized by the Salvadoran Chamber of Commerce and Industry (http://www.camarasal.com) every two years, seeks to find potential distributors for new to market companies. The Construction Chamber, CASALCO, (http://www.casalco.org.sv) holds an exhibit every two years, where new products and technology can be viewed. The Distributors Association organizes the main food and beverage event for company or product promotion http://www.ades.org.sv/index.php.

Pricing

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In general, there are no controls on prices in El Salvador. The exceptions are liquefied propane gas, public transport rates, and energy, which the government regulates. The government regulatory agency, the General Superintendent of Electricity and Telecommunications (SIGET), regulates electricity and telecommunications. Government ministries directly subsidize water services and establish the distribution

service tariff. The Ministry of Economy and the Consumer Protection Office closely monitor credit card interest rates, retail gasoline, and basic food products prices through the Consumer Protection Office (http://www.defensoria.gob.sv/).

For imported products, the price structure includes import duty and the 13-percent value-added tax (VAT) that must be added to the purchase price of all products, including basic food products and medicines. Import tariffs for capital goods are zero percent, raw materials range from zero to 5%, intermediate goods range from 5 to 10%, and finished goods are charged a maximum of 15%. Textiles, agricultural products, vehicles, and a few other non-essential products are charged higher tariffs that range from 15 to 30%. These new tariffs apply to products coming from outside the Central American Common Market. A comparative chart of Central American import duties can be found at the Central American Economic Integration Secretariat website: http://www.sieca.org.gt. CAFTA-DR reciprocally reduced tariff and non-tariff barriers for U.S. exports into the region. Duty for U.S. made products to CAFTA-DR countries can be found at: CAFTA-DR import duty (http://www.export.gov/fta/CAFTA/TE.asp?dName=CAFTA) or for other countries: http://www.export.gov/logistics/country_tariff_info.asp.

In late October 2004, El Salvador's Legislative Assembly approved fiscal reforms aimed at increasing tax collection by closing important loopholes and cracking down on tax evasion. The reforms to the tax code and income tax law include a mandatory 20% withholding tax on payments for services that have been provided to business/government in El Salvador by foreigners even if the service was performed entirely outside of El Salvador. Previously, income tax would be applied only if the service was provided in El Salvador. For further information, request IMI report from san.salvador.office.box@mail.doc.gov.

Sales Service/Customer Support

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With over 2.5 million Salvadorans resident in the United States, Salvadorans are familiar with U.S. products and would like to receive U.S. customer service. Sellers can get an edge by offering good service and customer support. Consumers and/or end user purchasing decision-makers respond differently depending on the product or sector, but in general they are price oriented, and tied to credit conditions and to after-sales service. A consumer protection initiative in El Salvador has raised consumer awareness on consumer products quality and safety standards, becoming a preferential and differential purchasing factor.

Protecting Your Intellectual Property

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Introduction

Several general principles are important for effective management of intellectual property rights in El Salvador. First, it is important to have an overall strategy to protect IPR. Second, IPR is protected differently in El Salvador than in the U.S. Third, rights must be registered and enforced *in* El Salvador, under local laws. Companies may wish to seek advice from local attorneys or IP consultants. The U.S. Commercial Service can provide a list of local lawyers upon request.

It is vital that companies understand that intellectual property is primarily a private right and that the U.S. government generally cannot enforce rights for private individuals in El Salvador. It is the responsibility of the rights holders to register, protect, and enforce their rights where relevant, retaining their own counsel and advisors. While the U.S. Government is willing to assist, there is little it can do if the rights holders have not taken these fundamental steps necessary to securing and enforcing their IPR in a timely fashion. Moreover, in many countries, rights holders who delay enforcing their rights on a mistaken belief that the USG can provide a political resolution to a legal problem may find that their rights have been eroded or abrogated due to doctrines such as statutes of limitations, laches, estoppel, or unreasonable delay in prosecuting a lawsuit. In no instance should USG advice be seen as a substitute for the obligation of a rights holder to promptly pursue its case.

It is always advisable to conduct due diligence on partners. Negotiate from the position of your partner and give your partner clear incentives to honor the contract. A good partner is an important ally in protecting IP rights. Keep an eye on your cost structure and reduce the margins (and the incentive) of would-be bad actors. Projects and sales in El Salvador require constant attention. Work with legal counsel familiar with El Salvador laws to create a solid contract that includes non-compete clauses, and confidentiality/non-disclosure provisions.

It is also recommended that small and medium-size companies understand the importance of working together with trade associations and organizations to support efforts to protect IPR and stop counterfeiting. There are a number of these organizations, both El Salvador or U.S.-based. These include:

- The U.S. Chamber and local American Chambers of Commerce
- National Association of Manufacturers (NAM)
- International Intellectual Property Alliance (IIPA)
- International Trademark Association (INTA)
- The Coalition Against Counterfeiting and Piracy
- International Anti-Counterfeiting Coalition (IACC)
- Pharmaceutical Research and Manufacturers of America (PhRMA)
- Biotechnology Industry Organization (BIO)
- Registro de Propiedad Intelectual, Centro Nacional de Registro (CNR)
- Fomento y Protección de la Propiedad Intelectual (FOMPI)
- Business Software Alliance (BSA)

IPR Resources

A wealth of information on protecting IPR is freely available to U.S. rights holders. Some excellent resources for companies regarding intellectual property include the following:

- For information about patent, trademark, or copyright issues -- including enforcement issues in the U.S. and other countries -- call the STOP! Hotline: **1-866-999-HALT** or register at **www.StopFakes.gov**.
- For more information about registering trademarks and patents (both in the U.S. as well as in foreign countries), contact the U.S. Patent and Trademark Office (USPTO) at: **1-800-786-9199**.
- For more information about registering for copyright protection in the U.S., contact the U.S. Copyright Office at: **1-202-707-5959**.
- For U.S. small and medium-size companies, the Department of Commerce offers a "SME IPR Advisory Program" available through the American Bar Association that provides one hour of free IPR legal advice for companies with concerns in Brazil, China, Egypt, India, Russia, and Thailand. For details and to register, visit: http://www.abanet.org/intlaw/intlproj/iprprogram_consultation.html
- For information on obtaining and enforcing intellectual property rights and market-specific IP Toolkits visit: **www.StopFakes.gov** This site is linked to the USPTO website for registering trademarks and patents (both in the U.S. as well as in foreign countries), the U.S. Customs & Border Protection website to record registered trademarks and copyrighted works (to assist Customs in blocking imports of IPR-infringing products) and allows a U.S. company to register for Webinars on protecting IPR.
- The U.S. Commerce Department has positioned IP attachés in key markets around the world. You can get contact information for the IP attaché who covers El Salvador at: https://www2.focusbrazil.org.br/siteusa/index.htm or Dorian.Mazurkevich@mail.doc.gov

IPR Climate in El Salvador

The 1993 Intellectual Property Promotion and Protection Law and the Salvadoran penal code protect intellectual property rights. Investors should register intellectual property--trademarks, patents, and copyrights--at the National Registry Center's Registry of Intellectual Property to protect their investments.

Registro de la Propiedad Intelectual
Centro Nacional de Registros (CNR)
Address: Col. Flor Blanca y 1ª. Calle Poniente N0. 2310
San Salvador
El Salvador, Central America
PBX 2260-8000 / 2261-8653
Fax: 2261-8815
Website: www.cnr.gov.sv
Contact: Ms. Diana Violeta Hasbun, Director

CAFTA-DR provides for improved standards for the protection and enforcement of a broad range of intellectual property rights, which are consistent with U.S. standards of

protection and enforcement and with emerging international standards. Such improvements include state-of-the-art protections for digital products such as U.S. software, music, text and videos; stronger protection for U.S. patents, trademarks and test data, including an electronic system for the registration and maintenance of trademarks; and further deterrence of piracy and counterfeiting.

The piracy of optical media, both music and video, remains a concern in El Salvador. Optical media imported from the United States by pirates are being used as duplication masters. There has also been concern expressed about inadequate enforcement of cable broadcast rights and the competitive disadvantage it places on legitimate providers of this service. In the first 10 months of 2007, the police and Attorney General's Office seized optical media valued at $1.5 million and made 30 arrests.

Chapter 6 further explains Intellectual Property Rights.

Due Diligence

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The success or failure of an operation in a foreign country is often closely tied to the quality of the information a company was able to obtain about creditworthiness, bona fides, and business practices of the local partner. The Commercial Section strongly recommends checking the bona fides carefully as soon as a business relationship begins to develop. The Commercial Section offers a service known as International Company Profile (ICP), to help a U.S. firm determine if a company is a suitable trading partner. The report includes data on the firm's management, business activities, product lines, financial conditions, credit-worthiness, and trading experience. Some private sector credit-reporting services, including Dun & Bradstreet, also provide credit reports on Salvadoran firms. For contact information for credit report companies, please see Chapter 7.

Local Professional Services

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The Commercial Section often can provide contact information for professional services such as legal counsel, auditors, collection agencies, trade publication, market research, advertising agencies, consultants and translators. For more information, visit: http://www.buyusa.gov/elsalvador/en

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http://www.buyusa.gov/elsalvador/en/usefullinks.html

Chapter 4: Leading Sectors for U.S. Export and Investment

Agricultural Sectors

- Agricultural Sector
  (Consumer-Oriented Products, Wheat, Rice, Corn, Soybeans)

Commercial Sectors

- Automotive Parts and Service Equipment (APS)
- Dental Equipment (DNT)
- Printing and Graphics (PGA)
- Travel and Tourism (TRA)

Agricultural Sectors

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1) CONSUMER-ORIENTED PRODUCTS

OVERVIEW:
El Salvador is a unique, dynamic market that is ranked as one of the most transparent business climates in all of Latin America. Most large importers/distributors are members of the Salvadoran Distributors Association (ADES; http://www.ades.org.sv/). ADES manages the relationship of its members with local retailers, wholesalers and supermarkets. The Salvadoran consumer is very familiar with U.S. products and is an avid purchaser of quality goods.
Distribution of consumer-ready foods is carried out through a number of channels. Supermarkets are the principal outlets, but a fair amount is moved through wholesalers who may be supermarket owners themselves or who may be middlemen delivering products to smaller stores. Distributors normally handle products on an "exclusive" basis, most often as representatives of a line of products. Direct sales are also a way of doing business, but having a local distributor facilitates the operation and also provides solid customer service.

Salvadorans spend approximately 43 percent of their income on food.
U.S. exports to El Salvador in the consumer-oriented product category were a record $60.7 million in 2006. January-November 2007 exports reached $56.6 million, 3.3% higher than in the same period 2006.

The Salvadoran market may be significantly larger than portrayed by U.S. export data. A high percentage of El Salvador's imports of consumer-oriented products are actually registered as imported by Guatemala. The main reason is that many containers come through Guatemala's Santo Tomas port and even though they are in-transit to El Salvador, local customs officials tally them as Guatemalan imports.

It is estimated that 49 percent of the population live in urban areas. There are four major cities: San Salvador, San Miguel, Santa Ana and Sonsonate. The capital city of San Salvador accounts for approximately one-third of the country's 6.8 million population (2006 estimated data).

Households earning $ 400 to $ 1,500 per month and above are considered to be in the middle to middle-upper income classes. There are approximately 460,000 households in this category and, as might be expected, 60 percent reside in urban areas. It is estimated that about 1.2 million people or 20 percent of the population is middle class.

Growth in the supermarket industry continues at a rapid pace, mainly in the working class areas of the capital and in towns and cities with populations of 50,000 to 250,000. Consumers are increasingly purchasing in supermarkets and moving away from the traditional open-air markets or mom-and-pop stores. It is estimated that approximately 40 percent of food sales are made in supermarkets.

BEST PRODUCTS & SERVICES:
Processed Fruit and Vegetables
Breakfast Cereals
Pancake mixes
Pet Foods (Dog and Cat)
Meat Sausages
Wine
Ramen Style Noodle Soups
Dairy Products
Fresh and Frozen Potatoes, and Hash Browns
Salad Dressings
Apples
Grapes
Stone Fruit
Pork Cuts for Hotel/Restaurant/Institutional (HRI) and Retail
Beef Cuts for HRI and Retail
Sardines
Snacks (including candies and chocolates)
Cookies
Food Processing Ingredients (i.e. raisins, concentrated juice, shelf extenders)

*Selection criteria are based on: USDA/FAS Country Strategy Statement (CSS), market surveillance, and suggestions by industry players.

OPPORTUNITIES:
More than 2.5 million Salvadorans reside in the U.S., and they annually remit approximately 3.6 billion dollars to relatives in El Salvador. The remittances in turn raise the disposable income and expenditures of Salvadoran consumers. Many Salvadorans have become "Americanized". The typical consumer believes that U.S. products are of superior quality, and is generally willing to pay a premium price. Nevertheless, the relatively high price of U.S. products can be a constraint to increased market share and attracting new customers. In addition, while opportunities exist for U.S. suppliers, competition from Central America, Mexico, Chile and the European Union (EU) is strong.

In summary, there are at least 1.2 million consumers or 20 percent of the population who are buying U.S. consumer-ready products. With an increase of housewives joining the labor force and a decline in the number of domestic employees to assist in food preparation, the demand for convenience and fast foods will increase. The positive association with U.S. brands is a major advantage over competitive products from other countries. All distributor and supermarket management agree that the Salvadoran consumer has brand loyalty. In addition, as the market grows, an expansion of foreign supermarket chains and a consolidation of local and foreign ones continue to take place. This trend will definitely increase the demand for imported products into the local market.

RESOURCES:
http://www.fas.usda.gov/
mailto:Miguel.Herrera@fas.usda.gov

2) WHEAT

OVERVIEW:
Most of the wheat processed by Salvadoran mills comes from the United States, although some Canadian wheat is imported. Average annual imports of U.S. wheat are 240,000 metric tons. In January-November 2007, U.S. wheat imports reached US$27.0 million.

BEST PRODUCTS & SERVICES:
Bulk Wheat – DNS, SRW and HRW varieties

OPPORTUNITIES:
Bakery consumption has increased tremendously, mainly due to the availability of fresh bakery centers in all major supermarket chains. Growth in Convention Tourism is also helping boost consumption of bakery products.
Bakery manufacturers are very optimistic about free trade and believe that the Central America – Dominican Republic – United States Free Trade Agreement (CAFTA-DR) is providing growth opportunity.

RESOURCES:
http://www.fas.usda.gov/
mailto:Miguel.Herrera@fas.usda.gov

3) RICE

OVERVIEW:
El Salvador is not self sufficient in rice production and needs to import from other countries, especially the United States, to meet demand. Actual local demand is estimated at approximately 115,000 metric tons of rough rice, of which 27 percent is covered by local production. Typically, El Salvador imports rough rice to keep rice mills operating throughout the year. However, small quantities of imported milled rice have recently reached local supermarket chains to fulfill upscale consumer demand. El Salvador has officially abolished the use of a price-band mechanism to assess import duties for basic grains. CAFTA-DR established Tariff Rate Quotas (TRQs) for rice (see Opportunities).

BEST PRODUCTS & SERVICES:
Rough rice
Milled parboiled rice

OPPORTUNITIES:
Rice production is decreasing at a fast pace, not only in El Salvador but also in the rest of the region. Under CAFTA-DR, tariffs will be eliminated and TRQ established as follows: 18-year duty phase-out, initial TRQ of 61,000 metric tons (MT) for rough rice, growing by 2% per year and initial TRQ of 5,250 MT for milled rice, growing by 375 MT per year for the first five years, 1,000 MT increase in year 6, and an annual 325 MT increase thereafter.

RESOURCES:
http://www.fas.usda.gov/
mailto:Miguel.Herrera@fas.usda.gov

4) CORN

OVERVIEW:
Since the 1960's, El Salvador has been an important market for U.S. yellow corn, used almost exclusively by the poultry and animal feed industries. The snack processing industry is also a major importer of hard endosperm corn. Imports of yellow corn from the United States cover almost all local demand.

BEST PRODUCTS & SERVICES:
Yellow corn - #2 for animal feed and Hard Endosperm for snack manufacturing.

OPPORTUNITIES:
The food-processing sector in El Salvador is not as developed as in Guatemala or Costa Rica. However, snack food production is at the top of the list in this sector. Yellow corn is a main ingredient in the snack manufacturing process.
The DIANA and Bocadeli brands produced in El Salvador offer respectable quality for the price, and have roughly 75 percent of the market. In addition, DIANA is the largest snack producer in Central America and is already exporting certain products to ethnic markets in the United States.
The poultry and dairy sectors are also major users of yellow corn for feed mix.

CAFTA provides for a yellow corn Tariff Rate Quota (TRQ) of 350,000 metric tons (MT) with a 5 % growth per year with a 15-year duty phase-out. A fixed part of the TRQ will be subject to a performance requirement, which will be eliminated in 15 years.
White corn was also granted a TRQ of 35,000 MT under CAFTA. There is a growing market for white corn flour to make "tortillas."

RESOURCES:
http://www.fas.usda.gov/
mailto:Miguel.Herrera@fas.usda.gov

5) SOYBEANS

OVERVIEW:
El Salvador does not produce any soybean meal, thus, all demand must be met with imports. The poultry and livestock sectors use the product as feed. Commercial trade is growing quickly due to the high demand for poultry products. In January-November 2007, soybean meal imports reached US$40.5 million. El Salvador's poultry industry is the most developed in the region and is quickly increasing production to supply demand by other Central American neighbors, particularly Honduras.

BEST PRODUCTS & SERVICES:
Soybean meal

OPPORTUNITIES:
Dairy production is increasing due to government incentives and sanitary regulations that provide protection against contraband cheese from Nicaragua and Honduras. Soybean meal is an important ingredient used in cattle feed mix. CAFTA provides immediate access for soybean meal.

RESOURCES:

http://www.fas.usda.gov/
mailto:Miguel.Herrera@fas.usda.gov

Agricultural Sector - Statistics

Crop (1000 MT)	2005			2006			2007 (Estimated)		
	Production	Imports	Consumption	Production	Imports	Consumption	Production	Imports	Consumption
Corn 1/	726	463	1,187	741	577	1,260	835	375	1,260
Rice 2/	17	55	75	20	55	75	20	55	77
Wheat	0	241	243	0	238	239	0	240	241
Soybean Meal	0	143	142	0	176	177	0	170	171

1/Production is White, and Imports/Consumption is Yellow and White
2/Milled

Commercial Sectors

Automotive Parts and Service Equipment (APS)

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Parts and Accessories of Motor Vehicles

	2005	2006	2007
Total Market Size	31.4	38.2	44.3
Total Local Production	N/A	N/A	N/A
Total Exports	1.2	1.2	1.7
Total Imports	32.6	39.4	46
Imports from the U.S.	9.5	11.4	14.4

Source: Central America Trade Statistic System, and Central Bank of El Salvador. Statistics in millions of dollars. SAC 8708 and 8714.

As in previous years, this sector has been identified as one of the most important sectors for U.S. exporters since El Salvador imports almost all of its vehicle parts and accessories.

El Salvador is steadily increasing its market demand for parts and accessories. There are new trends in the market that require the use of these parts and accessories. "Tuning" is now a term very well known and used by most Salvadorans; this esthetic and engine modification of vehicles has become a true passion for many vehicle owners. Other trends that result in an increase in the demand of parts and accessories include "drifting;" each time, more and more vehicle and motorcycle owners gather to show their new abilities. Also, races for the different types of vehicles are taking place and gaining popularity. The market has evolved to a new phase that not only requires that the vehicle transports, but also that the vehicle reflects the personality of the owner. Several local magazines provide constant updates on these trends. The annual local trade show called Auto Expo puts together all vehicle related sectors and auto fanatics and presents to the general public the new auto trends and fashions. U.S. companies exhibit at Auto Expo through their local authorized representatives.

Another reason why this sector is an excellent business opportunity is that Salvadoran vehicles deteriorate faster and need more parts in order to maintain active use. This is due to poor maintenance of streets and roads, increasing traffic, disorganized public transportation, use of old vehicles, and importation of used vehicles. Currently, 90% of used vehicles purchased in El Salvador are imported from the United States and are bought directly from salvaged car auctions to be repaired locally and then sold. These cars require continuous maintenance and replacement services. Mechanic and repair shops are frequently purchasing parts and accessories from local automobile parts importers, as well as automotive equipment usually imported directly for use in their shops. In comparison to previous years, the demand for used imported vehicles has decreased by 5%, since well established, reliable distributors with good reputations are

now distributing new Chinese brands of economical vehicles (e.g, Chery, Great Wall, Jinbei, Zot Ye, Dongfeng, and JMC) and are offering competitive prices and credit lines.

Public transportation service buses/microbuses are old and require repair in order to continue providing the much-needed public transportation service. Most spare parts and accessories to keep the public transportation fleet working are imported. According to the Vice Minister of Transportation, 80% of the Salvadoran population uses this public transportation service.

There are approximately 655,000 vehicles registered in the country. 49% of total registered vehicles are concentrated in the Department of San Salvador. 67.9% of registered vehicles are Japanese and in second position by country of brand 12.24% of vehicles are Americans. Chevrolet and Ford are the most sold US brands.

Since 2003 the sale of new vehicles in El Salvador has been steadily increasing. A total of 15,110 new vehicles were sold during 2005. In 2006, a total of 16,095 new vehicles were sold and in 2007 almost 18,000 new vehicles were sold.

Importers, distributors, and end users are receptive to U.S. auto parts and accessories due to the products' quality and warranty, and geographic proximity. Nevertheless, the industry is extremely price oriented and this means there is strong competition in sales of parts and accessories from other countries like Taiwan and Brazil.

Best Prospects/Services

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Accessories, engines, filters, accumulators, wheels, radiators, sound systems, alarms, mufflers, tires, tire repair, electronic diagnostics, tire balancing, compressors, clutches, steering wheels.

Opportunities

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There is no significant automotive parts and accessories production in the Salvadoran economy and thus, almost all parts are imported. The U.S. Central America Free Trade Agreement (CAFTA), implemented in El Salvador on March 1, 2006, provides a broader opportunity for the U.S. industry, since import tariffs for parts under SAC 8708 were automatically reduced to zero after CAFTA implementation. For Vehicle Accessories under SAC 8714, 57% of product categories already had 0% tariff and 14% of product categories became 0% after having a 5% tariff. The remaining product categories will be decreasing in tariff rates in the following 9 years. Also, American auto brands have been steadily increasing their units in the market over the past several years, and spares are needed. Salvadorans recognize the value of quality parts made in the U.S.

Considerations for potential opportunities:

1- Increased environmental awareness and concern to keep cars in better condition to avoid polluting. This will require purchase of additional parts and their necessary equipment and machinery for installation.
2- The law of Ethanol (bio-fuels) is estimated to be approved in 2008. With sufficient bioethanol, Flexi Fuel vehicles could be imported in El Salvador in the future.

3- High prices of gasoline and diesel make people also look for ways to make their engines more efficient. These types of products, if at competitive prices, have good opportunity in the market.

A good opportunity for U.S. companies to meet Salvadoran companies is through their participation in trade shows. The Department of Commerce in El Salvador will be promoting two shows related to the automotive industry during 2008. Through this promotion, Salvadoran buyers are registered with the Commercial Section to attend the following trade shows:

- APTA Expo 2008, San Diego, CA, October 6-8, 2008, http://www.apta.com/expo2008
- AAIW 2008: SEMA and APPEX, Las Vegas, NV, November 4-7, 2008, http://www.aaiwshow.com

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Vice Ministry of Transportation: http://www.mop.gob.sv/vmt.php
Salvadoran Association of Auto Parts Importers (Asociación Salvadoreña de Importadores de Repuestos Automotrices): asira@salnet.net
Salvadoran Association of Distributors of Vehicles: asalve@integra.com.sv
Cecilia de Avila, Commercial Assistant: cecilia.avila@mail.doc.gov or CS San Salvador: san.salvador.office.box@mail.doc.gov

Dental Equipment (DNT)

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	2005	2006	2007 (e)
Total Market Size	12.95	13.69	14.19
Total Local Production			
Total Exports	1.16	1.26	1.66
Total Imports	14.11	14.95	15.85
Imports from the U.S.	7.4	4.2	4.5

(Source: Central America Trade Statistic System, and Central Bank of El Salvador. Statistics in millions of dollars)
Statistics based on HTCs: 3004.40.10, 3006.40, 3306.10, 3407.00, 3910.00, 9018.32, 9018.41, 9018.49, 9021.21, 9021.29, 9022.13, and 9022.21.

Dental services are provided by the Ministry of Health, Salvadoran Institute of Social Security (ISSS, Instituto Salvadoreño del Seguro Social), and private clinics. Government institutions purchase equipment and devices through open biddings published in the main local newspapers. US companies need a specialized distributor or representative to enter the market to sell to government institutions.

The dental equipment market amounted to $13.6 million in 2006, and it is expected to grow by 10% in 2008, according to local doctors and distributors. The Salvadoran market is highly receptive to products coming from the United States. Doctors follow closely the development in techniques, technology, equipment, devices, and materials used in their profession. As of June 2007, there were 4,584 graduated odontologists registered at the Odontology Profession Surveillance Board (Junta de Vigilancia de la Profesion Odontologica). This is an autonomous institution, under the National Health Council, which is responsible to regulate and oversee that dentistry services provided to the Salvadoran population are according to the county's health regulations.

The U.S. products accounted for 29% of the market share in 2006, with the main competitors being Mexico, Germany, and Brazil. There is no local production. U.S. products are preferred due to quality, price, customer awareness, and proximity.

Best Products/Services

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- Special materials used in dentistry
- Cements
- Modeling pastes
- Resins
- Anesthetics
- Instruments

Opportunities

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An important trend in the dental equipment and supplies market is the improvement in services that hospitals and doctors are giving to the population. Also, there is an increase in visits expected from Salvadorans living in the U.S. who come to the country to visit their relatives.

A good opportunity for U.S. companies to meet Salvadoran companies is through their participation in trade shows. The Department of Commerce in El Salvador will be promoting two shows related to the dental industry during 2008. Through this promotion, Salvadoran buyers are registered with the Commercial Section to attend the following trade shows:

- ADA Meeting, October 16-19, 2008, San Antonio, TX, http://www.ada.org/prof/events/session/index.asp
- Greater New York Dental Meeting, November 29-December 4, 2008, New York City, www.gnydm.com/

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National Health Council: www.cssp.gob.sv
Odontology Profession Surveillance Board: www.jvpo.gob.sv
Ministry of Health: www.mspas.gob.sv
Salvadoran Social Security Institute (ISSS): www.isss.gob.sv
Lidia Sosa, Commercial Assistant: lidia.sosa@mail.doc.gov or CS San Salvador: san.salvador.office.box@mail.doc.gov

Printing and Graphics (PGA)

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HS 8439 through 8443– Including different machinery and equipment.

	2005	2006	2007
Total Market Size	31.7	35.9	64.5
Total Local Production	N/A	N/A	N/A
Total Exports	3.1	1.7	1.9
Total Imports	34.8	37.6	66.4
Imports from the U.S.	18.8	18.8	45.3

Source: www.elsalvadortrade.com.sv
Statistics in millions of dollars.

The printing and graphics industry in El Salvador provides two types of market opportunities for U.S. companies. The country imports paper and cardboard paper and also imports all the related machinery, equipment, and supplies for the processing of paper. Imports of paper and machinery have been steadily increasing and will continue increasing.

For HS code 48 that includes paper and cardboard paper, in 2007 El Salvador imported $227 million. The United States was the number one supplier, exporting to El Salvador US$87 million, followed by Mexico with US$30 million, and Guatemala with US$25 million. El Salvador's openness to importing from new markets and utilizing trade agreements provides for more competition from suppliers from all over the world.

El Salvador has local paper production, but this production is extremely low. From the imported paper and cardboard, local companies in the printing and graphics sector produce newspapers, advertising materials (brochures, billboards, promotional flyers, posters, banners), packaging, labeling, magazines, etc. Salvadoran companies import the different products under HS Code 48 and process them for local consumption and for exporting them to different countries, mostly to Central America, Mexico, and the Caribbean.

Due to the market's dynamism, machinery and equipment are always needed. Companies with capacity to purchase new equipment always import. El Salvador is a net importer of equipment, machinery and printing supplies. Small and medium sized companies purchase used equipment from other local companies or import used equipment. Spare parts to maintain, repair, and recondition machinery are imported. Salvadoran processing/printing companies are highly interested in learning about new trends in the industry to update their companies. Import duties for most machinery and equipment have zero import tariffs.

Best Prospects/Services

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Machinery and equipment, spare parts, ink, ink-jet printing equipment, plates, software, films, paper, and cardboard paper.

Opportunities

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- As a result of CAFTA implementation, local manufacturers of different products have demanded new packaging to export to the United States. This need has increased the local market production for packaging and therefore of paper, machinery, supplies, parts and equipment to manufacture this packaging.

- Market competition and advertising campaigns involving printed promotional materials have increased demand for graphic design software, paper, and printing supplies.

- El Salvador will have Presidential and municipal elections during 2009 and the printing and graphics industry will be a key provider of promotional printing materials to support the political campaigns of the different parties. Most of these materials are printed locally.

A good opportunity for U.S. companies to meet Salvadoran companies is through their participation in trade shows. The Department of Commerce in El Salvador will be promoting two shows related to the Printing and Graphics industry during the coming year. Through this promotion, Salvadoran buyers are registered with the Commercial Section to attend the following trade shows:

- Pack Expo 2008: Chicago, IL, November 9-13, 2008, http://www.packexpo.com

- Graphics of the Americas 2009: Miami, FL, February 26-28, 2009, http://www.graphicsoftheamericas.com

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Coexport, Corporation of Exporters: www.elsalvadortrade.com.sv
Secretaria de Integración Economica Centroamericana (SIECA): www.sieca.org.gt
Cecilia de Avila, Commercial Assistant: cecilia.avila@mail.doc.gov or CS San Salvador: san.salvador.office.box@mail.doc.gov

Travel & Tourism (TRA)

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	2006	2007(e)
Salvadoran arrivals to the US	153,835	158,000

Source: U.S. Department of Commerce, ITA, Office of Travel & Tourism Industries (OTTI)

Salvadoran visitations to the U.S. rose by 3% in 2007, compared to 2006 figures, according to the latest statistics.

El Salvador is ranked 30 among the top 40 Countries traveling to the United States. Historically Salvadorans have traveled often to the U.S. to visit family members, and for tourism or business purposes. The United States is the main trading partner for El Salvador; and there are an estimated 2.5 million Salvadorans living in the U.S.

The main destinations are the states of Florida, California, Texas, Virginia and Maryland; and cities such as New York, Long Island, Washington D.C, Boston, and Chicago.

The U.S. airlines American, Continental, Delta and United have operations in the country and offer daily flights to gateway cities and connections to the entire United States. Additionally, TACA Airlines, with headquarters in El Salvador, is the main player in the market offering flights to 9 different cities in the U.S.

Best Prospects/Services

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- Trade Shows and Exhibitions
- Hotel Operators and Services
- Car rentals
- Entertainment Industry

Opportunities

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Promotion of the U.S. as a tourism destination by organizing a Visit USA Committee in El Salvador; recruiting delegations for key travel and tourism trade events such as Pow Wow and La Cumbre; and conducting outreach with local media and travel partners. The Commercial Service is working with local medial to highlight destination promotions.

A good opportunity for U.S. companies to meet Salvadoran companies is through their participation in trade shows. The Department of Commerce in El Salvador will be promoting two events related to the tourism industry during 2008.

- Pow Wow, May 31-June 4, 2008, Las Vegas, NV, http://www.tia.org/powwow/index.html
- La Cumbre, September 3-7, 2008, Las Vegas, NV, http://www.lacumbre.com/en

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Office of Travel & Tourism Industries: www.tinet.ita.doc.gov
Travel Industry Association: www.tia.org
Lidia Sosa, Commercial Assistant: lidia.sosa@mail.doc.gov or CS San Salvador: san.salvador.office.box@mail.doc.gov

Chapter 5: Trade Regulations and Standards

- Import Tariffs
- Trade Barriers
- Import Requirements and Documentation
- U.S. Export Controls
- Temporary Entry
- Labeling and Marking Requirements
- Prohibited and Restricted Imports
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Import Tariffs

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About 80 percent of U.S. industrial and commercial goods enter El Salvador duty free, with the remaining tariffs being eliminated over the next decade thanks to CAFTA-DR, which entered into force in El Salvador and the U.S. on March 1, 2006. Nearly all textile and apparel goods that meet the agreement's rules of origin are now traded duty free and quota free among CAFTA-DR countries and the United States, promoting new opportunities for U.S. and regional fiber, yarn, fabric, and apparel manufacturing companies. The agreement's tariff treatment for textile and apparel goods is retroactive to January 1, 2004.

Under CAFTA-DR, El Salvador will eliminate its tariffs on nearly all agricultural products within 15 years (18 years for rice and chicken leg quarters and 20 years for dairy products). For some agricultural products, tariff-rate quotas (TRQ's) will permit some immediate duty-free access for specified quantities during the tariff phase-out period, which will expand over time. El Salvador will liberalize trade in white corn through expansion of a TRQ, rather than by tariff reductions. The complete CAFTA-DR tariff schedule can be viewed at:
http://www.export.gov/fta/complete/CAFTA/TE.asp?dName=CAFTA.
El Salvador's tariff schedule (for other trading partners) is available at
http://www.minec.gob.sv/policom/default.asp?id=3&mnu=3.

The agreement also requires transparency and efficiency in administering customs procedures, including the CAFTA-DR rules of origin. El Salvador committed to ensure greater procedural certainty and fairness, and all parties agreed to share information to combat illegal transshipment of goods. In addition, El Salvador has negotiated agreements with express-delivery companies to allow for faster handling of their packages.

For countries with which El Salvador does not have a bilateral trade agreement, most of El Salvador's tariffs do not exceed the maximum common external tariff of 15 percent established by the Central American Common Market (CACM), of which it is a member. However, there are several exceptions. Tariffs on new and used finished clothing are

generally 25 percent, while tariffs on fabrics are 20 percent or more. Motor vehicles are generally assessed a duty of 25-30 percent. Agricultural products face the highest tariffs. Some dairy, rice, pork, and poultry products are assessed a 40 percent duty. In addition to a value-added tax (VAT) of 13 percent paid on all goods and services, alcoholic beverages are subject to a 20 to 40 percent duty as well as domestic taxes that include a specific tax based on alcoholic content, and a 20 percent sales tax.

Trade Barriers

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There are few trade barriers that affect the import of manufactured goods, but El Salvador does maintain a few barriers to services. For example, notaries must be Salvadoran and certain professionals such as architects must be licensed locally.

Rice and pork are both subject to import quota systems and 40 percent duties. Rice millers are required to buy rice locally. When there is insufficient local supply, the Ministry of Agriculture allows imports under the quota, and after the import quota has been exhausted and there is still a need for imported rice, rough or milled rice can be freely imported, subject to a 40 percent duty. Pork importers face a similar arrangement to first buy locally, then import, subject to a 40 percent duty. Under CAFTA, El Salvador committed to a 15-year phase-out for all tariffs on pork, except for bacon and most offal, which have been eliminated. Only a fixed part of the tariff-rate quota (TRQ) will remain subject to a performance requirement, and the requirement will be eliminated in 15 years. Tariffs for rice will also be phased out over a 15-year period with no performance requirements.

Although sanitary standards have generally not been a barrier in El Salvador, practices with respect to raw poultry and eggs are a notable exception. Since 1992, the Ministry of Agriculture has imposed arbitrary sanitary measures on U.S. raw poultry and egg imports. The Salvadoran government applies these standards in a discriminatory manner since domestic production is not subject to the same requirements as imports. As a result of these measures, the United States has been unable to export raw poultry or eggs to El Salvador. The industry estimates the value of lost U.S. poultry exports at $5 million to $10 million per year. Resolution of this issue has been a priority for U.S. agencies, which continue to work with the Government of El Salvador.

The Salvadoran government requires that rice shipments be fumigated at importers' cost unless they are accompanied by a U.S. Department of Agriculture (USDA) certificate stating that the rice is free of Tilletia Barclayana. However, since there is no chemical treatment that is both practical and effective against Tilletia Barclayana, USDA cannot issue these certificates. El Salvador failed to notify the WTO under the Agreement on the Application of Sanitary and Phytosanitary Measures when it imposed this requirement. The CAFTA-DR chapter on sanitary and phytosanitary (SPS) measures provides that the signatory countries accept each other's mechanisms for inspection.

Import Requirements and Documentation

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In most cases, Salvadoran Customs does not require import licenses and requires only a commercial invoice and bill of lading.

All imports of fresh food, agricultural commodities, and live animals must have a sanitary certificate from the Ministry of Agriculture and the Ministry of Public Health. Basic grains

must have import licenses from the Ministry of Agriculture, while dairy products require import licenses from the Ministry of Public Health. Pharmaceutical products need to be registered at the National Health Public Council (CSSP). Consumer products require a certificate showing approval by U.S. health authorities for public sale. At present, there is no standard regulation allowing entry of U.S.-approved products. Some U.S. processed foods that were approved in the United States were rejected after analysis in El Salvador, thereby barring their sale. The U.S. Embassy has been able to obtain access for U.S. products rejected by the Ministry of Public Health testing on a case-by-case basis. Additional information can be found on USDA's website: http://www.fas.usda.gov under El Salvador's Food and Agricultural Import Regulations and Standards, and Export Certificate Attaché reports.

Import permits from the Ministry of Agriculture can be requested at the Ministry of Agriculture website www.mag.gob.sv. The Government also created the one-single-import shop at the National Registry Center (CNR), where a company can request import permits of the following institutions: Customs, Ministry of Finance, Ministry of Agriculture, Ministry of Health, Ministry of National Defense, Ministry of Economy (virtual), Ministry of the Environment, and the National Health of Public Council.

Read more about customs regulations and rules of origin certification under CAFTA-DR at http://www.ustr.gov/Trade_Agreements/Bilateral/CAFTA/CAFTA-DR_Final_Texts/Section_Index.html
Further information available from san.salvador.office.box@mail.doc.gov

U.S. Export Controls

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The U.S. Government requires U.S. firms to obtain an export permit to export arms, ammunition and related products to El Salvador. A relatively small percentage of total U.S. exports and re-exports require a license from the Bureau of Industry and Security (BIS). License requirements are dependent upon an item's technical characteristics, the destination, the end-user, and the end-use. You, as the exporter, must determine whether your export requires a license. BIS implements and enforces the Export Administration Regulations (EAR). For more information, please visit http://www.bis.doc.gov/

Temporary Entry

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Customs may authorize temporary entry of foreign merchandise with temporary or partial suspension of duties for specific purposes under the condition that the merchandise is re-exported within the time authorized and without any modification. A bond must be presented as the guarantee that the temporarily imported goods will be re-exported within the time authorized. Temporary entry of goods for transformation, manufacture or repair is granted under laws that regulate free trade zones, and services.

Every person entering the country may bring tax-free: two cameras, a personal computer, a printer, a typewriter and other goods valued at less than $1,000.

The temporary entry of the following merchandise is allowed on the condition that it will be exported in the same state:

- Vehicles to be used in tourism.
- Merchandise to be exhibited in fairs, trade shows, and international conventions or congresses.
- Equipment, vehicles, animals and goods that are the property of a circus or similar public shows.
- Merchandise to provide assistance in emergency situations caused by catastrophes or natural phenomenon, including medical-surgical and laboratory equipment and similar material, none of which can be for profit-making activities.
- Educational, religious and cultural merchandise to be exhibited and support an activity in this field.
- Scientific equipment to support scientific research.
- Machines, equipment, instruments, and tools to be used in public works.
- Goods to be used by the Salvadoran government.
- Manipulation and protection of merchandise: special material, transport elements or reusable containers to manipulate and protect merchandise.
- Commercial vehicles and parts.
- Commercial goods to be used in the demonstration of products and their characteristics, proofs of quality, exhibition, publicity, and others.
- Movies and other material for the reproduction of image and sound.
- Other goods according to specific norms or international agreements.

Labeling and Marking Requirements

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The following requirements are included in the Consumer Protection Law:

- Retailers must have the price of the product either on the packaging or in a visible place.
- Products that are sold by weight or volume or any other measure must have the weight, volume, or an exact measure of the contents on the label.
- For pharmaceuticals, the list of ingredients, expiration date, dosage, contraindications, risks involved when used, residual toxic effects, etc. as established by the Ministry of Public Health must be printed on the label.
- Labels on frozen and canned foods must include an expiration date.
- Labeling must be in Spanish language.

Labeling requirements on textile products, lightings, tobacco and consumer products should be reviewed at: http://www.infoq.org.sv/

Prohibited and Restricted Imports

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The import of certain high-caliber firearms is prohibited. Arms for personal defense or hunting may be imported, but are strictly controlled by the police and Ministry of Defense based on a special law that also controls sales to the public and to private security companies.

Cocaine, opiates and barbiturates may be imported solely for medical use, with the permission of the Superior Council for Public Health (Consejo Superior de Salud Pública). The Council controls the sale of these substances to the public. Tranquilizers, sedatives, anti-depressants and certain antibiotics were recently added to the list of

prescription medicines.

Other items that are either prohibited or restricted:

- Books, booklets, emblems, posters and any other articles of a subversive character or doctrines contrary to the established political, economic and social order.
- Figures, statues, books, booklets, almanacs, magazines, engraved or lithographed articles, newspapers, lithographs, stamps, photographs, and cards of an obscene nature or any other obscene articles (including common magazines such as Playboy).
- Movies contrary to ethics and good behavior.
- Abortives.
- Gambling machines: not prohibited, but subject to authorization by the Ministry of Finance and local municipalities.
- Roulette wheels, gambling tables, and any other item or article used for gambling: not prohibited, but subject to authorization by the Ministry of Finance and local municipalities.
- Opium with less than 9% morphine, scraps and opium ash, and any material used for smoking those products.
- Non-stamped paper for cigarettes, white or colored in rolls, spools, booklets or small tubes.
- Machines and tools for making coins.
- Counterfeited coins and bills.
- Plain silver coins of less than 0.90 purity.
- Tokens of any metal or alloy that may be used as substitutes for legal coins.
- Coffee trees and coffee seeds for planting.
- Light passenger or cargo motor vehicles in use for more than 8 years and heavy passengers and cargo motor vehicles in use for more than 15 years.

Anyone considering the import of these items should consult with the appropriate government regulatory agency for exemptions or special permits.

Some goods are subject to a “limited import prohibition;” only the government can import them. They include military airplanes and ships; gas masks for military use; potassium nitrate; stamped paper for making cigarettes; fiscal, municipal and post stamps; and nickel coins for legal circulation.

Customs Regulations and Contact Information

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El Salvador has taken steps to simplify and modernize customs procedures and has been implementing the WTO Customs Valuation Agreement since March 2002.

The Central American Uniform Customs Code (CAUCA III) customs procedures are in force in Guatemala, El Salvador, Nicaragua, and Honduras. The code is in the process of being approved by Costa Rica's National Assembly. CAUCA III modernizes regional customs by implementing uniform documents, allowing electronic transmission of customs information, and permitting electronic prepayment of charges, tariffs and taxes. The Central American countries have agreed to the application of a single manual for

customs procedures. Its application began during the first quarter of 2003 as a pilot project involving El Salvador and Guatemala and now has become a permanent program.

El Salvador has a "Teledespacho" system in which goods can be presented without the use of a custom broker. With the Teledespacho system, the importer/exporter is electronically linked to the Central Customs Service and can present and process all his documents from his office. Teledespacho has reduced the documentation processing time from two to three weeks to a few hours. The service has been available on the Internet since February 2002. For more information, see http://www.aduana.gob.sv

The Central America Integrated and Peripheral Customs Project under implementation allows customs clearance for several Central American countries to be done at a single customs point of entry. The goods cleared through customs will then be shipped on to their final destination in Central America. In the case of trade within the region, the new system allows export and import documentation to be completed simultaneously. "Peripheral" customs facilities have been established in El Salvador, Guatemala, Honduras and Nicaragua where customs clearance is being done for importers in Central American countries other than just the one where the facility is located.

The amount set forth in the commercial invoice is used to determine the tariff assessment. If there is doubt about the accuracy of the stated price, Customs assesses its own value. For valuation of used cars, Customs uses N.A.D.A., Edmund's, and the Truck Blue Book. El Salvador began implementing the WTO Customs Valuation Agreement in March 2002, with the exception of its disciplines pertaining to minimum values. In 2005, El Salvador requested a second extension to apply minimum values for worn clothing and other worn articles; used televisions; footwear; re-treaded or used pneumatic tires; sacks and bags used for packing; jute or other fibers of HS heading 53.03; and used vehicles and used parts and accessories. However, the request was rejected by the WTO. Currently El Salvador is fully implementing the WTO Customs Valuation Agreement.

In general, every customs declaration should contain at least the following information: the requested customs regime; particulars of the dispatcher or consignee; particulars of the applicant or his representative; type of transport; cargo manifest number; number of the corresponding transport document; country or countries of origin of the goods; description of the goods; tariff classification of the goods and their trade description; customs value of the goods; and the applicable duties and taxes.
http://www.aduana.gob.sv/

Customs Office, Ministry of Finance
(Direccion General de Aduanas, Ministerio de Hacienda)
Pan-American Highway Km. 11.5, San Bartola, Ilopango,

San Salvador, El Salvador, C.A.
Tel: (503) 2244-5000/2244-3000
Fax: (503) 2244-7201

http://www.aduana.gob.sv/

Read more on Customs Administration and Trade Facilitation under CAFTA-DR at

http://www.ustr.gov/Trade_Agreements/Bilateral/CAFTA/CAFTA-DR_Final_Texts/Section_Index.html

Standards

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Overview

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In general standards and labeling do not pose a major hurdle for U.S. exporters to El Salvador. El Salvador is a standards taker and not a standards maker. Many products made in the U.S. already meet El Salvador's standards. The main area of difference is items for human consumption such as pharmaceuticals and food. In El Salvador, registration and labeling requirements require U.S. exporters to follow strict local guidelines.

El Salvador is open to participation by the U.S. in the standards development process. With CAFTA-DR implementation, local producers will experience additional changes as El Salvador's products are redesigned and packaged to meet international standards. The U.S. actively serves as a resource to assist El Salvador in developing or streamlining standards. The objectives of Chapter 7 (Technical Barriers to Trade) in the CAFTA-DR agreement are to increase and facilitate trade through the improvement to the Technical Barriers to Trade (TBT) agreement, the elimination of unnecessary barriers and the enhancement of bilateral cooperation. Read more on Technical Barriers to Trade under CAFTA-DR at
http://www.ustr.gov/Trade_Agreements/Bilateral/CAFTA/CAFTA-DR_Final_Texts/Section_Index.html

Standards Organizations

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El Salvador's key legislation on standardization, metrology, verification and certification is the Law for the National Science and Technology Council, CONACYT http://www.conacyt.gob.sv, (enacted in July 1992, Decree 287) and the WTO Agreement on Technical Barriers to Trade (TBT Agreement), and it has adopted the Code of Good Practice annexed to the TBT Agreement. CONACYT is the entity responsible for standards and coordinates the drafting, adoption, and adjustment of standards through technical committees. CONACYT has a Department of Standardization, Metrology, and Quality Certification in charge of: coordinating the development and adoption of national technical standards with other government bodies and with private and scientific institutions; establishing technical committees to study, develop and amend official technical standards, and to coordinate the committees' work; accrediting laboratories and keeping a register of accredited facilities; and cooperating and ensuring an ongoing exchange of information with institutions in El Salvador and abroad and other related international bodies. By law CONACYT is also required to work towards the harmonization, coordination, and unification of adopted standards with other Central American countries.

There are two types of standards in Salvadoran legislation: Mandatory Salvadoran Standards (NSO) and Recommended Salvadoran Standards (NSR). NSOs include the standards regulating the International System of Units; standards relating to materials, procedures, products and services that may affect human life, safety and integrity and the safety and integrity of other live organisms; environmental protection standards; and standards considered by the government to be relevant to the economy or in the public interest. NSRs are concerned with materials; procedures, products and services not covered by an NSO. As of 2002, El Salvador had 900 NSRs. An NSR is identical to an international standard, while the NSOs are based on international, regional or foreign standards. As of 2002, El Salvador was applying 104 NSOs, most of which fall in the category of food technology and other categories such as agriculture and petroleum; few related to environment and health protection, metrology and measurement, mechanical systems and components, textile and leather technology, clothing industry and chemical. A certificate of NSO consistency is not required for imports into El Salvador.

CONACYT's Board of Directors establishes technical standardization committees responsible for studying and preparing draft NSOs and NSRs. Representatives from the government, professional associations, and the private sector form the board of directors. Government officials and representatives of sectors with an interest in developing a specific standard make up the committees. Once the technical standardization committee has prepared a draft NSO, the draft is published in the country's main newspapers and the WTO Secretariat and the Central American Secretariat for Economic Integration (SIECA) are notifed. Interested parties are then given a period of 60 days to file comments. At the end of the two-month period, the committee reviews comments received on the draft standard and submits it for approval to CONACYT's Board of Directors, which in turn forwards it to the Ministry of the Economy to authorize and issue an executive decision that officially establishes it as a mandatory Salvadoran standard. The NSO is then published in the *Official Journal (Diario Oficial de El Salvador)*. Standards enter into force six months after their publication in the Journal. Once endorsed by CONACYT's Board of Directors, NSRs are

likewise submitted to the Ministry of the Economy for executive approval and publication in the *Official Journal*.

Standards technical committees are responsible for the drafting of standards, but the general practice is that committees adopt international standards; consequently local standards organizations are more takers not makers. ISO is the first reference used; others such as Pan-American Commission on Technical Standards (COPANT) and CODEX are also consulted. Most recently, Colombian and Mexican standards are being consulted. CONACYT has an agreement with the American Standards Testing and Materials (ASTM) and, since 2007, has a memorandum of understanding with the National Electrical Manufacturers Association (NEMA) to share information on standards. Representatives of related organizations in El Salvador have received training from the National Institute of Science and Technology (NIST). The annual plan of standards developed each year as well as the list of mandatory and voluntary standards and technical committees are transmitted electronically at http://www.infoq.org.sv.

NIST Notify U.S. Service

Member countries of the World Trade Organization (WTO) are required under the Agreement on Technical Barriers to Trade (TBT Agreement) to report to the WTO all proposed technical regulations that could affect trade with other Member countries. **Notify U.S.** is a free, web-based e-mail subscription service that offers an opportunity to review and comment on proposed foreign technical regulations that can affect your access to international markets. Register online at Internet URL: http://www.nist.gov/notifyus/

Conformity Assessment

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CONACYT engages in the accreditation of official bodies and maintains a list of those bodies (public, private, local or foreign) and applicants at http://www.infoq.org.sv. Policies and criteria for accreditation are described in the “Reglamento de Acreditacion de Laboratorios de Ensayos y Analisis.” Conformity Assessment bodies include laboratories, inspection bodies and certification bodies. The procedures for conformity assessment adopted by CONACYT are ISO/IEC standards.

Product Certification

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The process of product certification requires the integration of a Certification Technical Committee with manufacturer, government, consumers, users and academic representation. CONACYT is developing guides for product certification programs in accordance to international standards/ISO certification process.

Accreditation

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Accreditation is voluntary unless any government institution requires it through a special law or norm making it necessary to conduct conformity assessment. El Salvador is a member of the Inter American Accreditation Cooperation (IAAC) and the International

Laboratory Accreditation Cooperation (ILAC). CONACYT has accredited eleven laboratories; a list is transmitted electronically at http://www.infoq.org.sv/laboservi.htm.

Publication of Technical Regulations

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Proposed technical regulations are published in the main newspapers, and the WTO and Central American Secretaries for Economic Integration are notified. Final regulations are published in the *Official Journal*. The installation of standards drafting committees is announced in main newspapers for interested parties to participate.

Labeling and Marking

Regional labeling norms are being developed by Central American countries for pharmaceuticals and other products. Detailed labeling requirements for comments are at http://www.infoq.org.sv/u_aduanera.htm. Also, the following requirements are included in the Consumer Protection Law:

- Retailers must have the price of the product, either on the packaging or in a visible place.
- Products that are sold by weight or volume or any other measure must have the weight, volume, or an exact measure of its content on the label.
- For pharmaceuticals, the list of ingredients, expiration date, dosage, contraindications, risks involved when used, residual toxic effects, etc. as established by the Ministry of Public Health must be printed on the label.
- Labels on frozen and canned foods must include an expiration date.
- Labeling must be in Spanish language.

Trade Agreements

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In 1995, El Salvador joined the Word Trade Organization.

The General Treaty for Central American Integration, signed December 13, 1960, created the Central American Common Market (CACM). After nearly two decades in abeyance, CACM was revived in the early 1990s. The five countries (Costa Rica, El Salvador, Guatemala, Honduras and Nicaragua) have agreed on maximum tariffs and harmonized 95 percent of tariff rates, mostly for industrial goods; but there is no date for the establishment of a complete Central American customs union. There has been some progress on labeling standards, but the region has yet to address other issues related to creating a customs union, such as customs procedures, sanitary and phytosanitary standards, standards, quota management, and intellectual property rights.

The Central American and Dominican Republic Free Trade Agreement (CAFTA-DR) entered into force between El Salvador and the United States on March 1, 2006. For more information, see the CAFTA-DR Final Text at http://www.ustr.gov/Trade_Agreements/Bilateral/CAFTA/CAFTA-DR_Final_Texts/Section_Index.html

In 1999, El Salvador, together with Guatemala, Honduras, and Nicaragua, signed free trade agreements with the Dominican Republic and Chile; in 2002, the region concluded

agreements with Panama and Mexico. In 2007, El Salvador and Honduras signed a Free Trade Agreement with Taiwan, and the Northern Triangle (El Salvador, Guatemala, and Honduras), signed a Free Trade Agreement with Colombia. The Central American countries are negotiating free trade agreements with Canada and the European Union. More information on trade agreements between El Salvador and other countries: http://www.minec.gob.sv/policom/default.asp?id=2&mnu=2

El Salvador participates in the Free Trade Area of the Americas (FTAA) negotiating process and is a beneficiary of the tariff preferences of the Caribbean Basin Initiative and the Generalized System of Preferences.

The U.S. Trade Compliance Center (TCC) (http://www.trade.gov/tcc) is the gateway to the U.S. Department of Commerce's Trade Agreements Compliance Program – a network of Commerce Department and other U.S. Government resources working together to reduce or eliminate foreign trade barriers. Upon receiving a complaint, the TCC organizes a case-management team of U.S. Government experts -- including country, industry, and trade agreement specialists, as well as Commercial Service officers at home and abroad -- to help U.S. firms facing barriers to trade in foreign markets. These experts work with foreign governments to resolve these problems and ensure that they receive the benefits of all U.S. trade agreements. The TCC mission is to improve market access for U.S. workers, exporters, and investors and to seek compliance by foreign governments with U.S. trade agreements.

U.S. companies that believe they have a complaint can tap the resources of the U.S. Department of Commerce's Trade Agreements Compliance Program by submitting a trade complaint form, found online at www.trade.gov/tcc (click on "Report a Barrier"). The TCC Web site also has a checklist of common trade problems, texts of over 270 trade and related agreements, Exporter Guides with brief explanations of selected trade agreements, Market Access News, subscription to the weekly "What's New" e-mail update on trade-related news, and information on WTO standards notifications via "Notify U.S."

Contact information for the TCC:

Trade Compliance Center
Market Access and Compliance/ITA
U.S. Department of Commerce
14th and Constitution Avenue, NW
Washington, DC 20230
Tel: 202-482-1191
Fax: 202-482-6097
Web page: www.trade.gov/tcc
E-mail: tcc@mail.doc.gov

Web Resources

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Regional Customs Integration, Central America Economic Integration System (SIECA): http://www.sieca.org.gt/SIECA.htm
National Science and Technology Council (CONACYT): http://www.conacyt.gob.sv
Standards Inquiry Point: http://www.infoq.org.sv.
NIST Notify U.S. Service: http://www.nist.gov/notifyus/

Trade Agreements, Ministry of Economy:
http://www.minec.gob.sv/policom/default.asp?id=42&mnu=42
CAFTA, Ministry of Economy: http://www.minec.gob.sv/default.asp?id=70&mnu=70

Trade Agreements, Organization of American States:
http://www.sice.oas.org/news_s.asp
CAFTA-DR: http://www.export.gov/fta/complete/CAFTA/index.asp?dName=CAFTA
Customs: http://www.aduana.gob.sv/
U.S. Trade Compliance Center (TCC): www.trade.gov/tcc

Chapter 6: Investment Climate

- Openness to Foreign Investment
- Conversion and Transfer Policies
- Expropriation and Compensation
- Dispute Settlement
- Performance Requirements and Incentives
- Right to Private Ownership and Establishment
- Protection of Property Rights
- Transparency of Regulatory System
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Openness to Foreign Investment

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The Government of El Salvador views foreign investment as crucial for economic growth and development and has taken numerous steps in recent years to improve the investment climate. However, inefficient and inconsistent commercial law enforcement is a black mark on El Salvador's otherwise positive record for encouraging investment. The free trade agreement among Central American countries, the Dominican Republic, and the United States (CAFTA-DR) includes an investment chapter and other chapters that promise to strengthen investment dispute resolution in El Salvador.

In 2007, the Ministry of Economy estimated that foreigners invested $1,100 million in El Salvador in sectors such as finance, retail, hotels, and beverages. The government has announced a medium-term objective to become a logistics/shipping hub for Central America, and construction of a deep-water port in the Gulf of Fonseca is underway. Salvadoran Central Reserve Bank statistics show the foreign investment stock has steadily increased, reaching $4.7 billion by September 2007, up from $1.97 billion in 2000. Companies from many countries--including the United States, France, Spain, Canada, Germany, Luxembourg, the United Kingdom, Korea, Taiwan, Chile, Guatemala, Venezuela, Panama, and Mexico--have invested in El Salvador.

The principal laws governing foreign investment in El Salvador are the Investment Law, Export Reactivation Law, Free Trade Zones Law, and Services Law. Other laws establishing the basic legal framework for investment include the Monetary Integration Law, Banking Law, Insurance Companies Law, Securities Market Law, Intellectual Property Laws, Special Legislation Governing Privatizations, Competition Law, and Tourism Law. Additional information on each of these laws is available throughout this chapter.

The 1999 Investment Law grants equal treatment to foreign and domestic investors. With the exception of small businesses (10 or fewer employees and sales of less than $68,571/year), foreign investors may freely establish businesses in El Salvador. Investors who begin operations with 10 or fewer employees must present plans to increase employment to the National Investment Office (ONI) at the Ministry of Economy. The Investment Law created ONI as a one-stop shop to facilitate the registration of new investments in the country; a process that the World Bank estimates takes 26 days. The law establishes procedures to resolve disputes between foreign investors and the government and eases residence requirements for foreign investors who make significant investments. It also provides that underground resources (minerals) belong to the state, which may grant concessions for their exploitation.

In 2004, the government reorganized its trade and investment promotion agencies under the Investment and Exports Promotion National Commission (CONADEI), headed by the Vice President. The National Investment Promotion Agency (PROESA) organizes investment promotion tours overseas and provides information and facilitation services in El Salvador. The National Agency for Export Promotion (EXPORTA) focuses on identifying niche markets for Salvadoran exports, especially nontraditional goods, and providing trade capacity building to new exporters.

The government launched its privatization process in 1990 with the privatization of most of the banking system. Privatization has played an important role in attracting foreign investment, especially in electricity generation and distribution, telecommunications, and pension funds.

The Salvadoran electricity sector is divided into generation, transmission, and distribution subsectors. The electricity generation market includes CEL, the state-owned energy company; one U.S. investor that bought three thermal generation plants from CEL in 1999; an Indian-Israeli consortium that recently bought a thermal power plant from a British company; La Geo, a private-public geothermal power generation company; and other minor generators. The state-owned ETESAL provides transmission services. Investors from the United States, Chile, and Venezuela bought controlling shares in four electricity distribution companies when the government privatized the sector in 1998. However, two U.S. and British companies now provide all distribution services for the country. The Transaction Unit (UT), owned by market participants, operates the wholesale energy market.

Privatization and foreign investment have modernized Salvadoran telecommunications. The only remaining restrictions for foreign investors are on free reception television and AM/FM radio broadcasting, where foreign ownership cannot exceed 49 percent of equity. America Movil, the Mexican telecommunications giant, now owns 94 percent of what was CTE, the state-owned telecommunications firm privatized in 1998. A U.S. long distance telephone service provider has complained that regulators and Salvadoran courts have been unable to prevent CTE from violating interconnection agreements and offering discriminatory interconnection rates. Separately, the government is preparing new telecommunications regulations to implement cost-based interconnection as required by CAFTA-DR.

The government created five privatized pension funds in 1998 with the participation of Citibank, Spanish banks Banco Bilbao Vizcaya and Argentaria, and two local investors.

After considerable consolidation in the sector, two funds remain, owned by Banco Cuscatlan and Banco Agricola. However, during 2007, Citigroup acquired Banco Cuscatlan and Bancolombia acquired Banco Agricola.

Conversion and Transfer Policies

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There are no restrictions on transferring funds associated with investment out of the country. Foreign businesses can freely remit or reinvest profits, repatriate capital, and bring in capital for additional investment. The 1999 Investment Law also allows unrestricted remittance of royalties and fees from the use of foreign patents, trademarks, technical assistance, and other services.

The Monetary Integration Law "dollarized" El Salvador in 2001, and the U.S. dollar now freely circulates and can be used in all transactions. One objective of dollarization was to make El Salvador more attractive to foreign investors. El Salvador has long had a freely convertible currency and since 1994 the colon traded at 8.75 per dollar. The Monetary Integration law fixed the colon at that rate. While prices are often listed in both currencies, the colon is seldom used. U.S. dollars account for nearly all currency in circulation. Salvadoran banks, in accordance with the law, must keep all accounts in dollars. Dollarization is supported by family remittances--almost all from the United States--that were $3.6 billion in 2007, up from $3.3 billion the year before. As of the end of 2006, the Central Reserve Bank reported international reserves of $1.9 billion.

Expropriation and Compensation

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El Salvador's 1983 constitution allows the government to expropriate private property for reasons of public utility or social interest, and indemnification can take place either before or after the fact. There are no recent cases of expropriation. In 1980, a rural/agricultural land reform established that no single natural or legal person could own more than 245 hectares (605 acres) of land, and the government expropriated the land of some large landholders. While banks were nationalized in 1980, beginning in 1990 they were returned to private ownership.

A 2003 amendment to the 1996 Electricity Law contains a provision that, while not authorizing expropriation, requires energy generating companies to obtain government approval before removing fixed capital from the country. According to the government, this provision of the law is intended to prevent energy supply disruptions.

Dispute Settlement

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While foreign investors can seek redress of commercial disputes with Salvadoran companies through El Salvador's courts, investors have found that seeking resolution of problems through the slow-moving domestic legal system can be costly and unproductive. The course of some cases has shown that the legal system is subject to manipulation by private interests, and final rulings are sometimes not enforced. Where possible, arbitration clauses, preferably with a foreign venue, should be included in commercial contracts as a means to resolve business disputes. Investors should make sure that all contracts are carefully drafted and that the relationships with local firms are specifically defined. Some U.S. firms have been embroiled in major legal disputes in recent years, in cases where they asserted that a contract with a Salvadoran firm either

had formally ended or never existed, but Salvadoran courts have ruled that the contract remained in force.

El Salvador's commercial law is based on the Commercial Code and the Code for Mercantile Processes. There is a mercantile court system for resolving commercial disputes, although there have been complaints about its slow processes and erratic rulings, particularly at the Supreme Court level. The Commercial Code, Code of Mercantile Processes, and Banking Law contain sections that deal with bankruptcy. There is no separate bankruptcy law or bankruptcy court.

Article 15 of the 1999 Investment Law states that disputes between foreign investors and the government will be submitted for arbitration to the International Center for Settlement of Investment Disputes (ICSID), a World Bank affiliated organization. In 2002, the government approved a law to allow private sector organizations to establish arbitration centers for the resolution of commercial disputes, including those involving foreign investors. Under CAFTA-DR, investor rights are protected by an effective, impartial procedure for dispute settlement that is fully transparent, as described in chapter 20 of the agreement. Submissions to dispute panels and panel hearings are open to the public, and interested parties have the opportunity to submit their views.

The first case of commercial arbitration in El Salvador involved a U.S.-owned firm and the parastatal water company. The arbitration panel ruled in favor of the U.S-owned firm, but a legal challenge by the water company relating to the bidding process led the Supreme Court to suspend the proceedings in August 2004. In late 2006 the Supreme Court issued its final resolution against the U.S- owned firm, determining that the contract was illegal. No further arbitration cases have been heard in El Salvador because potential clients lack confidence that the courts will respect arbitral decisions.

Performance Requirements and Incentives

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El Salvador's Investment Law does not require investors to export specific amounts, transfer technology, incorporate set levels of local content, or fulfill other performance criteria. Foreign investors and domestic firms are eligible for the same export incentives. Exports of goods and services pay zero value added tax.

The 1998 Free Trade Zones Law is designed to attract investment in a wide range of activities, although at present more than 90 percent of the businesses in export processing zones are "maquila" clothing assembly plants. A Salvadoran partner is not needed to operate in a free zone, and some maquila operations are completely foreign-owned.

The law established rules for export processing zones (free zones) and bonded areas. The free zones are outside the nation's customs jurisdiction, while the bonded areas are within its jurisdiction but subject to special treatment. Local and foreign companies can establish themselves in a free zone to produce goods or services for export or to provide services linked to international trade. The regulations for the bonded areas are very similar.

Firms located in the free zones and the bonded areas enjoy the following benefits:

- Exemption from all duties and taxes on imports of raw materials and the machinery and equipment needed to produce for export;
- Exemptions from taxes for fuels and lubricants used for producing exports, if these are not domestically produced;
- Exemption from income tax, municipal taxes on company assets and property; and
- Exemption from taxes on real estate transferences that are related to export activity.

Companies in the free zones are also allowed to sell goods or services in the Salvadoran market if they pay applicable taxes for the proportion sold locally. Additional rules apply to textile and apparel products.

Under the 1990 Export Reactivation Law, firms may apply for tax rebates of 6 percent of the FOB value of manufactured or processed exports shipped outside the Central American Common Market area. These firms need not be located in the free zones or be exporting 100 percent of their output. Exports of coffee, sugar, and cotton can qualify for this rebate if they have undergone a transformation that adds at least 30 percent to their original value. Firms that qualify for these tax rebates are also eligible for duty exemptions for imported raw materials and intermediate goods used in the assembly of the products to be exported. El Salvador extended the period to eliminate this WTO-inconsistent measure until the end of 2009.

The International Services Law, approved in 2007, establishes service parks and centers with incentives similar to those received by El Salvador's free trade zones. Service park developers will be exempted from income tax for 15 years, municipal taxes for 10 years, and real estate transfer taxes. Service park administrators will be exempted from income tax for 15 years and from municipal taxes for 10 years.

Firms located in the service parks/service centers receive the following permanent benefits:

- Tariffs exemption for the import of capital goods, machinery, equipment, tools, supplies, accessories, furniture and other goods needed for the development of the service activities (goods and services such as food and beverages, tobacco products, alcoholic beverages, rental fees, home equipment and furniture, cleaning articles, luxury goods, transportation vehicles, and hotel services are not exempted from taxation);
- Exemption from income tax and municipal taxes on company assets. The tax exemptions remain in place as long as the service operations are functioning.

Service firms operating under the existing Free Zones law are also covered. However, if the services are provided to the national market, they cannot receive the benefits of the Services Law.

The following services are covered by the Law:

- International Distribution
- Logistical International Operations
- Call Centers
- Information Technology
- Research and Development
- Marine Vessels Repair and Maintenance

- Aircraft Repair and Maintenance
- Entrepreneurial Processes (i.e., business process outsourcing)
- Hospital-Medical Services
- International Financial Services

Beneficiaries must invest at least $150,000 during the first year of operations, including working capital and fixed assets, must hire no less than ten permanent workers, and must have at least a one-year contract. For hospital/medical services, the minimum investment in fixed assets must be $10 million if they are to provide surgical services or a minimum of $3 million if they do not provide surgical services. Hospital or medical services must be located outside of major metropolitan areas. The service must also be provided only to patients that are insured with national or foreign insurance companies.

In 2005, the government approved a tourism law to spur investment in the sector. The law establishes fiscal incentives for those who invest a minimum of $50,000.00 in tourism related projects in El Salvador. Incentives include an income tax break of 100 percent for 10 years and no duties on imports of capital and other goods, subject to limitations. The investor also benefits from a 5-year exemption from land acquisition taxes, as well as a 50 percent cut in municipal taxes over that period. To take advantage of these incentives, the enterprise must contribute 5 percent of profits during the exemption period to a government-administered Tourism Promotion Fund.

Those who plan to live and work in El Salvador for an extended period will need to obtain temporary residency, which may be renewed periodically. Under Article 11 of the Investment Law, foreign investors with investments equal to or more than 4,000 minimum monthly wages have the right to receive "Investor's Residence," permitting them to work and stay in the country (refer to http://www.mtps.gob.sv/default.asp?id=21&mnu=21&ACT=5&content=115). Such residency can be requested within 30 days after the investment has been registered. The residency permit covers the investor and his family and is issued for one year, subject to extension on a yearly basis.

Most companies employ a local lawyer to manage the process of obtaining residency. The American Chamber of Commerce in El Salvador can also help its members with the process. Labor law requires that 90 percent of the labor force at plants and in clerical jobs be Salvadoran. There are fewer restrictions on the professional and technical jobs that can be held by foreigners.

Right to Private Ownership and Establishment

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There are restrictions on land ownership. No single natural or legal person--Salvadoran or foreign--can own more than 245 hectares (605 acres). Rural lands cannot be acquired by foreigners from countries where Salvadorans do not enjoy the same right. Foreign citizens and private companies can freely establish businesses in El Salvador. The only exception for this is in some cases involving small business. A 2001 fishing law allows foreigners to engage in commercial fishing anywhere in Salvadoran waters providing they obtain a license from CENDEPESCA, a government entity.

Protection of Property Rights

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Private property, both movable and real estate, is recognized and protected in El Salvador. Companies that plan to buy land or other real estate are advised to conduct a thorough search of the property's title prior to purchase.

In 2005, El Salvador revised several laws to comply with CAFTA-DR's provisions on intellectual property rights (IPR). The Intellectual Property Promotion and Protection Law (1993, revised in 2005), Law of Trademarks and Other Distinctive Signs (2002, revised in 2005), and Penal Code establish the legal framework to protect IPR. Investors must register trademarks, patents, copyrights, and other forms of intellectual property at the National Registry Center's Intellectual Property Office to protect their investments. Reforms passed in 2005 extended the copyright term from 50 to 70 years. New measures extend protection to satellite signals, and for pharmaceuticals and agrochemicals, test data exclusivity will be protected for 5 and 10 years respectively.

The Attorney General's office and the National Civilian Police enforce these rights by conducting raids against distributors and manufactures of pirated CDs, cassettes, clothes, and computer software. The 2005 reforms authorize the seizure, forfeiture, and destruction of counterfeit and pirated goods and the equipment used to produce them. They also allow authorities to initiate these raids ex-oficio, and piracy is now punishable by jail sentences of two to six years. However, using the criminal and mercantile courts to seek redress of a violation of intellectual property is often a slow and frustrating process.

There has been no progress in a significant intellectual property and related contractual dispute involving trademark and copyright infringement by an ex-franchisee. In December 2005, an appeals court ignored important evidence to rule in favor of the ex-franchisee on a contractual issue, ordering the U.S. Company to pay $24 million in losses and damages. The U.S. Company has appealed the decision to the Supreme Court. The judiciary and regulatory enforcement continue to be the weakest pillars of intellectual property protection in El Salvador.

El Salvador is a signatory of the Bern Convention for the Protection of Literary and Artistic Works, the Paris Convention for the Protection of Industrial Property, the Geneva Convention for the Protection of Producers of Phonograms Against Unauthorized Duplication, the World Intellectual Property Organization (WIPO) Copyright Treaty, the WIPO Performance and Phonograms Treaty, and the Rome Convention for the Protection of Performers, Phonogram Producers, and Broadcasting Organizations.

Transparency of Regulatory System

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The laws and regulations of El Salvador are relatively transparent and generally foster competition. Bureaucratic procedures have improved in recent years and are relatively streamlined for foreign investors. Regulatory agencies, however, are often understaffed and inexperienced, especially when dealing with complex issues. New foreign investors should review the regulatory environment carefully.

The Superintendent of Electricity and Telecommunications (SIGET), a regulatory agency modeled after a public utilities commission, regulates electricity and telecommunications. SIGET oversees electricity tariffs, telecommunications, and distribution of electromagnetic frequencies. SIGET's processes and procedures have been criticized by private electricity companies as arbitrary and populist.

In 2003, the government amended the 1996 Electricity Law with the intention of reducing volatility in the wholesale market and thereby stabilizing retail electricity prices. The new law allows the regulator, SIGET, to develop a cost-based pricing model for the electricity sector to replace the existing competition-based system. The new system would allow the adoption of long-term contracts and may alleviate current market distorting regulations and intervention by the regulator, SIGET, and politicized management of hydro resources by the state-owned hydropower generator CEL. The United States has raised concern that uncertainty regarding the impact of re-regulation and the regulator's seemingly arbitrary decision-making processes are deterrents to U.S. electric energy investments in El Salvador. The government's decision to freeze electricity rates and increase subsidies through mid-2009 has increased the likelihood that regulatory reforms will be delayed.

In December 2007, distribution companies requested an injunction from the Supreme Court to block SIGET from applying the new tariffs, which they say will reduce their revenues by 30% and damage the energy sector. They argue that SIGET violated their due process rights and committed multiple technical and legal errors to underestimate their assets and costs during the tariff review process.

The 2004 Competition Law defines a series of anticompetitive practices such as collusion to fix prices, limit production, or rig bids. Vertical arrangements, tying (conditioning the sale of one product on the sale of another), and exclusive dealing are also outlawed. Certain abuses of dominant market position are also illegal, for example, creating barriers to entry by other firms, predatory pricing to drive out competitors, price discrimination and similar actions when intended to limit competition, will be illegal. The law created an autonomous Superintendent of Competition responsible for enforcing the law, which took effect in January 2006.

The Superintendent of Competition's decisions against the gasoline and energy companies resulted in four lawsuits filed against the Government of El Salvador in 2007. Electricity distributors appealed the Superintendent finding that they blocked two companies from entering the power distribution business. Two international oil companies appealed the Superintendent's ruling that they abused their dominant position and engaged in anti-competitive practices. The companies have questioned the determination that they had a dominant position in the Salvadoran market due to their parent companies' joint ownership of a refinery. They also argue that the alleged uncompetitive practice, zone pricing, is actually pro-competitive and beneficial to consumers.

Efficient Capital Markets and Portfolio Investment

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The Superintendent of the Financial System supervises banks and nonbank financial intermediaries. Interest rates are determined by market forces and have decreased significantly since dollarization was implemented. Foreign investors may obtain credit in the local financial market under the same conditions as local investors. Accounting systems are generally consistent with international norms. December 2004 fiscal reforms require that applicants for credit at Salvadoran financial institutions prove they are current in their tax obligations with the Salvadoran Government.

El Salvador's banks are among the largest in Central America and owned by foreign financial institutions. The banking system is sound and in general well managed and supervised. The banking system's total assets as of November 2007 were $12 billion.

Under the 1999 Banking Law and amendments made in 2002, foreign banks are afforded national treatment and can offer the same services as Salvadoran banks. They can open branches and buy or invest in Salvadoran financial institutions. The law strengthened supervisory authorities and provided more transparent and secure operations for customers and banks. The law also established an FDIC-like autonomous institution to insure deposits, increased the minimum capital reserve requirement for a bank to 100 million colones ($11.4 million), and sharply limited bank lending to shareholders and directors.

The Non-Bank Financial Intermediaries Law regulates the organization, operation, and activities of financial institutions such as cooperative savings associations, nongovernmental organizations, and other microfinance institutions. The Money Laundering Law requires financial institutions to report suspicious transactions to the Attorney General and the Superintendency of the Financial System.

The 1996 Insurance Companies Law regulates the operation of local insurance firms and accords national treatment to foreign insurance firms. Foreign firms, including U.S., Colombian, Canadian, and Spanish companies, have invested in Salvadoran insurers.

The 1994 Securities Market Law established the present form for the Salvadoran securities exchange, which opened in 1992, and has played an important role in the privatization of state enterprises and facilitating foreign portfolio investment. Stocks, government and private bonds, and other financial instruments are traded on the exchange, which is regulated by the Superintendency of Securities. Foreigners may buy stocks, bonds, and other instruments sold on the exchange and may have their own securities listed, once approved by the Superintendent. Companies interested in listing must first register with the National Registry Center's Registry of Commerce. The exchange has averaged daily volumes of about $30 million. Government regulated private pension funds and Salvadoran insurance companies are the largest buyers on the Salvadoran securities exchange.

Political Violence

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El Salvador's 12-year civil war ended in 1992 with a peace agreement. The former guerrilla organization, the FMLN, became a political party and has participated in elections since 1994. There has been no political violence aimed at foreign investors, their businesses, or their property. However, general levels of crime, including gang activity and extortion, are high and a major concern to the business community.

Corruption

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Soliciting, offering, or accepting a bribe is a criminal act in El Salvador. The Attorney General has a special office, the Anticorruption and Complex Crimes Unit, which handles cases involving corruption by public officials and administrators. The Constitution also established the Court of Accounts that is charged with investigating public officials and entities and, when necessary, passing such cases to the Attorney

General for prosecution. In 2005, the government issued a code of ethics for the executive-branch employees, including administrative enforcement mechanisms, and it established an Ethics Tribunal in 2006. El Salvador ratified the Inter-American Convention Against Corruption in 1998.

While improvements have been made, corruption remains a problem. When it occurs, corruption is usually at lower governmental levels. However, there have been some recent corruption scandals; one involved a member of the Legislative Assembly and another involved senior officials of the Salvadoran water authority, including its former president. There have also been credible complaints about judicial corruption, while another ongoing corruption scandal involves municipal governments and waste disposal contracting. There is an active, free press that reports on corruption issues.

Bilateral Investment Agreements and Free Trade Agreements

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The United States - Central America – Dominican Republic Free Trade Agreement (CAFTA-DR) entered into force for the United States and El Salvador on March 1, 2006. For Honduras and Nicaragua it entered into force on April 1, 2006, for Guatemala on July 1, 2006, and for the Dominican Republic on March 1, 2007. Costa Rica ratified CAFTA-DR in October 2007. CAFTA-DR's investment chapter provides protection to most categories of investment, including enterprises, debt, concessions, contract, and intellectual property. U.S. investors enjoy, in almost all circumstances, the right to establish, acquire, and operate investments in El Salvador on an equal footing with local investors. Among the rights afforded to U.S. investors are due process protection and the right to receive a fair market value for property in the event of an expropriation. Investor rights are protected under CAFTA-DR by an effective, impartial procedure for dispute settlement that is fully transparent and open to the public.

El Salvador also negotiated trade agreements with Colombia and Taiwan, and is negotiating a trade agreement with Canada; these agreements will contain investment provisions. El Salvador also plans to negotiate an Association Agreement with the European Union that will include the establishment of a Free Trade Area. The five Central American Common Market countries, which include El Salvador, have an investment treaty among themselves. In addition, the free trade agreements that El Salvador has with Mexico, the Dominican Republic, Chile, and Panama include investment provisions.

OPIC and Other Investment Insurance Programs

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OPIC insures against currency inconvertibility, expropriation, and civil strife and can also provide corporate project financing and special financing oriented to small business. The Overseas Private Investment Corporation (OPIC) has a bilateral agreement with El Salvador that requires the Government of El Salvador to approve all insurance applications. A new agreement is being negotiated that will eliminate this requirement. In 2006, OPIC signed an agreement with the National Investment Promotion Agency of El Salvador (PROESA) to improve outreach to U.S. small business investors in El Salvador. Because El Salvador uses the U.S. dollar, full inconvertibility insurance may be unnecessary, but investors do insure against inability to transfer funds. El Salvador is a member of the Multilateral Investment Guarantee Agency (MIGA).

Labor

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El Salvador has a labor force of approximately 2.9 million. Salvadoran labor is perceived as hard working and receptive to training and advanced study. The general educational level is low, and the skilled labor pool is shallow, which may pose problems for investors needing skilled, educated labor. There is a lack of middle management-level talent, which sometimes results in foreigners being brought in to perform such tasks. Employers do not report labor-related difficulties in incorporating technology into their workplaces.

The Constitution guarantees the right of employees in the private sector to organize into associations and unions. Employers are free to hire union or non-union labor. Closed shops are illegal. Labor law is generally in accordance with internationally recognized standards, but is not enforced consistently by government authorities. The International Labor Organization's Committee on Freedom of Association has expressed concern in a number of cases about the government's failure to apply the protections of workers rights to organize and bargain collectively, as required by International Labor Organization conventions.

Foreign Trade Zones/Free Trade Zones

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As of December 2007, there were 13 free zones operating in the country. Maquila textile operations constitute the businesses of 12 of the free zones. These firms, mostly owned by Salvadoran, U.S., Taiwanese, and Korean investors, employ approximately 58,000 people. The section on Performance Requirements and Incentives outlines the benefits available to investors in these zones.

Foreign Direct Investment Statistics

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Accumulated Foreign Investment by Country of Origin (Millions of Dollars)

Country	2003	2004	2005	2006
United States	1,031.7	1,026.7	1,049.5	1,059.4
Mexico	83.6	614.7	647.8	651.5
BVI	29.2	56.2	356.2	355.9
Venezuela	309.5	309.5	309.5	309.5
Panama	100.1	102.5	144.5	222.6
Spain	161.4	195.0	195.2	195.3
Canada	46.6	56.0	130.3	158.2
Guatemala	57.8	60.1	70.4	93.4
Germany	84.8	84.9	89.4	92.2
Bahamas	66.4	67.8	68.6	74.9
Italy	26.6	26.6	26.6	74.0
Costa Rica	68.7	68.8	67.4	70.1
Taiwan	56.7	57.3	58.6	58.3
Netherlands	39.1	39.1	55.0	56.3
Singapore	32.2	32.5	36.5	37.3
Nicaragua	20.0	20.4	21.3	27.8
Chile	0.2	0.7	0.3	24.8
Peru	22.3	22.3	22.3	22.3
Korea, South	22.9	23.5	26.0	22.0
Honduras	19.4	21.0	21.6	21.8
Switzerland	11.7	15.6	16.8	16.8
Aruba	15.0	15.0	15.0	15.0
Japan	14.2	14.2	14.2	14.2
Bermuda	11.2	11.8	12.3	13.3
England	6.4	7.4	8.2	9.7
Ecuador	9.0	9.0	9.0	9.0
France	214.7	5.8	5.8	6.0
Israel	5.7	2.3	1.0	1.5
Other	22.4	29.6	29.6	38.7
Total:	2,589.2	2,996.1	3,508.1	3,751.8

Source: Central Reserve Bank of El Salvador

Annual Foreign Investment Flows in Selected Sectors (Millions of Dollars)

Sector	2003	2004	2005	2006
Communications	10.1	334.7	47.8	0.1
Industry	48.3	40.8	316.6	16.6
Maquila	70.6	31.4	4.2	-0.4
Retail	13.3	39.1	26.7	47.8
Agriculture and fishing	-1.7	21.8	-1.5	0.6
Services	1.5	-0.1	14.4	9.0
Finance	-12.8	-13.0	102.3	94.7

Construction	0.1	0.0	0.0	0.0
Electricity	0.0	-48.0	0.0	47.4
Mining	0.0	0.0	1.5	28.0
Total:	129.2	406.9	512.0	243.7

Source: Central Reserve Bank of El Salvador

Foreign Direct Investment as a Percentage of GDP (Millions of Dollars)

	2003	2004	2005	2006
GDP	15,046.7	15,798.3	15,070.2	18,653.6
FDI stock	2,589.2	2,996.1	3,508.1	3,751.8
FDI flows	129.2	406.9	512.0	243.7
FDI stock as a percentage of GDP	17.2	19.0	20.6	20.1
FDI flows as a percentage of GDP	0.9	2.6	3.0	1.3

Source: Central Reserve Bank of El Salvador

Partial List of Major Foreign Investors

AES Corporation (USA) -- Electricity distribution
AIG (USA) – Insurance
AMNET (USA)– Cable television, telephone and Internet
AMERICATEL (USA) – International Calls and Internet provider
Avery Dennison (USA) -- Labels for clothing
Bayer de El Salvador (German) -- Pharmaceutical processing plant, fertilizer plant
Decameron International (Colombia) – Tourism/hotels
Citigroup (USA) – Banking
Scotiabank (Canada) - Banking
Digicel (Caribbean) -- Cellular telephone service
DigiLinea (USA) – VoIP
Dell Computer (USA) -– Customer service/sales call center
Duke Energy (USA) -- Thermal electricity generation plants
Elf (France) -- Propane gas

Globaleq (USA) -- Owner/operator of the Nejapa power/generating plant

EMEL S.A. (Chilean/USA) -- Electricity distribution
Esso Standard Oil (USA) -- Gas stations/small refinery at Acajutla
America Movil (Mexico) -- Fixed and wireless telephone, retail
Fruit of the Loom (USA) – Apparel assembly
Grupo Calvo (Spain) -- Tuna fishing/processing
Holcim (Swiss) – Cement
Intelfon (Panama/El Salvador) – Telecommunications
International Paper (USA) – El Salvador División Empaques Liquidos de Centro America (ELCA) – liquid packaging
Lacoste (France) –- Textiles/apparel
Kimberly Clark de C.A. (USA) -- Distribution facility

Maseca (Mexico) –- Corn Milling
Max (Guatemala) -- Appliance retailing
PriceSmart (USA) -- Member discount store and supermarket
SABMiller (U.K./South Africa) –- Beer, sodas, and other beverages
Sara Lee Knit Products (USA) -- Apparel assembly
Shell El Salvador (Netherlands/U.K.) -- Oil refinery (with Esso); Service stations/grocery marts throughout the country.
Telefonica de Espana (Spain) -- Cellular telephones
Telemovil (USA/Luxembourg) -- Cellular telephones
Texaco Caribbean (USA) -- Fuel storage and lubricant blending plant in Acajutla, and service station/grocery markets.
Unisola-Unilever (UK) -- Food products
WalMart (United States) -- Supermarkets

Web Resources

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Foreign Direct Investment Statistics, Central Bank:
http://www.bcr.gob.sv/estadisticas/series_estadisticas.html
Investment Promotion Agency, PROESA: http://www.proesa.com.sv/
Country Investment Climate and Economic Outlook, Think Tank NGO, FUSADES:
http://www.fusades.com.sv/
Investment Office, Ministry of Economy: http://www.minec.gob.sv/oni/index.html
Capital Market Regulatory Agencies: http://www.superval.gob.sv/ and
http://www.ssf.gob.sv/
Investment Financing: http://www.opic.gov/
Mediation Center, Chamber of Commerce – El Salvador:
http://www.mediacionyarbitraje.com.sv/
Intellectual Property Rights, Office of Registration: http://www.cnr.gob.sv/
Trade Agreements, Ministry of Economy:
http://www.minec.gob.sv/default.asp?id=31&mnu=31/
CAFTA, Ministry of Economy: http://www.minec.gob.sv/default.asp?id=70&mnu=70/
Trade Agreements, Organization of American States:
http://www.sice.oas.org/trades.asp#MCCA/
http://www.sice.oas.org/
Labor regulations, Ministry of Labor: http://www.mtps.gob.sv
Regional Labor Information: http://www.laboral.sieca.org.gt/
Infrastructure Map (Ports, Airports, Highways, Customs and Free Trade Zones):
http://www.proesa.com.sv/
Monetary Integration: http://www.bcr.gob.sv/ingles/integracion/ley.html

Chapter 7: Trade and Project Financing

- How Do I Get Paid (Methods of Payment)
- How Does the Banking System Operate
- Foreign-Exchange Controls
- U.S. Banks and Local Correspondent Banks
- Project Financing
- Web Resources

How Do I Get Paid (Methods of Payment)

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The banking system offers many payment methods. For domestic transactions, open accounts are common, where the exporter ships the goods as soon as the order is received and then invoices the purchaser for payment within 30, 60, or 90 days. Letters of credit, legal documents between an importer and exporter, give the exporter confidence that the importer is able to pay for the goods while assuring the importer that payment will be made only after the terms outlined in the letter have been met. Local banks also offer standby letters of credit in which the issuing bank promises to pay a third party on behalf of a second. Cash against documents allows the buyer to assume the title for the goods being purchased upon paying the sale price in cash. A variant of this is the documents against acceptance, where the shipping documents are held by the buyer's bank until the buyer has accepted (signed) the draft. Cash in advance is also common. Another common practice is factoring, whereby a company sells its account receivables to a financial institution, normally at a discounted rate; and then the buyer pays the financial institution.

The following credit rating agencies operate in El Salvador:

EQUILIBRIUM (an affiliate of Moody's Investors Service)
Boulevard del Hipódromo, edificio GRANPLAZA, local 304
Colonia San Benito, San Salvador, El Salvador, C.A.
Tel: (503) 2275-4853; (503) 2298-9951
Web page: http://www.equilibrium.com.sv

EQUIFAX Centroamérica
89 Ave. Norte, Calle El Mirador
Edificio World Trade Center, Torre II, Nivel 5 Local 502
San Salvador, El Salvador, C.A.
Tel: (503) 2507-3636; Fax (503) 2507-3637
Web page: www.equifax.com.sv

FITCH CENTROAMERICA, S.A.
Edificio Plaza Cristal Local 2-4
79 Avenida Sur y Calle Cuscatlán
San Salvador, El Salvador, C.A.
Tel: (503) 2516-6600; (503) 2516-6650
Web page: http://www.fitchca.com

GLOBAL VENTURE, S.A. DE C.V.
Calle Las Palmas, Pasaje 7, No. 130
Colonia San Benito, San Salvador, El Salvador, C.A.
Tel: (503) 2224-5701; (503) 2245-6173
Web page: http://www.globalventureratings.com/inicio.html

PACIFIC CREDIT RATING, S.A. DE C.V.
Calle La Mascota # 533
Colonia San Benito, San Salvador, El Salvador, C.A.
Tel: (503) 2266-9470; (503) 2266-9470
Web page: http://www.ratingspcr.com

DUN & BRADSTREET
Latin America Business information Center
8551 West Sunrise Blvd., Suite 300
Plantation, FL 33322, USA
Tel: (954) 577-4496; Fax (954) 577-4546
Web page: http://www.dnbla.com/eng_contact.asp
E-mail: dnblabic@dnb.com

How Does the Banking System Operate

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Nine private banks, two branches of foreign banks, and two state-owned banks provide the full range of commercial banking services in El Salvador. The commercial banks include Banco Agricola Comercial and Banco Cuscatlan, which are, respectively, the second and third largest banks in Central America; the largest is Banco Nacional de Costa Rica, state-owned and without branches in Central America. During 2007, Banco Agricola was acquired by Bancolombia and Banco Cuscatlan by Citibank. These banks, along with Banco Salvadoreño and Scotiabank, account for more than 82 percent of the Salvadoran banking business. Banco Salvadoreño was acquired by Hong Kong and Shangai Banking Corporation (HSBC) in 2006. There are also five other private banks, branch operations for two foreign banks, Citibank and First Commercial Bank of Taiwan, and two banks that are still owned by the government. By law, all transactions carried out in Salvadoran banks must be denominated in U.S. dollars. Interest rates and fees are set by market conditions. The Superintendent of the Financial System (Superintendente del Sistema Financiero), an independent regulatory agency, authorizes and supervises all financial institutions in El Salvador. In addition to the two

foreign banks operating branches, there are two operating as representation offices—BAC Florida Bank and Banco de Santander. Non-resident banks also lend without restriction to Salvadoran clients. Citicorp, N.A., is the only U.S. banking institution with a full service bank in El Salvador.

Foreign-Exchange Controls

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There are no foreign exchange controls in El Salvador. The U.S. dollar is legal tender.

U.S. Banks and Local Correspondent Banks

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Correspondent banking relationships change often, and the banking sector has recently undergone significant restructuring in El Salvador; please consult directly with each bank to ensure accuracy.

CITIBANK, N.A.
Ing. Gijs Veltman, President
Alameda Dr. Manuel Enrique Araujo, Edif. PALIC
Calle Nueva No. 1, Col. Escalón
San Salvador, El Salvador, C.A.
Tel: (503) 2211-2800, Fax: (503) 2211-2892
http://www.citibank.com/us/index.htm

BAC Florida Bank
Representative: Ms. Antonella de Fernández
Edif. Credomatic, Edif. C, 5o. Piso 55 Av. Sur
San Salvador, El Salvador, C.A.
Tel: (503) 2298-6844, Fax: (503) 2279-3556
http://www.bacflorida.com/

Inter-American Development Bank (IDB)
Maria Carmenza McLean
Representative for El Salvador
Edificio World Trade Center, 4o. Nivel
Calle El Mirador y 89 Av. Norte
Apartado Postal No. (01) 199
San Salvador, El Salvador, C.A.
Tel: (503) 2233-8900 (Ext. 2213), Fax: (503) 2233-8921
http://www.iadb.org/countries

Central American Bank for Economic Integration (CABEI)
Lic. Miguel Ángel Simán, Director
Calle La Reforma No. 130, Col. San Benito
San Salvador, El Salvador, C.A.
Tel: (503) 2267-6147; (503) 267-6100; Fax: (503) 2267-6180
http://www.bcie.org/

Banco Cuscatlan, S.A. (Merged with Citi and Banco Uno)
Ing. Mauricio Samayoa, President
Edif. La Pirámide, Km. 10 Carretera a Santa Tecla,
La Libertad, El Salvador, C.A.
Tel: (503) 2228-7777; Fax: (503) 2228-5700
http://www.bancocuscatlan.com/elsalvador/index.html
Bank of New York
Citi, New York
The International Bank of Miami N.A., Miami
UBS, Houston
Wachovia, Miami

Banco HSBC
Ms. María Eugenia Brizuela de Ávila, President
Centro Financiero Banco Salvadoreño No. 3550
Alameda Dr. Manuel Enrique Araujo
San Salvador, El Salvador, C.A.
Tel: (503) 2214-2788; Fax: (503) 2298-0102
http://www.bancosal.com/
HSBC New York
Wachovia Bank
Bank of New York
Bank of America
Citibank
The International Bank of Miami

Scotiabank El Salvador, S.A.
Mr. Bryan Braty, President
Torre Scotiabank, Av. Olimpica No. 129,
San Salvador, El Salvador, C.A.
Apdo. Postal No. 824
Tel: (503) 2234-4806; Fax: (503) 2245-3303
http://www.scotiabank.com.sv/
Bank of New York, New York
Banco Centroamericano de Integración Económica
Bank of Nova Scotia, New York
Commerzbank, A.G.
HSBC Bank USA, N.A.
JPMorgan Chase Bank, N.A., New York
Regions Bank, Birmingham
Wachovia Bank, N.A., Philadelphia
Wells Fargo Bank, N.A., San Francisco

Banco Agricola S.A. (Bought by Grupo Bancolombia)
Mr. Sergio Restrepo, President
Blvd. Constitución No. 100 y 1a. Calle Pte., Plaza Las Américas
San Salvador, El Salvador, C.A.
Tel: (503) 2267-5900; Fax: (503) 2267-5920
http://www.bancoagricola.com
American Express Bank, Ltd., New York

Bank of America, San Francisco, California
Banco Santander Central Hispano, Miami, FL
Citibank N.A., New York
The Bank of New York, New York
The International Bank of Miami, Miami, FL
Whitney National Bank, New Orleans
Wachovia Bank, Miami, FL
Banco Internacional de Costa Rica, Coral Gables, FL
Banco Santander Central Hispano SA, Miami, FL
JPMorgan Chase Bank, New York

Banco Hipotecario
Ing. Roberto Navarro, President
Sucursal Senda Florida Sur, Colonia Escalón
San Salvador, El Salvador, C.A.
Tel: (503) 2250-7101; Fax: (503) 2298-0447
http://www.bancohipotecario.com.sv/
Citibank N.A., New York
Wachovia Bank, N.A., Miami, FL
The International Bank of Miami, Miami, FL
Banco Internacional de Costa Rica, Miami, FL
Banco Popular Dominicano, Miami

Banco G&T Continental El Salvador, S.A.
Ing. Ronald Lacayo, President
Alameda Roosevelt No. 2511
San Salvador, El Salvador, C.A.
Tel: (503) 2245-0651; Fax: (503) 2298-5261
http://www.bamericano.com/
Wachovia Bank National Association, New York

Banco Uno (Merged with Citi and Banco Cuscatlan)
Sr. Arturo Anaya, President
Carretera a Comalapa Km. 9, Edif. AVAL CARD
San Salvador, El Salvador, C.A.
Tel: (503) 2245-0109; Fax: (503) 2245-0108
http://www.bancouno.com.sv/
Bank of America NA
Pine Bank
Wachovia Bank NA
Zions First National Bank

Banco de América Central

Lic. Raúl Ernesto Cardenal Debayle, President
Edif. Credomatic 51 Av. Sur y Alameda Roosevelt y Av. Olímpica
San Salvador, El Salvador, C.A.
Tel: (503) 2247-4453; Fax: (503) 2224-4138
https://www.credomatic.com

American Express Bank
BAC Florida Bank, USA
Banco Internacional de Costa Rica Miami, Agency, Miami, FL
BPD Bank USA
CITIBANK NA, New York
Commerce Bank, Coral Gables, FL
Rabobank, New York
Wachovia Bank, N.A., USA
Cobank USA

Banco Procredit

Mr. Stefan Queck, General Manager
Blvd. Constitución y 1a. Calle Pte. No. 5358
Colonia Escalón
San Salvador, El Salvador, C.A.
Tel: (503) 2206-9000; Fax: (503) 2267-4511
http://www.bancoprocredit.com.sv/
Citibank NA, New York

Banco Promérica

Lic. Eduardo Quevedo, President
71 Av. Sur No. 3669, Paseo General Escalón
Col. Escalón,
San Salvador, El Salvador, C.A.
Tel: (503) 2211-5555; Fax: (503) 2211-5533
http://www.promerica.com.sv
Wachovia Bank, N.A.

Project Financing Return to top

Bank finance is readily available. Since dollarization in 2001, interest rates for deposits and for loans have dropped sharply and are near U.S. levels. Banks offer 30-year mortgage loans. U.S. exports to El Salvador are usually financed by loans made by local banks to importers. Rates for loans to finance consumer goods imports average 7.7 percent for terms of less than a year. Intermediate goods are financed at even lower interest rates. Local banks offer a variety of letters of credit, sight drafts, and other methods of payment at competitive prices. Irrevocable letters of credit are recommended for any commercial transactions in El Salvador.

The **Foreign Agricultural Service (FAS) of the U.S. Department of Agriculture (USDA)** administers the Commodity Credit Corporation (CCC) Export Credit Guarantee Programs (GSM-102/103) for commercial financing of U.S. agricultural exports. Under these programs, the CCC does not provide financing, but guarantees payments due from foreign banks. Typically, 98 percent of principal and a portion of interest at an adjustable rate are covered. Two programs underwrite credit extended by the private banking sector in the U.S. or by the U.S. exporter to approved foreign banks using dollar-denominated, irrevocable letters of credit to pay for food and agricultural products

sold to foreign buyers. The Export Credit Guarantee Program (GSM-102) covers credit terms up to three years. The Intermediate Export Credit Guarantee Program (GSM-103) covers credit terms up to 10 years. However, because payment is guaranteed, financial institutions in the United States can offer competitive credit terms to the foreign banks, usually with interest rates based on the London Inter-Bank Offered Rate (LIBOR).

The USDA also offers the CCC Supplier Credit Guarantee Program (SCGP) for the Central American region. It covers short-term financing (up to 180 days) extended directly by U.S. exporters to foreign buyers and requires that the importers sign a promissory note in case of default on the CCC backed payment guarantee. The terms are specific: credit may be covered by the CCC only when payment is financed under a dollar-denominated irrevocable letter of credit issued in favor of an exporter by a foreign bank that has CCC approval to participate under the program. The SCGP emphasizes high-value and value-added products, but may include commodities or products that also have been programmed under the GSM-102 program. Another program available is the Facility Guarantee Program (FGP) that has the primary objective of improving the facilities in emerging overseas markets that process, handle, store or transport agricultural products imported from the U.S. The FGP provides credit guarantees, financial devices that eliminate most of the risk of non-payment by foreign banks, to facilitate sales of manufactured goods and services.

The **U.S. Overseas Private Investment Corporation (OPIC)** provides medium to long-term financing in the form of investment guarantees and direct loans and loan guaranties to projects with at least 25 percent U.S. investor equity. In addition, it offers political risk insurance that protects against expropriation, political violence and inconvertibility. OPIC can participate in up to 50 percent of the total costs of a new venture but cannot exceed 75 percent of the total investment. OPIC support is available for new investments, privatizations, and expansions and modernizations of existing plants. OPIC generally can insure an acquisition of an industrial, commercial or other self-sustaining enterprise, subject to a finding of positive developmental benefits. Insurance may be available for existing investments if the insurance is needed due to the unavailability or inadequacy of private insurance coverage.

The **Export-Import Bank of the United States (Ex-Im Bank)** also offers a wide range of guarantees, insurance and financing to U.S. exporters. Ex-Im Bank has established the Credit Guarantee Facility (CGF) Program, which sets up lines of credit between a bank in the U.S. and a foreign bank (or occasionally a large foreign buyer). Ex-Im guarantees the repayment of the foreign bank's obligations. The foreign bank then makes credit available to the end user of the U.S. exports and takes the repayment risk of that local company. Financing is restricted to repayment terms of two to five years. For exporting to El Salvador, Ex-Im offers loan insurance for transactions under US$10 million, with much less paperwork required than for other programs. U.S. exporters do not need to go through the Ex-Im bank application process. The U.S.-based bank will disburse to the U.S. exporter. Since the lines are pre-approved and individual transactions do not require Ex-Im Bank's review, the process can move very quickly. Ex-Im Bank's standard guarantee coverage is available: 100 percent of principal and interest for up to 85 percent of the U.S. export value, plus Ex-Im Bank's exposure fee, if financed. The buyer must make a 15 percent cash payment to the exporter outside of the CGF.

The **U.S. Trade and Development Agency (USTDA)** facilitates partnerships between American companies and infrastructure and industrial project sponsors in Latin America through the funding of project planning assistance. These activities are designed to involve American companies on the "ground floor" of projects.

The **Millennium Challenge Corporation (MCC)** and the Government of El Salvador on November 29, 2006, signed a five-year, $460.94 million anti-poverty Compact that seeks to stimulate economic growth and reduce poverty in the country's northern region through strategic investments in education, public services, enterprise development, and transportation infrastructure, projects in which U.S. companies as well as partner countries have procurement opportunities. CS believes that the best trade opportunities for U.S. products and services will originate from the development of a highway system and a structural cohesion network that will build new portions of roads, and improve and reconstruct road infrastructure with these funds. U.S. companies interested in providing services or products should visit partner country website: http://www.mca.gob.sv or http://www.fomilenio.gob.sv and register by sending contact information to: contactenos@mca.gob.sv

The U.S. government's FY 2004-2009 development assistance program in El Salvador is managed by the **U.S. Agency for International Development (USAID)** under the umbrella of the Regional Strategy for Central America and Mexico. The regional framework promotes a more democratic and prosperous Central America and Mexico, enabling these countries to share the benefits of trade-led growth broadly among their citizens, including through the implementation of the Central America-Dominican Republic Free Trade Agreement (CAFTA-DR), and assists countries in Central America to address issues of crime and violence through community based activities. USAID/El Salvador's new strategy, carried out through program agreements with the Government of El Salvador (GOES), focuses on promoting democracy and good governance, expanding and diversifying the economy, and contributing to healthier and better-educated people. A complete description of USAID ongoing programs can be found in the Development Assistance Program Overview (2004-2009) at http://www.usaid.gov/sv/development.html.

The **U.S. Small Business Administration (SBA)** is an independent agency of the federal government to aid, counsel, assist and protect the interests of small business concerns, to preserve free competitive enterprise and to maintain and strengthen the overall economy of the United States. The SBA helps Americans start, build and grow businesses through an extensive network of field offices and partnerships with public and private organizations

The **Inter-American Development Bank**, through the Salvadoran Multisectoral Bank for Investments (Banco Multisectorial de Inversiones/BMI), offers credit to support the development of the private sector, especially small and medium-sized enterprises. These credits to date have not been widely used due to the extensive paperwork required. Machinery and other capital goods exports to El Salvador may be financed at low rates and long terms through special credit lines offered by international financial institutions.

Web Resources Return to top

Export-Import Bank of the United States: http://www.exim.gov

Country Limitation Schedule: http://www.exim.gov/tools/country/country_limits.html
Overseas Private Investment Corporation (OPIC): http://www.opic.gov
Millennium Challenge Corporation: http://www.mcc.gov/
U.S. Trade and Development Agency: http://www.tda.gov/
Small Business Administration (SBA) Office of International Trade:
http://www.sba.gov/oit/
USDA Commodity Credit Corporation: http://www.fsa.usda.gov/ccc/default.htm
U.S. Agency for International Development: http://www.usaid.gov
El Salvador's Financing Superintendent: http://www.ssf.gob.sv/
Credit Rating Agencies registered in El Salvador:
http://www.superval.gob.sv/rpb/clasificadorasRiesgoFormResultList.asp
Banking Association: http://www.abansa.org.sv/

Chapter 8: Business Travel

- Business Customs
- Travel Advisory
- Visa Requirements
- Telecommunications
- Transportation
- Language
- Health
- Local Time, Business Hours and Holidays
- Temporary Entry of Materials and Personal Belongings
- Web Resources

Business Customs

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Salvadoran business relationships and meetings are, at first, formal. A suit and tie are appropriate for most business meetings. Expect to shake hands before and after your meeting, and do not use a person's first name until a relationship has been solidified. Salvadorans commonly use titles such as Licenciado (meaning a college graduate), Ingeniero (engineering graduate), or Doctor (used both for physicians and lawyers). These are followed by the person's last name.

El Salvador tends to be very much a business card society and it is important upon first meeting someone to exchange business cards with him or her. It is a good idea to have a supply of business cards printed in Spanish.

Breakfast meetings are common and begin about 7:30 a.m. Lunches and dinners can become lengthy affairs (2-3 hours); so do not plan too tight a schedule around them. Dinner starts late by U.S. standards, frequently at 8:00 or 9:00 p.m. Lunch is usually at 12:30 p.m.

Travel Advisory

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The Department of State warns United States citizens to exercise caution when traveling to El Salvador because of the high rate of crime. For additional general or specific travel information please contact: Bureau of Consular Affairs, Office of Overseas Citizen Services (CA/OCS) at 1-888-407-4747, from overseas: 317-472-2328, or the El Salvador Desk, U.S. Department of State, Phone: (202) 647-3505. The Department of State website http://www.travel.state.gov/travel/elsalvador.html, offers e-mail safety information updates. Also, the Travel Advisory Service of the Department of State can provide information in recorded and fax form for any travel warnings on traveling to foreign countries. For recorded information contact Tel: (202) 647-5225. To receive a facsimile, call (202) 647-3732.

Visa Requirements

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A visa is not required for ordinary U.S. passport holders. The passport must be valid for at least six months. A tourist card, available for $10.00, is issued at the airport. Official and diplomatic passport holders are exempt. For non-U.S. passport holders, please consult the following web pages:
http://www.rree.gob.sv/sitio/sitiowebrree.nsf/pages/svisas_requisitospaisorigen
http://www.proesa.com.sv/visa_req.html
The departure fee is $32.00, and usually is included in the airline ticket price. Travelers leaving by land do not pay exit taxes.

Consular visas can be requested at any of El Salvador's Consular offices in the U.S.
http://www.elsalvador.org/embajadas/eeuu/home.nsf/infoconsular

U.S. companies that require travel of foreign businesspersons to the United States should allow sufficient time for visa issuance if required. Visa applicants should go to the following links.

State Department Visa Website: http://www.travel.state.gov/visa/index.html

United States Visa Website: http://www.unitedstatesvisas.gov/

El Salvador Consular Section Website:
http://elsalvador.usembassy.gov/consular/index.html

Telecommunications

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Following a successful privatization of the sector, El Salvador has over 1,080,083 fixed phone lines. El Salvador is one of the largest cell phone markets in Central America with over 6,137,381 lines as 2007. Direct dialing, fax and telex facilities to most countries in the world are available. Eleven different companies offer Internet connectivity. The mail system is inadequate, but there are many private courier services, such as DHL, Federal Express and UPS.

Transportation

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U.S. airlines with international flights to El Salvador include: American Airlines, Continental, Delta, and United (which operates a codeshare with TACA). The Central American airline TACA has direct flights to and from the main cities in the U.S. Most hotels offer airport shuttle services for their guests, at rates ranging between $12-$15 per one-way trip. Visitors commonly drive rental cars and a U.S. driver's license is valid for 60 days. Taxicab services normally provided within the perimeter of deluxe hotels are reliable. Public transit bus service is not recommended.

Language

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Spanish is the official language. English is widely spoken in business circles and by educated Salvadorans. Business travelers may wish to hire a Spanish-speaking interpreter for meetings.

Health

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Travelers can check the latest health information with the U.S. Centers for Disease Control and Prevention in Atlanta, Georgia. A hotline at 877-FYI-TRIP (877-394-8747) and a website at http://wwwn.cdc.gov/travel/redirect.aspx give the most recent health advisories, immunization recommendations or requirements, and advice on food and drinking water safety for regions and countries. A booklet entitled Health Information for International Travel (HHS publication number CDC-95-8280) is available from the U.S. Government Printing Office, Washington, DC 20402, tel. (202) 512-1800. Following are some useful health hints: Careful attention to choice of food and beverages helps to reduce the risks. Most well known restaurants in El Salvador serve safe food and beverages, but lettuce, cabbage, and other uncooked ground vegetables should not be eaten, as there is a very high risk of bacterial dysentery and parasitic infection from these food items. As in any part of the world, common sense must prevail. Hot food should be eaten hot and cold food should be eaten cold. Meat, pork, and chicken should be well cooked. Bottled drinks are considered safe. Tap water is not potable. Commercially available water bottled in El Salvador from the Agua Cristal plant has been judged safe for consumption, but be sure the heat-molded seal on the bottleneck has not been broken. Freezing does not make water safe. Avoid ice cubes unless you know they have been made from potable water. All the reputable restaurants in El Salvador use ice made from bottled water and it is considered safe. Contrary to notices occasionally posted in some hotels, water from spigots and other non-bottled sources is not safe to drink. Insect repellent should be used liberally when outdoors. There has been a sharp rise in the occurrence of dengue fever in El Salvador and across Central America.

New Yellow Fever Immigration Requirement for El Salvador Entry/Exit

On March 12, 2008, the Government of El Salvador announced that all Salvadorans or foreigners traveling to, or from, the African continent, or certain countries in South America must have proof of vaccination against Yellow Fever. The vaccination must have occurred 10 days prior to the exit from, or entry to, El Salvador. The new requirement will go into effect on Monday, April 7, 2008.

Travelers going to, or coming from, the following countries/regions will be affected: Bolivia, Brazil, Colombia, Ecuador, French Guiana, Paraguay, Peru, Venezuela and the continent of Africa.

The new requirement does not affect travelers who are transiting El Salvador. The U.S. Embassy encourages all travelers to ensure they meet all immigration requirements before traveling.

For further information on the requirement, please contact the Salvadoran Immigration office:

Dirección General de Migración y Extranjería (DGME)
Centro de Gobierno
9ª Calle Poniente / 15 Avenida Norte (Alameda Juan Pablo II)
Edifico Ministerio de Gobernación, San Salvador, El Salvador

Tel.: (503) 2555-7700 or (503) 2555-7777
Website: http://www.seguridad.gob.sv
E-mail: denuncias.migracion@seguridad.gob.sv

For further information on vaccinations in El Salvador, please contact the Ministry of Health:

Ministerio de Salud Pública y Asistencia Social de El Salvador
Calle Arce # 827
San Salvador, El Salvador
Tel.: (503) 2221-1001 or (503) 2205-7219
Website: http://www.mspas.gob.sv
E-mail: atencion_al_cliente@mspas.gob.sv

For further information on Yellow Fever, please visit the Centers for Disease Control and Prevention website at: http://wwwn.cdc.gov/travel/contentDiseases.aspx#yellow

Local Time, Business Hours, and Holidays

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Standard time zone: UTC/CMT –6 hours. No daylight savings time. For current time, go to: http://www.timeanddate.com/worldclock/city.html?n=228. Working hours in the private sector usually are from 8:00 am to 5:30 pm and in the government sector from 8:00 am to 4:00pm.

The holidays for 2008 observed in El Salvador are:

January 1	New Year's Day
March 20-23*	Holy Week (Semana Santa)
May 1	Labor Day
August 3-6*	Feast of San Salvador (Agostinos)
September 15	Independence Day
November 2	All Soul's Day
December 25*	Christmas Day

* **Salvadoran government offices remain closed for an entire week during Holy Week, Feast of San Salvador Holidays (early August), and between Christmas and New Year's Eve.** Many offices are closed during the period from December 15 to the end of the first week in January. U.S. firms should not visit the country for business purposes during these periods.

Temporary Entry of Materials and Personal Belongings

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Customs may authorize temporary entry of foreign merchandise with temporary or partial suspension of duties for specific purposes under the condition that they are re-exported within the time authorized and without any modification.

Those who plan to live and work in El Salvador for an extended period will need to obtain temporary residency, renewed periodically depending on the amount of time granted in the residency permit. Under Article 11 of the Investment Law, foreign investors with investments equal to or more than 4,000 minimum monthly wages (refer to http://www.mtps.gob.sv/default.asp?id=21&mnu=21&ACT=5&content=115), have the

right to receive "Investor's Residence" permitting them to work and stay in the country. Such residency can be requested within 30 days after the investment has been registered. The residency permit covers the investor and his family and is issued for one year, subject to extension on a yearly basis. There are few restrictions on the professional and technical jobs that can be held by foreigners.

Web Resources

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Tourism in El Salvador: http://www.turismo.com.sv
Salvadoran Tourism Corporation (CORSATUR): http://www.corsatur.gob.sv/home.htm
Tourist Promotion from the Ministry of Foreign Relations:
http://www.rree.gob.sv/sitio/sitiowebrree.nsf/pages/selsalvador_promocionturistica
Salvadoran Hotels Association: www.hoteles-elsalvador.com
Salvadoran Restaurants Association: www.restaurantesdeelsalvador.com
CS San Salvador: san.salvador.office.box@mail.doc.gov

Chapter 9: Contacts, Market Research, and Trade Events

- Contacts
- Market Research
- Trade Events

Contacts Return to top

U. S. Commercial Service San Salvador

Mary Boscia, Commercial Attaché
Boulevard Santa Elena Sur, Antiguo Cuscatlán
La Libertad, El Salvador
E-mail: mary.boscia@mail.doc.gov
Tel: (503) 2501-2999 ext. 3211 or (503) 2501-3211; Fax: (503) 2501-3067

Country Government Agencies

Ministry of Economy
Ms. Yolanda de Gavidia, Minister
Complejo Plan Maestro
Centro de Gobierno
San Salvador, El Salvador, C.A.
Tel: (503) 2231-5603; Fax: (503) 2221-2797
Web page: http://www.minec.gob.sv

Ministry of Public Works
Mr. Jorge Nieto, Minister
Plantel DUA / La Lechuza
Km. 5 Calle a Santa Tecla
San Salvador, El Salvador, C.A.
Tel: (503) 2528-3085; Fax: (503) 2528-3065
Web page: http://www.mop.gob.sv

Ministry of Finance
Mr. William Hándal, Minister
Edificio Los Cerezos
Blvd. Los Héroes
San Salvador, El Salvador, C.A.
Tel: (503) 2244-3002; Fax (503) 2225-7491
Web page: http://www.mh.gob.sv

Ministry of Public Health
Mr. José Guillermo Maza, Minister

Calle Arce No. 827
San Salvador, El Salvador, C.A.
Tel: (503) 2271-0008; Fax: (503) 2221-0985
Web page: http://www.mspas.gob.sv

Ministry of Agriculture & Livestock
Mr. Mario Salaverría, Minister
Final 1a Av. Norte y Av. Manuel Gallardo
Santa Tecla, La Libertad, El Salvador, C.A.
Tel: (503) 2288-9983; Fax: (503) 2288-5040
Web page: http://www.mag.gob.sv

Ministry of Environment
Mr. Carlos José Guerrero, Minister
Kilómetro 5 ½ Carretera a Santa Tecla,
Calle y Colonia Las Mercedes,
Edificio MARN (anexo al edificio ISTA) No. 2
San Salvador, El Salvador, C.A.
Tel: (503) 2267-9421; Fax: (503) 2267-9420
Web page: http://www.marn.gob.sv

Ministry of Foreign Relations
Ms. Marisol Argueta de Barillas, Minister
Calle El Pedregal Blvd. Cancillería
500 metros al PTE. del Campus 2 de U Matías Delgado,
San Salvador, El Salvador, C.A.
Tel: (503) 2231-2929 Fax: (503) 2243-9658 / 2231-1180
Web Page: http://www.rree.gob.sv/sitio/sitiowebrree.nsf

Ministry of Governance
Mr. Juan Miguel Bolaños, Minister
Final 15 Av. NTE y 9a calle PTE. Centro de Gobierno
San Salvador, El Salvador, C.A.
Tel: (503) 2555-7984 Fax: (503) 2221-6387
Web page: http://www.gobernacion.gob.sv/eGobierno/Default.htm

Ministry of Security and Justice
Mr. Rene Figueroa, Minister
Complejo Plan Maestro Edif. B 1
1a planta Centro de Gobierno
San Salvador, El Salvador, C.A.
Tel: (503) 2221-6574; Fax: (503) 2281-5959
Web page: http://www.seguridad.gob.sv

Ministry of Tourism
Mr. Ruben Rochi, Minister
Edificio Carbonell # 1 Col. Roma
Alameda Dr. Manuel Enrique Araujo y Pasaje Carbonell
San Salvador, El Salvador, C.A.
Tel: (503) 2243-7835; Fax: (503) 2223-6120
Web page: http://www.elsalvador.travel/

Ministry of Labor
Mr. José Roberto Espinal, Minister
Alameda Juan Pablo II y 17 Avenida Norte, Plan Maestro Centro de Gobierno
San Salvador, El Salvador, C.A.
Tel: (503) 2209-3773; Fax (503) 2209-3782
Web Page: http://www.mtps.gob.sv/

Ministry of Defense
General Jorge Alberto Molina, Minister
Carretera a Santa Tecla Km 5 ½
San Salvador, El Salvador, C.A.
Tel: (503) 2250-0100; Fax: (503) 2298-2005
Web Page: http://www.fuerzaarmada.gob.sv/home.asp

Civil Aviation Authority
Mr. José Rene Rodríguez Gutiérrez, Executive Director
Aeropuerto de Ilopango
San Salvador, El Salvador, C.A.
Tel: (503) 2295-0265; Fax: (503) 2295-0345
Web page: http://www.aac.gob.sv

Vice Ministry of Transportation
Mr. Luis Felipe Moreno, Vice Minister
1a. Av. Sur No. 630
San Salvador, El Salvador, C.A.
Tel: (503) 2222-2681, 2222-2697; Fax: (503) 2221-2954
Web page: http://www.mop.gob.sv

Central Reserve Bank
Ms. Luz María de Portillo, President
Alameda Juan Pablo II
San Salvador, El Salvador, C.A.
Tel: (503) 2281-8402; Fax: (503) 2281-8401
Web page: http://www.bcr.gob.sv

Comisión Ejecutiva Portuaria Autónoma (CEPA)
(Port and Airport Administration)
Mr. Albino Román, President
Boulevard Los Héroes, Edificio Torre Roble, Metrocentro
San Salvador, El Salvador, C.A.
Tel: (503) 2218-1231 / 1308; Fax: (503) 2260-3321
Web page: http://www.cepa.gob.sv

Comisión Ejecutiva Hidroeléctrica del Río Lempa (CEL)
(Hydroelectric Executive Commission)
Mr. Nicolás Salume, President
9a Calle PTE. No. 950 Entre 15 y 17 Av. NTE. Centro de Gobierno
San Salvador, El Salvador, C.A.
Tel: (503) 2211-6011; Fax: (503) 2211-6232
Web page: http://www.cel.gob.sv

Administración Nacional de Acueductos y Alcantarillados (ANDA)
(Water & Sewage Autonomous Administration)
Mr. César Funes, President
Blvd. Del Hipódromo # 609 Col. San Benito
San Salvador, El Salvador, C.A.
Tel: (503) 2247-2574; Fax: (503) 2247-2504
Web page: http://www.anda.gob.sv/

Consejo Superior de Salud Pública
(Public Health National Council)
Ms. Lilia Avendaño de Guerrero, President
Paseo General Escalón, No. 3551, Colonia Escalón
Salvador del Mundo, frente a Súper Selectos,
San Salvador, El Salvador, C.A.
Tel: (503) 2298-2576; 2245-3885; 2245-3886; Fax: (503) 2245-3886
Web page: http://www.cssp.gob.sv

Country Trade Associations/Chambers of Commerce

American Chamber of Commerce of El Salvador (AMCHAM)
Mr. Francisco Armando Arias, President
Ms. Carmen Aida Muñoz, Executive Director
Edificio World Trade Center, Torre 2 Nivel 3
San Salvador, El Salvador, C.A.
Tel: (503) 2263-9494; Fax: (503) 2263-9393
Web page: http://www.amchamsal.com

Asociación de Distribuidores de El Salvador (ADES)
(Distributors' Association of El Salvador)
Mr. Gerardo Steiner, President
Plaza Suiza, 3ra. Planta, Local LC-5
San Salvador, El Salvador, C.A.
Tel: (503) 2223-6574; Fax: (503) 2245-3359
Web page: http://www.ades.org.sv

Asociación Nacional de la Empresa Privada (ANEP)
(Private Enterprise National Association)
Mr. Federico Colorado, President
1a. Calle Poniente y 71 Avenida Norte 204
San Salvador, El Salvador, C.A.
Tel: (503) 2209-8300; Fax: (503) 2209-8317
Web page: http://www.anep.org.sv

Asociación Salvadoreña de Distribuidores de Materiales de Construcción (ASDEMAC)
(Construction Materials Distributors Association)
Mr. Alejandro Marroquín, President
4ª Calle Poniente y 13ª Ave. Sur #807 2ª Planta local #4
San Salvador, El Salvador, C.A.
Tel: (503) 2222-3712; Fax: (503) 2222-3524
Web page: N/A

Asociación Salvadoreña de Empresarios del Transporte de Carga (ASETCA)
(Cargo Transportation Association)
Mr. Nelson Vanegas, President
43 Av. Sur # 630, Col Flor Blanca
San Salvador, El Salvador, C.A.
Tel.: (503) 2275-6813; Fax: (503) 2275-6657
Web page: N/A

Asociación Salvadoreña de Industriales (ASI)
(Salvadoran Industrial Association)
Mr. Napoleón Guerrero, President
Calles Roma y Liverpool, Colonia Roma
San Salvador, El Salvador, C.A.
Tel: (503) 2279-2488; Fax: (503) 2267-9251
Web page: http://www.asi.com.sv

Asociación Salvadoreña de Importadores de Repuestos Automotrices (ASIRA)
(Auto-parts Importers Association)
Mr. Juan Leonidas Vega, President
Condominio Monte María, Edif. C 1-1 1a C. PTE. #2904
San Salvador, El Salvador, C.A.
Tel: (503) 2260-5327; Fax: (503) 2261-1803
Web page: N/A

Asociación de Industriales de la Confección (ASIC)
(Apparel Industry Association)
Mr. Roberto Bonilla, President
Ofic. ASI, Colonia Roma y Calle Liverpool
San Salvador, El Salvador, C.A.
Tel: (503) 2279-2488; Fax: (503) 2298-3508

Web page: N/A

Cámara de Comercio e Industria de El Salvador
(Salvadoran Chamber of Commerce and Industry)
Mr. Jorge Daboud, President
9a. Avenida Norte y 5a. Calle Poniente
San Salvador, El Salvador, C.A.
Tel: (503) 2231-3000; Fax: (503) 2271-4461
Web page: http://www.camarasal.com/

Cámara Salvadoreña de la Industria de la Construcción (CASALCO)
(Salvadoran Chamber of the Construction Industry)
Mr. Mario Ernesto Rivera, President
Paseo General Escalón No. 4834, Col. Escalón
San Salvador, El Salvador, C.A.
Tel: (503) 2263-5344, 2263-6521; Fax: (503) 2263-6518
Web page: http://www.casalco.org.sv

Cámara de la Industria Textil y Confección de El Salvador (CAMTEX)

(Textile and Apparel Industry Chamber)

Mr. José Antonio Escobar, President

Edificio ASI, Tercera Planta

San Salvador, El Salvador, C.A.

Tel: (503) 2267-9243; Fax: (503) 2298-8289

Web page: http://www.camtex.com.sv

Corporación de Exportadores de El Salvador (COEXPORT)
(Exporters Corporation)
Ms. Vilma de Calderón, President
Av. La Capilla # 359 A Col. San Benito

San Salvador, El Salvador, C.A.
Tel: (503) 2212-0200; Fax: (503) 2243-3159

Web page: http://www.coexport.com

Fundación Salvadoreña para el Desarrollo Económico y Social (FUSADES)
(Social and Economic Development Think Tank)
Mr. Antonio Cabrales, President
Edificio FUSADES
Blvd. y Urb. Santa Elena
Antiguo Cuscatlán, La Libertad, El Salvador, C.A.
Tel: (503) 2278-3366; Fax: (503) 2278-3356
Web page: http://www.fusades.com.sv/i_index.html

Fundación Empresarial para la Acción Social (FUNDEMAS)
(Business Foundation for Social Action)
Mr. Roberto H. Murray Meza, President
Edificio FEPADE/ISEADE, Calle El Pedregal,
Antiguo Cuscatlán, La Libertad, El Salvador, C.A.
Tel: (503) 2212-1799; Fax: (503) 2212-1798
Web page: http://www.fundemas.org

The National Investment Promotion Agency (PROESA)
Mr. Marco Arroyo, Deputy Director
Edificio D'Cora, Primer Nivel, Boulevard Orden de Malta,
Urb. Santa Elena, Antiguo Cuscatlán, La Libertad, El Salvador, C.A.
Tel: (503) 2210-2500; Fax: (503) 2210-2520
Web page: http://www.proesa.com.sv

Unión de Industrias Textiles (UNITEX)
(Textile Industry Organization)
Mr. Edwin Zamora, President
Calle Liverpool y Calle Roma, Edificio ASI
Colonia Roma, San Salvador, El Salvador, C.A.
Tel: (503) 2267-9260; Fax: (503) 2223-2558
Web Page: N/A

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