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

Chapter 6: Investment Climate

Openness to Foreign Investment Return to top

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.

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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.

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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.

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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 [Return to top]

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 Return to top

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 Return to top

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 Return to top

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 Return to top

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 Return to top

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 [Return to top]

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 [Return to top]

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 [Return to top]

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
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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
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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/
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