

II. TRADE AND INVESTMENT REGIME

(1) OVERVIEW

1. The principal objectives of the trade policy of El Salvador are to strengthen the trade and investment flows between El Salvador and the rest of the world, and to further the process of Central American integration. El Salvador has been a Member of the WTO since May 1995 and takes an active part in negotiations and in the regular work of the Organization. It has made a large number of notifications, but at October 2009 some remained pending, including those concerning State-trading enterprises, import licensing and customs valuation. El Salvador participated in the negotiations on basic telecommunications and on financial services held within the GATS framework and accepted the Fourth and Fifth Protocols to the GATS. El Salvador did not use the WTO's dispute settlement mechanism during the period under review.

2. El Salvador is a member of the Central American Common Market (CACM), which seeks to strengthen Central American integration, with particular emphasis on consolidation of the Customs Union. In addition to its membership of the CACM, El Salvador has free trade agreements with Chile, the United States of America (CAFTA-DR), Mexico, Panama, Chinese Taipei and the Dominican Republic. Together with the other members of the CACM, El Salvador is negotiating association agreements with the European Union and free trade agreements with Canada and the Caribbean Community (CARICOM). The CACM and the CAFTA-DR are of especial importance to El Salvador inasmuch as 86 per cent of its exports and 52 per cent of its imports come under one of these two schemes.

3. During the period under review, there were no major changes to El Salvador's foreign investment regime, which focuses on attracting investment. The Investment Law guarantees freedom to invest and national treatment for foreign investors, except in those areas where other laws impose restrictions. Other restrictions on foreign investment affect industry and the supply of "small-scale" services, which are the prerogative of Salvadoran citizens by birth or nationals of other Central American countries, and the ownership of rural real estate, which may not be bought by foreigners from countries that do not give Salvadoran citizens equal rights.

(2) TRADE AND INVESTMENT POLICY FRAMEWORK

(i) General legal and institutional framework

4. The Constitution of the Republic of El Salvador has been in force since 20 December 1983 with some amendments.¹ The Constitution provides for the separation of powers between the executive, legislative, and judicial bodies, and for the operational independence of each of those branches. The executive branch is headed by a President elected by popular vote every five years, who is assisted by a Vice-President and the Council of Ministers. The main functions of the executive branch include enforcing the Constitution and directing foreign policy and it is empowered to enter into international treaties and conventions, submit them to the Legislative Assembly for ratification and monitor compliance therewith. The President has exclusive power to appoint and dismiss Ministers of State; and he or she chairs the Council of Ministers. The most recent Presidential election was held on 15 March 2009 and the new administration took office in June 2009.

¹ Since its last Review, El Salvador has introduced constitutional reforms relating to the Higher Council for Public Health (2003), the right to strike, unionization of government employees and professional associations (2006), and free education (2008).

5. The legislative branch consists of a Legislative Assembly of 84 deputies who are elected by suffrage every three years with the right to re-election. The main functions of the Assembly are, *inter alia*, to make laws and approve the national budget. International treaties must be ratified by the Assembly, which may approve them or reject them; it may also enter reservations. The treaties become laws of the Republic and in the event of a conflict of laws, have supremacy over secondary laws in the domestic legal order. Other bodies in addition to the deputies may initiate legislation, namely the President of the Republic through his ministers; the Supreme Court of Justice in areas relating to the judiciary, the functions of notaries and lawyers, and the jurisdiction and competence of the courts; and the municipal councils with regard to municipal taxes.

6. The judicial branch consists of the Supreme Court of Justice, the courts of second instance and the other courts established under secondary legislation. The Supreme Court of Justice consists of 15 judges and four divisions, namely the Constitutional Division, the Administrative Litigation Division, the Criminal Division, and the Civil Division.

(ii) Trade policy formulation and objectives

7. The Ministry of the Economy is responsible for the formulation of trade policy, which is implemented through the Trade Policy Directorate and the Directorate for the Administration of Trade Agreements (DATCO) attached to the Vice-Ministry of the Economy. The Trade Policy Directorate's overall objective is to define and promote strategies that help further the process of Central American economic integration and strengthen the trade and investment flows between El Salvador and the rest of the world.² Accordingly, the Trade Policy Directorate is responsible for harmonizing trade policy with the Government's other economic policies and development plans, and for coordinating, conducting and following up bilateral, regional and multilateral trade negotiations. The objective of DATCO is to fulfil the administrative obligations resulting from the trade agreements signed by El Salvador and to ensure that those obligations are fulfilled by its trading partners.³ DATCO is also responsible for monitoring tariff concessions, market access, the application of agricultural preferences and quotas, as well as applying the trade defence mechanisms contained in the legal instruments relating to international trade.

8. In addition to the government departments referred to above, the Ministry of Foreign Affairs, the Ministry of Public Health and Social Welfare, the Ministry of Agriculture and Livestock, the Ministry of Finance and the National Science and Technology Council (CONACYT), *inter alia*, are also involved in the trade policy formulation process.

9. El Salvador has had a Permanent Mission to the WTO in Geneva since January 2003, led by a Permanent Representative with the rank of Ambassador. The Permanent Mission is part of the Ministry of the Economy.

10. Strengthening trade and investment flows between El Salvador and the rest of the world and furthering the process of Central American integration remain the key objectives of El Salvador's trade policy, and were endorsed as such in the Institutional Strategy Plan 2004-2009. According to the Plan, one of the major targets of Salvadoran trade policy was to consolidate openness to trade through the negotiation and signature of new trade agreements providing for preferential access to strategic markets and for stronger Central American integration. Another part of the strategy was to foster El Salvador's participation in the WTO in order to help the country achieve full integration in the international economic and trade order. The aim of the Strategy Plan was to establish and

² Online information from the Trade Policy Directorate. Viewed at: <http://www.minec.gob.sv/policom/default.asp?id=2&mnu=2>

³ Online information from DATCO. Viewed at: <http://www.minec.gob.sv/datco/>

implement various mechanisms and instruments to support the private sector and thus increase national productivity and competitiveness.⁴

11. The objectives laid down in the new administration's Government Plan for the period 2009-2014 include narrowing the foreign trade gap through support for investment in export production by the maquila industry of traditional and non-traditional goods with greater value added. The Plan also aims to diversify destination markets for Salvadoran exports; to improve domestic production capacity by making it more competitive compared to imports, so as to reduce the country's vulnerability to changes in the world economic situation; and to promote foreign trade in order to create jobs that will help increase productivity and future capacity.

12. The Salvadoran Government has a mechanism for consulting the private sector concerning trade policy formulation, in particular consultations held through the Trade Negotiations Advisory Office (*Oficina de Apoyo del Sector Productivo para las Negociaciones Comerciales*, ODASP), in which all the business sectors are represented. The private bodies involved include the National Private Business Association (ANEP), the Salvadoran Association of Industrialists (ASI), the Chamber of Commerce and Industry of El Salvador, and the Salvadoran Exporters Corporation (COEXPORT). There are other organizations besides ODASP which sometimes advise the Government on economic policy matters, such as the Salvadoran Foundation for Economic and Social Development (FUSADES) and the National Foundation for Economic Development (FUNDE).

13. During the period under review, El Salvador implemented the Public Participation Programme aimed at encouraging civil society to become involved in foreign trade matters such as free trade agreements and Central American Integration. Thanks to this Programme, the public can submit opinions, comments or documents relating to the ongoing negotiations and obtain information on the benefits, challenges and opportunities offered by the agreements which El Salvador has already signed.

(3) FOREIGN INVESTMENT REGIME

14. El Salvador has an investment regime which seeks to attract foreign investment for the benefit of the country's economic and social development. The Constitution guarantees economic freedom to the extent that it does not conflict with the public interest; it provides that the State should promote and safeguard private initiative in such a way as to foster growth in national wealth and make the benefits of such wealth available to the greatest possible number of the country's inhabitants; and it recognizes and guarantees the right to private property.

15. Article 106 of the Constitution defines the legal framework governing expropriation and establishes that private property cannot be expropriated except for legally substantiated reasons of public need or social interest and subject to compensation. There have been no instances of expropriation since 2003.

16. The Investment Law (Decree No. 732 of 14 October 1999) governs El Salvador's investment regime, including foreign investment. The Investment Law guarantees freedom to invest and national treatment for foreign investors - except in those areas where other laws impose restrictions - as well as the protection and security of property. It also guarantees the free transfer of funds abroad. It expressly prohibits the application against foreign investors of unjustified or discriminatory measures

⁴ Ministry of the Economy, Vice-Ministry of the Economy and Vice-Ministry of Trade and Industry, *El Salvador, Plan Estratégico Institucional 2004-09*, December 2004. Viewed at: <http://www.lib.utexas.edu/benson/lagovdocs/elsalvador/federal/economia/Plan%202004-2009.pdf>

which may hinder the establishment, administration, use, usufruct, extension, sale or liquidation of their investments.

17. The Investment Law sets out the various restrictions on foreign investment: (a) trade, industry and the provision of "small-scale" services are the prerogative of Salvadoran citizens by birth and of nationals of other Central American countries; (b) the subsoil belongs to the State, which may, however, grant concessions for its exploitation; and (c) rural real estate may not be acquired by foreigners from countries that do not give Salvadoran citizens equal rights, except in the case of land for industrial establishments. The Investment Law further stipulates that the State is empowered to regulate and supervise public services provided by private companies and to approve the rates charged. The Law specifies that foreign investors have access to domestic financing provided by financial institutions, pursuant to the terms laid down by such institutions.

18. To benefit under the Investment Law, any foreign investor or Salvadoran company in which a foreign investor has invested must apply, either in person or through a legal representative or agent, to the Ministry of the Economy for the investment to be entered in the Foreign Capital Register of the National Investment Office (ONI). The ONI operates as a single window facility where Salvadoran or foreign investors can carry out all the formalities required to make their investments. Registration is not discretionary and no review is required for the approval or acceptance of foreign investments in El Salvador. The Investment Law stipulates that the ONI may not make entry in the register of foreign investments contingent on the fulfilment of performance requirements.⁵ The principal purpose of registration is to establish that the investment comes from abroad.

19. The Agency for the Promotion of Investment in El Salvador (PROESA) was established in 2000 and is the State body responsible for promoting foreign investment in El Salvador. PROESA's overriding objective is to generate employment and stimulate technology transfer by attracting and retaining foreign investment. PROESA's work also involves promoting El Salvador's image abroad, identifying potential investors and assisting them in the search for business opportunities in El Salvador, by providing them with information, contacts, and the services they need to guide them towards a decision to invest in the country.⁶ PROESA works in cooperation with the ONI.

20. The international agreements signed by El Salvador also contain clauses which give guarantees and protection for foreign investments. At May 2009 El Salvador had signed 24 bilateral agreements on the reciprocal promotion and protection of investments (BITs), most of which were already in force (Table II.1). Three of the BITs in question entered into force during the period under review. At October 2009, El Salvador had signed a single double taxation agreement, with Spain, but it was not yet in effect.

⁵ The general and specific requirements for registration in respect of each activity can be viewed on the ONI website at: <http://www.minec.gob.sv/oni/html/proceso/registroCapitalExtranjero.html>

⁶ More information about PROESA is available at: <http://www.proesa.com.sv/>

Table II.1

Bilateral reciprocal investment promotion and protection agreements signed by El Salvador, October 2009

Country	Date of signature	Date of entry into force
France	20 September 1978	12 December 1992
Ecuador	16 May 1994	5 January 1996
Switzerland	8 December 1994	16 September 1996
Spain	14 February 1995	20 February 1996
Argentina	9 May 1996	8 January 1999
Peru	13 June 1996	14 December 1996
Chinese Taipei	30 August 1996	15 February 1997
Chile	8 November 1996	3 July 2002
Germany	11 December 1997	15 April 2001
Paraguay	30 January 1998	9 November 1998
Korea	7 July 1998	25 May 2002
Nicaragua	23 January 1999	8 July 2000
United States	10 March 1999	Pending ratification
Morocco	21 April 1999	11 April 2002
Canada	31 May 1999	Pending ratification
Belgium/Luxembourg	12 October 1999	18 November 2002
Netherlands	12 October 1999	1 March 2001
United Kingdom	14 October 1999	1 December 2000
Czech Republic	30 November 1999	28 March 2001
Israel	3 April 2000	7 July 2003
Uruguay	24 August 2000	23 May 2003
Belize	4 December 2001	Pending ratification by Belize
Costa Rica	21 November 2001	Pending ratification by Costa Rica
Finland	20 May 2002	20 February 2003

Source: Information supplied by the Salvadoran authorities and the Foreign Trade Information System of the Organization of American States. Viewed at: http://www.sice.oas.org/ctyindex/SLV/SLVBits_e.asp

21. The free trade agreements (FTAs) negotiated by the CACM countries with Chile (Chapter X) and the Dominican Republic (Chapter IX) include specific provisions with regard to investment, as does the FTA between Mexico and El Salvador, Guatemala and Honduras (Chapter 14). There is also a chapter on the subject in the FTAs with Chinese Taipei (Chapter 10), Colombia (Chapter 12), CAFTA-DR (Chapter 10) and Panama (Chapter 10). Generally the provisions of the BITs and FTAs guarantee MFN treatment to foreign investors, who can avail themselves of the same incentives as those granted to Salvadoran companies.

22. El Salvador is a member of the Multilateral Investment Guarantee Agency (MIGA) and of the International Centre for Settlement of Investment Disputes (ICSID). At October 2009, only two cases involving El Salvador had been initiated in the ICSID: Inceysa Vallisoletana S.L Railroad Development Corporation v. Republic of El Salvador (ICSID Case No. ARB/03/26) and PAC RIM Cayman v. Republic of El Salvador, in respect of which a request for arbitration had been registered (ICSID Case No. ARB/09/12) but no tribunal had yet been constituted.⁷

⁷ Information available on the ICSID website at: <http://icsid.worldbank.org/ICSID/FrontServlet?requestType=CasesRH&reqFrom=Main&actionVal=ViewAllCases>

(4) INTERNATIONAL RELATIONS

(i) World Trade Organization

23. El Salvador ratified the Marrakesh Agreement Establishing the World Trade Organization in May 1995 and has taken advantage of the periods of transition available to the developing countries. Table AII.1 sets out the list of notifications made by El Salvador to the WTO between January 2003 and October 2009. El Salvador made notifications during that period but at May 2009 some remained pending, including those concerning domestic support for agriculture, State-trading enterprises, import licensing and customs valuation.

24. El Salvador participated in the negotiations on basic telecommunications and on financial services held within the GATS framework and accepted the Fourth and Fifth Protocols to the GATS. It also signed and ratified the amendments to the Agreement on Trade-Related Aspects of Intellectual Property Rights. El Salvador has signed the Information Technology Agreement, which is currently in the process of ratification by the Legislative Assembly, although the authorities have emphasized that in practice a zero tariff is applied to the products in question.

25. Pursuant to Article XIII of the Marrakesh Agreement, El Salvador decided not to apply the multilateral trade agreements between El Salvador and the People's Republic of China.⁸ Currently, El Salvador does not exclude any country from MFN treatment.

26. El Salvador is taking an active part in the Doha Round, having put forward several proposals especially in conjunction with other Members. El Salvador belongs to the Group of Small, Vulnerable Economies (SVE) and is a member of the Group of 33 (G-33).

27. At the Ministerial Conference in Hong Kong, China, in 2005, El Salvador underlined the importance it attached to the agriculture negotiations in the Doha Development Round.⁹ As a member of the G-33, El Salvador promotes special and differential treatment as an integral part of the agriculture negotiations.¹⁰ Together with the other SVE countries, El Salvador has submitted several proposals in different areas of the negotiation, including market access in agriculture¹¹; market access for non-agricultural products¹²; services; and key aspects of the fisheries subsidies.¹³ An overview of these proposals is set out in document WT/COMTD/SEW/22/Rev.4 of 19 October 2009. At the Seventh WTO Ministerial Conference held in Geneva in November 2009, El Salvador reiterated the importance it attached to the multilateral trading system and to the Doha Development Round negotiations. It also emphasized its firm belief in the "development dimension" as an intrinsic criterion for the Organization's work and therefore supported the incorporation of this dimension into each and every one of the areas that govern the multilateral trading system so that it becomes a genuine tool for responding to the needs of the developing countries and, in particular, the most vulnerable among them.

⁸ WTO document WT/L/429 of 7 November 2001.

⁹ WTO document WT/MIN(05)/ST/64 of 15 December 2005.

¹⁰ *Idem*.

¹¹ Proposal by small, vulnerable economies on market access in agriculture, WTO document TN/AG/GEN/11 of 11 November 2005.

¹² WTO document TN/MA/W/66 of 11 November 2005.

¹³ WTO document TN/RL/W/226/Rev.5 of 22 September 2008.

28. El Salvador participated as a third party in four cases submitted to the WTO Dispute Settlement Body during the period 2003-October 2009.¹⁴

(ii) Preferential agreements

29. Most of El Salvador's trade involves partners with which El Salvador has signed preferential agreements. It is participating in the process of establishing a customs union, the CACM, and also in several FTAs and partial scope agreements. In 2008 exports to countries with which El Salvador had preferential agreements in force accounted for 89.5 per cent of total exports; the corresponding figure for imports was 65.2 per cent.¹⁵

30. The main characteristics of the customs union and the FTAs that have entered into effect are outlined in Table AII.2. The CACM and the FTA between the Dominican Republic, Central America and the United States are described below, these being the most important for El Salvador in terms of value of merchandise trade. In addition, El Salvador has signed agreements with Colombia, Chile, the Dominican Republic, Mexico, Panama and Chinese Taipei.

(a) Central American Common Market (CACM)

31. El Salvador is a founding member of the CACM established in 1961, which also encompasses Costa Rica, Guatemala, Honduras, and Nicaragua. The Tegucigalpa Protocol to the Charter of the Organization of Central American States, which has been in force since July 1992, amended the regional legal framework by establishing the Central American Integration System as the institutional framework for Central American regional integration. The Guatemala Protocol to the General Treaty on Central American Economic Integration, signed in 1993, entered into force on 17 August 1995 and it defines the objectives, principles and measures to achieve economic union.

32. The institutional structure of the CACM consists of the Council of Ministers for Economic Integration (COMIECO); the Intersectoral Council of Ministers for Economic Integration; the Sectoral Council of Ministers for Economic Integration; the Executive Committee for Economic Integration (CEIE); and the Secretariat for Central American Economic Integration (SIECA). The Central American Bank for Economic Integration (CABEI) acts as a support agency.¹⁶ The CACM has a number of regional regulations, including the Uniform Central American Customs Code, together with Central American regulations on rules of origin, unfair business practices, safeguard measures, standardization, and sanitary and phytosanitary measures. The CACM has had its own trade dispute settlement mechanism since 2003. Under Articles 22 and 23 of the Convention on the Central American Tariff and Customs Regime and Article 38 of the Guatemala Protocol, changes to the Central American Import Tariff are made by COMIECO.

¹⁴ European Communities - Measures Affecting the Approval and Marketing of Biotech Products (complainant: United States); European Communities - Measures Affecting the Approval and Marketing of Biotech Products (complainant: Canada); European Communities - Measures Affecting the Approval and Marketing of Biotech Products (complainant: Argentina); and Dominican Republic - Measures Affecting the Importation and Internal Sale of Cigarettes. WTO documents in the series DS291, DS292, DS293 and DS302, DS308, DS332 and DS366.

¹⁵ Calculations by the WTO Secretariat, on the basis of information from the Central Bank of El Salvador.

¹⁶ CABEI, founded in 1960 by Costa Rica, El Salvador, Guatemala, Honduras and Nicaragua, has its headquarters in Tegucigalpa and aims to promote the economic and social development of Central America. CABEI operates mainly through low-interest loans, and it generally finances infrastructure projects within the region.

33. The vast majority of intra-CACM trade satisfying regional rules of origin enter El Salvador and the other member countries duty free. In October 2009, the common external tariff was 95.7 per cent harmonized. To achieve this level of harmonization, COMIECO has adopted various resolutions on tariff amendments between 2003 and 2009. In addition, the third and fourth amendments to the Harmonized System have been adopted.

34. The list of products excluded from regional free trade has been steadily reduced. El Salvador removed several exclusions during the period under review, with the result that, at May 2009, the only exceptions to regional free trade were for unroasted coffee and cane sugar.¹⁷ El Salvador additionally maintains exceptions for certain products in respect of Honduras and Costa Rica.¹⁸

35. The Framework Agreement Establishing the Central American Customs Union was signed on 12 December 2007. The Agreement, which was ratified by El Salvador under Executive Decision No. 809 (Official Journal No. 138, Volume 380, of 23 July 2008), envisages three stages in the customs union process: institutional strengthening; trade facilitation; and regulatory convergence. In January 2009, El Salvador and Guatemala signed a Framework Customs Union Agreement to accelerate the process of integration between the two countries.

36. Under Article 6 of the Guatemala Protocol, some or all members of the CACM may proceed at the speed agreed upon by them within the process of Central American economic integration. El Salvador and Guatemala accordingly decided in 1996 to advance at a faster rate with the formation of a customs union.¹⁹ On 13 January 2000, the two countries signed the Framework Agreement for the Establishment of a Customs Union between the Territories of the Republic of El Salvador and the Republic of Guatemala, which entered into force on 21 November 2002. Subsequently, in January 2009, El Salvador and Guatemala signed the Protocol amending the Framework Agreement for the Establishment of a Customs Union between the Territories of the Republic of El Salvador and the Republic of Guatemala, with a view to introducing some amendments to that Agreement. The amendment seeks to provide for concrete measures to establish the Customs Union between the two countries while ensuring that all the conditions necessary to achieve that objective are met in a gradual, incremental manner. The Protocol in question is not yet in force.

(b) Dominican Republic - Central America - United States Free Trade Agreement (CAFTA-DR)

37. In January 2003, El Salvador and its four CACM partners embarked upon formal negotiations for an FTA with the United States, which were completed on 17 December 2003. CAFTA-DR was signed on 5 August 2004 and ratified in El Salvador on 17 December 2004, under Legislative Decree No. 555 (Official Journal No 17, Volume 366, of 25 January 2005). CAFTA-DR entered into force for El Salvador on 1 March 2006. El Salvador has notified the FTA to the WTO.²⁰

¹⁷ Trade in unroasted coffee (HS 0901.1) is subject to MFN import duties; cane sugar, whether or not refined (HS 1701.11.00, 1701.91.00, and 1701.99.00), is subject to import control, under tariff-free quotas. Imports exceeding quota volumes are subject to MFN duties.

¹⁸ Concerning Honduras, import controls are maintained on ethyl alcohol, and trade in distilled spirits (HS 22.08, except 2208.90.10) and petroleum products (HS 27.10, 27.12, 27.13, and 27.15, except mineral solvents of subheading 2710.11 and asphalt of subheading 2713.20.00) is subject to import duties. As regards Costa Rica, trade in roasted coffee (HS 0901.2) is subject to import duties, while trade in ethyl alcohol (HS 2207 and 208.90.10) is subject to import control. Online information from the Ministry of the Economy. Viewed at: <http://www.minec.gob.sv/policom/media/downloads/Union%20Aduanera/ANEXO%20A%20TGIEC.doc>

¹⁹ Resolution 27-96 (COMRIEDRE-IV) of 22 May 1996.

²⁰ WTO documents WT/REG211/N/3 and S/C/N/372 of 17 August 2006.

38. The vast majority of the mutual obligations undertaken by the parties under CAFTA-DR are similar. Some are implemented on a bilateral basis between the United States and each of the Central American countries or the Dominican Republic, in the case of tariff quotas for example. CAFTA-DR does not exclude any product from the liberalization process. Most industrial products and consumer goods became duty free when CAFTA-DR entered into force. Tariffs on other products will be eliminated over periods of five to ten years, while agricultural products enjoy longer tariff reduction periods ranging from 15 to 20 years.²¹ Tariff quotas were set for the transition periods in the case of 40 agricultural products, which generally have longer transition periods. For El Salvador, the transition periods are 15 years for beef, pork and yellow maize, 18 years for rice and chicken thighs, and 20 years for dairy products (see Chapter IV(1)).

39. The results for the period 2005-2008 show that the implementation of CAFTA-DR coincided with an increase in exports from El Salvador to the United States in the order of 20 per cent for the period in question, reaching US\$2,184 million in 2008.²² Imports from the United States amounted to US\$3,336 million in 2008.

(c) Other agreements

40. El Salvador also has FTAs with the following trading partners: Mexico; the Dominican Republic; Chile; Panama; and the Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu (Table AII.2).

41. El Salvador has concluded several agreements through the Latin American Integration Association (LAIA), including the partial scope agreements signed with Colombia and Venezuela.²³ El Salvador also participates in the LAIA's Framework Agreement between MERCOSUR and the Central American Common Market, concluded in 1998, which aims to foster trade, investment and technology transfer but does not include tariff preferences.

42. El Salvador enjoys tariff preferences granted unilaterally by Australia, Canada, Japan, Norway, New Zealand, Russia and the European Union under the Generalized System of Preferences (GSP). It does not participate in the Global System of Trade Preferences among Developing Countries.

43. El Salvador is a member of the International Coffee Agreement and the International Sugar Agreement.

(d) Agreements awaiting approval or under negotiation

44. At October 2009 El Salvador, in conjunction with Guatemala and Honduras, had concluded an FTA with Colombia, although the agreement had not yet entered into effect. El Salvador ratified the instrument on 21 August 2008 under Legislative Decree No. 699 (Official Journal No. 171,

²¹ The base rates for tariff reduction were the MFN tariffs in the Central American Import Tariff in force on 1 September 2003. In addition to the staging categories listed in Annex 3.3, paragraph 1, of CAFTA-DR, the schedule of El Salvador contains five staging categories with reduction periods of 10, 12, 14 and 17 years.

²² Foreign trade statistics from the Central Reserve Bank of El Salvador. Viewed at: <http://www.bcr.gob.sv/result.php>

²³ For further information on the LAIA and related agreements, see LAIA and Foreign Trade Information System websites, respectively at: <http://www.aladi.org/> and http://www.sice.oas.org/TPD/CACM_PAN/CACM_PAN_e.ASP

Volume 380, of 12 September 2008). When it enters into force, this FTA will replace the partial scope agreement referred to above.

45. El Salvador and the other CACM members are negotiating an Association Agreement between the CACM and the European Union, with a view to improving political dialogue between the regions, intensifying cooperation in several fields, and facilitating trade and investment flows. Seven rounds of negotiations had been held by October 2009.²⁴ The negotiations include matters relating to trade in goods, trade in services and company formation, government procurement, intellectual property, competition, trade and sustainable development, and dispute settlement and institutional aspects.

46. El Salvador, Guatemala, Honduras and Nicaragua are negotiating FTAs with Canada and CARICOM - with Panama participating in the negotiations with CARICOM. El Salvador and the other CACM members are working to standardize the various FTAs signed with Mexico, particularly as regards rules of origin.

(5) AID FOR TRADE AND TECHNICAL ASSISTANCE

47. During the period 2003-2007, El Salvador received technical assistance from several organizations and countries, involving a total of 141 projects and events (valued at US\$15 million) for assistance in implementing trade policies and regulations, and a further 98 projects (worth US\$63.5 million) on trade development.²⁵

48. As part of the negotiations for an Association Agreement with Central America, in April 2007 the European Union presented a new aid programme for the region covering the period 2007-2013, based on a strategy in support of the political and social priorities of each of the countries of the region. The proposed aid amounts to €121 million in the case of El Salvador, with a strategy in which economic growth and the development of social cohesion are the main areas of cooperation.²⁶

49. El Salvador has also benefited from technical assistance initiatives from other countries and agencies such as the United States Agency for International Development (USAID), the Canadian International Development Agency (CIDA), the World Bank, the Inter-American Development Bank (IDB); the United Nations Development Programme (UNDP); the Agency for International Trade Information and Cooperation (AITIC); the Organization of American States (OAS); the United Nations Food and Agriculture Organization (FAO); and the World Intellectual Property Organization (WIPO).

50. During the period 2003-May 2009, El Salvador benefited from 151 WTO technical cooperation and training activities, including participation in trade policy courses at regional level and in Geneva, as well as seminars and workshops on general and specific aspects of international trade. At May 2009, El Salvador had not responded to the questionnaire on technical assistance distributed by the WTO Committee on Sanitary and Phytosanitary Measures. El Salvador participates in the WTO Aid-for-Trade Task Force, and has submitted a proposal in conjunction with other countries.²⁷

²⁴ Up-to-date information on the negotiating rounds can be viewed at: <http://www.aacue.go.cr/ultima.htm>

²⁵ WTO/OECD, Doha Development Agenda Trade Capacity Building Database. Viewed at: http://tcdbdb.wto.org/ben_country.aspx?lg=es&entityID=123&catCode=250&

²⁶ European Commission, *El Salvador, Country Strategy Paper, 2007-2013*, document C(2007)1874 of 2 May 2007. Viewed at: http://ec.europa.eu/external_relations/el_salvador/csp/07_13_en.pdf

²⁷ WTO document TN/TF/W/41 and Add.1 to 4 of 16 November 2005.