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TRADE POLICY REVIEW

REPORT BY THE SECRETARIAT

EL SALVADOR

This report, prepared for the fourth Trade Policy Review of El Salvador, has been drawn up by the WTO Secretariat on its own responsibility. The Secretariat has, as required by the Agreement establishing the Trade Policy Review Mechanism (Annex 3 of the Marrakesh Agreement Establishing the World Trade Organization), sought clarification from El Salvador on its trade policies and practices.

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Document WT/TPR/G/344 contains the policy statement submitted by El Salvador.

Note: This report is subject to restricted circulation and press embargo until the end of the first session of the meeting of the Trade Policy Review Body on El Salvador. This report was drafted in Spanish.

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SUMMARY

1. El Salvador is a lower-middle income country with a per capita GDP of US$4,000 in 2015. It's economy suffered considerably from the global financial crisis, and in spite of its reform efforts and its increasing integration in the world economy, its recovery remained sluggish in the years that followed. As a dollarized economy, El Salvador has been losing its competitiveness against other countries of the region. Real GDP grew at an average annual rate of barely 1% during the period 2009-2015, well below its potential growth rate which is estimated at about 2%. Indeed, Growth was too slow to improve the population's standard of living or raise the levels of formal employment in any sustainable manner. GDP growth accelerated to 2.5% in 2015 thanks to stronger external demand coupled with solid domestic demand, private consumption in particular. The latter benefited from an increase in real salaries and family remittances from abroad, both important sources of financing of domestic demand. In 2015, foreign remittances totalled US$4,235 million, equivalent to about 16% of GDP.

2. The Central Government deficit shrank during the review period, from 3.7% of GDP in 2009 to 1.1% in 2015. However, the augmented deficit, including pensions and pension trusts, was 3% of GDP in 2015, partly reflecting the low tax ratio which was insufficient to offset expenditures. Fiscal policy and annual budgets during the review period sought to gradually correct the structural factors responsible for the imbalance in public finances. Accordingly, measures were implemented to improve tax collection, and these measures, coupled with a policy of holding down non-productive expenditure, were aimed at generating a primary surplus and setting the budget deficit and public debt (equivalent to 64% of GDP in 2015) on a downward trend. At the same time a public sector austerity policy was adopted in order to reduce current expenditure with low social content.

3. The balance-of-payments current account ran a swelling deficit between 2009 and 2013, but the gap began to narrow in 2014. In 2015, the deficit totalled US$920 million, or about 3.6% of GDP. The current account balance largely reflects the trend in the merchandise trade balance, which deteriorated sharply between 2009 and 2013, recovering somewhat in 2014 and in 2015, when it totalled US$4,940 million, i.e. 19.1% of GDP. Both in 2014 and 2015, the value of merchandise imports declined, while the value of exports, which had declined in 2014, recovered in 2015. Goods exports grew by almost 50% between 2009 and 2015, totalling US$4,381 million, while imports grew by 45%, reaching US$9,321 million. Meanwhile, the balance of services was increasingly in surplus over the review period, partly reflecting the inclusion of the value added from maquila activities. The current account deficit was offset by the high level of remittances from Salvadorans living abroad.

4. The structure of El Salvador's exports changed between 2009 and 2015: the percentage share of textiles and made-up textile articles increased from 28.2% of GDP in 2009 to 37.4% in 2015, excluding maquila-related exports. Food industry products remained the second largest non-maquila export category, followed by plastics, paper and chemicals. Coffee is the leading commodity export, although its percentage share of exports fell. In the case of the maquila industry, textiles and made-up textile articles remain by far the most important items, accounting for 80.2% of the total exported in 2015. The period under review saw a loss of importance of maquila exports within total exports. The United States and the other members of the Central American Common Market (CACM) continue to be El Salvador's main export markets, together accounting for almost 90% of the country's exports. In the case of imports, in 2015 manufactured products accounted for some 75% of the total, in particular machinery, transport equipment, textiles, plastics and chemicals. Fuel imports saw their share of total imports decline, mainly owing to the fall in oil prices. The United States remains El Salvador's main supplier country, accounting for almost 40% of imports in 2015. Guatemala was the next most important supplier in 2015, followed by China and Mexico.

5. El Salvador has continued to play an active role in the WTO. During the review period, it was party to a dispute settlement procedure for the first time and continued to participate as a third party in other disputes. It also submitted further notifications under the various provisions of the WTO Agreements.

6. Since the previous review, there have been significant reforms to the institutional environment and legal framework for foreign investment. Under the new Investment Law, foreign investors, once they have registered, have the same rights and obligations as domestic investors,

and are entitled to transfer the entirety of their investment funds abroad. During the review period, an amendment to the Investment Law was adopted in replacement of the provision on the settlement of disputes between private Salvadoran or foreign investors and the State regarding investments made in El Salvador. In April 2014 the Law establishing the Export and Investment Promotion Agency of El Salvador (PROESA) was enacted with a view to promoting and attracting domestic and foreign private investment and promoting goods and services exports.

7. Preferential agreements have become an increasingly important component of El Salvador's trade policy. The country is a member of the CACM (together with Costa Rica, Guatemala, Honduras, Nicaragua and, since 2013, Panama). It is also a member of DR-CAFTA and the Association Agreement with the European Union. Together with the original members of the CACM, El Salvador negotiated a preferential agreement with Mexico in 2012. It also has agreements with Chile, Colombia and Chinese Taipei. El Salvador is currently negotiating, jointly with the rest of Central America, an FTA with the Republic of Korea, and is to begin negotiations with Ecuador. According to information from the Central Reserve Bank, El Salvador's 2015 trade flows with trading partners with which it has concluded preferential agreements accounted for 94.4% of its total exports and 77.3% of its total imports.

8. Since 2009, El Salvador has pursued its customs modernization efforts, *inter alia* through the gradual implementation of a single window for imports, the use of non-intrusive inspection equipment, the strengthening of risk management, and the progressive migration to ASYCUDA World. Together with its Central American partners, El Salvador has moved forward on the electronic exchange of data among customs authorities, and has introduced measures to simplify formalities and facilitate the flow of goods at the border posts. However, the limited physical infrastructure and problems of congestion at customs continue to pose a challenge. El Salvador's Legislative Assembly ratified the WTO Trade Facilitation Agreement in February 2016. At the time of writing of this report, El Salvador had not yet deposited its instrument of ratification with the WTO.

9. El Salvador applies the Central American Import Tariff (ACI), with a few exceptions. All the eleven rates applied, which range from 0% to 164%, are *ad valorem*. Some 47.8% of the lines carry a 0% tariff, while 20.7% have a rate of 15%, and 15.5% a rate of 10%. The simple average MFN applied rate remained at 6.3% in 2015, the same level as in 2009. The simple average MFN tariff applied to agricultural products (WTO definition) was 13%. The highest rate, 164%, applies to imports of poultry meat, while cigarettes are still subject to a 55% tariff. A rate of 40% applies to products such as sausages, dairy produce, rice, sugar, rum and ethyl alcohol. The average rate applied to non-agricultural products in 2015 was 5.2%.

10. The import and domestic sale of most goods, as well as the supply of services, is subject to payment of the property transfer and services tax (known as VAT) at a rate of 13%. In the case of imports, the tax base is the customs value plus tariffs and other applicable taxes, and for domestic goods it is the selling price plus the corresponding taxes. Specific taxes have to be paid on some domestically-produced or imported products, such as alcoholic beverages, alcohol, tobacco products, firearms, pyrotechnical products, aerated beverages, juices and soft drinks.

11. El Salvador prohibits the import of certain goods, and restricts the import of a considerable number of products for reasons of national security, public health, animal or plant health, or environmental protection. Permits, authorizations, certificates and/or approval must be obtained for their import. In April 2016, El Salvador submitted a notification to the WTO relating to the Agreement on Import Licensing Procedures.

12. During the period under review, El Salvador did not apply any anti-dumping, countervailing or safeguard measures or initiate any related investigations. In January 2016, it published the Special Law on trade defence which combines the provisions on dumping, subsidies and safeguard measures in a single legislative instrument; specifies the procedures for conducting related investigations and the functions of the investigating authority; and creates the National Trade Defence System, a platform for dialogue between the public and private sectors to ensure the trade defence of El Salvador's production sector.

13. The institutional framework for the implementation of technical regulations and sanitary and phytosanitary (SPS) measures was reinforced with the adoption of the Law creating the

Salvadoran Quality System (2011), which established, *inter alia*, the Salvadoran Technical Regulation Agency and the Salvadoran Standardization Agency. The Law specifies that technical regulations must comply with the provisions of the WTO TBT and SPS Agreements. At the same time, a handbook of good technical regulation practices was drawn up. The procedure for drafting and adopting SPS measures is the same as that used for technical regulations. WTO notifications of both kinds of measures provide for a period of 60 days in which to forward comments (except in the case of emergency notifications). Around 70% of technical regulations are based on international standards.

14. El Salvador prohibits or restricts the export of some products, mainly for environmental or public health reasons or to comply with international commitments. Exports of sugar, natural gas and certain agrochemical inputs are restricted in order to ensure an adequate domestic supply. No taxes or other levies are imposed on exports.

15. El Salvador has substantially modified its export incentives regime. In 2010, it repealed the Export Recovery Law and in 2013 it amended the Law on industrial and marketing free zones (LZFIC) in order to comply with its commitments under the Agreement on Subsidies and Countervailing Measures. The amended LZFIC introduced a fiscal incentives scheme based on investment and employment requirements and the site of the business, and eliminated export performance and local content requirements. The law on international services, for its part, grants tariff and fiscal incentives to domestic and foreign businesses that export services and meet the minimum investment and employment requirements. The institutional framework for the promotion of exports was also amended, and greater powers given to the Export and Investment Promotion Agency of El Salvador. Finally, the Development Bank of El Salvador (BANDESAL), created in 2012, grants credits and guarantees to exporters, although the amounts involved remain modest.

16. In addition to the programmes to promote exports, the incentives given by El Salvador to its production sector mainly focus on programmes in support of micro, small and medium-sized enterprises (MSMEs), transfer of technology, and programmes to attract investment. Since the last review, changes have been made to the institutional and legal framework to stimulate production with a view to boosting economic growth and creating jobs. BANDESAL, which may act as a first-tier or second-tier bank and can give guarantees, was set up with a view to financing viable and profitable investment projects. It finances, either directly or through financial institutions, projects for increasing working capital, technical training, the purchase of machinery and equipment, and the building of facilities and physical infrastructure.

17. During the period under review, the Supervisory Authority for Competition remained extremely active, conducting market investigations of telephony services and wholesale distribution of white sugar in bulk, among others. The practices sanctioned concerned agreements among competitors (price fixing and collusion between bidders in public bidding procedures) and abuse of a dominant position (obstacles to the entry of competitors, restricting sales or determining different prices to the detriment of certain economic operators). The Supervisory Authority also analysed mergers, and during the period 2010-2014 refused one economic merger and imposed terms on the mode of operation of four others. In 2013, for the first time, the Supervisory Authority imposed a fine on an economic operator for failure to notify an economic merger. A draft reform of the Competition Law proposing to broaden the scope of the Law was put before the Legislative Assembly.

18. El Salvador does not have observer status in the WTO Committee on Government Procurement and does not plan to accede to the Plurilateral Agreement. The legislation on government procurement was the subject of reforms in 2011 and 2015. These included streamlining procurement methods; modifying and differentiating the thresholds; introducing new exemptions to the Law; measures to promote participation by MSMEs; and creating an integrated procurement and contracting system (SIAC). New implementing Regulations came into force in 2013 to make it easier to apply the amendments to the Law. Government procurement is open to both national and foreign suppliers, who can participate in all modes of procurement. Although there are no preferences for domestic suppliers, except where the bids are seen to be equivalent, government agencies are obliged to award contracts to MSMEs amounting to at least 12% of their annual procurement and contracting budgets.

19. The main change to the regime for protection of intellectual property rights (IPRs) during the review period was the amendment to the Law on trademarks and other distinctive signs. This amendment reinforced the status of protection of geographical indications. In the absence of any specific domestic legislation, new varieties of plants are protected by patents, whereas the provisions of the TRIPS Agreement are applied directly to layout designs of integrated circuits. Control and compliance with intellectual property regulations are the joint responsibility of several government agencies. The Salvadoran courts with jurisdiction in civil and commercial affairs are the competent courts for proceedings initiated by owners of IPRs. The civil penalties laid down in the Law include: immediate cessation of the unlawful activity; prohibition of import, preventive seizure, withholding or deposit of the infringing goods; and damages. There is no provision for the application of fines for infringing IPRs. The Directorate-General of Customs (DGA) has the competence to apply border measures for the enforcement and protection of industrial property rights, copyright and related rights. The DGA may act *ex officio* where applicable.

20. The agricultural sector expanded at an average annual rate of barely 0.5% between 2009 and 2015. Although it accounts for about 12% of GDP, it employs almost 20% of the country's active labour force, and accounts for a quarter of the country's exports. Agricultural production is relatively diversified. Staple grains (maize, sorghum, beans and rice) are the leading products, followed by coffee, sugar cane and poultry. There has been a distinct decline in coffee production since 2012 owing to the presence of *roya* (coffee rust). At 12.5% in 2015, tariff protection on agricultural products (WTO definition) was higher than on non-agricultural products (5.2%). During the review period, El Salvador applied an annual tariff quota for cheddar-type cheese in blocks or slabs. It also used a "scarcity quotas" mechanism as a provisional measure for alleviating shortages of some agricultural products, resulting mainly from the drought in 2014 and 2015. Domestic support to the sector is relatively limited and consists above all of credit support, the supply of seeds, seedlings and fertilizers, and technical support.

21. The electricity sector is open to private participation, both domestic and foreign. A concession is required only in order to generate electricity from hydraulic or geothermal sources. Most electricity generation and all distribution is in the hands of private companies, while transmission is in the hands of a state-owned operator. During the review period, El Salvador extended and relaxed its tax incentives regime for investment in renewable energy projects. The subsidy for industrial electricity consumption was abolished in 2009, and the subsidy for low residential electricity consumption was suspended in 2015. El Salvador imports almost all its fuel. There are no limits on the participation of foreign capital in activities linked with hydrocarbons. Maximum prices are fixed for LPG and a subsidy is provided for domestic consumption by the most vulnerable segment of the population.

22. The manufacturing sector grew at an average annual rate of about 2.5% between 2009 and 2015, driven by the increase in the value added of production and in exports from the manufacturing industry operating outside the free zones. The main products concerned are food and beverages, chemicals, and sugar. The principal activity in the free zones is the assembly of textile products and articles of clothing. Between 2009 and 2015, exports from the free zones as a percentage of total merchandise exports decreased from 24.4% to 20.3%.

23. The Salvadoran banking system is characterized by good solvency and risk indicators but relatively high indebtedness. More than a third of bank credits are for consumption. Commercial presence of foreign banks may be established through branches or representative offices; there is no limit on the presence of foreign banks provided they have a prime rating. At December 2015, 10 of the 11 private banks had foreign equity, and accounted for more than 90% of total assets. Foreign insurers may exercise a commercial presence only by setting up companies in El Salvador. The establishment of branches is not permitted, although the branch of one foreign company is still operating under earlier legislation.

24. In the telecommunications sector, a concession is needed in order to provide fixed and mobile telephony services and to exploit the regulated-use spectrum. There are no restrictions on the origin of the capital of telecommunications operators except in the case of free-to-air or subscription radio and television broadcasting services, which are reserved for Salvadoran nationals. During the period under review, El Salvador reformed the sector's legal framework by adopting Regulations implementing the Law on Telecommunications, which govern, among other things, the granting of concessions and interconnection between operators. Another amendment allows the regulator to conduct an annual review of the maximum tariffs for fixed and mobile

telephony services and charges for interconnection; and finally, a number portability regulation was issued. In 2011, the Supervisory Authority for Competition conducted an *ex officio* investigation and fined a number of telecommunications operators for reaching price agreements.

25. El Salvador has two seaports and two airports managed by a state entity. The port of Acajutla handles almost all of El Salvador's maritime cargo, and Monseñor Romero International Airport handles all air freight services. El Salvador does not have its own merchant fleet, and foreign vessels may carry out domestic cabotage operations. Domestic and foreign enterprises may participate in the operation of ports under concessions, and in the provision of ancillary port services such as cargo handling and warehousing. El Salvador does not have any cargo sharing agreements with other countries. There are no limitations on foreign investment for establishing airlines in El Salvador, nor on the participation of foreign capital in Salvadoran airlines. Air cabotage is restricted to Salvadoran firms unless otherwise stipulated in an international agreement. The law stipulates that the Salvadoran State must practice an "open skies" policy subject to the principle of reciprocity. El Salvador has ten bilateral air transport agreements. Land transport is vital, since some 42% of the country's foreign trade is transported by land. El Salvador participates in the Mesoamerican Procedure for the International Transit of Goods, the objective of which is to reduce the costs associated with goods traffic by modernizing, simplifying and harmonizing customs procedures.

26. Tourism is a sector of increasing importance for the Salvadoran economy, and the Plan for Tourism 2014-2019 is seeking to turn tourism into a vehicle for sustainable development and social inclusion. Tariff and tax exemptions are granted for investments in the sector. There are no restrictions on foreign investment through commercial presence in hotels and restaurants, travel agencies and tour operator services.

1 ECONOMIC ENVIRONMENT

1.1 Production and employment

1.1. No major changes took place in the sectoral composition of El Salvador's economy during the period under review. In 2015 the share of the manufacturing sector, including the maquila (in-bond assembly) industry, in current GDP was 19.5%, very similar to the figure recorded in 2009 (19.3%), but below pre-crisis levels. The share of agriculture in GDP declined slightly during the review period, from 11.5% in 2009 to 10.3% in 2015. Services accounted for 60% of GDP in that year; commerce, restaurants and hotels were the leading subsector, with 20.4% of GDP in 2015, followed by government services with 8.7%, community, social, personal and domestic services with 8.2%, and transport and communications with 7.8%.

1.2. The period under review was one of low growth for El Salvador, whose economy was badly hit by the global financial crisis, from which it struggled to recover in the following years. Real GDP grew at an average annual rate of barely 1% during the period 2009-2015, well below the 3.1% indicated in the previous review for the period 2003-2008 (Table 1.1). This figure is also far below the Latin American average during the period, and lower than the Salvadoran economy's potential growth rate, which the IMF estimated at 1.95% annually for the period 1999-2015, with factor accumulation being the main contributor. The IMF noted that total factor productivity was negative in recent years, which reduced potential growth, unlike the rest of the region where the contribution to potential growth of total factor productivity was positive.[1] During the 2016 Article IV consultation, the IMF highlighted the challenge for El Salvador of insufficient growth, due to complex causes but above all low investment.[2]

Table 1.1 Structure of the economy, 2009-2015

	2009	2010	2011	2012	2013	2014[a]	2015[a]
Gross domestic product (GDP)							
GDP at current prices (US$ million)	20,661	21,418	23,139	23,814	24,351	25,054	25,850
GDP at constant prices (1990 US$ million)	8,954	9,076	9,277	9,452	9,626	9,764	10,003
Real GDP (annual percentage change)	-3.1	1.4	2.2	1.9	1.8	1.4	2.5
Per capita GDP (current US$)	3,358	3,458	3,709	3,786	3,838	3,914	4,001
Share of GDP by activity (% of GDP at current prices)							
Agriculture, hunting, forestry and fishing	11.5	11.6	11.5	10.9	10.1	10.3	10.3
Manufacturing and mining	19.3	19.1	18.8	18.8	19.1	19.1	19.5
Electricity, gas and water	2.0	2.1	2.1	2.2	2.1	2.1	2.0
Construction	3.9	3.6	3.9	3.9	3.9	3.4	3.2
Commerce, restaurants and hotels	20.0	19.9	19.9	20.2	20.3	20.5	20.4
Transport, storage and communications	8.0	7.9	7.8	7.9	7.9	7.7	7.8
Financial establishments and insurance	4.5	4.5	4.6	4.4	4.5	4.6	4.5
Real estate and business services	4.5	4.5	4.4	4.5	4.6	4.6	4.7
Housing rental	6.8	6.8	6.5	6.4	6.3	6.3	6.1
Community, social, personal and domestic services	8.3	8.2	7.9	7.9	8.1	8.3	8.2
Government services	7.5	7.6	8.0	8.1	8.4	8.6	8.7
Less: imputed bank services	3.6	3.7	3.8	3.7	3.8	3.8	3.7
Plus: other GDP items	7.4	7.9	8.4	8.5	8.6	8.3	8.3
Real growth rates (%)							
Agriculture, hunting, forestry and fishing	-2.9	3.1	-2.5	3.5	-0.4	1.3	0.8
Manufacturing and mining	-3.2	1.8	2.9	1.3	3.1	1.5	3.4
Electricity, gas and water	-1.1	-0.6	0.5	0.8	1.1	2.2	0.3
Construction	-2.8	-5.0	8.9	0.3	0.0	-10.7	1.4
Commerce, restaurants and hotels	-5.4	1.5	2.3	2.6	1.5	2.4	2.8
Transport, storage and communications	-5.9	-0.2	4.6	1.6	1.8	0.8	3.3
Financial establishments and insurance	-5.4	4.4	3.0	-2.8	4.5	3.4	1.0
Real estate and business services	-0.2	2.6	2.7	2.8	3.3	3.5	3.7
Housing rental	0.2	0.5	0.9	0.5	0.8	0.9	0.9
Community, social, personal and domestic services	1.4	1.6	1.6	2.3	3.0	3.7	2.3
Government services	1.3	2.1	5.1	2.6	3.3	1.8	1.5
Less: imputed bank services	-2.6	5.4	3.2	-0.9	3.5	2.5	0.7
Plus: other GDP items	-3.1	1.4	2.2	1.9	1.8	1.4	2.5

[1] IMF (2015).
[2] Online information from the IMF, "El Salvador: Staff Concluding Statement of the 2016 Article IV Mission" of 6 May 2016. Viewed at: https://www.imf.org/external/spanish/NP/ms/2016/050616s.htm.

	2009	2010	2011	2012	2013	2014[a]	2015[a]
GDP by expenditure category (real growth rate)							
Total demand	-12.0	4.5	5.4	-0.6	2.8	0.0	2.7
Final consumption expenditure	-9.2	2.2	2.5	2.4	1.0	1.6	2.0
Households	-10.3	2.2	2.4	2.4	0.7	1.8	1.7
Government	5.8	2.2	3.9	2.5	3.7	-0.4	4.7
Gross capital formation	-19.2	2.4	13.8	-1.4	9.3	-6.4	8.0
Gross fixed capital formation	-19.2	2.4	13.8	-1.4	9.3	-6.4	8.0
Private	-19.7	0.6	15.6	-1.6	10.3	-5.4	8.1
Public	-15.8	13.9	3.4	-0.3	2.7	-13.2	7.6
Exports of goods and services	-16.0	11.6	9.3	-7.3	4.8	-0.9	2.4
Total supply	-12.0	4.5	5.4	-0.6	2.8	0.0	2.7
Imports of goods and services	-24.8	10.4	10.8	-4.6	4.5	-2.2	3.2
Monetary indicators							
Consumer price index (annual average, Dec. 2009=100)	99.9	101.1	106.3	108.1	108.9	110.2	109.4
Consumer price index (end of period, 2009=100)	100.0	102.1	107.3	108.1	109.0	109.5	110.6
Consumer price index variation (%)	-0.2	2.1	5.1	0.7	0.8	0.5	1.0
Real effective exchange rate (index 2000=100), end of period	97.0	98.4	96.9	98.1	98.9	98.8	97.5
Real effective exchange rate, annual variation	1.8	1.4	-1.6	1.2	0.8	-0.1	-1.3
Interest rate on 180-day deposits (%)	4.5	2.9	1.8	2.5	3.4	3.8	4.2
Interest rate on loans of up to one year (%)	9.3	7.6	6.0	5.6	5.7	6.0	6.2
Loans to the private sector, end of period (US$ million)	8.639	8.402	8.716	9.223	9.918	10.413	10.466
Other economic indicators							
Current account balance (% of GDP)	-1.5	-2.5	-4.8	-5.4	-6.5	-5.2	-3.6
Monthly family remittances (US$ million)	3,387	3,455	3,628	3,880	3,937	4,133	4,270
Total external debt (US$ million)	11,307	11,399	11,858	13,353	14,035	14,885	15,482
Total external debt (% of GDP)	54.7	53.2	51.2	56.1	57.6	59.4	60.0
Net international reserves (US$ million, end of period)	2,983	2,881	2,502	3,173	2,721	2,661	2,670
Gross national disposable income (US$ million)	23,547	24,509	26,350	26,929	27,442	28,215	29,085
Gross national disposable income per capita (US$)	3,827	3,958	4,223	4,281	4,326	4,408	4,502

a Preliminary figures.

Source: Central Reserve Bank of El Salvador, and National Institute of Statistics.

1.3. GDP growth accelerated to 2.5% in 2015. This was the result of stronger external demand, particularly from the United States, and higher remittances, as well as the expansion of personal credit that allowed a rise in private consumption, also boosted by the increase in real wages.[3] In addition, in 2015 El Salvador benefited from the low prices of imported raw materials, including oil and oil products.[4] El Salvador received US$4,270 million in family remittances in 2015, 3.3% higher than in the previous year. In the first quarter of 2016, remittances totalled US$1,045.2 million.[5] On the export side, coffee performed very strongly, with an annual growth rate of 47.6% for the first half of 2015, as did sugar (14.5%), thanks to higher demand from China. Maquila posted an annual growth rate of 9.1%, higher than in the previous year, with exports totalling US$948.2 million, of which 92.6% went to the United States, primarily clothing (72.8% of maquila exports) and electronic chips (14.2% of the total).

1.4. El Salvador is classified by the World Bank as a lower-middle-income country. GDP per capita at current prices increased slightly during the review period, rising from about US$3,358 in 2009 to US$4,001 in 2015. Net transfers, particularly remittances from the United States, remain an important source of financing for domestic private expenditure; as a result, gross disposable income per capita is higher than per capita GDP: in 2015, gross disposable income per capita, at US$4,502, was 12.5% higher than per capita GDP.

1.5. As pointed out in the previous review, the composition of GDP expenditure in El Salvador is still characterized by a high level of both private and public consumption. Total consumption represented 101.2% of GDP in 2015, with private consumption accounting for 92.9% and public

[3] Real wages rose by 7.2% in the 12 months to August 2015, compared with a 2.7% increase in the 12 months to August 2014. Central Reserve Bank of El Salvador (2015b).

[4] Press release No. 62/2015 of the Central Reserve Bank of El Salvador, *Economía salvadoreña crecerá 2.5% en 2015, crecimiento superior al de los últimos 7 años,* December 2015. Viewed at: http://www.bcr.gob.sv/bcrsite/uploaded/content/category/948662110.pdf.

[5] Central Reserve Bank of El Salvador (2016a).

expenditure for 8.3%. Reflecting the high propensity to consume, the national saving rate in El Salvador is relatively low, although it has been rising in recent years to reach 10% of GDP in 2014, compared with 7.4% in 2008. The investment rate was 17.7% of GDP in 2015; private investment represented 15.6% of GDP. Again in 2015, exports of goods and services represented 40.4% of GDP, and imports 59.3% of GDP.[6]

1.6. The unemployment rate is estimated at 5.5% in 2014, lower than the 5.9% reported in 2013, reflecting the slight upturn in the growth rate. Nevertheless, these figures mask the importance of the informal sector, which employs about 60% of the labour force, and underemployment, which according to IMF estimates affects 28% of the total labour force.[7]

1.7. Despite the slow economic growth, development indicators continued to improve during the review period. According to the World Bank, 29.6% of the population lived in poverty in 2013, compared with 37.8% in 2008.[8] The percentage of the population living in extreme poverty (daily income less than US$3.10), fell from 6.3% in 2008 to 3.1% in 2013.[9]

1.2 Fiscal policy

1.8. The Ministry of Finance is responsible for framing and implementing fiscal policy in El Salvador. Budgetary policy applicable to the non-financial public sector (NFPS) is set pursuant to the Organic Law on State Financial Management.

1.9. Fiscal policy and annual budgets during the review period were formulated in conformity with the Five-Year Development Plan 2014-2019.[10] Fiscal policy goals in 2014 and 2015 were designed to ensure financing of the Government's social policies and the priorities set out in the Plan. The Ministry of Finance thus implemented tax and financial measures to improve tax collection; these, together with a policy of holding down non-productive expenditure, are aimed at generating a primary surplus, while at the same time pursuing a prudent public borrowing policy so as to set the budget deficit and public debt on a downward trend in the medium and long term.

1.10. Accordingly, the following fiscal policy goals were set for the 2014-2019 five-year period:

- Gradually correct the structural factors responsible for the imbalance in the public finances.
- Generate confidence and predictability concerning the public finances through the implementation of fiscal responsibility rules ensuring a gradual process of fiscal consolidation and sustainability in the medium and long term.
- Improve the quality of public spending in terms of efficiency, effectiveness and redistributive impact, protecting investment and social expenditure to benefit the excluded population segments.
- Develop an honest, effective and transparent administrative culture in the management of State resources.
- Promote a progressive tax policy and the shaping of an equitable and efficient taxation system that generates sufficient resources to finance government priorities.
- Promote a debt policy (external and internal) that should be innovative, sustainable, focused on strengthening public investment and social programmes, and in line with the country's present and future payment capacity.[11]

1.11. In order to achieve these goals, the Government adopted the Public Sector Savings and Austerity Policy with the aim of promoting the transparent, honest and efficient administration of

[6] Central Reserve Bank of El Salvador (2016b).
[7] Underemployment is taken to mean the proportion of urban employees either working part time or receiving a below-minimum wage. IMF (2015).
[8] Online information from the World Bank, El Salvador, 2015 data. Viewed at: http://datos.bancomundial.org/pais/el-salvador.
[9] Online information from the World Bank, "Poverty gap at $3.10 per day (2011 PPA) (%)". Viewed at: http://datos.bancomundial.org/indicador/SI.POV.GAP2/countries/SV?display=graph.
[10] Ministry of Finance (2015).
[11] Ministry of Finance (2015).

State resources and reducing current expenditure with low social content. The savings obtained by these measures are redirected towards strengthening programmes and meeting needs in the social area that are essential and unforeseen. Furthermore, in May 2014 a draft fiscal responsibility law was submitted to the legislative assembly, which seeks to achieve an adjustment of 1.5% of GDP over a three-year period, split evenly between current spending restraint and revenue increases. Tax measures were adopted in July 2014, including a financial transactions tax, a 1% tax on net assets, the elimination of an income tax exemption on publishing companies, and naming-and-shaming of tax delinquency. Further measures are expected, as the IMF staff report estimates that these will only deliver a fraction of the promised adjustment (0.1-0.2% of GDP in the long term).[12] The IMF also estimates that a fiscal adjustment of 3.5% of GDP during 2015-2017 is needed to achieve debt sustainability.[13]

1.12. The ratio of central government income to GDP has remained relatively low, despite rising from 13.8% in 2009 to 16% in 2015 thanks to an increase in tax revenue in the order of 50.2% during 2009-2015 (Table 1.2). Public expenditure represented 17.1% of GDP in 2015, less than the 17.9% recorded in 2009. The central government deficit shrank appreciably during the period of the review, from 3.7% of GDP in 2009 (including grants) to 1.1% in 2015. However, the deficit including pensions and pension trusts was 3% of GDP in 2015.

Table 1.2. Central government financial account, 2009-2015

(Cumulative flows in US$ million and % of GDP)

	2009	2010	2011	2012	2013	2014	2015[a]
GDP at current prices (US$ million)	**20,661**	**21,418**	**23,139**	**23,814**	**24,351**	**25,054**	**25,850**
1 Income and grants	**2,857**	**3,215**	**3,558**	**3,758**	**3,960**	**3,969**	**4,138**
1.1 Current income	2,774	3,072	3,344	3,588	3,903	3,936	4,093
1.1.1 Tax revenues (net)	2,609	2,883	3,193	3,434	3,746	3,772	3,919
1.1.2 Non-tax income	115	164	147	147	147	161	174
1.1.3 Transfers from public enterprises	25	25	3	8	10	3	1
1.1.4 Transfers from public financial institutions	24	0	0	0	0	0	0
1.2 Capital income	0	0	0	0	0	0	0
1.3 Grants	84	143	214	170	57	33	45
2 Expenditure and net lending	**3,629**	**3,794**	**4,082**	**4,165**	**4,396**	**4,359**	**4,426**
2.1 Current expenditure	3,031	3,114	3,370	3,373	3,655	3,668	3,748
2.1.1 Remuneration	1,070	1,109	1,279	1,329	1,386	1,467	1,538
2.1.2 Goods and services	539	587	541	502	630	603	570
2.1.3 Interest	518	496	508	526	583	598	630
2.1.4 Transfers to:	905	922	1,043	1,015	1,056	999	1,011
2.1.4.1 Rest of general government	449	470	514	527	607	627	639
2.1.4.2 Public enterprises	3	1	0	0	1	0	0
2.1.4.3 Public financial institutions	4	4	5	3	6	5	7
2.1.4.4 Private sector	444	440	516	481	432	361	354
2.1.4.5 Rest of world	6	8	7	4	10	5	11
2.2 Capital expenditure	603	683	718	788	731	695	679
2.2.1 Gross investment	305	392	365	451	357	296	269
2.2.2 Transfers to:	297	291	354	337	374	399	410
2.2.2.1 Rest of general government	234	231	275	279	309	335	350
2.2.2.2 Public enterprises	1	3	29	2	1	0	0
2.2.2.3 Public financial institutions	5	0	1	0	7	0	0
2.2.2.4 Private sector	57	57	49	57	57	65	60
2.3 Net lending	-5	-3	-7	4	10	-3	-1
2.3.1 Rest of general government	-3	-1	-5	-6	-6	-2	0
2.3.2 Public enterprises	-1	-1	-1	11	17	-1	0
2.3.3 Public financial institutions	0	0	0	0	0	0	0
2.3.4 Private sector	-1	-1	0	-1	-1	-1	0
3 Current saving	**-258**	**-42**	**-27**	**215**	**248**	**268**	**345**
4 Primary saving	**260**	**454**	**481**	**741**	**831**	**866**	**975**
5 Total surplus – deficit							
5.1 Including grants	-772	-579	-524	-407	-436	-390	-287
5.2 Excluding grants	-856	-722	-738	-577	-493	-423	-333
6 Net external financing	**757**	**282**	**147**	**922**	**-4**	**788**	**-51**
6.1 Debt disbursement	616	551	397	369	214	371	273
6.2 Bond placement	400	0	654	800	0	660	0
6.3 Debt amortization	-259	-269	-903	-247	-219	-242	-324
7 Net domestic financing	**15**	**297**	**377**	**-515**	**440**	**-398**	**338**
7.1 Central Bank	-296	274	200	-739	758	-5	24
7.2 Commercial banks	269	-41	254	137	-139	-252	353
7.3 Non-banking system bonds	25	88	-24	101	-184	-97	10
7.4 Other	16	-24	-52	-13	6	-44	-48
7.5 Pension system payments	-370	357	406	419	442	467	485
8 Total cost of pensions and pension trusts	**-370**	**-357**	**-406**	**-419**	**-442**	**-467**	**-485**
9 Surplus (deficit) including pensions and pension trusts (5.1-8)	**-1,142**	**-936**	**-930**	**-826**	**-878**	**-857**	**-773**
Central government debt	8,853	9,203	9,766	10,980	10,816	11,212	11,640

[12] IMF (2015).
[13] Idem.

	2009	2010	2011	2012	2013	2014	2015[a]
External debt	5,758	6,113	6,282	7,252	7,242	8,179	8,084
Domestic debt	3,095	3,090	3,484	3,728	3,574	3,033	3,556
Central government debt as % of GDP	**42.9**	**43.0**	**42.2**	**46.1**	**44.4**	**44.8**	**45.0**
Total public debt	11,174	11,778	12,951	14,493	14,888	15,691	16,586
Public external debt	6,550	6,831	7,142	8,050	8,070	8,960	8,789
Public domestic debt	4,623	4,947	5,810	6,443	6,819	6,732	7,797
Total public debt as % of GDP	**54.1**	**55.0**	**56.0**	**60.9**	**61.1**	**62.6**	**64.2**

a Preliminary data.

Source: Central Reserve Bank of El Salvador.

1.13. The fiscal situation continued to improve during 2015 and the central government recorded a primary surplus of US$975 million, higher than the 2014 surplus of US$866 million. This is partly the result of a 4.3% increase in tax revenues compared with the previous year, as well as a more moderate increase (1.5%) in expenditure. Debt service in 2014 is estimated to represent 16.3% of income from goods and services, while amortization accounted for 37.4%.[14] Central government external debt amounted to 31.3% of GDP in 2015, while the external debt of the non-financial public sector (NFPS) represented 34% and NFPS domestic debt 30.2%, so that total debt amounted to 64.2% of estimated 2015 GDP.[15] This percentage includes the stock of debt represented by the Pension Investment Certificates (CIP) issued by the Pension Liabilities Trust (FOP) and exceeds the prudential limit of 40% of GDP set in 2004 for NFPS debt.[16] Domestic debt grew particularly fast during the review period, with an increase of almost 70% between 2009 and 2015.

1.3 Monetary and exchange-rate policy

1.14. The Central Reserve Bank of El Salvador is responsible for the conduct of monetary and exchange rate policy. Pursuant to the Organic Law of the Central Reserve Bank of El Salvador, the fundamental purpose of the Central Bank is to ensure currency stability, and its essential goal is to promote and maintain the most favourable monetary, exchange, credit and financial conditions for the stability of the national economy.

1.15. Since the entry into force on 1 January 2001 of the Law on Monetary Integration (Decree No. 2001 of 22 December 2000), the United States dollar has been the currency of legal tender and the unit of account of the financial system.[17] The Law on Monetary Integration eliminated three of the main Central Bank functions: monetary policy management, lender of last resort to the banking system, and currency issuance. However, the Law authorized the Central Bank to fulfil other functions, such as managing liquidity reserves and supplying dollars to the economy.[18] As a dollarized economy El Salvador cannot conduct an independent monetary policy, and therefore the Central Bank's activities are chiefly limited to the management of these two instruments, i.e. management of liquidity reserves and open market operations.

1.16. Interest rates fell between 2009 and 2011, and then began to climb after 2012 as demand for credit strengthened in the private sector. Thanks to the dollarization of the economy, which eliminated exchange rate risk, interest rates have remained at moderate levels. The lending rate for loans of up to one year declined from 9.3% in 2009 to 5.6% in 2012, rising again to 6.2% at the end of 2015. Although nominal rates were low, real rates were relatively high, particularly in 2015 when inflation was negative.

1.17. Owing to the dollarization of the economy, the Central Bank has little room for manoeuvre to influence price levels. Inflation, measured as the average annual variation in the Consumer Price Index (CPI), was contained during the review period, falling almost continuously from a peak of 5.1% in 2011 to below 1% between 2012 and 2014 and 1% in 2015. The CPI trend was partly influenced by the fall in world food and raw material prices and the appreciation of the US dollar against other currencies.

[14] Idem.
[15] Online information from the Central Reserve Bank of El Salvador. Viewed at: http://www.bcr.gob.sv/bcrsite/?cdr=97&lang=es.
[16] Central Reserve Bank of El Salvador (2015a).
[17] The Law on Monetary Integration may be viewed at: http://www.bcr.gob.sv/bcrsite/uploaded/content/category/1016779392.pdf.
[18] Central Reserve Bank of El Salvador (2009).

1.18. The real effective exchange rate varied relatively little during the review period, ranging between an appreciation of 1.6% and a depreciation of 1.8%. The slight real effective depreciation observed in 2015 reflects the compensatory effect of the fall in domestic prices on the effective appreciation of the US dollar against the currencies of El Salvador's main trading partners.

1.19. El Salvador does not impose any controls on foreign currency transactions.

1.4 Balance of payments

1.20. The balance-of-payments current account ran a swelling deficit between 2009 and 2013, rising from US$312 million to US$1,574 million (Table 1.3). The deficit then narrowed in 2014 to US$1,200 million, equivalent to 4.8% of GDP, and again in 2015 to US$920 million, or 3.6% of GDP.

Table 1.3.Balance of payments, 2009-2015

(US$ million)

	2009	2010	2011	2012	2013	2014	2015
1. Current account	**-312**	**-533**	**-1,112**	**-1,235**	**-1,574**	**-1,200**	**-920**
Goods and services	-3,198	-3,624	-4,323	-4,395	-4,677	-4,468	-4,155
Goods	-3,506	-4,022	-4,772	-4,927	-5,295	-5,208	-4,940
Exports (f.o.b.)	2,924	3,473	4,243	4,235	4,334	4,255	4,381
Imports (f.o.b.)	6,430	7,495	9,015	9,161	9,629	9,463	9,321
Services	308	398	449	532	618	739	785
Receipts	1,292	1,498	1,636	1,867	2,088	2,226	2,330
Payments	984	1,100	1,187	1,335	1,470	1,487	1,544
Primary income	-556	-538	-618	-861	-997	-1,050	-1,137
Compensation of employees	-5	-6	-11	-11	-10	-11	-16
Investment income	-551	-533	-608	-850	-987	-1,039	-1,121
Direct investment	-168	-190	-202	-546	-645	-699	-724
Portfolio investment	-166	-156	-185	-176	-216	-218	-280
Other investment	-217	-186	-220	-142	-145	-146	-142
Reserve assets	0	0	0	14	19	24	26
Secondary income	3,442	3,629	3,830	4,021	4,100	4,319	4,372
General government	18	94	82	34	27	13	23
Financial corporations, non-financial corporations, households and NPISHs	3,424	3,535	3,747	3,986	4,073	4,306	4,349
Personal transfers	3,387	3,455	3,628	3,894	3,954	4,195	4,235
Other transfers	37	80	120	93	119	111	23
2. Capital account	**131**	**232**	**266**	**201**	**101**	**64**	**66**
Capital transfers	131	232	266	201	101	64	66
General government	57	125	179	126	21	10	8
Financial corporations, non-financial corporations, households and NPISHs	74	107	87	76	80	54	58
3. Net lending (+)/net borrowing (-) (balance of current and capital accounts)	**-181**	**-301**	**-845**	**-1,034**	**-1,473**	**-1,136**	**-854**
4. Financial account net lending (+)/net borrowing (-)	**512**	**-264**	**-1,190**	**-1,379**	**-1,364**	**-552**	**-954**
Direct investment	-366	226	-218	-484	-176	-274	-429
Equity and investment fund holdings	-241	-274	-171	-532	-148	-338	-320
Debt instruments	-125	500	-48	49	-29	64	-109
Portfolio investment	-747	121	-99	-871	-14	-789	-19
Equity and investment fund holdings	-349	-4	5	-7	0	0	2
Debt securities	-398	125	-103	-863	-14	-789	-21
Financial derivatives	0	0	0	0	0	0	0
Other investment	1,203	-315	-459	-676	-848	544	-649
Reserve assets	423	-296	-414	651	-327	-33	113
5. Errors and omissions	**693**	**37**	**-345**	**-346**	**109**	**584**	**-230**
Memorandum							
Current account (% of GDP)	-1,5	-2,5	-4,8	-5,2	-6,5	-4,8	-3,6
Total external debt (US$ million)	11,307	11,399	11,980	13,353	14,035	14,885	15,482
Direct foreign investment in El Salvador (net)	366	-230	219	482	179	311	429
Gross international reserves (US$ million)	2,987	2,882	2,503	3,175	2,745	2,638	2,670

Source: Central Reserve Bank of El Salvador.

1.21. The merchandise trade balance, traditionally in deficit, deteriorated sharply between 2009 and 2013 before improving slightly in 2014 and more appreciably in 2015, when it totalled US$4,940 million or 19.1% of GDP. The deterioration during 2009-2013 reflected the fact that imports grew somewhat more rapidly than exports (excluding maquila); however, this trend was reversed in 2014 and strengthened in 2015. In both of these years imports of goods shrank in comparison with the previous year while exports, which had declined in 2014, recovered in 2015. Exports grew by 49.8% between 2009 and 2015, totalling US$4,381 million, while imports grew by

45%, reaching US$9,321 million. Meanwhile, the balance of services has been increasingly in surplus over the review period (see below).

1.22. The current account deficit has continued to be offset by the high level of current transfers, mainly in the form of remittances from Salvadorans living abroad. Foreign remittances totalled US$4,235 million in 2015, equivalent to 16.4% of GDP, compared with US$3,387 million (16.4% of GDP) in 2009.

1.23. The balance-of-payments financial account has run a deficit since 2010, reflecting the rise in net borrowing. Foreign direct investment flows have been relatively low. The net international reserves of the financial system stood at US$2,670 million at end 2015, or the equivalent of 3.4 months of imports.

1.24. At 31 December 2015, the total external debt stock amounted to US$15,482 million (59.9% of GDP).[19]

1.5 Merchandise trade

1.25. El Salvador's merchandise trade continued to grow during the period under review, with a loss of importance of maquila exports within total exports. Non-maquila exports rose from US$2,921 million in 2009 to US$4,381 million in 2015, while the growth of maquila exports was rather more moderate, from US$945 million in 2009 to US$1,122 million in 2015. Total exports amounted to US$5,493 million. During this period, imports c.i.f., excluding maquila-related imports, rose from US$6,721 million in 2009 to US$9,741 in 2015, an average annual growth rate of 6.4%. The value of imports far exceeded that of exports throughout the review period.

1.5.1 Composition of merchandise trade

1.26. Charts 1.1 and 1.2 and Tables A1.1 to A1.4 show the composition of trade during the period under review. The structure of El Salvador's exports changed during 2009-2015, as the percentage share of textiles and made-up textile articles increased from 28.2% in 2009 to 37.4% in 2015, excluding maquila-related exports. In the case of maquila industry, textiles and made-up textile articles remained by far the most important in terms of exports, accounting for 82.5% of the total in 2015, up from the 79.6% posted in 2009. Food industry products remained the second largest non-maquila export category, representing 17.4% of the total in 2015 compared with 18.6% in 2009. These are followed by plastics, paper and chemicals, with 7.8%, 6.7% and 6.4% of non-maquila exports respectively in 2015. Coffee remains the leading individual commodity export, although its percentage share of exports during the period fell from 7.9% in 2009 to 3.4% in 2015.

1.27. Manufactured goods remain the leading category on the import side, with 75% of the total in 2015. Machinery, transport equipment, textiles, plastics and chemicals account for a large share of manufacturing imports (Table A1.4). Imports of mineral products, chiefly fuels, had a declining share in total imports, from 16.9% in 2009 to 15% in 2015, mainly because of the fall in oil prices.

1.5.2 Geographical distribution of trade

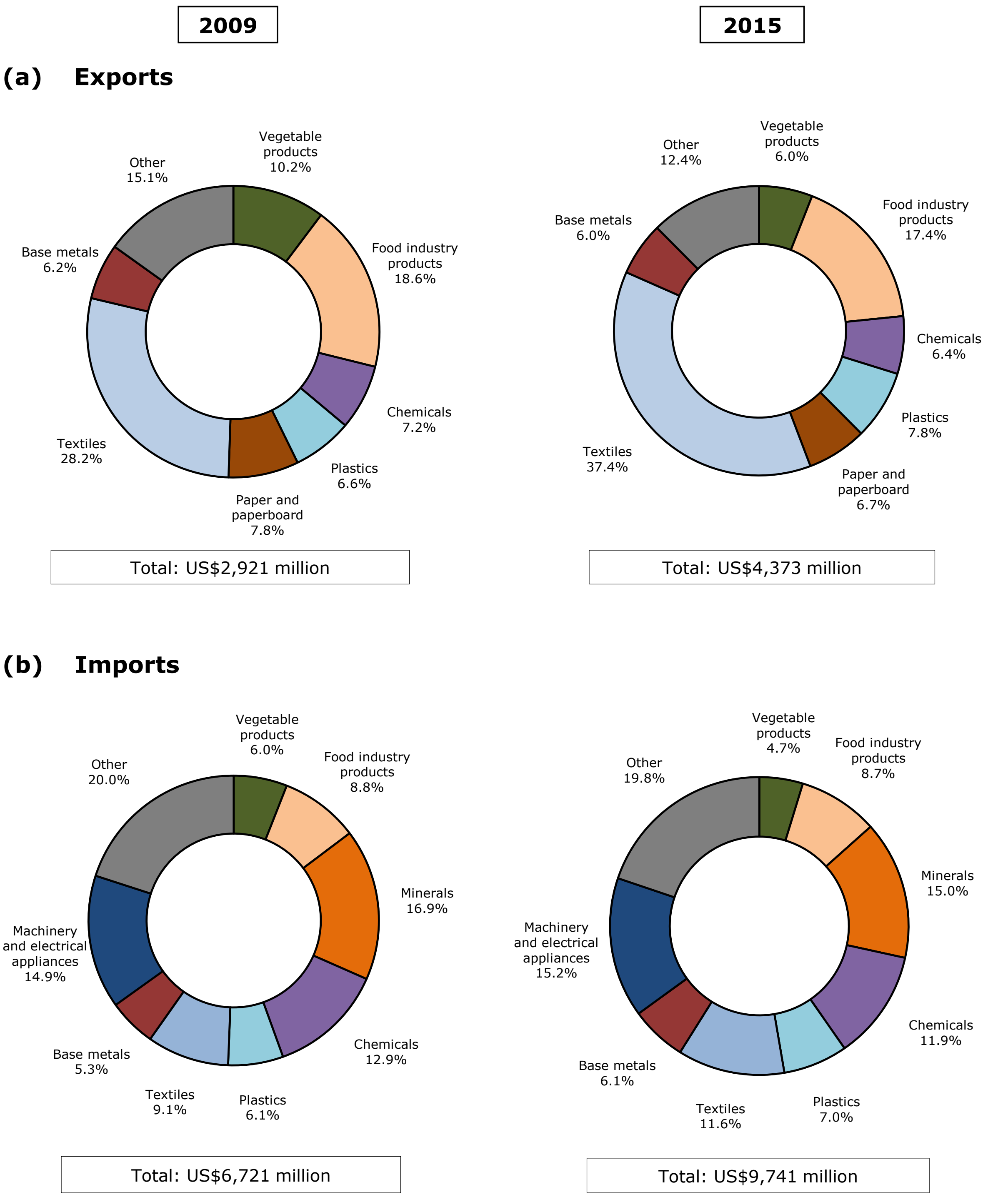
1.28. El Salvador's main export markets (excluding maquila) continue to be the other members of the Central American Common Market (CACM) and the United States (Chart 1.3 and Table A1.5). Within the Central American region, Honduras became the leading destination for El Salvador's exports, taking 13.9% of the total in 2015, compared with 13.4% in 2009, followed by Guatemala, with 13.5% in 2015 (14.0% in 2009) and Nicaragua with 6.6% (5.5% in 2009). Taken as a whole, the Central American region increased its share of Salvadoran exports from 39.3% of the total in 2009 to 40.8% in 2015. The United States, whose share was practically unchanged, remains the main destination for El Salvador's exports, with 47% of the total.

1.29. The United States also remains El Salvador's main supplier country. Its importance as a source of imports increased over the period under review, accounting for 39.4% of imports (excluding maquila) in 2015 compared with 36.1% in 2009. Guatemala was the next most

[19] Central Reserve Bank of El Salvador (2016b).

important individual supplier of El Salvador in 2015, with 9.6% of the total, followed by China (8.1%) and Mexico (7.3%). The Central American region as a whole accounted for 21.2% of total imports (Table A1.6). The share of imports from the European Union was 6.4%, led by Germany, Spain and Italy.

Chart 1.1 Non-maquila merchandise trade by main products, 2009 and 2015

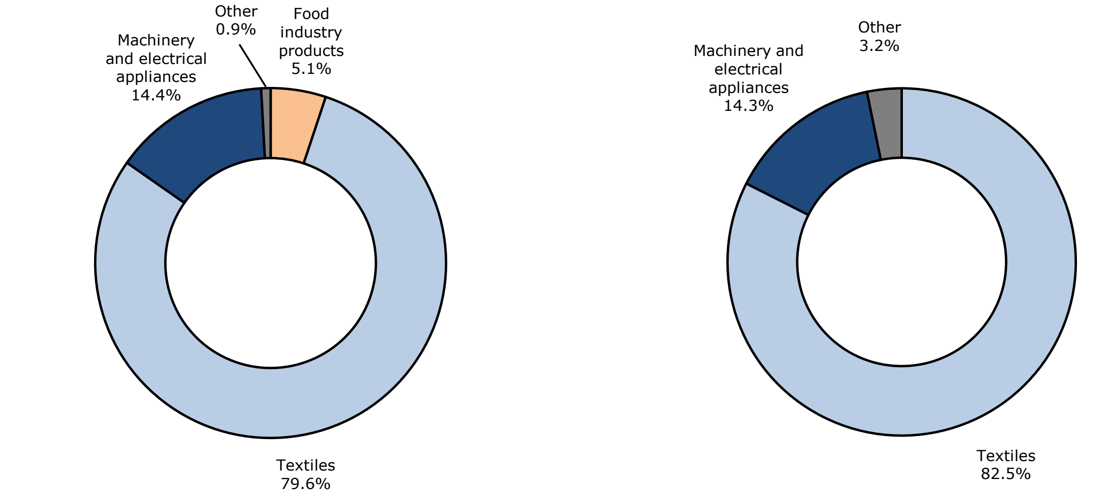


Source: WTO Secretariat estimates, based on data from the Central Reserve Bank of El Salvador.

Chart 1.2 Trade in goods for processing (maquila), 2009 and 2015

2009 **2015**

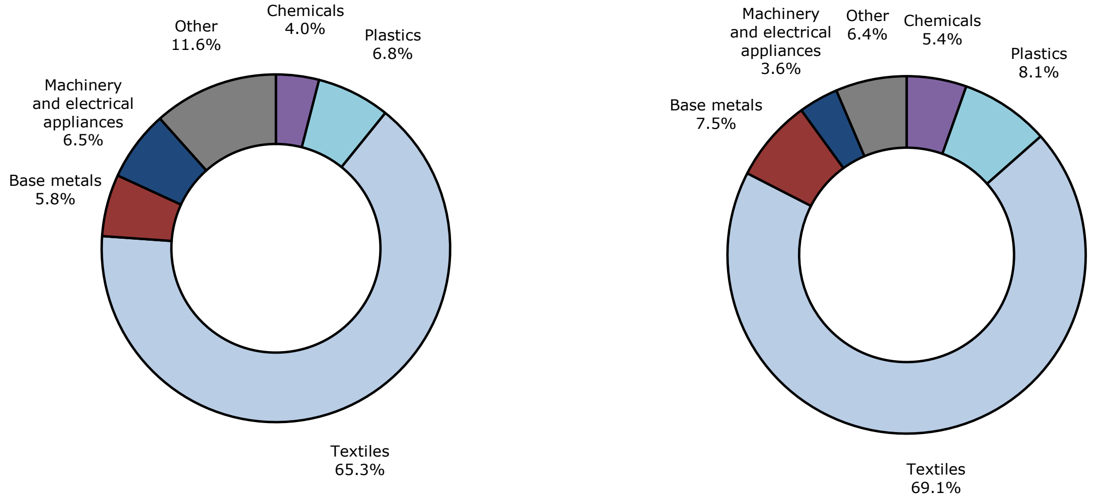
(a) Exports



Total: US$945 million

Total: US$1,112 million

(b) Imports

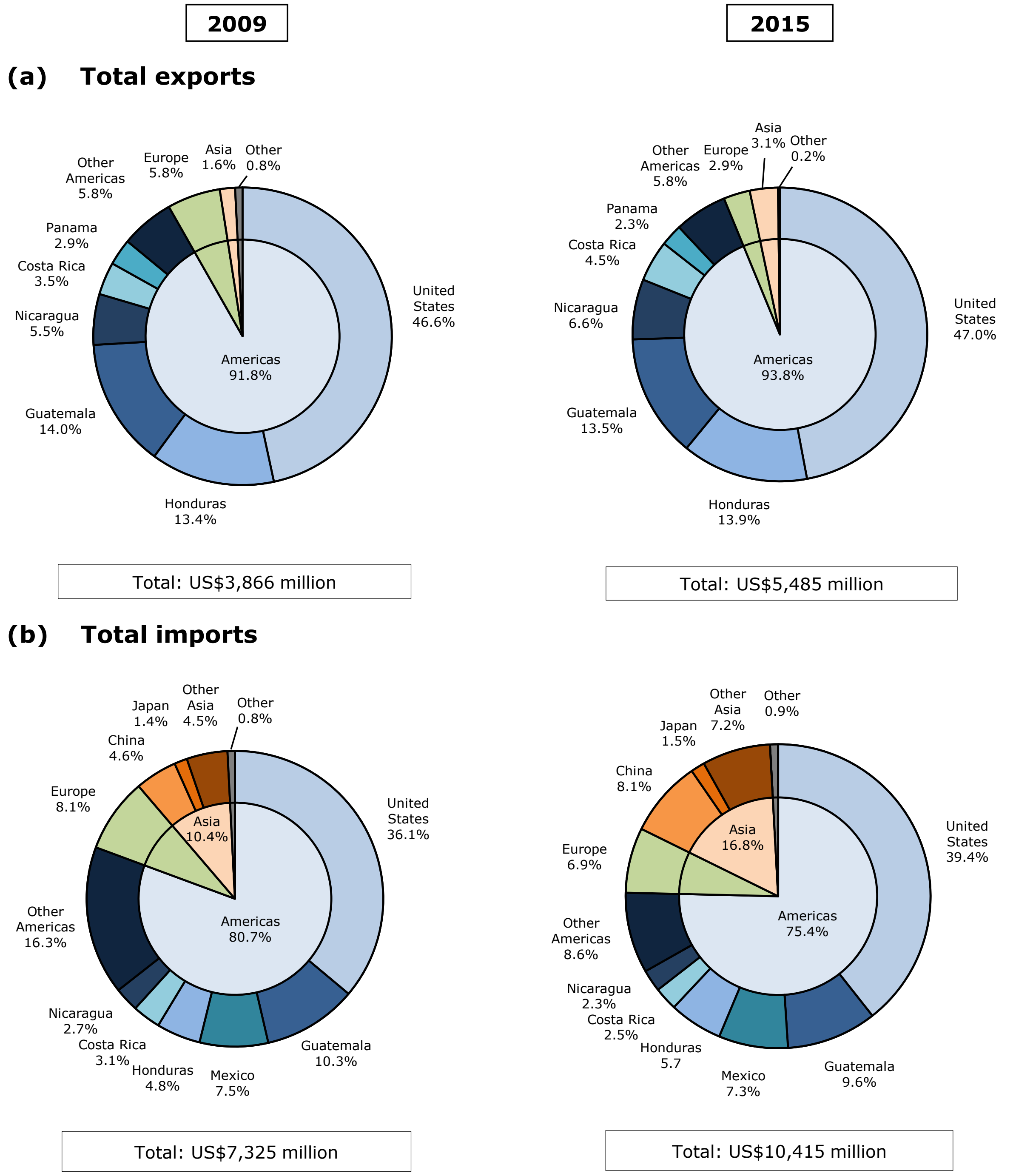


Total: US$605 million

Total: US$675 million

Source: WTO Secretariat estimates, based on data from the Central Reserve Bank of El Salvador.

Chart 1.3 Merchandise trade by trading partner, 2009 and 2015



Source: WTO Secretariat estimates, based on data from the Central Reserve Bank of El Salvador.

1.6 Trade in services

1.30. El Salvador's balance of trade in services ran a surplus throughout the period under review. The surplus has been increasing since 2009 to reach US$785.3 million in 2015, the equivalent of 3% of GDP. This performance is largely due to the growing surplus in the "travel" category and the inclusion of the value added from maquila activities in the statistics, in the category "manufacturing services on physical inputs owned by others". The balance shows deficits in most of the other service categories with the exception of "telecommunications, informatics and information services" and government services (Table 1.4). The largest deficits are in insurance and financial services.

Table 1.4 Balance of trade in services, 2009-2015

(US$ million)

	2009	2010	2011	2012	2013	2014	2015[a]
Balance of services	**308.3**	**398.3**	**449.1**	**532.0**	**618.1**	**740.7**	**785.3**
Credit	**1,292.2**	**1,498.0**	**1,636.0**	**1,866.8**	**2,087.5**	**2,226.3**	**2,329.7**
Manufacturing services on physical inputs owned by others	368.5	447.2	472.8	424.4	439.8	374.6	463.9
Maintenance and repairs	60.8	74.8	90.0	105.6	122.8	111.4	119.2
Transport	276.4	304.4	381.8	419.0	515.9	554.5	492.0
Travel	319.3	390.0	414.9	558.0	621.2	821.4	817.1
Construction	24.9	18.3	13.8	10.5	13.4	7.6	16.4
Insurance and pensions	57.1	29.3	28.1	49.0	64.4	38.7	28.3
Financial services	0.9	3.0	5.3	25.1	24.6	26.6	39.2
Charges for the use of intellectual property	0.4	0.4	0.3	17.7	29.5	19.1	29.1
Telecommunications, computer and information services	137.0	168.9	146.5	157.9	146.5	170.6	184.1
Other business services	17.6	29.6	24.8	38.2	40.6	40.1	74.0
Personal, cultural and recreational services	0.1	0.0	0.0	0.1	0.1	0.0	0.0
Government goods and services	29.1	32.2	57.6	61.5	68.8	61.6	66.3
Debit	**983.9**	**1,099.6**	**1,186.9**	**1,334.8**	**1,469.4**	**1,485.6**	**1,544.4**
Maintenance and repairs	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Transport	30.8	29.8	36.7	67.1	42.9	58.6	47.4
Travel	450.4	466.7	523.8	550.7	612.7	577.9	619.4
Construction	186.7	218.9	202.6	260.9	242.1	248.2	294.1
Insurance and pensions	10.3	6.3	7.1	15.1	62.4	16.5	32.6
Financial services	124.5	125.5	145.1	103.7	132.5	157.7	134.7
Charges for the use of intellectual property	7.8	7.8	10.6	109.5	131.8	156.9	151.4
Telecommunications, computer and information services	26.1	31.5	39.9	54.7	71.6	68.6	70.4
Other business services	26.9	40.4	77.0	46.4	36.7	44.0	39.0
Personal, cultural and recreational services	88.3	126.0	108.7	92.6	95.1	103.3	106.5
Government goods and services	0.6	1.3	0.9	0.7	1.3	1.0	1.9

a Preliminary figures.

Source: Central Reserve Bank of El Salvador.

1.7 Foreign direct investment

1.31. The stock of foreign investment in El Salvador amounted to US$9,158 million at end 2015, of which US$3,219 million went to the financial sector, 2,415 million to manufacturing, 1,358 million to the telecommunications sector and 899 million to the electricity sector (Table 1.5). Commerce was also an important sector for foreign direct investment (FDI) inflows. Net flows of FDI during the review period amounted to US$1,462.8 million.

Table 1.5 Balance of foreign direct investment by receiving sector, 2009-2015

(US$ million)

	2009	2010	2011	2012	2013	2014[a]	2015[a]
Agriculture	2.7	0.0	0.0	0.0	0.0	0.0	0.0
Mining	43.5	44.3	43.7	41.1	47.5	48.6	50.0
Manufacturing	1,764.0	1,723.5	1,894.8	1,889.9	2,063.2	2,150.2	2,415.5
Electricity supply	1,029.2	1,083.2	1,080.1	1,121.1	1,092.4	935.4	898.9
Construction	19.2	21.1	21.6	22.8	24.9	22.0	66.4
Wholesale and retail trade	622.3	485.0	575.1	636.4	668.5	676.8	730.9
Transport and storage	11.3	21.4	28.8	36.2	34.7	36.9	36.1
Information and communications	1,279.4	944.2	916.0	1,285.2	996.4	1,333.9	1,358.2
Financial and insurance activities	2,756.7	2,736.2	2,705.8	2,907.1	3,043.4	3,097.5	3,219.4
Other sectors	167.2	224.8	229.1	258.1	293.1	238.3	382.9
Total	**7,695.6**	**7,283.6**	**7,494.9**	**8,197.8**	**8,264.0**	**8,539.6**	**9,158.4**

a Preliminary figures.

Source: Central Reserve Bank of Salvador.

1.32. The United States is the leading foreign investor in El Salvador, with investments totalling US$2,640 million in 2015 (Table 1.6). Other major investors were Panama, Mexico, Colombia and Spain, these last three countries representing almost the entire net investment flows received by El Salvador between 2009 and end 2015.

Table 1.6 Foreign direct investment flows by origin, 2009-2015

(US$ million)

	2009	2010	2011	2012	2013	2014[a]	2015[a]
Central America	**253.8**	**245.0**	**263.9**	**305.7**	**339.8**	**396.3**	**391.8**
Costa Rica	68.7	25.7	80.7	46.5	90.1	76.2	74.5
Guatemala	184.7	223.0	186.1	217.5	209.3	262.2	269.5
Honduras	13.7	9.6	9.8	56.5	55.8	63.6	57.2
Nicaragua	-13.3	-13.3	-12.7	-14.8	-15.3	-5.8	-9.3
Other Americas	**6,314.8**	**6,173.9**	**6,314.3**	**6,650.6**	**6,909.7**	**6,940.0**	**7,393.1**
Bahamas	130.0	141.7	137.2	19.5	19.3	19.1	19.0
Bermuda	19.0	7.9	29.1	31.3	47.7	22.1	21.0
Brazil	10.2	11.1	14.1	14.7	15.0	14.7	12.7
Canada	213.2	214.6	197.1	221.8	252.5	268.5	281.4
Chile	2.1	2.4	2.6	1.8	1.2	1.0	0.4
Colombia	37.6	41.8	35.1	685.4	735.7	706.4	763.2
United States	2,443.1	2,301.7	2,338.2	2,385.3	2,313.2	2,423.9	2,639.8
Cayman Islands	56.5	15.8	34.8	44.9	37.5	37.8	6.9
Virgin Islands	498.5	491.9	504.3	494.8	379.1	377.8	393.2
Mexico	821.3	751.2	799.1	993.2	1.006.6	971.6	973.3
Panama	2,077.6	2,180.4	2,211.3	1,731.1	2,053.8	2,054.2	2,230.2
Peru	5.8	13.6	11.5	26.8	48.3	42.8	52.0
Europe	**954.0**	**622.3**	**598.3**	**824.0**	**859.5**	**984.6**	**1,134.3**
Germany	94.1	94.4	84.1	93.3	104.6	116.2	96.7
Belgium	7.8	10.6	14.0	9.4	8.5	6.8	10.4
Spain	285.7	244.7	212.4	230.9	401.0	549.8	842.8
France	22.0	24.5	20.8	4.2	4.2	4.2	4.2
Netherlands	149.5	147.0	170.3	281.6	92.4	72.3	66.5
Italy	113.1	114.0	144.1	167.0	168.8	0.2	47.7
Luxembourg	256.7	-52.1	-92.9	-7.6	34.7	191.9	-1.9
New Zealand	11.2	12.4	0.0	0.0	0.0	0.0	0.0
Czech Republic	0.1	2.5	1.7	0.8	-4.1	1.1	0.7
Sweden	0.4	4.7	7.3	9.1	6.2	6.9	9.7
Switzerland	13.5	19.6	36.5	35.3	43.3	35.2	57.7
Asia	**176.3**	**80.1**	**59.4**	**68.0**	**85.8**	**218.7**	**239.2**
Republic of Korea	18.4	19.2	13.5	17.9	22.2	26.1	28.1
Japan	31.5	31.5	36.0	35.9	48.8	38.4	44.4
Singapore	90.1	4.2	3.9	3.9	3.9	3.9	4.0
Chinese Taipei	36.3	25.2	6.0	10.3	10.9	17.0	18.4
Other countries	-3.4	162.3	259.0	349.6	69.2	133.3	144.4
Total	**7,695.6**	**7,283.6**	**7,494.9**	**8,197.8**	**8,264.1**	**8,539.6**	**9,158.4**

a Preliminary figures.

Source: Central Reserve Bank of El Salvador.

1.8 Outlook

1.33. In April 2016 the IMF forecast GDP growth of 2.5% for 2016, slightly higher than the 2.3% in 2015, and a positive trend in the CPI in the order of 1.2%, following a decrease of 1.2% in 2015.[20] The IMF revised this estimate in May to 2.3% in 2016 and 2.4% in 2017, thereafter declining to 2% in the medium term. It estimated the budget deficit at 4% of GDP in 2016 and recommended fiscal consolidation in order to prevent public debt from continuing to increase.[21] For its part, the Central Reserve Bank of El Salvador is forecasting GDP growth of between 2.1% and 2.6% for 2016, between 2.3% and 2.7% for 2017, and between 2.4% and 2.7% for 2018, rates that are above the country's growth potential.[22] The authorities trust that El Salvador will thus be able to escape from the "low growth trap" in which it has been ensnared in recent years.

[20] Online information from the IMF. Viewed at: http://www.imf.org/external/country/SLV/index.htm.
[21] Online information from the IMF, "El Salvador: Staff Concluding Statement of the 2016 Article IV Mission" of 6 May 2016. Viewed at: https://www.imf.org/external/spanish/NP/ms/2016/050616s.htm.
[22] Central Reserve Bank of El Salvador (2016b).

1.34. In the longer term, the authorities have set the goal of achieving sustainable growth of 3% through the implementation of broad structural reforms to improve productivity and attract investment. These measures include economic diversification, cutting red tape, better access to financing, improved access to cheaper energy, greater physical and legal security, and modernization of physical infrastructure. The Five-Year Plan 2014-2019 aims to promote job creation, education and security. In the economic field, the Plan identifies the need to change El Salvador's economic model from an agro-exporting economy to one based on innovation and services. Recognizing the country's low investment and saving rates and the fact that it consumes more than it produces, the authorities have diagnosed that El Salvador urgently needs a new economic and development model based on rising rates of private and public investment, and focusing on activities with higher productivity and value added, relying on innovation to generate formal-sector employment, better remuneration, export diversification and a broader domestic market.[23]

1.35. The Government also intends to underpin action under the Five-Year Plan by implementing the FOMILENIO II project, whose goal is to reduce poverty through economic growth by raising productivity and competitiveness in international markets. FOMILENIO II is a US$365.2 million programme that will be financed by a grant of US$277 million from the United States Government through the Millennium Challenge Corporation (MCC) and a contribution of US$88.2 million from the Salvadoran Government.[24] The authorities have indicated that they are currently working on a human capital development project to establish a National Technical and Vocational Training System (SNFTP) that will narrow the gap between labour supply and demand. Projects have also been identified to improve the investment climate and promote public-private partnerships (PPP), and a project to expand the highway infrastructure is at the design stage.

[23] Government of El Salvador (2014).

[24] Online information from the Office of the President of the Republic of El Salvador, Technical and Planning Secretariat, FOMILENIO II: Configuration. Viewed at: http://www.secretariatecnica.gob.sv/configuracion-de-fomilenio-ii.

2 TRADE AND INVESTMENT REGIME

2.1 Legal and institutional framework

2.1. There have been no major changes to the legal and institutional framework since the previous review. The State's government functions are discharged by the Legislative, Executive and Judicial Branches. The Legislative Branch, a unicameral body comprising the Legislative Assembly, is composed of deputies elected by direct suffrage every three years.[1] On a basis proportional to the number of inhabitants, they represent the various departments into which the territory of El Salvador is subdivided for administrative purposes. The Legislative Assembly is headed by a Board comprising a President, five Vice-Presidents and eight Secretariats, and discharges its functions through four types of legislative commission, namely permanent, transitional, ad hoc and special commissions.[2]

2.2. The Executive Branch is composed of the President and Vice-President of the Republic, Ministers and Vice-Ministers of State and the officers that report to them.[3] The President is chosen by popular election for a five-year term of office.[4] The management of public affairs is the responsibility of State Secretariats or Ministries, which are headed by a Minister and one or several Vice-Ministers. The President of the Republic appoints the Ministers and Vice-Ministers of State. Decrees, agreements, orders and decisions by the President of the Republic only become legally valid when endorsed and published by Ministers in their respective spheres of responsibility. The Executive Branch currently comprises 13 Ministries.[5] The remit of each one is governed by the Rules of Procedure of the Executive Branch.[6] There is also a Council of Ministers comprising the President, Vice-President and Ministers of State, with responsibility, among other things, for enacting the Rules of Procedure of the Executive Branch, drawing up the general government plan and preparing the draft national budget.[7] The Office of the President performs its functions through eight support units known as Presidential Secretariats.[8]

2.3. The Judicial Branch is made up of the Supreme Court of Justice, the courts of appeal and the other courts established by law.[9] The National Judicial Council is the institution tasked with proposing to the Legislative Assembly candidates for the Supreme Court of Justice, which comprises 15 judges. The President of the Supreme Court is appointed by the Legislative Assembly from among the judges of the Court and is simultaneously the President of the Judicial Branch and of the Constitutional Division. The Supreme Court is organized into four divisions, namely the Constitutional Division, the Civil Division, the Criminal Division and the Administrative Litigation Division. The courts of appeal consist of two judges and, within their respective jurisdictions, may adjudicate appeals against decisions by courts of first instance. First instance courts are headed by a single judge and adjudicate cases brought in their respective jurisdictions, within their sphere of competence.

2.4. The institutional structure of the Salvadoran State includes the Court of Audit of the Republic, which is the independent body tasked with overseeing public finances and budget execution. The Court comprises an appeals court made up of the President of the Court and two judges, and of

[1] Article 124 of the Constitution of the Republic of El Salvador. The Legislative Assembly currently comprises 84 deputies.

[2] There are 20 permanent legislative commissions, each with a specific remit. One is the Commission on Foreign Affairs, Central American Integration and Salvadorans Abroad.

[3] Article 150 of the Constitution of the Republic of El Salvador.

[4] Articles 79 and 154 of the Constitution of the Republic of El Salvador.

[5] Ministry of Foreign Affairs, Ministry of the Interior and Territorial Development, Ministry of Justice and Public Security, Ministry of Finance, Ministry of the Economy, Ministry of Education, Ministry of National Defence, Ministry of Labour and Social Welfare, Ministry of Agriculture and Livestock, Ministry of Health, Ministry of Public Works, Transport, Housing and Urban Development, Ministry of the Environment and Natural Resources, and Ministry of Tourism.

[6] Article 1 of the Rules of Procedure of the Executive Branch, published in Official Journal No. 70 of 18 April 1989, and last amended by Decree No. 1 of 2 June 2014.

[7] Articles 166 and 167 of the Constitution of the Republic of El Salvador.

[8] Secretariat for Legislative and Legal Affairs, Private Secretariat, Secretariat for Governance and Communications, Secretariat for Social Inclusion, Technical and Planning Secretariat, Secretariat for Citizen Participation, Transparency and Anti-corruption, Secretariat for Culture and Secretariat for Vulnerability Matters.

[9] Article 172 of the Constitution of the Republic of El Salvador.

courts of first instance established by law. The members of the Court of Appeal, including its President, are appointed by the Legislative Assembly.

2.5. For political administration purposes, the territory of El Salvador is divided into 14 departments, which are headed by governors appointed by the President of the Republic. The departments are subdivided into municipalities, which are economically, technically and administratively autonomous.[10] According to the Directorate-General of Statistics and Census (DIGETSTYC), the population of El Salvador was estimated at 6,460,271 in 2015.[11]

2.6. The power of legislative initiative rests with deputies, the President of the Republic through his Ministers, the Supreme Court of Justice in the realm of its competence, municipal councils in matters of municipal taxes, and the Central American Parliament through the Salvadoran deputies members of that Parliament, in matters relating to Central American integration. Draft laws approved by the Legislative Assembly are submitted to the President of the Republic, who is empowered to approve them and order their publication, or to veto them.[12] Draft laws vetoed by the President are returned to the National Assembly for reconsideration; however, if a two-thirds majority of deputies ratifies the vetoed text, the President has to approve and publish it.[13] Laws become binding only after being enacted and published in the Official Journal.[14]

2.7. International treaties concluded by El Salvador with other States or with international bodies become laws of the Republic. Domestic laws may not amend or repeal the covenants of an international treaty and the latter prevails in the event of a conflict between its provisions and those of domestic laws. International treaties may not restrict or in any way affect constitutional provisions.[15] The conclusion of international treaties and agreements is the purview of the President of the Republic, who must submit them to the Legislative Assembly for ratification.[16]

2.8. The Constitution stipulates that the country's economic order must be fundamentally in line with the principles of social justice, which are designed to ensure a dignified existence for all citizens. It further provides that the State must promote economic and social development by increasing production and productivity and making rational use of resources. It guarantees economic freedom to the extent that it does not go against the social interest. It also guarantees and recognizes the right to private property where it serves the social interest. The subsoil belongs to the State, which may grant concessions for its exploitation.[17]

2.9. Trade policy management is the purview of the Executive Branch, and more specifically the Ministry of the Economy (MINEC), whose powers include the following*:* promoting domestic, regional and international trade and the opening or expansion of markets for Salvadoran products; overseeing and controlling corporate and individual domestic or foreign traders and authorizing foreign companies wishing to engage in permanent commercial activities in the country; directing national policy with a view to realizing the economic and social integration of Central America; encouraging investment in enterprises that are productive and useful to the domestic economy; and authorizing owners of enterprises not domiciled in El Salvador wishing to engage in occasional or temporary industrial and commercial activities.[18] The remit of the Ministry of the Economy (MINEC) includes the Permanent Representation of El Salvador to the World Trade Organization (WTO) and the World Intellectual Property Organization (WIPO).[19]

2.10. Within the MINEC, direct responsibility for trade policy rests with the Vice-Minister of the Economy. The functions of the Vice-Minister of the Economy include cooperating with the Minister in formulating trade policy and export promotion strategies, and coordinating international trade negotiations and the administration of trade instruments signed by El Salvador. In discharging his functions, the Vice-Minister of the Economy is supported by the Economic Intelligence Unit, the

[10] The territory of El Salvador currently comprises 262 municipalities.
[11] Ministry of the Economy, DIGESTYC, United Nations Population Fund (UNFPA), and Latin American and Caribbean Demographic Centre (CELADE) (2014).
[12] Article 137 of the Constitution of the Republic of El Salvador.
[13] Ibid., Article 137.
[14] Ibid., Articles 139 and 140.
[15] Ibid., Articles 144 to 146.
[16] Ibid., Article 167, paragraph 4.
[17] Ibid., Articles 101 to 103.
[18] Article 37, nos. 7, 11, 13, 22 and 24, of the Rules of Procedure of the Executive Body.
[19] Article 7 of the Rules of Procedure of the Ministry of the Economy, dated 5 November 2015.

Trade Policy Directorate, the Directorate for the Administration of Trade Agreements and El Salvador's Permanent Representation to the WTO and WIPO.[20]

2.11. The main functions of the Economic Intelligence Unit are to provide the Minister's Office and public and private entities with analyses of the domestic and international economy, and to look into domestic and external conditions that affect the competitiveness of El Salvador's production sectors. The mission of the Trade Policy Directorate is to set and execute trade policy, bolster trade and investment flows, conduct trade negotiations with third countries and multilateral agencies, and propose, promote and follow up initiatives and projects to further and strengthen Central American economic integration. To fulfil its mission, the Trade Policy Directorate is empowered, *inter alia,* to: align trade policy with the other policies contained in El Salvador's economic programmes and development plans; take part in multilateral trade negotiations in the WTO and WIPO frameworks, support the Permanent Mission to these organizations in formulating proposals that reflect the interests and sensitivities of the country's production sectors; maintain ongoing communication with public and private entities and international agencies concerned with Salvadoran trade policy and Central American economic integration; draw up strategies for El Salvador's participation in regional and international trade negotiations; coordinate and follow up regional, bilateral and multilateral negotiations for the conclusion of agreements to improve market access for Salvadoran exports, as well as increase investment and technology flows to the country; and provide technical and legal advice in respect of negotiations, international trade matters and issues pertaining to Central American economic integration.

2.12. The goals pursued by the MINEC Directorate for the Administration of Trade Agreements include the following: at the domestic level, fulfilling the administrative obligations arising from the trade agreements signed by the country; monitoring compliance with these obligations by El Salvador's trading partners; conducting the administrative procedures for imposing safeguards, countervailing measures and anti-dumping duties; and verification of origin.[21] The main aims of the Permanent Representation of El Salvador to the WTO and WIPO are to ensure that El Salvador participates effectively in the ongoing trade negotiations in these organizations, and to encourage implementation by the corresponding national agencies of the outcomes of agreements reached in the framework of these organizations.

2.13. The purpose of the National Investment Directorate is to contribute to economic and social development by supporting the business sector in raising its output of goods and services and boosting its domestic and international competitiveness. The work of the Directorate focuses on facilitating and supporting export development and employment-generating investment. Its functions include: improving the business environment as pertains to its legal aspects, formalities and procedures; supporting trade development and export promotion as well as domestic and foreign investment; effectively administering laws regarding tax incentives for the development of production, exports, investment and the operation of free zones; advising business people on the use of MINEC financial instruments and services for enhancing quality and productivity and boosting innovation, technological development and exports; centralizing and coordinating government procedures to be followed by domestic and foreign investors; and establishing and maintaining records and files on trade and investment, as well as generating statistics for decision-making purposes.

2.2 Trade policy formulation and objectives

2.14. Central American integration is one of El Salvador's fundamental foreign and trade policy goals. One of El Salvador's priorities under the Constitution is to promote human, economic, social and cultural integration with the American republics and in particular with the Central American isthmus. This integration may take place through agreements with the interested republics as well as by creating supranational bodies.[22]

2.15. El Salvador's main trade policy goals have been set out in the two Five-Year Development Plans that have been in force during the period under review: the Five-Year Development Plan 2010-2014 acknowledged that instead of a production-based economy, El Salvador had become a services and trading economy excessively dependent on imports, and one not backed up by a

[20] Ibid., Article 30.
[21] Ibid., Article 33.
[22] Article 89 of the Constitution of the Republic of El Salvador.

competitive production base but by the consumption generated by family remittances and consumer credit.[23] The Plan proposed the formulation of a comprehensive export promotion policy focused on the following key processes: (a) strengthening State institutions that support the export sectors; (b) incorporating innovation and technology transfer processes in the export sector; (c) job creation in the export sector; (d) incentivizing micro-enterprises as well as small and medium-sized enterprises; (e) making use of free trade agreements, strengthening the Central American common market and establishing new trade relations with emerging countries; and (f) taking a systemic approach to promoting and internationalizing strategic sectors in countries and market niches in which El Salvador enjoys comparative advantages.[24]

2.16. In office since 1 June 2014, the present Government of El Salvador has formulated the Five-Year Development Plan 2014-2019 laying out 11 specific economic objectives for the country in the years ahead. Each objective contains specific strategies that are being carried out through lines of action. Under the Five-Year Plan, the foremost objective is to revitalize the domestic economy so as to generate opportunities and prosperity. This objective includes the following strategies: diversifying the production matrix, developing the production capacity of medium-size, small and micro-enterprises, diversifying the energy matrix, giving priority to renewable and sustainable sources, consolidating the financial system, promoting domestic and foreign investment and developing sustainable tourism.[25] The Salvadoran authorities deem it necessary to buttress the manufacturing sector *vis-à-vis* the low value-added services sector, which currently dominates its economy. The development policies being pursued in the country therefore give prominence to the strategy of diversifying the production matrix, whose lines of action include promoting the conversion of the production sector, focusing mainly on goods and services with export potential and high added value, promoting high value-added chains in agriculture, forestry, fishing and aquaculture, developing logistics and transport, and boosting innovation and technology.[26]

2.17. As pertains to trade policy, objective No. 10 of the Five-Year Plan states that the Government intends to reinforce El Salvador's integration in the region and the world in general. It also notes that El Salvador's commitment to integration will be strengthened and that it will endeavour to further Latin American and Caribbean integration. The following strategies are part of the above-mentioned trade policy objective: (1) national development and making a solidarity-based contribution to the world by building up El Salvador's international relations; (2) the social and economic integration of the Central American region; and (3) buttressing the system of national defence. These strategies will be implemented through lines of action designed, among other things, to: strengthen El Salvador's relations with Latin America and the Caribbean, the United States and Asia; encourage investment processes; strategically position the country's development priorities internationally; promote regional integration and complementarity of integration processes; promote a Central American strategy of mobility, logistics, transport and ports; and reinvigorate the Central America-4 (CA-4) Border Control Agreement as a platform for regional integration.[27]

2.18. There are mechanisms for consultation between the public and private sectors on trade policy formulation. One of the private-sector bodies involved in these consultations is the International Trade Negotiations Advisory Office for the Production Sector (ODASP)[28], in which business sector representatives participate under the coordination of the Salvadoran Industrialists Association (ASI). Through consultations with the business and production sectors, the ODASP facilitates communication between the public and private sectors on international trade matters and the trade negotiation processes in which El Salvador is involved. Other production sector associations such as the Agricultural and Agro-Industrial Chamber of El Salvador (CAMAGRO) and the Exporters Corporation of El Salvador (COEXPORT) are also involved in consultations with the public sector on trade policy formulation.[29] In the area of trade facilitation, the professional associations have organized themselves into the Inter-Association Commission on Trade

[23] Five-year Development Plan 2010-2014, paragraph 17. The text of Plan may be viewed at: http://idbdocs.iadb.org/wsdocs/getdocument.aspx?docnum=37713692.

[24] Ibid., paragraph 161.

[25] Five-year Development Plan 2014-2019, pages 95 and 96.

[26] Ibid., pages 253-256.

[27] Ibid., pages 187-192.

[28] FUSADES (2015).

[29] Online information. Viewed at: http://www.elsalvador.com/articulo/negocios/sector-privado-impulsa-ley-defensa-comercial-89330.

Facilitation (CIFACIL)[30] so as to foster dialogue with government bodies competent in the various fields of trade facilitation.

2.19. A committee of Salvadoran businessmen and professionals has drawn up the Competitiveness Initiative for the principal purpose of working with the public sector to improve El Salvador's international market competitiveness. Working groups have been established under this initiative and tasked with undertaking consultations and projects in four areas: (1) education and business, (2) infrastructure, (3) market access and investment, and (4) easing of formalities.[31] The Competitiveness Initiative has led to cooperation between the public and private sectors on the adoption of legislative instruments such as the Law on digital signature, the Law on legal stability, the Law on public-private-partnerships, the Law establishing PROESA and amendments to the Law on international services, as well as on the design of the National Logistics Policy. Non-governmental organizations such as the Salvadoran Foundation for Economic and Social Development (FUSADES), the Central American Research Institute for Development and Social Change (INCIDE) and the National Foundation for Economic Development (FUNDE) also contribute to policy design, including in the realm of commerce.[32]

2.3 Trade agreements and arrangements

2.3.1 WTO

2.20. El Salvador acceded to the GATT on 22 May 1991 and became a WTO Member on 7 May 1995, as of which date all the multilateral agreements became binding on the country. Although El Salvador has made use of the transition periods available to developing countries, it is not currently availing itself of any transition period under the WTO Agreements. El Salvador is not a party to either of the two WTO Plurilateral Agreements currently in force. This is the country's fourth trade policy review.[33]

2.21. El Salvador continued to play an active part in the WTO during the review period and, as is explained below, was party to a dispute settlement procedure for the first time and continued to participate as a third party in other disputes. The country also submitted further notifications under the various provisions of the WTO Agreements (Table A2.1).

2.22. The Protocol of Amendment inserting the Agreement on Trade Facilitation into the WTO Agreement was ratified by El Salvador's Legislative Assembly on 4 February and published in the Official Journal on 24 February 2016. On 4 July 2016, El Salvador deposited with the WTO the instrument accepting the Trade Facilitation Agreement. In July 2014 El Salvador had submitted a notification regarding the Category A commitments it would assume upon entry into force of the Agreement.[34] The Government of El Salvador is currently reaching out to stakeholders to inform them about the provisions and benefits of the Trade Facilitation Agreement.

2.23. With regard to the plurilateral trade agreements, El Salvador is not a party to the revised Agreement on Government Procurement (GPA) and has not requested the status of observer to that Agreement. Nor is it a party to the Agreement on Trade in Civil Aircraft. El Salvador is, however, a participant in the Information Technology Agreement (ITA).[35] For now, El Salvador does not plan to participate in the negotiations on the expansion of the ITA.

2.24. In 2001, El Salvador notified the Ministerial Conference of its decision, under Article XIII of the Agreement Establishing the WTO, not to apply the multilateral trade agreements between El Salvador and the People's Republic of China should the latter country accede to the WTO.[36] On

[30] CIFACIL comprises the following entities: ASI, Chamber of Commerce, CAMAGRO, AMCHAN, ADES, COEXPORT and CAMTEX.

[31] Online information from the Salvadoran Foundation for Economic and Social Development (FUSADES). Viewed at: http://fusades.org/sites/default/files/investigaciones/educacion_empresa.pdf.

[32] Online information from FUSADES. Viewed at: http://fusades.org/fusades/conocenos/acerca-de-fusades.

[33] The Secretariat reports for El Salvador's previous three trade policy reviews are contained in WTO documents WT/TPR/S/23 of 24 October 1996, WT/TPR/S/111 of 6 January 2003 and WT/TPR/S/226/Rev.1 of 16 March 2010, respectively.

[34] Article 15.1 of the Agreement on Trade Facilitation.

[35] WTO document G/IT/1/Rev.54 of 5 October 2015.

[36] WTO document WT/L/429 of 7 November 2001.

2 July 2014, however, El Salvador notified the WTO that it had decided, as of that date, to withdraw its reservation with respect to the People's Republic of China.[37] El Salvador does not exclude any other country from MFN treatment under the WTO rules.

2.25. In the framework of the Doha Round negotiations, El Salvador is a member of the following groups: Small, vulnerable economies – Agriculture, Small, vulnerable economies – Non-Agricultural Market Access (NAMA), Small, vulnerable economies – Rules (fisheries subsidies), G-33 and Joint proposal (intellectual property – geographical indications).

2.26. At the 2011 Ministerial Conference held in Geneva, El Salvador underlined the importance of the dispute settlement mechanism with a view to its better utilization by developing countries. El Salvador expressed its support for the work of the Committee on Trade and Development in monitoring implementation of the provisions on special and differential treatment, as well as its support for the Aid for Trade initiative.[38] At the 2013 Ministerial Conference in Bali, El Salvador reaffirmed its commitment to the multilateral trading system and expressed its interest in the consolidation of the progress made in the negotiations on agriculture, trade facilitation and development. It expressed satisfaction at the results obtained through the monitoring mechanisms used by the Organization to stem protectionist measures.[39] At the 2015 Ministerial Conference in Nairobi (Kenya), El Salvador highlighted the importance of strengthening the rules-based multilateral trading system, both in negotiations and in routine activities. El Salvador further underscored the significance of trade as a tool for realizing the sustainable development of peoples, and reaffirmed the importance of continuing to promote the interests of small, vulnerable economies in the WTO framework, among other things, by maintaining the Work Programme for Small Economies. Lastly, El Salvador reiterated the need to recognize the special circumstances confronting these Members, which should translate into special and differential treatment that allows them to be better integrated in world trade.[40]

2.27. During the review period, El Salvador became a party in a WTO dispute for the first time, as complainant in the dispute *Dominican Republic - Safeguard Measures on Imports of Polypropylene Bags and Tubular Fabric* (DS418). In this dispute El Salvador contended that the provisional and definitive safeguard measures imposed by the Dominican Republic on imports of polypropylene bags and tubular fabric from El Salvador, as well as the investigation that led to these measures, were inconsistent with several provisions of the Agreement on Safeguards and Article XIX of the GATT 1994. El Salvador requested consultations and the establishment of a panel on 19 October and 20 December 2010, respectively. As Costa Rica, Guatemala and Honduras had each separately requested a panel on the same issue, the Dispute Settlement Body (DSB) established a single panel on 7 February 2011. The panel report was circulated on 31 January 2012 and, not having been appealed, was adopted by the DSB on 23 March 2012.[41]

2.28. El Salvador has participated as a third party in seven dispute settlement cases.

2.3.2 Regional and preferential agreements

2.3.2.1 Regional trade agreements

2.29. El Salvador participates in the Central American economic integration process through the Central American Common Market (CACM). In addition, it has signed regional trade agreements (RTA) with various trading partners either individually or jointly with other countries in the region. Table 2.1 lists the RTAs that have been notified to the WTO by El Salvador while Chart 2.1 outlines the regional trade agreements in which El Salvador currently participates.

[37] WTO document WT/L/926 of 2 July 2014.
[38] WTO document WT/MIN(11)/ST/111 of 16 December 2011.
[39] WTO document WT/MIN(13)/ST/109 of 10 February 2014.
[40] WTO document WT/MIN(15)/ST/53 of 18 December 2015.
[41] Information regarding dispute DS418 viewed on the WTO website, at: https://www.wto.org/english/tratop_e/dispu_e/cases_e/ds418_e.htm.

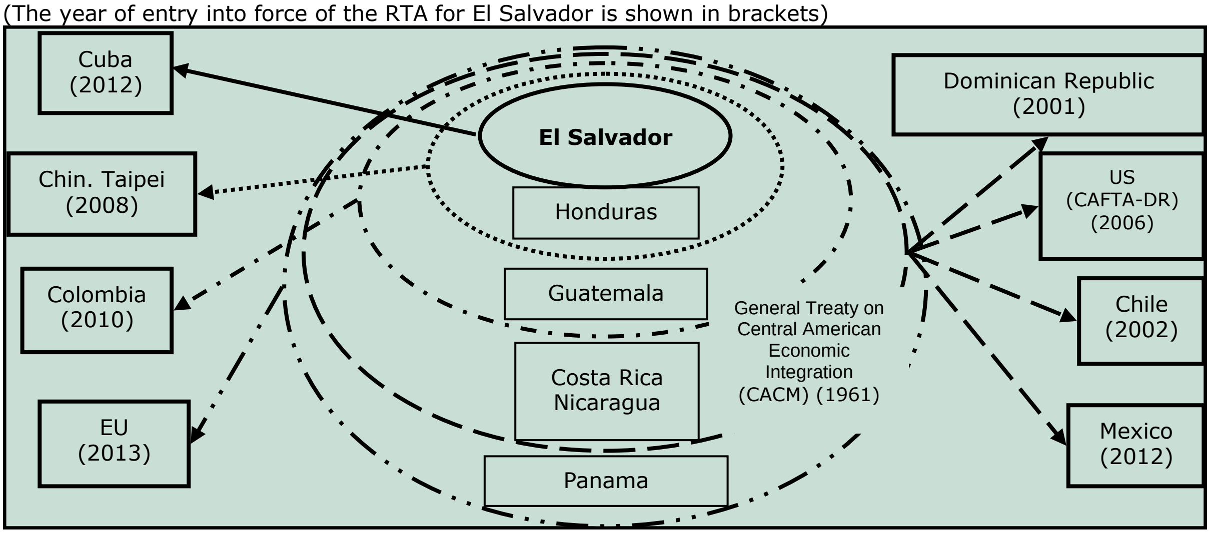
Table 2.1 Regional trade agreements to which El Salvador is party (as at December 2015)

Title of the agreement	Date of signature	Date of entry into force for El Salvador	Coverage	Notification to the GATT/WTO
Agreement establishing an Association between the European Union and its member States, on the one hand, and Central America on the other	29.6.2012	1.10.2013	Goods and services	WT/REG332/N/1
Free Trade Agreement between the United Mexican States and the Republics of Costa Rica, El Salvador, Guatemala, Honduras and Nicaragua	22.11.2011	1.9.2012	Goods and services	WT/REG349/N/1/Rev.1
Partial Scope Agreement between El Salvador and Cuba	19.9.2011	1.8.2012	Goods	WT/COMTD/N/43 (agreement concluded under the Enabling Clause)
Free Trade Agreement between the Republic of Colombia and the Republics of El Salvador, Guatemala and Honduras	9.8.2007	1.2.2010	Goods and services	WT/REG316/N/1
Free Trade Agreement between El Salvador, Honduras and the Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu	7.5.2007	1.3.2008	Goods and services	WT/REG283/N/1
Dominican Republic - Central America - United States Free Trade Agreement (CAFTA-DR)	5.8.2004	1.3.2006	Goods and services	WT/REG211/N/1
Free Trade Agreement between Central America and Panama	6.3.2002	11.4.2003	Goods and services	WT/REG196/N/1
Free Trade Agreement between Chile and Central America	18.10.1999	1.6.2002	Goods and services	WT/REG165/N/1 and Corr.1
Free Trade Agreement between Central America and the Dominican Republic	16.04.1998	4.10.2001	Goods and services	WT/REG305/N/1
CACM	13.12.1960	4.6.1961	Goods	L/1425 (GATT document)

Source: WTO Secretariat.

Chart 2.1 El Salvador's participation in RTAs as at December 2015

(The year of entry into force of the RTA for El Salvador is shown in brackets)



Source: WTO Secretariat.

2.30. According to information from the Central Reserve Bank, El Salvador's 2015 trade flows with trading partners with which it has concluded RTAs accounted for 94.4% of its total exports and 77.3% of its total imports. Besides, El Salvador is also negotiating preferential trade agreements with Belize, the Plurinational State of Bolivia, Canada, Ecuador, Peru, the Republic of Korea and Trinidad and Tobago.

2.31. Significant headway was made in the CACM framework during the period under review, in particular as pertains to the incorporation of Panama. The RTAs negotiated by El Salvador with the European Union (EU), Colombia, Cuba and Mexico also entered into force. The following paragraphs briefly describe the progress made in trade liberalization. Table 2.2 contains some figures on tariff reductions accorded by El Salvador under these RTAs.

Table 2.2 Tariff reduction programmes adopted by El Salvador in the period from January 2010 to November 2015

	Colombia	Mexico	Panama	EU
End of the phasing-out period	2029	2021	2013	2027
	(% of tariff lines)			
Zero-rated tariff lines	47.1	47.6	47.1	47
Immediate access	6.5	N/A	N/A	0.9
Less than 10 years	9.7	N/A	1.3	7.5
10 years	8.4	N/A	N/A	36.3
More than 10 years	3.6	0.7	1.2	4.1
Lines with preferential tariff higher than zero	N/A	N/A	N/A	N/A
Lines excluded from preferential treatment	24.7	3.4	16.52	3.9
Preferential quotas	N/A	N/A	0.08	0.3

N/A Not applicable.

Source: WTO Secretariat. Texts of the respective agreements.

2.3.2.2 Central American economic integration and trade relations with Panama

2.32. The Central American integration process began in the 1960s with the signing of the General Treaty on Central American Economic Integration (TGIEC) creating the Central American Common Market (CACM) between Costa Rica, El Salvador, Guatemala, Honduras and Nicaragua. This led to the adoption of a common tariff and the commitment to set up a customs union. In the CACM framework, all products originating in the parties are traded duty-free, except for unroasted coffee and cane sugar. There are also bilateral restrictions that include ethyl alcohol in the case of El Salvador, distilled alcoholic beverages and some petroleum products in trade with Honduras, and roasted coffee and ethyl alcohol in the case of Costa Rica.[42]

2.33. Under the TGIEC, the CACM members and Panama signed the Guatemala Protocol in 1993, undertaking to deepen the free trade zone with a view to the subsequent creation of a customs union. The CACM member countries ratified the Protocol between 1995 and 1997, though Panama only did so in 2013 when the country presented its instrument of ratification and, in addition to acceding to the TGIEC, immediately adopted a number of legal instruments, prominent among which were the Central American Uniform Customs Code and the Framework Agreement for the Establishment of the Central American Customs Union[43], which enabled Panama to move forward with the regional integration process. Panama's ratification of the Guatemala Protocol repealed the free trade agreement and bilateral protocols that had hitherto regulated trade between Central America and Panama.[44] This notwithstanding, the provisions of the free trade agreement and bilateral protocols are still being provisionally applied in fields such as cross-border trade in services and investment, which are still not regulated by the legal instruments currently governing regional integration.[45] Once the Guatemala Protocol becomes binding on Panama, and with the exceptions stipulated in the Protocol of Incorporation, the country will accord duty-free treatment for trade in goods originating in the member countries of the Central American Economic

[42] Annex A of the General Treaty on Central American Economic Integration (TGIEC) contained in Resolution No. 06-2010 of 3 September 2010 of the Executive Committee for Economic Integration.

[43] Protocol Incorporating the Republic of Panama into the Economic Integration Subsystem of the Central American Integration System, dated 29 June 2012. Under this Protocol Panama further undertook to adopt the legal instruments listed in Annex 3.3 to the Protocol, by 1 January 2017 at the latest. The text of the Protocol may be viewed at: http://www.sice.oas.org/Trade/sica/PDF/AdhesionPAN_s.pdf.

[44] While the basic text of the agreement was signed jointly by the countries of Central America in 2002, the tariff reduction programmes were implemented through bilateral protocols. The bilateral protocol between El Salvador and Panama was signed on 6 March 2002. The Free Trade Agreement between the two countries took effect on 11 April 2003.

[45] Article 11 of the Protocol Incorporating the Republic of Panama into the Economic Integration Subsystem of the Central American Integration System.

Integration Subsystem.[46] The Free Trade Agreement between El Salvador and Panama continues in force for those matters that are not regulated under the legal instruments of the CACM.

2.34. To deepen and update the provisions on intra-regional trade in services, the CACM members signed a second Protocol to the Treaty on Investment and Trade in Services on 27 July 2011, incorporating provisions on electronic commerce. The Protocol is currently in the process of ratification by the five countries.[47]

2.35. The Framework Agreement for the Establishment of the Central American Customs Union was signed by the CACM members in 2007 and took effect in 2011. In addition, El Salvador and Guatemala had signed a Framework Agreement for the Establishment of a Customs Union on 13 January 2000 and have reaffirmed their determination to attain that objective.[48] On 26 June 2015, the 65th Ordinary Meeting of Heads of State and Government of Member Countries of the Central American Integration System (SICA) adopted the Roadmap for Progress Towards the Customs Union 2015-2024, which lays out the actions to be taken for the period 2015-2024 in order to forge ahead with the three phases of the customs union process as set out in the Framework Agreement (free movement of goods and trade facilitation, regulatory modernization and convergence, and institutional development). Moreover, on 22 October 2015 the Council of Ministers for Economic Integration approved the Central American Strategy for Trade Facilitation and Competitiveness with Emphasis on Coordinated Border Management, which is based on World Customs Organization guidelines regarding coordinated border management. The strategy was adopted in order to cut the logistical costs of trade in the region, thereby promoting the best use of Central American market opportunities. It comprises eight focal points, including: integrated procedures and control, adoption of international standards and comprehensive risk management.

2.3.2.3 Association Agreement between Central America and the European Union

2.36. The Agreement Establishing an Association between the European Union and its member States, on the one hand, and Central America on the other was signed on 29 June 2012. The Central American countries party to this Agreement are El Salvador, Costa Rica, Guatemala, Honduras, Nicaragua and Panama.[49] It is a free trade and economic integration agreement that covers goods and services. The Agreement furthermore addresses other areas such as intellectual property, the protection of competition, government procurement, technical barriers to trade and trade defence.[50] Because some parties have not yet ratified the Agreement, it had still not entered into force at end-2015, though all the parties have been provisionally implementing Chapter IV (trade pillar) of the Agreement since 2013. El Salvador began this provisional implementation on 1 October 2013. The Association Agreement between the European Union and Central America is the first association agreement between regions and is based on three complementary pillars: political dialogue, cooperation and a trade agreement.[51]

2.37. The Agreement provides for moving from the GSP+ scheme, under which temporary trade benefits are accorded, to a permanent one. As pertains to the liberalization of trade in goods, the Agreement lays down different tariff reduction categories and the tariff treatment to be accorded to each contracting party's products. The various categories reflect each country's sensitivities, as well as asymmetrical treatment in favour of Central America. The tariff elimination contemplated for the different categories must be completed within 15 years as from the entry in force of the Agreement.[52]

2.38. Under the Agreement, the EU has undertaken to grant immediate duty-free access for 91.04% of tariff lines. Tariffs will be eliminated on another 0.97% of tariff lines in less than five years and on 3.29% of lines within five to ten years. Some 1.01% of EU tariff lines will be subject to quotas and a mere 3.69% of lines will be excluded from the tariff reduction process. As

[46] Ibid., Article 4.
[47] SIECA (2014).
[48] Online information viewed at: http://servicios.minec.gob.sv/default.asp?id=125&mnu=125.
[49] El Salvador notified this RTA on 27 February 2013 in document WT/REG332/N/1. The text of the agreement may be viewed at: http://trade.ec.europa.eu/doclib/press/index.cfm?id=689.
[50] Government of El Salvador (2013), *Ofreciendo Oportunidades para el Desarrollo: documento explicativo del Acuerdo de Asociación entre Centroamérica y la Unión Europea*. Viewed at: http://eeas.europa.eu/delegations/el_salvador/documents/related_links/acuerdo-ada-para-web_es.pdf.
[51] WTO document WT/REG332/N/1 of 27 February 2013.
[52] Government of El Salvador (2013).

regards concessions granted by the Central American countries on the other hand, immediate duty-free access will be accorded for 47.93% of tariff lines. A further 7.41% of lines will be liberalized in less than ten years, 36.34% of lines in ten years and 4.21% will be liberalized within a period of more than ten years. Some 0.27% of the Salvadoran tariff lines will be subject to quotas and just 3.84% of lines excluded from tariff reduction. Originating goods produced in free zones are covered by the preferences.

2.3.2.4 Free Trade Agreement between Central America and Mexico

2.39. The Free Trade Agreement between the United Mexican States and the Republics of Costa Rica, El Salvador, Guatemala, Honduras and Nicaragua was signed on 22 November 2011.[53] It is a free trade and economic integration agreement that covers goods and services. For trade between El Salvador and Mexico, it became effective on 1 September 2012.[54] El Salvador has notified the WTO[55] that this Agreement replaces the Free Trade Agreement between Mexico and El Salvador, notified in 2006.[56]

2.40. Pursuant to the Agreement between El Salvador and Mexico, tariff reduction for bilateral trade will continue until the tenth year as from the year of its entry into force, in other words, until 2021. Before the entry into force of the Agreement, 58.7% of Mexico's tariff lines were already duty-free. Upon its entry into force, another 39.6% of tariff lines was liberalized in trade with El Salvador, and a further 0.2% of tariff lines is expected to be liberalized by 2021. Only 1.9% of Mexican tariff lines will be subject to duty at the end of the implementation period. Prior to the entry into force of the Agreement, 58.3% of El Salvador's tariff lines were already duty-free for imports from Mexico. The entry into force of the Agreement meant the liberalization of another 39.6% of tariff lines in trade with Mexico, and of an additional 0.2% of tariff lines by 2021. At the end of the implementation period, just 1.9% of Salvadoran tariff lines will remain subject to customs duty in trade with Mexico.[57] Originating goods produced in free zones are covered by the preferences.

2.3.2.5 Partial Scope Agreement between El Salvador and Cuba

2.41. The Partial Scope Agreement between El Salvador and Cuba was signed on 19 September 2011 and took effect on 1 August 2012.[58] It is a bilateral agreement covering trade in goods and was concluded under the Enabling Clause.[59] Under this Agreement, El Salvador accords tariff preferences on 716 tariff lines, of which 69.7% is duty-free, while the rest are subject to a tariff in the form of percentage discounts relative to MFN rates.

2.42. The principal purpose of this Partial Scope Agreement is to strengthen trade relations between the parties through reciprocal tariff preferences and the elimination of non-tariff restrictions. In essence, the tariff preferences applicable to goods listed in Annexes 1 and 2 of the Agreement are calculated on the basis of a discount relative to the MFN tariff applied by the parties. Originating goods produced in free zones are covered by the preferences. The Agreement also contains provisions on, *inter alia*, trade cooperation, trade defence measures, technical barriers to trade and sanitary and phytosanitary measures. The Agreement is open to accession by

[53] El Salvador notified this RTA on 28 January 2014 in WTO document WT/REG349/N/1/Rev.1 of 28 January 2014. The factual presentation prepared by the WTO Secretariat regarding this agreement is contained in WTO document WT/REG349/1 of 7 September 2015. The text of the agreement may be viewed at: http://www.minec.gob.sv/index.php?option=com_phocadownload&view=category&id=75:tlc_mexico_ca&Itemid=63.

[54] Online information from the WTO Regional Trade Agreements Information System (RTA-IS). Viewed at: https://www.wto.org/english/tratop_e/region_e/rta_participation_map_e.htm.

[55] WTO document WT/REG/GEN/N/7 of 29 January 2014.

[56] WTO document WT/REG212/N/1 of 30 May 2006.

[57] WTO document WT/REG349/1 of 7 September 2015.

[58] El Salvador notified this Partial Scope Agreement under paragraph 4(a) of the Enabling Clause on 29 January 2013 in WTO document WT/COMTD/N/43. The text of the agreement may be viewed at: https://www.centrex.gob.sv/scx_html/TLC%20AAP%20ES-CUBA.html.

[59] Online information from the WTO Regional Trade Agreements Information System (RTA-IS). Viewed at: https://www.wto.org/english/tratop_e/region_e/rta_participation_map_e.htm.

other members of the Latin American Integration Association (LAIA) and the Central American Integration System (SICA).[60]

2.3.2.6 Free Trade Agreement between the Northern Triangle and Colombia

2.43. The Free Trade Agreement between the Republic of Colombia and the Republics of El Salvador, Guatemala and Honduras was signed on 9 August 2007 and became effective for El Salvador on 1 February 2010.[61] It is a plurilateral free trade and economic integration agreement that covers trade in goods and services.

2.44. Each party to this RTA has undertaken to accord the national treatment prescribed in Article III of the GATT 1994 to merchandise from the others, with the exceptions foreseen in Annex 3.3 of the Agreement. The tariff elimination schedules and tariff reduction categories are set out in Annex 3.4 of the Agreement. The implementation of the liberalization programme must be completed by 2025 in the case of Colombia, and in the cases of El Salvador, Guatemala and Honduras (the "Northern Triangle"), was to be completed by 2009. El Salvador has excluded 1,839 tariff lines from the liberalization process, while Colombia has excluded 1,601 tariff lines in its trade with El Salvador. Colombia had committed to a tariff elimination programme *vis-à-vis* El Salvador under which tariffs would be reduced for 70% of lines according to the following schedule: 60% in 2010, 0.1% in 2012, 8.9% in 2014 and 0.3% of lines in 2015. Originating goods produced in free zones are covered by the preferences. In terms of concessions accorded to Colombia by El Salvador, 47% of its lines had been subject to MFN duty-free treatment prior to the effective date of the Agreement. Upon entry into force of the RTA, El Salvador liberalized roughly 7% of its tariff lines, and will liberalize a further 3.7% of lines by 2024.[62]

2.3.3 Other trade agreements and arrangements

2.45. El Salvador is a member of the Association of Caribbean States (ACS) and therefore participates in the ACS process of strengthening regional cooperation and integration. The basic objectives of the ACS are to create an expanded economic area, preserve the environmental integrity of the Caribbean Sea and promote the sustainable development of the region. In the pursuit of these goals, the ACS focuses its work on areas such as trade, transport, sustainable tourism and disaster risk reduction.[63] Since 2009, El Salvador has identified rapprochement and strengthening of bilateral ties with the Caribbean countries as a foreign policy goal. At the 5th ACS Summit held in April 2013, El Salvador expressed its support for the aim of revitalizing the Association's vision and encouraging Member States to reaffirm their interest in keeping it alive. El Salvador participated in the 5th and 6th Summits of Heads of State and/or Government of the Association of Caribbean States held in April 2013 and April 2014, respectively, and has moreover played an active part in the Ordinary Meetings of the ACS Ministerial Council.

2.46. Under the Generalized System of Preferences, El Salvador was benefiting, as at November 2015, from preferential trade arrangements concluded with the following trading partners (the year of entry into force of the preferences is given in brackets): Australia (1974); Canada (1974); the EU (1971); Japan (1971); New Zealand (1972); Norway (1971); Russian Federation, Kazakhstan and Belarus (2010); Switzerland (1972); and Turkey (2002).[64]

2.4 Investment regime

2.47. The review period witnessed significant reforms to the institutional and the legal framework for foreign investment. The Law establishing the Export and Investment Promotion Agency of El Salvador (PROESA) was enacted on 9 April 2014.[65] PROESA is an entity attached to the Office of

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[60] Articles 1, 2, 7 and 32 of the Partial Scope Agreement between El Salvador and Cuba.

[61] El Salvador notified this RTA on 3 September 2012 in WTO document WT/REG316/N/1. The factual presentation prepared by the WTO Secretariat regarding this agreement is contained in WTO document WT/REG316/1 of 3 March 2014. The text of the agreement may be viewed at: http://www.minec.gob.sv/index.php?option=com_phocadownload&view=category&id=16:tlc-entre-colombia-guatemala-honduras-y-el-salvador&Itemid=142.

[62] WTO document WT/REG316/1 of 3 March 2014.

[63] Online information from the ACS. Viewed at: http://www.acs-aec.org/index.php?q=about-the-acs.

[64] WTO Database on Preferential Trade Arrangements. Viewed at: http://ptadb.wto.org/default.aspx.

[65] The Law establishing the Export and Investment Promotion Agency of El Salvador (Law establishing PROESA) was adopted through Legislative Decree No. 663 of 9 April 2014.

the President of the Republic enjoying administrative and budgetary autonomy and tasked mainly with promoting and attracting domestic and foreign private investment, promoting goods and services exports, assessing and monitoring the business environment and formulating proposals for improving investment and export policies.[66] This new entity replaces the former Export and Investment Promotion Agency of El Salvador (whose acronym was also PROESA), created in May 2012 by Decree No. 59 of the Office of the President of the Republic. The legal reform of PROESA was designed to invest the agency with greater powers and increase its autonomy. PROESA is located in the city of San Salvador, but may also set up offices anywhere in El Salvador and abroad, and may also appoint delegates in the country's embassies and consulates, subject to agreement with the Ministry of Foreign Affairs.

2.48. PROESA's highest governing body is its Governing Board, which is made up as follows: one member appointed by the President of the Republic for a five-year term – as President of PROESA, the Technical Secretary in the Office of the President, the Minister of Finance, the Minister of the Economy, the Minister of Public Works, Transport, Housing and Urban Development, two representatives appointed by the President of the Republic from a list of candidates put forward by private-sector professional associations concerned with investment and exports, and one representative of academia appointed by the President of the Republic on the proposal of the accredited universities.

2.49. During the review period, an amendment to the Investment Law was adopted[67] in replacement of the provision on the settlement of disputes between private Salvadoran or foreign investors and the State regarding investments made in El Salvador. The new provision allows parties to turn to the competent courts, pursuant to the legislation in force and the relevant legal procedures, in order to settle such disputes. The other provisions of the Investment Law enacted on 14 October 1999 continue in force and were not amended during the review period.[68] The Investment Law aims to encourage private investment in general and foreign investment in particular. Under this Law, foreign investors have the same rights and obligations as Salvadoran investors and may not be made subject to unfair or discriminatory measures.[69] Foreign investment must be registered with the National Investment Office (ONI), a division of the Ministry of the Economy responsible for facilitating, centralizing and coordinating procedures relating to domestic and foreign private investment and enabling investors to complete all the relevant formalities via a single window. ONI activities are managed by the ONI Sub-Directorate, one of the two sub-directorates making up the Ministry of the Economy's Trade and Investment Directorate (DCI).[70] Foreign investors are entitled to transfer the entirety of their investment funds abroad. Tables 2.3 and 2.4 set out the provisions of the Investment Law pertaining to the types of investment covered and the investment activities that are subject to restrictions.

Table 2.3 Types of investment covered by the Investment Law

Types of investment covered
Domestic or foreign capital contributions for creating enterprises or purchasing existing enterprises;
Domestic or foreign capital contributions for the acquisition of ownership rights or other real rights over immovable property
Domestic or foreign capital contributions for the acquisition of ownership rights over movable tangible property, in particular industrial plants, machinery, spare parts and accessories, raw materials and intermediate products, provided that such goods are used by commercial enterprises;
Subscription or purchase of equity in Salvadoran commercial enterprises;
Capital contributions from profits made on the original investment;
Freely convertible foreign currency loans, intended for productive activities;
Funds intended for the purchase of bonds issued by legal persons domiciled in the country;
Intangible goods accepted internationally: intellectual property rights, provision of services, equipment lease contracts, provision of technical services and provision of administrative know-how; and
Resources intended for participation agreements or joint investments in the form of contractual risk-sharing arrangements

Source: Article 3 of the Investment Law of El Salvador.

[66] Articles 1 and 3 of the Law establishing PROESA.

[67] Amendment to the Investment Law, adopted through Decree No. 423 of 11 July 2013. The text of this legislative instrument may be viewed at: http://www.asamblea.gob.sv/eparlamento/indice-legislativo/buscador-de-documentos-legislativos/reformase-el-art.15-de-la-ley-de-inversiones/archivo_documento_legislativo.

[68] The Investment Law was adopted through Decree No. 732 of 14 October 1999.

[69] Article 5 of the Investment Law.

[70] Online information from the DCI. Viewed at: http://web.minec.gob.sv/oni.

Table 2.4 Investment activities subject to restrictions

Investment restrictions
Only Salvadorans by birth and nationals of other Central American countries may engage in small-scale trade, industry and provision of services, especially with regard to coastal fishing;
The subsoil belongs to the State, which may grant concessions for its exploitation;
Rural real estate may not be acquired by foreigners in whose countries Salvadorans do not enjoy the same rights, except in the case of land to be used for industrial plants;
The maximum area of rural land belonging to the same natural person or legal person may not exceed 245 hectares;
The State is empowered to regulate and supervise public services provided by private companies; and
A government concession is required for the operation of docks, railways, canals and other facilities for public use;
Investments in shares in banks, financial enterprises and foreign currency exchange offices are subject to the limitations prescribed in the laws governing such institutions.

Source: Article 7 of the Investment Law of El Salvador.

2.50. The Law on legal stability for investments was enacted on 12 January 2015.[71] It is designed to attract and promote domestic and foreign investment through a legal framework that assures investors of legal certainty. Those eligible under this Law include domestic or foreign natural or legal persons launching new investment projects or expanding existing ones in the sectors of aeronautics, agro-industry, aquaculture, electronics, energy, strategic infrastructure, logistics, health services, online business services, tourism, telecommunications, various lines of manufacturing, science and technology.[72] The main instrument provided by the Law to guarantee legal stability for investments is the legal stability contract, in virtue of which investors enjoy tax stability at the national and municipal levels[73], stability in terms of the tax waivers available under special laws, stability of customs procedures, stability regarding the transfer abroad of funds from foreign investments and stability regarding the migration regime in favour of investors.[74] To launch the procedure for concluding a legal stability contract, the investor must submit to PROESA an application containing, among other things, the particulars of the investor, whether a natural or legal person, a description of the planned activity – including, *inter alia,* information on the amount of the investment, the number and type of jobs to be created, the technology transfer that will take place and the reasons that warrant stability for the investment – an indication of the legal regime under which stability is being sought (tax, customs or other) and the origin of the resources that will be invested. Once the application is accepted, PROESA forwards it to the Ministry of the Economy, which draws up the legal stability contract to be concluded in the form of a public document and the term of which will depend on the amount being invested, in accordance with Table 2.5.

Table 2.5 Term of legal stability contracts

Investment amount (current minimum wages)	Maximum term of the contract	Applicable conditions
4,220 to 21,100	5 years	The investment must be made in full during the first two years.
21,101 to 42,200	10 years	The investment must be made in full during the first five years.
More than 42,200	20 years	The investment must be made in full during the first ten years.

Source: Article 14 of the Law on legal stability for investments.

2.51. The Special Law on public-private partnerships[75] was enacted on 23 May 2013 with the aim of promoting cooperation between the public and private sectors in effectively and efficiently providing infrastructure and public and general-interest services. The parties that may participate in public-private partnerships (PPP) include the Executive Branch and its departments, autonomous institutions and local authorities. PPP projects must be worth more than

[71] The Law on legal stability for investments was adopted through Decree No. 905 of the Legislative Assembly.
[72] Article 2 of the Law on legal stability for investments.
[73] The tax stability contemplated in this Law does not cover indirect taxes.
[74] Article 6 of the Law on legal stability for investments.
[75] The Special Law on public-private partnerships was adopted by Decree No. 379 of the Legislative Assembly on 23 May 2013.

45,000 monthly minimum wages.[76] The Law provides for three types of PPP contract: (1) partnerships for the provision of public services through a public works concession; (2) partnerships for the provision of public services through a public service concession; (3) partnerships that entail the operation or execution of a general-interest activity. Being economic in nature, PPP contracts may be self-sustaining, when the tariffs charged for providing the service involved can cover the cost of the project, and may be co-funded when the State must finance part of the project to ensure that it is economically sustainable.

2.52. The Special Law on public-private partnerships provides for the establishment of the Public-Private Partnership Directorate (DAPP), which is an autonomous body responsible for administering the Law. The DAPP is run by a Governing Board composed of the Ministers of the Economy, Finance, Public Works, Agriculture and Livestock and Tourism, as well as the Technical Secretary in the Office of the President, and one private-sector representative. The Law also provides for the creation of a Public-Private Partnership Supervisory Body (OFAPP) to oversee the technical aspects of these contracts. To conclude a public-private partnership contract, the contracting entity must organize a bidding procedure to select the appropriate private participant on the basis of award criteria. The successful bidder will be required to set up a Salvadoran public limited company in order to implement the project for which the bidding took place. The Law also allows for private initiative whereby a private participant may undertake to implement a specific project under this investment regime.[77] To meet firm and contingent financial commitments relating to the performance of PPP contracts, a Liquidity Fund has been set up in the Development Bank of El Salvador, which may be funded, *inter alia,* with an initial contribution by the State, special contributions by the State and autonomous bodies, contributions from multilateral agencies and international cooperation funds. The Regulations implementing the Special Law on public-private partnerships were issued by the Office of the President on 29 May 2015. As of November 2015, several projects were being evaluated under this Law.[78]

2.53. The updated legal framework applied by El Salvador to private investment also includes the Law on industrial and marketing free zones and the Law on international services. These legal instruments are discussed in detail in Section 3.2.4 of this report. Other important laws passed during the review period relating to entrepreneurial activity in general and private investment in particular are the Law on access to public information (LAIP), adopted by the Legislative Assembly on 8 May 2011 and designed to guarantee the right of access of everyone to public information in order to enhance transparency in the activities of State institutions, and the Law on secured transactions, enacted on 4 October 2013 with the aim of facilitating secured commercial transactions by automating and simplifying the registration procedure.[79]

2.54. Net FDI inflows to El Salvador in recent years have been lower than in most countries across the region. However, this decline in FDI has been affecting virtually all countries in the region. It is important to point out in this regard that because the major reforms to the legal framework governing foreign investment are relatively new, the volume of investment so far recorded may well not reflect its potentially positive effects. The Salvadoran authorities believe that there could be substantial FDI inflows over the coming years considering investment projects that have already been announced, chiefly in electricity generation, manufacturing and the hotel industry. It is estimated that net annual FDI flows for the next three years could be about US$400 million.

2.55. El Salvador has signed a large number of reciprocal investment protection agreements with trading partners, though the number of agreements signed appears to have declined in recent years (Table A2.2). El Salvador is not currently negotiating any new reciprocal investment protection agreements.

[76] The monthly minimum wage varies according to economic sector and, in November 2015, ranged from US$98.70 and US$251.70.

[77] Title IV of the Special Law on public-private partnerships.

[78] Information regarding these projects may be viewed on the PROESA website, at: http://app.proesa.gob.sv/evaluacion.

[79] Online information from the Legislative Assembly. Viewed at: http://www.asamblea.gob.sv/eparlamento/indice-legislativo/buscador-de-documentos-legislativos/ley-de-garantias-mobiliarias.

2.56. El Salvador has been a member of the International Centre for Settlement of Investment Disputes (ICSID) since 5 April 1984.[80]

2.57. As pertains to the business environment in general, the World Bank's *Doing Business 2016* report shows that El Salvador has improved its position and now ranks 86th out of 189 countries. The report attributes this to factors such as the legislative reforms implemented by El Salvador to facilitate commercial activity and boost private investment. These reforms have given rise, among other things, to improved access to credit for entrepreneurial activities, a shortening of the time needed to set up new companies and the easing of the formalities bound up with commercial activities.[81]

2.58. One important legislative instrument recently adopted in El Salvador is the Law on digital signature, under which digital signatures have the same legal standing as handwritten signatures.[82] The Salvadoran authorities hope that this Law will have a positive impact in areas such as electronic commerce, electronic invoicing and what is known as "electronic government", through which El Salvador plans to make greater use of electronic media to provide better administrative services and ensure the transparency of formalities to be completed with the public sector.

2.59. On the taxation front, El Salvador has signed only one agreement for the avoidance of double taxation (with Spain)[83] and is not currently negotiating any new agreements of this kind. Foreign companies, whether or not domiciled in El Salvador, fall under the same tax regime as domestic companies. In particular, they are subject to a 25% corporate income tax rate on taxable income of up to US$150,000, or a 30% rate when their taxable income exceeds that figure. Dividends paid to non-domiciled enterprises are subject to a 5% withholding tax at source, levied on top of the tax payable on the profits of the enterprises concerned. This rate may be as high as 25% in the event that the beneficiary is resident in a tax haven or in a jurisdiction with a preferential tax regime.[84] El Salvador has signed the Multilateral Convention on Mutual Administrative Assistance in Tax Matters of the Organisation for Economic Co-operation and Development (OECD).

[80] Online information from ICSID. Viewed at: http://web.worldbank.org/WBSITE/EXTERNAL/BANCOMUNDIAL/QUIENESSOMOS/0,,contentMDK:20193455~menuPK:418789~pagePK:64057863~piPK:242674~theSitePK:263702,00.html.

[81] World Bank Group (2015).

[82] The Law on digital signature was published in Official Journal No. 196 of 26 October 2015.

[83] Convention between the Kingdom of Spain and the Republic of El Salvador for the avoidance of double taxation and the prevention of fiscal evasion with respect to taxes on income and on capital, of 5 June 2009.

[84] Deloitte (2015).

3 TRADE POLICIES AND PRACTICES BY MEASURE

3.1 Measures directly affecting imports

3.1.1 Customs procedures and requirements

3.1. El Salvador's customs-related regulatory framework has not undergone any significant changes since the previous review of the country's trade policy. It is governed by the Central American Uniform Customs Code (CAUCA IV) and its implementing Regulations (RECAUCA IV), as well as by domestic legislation, mainly the Organic Law of the Directorate-General of Customs of 2006[1], the Law streamlining customs procedures[2] and the Special Law on penalties for customs offences of 2001.[3] The Directorate-General of Customs (DGA) within the Ministry of Finance is responsible for applying customs regulations. In 2013, the DGA published the first version of the Single Customs Operations Handbook, which explains customs procedures in detail and is available on the Ministry of Finance's website.[4] El Salvador belongs to the World Customs Organization (WCO), but has not acceded to the revised Kyoto Convention.

3.2. Pursuant to the Law on the importers' register, any person or business seeking to import goods must be registered with the customs bureau or with the User Services Department in the Ministry of Finance.[5] In order to streamline customs procedures, the requirement to obtain an "importer's tax identification number" (NIT) was abolished as of 19 January 2015 and it is now possible to register using the ordinary NIT, the single identity document or a passport in the case of foreigners. The use of a customs agent or a special customs broker is optional, but they must have been previously authorized by the DGA.

3.3. Any import transaction must be covered by a goods declaration or by the Central American single customs form (FAUCA) in the case of goods of Central American origin, and must also be accompanied by original copies of the following documents as a minimum: commercial invoice; transport documents (bill of lading, air waybill or waybill for land transport); cargo manifest; licences, permits or other authorizations required for the goods to be imported; and a certificate of origin for goods entering under a preferential trade agreement.

3.4. For goods entering by sea, carriers have to forward the cargo manifest to the Customs electronically at least 48 hours before the means of transport arrives and for goods arriving by air, the time-limit is two hours beforehand. Advance electronic forwarding of the manifest is not required for land transport carriers, although for goods in transit the transit declaration has to be forwarded before the means of transport arrives at land customs posts.[6]

3.5. The goods declaration may be forwarded prior to arrival of the goods through Teledespacho, the DGA's computer system based on ASYCUDA++ (currently being migrated to ASYCUDA World). Import duties and the taxes applicable may be paid by bank transfer or over the counter at authorized banks, in offices authorized for this purpose or, since 2013, using P@GOES, the DGA's new electronic payment system.

3.6. Most of the services provided by the Customs come free of charge. Following the amendments to the Law streamlining customs procedures, a fee of US$18 was introduced for non-intrusive inspection services for each import or export of goods (except for international transit) as part of a comprehensive risk management system. This is intended to harmonize inspection procedures and help in detecting possible unlawful acts, thereby improving the security of foreign trade transactions. This fee came into force in January 2014.

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[1] Legislative Decree No. 903 of 12 January 2006 (last amended in October 2012).

[2] Legislative Decree No. 529 of 13 January 1999 (last amended in July 2012). The major amendments include the possibility of using non-intrusive customs inspection services; the creation of an electronic register of customs controls in El Salvador; and the introduction of a fee whenever goods enter or leave the country.

[3] Legislative Decree No. 551 of 29 October 2001 (last amended in April 2008). This Decree and other legislation such as decrees, regulations and decisions relating to the customs regime are available at: http://www.mh.gob.sv/portal/page/portal/PMH/LAIP/MarcoNormativo/AdministracionAduanera.

[4] Viewed at: http://www.mh.gob.sv/portal/page/portal/PMH/Temas/Operaciones_Aduaneras.

[5] The following are exempt from registration: persons or organizations belonging to the diplomatic or consular corps; emergency supplies; postal packages; travellers' luggage and household items; and small family consignments of a non-commercial nature.

[6] This does not apply to imports of goods in free movement coming from Honduras or Guatemala.

3.7. Any importer, exporter or producer may request the DGA for rulings or requirements prior to importing in relation to: the tariff classification of a good, determination of its origin in order to benefit from a tariff preference, and the customs valuation requirements or methods applicable.[7] Advance rulings are binding on individuals and on the DGA.[8]

3.8. Using a risk management analysis, the DGA determines whether the importer may immediately withdraw the good to be imported (green channel or automatic release) or whether the documents have to be inspected (yellow channel) or there has to be both physical inspection and inspection of the documents (red channel) (Table 3.1). The authorities have indicated that the rising number of cases subject to inspection of documents is attributable to more stringent risk management, which lessens the number of cases subject to physical inspection.

3.9. The criteria used by the DGA to determine the level of risk include the background of the importer and/or exporter, the tariff classification, the origin, the value or the quantity of the goods, whether they are subject to permits or restrictions, and any mistakes in the import documents. According to the authorities, the response time depending on the clearance procedure is: five minutes for the green channel; eight minutes for the yellow channel; and a maximum of 24 working hours for the red channel, provided that the goods are available for physical inspection.[9]

Table 3.1 Import declarations by type of clearance procedure, 2010-2015

(% of total)

Year	Inspection of documents	Physical inspection	Automatic release
2010	2.2	9.4	88.4
2011	1.2	9.2	88.6
2012	1.5	8.8	89.7
2013	1.8	8.6	89.6
2014	10.8	9.1	80.1
2015	17.8	7.2	75.0

Note: The information concerns definitive import procedures.

Source: Information provided by the Salvadoran authorities.

3.10. The DGA has the authority to carry out post-clearance controls. Importers must keep and make available to the DGA all the documents, books, accounts or any other information needed for subsequent controls for four years after clearance.[10] Unpaid taxes and fines amounting to over US$5.1 million were imposed as a result of post-clearance controls carried out in 2015 (Table 3.2).

Table 3.2 Post-clearance controls, 2010-2015

Year	Total no. of cases closed	Amounts determined (US$ '000)
2010	361	21,965.4
2011	628	14,234.7
2012	496	14,243.1
2013	668	21,977.3
2014	911	2,748.6
2015	968	5,172.7

Source: Information provided by the Salvadoran authorities.

3.11. Importers or their representatives may appeal to the Director-General of Customs for review of rulings or decisions by the DGA within ten working days following notification of the ruling contested. The Director-General must decide on the appeal within 15 days of receiving the administrative file. Appeals against rulings by the Director-General may be made to the Internal Revenue and Customs Duty Appeals Court in accordance with the procedures, time-limits and legal provisions governing action by the Court.[11] Rulings by the Court exhaust administrative channels. The authorities have indicated that between 2010 and 2015 the Court issued 333 rulings on

[7] A request for valuation does not have to be forwarded to the DGA prior to the import of used vehicles as their value can be determined on the basis of specialized reviews.

[8] Article 310 of RECAUCA IV.

[9] Online information from the Ministry of Finance. Viewed at: http://www.mh.gob.sv/portal/page/portal/PMH/Temas/Operaciones_Aduaneras/Proceso_Despacho.

[10] Articles 208, 209 and 223 of RECAUCA IV.

[11] Articles 47, 49 and 51 of the Special Law on penalties for customs offences and Article 623 of the RECAUCA.

customs matters, most of the cases concerning tariff classification or origin, and to a lesser extent customs valuation.

3.12. The single window for imports, which had been operating in the Ministry of Finance since 2007, has been transferred to the Import and Export Processing Centre (CIEX) at the Central Reserve Bank. The CIEX was created by the Legislative Decree of 20 January 2011 with the aim of centralizing, speeding up and simplifying procedures for the registration, authorization and issuance of documents by various government authorities involved in controlling imports and exports. As regards exports, El Salvador already has an integrated computer system, SICEX, which allows businesses to obtain the customs documents needed for their export transactions via a single online procedure (Section 3.2). For imports, work on the gradual implementation of a similar computerized system, the SIMP, is under way to enable importers to obtain online the prior authorizations and permits needed to import chemicals, proprietary drugs, cosmetics, hygiene products and medical inputs, as of October 2016. It is hoped to incorporate all the authorizations from the Ministry of Agriculture by December 2016. For 2017, it is planned to include permits for food products in the SIMP through electronic exchange of data with the Ministry of Health's computer system and with the ASYCUDA World system operating in the DGA.

3.13. During part of the period under review, El Salvador implemented the Customs Programme for Business Compliance (PACE), introduced in 2008 as the first step towards the introduction of the World Customs Organization's Authorized Economic Operator (AEO) scheme. The PACE was formally transferred to the AEO programme in 2013. The rules on implementation of the AEO programme are currently available to the export sector for consultation, although the programme itself has not yet come into effect.

3.14. El Salvador pursued its customs modernization efforts during the review period. In addition to the aforementioned projects, other measures adopted by the DGA or being implemented in order to facilitate trade and guarantee the logistics chain include: use of non-intrusive equipment at seven customs posts in the country[12]; the installation of video monitoring equipment; the introduction of a selection and administration module for risk management; and a new electronic payment system (P@GOES). In addition, a project has been initiated for migration to the computerized ASYCUDA World customs system, which will contain all information on customs operations (including digital certificates) on a single technological platform, allowing the system to be linked to those of other national and regional bodies involved in controlling foreign trade operations. The authorities have indicated that the migration is expected to be completed in August 2016.

3.15. As part of the Central American integration process, El Salvador has had "integrated customs posts" (juxtaposed) along its border with Guatemala since 2004. Under this scheme, users may complete the relevant formalities at the customs post where the goods are imported, without having to go also to the export customs post, which facilitates and shortens the time required for clearance. Moreover, El Salvador and Honduras are working on a road map to establish a single border post at El Amatillo, for which they have requested international assistance.

3.16. Progress has also been made on the electronic exchange of information among Central American customs authorities by means of the telematics interconnection system, which has a regional node administered by the Secretariat for Central American Economic Integration (SIECA) and which acts as administrator for customs in the region. This system is being used for the electronic exchange of FAUCAs, for implementing the Mesoamerican Procedure for Goods in International Transit (TIM) and operates on the basis of a regional database of carriers. Work is also under way on other aspects such as the preparation of a Central American single customs declaration, the Authorized Economic Operator scheme and a mechanism to prevent double payment of customs duty under the customs union.

3.17. In 2009, El Salvador and Guatemala signed the Protocol Amending the Framework Convention on the Establishment of a Customs Union between the two countries, which provides for a transitional regime that will conclude with the elimination of customs posts at borders between the two countries. The Protocol is being examined by El Salvador's Legislative Assembly;

[12] In December 2013, the company UDP COTECNA SMITHS was given a concession for the goods inspection service using non-intrusive equipment, following an invitation to bid.

nonetheless, both Governments have promoted bilateral initiatives in order to facilitate the movement of persons and goods and make procedures at the border more efficient, starting with the border post at La Hachadura, which is a vital crossroads for regional trade but faces congestion problems. In October 2015, El Salvador announced that it would join the efforts being made by Guatemala and Honduras to promote the Central American Customs Union, which would involve the establishment of posts for the free movement of goods among these countries.[13]

3.18. Despite the action mentioned, the passage of goods through some of El Salvador's major land customs posts still faces problems of congestion and delays, partly owing to the opening hours and the limited physical infrastructure at these posts. According to information from the World Bank, the time needed to import goods into El Salvador rose from ten days in 2009 to 13 days in 2015; of these 13 days, three are taken up by customs clearance. Over the same period, El Salvador fell from 57th to 73rd place (out of a total of 189 economies) as regards the ease and cost of completing import and export formalities.[14] On the other hand, an OECD report shows that most of El Salvador's trade facilitation indicators are the same or exceed average performance for Latin America. Its performance generally improved between 2012 and 2015, except as regards fees and charges for customs formalities, streamlining documents and procedures, and cooperation between internal and external border agencies.[15]

3.19. El Salvador has notified the WTO of its Category A commitments under the Trade Facilitation Agreement[16], which El Salvador's Legislative Assembly ratified on 4 February 2016. At the time of writing this report, El Salvador had not yet deposited its instrument of ratification with the WTO.

3.1.2 Customs valuation

3.20. El Salvador has not so far notified the WTO of its customs valuation legislation and has not responded to the checklist of issues on customs valuation (contained in document G/VAL/5 of 13 October 1995). El Salvador does not apply minimum values.

3.21. Since 2008, El Salvador's customs valuation regime has been based on CAUCA IV and its implementing Regulations (RECAUCA IV). The customs value of imported goods is usually the transaction value, including insurance and transport costs to the place of import and other c.i.f. charges. If no insurance policy has been taken out to cover transport of the goods, the Law streamlining customs procedures provides that 1.25% of the f.o.b. value should be applied when the goods come from the Central American region and 1.50% when they come from outside the region.

3.22. RECAUCA IV prescribes the criteria according to which the Customs excludes from the customs value the interest owing under a financing agreement relating to purchase of the imported goods. If there have been several sales prior to import, the customs value is determined on the basis of the latest transaction value prior to submission of the import declaration.[17] The customs value of data carrier media is determined on the basis of the cost of the carrier medium (not the data).

3.23. If it is found necessary to postpone the final determination of value when deciding on the customs value of the goods, the importer may request that the goods be cleared provided that it posts security sufficient to cover the amount of the tariffs and other taxes ultimately payable on the goods.[18]

3.24. In order to make it easier to determine the value, the DGA keeps a database with information on prices and publishes administrative regulations establishing reference values for goods imported in the form of parcels, small consignments and postal packages, used spare parts,

[13] CentralAmericaData, *Unión Aduanera en el Triángulo del Norte*, 22 October 2015. Viewed at: http://www.centralamericadata.com/es/article/main/Unin_aduanera_en_el_Tringulo_Norte?u=6770c7ac850ce5867c27589ab126d093&s=n&e=2&mid=%5BMESSAGEID_per_cent5D.

[14] Online information from the World Bank. Viewed at: http://www.doingbusiness.org/data/exploreeconomies/el-salvador.

[15] OECD (2015).

[16] WTO document WT/PCTF/N/SLV/1 of 29 July 2014.

[17] Articles 190 and 192 of RECAUCA IV.

[18] Article 202 of RECAUCA IV.

fruit and vegetables and in informal cross-border trade, which may be used if the importer has no commercial invoice and is unable to prove the price actually paid or payable. Moreover, pursuant to the Law streamlining customs procedures (Article 5), the DGA makes available to users a service for consulting the value of various goods, automobiles, new and used ships and aircraft, in order to establish the basis for calculating tariffs and other import taxes.[19]

3.1.3 Rules of origin

3.25. El Salvador has notified the WTO that it does not apply non-preferential rules of origin.[20]

3.26. Preferential rules of origin are applied in connection with El Salvador's participation in the Central American Common Market (CACM) and under preferential trade agreements it has signed; the rules of origin in these agreements have been notified to the WTO.[21]

3.27. Not only do the preferential trade agreements signed by El Salvador lay down general rules for determining origin, but they also provide for specific rules of origin. According to these, goods which have not been wholly obtained or produced in the territory of one of the signatory countries must meet certain substantial transformation criteria, usually based on the principle of a change in tariff classification. The preferential rules of origin sometimes prescribe regional content requirements, which are applied separately or in combination with the change in tariff classification criterion.

3.28. Under most agreements, the origin of a good is determined on the basis of a certificate of origin (using the appropriate form) submitted by the exporter or producer, without any need for subsequent authorization. Nevertheless in the preferential trade agreement with Chinese Taipei, the CIEX issues and authorizes the certificate of origin for Salvadoran exports and the competent authority in Chinese Taipei does the same for imported goods. Under the Partial Scope Agreement with Cuba, certificates of origin must also be issued and authorized by the competent authority.[22]

3.1.4 Tariffs

3.29. El Salvador applies the Central American Import Tariff (ACI), with a few exceptions. Any amendments to the Tariff have to be agreed by the Council of Ministers for Economic Integration, composed of the Ministers of the Economy of the CACM member countries. This is the only body empowered to change the rates in the ACI, which is based on the Harmonized Commodity Description and Coding System (HS) and currently follows the fifth Recommendation on amendment of the HS (HS 2012).

3.30. There are four basic rates in the ACI: 0% on raw materials and intermediate and capital goods not produced in the CACM; 5% on raw materials produced in the CACM; 10% on intermediate and capital goods produced in the CACM; and 15% on finished goods.[23] CACM member countries may apply different rates, but these must be approved by the Council of Ministers. It is estimated that the rates applicable to 93.3% of the ACI tariff lines have been harmonized among CACM member countries.

3.31. As a minimum, El Salvador gives MFN tariff treatment to both WTO Members and non-Members.

[19] The form for consulting the value (DVA-GT-008) is available on the Ministry of Finance's website at: http://www.mh.gob.sv/portal/page/portal/PMH/Temas/Operaciones_Aduaneras/Proceso_Despacho/Requisitos/Otros.

[20] WTO document G/RO/N/10 of 16 August 1996.

[21] WTO documents G/RO/N/11 of 10 September 1996, G/RO/N/43 of 15 March 2004, G/RO/N/93 of 9 April 2013 and G/RO/N/114 of 2 April 2014.

[22] The format for certificates of origin under El Salvador's various trade agreements can be found on the Ministry of the Economy's website at: http://www.minec.gob.sv/index.php?option=com_phocadownload&view=category&id=25:certificados-de-origen&Itemid=63.

[23] The ACI tariff rates are contained in Resolution No. 26-96 (COMRIEDRE IV) of 22 May 1996.

3.1.4.1 Structure and levels

3.32. In 2015, El Salvador's applied tariff comprised 6,978 eight-digit lines, 414 more than in 2010 (Table 3.3). El Salvador has no seasonal or variable tariffs. All the 11 rates applied, which range from 0% to 164%, are *ad valorem*. Some 47.8% of the lines carry a 0% tariff, while 20.7% have a rate of 15% and 15.5% a rate of 10% (Chart 3.1).

Table 3.3 MFN tariff structure, 2010 and 2015

(%)

		2010 (HS07)	2015 (HS12)
1.	Total number of tariff lines	6,564	6,978
2.	Non-*ad valorem* tariffs (% of all tariff lines)	0.0	0.0
3.	Non-*ad valorem* tariffs with no AVEs (% of all tariff lines)	0.0	0.0
4.	Tariff quotas (% of all tariff lines)	0.0	0.3
5.	Duty-free tariff lines (% of all tariff lines)	47.2	47.8
6.	Average of lines exceeding zero (%)	11.9	12.0
7.	Arithmetic average	6.3	6.3
8.	Agricultural products (WTO definition)	12.9	12.5
9.	Non-agricultural products (including petroleum, WTO definition)	5.2	5.2
10.	National tariff "peaks" (% of all tariff lines)	2.8	2.7
11.	International tariff "peaks" (% of all tariff lines)	2.8	2.7
12.	Bound tariff lines (% of all tariff lines)	100.0	100.0

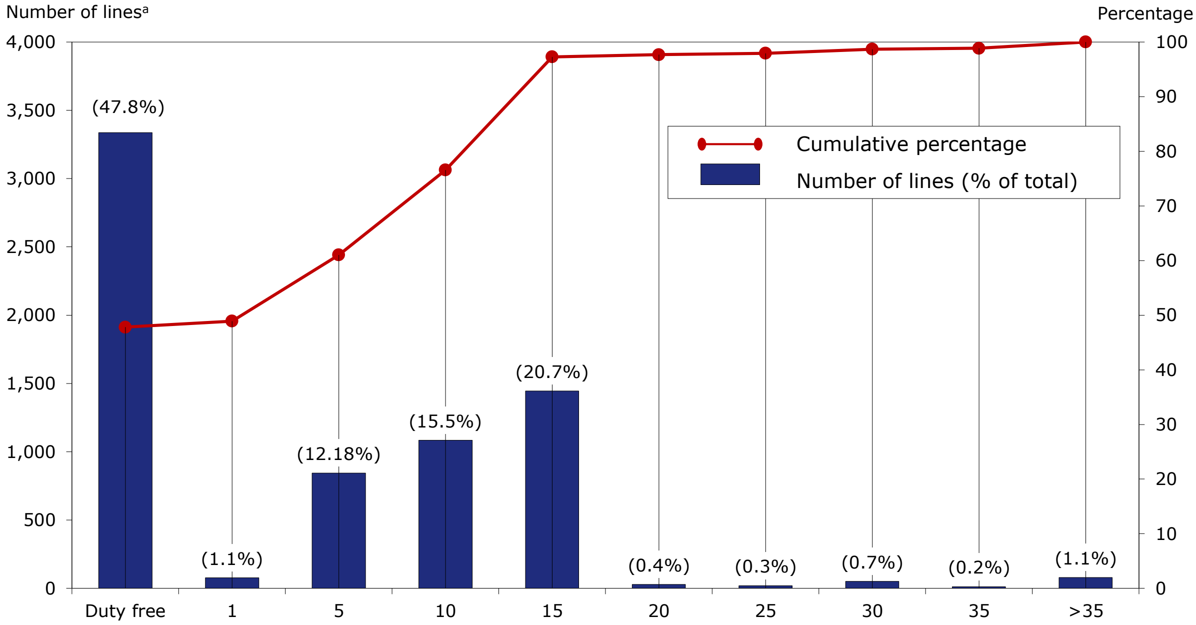
a National tariff peaks are defined as rates exceeding three times the overall simple average applied rate.

b International tariff peaks are defined as rates exceeding 15%.

Source: WTO Secretariat estimates, based on data provided by the authorities.

3.33. The simple average MFN applied rate remained at 6.3% in 2015, the same level as that indicated in the previous review for 2009 (Table 3.4). Likewise, the coefficient of variation remained at 1.4. The simple average MFN tariff applied to agricultural products according to the WTO definition was 12.5%, slightly below the 12.9% recorded in 2009. The highest rate, 164%, applies to imports of poultry meat of HS subheadings 02.07.13, 02.07.14 and 16.02.32.10, while the second highest rate of 55% still applies to cigarettes (HS 24.02.20.00.00). A rate of 40% applies to around 70 tariff lines covering products such as sausages, dairy produce, rice, sugar, rum and ethyl alcohol. In 2015, the average rate applied to non-agricultural products was 5.2%, the same as in 2009. However, the average tariff for Chapters 25-97 of the HS (manufactures) shows that the average rate fell from 5.2% in 2009 to 4.8% in 2015. This to a large extent reflects the latest reduction in the average rates applicable to textiles and textile manufactures, from around 10% in 2009 to 8.1% in 2015. A closer look at tariffs by ISIC sector shows that the average applied rate for finished goods is higher than that for semi-finished goods, while that for raw materials is higher than that for semi-finished goods (Table 3.4).

Chart 3.1 Frequency distribution of tariff rates, 2015



a The total number of lines is 6,978.

Source: WTO Secretariat calculations, based on data provided by the authorities.

Table 3.4 Brief analysis of MFN rates, 2015

Description of products	MFN				Bound
	Number of lines	Average (%)	Range (%)	Coefficient of variation (CV)	Range (%)
Total	**6,978**	**6.3**	**0 - 164**	**1.4**	**0 – 164.4**
HS 01-24	1,224	13.0	0 - 164	1.1	20 – 164.4
HS 25-97	5,754	4.8	0 - 30	1.3	0 - 80
By WTO category					
Agricultural products	1,029	12.5	0 - 164	1.3	20 – 164.4
Animals and animal products	154	25.8	0 - 164	1.2	20 – 164.4
Dairy produce	34	26.2	0 - 40	0.5	20 - 45,1
Fruit, vegetables and garden produce	285	11.6	0 - 30	0.5	20 - 50
Coffee and tea	29	13.3	0 - 15	0.3	40 - 70
Cereals and preparations	133	9.1	0 - 40	1.0	20 - 78
Oilseeds, fats and oils and their products	98	5.4	0 - 15	1.1	20 - 88
Sugar and confectionery	21	26.2	0 - 40	0.6	40 - 70
Beverages, spirits and tobacco	74	16.1	0 - 40	0.7	20 - 74
Cotton	5	0.0	0 - 0	N/A	40 - 40
Other agricultural products n.e.s.	196	4.1	0 - 15	1.3	20 - 40
Non-agricultural products (including petroleum)	5,949	5.2	0 - 30	1.2	0 - 80
Non-agricultural products (excluding petroleum)	5,921	5.2	0 - 30	1.2	0 - 80
Fish and fish products	288	11.6	0 - 15	0.4	25 - 70
Metals and minerals	1,093	3.6	0 - 15	1.5	20 - 50
Chemicals and photographic products	1,276	2.2	0 - 15	1.9	0 - 50
Wood, wood pulp, paper and furniture	459	6.3	0 - 15	0.9	20 - 70
Textiles	698	8.1	0 - 20	0.6	20 - 70
Clothing	236	14.8	0 - 15	0.1	40 - 40
Leather, rubber, footwear and travel articles	211	7.6	0 - 15	0.7	20 - 80
Non-electrical machinery	595	1.4	0 - 15	2.8	0 - 50
Electrical machinery	339	2.6	0 - 15	2.0	0 - 50
Transport equipment	221	6.4	0 - 30	1.5	20 - 50
Non-agricultural products n.e.s.	505	7.6	0 - 30	1.0	0 - 40
Petroleum	28	4.7	0 - 15	1.1	40 - 40

Description of products	MFN				Bound
	Number of lines	Average (%)	Range (%)	Coefficient of variation (CV)	Range (%)
By ISIC sector[b]					
Agriculture and fishing	497	8.3	0 - 40	0.9	20 - 78
Mining	112	1.7	0 - 15	1.9	20 - 40
Manufacturing	6,368	6.2	0 - 164	1.4	0 – 164.4
By HS section					
01 Live animals and animal products	449	15.3	0 - 164	1.1	20 – 164.4
02 Vegetable products	419	9.0	0 - 40	0.9	20 - 78
03 Fats and oils	57	7.5	0 - 15	0.8	20 - 88
04 Prepared foodstuffs, etc.	299	16.2	0 - 164	1.0	20 - 164,4
05 Mineral products	187	2.7	0 - 15	1.5	20 - 40
06 Products of the chemical or allied industries	1,128	1.9	0 - 15	2.2	0 - 50
07 Plastics and rubber	337	4.4	0 - 15	1.1	20 - 40
08 Raw hides and skins	108	8.3	0 - 15	0.7	40 - 70
09 Wood and articles of wood	139	7.8	0 - 15	0.7	20 - 70
10 Pulp of wood, paper, etc.	292	5.1	0 - 15	1.1	20 - 70
11 Textiles and textile articles	918	9.6	0 - 20	0.5	20 - 70
12 Footwear and headgear	64	12.8	0 - 15	0.3	30 - 80
13 Articles of stone	176	6.3	0 - 15	1.1	20 - 50
14 Precious stones, etc.	54	6.9	0 - 15	0.8	20 - 40
15 Base metals and articles thereof	702	3.2	0 - 15	1.6	20 - 50
16 Machinery and appliances	980	2.1	0 - 15	2.3	0 - 50
17 Transport equipment	234	6.2	0 - 30	1.5	20 - 50
18 Precision instruments	234	3.8	0 - 15	1.5	0 - 40
19 Arms and ammunition	21	30.0	30 - 30	0.0	40 - 40
20 Miscellaneous manufactured articles	171	10.7	0 - 15	0.5	20 - 40
21 Works of art, etc.	9	7.8	5 - 10	0.3	40 - 40
By stage of processing					
First stage of processing	913	7.0	0 - 40	1.1	20 - 78
Semi-processed products	2,359	3.9	0 - 40	1.4	0 - 70
Fully processed products	3,706	7.6	0 - 164	1,4	0 – 164.4

N/A Not applicable.

a The bindings are shown according to the HS 2007 classification and the rates applied in HS 2012; there may, therefore, be differences between the number of lines included in this analysis.

b ISIC (Rev.2), excluding electricity (one line).

Source: WTO Secretariat estimates, based on data provided by the authorities.

3.1.4.2 Tariff bindings

3.34. El Salvador's tariff bindings appear both in Schedule LXXXVII annexed to the GATT 1994 and in the list that preceded the Uruguay Round. El Salvador bound its entire tariff at 32 rates ranging from 0 to 164.4%. Some 70% of tariff lines were bound at 40%. The Secretariat has not identified any tariff line whose applied rate exceeds the respective bound rate.[24] In most cases, the applied rates are considerably lower than the bound rates.

3.1.4.3 Preferential tariffs

3.35. El Salvador gives preferential tariff treatment to imports from other CACM members. Almost all imports from Costa Rica, Guatemala, Honduras and Nicaragua enjoy a rate of 0%, except for unroasted coffee and cane sugar from any of these countries, roasted coffee from Costa Rica, ethyl alcohol from Costa Rica and Honduras, and distilled alcoholic beverages and petroleum products from Honduras.[25] El Salvador applies MFN rates to these products.

3.36. El Salvador also grants preferential treatment to imports from countries (or customs territories) with which it has signed preferential agreements and which meet the origin

[24] In undertaking this analysis, the Secretariat only took into account the tariff lines in El Salvador's revised tariff schedule that are strictly comparable with the HS 2012.

[25] Annex to Resolution No. 05-2006 (CEIE) of 16 June 2006 of the Executive Committee for Economic Integration.

requirements therein: Chile; Chinese Taipei; Colombia; Cuba[26]; Dominican Republic (Central America – Dominican Republic FTA); European Union; Mexico; Panama; and the CAFTA-DR (Dominican Republic, Central America and United States FTA) (Tables 3.5 and A3.1).

Table 3.5 Analysis of the tariffs applied under trade agreements, 2015

	Total		WTO categories			
			Agricultural products		Non-agricultural products (excluding petroleum)	
	Average (%)	Duty-free lines	Average (%)	Duty-free lines	Average (%)	Duty-free lines
MFN	6.3	47.8	12.5	27.7	5.2	51.3
CAFTA-DR	0.4	97.7	2.7	84.5	0.0	100.0
Chile	0.9	95.4	4.7	79.7	0.3	98.2
Colombia	3.9	63.8	8.4	50.2	3.1	66.1
Dominican Republic	0.3	98.6	2.2	91.9	0.0	99.9
European Union	4.5	49.7	9.8	38.9	3.6	51.6
Mexico	0.9	96.0	4.5	82.7	0.3	98.2
Panama	2.2	84.5	5.4	80.4	1.7	85.1
Chinese Taipei	4.0	61.3	8.8	46.0	3.2	63.8

Note: For this analysis, in those cases where the preferential tariff exceeds the MFN tariff, the latter has been used to calculate the average.

Source: WTO Secretariat estimates, based on data provided by the authorities.

3.37. The simple average of the tariffs applied by El Salvador to partners with which it has signed an FTA range from 0.3% (Dominican Republic) to 4.5% (European Union) (Table A3.1). In 2015, El Salvador applied a rate of 0% to around 80% of its tariff universe for all partners with which it had signed an FTA, with the exception of Chinese Taipei, which received this treatment for 57% of the tariff universe.

3.38. The average tariff was much higher for agricultural products than for non-agricultural products, ranging from 2.2% (Dominican Republic) to 9.8% (European Union) for the former and 0% (CAFTA-DR and Dominican Republic) to 3.6% (European Union) for manufactures.

3.1.4.4 Tariff quotas

3.39. Under its WTO commitments, El Salvador agreed to open tariff quotas for imports of meat, milk, cheese, yellow maize, fats and oils, sugar, tobacco and tobacco products. During the review period, it opened quotas only for Cheddar-type cheese (Section 4.1.2.2.1). It also applies tariff quotas for four agricultural products under its preferential agreements (Table A4.1).

3.1.5 Other charges affecting imports

3.40. The import and domestic sale of most goods (as well as the supply of services) is subject to payment of the property transfer and services tax (commonly known as value added tax (VAT))[27], currently at a rate of 13%. In the case of imports, the tax base is the customs value plus tariffs and other applicable taxes, and for domestic goods it is the selling price plus the corresponding taxes.

3.41. Exemption from VAT applies, *inter alia*, to definitive imports of machinery which have been registered and authorized by the Ministry of Finance's Directorate-General of Internal Revenue and which are intended to become part of the fixed assets of a company in order to produce taxable goods or services and help to boost industrial conversion.[28] Imports of buses and rental vehicles

[26] Under the Partial Scope Agreement with Cuba, El Salvador grants preferences to only 716 tariff lines, corresponding to 10.2% of the tariff universe. Of this limited number of headings, 69.7% is duty-free and the remainder are subject to a fixed customs tariff as there are no tariff reductions under this agreement but rather tariff rebates, i.e. fixed percentages of rebates applied to the MFN tariff.

[27] Law on the tax on the transfer of property and the supply of services, Legislative Decree No. 296 of 31 July 1992 and amendments thereto.

[28] Article 200 of the RECAUCA and Articles 45(h) and 48(g) of the Law on the tax on the transfer of property and the supply of services.

for public passenger transport are also exempt from VAT[29], as are those of materials and equipment by duly authorized tourism companies.[30] Services such as the following are VAT-exempt: public health; education; water supply; public land transport of passengers; and payment of insurance and reinsurance premiums.[31]

3.42. Specific taxes have to be paid on the following domestically produced or imported products: alcoholic beverages, alcohol, tobacco products, firearms, pyrotechnical products, aerated beverages, energy drinks, isotonic drinks, juices and soft drinks. Most of these products are also subject to *ad valorem* taxes under special laws. The taxes on these products are shown in Table 3.6.

Table 3.6 Taxes on specific products, 2015

HS 07 Code	Description	Amount of the tax
	Alcoholic beverages and drinkable ethyl alcohol	
2203.00.00	Beer made from malt	US$0.09 on each 1% of alcohol strength by volume per litre
2204.10.00	Sparkling wine	US$0.09 on each 1% of alcohol strength by volume per litre
2204.21.00 2204.29.00 2204.30.00	Other wine; grape must with fermentation prevented or arrested by the addition of alcohol	US$0.09 on each 1% of alcohol strength by volume per litre
2205.10.00 2205.90.00	Vermouth and other wine flavoured with plants or aromatic substances	US$0.09 on each 1% of alcohol strength by volume per litre
2206.00.00	Other fermented beverages; mixtures of fermented beverages and non-alcoholic beverages, not elsewhere specified or included	US$0.09 on each 1% of alcohol strength by volume per litre
2207.10.10 2207.10.90	Ethyl alcohol	US$0.1 on each 1% of alcohol strength by volume per litre
2208.20.10 2208.20.90	Spirits obtained by distilling grape wine or grape marc	US$0.09 on each 1% of alcohol strength by volume per litre
2208.30.10 2208.30.90	Whisky	US$0.16 on each 1% of alcohol strength by volume per litre
2208.40.10	Rum obtained by distilling fermented sugar-cane of an alcoholic strength by volume exceeding 37%	US$0.09 on each 1% of alcohol strength by volume per litre
2208.40.10.80	Other rum of an alcoholic strength by volume of up to 37%	US$0.05 on each 1% of alcohol strength by volume per litre
2208.40.90	Other rum and other sugar cane spirits	US$0.0325 on each 1% of alcohol strength by volume per litre
2208.50.00	Gin and Geneva	US$0.16 on each 1% of alcohol strength by volume per litre
2208.60.10 2208.60.90.10	Vodka	US$0.09 on each 1% of alcohol strength by volume per litre
2208.60.90.80	Other vodka	US$0.05 on each 1% of alcohol strength by volume per litre
2208.70.00	Liqueurs	US$0.16 on each 1% of alcohol strength by volume per litre
2208.90.10	Undenatured ethyl alcohol	US$0.1 on each 1% of alcohol strength by volume per litre
2208.90.90	Other (spirits)	US$0.09 on each 1% of alcohol strength by volume per litre
	Aerated beverages	
2202.10.00	Carbonated or aerated beverages whether or not sweetened	US$0.2 per litre + 10%
2202.90.90	Energizing or stimulating drinks	US$0.2 per litre + 10%
2202.90.90	Isotonic or sports drinks	US$0.2 per litre + 5%
2202.90.90	Fortifying drinks	US$0.2 per litre + 5%
2009	Juices	US$0.2 per litre + 5%
2202.90.90	Nectars	US$0.2 per litre + 5%
2202.90.90	Drinks containing juice	US$0.2 per litre + 5%
2202.90.90	Soft drinks	US$0.2 per litre + 5%
21.06.90.30	Concentrated preparations or powder	US$0.2 per litre + 5%
	Tobacco	
24.02.10.00	Cigars, cheroots and cigarillos containing tobacco	US$0.225 per unit + 39%
24.02.10.00	Cigars	US$0.225 per unit + 100%
24.02.20.00	Cigarettes containing tobacco	US$0.225 per unit + 39%

[29] Article 45(i) of the Law on the tax on the transfer of property and the supply of services.
[30] Article 36(b) of the Law on tourism, Legislative Decree No. 899 of 20 December 2005.
[31] Article 46 of the Law on the tax on the transfer of property and the supply of services.

HS 07 Code	Description	Amount of the tax
24.02.90.00	Other (cigars, cigarillos and cigarettes of tobacco substitutes)	US$0.225 per unit + 39%
24.03.10.10	Cut tobacco for rolling cigarettes	US$0.225 per gram + 39%
24.03.10.90	Other (smoking tobacco, whether or not containing tobacco substitutes in any proportion)	US$0.225 per unit + 39%
24.03.91.00	"Homogenized" or "reconstituted" tobacco	US$0.225 per unit + 39%
24.03.99.00	Other (tobacco and tobacco substitutes, processed; tobacco extracts and juices)	US$0.225 per unit + 39%
Firearms, ammunition, explosives and like articles		
3601.00.00	Propellant powders	30%
3603.00.00	Safety fuses; detonating fuses; percussion or detonating caps; igniters; electric detonators	30%
3604.10.00	Fireworks	30%
3604.90.00	Other (signalling flares, rain rockets, fog signals and other pyrotechnic articles)	30%
9302.00.00	Revolvers and pistols, other than those of heading 93.03 or 93.04	30%
9303.10.00	Muzzle-loading firearms	30%
9303.20.00	Other sporting, hunting or target-shooting shotguns, including combination shotgun-rifles	30%
9303.30.00	Other sporting, hunting or target-shooting rifles	30%
9303.90.00	Other (firearms and similar devices which operate by the firing of an explosive charge)	30%
9305.10.00	Parts and accessories of revolvers or pistols	30%
9305.20.10	Shotgun barrels	30%
9305.20.90	Other (parts and accessories of shotguns)	30%
9305.99.00	Other (parts and accessories of articles of headings 93.01 to 93.04)	30%
9306.21.00	Cartridges	30%
9306.29.00	Other (air gun pellets)	30%
9306.30.10	Cartridges for riveting or similar tools or for captive bolt humane killers and parts thereof	30%
9306.30.90	Other cartridges and parts thereof	30%
9306.90.00	Other (bombs, grenades, torpedoes, mines, missiles, etc.)	30%

Source: WTO Secretariat, on the basis of Legislative Decree No. 540 of 22 December 2004, Legislative Decree No. 237 of 21 December 2009, Legislative Decree No. 235 of 21 December 2009 and Legislative Decree No. 462 of 9 September 2010.

3.43. During the period under review, taxes on some of the aforementioned products were raised or amended. In December 2009, a new law was adopted introducing a specific tax of US$0.20 per litre on energizing or stimulating drinks. A 10% *ad valorem* tax was also applied on unsweetened carbonated or aerated beverages and energy drinks (which already existed), as well as a new 5% *ad valorem* tax on isotonic and fortifying drinks, juices, nectars and soft drinks.[32] The tax base is the recommended retail selling price, excluding VAT.

3.44. As a result of amendments to the respective legislation, in 2010 the *ad valorem* tax on alcoholic beverages rose (from 5% to 8%), as well as the tax on the alcoholic strength of beverages.[33] The specific tax on cigarettes and other tobacco products was also increased (from US$0.005 to US$0.225 per unit) and the *ad valorem* tax of 39% on the retail selling price, excluding VAT, for cigarettes and 100% for cigars were retained.[34]

3.45. December 2009 saw the publication of the Law on the special tax on fuel, which introduced an *ad valorem* tax on the distribution of gasoil, diesel fuel, petrol and their mixtures with other fuels. The tax base is the international reference price for fuel, published quarterly by the Ministry of the Economy. The rate is 1% when the reference price for a barrel of oil is below US$50.00, 0.5% when it is between US$50.00 and US$70.00, and 0% if the price exceeds US$70.00.[35]

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[32] Law on the tax on aerated, isotonic, fortifying or energizing beverages, juices, nectars, soft drinks and concentrated preparations or powder for the preparation of beverages, Decree No. 237 of 21 December 2009; repeals the Law on the tax on sweetened or unsweetened aerated beverages (1996).

[33] Legislative Decree No. 462 of 9 September 2010 amending the Law regulating the production and sale of alcohol and alcoholic beverages (1996).

[34] Legislative Decree No. 235 of 21 December 2009 amending the Law on the tax on tobacco products (2004).

[35] Law on the special tax on fuel, Decree No. 225 of 12 December 2009.

3.1.6 Import prohibitions, restrictions and licensing

3.46. Legislative Decree No. 647 of December 1990 bans the import of some products and reserves the import of others to the State alone (Table 3.7). For reasons of road safety, it is forbidden to import used heavy duty or light freight or passenger vehicles over a certain number of years.[36] El Salvador also prohibits the import of certain products under international conventions, for example, the environmentally harmful substances and residues covered by the Montreal Protocol.

Table 3.7 Prohibited imports and imports reserved for the State, 2015

Articles prohibited
Abortifacients
Discs of metal or their alloys used to replace coins
Figures and statues; pamphlets; almanacs, reviews, lithographed or engraved articles, newspapers, lithographs, cards or other articles of an obscene nature
Books, pamphlets, signs, slogans, emblems, posters and other articles of a subversive nature or doctrines contrary to the State's political, social and economic order
Coin-making machines and tools
Slot machines
Smooth-worn silver coins of a fineness of less than 0.900
False coins and banknotes
Opium containing less than 9% of morphine, opium cinders, opium ash, and appliances for smoking opium
Unstamped cigarette paper, white or coloured, in folds, rolls, reels, booklets or small tubes
Films contrary to ethics and morals
Roulette games, gaming tables and any other equipment or artefacts for prohibited games

Articles which may only be imported by the State
Military aircraft
Raw sugar cane spirit
Warships of any draught, including submarines and landing craft
Military rifles
Gas masks for military uses
Nickel coins in legal circulation
Ammunition and war supplies
Potassium nitrate (nitre salt, saltpetre, kalium nitricum)
Stamped cigarette paper, white or coloured, in folds, rolls, reels, booklets or small tubes
El Salvador army regulation pistols
Pistols and revolvers of any type, of 41 or higher calibre
Silencers for firearms of all kinds
Revenue or municipal stamps, postage stamps and other revenue stationery

Source: Legislative Decree No. 647 of 20 December 1990.

3.47. The import of a number of products is restricted for reasons of public safety, public health, animal or plant health or environmental protection. Permits, authorizations, certificates and/or approval must be obtained for their import. For example, over 1,000 eight-digit tariff lines covering products such as food preparations, raw materials and food additives, chemicals and preparations for use in the pharmaceutical and cosmetics industries require a permit from the Ministry of Health (MINSAL) and "approval" from the National Directorate of Medicines. Table 3.8 provides a summary of goods whose import is subject to a restriction as well as the relevant regulatory institutions. The DGA's website indicates the requirements for importing each of these products.[37]

[36] The number of years depends on the type of vehicle and is specified in Legislative Decree No. 288 of 22 May 2007 amending the Law on road transport, transit and road safety.

[37] Online information from the DGA. Viewed at: http://appm.aduana.gob.sv/sacelectronico/GUIL/PermisosInstituciones.aspx.

Table 3.8 Goods subject to import permits, authorizations or approval, 2015

Description	Reason	Regulatory institution	Legal basis
Alcohol	Public health	Ministry of Health (MINSAL)	Law regulating the production and sale of alcohol and alcoholic beverages
Prepared foodstuffs, raw materials and additives for food and beverages, chemicals and compounds, pharmaceuticals, fertilizers and preparations for pharmaceutical use and cosmetics	Public health	Ministry of Health (MINSAL) and National Directorate of Medicines	Health Code; Law on medicines; Regulations on proprietary drugs
Arms, ammunition, explosive and pyrotechnical articles	Public safety	Ministry of National Defence	Law on the control and regulation of firearms, ammunition, explosives and similar articles; Special Regulations on the control and regulation of explosive-type articles
Narcotics, psychotropic drugs, aggregated products, precursors, chemical substances and veterinary and anaesthetic products	Public health	Ministry of Health (MINSAL) and National Directorate of Medicines	Law regulating activities concerning drugs; Regulations on narcotics, psychotropic drugs, precursors, chemical and aggregated substances and products; Law on medicines
Source and equipment generating ionizing radiation	Public health	Ministry of Health (MINSAL)	Special Regulations on radiological protection and safety
Hydrocarbons	Protection of the environment	Ministry of the Economy	Law regulating the storage, transport and distribution of petroleum products
Plants and animals and their products	Sanitary and phytosanitary protection	Ministry of Agriculture and Livestock	Law on plant and animal health
Chemical and chemical-biological products for agricultural, livestock or veterinary use	Sanitary and phytosanitary protection	Ministry of Agriculture and Livestock	Law on plant and animal health; Law on the control of pesticides, fertilizers and products for agricultural use and the Regulations implementing the Law
Ozone-depleting substances	Protection of the environment	Ministry of the Environment and Natural Resources and Ministry of Health (MINSAL)	Law on the environment; Special Regulations on the control of ozone-depleting substances; Montreal Protocol
Hazardous substances	Public health and protection of the environment	Ministry of the Environment and Natural Resources	Law on the environment; Special Regulations on hazardous substances, residues and waste
Wildlife	Protection of the environment	Ministry of the Environment and Natural Resources	Law on wildlife conservation

Source: WTO Secretariat, on the basis of online information from the Directorate-General of Customs and the WTO (2010).

3.48. El Salvador has notified the WTO of the legal instruments containing information on import licensing procedures for goods subject to tariff quotas.[38] In accordance with its commitments under the Agreement on Import Licensing Procedures, in April 2016 El Salvador notified the WTO of a change to the regulations on the opening of tariff quotas for some agricultural products, and replied to the questionnaire on import licensing procedures under which tariff quotas are allocated.[39]

3.1.7 Anti-dumping, countervailing and safeguard measures

3.49. El Salvador did not apply any anti-dumping or countervailing measure over the period January 2010 to December 2015, and did not initiate any relevant investigations.

3.50. El Salvador's regulatory framework for anti-dumping and countervailing measures includes the respective WTO Agreements (which became national laws when El Salvador ratified the Marrakesh Agreement) and the Central American Regulations on Unfair Business Practices, approved in 2007.[40] These Regulations were notified by El Salvador[41] and examined by the WTO

[38] WTO document G/LIC/N/SLV/1 of 3 February 2004.
[39] WTO documents G/LIC/N/2/SLV/1 and G/LIC/N/3/SLV/1, both of 27 April 2016.
[40] Article 4 of the Central American Regulations provides that all substantive aspects relating to unfair business practices are to be resolved in accordance with the WTO Agreements.

Committee on Anti-Dumping Practices and Committee on Subsidies and Countervailing Measures.[42] In line with the Ministry of the Economy's internal regulations, it is the responsibility of the Ministry's Directorate for the Administration of Trade Agreements (DATCO) to conduct investigations and apply the corresponding trade defence measures.

3.51. El Salvador did not apply any safeguard measures or initiate any related investigations during the period under review. In addition to the WTO Agreement on Safeguards, which constitutes domestic law, the Salvadoran safeguards regime is based on the Central American Regulations on Safeguard Measures approved in 2007, which were notified to the WTO[43] and examined by the competent Committee.[44] Under these Regulations (Article 3), El Salvador exempts other CACM countries from the application of safeguard measures, provided that the imports do not account for a substantial share of total imports and do not cause or threaten to cause serious injury.

3.52. By means of Decree No. 212 of 10 December 2015, the Legislative Assembly approved the Special Law on trade defence, published on 11 January 2016.[45] The Law came into force on 12 February 2016 and combines the provisions on dumping, subsidies and safeguard measures in a single legislative instrument. It specifies the requirements, time-limits and procedures for conducting dumping and subsidy investigations, and for investigating and countering massive increases in imports that may cause injury to a domestic industry. It also lists the information required for submitting requests for investigations. The Ministry of the Economy's DATCO is the authority empowered to conduct investigations and, where necessary, to propose the application of trade defence measures. It has the authority to conduct investigations pursuant to the Law and to the trade agreements signed by El Salvador, and it may be involved in legal defence in connection with dispute settlement mechanisms. Its responsibilities also include technical assistance to Salvadoran exporters affected by investigations by foreign authorities. In addition to the WTO Agreements, the legislation of other Latin American countries was taken into account in drafting this Law.

3.53. One particular aspect of the new Law is the creation of the National Trade Defence System to serve as a platform for dialogue between the public and private sectors in order to examine and promote trade defence measures for El Salvador's production sectors. Such measures include: promoting approval of legal instruments that reinforce trade defence; seeking information on the existence of unfair trade practices in the market and recommending to the competent authority the initiation of an investigation; conducting investigations of Salvadoran companies for alleged unfair trade practices abroad; monitoring trade flows in order to detect possible triangular transactions in products and recommending the initiation of investigations relating to origin; recommending the development of early warning systems regarding trade rules imposed on Salvadoran exports by destination countries; and obtaining information on technical barriers affecting exporters and importers and making proposals for overcoming them.

3.1.8 Technical regulations and standards

3.54. El Salvador does not have any special legislation for implementing the Agreement on Technical Barriers to Trade (TBT) as the TBT Agreement has become national law as a result of ratification of the Marrakesh Agreement.[46] The Ministry of the Economy's DATCO acts as the national enquiry point for the purposes of paragraphs 1 and 3 of Article 10 of the TBT Agreement[47] and is also responsible for making the notifications required by the Agreement.

3.55. During the review period, a specific trade concern was raised in the WTO TBT Committee with regard to the Law on hygienic production of milk and milk products and the regulation of their sale in El Salvador. At the Committee's meetings in November 2011 and March 2012, Mexico

[41] WTO document G/ADP/N/1/SLV/3 and G/SCM/N/1/SLV/3 of 8 April 2008.

[42] Questions from Members and El Salvador's replies can be found in WTO documents G/ADP/Q1/SLV/4-7 and G/SCM/Q1/SLV/4-7 of various dates (October 2008 to May 2009).

[43] WTO document G/SG/N/1/SLV/3 of 10 March 2008.

[44] WTO documents G/SG/Q1/SLV/3-6 of various dates (October 2008 to May 2009).

[45] Official Journal No. 6, Volume No. 410, of 11 January 2016. The Regulations implementing this Law are being drafted.

[46] WTO document G/TBT/2/Add.78 of 22 March 2004.

[47] WTO document G/TBT/2/Add.78/Suppl.1 of 8 December 2008. See also online information from the WTO at: http://tbtims.wto.org/web/pages/settings/country/Selection.aspx.

declared that this Law prevented its exports of milk, cream and cheese made using powdered milk and/or vegetable fat. El Salvador responded that this Law was meant to ensure human health, was based on international standards and did not make any distinction between the marketing of national and foreign products.[48] Bilateral discussions continued and the matter was not brought before the Committee again.

3.56. El Salvador submitted 54 notifications to the TBT Committee between January 2010 and August 2015: three in 2015, eight in 2014, nine in 2013, 14 in 2012, ten in 2011 and ten in 2010. Close to one half of the measures notified concerned foodstuffs (honey, sugar, salt, cornflour, fish products, dairy produce, pig meat, fruit and garden produce, tomato sauce, etc.) with the objective of ensuring food safety and protecting human health. Another objective often mentioned was protecting consumers. With the exception of one case (an emergency notification), all the other notifications gave a period of 60 days for sending in comments and in some instances this period was subsequently extended.

3.57. The authorities estimate that around 70% of El Salvador's technical regulations and conformity assessment procedures are based on international standards.

3.58. El Salvador has not notified the WTO of any mutual recognition agreement on technical regulations, conformity assessment procedures or standards.

3.59. Until September 2011, the National Science and Technology Council (CONACYT) was the body responsible for coordinating the preparation of technical regulations and conformity assessment procedures. This changed following the entry into force of the Law creating the Salvadoran quality system (4 September 2011), which introduced a new legal-institutional framework for El Salvador's quality and standardization system. This Law established the National Quality Council and four other bodies: the Salvadoran Technical Regulation Agency (OSARTEC), the Salvadoran Standardization Agency (OSN), the Salvadoran Accreditation Agency (OSA) and the Metrological Research Centre (CIM).[49]

3.60. Technical regulation activities were entrusted to OSARTEC, whose responsibilities include coordinating the adoption, adaptation, updating and publication of Salvadoran technical regulations (RTS) – previously known as "Salvadoran mandatory standards (NSO)" – issued by various government authorities. The Law specifies that technical regulations must comply with the provisions in the WTO TBT Agreement and the WTO Agreement on the Application of Sanitary and Phytosanitary Measures (SPS Agreement). OSARTEC's tasks include the following: complying with existing international guidelines and with El Salvador's technical regulation commitments; giving approval for the technical regulations drawn up by the competent regulatory authorities before they are published and respecting the time-limits set in the WTO; ensuring that the authorities comply with the proper procedure for national and international public consultation and take into account the comments resulting therefrom; informing the WTO enquiry point (DATCO) of draft technical regulations to be notified; and keeping a public database of technical regulations.[50]

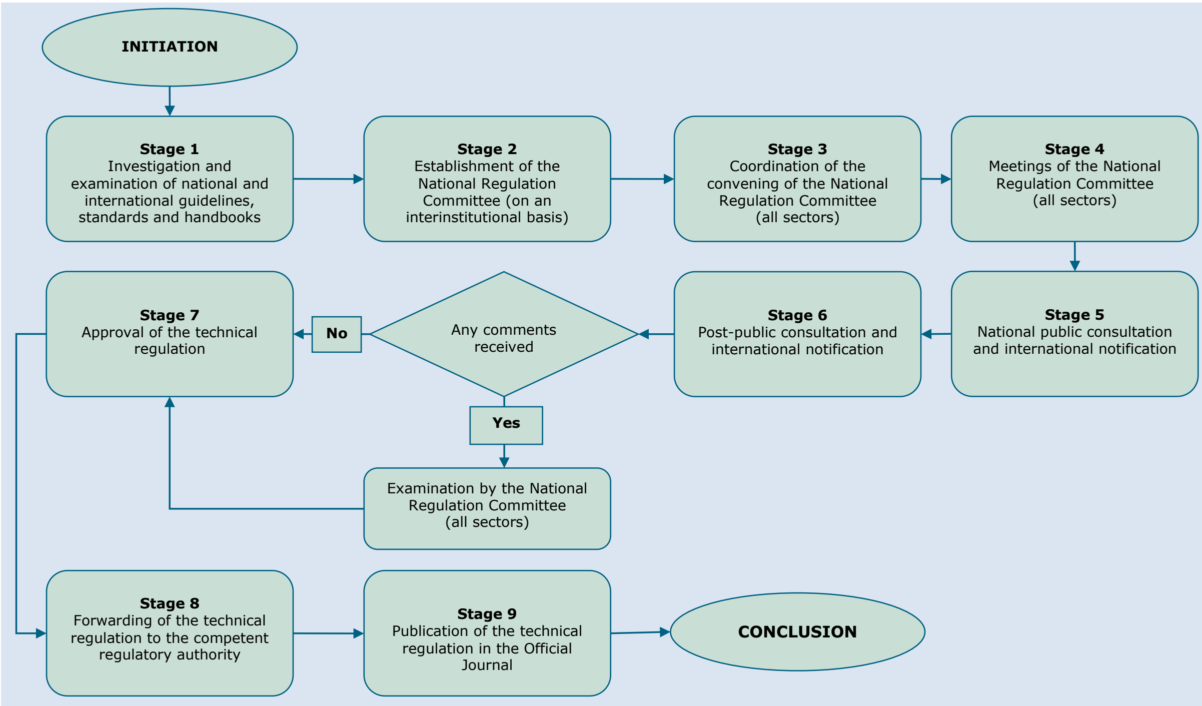
3.61. OSARTEC has drawn up a handbook of good technical regulation practices, which indicates the principles and stages in drafting, reviewing and approving technical regulations, including public consultation and international notification.[51] These are described in the flow chart in Chart 3.2.

3.62. Any interested party may request OSARTEC to prepare a technical regulation and, in consultation with the competent regulatory authority, OSARTEC considers whether the request should be included in the Annual Technical Regulations Plan. Once a preliminary draft technical regulation has been included in the Plan, OSARTEC checks whether it complies with international standards. It then sets up a national technical regulation committee, composed of representatives of the public sector, which is responsible for drawing up the draft technical regulation and addressing any related questions or comments. The period for both national and international

[48] WTO documents G/TBT/M/55 of 9 February 2012 and G/TBT/M/56 of 16 May 2012.
[49] Law creating the Salvadoran quality system, Decree No. 790, published on 26 August 2011.
[50] Article 14(d) and Article 16 of the Law creating the Salvadoran quality system, Decree No. 790 of 2011.
[51] The handbook may be viewed on OSARTEC's website at: http://osartec.gob.sv/jdownloads/PDF/Guía%20de%20BPR%2011%20diciembre%202013_COMPLETO.pdf.

public consultation is 60 calendar days, which may be extended by a further 30 days.[52] Any comments arising from the consultation are reviewed in joint meetings convened by OSARTEC, in which public, private, academic and scientific sectors, consumers and NGOs participate. Once the technical regulation has been approved by the National Technical Regulation Committee, OSARTEC forwards it for endorsement to the competent regulatory authority, which then issues the relevant legal instrument and transmits it for publication in the Official Journal.

Chart 3.2 Flow chart for the drafting of technical regulations



Source: Online information from OSARTEC, *Guía de buenas prácticas de reglamentación técnica*. Viewed at: http://osartec.gob.sv/index.php/component/k2/item/62-guia-de-buenas-practicas.

3.63. OSARTEC has an inventory of RTSs on its website, as well as an inventory of NSOs, the term used prior to the entry into force of the Law creating the Salvadoran quality system. Both inventories show the mandatory technical regulations in force.[53]

3.64. Conformity assessment procedures for technical regulations are prepared according to the same procedure as that used to prepare technical regulations. Conformity assessment of technical regulations is conducted in the market.

3.65. As a participant in the CACM, El Salvador applies the Central American Regulations on Standardization Measures, Metrology and Authorization Procedures, as well as the Central American Technical Regulations (RTCA) approved within this framework. There is also an inventory of RTCAs on OSARTEC's website and at the time of writing this listed 72 RTCAs in effect.[54] OSARTEC is undertaking a study to identify and eliminate any inconsistencies between NSOs, RTCAs and the applicable legislation. The handbook of good technical regulations practices provides for the review of technical regulations, but does not determine any specific periods for it. It is up to OSARTEC to eliminate out-of-date technical regulations.

3.66. The OSN is responsible for "… drafting, updating, adopting, adapting, repealing and publishing standards which facilitate conformity assessment and the development of production sectors and for providing the bases for improving the quality of products, processes and

[52] In the case of an emergency technical regulation, there is no public consultation and the regulation comes into effect for a period of one year as of the date of international notification.
[53] Available at: http://osartec.gob.sv/index.php/servicios/centro-de-informacion/inventario-nso.
[54] Available at: http://osartec.gob.sv/index.php/servicios/centro-de-informacion/inventario-rtca.

services".[55] It is also entrusted with preparing the annual standardization programme, creating technical standardization committees and keeping a database of technical standards[56], which are voluntary. Between 2013 and 2015, the OSN approved 727 Salvadoran technical standards relating to the environment, tourism, the food industry, suppliers of medical inputs, coffee growers and manufacturers of medicines, *inter alia*.[57]

3.67. Salvadoran technical standards are drawn up by technical standardization committees (CTN), set up by the OSN at the request of a natural or legal person. The CTNs comprise representatives of the Government, the production sector, associations, universities, research institutes, laboratories, service companies, consumers and experts in the relevant field. After a preliminary draft technical standard has been prepared, it is put up for public consultation (60 days). The CTN reviews all the comments received as a result of the consultation and, after taking them into account, a draft Salvadoran technical standard is drawn up for approval by the OSN. Once the draft has been approved, time is given for its dissemination so that its content and applicability can be made known.

3.68. The OSN is responsible for conformity assessment through the certification service for products, systems, services and competence of persons, taking into account national and international criteria and standards. So far, certification has been given for products (dairy produce), quality management systems on the basis of standard NTS ISO 9001:2008 and for NSO-compliant energy efficiency.

3.69. In 2012, El Salvador became a member of the International Organization for Standardization (ISO), where it is represented by the OSN; it also takes part in the International Electrotechnical Commission. At the regional level, it belongs to the Pan American Standards Commission (COPANT), the Central American and Caribbean Standardization Commission, and the Inter-American Metrology System.

3.70. The OSA has responsibility for accrediting calibration laboratories, testing or samples, inspection agencies, certification agencies and any other compatible system; until September 2011, this task was carried out by CONAYCT. The OSA must work on the basis of the criteria laid down in ISO standards and guides, the guidelines of Inter American Accreditation Cooperation (IAAC), International Laboratory Accreditation Cooperation (ILAC), and the International Accreditation Forum (IAF).[58] The requirements for requesting accreditation and the stages in the procedure are described on the OSA's website.[59] By April 2016, the OSA had accredited the tests of 22 laboratories, together with five calibration laboratories, two quality management system certification bodies and three inspection bodies.[60]

3.71. The CIM is in charge of organizing the national metrology system; it acts as the national metrology laboratory for the Salvadoran quality system; ensures dissemination and traceability of the measurements of the International System of Units; provides laboratories and verification agencies with services for calibrating standard models and measuring instruments and issues the relevant certificates.

3.1.9 Sanitary and phytosanitary measures

3.72. In addition to the WTO Agreement on the Application of Sanitary and Phytosanitary Measures (SPS Agreement), which is domestic law in El Salvador, the legal framework for sanitary and phytosanitary measures is mainly based on the Law on plant and animal health[61]; the Regulations on the preparation of standards containing phytosanitary and animal health measures

[55] Article 16 of the Law creating the Salvadoran quality system.

[56] The catalogue of technical standards may be viewed on the OSN's website at: http://www.osn.gob.sv/index.php?option=com_content&view=article&id=122&Itemid=220.

[57] Information provided by the Salvadoran authorities. See also OSN (2014).

[58] Article 14 of the Law creating the Salvadoran quality system.

[59] Online information from the OSA. Viewed at: http://www.osa.gob.sv/index.php?option=com_content&view=article&id=199&Itemid=141.

[60] Information provided by the Salvadoran authorities.

[61] The Law on plant and animal health, Legislative Decree No. 524 of 18 December 1995, was amended by Legislative Decree No. 917 of 15 December 2005 and Legislative Decree No. 472 of 5 September 2013. The latter amends aspects relating to quality control of inputs for agricultural use, violations resulting from unlawful use of such inputs and the corresponding penalties.

in accordance with the Law on plant and animal health[62]; the Health Code; and the Law creating the Salvadoran quality system. Other relevant legislation includes: the Law on seeds; the Law on the control of pesticides, fertilizers and products for agricultural use; the Law on health inspection of meat; and the Law on the hygienic production of milk and milk products and the regulation of their sale.

3.73. Within the CACM, El Salvador applies the Central American Regulations on Sanitary and Phytosanitary Measures and Procedures, whose purpose is to regulate sanitary and phytosanitary measures that may directly or indirectly affect intraregional trade and prevent them becoming unnecessary barriers.[63] It should be noted that CACM member countries have adopted various Central American technical regulations relating to food and beverages, agricultural inputs and agricultural chemicals, seeds, veterinary products and animal feed, *inter alia*.

3.74. El Salvador is a member of the Codex Alimentarius and the World Organisation for Animal Health (OIE) and has signed the International Plant Protection Convention (IPPC). At the regional level, it belongs to the Regional International Organization for Plant and Animal Health (OIRSA).

3.75. The Ministry of Agriculture and Livestock (MAG), through the Directorate-General of Livestock and the Directorate-General of Plant Health (which have been separate Directorates since February 2010), is responsible for issuing regulations on animal and plant health, agricultural quarantine and the registration and control of agricultural inputs. The MAG follows the same procedure for drafting and adopting SPS measures as that used for technical regulations. The Ministry of Health, through the Food Control and Hygiene Unit in the Environmental Health Directorate, is in charge of food safety.

3.76. DATCO within the Ministry of the Economy acts as the national enquiry point and is responsible for notifications in connection with the SPS Agreement.[64] El Salvador notified 33 sanitary and/or phytosanitary measures to the WTO SPS Committee between January 2010 and August 2015, of which four were emergency measures. Regular notifications provide for a period of 60 days in which to forward comments. Of the total, 19 concerned an international standard (Codex Alimentarius, OIE or IPPC). No Member raised any trade concern with the SPS Committee regarding El Salvador's sanitary or phytosanitary measures during the review period.

3.77. El Salvador recognizes the sanitary registration issued by Guatemala, Honduras, Nicaragua and Costa Rica for food and beverages[65], and recognizes the registration issued by the relevant authorities in CACM member countries for fertilizers, pesticides and other agricultural inputs.[66] In application of the CAFTA-DR Agreement, El Salvador recognizes as equivalent the United States system for the inspection of meat and poultry and also recognizes as equivalent Chile's sanitary measures for fish product inspection systems.[67] El Salvador has not notified the WTO of any agreement on recognition of the equivalence of sanitary and phytosanitary measures.

3.78. Under the Law on plant and animal health, animals, plants, and their products and by-products may be imported only if the Directorate-General of Livestock or the Directorate-General of Plant Health, as appropriate, has approved the sanitary or phytosanitary inspection and food safety systems in the country of origin (or where applicable, of the individual facilities or establishments).[68] Only the competent national authorities in the country seeking to export to El Salvador may request the conduct of a sanitary or phytosanitary evaluation. Based on its results, the Directorate-General of Livestock and the Directorate-General of Plant Health, respectively, decide whether sanitary or phytosanitary requirements should be laid down for imports of the product in question. These requirements are based on the relative risk of the product and may consist of certificates issued by the exporting country, analysis at the point of entry into El Salvador and special treatment or quarantine. The procedure for drafting and

[62] Executive Decree No. 45 of 10 June 1997.
[63] Resolution No. 271-2011 (COMIECO-LXI).
[64] WTO document G/SPS/ENQ/16 of 12 August 2015.
[65] Resolution No. 92-2002 (COMIECO-XXIV).
[66] Law on the control of pesticides, fertilizers and products for agricultural use, Legislative Decree No. 315 of 10 May 1973.
[67] Executive Decision No. 18-2015, Official Journal No. 28, Volume No. 406, of 11 February 2015.
[68] Article 13 of the Law on plant and animal health.

adopting sanitary and phytosanitary requirements is the same as that for technical regulations (Section 3.1.8).

3.79. There is no special register of importers of animals, plants, and their products and by-products, although the import of a large number of these requires an authorization issued by the MAG, in addition to the official animal or plant health certificate issued by the country of origin.[69] The MAG has an online database on which the sanitary and phytosanitary requirements applying to specific products may be consulted, together with the products and countries of origin for which a sanitary/phytosanitary evaluation by the MAG's competent authorities is a prerequisite for import.[70] By law, the MAG sets the fees for inspection and quarantine services, based on the actual costs of the operation and providing the service.[71]

3.80. According to the Health Code, it is the Ministry of Health's responsibility to determine the minimum requirements to be met for food, whether imported or produced in El Salvador.[72] The drafting and adoption of such requirements follows the same procedures as those governing the preparation of technical regulations.

3.81. An authorization from the Ministry of Health has to be obtained to import food and beverages.[73] The list of products requiring such an authorization may be viewed online.[74] The requirements for obtaining an authorization can also be found on the Ministry of Health's website and include presenting the certificate of free sale (legalized and in the original) issued by the competent authority in the country of origin of the food or beverage.[75]

3.82. Moreover, sanitary registration issued by the Food Control and Hygiene Unit in the Ministry of Health must be obtained before selling imported or domestic food or beverages.[76] The requirements for obtaining or renewing sanitary registration of imported beverages or food include the list of ingredients, the labelling and samples of the product to be registered. The full list of requirements can be found on the Ministry of Health's website.[77] Under an administrative regulation designed to speed up the sanitary registration procedure, products considered to be of low risk are given provisional registration within 48 hours of submission of the request and the other documents required. After two months, the provisional registration has to be replaced by definitive registration.[78] There is also a special procedure for recognizing the sanitary registration of food and beverages issued by the authorities in CACM member countries.

3.83. The following are the agencies whose methodology has been authorized for the laboratory analyses needed for the registration of food and beverages: the Laboratory for Food Quality Control and Toxicology of the National Reference Laboratory; the Industrial Quality Control Centre (CCCI); the Integral Quality Laboratory of the Salvadoran Foundation for Economic and Social Development (FUSADES); the Industrial Microbiological Specialties Laboratory (ESMI); and the Specialized Quality Control Laboratory (LECC).

[69] On the Customs website there is a list of over 4,000 products whose import requires an authorization and/or certificate from the MAG. Viewed at: http://appm.aduana.gob.sv/sacelectronico/Permisos/MAG_FITO_ZOO_UGR-MODERNIZACION.pdf.

[70] Online information from the MAG, Agricultural Health Information System (SISA). Viewed at: http://oas.mag.gob.sv/sisa/tramites.jsp.

[71] Article 6 of the Law on plant and animal health.

[72] Article 94 of the Health Code.

[73] Article 88 of the Health Code.

[74] Online information from the Ministry of Health. Viewed at: http://usam.salud.gob.sv/archivos/pdf/alimentos/Listado_de_productos_que_requieren_permiso_del_MSPAS.pdf.

[75] Online information from the Ministry of Health. Viewed at: http://usam.salud.gob.sv/images/ambiental/alimentos/requisitos_para_la_importacion_de_materias_primas_alimentos_y_bebidas.pdf.

[76] Article 95 of the Health Code.

[77] Online information from the Ministry of Health. Viewed at: http://usam.salud.gob.sv/images/ambiental/alimentos/requisitos_para_iniciar_el_tramite_de_registro_de_alimentos_y_bebidas_importados.pdf.

[78] Administrative regulation on the sanitary registration of processed food and beverages classified as "C" risk, Decision No. 1014 of 24 October 2008.

3.84. Genetically modified foods may be imported into El Salvador provided that they comply with the provisions in the Special Regulations on the safe handling of genetically modified organisms.[79]

3.2 Measures directly affecting exports

3.2.1 Customs procedures and requirements

3.85. Any natural or legal person wishing to export must be registered as an exporter with the CIEX at the Central Reserve Bank. The CIEX was created by the Legislative Decree of 20 January 2011 with the aim of centralizing, speeding up and simplifying procedures for import and export transactions. Registration is free-of-charge and instantaneous if the relevant requirements published on the website have been met.[80] Use of the services of a customs agent is optional.

3.86. An exporter must submit an "export application" for any transaction. This may be done directly in the CIEX offices or online through the Integrated Foreign Trade System (SICEX). This is an electronic single window interconnecting exporters and the CIEX, the Customs and other government institutions dealing with export procedures. The CIEX issues the goods declaration through this system, or the FAUCA for exports going to Central America, together with the sanitary, phytosanitary and origin certificates required. After the CIEX has authorized the export transaction, the information is forwarded electronically to the DGA. Two printed copies of the goods declaration have to be presented to the Customs, together with the invoice, transport documents and relevant certificates in order to complete the export procedure. For exports to Guatemala, Honduras and Nicaragua, the FAUCA is sent directly to the Customs in those countries.

3.87. The SICEX publishes information on the duration and cost of the various procedures required for export transactions.[81] According to this information, online authorization for goods declarations or FAUCAs takes one hour, including authorization of the relevant certificates.

3.88. Depending on the risk analysis, the Customs either inspects the documents or carries out a physical inspection of the export shipment. According to figures provided by the authorities, over the period 2010-2015 an average of 4.2% of export declarations underwent documentary inspection and 3.05% physical inspection. In 2015, for transactions overall, the average time taken for inspection of the documents was 1.28 hours and for physical inspection 2.78 hours.

3.2.2 Export taxes, charges and levies

3.89. El Salvador does not impose taxes or other levies on exports and VAT on exports is zero-rated.

3.2.3 Export prohibitions, restrictions and licensing

3.90. El Salvador prohibits or restricts the export of some products, mainly for environmental protection or public health reasons or in order to comply with its commitments under international conventions such as CITES.

3.91. Products which may not be exported include liquefied petroleum gas in cylinders and used containers for such gas.[82] This prohibition relates to the programme subsidizing liquefied petroleum gas and its purpose is to prevent smuggling of gas to countries in the region (Section 4.2). Ferrous and non-ferrous waste and scrap may not be exported, except in the case of exporters registered with the DGA which export products derived directly from their own industrial processes.[83] This measure is intended to end the export of such waste obtained illegally.

[79] Legislative Decree No. 78 of 1 June 2008.

[80] The requirements may be viewed at: https://www.centrex.gob.sv/scx_html/requisitos_registro_exportador.html.

[81] Online information from the SICEX. Viewed at: https://www.centrex.gob.sv/scx_html/guia_tramites.html.

[82] Law regulating the storage, transport and distribution of petroleum products, Legislative Decree No. 169 of 23 December 1970.

[83] Legislative Decree No. 456 of 17 December 2007.

3.92. The export of several products is controlled either by means of authorizations, permits, inspection, registration, certificates or other documents issued by various public and private institutions. The relevant procedures must be completed before an export application is submitted to the CIEX. Products subject to control include: cane sugar, coffee, agricultural chemicals, staple grains, dairy produce, meat, processed food products, arms and explosives and cultural assets (Table 3.9). In general, the controls are for environmental, health, safety or quality control reasons. For some products, the legislation provides that export authorizations are granted only if domestic supplies are guaranteed; this is the case for pesticides and fertilizers and other agricultural chemical inputs[84], cane sugar[85], and natural gas.[86]

Table 3.9 Exports subject to controls

Product	Competent authority	Authorization required
Agricultural chemicals, biological products, medicines and feed for veterinary use	Ministry of Agriculture and Livestock (MAG)	Registration with the Registration and Control Directorate
Arms and explosives	Logistics Directorate in the Ministry of National Defence	Permit
Cane sugar	Salvadoran Sugar Agro-Industry Council (CONSAA)	CONSAA resolution
Cultural assets	Secretariat for Culture of El Salvador (SECULTURA)	Resolution
Coffee (including roasted or ground coffee)	Salvadoran Coffee Council	Permit
Meat	Ministry of Agriculture and Livestock (MAG)	Registration and authorization for inspection of products of animal origin
Ferrous and non-ferrous waste and scrap	Ministry of Finance	Registration of the exporter with the Directorate-General of Customs
Wild flora and fauna	CITES-El Salvador Administrative Authority in the Directorate-General of Plant Health (DGSVA) and Directorate-General of Livestock in the MAG	CITES certificate
Natural gas	Directorate of Hydrocarbons and Mining in the Ministry of the Economy	Authorization
Red beans	DGSVA in the MAG	Authorization
Staple grains, fresh loroco and Hawaiian papaya (when the importing country requires additional information)	DGSVA (Agricultural quarantine) in the MAG	Inspection of the product
Machinery	Ministry of Labour and Social Welfare	Resolution by owners
Honey from bees	Apiculture Unit, Food Safety, in the MAG	Original and copy of the sampling document
Processed food products for human consumption	Department of Environmental Health in the Ministry of Health	Registration
Dairy produce	Laboratories accredited for analyses	Quality examination
Fish products	Directorate-General of Fisheries and Aquaculture Development (CENDEPESCA)	Registration and possession of a permit

Source: WTO Secretariat, with online information from the SICEX. Viewed at: https://www.centrex.gob.sv/scx_html/productos_controlados.html.

3.93. El Salvador restricted the export of red beans during the period 15 May 2014 to 31 December 2015 as a temporary measure to maintain price stability and ensure an adequate supply of the domestic market. Article XI of the GATT 1994 was one of the legal bases cited by El Salvador in order to apply this measure.[87]

[84] Law on the control of pesticides, fertilizers and products for agricultural use, Legislative Decree No. 315 of 10 May 1973.

[85] Law on production, industrialization and marketing in El Salvador's sugar industry, Legislative Decree No. 490 of 17 August 2001.

[86] Natural Gas Law, Legislative Decree No. 630 of 20 June 2008.

[87] Decision No. 516 of the Ministry of Agriculture and Livestock on temporary restriction of exports of red beans and amendments thereto. Information on the measure viewed on the official website of the Food

3.2.4 Tariff and tax concessions

3.2.4.1 VAT deduction and refund

3.94. Exporters may seek deduction of the VAT paid on inputs and services incorporated in the production of goods exported from the tax owing as a result of domestic transactions to which VAT applies. If the tax credit cannot be fully deducted from the tax owing during the tax period, the exporter may request the Directorate-General of Internal Revenue (DGII) for refund of the remaining balance.[88]

3.95. Pursuant to Legislative Decree No. 71 of 14 August 2015, an amendment to the Law on VAT was adopted, introducing a "reverse charge" mechanism to speed up refund of this tax to exporters.[89] This amendment allows exporters to deduct in their monthly tax returns the VAT paid on the purchase of imported inputs (excluding domestic inputs) from the total VAT withheld. Since 17 November 2015, the Ministry of Finance has been implementing an online system to enable companies to apply a reverse charge mechanism for VAT.

3.2.4.2 Repeal of the Export Recovery Law

3.96. By means of Legislative Decree No. 565 of 23 December 2010, El Salvador repealed the Export Recovery Law in order to comply with its commitments under the WTO Agreement on Subsidies and Countervailing Measures (SCM Agreement). The Law refunded to exporters 6% of the f.o.b. value of their exports outside Central America, and for exporters of coffee and sugar, made this concession conditional upon a local content requirement of at least 30% of the aggregate value of the exports. El Salvador requested and obtained from the SCM Committee an extension of the transition period provided by Article 27 of the SCM Agreement up until 31 December 2005 in order to eliminate this measure.[90]

3.2.4.3 Amendments to the Law on industrial and marketing free zones

3.97. In December 2001, El Salvador also requested an extension of the transition period provided by Article 27 of the SCM Agreement for phasing out export subsidies for programmes implemented under the Law on industrial and marketing free zones (LZFIC).[91] From 2003 to 2007, this extension was granted for annual periods. In September 2007, El Salvador requested a further extension for the LZFIC in conformity with the procedure adopted by the General Council for this purpose.[92] Under this procedure, El Salvador undertook to phase out export subsidies for the programmes applied under the LZFIC by 31 December 2015 at the latest and to submit a plan of action for this purpose. El Salvador notified the WTO SCM Committee annually of the aforementioned programmes[93] and was given annual extensions over the period 2008-2013[94]; it has also forwarded the notification for 2014.[95]

3.98. In its notification of 8 July 2013 to the SCM Committee, El Salvador notified the approval of Legislative Decree No. 318 (21 February 2013) amending the LZFIC.[96] At its session held on 26 April 2016, the SCM Committee examined El Salvador's notification for 2014

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and Agriculture Organization of the United Nations (FAO) at: http://www.fao.org/giews/food-prices/food-policies/detail/en/c/318257.

[88] Articles 76 and 77 of the Law on the tax on the transfer of property and the supply of services, Legislative Decree No. 296 of 31 July 1992 and amendments thereto.

[89] Exporters have reported long delays in refunding VAT. See, for example, CentralAmericaData.com, *El Salvador: Demoras en devolución de IVA*, 4 May 2015. Viewed at: http://www.centralamericadata.com/es/article/home/El_Salvador_Demoras_en_devolucin_de_IVA.

[90] WTO documents G/SCM/N/74/SLV/2 of 7 January 2002 and G/SCM/99 of 18 December 2002.

[91] WTO document G/SCM/N/74/SLV/1 of 3 January 2002.

[92] WTO documents WT/L/691 of 31 July 2007 (procedure adopted by the General Council) and G/SCM/N/163/SLV of 17 September 2007 (Request by El Salvador).

[93] WTO documents G/SCM/N/177/SLV of 7 July 2008, G/SCM/N/186/SLV and G/SCM/N/192/SLV of 4 June 2009, G/SCM/N/211/SLV of 7 July 2010, G/SCM/N/220/SLV and G/SCM/N/226/SLV of 6 July 2011, G/SCM/N/243/SLV of 4 July 2012, G/SCM/N/253/SLV and G/SCM/N/260/SLV of 8 July 2013, G/SCM/N/275/SLV of 16 July 2014, G/SCM/N/284/SLV and G/SCM/N/290/SLV of 14 July 2015.

[94] WTO document G/SCM/65 and additions thereto (various dates).

[95] WTO document G/SCM/N/284/SLV-G/SCM/N/290 of 14 July 2015.

[96] WTO document G/SCM/N/253/SLV and G/SCM/N/260/SLV of 8 July 2013.

(G/SCM/N/284/SLV-G/SCM/N/290/SLV) relating to the subsidies provided under the former free zones regime. No written questions were put to El Salvador in advance and no Member referred to the notification at the meeting.

3.99. By means of Legislative Decree No. 318, El Salvador introduced substantial amendments to the LZFIC in order to bring it into line with its international commitments and to give the regulatory framework the stability needed to attract investment. The main changes include the elimination of all references to exportation as a criterion for eligibility under the Law; the elimination of local content requirements in order to be able to sell on the domestic market; the introduction of investment and employment requirements; the addition of new activities to be covered by the regime; a time-bound and differentiated scheme of fiscal incentives according to the site of the business; and new control and inspection mechanisms. The Ministry of the Economy is responsible for authorizing access to the regime and for monitoring enforcement.

3.100. Pursuant to Article 3 of the amended LZFIC[97], Salvadoran or foreign businesses may become established and operate in a free zone when engaged in production, assembly, in-bond assembly (maquila), manufacturing, processing, transformation or marketing of industrial goods (listed in Chapter 3 and Chapters 25 to 29 of the Central American Harmonized System). Following the 2013 amendment, the regime was extended to cover fishing, processing and marketing of marine species; the cultivation, processing and marketing of species of flora grown in greenhouses and laboratories; breeding and marketing of amphibians and reptiles in captivity with a permit from the competent authority; dehydration of ethyl alcohol; and the services needed for or related to performing such activities, which may only be provided to LZFIC beneficiaries.

3.101. Companies engaged in producing, assembling, manufacturing, processing or marketing craft products or goods of the textile or clothing industry which, for technical reasons, cannot be located in a free zone, may apply to be declared as "inward-processing warehouses" (DPA) if they meet the criteria laid down in the LZFIC.[98]

3.102. The following activities are not eligible for the benefits under the LZFIC, pursuant to Article 6 of the Law: exploration, exploitation and processing of natural gas, petroleum and petroleum fuels, oils, greases and lubricants; production and marketing of clinker cement; marketing of ferrous and non-ferrous metal scrap and waste; mineral exploitation; production or marketing of sugar, its substitutes and by-products; and the import of machinery and equipment for the purposes of leasing.

3.103. To become a beneficiary of a free zone or to be declared as a DPA, businesses must meet at least one of the investment and employment criteria set out in Table 3.10. Failure to meet the investment criterion leads to annulment of authorization as a beneficiary or DPA, while failure to meet the employment criterion results in suspension of rights until the omission is made good. Beneficiaries and DPAs also have to comply with the infrastructure and basic service requirements in the workplaces specified in domestic legislation.

3.104. Businesses operating under the LZFIC prior to the 2013 amendment were allowed access to the new regime if they could prove to the Ministry of the Economy that they complied with one of the following requirements: (a) already had and maintained the number of jobs determined in Articles 17-A and 19-A of the LFZIC (the same requirements as those for new beneficiaries); or (b) had invested no less than US$100,000 since the date on which their operations were authorized, and maintained the number of jobs equivalent to the average number over the previous three years or the average over the time that had elapsed since the date of authorization, if this was shorter. The time-limit for providing proof of compliance with these requirements expired on 9 September 2013.[99] The authorities have indicated that over three quarters of the former beneficiaries of the LZFIC have acceded to the new regime. Persons or businesses which, prior to entry into force of the amendments, had operated in national customs territory and were

[97] Law on industrial and marketing free zones, Legislative Decree No. 405 of 23 September 1998; last amended by Legislative Decree No. 318 of 21 February 2013.

[98] The criteria are that they should be situated in an industrial zone; their facilities should comply with industrial and labour safety requirements; they should have a formal administrative and financial structure; and also have industrial premises. Article 18 of the LZFIC.

[99] Article 54-D of the LZFIC.

liable for income tax (ISR) and legal persons that are the result of the merger or conversion of a business previously liable for the ISR are not eligible for the amended regime.

Table 3.10 Requirements for becoming established as a free zone beneficiary or inward processing warehouse

	Amount of the initial investment in fixed assets	Jobs
Free zones	US$500,000 during the first two years of operation	Function with at least 50 permanent jobs as of the first year of operation
		Function with 5 or more permanent jobs as of the first year of operation (marketing)
Inward processing warehouses	US$800,000 during the first two years of operation	Function with 75 or more permanent jobs as of the first year of operation
		Function with 15 or more permanent jobs as of the first year of operation (marketing)

Source: Prepared by the WTO Secretariat on the basis of Articles 17-A and 19-A of the Law on industrial and marketing free zones, Legislative Decree No. 405 of 23 September 1998; last amended by Legislative Decree No. 318 of 21 February 2013.

3.105. The amended LZFIC provides a new scheme of mainly fiscal incentives for businesses recognized as beneficiaries of free zones or DPAs.[100] These take the form of reductions of the following taxes, which diminish over the years: income tax, municipal taxes, tax on the transfer of real estate and income tax on dividends. There is also exemption from tariffs on the import of machinery, equipment, raw materials and other inputs needed for the activities authorized throughout the period of operation (Table 3.11). The incentives vary according to whether the beneficiary is a free zone beneficiary or a DPA and also depend on the location of the business, either within or outside the metropolitan area.

Table 3.11 Fiscal incentives in free zones and inward processing warehouses

Fiscal incentive	Free zones	
	Metropolitan area	**Outside the metropolitan area**
Income tax (ISR)	Exemption for the first 15 years	Exemption for the first 20 years
	60% for the next 10 years	60% for the next 15 years
	40% for the following 10 years	
Municipal taxes	Exemption for the first 15 years	Exemption for the first 20 years
	90% for the next 10 years	90% for the next 15 years
	75% for as long as the authorized activity continues	
Tax on the transfer of real estate	Exemption for the purchase of real estate to be used for the authorized activity	
Dividends	Exemption from the ISR for the first 12 financial years	
Import tariffs	Exemption from import tariffs on machinery, equipment, raw materials, catalysers, lubricants, reagents and fuel, *inter alia*, needed for operation of the authorized activity	
Fiscal incentive	**Inward processing warehouses**	
	Metropolitan area	**Outside the metropolitan area**
Income tax (ISR)	Exemption for the first 10 years	Exemption for the first 15 years
	60% for the next 5 years	60% for the next 10 years
	40% for the subsequent 10 years	
Municipal taxes	Exemption for the first 10 years	Exemption for the first 15 years
	90% for the next 5 years	90% for the next 10 years
	75% for as long as the authorized activity continues	
Tax on the transfer of real estate	Exemption for the purchase of real estate to be used for the authorized activity	
Dividends	Exemption from the ISR for the first 12 financial years	
Import tariffs	Exemption from import tariffs on machinery, equipment, raw materials, catalysers, lubricants, reagents and fuel, *inter alia*, needed for operation of the authorized activity	

Source: Prepared by the WTO Secretariat on the basis of Articles 17 and 19 of the Law on industrial and marketing free zones, Legislative Decree No. 405 of 23 September 1998; last amended by Legislative Decree No. 318 of 21 February 2013.

[100] Articles 17 and 19 of the LZFIC.

3.106. Free zone beneficiaries which increased their original investment by 100% over the last five years of the period for total tax exemption are eligible for a further five years of exemption from these taxes. In addition, the period of exemption from payment of the ISR and municipal taxes is extended for a further five years for beneficiaries engaged in manufacturing microprocessors, integrated circuits, parts for land, air and seagoing vehicles, spare parts or equipment for computers, medical devices and energy-generating equipment. Businesses whose industrial activity has been declared "strategic" have the right to a further ten years of exemption from payment of the ISR and municipal taxes.[101] "Strategic" activities are those involving the manufacture of vehicles, aircraft and seagoing craft or the production of industrial goods using nanotechnology, whose owners make new investment of at least US$10 million in El Salvador and are declared as such by means of a decision from the executive authority for that particular branch of the economy.

3.107. The amended text also abolished the local content requirements for sale on the domestic market. The conditions are now the following: if a seller sells goods produced abroad on the domestic market, it must pay the duty and other import taxes and prove that the goods have not undergone transformation and have been under customs control at all times. In the case of goods produced in a free zone or a DPA, the seller must pay duty and import taxes on the customs value, excluding the value of the domestic component, provided that the value of these components can be proved.[102]

3.108. The amendment to the LZFIC introduces other changes to customs procedures. For example, machinery and equipment entering duty-free for a free zone beneficiary or a DPA may be transferred without paying the corresponding duty after a period of five years (previously it was two years). The period during which goods entering for processing under the DPA procedure may remain has been reduced to 12 months (previously it was 48 months) calculated as of the date of acceptance of the goods declaration.[103]

3.109. El Salvador's notifications contain no data on the amount of the subsidies granted under the LZFIC, either before or after the amendment. On the other hand, there are data showing the importance of the LZFIC regime for El Salvador's economy: net exports from free zones and DPAs amounted to US$1,024 million in 2014 (compared to US$666.4 million in 2010), equivalent to 19% of the total value of El Salvador's exports in 2014. In the same year, these businesses accounted for just over 10% of the country's GDP. Around 9% of the businesses operating in free zones and as DPAs are engaged in making clothing under the "full package" and "net in-bond assembly (maquila)" mode.[104] In 2014, 141 businesses were operating as free zone beneficiaries and 105 as DPAs, generating a total of 84,667 direct jobs and 169,334 indirect jobs (Section 4.3). In 2015, there were 121 free zone beneficiary businesses and 99 DPAs.

3.2.4.4 Law on international services

3.110. In order to promote El Salvador as an international hub for the supply of technical and logistics services, since 2007 the Law on international services (LSI)[105] has been granting fiscal incentives to domestic or foreign businesses exporting services and located in "parks" and/or "service centres" deemed to be outside national customs territory.[106] The incentives consist of exemption from: (a) tariffs and other import taxes on machinery and other goods needed to provide the services benefiting from incentives; (b) the ISR; and (c) municipal taxes on assets.[107] The benefits are granted for as long as the businesses are operating and provided that they meet the requirements laid down in the LSI.

[101] Article 17-B of the LZFIC.
[102] Articles 3, 25 and 44 of the LZFIC.
[103] Articles 20 and 22 of the LZFIC.
[104] WTO document G/SCM/N/284/SLV and G/SCM/N/290/SLV of 14 July 2015.
[105] Legislative Decree No. 431 of 25 October 2007.
[106] The main difference between a park and a service centre is that the former constitutes a single entity in which several businesses operate under the responsibility of an administrator, whereas the latter is a defined area within which a business is authorized to set itself up.
[107] Articles 21 and 25 of the LSI.

3.111. Following an amendment to the LSI, approved in January 2013[108], the scope of some of the eligible activities was broadened; new activities were added (repair and maintenance of containers; repair of technological equipment; care of the elderly and the convalescent; telemedicine; and cinematography); and the requirements allowing businesses to operate outside service parks were made more flexible. Table 3.12 shows the activities which are eligible under the amended LSI (including those whose scope was broadened) and whether they may operate in parks or service centres.

Table 3.12 Law on international services: eligible activities

Eligible activities	Broadening of the scope (2013 amendment)	Location
International distribution	N/A	Parks
International logistics operations	N/A	Parks
International call centres	Including email, chat and multimedia messaging services	Parks or service centres
Information technology	N/A	Parks
Research and development	N/A	Parks
Repair and maintenance of seagoing vessels	In addition to international cargo and cruise vessels, hospital ships and/or scientific research and industrial fishing vessels	Parks or service centres
Repair and maintenance of aircraft[a]	N/A	Parks or service centres
Business services (BPO)	Preparation of manning tables and other human resources-related services have been added	Parks or service centres
Medical and hospital services	In addition to treatment of disease with or without surgery, general medical and dental services	Parks or service centres
International financial services	N/A	Parks
Repair and maintenance of containers	N/A	Parks or service centres adjacent to a sea port or airport
Repair of technological equipment	N/A	Parks
Care of the elderly and convalescent	N/A	Parks or service centres
Telemedicine	N/A	Parks or service centres
Cinematography	N/A	Parks

N/A Not applicable.

a Services provided to a natural or legal person engaged in operating an airline offering international flights, irrespective of their domicile and where the service is utilized, are deemed to be exports.

Source: Prepared by the WTO Secretariat on the basis of the Law on international services, Legislative Decree No. 431 of 25 October 2007, as amended by Legislative Decree No. 277 of 24 January 2013.

3.112. The amendment to the LSI also defines the services which may be sold on the domestic market provided that they are intended for persons or businesses registered as taxpayers and that VAT, the ISR and municipal taxes are paid.[109] These services are: international distribution, international logistics operations, international call centres, international financial services, information technology services and research and development.

3.113. The 2013 amendment also redefined and eased some of the requirements to be met by businesses wishing to take advantage of the LSI benefits. These requirements vary depending on the nature of the service and whether it is situated in a park[110] or a service centre.[111] In general, there are minimum requirements in terms of investment (which in some cases have been reduced), employment (ten jobs), length of contract (reduced from one year to six months), and infrastructure (including environmental and safety conditions), and it is mandatory to submit a business plan. The Ministry of the Economy is responsible for implementing the LSI and giving businesses authorization to operate. The authorities have indicated that around 50 businesses are operating under the LSI. No information could be obtained on the value of their service exports.

[108] Legislative Decree No. 277 of 24 January 2013.
[109] Article 8 of the amended LSI.
[110] Articles 22 and 23 of the LSI.
[111] Articles 24 and 24-A of the LSI.

3.2.5 Export promotion

3.114. A new conformation of the Export and Investment Promotion Agency of El Salvador (PROESA) – an institution governed by public law and attached to the Office of the President of the Republic – was established by Legislative Decree No. 663 of 9 April 2014.[112] This Decree defines PROESA's new responsibilities, its organization and functioning, and provides for the creation of advisory committees to provide technical support for public-private projects put before the Agency's Governing Board. Its responsibilities include boosting exports by disseminating and promoting the country's offer of goods and services for export, identifying foreign markets and drawing up proposals to improve export policies and strategies.

3.115. PROESA provides exporters with advice in the form of information services (formalities, regulations and requirements for access to target markets), assistance with the adaptation process (seeking suppliers, calculating export prices, marketing strategy, advice on logistics), additional strategic information, and trade promotion support (business contacts and participation in trade fairs and missions).[113]

3.116. PROESA also runs a number of support programmes for exporters in coordination with the Ministry of the Economy. These include: *Exportar Paso a Paso* (Export Step-by-Step) (aimed at Central American markets) and *Exportar Más* (Export More) (aimed at market diversification). *Exportar Paso a Paso* assists Salvadoran businesses that wish to start exporting, mainly by giving them information on markets, training, technical assistance and help in promoting products and services with potential in the chosen markets. The following are the requirements to be met: the business must be formally registered; if it produces goods, it must have been operating for at least three years and have annual sales amounting to a minimum of US$100,000, and if it supplies services, it must have been operating for at least one year and have annual sales amounting to a minimum of US$75,000; and the analysis carried out by PROESA must show that it has export potential.

3.117. The *Exportar Más* programme helps businesses to increase and diversify their exports to preselected markets by providing: information on markets, business support from a PROESA specialist, assistance from an expert in the target market, and coordination of a trade mission to this market.[114] To be eligible for this support, the business must be formally registered, have exporting experience (over the previous two years as a minimum), have total sales of US$100,000 or more and annual exports of at least US$25,000, and belong to one of the sectors identified as having potential in the chosen markets.

3.118. PROESA is financed through the government budget and by a reimbursable loan from the Inter-American Development Bank (IDB). The amounts earmarked by PROESA for export promotion programmes totalled US$4.3 million over the period 2014-2016. The programmes supported 82 businesses in 2014 and 95 in 2015.[115]

3.119. In July 2013, PROESA, the National Quality Council, through the Salvadoran Standardization Agency (OSN), and the Exporters Corporation of El Salvador (COEXPORT) implemented the *Exportar con Calidad* (Quality Exports) programme to assist companies exporting food and beverages to meet the food safety requirements of the United States market. The programme lasted for 15 months and was aimed at companies which had continuously exported since 2009 in amounts exceeding US$10,000 annually.

[112] PROESA is a new conformation of the Export and Investment Promotion Agency of El Salvador (PROESA), originally created by Executive Decree No. 59 in May 2011 to replace the National Export and Investment Promotion Commission (CONADEI), which brought together EXPORTA (responsible for promoting exports) and PROESA (responsible for promoting investment), both created at different dates and incorporated in CONADEI in 2005.

[113] Online information from PROESA. Viewed at: http://www.proesa.gob.sv/exportaciones/asesoria-al-exportador.

[114] Online information from PROESA. Viewed at: http://www.proesa.gob.sv/exportaciones/programas-de-apoyo.

[115] In 2014, 64 companies received support under the *Exportar Paso a Paso* programme and 18 under the *Exportar Más* programme, whereas in 2015, 32 businesses benefited from *Exportar Paso a Paso* and 63 from *Exportar Más*. Information provided by the Salvadoran authorities.

3.2.6 Export financing, insurance and guarantees

3.120. In 2012, the Law on the financial system for the promotion of development (Legislative Decree No. 847 of 22 September 2012) created the Development Bank of El Salvador (BANDESAL), a public credit institution which replaced the Multisectoral Investment Bank (BMI) and took over its assets.[116] BANDESAL's aim is to facilitate access to financing for production sectors, principally those not served by commercial banks, including: agriculture, agro-industry, industry, services, energy, exports, tourism, housing, production infrastructure and micro and small enterprises (MSMEs). This Law also created the Economic Development Fund (FDE) and the Salvadoran Guarantee Fund (FSG), whose resources are managed by BANDESAL.[117] The purpose of the FDE is to meet the financial needs of MSMEs.

3.121. BANDESAL grants loans directly as a first-tier bank, through other financial institutions as a second-tier bank, and using FDE resources. As a second-tier bank, BANDESAL offers medium- and long-term loans to users through 42 local financial institutions and 20 lines of credit. First-tier operations and loans granted using FDE resources include three types of loan to support exporters: (a) "export capital formation", which seeks to encourage diversification of exports by product and by market; (b) "enlargement of the exporting industrial park" to increase El Salvador's export base; and (c) pre-export and export loans in support of companies wishing to export goods and/or services. Loans are granted for viable and profitable projects in all economic sectors, with terms of one to ten years depending on the type of loan and at competitive rates of interest. The loans granted by BANDESAL in support of export activities represent fairly modest amounts and most of them are granted to micro and small enterprises (Table 3.13).

Table 3.13 BANDESAL: Amount of export loans, 2013-2015

(US$ million)

	BANDESAL First tier	BANDESAL Second tier	Economic Development Fund
2013	9.48	1.50	0.55
2014	0.00	9.61	1.40
2015	0.00	8.47	0.58

Source: Information provided by BANDESAL.

3.122. The FSG offers security to make it easier for businesses to obtain loans from commercial banks. It has a programme guaranteeing working capital loans for exportation. The maximum amount guaranteed is US$125,000, for a term of one year with maximum cover of 70% if the loan guaranteed is backed up by the exporter's commercial invoice or 50% if it is backed up by purchase orders. In 2015, security by the FSG reached a total of US$36.2 million, in support of a loan portfolio of US$64.4 million for eligible institutions, of which 0.23% was for export credits.[118]

3.123. The *Exporte con garantía* (Export with guarantees) programme, which was implemented by the BMI, ceased to operate in 2009. The Trust Fund in Support of Salvadoran Exports (FIDEXPORT), which provided security for the short-term financing sought by businesses in order to export goods and services, was liquidated at the end of 2013.[119] Likewise, during the period under review the Export Promotion Fund (FOEX), which gave small and medium-sized enterprises financial support for the promotion of their exports, was replaced by the Production Development Fund (FONDEPRO).

3.124. FONDEPRO's main emphasis is on helping to raise productivity and competitiveness in MSMEs. It provides non-reimbursable co-financing to enable them to improve the quality of their products and processes, increase output and promote exports, encourage innovation, increase the creation of value added and boost production chains. The types of activity eligible include market surveys, adoption of technology for the semi-automation or automation of production processes, technological improvements, quality diagnostics, certification, cleaner production, energy efficiency and prospection, penetration and consolidation of foreign markets (participation in trade fairs and

[116] At the time of its creation, BANDESAL had around US$1,600 million, of which US$200 million represented its own capital and the remainder was raised by selling shares and through financing by international organizations.
[117] Article 4 of the Law on the financial system for the promotion of development.
[118] Information provided by the Salvadoran authorities.
[119] BANDESAL (2014), *Fideicomisos administrados*.

missions). It is financed through contributions from international organizations such as the Central American Bank for Economic Integration (CABEI), IDB loans and resources received from the government budget. Between 2010 and 2015, a total amount of US$11.6 million was disbursed.[120]

3.3 Measures affecting production and trade

3.3.1 Incentives

3.125. The incentives given by El Salvador to its production sector mainly focus on programmes to promote exports and, as described above, programmes in support of micro, small and medium-sized enterprises (MSMEs), transfer of technology, and programmes to attract investment.

3.126. Businesses set up in El Salvador are also eligible for BANDESAL's programmes, whose main objective is to provide financial and technical support for the development of viable and profitable investment projects in the country's production sectors in order to contribute towards: (a) promoting the growth and development of all production sectors; (b) promoting the development and competitiveness of entrepreneurs; (c) encouraging the development of MSMEs; (d) boosting the development of exports and job creation; and (e) improving education and health services.

3.127. In order to achieve this, BANDESAL's main responsibilities are: (i) to grant loans and conduct other financial transactions directly with those eligible in order to finance private-sector investment projects to be implemented in El Salvador; (ii) to grant loans through eligible institutions in order to finance private-sector investment projects to be implemented in El Salvador; (iii) to grant loans and conduct financial transactions in foreign currency through eligible institutions or directly with a guarantee from them to natural or legal persons in order to finance the import and marketing of goods and services of Salvadoran origin in the target countries; (iv) to guarantee foreign currency obligations contracted by eligible institutions or persons for the purpose of obtaining financing; (v) to develop financial products in support of the regionalization of Salvadoran businesses; (vi) to develop training, advisory and technical assistance programmes designed to broaden or improve access to financing, the competitiveness and the productivity of businesses; (vii) to finance, undertake or commission technical, legal and financial studies for sectoral analysis, pre-investment studies or project structuring and to define the policies applicable; and (viii) to manage the resources of the FDE and the FSG.

3.128. BANDESAL has the authority to invest in shares or securities issued by banks or other financial institutions, as well as shares or securities issued by the Central Reserve Bank of El Salvador. It may also, *inter alia*: keep deposits with the Central Reserve Bank of El Salvador, banks or other financial intermediaries authorized to receive deposits, and keep deposits in dollars or other foreign currency in first-tier banks abroad; obtain loans from national or international institutions; issue and obtain negotiable bonds in accordance with its annual financial programme; and manage guarantee funds.[121]

3.129. BANDESAL may act as a first-tier or second-tier bank and give guarantees. As a first-tier bank, it finances investment projects ranging from US$4.25 million to US$21 million for up to 50% of the investment. It also acts to facilitate and mobilize resources from other participating financial institutions. As a second-tier bank, BANDESAL grants loans to financial institutions to enable them to transfer these resources on to final users for a permanent increase in working capital, technical training, purchase of machinery and equipment and the building of facilities and physical infrastructure. Indirect loans are aimed primarily at MSMEs through the FDE; BANDESAL grants direct short-, medium- or long-term loans to MSMEs through 36 different programmes with the objective of promoting the development of viable and profitable projects. BANDESAL is obliged by law always to maintain a ratio of at least 12% between its regulatory capital and its total risk-weighted assets. BANDESAL's principal programmes are described in Table 3.14.

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[120] Information provided by the Salvadoran authorities. See also http://www.fondepro.gob.sv.

[121] Online information from BANDESAL. Viewed at: http://www.bandesal.gob.sv/institucion/areas-de-trabajo.

Table 3.14 BANDESAL's principal programmes

Programme	Description	Term	Grace period
1. First-tier programmes			
Agricultural capital formation	Purchase of fixed assets such as machinery and equipment	8 years	2 years
Intensive and protected agriculture	Financing of capital-intensive crops	2-15 years	1-2 years
Promotion of agricultural activities	Financing of activities in support of agriculture and livestock breeding	3-10 years	1-3 years
Investment in coffee plantations	Resources for reviving the coffee sector (renewal, replenishment, new planting). Maximum amounts apply	6-10 years	2-4 years
Avio loans for traditional crops	Financing of the production cost for El Salvador's most important crops. Maximum amounts apply	18-36 months	
Promotion of investment in agro-industry	Purchase of fixed assets for agro-industrial facilities	10-15 years	2 years
Transfer of technology and agro-industrial innovation	Financing of activities giving added value to agricultural products	2-10 years	1-2 years
Support for the textile and clothing industry	Financing of fabric design, creation of own trademarks, etc.	2-15 years	1-2 years
Formation of industrial capital	Financing of activities with high growth potential (chemicals, pharmaceuticals, electronics, plastics, paper and paperboard, etc.)	10 years	2 years
Transfer of technology and industrial innovation	Industrial activities giving added value	2-5 years	1 year
Extension of the Salvadoran industrial park	Financing of activities with high growth potential	15 years	2 years
Boosting logistics services	Financing for training and expansion of distribution centres	10-15 years	2 years
Promotion of international services	Financing of the maintenance and repair of vessels and aircraft	2-15 years	1-2 years
Promotion of remote business services	Financing of call centres, research and development, etc.	2-15 years	1-2 years
Transport for production	Financing to promote transport	5-7 years	
Financing of technological innovation	Financing for the use of industrial models, product engineering, etc.	2-5 years	1 year
Boosting the SME *Sigue Invirtiendo*	Providing competitive long-term resources to revive various economic sectors	3-15 years	1 year
Support for the SME *Sigue Creciendo*	Providing competitive resources for the supply of goods and services to the State	12 months	
Energy generation	Financing of renewable sources of energy	2-20 years	1-5 years
Extension of the exporting industrial park	Financing of export activities in all sectors	15 years	2 years
Promotion of tourism	Financing of products or services which promote the value chain in El Salvador's tourism	2-15 years	1-3 years
Promotion of foreign direct investment	Financing to facilitate FDI	2-15 years	1-2 years
Promotion of direct investment	Financing to facilitate investment by Salvadorans resident abroad	2-15 years	6 months -2 years
Promotion of business associations	Financing of associative projects, value chains	3-15 years	1-2 years
2. Second-tier programmes			
Investment loans	Financing of working capital, fixed assets, real estate to be used for production	4-20 years	1-5 years
Pre-export and export	Working capital to finance pre-export and export of all goods and services	1 year	
Boosting the MSME special line *Sigue Invirtiendo*	Financing of working capital, fixed assets, real estate to be used for production	2-15 years	1 year
Support for the MSME special line *Sigue Creciendo*	Working capital for the production of goods or services	12 months	
Support for the MSME special line *Descuento de Documentos*	Documents backing up receivables. The minimum term in the documents must be more than 30 days.	180 days	
Support for the MSME special line *Impulsa tu Negocio*	Financing for the purchase of furniture, equipment and work tools	2-5 years	1 year
Line of credit to support control of coffee diseases	Working capital	Up to 3 years	Up to 1 year
Financing for the establishment of coffee bush nurseries	Financing of coffee-seedling production costs	Up to 18 months	
Working capital for the 2016-2017 coffee harvest	Financing of working capital costs for the 2016-2017 coffee harvest	Up to 18 months	

Programme	Description	Term	Grace period
Agricultural recovery. Investment in coffee plantations	Support for the initiation or extension of production. Financing for renewal, replenishment and planting of coffee plantations	10 years	2 years
Line for the renewal of coffee plantations	Financing for the renewal of coffee bushes to raise productivity. The loans granted may cover 100% of the investment to be made	Up to 6 years	Up to 2 years
Line for the replenishment of coffee-growing stock	Financing for the replenishment of coffee-growing stock on coffee plantations. Maximum amounts apply	12 years	Up to 5 years
Line for the planting of new coffee plantations	Financing for new coffee plantations. Maximum amounts apply. Loans may cover up to 80% of the investment	Up to 8 years	Up to 3 years
3. Guarantees			
MSMEs	Guarantees for working capital loans, capital formation and transport. Coverage: 50%-70%. Maximum amount US$75,000 to US$100,000	3-5 years	
Tourism MSMEs	Purchase of machinery and equipment, software, transport, etc. Coverage: 70%. Maximum amount US$125,000. Guarantees for working capital loans, capital formation and transport. Coverage: 50%-70%. Maximum amount US$75,000 to US$100,000	8 years	
Production	Guarantees for working capital loans, capital formation, transport, technological development and environmental conversion. Coverage: 50%-70%. Maximum amount US$125,000	3-8 years	
Innovation	Guarantees for working capital loans, technological development and environmental conversion. Coverage: 50%-70%. Maximum amount US$50,000-US$125,000	2-7 years	
Agriculture	Supplementary guarantees to facilitate access to loans. Coverage: 30%-100%. Maximum amount US$175,000. Guarantees for working capital loans. Coverage: 50%-70%. Maximum amount US$50,000-US$125,000		

Source: BANDESAL.

3.130. At the end of 2014, BANDESAL's total assets amounted to US$218.8 million and it was managing 13 trust funds. In the same year, the assets of the FDE and the FSG combined amounted to US$64 million. Between 2012 and 2015, BANDESAL granted US$886.6 million in loans through financial institutions.[122] Between 2013 and 2015, it granted direct loans amounting to US$35.5 million. In 2014, the FSG gave 7,029 guarantees for a total of US$26 million and in 2015 the total was US$36.2 million. The FDE granted 243 loans for a loan commitment of US$59.9 million through 36 lines of financing.

3.131. Pursuant to Article 47 of the Law creating BANDESAL, the interest rates applied by the Bank to eligible institutions must not be lower than the institutions' actual cost of raising capital from the public in order not to discourage transactions with the public by these institutions. The interest rates applied to financial intermediaries by BANDESAL are shown in Table 3.15 and vary depending on whether they are applied to a regulated agency or not and the term of the loan.

Table 3.15 Lending rates applied by BANDESAL to financial intermediaries for new and current loans, 2016

Term	Regulated institutions	Non-regulated non-banking financial institutions
Up to 1 year	5.75%	6.00-6.50%
From 1 to 3 years	6.00%	6.25-6.75%
From 3 to 5 years	6.00%	6.25-6.75%
From 5 to 7 years	6.25%	6.50-7.00%
From 7 to 10 years	6.50%	6.75-7.25%
From 10 to 15 years	6.75%	7.00-7.50%
From 15 to 20 years	7.00%	7.25-7.75%
Over 20 years	7.25%	7.50-8.00%
BANDESAL annual benchmark rate	6.25%	

Source: BANDESAL.

[122] BANDESAL (2015).

3.132. As regards MSMEs, the National Commission for Micro and Small Enterprises (CONAMYPE) is an institution set up in 1996 by Executive Decree No. 48 and has been part of the Ministry of the Economy since 1999. It is responsible for facilitating, improving and boosting access for MSMEs to recognized business development services, enabling MSMEs to have access to loans and promoting credit access mechanisms for them.[123] The Ministry of the Economy, in coordination with CONAPYME, is responsible for framing and defining national policies to promote and develop the competitiveness of MSMEs. CONAMYPE is the agency tasked with implementing domestic policies for the promotion, development and competitiveness of MSMEs.

3.133. New legislation to promote the activities of MSMEs has been implemented since the previous review. The Law on the promotion, protection and development of micro and small enterprises (Decree No. 667 of 2014) was adopted by the Legislative Assembly on 25 April 2014 and came into force on 28 May 2014. Its purpose is to boost the creation, protection, development and strengthening of MSMEs and to help reinforce the competitiveness of those already in existence, thereby enhancing their capacity to generate jobs and value added in production (Article 1).[124] The new Law redefines the concepts of micro and small enterprise.[125]

3.134. The Law provides that action by the State or local authorities for the promotion of MSMEs should focus on promoting and developing programmes and mechanisms to foster their creation, development and competitiveness in the short, medium and long terms and encourage the economic, financial, social and environmental sustainability of the actors involved; promoting the consolidation of business and production fabrics by interlinking sectors; and encouraging the population's entrepreneurial and creative spirit, by supporting the creation of new enterprises. It also stipulates that the effective participation of MSMEs in government procurement is to be facilitated.

3.135. The Law created the National MSME Development Scheme as a mechanism for public-private inter-institutional coordination. The Scheme has national, departmental, municipal and sectoral committees. The objective is to implement policies, plans, programmes, tools and services at the national, departmental, municipal and sectoral levels in order to promote and develop MSMEs, encouraging their competitiveness, association and interconnected production, as well as their access to domestic and foreign markets. The Law also created the National MSME Committee as a forum for consultation between the Ministry of the Economy, through CONAMYPE, and MSME-related business associations, local governments, production and business sectors, MSMEs and associations organized into sectors or trade unions, universities and higher education institutes and private organizations promoting MSMEs. By May 2016, the National MSME Committee was not yet functioning. The Law also established a single window to standardize and simplify MSME-related procedures, but by May 2016, this single window had not yet started to operate.

3.136. The Law also provides that State banks are to promote MSME access to loans and other sources of financing in coordination and consultation with the Ministry of the Economy in order to create and strengthen financial instruments, guarantee schemes, trust funds, financial leasing and risk capital, *inter alia*, either directly or through financial intermediaries specializing in MSMEs. For this purpose, State banks are required to offer financial and non-financial services and capital market development services that meet MSMEs' needs.

3.137. The new legislation provides that BANDESAL should establish lines for the financing of MSMEs (see below), as well as guarantee programmes for them, and should encourage the creation of venture capital investment funds to participate temporarily in capital structure for MSMEs. The Guarantee Programme for Micro and Small Enterprises (PROGAMYPE) was set up,

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[123] Online information from CONAPYME. Viewed at: https://www.conamype.gob.sv.

[124] Online information from CONAMYPE. Viewed at: https://www.conamype.gob.sv/?page_id=2825&wpdmc=marco-legal.

[125] According to Article 3 of the Law, micro and small enterprises are classified as follows: (a) micro-enterprise: natural or legal person operating in various sectors of the economy through an economic unit whose annual gross sales do not exceed 482 minimum monthly wage units and which employ up to ten workers; (b) small enterprise: natural or legal person operating in various sectors of the economy through an economic unit whose annual gross sales exceed 482 but are not more than 4,817 monthly minimum wage units and which employ a maximum of 50 workers. Micro-enterprises which exceed the requirements in Article 3 for two consecutive years will be moved to the appropriate category. Small enterprises which exceed or fail to meet the requirements in Article 3 for two consecutive years will be moved to the appropriate category.

initially with a total of US$10 million provided by the State out of resources in the national budget, to be disbursed gradually and depending on how the programme evolves. The fund can guarantee short-, medium- and long-term loans for up to 90% of the amount financed. The guarantee programme is open to private financial intermediaries. A Fund for Entrepreneurship and Working Capital has also been created to finance new projects or existing MSMEs in all production sectors, with initial funding of US$5 million from the national budget. These funds may offer short-, medium- and long-term loans.

3.138. In 2014, BANDESAL established a training centre to provide MSME entrepreneurs with training in matters relating, among other things, to financial inclusion, business plans, product innovation, trademarks, and bookkeeping. In some cases, this training is provided in coordination with CONAPYME. BANDESAL also manages the Trust Fund for Micro and Small Enterprises (FIDEMYPE), which obtains resources from financial institutions in order to provide financing for MSME entrepreneurs.

3.139. Moreover, El Salvador benefits from the programmes administered by the Central American Bank for Economic Integration (CABEI). The CABEI programmes, other than those primarily intended for exporters, are mainly in support of micro and small enterprises, infrastructure, agribusiness, food safety, promotion of employment and low-cost housing.[126] The interest rates applicable to the various programmes are determined according to the market rates based on the Libor and are revised each quarter. The CABEI also carries out BANDESAL-intermediated operations, in which case the rate of interest charged to the final user by the intermediary institution is subject to the latter's own policies.

3.140. In 2014, the CABEI disbursed resources for El Salvador amounting to a total of US$312 million. At the end of that year, El Salvador received loans from the CABEI amounting to US$852.2 million, 87.9% of which were for the public sector.[127] In November 2015, five approved projects were being implemented: the BANDESAL LGC project, which involves increasing an overall line of credit to BANDESAL by an amount of up to US$48.1 million in order to finance or carry out operations under the CABEI's financial intermediation programmes for which the borrower is eligible[128]; the Highway Infrastructure Connectivity for Development Programme, which consists of a loan of up to US$48.2 million to the Republic of El Salvador to enable the Ministry of Public Works, Transport, Housing and Urban Development (MOPTVDU) to finance the rehabilitation, improvement and conservation of roads in the northern part of El Salvador; the Family Farming and Rural Entrepreneurship for Food and Nutritional Safety Plan (PAF), which consists of a loan of up to US$60 million to the Government of El Salvador to enable the MAG to finance part of the Plan[129]; the MSME Agricultural Bank programme, the Municipal Infrastructure Financing Programme (PROMUNI) and the Housing Programme, which consist of an overall line of credit of up to US$50 million for the Agricultural Bank to finance projects coming under any CABEI-intermediated loan programme, including those designed for micro, small and medium-sized enterprises, as well as under PROMUNI, the Housing and Urban Improvement Programme and the International Trade Facilitation Initiative (I-FÁCIL), in accordance with the conditions laid down in these programmes[130]; and the Salvadoran Workers' Bank project, which consists of an increase in the overall line of credit granted to the Salvadoran Workers' Bank in an additional amount of US$375,000 exclusively to finance projects under CABEI-intermediated loan programmes, principally for PROMUNI and MSMEs.

[126] Online information from the CABEI. Viewed at: http://www.bcie.org/?cat=1051&title=RepúblicadeElSalvador&lang=es.

[127] CABEI (2015).

[128] With this increase, the line of credit will amount to US$130 million.

[129] The main objective of the PAF is to lower poverty levels in rural areas by 12% by developing family farming. Implementation of this programme is aimed at improving agricultural production systems, lowering the levels of chronic malnutrition by 10% among children under two years of age in beneficiary families, increasing the area under crops and introducing technology, as well as improving post-harvest and agronomic management. Online information from the CABEI. Viewed at: http://www.bcie.org/?cat=1051&title=RepúblicadeElSalvador&lang=es.

[130] In addition to the foregoing, the Agricultural Bank may make use of a line of credit for working capital and investment amounting to up to 25% of the total, i.e. up to US$12.5 million.

3.3.2 Competition policy and price controls

3.3.2.1 Competition policy

3.141. The legal and institutional framework of the competition regime did not see any major changes during the period under review. El Salvador has been governed by the Competition Law[131] and its implementing Regulations[132] since 2006. This Law is based on the Constitution, which prohibits monopolistic practices but permits the existence of State monopolies when the social interest makes them indispensable.[133] The Commercial Code defines unfair competition.[134] The Law on trademarks and other distinctive signs also contains a definition of unfair competition (Title IX, Article 100).

3.142. The Competition Law prohibits anti-competitive practices but at the same time allows exceptions when these help to enhance economic efficiency and consumer welfare.[135] The Law has general application to all economic operators, whether natural or legal persons, government or municipal bodies, companies with a State holding, cooperative associations or any other organization participating in economic activities, except for the economic activities which the Constitution and the laws reserve exclusively for the State and local authorities.[136] With the exception of these activities, government institutions and agencies and local authorities must abide by the provisions in the Competition Law.

3.143. The Competition Law was not amended during the review period, but a draft reform was put before the Legislature in 2013 proposing to broaden the scope of the Law and update the formalities and procedures for investigations and control of anti-competitive practices. Specifically, it is proposed that: (a) the Law should apply to business associations, to certain anti-competitive practices that are not at present clearly defined, and to a large number of economic mergers, lowering the threshold required for their approval; and (b) the clemency programme in investigations should be revised, extending the time-limit for verifying economic mergers and introducing a tax for this.[137] By May 2016, the draft reform had not yet been approved by the Legislature.

3.144. The Supervisory Authority for Competition (SC) monitors implementation of the Competition Law and accordingly investigates whether there are anti-competitive agreements among competitors, anti-competitive practices between non-competitors, or abuse of a dominant position. The SC may also approve or refuse the economic mergers requested or impose conditions; it also conducts studies into conditions of competition in various sectors in order to be able to issue government policy recommendations.

3.145. The Competition Law prohibits horizontal agreements, vertical conduct deemed to be anti-competitive, and abuse of a dominant position.[138] Horizontal agreements to fix prices, restrict supply, divide up the market or agree upon a position in bidding procedures are prohibited as such. When evaluating cases of vertical conduct occurring between non-competing economic operators, consideration is given, *inter alia*, to any gains in efficiency resulting from the practice which may have a favourable effect on competition and yield benefits for consumers.[139] In order to decide whether an economic operator has a dominant position in a particular market, the Law considers, *inter alia*, its share of the market and the opportunity to fix prices unilaterally or to restrict supplies to the market without its competitors being able actually or potentially to counteract this power, and whether there are barriers to entry.

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[131] Legislative Decree No. 528 of 26 November 2004, as amended by Legislative Decree No. 436 of 18 October 2007.

[132] Executive Decree No. 126 of 5 December 2006.

[133] Article 110 of the Constitution. Viewed at: http://www.asamblea.gob.sv/eparlamento/indice-legislativo/buscador-de-documentos-legislativos/constitucion-de-la-republica.

[134] Articles 488-497 of the Commercial Code. Viewed at: http://www.asamblea.gob.sv/eparlamento/indice-legislativo/buscador-de-documentos-legislativos/codigo-de-comercio.

[135] Article 34 of Legislative Decree No. 528 and Article 14 of Executive Decree No. 126.

[136] Article 2 of Legislative Decree No. 528.

[137] For further details, see online information from the Supervisory Authority for Competition (SC). Viewed at: http://www.sc.gob.sv/pages.php?Id=1134.

[138] Articles 25-30 of Legislative Decree No. 528 and Articles 12-17 of Executive Decree No. 126.

[139] Articles 26 and 27 of Legislative Decree No. 528 and Article 14 of Executive Decree No. 126.

3.146. The SC initiates investigations of possible unlawful agreements between competitors either *ex officio* or following a complaint. If the unlawful practice is found to exist, remedial measures are ordered[140], in particular, cessation of the practice, and a fine is imposed in an amount determined according to the specificities of the offence (for example, its seriousness, effect on third parties, repetition and duration). The maximum amount of the fine is 5,000 monthly minimum wages (in urban industry), but may be more if the practice is deemed to be "particularly serious". In such cases, the offender is subject to a fine of up to 6% of its annual sales or 6% of the value of its assets (during the preceding financial year) or two to ten times the estimated profit earned from the unlawful practice (whichever is higher). In addition to the financial penalty, in the final resolution the Supervisory Authority orders the cessation of the practice and may determine the necessary structural or behavioural conditions or obligations.[141] There is a clemency programme which, although it does not dispense the offender from paying the fine, allows the particularly serious criterion not to be applied. The programme is intended for economic operators which collaborate with the SC, providing evidence of the unlawful agreement in which they participated, provided that they have been the first to report it, together with other requirements.[142]

3.147. All economic mergers exceeding the thresholds indicated in the LC must be notified and receive prior authorization from the SC.[143] In order to determine whether a merger will significantly restrict competition, the SC controls economic mergers in which the total assets or revenue exceed 50,000 to 60,000 annual minimum wages, respectively. It has a period of 90 calendar days in which to undertake the legal, economic and technical analysis of the proposed merger. After this period, the merger is either refused or authorized, with or without conditions.[144] If the SC does not reach a decision within the time-limit, it is considered that the merger may take place.[145] For economic mergers in sectors for which there are competent regulatory authorities, the SC issues an opinion that is binding on the regulator.[146] The Law provides that an economic merger may not be refused if it can be shown that it yields benefits in terms of economic efficiency and consumer welfare.[147] Monetary sanctions may be imposed for failure to notify an economic merger when it is obligatory to do so and for failure to comply with the terms of the final resolution, or to do so incompletely, incorrectly, falsely or in a misleading fashion, in the case of mergers subject to SC control.[148] At present, the control procedure is free-of-charge.

3.148. An appeal for review may be submitted to the SC against its final decisions without prejudice to procedures before the Administrative Litigation Division.[149]

3.149. Between 2010 and 2014, the SC initiated 28 investigations, the majority following a complaint (22), and penalized four unlawful practices (Table 3.16). The main markets investigated included telephony services and wholesale distribution of white sugar in bulk. The practices sanctioned concerned agreements among competitors (method for fixing prices and collusion between bidders in public bidding procedures) and abuse of a dominant position (by taking action that created obstacles to the entry of competitors or the expansion of existing competitors, restricting sales or determining different prices to the detriment of certain economic operators). The SC refused one economic merger and imposed terms on the mode of operation for four others. Economic mergers took place in the liquid fuel distribution, telecommunications and financial sectors and wholesale distribution of personal care products. In 2013, for the first time, the SC imposed a fine on an economic operator for failure to notify an economic merger.[150]

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[140] At any time during the investigation, the SC may also order the preventive measures deemed to be necessary, subject to a reasoned resolution. Articles 41-A and 13 s of Legislative Decree No. 528.

[141] Articles 37 and 38 of Legislative Decree No. 528 and Article 72-A of Executive Decree No. 126.

[142] Article 39 of Legislative Decree No. 528.

[143] Article 31 of Legislative Decree No. 528 and Article 24 of Executive Decree No. 126.

[144] Article 35 of Legislative Decree No. 528 and Articles 26, 30 and 31 of Executive Decree No. 126.

[145] Article 35, paragraph 3, of Legislative Decree No. 528.

[146] Article 36 of Legislative Decree No. 528.

[147] Article 34 of Legislative Decree No. 528.

[148] Article 38, paragraphs 4 and 5, of Legislative Decree No. 528 and Article 30-A of Executive Decree No. 126.

[149] Article 48 of Legislative Decree No. 528.

[150] Supervisory Authority for Competition (2014).

Table 3.16 Activities of the Supervisory Authority for Competition, 2010-2014

	2010	2011	2012	2013	2014
Investigations initiated	7	3	7	7	4
Ex officio	2	0	2	1	1
Following a complaint	5	3	5	6	3
Cases of horizontal agreement penalized	0	2	0	1	0
Cases of vertical agreement penalized	0	0	0	0	0
Cases of abuse of a dominant position penalized	0	0	1	0	0
Economic mergers notified (not including those inadmissible), of which	1	3	2	0	1
Refused	0	0	1	0	0
Unconditional authorization	1	0	0	0	1
Conditional authorization	0	3	1	0	0

Source: Information provided by the authorities.

3.3.2.2 Price controls

3.150. El Salvador has mechanisms to regulate the maximum selling price to the public (PVMP) of certain goods and services. During the review period, the most important change was the entry into force of the Law on medicines in 2012, which regulates the PVMP of medicines (innovative or generic) sold on prescription.[151] According to the established methodology, the PVMP of innovative medicines is the international reference price or the average price in Central America and Panama (whichever is lower).[152] The price of generic medicines is 30% to 40% less.[153] It is the task of the National Directorate of Medicines (DNM), in coordination with the Consumer Ombudsman, to determine and monitor application of the PVMP. According to the DNM, regulating the price of medicines has resulted in significant annual savings for Salvadoran consumers.[154] In 2015, the PVMP of some 7,450 medicines was regulated.[155]

3.151. Between 2010 and 2015, El Salvador continued to regulate the PVMP of electricity, certain hydrocarbons, fixed and mobile telephony services (Section 4), and the supply of water.

3.152. The Consumer Ombudsman has the authority to regulate the PVMP of essential goods and services if there is a national emergency.[156]

3.3.3 State trading, State-owned enterprises and privatization

3.153. El Salvador has notified the WTO that it has no State trading enterprises exporting or importing goods for sale within the meaning of Article XVII:4(a) of the GATT 1994 and paragraph 1 of the Understanding on the Interpretation of Article XVII. The most recent notification in this regard covers the period 1 January to 31 December 2011.[157]

3.154. The authorities have explained that during the review period no State-owned enterprises were privatized. Generally speaking, the State does not participate in the economy to any great extent, although it has an important role in some sectors such as the distribution of electric power, the drinking water service and the management of ports and airports. An initiative to create a

[151] Law on medicines of 2012 (Legislative Decree No. 1008 of 22 February 2012).
[152] Article 5 of the Regulations determining the maximum selling price of medicines to the public and verification thereof (Executive Decree No. 244 of 17 December 2012, as amended in 2014). Viewed at: http://www.transparenciaactiva.gob.sv/unos-8000-medicamentos-reduciran-su-precio-hasta-un-40-este-ano).
[153] Article 58 of Legislative Decree No. 1008.
[154] Notice from the DNM of 5 February 2015. Viewed at: http://www.medicamentos.gob.sv/index.php?option=com_k2&view=item&id=107:contin%C3%BAa-ahorro-para-la-poblaci%C3%B3n-con-listado-de-precios-de-medicamentos-para-el-2015&Itemid=168.
[155] The list of medicines whose price was regulated in 2015 may be viewed at: http://www.medicamentos.gob.sv/index.php?option=com_content&view=article&id=206:listado-de-los-precios-maximos-de-venta-al-publico-2014-y-2015&catid=101:ley&Itemid=94.
[156] Article 58(c) of the Law on consumer protection (Legislative Decree No. 776 of 18 August 2005, as amended by Legislative Decree No. 286 of 31 January 2013).
[157] WTO document G/STR/N/14/SLV of 10 October 2012.

public-private partnership to extend El Salvador's international airport, which would have involved giving a concession to a private firm, was rejected by the Government in October 2015.

3.3.4 Government procurement

3.3.4.1 Overview

3.155. According to data obtained from El Salvador's electronic government procurement system (CompraSal), between 2009 and 2014 the value of government procurement contracts awarded rose from US$416.5 million to US$900.8 million, equivalent to 3.6% of GDP in 2014. Moreover, in 2014, government agencies purchased goods and services on El Salvador's commodity and service exchange (BOLPROS) amounting to US$60.9 million.[158]

3.156. By type of spending, contracts for goods and services accounted for 74% of the total in 2014 and contracts for works for 26%. By type of contracting entity, autonomous institutions were responsible for 46.8% of procurement in 2014, followed by the central government (33.2%), local authorities (10%), hospitals (5.2%), State-owned enterprises (4.6%) and other institutions.

3.157. During the review period, most procurement contracts were awarded through a public bidding procedure or a public competition (Table 3.17). In 2014, 73.5% of procurement transactions were with micro and small enterprises.[159]

Table 3.17 Government procurement statistics by type and method, 2009-2014

	2009	2010	2011	2012	2013	2014
Total value of contracts awarded (US$ million)	416	596	868	1,022	995	900
By type	(% of total)					
Goods and services (including consultancy services)	87	86	79	80	75	74
Works	13	14	21	20	25	26
By method						
Public bidding or competition	79	83	74	78	62	68
Public bidding or competition by invitation	9	9	4	N/A	N/A	N/A
Free contracting	4	3	7	10	13	14
Direct contracting	1	5	13	10	21	15
Other	7	0	2	2	4	3

N/A Not applicable because this method was abolished in 2011.

Source: Information provided by the Salvadoran authorities and online information from CompraSal. Viewed at: https://www.comprasal.gob.sv/comprasal_web/estadisticaSumario.

3.3.4.2 Regulatory framework

3.158. The regulatory framework for government procurement in El Salvador is based on Article 234 of the Constitution, the Law on government procurement and contracting (LACAP)[160] and its implementing Regulations (RELACAP). The provisions agreed by El Salvador in its preferential trade agreements also form part of the domestic legal framework for government procurement. El Salvador is not an observer in the WTO Committee on Government Procurement and does not plan to accede to the Plurilateral Agreement.

3.159. The LACAP was the subject of sweeping reforms in 2011 and 2015.[161] These included streamlining procurement methods; modifying and differentiating the thresholds; introducing new exemptions to applicability of the Law; expanding possibilities for direct procurement; measures to promote participation by MSMEs; and creating an integrated procurement and contracting system

[158] Online information from BOLPROS. Viewed at: https://www.bolpros.net/bolpros-cerro-2014-con-60-9-millones-en-negocios-transparentes-entre-el-sector-publico-y-privado/#more-1277.

[159] CONAMYPE (2015).

[160] Legislative Decree No. 868 of 21 August 2000 and amendments thereto.

[161] Legislative Decrees No. 725 of 18 May 2011 and No. 990 of 16 April 2015. Legislative Decree No. 868 had previously been amended by Legislative Decrees No. 204 and No. 244 of 2000, No. 593 of 2001, No. 66 and No. 222 of 2003, No. 571 and No. 909 of 2005 and No. 140 of 2009.

(SIAC). New implementing Regulations came into force in 2013 to make it easier to apply the amendments to the Law.[162]

3.160. The LACAP's scope embraces central government agencies and local authorities, as well as State-owned enterprises, hospitals and autonomous institutions.[163] The 2011 amendments made Salvadoran and foreign suppliers and contractors and public-private partnerships subject to the Law, together with procurement through the stock exchange, which ceased to be considered a method of procurement.[164] At the same time, the 2011 amendments expanded the number of exemptions from the LACAP. These now include construction works managed by local authorities; non-insurance banking and financial services; sale of shares on the international market; and electricity and drinking water distribution services.[165] The bases for some of these exemptions do not appear at all clear and some observers fear that they may increase the margin of discretion.[166]

3.161. The Government Procurement and Contracting Regulatory Unit (UNAC) in the Ministry of Finance is the governing body for government procurement in El Salvador. Each government agency has an Institutional Procurement and Contracting Unit (UACI) to conduct all government procurement-related transactions in a decentralized manner. The instructions and other regulations issued by the UNAC in implementation of the Law must be followed. Since 2011, the LACAP has allowed government agencies to collaborate for joint procurement through public bidding or competition procedures.[167]

3.162. There is usually no distinction between domestic and foreign suppliers, although preference may be given to bids by domestic suppliers when, after they have been evaluated, the bids are seen to be equivalent to those from foreign suppliers.[168] Furthermore, in 2011 a preference mechanism in favour of MSMEs was introduced, allowing priority when evaluating bids to be given to goods manufactured and/or produced in El Salvador if these are comparable to the bids for the same goods manufactured abroad. Government agencies are also obliged to award contracts to MSMEs amounting to at least 12% of their annual procurement and contracting budgets. In addition, there is a geographical criterion according to which government agencies must award contracts to local and regional MSMEs.[169] Data from CONAMYPE show that, in 2014, just over one third of government agencies awarded at least 12% of their procurement contracts to micro and small enterprises.[170]

3.163. The number of contracting methods has been streamlined as part of the amendments to the LACAP. For example, 2011 saw the abolition of the public bidding or competition by invitation method, which consisted of drawing up a list of at least four suppliers which were then invited publicly to submit a bid.[171] Another method abolished was that of procurement of goods and services on the stock market, i.e. on BOLPROS.[172] As indicated above, these forms of procurement remain subject to the LACAP, but the procedures for contracting, awarding contracts and payment are governed by special regulations.[173]

3.164. Currently, the procurement methods covered by the LACAP include the following:

- Public bidding or competition: public bidding applies to procurement of works, goods and services, with the exception of consultancy services, for which public competition is the rule. An unlimited number of suppliers are publicly invited to participate. There may be a preselection procedure if it is necessary to employ suppliers with the requisite experience,

[162] Executive Decree No. 53 of 10 April 2013 repealing the previous Regulations of 2005.
[163] The list of autonomous institutions registered in CompraSal has been published on http://www.comprasal.gob.sv.
[164] Article 2 of Legislative Decree No. 868, amended by Legislative Decree No. 725.
[165] The other instances of exemption are specified in Article 4 of Legislative Decree No. 868, amended by Legislative Decree No. 725.
[166] FUSADES (2011).
[167] Article 73-B of Legislative Decree No. 868, as amended by Legislative Decree No. 725.
[168] This provision does not apply to suppliers to which El Salvador gives national treatment under regional trade agreements. Article 55 of Legislative Decree No. 868.
[169] Articles 39-A and 39-C of Legislative Decree No. 868, as amended by Legislative Decree No. 725.
[170] CONAMYPE (2015).
[171] Article 39 of Legislative Decree No. 868, as amended by Legislative Decree No. 725.
[172] Idem.
[173] Article 2 of Legislative Decree No. 868, as amended by Legislative Decree No. 725.

technical or human resources and financial stability to fulfil a highly complex or specialized contract.

- Free contracting: this is the method used by government agencies to meet their regular needs for goods or services. A limited number of suppliers participate, but must be at least three in order to ensure competitive terms. The suppliers are invited or selected directly by the contracting agency from an information database or a register. It is not necessary to seek three bids if the amount of the contract does not exceed 20 minimum monthly wages in the trade and services sector (SMSC), around US$5,034, or if there is a sole supplier, in which case the contracting agency has to issue a reasoned resolution.

- Direct contracting: a minimum of three suppliers are selected directly, unless the contract can only be fulfilled by a single supplier. Direct contracting may be used in the situations defined in the Law, which include a state of emergency, catastrophe, disaster or war; situations deemed to be urgent; or if no bid is received the second time round. The contracting agency must in any case issue a reasoned resolution in order to be able to award a contract directly.

3.165. In 2011 and 2015, the number of situations in which direct contracting could be used were increased (from seven to 12). These now include the procurement of works, goods or services of a preventive nature in order to meet national emergencies; professional services when trust and confidentiality are paramount; inputs, machinery or equipment to be used for scientific research or technological development; arms and equipment to combat delinquency; and the purchase of medicines for the public health scheme.[174] It should be noted that the Law does not fix any limits on the amounts for direct contracting. Moreover, the ambiguity of some of the concepts cited among the situations where use of this method is permitted may lead to exaggeratedly broad interpretations. With regard to the purchase of medicines, this provision was declared unconstitutional by the Supreme Court of Justice in May 2015.[175]

3.166. With the exception of direct contracting, the method to be followed depends on the subject of the procurement and the threshold (Table 3.18). In 2011, new amounts for government procurement thresholds were fixed and special thresholds set for local authorities, on the one hand, and for other government agencies, on the other.[176] The free contracting method may be suspended if the value of the goods is below 10% of the threshold set, in which case, the goods may be purchased directly in commercial establishments but the purchase must not be recurrent or occur more than once a quarter.

Table 3.18 Government procurement methods by subject and by contracting threshold, 2016

<table>
<tr><th rowspan="3">Method</th><th rowspan="3">Type</th><th colspan="4">Threshold</th></tr>
<tr><th colspan="2">Local authorities</th><th colspan="2">Other agencies</th></tr>
<tr><th>SMSC[a]</th><th>US$</th><th>SMSC</th><th>US$</th></tr>
<tr><td>Public bidding</td><td>Works, goods and services, excluding consultancy</td><td rowspan="2">> 160</td><td rowspan="2">> 40,272</td><td rowspan="2">> 240</td><td rowspan="2">> 60,408</td></tr>
<tr><td>Public competition</td><td>Consultancy services</td></tr>
<tr><td>Free contracting</td><td>Works, goods and services, including consultancy</td><td>≤ 160</td><td>≤ 40,272</td><td>≤ 240</td><td>≤ 60,408</td></tr>
<tr><td>Direct contracting</td><td>Works, goods and services, including consultancy</td><td colspan="4">There are no thresholds as it is only used in "exceptional" cases</td></tr>
</table>

a The threshold is expressed in minimum monthly wages in the trade and services sector (SMSC). In 2016, the SMSC was equal to US$251.70.

Source: WTO Secretariat, on the basis of Articles 39 and 40 of Legislative Decree No. 868, as amended by Legislative Decree No. 725, and information provided by the authorities.

[174] Article 72 of Legislative Decree No. 868, as amended by Legislative Decrees No. 725 and No. 990.

[175] Article 72(k) of the LACAP was declared unconstitutional as it violated Article 234 of the Constitution concerning the general nature of bidding procedures as the method of procurement for government authorities inasmuch as Article 72(k) allows use of direct contracting as the normal mechanism for procuring supplies of medicines for the entire public health scheme. Ruling of the Constitutional Division of the Supreme Court of Justice, published in the Official Journal, Volume No. 407, of 4 May 2015.

[176] Articles 39-41 of Legislative Decree No. 868, as amended by Legislative Decree No. 725.

3.167. Foreign suppliers may participate in all government procurement methods.[177] Registration in the National Register of Government Procurement and Contracting is not compulsory, although the Regulations implementing the LACAP indicate that suppliers wishing to become enrolled in the Register may do so through CompraSal.[178]

3.168. During the review period, El Salvador has been promoting greater transparency in government procurement. In 2011, it strengthened the SIAC which, pursuant to the Law, must incorporate all the elements needed for the administration, implementation, functioning, coordination and monitoring of government procurement.[179] The SIAC is a transactional system composed of the UNAC, the UACIs and CompraSal.

3.169. The LACAP and its implementing Regulations also include provisions making it mandatory to publish everything relating to government procurement on CompraSal, including, *inter alia*, agencies' annual government procurement programmes, invitations to participate, and the bases for the bidding procedures and the award of contracts. Invitations to bid or to participate in public competitions are also still announced in the national and/or international press. At present, CompraSal enables potential bidders to register when downloading the bases for bidding. It forwards this information to the contracting entities (UACI). The authorities have indicated that in 2015, 95% of government agencies used the CompraSal system.

3.170. Technical and business bids are opened in public. Each contracting agency's UACI has its own Bid Evaluation Commission responsible for the technical and economic evaluation of bids, using the criteria specified in the bases for the public bidding or competition.[180] The Regulations implementing the LACAP provide that the evaluation criteria must be objective, measurable or quantifiable and not arbitrary.[181] Following the 2011 amendments, bidding criteria obtained directly from CompraSal have been free-of-charge.

3.171. During the period under review, the maximum time-limit for awarding contracts in public bidding procedures or competitions fell from 90 to 60 days after opening of the bids, with the possibility of a 30-day extension in special cases.[182] The outcome of any contracting procedure must be notified to interested parties within two working days. Interested parties may make an appeal in writing within five working days of the notification. In 2011, the time-limit for ruling on appeals received fell from 15 to ten working days as of their acceptance.[183]

3.3.5 Intellectual property rights

3.3.5.1 Overview

3.172. The main change to the regime for protection of intellectual property rights (IPRs) during the review period was the amendment to the Law on trademarks and other distinctive signs (LMOSD). This amendment reinforced the status of protection of geographical indications, creating a special form of protection for them. The term of copyright protection of 70 years after the author's death has been retained, as has the 20-year non-renewable term of exclusivity for patents and the 10-year non-renewable term for industrial designs. El Salvador does not have any special domestic legislation on the protection of new varieties of plants or layout-designs of integrated circuits. New plant varieties may be protected by a patent, under the Intellectual Property Law (LPI). As regards layout-designs of integrated circuits, El Salvador directly applies the provisions in the WTO Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS Agreement).

3.173. The TRIPS Agreement entered into force in El Salvador on 1 January 2000. El Salvador is a member of the World Intellectual Property Organization (WIPO) and has signed various WIPO-administered agreements (Table 3.19). During the review period, El Salvador signed two new intellectual property treaties: the Treaty to Facilitate Access to Published Works for Persons

[177] Article 39 of Legislative Decree No. 868, as amended by Legislative Decree No. 725.
[178] Article 10 of Executive Decree No. 53.
[179] Article 10 *bis* of Legislative Decree No. 868, as amended by Legislative Decree No. 725.
[180] Article 55 of Legislative Decree No. 868, as amended by Legislative Decree No. 725.
[181] Article 46 of Executive Decree No. 53.
[182] Article 44 of Legislative Decree No. 868, as amended by Legislative Decree No. 725.
[183] Article 77 of Legislative Decree No. 868, as amended by Legislative Decree No. 725.

Who Are Blind, Visually Impaired, or Otherwise Print Disabled (Marrakesh Treaty) and the Treaty on Audiovisual Performances (Beijing Treaty), although these two treaties still have to enter into effect. The authorities have indicated that El Salvador is in the process of ratifying the Beijing Treaty.[184] El Salvador has requested the International Union for the Protection of New Varieties of Plants (UPOV) for assistance in applying legislation based on the UPOV Convention but has not signed the Convention.[185]

Table 3.19 Intellectual property treaties signed by El Salvador, 2015

International treaty	Date of ratification/accession
Convention Establishing the World Intellectual Property Organization (WIPO)	June 1979
Copyright and related rights	
Rome Convention for the Protection of Performers, Producers of Phonograms and Broadcasting Organizations	March 1979
Berne Convention for the Protection of Literary and Artistic Works	November 1993
Convention for the Protection of Producers of Phonograms against Unauthorized Duplication of their Phonograms (Phonograms Convention)	October 1978
WIPO Performances and Phonograms Treaty	October 1998
Treaty on Audiovisual Performances (Beijing Treaty)[a]	February 2016
WIPO Copyright Treaty (WCT)	October 1998
Treaty to Facilitate Access to Published Works for Persons Who Are Blind, Visually Impaired, or Otherwise Print Disabled[a] (Marrakesh Treaty)	October 2014
Trademarks and other distinctive signs	
Paris Convention for the Protection of Industrial Property	November 1993
Trademark Law Treaty (TLT)	August 2008
Patents, industrial designs and utility models	
Paris Convention for the Protection of Industrial Property	November 1993
Patent Cooperation Treaty	May 2006
Other	
Brussels Convention Relating to the Distribution of Programme-Carrying Signals Transmitted by Satellite	April 2008
Nairobi Treaty on the Protection of the Olympic Symbol	September 1984
Budapest Treaty on the International Recognition of the Deposit of Microorganisms for the Purposes of Patent Procedure	May 2006

a Not yet in force.

Source: World Intellectual Property Organization (WIPO).

3.174. During the review period, El Salvador drew up a national intellectual property policy. This document was issued in 2014 and its objective is to "make intellectual property a key component of national development, contributing to better use of the population's capacity for creating knowledge and generating conditions to improve the competitive position through proper use of intellectual property protection tools".[186] The following are some of the action lines envisaged in the national intellectual property policy: promotion of creative thinking; production and management of intellectual property; access to knowledge, technological and scientific development by promoting research and innovation; promotion of cultural development and creative industries, protection of biodiversity and knowledge of the cultural expressions of indigenous peoples; guarantee of fair competition on the domestic market and export markets and protection of consumers; access to health; and enforcement of IPRs. For this review, the authorities have indicated that they are in the process of setting up a college to train officials in registration and intellectual property protection matters.

3.3.5.2 Institutional and regulatory framework

3.175. It is the Ministry of the Economy's responsibility to draft and implement El Salvador's IPR protection policy. The Intellectual Property Register (RPI) is the authority in charge of registering and maintaining IPRs. It is a department in the National Registry Centre (CNR), a decentralized agency under the Ministry of the Economy with administrative and financial autonomy.[187] Within

[184] At the time of this review, the Beijing Treaty had nine of the 20 ratifications needed for it to come into force.
[185] Online information from UPOV. Viewed at: http://www.upov.int/edocs/pubdocs/en/upov_pub_437.pdf.
[186] Ministry of the Economy (2014).
[187] Online information from El Salvador's National Registry Centre. Viewed at: http://www.cnr.gob.sv/historia.

the RPI there is an Intellectual Property Registry Directorate, composed of the Industrial Property Unit, the Copyright Unit and the Client Services Unit.

3.176. The regulatory framework for the protection of IPRs mainly comprises the Intellectual Property Law[188] (LPI) of 1993 and the LMOSD[189] of 2002. The LPI governs the protection of copyright and related rights, and some industrial property rights (inventions, utility models, industrial designs, industrial and trade secrets, test data and new plant varieties). The LMOSD governs trademarks, signs or expressions of commercial advertising, trade names, emblems, geographical indications and appellations of origin.[190] The RPI is in charge of registering all IPRs in El Salvador, with the exception of test data and undisclosed information on chemicals. El Salvador's regulatory framework for intellectual property does not stipulate any nationality or domicile requirement in order to benefit from the protection of IPRs.[191]

3.177. The provisions in the TRIPS Agreement have been incorporated in El Salvador's legislation (Table 3.20). Some provisions, for example those on the protection of copyright in literary works, computer programs and audiovisual works, exceed the minimum protection required by the TRIPS Agreement. The TRIPS Council examined El Salvador's IPR legislation in 2000.[192] El Salvador did not notify any new intellectual property legislation during the review period.

3.178. In 2010, El Salvador notified the WTO that the Trade Policy Directorate in the Ministry of the Economy was its intellectual property contact point pursuant to Article 69 of the TRIPS Agreement.[193]

Table 3.20 Overview of El Salvador's intellectual property legislation, 2015

Legislation	Term	Scope
Copyright and related rights		
Intellectual Property Law, Legislative Decree No. 604 of 15 July 1993; Regulations implementing the Law on the promotion and protection of intellectual property, Executive Decree No. 35 of 28 September 1994; amendments to the Law on the promotion and protection of intellectual property, Legislative Decree No. 912 of 14 December 2005 and Legislative Decree No. 985 of 17 March 2006.	Protection is granted throughout the lifetime of the author plus 70 years after his death. Computer programs, collective and audiovisual works are protected for 70 years as of the date of their disclosure.	Artistic, literary and audiovisual works and computer programs. The copyright holder's economic rights include the right to authorize or prohibit distribution to the public of the original or copies of the works, whether by sale, rental, hire, loan or any other manner. Special provisions apply to computer programs and databases, audiovisual and three-dimensional works of art, musical compositions and newspaper articles. Protection is given irrespective of any registration formality. El Salvador does not provide any exceptions in respect of national treatment for foreigners publishing their works in El Salvador. The Law applies indiscriminately to Salvadorans and foreigners.
Patents		
Intellectual Property Law, Legislative Decree No. 604 of 15 July 1993; Regulations implementing the Law on the promotion and protection of intellectual property, Executive Decree No. 35 of 28 September 1994; amendments to the Law on the promotion and protection of intellectual property, Legislative Decree No. 912 of 14 December 2005 and Legislative Decree No. 985 of 17 March 2006.	Protection gives the inventor or applicant exclusive rights within El Salvador for a non-renewable term of 20 years as of the date of filing the application with the Intellectual Property Register of the CNR.	The LPI provides for the right to obtain protection for an invention, utility model or industrial design, an invention meaning any product or process applicable in practice to the solution of a specific technical problem. An invention may be patented if it is new, involves an inventive step and is susceptible of industrial application. Contractual licences for working a patent have legal effects against third parties only if they have been registered. The following may not be patented: discoveries, scientific theories and mathematical methods; economic plans, principles or methods for advertising or business, those pertaining to purely mental or intellectual activities or to

[188] Enacted by Legislative Decree No. 604 of 15 July 1993.
[189] Enacted by Legislative Decree No. 868 of 6 June 2002.
[190] Article 1 of the LMOSD.
[191] Article 3 of the LMOSD and Article 11 of the LPI.
[192] The questions put to El Salvador by Members and the respective replies in connection with this examination can be found in WTO document IP/Q/SLV/1 of 18 August 2000.
[193] WTO document IP/N/3/Rev.11/Add.4 of 18 August 2010.

Legislation	**Term**	**Scope**
		games; methods for treatment of the human or animal body by surgery, therapy or diagnosis; except for products intended to put any of these methods into practice; and inventions whose publication or industrial or commercial application would be contrary to public order or morality.
Industrial designs and utility models		
The same legislation as that for patents.	10 years as of the date of filing the application, non-renewable.	Industrial designs are protected on the basis of the provisions in the LPI and amendments thereto. Such protection does not exclude or affect protection that may be available to such designs under other legal provisions, in particular those relating to copyright. There is no protection for industrial designs which are not considered to be new in the country, that is to say, merely differ in minor or secondary respects from other earlier designs or merely refer or apply to another category of products; nor is protection granted for designs whose disclosure would be contrary to public order or morality.
Layout-designs of integrated circuits		
There is no relevant national legislation. The provisions in the TRIPS Agreement apply.		
Distinctive signs		
Law on trademarks and other distinctive signs, Legislative Decree No. 868 of 6 June 2002; Legislative Decree No. 913 of 14 December 2005, Legislative Decree No. 986 of 17 March 2006 and Legislative Decree No. 358 of 2 May 2013.	The right to exclusive use of a trademark is granted for 10 years and may be renewed indefinitely for successive 10-year periods. The concept of geographical indications has been introduced, offering *sui generis* protection indefinitely for protected products. Protection continues for as long as the special conditions for which it was granted persist.	Any visually perceptible proprietary, figurative or three-dimensional sign capable of distinguishing products or services. The owner of a trademark is entitled to oppose registration of an identical or similar sign, to prevent its use and to request the authorities to prohibit or suspend imports of products that make use of such signs.
Undisclosed information (including test data)		
The LPI defines and protects industrial or trade secrets and test data. Law on medicines: Legislative Decree No. 1008 of 22 February 2012 and the General Regulations implementing the Law on medicines, Executive Decree No. 245 of 18 December 2012.	Indefinitely in the case of industrial or trade secrets. In the case of test data, protection is given through a legal provision which determines time-limits for their protection, i.e. 5 years for pharmaceuticals and 10 years for agricultural chemicals. Undisclosed information is protected if it complies with the requirements of Article 181-A of the LPI.	Protection of commercial and industrial rights applies whether or not the secrets are fixed on a material medium and no registration is required. The submission of undisclosed information is required by the competent administrative authority as a condition for approving the marketing of pharmaceuticals or agricultural chemicals that use new chemical substances. Criteria are laid down for the protection of such data against unfair commercial use and against disclosure. There are exceptions regarding disclosure when the authority deems it necessary to protect the public or when measures have been taken to ensure that the data are protected against unfair commercial use. If any undisclosed information regarding safety and efficacy submitted to an authority in order to obtain marketing approval is disclosed by the said authority, such information shall continue to be protected against any unfair commercial use.

Legislation	Term	Scope
New plant varieties		
Intellectual Property Law, Legislative Decree No. 604 of 15 July 1993; Regulations implementing the Law on the promotion and protection of intellectual property, Executive Decree No. 35 of 28 September 1994; amendments to the Law on the promotion and protection of intellectual property, Legislative Decree No. 912 of 14 December 2005 and Legislative Decree No. 985 of 17 March 2006.	20 years, protected by a patent.	In the special case of new plant varieties, the criteria of an inventive step and being susceptible of industrial application must be met.

Source: WTO Secretariat, on the basis of information provided by the authorities.

3.179. Copyright enshrined in the LPI protects all literary, artistic and scientific works irrespective of their means or form of expression, provided that they meet the requirement of originality determined in the Law.[194] El Salvador recognizes the principle of protection of copyright without requiring registration. The protection afforded to the copyright owner includes moral and economic rights, dealt with separately in the LPI.

3.180. The LPI gives the owner of industrial rights or copyright covered by the Law the right "to import or export, or authorize the import or export of copies of his lawfully manufactured works, and the right to prevent the import or export of unlawfully manufactured copies".[195] The LPI establishes the right to obtain protection for an invention, utility model or industrial design. Acquisition of the right requires registration with the RPI. As to the term of protection, industrial designs and utility models are protected for a non-renewable period of ten years calculated as of the date of filing the application.

3.181. Patents enjoy a non-renewable term of protection of 20 years, which may be extended if any delays are attributable to the authorities. El Salvador's legislation applies a system of national exhaustion for patents, the right becoming exhausted after the patented product "has been legally placed on the market for the first time on the national territory".[196] New plant varieties may only be protected by patents. To protect a new plant variety, it must be shown that it is susceptible of industrial application and involves an inventive step.[197] El Salvador does not have any special legislation on layout-designs of integrated circuits and directly applies the provisions in the TRIPS Agreement.

3.182. El Salvador allows the granting of compulsory licences solely in order to supply the domestic market. Compulsory licensing to work a patent may be granted for "declared reasons of emergency or national security and for as long as these persist", provided that this is necessary to satisfy the population's basic needs. The licence must be granted by the competent jurisdiction, and specify the term and scope of the measure, as well as the remuneration payable to the patent owner.[198] By 2015, El Salvador had not issued any compulsory licence.

3.183. In September 2006, El Salvador accepted the amendment in the Decision on the implementation of paragraph 6 of the Doha Declaration on the TRIPS Agreement and Public Health as well as the protocol amending the TRIPS Agreement. The protocol accords facilities to countries which do not have the capacity to manufacture pharmaceuticals, allowing them to import patented medicines under compulsory licences.

[194] Article 12 of the LPI.
[195] Article 7 of the LPI.
[196] Article 116(d) of the LPI.
[197] Article 111 of the LPI. Article 114 of the LPI states that "[a]n invention shall be considered to involve an inventive step if, for a person having ordinary skill in the technical field concerned, the invention would not have been obvious or could not obviously have been derived from the relevant prior art".
[198] Articles 133 and 134 of the LPI.

3.184. During the period under review, the National Directorate of Medicines, set up in 2012, took over responsibility for protecting test data and information on the safety and efficacy of pharmaceuticals[199], a task previously incumbent upon the Higher Council for Public Health. The law defines medicines containing new chemical ingredients as "innovative medicines".[200] Protection is given for test data and undisclosed information needed for the registration of pharmaceuticals and agricultural chemicals and extends to any unfair commercial use for five years for pharmaceuticals and ten years for agricultural chemicals.[201]

3.185. The LMOSD determines the status of protection of trademarks and other distinctive signs. In 2013, it was amended[202] and special protection status was given to geographical indications in addition to their existing status, which included them under the protection provided for trademarks. IPR owners may choose under which of the two mechanisms they seek protection for their IPRs. As to the term, the LMOSD protects geographical indication rights indefinitely, for as long as the situation which gave rise to the protection persists. As far as trademarks are concerned, protection for exclusive use is for an indefinitely renewable term of ten years.

3.186. The registration of intellectual property rights is governed by the Law on uniform procedures for the submission, examination and registration or filing of instruments in the registers of real estate and mortgages, corporate property, commerce and intellectual property (LPU) of 2004. The only amendment to the LPU during the review period was the creation of a review procedure under which a decision rejecting registration of an application may be challenged.[203] In order to exercise this right, the party concerned must submit an appeal in writing within five working days of the act by the administration. The submission of an appeal gives the right to a hearing at which the appellant may put forward arguments against the refusal to register.[204] Pursuant to the LPU, the RPI's Intellectual Property Registry Directorate has the authority to decide on requests for review, cancellation and appeals.

3.3.5.3 Enforcement

3.187. In El Salvador, control and compliance with intellectual property regulations are the joint responsibility of several government agencies. These include the Unit for Offences against Assets in the Public Prosecutor's Office and the National Civil Police, both of which have the authority to pursue offences relating to the protection of IPRs, and the Directorate-General of Customs, which is responsible for border control of goods suspected of being counterfeit.

3.188. The Salvadoran courts with jurisdiction in civil and commercial affairs are the competent courts for proceedings initiated by owners of IPRs.[205] The authorities have indicated that officials in these courts have received instruction in intellectual property matters. The civil penalties laid down in the LPI are: immediate cessation of the unlawful activity; preventive seizure, withholding or deposit of the infringing goods; prohibition of import of the infringing products, materials or media; and damages. El Salvador's legislation does not provide for the application of fines for infringing IPRs as such, but it does provide for the imposition of monetary sanctions as compensation for the damage caused by IPR infringements, on the basis of the LMOSD (Article 90(f) and Article 91); the LPI (Articles 90, 172(b) and 173); the Code of Civil and Commercial Procedure (Articles 240, 241 and 417); and the Code of Criminal Procedure (Article 399). Monetary sanctions are imposed when there has been a conviction either in civil proceedings for infringement or in the determination of civil proceedings in criminal cases.

3.189. Pursuant to Article 5(j) of the RECAUCA, one of the powers of the Customs Service is to apply the corresponding control measures to protect IPRs, in accordance with the relevant international conventions. Moreover, Article 316 of the RECAUCA gives the DGA competence to

[199] The regulatory framework for protection of pharmaceuticals and agricultural chemicals is set out in Articles 181-A to 181-E of the LPI.
[200] Article 13 of the Law on medicines, enacted by Legislative Decree No. 1008 of 22 February 2012.
[201] Article 181-A of the LPI.
[202] The LMOSD was amended by Legislative Decree No. 358 of 2 May 2013.
[203] Article 17 of the LPU, as amended by Legislative Decree No. 366 of 3 May 2013.
[204] The appeal is reviewed by the same registry official who refused registration in the first place, who must draw up a record of the allegations put forward. If registration is still refused, the party concerned may turn to the registry official's immediate superior, and a hearing is set for the third day. The immediate superior must resolve the dispute within a maximum period of eight days. Article 18 of the LPU.
[205] Article 184 of the LPI.

apply border measures for the proper enforcement and protection of industrial property rights, copyright and related rights. The DGA may act to apply border measures: (i) on the basis of resolutions by the competent authority; (ii) *ex officio* where applicable; or (iii) following a complaint from the owner of the duly accredited right.

3.190. El Salvador's Penal Code defines intellectual property offences (infringement of copyright and related rights, effective technological measures, information on the management of rights and rights in satellite signals), as well offences concerning industrial property (infringement of patents, utility models, industrial designs, trademarks and other distinctive commercial signs, trade secrets and disclosure of industrial secrets). The Code determines penal sanctions for these offences depending on the type and gravity of the offence committed, ranging from two to six months of imprisonment in the case of intellectual property offences[206], and six months to four years for industrial property offences.[207] Notwithstanding the foregoing, combating piracy of music and videos and, to a lesser extent, infringement of rights in satellite signals, continues to be one of the major challenges facing the Salvadoran Government as far as enforcement of IPRs is concerned.

3.191. The authorities have indicated in connection with this review that no statistics are available on the number of cases of infringement of IPRs during the review period.

[206] Intellectual property offences and the penalties applicable are defined in Title VIII, Chapter VII (Articles 226, 227, 227-A, 227-B and 227-C) of El Salvador's Penal Code.
[207] Industrial property offences and the penalties applicable are specified in Title IX, Chapter I (Articles 228-231), of El Salvador's Penal Code.

4 TRADE POLICIES BY SECTOR

4.1 Agriculture

4.1.1 Features

4.1. The agricultural sector expanded slightly between 2009 and 2014, at an average annual rate of 0.4%. Its performance was uneven, with alternating periods of contraction (-2.9% in 2009) and expansion (3.5% in 2012) culminating in a rise of 1.6% in 2014 (Table 4.1). There was a small decline in its share of GDP from 12.6% in 2009 to 12.1% in 2014.[1] These figures take only the agricultural sector itself (agriculture, hunting, forestry and fishing) into account and do not include the value of agro-industrial production, input production or services. The relative importance of the sector is clear from its capacity to generate employment. About 41% of the population live in rural areas and of these some 40% work in the agricultural sector.[2] In 2013, the sector employed 515,011 people, a figure equivalent to 19.58% of the country's active labour force.[3]

Table 4.1 Principal indicators for the agricultural sector (maquila excluded), 2009-2014

	2009	2010	2011	2012	2013	2014
Agriculture, hunting, forestry and fishing						
Production (US$ million)	1,130.3	1,165.6	1,136.9	1,176.2	1,171.0	1,189.9
Share of GDP (at 1990 constant prices)	12.62	12.84	12.25	12.44	12.16	12.12
Growth rate (at 1990 constant prices)	-2.9	3.1	-2.5	3.5	-0.4	1.6
Contribution to agricultural production	(%)					
Green coffee (*café oro*)	9.74	12.54	11.3	9.58	5.99	4.73
Cotton	0	0	0	0.01	0.01	0.01
Staple grains	18.79	16.95	17.27	20.88	21.9	21.98
Sugar cane	4.56	4.67	4.98	5.6	6.05	5.87
Other agricultural products	25.58	24.81	24.17	23.47	24.05	24.57
Livestock farming	19.18	19.05	19.26	18.8	19.35	19.53
Poultry farming	12.77	13.33	13.84	13.52	14.16	14.58
Forestry	6.31	6.18	6.41	5.44	5.68	5.85
Hunting and fishery products	3	2.43	2.73	2.66	2.75	2.84
Exports[a]						
Value (f.o.b., US$ million)	905	969.9	1,313	1,236.2	1,223.1	1,029.9
Contribution to total exports (%)	30.98	27.94	30.97	29.2	28.22	24.24
Growth rate (%)	..	7.17	35.37	-5.84	-1.05	-15.79
Five most important products, by HS Chapter	(US$ million)					
09 – Coffee, tea, maté and spices	231.9	214.5	465.5	301.1	234.8	111.7
17 – Sugar and sugar confectionery	130.8	206.5	215.7	259.5	279.0	252.6
19 – Preparations of cereals, flour, starch or milk	113.2	129.1	141.8	142.9	136.7	141.7
22 - Beverages, spirits and vinegar	121.5	100	106.4	108.8	110.3	97.6
16 – Preparations of meat, of fish or of crustaceans, molluscs or other aquatic invertebrates	83.2	75.3	79.4	110.9	120.9	107.4
Imports[a]						
Value (c.i.f., US$ million)	1,403.6	1,425.1	1,704	1,684.8	1,659.9	1,736
Contribution to total imports (%)	20.88	18.26	18.26	17.65	16.56	17.65
Growth rate (%)	..	1.52	19.57	-1.12	-1.47	4.58
Five most important products, by HS Chapter	(US$ million)					
10 - Cereals	223.2	214.4	336.6	287.3	226.1	233
21 - Miscellaneous edible preparations	194	200.5	219.2	203.5	211.6	226.8
15 - Animal or vegetable fats and oils	130.8	154.9	202.7	190.2	170.9	169.1
04 - Dairy produce	126.6	141.4	143.1	155.4	163	167.7
23 – Residues and waste from the food industries; prepared animal fodder	98.3	105	115.3	136.0	145.5	163.8
Agricultural trade balance (US$ million)[b]	-498.6	-455.1	-390.9	-448.5	-436.8	-706.1

.. Not available.

a Agricultural sector values calculated using Chapters 1 to 24 of the Harmonized System.
b Agricultural trade balance calculated using Chapters 1 to 24 of the Harmonized System.

Source: WTO Secretariat, on the basis of data from the Central Reserve Bank of El Salvador http://www.bcr.gob.sv/esp.

4.2. Agricultural production is relatively diversified. Staple grains (maize, sorghum, beans and rice) were the leading products during the review period, accounting for 22% of the sector's production in 2014. Coffee, sugar cane and poultry farming were also prominent. There has been a distinct decline in coffee's share of total agricultural production since 2012, when café oro

[1] Statistical database of the Central Bank of El Salvador. Viewed at www.bcr.gob.sv.
[2] ECLAC (2014).
[3] The figure includes the activities of crop farming, livestock farming, hunting, forestry and fishing. Directorate-General of Statistics and Census (2014).

production began to be badly affected by the presence of roya (coffee rust), a coffee plant disease that damages the quality of the bean and the yield per plant. This, together with adverse weather conditions, led to serious falls in the quantity and value of coffee bean production during 2013 and 2014. In 2014, improved performance in staple grain production, poultry farming, livestock farming and other agricultural segments made it possible to offset the fall in coffee output and boost the growth of the agricultural sector.

4.3. The agricultural sector is an important generator of foreign currency for the country. Its contribution to exports amounted to 24.2% in 2014. Exports expanded substantially between 2009 and 2012, but in the following years annual values declined as a result of the fall in coffee and staple grain production. Overall, exports grew by 13.8% between 2009 and 2014. In 2014, agricultural products accounted for 17.6% of total imports, the products most imported being cereals, miscellaneous edible preparations and animal fats. Imports of the five most prominent agricultural products rose during the period under review. El Salvador continues to be a net importer of agricultural products. The agricultural trade deficit increased from US$498.6 million in 2009 to US$706.1 million in 2014.

4.4. The El Niño phenomenon led to serious droughts during the 2014 and 2015 planting seasons, which mainly affected the production of red beans and maize, both an integral part of the staple national diet.[4] El Salvador restricted exports of red beans between 15 May 2014 and 31 December 2015, as a temporary measure to maintain price stability and ensure an adequate supply of the domestic market (Section 3.1.6).[5] It is considered that the drought may also have affected agro-industrial production as, for example, in the case of processed cane sugar.

4.1.2 Agricultural policies

4.1.2.1 Institutional framework

4.5. The Ministry of Agriculture and Livestock (MAG) is responsible for establishing national agricultural policy, with the support of various centralized and decentralized technical bodies, such as the sector's dedicated autonomous institutes.[6] The MAG's Sectoral Policies and Planning Office (OPPS) carries out analyses and evaluations of the sector's economic performance, including social, environmental and land planning surveys, as well as diagnostic studies of the domestic and international environment to provide guidance for decision-making and the formulation of agricultural sectoral plans and policies. The OPPS also frames institutional public investment policy, advises on the procedures for following up projects implemented in the sector, and counsels the Ministerial Office on agrarian policy matters and regional and international trade negotiations relating to agricultural, forestry and fishery products.[7]

4.6. The organizational structure of the Ministry also includes the following technical offices: Directorate-General of Rural Development (DGDR), Directorate-General of Agricultural Economics (DGEA), Directorate-General of Plant Health (DGSV), Directorate-General of Forest Management, Catchment Areas and Irrigation (DGFCR), Directorate-General of Fisheries and Aquaculture Development (CENDEPESCA), and Directorate-General of Livestock (DGG).

4.7. Other decentralized State agencies forming part of the agricultural sector are the Salvadoran Agricultural Processing Institute (ISTA), the National Agricultural and Forestry Technology Centre (CENTA), the National Agricultural College (ENA), the Agricultural Development Bank (BFA) and the Salvadoran Coffee Council (CSC). These institutions provide the Ministry with advice and technical support in specific areas.

[4] Online information from the United Nations Food and Agriculture Organization (FAO). Viewed at: http://www.fao.org/news/story/en/item/328614/icode.
[5] Executive Decision No. 516 of 14 May 2014 of the Ministry of Agriculture and Livestock on the "temporary restriction on red bean exports", as amplified by Executive Decision No. 626 of 4 June 2014.
[6] Online information from the Ministry of Agriculture and Livestock. Viewed at: http://www.mag.gob.sv/index.php?option=com_content&view=article&id=50&Itemid=85.
[7] Ministry of Agriculture and Livestock (2015a).

4.8. El Salvador is a member of numerous regional and international bodies dedicated to the development of the agricultural sector, including the Inter-American Institute for Cooperation on Agriculture (IICA), the Central American Agricultural Council (CAC) and the United Nations Food and Agriculture Organization (FAO).

4.9. Up until 2014, the objectives of Salvadoran agricultural policy were laid down in the Family Farming Plan 2011-2014 (PAF). The planning and implementation of agricultural measures are defined in sectoral operational plans drawn up annually by the MAG. Since 2014, El Salvador's agricultural policy has been set out in the "Agriculture for Well-Being" Institutional Strategy Plan (PEI), an integral part of the Five-Year Development Plan 2014-2019. The PEI identifies the main challenges facing the agricultural sector: (i) promoting the sustained growth of the agricultural sector by managing a scenario characterized by smallholdings (*minifundios*) and the dispersion of productive initiatives; (ii) reducing the high level of dependence on imports for supplying the domestic market and guaranteeing food security; (iii) establishing the basis for the adaptation of crop farming, livestock farming, fishing and aquaculture to climate change; and (iv) efficiently exploiting the economic potential of the established production base and domestic and foreign market opportunities.

4.10. The PEI also established the MAG's main objectives for the period 2014-2019: food sovereignty and security, strengthening of family farming, revival of coffee growing, development of livestock farming, development of fisheries and aquaculture, development of vegetable, cocoa, honey and forest product production, revival of reformed-sector cooperatives, modernization and expansion of irrigation infrastructure and area, environmental sustainability, mitigation of and adaptation to climate change, strengthening of the country's plant and animal health status, and institutional modernization.[8]

4.11. Within the regional integration context, El Salvador participates in the Central American Agricultural Policy (PACA), developed for the period 2008-2017, along with Costa Rica, Guatemala, Honduras, Nicaragua, Panama and Belize.[9] Its objectives include: (i) "contributing to the development of an economically, socially, environmentally and politico-institutionally sustainable Central American agriculture"; (ii) promoting "conditions for the development of a modern, competitive, fair and regionally articulated Central American agriculture"; and (iii) developing an institutional capacity for monitoring and evaluation purposes, so as to ensure its proper implementation.

4.1.2.2 Policy instruments

4.1.2.2.1 Border measures

4.12. Tariff protection in El Salvador's agricultural sector is higher than in the manufacturing sector. In 2015, agricultural products (WTO definition) were subject to an average tariff of 12.5%, as compared with the average tariff of 5.2% on non-agricultural products (petroleum excluded). In the same year, the average MFN tariff amounted to 6.3%. Among agricultural products, the categories with the highest average tariff rates were dairy produce (26.2%), sugar and sugar confectionery (26.2%), and animals and animal products (25.8%). The highest tariff in the agricultural sector is 164% and is levied on imports of poultry thighs and legs (HS 02.07.13.93-4 and HS 02.07.14.93-4).

4.13. Under its WTO commitments, El Salvador agreed to grant tariff quotas for imports of meat, milk, cheese, yellow maize, fats and oils, sugar, tobacco and tobacco products. In accordance with the provisions of Article XXVIII of the GATT 1994, in 2011 El Salvador proceeded to renegotiate and modify its Schedule of Commitments with respect to certain oils to align it on the HS 2002. The HS codes applicable to the tariff quotas for rape, colza or mustard oil and their fractions (HS 15.14) and other fixed vegetable fats and oils and their fractions (HS 15.15) were modified, with 8,967 tonnes being allocated to each heading at an in-quota tariff rate of 20%.[10] The modification entered into force on 9 March 2011.[11]

[8] Ministry of Agriculture and Livestock (2015b).
[9] Central American Agricultural Council (2007).
[10] WTO documents G/MA/TAR/RS/227 of 27 January 2011 and G/MA/TAR/RS/227/Corr.1 of 5 May 2011.
[11] WTO document WT/LET/760 of 25 May 2011 and its annexes.

4.14. During the period under review, El Salvador applied an annual tariff quota for Cheddar-type cheese in blocks or slabs (HS 0406.90.20) with an in-quota tariff rate of 0% and an out-of-quota rate of 40%. El Salvador has regularly notified this quota to the WTO. According to its latest notification concerning the years 2013 and 2014, an annual quota of 785 tonnes was applied for Cheddar-type cheese and in both years utilization of the quota amounted to just over 19%.[12] The allocation regime for the tariff quotas opened in accordance with El Salvador's WTO commitments remained unchanged during the review period. Quotas are allocated by auction on one of El Salvador's agricultural commodity and service exchanges (BOLPROS), established by law.[13] El Salvador applies tariff quotas to other agricultural products within the context of obligations assumed in bilateral and regional trade agreements (Table A4.1).

4.15. During the review period, El Salvador used a "scarcity quotas" mechanism as a provisional measure for alleviating shortages of some agricultural products, resulting mainly from the drought in 2014 and 2015. In July 2014, by Executive Decision of the MAG and the Ministries of the Economy and Finance, a scarcity quota at a zero tariff rate was opened for 9,000 tonnes of red beans (HS 0713.33.40) from any source outside the Central American region. A period of four months was allowed for importing the beans.[14] In July 2015, the Salvadoran Legislative Assembly authorized a second red bean scarcity quota totalling 12,000 tonnes at a zero rate, irrespective of the country of provenance.[15] The mechanism is intended to maintain a stable and adequate supply following a poor growing season. Moreover, for the period from 8 July 2015 to 30 November 2015, a 100,000-tonne scarcity quota was opened for white maize (HS 1005.90.30), from any source outside the Central American region. Imports that fell within this quota benefited from a zero tariff rate, whereas a rate of 20% was applied to out-of-quota imports.[16]

4.16. With respect to export subsidies, El Salvador's latest notification indicated that no export subsidies were granted during the year 2002.[17] The Secretariat has no knowledge of any subsidies having been granted since then.

4.17. El Salvador has reserved the right to apply additional tariffs to out-of-quota imports of products subject to tariff quotas whenever their import prices fall below a trigger price (price-based safeguards) or the quantities exceed a certain threshold (volume-based safeguards), in accordance with the special safeguard provisions of the WTO Agreement on Agriculture. According to the notifications for the period under review, El Salvador did not apply any special safeguard measure between 2009 and 2015.[18]

4.1.2.2.2 Domestic support

4.18. The main financial institutions providing credit for agriculture in El Salvador are the Agricultural Development Bank (BFA) and the Development Bank of El Salvador (BANDESAL). The BFA was established in 1973 and is the principal first-tier provider of credit for agricultural production. Between 2009 and 2014, the BFA disbursed US$367.4 million in agricultural loans, of which 43.9% was for basic foods, 20.9% for aquaculture and fishing, and 12.7% for coffee. Agricultural loans accounted for about two thirds of BFA disbursements during the period.[19]

[12] WTO document G/AG/N/SLV/43 of 28 January 2016.

[13] The legal framework can be found in the Regulations on the opening and administration of quotas (Decree No. 46 of 1999). Licences or access to quotas are allocated to importers by public auction through the BOLPROS, followed by the granting of an award certificate which the interested party subsequently presents to the Ministry of the Economy in order to request the issuing of the corresponding import licence for the tariff quota with a preferential tariff.

[14] Executive Decision No. 727 of 4 July 2014 of the Ministers of the Economy, Agriculture and Livestock, and Finance.

[15] Decree No. 63 of the Legislative Assembly of 23 July 2015. See also online information from the FAO at: http://www.fao.org/giews/food-prices/food-policies/detail/en/c/318257.

[16] Decision No. 964 of 7 July 2015 of the Ministers of the Economy, Agriculture and Livestock, and Finance.

[17] WTO document G/AG/N/SLV/17 of 21 October 2003.

[18] WTO documents G/AG/N/SLV/37 of 6 March 2012 and G/AG/N/SLV/42 of 18 January 2016.

[19] Agricultural Development Bank (2014). The figures given cover the period between June 2009 and May 2014. In this report the figures are presented as preliminary data.

In September 2015, the BFA's lending rates for agricultural activities varied between 6.3% and 18.2%.[20]

4.19. BANDESAL was set up in 2012 under the Law on the financial system for the promotion of development and operates under a joint board composed of representatives of the public and private sectors.[21] The Bank mainly provides second-tier credit, acting as a facilitator for potentially profitable projects in the agricultural sector. The funds provided by BANDESAL through second-tier loans come from Salvadoran and foreign financial institutions.[22] In 2014, BANDESAL granted 931 loans for the agricultural sector totalling US$33.5 million, or 19.6% of its total lending.[23] BANDESAL also administers a Special Agricultural Development Trust Fund (FEDA), which can be used to provide interest rate relief on some loans to the coffee sector, and the Agricultural Guarantee Programme (PROGARA) for securing agricultural sector credit.

4.20. During the review period, agricultural sector support measures were designed to fit within the context of the priorities defined by the Ministry of Agriculture and Livestock in accordance with the objectives of the Institutional Strategy Plan (Table 4.2).

4.21. Total public expenditure in the agricultural sector rose from US$56 million in 2009 to US$67 million in 2014.[24]

4.22. El Salvador's latest notification concerning domestic support measures dates from 2002.[25] The notification indicates that no reduction-exempt measures were implemented during that year, either under the heading of the green box or under that of development programmes. The Secretariat has no information regarding domestic support measures implemented after that date. Within the context of this review, the authorities have indicated that they are engaged in a process of inter-institutional coordination that will make it possible to submit updated notifications.

4.23. The Government is working to establish a staple grains policy and national supply and marketing system, with a view to ensuring the availability of these foods and controlling market distortions.[26]

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[20] Online information from the Agricultural Development Bank of El Salvador. Viewed at: http://www.bfa.gob.sv/index.php?option=com_content&view=article&id=1355:tasas-de-intereses-y-comisiones-septiembre-2015&catid=54:publicaciones-periodicas&Itemid=79.

[21] Legislative Decree No. 847 of 22 September 2011.

[22] Online information from the Supervisory Authority for the Financial System of El Salvador. Viewed at: https://www.ssf.gob.sv/descargas/Paginas_publicas/SENAVAL/dar/html_informacion_mercado/clasificaciones_riesgo/informes/2013/junio_2013/SCRIESGO/SCRiesgoBANDESAL30062013.pdf.

[23] Statistics of the Development Bank of El Salvador. Viewed at: http://publica.gobiernoabierto.gob.sv/institutions/banco-de-desarrollo-de-el-salvador/information_standards/estadisticas.

[24] Information provided by the Salvadoran authorities.

[25] WTO document G/AG/N/SLV/19 of 21 October 2003.

[26] Online information from the Ministry of Agriculture and Livestock. Viewed at: http://www.mag.gob.sv/index.php?option=com_k2&view=item&id=695:mag-lanzar%C3%A1-nuevo-sistema-de-acopio-y-comercializaci%C3%B3n-granos-b%C3%A1sicos&Itemid=168.

Table 4.2 Summary of support measures for the agricultural sector, 2014-2015

MAG priorities	Measures / financial resources available
Food sovereignty and security	Measures implemented to preserve levels of production and price stability and to prevent speculation within a context of droughts, such as those experienced in recent years: • Delivery of packages of maize seed and fertilizer for subsistence farmers (with US$18.8 million of financing in 2015). • Delivery of packages of improved bean seed for subsistence farmers (US$5.9 million in 2014 and US$19 million in 2015). • In 2016 it is planned to deliver agricultural packages of maize and bean seed for 400,000 subsistence farmers, with US$25 million of financing. • Design of the "National staple grains supply and marketing policy".
Strengthening of family farming	• Technical assistance, delivery of incentives and training in post-harvest and business management. • Production of 5,000 quintals of seed (CENTA). • Training in fruit tree management (US$215,000 in 2014). • Input development programme (ISTA). Contributions of cucumber seed, vaccinations for poultry and bovine animals. • Training and technical assistance in tilapia production (US$162,000 in 2014). Anti-drought plan, delivery of more than 85,000 agricultural packages composed of certified seed and fertilizers (US$9 million in 2014-2015).
Revival of coffee growing	• Creation and development of the CENTA-CAFÉ division. • Implementation of coffee rust monitoring stations. • Delivery of fungicide packages to combat coffee rust (US$4.56 million in 2014-2015). • Programme for the renewal of the coffee-growing stock (7 million plants amounting to US$2.9 million in 2015). • Loans amounting to US$24.5 million under the coffee heading made through the BFA in 2015.
Development of livestock farming	• Technical assistance with production, health, breeding and management of bovine dairy herds for 2,452 livestock producers (investment of US$1.3 million in 2014-2015). • Distribution of 21 milk collection tanks equivalent to 22,000 litres per day among dairy cooperatives (US$108,500 of financing in 2015). • Construction of two milk processing plants (US$1.2 million of financing in 2015). • Installation of 20 semen banks, for improving the bovine herd, livestock production and productivity (US$260,000 of financing in 2015). • Rehabilitation of the Family Farming Development Centre (CEDAF); construction of infrastructure; drilling, construction and equipping of 5 wells for supplying water for irrigation and other purposes (CEDAF – Morazán, partially financed with the support of the Government of Japan (US$2 million for 2012-2015)).
Development of fisheries and aquaculture	• Production of 18 million seeds for restocking with 1.79 million tilapia fingerlings, 12.9 million shrimp post larvae, 1.11 million oyster seeds and 3 million curil seeds (US$265,000 in 2014-2015). • Delivery of food packages to 1,893 small-scale fishermen associated and registered with CENDEPESCA (US$151,440 from the Fishing Trust Fund in 2014-2015). • Delivery of floating cages to small producers for breeding tilapia (US$20,800 of financing in 2014-2015).
Development of vegetable, cocoa, honey and forest product production	- Fruit production programmes: • CENTA assistance programmes: technical assistance, delivery of production inputs, training in crop, nursery and post-harvest management. Delivery of 13,800 dwarf horn plantain rootstocks; construction of greenhouses (total financing of US$511,600 in 2015). - Vegetable production programmes: • Implementation of technical assistance, training in protected agriculture, post-harvest management, business management, marketing and organization. A total of 97,218 analyses were carried out in soil, plant parasitology, agricultural chemistry and food technology laboratories (total financing of US$354,400 in 2014-2015). • Projects for diversification of the vegetable crop (investment of US$181,000 in 2015).
Revival of reformed-sector cooperatives	• Administrative advice relating to the legalization of the managerial bodies and the membership list of the cooperative. • Digitization of the files of the reformed-sector cooperatives, registration sector, recognition, federations and confederations. Implementation of an IT platform for remote and simultaneous viewing.
Modernization and expansion of irrigation infrastructure and area	• Programmes implemented by the Directorate-General of Forest Management, Catchment Areas and Irrigation (DGFCR): • Reconditioning of wells. • Reconditioning of the irrigation system in Zacatecoluca in order to reduce water losses and improve the efficiency of the system (US$254,476 of financing in 2015). • The project "Development of the irrigation system to improve rice production in El Porvenir", cofinanced by the Korea International Cooperation Agency (total investment of US$4.5 million between 2013 and 2015).

MAG priorities	Measures / financial resources available
Environmental sustainability, mitigation of and adaptation to climate change	• Design of a platform for policy formulation and review of the strategy for adapting agriculture to climate change, for the benefit of 450,000 subsistence farmers and 70,500 commercial-scale producers. • Projects for the development of sustainable agriculture, production and planting of orchard and forest plants, reservoir construction, transfer of good farming practices, water harvesting, promotion of forest-pasture systems (investment of US$5.57 million in 2014-2015).
Strengthening of the country's plant and animal health status	• More than 39,000 laboratory tests for checking the quality of food and pharmaceuticals, with a view to keeping food free of diseases and pathogenic agents (investment of US$ 536,400 in 2014-2015). • Sanitary surveillance and treatment programme. Monitoring of clinical cases, vaccination, deparasitization and application of vitamin compounds to prevent endemic and cross-border diseases. Inspection of 16,991 production units: 20,164 bovine animals, 39,204 birds, 1,240 pigs and 3,844 horses, among other species (investment of US$665,000 in 2015).
Institutional modernization	• Creation of an agricultural statistics system to generate estimates for the purpose of modernizing technical, methodological and IT processes, with a multiple and geo-referenced sampling frame (US$500,000 in 2015).

Source: WTO Secretariat, on the basis of accountability reports from the Ministry of Agriculture and Livestock for 2013-2014 and 2014-2015. Viewed at http://publica.gobiernoabierto.gob.sv/institutions/ministerio-de-agricultura-y-ganaderia/information_standards/memorias-de-labores, and online information from the Korea International Cooperation Agency. Viewed at http://www.koica.go.kr.

4.24. During the review period, the Supervisory Authority for Competition (SC) made certain recommendations regarding competition in the sector. With respect to the poultry market, the SC recommended that the MAG should propose to the Ministry of the Economy "the drafting of technical regulations for the standardization of poultry products (particularly eggs) that are in conformity with accepted international standards and promote competition".[27] In addition, for the milk market, the SC recommended that the MAG should act to annul "… Art. 22 of the Law on the promotion of hygienic production of milk and milk products and the regulation of their sale, in order to harmonize the domestic legal system with the provisions of the CAFTA-DR and prevent their application from creating barriers to the entry of potential competitors through the importation of pasteurized milk (and its different varieties) and powdered milk".[28] The Salvadoran authorities have pointed out that they have made efforts to respond to the SC's recommendations. For example, in the case of the rice market, mentioned in the previous review of El Salvador's trade policy in 2010, the entry of more mills into the market has been successfully promoted.

4.2 Energy

4.2.1 Electricity

4.25. In 2014, electricity sector production amounted to US$34.1 million and accounted for 0.66% of GDP. Output was 8.2% higher than in 2010. In the fourth quarter of 2014, the sector's foreign direct investment balance was US$935.4 million.[29]

4.26. In mid-2015, El Salvador's electricity system had 1,586.9 MW of installed capacity. In 2014, net power generation amounted to 5,793.1 GWh and came from the following sources: 27.7% hydroelectric, 23.4% geothermal, 38.9% thermal and 3.8% biomass (mainly bagasse (sugar cane residue)). The remaining 6.2% was imported. In 2014, in terms of the volume of international electricity transactions, 588.5 GWh were imported and 207.8 GWh exported. Net domestic demand amounted to 5,848 GWh.[30]

4.27. According to the Household and Multipurpose Survey (EHPM) 2012 carried out by the Directorate-General of Statistics and Census, around 95% of Salvadoran households have access

[27] Online information from the Supervisory Authority for Competition. Viewed at: http://www.sc.gob.sv/pages.php?Id=676&Id_menu=309010.

[28] Article 22 establishes a ban on the importation of milk under certain conditions. Online information from the Supervisory Authority for Competition. Viewed at: http://www.sc.gob.sv/pages.php?Id=676&Id_menu=309010.

[29] The data mentioned in this paragraph come from the economic database of the Central Reserve Bank of El Salvador. Viewed at: http://www.bcr.gob.sv.

[30] General Supervisory Authority for Electricity and Telecommunications (SIGET) (2015).

to electricity. Of the approximately 82,689 families that do not have access to electricity, some 70% live in rural areas.[31]

4.28. El Salvador's electricity market consists of 29 generators (14 wholesale and 15 retail) and 8 distributors, while transmission is in the hands of a single, State-owned operator[32] (although the law provides for the participation of private companies).

4.29. The transmission line of the Central American Electricity Interconnection System (SIEPAC), the main infrastructure of the Regional Electricity Market (MER), came into operation in 2012.[33] The SIEPAC has created a 1,793 kilometre-long 230 kW integrated transmission network connecting 15 substations in Central America, three of them in El Salvador. The company EPR-SIEPAC administers the transmission network under mandate from the member States; its board of shareholders is composed of one institution from each member country.[34] The State-owned hydroelectricity enterprise, the Hydroelectric Executive Commission of the Río Lempa (CEL) represents Salvadoran interests. During the first year of operation of the MER there was a 124% increase in electricity transactions between the countries of Central America. The SIEPAC network is expected to lead to a gradual reduction in production costs and an increase in the reliability of the supply.[35]

4.30. The National Energy Council (CNE) is the sector's governing body and responsible for formulating energy policy. The task of the General Supervisory Authority for Electricity and Telecommunications (SIGET) is to supervise and regulate the sector. The institutional framework is completed by the Transactions Unit (UT), which operates the transmission system, supervises the safety of the system and administers the wholesale electricity market, and the CEL, which is in charge of financing certain subsidies.

4.31. The sector's regulatory framework consists mainly of the General Electricity Law (LGE, 1996)[36], the Regulations implementing the LGE (2008)[37] and the Law establishing the National Energy Council (2007).[38] The Law regulating the granting of small-scale generating project concessions was approved by Legislative Decree No. 460, published on 26 September 2013. During the review period, the CNE issued El Salvador's New National Energy Policy 2010-2024, which lays down strategic guidelines for the future development of the sector. Its main objectives are: to diversify the energy matrix by placing emphasis on reducing the dependence on petroleum and its products; to strengthen the institutional and legal framework by reinforcing the role of the State in the regulation and development of the electricity market; to remedy the deficiencies and legal loopholes preventing users from being properly protected; to promote energy savings and the efficient use of energy, both in the public sector and in industry; and to develop and consolidate regional energy integration.[39]

4.32. Under the LGE, it is necessary to obtain a concession in order to generate electricity from hydraulic or geothermal sources. On the other hand, a concession is not required to generate electricity from other sources or for transmission, distribution and marketing, but companies engaged in these activities must be enrolled in the Register of Electricity Sector Operators.[40] The LGE does not lay down any nationality requirements for obtaining concessions or operating in El Salvador's electricity market.

4.33. There have been no changes in the LGE since 2008. However, in 2012, El Salvador's Supreme Court declared unconstitutional two articles of the Law relating to concessions. The judgment of the Supreme Court states that, under the constitution, power-generating

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[31] Online information from the National Energy Council. Viewed at: http://www.cne.gob.sv/index.php?option=com_content&view=article&id=193&Itemid=212.

[32] SIGET (2015).

[33] The MER was established by the Framework Treaty for the Central American Electricity Market (1996) signed by Panama, Costa Rica, Honduras, Nicaragua, El Salvador and Guatemala.

[34] Online information from EPR-SIEPAC. Viewed at: www.eprsiepac.com.

[35] Online information from the Inter-American Development Bank. Viewed at: http://www.iadb.org/mobile/news/detail.cfm?lang=es&id=10494.

[36] Legislative Decree No. 843 of 25 October 1996.

[37] Decree No. 70 of 22 January 2008 and amendments thereto.

[38] Legislative Decree No. 404 of 1 October 2007.

[39] CNE (2010).

[40] Article 7 of the General Electricity Law.

concessions must be approved by the Legislative Assembly. Moreover, the judgment revoked the permanence of these concessions.[41] For its part, the Law regulating the granting of small-scale generating project concessions (2013) stipulates that concessions for such projects must be approved by the Legislative Assembly by decree, while establishing the conditions for the use of the expedient and a term that may not exceed 50 years. SIGET is the competent authority for handling the corresponding concession procedure up to the stage preceding approval.[42]

4.34. The LGE requires generators and distributors to allow their installations to be interconnected and used for transporting electricity, except insofar as this may pose a threat to the operation or safety of the system.[43] In the event of a disagreement, the parties may turn to SIGET to settle the dispute. According to the authorities, at the time of writing this report no use had yet been made of the dispute settlement mechanism for deciding cases of disagreements relating to interconnection. In 2011, as a result of a recommendation made by the Supervisory Authority for Competition, SIGET issued a Technical Standard on Electrical Interconnection and Access to the Transmission Network for End Users, intended to regulate the procedures, requirements and obligations applicable to electrical interconnections between operators for the purpose of guaranteeing the principle of free access to distribution and transmission facilities.[44]

4.35. The charges for the use of the transmission and distribution networks and for the operation of the transmission system and the wholesale market, as well as the charges for connecting users to the distribution networks, are subject to regulation and prior approval by the SIGET (Article 9 of the LGE). SIGET also fixes the maximum electricity tariffs for the end user.

4.36. In 2014, the average end-user tariff was US$0.2249 per kWh. In 2015, electricity rates were reduced by about 30%, thanks to low oil prices and the implementation of the Regional Electricity Market.

4.37. El Salvador directly subsidizes residential electricity consumption for users with a monthly consumption of between 1 and 100 kWh. This subsidy cost US$174.1 million in 2014 (US$1,035 million since its introduction in 1998) and is financed by the CEL.[45] In view of the fall in the price of electricity, the residential subsidy for users with a consumption of between 100 and 200 kWh was suspended on 15 April 2015. The subsidy for industrial electricity consumption was abolished in 2009.

4.38. El Salvador is maintaining the tax exemptions provided for in the Law on tax incentives for the promotion of renewable energies in electricity generation, in force since end 2007.[46] Under this law, any new investment in the generation of electricity from renewable energy sources (hydraulic, geothermal, wind, solar or biomass) is eligible for tariff concessions and other tax benefits (Box 4.1). Since the law was introduced, El Salvador has increased its installed capacity by 153.3 MW on the basis of geothermal and biomass renewable energy sources.[47]

[41] Judgment No. 28-2008 of the Supreme Court of El Salvador of 27 June 2012. Viewed at: http://www.jurisprudencia.gob.sv. Concessions granted prior to the judgment will remain in force until the Legislative Assembly reviews the conditions on which they were agreed and, if in its opinion they satisfy those conditions, establishes their continuity and sets a term for them to end.

[42] Article 2 of the Law regulating the granting of small-scale generating project concessions.

[43] Article 27 of the General Electricity Law.

[44] Decision No. 30-E-2011 of the General Supervisory Authority for Electricity and Telecommunications. Viewed at: http://www.siget.gob.sv/attachments/1653_OB1879.pdf.

[45] SIGET (2015).

[46] Legislative Decree No. 462 of 20 December 2007.

[47] SIGET (2015).

Box 4.1 Tax benefits for investment in the energy sector

(i)	Exemption from import duties (during the first ten years) for machinery, equipment, materials and inputs exclusively intended for pre-investment and investment work on the construction and expansion of electricity generating plants, including substations and transmission or sub-transmission power lines.
(ii)	Exemption from income tax for five years for projects of more than 10 MW and for ten years for projects of less than 10 MW.
(iii)	Total exemption from the payment of taxes on income stemming directly from the sale of Reduced Emission Certificates (RECs) under the clean development mechanism (CDM) or on similar carbon markets.

Source: Article 3, Law on tax incentives for the promotion of renewable energies in electricity generation (Legislative Decree No. 462 of 2007) and its revision (Legislative Decree No. 148 of 2015).

4.39. In October 2015, the Legislative Assembly approved a reform of the Law on tax incentives for the promotion of renewable energies in electricity generation, in order to extend and relax the tax incentives regime for investment in renewable energy projects.[48] The reform eliminates the 20-MW ceiling set in the original law, which made projects exceeding that capacity ineligible for the tax benefit, and also incorporates new renewable energy technologies such as tidal energy and biogas, while extending eligibility for the regime to existing power stations seeking to expand their renewable energy generating capacity.[49]

4.40. As part of the FOMILENIO I Project, carried out between 2007 and 2012, new power transmission lines and solar energy systems were installed in the northern zone, where electrical connectivity is lowest.[50] As a result of these works, some 35,000 households obtained access to the electricity supply system and 1,950 households were equipped with solar panel installations for generating electricity. The new structures were built by a public-private partnership.

4.2.2 Hydrocarbons

4.41. El Salvador imports almost all its fuel, especially oil for generating electricity. In 2014, the value of fossil fuel and hydrocarbon imports amounted to US$1,746.1 million, which represented 17.8% of total merchandise imports.[51]

4.42. El Salvador does not have any proven petroleum reserves.[52] In 2012, the country's only oil refinery (in the Acajutla region) ceased operations, so that El Salvador stopped importing crude and now only imports refined petroleum products, on which the duty rate is zero.

4.43. In the first half of 2015, the wholesale fuel import and distribution market consisted of four companies, while the liquefied petroleum gas (LPG) distribution market had five operators.[53] All these companies are privately owned. A recent study by the Supervisory Authority for Competition (SC) concluded that the liquid fuel market was characterized by moderate concentration; however, it identified some problems (very lengthy procedures for granting authorizations to operate as a distributor and environmental permits, as well as disproportionate fines for technical infringements) which could discourage new players from entering the market.[54]

4.44. The Directorate of Hydrocarbons and Mining in the Ministry of the Economy is the authority responsible for defining policy and regulating the hydrocarbons market. The legislative framework

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[48] Legislative Decree No. 148 of 28 October 2015.

[49] Online information from the Legislative Assembly of El Salvador. Viewed at: http://www.asamblea.gob.sv/noticias/archivo-de-noticias/aprueban-reformas-a-la-ley-de-incentivos-fiscales-para-el-fomento-de-las-energias-renovables-en-la-generacion-de-electricidad.

[50] FOMILENIO I is a project for cooperation between the United States' Millennium Challenge Corporation and the Government of El Salvador, implemented between 2007 and 2012 for US$460 million. The objectives included strengthening the physical infrastructure to create a climate conducive to investment. Information viewed at: https://www.mcc.gov/where-we-work/program/el-salvador-compact.

[51] Excluding maquila imports. Statistical database of the Central Reserve Bank of El Salvador. Viewed at: http://www.bcr.gob.sv.

[52] Online information from the United States Energy Information Administration (EIA). Viewed at: http://www.eia.gov/beta/international.

[53] National Energy Council (2015).

[54] Supervisory Authority for Competition (2015).

consists of the Hydrocarbons Law[55], the Law regulating the storage, transport and distribution of petroleum products[56], and the Natural Gas Law.[57] The legislation does not place limits on the participation of foreign capital in any of the activities linked with hydrocarbons.

4.45. There is no regulation of the prices for petrol or diesel. Every five years, the Ministry of the Economy issues a circular with end reference prices for both fuels. Prices are published for three different geographical areas and are not mandatory.[58] An *ad valorem* tax is applied to the end reference price. The calculations take into account the price of a barrel of oil, published quarterly by the Ministry of the Economy. The tax is levied at the rate of 1% if the per-barrel price does not exceed US$50, 0.5% if the price falls between US$50 and US$70, and 0% if the price exceeds US$70.[59]

4.46. El Salvador fixes maximum prices for LPG for domestic consumption and provides a subsidy for the most vulnerable segment of the population. LGP is the principal fossil fuel used for domestic purposes and its price has a major impact on household budgets. During the review period, El Salvador revised the instrument relating to this measure with a view to improving the targeting of the subsidy and blocking illegal exports of LPG subsidized by El Salvador to other countries in the region.[60] This revision empowered the Ministry of the Economy to establish the maximum selling price for LPG, the criteria for allocating the subsidy and the amounts of the subsidy. In 2011, the mechanism was changed from a direct end-price subsidy to a subsidy targeted by means of a voucher issued per household.[61] There has been a considerable decline in the annual cost of the subsidy over the last two years, reflecting the fall in international hydrocarbon prices (Table 4.3).

Table 4.3 Annual cost of the LPG subsidy, 2010-2015

Year	Amount paid (US$ '000)
2010	101,434.0
2011	134,895.6
2012	139,846.1
2013	138,158.0
2014	103,690.8
2015	64,081.1

Source: Information provided by the Salvadoran authorities.

4.3 Manufacturing

4.47. The manufacturing sector as a whole (including the companies that operate outside and those that operate inside the free/maquila zones) grew at an average annual rate of 2.3% between 2009 and 2014; the expansion was particularly marked in the case of exports, which increased at an average annual rate of 8% between these years.[62] According to information provided by the authorities, the manufacturing sector employed around 397,000 people in 2014, which corresponds to some 15% of the labour force.

4.3.1 Sector outside the free/maquila-zone regime

4.48. The value added of manufacturing industry operating outside the free/maquila-zone regime grew at an annual rate of 2.6% between 2009 and 2014. This growth reflects increases in the most relevant products: sugar, basic and processed chemicals, milling and bakery products, other food products and textiles and made-up textile articles. The only heading not to increase during the review period was that of refined petroleum products, as a consequence of the closing of the

[55] Legislative Decree No. 626 of 17 March 1981.
[56] Legislative Decree No. 169 of 30 November 1970.
[57] Legislative Decree No. 630 of 20 June 2008.
[58] The Ministry of the Economy publishes the reference prices on its website. Viewed at: http://www.minec.gob.sv/precios-de-referencia-para-combustibles.
[59] Law on the special fuels tax, Legislative Decree No. 225 of 17 December 2009.
[60] Legislative Decree No. 698 of 29 April 2011 revised the Law regulating the storage, transport and distribution of petroleum products of 1970.
[61] World Bank (2015).
[62] WTO Secretariat calculations, based on data from the Central Reserve Bank of El Salvador.

country's only refinery (Section 4.2.2). The manufacturing sector (free/maquila zones excluded) contributed 21.3% of GDP in 2014 (Table 4.4).

Table 4.4 Value added in the manufacturing sector (free/maquila zones excluded), 2009-2014

	2009	2010	2011	2012	2013	2014
Manufacturing sector						
US$ million (at 1990 constant prices)	1,836.5	1,862.6	1,922.9	1,961.9	2,024.8	2,091.8
Growth rate	-2.48	1.42	3.24	2.03	3.21	3.31
As a percentage of total GDP	20.51	20.52	20.72	20.75	21.03	21.31
As a percentage of manufacturing GDP						
Meat and meat products	1.88	1.87	1.85	1.79	1.85	1.91
Dairy produce	3.38	3.06	3.06	2.98	2.98	2.99
Processed fish products	0.02	0.01	0.01	0.02	0.01	0.02
Milling and bakery products	10.47	10.69	10.58	10.65	10.68	10.66
Sugar	8.37	8.11	7.95	8.96	9.26	8.99
Other processed food products	8.14	8.50	8.56	8.53	8.66	8.89
Beverages	9.45	9.68	9.66	9.62	9.55	9.64
Processed tobacco	0.00	0.00	0.00	0.00	0.00	0.00
Textiles and made-up textile articles (other than clothing)	5.96	6.24	6.34	6.38	6.42	6.59
Clothing	1.98	1.99	2.03	2.05	2.09	2.18
Leather and leather products	4.29	4.26	4.29	4.27	4.35	4.65
Wood and wood products	1.35	1.26	1.23	1.21	1.32	1.38
Paper. paperboard and products thereof	3.49	3.52	3.75	3.75	3.79	3.65
Products of the printing and allied industries	6.47	6.41	6.34	6.35	6.34	6.21
Basic and processed chemicals	10.67	10.89	11.04	11.07	11.13	11.18
Refined petroleum products	4.27	3.81	3.85	3.17	2.15	2.27
Rubber and plastics products	2.74	2.81	2.88	2.90	2.92	3.03
Processed non-metallic mineral products	4.61	4.30	4.18	4.15	4.33	4.21
Basic and processed metal products	5.35	5.46	5.34	5.09	5.21	4.82
Machinery, equipment and supplies	3.03	3.02	3.00	3.00	2.94	2.83
Transport equipment and miscellaneous manufactures	3.99	4.02	3.95	3.96	3.92	3.80

Source: WTO Secretariat, on the basis of statistical data from the Central Reserve Bank of El Salvador. Viewed at: http://www.bcr.gob.sv/bcrsite/?cat=1012&lang=es.

4.49. Between 2009 and 2014, exports of manufactured goods (excluding those from free/maquila zones) grew at an average annual rate of 10%, reaching US$4,040 million in 2014, as compared with US$2,509 million in 2009.

4.50. Manufacturing sector policy is laid down in the document "Industrial Policy 2011-2024". Its key objectives include: (i) increasing industrial and agro-industrial productivity by improving quality systems, promoting technological restructuring and encouraging innovation in production processes; (ii) analysing and implementing mechanisms aimed at reducing manufacturing industry's main production costs; (iii) increasing market share by improving the penetration and positioning of Salvadoran products in existing and new markets; and (iv) creating the conditions for making the transition from an industry based on manufacturing to a knowledge-based industry integrated into global chains. For the period covered by the Industrial Policy, the authorities have decided to give priority to developing the food and beverages, chemical-pharmaceutical products and textiles and made-up textile articles industries.[63]

4.51. In 2015, the average MFN tariff rate for the manufacturing sector (according to the ISIC, Rev. 2) was 6.2%, and the average MFN tariff for manufacturing was 0.1% lower than the overall average MFN rate. Manufactures with an above-average level of protection are food, beverages and tobacco (average MFN tariff rate of 15.3%), textiles and clothing (10%), wood and wood products (9.4%) and products under the heading "other manufactures" (9.2%).

4.3.2 Free/maquila zones

4.52. El Salvador applies a free-zone regime which allows eligible enterprises to benefit from tax concessions. Within the context of its WTO obligations, El Salvador has undertaken to abolish the export subsidies for which its free-zone scheme provides by 31 December 2015 at the latest (Section 3.2.4.3).

[63] Ministry of the Economy, Ministry of Agriculture and Livestock, Technical Secretariat of the President's Office, Central Reserve Bank, and Salvadoran Industrialists Association (2011).

4.53. El Salvador maintains 17 free zones in different regions of the country. The assembly of textile products and articles of clothing is the principal activity in El Salvador's free/maquila zones. Other important items eligible for this regime include household electrical appliances, stationery, plastics and chemicals.[64] The absolute value of exports of manufactured goods from the free/maquila zones underwent a slight increase up until 2013, but their share of Salvadoran exports declined. In 2014, exports of manufactures under the free-zone regime amounted to US$1,024 million, equivalent to 19.4% of total merchandise exports as compared with 24.4% in 2009. The decrease is partly attributable to the substantial increase in exports of manufactured goods outside the free/maquila zones during the review period. Where imports are concerned, the free/maquila zones imported goods worth US$678.3 million in 2014, or 6.4% of total imports (Table 4.5). In 2015, exports amounted to US$1,112 million or 20.3% of the total, while imports amounted to US$675 million or 6.5% of the total.

Table 4.5 Main indicators for the free/maquila zones, 2009-2014

	2009	2010	2011	2012	2013	2014
Number of enterprises	256	243	251	242	246	226
Number of employees	65,000	70,321	70,915	77,037	80,597	84,667
As a percentage of the labour force (%)	8.40	9.08	8.20	8.75	9.20	9.08
Imports						
US$ million	604.7	613.6	636.8	717.2	752.4	678.3
As a percentage of total merchandise imports	8.25	7.29	6.39	6.99	6.98	6.45
Exports						
US$ million	945.2	1,028.7	1,068.6	1,106.0	1,158.2	1,024
As a percentage of total merchandise exports	24.44	22.86	20.13	20.71	21.09	19.42

Source: WTO Secretariat, on the basis of El Salvador's notifications G/SCM/N/211/SLV, G/SCM/N/226/SLV, G/SCM/N/243/SLV, G/SCM/N/251/SLV, G/SCM/N/275/SLV, G/SCM/N/284/SLV (employment data); and WTO Secretariat calculations, based on data from the Central Reserve Bank of El Salvador ("maquila" trade), available at: http://www.bcr.gob.sv/bcrsite/?cat=1012&lang=es, and information provided by the Salvadoran authorities.

4.54. Manufacturing industry eligible for the free-zone regime continues to be an important generator of employment in El Salvador. During the review period, employment averaged 8.7% of the total labour force.

4.4 Services

4.4.1 Multilateral commitments

4.55. El Salvador undertook specific commitments under the General Agreement on Trade in Services (GATS) in six of the 12 categories of services covered by the Agreement: business services; communication services; environmental services; tourism services; transport services (air transport only) and financial services.[65] Commitments were made in 25 of the sectors included in the Services Classification List drawn up by the WTO Secretariat.

4.56. With regard to horizontal commitments, El Salvador's Schedule of Specific Commitments states that for a foreign company to engage in trade in the country it must, among other things, have a permanent representative in El Salvador and accept to be subject to Salvadoran law. In addition, it sets limits on profits and payments for rights to exploit foreign trademarks and patents, which foreign investment may remit. With respect to the commercial presence mode, the horizontal commitments indicate that, unless special authorization has been given, every employer must ensure that the firm's personnel is at least 90% Salvadoran, while the wages paid to Salvadorans must amount to not less than 85% of the total wages paid.

4.57. El Salvador's Schedule of Specific Commitments includes exemptions from MFN treatment for all sectors in favour of the member countries of the Central American Common Market. Moreover, in the case of financial services, El Salvador incorporated exemptions from MFN treatment in favour of Honduras and Nicaragua on the basis of the Convention on facilitating the financial integration of the countries of the Central American Isthmus.[66]

[64] UNCTAD (2010).
[65] WTO document GATS/SC/29 of 15 April 1994.
[66] WTO document GATS/EL/29 of 15 April 1994.

4.58. El Salvador participated in the negotiations and accepted the Fourth Protocol on Basic Telecommunications[67] and the Fifth Protocol on Financial Services[68] annexed to the GATS. El Salvador has revised and amplified its Schedule of Specific Commitments in both sectors accordingly.[69]

4.4.2 Financial services

4.4.2.1 Overview

4.59. In 2014, the contribution of the financial services sector (banks, insurance companies and other financial institutions) to total GDP was 4.6%.

4.60. The supervision of the financial system is the responsibility of the Supervisory Authority for the Financial System (SSF) which, upon the passage of Legislative Decree No. 592 of 14 January 2011, or new Law on the supervision and regulation of the financial system, became the sole supervisory body, combining the functions of the supervisory authorities for the financial system, pensions and securities. The SSF's objective is to preserve the stability of the financial system and oversee its efficiency and transparency, always in accordance with best international practice. The SSF is responsible for supervising the individual and consolidated activities of the institutions that make up the system, including banks, cooperative banks, insurance companies, savings and loan societies, securities, pensions, financial conglomerates, credit agencies, commodity exchanges, the occupational risks regime of the Salvadoran Social Security Institute (ISSS), etc. The SSF is a part of the Central Reserve Bank, with its own legal personality and assets, of indefinite duration, and with administrative and budgetary autonomy for the exercise of the powers and duties conferred upon it by the Law.[70]

4.61. The Systemic Risk Committee, established by Executive Decree No. 172 of 13 September 2013, was set up to safeguard the stability and solvency of the financial system. The Committee's task is to monitor the development of risks in the financial system and manage any ensuing financial crises. It is composed of members representing the Ministry of Finance, the Central Reserve Bank, the SSF and the Deposit Guarantee Institute (IGD).

4.62. El Salvador participated in the financial services negotiations and accepted the Fifth Protocol annexed to the GATS, incorporating it in its legislation by means of Legislative Decree No. 653 of 13 March 1999, published in Official Journal No. 97 of 26 May 1999. In those negotiations it made commitments with respect to the banking sector, including granting access to foreign financial institutions through the establishment of branches or participation in the ownership of domestic banks and finance houses up to a maximum of 75% of the capital, provided that they have a prime rating and are subject to prudential regulation and supervision in their countries of origin.[71] In the case of foreign natural persons, the maximum percentage is 25%. El Salvador has not undertaken any commitments with respect to insurance.

4.4.2.2 Banking

4.63. On 31 December 2015, the Salvadoran banking sector consisted of 22 institutions authorized to take deposits: 11 private banks, of which ten have foreign equity; two State-owned banks; five cooperative banks; and four savings and loan societies.[72] The Salvadoran financial sector also includes other entities authorized to carry out credit operations but not to take deposits. On the same date there were eight financial conglomerates in operation.[73] It is estimated that 91.6% of total assets are now in the hands of foreign equity banks. In May 2016, there were no branches of foreign banks in operation.

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[67] Ratified by El Salvador by means of Legislative Decree No. 1.031 of 29 April 1997.
[68] Ratified by means of Legislative Decree No. 613 published in the Official Journal of 26 May 1999.
[69] WTO documents GATS/SC/29/Suppl.1 of 11 April 1997 and GATS/SC/29/Suppl.2 of 26 February 1998.
[70] Online information from the SSF. Viewed at: http://www.ssf.gob.sv/index.php/institucion/marco-institucional/historia.
[71] WTO document GATS/SC/29/Suppl.2 of 26 February 1998.
[72] Online information from the SSF. Viewed at: http://www.ssf.gob.sv/index.php/nov/191-publicaciones/estadisticas/283-instit-autorizadas.
[73] Supervisory Authority for the Financial System (2015a).

4.64. On 31 December 2015, the total assets of the banking system amounted to US$17,413.27 million, of which US$11,860.95 million corresponded to loans. Deposits amounted to US$10,911.66 million. Some 68.1% of assets were concentrated in net loans, while liquid assets and financial investments accounted for 20.1% and 7.3%, respectively.[74]

4.65. The Salvadoran banking system remains characterized by good solvency and risk indicators but relatively high indebtedness. At 31 December 2015, the banking system was maintaining an average capital adequacy ratio of 22.4%, which exceeds the statutory minimum of 12% required by the Banks Law. At the same date, the net liquidity ratio was 32.3%, which is also in excess of the legal requirement, while the legal debt ratio was 13.3%, substantially higher than the statutory limit of 7%, and the return on equity and the return on assets were 7.9% and 1.0%, respectively. Past-due loans amounted to US$268.1 million or 2.3% of the total. In 2015, 34.8% of total lending was for consumption, 21.8% for the purchase of housing, 13.4% for commerce, 9.0% for manufacturing industry, and only 3.3% for agriculture.

4.66. The main legislation governing the banking sector consists of the Banks Law (Decree No. 697 of 2 September 1999), together with its amendments, and related laws.[75] During the review period, the Law on facilitating financial inclusion (Decree No. 72 of 13 August 2015) was introduced for the purpose of regulating e-money activities and facilitating access to credit for MSMEs.

4.67. Under the Banks Law, all banks established in El Salvador must be organized and operate as closed-end public limited companies with their capital divided into registered shares held by not less than ten shareholders. The Law stipulates that at least 51% of the shares must be owned by Salvadoran or Central American natural persons, Salvadoran legal persons whose shareholders or majority members are Salvadoran or Central American natural persons or other Salvadoran legal persons, or foreign banks and other financial institutions which are subject in their country of origin to prudential regulation and supervision in accordance with international practice and have received prime ratings from internationally recognized risk rating agencies. For this purpose, the SSF maintains a register of prime foreign banks and financial institutions.[76]

4.68. The minimum capital required to set up a bank in El Salvador, whether domestic or foreign, is US$17.61 million. Foreign banks may establish a commercial presence through branches or representative offices, subject in both cases to authorization by the SSF. The authorization of the SSF is also required for a natural or a legal person to enter into any share ownership transaction that represents more than 1% of a bank's capital. In the case of branches of foreign banks, the capital must reflect the volume of activity in the country (working capital), which is specified in the authorization.

4.69. Representative offices of foreign banks may place funds in the country in the form of loans or investments, but may not take deposits. Branches of foreign banks, on the other hand, may engage in the same operations as banks established in the country, including opening subsidiaries in which the bank holds at least 51% of the capital. In general, the Banks Law stipulates that the branches and offices of foreign financial institutions operating in El Salvador shall be accorded national treatment, with respect to both rights and privileges.

4.70. The Banks Law does not contain any provisions concerning either the cross-border supply of banking services or Salvadorans contracting for these services abroad. Foreign banks operating in El Salvador are accorded national treatment, the only exception being that, under the Law,

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[74] Supervisory Authority for the Financial System (2015b).

[75] This includes: the Financial Leasing Law (Decree No. 884 of 20 June 2002) and amendments thereto; the Law on the reorganization and strengthening of commercial banks and savings and loan associations (Decree No. 659 of 30 November 1990) and amendments thereto; the Organic Law of the Pensions Supervisory Authority (Decree No. 926 of 19 December 1996); the Law on cooperative banks and savings and loan societies (Decree No. 849 of 23 February 2000); the Law establishing the Multisectoral Investment Bank (Decree No. 856 of 21 April 1994); and the Law on facilitating financial inclusion (Decree No. 72 of 13 August 2015).

[76] In 2014, the Register contained the names of 71 banks from Austria, Brazil, Canada, Chinese Taipei, Colombia, France, Germany, Honduras, India, Israel, Italy, Japan, Mexico, Netherlands, Norway, Panama, Peru, Puerto Rico, Spain, Sweden, Switzerland, United Kingdom and the United States. Online information from the SSF. Viewed at: http://www.ssf.gob.sv/index.php/temas/registropublico/104-informacion-financiera/registros/197-bancos-primera-linea.

depositors and creditors domiciled in El Salvador enjoy preferential rights over the assets owned by a foreign financial institution in El Salvador.

4.71. The Banks Law also regulates financial conglomerates and establishes mechanisms for their consolidated supervision by the SSF. A financial conglomerate is defined as a group of companies characterized by the fact that more than 50% of their shareholders' capital is owned by a holding company. This company must also be a member of the conglomerate and may have been established for the sole purpose of acting as a holding company, or may be a bank established in the country (holding bank) and subject to supervision by the SSF. A holding bank may not invest in the share capital of institutions that administer pension funds or insurance companies, whereas a holding company that is not a bank may hold minority stakes, up to 25% of its base capital, in the shares of domestic pension-fund administering institutions. Apart from the holding company, a conglomerate may include a bank and one or more financial sector entities. A bank established abroad may form part of a conglomerate, provided that the holding company owns at least 45% of its shares and, moreover, various prudential requirements are met.[77]

4.72. The SSF is empowered to determine whether there is a "de facto conglomerate", if it considers that there are groups operating in that fashion without prior authorization. As of May 2016, the SSF had not identified any de facto conglomerate.

4.73. The IGD guarantees the public's deposits in the event of a bank being wound up or going into compulsory liquidation, up to a maximum of US$10,171 in 2016.[78] All the private banks, the cooperative banks and the savings and loan societies are members of the IGD. The Mortgage Bank of El Salvador is subject to the same deposit insurance regime as a private bank, but in the case of the Agricultural Development Bank the guarantee is provided by the State. The guarantee excludes related-party and pledged loans. It is financed with contributions from the banks and other financial institutions.

4.4.2.3 Insurance

4.74. The regulatory body for the sector is the Supervisory Authority for the Financial System (SSF), which supervises the activities of insurance companies, insurance intermediaries and reinsurers. The legal framework for the insurance market is based on the Law on insurance companies of 1996[79] and its implementing Regulations.[80] The Law has not been revised since El Salvador's last trade policy review in 2010. In this connection, the authorities have pointed out that there is a preliminary draft of a new Law on insurance companies, which is expected to be put forward as a proposal before the end of 2016. There is also a preliminary draft of a Law on insurance contracts, expected to be put forward as a proposal towards the middle or end of 2017. According to the authorities, these preliminary drafts introduce important changes, such as the possibility of foreign companies being allowed to open branches.

4.75. Insurance companies may operate in the general insurance (casualty) branch, the personal insurance branch or in both branches. To be able to operate in both branches, an insurance company must not sell personal life annuity policies. If a company wishes to operate in this segment of the market, it must specialize solely in personal insurance. Bonds and reinsurance policies are other products that insurance companies may also offer.[81]

4.76. To operate in the Salvadoran market insurance companies and intermediaries (agents, brokers) require the authorization of the SSF, which is granted for an indefinite period. As

[77] Including: (a) the foreign bank is subject to consolidated supervision by the SSF and, in its country of domicile, is supervised in accordance with international practice; (b) the SSF has signed cooperation agreements with the supervisory body of the host country to facilitate consolidated supervision; (c) the foreign bank is included for purposes of determining the solvency of the conglomerate; and (d) it is shown that the holding company exercises control over the bank.

[78] The amount of the guarantees is adjusted every two years by the Executive Board of the SSF, in accordance with the provisions of the Banks Law. The last adjustment was made on 1 January 2016. Online information from the IGD. Viewed at: http://www.igd.gob.sv/index.php/novedades/estadisticas/historico-del-limite-garantizado.

[79] Decree No. 844 of 21 October 1996, as amended by Decree Laws No. 893 of 21 November 1996 and No. 910 of 14 December 2005. The Law entered into force on 1 January 1997.

[80] Decree No. 44 of 20 April 1999, as amended by Decree No. 25 of 5 April 2001.

[81] Articles 19 and 21 of Decree No. 844 and Supervisory Authority for Competition (2012).

part of the authorization procedure, insurers must submit, among other documents, a list of their shareholders. If these are foreign insurance or reinsurance companies (from outside the Central American area), they must show that they operate in accordance with the prudential regulations in force in their country of origin and that they have received prime ratings from internationally recognized rating agencies.[82] These requirements do not apply to Central American companies. In order to practice, intermediaries must first obtain a favourable assessment from the Supervisory Authority; they are required to lodge security in support of their activities.[83] Intermediaries are not subject to nationality or residence requirements.[84]

4.77. Insurance companies have to be established in the form of closed-end public limited companies. The SSF determines the minimum fixed capital, which must be adjusted every two years, subject to the opinion of the Central Bank.[85] In April 2016, the minimum fixed capital had been in force since 2014 and the next adjustment was expected in the course of 2016. At the time in question, the minimum fixed capital was: (a) US$1,336,900, if the insurer was engaged in general insurance; (b) US$944,800, if it was engaged in personal insurance; (c) US$766,500, if it was engaged in bond operations; (d) US$3,796,200, if it was engaged in reinsurance and counter-guaranteeing operations; or (e) US$2,281,200, if it was operating in all branches of insurance. Insurance companies have to deposit the fixed capital in the Central Bank upon commencing operations.[86]

4.78. The Law continues to limit shareholding in insurance companies. At least 75% of the shares must be held, individually or collectively, by: (a) Salvadoran or Central American natural persons; or (b) Salvadoran companies a majority of whose shareholders are Salvadoran or Central American natural persons; or (c) Central American or other foreign insurance or reinsurance companies. Likewise, no shareholder may own more than 1% of the company's capital without the prior authorization of the SSF.[87]

4.79. Foreign insurers may exercise a commercial presence only through companies legally established in El Salvador (subsidiaries). Since the entry into force of the Law on insurance companies in 1997 the establishment of branches has not been permitted, but those branches that were already operating at the time were able to continue operating provided that the parent company complied with the assets requirement.[88] At present, there is one branch still operating in El Salvador. Within the framework of the CAFTA-DR, El Salvador undertook to allow the establishment of branches of foreign insurance companies.[89] Although this undertaking has not yet been implemented, the authorities are considering changes in the legislation in order to make it possible, such as those included in the preliminary draft of the Law on insurance companies (see above).

4.80. The cross-border supply of insurance services is not permitted, but there are no restrictions on the consumption of insurance services abroad.[90] Reinsurance contracts may be concluded outside El Salvador with foreign reinsurance companies or brokers enrolled in the corresponding SSF register.[91]

4.81. Policies are regulated by the SSF. A product may not be sold unless a specimen policy has previously been deposited and approved. Policies with an annual premium of more than

[82] Article 6 of Decree No. 844 and online information from the SSF. Viewed at: http://www.ssf.gob.sv/index.php/servicios-14309/guia/ciudadano-46459/tramites/937-seguros.

[83] Article 50 of Decree No. 844 and SSF Regulations NPS4-11 for the authorization of insurance intermediaries (viewed at: http://www.ssf.gob.sv/index.php/normativa/normas/515-normas-prud-seguros).

[84] WTO document WT/TPR/S/266/Rev.1 of 16 March 2010.

[85] The SSF allows a period of six months for already established insurers to adjust to the new fixed capital requirement.

[86] Articles 4, 14 and 98 of Decree No. 844, SSF Instruction NPS1-01 on establishing and operating insurance companies in El Salvador (viewed at: http://www.ssf.gob.sv/index.php/normativa/normas/515-normas-prud-seguros), and online information from the SSF. Viewed at: http://www.ssf.gob.sv/index.php/noticias/210-temas/marco-legal/capsoc/102-seguros-4235839.

[87] Articles 6-7 5 of Decree No. 844 and online information from the SSF. Viewed at: http://www.ssf.gob.sv/index.php/noticias/210-temas/marco-legal/capsoc/102-seguros-4235839.

[88] Article 111 of Decree No. 844.

[89] FTA explanatory document of September 2004. Viewed at: http://www.sice.oas.org/TPD/USA_CAFTA/Studies/SLVDocExpl2.pdf.

[90] WTO document WT/TPR/S/226/Rev.1 of 16 March 2010.

[91] Article 39 of Decree No. 844.

US$9,866 are exempt from this requirement.[92] Policies must be sent to the SSF within five days of their being signed. A 2012 study by the Supervisory Authority for Competition stressed that consumers could not obtain access to the policies deposited.[93] The prices of policies are unregulated.[94]

4.82. The 24 insurance companies operating on the Salvadoran market at the end of 2015 were private firms and 14 of them had foreign ownership. Of these 24 companies, 7 were engaged in general insurance and 9 in personal insurance, while the rest were operating in both branches. The market is highly concentrated; in 2015, the first five insurers accounted for 57% of total premiums underwritten and the first 10 insurers for 83%. In addition, there are some 1,250 insurance intermediaries registered with the SSF[95]; a sectoral study carried out by the Supervisory Authority for Competition in 2012 indicated that only part of those that were registered were actually in business.[96] On 30 September 2015, some 77.5% of the shares of the insurance companies operating in El Salvador were in the hands of Central American investors and 22.5% in the hands of investors from outside the region.[97]

4.83. In 2015, the insurance companies placed US$608.63 million in premiums (an increase of 6.4% over 2014).[98] The sector's penetration of the economy, measured by expressing premiums as a percentage of GDP, remained stable, at around 2% of 2014 GDP.[99] The density rate, which measures annual expenditure on insurance, per capita, was US$90 in 2015, with growth averaging 5% over the last four years. Life insurance was the best selling product during the review period (25.6% total premiums underwritten in 2015) followed by accident and sickness insurance (17.7%) and fire insurance (15.5%).

4.4.3 Telecommunications

4.4.3.1 Overview

4.84. In 2014, the telecommunications sector generated US$387.9 million, an increase of 7.8% as compared with 2010, and its share of GDP amounted to 3.9%. The balance of foreign investment in telecommunications reached US$1,329 million at the end of 2014, some 23.8% higher than the balance in 2010.[100] In 2014, the sector employed some 21,000 people.[101]

4.85. During the review period, the sector's indicators showed a positive trend. In 2014, mobile phone subscriptions numbered 9.19 million (up 15% on 2010), achieving a penetration rate of 143.6 per 100 inhabitants. Broadband internet access connections totalled 282,339 (a rise of 65% relative to 2010), with a penetration rate of 4.41 per 100 inhabitants. The percentage of individual Internet users rose from 15.9% in 2010 to 26% in 2014.[102]

4.86. The sector has 12 fixed-line telephony operators, five mobile telephony operators and eight international long-distance operators. The two companies that arose out of the privatization of the State-owned ANTEL in 1997, the Telecommunications Company of El Salvador (CTE) and Telefónica Móviles El Salvador (formerly INTEL), are the dominant players in the domestic market. The CTE, which is majority Mexican-owned, controls around 90% of the fixed-line telephony

[92] In-session update No. CD-44/2015 of 10 December 2015 (in force since January 2016).
[93] Supervisory Authority for Competition (2012).
[94] Article 44 of Decree No. 844.
[95] Online information from the SSF. Viewed at: http://www.ssf.gob.sv/index.php/temas/registropublico/104-informacion-financiera/registros/200-intermediarios-seguros0.
[96] Supervisory Authority for Competition (2012).
[97] Investors from Barbados; Bermuda; Bulgaria; France; Mexico; Spain; the United States; Bolivarian Republic of Venezuela. Supervisory Authority for the Financial System (2015a).
[98] See the *Memoria Laborales* (annual report, various years) of the Supervisory Authority for the Financial System. Viewed at: http://www.ssf.gob.sv/index.php/institucion/marco-institucional/informes/memorias.
[99] Supervisory Authority for Competition (2012).
[100] Online information from the economic database of the Central Reserve Bank of El Salvador. Viewed at: http://www.bcr.gob.sv.
[101] Online information from the statistics database of the International Labour Organization (ILO). Viewed at: http://www.ilo.org/ilostat.
[102] Online information from the General Supervisory Authority for Electricity and Telecommunications, Telecommunications Indicators for 2014. Viewed at: http://www.siget.gob.sv.

market. Telefónica Móviles El Salvador, which is Spanish-owned, is the player with the largest share of the mobile telephony market. Information on the market share of each fixed or mobile operator may be declared confidential, at the request of the operators themselves, on the basis of Article 24 of the Law on access to public information.

4.4.3.2 Institutional and legislative framework

4.87. The Ministry of the Economy is responsible for formulating telecommunications policy. The General Supervisory Authority for Electricity and Telecommunications (SIGET) is the sector's regulatory body tasked with overseeing compliance with the legislative framework. SIGET is an autonomous public service institution, with its own legal personality and assets, headed by a Superintendent and an Executive Board, mainly appointed by the President of the Republic.[103] SIGET submits annual reports to the Ministry of the Economy.

4.88. The sector is mainly governed by the Law on telecommunications (LT)[104] and the Law establishing the General Supervisory Authority for Electricity and Telecommunications (LCSIGET).[105] The LT establishes the general framework for the granting of concessions, the operation of fixed and mobile telephony services and the use of the radio-frequency spectrum, as well as the rights and obligations of the user and the operator. The LT does not require any enabling authorization or permit to provide Internet access services. The LCSIGET establishes the composition, functions and duties of the regulatory body.

4.89. Within the WTO, El Salvador participated in the negotiations on basic telecommunications and accepted the Fourth Protocol annexed to the GATS. It expanded the commitments made in 1994[106], binding services provided at national and international level via public and non-public basic telecommunications networks for all modes of supply and with respect to both market access and national treatment. In the case of commercial presence, El Salvador noted the requirement to apply to SIGET for a concession or operating licence.[107] El Salvador also assumed the obligations laid down in the Reference Paper relating to the Agreement on Basic Telecommunications.

4.90. Operators interested in offering telecommunications services must register as commercial telecommunications network operators. Moreover, under the LT, to provide fixed and mobile telephony services, the interested party must obtain a public telephony service concession. Concessions are granted for 30 years, without any geographical limitation, and more than one concession may be granted for the same area. The law does not make the holding of a concession for a public telephony service subject to any nationality requirement. However, concessions for providing free-to-air or subscription radio and television broadcasting services are reserved for Salvadoran natural persons and legal persons with majority Salvadoran-owned capital.

4.91. Under the LT, the radio-frequency spectrum is owned by the State and classified as being for free use, official use or regulated use. No concession is needed to exploit the free-use spectrum. Exploitation of the official spectrum is reserved for government institutions. The regulated-use spectrum consists of a number of frequency bands which the Law has not expressly classified as being for official or free use. To exploit the regulated-use spectrum it is necessary to obtain a concession granted by SIGET.[108] Concessions are awarded by public auction and remain valid for 20 years. Pursuant to a judgment of the Supreme Court of Justice (CSJ), at the beginning of May 2016 the Legislative Assembly approved amendments to the LT aimed, among other things, at regulating the allocation of radio frequencies and establishing alternatives to public auction, such as competitions which make it possible to take into account not only the bidder's business proposal but also the communication proposal and its attractiveness for the target group. As a result of the amendments, SIGET will determine the way in which frequencies are allocated, taking into account the target group and the sector that is seeking a band in the radio-frequency spectrum.

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[103] The Executive Board is composed of three directors, two chosen and appointed by the President of the Republic and one by the Supreme Court of Justice of El Salvador. The Superintendent is chosen and appointed by the President of the Republic.

[104] Legislative Decree No. 142 of 14 November 1997 and its revisions.

[105] Legislative Decree No. 808 of 12 September 1996.

[106] WTO document GATS/SC/29 of 15 April 1994.

[107] WTO document GATS/SC/29/Suppl.1 of 11 April 1997.

[108] Article 13 of the Law on telecommunications.

4.92. Both the LT and the LCSIGET have regulations which supplement and give details of the rules on participation in the telecommunications market. The new Regulations implementing the Law on telecommunications, enacted in 2011, contain, among other things, the technical definitions for the sector, the requirements and procedures for granting concessions, the criteria and methodology for determining maximum tariffs, and more detailed provisions governing access to interconnection between operators.[109]

4.93. Article 4 of the LT establishes the principle of free negotiation of prices and conditions between operators in the sector. However, services and rights designated by the LT as essential resources, which mainly comprise interconnection, and those classified as public services, which include fixed and mobile telephony services, are excluded from this regime.[110] On the basis of these rules, SIGET determines maximum tariffs for essential resources and fixed and mobile telephony services.

4.94. Every commercial telecommunications network operator must provide access to essential resources to anyone who asks for them, subject to appropriate payment and without discrimination of any kind. The Law states that "[t]he access granted must be of the quality and at the switching nodes requested, provided that this is technically feasible. When requesting access to an essential resource, every operator will be entitled to contractual terms similar to those that the operator granting the resource has agreed with other operators".[111] In the event of a dispute between operators regarding the technical conditions of access, the parties may turn to SIGET to settle the dispute.[112] In the period 2009-2015, SIGET was asked to initiate the alternative settlement procedure for disputes concerning access to essential resources in six cases, of which only two met the requirements for merit and admissibility, but were not carried to a conclusion because the requesting operator withdrew from the proceedings while they were still in progress, after gaining access to the interconnection by negotiation.[113]

4.95. SIGET's regulatory role was reinforced by a revision of the LT in 2010.[114] As a consequence of that change, SIGET has to conduct an annual review of the maximum tariffs for fixed and mobile telephony services, as well as of the charges for interconnection between fixed and mobile network operators. The adjustment of the tariffs and charges has to be based on cost studies and international price comparisons, using criteria recognized by the International Telecommunication Union. SIGET issues an annual resolution containing the tariff adjustments, which is published in the Official Journal. At present, the maximum tariffs for interconnection between operators are: US$0.01297 for interconnection to fixed network exchanges and US$0.02988 for interconnection to mobile network exchanges.[115] During the review period, the maximum value of the tariffs for users showed a tendency to fall.[116]

4.96. In March 2014, the tax established by the Law on the specific tax on telephone calls from abroad that terminate in El Salvador (2008) was declared unconstitutional by the

[109] Decree No. 84 of 15 July 2011 repealing and replacing the former 1998 Regulation.

[110] Article 19 of the LT defines essential resources as: interconnection, at all levels, for the purpose of terminating telecommunications or transferring telecommunications originating in the network of one of the parties to another network selected by the end user; signalling; the handover of automatic identification of the number of the user originating the communication; billing data; the portability of the user's telephone number; the listing of users in the telephone directory; the right of access to the databases of the public directories of the customers of the service-providing operators; unbundling of the fixed-line network for the interconnection of commercial telecommunications networks; collocation for the interconnection of commercial telecommunications networks; all those facilities of a fixed-line network for the provision of a public telecommunications service, offered by fixed line, which are exclusively or predominantly supplied by a single provider or by a limited number of providers and which it is not economically or technically feasible to replace for the purpose of supplying the interconnection service.

[111] Article 20 of the Law on telecommunications.

[112] The alternative procedure for settling disputes over access to essential resources is regulated in Articles 86 to 93 of the Law on telecommunications.

[113] Information provided by the Salvadoran authorities.

[114] Article 8 of the Law on telecommunications, as revised by Legislative Decree No. 295 of 4 March 2010.

[115] The latest interconnection tariffs date from 2015 and were published in SIGET Resolution No. T-0386-2015, Official Journal, Vol. No. 409 of 1 October 2015.

[116] The latest review of maximum tariffs for users, in force since 1 November 2015, was issued in SIGET Resolution No. T-0386-2015, Official Journal, Vol. No. 409 of 1 October 2015.

Supreme Court.[117] The CSJ considered that the levy constituted double taxation and was contrary to the principle of fair taxation.[118]

4.97. In 2014, SIGET issued a number portability regulation.[119] The regulation stipulates that portability must be provided within a maximum of three working days for fixed telephone numbers and one day for mobile telephone numbers. This operation is free of cost for the end user.[120] In August 2015, SIGET confirmed that number portability had begun to operate in El Salvador.

4.98. During the review period, the Supervisory Authority for Competition (SC) conducted an *ex officio* investigation of anti-competitive practices in the telecommunications market. In December 2011, the SC fined four telephony operators for agreeing the prices for calls from fixed to mobile lines.[121] Moreover, in October 2015, the SC decided to fine five operators in the sector for abusing their dominant position in the market for "intermediate inward international traffic services for the termination of calls in their own networks".[122] The SC determined that the operators had created obstacles to the entry of new competitors or the expansion of existing competitors by the use of delaying tactics aimed at slowing down or hindering the negotiation of access to the interconnection.[123] Since 2007, the SC has been recommending that SIGET issue a telephone interconnection regulation as a means of stimulating competition in the sector.[124] At the time of writing this report, a specific telephone interconnection regulation had not yet been issued; however, Title V of the Regulations implementing the Law on telecommunications, as revised by Executive Decree No. 84 of 15 July 2011, contains detailed provisions concerning interconnection between operators.

4.99. The National Electricity and Telephony Investment Fund facilitates access to telephony (and electricity) for the rural and low-income segments of the population by subsidizing infrastructure and the supply of services. The Fund's resources consist of 100% of the income produced by electricity generating concessions and 98.5% of the income produced by telecommunications service and radio-frequency spectrum concessions and licences.[125]

4.100. In 2011, El Salvador introduced a Special Law on interception of telecommunications.[126] This legislation guarantees the confidentiality of telecommunications and the right to privacy, while allowing the interception of communications in exceptional cases subject to judicial authorization and only in the context of an investigation of offences punishable by law. It also included an obligation upon operators to provide the authorities with the information requested.

4.4.4 Transport

4.4.4.1 Overview

4.101. The "transport and warehousing" sector generated US$547.5 million in 2014, an increase of 7.6% as compared with 2010. Over the period 2010-2014 the sector contributed an average of 3.6% to total GDP.[127] In 2014, foreign direct investment in the transport sector produced a

[117] Legislative Decree No. 651 of 14 July 2008.
[118] CSJ, Judgment No. 39-2010, published in the Official Journal, Vol. No. 402 of 31 March 2014.
[119] Decree No. 58 of 18 September 2014.
[120] Portability costs US$2.82 and is paid by the telephone operator to which the user wishes to move.
[121] On 23 April 2010, the companies Telefónica Móviles El Salvador, Telemóvil El Salvador, Digicel and Intelfón adopted an agreement to fix the tariff at US$0.21 per minute, plus the tax on the transfer of property and the supply of services, for a call made from any fixed line to their mobile networks, an anti-competitive practice defined as such in Article 25(a) of the Competition Law.
[122] Press release C-24-15 of the Supervisory Authority for Competition dated 28 October 2015. Viewed at: http://www.sc.gob.sv/uploads/C-24-15.pdf.
[123] The companies sanctioned were the Telefónica Móviles El Salvador, the El Salvador Telecommunications Company, CTE Telecom Personal and Telemóvil El Salvador. Altogether, the fines imposed on the operators totalled US$2.25 million.
[124] Online information from the SC. Viewed at: http://www.sc.gob.sv/pages.php?Id=677&Id_menu=309010.
[125] Law on the National Electricity and Telephony Investment Fund, Legislative Decree No. 354 of 9 July 1998.
[126] Legislative Decree No. 285 of 12 March 2010.
[127] Online information from the database of the Central Reserve Bank of El Salvador. Viewed at: http://www.bcr.gob.sv.

balance of US$37.1 million, an increase of 57.6% on the balance for 2010.[128] The sector employed some 56,000 people in 2014.[129] In terms of the mode of transport used, the value of El Salvador's foreign trade (imports plus exports) can be broken down as follows: land 41.95%; maritime 20.15%; air 7.3%; and multimodal 30.6%.[130]

4.102. The Vice-Ministry of Transport (VMT), part of the Ministry of Public Works, Transport, Housing and Urban Development, is the reference authority for policy planning and implementation in the sector. The VMT concentrates its efforts mainly on the regulation of land transport, the implementation of the public transport system, and transit management. Three government agencies complete the institutional framework for the transport sector, namely, the Maritime Port Authority (AMP), which regulates the technical and business aspects of maritime transport operations; the Civil Aviation Authority (AAC), which is in charge of supervising and regulating air transport; and the Executive Autonomous Ports Commission (CEPA), responsible for administering transport infrastructure (ports, airports and railways).

4.103. Although, initially, CEPA was only in charge of port management, it was progressively mandated to take over the administration of the network operated by National Railways of El Salvador, San Salvador's Monseñor Óscar Arnulfo Romero y Galdámez International Airport and Ilopango Airport.

4.4.4.2 Maritime transport and ports

4.104. In 2014, the volume of foreign trade carried by sea amounted to 4.25 million tonnes, slightly less (by 4.2%) than in 2009. The cargo moved consisted of 3.08 million tonnes of imports (72.4%) and 1.17 million tonnes of exports (27.6%).[131] In value terms, 31% of Salvadoran imports and 9.4% of exports were moved by maritime transport in 2015.[132]

4.105. El Salvador does not have its own merchant fleet.[133] The country has two commercial seaports managed by the State through CEPA: the port of Acajutla in the west (some 50 km from the border with Guatemala) and the port of La Unión in the east (on the Gulf of Fonseca, bordering on Honduras). The port of Acajutla is by far the more important. In 2014, it handled almost all El Salvador's maritime cargo, i.e. an average of 354,000 tonnes per month.[134] Of the merchandise moved 58% was bulk cargo while the remaining 42% was containerized. The port of La Unión, the construction of which was completed in 2008 with financial support from Japan's International Cooperation Agency (JICA), reports a low volume of operations.[135] A third port, Puerto Corsaín, is managed by the Salvadoran Investment Corporation (an autonomous government agency) and handles relatively small volumes of cargo (32,000 tonnes in 2014), consisting mainly of fishery products (tuna) and fertilizers.[136]

4.106. The legislative framework for maritime transport is based on the General Maritime Port Law (LGMP)[137], which established the AMP as the subsector's regulatory body. El Salvador has not made any significant changes in its maritime transport legislation since its last trade policy review.[138]

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[128] Online information from the database of the Central Reserve Bank of El Salvador. Viewed at: http://www.bcr.gob.sv.

[129] Online information from the statistics database of the International Labour Organization (ILO). Viewed at: http://www.ilo.org/ilostat.

[130] Information provided by the Salvadoran authorities.

[131] CEPA (2014a).

[132] Information provided by the Salvadoran authorities.

[133] UNCTAD (2014).

[134] CEPA (2014b).

[135] In the first half of 2014 the port of La Unión handled an average of 3,591 tonnes per month. Online information from the port of La Unión. Viewed at: http://publica.gobiernoabierto.gob.sv/institutions/comision-ejecutiva-portuaria-autonoma/information_standards/estadisticas.

[136] Information provided by the Salvadoran authorities.

[137] Legislative Decree No. 994 of 1 October 2002 and amendments thereto.

[138] During the review period minor changes were made to the LGMP: the AMP was empowered to acquire immovable property for use as administrative offices (Legislative Decree No. 732 of 29 July 2014) and, by statute, added two directors from the private sector to its board (Legislative Decree No. 94 of 18 August 2012).

4.107. Where the WTO is concerned, El Salvador has not made any specific commitments in the maritime transport subsector under the GATS.

4.108. CEPA's mandate is set out in its Organic Law.[139] In addition to managing transport infrastructure, in its capacity as port operator CEPA proposes the charges applicable to the provision of port logistics services.[140] The charges proposed are subject to ratification by the AMP. In June 2015, the AMP approved a new list of charges for port services supplied to cargo and passenger vessels in the port of Acajutla, valid from 1 August 2015 up until 31 July 2020.[141] El Salvador's port charges are among the lowest in the region.[142]

4.109. El Salvador aspires to become a regional logistics hub on account of its strategic geographical location and is therefore seeking to promote foreign investment in ports.[143] CEPA is authorized to invite invitations to tender, in accordance with the procedures laid down by law, in order to award port concessions to the private sector. An international call for tenders to operate the port of La Unión closed at the end of May 2015 without any bidders and was declared void.[144]

4.110. Salvadoran legislation does not impose any restrictions on foreign vessels providing domestic cabotage services. Neither are there any restrictions on foreign companies with respect to the operation of ports under concessions or the provision of ancillary port services such as cargo handling and warehousing. The service providers must obtain the appropriate accreditation from the Maritime Port Authority and related bodies. On the other hand, pilotage and towing services remain in the hands of the State.

4.111. The LGMP requires vessels to be registered, together with transactions such as construction, transfers of ownership, leasing, liens and mortgage preferences on ships, if they take place in El Salvador. The Salvadoran Maritime Register (REMS), part of the AMP, is responsible for overseeing compliance with the registration requirement. For a vessel to be registered in the REMS its owner, if a natural person, must be domiciled in the country or, in the case of a company, must have been established in accordance with the laws of El Salvador or, if established abroad, have a branch in El Salvador. The registration requirements are set out in detail in the LGMP.[145]

4.112. El Salvador does not have any cargo sharing agreements with other countries, nor is it a party to the United Nations Convention on a Code of Conduct for Liner Conferences. As a member of the Central American Integration System (SICA), El Salvador participates in the Central American Commission on Maritime Transport (COCATRAM), a specialized technical body that promotes the harmonization of maritime transport protocols in the region. Its objective is to contribute to the development and efficiency of the sector and to further competitiveness and the integration of the member countries in global maritime trade.[146]

4.113. El Salvador is a member of the International Maritime Organization and a signatory to various international treaties it administers. The country has not yet ratified the International Convention for the Safety of Life at Sea (SOLAS Convention), which is still in the stage of study and inter-institutional consultation prior to being sent to the Legislative Assembly.

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[139] Legislative Decree No. 455 of 21 October 1965.

[140] Charges are governed by the LGMP and the Special Regulations for the application of port service charges.

[141] The complete set of regulations relating to charges is available on the website of the port of Acajutla. Viewed at: http://www.puertoacajutla.gob.sv/contenido.php?cont=74&id=114.

[142] Online information on the charges at Puerto Quetzal (Guatemala), viewed at: http://www.puerto-quetzal.com/web/guest/tarifa; Puerto Corinto (Nicaragua), viewed at: http://www.epn.com.ni; and Puerto Caldera (Costa Rica), viewed at: http://www.spcaldera.com/tarifas.

[143] The Export and Investment Promotion Agency of El Salvador (PROESA) includes port logistics among the sectors in which it seeks to attract foreign investment. Online information from PROESA, viewed at: http://www.proesa.gob.sv/inversiones/oportunidades-sectoriales.

[144] The tender documents had been purchased by four private entities from France, Spain, Chile and Philippines.

[145] Articles 40 to 45 of the General Maritime Port Law.

[146] The members are Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua and Panama.

4.4.4.3 Air transport

4.114. In 2015, in value terms, 8.3% of El Salvador's imports and 6.3% of its exports were transported by air.[147]

4.115. El Salvador has two airports: the Monseñor Óscar Arnulfo Romero y Galdámez International Airport in San Salvador, through which almost all the country's international traffic passes and which is the only one to provide freight transport services, and Ilopango Airport. In 2015, Monseñor Romero International Airport moved 2.7 million passengers and transported 26,600 tonnes of freight (13,621 tonnes in imports and 12,979 tonnes in exports). As for Ilopango Airport, it moved 12,385 passengers, traveling mainly on low-cost flights to Honduras and Guatemala.[148]

4.116. Both airports are administered and operated by the State through CEPA, which is the entity responsible for airport upkeep, construction and maintenance, although it is authorized to contract these services out to private companies, along with other ancillary services (aircraft ground support, airport support, flight information, etc.). Monseñor Romero International Airport receives an average of 72 flights per day and due to the rapid increase in passenger traffic is operating at above capacity. The authorities have plans to expand and modernize the airport in four phases (from 2016 to 2032) with a view to achieving a capacity of 4.6 million passengers. The project will be managed and financed by CEPA. Monseñor Romero International Airport is the only airport in Central America to offer aircraft repair services.

4.117. The main legal instrument regulating the subsector is the Civil Aviation Organization Law[149], which governs everything to do with public and private air transport services, ancillary services, and the granting of licences. In 2013, the Law was amended in order to introduce an open skies policy (see below).[150] The Law is supplemented with technical regulations issued by the Civil Aviation Authority (AAC).

4.118. The AAC is responsible for formulating and monitoring air transport policy, in both its technical and its economic-regulation aspects. Its functions include authorizing operators' certificates, granting operating permits, regulating air transit and air navigation, and maintaining competition in the air transport market.

4.119. Under the Civil Aviation Organization Law (Article 22), fares and freight charges in passenger, freight and mail civil aviation traffic (domestic and international) are determined freely by the air transport operators, in accordance with market conditions. Air transport operators must register their tariffs with the AAC; the tariff schedules must indicate the period of validity, any restrictions and the terms offered. For reasons of national interest or public necessity, the AAC may provisionally fix minimum and maximum tariffs, including the establishment of appropriate adjustment mechanisms, for domestic and international air transport. In order to do so, the AAC must consult the Supervisory Authority for Competition, which, after assessing the market conditions, issues a binding opinion authorizing or rejecting the use of the price range.

4.120. The AAC is also empowered to regulate the establishment of the charges and fees for airport services where competition does not exist.[151] In these circumstances, the AAC may fix maximum charges for the service in question. CEPA must submit the airport services tariff schedule to the AAC for approval and, once approved, the schedule must be registered and published before entering into force; changes in tariffs must also be approved by the AAC.

[147] Information provided by the Salvadoran authorities.
[148] Information provided by CEPA. See also CEPA (2014c).
[149] Legislative Decree No. 582 of 19 October 2001 and amendments thereto (Legislative Decree No. 528 of 26 November 2004 and Legislative Decree No. 927 of 20 December 2005).
[150] Another reform consisted in adding two new directors to the Civil Aviation Executive Board, the AAC's highest authority. The new directors must come from the non-governmental sector and be appointed by the President of the Republic. Legislative Decree No. 98 of 18 August 2012.
[151] Article 21 of the Civil Aviation Organization Law. The services that may be subject to economic regulation are: landing, aircraft parking, boarding charge, import freight charge, installation of fuel supply facilities, and passenger embarkation.

San Salvador International Airport's current tariff schedule has been in force since December 2010.[152]

4.121. Salvadoran legislation does not impose any limitations on foreign investment for establishing airlines in El Salvador (commercial presence). Likewise, it grants national treatment to foreign investors in respect of investment in Salvadoran airlines.[153] Air cabotage is reserved exclusively for Salvadoran companies, unless otherwise stipulated in an international treaty establishing real and effective reciprocity with El Salvador.

4.122. Within the context of the GATS, El Salvador bound aircraft repair and maintenance services with respect to market access and national treatment for the cross-border supply, consumption abroad and commercial presence modes. According to its Schedule of Specific Commitments, any party interested in establishing a commercial presence for providing aircraft repair and maintenance services in El Salvador must be domiciled in the country and must apply for a concession or licence.[154] The AAC is the agency responsible for issuing the authorization in the form of an operating certificate.[155]

4.123. Until recently, the company Transportes Áereos Centroamericanos (TACA) International Airlines S.A. was El Salvador's national airline. In 2012, at the end of a process that lasted three years, TACA merged with its Colombian peer Avianca S.A. to create the conglomerate Avianca Holdings S.A. In 2013, TACA became Avianca El Salvador, a subsidiary of the conglomerate, and is currently the dominant Salvadoran international flight operator: in 2014 it transported almost 70% of the passengers transiting through Monseñor Romero International Airport. In September 2014, the company VECA Airlines obtained authorization to operate, becoming the second domestic operator to offer international flights. About ten international airlines operate flights from and to El Salvador, including companies such as American Airlines, Delta and Iberia, among others.

4.124. In accordance with a revision of the Civil Aviation Organization Law made in 2013, the Salvadoran State will practice an "open skies" policy subject to the strict application of the principle of real and effective reciprocity.[156] El Salvador has ten bilateral air transport agreements, in particular with Latin American countries; six of these agreements were signed during the review period (Table 4.6). Together with Guatemala, Honduras and Nicaragua, El Salvador forms part of the Cooperation Agreement for the Facilitation and Development of Air Operations, which establishes third, fourth and fifth freedom rights between the territories of the parties.

4.125. The Salvadoran authorities have pointed out that it is not indispensable to have a bilateral agreement to provide air transport services in El Salvador.

4.126. Licences for landing slots are granted on the basis of the reciprocity principle in accordance with the Chicago Convention on International Civil Aviation.

Table 4.6 Bilateral air services agreements

Other party	Year	Between territories of the parties 3rd and 4th freedoms	Between territory of the other party and third countries 5th and 6th freedoms	From territory of the other party to third countries 7th freedom
Chile	2013	Open skies	Open skies	Open skies (freight)
Colombia	2011	Open skies	Open skies	No right
Cuba	2013	7 weekly flights	No right	No right

[152] The list of charges for the use of runways, fuel supply, vehicle parking, passenger boarding and the use of other airport facilities is available at: http://aeropuertoelsalvador.gob.sv/docs/TarifasVigentesAIES.pdf.

[153] Article 5 of the Investment Law, Legislative Decree No. 732 of 14 October 1999.

[154] WTO document GATS/SC/29 of 15 April 1994.

[155] Article 3 of the Civil Aviation Organization Law.

[156] Article 89, final subparagraph, of the Civil Aviation Organization Law, as revised by Legislative Decree 509 of 10 October 2013: "The State shall implement the open skies policy in accordance with the provisions of Article 3 of the Law, for which purpose there shall be granted first, second. third, fourth and fifth freedoms of the air and combinations thereof, on the basis of the principle of real and effective reciprocity and the provisions of the international conventions and treaties concluded by El Salvador with other States".

Other party	Year	Between territories of the parties 3rd and 4th freedoms	Between territory of the other party and third countries 5th and 6th freedoms	From territory of the other party to third countries 7th freedom
Ecuador	2013	Open skies	5th freedom for the combined scheduled transport of passengers, freight and mail, as well as for freight alone. Up to 28 weekly flights. No limits on flights for exclusively freight services	No right
Spain	1997	Minimum of 7 weekly flights (freight unlimited)	5th freedom to be determined by agreement between the two aviation authorities	No right
United States	1997	Open skies	Open skies	Open skies (freight)
Guatemala	2007	Open skies	Open skies	Open skies
Honduras	2007	Open skies	Open skies	Open skies
Mexico	2006	14 weekly flights	No right	No right
Nicaragua	2007	Open skies	Open skies	Open skies
Chinese Taipei	2014	Open skies	5th freedom	No right
Turkey	2013	Open skies	5th freedom to be determined by agreement between the two aviation authorities	Open skies
United Kingdom	2000	Open skies	5th freedom to be determined by agreement between the two aviation authorities	No right

Source: WTO Secretariat, on the basis of information from the AAC, viewed at: http://www.aac.gob.sv/index.php/temas/acuerdos/acuerdos.html, and information provided by the authorities.

4.4.4.4 Land transport

4.127. Land transport is the means of transporting freight most commonly used in El Salvador. In 2015, some 38.4% of the total value of El Salvador's imports and 45.5% of the value of its exports were transported by land.

4.128. El Salvador has a road network 9,297 km long, some 62.7% of which is paved. More than 1,900 small and medium-sized enterprises operate in the sector, with an average of 4.3 vehicles per operator.[157]

4.129. The subsector is regulated and supervised by the Vice-Ministry of Transport. The legislative framework is contained in the Law on freight transport by road[158], enacted in 2013, which replaced the Regulations on the transport of freight by land of 2003.

4.130. El Salvador participates in the Mesoamerican Procedure for the International Transit of Goods (TIM), the main objective of which is significantly to reduce the costs associated with goods traffic by modernizing, simplifying and harmonizing customs procedures.[159] The country has three connection points (La Libertad, San Luis and La Unión) that form part of the Mesoamerican Integration Corridor or Pacific Corridor. This corridor unites some seven countries over a distance of 3,200 km, between Panama City (Panama) and the city of Puebla (Mexico). The project is intended to create a high-speed channel for the flow of goods traffic by land, with harmonized procedures and high standards of efficiency and security, in order to make intra-regional trade flow more smoothly. The Pacific Corridor is now handling more than 90% of the region's trade in goods transported by land and receives technical and financial support from the Inter-American Development Bank. At present, El Salvador is using the TIM only for recording information relating to goods in international transit, but it is in process of adapting the IT systems of the Directorate-General of Migration and Alien Affairs in order to be able to use the TIM's migration module.[160] This is expected to happen by mid-2016, with a view to simplifying and speeding up the migration procedures for the truck drivers.

[157] Inter-American Development Bank (2015).
[158] Decree No. 367 of 3 May 2013.
[159] The following participate in the TIM: Costa Rica, El Salvador, Guatemala, Honduras, Mexico, Nicaragua and Panama.
[160] The TIM has three modules: information concerning goods, migration information and quarantine information.

4.131. Major road infrastructure works were carried out during the review period. Between 2007 and 2012, under the sponsorship of the FOMILENIO I project, El Salvador invested more than US$269 million in the construction of the Longitudinal Northern Highway, a road artery that connects up all of the country's northern zone from the border with Guatemala (north-west) to Honduras (north-east).[161] The project involves the construction of 220 km of paved highway and the building and reconditioning of 23 bridges. The new infrastructure has reduced the journey times between the two points from 12 to 6 hours. Since 2015, in a second stage of the project called FOMILENIO II, infrastructure works have been being carried out to relieve the road traffic at critical junctions. The works on the logistical corridors linking the customs office of El Amatillo (border with Honduras), the ports of La Unión and Acajutla, and San Salvador International Airport should make it possible to improve connectivity, reduce transport costs and increase the productivity of overland trade in the area.[162]

4.132. In September 2015, the governments of El Salvador and Mexico signed a cooperation agreement for the development of road infrastructure. The agreement consisted of a loan for financing the widening of two sections of highway at Puerto de La Libertad, one of the country's main tourist attractions, and the construction of two frontier bridges (Anguiatú and Hachadura) on the border with Guatemala.[163]

4.4.5 Tourism

4.133. Tourism is a sector of increasing importance for the Salvadoran economy and its share of GDP grew from 2.5% in 2009 to 4.4% in 2014.[164] The income generated by tourism increased from US$516.6 million in 2009 to US$1,169.5 million in 2015, accounting for 17.4% of the total value of El Salvador's exports of goods and services in the latter year.[165] The sector provides formal employment for more than 48,000 people.[166]

4.134. In 2015, El Salvador received 1.9 million international visitors, an increase of 33% relative to 2009. Amongst the regions from which these visitors come, Central America is the largest market with 57.9% of international arrivals, followed by North America (mainly the United States) with 35.9%, Europe 2.1% and other regions 4.2%. Out of the international arrivals, 13.4% correspond to Salvadorans residing abroad. In terms of the means of transport used, 57% of tourists arrive by land and 43% by air (2015). In 2015, average hotel occupancy was almost 60%, the average stay was 6.8 nights, and the average amount spent per person per day was US$112.9.[167]

4.135. The Ministry of Tourism (MITUR), created in 2004, is the government authority in charge of formulating and implementing sectoral policy. The institutional framework is completed by the Salvadoran Tourism Corporation (CORSATUR), an autonomous institution responsible for listing and certifying tourism enterprises, and the Salvadoran Tourism Institute (ISTU), which administers the national parks and publicly owned tourist parks.

4.136. The sector is mainly governed by the Law on tourism (LTUR)[168] and its implementing Regulations (2012)[169], together with the regulations issued by the MITUR. The Law on tourism defines the powers of the MITUR, establishes specific taxes to support the sector and creates a National Tourism Register. El Salvador's National Tourism Policy, published in 2013, contains the

[161] FOMILENIO I is a US$460 million cooperation project between the United States' Millennium Challenge Corporation (MCC) and the Government of El Salvador, implemented between 2007 and 2012. Online information from the MCC. Viewed at: https://www.mcc.gov/where-we-work/program/el-salvador-compact.

[162] Online information from the FOMILENIO II project. Viewed at: https://assets.mcc.gov/agreements/compact-el-salvador-investment.pdf.

[163] The financing amounts to some US$144 million, of which around 47% corresponds to a grant from Mexico. Online information from the Government of El Salvador. Viewed at: http://www.presidencia.gob.sv/el-salvador-y-mexico-firman-convenio-para-desarrollo-de-infraestructura-vial-estrategica-con-fondos-yucatan-bcie.

[164] Ministry of Tourism (MITUR) (2015a).

[165] WTO Secretariat calculations with information provided by the MITUR.

[166] MITUR (2015b).

[167] The data in this paragraph come from the MITUR (2016).

[168] Legislative Decree No. 899 of 17 December 2005.

[169] General Regulations implementing the Law on tourism, Executive Decree No. 108 of 14 June 2012.

strategic guidelines for the sector, which include cross-cutting governance, knowledge management and transparency, entrepreneurship, diversification and sustainability of tourist destinations, and competitive positioning.

4.137. The Government plans to give priority to tourism as a driver of development and to improve its capacity to generate foreign investment. During the review period, the MITUR implemented the Five-Year Plan 2009-2014 for the development of tourism, which is focused on creating a new strategic axis of integration and development at national and municipal level, known as *Pueblos Vivos* (Lively Villages).[170] The results of implementing the Five-Year Plan include the creation of new tourist destinations, products and services (for example, medical tourism, the El Salvador underwater archaeology corridor, Gulf island tours, the adventure tour called the Lenca Adventure Circuit, the Coffee Road, etc.), the incorporation of 235 municipalities with tourism potential in the *Pueblos Vivos* initiative, visits from cruise ships (Hapag-Lloyd Cruises and German Atlantic Line, among others) and an increase in employment.

4.138. In 2014, MITUR published the Five-Year Plan for Tourism 2014-2019 (*El Salvador. Un Destino Encantador* (El Salvador. An Enchanting Destination)).[171] The Plan is intended to strengthen El Salvador's position as a tourist destination at national and international levels by emphasizing its culture and local traditions and making tourism a driver of sustainable and socially inclusive economic development that helps to create jobs and reduce poverty.

4.139. The new Plan contains strategies, programmes and concrete proposals, such as the creation of a new brand-destination that represents the identity of El Salvador; the PROASISTUR programme to improve assistance for tourists and their safety; the open-skies programme, which seeks to encourage the arrival of new airlines in the country; the systematization of the *Pueblos Vivos* programme and the creation of a more advanced version called *Pueblos Encantadores* (Charming Villages); the *Un pueblo, un producto* (One people, one product) initiative aimed at creating and promoting originating products of interest to tourists; the *Vive tu País* (Discover your Country) programme targeted at Salvadorans living abroad; the INVERTURES programme for promoting the development of investment projects and job creation; and the FORMATURES programme, which sets out a training plan for the business sector, aimed mainly at MSMEs.

4.140. With a view to financing the development and promotion of the sector, the LTUR (Article 16) establishes a hotel stay tax equivalent to 5% of the price for each night's accommodation[172], as well as an embarkation tax of US$7 on departing international flights.

4.141. The LTUR introduced an incentives regime for investment in the tourism sector, based on tax exemptions. For any investment project in excess of US$25,000 deemed to be of national touristic interest,[173] the Law offers the tax concessions indicated in Box 4.2.

Box 4.2 Tax concessions for investment in the tourism sector

(i) Exemption from the tax on the transfer of real estate on the purchase of an immovable property or properties for the purposes of the project.
(ii) Exemption from the payment of import tariffs on any technical equipment, machinery, vehicle or building material imported for the purposes of the project (the amount exempted may not exceed the total capital invested).
(iii) Exemption from payment of income tax for ten years from the date of commencement of operations.
(iv) Partial (50%) exemption from municipal taxes as from the date of commencement of operations.

Source: Article 36 of the Law on tourism (Legislative Decree No. 899 of 17 December 2005).

4.142. The incentives regime was introduced in 2005, originally for a term of five years, but has been successively extended. In 2015, an amendment extending the tax exemptions to December 2020 was approved.[174] To be eligible for the tax incentives it is necessary to enrol in the

[170] MITUR (2009).
[171] The Tourism Plan is based on the Five-Year Development Plan 2014-2019.
[172] The tax is calculated on the basis of the net value of the service, excluding value added tax.
[173] The conditions for a project to be deemed to be of national touristic interest are set out in detail in Articles 55 to 60 of the General Regulations implementing the Law on tourism.
[174] Legislative Decree No. 88 of 13 August 2015.

National Tourism Register. Enrolment also allows businesses to prove their status as operators in the sector and obtain quality certificates.

4.143. Under the GATS, El Salvador made specific commitments for tourism services, including hotels and restaurants; travel agencies and tour operators services; and tourist guides services.[175] In the hotels and restaurants subsector there are no limitations on market access or national treatment in the consumption abroad and commercial presence modes. In the travel agencies and tour operators services subsector there are no limitations on market access or national treatment in the commercial presence mode. For tourism services as a whole, the presence of natural persons mode is bound only insofar as mentioned in the horizontal commitments, with respect to both national treatment and market access.[176]

4.144. In 2014, MITUR introduced the Stop Over programme, which extends the authorized stay for passengers in transit from 8 to 48 hours. The initiative makes it possible for tourists to prolong their stopover period and change their plane tickets (with Avianca) without additional cost and enter the country exempt from the payment of airport taxes.[177] The MITUR has created tourist products suitable for this project and hopes to take advantage of the passage of the 700,000 passengers in transit arriving each year to promote the country as a holiday destination. Since its implementation in February 2015, around 1,400 passengers have benefited from this programme.

4.145. In 2014, the Inter-American Development Bank approved a US$25 million loan to boost tourism development in El Salvador. The funds are being invested in the construction of tourism infrastructure in the coastal-marine strip, including port repairs, construction of wharves, promenades and bicycle paths, and the creation of a biodiversity museum.[178]

[175] WTO document GATS/SC/29 of 15 April 1994.
[176] In El Salvador's horizontal commitments, under mode 4, it is stated that every employer must employ Salvadoran nationals in a proportion of at least 90% of the enterprise's personnel. In special circumstances the employment of more foreigners may be authorized, but employers remain obliged to train Salvadoran personnel. The amount of wages earned by Salvadorans may not be less than 85% of the total wages paid. This requirement applies equally to domestic and foreign enterprises.
[177] The programme has been implemented in collaboration with the airline Avianca, but is open to other airlines. Online information from Stop Over El Salvador. Viewed at: http://elsalvadorstopover.com.
[178] Programme for Touristic Development of the Coastal-Marine Strip. Viewed at: http://www.iadb.org/es/proyectos/project-information-page,1303.html?id=ES-L1066.

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5 APPENDIX TABLES

Table A1. 1 Non-maquila merchandise exports by HS section, 2009-2015

(US$ million and %)

Description	2009	2010	2011	2012	2013	2014	2015
	(US$ million)						
Non-maquila exports	**2,921**	**3,471**	**4,240**	**4,233**	**4,333**	**4,249**	**4,381**
Maquila exports	945	1,029	1,069	1,106	1,158	1,024	1,112
Total exports	3,866	4,499	5,308	5,339	5,491	5,273	5,493
	(% of non-maquila exports)						
1 - Live animals; animal products	1.6	1.3	1.1	1.0	1.2	1.3	1.3
2 - Vegetable products	10.2	8.2	13.7	9.9	8.1	4.8	6.0
09 - Coffee, tea, maté and spices	7.9	6.2	11.0	7.1	5.4	2.6	3.4
11 - Products of the milling industry; malt; starches; inulin; wheat gluten	1.3	1.1	1.5	1.6	1.3	1.0	1.0
10 - Cereals	0.2	0.1	0.1	0.2	0.3	0.2	0.6
06 - Live trees and other plants; bulbs, roots and the like; cut flowers and ornamental foliage	0.2	0.4	0.4	0.5	0.5	0.5	0.5
3 - Animal or vegetable fats and oils	0.6	0.6	0.5	0.4	0.4	0.5	0.5
4 - Prepared foodstuffs; beverages, spirits and vinegar; tobacco and manufactured tobacco substitutes	18.6	17.9	15.7	17.8	18.5	17.7	17.4
17 - Sugars and sugar confectionery	4.5	6.0	5.1	6.1	6.4	5.9	5.9
19 - Preparations of cereals, flour, starch or milk; pastrycooks' products	3.9	3.7	3.3	3.4	3.2	3.3	3.1
22 - Beverages, spirits and vinegar	4.2	2.9	2.5	2.6	2.5	2.3	2.8
16 - Preparations of meat, of fish or of crustaceans, molluscs or other aquatic invertebrates	2.8	2.2	1.9	2.6	2.8	2.5	2.0
20 - Preparations of vegetables, fruit, nuts or other parts of plants	1.6	1.8	1.7	1.9	2.1	1.9	1.8
21 - Miscellaneous edible preparations	1.2	0.9	0.8	0.9	1.0	1.1	1.2
5 - Mineral products	4.0	4.2	4.4	4.6	3.2	3.5	2.7
6 - Products of the chemical or allied industries	7.2	6.4	5.7	5.8	5.8	6.2	6.4
7 - Plastics and articles thereof	6.6	6.9	6.5	7.2	7.3	7.7	7.8
39 - Plastics and articles thereof	6.6	6.9	6.5	7.1	7.3	7.7	7.7
8 - Raw hides and skins, leather, furskins and articles thereof; saddlery and harness	0.4	0.3	0.2	0.3	0.1	0.1	0.1
9 - Wood and articles of wood; wood charcoal	0.2	0.2	0.2	0.2	0.2	0.2	0.1
10 - Pulp of wood or of other fibrous cellulosic material; paper and paperboard and articles thereof	7.8	6.7	6.7	6.8	6.8	6.8	6.7
11 - Textiles and textile articles	28.2	32.2	30.4	31.9	34.2	37.2	37.4
61 - Articles of apparel and clothing accessories, knitted or crocheted	18.9	21.5	20.0	21.7	22.9	25.4	24.8
62 - Articles of apparel and clothing accessories, not knitted or crocheted	3.3	3.8	3.7	3.9	4.3	4.6	4.6
60 - Knitted or crocheted fabrics	1.1	1.3	1.3	1.4	1.6	1.8	2.6
63 - Other made up textile articles; sets; worn clothing and worn textile articles; rags	1.6	1.4	1.3	1.2	1.6	1.3	1.4
54 - Man-made filaments	0.5	0.7	0.7	0.9	1.0	1.2	1.2
52 - Cotton	1.0	1.3	1.5	1.1	1.1	1.2	1.1
55 - Man-made staple fibres	0.8	0.9	1.0	0.9	0.9	0.9	1.0
12 - Footwear, headgear, umbrellas, sun umbrellas, walking-sticks, seat-sticks, whips, riding-crops and parts thereof; prepared feathers and articles made therewith	1.1	1.1	1.0	1.1	1.1	1.3	1.2
13 - Articles of stone, plaster, cement, asbestos, mica or similar materials; ceramic products; glass and glassware	0.7	0.7	0.7	0.8	1.0	1.0	1.0

Description	2009	2010	2011	2012	2013	2014	2015
14 - Natural or cultured pearls, precious or semi-precious stones, precious metals	2.1	2.7	2.4	1.4	0.8	0.6	0.3
15 - Base metals and articles of base metal	6.2	6.5	7.0	6.7	6.7	6.0	6.0
72 - Iron and steel	3.4	3.7	4.2	3.9	3.8	2.8	2.8
76 - Aluminium and articles thereof	1.4	1.5	1.5	1.5	1.4	1.6	1.5
73 - Articles of iron or steel	0.8	0.8	0.7	0.8	1.0	1.0	1.1
16 - Machinery and mechanical appliances; electrical equipment; parts thereof	2.2	2.2	1.9	2.0	2.4	3.0	2.7
17 - Vehicles, aircraft, vessels and associated transport equipment	0.2	0.2	0.2	0.3	0.2	0.2	0.2
18 - Optical, photographic, cinematographic, measuring, checking and precision instruments and apparatus	0.1	0.1	0.1	0.1	0.1	0.1	0.1
19 - Arms and ammunition; parts and accessories thereof	0.0	0.0	0.0	0.0	0.0	0.0	0.0
20 - Miscellaneous manufactured articles	2.0	1.8	1.7	1.7	1.7	1.9	2.0
94 - Furniture; bedding, mattresses, mattress supports, cushions and similar stuffed furnishings; lamps and lighting fittings, not elsewhere specified or included; illuminated signs, illuminated name-plates and the like; prefabricated buildings	1.2	0.9	0.9	1.0	1.0	1.1	1.2
96 - Miscellaneous manufactured articles	0.6	0.6	0.6	0.6	0.5	0.5	0.5
21 - Works of art, collectors' pieces and antiques	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Source: WTO Secretariat estimates, based on data from the Central Reserve Bank of El Salvador.

Table A1. 2 Maquila merchandise exports by HS section, 2009-2015

(US$ million and %)

Description	2009	2010	2011	2012	2013	2014	2015
	(US$ million)						
Maquila exports	**945**	**1,029**	**1,069**	**1,106**	**1,158**	**1,024**	**1,112**
	(% of maquila exports)						
4 - Prepared foodstuffs; beverages, spirits and vinegar; tobacco and manufactured tobacco substitutes	5.1	0.0	3.1	6.2	4.0	0.4	0.0
22 - Beverages, spirits and vinegar	5.1	0.0	3.1	6.2	4.0	0.4	0.0
5 - Mineral products	0.0	0.0	0.0	0.0	0.0	0.0	0.0
6 - Products of the chemical or allied industries	0.0	0.0	0.0	0.0	0.2	0.1	0.1
7 - Plastics and articles thereof	0.1	0.2	0.2	0.3	0.3	0.4	0.4
39 - Plastics and articles thereof	0.1	0.2	0.2	0.3	0.3	0.3	0.4
40 - Rubber and articles thereof	0.0	0.0	0.0	0.0	0.0	0.1	0.0
8 - Raw hides and skins, leather, furskins and articles thereof; saddlery and harness	0.0	0.0	0.0	0.1	0.6	0.6	0.4
42 - Articles of leather; saddlery and harness; travel goods, handbags and similar containers; articles of animal gut (other than silk-worm gut)	0.0	0.0	0.0	0.1	0.6	0.6	0.4
9 - Wood and articles of wood; wood charcoal	0.0	0.0	0.0	0.0	0.1	0.1	0.1
10 - Pulp of wood or of other fibrous cellulosic material; paper and paperboard and articles thereof	0.1	0.1	0.1	0.1	0.3	0.4	0.7
48 - Paper and paperboard; articles of paper pulp, of paper or of paperboard	0.1	0.1	0.1	0.1	0.3	0.4	0.7
11 - Textiles and textile articles	79.6	80.5	78.2	76.5	78.7	80.2	82.5
61 - Articles of apparel and clothing accessories, knitted or crocheted	67.9	71.6	68.5	66.0	67.9	69.1	72.4
62 - Articles of apparel and clothing accessories, not knitted or crocheted	10.0	8.0	8.5	8.7	8.6	9.0	8.0
60 - Knitted or crocheted fabrics	0.7	0.4	0.3	0.2	0.5	0.5	0.7
58 - Special woven fabrics; tufted textile fabrics; lace; tapestries; trimmings; embroidery	0.1	0.1	0.2	0.8	1.0	0.8	0.6
12 - Footwear, headgear, umbrellas, sun umbrellas, walking-sticks, seat-sticks, whips, riding-crops and parts thereof; prepared feathers and articles made therewith	0.1	0.1	0.1	0.1	0.2	0.4	0.7
64 - Footwear, gaiters and the like; parts of such articles	0.0	0.0	0.0	0.0	0.2	0.3	0.6
13 - Articles of stone, plaster, cement, asbestos, mica or similar materials; ceramic products; glass and glassware	0.0	0.0	0.0	0.0	0.0	0.0	0.0
14 - Natural or cultured pearls, precious or semi-precious stones, precious metals	0.1	0.1	0.0	0.1	0.1	0.1	0.1
15 - Base metals and articles of base metal	0.2	0.4	0.4	0.4	0.5	0.4	0.4
79 - Zinc and articles thereof	0.0	0.0	0.0	0.0	0.1	0.1	0.1
72 - Iron and steel	0.1	0.1	0.1	0.2	0.2	0.2	0.1
83 - Miscellaneous articles of base metal	0.0	0.1	0.1	0.1	0.1	0.1	0.1
16 - Machinery and mechanical appliances; electrical equipment; parts thereof	14.4	18.5	17.8	16.1	14.8	16.7	14.3
85 - Electrical machinery and equipment and parts thereof; sound recorders and reproducers, television image and sound recorders and reproducers, and parts and accessories of such articles	14.4	18.5	17.8	16.1	14.8	16.7	14.3
17 - Vehicles, aircraft, vessels and associated transport equipment	0.0	0.0	0.0	0.0	0.0	0.0	0.0
18 - Optical, photographic, cinematographic, measuring, checking and precision instruments and apparatus	0.0	0.0	0.0	0.0	0.0	0.0	0.0
20 - Miscellaneous manufactured articles	0.3	0.1	0.0	0.1	0.3	0.3	0.3

Source: WTO Secretariat estimates, based on data from the Central Reserve Bank of El Salvador.

Table A1. 3 Non-maquila merchandise imports by HS section, 2009-2015

(US$ million and %)

	2009	2010	2011	2012	2013	2014	2015
	(US$ million)						
Non-maquila imports	**6,721**	**7,803**	**9,328**	**9,541**	**10,020**	**9,835**	**9,741**
Maquila imports	605	614	637	717	752	678	675
Total imports	7,325	8,416	9,965	10,258	10,772	10,513	10,415
	(% of non-maquila imports)						
1 - Live animals; animal products	4.2	3.4	2.8	3.1	3.3	3.3	3.5
2 - Vegetable products	6.0	5.0	5.9	5.1	4.0	4.3	4.7
10 - Cereals	3.3	2.7	3.6	3.0	2.3	2.4	2.5
08 - Edible fruit and nuts; peel of citrus fruit or melons	0.9	0.8	0.6	0.7	0.6	0.7	0.8
07 - Edible vegetables and certain roots and tubers	1.3	1.0	1.1	0.8	0.6	0.6	0.8
11 - Products of the milling industry; malt; starches; inulin; wheat gluten	0.2	0.2	0.3	0.3	0.3	0.3	0.4
3 - Animal or vegetable fats and oils	1.9	2.0	2.2	2.0	1.7	1.7	1.5
4 - Prepared foodstuffs; beverages, spirits and vinegar; tobacco and manufactured tobacco substitutes	8.8	7.8	7.4	7.6	7.6	8.3	8.7
21 - Miscellaneous edible preparations	2.9	2.6	2.4	2.1	2.1	2.3	2.5
23 - Residues and waste from the food industries; prepared animal fodder	1.5	1.3	1.2	1.4	1.5	1.7	1.6
19 - Preparations of cereals, flour, starch or milk; pastrycooks' products	1.3	1.2	1.2	1.2	1.3	1.4	1.5
22 - Beverages, spirits and vinegar	1.2	0.9	0.9	1.0	1.0	1.1	1.1
20 - Preparations of vegetables, fruit, nuts or other parts of plants	0.7	0.6	0.6	0.7	0.7	0.7	0.8
16 - Preparations of meat, of fish or of crustaceans, molluscs or other aquatic invertebrates	0.6	0.5	0.4	0.5	0.5	0.6	0.6
5 - Mineral products	16.9	18.0	19.0	20.7	20.5	18.9	15.0
27 - Mineral fuels, mineral oils and products of their distillation; bituminous substances; mineral waxes	16.6	17.6	18.6	20.4	20.2	18.6	14.7
6 - Products of the chemical or allied industries	12.9	12.4	12.1	12.1	11.4	11.4	11.9
30 - Pharmaceutical products	4.3	4.2	4.0	3.6	3.0	3.1	3.5
33 - Essential oils and resinoids; perfumery, cosmetic or toilet preparations	1.7	1.7	1.6	1.7	1.7	1.7	1.7
38 - Miscellaneous chemical products	1.3	1.3	1.2	1.5	1.5	1.4	1.4
34 - Soap, organic surface-active agents, washing preparations, lubricating preparations, artificial waxes, prepared waxes, polishing or scouring preparations, candles and similar articles, modelling pastes, "dental waxes"	1.4	1.3	1.2	1.2	1.3	1.2	1.2
32 - Tanning or dyeing extracts; tannins and their derivatives; dyes, pigments and other colouring matter; paints and varnishes; putty and other mastics; inks	0.8	0.9	0.9	0.9	1.0	1.2	1.2
29 - Organic chemicals	1.0	1.1	1.1	1.1	1.0	1.0	1.0
7 - Plastics and articles thereof	6.1	6.9	7.1	7.0	7.0	7.2	7.0
39 - Plastics and articles thereof	5.2	6.0	6.1	5.9	6.0	6.2	6.0
8 - Raw hides and skins, leather, furskins and articles thereof; saddlery and harness	0.3	0.4	0.3	0.3	0.4	0.4	0.4
9 - Wood and articles of wood; wood charcoal	0.4	0.4	0.4	0.4	0.4	0.4	0.4
10 - Pulp of wood or of other fibrous cellulosic material; paper and paperboard and articles thereof	4.0	4.1	3.9	3.8	3.8	3.6	3.9
11 - Textiles and textile articles	9.1	10.6	11.1	10.5	10.9	11.7	11.6
52 - Cotton	2.2	2.7	3.7	2.7	2.9	3.0	2.6
61 - Articles of apparel and clothing accessories, knitted or crocheted	1.4	1.7	1.7	1.7	1.6	1.6	1.9

	2009	2010	2011	2012	2013	2014	2015
54 - Man-made filaments	1.1	1.3	1.2	1.3	1.5	1.6	1.6
60 - Knitted or crocheted fabrics	1.3	1.6	1.2	1.3	1.3	1.4	1.6
55 - Man-made staple fibres	0.6	0.8	1.0	1.1	1.2	1.4	1.3
62 - Articles of apparel and clothing accessories, not knitted or crocheted	1.4	1.3	1.2	1.2	1.2	1.2	1.3
12 - Footwear, headgear, umbrellas, sun umbrellas, walking-sticks, seat-sticks, whips, riding-crops and parts thereof; prepared feathers and articles made therewith	1.1	1.1	1.1	1.0	1.0	1.0	1.0
13 - Articles of stone, plaster, cement, asbestos, mica or similar materials; ceramic products; glass and glassware	1.0	1.0	1.0	1.0	0.9	0.9	1.0
14 - Natural or cultured pearls, precious or semi-precious stones, precious metals	0.1	0.1	0.1	0.1	0.1	0.1	0.1
15 - Base metals and articles of base metal	5.3	6.1	6.3	6.0	6.1	5.8	6.1
72 - Iron and steel	2.1	2.9	3.1	3.0	3.1	2.8	2.8
73 - Articles of iron or steel	1.5	1.4	1.3	1.3	1.4	1.4	1.5
76 - Aluminium and articles thereof	0.8	0.9	0.9	0.8	0.8	0.8	0.9
83 - Miscellaneous articles of base metal	0.4	0.4	0.4	0.4	0.4	0.4	0.4
16 - Machinery and mechanical appliances; electrical equipment; parts thereof	14.9	14.1	13.1	12.7	13.3	13.7	15.2
85 - Electrical machinery and equipment and parts thereof; sound recorders and reproducers, television image and sound recorders and reproducers, and parts and accessories of such articles	7.4	7.1	6.2	6.3	6.5	7.0	7.7
84 - Nuclear reactors, boilers, machinery and mechanical appliances; parts thereof	7.5	7.1	6.9	6.5	6.8	6.7	7.5
17 - Vehicles, aircraft, vessels and associated transport equipment	3.6	3.1	3.3	3.6	4.1	4.0	4.4
18 - Optical, photographic, cinematographic, measuring, checking and precision instruments and apparatus	1.2	1.1	1.1	1.1	1.4	1.1	1.4
19 - Arms and ammunition; parts and accessories thereof	0.1	0.0	0.0	0.0	0.0	0.0	0.1
20 - Miscellaneous manufactured articles	1.8	1.9	1.8	1.9	2.0	2.0	2.0
21 - Works of art, collectors' pieces and antiques	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other	0.2	0.2	0.1	0.1	0.1	0.1	0.2

Source: WTO Secretariat estimates, based on data from the Central Reserve Bank of El Salvador.

Table A1. 4 Maquila merchandise imports by HS section, 2009-2015

(US$ million and %)

Description	2009	2010	2011	2012	2013	2014	2015
	(US$ million)						
Maquila imports	**605**	**614**	**637**	**717**	**752**	**678**	**675**
	(% of maquila imports)						
1 - Live animals; animal products	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2 - Vegetable products	0.0	0.0	0.0	0.0	0.0	0.0	0.0
3 - Animal or vegetable fats and oils	0.0	0.0	0.0	0.0	0.0	0.0	0.0
4 - Prepared foodstuffs; beverages, spirits and vinegar; tobacco and manufactured tobacco substitutes	6.0	0.2	5.4	10.8	4.6	0.4	0.1
16 - Preparations of meat, of fish or of crustaceans, molluscs or other aquatic invertebrates	0.0	0.0	0.0	0.0	0.0	0.0	0.1
22 - Beverages, spirits and vinegar	6.0	0.2	5.4	10.8	4.6	0.4	0.0
5 - Mineral products	0.1	0.1	0.1	0.4	0.3	0.1	0.1
6 - Products of the chemical or allied industries	4.0	2.4	2.2	2.4	2.9	4.1	5.4
32 - Tanning or dyeing extracts; tannins and their derivatives; dyes, pigments and other colouring matter; paints and varnishes; putty and other mastics; inks	0.4	0.5	0.7	1.0	1.4	1.9	2.7
38 - Miscellaneous chemical products	0.4	0.3	0.4	0.4	0.6	1.0	1.4
28 - Inorganic chemicals; organic or inorganic compounds of precious metals, of rare-earth metals, of radioactive elements or of isotopes	0.5	0.8	0.7	0.7	0.5	0.7	0.6
7 - Plastics and articles thereof	6.8	4.2	4.1	5.3	7.0	7.2	8.1
39 - Plastics and articles thereof	5.0	4.1	4.0	5.2	6.8	6.7	7.6
40 - Rubber and articles thereof	1.8	0.1	0.1	0.1	0.1	0.5	0.5
8 - Raw hides and skins, leather, furskins and articles thereof; saddlery and harness	0.0	0.0	0.0	0.1	0.1	0.0	0.1
9 - Wood and articles of wood; wood charcoal	0.0	0.0	0.0	0.0	0.0	0.0	0.0
10 - Pulp of wood or of other fibrous cellulosic material; paper and paperboard and articles thereof	2.5	2.1	1.7	2.3	3.4	3.3	3.7
11 - Textiles and textile articles	65.3	70.5	69.4	65.9	68.7	70.4	69.1
60 - Knitted or crocheted fabrics	35.5	44.0	43.2	41.5	35.5	35.4	25.5
61 - Articles of apparel and clothing accessories, knitted or crocheted	11.0	8.3	6.3	6.4	13.6	15.6	19.3
52 - Cotton	6.5	7.0	6.4	5.8	5.4	4.8	7.2
54 - Man-made filaments	2.3	4.2	5.5	4.4	5.6	6.0	6.9
55 - Man-made staple fibres	4.0	3.8	4.5	3.7	3.0	3.1	4.7
58 - Special woven fabrics; tufted textile fabrics; lace; tapestries; trimmings; embroidery	2.5	1.2	1.1	0.9	1.1	1.4	2.5
56 - Wadding, felt and nonwovens; special yarns; twine, cordage, ropes and cables and articles thereof	0.5	0.7	1.0	1.0	1.1	1.3	1.2
59 - Impregnated, coated, covered or laminated textile fabrics; textile articles of a kind suitable for industrial use	0.3	0.6	0.7	0.8	1.0	0.8	0.7
62 - Articles of apparel and clothing accessories, not knitted or crocheted	1.2	0.3	0.3	0.9	2.0	1.3	0.6
12 - Footwear, headgear, umbrellas, sun umbrellas, walking-sticks, seat-sticks, whips, riding-crops and parts thereof; prepared feathers and articles made therewith	0.1	0.0	0.0	0.1	0.3	0.4	0.6
13 - Articles of stone, plaster, cement, asbestos, mica or similar materials; ceramic products; glass and glassware	0.2	0.1	0.1	0.1	0.1	0.1	0.2
14 - Natural or cultured pearls, precious or semi-precious stones, precious metals	1.0	1.8	1.2	0.5	0.5	0.4	0.7

Description	2009	2010	2011	2012	2013	2014	2015
15 - Base metals and articles of base metal	5.8	9.7	8.9	7.3	7.7	8.8	7.5
81 - Other base metals; cermets; articles thereof	2.9	5.4	5.1	4.4	4.3	5.2	4.6
73 - Articles of iron or steel	1.8	2.6	2.7	1.9	2.4	2.2	1.8
72 - Iron and steel	0.7	1.0	0.7	0.5	0.6	1.0	0.7
16 - Machinery and mechanical appliances; electrical equipment; parts thereof	6.5	8.2	6.2	4.2	3.7	3.8	3.6
85 - Electrical machinery and equipment and parts thereof; sound recorders and reproducers, television image and sound recorders and reproducers, and parts and accessories of such articles	6.5	7.6	5.9	3.8	2.4	2.3	1.9
84 - Nuclear reactors, boilers, machinery and mechanical appliances; parts thereof	0.1	0.6	0.3	0.4	1.4	1.5	1.6
17 - Vehicles, aircraft, vessels and associated transport equipment	0.2	0.0	0.0	0.0	0.0	0.0	0.0
18 - Optical, photographic, cinematographic, measuring, checking and precision instruments and apparatus	0.5	0.0	0.0	0.0	0.0	0.0	0.0
19 - Arms and ammunition; parts and accessories thereof	0.0	0.0	0.0	0.0	0.0	0.0	0.0
20 - Miscellaneous manufactured articles	1.1	0.7	0.6	0.5	0.6	0.7	0.9
21 - Works of art, collectors' pieces and antiques	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Source: WTO Secretariat estimates, based on data from the Central Reserve Bank of El Salvador.

Table A1. 5 Total merchandise exports by trading partner, 2009-2015[a]

(US$ million and %)

Description	2009	2010	2011	2012	2013	2014[b]	2015[b]
	(US$ million)						
Exports	**3,866**	**4,499**	**5,308**	**5,339**	**5,491**	**5,273**	**5,485**
	(% of exports)						
America	**91.8**	**93.3**	**91.0**	**93.4**	**92.3**	**93.8**	**93.8**
USA	46.6	48.4	46.1	46.6	45.8	46.5	47.0
Other America	45.2	45.0	44.9	46.7	46.4	47.4	46.8
Honduras	13.4	12.9	13.2	14.3	14.4	14.2	13.9
Guatemala	14.0	14.0	13.9	13.4	13.1	13.4	13.5
Nicaragua	5.5	5.4	5.6	6.0	5.9	6.4	6.6
Costa Rica	3.5	3.6	4.0	4.3	4.2	4.6	4.5
Panama	2.9	2.3	2.0	2.3	2.2	2.7	2.4
Dominican Republic	1.7	1.9	1.3	1.5	1.4	1.6	1.6
Mexico	1.5	1.7	1.6	1.6	1.5	1.2	1.2
Canada	0.9	1.5	1.3	1.0	1.4	1.2	0.9
Venezuela, Bolivarian Republic of	0.3	0.3	0.2	0.2	0.2	0.2	0.5
Jamaica	0.2	0.3	0.3	0.3	0.3	0.3	0.3
Belize	0.3	0.2	0.2	0.2	0.2	0.2	0.2
Colombia	0.0	0.1	0.0	0.1	0.3	0.2	0.2
Haiti	0.1	0.1	0.2	0.2	0.1	0.1	0.2
Cuba	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Chile	0.2	0.2	0.6	0.9	0.6	0.2	0.1
Europe	**5.8**	**4.3**	**6.0**	**4.6**	**4.2**	**3.6**	**2.9**
EU(28)	5.7	4.3	6.0	4.5	4.2	3.5	2.9
Spain	1.7	1.1	1.4	1.5	1.4	1.3	0.7
Germany	2.3	1.8	2.6	1.3	1.1	0.4	0.5
Netherlands	0.4	0.2	0.2	0.2	0.4	0.7	0.5
Italy	0.3	0.3	0.5	0.4	0.4	0.5	0.4
Belgium	0.4	0.2	0.5	0.3	0.2	0.1	0.2
EFTA	0.0	0.0	0.0	0.0	0.0	0.1	0.0
Other Europe	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Commonwealth of Independent States (CIS)	**0.6**	**0.4**	**0.1**	**0.0**	**0.2**	**0.0**	**0.0**
Russian Federation	0.6	0.4	0.1	0.0	0.2	0.0	0.0
Africa	**0.1**	**0.1**	**0.1**	**0.1**	**0.1**	**0.1**	**0.1**
Middle East	**0.0**	**0.0**	**0.0**	**0.0**	**0.1**	**0.1**	**0.1**
Asia	**1.6**	**1.8**	**2.8**	**1.9**	**3.1**	**2.4**	**3.1**
China	0.1	0.1	0.0	0.1	0.1	0.1	0.8
Japan	0.5	0.4	0.9	0.6	0.7	0.3	0.4
Other Asia	1.1	1.3	1.8	1.3	2.3	2.0	1.9
Chinese Taipei	0.4	0.3	0.6	0.1	0.9	0.3	0.5
New Zealand	0.0	0.0	0.0	0.0	0.0	0.3	0.4
Australia	0.1	0.1	0.1	0.1	0.1	0.3	0.3
Malaysia	0.0	0.2	0.0	0.0	0.0	0.0	0.3
Korea, Republic of	0.1	0.4	0.5	0.6	0.3	0.8	0.2
India	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Hong Kong, China	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Viet Nam	0.0	0.1	0.1	0.1	0.0	0.1	0.0
Thailand	0.1	0.0	0.1	0.0	0.0	0.0	0.0
Other	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**

a Includes maquila and non-maquila exports.
b Preliminary figures.

Note: The sum of the parts is not necessarily equal to the total, owing to rounding.

Source: Reserve Bank of El Salvador.

Table A1. 6 Total merchandise imports by trading partner, 2009-2015[a]

(US$ million and %)

Description	2009	2010	2011	2012	2013	2014[b]	2015[b]
	(US$ million)						
Total imports	**7,325**	**8,416**	**9,965**	**10,258**	**10,772**	**10,513**	**10,415**
	(% of total imports)						
America	**80.7**	**79.3**	**79.0**	**78.9**	**76.8**	**77.3**	**75.4**
USA	36.1	37.0	38.2	37.8	38.9	41.0	39.4
Other America	44.5	42.3	40.8	41.1	37.9	36.3	36.0
Guatemala	10.3	9.6	9.9	9.7	8.7	9.5	9.6
Mexico	7.5	8.7	7.4	6.8	6.9	7.0	7.3
Honduras	4.8	4.4	4.7	4.5	5.2	5.3	5.7
Costa Rica	3.1	3.1	2.9	2.9	2.6	2.5	2.5
Nicaragua	2.7	2.2	2.0	2.0	1.9	2.0	2.3
Brazil	2.4	1.4	1.7	2.1	1.5	1.4	1.6
Venezuela, Bolivarian Republic of	1.3	1.6	2.3	2.1	2.7	1.2	1.2
Panama	2.5	2.7	2.0	1.7	1.5	1.4	1.1
Colombia	1.3	1.0	1.8	3.2	1.6	1.0	1.1
Netherlands Antilles	1.2	1.9	0.6	1.0	1.8	1.1	0.8
Europe	**8.1**	**7.3**	**6.9**	**6.2**	**7.1**	**6.3**	**6.9**
EU(28)	7.3	6.6	6.0	5.5	6.4	5.9	6.4
Germany	1.5	1.6	1.4	1.5	1.6	1.4	1.7
Spain	1.0	0.9	1.0	0.9	1.2	1.2	1.3
Italy	0.9	0.7	0.6	0.5	0.6	0.6	0.7
United Kingdom	0.2	0.3	0.3	0.3	0.4	0.4	0.4
France	0.6	0.4	0.4	0.3	0.5	0.4	0.4
EFTA	0.7	0.6	0.8	0.6	0.7	0.4	0.5
Switzerland and Liechtenstein	0.4	0.4	0.4	0.3	0.3	0.4	0.4
Other Europe	0.1	0.1	0.0	0.0	0.0	0.0	0.1
Commonwealth of Independent States (CIS)	**0.3**	**0.2**	**0.2**	**0.3**	**0.4**	**0.3**	**0.2**
Russian Federation	0.1	0.2	0.2	0.3	0.2	0.2	0.2
Africa	**0.4**	**0.6**	**0.2**	**0.3**	**0.1**	**0.1**	**0.1**
Middle East	**0.1**	**0.1**	**0.1**	**0.2**	**0.2**	**0.2**	**0.3**
United Arab Emirates	0.0	0.0	0.0	0.1	0.1	0.1	0.1
Saudi Arabia, Kingdom of	0.0	0.0	0.0	0.0	0.0	0.1	0.1
Israel	0.0	0.1	0.1	0.1	0.1	0.0	0.0
Asia	**10.4**	**12.3**	**13.3**	**13.9**	**15.3**	**15.7**	**16.8**
China	4.6	5.7	5.5	5.9	6.5	7.3	8.1
Japan	1.4	1.8	2.1	1.7	1.7	1.5	1.5
Other Asian partners	4.5	4.9	5.6	6.4	7.1	7.0	7.2
Korea, Republic of	0.8	1.0	1.2	1.5	1.9	1.6	1.6
Chinese Taipei	1.2	1.2	1.4	1.5	1.6	1.4	1.3
Hong Kong, China	0.5	0.6	0.9	1.0	0.9	1.2	1.1
India	0.4	0.4	0.4	0.7	0.9	0.9	1.0
Thailand	0.3	0.4	0.5	0.5	0.6	0.6	0.5
Singapore	0.1	0.1	0.2	0.2	0.2	0.2	0.4
Australia	0.3	0.4	0.3	0.3	0.2	0.3	0.2
Viet Nam	0.1	0.1	0.1	0.1	0.1	0.2	0.2
Indonesia	0.1	0.2	0.2	0.2	0.2	0.2	0.2
Other	**0.0**	**0.1**	**0.3**	**0.2**	**0.1**	**0.1**	**0.3**

a Includes maquila and non-maquila imports.
b Preliminary figures.

Note: The sum of the parts is not necessarily equal to the total, owing to rounding.

Source: Reserve Bank of El Salvador.

Table A2. 1 Notifications submitted to the WTO by El Salvador between 1 January 2010 and 31 January 2016

Agreement and provision	Type of notification	Frequency	Subject matter	Document (most recent if submitted regularly)	Date
Agreement on Trade Facilitation					
Article 15, Section II	Category A commitments	Once only	Category A commitments	WT/PCTF/N/SLV/1	29/07/2014
Agreement on Agriculture					
Article 18.2 (MA:2)	Imports subject to tariff quotas	On an annual basis	Notification for 2013 and 2014	G/AG/N/SLV/43	28/01/2016
Article 18.2 (MA:1)	Administration of tariff quotas	On an annual basis	Notification for 2014 and 2015	G/AG/N/SLV/44	28/01/2016
Articles 5.7 and 18.2 (MA:5)	Special safeguard provisions	On an annual basis	Notification for 2012, 2013, 2014 and 2015	G/AG/N/SLV/42	18/01/2016
General Agreement on Trade in Services					
Article V:7(a)	Notification of regional trade agreement	Ad hoc	Free Trade Agreement between the United Mexican States and the Republics of Costa Rica, El Salvador, Guatemala, Honduras and Nicaragua	S/C/N/717/Rev.1	28/01/2014
Article V:7(a)	Notification of regional trade agreement	Ad hoc	Association Agreement between the European Union (and its Member States) and Central America	S/C/N/680	27/02/2013
Article V:7(a)	Notification of regional trade agreement	Ad hoc	Free Trade Agreement between the Republic of Colombia and the Republics of El Salvador, Guatemala and Honduras	S/C/N/646	03/09/2012
Article V:7(a)	Notification of regional trade agreement	Ad hoc	Free Trade Agreement between Central America and the Dominican Republic	S/C/N/614	09/01/2012
Article V:7(a)	Notification of regional trade agreement	Ad hoc	Free Trade Agreement between El Salvador, Honduras and the Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu	S/C/N/544	08/04/2010
GATT 1994					
Article XXVIII:5	Modification of schedules	Triennial	Reservation of the right to modify schedules during a three-year period	G/MA/300	24/10/2014
Article XVII:4(a)	State trading enterprises	On an annual basis	New and full notification for the period 1 January 2010 - 31 December 2011	G/STR/N/14/SLV	10/10/2012
Article XXIV:7(a)	Notification of the termination of free trade agreements	Ad hoc	Termination of the Free Trade Agreement between Mexico and El Salvador (WT/REG212) due to the entry into force of the new Agreement notified in document WT/REG349/N/1/Rev.1	WT/REG/GEN/N/7	29/01/2014
Article XXIV:7(a)	Notification of regional trade agreement	Ad hoc	Free Trade Agreement between the United Mexican States and the Republics of Costa Rica, El Salvador, Guatemala, Honduras and Nicaragua	WT/REG349/N/1/Rev.1	28/01/2014

Agreement and provision	Type of notification	Frequency	Subject matter	Document (most recent if submitted regularly)	Date
Article XXIV:7(a)	Notification of regional trade agreement	Ad hoc	Association Agreement between the European Union (and its Member States) and Central America	WT/REG332/N/1	27/02/2013
Article XXIV:7(a)	Notification of regional trade agreement	Ad hoc	Free Trade Agreement between the Republic of Colombia and the Republics of El Salvador, Guatemala and Honduras	WT/REG316/N/1	03/09/2012
Article XXIV:7(a)	Notification of regional trade agreement	Ad hoc	Free Trade Agreement between Central America and the Dominican Republic	WT/REG305/N/1	09/01/2012
Article XXIV:7(a)	Notification of regional trade agreement	Ad hoc	Free Trade Agreement between El Salvador, Honduras and the Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu	WT/REG283/N/1	08/04/2010
Agreement on the Application of Sanitary and Phytosanitary Measures					
Article 7, Annex B	Notification of sanitary or phytosanitary measures	Ad hoc	SPS measures applicable to various products	G/SPS/N/SLV/121 – G/SPS/N/SLV/89	30/04/2015 – 03/05/2010
Agreement on Rules of Origin					
Article 5 and Annex II, paragraph 4	Changes in preferential rules of origin; new preferential rules of origin	Ad hoc	Preferential rules of origin	G/RO/N/114 G/RO/N/93	02/04/2014 09/04/2013
Agreement on Technical Barriers to Trade					
Article 2 or Article 5	Notification of technical regulations	Ad hoc	Technical regulations applicable to various products	G/TBT/N/SLV/171 - G/TBT/N/SLV/141	13/12/2013 - 03/05/2010
Agreement on Subsidies and Countervailing Measures					
Articles 25.1 and 27.4	New and full notification / Continuation of extension under Article 27.4	On an annual basis	Notification concerning the Export Processing Zones and Marketing Act	G/SCM/N/284/SLV G/SCM/N/290/SLV	14/07/2015
Article 27.4	Consultations with the Committee under Article 27.4	Ad hoc	Consultations on export subsidies	G/SCM/N/251/SLV	08/01/2013
Trade and development (Enabling Clause)					
Paragraph 4(a)	Notification of regional trade agreement	Ad hoc	Partial Scope Agreement between El Salvador and Cuba	WT/COMTD/N/43	29/11/2013

Source: WTO Secretariat.

Table A2. 2 Bilateral reciprocal investment promotion and protection agreements signed by El Salvador, as at December 2015

Partner	Date of signature	Date of entry into force	Current status
France	20 September 1978	12 December 1992	In force
Ecuador	16 May 1994	5 January 1996	Agreement terminated by Ecuador in October 2008
Switzerland	8 December 1994	16 September 1996	In force
Spain	14 February 1995	20 February 1996	In force
Argentina	9 May 1996	8 January 1999	In force
Peru	13 June 1996	14 December 1996	In force
Chinese Taipei	30 August 1996	15 February 1997	Superseded by the Free Trade Agreement between El Salvador and Chinese Taipei
Chile	8 November 1996	3 July 2002	In force
Germany	11 December 1997	15 April 2001	In force
Paraguay	30 January 1998	9 November 1998	In force
Korea, Rep. of	7 July 1998	25 May 2002	In force
Nicaragua	23 January 1999	8 July 2000	Terminated
United States	10 March 1999		Awaiting ratification
Morocco	21 April 1999	11 April 2002	In force
Canada	31 May 1999		Awaiting ratification
Belgium/ Luxembourg	12 October 1999	18 November 2002	In force
Netherlands	12 October 1999	1 March 2001	In force
United Kingdom	14 October 1999	1 December 2000	In force
Czech Republic	30 November 1999	28 March 2001	In force
Israel	3 April 2000	7 July 2003	In force
Uruguay	24 August 2000	23 May 2003	In force
Belize	4 December 2001		Awaiting ratification by Belize
Costa Rica	21 November 2001		Awaiting ratification by Costa Rica
Finland	20 May 2002	20 February 2003	In force

Source: WTO Secretariat, based on online information from UNCTAD. Viewed at: http://investmentpolicyhub.unctad.org/IIA/CountryBits/63.

Table A3. 1 Summary analysis of preferential tariffs, 2015

Product description	Number of lines	Average (%) MFN	CAFTA	Chile	Colombia	Cuba	Dominican Republic	EU	Mexico	Panama	Chinese Taipei
Total	**6,978**	**6.3**	**0.4**	**0.9**	**3.9**	**2.2**	**0.3**	**4.5**	**0.9**	**2.2**	**4.0**
HS 01-24	1,224	13.0	2.3	3.9	7.5	4.5	1.9	10.0	3.8	4.5	8.0
HS 25-97	5,754	4.8	0.0	0.3	3.1	1.7	0.0	3.3	0.3	1.7	3.1
By WTO category											
Agricultural products	1,029	12.5	2.7	4.7	8.4	5.4	2.2	9.8	4.5	5.4	8.8
- Animals and animal products	154	25.8	7.6	14.7	22.0	19.3	6.1	22.4	13.8	19.3	22.3
- Dairy products	34	26.2	23.9	26.2	26.2	24.1	2.9	25.9	25.0	24.1	26.2
- Fruit, vegetables and garden produce	285	11.6	0.2	0.8	4.1	0.4	0.8	7.3	1.0	0.3	6.5
- Coffee and tea	29	13.3	1.8	1.2	8.0	6.0	3.4	6.5	5.3	5.0	6.3
- Cereals and cereal preparations	133	9.1	2.5	3.5	6.3	3.2	1.6	7.9	3.6	3.2	6.9
- Oilseeds, fats and oils and their products	98	5.4	0.9	2.8	4.2	3.0	2.8	4.7	0.0	3.1	3.1
- Sugar and confectionery	21	26.2	8.6	26.2	25.9	24.8	7.6	26.2	24.8	24.8	26.2
- Beverages, alcohol and tobacco	74	16.1	1.2	1.0	12.8	3.4	3.6	11.4	3.2	3.4	11.0
- Cotton	5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
- Other agricultural products n.e.s.	196	4.1	0.0	0.0	1.2	0.0	0.0	2.8	0.0	0.0	0.7
Non-agricultural products (including petroleum)	5,949	5.2	0.0	0.3	3.1	1.7	0.0	3.6	0.3	1.7	3.1
- Non-agricultural products (excluding petroleum)	5,921	5.2	0.0	0.3	3.1	1.7	0.0	3.6	0.3	1.7	3.2
- - Fish and fish products	288	11.6	0.0	0.0	2.2	0.0	0.0	8.2	0.2	0.0	2.4
- - Mineral products and metals	1,093	3.6	0.0	0.3	1.5	0.0	0.0	2.6	0.2	0.0	2.1
- - Chemicals and photographic products	1,276	2.2	0.0	0.0	1.5	0.0	0.0	1.5	0.0	0.0	1.4
- - Wood, wood pulp, paper and furniture	459	6.3	0.0	0.0	4.5	0.1	0.0	4.5	0.0	0.1	3.8
- - Textiles	698	8.1	0.0	0.1	7.9	7.6	0.0	5.1	0.0	7.5	7.9
- - Clothing	236	14.8	0.0	0.0	14.8	14.7	0.0	10.0	0.0	14.7	14.8
- - Leather, rubber, footwear and travel articles	211	7.6	0.0	0.1	3.5	0.0	0.0	5.3	0.0	0.0	2.7
- - Non-electrical machinery	595	1.4	0.0	0.0	0.4	0.0	0.0	1.0	0.0	0.0	0.5
- - Electrical machinery	339	2.6	0.0	0.0	0.5	0.0	0.0	1.8	0.0	0.0	0.3
- - Transport equipment	221	6.4	0.0	5.0	4.8	5.0	0.0	5.5	3.1	5.0	5.8
- - Non-agricultural products n.e.s.	505	7.6	0.0	0.0	1.8	0.0	0.0	5.2	1.3	0.0	1.9
- Petroleum	28	4.7	0.0	0.0	1.4	0.0	3.4	2.8	0.0	0.0	0.0
By ISIC sector[a]											
Agriculture and fishing	497	8.3	0.6	0.8	2.3	0.9	0.4	5.0	1.2	0.9	3.2
Mining	112	1.7	0.0	0.0	0.0	0.0	0.0	1.2	0.0	0.0	0.6
Manufacturing	6,368	6.2	0.4	0.9	4.1	2.4	0.3	4.5	0.9	2.3	4.1
By HS section											
01 Live animals; animal products	449	15.3	3.8	7.0	8.5	6.9	2.3	12.2	6.9	6.9	8.8
02 Vegetable products	419	9.0	0.8	1.3	3.6	1.2	1.3	5.7	1.7	1.2	4.7
03 Fats and oils	57	7.5	1.5	4.8	6.3	5.2	4.8	6.7	0.0	5.4	5.0
04 Prepared foodstuffs, etc.	299	16.2	2.1	2.7	11.9	5.7	1.4	13.4	3.1	5.5	11.9
05 Mineral products	187	2.7	0.0	0.3	0.4	0.0	0.6	1.9	0.3	0.0	0.4
06 Products of the chemical or allied industries	1,128	1.9	0.0	0.0	1.0	0.0	0.0	1.2	0.0	0.0	0.8

Product description	Number of lines	Average (%) MFN	CAFTA	Chile	Colombia	Cuba	Dominican Republic	EU	Mexico	Panama	Chinese Taipei
07 Plastics and rubber	337	4.4	0.0	0.0	3.1	0.0	0.0	3.1	0.0	0.0	3.2
08 Hides and skins	108	8.3	0.0	0.0	3.2	0.0	0.0	5.6	0.0	0.0	0.5
09 Wood and articles of wood	139	7.8	0.0	0.0	4.8	0.0	0.0	5.6	0.0	0.0	2.1
10 Pulp of wood, paper, etc.	292	5.1	0.0	0.0	4.2	0.0	0.0	3.6	0.0	0.0	4.2
11 Textiles and textile materials	918	9.6	0.0	0.0	9.6	9.5	0.0	6.2	0.0	9.5	9.6
12 Footwear, hats and other headgear	64	12.8	0.0	0.0	7.0	0.0	0.0	8.5	0.0	0.0	7.8
13 Articles of stone	176	6.3	0.0	0.0	2.6	0.0	0.0	4.5	0.0	0.0	2.8
14 Precious stones, etc.	54	6.9	0.0	0.0	1.6	0.0	0.0	4.7	0.0	0.0	0.4
15 Base metals and articles of base metal	702	3.2	0.0	0.4	1.6	0.0	0.0	2.3	0.3	0.0	2.5
16 Machinery and mechanical appliances	980	2.1	0.0	0.0	0.3	0.0	0.0	1.4	0.0	0.0	0.3
17 Vehicles, aircraft, vessels and associated transport equipment	234	6.2	0.0	4.7	4.6	4.8	0.0	5.3	2.9	4.8	5.6
18 Precision instruments	234	3.8	0.0	0.0	0.2	0.0	0.0	2.8	0.0	0.0	0.9
19 Arms and ammunition	21	30.0	0.0	0.0	12.0	0.0	0.0	21.0	30.0	0.0	0.0
20 Miscellaneous manufactured articles	171	10.7	0.0	0.0	4.0	0.3	0.0	7.1	0.0	0.3	5.0
21 Works of art, etc.	9	7.8	0.0	0.0	0.0	0.0	0.0	5.6	0.0	0.0	6.0
By stage of processing											
First stage of processing	913	7.0	0.6	0.9	2.2	0.8	0.6	4.4	1.0	0.8	2.6
Semi-processed products	2,359	3.9	0.1	0.4	3.0	1.7	0.1	2.7	0.3	1.7	3.0
Fully-processed products	3,706	7.6	0.6	1.2	4.9	2.9	0.5	5.7	1.2	2.8	5.0

a ISIC (Rev.2), excluding electricity (one line).

Source: WTO estimates, based on data provided by the authorities.

Table A4. 1 Application of agricultural tariff quotas under bilateral trade agreements, 2015

Country – Agreement	Product	Tariff heading	Quantity (MT) or quota (US$)	In-quota tariff (%)	Out-of-quota tariff (%)
United States	Meat of bovine animals	0201.20.00 0201.30.00 0201.20.00 0202.30.00	150 MT	0	7.1
	Yellow maize (corn)	1005.90.20	525,000 MT	0	10.2
	White maize (corn)	1005.90.30	42,000 MT	0	20
Mexico	Yellow maize (corn)	1005.90.20	120,000 MT	0	15
Panama	Mozzarella cheese	0406.10.10	US$250,000	0	40
	Other	0406.10.90	US$250,000	0	40
	Other	0406.20.90	US$250,000	0	40
	Processed cheese, not grated or powdered	0406.30.00	US$250,000	0	40
	Cheddar, in blocks or bars	0406.90.20	US$250,000	0	40
	Other	0406.90.90	US$250,000[a]	0	40
European Union	Cheese and curd	0406.10.10 0406.20.20 0406.20.90 0406.30.00 0406.90.20 0406.90.90	641 MT	0	40
	Meat and edible meat offal	0210.11.00 0210.12.00 0210.19.00	990 MT	0	32
	Milk and cream, in powder	0402.10.00 0402.21.11 0402.21.12 0402.21.21 0402.21.22 0402.29.00	220 MT	0	20 15 20 15 15 15
	Other prepared or preserved meat	1602.41.00 1602.42.00 1602.49.90	990 MT	0	32

a With the exception of Münster cheese, classifiable under 0406.90.90.

Source: Directorate-General of Customs of El Salvador, Provision No. DGA-002-2015, viewed at: http://www.transparenciafiscal.gob.sv/downloads/pdf/DC9271_DACG_002-2015.pdf.