



Doing Business in El Salvador: 2014 Country

Commercial Guide for U.S. Companies

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Chapter 1: Doing Business in El Salvador

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Market Overview

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- In November 2011, El Salvador and the United States signed the Partnership for Growth (PFG) Joint Country Action Plan (JCAP), which seeks to accelerate and sustain broad-based economic growth by addressing binding constraints in the areas of crime and insecurity, and low productivity in the tradables sector. For more information on PFG, visit <http://sansalvador.usembassy.gov/news/pfg.html>.
- The United States is El Salvador's leading trade partner. In 2013, El Salvador's Central Bank (BCR) reported the United States had a 38.8% import market share, and 45.3% of Salvadoran exports were destined for the United States. Central America countries are other top trade partners.
- El Salvador still has not recovered from the world economic crisis. BCR statistics reported that El Salvador had a GDP growth of 1.8% in 2013; for that same year the GDP was \$24.32 billion.
- The Central America Free Trade Agreement (CAFTA –DR) became effective in El Salvador on March 1, 2006. CAFTA-DR countries include: Costa Rica, Guatemala, Honduras, Nicaragua, and the Dominican Republic.
- El Salvador belongs to the World Trade Organization (WTO). In addition to CAFTA-DR, the country has free trade agreements with Chile, Mexico, Dominican Republic, Panama, Taiwan, Colombia, and Central America. It also has an Association Agreement with the European Union. Free trade agreements with Canada, Peru, Ecuador and Belize are under negotiation. A Partial Scope Agreement was signed with Cuba.
- El Salvador offers an open market for U.S. goods and services. Tariffs are relatively low, and were reduced further with the implementation of CAFTA-DR. The value-added tax (VAT) rate is 13%.
- In 2006, the Millennium Challenge Corporation (MCC) granted a five-year, \$461 million compact to the Government of El Salvador (GOES) to improve the lives of Salvadorans through strategic investments in education, public services, agricultural production, rural business development, and transportation infrastructure. The compact ended in 2012. A second compact was approved in September 2013 and is currently awaiting signature and implementation pending the completion of certain actions related to the improvement of the country's investment climate and rule of law.
- There are few import restrictions. Standards are based on ISO standards. Colombian, Mexican and U.S. standards are used as reference points. Labeling and testing are not major issues.
- El Salvador has close ties to the United States and is only a 3-4 hour flight from key U.S. cities. Four U.S. carriers operate in the country.

- El Salvador's strategic location in Central America makes it a good platform for industrial and service investments aimed at re-exports.
- El Salvador's economic freedom score is 66.2, receiving the position 59th in the 2014 Index. El Salvador is ranked 11th out of 29 countries in the South and Central America/Caribbean region.
- Since 2001, under the Monetary Integration Law, the U.S. dollar is the official currency. El Salvador enjoys fundamental macroeconomic stability, the lowest inflation in Central America, and one of the lowest interest rates in Latin America.
- Per capita income has risen during the last decade. Consumer demand is fueled both by the increase in income and the massive inflow of remittances from Salvadorans living in the United States.
- More than 2.5 million Salvadorans live in the United States. The most predominant component of El Salvador's balance of payments is the country's receipt of remittances, by far the largest source of foreign income. In 2013, remittances were \$3.9 billion, an increase of 7.2% compared to 2011; representing approximately 16% of the country's GDP.
- El Salvador enjoys a democratically elected government and has an excellent bilateral relationship with the United States. Most Salvadorans have a favorable view of the United States.

Market Challenges

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Complaints from U.S. firms that have invested in El Salvador have increased over the past year. Lack of transparency and Rule of Law are some of the reasons for the deteriorating business climate in El Salvador. U.S. firms need to be aware of certain challenges, including the following:

- Salvador Sánchez Cerén, FMLN political party, won a close Presidential election in March 2014. El Salvador will conduct Congress and Municipality elections in March 2015.
- Crime and extortion are a critical threat for doing business in El Salvador, becoming the main constraint for foreign and domestic companies.
- Companies are increasingly reporting problems with government agencies' disregard for terms of government contracts, delays in payments, and amendments to existing contracts being imposed under duress.
- Businesses are also reporting problems obtaining permits from government agencies and municipalities in the time period stipulated by Salvadoran law.
- Labor law is generally in accordance with internationally recognized standards; however, the laws are not enforced consistently by government authorities. Several companies have expressed concerns about the government's application of labor laws, alleging a disregard for established legal procedures.
- The judicial system remains an area in need of reform, and presents increasingly significant hurdles for U.S. companies. The system is slow, costly, and tends to favor national interests. The judicial system is not fully independent and remains vulnerable to political influence.
- Corruption remains a chronic problem. El Salvador was ranked 83th in the 2013 Transparency International Corruption Perceptions Index.
- Attempt to establish commercial arbitration have not been supported by the judiciary. Companies have reported long delays in arbitration cases. The Supreme Court has

refused to uphold arbitration rulings in disputes involving government agencies or entities, when they have been decided in favor of foreign companies. In addition, companies have reported pressure from government agencies and entities to give up their right to arbitration in government contracts; usually before signing the contracts, but sometimes after contracts have been signed. In 2009, amendments to the Arbitrations Law were introduced to permit the domestic Salvadoran judiciary to encroach upon the institution of arbitration. In addition, Government officials have publicly stated that they won't accept the ruling of the International Court of Arbitration on an ongoing case regarding a geothermal generation company partially owned by the government and a foreign firm.

- IPR protection has improved, but remains an area of significant concern.
- The government controls the retail price of electricity. Political intervention has resulted in adverse effects on existing and potential investors in the sector.
- U.S. and local companies have complained about a growing number of customs and non-tariff barriers, including: customs valuation, lack of consistency in decisions, and ignoring past precedence.

Market Opportunities

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El Salvador offers a steady and growing market for a wide range of U.S. goods and services. Best prospects include:

- Automotive Parts and Service Equipment
- Franchises
- Construction
- Travel and Tourism

Major Projects Include:

- Concession of La Union Port. The Executive Port Autonomous Commission (CEPA), government institution responsible for administering seaports, the international airport, and railroads; is currently working on the bid documents for the La Union Port Concession and announcement of the Concession award is expected by 2nd semester of 2014.
- Rehabilitation and Modernization Project of the International Airport
- Renewable-energy generation of electricity
- Millennium Challenge Corporation Second Compact (under evaluation by MCC).

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

In addition, a proposed judicial stability law for investments is under review by the Legislative Assembly. The law will guarantee some level of judicial and contract stability for national and foreign enterprises which undertake new investments in El Salvador. In addition to tax rate stability (exempts indirect taxes and new taxes), the new law will also provide customs regulatory stability and free transfer abroad of proceeds generated by investments. The draft law applies to specified sectors: aeronautics, agro industry, electronics, energy, strategic infrastructure, logistics, health services, distance business services, tourism, telecommunications and diverse manufacturers.

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

Chapter 2: Political and Economic Environment

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

<http://www.state.gov/r/pa/ei/bgn/index.htm>

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

Chapter 3: Selling U.S. Products and Services

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Using an Agent or Distributor

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

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

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

Under CAFTA-DR (Chapter 11 of the Agreement), the commitment acquired by El Salvador regarding representation or distribution contracts specifies that provisions of the Salvadoran Commercial Code will not apply to any distribution contract signed after the date the treaty entered into force, but it must be clearly stated in the contract, see CAFTA-DR Chapter 11 text: <http://www.ustr.gov/trade-agreements/free-trade-agreements/cafta-dr-dominican-republic-central-america-fta/final-text>

In El Salvador, as in other countries, finding the right partner or representative is key for success. For a nominal fee, the U.S. Commercial Service offers a range of services to help U.S. companies find potential partners, agents or distributors. U.S. firms interested in these services contact the nearest U.S. Export Assistance Center (USEAC) (<http://export.gov/usoffices/index.asp>) or visit the Commercial Service San Salvador web page, <http://export.gov/elsalvador>

The local lawyer plays a critical role in providing in-depth analysis of the legal consequences of contracts or agreements with local partners. The lawyer is also useful to U.S. companies wishing to participate in government tenders. As legal representative, the lawyer can obtain bid documents and forward them to the company in the United States. While the U.S. Commercial Service (AKA Commercial Section) cannot recommend a specific lawyer, it can provide a list of Business Service Providers in different areas who can assist companies. Please visit: <http://export.gov/elsalvador/businessserviceproviders/index.asp> for more information.

Establishing an Office

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

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

Following is a list of required authorizations or licenses that can be obtained at the "Integrated Services Window":

- a) Company Registration
- b) Initial Balance Registration
- c) First time Establishment Registration
- d) Income Tax Identification Number (NIT) (Ministry of Finance)
- e) Value Added Tax Identification Number (IVA) (Ministry of Finance)
- f) Invoices Correlative Registration (Correlativo de Facturas) (Ministry of Finance)

- g) First time Employer's Identification Number (NIP) (Salvadoran Social Security Institute)
- h) Work Place Registration (Ministry of Labor)

Based on the Salvadoran Commercial Codes the capital required for a business to begin operations is \$2,000 USD.

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

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

As part of the efforts being made to improve the business climate, the government of El Salvador launched in May 2012 the initiative "MiEmpresa.gob.sv"; which allows enterprises to request some permits online when opening a business for the first time. To see list of participating institutions and services please visit: www.MiEmpresa.gob.sv

Firms that sell or manufacture pharmaceuticals must obtain a permit from the National Directorate of Medicines (Direccion Nacional de Medicamentos – DNM www.medicamentos.gob.sv). The DNM must also approve each pharmaceutical product as safe for sale in El Salvador; and issues a registration certificate (per product) that has to be renewed every 5 years.

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

An environmental permit is required for all activities, including road infrastructure, activities at maritime ports, sewage systems, mining, energy transmission, dams, water development, fishing commercial, tourism services, food processing, commercial construction and others listed in the environmental law of the Ministry of Environment and Natural Resources, MARN, (www.marn.gob.sv).

Franchising

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U.S. franchises are well-known and have a strong presence in El Salvador. Fast-food franchises and casual dining restaurants have been the most successful. U.S. franchises operating in El Salvador include hotels and car rental, auditing/accountancy, credit reporting, print shop/one hour photo labs, beauty/hair salons, fitness centers, computer learning, child care/learning centers, exterminator services, and dry cleaning. In the past decade U.S. franchises, such as Sears, Crowne Plaza Hotel, Steve Madden, Starbucks

Coffee Company, Taco Bell, Domino's Pizza, Red Mango, Hooters, Ruth's Chris Steak House, Denny's, and Victoria's Secret opened operations in El Salvador. In 2014, EXPRESS, Olive Garden, and Smashburger started operations, other brands expected to open throughout the year, include: Moe's Southwest Grill, Cold Stone Creamery, Ruby Tuesday, and Bath and Body Works. Salvadoran businesses are continuously seeking to expand their investment portfolio and evaluating franchises opportunities. Franchises from Mexico, Spain, Peru, Guatemala, Nicaragua, Canada, Argentina, UK, and Costa Rica also operate in the country.

In 2002, the trademark protection law entered into force to improved protection of trademarks and distinctive signs to meet international standards. To get full protection, the trademarks must be registered at the Intellectual Property Registry at the National Registry Center (http://www.cnr.gob.sv/index.php?option=com_content&view=category&id=83&Itemid=119).

A longstanding dispute between a prominent U.S. franchise and its former franchisee suggests that enforcement of franchise contracts in the courts can be difficult. Consequently, we urge franchisers to develop their business based on careful analysis of the business bona fides of their potential franchisees. There is no specific law that regulates franchise operations in El Salvador.

Direct Marketing

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Privatization of telecommunications has greatly improved the possibilities for direct marketing by allowing telemarketing services, and has created new target audiences via cable television. The number of cellular phone and Internet users has dramatically increased. Reliable telecommunication services have increased the use of mobile communication features and e-mail. As a result, direct marketing is easier than before. For reliability and guaranteed delivery times the business sector normally uses local private delivery companies instead of the national mail service. Door-to-door sales by U.S. cosmetics and household products firms, under-the-door promotional flyers, full color inserts in newspapers and direct-from-television sales are increasing, as is the use of e-mail for direct marketing. In addition, social media is used more frequently by businesses for promotion campaigns among their clients.

Joint Ventures/Licensing

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

The Law for Trademarks and Other Distinctive Signs includes licensing, and raises protections for trademarks and distinctive signs to internationally accepted standards. The Law also obliges national and foreign firms to register in the Commerce Registry and the Intellectual Property Registry. To have the exclusive right of the use of

commercial names and trademarks, any expression and/or advertising sign, including patents and industrial designs, a lawyer or legal representative must register the trademark at:

Registro de Propiedad Intelectual
Centro Nacional de Registros
1a. Calle Poniente y 43 Ave. Norte No. 2310
San Salvador, El Salvador
Tel. (503) 2260-8000 / 2261-8600
Web Page: <http://www.cnr.gob.sv>

Selling to the Government

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The government Procurement and Contracting Law (LACAP), of April 2000, increased efficiency and transparency in public sector purchases and contracting procedures, in an effort to limit corruption. The CAFTA-DR Government Procurement Chapter provides for transparency, competitiveness, and market access to U.S. suppliers. Please see Chapter 9: <http://www.ustr.gov/trade-agreements/free-trade-agreements/cafta-dr-dominican-republic-central-america-fta/final-text>

For small government purchases, sellers should contact the procurement office in each ministry; consult postings on the web pages of each institution; or visit the government procurement website, <http://www.comprasal.gob.sv>. In 2011, amendments to the law changed the minimum amounts in which the government does its purchasing (either directly or through bidding processes). For purchases worth more than \$ 53,784, the government publishes a tender in major newspapers and/or sends written notices to various embassies. Salvadoran law calls for civil engineering and construction projects, financed by the Government of El Salvador to give preference to Salvadoran companies. This law is not a major trade barrier since most large projects receive aid or loans from international financial institutions and, therefore, are open to international bid, including U.S. companies. Government tenders received by the U.S. Embassy are placed on the Department of Commerce's Export Portal <http://export.gov> under Trade Leads, and are commonly posted by the Government of El Salvador in the "Business Development" publication of the United Nations (<http://www.devbusiness.com/default.asp>). While a WTO member, El Salvador has not signed the government procurement agreement. For certain projects El Salvador contracts the United Nations Office for Project Services (UNOPS) to conduct bidding processes. UNOPS is a central procurement resource in the United Nations system.

Distribution and Sales Channels

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Large distributors usually import most consumer products, and large department stores import directly from manufacturers or exporters. The large distributors have well-established networks of buyers, but handle such a wide range of products that they often cannot dedicate the time and resources necessary to promote new or lesser-known products. Many well-known U.S. products are imported via distributors in El Salvador and not directly from the producer. As a result, many U.S. products gain name recognition before a formal supplier/distributor relationship is created. Small retailers often travel to the U.S. to purchase small quantities of products. This is especially true

for used vehicles, auto parts, clothing, jewelry, cosmetics, and certain household goods. Major distribution centers are located at free trade zones. Containers frequently enter via neighboring Atlantic ports in Guatemala and Honduras, fewer through El Salvador's Pacific maritime port Acajutla. Air cargo comes through El Salvador's International Airport in San Luis Talpa, La Paz (45 minutes from San Salvador).

Selling Factors/Techniques

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New consumer products are often introduced at a reception in an upscale hotel, in conjunction with a newspaper and billboard ad campaign. As promotional competition increases, creative sales promotions, such as contests, drawings, and raffles, become more relevant. Samples of products are often handed out at supermarkets and department stores. Participation in local exhibits and sponsorship of local events and conferences is a common local practice for brand positioning. Shared budget for promotional campaigns and advertising is highly appreciated by the local importer/distributor. The availability of brochures and other promotional materials in Spanish are preferred for marketing products. U.S. companies interested in finding representatives or distributors should look for ways of adding value to the relationship, such as supporting local marketing efforts in order to increase potential sales, and providing training to the sales force or technical staff. U.S. products are highly accepted in the Salvadoran market. The key purchasing factors are price, quality, and post sale service. However, each sector has its unique characteristics and techniques; therefore, the U.S. Commercial Section encourages U.S. companies to contact the U.S. Embassy for specific information.

Use of e-mail, Internet and social media has made great advances in recent years. The Chamber of Commerce and Industry reported that 90% of its members use e-mail, and about half now use the Internet to promote their businesses. The American Chamber of Commerce reports that all of its members have e-mail and 100% use the Internet and social media to promote their business.

Electronic Commerce

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The Government of El Salvador continues to use the Internet to facilitate information, promote commerce, reduce bureaucracy and improve services to the public. For example: some import/export documents can now be processed electronically through a system administered by Customs, and the Ministry of Agriculture; trade data and economic indicators can be downloaded from the Central Bank; taxes can be paid through the Internet; companies can register their supply and demand of products and services. The government has developed a proposal for the electronic registration of real estate; however, no date has been established for its implementation.

As of 2013, the General Superintendent of Electricity and Telecommunications (SIGET), reports 282,666 subscribers to the Internet, from which 450 are dial-up internet, and 282,216 to dedicated Internet. According to the Multiple Purposes Home Survey, done by El Salvador's Statistic and Census General Directorate (DYGESTIC), 45% of the Salvadoran public has access to Internet through cyber cafes. Implementation of WI-FI networks is increasing and therefore access to internet in places like restaurants is becoming more common.

The Electronic Signature law was submitted to the National Assembly on October 18, 2012 and is still under review by the Economic Commission. As originally submitted the law intends to facilitate business and commerce through internet-based transactions. Per the legislation, the certified electronic signature will be equivalent to an ink signature. The law would also regulate service providers that produce and store electronic certificates.

Trade Promotion and Advertising

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Advertising in El Salvador is mainly through TV, radio, and newspapers, and it is estimated that 15% of advertising is dedicated to outdoor media. Depending on the target market, nature of product, purpose of the message or marketing plan, advertising agencies will recommend the most appropriate media mix and outdoor advertising.

El Salvador has 47 TV Channels, which include commercial, educational, and religious channels with nationwide or specific territorial coverage. The main VHF nationwide channels are 2, 4, 6, 8, 10 and 12. The first three are part of the same business group. There are 28 channels assigned in UHF, some with national coverage, such as channels 19,21, and 33. The main TV Channels are now transmitting their programing through the internet, being the main audience Salvadorans living abroad.

There are 196 FM and 71 AM radio stations in El Salvador. Statistics indicate that 70% of FM stations are music, and 30% are news programs, commentary, religious, sports and/or educational programs.

In terms of printed media, there are six newspapers with a total daily circulation estimated at over 300,000. El Diario de Hoy and La Prensa Grafica are the leading dailies with nationwide coverage and about 65% of the total circulation; followed by Diario El Mundo. Additionally, El Herald de Oriente, and El Pais are smaller publications reporting news from the eastern and western part of the country, respectively. El Grafico (sports), and MAS (daily news) are smaller newspapers. El Faro (<http://www.elfaro.net>) and La Pagina (<http://www.lapagina.com.sv/>) are electronic newspapers. The American Chamber of Commerce, the Chamber of Commerce and Industry, and the Salvadoran Association of Industry, as well as other trade organizations, circulate monthly and bi-monthly magazines that accept advertising. Magazines, such as Estrategia y Negocios, El Economista Regional, SUMMA and Central America Today are preferred advertising vehicles for economic and business groups, with regional vision.

The leading Salvadoran newspapers with circulation of over 90,000 and nationwide distribution are: La Prensa Grafica, Tel. (503) 2241-2364; Fax: (503) 2241-2000 <http://www.laprensa.com.sv>; El Diario de Hoy, Tel. (503) 2271-0100; Fax: (503) 2271-2040, <http://www.elsalvador.com>. Circulating mainly in the capital with about 46,000 daily, El Mundo, Tel. (503) 2234-8000; Fax: (503) 2234-8195; <http://www.elmundo.com.sv>; and 65,000, MAS, Tel. (503) 2281-1477; Fax (503) 2222-2046. The smallest is Co-Latino (estimated circulation 15,000), Tel. (503) 2271-1303; Fax (503) 2271-0971; <http://www.diariocolatino.com>. El Grafico, sports newspaper, www.elgrafico.com.

The International Convention and Fair Center of El Salvador (<http://www.cifco.gob.sv>) organizes exhibitions and trade events on a regular basis. For company or brand

promotion, the most popular trade shows are for consumer products, automotive, and biannual International Fair. The Construction Chamber, CASALCO, (<http://www.casalco.org.sv>) holds an exhibit every two years, where new products and technology can be exhibited. The Salvadoran Agriculture Chamber (CAMAGRO) organizes the main agricultural products/and machinery trade show. In addition, The Salvadoran Association of Industry organizes a local tradeshow to promote different industry sectors: <http://industriaelsalvador.com/>

Pricing

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In El Salvador, the government regulates prices for liquefied propane gas, public transportation, energy, and medicines. The government regulatory agency, the General Superintendency of Electricity and Telecommunications (SIGET) (www.siget.gob.sv) regulates electricity and telecommunications. Government ministries directly subsidize water services and establish the distribution service tariff. The Ministry of Economy and the Consumer Protection Office closely monitor retail gasoline and diesel, as well as basic food products prices (<http://www.defensoria.gob.sv/>).

For imported products, the price structure includes import duties and the 13% value-added tax (VAT) that must be added to the purchase price of all products, including basic food products and medicines. Import tariffs for capital goods are 0%, raw materials range from 0 to 5%, intermediate goods range from 5 to 10%, and finished goods are charged a maximum of 15%. Textiles, agricultural products, vehicles, and a few other non-essential products are charged higher tariffs that range from 15 to 30%. These new tariffs apply to products coming from outside the Central American Common Market. A comparative chart of Central American import duties can be found at the Central American Economic Integration Secretariat website: <http://www.sieca.int/site/>. CAFTA-DR reciprocally reduced tariff and non-tariff barriers for U.S. exports into the region. Duties for U.S. made products to CAFTA-DR countries can be found at: <http://www.ustr.gov/trade-agreements/free-trade-agreements/cafta-dr-dominican-republic-central-america-fta/final-text>

In 2004, El Salvador's Legislative Assembly approved fiscal reforms aimed at increasing tax collection by closing important loopholes and cracking down on tax evasion. The reforms to the tax code and income tax law include a mandatory 20% withholding tax on payments for services that have been provided to private or public institutions in El Salvador by foreigners even if the service was performed entirely outside of El Salvador. Previously, income tax would be applied only if the service was provided in El Salvador. In 2011, new tax reforms entered into effect, increasing the corporate income tax rate to 30%. Dividend payments will be taxed at 5 percent, as well as a new withholding tax for businesses not resident in El Salvador. If payments are remitted to a tax haven territory, tax rate is 25%. New tax reforms are expected to be approved in 2014. For further information, contact office.sansalvador@trade.gov.

The Usury Law was approved on January 2013 and regulates maximum interest rates on loans provided by banking institutions, commercial establishments, stores, credit card issuers, pawnshops, cooperatives, credit unions, and private lenders. The maximum interest rate will be equivalent to 1.6 times the simple average effective rate established by the Central Bank.

The Medicine Law was approved by the Legislative Assembly in April 2012; the price control for medicines entered into effect in April 2013.

Sales Service/Customer Support

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

The Consumer Protection law was reformed on January 2013 to expand basic consumer rights. It provides the consumer with broader authority to terminate contracts and stipulates that expressed guarantees for goods or services made by the producer are legally binding. The new version of the Law also empowers the Consumer Defense Court to order monetary compensation to the consumer.

Protecting Your Intellectual Property

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

Registro de la Propiedad Intelectual
Centro Nacional de Registros (CNR)
Tel (503) 2513-8400 / 2254-9300
Address: Col. Flor Blanca y 1ª. Calle Poniente No. 2310
San Salvador, El Salvador. C.A.
<http://www.cnr.gob.sv>

CAFTA-DR provides for improved standards for the protection and enforcement of a broad range of intellectual property rights, which are consistent with U.S. standards of protection and enforcement, and with emerging international standards. Such improvements include state-of-the-art protections for digital products such as U.S. software, music, text and videos. There is also stronger protection for U.S. patents, trademarks and test data, including an electronic system for the registration and maintenance of trademarks; and further deterrence of piracy and counterfeiting.

CAFTA-DR also requires partner countries to maintain TRIPS-compliant law and enforcement for intellectual property. In addition, it requires the authorities to protect, for five years any proprietary information submitted for patents for pharmaceutical products and for a period of five years not to accept as justification for commercial licensing the fact that a product has been licensed for distribution in another country.

The piracy of optical media, both music and video, remains a concern in El Salvador. Optical media imported from the United States by pirates are being used as duplication masters. There has also been concern expressed about inadequate enforcement of cable broadcast rights and the competitive disadvantage it places on legitimate providers of this service.

Chapter 6 further explains Intellectual Property Rights.

Protecting Your Intellectual Property in El Salvador:

Several general principles are important for effective management of intellectual property (“IP”) rights in El Salvador. First, it is important to have an overall strategy to protect your IP. Second, IP is protected differently in El Salvador than in the U.S. Third, rights must be registered and enforced in El Salvador, under local laws. Your U.S. trademark and patent registrations will not protect you in El Salvador. There is no such thing as an “international copyright” that will automatically protect an author’s writings throughout the entire world. Protection against unauthorized use in a particular country depends, basically, on the national laws of that country. However, most countries do offer copyright protection to foreign works under certain conditions, and these conditions have been greatly simplified by international copyright treaties and conventions.

Registration of patents and trademarks is on a first-in-time, first-in-right basis, so you should consider applying for trademark and patent protection even before selling your products or services in the Salvadoran market. It is vital that companies understand that intellectual property is primarily a private right and that the US government generally cannot enforce rights for private individuals in El Salvador. It is the responsibility of the rights' holders to register, protect, and enforce their rights where relevant, retaining their own counsel and advisors. Companies may wish to seek advice from local attorneys or IP consultants who are experts in El Salvador law. The U.S. Commercial Service can provide a list of local lawyers upon request or you can visit:

<http://export.gov/elsalvador/businessserviceproviders/index.asp>

While the U.S. Government stands ready to assist, there is little we can do if the rights holders have not taken these fundamental steps necessary to securing and enforcing their IP in a timely fashion. Moreover, in many countries, rights holders who delay enforcing their rights on a mistaken belief that the USG can provide a political resolution to a legal problem may find that their rights have been eroded or abrogated due to legal doctrines such as statutes of limitations, laches, estoppel, or unreasonable delay in prosecuting a law suit. In no instance should U.S. Government advice be seen as a substitute for the obligation of a rights holder to promptly pursue its case.

It is always advisable to conduct due diligence on potential partners. Negotiate from the position of your partner and give your partner clear incentives to honor the contract. A good partner is an important ally in protecting IP rights. Consider carefully, however, whether to permit your partner to register your IP rights on your behalf. Doing so may create a risk that your partner will list itself as the IP owner and fail to transfer the rights should the partnership end. Keep an eye on your cost structure and reduce the margins (and the incentive) of would-be bad actors. Projects and sales in El Salvador require constant attention. Work with legal counsel familiar with El Salvador laws to create a

solid contract that includes non-compete clauses, and confidentiality/non-disclosure provisions.

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

- The U.S. Chamber and local American Chambers of Commerce
- National Association of Manufacturers (NAM)
- International Intellectual Property Alliance (IIPA)
- International Trademark Association (INTA)
- The Coalition Against Counterfeiting and Piracy
- International Anti-Counterfeiting Coalition (IACC)
- Pharmaceutical Research and Manufacturers of America (PhRMA)
- Biotechnology Industry Organization (BIO)

IP Resources

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

- For information about patent, trademark, or copyright issues -- including enforcement issues in the US and other countries -- call the STOP! Hotline: **1-866-999-HALT** or register at www.StopFakes.gov.
- For more information about registering trademarks and patents (both in the U.S. as well as in foreign countries), contact the US Patent and Trademark Office (USPTO) at: **1-800-786-9199**.
- For more information about registering for copyright protection in the US, contact the US Copyright Office at: **1-202-707-5959**.
- For more information about how to evaluate, protect, and enforce intellectual property rights and how these rights may be important for businesses, a free online training program is available at www.stopfakes.gov.
- For US small and medium-size companies, the Department of Commerce offers a "SME IP Advisory Program" available through the American Bar Association that provides one hour of free IP legal advice for companies with concerns in Brazil, China, Egypt, India, Russia, and . For details and to register, visit: http://www.abanet.org/intlaw/intlproj/iprprogram_consultation.html
- For information on obtaining and enforcing intellectual property rights and market-specific IP Toolkits visit: www.StopFakes.gov This site is linked to the USPTO website for registering trademarks and patents (both in the U.S. as well as in foreign countries), the U.S. Customs & Border Protection website to record registered trademarks and copyrighted works (to assist customs in blocking imports of IP-infringing products) and allows you to register for Webinars on protecting IP.

- The U.S. Commerce Department has IP attachés in key markets around the world. The IP attaché who covers El Salvador is Michael.Lewis@trade.gov.

Due Diligence

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

Local Professional Services

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The U.S. Commercial Service often can provide contact information for professional services such as legal counsel, transportation, hotels, translators and other. For more information, visit the Business Service Providers (BSP) section at: <http://export.gov/elsalvador/businessserviceproviders/index.asp>

Web Resources

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National Registry Center (CNR): <http://www.cnr.gob.sv>
Superintendency of Telecommunications and Energy (SIGET): <http://www.siget.gob.sv>
Consumer Protection Office: <http://www.defensoria.gob.sv>
Central American Economic Integration Secretariat (SIECA): <http://www.sieca.int/site/>.
Other useful links: <http://export.gov/elsalvador>

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

Agricultural Sectors

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

Commercial Sectors

- [Automotive Parts and Service Equipment \(APS\)](#)
- [Construction \(CON\)](#)
- [Franchising \(FRA\)](#)
- [Travel and Tourism \(TRA\)](#)

Agricultural Sectors

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1) CONSUMER-ORIENTED PRODUCTS

OVERVIEW:

In 2013, U.S. exports to El Salvador in the consumer-oriented product category reached a record high of \$131 million (snack foods, breakfast cereals, red meats, poultry meats, pork meat, processed foods, sauces and condiments, and processed fruits and vegetables). The distribution of consumer-ready foods is carried out through a number of channels. Supermarkets are the principal outlets, but a fair amount is moved through wholesalers, who may be supermarket owners themselves or distributors delivering products to smaller stores. Normally, distributors handle products on an "exclusive" basis, most often as representatives of a line of products. Direct sales are common practice; however, having a local distributor facilitates operations and supports client service. Most large importers/distributors are members of the Salvadoran Distributors Association (ADES) (<http://www.ad.es.org.sv/>). ADES manages the relationship of its members with local retailers, wholesalers and supermarkets.

The Salvadoran market may be significantly larger than portrayed by U.S. export data. A high percentage of El Salvador's imports of consumer-oriented products are actually registered as Guatemala imports. This is because many containers come through Guatemala's Santo Tomas Port and although they are in-transit to El Salvador, customs officials tally the products as Guatemalan imports.

It is estimated that Salvadorans spend approximately 65% of their income on food (households earning is between \$400 to \$1,500 per month). There are approximately 460,000 households in this category and, as might be expected, 60% reside in urban areas. About 1.2 million people (20% of the population) are part of the country's middle class.

Growth in the supermarket industry continues at a rapid pace, mainly in the working class areas of the capital and in cities with populations of 50,000 to 250,000.

Consumers are increasingly purchasing in supermarkets and moving away from the traditional open-air markets or mom-and-pop stores. It is estimated that approximately 40% of food sales are generated in supermarkets.

BEST PRODUCTS & SERVICES:

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

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

OPPORTUNITIES:

More than two million Salvadorans reside in the U.S.; and, annually, remit approximately \$4 billion to relatives in El Salvador. The remittances in turn, raise the disposable income and expenditures of Salvadoran consumers. The typical consumer believes U.S. products are of superior quality, and is generally willing to pay a premium price. Nevertheless, the relatively high price of U.S. products can be a constraint to increased market share and attracting new customers. In addition, while opportunities exist for U.S. suppliers, competition from Central America, Mexico, Chile and the European Union (EU) is strong.

In summary, there are at least 1.2 million consumers or 20 % of the population who are buying U.S. consumer-ready products. With more housewives joining the labor force and a decline in the number of domestic employees to assist in food preparation, the demand for convenience and fast foods will increase. Distributors and supermarket management agree that the Salvadoran consumer has brand loyalty. In addition, as the market grows, an expansion of foreign supermarket chains and a consolidation of local and foreign continue to take place.

RESOURCES:

FAS Website: <http://www.fas.usda.gov/>

FAS Contact in El Salvador: Miguel.Herrera@fas.usda.gov

2) WHEAT

OVERVIEW:

Most of the wheat processed by Salvadoran mills comes from the United States, although some Canadian wheat is imported. Annual imports of U.S. wheat range from 210,000 to 245,000 metric tons. In 2013, U.S. wheat imports reached \$72 million.

BEST PRODUCTS & SERVICES:

Bulk Wheat – DNS, SRW and HRW varieties

OPPORTUNITIES:

Bakery consumption continues to increase, mainly due to the availability of fresh bakery centers in all major supermarket chains. Growth in Convention Tourism is also helping boost consumption of bakery products at hotels; due to the increase business events.

Bakery manufacturers are very optimistic about free trade and believe that the Central America – Dominican Republic – United States Free Trade Agreement (CAFTA-DR) is providing growth opportunity. Ethnic bakery products exported to the U.S. are growing due to the high demand for these products by the Salvadoran community residing in the United States.

RESOURCES:

FAS Website: <http://www.fas.usda.gov/>

FAS Contact in El Salvador: Miguel.Herrera@fas.usda.gov

3) RICE

OVERVIEW:

El Salvador is not self-sufficient in rice production and must import from other countries, especially the United States, to meet demand. Actual local demand is estimated at approximately 111,000 metric tons of rough rice, of which approximately 25 % is covered by local production. Typically, El Salvador imports rough rice to keep rice mills operating throughout the year. However, small quantities of imported milled rice have recently reached local supermarket chains to fulfill upscale consumer demand. El Salvador has officially abolished the use of a price-band mechanism to assess import duties for basic grains. CAFTA-DR established Tariff Rate Quotas (TRQs) for rice (see Opportunities).

BEST PRODUCTS & SERVICES:

Rough rice

Milled parboiled rice

OPPORTUNITIES:

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

RESOURCES:

FAS Website: <http://www.fas.usda.gov/>

FAS Contact in El Salvador: Miguel.Herrera@fas.usda.gov

4) CORN

OVERVIEW:

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

BEST PRODUCTS & SERVICES:

Yellow corn #2 for animal feed and hard endosperm for snack manufacturing.

OPPORTUNITIES:

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

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

RESOURCES:

FAS Website: <http://www.fas.usda.gov/>

FAS contact in El Salvador: Miguel.Herrera@fas.usda.gov

5) SOYBEANS

OVERVIEW:

El Salvador does not produce any soybean meal, thus, all demand must be met with imports. The poultry, swine and livestock sectors use the product as feed. Commercial trade is growing quickly due to the high demand for poultry products. In 2013, soybean meal imports reached a record US\$78 million. El Salvador's poultry industry is the most developed in the region and is quickly increasing production to supply demand by other Central American neighbors, particularly Honduras.

BEST PRODUCTS & SERVICES:

Soybean meal

OPPORTUNITIES:

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

RESOURCES:

FAS Website: <http://www.fas.usda.gov/>

FAS Contact in El Salvador: Miguel.Herrera@fas.usda.gov

Agricultural Sector – Statistics

Crop (1000 MT)	2011 (1000 MT)			2012 (1000 MT)			2013 (1000 MT) (Estimated)		
	Production	Imports	Consumption	Production	Imports	Consumption	Production	Imports	Consumption
Corn 1/	702	600	1,300	859	424	1,320	1,022	319	1,345
Rice 2/	15	63	71	17	63	71	18	67	72
Wheat	0	244	245	0	291	250	0	244	250
Soybean Meal	0	145	146	0	153	154	0	147	148

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

2/Milled

Commercial Sectors

Automotive Parts and Service Equipment (APS)

Overview

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	2012	2013	2014 (estimated)	2015 (projected)
Total Market Size	182,134,017	180,305,751	182,963,613	185,634,072
Total Local Production				
Total Exports	6,778,486	6,465,643	6,982,894	7,541,526
Total Imports	188,912,503	186,771,394	189,946,508	193,175,598
Imports from the U.S.	50,537,363	57,977,516	62,035,942	66,378,458

(Source: SIECA Statistics. Units: USD)

Statistics based on HTSUS: Data updated up to November 2012.

In 2013 the Salvadoran Vice ministry of Transportation had registration permits for 795,885 vehicles (used cars 591,296 and new cars 203,027). El Salvador is an importer of automotive aftermarket products and accessories, as there is no local production. Although auto parts imports decreased in 2013, due mainly to very low economic growth, U.S. imports increased by 7% and make up approximate 31% of the total market.

The main end users of auto parts and accessories sector are private owners/companies, public transportation (buses), cargo companies, and the government. The sector is highly competitive, and price sensitive. Importers, distributors, and end users are receptive to U.S. auto parts and accessories due to the product's quality, warranty, and geographic proximity. Companies that seek to do business in El Salvador should work closely with a local distributor by providing training/demos. Technical and aftermarket support are key to the market. The biggest competitors in the market are products manufactured in China, Japan, and Taiwan.

Auto repair shops have a key role in advising and making recommendations to end users on their purchasing decisions. Salvadorans focus more on repairing and less on preventive maintenance for their vehicles. Imports of used/refurbished parts and used tires are more evident in the market. For accessories "tuning" is a niche market in El Salvador; companies that sell performance/accessories products also sell automotive parts or provide other related services such as repair and maintenance.

Public transportation companies own approximately 13,700 vehicles. The main public transportation project in El Salvador is SITRAMSS (Integrated Transportation System in the Metropolitan Area of San Salvador); currently under development. SITRAMSS consist of the construction of a specific lane for articulated buses; an investment of \$45 million funded by the Inter-American Development Bank (IDB). Approximately 100 buses have begun to be imported from Brazil for this project, which is expected to start operations in the second semester of 2014.

Imports of new cars have not completely recovered after the 2008/2009 economic crisis, but the sector is showing some improvements. In 2013, the Salvadoran Association of Vehicle Distributors reported that 32,272 vehicles were imported to El Salvador, an increase of 16% compared to the previous year. The market segment breakdown is: 30% pickups, 25% cars, 20% SUVs, and 25% minibuses and trucks.

Used vehicles are imported mainly from the United States, bought directly from salvaged car auctions to be repaired locally and then sold. These cars require continuous maintenance and replacement services. Some companies are specializing in purchasing used vehicles to dismantle them and sell the parts. Some people import used cars as a side business for additional income. Mechanic and repair shops purchase parts and accessories from local importers/distributors.

There are five associations that represent the interests of the automotive sector:

- a) Salvadoran Association of Auto Parts Importers (ASIRA)
- b) Salvadoran Association of Distributors of Vehicles (ASALVE)
- c) Salvadoran Association of Importers of Used Vehicles (ASEIVA)
- d) Association of Auto Repair Shops (APTSA)
- e) Salvadoran Association of Cargo Agents (ASAC)

Sub-Sector Best Prospects

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Tires, accessories, engines, filters, accumulators, wheels, radiators, sound systems, alarms, mufflers, tire repair, electronic diagnostics, lubricants, tire balancing, compressors, clutches, steering wheels, batteries auto paint, shop equipment, lifters, cleaning products.

Opportunities

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There are no manufacturers of automotive part and accessories in El Salvador. The U.S. Central America Free Trade Agreement (CAFTA-DR), implemented in El Salvador on March 1, 2006, provides a broader opportunity for the U.S. industry, since import tariffs for parts under HTC 8708 were automatically reduced to zero after the CAFTA-DR implementation; and most vehicle accessories under HTC 8714 are now 0% tariff.

A good opportunity for U.S. companies to meet Salvadoran buyers is at U.S. trade shows. The Commercial Service San Salvador will lead a buyer delegation to:

- AAIW: SEMA and APPEX, Las Vegas, NV, November 4-6, 2014
<http://www.aaiwshow.com>

Web Resources

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Vice Ministry of Transportation: <http://www.mop.gob.sv>

Salvadoran Association of Auto Parts Importers: asira@salnet.net

Salvadoran Association of Distributors of Vehicles: asalve@integra.com.sv

Salvadoran Association of Cargo Agents: <http://www.asac.com.sv>

U.S Commercial Service San Salvador: Lidia.Sosa@trade.gov

Construction (CON)

Overview

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According to CASALCO, the local construction association, the construction sector makes up about 4% of El Salvador's GDP and 5.5% of the country's total imports. Construction equipment and building products made in the U.S. have preferential or zero import duty under CAFTA-DR.

El Salvador has ports, roads and airports infrastructure projects under expansion, upgrade, or development. Most projects are financed by multilateral development banks such as Inter-american Development Bank, Central American Bank for Economic Integration, as well as foreign development agencies or assistance programs including Millennium Challenge Corporation, Japan International Cooperation Agency and German Society for International Cooperation.

Best Prospects

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Port equipment and dredging; industrial and commercial air conditioning; consulting services for feasibility studies and complex designs; airport and ground support equipment; lighting building products; flooring; bath and sanitary ware; construction materials steel/iron; window frames and insulation products.

Opportunities

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Opportunities driving higher value in the construction industry include:

The U.S. Millennium Challenge Corporation (MCC) compact with El Salvador, \$277 million, aims to increase El Salvador's productivity in the tradable sectors by improving business climate, strengthening human capital, and lowering logistics and transportations costs. If signed in the near-term, a percentage of the \$277 million would be to further develop the coastal region where the government plans to invest in road expansion and logistics routes connecting the international airport and the maritime port La Union.

The international airport has a long term rehabilitation, modernization and expansion project value at \$423 million. The upgrades and modernization in the coming years, includes a cargo terminal, security equipment, radar and aeronautical equipment.

La Union container port was built by the Belgium-Japanese consortium TAO and was inaugurated in 2009. The government intends to concession the port to an international

operator to function as an international distribution cargo hub. There was international interest in the project and the companies that pre-qualified are: Samm Puertos S.A. from Chile; Group Maritim TBC, Spain; Bollore Ports and Logistics, France; and International Container Terminal Services INC, Philippines. The government, however, has not yet awarded the concession. US companies interest in pre-qualification process can appeal to Central America Free Trade Agreement article 9.8.3. The concession will be granted for a period of 30 years; and requires an investment of at least \$30 million in equipment and maintenance during the first five years of the port's operation. Airport and port development is managed by the autonomous government agency, CEPA.

New residential and none residential building resulting from coastal development plans in connection with the MCC compact have been announced by the private sector. For instance, Promar, a non-profit organization, has released a \$200 million project to include a small airport, several small hotels and housing projects along the coast. Local authorities of Nuevo Cuscatlán, announced a one billion investment plan to build a modern small city which would also include a new private hospital (estimated investment of \$35 million) and a cathedral (estimated investment of \$11 million).

Web Resources

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Construction Chamber: www.casalco.org

Trade Events: <http://www.feriaconstruexpo.com/>

Millennium Challenge Corporation (MCC): <http://www.mcc.gov/pages/about>

El Salvador counterpart to MCC: <http://www.mca.gob.sv/>

Millennium Challenge Corporation procurement guidance:

<http://www.mcc.gov/pages/business/guidelines>

Promar: www.promar.org.sv

Autonomous Port Administrator (CEPA), port and airport information: www.cepa.gob

Procurement process for the airport, managed by United Nations Office for project Services (UNOPS). www.unops.org

Housing and Urban Developing Ministry: www.mop.gob.sv

El Salvador, international procurement plan and guidance: www.comprasal.gob.sv

United States Census trade data: <http://www.census.gov/foreign-trade/balance/c2110.html>

Central Bank, trade data and local production data: www.bcr.gob.sv

Opportunities for U.S. industry: <http://export.gov/industry/architecture/index.asp>

U.S. Commercial Service San Salvador: Maria.Rivera@trade.gov

FRANCHISING (FRA)

Overview

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In El Salvador, the business environment for U.S. franchises is very favorable. Most often Salvadorans prefer U.S. franchise over local franchise concepts. Moreover, when investors look for new concepts seek those with high brand recognition amongst consumers.

Currently no law or government agencies regulate the offer and sale of franchises. Also, CAFTA-DR enhanced protection to U.S. brands and trademark, removed technical

barriers to U.S. export, and provided alternative dispute resolutions for U.S. companies doing business in El Salvador. U.S. companies are encouraged to take advantage of the agreement.

Food courts and shopping malls are driving the franchise growth for casual dining and fast food restaurants, turning the food and beverage concept into the fastest-growing segment for the franchising sector. U.S. franchise systems also operate successfully in other segments, including: hotels, car rentals, accounting, fitness, mailing and shipping, real estate, training, and travel.

Besides a very competitive market there are no significant challenges for U.S. franchise firms. In the food and beverage franchise segment, companies may face issues related to the registration of imported beef, poultry, cheese quota, and verification of country of origin for seafood.

There are no official statistics to estimate the size of the franchise market. Trends and opinions about the franchise sector are from news reports and franchise experts who agree that U.S. franchises have a dominant share and preference in the market.

Best Prospects / Services

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Travel, security, training, children's, home services, healthcare franchises, and franchises that would fit in shopping mall setting.

Opportunities

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The opportunities in this sector are driven by ongoing expansion of existing shopping centers that demand new franchising concepts in retail, food and beverage. The deteriorating security situation in the country is attracting franchises in the safety and security sector.

U.S. companies can meet Salvadorans prospects by participating in trade shows. For the most updated list of US Commercial Service sponsored trade shows please visit <http://export.gov/elsalvador/tradeevents/index.asp>.

Web Resources

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Opportunities by Industry: <http://export.gov/industry/franchising/index.asp>

International Franchise Expo: <http://www.ifeinfo.com/>

International Franchise Association: <http://www.franchise.org/>

Franchise Time: <http://www.franchisetimes.com/>

U.S. Commercial Service San Salvador: Maria.Rivera@trade.gov

Travel & Tourism (TRA)

	2012	2013	2014 (forecast)	2015 (forecast)
Salvadoran Travelers to the United States	100, 978	104,735	107,877**	111,113**

Source: U.S. Department of Commerce, ITA, Office of Travel & Tourism Industries;
*Statistics as of December 2013
** Estimated figures

Overview

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Salvadorans are cautious with their travel budgets to foreign markets due to the country's low economic growth. However, local tour operators expect a more positive forecast for 2014 and 2015, expecting an increase in sells of 3% annually. In 2013, the U.S. Department of Commerce, Office of Travel & Tourism Industries, reported an increase of 3.7% travelers to the U.S. from El Salvador; and a total of 3.8% for the Central American Region. El Salvador is ranked 48 among the top 50 countries in international visitors to the United States.

In 2013, Central America reported 833,867 visitors to the U.S., from which 104,735 were from El Salvador. States like California, Washington D.C., Maryland, Virginia, and Texas are commonly visited due to the large Salvadoran community living in those cities. States like Florida, New York, Illinois, and Nevada are visited for leisure and business purposes.

American, United and Delta Airlines offer daily flights to gateway cities and connections to the rest of the United States. U.S. carriers fly directly to Miami, Dallas, Houston, and Atlanta. Spirit, the low cost U.S. airline, began operations in 2011 and offers two flights per week to Fort Lauderdale.

AVIANCA, a Colombian airline, is the main player in the market offering 10 ports of entry to the United States: Miami, Orlando, San Francisco, Los Angeles, Houston, Dallas, Washington D.C. (Dulles), New York (JFK), New Jersey (Newark), and Chicago. In addition, the Mexican airline AEROMEXICO offers connections to 6 different U.S. cities through Mexico City; and the Panamanian airline COPA Airlines to 8 cities through their hub in Panama City.

In the short term, Delta Airlines will operate a direct flight to Los Angeles starting July 2014. Also, the Salvadoran low cost airline VECA (Vuelos Economicos Centroamericanos), which is currently obtaining permits to fly within Central America, expects to have a direct flight to Florida in the future. Other low cost airlines are evaluating entering the Salvadoran market.

In 2013, El Salvador became AVIANCA's only hub in Central America; increasing the number of passengers traveling through El Salvador's International Airport. According to CEPA, government agency responsible to operate the airport, over 2 million passengers traveled through the airport last year. Due to the growing demand, CEPA is developing a Modernization and Rehabilitation Project to improve the airport facilities, and is expected to execute an expansion project to build new terminals and increase capacity to handle anticipated passenger flows through 2032.

Best Prospects/Services

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- Trade Shows, Congresses and Conventions
- Cruises

- Theme Parks/Attractions
- Hotel Operators and Services
- Car rentals
- Entertainment activities: sports events, music concerts.

Opportunities

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The U.S. Commercial Service in San Salvador has focused on the promotion of the U.S. as a tourism destination by recruiting delegations for travel and tourism trade events, including Pow Wow; supporting local tourism operators in promotion activities; providing destination presentations; organizing Familiarization Trips; and facilitating communication with U.S. tourism product and service suppliers. Furthermore, in coordination with State Department and the Department of Homeland Security, Post is conducting education seminars to travel agencies on the U.S. visa application process.

In August 27th, 2014, the U.S. Commercial Service will be organizing the annual tourism trade event in El Salvador, VISIT USA, where U.S. Convention and Visitor Bureaus as well as tourism service providers will promote their services among Salvadoran tour operators and travel agencies.

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Office of Travel & Tourism Industries: <http://www.tinet.ita.doc.gov>

U.S. Travel Association: <http://www.ustravel.org>

Comision Ejecutiva Portuaria Autonoma-CEPA: <http://www.aeropuertoelsalvador.gob.sv/>

U.S. Commercial Service San Salvador: Lidia.Sosa@trade.gov

Chapter 5: Trade Regulations and Standards

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Import Tariffs

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Since the implementation of CAFTA-DR in March 2006, about 80% of U.S. industrial and commercial goods now enter El Salvador duty free, with the remaining tariffs to be phased out over ten years. Nearly all textile and apparel goods that meet the agreement's rules of origin are now traded duty-free and quota-free among CAFTA-DR countries and the United States, thus promoting new opportunities for U.S. and regional fiber, yarn, fabric, and apparel manufacturing companies. The agreement's tariff treatment for textile and apparel goods was retroactive to January 1, 2004.

Under CAFTA-DR, more than half of U.S. agricultural exports now enter El Salvador duty-free. In 2006, El Salvador began a process to eliminate its remaining tariffs on nearly all agricultural products within 15 years (18 years for rice and chicken leg quarters and 20 years for dairy products). For some agricultural products, tariff-rate quotas (TRQ's) will permit immediate duty-free access for specified quantities during the tariff phase-out period. El Salvador will liberalize trade in white corn, for example, through expansion of a TQR, rather than by tariff reductions. The complete CAFTA-DR tariff schedule can be viewed at: <http://www.ustr.gov/trade-agreements/free-trade-agreements/cafta-dr-dominican-republic-central-america-fta/final-text>

El Salvador's tariff schedule (for other trading partners) is available at: <http://www.sieca.int/site/inicio.aspx>

CAFTA-DR allows Salvadoran and U.S. governments to conduct an Origin Verification Process when there is doubt regarding product origin. U.S. exporters and local importers are required to keep documentation proving origin for a period of 5 years.

The agreement also requires transparency and efficiency in administering customs procedures, including the CAFTA-DR rules of origin. El Salvador has committed to ensure greater procedural certainty and fairness, and all parties agreed to share information to combat illegal transshipment of goods.

For countries with which El Salvador does not have a bilateral trade agreement, most of El Salvador's tariffs do not exceed the maximum common external tariff of 15% established by the Central American Common Market (CACM) treaty, of which it is a signatory. However, there are several exceptions. Tariffs on new and used finished clothing are generally 25%, while tariffs on fabrics are 20% or more. Motor vehicles are generally assessed a duty of 25-30%. Agricultural products face the highest tariffs. Some dairy, rice, pork, and poultry products are assessed a 40% duty. Alcoholic beverages are subject to a 20 to 40% duty as well as domestic taxes that include a specific tax based on alcoholic content and an 8% ad valorem tax. In addition, all goods and services in El Salvador are charged a value-added tax (VAT) of 13%.

Trade Barriers

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

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

El Salvador has used sanitary standards to prevent the import of raw poultry and eggs. In 2009, the CAFTA-DR poultry quota was expanded to El Salvador and U.S. poultry is now imported into the country. After discussions with USG officials, El Salvador inspected a U.S. processed egg facility and granted permission to export to El Salvador from that facility. The Food Safety Inspection Services (FSIS) has requested equivalence for the U.S. processed egg inspection system and is working with Salvadoran authorities to set a date for the audit.

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

In 2013 and again in 2014, the Salvadoran Legislative Assembly passed decrees allowing the government to purchase local maize and bean seeds without adhering to the Salvadoran Public Procurement Law (LACAP) and CAFTA-DR Chapter 9 government procurement commitments. In December 2012, they approved Decree No.

198 which remained effective until December 31, 2013, and in January 2014, they approved Decree No. 603 which will remain effective until December 31, 2014.

Import Requirements and Documentation

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

In December 2008, the Customs Authority added to their website a section entitled “Tariff Online Query” where companies can learn: the import tariff under a Free Trade Agreement; if import permits are required; if there are import restrictions for a product; and specifically which government agency is responsible for permit issuance. The Tariff Online Query can be found at: <http://appm.aduana.gob.sv/sacelectronico>

All imports of fresh food, agricultural commodities, and live animals must have a sanitary certificate from the Ministry of Agriculture and the Ministry of Public Health. Basic grains must have import licenses from the Ministry of Agriculture, while dairy products require import licenses from the Ministry of Public Health. Pharmaceutical products need to be registered at the National Directorate of Medicines (Dirección Nacional de Medicamentos –DNM). Food products require a Certificate of Free Sale showing approval by U.S. health authorities for public sale. At present, there is no standard regulation allowing entry of U.S.-approved products. Some U.S. processed foods which were approved in the United States were rejected after analysis in El Salvador, thereby barring their sale. The U.S. Embassy has been able to obtain access for U.S. products rejected by the Ministry of Public Health testing on a case-by-case basis. Additional information can be found on USDA’s website: <http://www.fas.usda.gov> under El Salvador’s Food and Agricultural Import Regulations and Standards, and Export Certificate Attaché reports. Import permits from the Ministry of Agriculture can be requested at the Ministry of Agriculture website: <http://www.mag.gob.sv>

In 2011, the Government created one-stop service for import applications in the Import and Export Transaction Center (CIEX) located at the Central Reserve Bank (BCR). All agencies and ministries involved in an import procedure are represented at CIEX. Since then, there has been a noticeable improvement in import processing times which now take an average of 45 minutes. The final phase will be to consolidate the import and export processes into the same Web application, which they anticipate completing by 2017.

Read more about customs regulations and rules of origin certification under CAFTA-DR at: <http://www.ustr.gov/trade-agreements/free-trade-agreements/cafta-dr-dominican-republic-central-america-fta/final-text>

For additional information, please contact the U.S. Foreign Commercial Service office in El Salvador at: office.sansalvador@trade.gov

U.S. Export Controls

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The U.S. Government requires U.S. firms to obtain an export permit to export arms, ammunition and related products to El Salvador. A relatively small percentage of total U.S. exports and re-exports require a license from the Bureau of Industry and Security

(BIS). License requirements are dependent upon an item's technical characteristics, the destination, the end-user, and the end-use. The exporter must determine whether the export requires a license. BIS implements and enforces the Export Administration Regulations (EAR). For more information, please visit: <http://www.bis.doc.gov>.

Temporary Entry

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

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

The temporary entry of the following merchandise is allowed provided it will be exported in the same condition in which it arrived:

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

Labeling and Marking Requirements

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The following requirements are included in the Consumer Protection Law, and for pharmaceuticals, in the Medicines Law:

- Retailers must display the price of the product either on the packaging or in a visible place.
- Products that are sold by weight or volume, or any other measure, must have the weight, volume, or an exact measure of the contents on the label.
- Pharmaceuticals must provide the following information on the label: the trade name; active ingredient; concentration of active ingredient; instructions for use,

possible side effects; warnings; dose; manufacturing and expiration dates; formula; manufacturing lot number, and Health Registry Number, as established by the National Directorate of Medicines.

- Labels on frozen and canned foods must include an expiration date.
- Labeling must be in Spanish (language).

Labeling requirements for textile products, lightings, tobacco and consumer products can be reviewed at:

http://www.defensoria.gob.sv/index.php?option=com_content&view=article&id=468:normas-salvadoresnas-obligatorias-nso&catid=119

New labeling requirements for alcoholic beverages will enter into effect June 12, 2014.

To review the Central America Technical Regulation (RTCA) please visit:

<http://www.sieca.int/Documentos/DocumentoMatriz.aspx?ClasificacionId=2>

Prohibited and Restricted Imports

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

Cocaine, opiates, and barbiturates may be imported solely for medical use, with the permission of the National Directorate of Medicines (NDM). The NDM controls the sale of these substances to the public. Tranquilizers, sedatives, anti-depressants, and certain antibiotics were recently added to the list of prescription medicines.

Other items that are either prohibited or restricted include:

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

- Coffee trees and coffee seeds for planting.
- Light passenger or cargo motor vehicles in use for more than 8 years, as well as heavy passengers and cargo motor vehicles in use for more than 15 years.

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

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

Customs Regulations and Contact Information

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

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

El Salvador has a “Teledespacho” system in which goods can be presented without the use of a customs broker. With the Teledespacho system, the importer/exporter is electronically linked to the Central Customs Service and can present and process all documents from remotely. Teledespacho has reduced the documentation processing time from two to three weeks to a few hours. For more information, visit:

<http://www.aduana.gob.sv/pagos/index.html>

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

The amount set forth in the commercial invoice is used to determine the tariff assessment. If there is doubt about the accuracy of the stated price, Customs assesses its own value. For valuation of used cars, Customs uses N.A.D.A., Edmund's, and the Truck Blue Book. Currently, El Salvador is fully implementing the WTO Customs Valuation Agreement.

In general, the following documents are required to import products into the country: (a) customs declaration; (b) invoice; (c) transportation documents; (d) certificate of origin;

(e) licenses or permits; and (f) payment of duties and taxes (which can be done electronically).

Every customs declaration should contain at least the following information:

- The requested customs regime
- Specifics of the dispatcher or consignee
- Specifics of the applicant or his representative
- Type of transportation
- Cargo manifest number
- Number of the corresponding transportation document
- Country or countries of origin of the goods, and country of destination
- Description of the goods, including gross weight in kilograms
- Tariff classification of the goods and their trade description
- Customs value of the goods
- Permits (when needed)
- The applicable duties and taxes.

For more information, visit:

<http://www.mh.gob.sv/portal/page/portal/PMH/Institucion/Aduana>

The commercial invoice should contain at least the following information: name and address of the seller; city and date; name and address of the buyer; description of the goods, including brand, model or style; quantity; unit and total value of the goods; and terms of payments agreed with the seller. As of January 1, 2009, the Customs Authority accepts invoices either in English or Spanish.

The transportation documents should include: airway bill or bill of lading, name of the company, port of origin and destination, type, quantity, and description of product, weight, freight value, and number of the corresponding transportation document, date and place of issuance.

Customs has implemented the Business Compliance Customs Program (known as PACE – Programa Aduanero de Cumplimiento Empresarial); the objective of which is to facilitate trade, guarantee security and confidence in the supply chain, encourage a culture of payment of taxes, and improve the investment climate in El Salvador. PACE is supported by USAID, and participation in the program by the private sector is voluntary and free. For more information, please visit the PACE website: <http://www.mh.gob.sv/portal/page/portal/PMH/Temas/PACE>.

Customs can be contacted at the address and telephone number below:

Dirección General de Aduanas, Ministerio de Hacienda
Pan-American Highway Km. 11.5, San Bartolo, Ilopango,

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

<http://www.mh.gob.sv/portal/page/portal/PMH/Institucion/Aduana>

Read more on Customs Administration and Trade Facilitation under CAFTA-DR at <http://www.ustr.gov/trade-agreements/free-trade-agreements/cafta-dr-dominican-republic-central-america-fta/final-text>

Standards

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Overview

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

El Salvador is open to participation by the U.S. in the standards development process. With CAFTA-DR implementation, local producers will experience additional changes as El Salvador’s products are redesigned and packaged to meet international standards.

The U.S. actively serves as a resource to assist El Salvador in developing or streamlining standards. The objectives of Chapter 7 (Technical Barriers to Trade) in the CAFTA-DR agreement are to: increase and facilitate trade through improvement to the Technical Barriers to Trade (TBT) agreement, eliminate unnecessary barriers and enhance bilateral cooperation. Read more on Technical Barriers to Trade under CAFTA-DR at <http://www.ustr.gov/trade-agreements/free-trade-agreements/cafta-dr-dominican-republic-central-america-fta/final-text>.

Standards Organizations

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The Salvadoran Standardization Organization (OSN) and the Salvadoran Technical Regulation Organization (OSARTEC) are responsible for standards in El Salvador. Both institutions fall under the National Quality Council which was created in July 2011 with

the approval of the Quality Salvadoran System Law; between 1992 and 2011, standards where the responsibility of the National Science and Technical Council (CONACYT).

The Quality Salvadoran System Law regulates the study, development, and application of standards; accreditation, technical regulation, and metrology; develops the capacity of professionals; and strengthens the material, financial, and human resources of the entities responsible for quality topics in the country. The Quality Salvadoran System Law entered into force in September 2011.

The head of the new Quality Salvadoran System is the Quality National Council, which includes four specialized organizations: the Salvadoran Standardization Organization (OSN), Salvadoran Technical Regulation Organization (OSARTEC), Salvadoran Accreditation Organization (OSA); and Metrology Investigation Center (CIM). In addition, there is the Administrative Office of the Salvadoran Quality System (OAC).

The OSN is responsible for:

- a. Drafting, updating, adopting, and disseminating standards that seek the improvement of the quality of the products, processes, and services; and coordinating the drafting, adoption, and adjustment of standards through technical committees.
- b. Contributing to and participating in the development of national and international standards.
- c. Developing a national standards program that will be approved by the Quality National Council.
- d. Promoting the creation of standards technical committees and sub-committees for the development of standards.
- e. Representing El Salvador in regional or international standard organizations.
- f. Maintaining, updating, and making available for the public a database of standards implemented or under drafting process in El Salvador.
- g. Enforcing the application of technical standards in all sectors.

The OSARTEC is responsible for:

- a. Observing and complying with international guidelines and commitments of El Salvador on technical regulations.
- b. Submitting comments from public or international consultations to the appropriate institution.
- c. Being aware of the annual plan on technical regulations of the different institutions.
- d. Verifying that all technical regulations go through a public or international consultation.
- e. Keeping an updated data base of Salvadoran technical regulations approved and in process.
- f. Informing the WTO of any technical trade barrier and/or sanitary or phytosanitary technical regulation projects.
- g. Acting as the coordinator and point of contact in El Salvador at the CODEX Alimentarius Commission or any other international organization.

El Salvador is a member of the WTO Agreement on Technical Barriers to the Trade (TBT Agreement) and has adopted the Code of Good Practice annexed to the TBT Agreement.

There are two types of standards in Salvadoran legislation: Mandatory Salvadoran Standards (NSO), known as Technical Regulations; and recommended Salvadoran Standards (NSR), known as Technical Standards. NSOs are mandatory standards, primarily for products affecting human conditions and are based on international, regional, or foreign standards. NSRs are recommended standards that follow ISO standards and are not independently created by the government of El Salvador. NSOs include the following standards: the International System of Units; standards relating to materials, procedures, products, and services that may affect human life; standards on the safety and integrity of other live organisms; environmental protection standards; product registration, labeling, manufacturing practices; and standards considered by the government to be relevant to the economy or in the public interest.

Committees are responsible for studying and preparing draft NSOs and NSRs. Government officials and representatives of sectors with an interest in developing a specific standard make up the committees. Once a draft NSO (Technical Regulation) is ready, the regulation goes to national and international consultation. An announcement is published in a local newspaper, and on the OSARTEC website. The WTO Secretariat and the Central American Secretariat for Economic Integration (SIECA) are notified. Interested parties are then given a period of 60 days to file comments. At the end of the two-month period, the committee reviews comments received on the draft standard and submits it for approval to the Directive Commission, who will then forward it to the institution responsible for acting as the regulator of such standard, who will be responsible to authorize and issue an executive decision that officially establishes it as a mandatory Salvadoran standard. The NSO is then published in the *Official Journal of El Salvador (Diario Oficial de El Salvador)*. Standards enter into force six months after their publication in the Journal.

The NSR process includes national consultation and only needs approval by the OSN Directive Commission.

Committees adopt international standards; consequently, local standards organizations are more “takers” than “makers.” ISO is the first reference used; others, including Pan-American Commission on Technical Standards (COPANT) and CODEX Alimentarius Commission, are also consulted. Most recently, Colombian and Mexican standards are now being consulted. El Salvador has an agreement with the American Standards Testing and Materials (ASTM) and, since 2007, has a memorandum of understanding with the National Electrical Manufacturers Association (NEMA) to share information on standards. Representatives of related organizations in El Salvador have received training from the National Institute of Science and Technology (NIST).

NIST Notify U.S. Service

Member countries of the World Trade Organization (WTO) are required under the Agreement on Technical Barriers to Trade (TBT Agreement) to report to the WTO all proposed technical regulations that could affect trade with other Member countries.

Notify U.S. is a free, web-based e-mail subscription service that offers an opportunity to review and comment on proposed foreign technical regulations that can affect your access to international markets. Register online at Internet URL: <https://tsapps.nist.gov/notifyus/data/index/index.cfm>.

Conformity Assessment

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The Salvadoran Accreditation Organization is responsible for the accreditation of official bodies and maintains a list of those bodies (public, private, local or foreign) and applicants at <http://www.cnc.gob.sv/>. Policies and criteria for accreditation are described in the Rules of Accreditation of Testing Laboratories and Analysis (Reglamento de Acreditación de Laboratorios de Ensayos y Análisis). Conformity Assessment bodies include laboratories, inspection bodies and certification bodies.

Product Certification

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The process of product certification requires the establishment of a Certification Technical Committee, which includes participation or representatives of: the manufacturing sector, government, consumers, and academia. Product certification programs are in accordance with international standards/ISO certification process. For additional information, please visit the ISO/IEC 65 guide at: <http://www.cnc.gob.sv/>.

Accreditation

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Accreditation is voluntary unless a government institution requires it through a special law or norm making it necessary to conduct conformity assessment. El Salvador is a member of the Inter American Accreditation Cooperation (IAAC) and the International Laboratory Accreditation Cooperation (ILAC). The Salvadoran Accreditation Organization has accredited eleven laboratories; a list is transmitted electronically at <http://www.cnc.gob.sv/>.

Publication of Technical Regulations

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Proposed technical regulations are published in major newspapers. The WTO and Central American Secretaries for Economic Integration are notified. Final regulations are published in the *Official Journal*. Summaries can be found at: <http://www.imprentanacional.gob.sv/index.php/institucion>. Also, it is recommended you visit: <http://osartec.gob.sv/>. The installation of standards drafting committees is announced in newspapers for interested parties to participate.

Labeling and Marking

Please see above section "Labeling and Marking Requirement".

Detailed labeling requirements for pharmaceuticals can be found at: <http://www.medicamentos.gob.sv/>. For other products, please visit: http://www.defensoria.gob.sv/index.php?option=com_content&view=article&id=468:normas-salvadorenas-obligatorias-nso&catid=119.

Contacts

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Consejo Nacional de Calidad
Tels. (503) 2590-5300
<http://www.cnc.gob.sv/>

Organismo Salvadoreño de Normalización (OSN):
Tel: (503) 2247-5321
www.osn.gob.sv

Organismo Salvadoreño de Reglamentación Técnica (ORSATEC)
Tel. (503) 2247-5331
www.orsatec.gob.sv

Organismo Salvadoreño de Acreditación (OSA)
Address: 1 Calle Poniente, Final 41 Av. Norte #18.
San Salvador, El Salvador
Tel. (503) 2247-5300
www.osa.gob.sv

Dirección Nacional de Medicamentos
República de El Salvador, C. A
Edificio DNM Nivel 4 y 5 Ciudad Merliot, Santa Tecla, La Libertad
Tel: (503) 2247-6000
<http://www.medicamentos.gob.sv/>

Trade Agreements

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In 1995, El Salvador joined the World Trade Organization. On March 1, 2006, the U.S. Central America-Dominican Republic Free Trade Agreement (CAFTA-DR) entered into force between El Salvador and the United States. Approximately 80% of U.S. industrial and commercial goods now enter El Salvador duty-free, with the remaining tariffs on these goods phased out over 10 years. For more information, see the CAFTA-DR Final Text at <http://www.ustr.gov/trade-agreements/free-trade-agreements/cafta-dr-dominican-republic-central-america-fta/final-text>

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

In 1999, El Salvador, together with Guatemala, Honduras, and Nicaragua, signed free trade agreements with the Dominican Republic and Chile. In 2002, the region concluded agreements with Panama and Mexico. In 2007, El Salvador and Honduras signed a Free Trade Agreement with Taiwan, and the Northern Triangle (El Salvador, Guatemala,

and Honduras), signed a Free Trade Agreement with Colombia. In 2010, Central America signed an Association Agreement with the European Union that includes the establishment of a Free Trade Area; the agreement entered into force in August 2013. Central America also negotiated a FTA with Mexico which entered into force in December 2011. The Central American countries are negotiating a free trade agreement with Canada and Peru. El Salvador signed a partial scope agreement with Cuba in 2011 that entered into force in 2012. El Salvador is also negotiating trade agreements with Belize and Ecuador.

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

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

Contact information for the TCC:

Trade Compliance Center
Market Access and Compliance/ITA
U.S. Department of Commerce
14th and Constitution Avenue, NW
Washington, DC 20230
Tel: 202-482-1191
Fax: 202-482-6097
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Web Resources

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Central America Economic Integration System (SIECA): <http://www.sieca.int>
National Quality Council: <http://www.cnc.gob.sv/>
Salvadoran Standards Organism: www.osn.gob.sv
Salvadoran Organism of Technical Regulations: www.orsatec.gob.sv
Accreditation Salvadoran Organism: www.osa.gob.sv
National Directorate of Medicines: <http://www.medicamentos.gob.sv/>

National Institute of Standards and Technology (NIST): <http://www.nist.gov/notifyus/>
Ministry of Economy: <http://www.minec.gob.sv>
Organization of American States: http://www.sice.oas.org/news_s.asp
CAFTA-DR: <http://www.export.gov/FTA/cafta-dr/>
Customs Authority: <http://www.mh.gob.sv/portal/page/portal/PMH/Institucion/Aduana>
U.S. Trade Compliance Center (TCC): <http://tcc.export.gov>
El Salvador Official Journal: <http://www.imprentanacional.gob.sv>

Chapter 6: Investment Climate

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Openness to Foreign Investment

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El Salvador is eager to attract greater foreign investment and is taking steps to improve its investment climate. The Central Bank of El Salvador reported that foreign direct investment (FDI) reached just \$140.0 million in 2013, a 71 percent decline from the \$481.9 million received in 2012. Meanwhile, El Salvador's regional neighbors have experienced generally increasing levels of FDI in recent years, attracting on average more than \$1.4 billion per country in 2013.

Political uncertainty, inconsistent and burdensome commercial regulations, a sometimes ineffective judicial system, and widespread violent crime undermine El Salvador's investment climate. CAFTA-DR, the free trade agreement among Central American countries, the Dominican Republic, and the United States, includes an investment chapter and other provisions that have strengthened investment dispute resolution for member state companies with interests in El Salvador.

In 2011, El Salvador and the United States initiated the Partnership for Growth (PFG), a new cooperative development model that aligns complementary commitments by both governments. November 2013 marked the second anniversary of PFG implementation, and the partnership has taken steps to foster a more favorable environment for business and investment, and improve human capital and infrastructure. For more information on PFG, please access the link on the Embassy's website at <http://sansalvador.usembassy.gov/>.

In October 2012, the Salvadoran government presented to the Legislative Assembly a package of legislation to promote investment and facilitate commerce. Some of these laws have been passed including reforms to the International Services Law and Free Trade Zone Law, and the Construction Simplification Law. Other key proposed legislation such as the Judicial Stability Law for Investments and Electronic Signature Law have not been passed.

In April 2014, the Legislative Assembly approved reforms to address shortcomings in the country's Public-Private Partnership (PPP) Law which was originally passed in May 2013. The law and associated reforms were designed to provide a legal framework for the development of PPP projects and create a more suitable environment for investment.

The existing 1999 Investment Law grants equal treatment to foreign and domestic investors. With the exception of micro businesses (ten or fewer employees and sales of less than \$68,571/year), foreign investors may freely establish businesses in El Salvador. Investors who begin operations with ten or fewer employees must present plans to increase employment to the Ministry of Economy's National Investment Office (ONI). The Investment Law also provides that underground resources (minerals) belong to the state. The state may grant concessions for their extraction, but there have been no new permits for mineral extraction in recent years. Per the constitution, rural property cannot be acquired by foreigners from countries where Salvadorans do not enjoy the same right unless it is used for industrial purposes.

Additional statutes governing foreign investment in El Salvador include the Export Reactivation Law, the International Services Law, and Free Trade Zone Law. Other statutes establishing the basic legal framework for investment include the Public Private Partnership Law, Monetary Integration Law, Banking Law, Insurance Companies Law, Securities Market Law, Competition Law, Tourism Law, intellectual property laws, and special legislation governing privatizations and credit cards.

FDI inflows to El Salvador originate from across the globe, including from the United States, Panama, Mexico, Spain, Canada, Costa Rica, Guatemala, Germany, and Italy, and target a variety of sectors of the economy.

Aeronautics: For the past several years El Salvador has promoted itself as a promising logistics and transportation center and aeronautics cluster for the region. El Salvador's international airport is a hub for Colombian airline, Avianca, and home to an international commercial aircraft maintenance, repair and overhaul facility, Aeroman. The government is developing plans to modernize and expand El Salvador's international airport.

Banking: El Salvador's banking sector includes a high concentration of foreign ownership. Ten private sector banks (non-state owned) account for roughly 95 percent of the industry's loan portfolio, two state-owned banks hold about 4 percent, and seven cooperatives and savings and loans make up the rest.

TABLE 1: El Salvador's Lending Institutions (excluding Salvadoran cooperatives and savings and loans)

Ranking (based on outstanding loans)	Banking Institution	Ownership
1	Banco Agrícola, S.A.	Private, Colombian
2	Scotiabank El Salvador, S.A.	Private, Canadian
3	Banco Davivienda Salvadoreño, S. A.	Private, Colombian
4	Banco Citibank de El Salvador, S.A.	Private, United States
5	Banco de América Central, S.A.	Private, Colombian
6	Banco Promérica, S.A.	Private, Salvadoran
7	Banco Hipotecario de El Salvador, S.A.	State-owned, Salvadoran
8	Banco G&T Continental El Salvador, S.A.	Private, Guatemalan
9	Banco Procredit, S.A.	Private, Salvadoran
10	Banco de Fomento Agropecuario	State-owned, Salvadoran
11	Banco Industrial El Salvador, S.A.	Private, Guatemalan
12	Banco Azteca El Salvador, S.A.	Private, Mexican

Construction: The Construction Permit Simplification Law, approved by the Legislative Assembly in October 2013, reduces processing costs and waiting times for permits (environmental, public works, municipal offices, etc.) for real estate developers by providing a one-stop window for all processes and permits. It also establishes a time horizon by which the government entities must react to a permit application or the permit will be considered approved.

Energy: To address the country's high electricity costs and growing energy needs, El Salvador awarded a contract in December 2013 to a local consortium to build a 355 megawatt Liquefied Natural Gas (LNG) plant near the Port of Acajutla. This estimated \$1 billion project would increase the country's total energy generation capacity by 20 percent and, if completed on schedule, would be operational by 2018. In 2013, El Salvador launched two renewable energy solicitations for 15 megawatts and 100 megawatts of solar and wind projects to diversify its energy matrix and reduce the country's dependence on fuel oil. A major international energy company has an ongoing dispute with the Salvadoran government over its geothermal operations in El Salvador (see section "Competition from State Owned Enterprises").

Media and Telecommunications: Privatization and foreign investment have helped to modernize Salvadoran media and telecommunications. The only remaining restrictions for foreign investors are on free reception television and AM/FM radio broadcasting, where foreign ownership cannot exceed 49 percent of equity. There has been extensive growth in the cellular phone industry. In 2012, Mexican-owned America Móvil attempted to expand its operations by purchasing one of the five major service providers, but abandoned its bid after the Salvadoran anti-trust authority required it give up some of its existing spectrum. Additionally, El Salvador is making preliminary plans to switch to digital television.

Services: The January 2013 reforms to the International Services Law added industries eligible for special incentives: container repair and maintenance, technology equipment repair, elderly and convalescent care, telemedicine, and cinematography. The reforms also allow operation outside of designated service parks and free zones and provide additional incentives for existing firms that expand into new services. The call center industry has experienced particularly strong growth in El Salvador over the last several years. Currently, five of the country's top 25 employers (based on number of employees) are call centers. The government is also promoting other service sectors such as software design and animation, architectural design, and medical tourism.

Textiles, Apparel, and free trade zone activities: El Salvador's free trade zones host many international textile and apparel firms, including Fruit of the Loom and Hanesbrands. The February 2013 reforms to the Free Trade Zone Law made it compliant with World Trade Organization (WTO) regulations. The reforms eliminate permanent tax exemptions based on export performance and instead grant tax credits based on number of employees and investment levels.

TABLE 2: El Salvador's Economic Rankings

Measure	Year	Ranking / Score	Website Address
WEF Global Competitiveness	2013	97 out of 148	http://www3.weforum.org/docs/GCR2013-14/GCR_Rankings_2013-14.pdf
Transparency Int'l Corruption Index	2013	83 out of 177	http://cpi.transparency.org/cpi2013/results/
Heritage Foundation's Economic Freedom index	2014	59 out of 178	http://www.heritage.org/index/ranking
World Bank's Doing Business Report	2014	118 out of 189	http://www.doingbusiness.org/rankings

TABLE 2B – Scorecards: The Millennium Challenge Corporation, a U.S. Government entity charged with delivering development grants to countries that have demonstrated a commitment to reform, produced scorecards for countries with a 2012 per capita gross national income (GCI) of \$ 4,085 or less. A list of countries with MCC scorecards and links to those scorecards is available here: <http://www.mcc.gov/pages/selection/scorecards>. Details on each of the MCC's indicators and a guide to reading the scorecards are available here: <http://www.mcc.gov/documents/reports/reference-2013001142401-fy14-guide-to-the-indicators.pdf>.

Conversion and Transfer Policies

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There are no restrictions on transferring funds associated with investment out of the country. Foreign businesses can freely remit or reinvest profits, repatriate capital, and bring in capital for additional investment. The 1999 Investment Law allows unrestricted remittance of royalties and fees from the use of foreign patents, trademarks, technical assistance, and other services. Tax reforms introduced in 2011, however, levy a five

percent tax on national or foreign shareholders' profits. Moreover, shareholders domiciled in a state, country or territory with low or no taxes or that is considered a tax haven, will instead be subject to a tax of twenty-five percent.

The Monetary Integration Law dollarized El Salvador in 2001, and the U.S. dollar now freely circulates and can be used in all transactions. One objective of dollarization was to make El Salvador more attractive to foreign investors. U.S. dollars account for nearly all currency in circulation. Salvadoran banks, in accordance with the law, must keep all accounts in dollars. Dollarization is supported by family remittances -- almost all from the United States -- that totaled \$4 billion in 2013.

Expropriation and Compensation

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El Salvador's 1983 constitution allows the government to expropriate private property for reasons of public utility or social interest, and indemnification can take place either before or after the fact. There are no recent cases of expropriation. In 1980, a rural/agricultural land reform established that no single natural or legal person could own more than 245 hectares (605 acres) of land, and the government expropriated the land of some large landholders. While banks were nationalized in 1980, beginning in 1990 they were returned to private ownership. A 2003 amendment to the 1996 Electricity Law contains a provision that, while not authorizing expropriation, requires energy generating companies to obtain government approval before removing fixed capital from the country. According to the Salvadoran government, this provision is intended to prevent energy supply disruptions.

In 2009, the U.S. subsidiary of Pacific Rim, a Canadian mining company, filed an international arbitration proceeding against the Salvadoran government alleging various violations of the obligations in Chapter Ten of the CAFTA-DR. Pacific Rim (since purchased in November 2013 by OceanaGold Corporation headquartered in Australia) alleged that the Salvadoran government wrongfully refused to grant environmental permits for its mineral extraction projects. In June 2012, the CAFTA-DR claims were dismissed because the International Center for Settlement of Investment Disputes (ICSID) tribunal determined the U.S. subsidiary lacked substantial business activities in the United States to qualify as a party under CAFTA-DR. The tribunal found, however, that it did have jurisdiction to proceed on an evaluation of the merits of the firm's claims under Salvadoran investment law. The case is ongoing.

Dispute Settlement

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While foreign investors can seek redress of commercial disputes through Salvadoran courts, some investors have found the slow-moving domestic legal system to be costly and unproductive. The course of some cases has shown that the legal system is subject to manipulation by various interests, and final rulings are sometimes not enforced. Where possible, arbitration clauses, preferably with a foreign venue, should be included in commercial contracts as a means to resolve business disputes. Investors should make sure that all contracts are carefully drafted and that relationships with local firms are specifically defined. Some U.S. firms have been embroiled in legal disputes in recent years. In some cases, multinational firms asserted that a contract with a Salvadoran firm had either formally ended or never existed, but Salvadoran courts ruled that the contract remained in force. Local investment and commercial dispute resolution proceedings in El Salvador routinely last many years.

El Salvador's commercial law is based on the Commercial Code and the Code for Mercantile Processes. There is a mercantile court system for resolving commercial disputes, although parties have complained about its slow processes and erratic rulings, particularly at the Supreme Court level. The Commercial Code, Code of Mercantile Processes, and Banking Law contain sections that deal with bankruptcy but there is no separate bankruptcy law or court. In 2008, the Legislative Assembly passed several reforms to the Commercial Code and the Commerce Registry Law. The reforms were aimed to facilitate trade and investment by reducing the number of steps and requirements to register, develop, and close a business. As a result of the reforms, all documents and payments can be submitted electronically to the Commerce Registry.

Article 15 of the 1999 Investment Law was reformed in August 2013. As revised, the law limits the access of foreign investors originating from a country without a pre-existing trade agreement to international dispute resolution and may oblige them to use national courts. The rights of investors from CAFTA-DR countries appear to be protected under the trade agreement's dispute settlement procedures. Submissions to national dispute panels and panel hearings are open to the public, and interested parties have the opportunity to register their views. In addition, in 2002, the government approved a law that allowed private sector organizations to establish arbitration centers for the resolution of commercial disputes, including those involving foreign investors.

In 2009, El Salvador modified its arbitration law to allow parties to arbitration disputes the ability to appeal a ruling to the Salvadoran courts. Investors have complained that the modification dilutes the fundamental efficacy of arbitration as an alternative method of resolving disputes.

Performance Requirements and Incentives

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

The 1998 Free Trade Zone Law is designed to attract investment in a wide range of activities, although at present the vast majority of the businesses in export processing zones are clothing assembly plants. A Salvadoran partner is not needed to operate in a free trade zone, and some textile operations are completely foreign-owned.

The 1998 law established rules for export processing zones (free zones) and bonded areas. The free zones are outside the nation's customs jurisdiction while the bonded areas are within its jurisdiction but subject to special treatment. Local and foreign companies can establish themselves in a free zone to produce goods or services for export or to provide services linked to international trade. The regulations for the bonded areas are similar.

The February 2013 reforms to the Free Trade Zone Law made it compliant with World Trade Organization (WTO) regulations. The reforms eliminate permanent tax

exemptions based on export performance and instead grant tax credits based on number of employees and investment levels. Qualifying firms located in the free zones and bonded areas may enjoy the following benefits:

- a. Exemption from all duties and taxes on imports of raw materials and the machinery and equipment needed to produce for export;
- b. Exemption from taxes for fuels and lubricants used for producing exports if these are not domestically produced;
- c. Exemption from income tax, municipal taxes on company assets and property; the exemptions are for 15 years if the company is located in the metropolitan area of San Salvador and for 20 years if the company is located outside of the metropolitan area of San Salvador. After that, the user would still be able to obtain partial exemptions.
- d. Exemption from taxes on real estate transfers for the acquisition of goods to be employed in the authorized activity.

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

Under the 1990 Export Reactivation Law, firms were able to apply for tax rebates ("drawbacks") of six percent of the FOB value of manufactured or processed exports shipped outside the Central American Common Market area. This benefit was eliminated in 2011. However, later that same year the Salvadoran government approved new regulations to support producers. The regulations include a new form of "drawback," approved by the World Trade Organization (WTO), which consists of a refund of custom duties paid on imported inputs and intermediate goods exclusively used in the production of goods exported outside of the Central American region. The new regulations also include the creation of a Business Production Promotion Committee with the participation of the private and public sector to work on policies to strengthen the export sector, and the creation of an Export and Import Center. Since 2011, all import and export procedures are handled by the Export and Import Center. More information about the procedures can be found at: <https://www.centrex.gob.sv/>

The International Services Law, approved in 2007, establishes service parks and centers with incentives similar to those received by El Salvador's free trade zones. Service park developers may be exempted from income tax for 15 years, municipal taxes for ten years, and real estate transfer taxes. Service park administrators will be exempted from income tax for 15 years and from municipal taxes for ten years. Firms located in the service parks/service centers may receive the following permanent benefits:

- a. Tariff exemption for the import of capital goods, machinery, equipment, tools, supplies, accessories, furniture and other goods needed for the development of the service activities (goods and services such as food and beverages, tobacco products, alcoholic beverages, rental fees, home equipment and furniture, cleaning articles, luxury goods, transportation vehicles, and hotel services are not exempted from taxation);

- b. Full and indefinite exemption from income tax and municipal taxes on company assets.

Service firms operating under the existing Free Trade Zone Law are also covered. However, if the services are provided to the Salvadoran market, they cannot receive the benefits of the International Services Law.

The following services are covered under the International Services Law: international distribution, logistical international operations, call centers, information technology, research and development, marine vessels repair and maintenance, aircraft repair and maintenance, entrepreneurial processes (i.e., business process outsourcing), hospital-medical services, international financial services, container repair and maintenance, technology equipment repair, elderly and convalescent care, telemedicine, and cinematography postproduction services.

To qualify for benefits, businesses must invest at least \$150,000 during the first year of operations, including working capital and fixed assets, must hire no fewer than 10 permanent employees, and must have at least a one-year contract. For hospital/medical services, the minimum investment in fixed assets must be \$10 million if surgical services are provided or a minimum of \$3 million if surgical services are not provided. Hospital or medical services must be located outside of major metropolitan areas. The medical service must also be provided only to patients with insurance.

In 2005, the government approved a tourism law to spur investment in the sector. The law establishes fiscal incentives for those who invest a minimum of \$50,000 in tourism-related projects in El Salvador. Incentives include a ten-year income tax exemption and no duties on imports of capital and other goods, subject to some limitations. The investor also benefits from a five-year exemption from land acquisition taxes and a 50 percent break in municipal taxes. To take advantage of these incentives, the enterprise must contribute five percent of profits during the exemption period to a government-administered Tourism Promotion Fund.

Those who plan to live and work in El Salvador for an extended period will need to obtain temporary residency, which may be renewed periodically. Under Article 11 of the Investment Law, foreigners with investments equal to or more than 4,000 minimum monthly wages (\$969,600) have the right to receive Investor's Residence, permitting them to work and stay in the country. Such residency can be requested within 30 days after the investment has been registered. The residency permit covers the investor and his family and is issued for one year, subject to extension on a yearly basis.

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

U.S. companies have complained of variable customs valuations and inconsistent enforcement of both customs regulations and CAFTA-DR preferential treatment for goods coming from CAFTA-DR countries aside from the United States. While advances have been made to implement a fast-track system for shipments via express courier

companies, it has not been fully implemented. The clearance procedures for samples which arrive via express shipments are still an ongoing issue.

Right to Private Ownership and Establishment

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

Protection of Property Rights

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

In 2005, El Salvador revised several laws to comply with CAFTA-DR's provisions on intellectual property rights (IPR). The Intellectual Property Promotion and Protection Law (1993, revised in 2005), Law of Trademarks and Other Distinctive Signs (2002, revised in 2005), and Penal Code establish the legal framework to protect IPR. Investors can register trademarks, patents, copyrights, and other forms of intellectual property with the National Registry Center's Intellectual Property Office.

Reforms passed in 2005 extended the copyright term from 50 to 70 years. In 2008, the government enacted test data exclusivity regulations for pharmaceuticals and agrochemicals, which will be protected for 5 and 10 years respectively, and ratified an international agreement extending protection to satellite signals.

In March 2012, El Salvador passed a new Medicines Law to regulate the production, sale, and distribution of pharmaceuticals. The law created the National Directorate of Medicines to oversee implementation, including the drafting of new regulations and establishment of price controls on the sale of pharmaceuticals. The new regulations were published by the Directorate in December 2012.

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

Judiciary and regulatory enforcement continue to be the weakest pillars of intellectual property protection in El Salvador. A significant intellectual property rights case

continues to drag through the Salvadoran courts concerning a contractual dispute between McDonald's and an ex-franchisee involving trademark and copyright infringement. In October 2011, the Salvadoran Supreme Court upheld a previous award of \$24 million to the ex-franchisee. McDonald's continued appeals. In October 2012, the Supreme Court again decided in favor of the ex-franchiser and McDonald's paid an award, though further legal issues remain.

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

For additional information about treaty obligations and points of contact at local IP offices, please see WIPO's country profiles at <http://www.wipo.int/directory/en/>.

Embassy point of contact: office.sansalvador@trade.gov

Local lawyers list: <http://sansalvador.usembassy.gov/local-information/list-of-attorneys.html>

Transparency of Regulatory System

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The laws and regulations of El Salvador are relatively transparent and generally foster competition. However, the government does control the price of some goods and services, including electricity, liquid propane gas, gasoline, fares on public transport, and medicines. The government also directly subsidizes water services and sets the distribution-service tariff.

Bureaucratic procedures have improved in recent years and are relatively streamlined for foreign investors. Regulatory agencies, however, are often understaffed and inexperienced, especially when dealing with complex issues. New foreign investors should review the regulatory environment carefully.

The Superintendent of Electricity and Telecommunications (SIGET) oversees electricity rates, telecommunications, and distribution of electromagnetic frequencies.

In 2003, the government amended the 1996 Electricity Law with the intention of reducing volatility in the wholesale market and thereby stabilizing retail electricity prices and encouraging new investment. The new reforms to the law allowed SIGET to develop a cost-based pricing model for the electricity sector, which they introduced to the marketplace in 2011. The new system requires the adoption of additional long-term contracts and should alleviate various market distortions. The Salvadoran Government subsidizes consumers using up to 200 kWh monthly. The electricity subsidy costs the government upwards of \$185 million annually. Energy sector companies have warned that ever-changing subsidies and the government's inability to pay the subsidies in a timely manner have eroded the financial stability of the power sector and discouraged needed investment in new generation capacity.

The 2004 Competition Law defines a series of anticompetitive practices such as collusion to fix prices, limit production, and rig bids. Vertical arrangements, tying (conditioning the sale of one product on the sale of another), and exclusive dealing are also outlawed. Certain abuses of dominant market position are also prohibited, for example, creating barriers to entry by other firms, predatory pricing to drive out competitors, price discrimination and similar actions when intended to limit competition are illegal. The law created an autonomous Superintendent of Competition responsible for enforcing the law. The Superintendent of Competition's decisions, particularly against gasoline and energy companies, have resulted in a series of lawsuits filed against the El Salvadoran government.

El Salvador is a member of the U.N. Conference on Trade and Development's international network of transparent investment procedures: <http://elsalvador.eregulations.org/>. Foreign and national investors can find detailed information on administrative procedures applicable to investment and income generating operations including the number of steps, name and contact details of the entities and persons in charge of procedures, required documents and conditions, costs, processing time, and legal bases justifying the procedures.

Efficient Capital Markets and Portfolio Investment

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The Superintendent of the Financial System supervises individual and consolidated activities of banks and non-bank financial intermediaries, financial conglomerates, stock market participants, insurance companies, and pension fund administrators. Interest rates are determined by market forces and have decreased significantly since dollarization was implemented. Foreign investors may obtain credit in the local financial market under the same conditions as local investors. Accounting systems are generally consistent with international norms.

In February 2013, a new Usury Law entered into force to regulate interest rates on credit cards and loans provided by banking institutions, commercial establishments, stores, credit card issuers, pawnshops, cooperatives, credit unions, and private lenders. According to the legislation, the maximum interest rate for credit cards and loans would be 1.6 times the simple average effective rate established by the Central Bank.

El Salvador's banks are among the largest in Central America and many are owned by foreign financial institutions. The banking system is sound and generally well-managed and supervised. The banking system's total assets as of March 2014 totaled \$14.4 billion.

Under the 1999 Banking Law and amendments made in 2002, foreign banks are afforded national treatment and can offer the same services as Salvadoran banks. The law strengthened supervisory authorities and provided more transparent and secure operations for customers and banks. The law also established an FDIC-like autonomous institution to insure deposits, increased minimum capital reserve requirements, and sharply limited bank lending to shareholders and directors.

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

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

The 1994 Securities Market Law established the present framework for the Salvadoran securities exchange, which opened in 1992. The Salvadoran securities exchange has played an important role in past years in the privatization of state enterprises and more recently in securitizations and facilitating foreign portfolio investment. Stocks, government and private bonds, and other financial instruments are traded on the exchange, which is regulated by the Superintendent of the Financial System.

Foreigners may buy stocks, bonds, and other instruments sold on the exchange and may have their own securities listed, once approved by the Superintendent. Companies interested in listing must first register with the National Registry Center's Registry of Commerce.

Between 2012 and 2013, the exchange averaged daily trading volumes of about \$14.3 million. Government-regulated private pension funds, Salvadoran insurance companies, and local banks are the largest buyers on the Salvadoran securities exchange.

In 2007, the Legislative Assembly approved a Securitization Law. There have been a number of transactions worth between \$10 to 50 million executed under the Securitization Law and there are at least two firms authorized to underwrite securitizations.

Competition from State Owned Enterprises

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El Salvador has successfully liberalized many sectors where the government previously exerted monopoly control, effectively limiting most forms of direct competition from state-owned enterprises. While energy distribution was privatized in 1999, the Salvadoran Government maintains significant energy production facilities through state-owned Rio Lempa Executive Hydroelectric Commission (CEL), a significant producer of hydroelectric and geothermal energy.

La Geo, a joint venture between CEL and Italian-owned Enel Green Power, has exclusive geothermal rights in El Salvador. New investment in La Geo has been stunted by lengthy legal disputes between the Salvadoran government and Enel. While international arbitration proceedings have ruled in favor of Enel, the Salvadoran Supreme Court ruled in 2012 that the original geothermal concession to La Geo was unconstitutional. In April 2014, the Salvadoran Attorney General issued an order to freeze \$2 billion worth of assets belonging to the entities and individuals involved in the pending case surrounding La Geo, including Enel.

Alba Petroleos (AP) is a joint-venture between a consortium of mayors from the left-leaning Farabundo Marti National Liberation Front (FMLN) party and a subsidiary of Venezuela's state-owned oil company PDVSA. AP operates dozens of gasoline service stations across the country and has expanded into a number of other industries, including: energy production, food production, medicines, micro-lending, supermarket, bus transportation, and aviation. Because of its official relationship with the ruling FMLN party, critics have charged that AP receives preferential treatment from the government. Critics have also alleged that AP trade practices, including financial reporting, are non-transparent.

Corporate Social Responsibility

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The private sector in El Salvador, including several prominent U.S. companies, has embraced the concept of corporate social responsibility (CSR). There are a number of local foundations that promote CSR practices, entrepreneurial values, and philanthropic initiatives. El Salvador is also a member of international institutions such as Forum Empresa (an Alliance of CSR institutions in the Western Hemisphere), AccountAbility (UK), and the InterAmerican CSR Network. Businesses have created CSR programs in the workplace that provide education and training, transportation, lunch programs, and childcare. In addition, CSR programs have provided assistance to surrounding communities in areas such as health, education, senior housing, and HIV/AIDS awareness.

Political Violence

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El Salvador's 12-year civil war ended in 1992 upon the signing of peace accords. Former guerrilla groups organized themselves into the FMLN party, which has participated in elections since 1994. FMLN candidate Mauricio Funes won the presidential election in March 2009, marking the first transition of power to a left-wing party since the end of the civil war. The FMLN maintained the presidency in March 2014 after a narrow victory for Salvador Sánchez Cerén. In El Salvador, there has been no political violence aimed at foreign investors, their businesses, or their property.

Corruption

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Corruption, including bribery, raises the costs and risks of doing business. Corruption has a corrosive impact on both market opportunities overseas for U.S. companies and the broader business climate. It also deters international investment, stifles economic growth and development, distorts prices, and undermines the rule of law.

It is important for U.S. companies, irrespective of their size, to assess the business climate in the relevant market in which they will be operating or investing, and to have an effective compliance program or measures to prevent and detect corruption, including foreign bribery. U.S. individuals and firms operating or investing in foreign markets should take the time to become familiar with the relevant anticorruption laws of both the

foreign country and the United States in order to properly comply with them, and where appropriate, they should seek the advice of legal counsel.

The U.S. Government seeks to level the global playing field for U.S. businesses by encouraging other countries to take steps to criminalize their own companies' acts of corruption, including bribery of foreign public officials, by requiring them to uphold their obligations under relevant international conventions. A U.S. firm that believes a competitor is seeking to use bribery of a foreign public official to secure a contract should bring this to the attention of appropriate U.S. agencies, as noted below.

U.S. Foreign Corrupt Practices Act: In 1977, the United States enacted the Foreign Corrupt Practices Act (FCPA), which makes it unlawful for a U.S. person, and certain foreign issuers of securities, to make a corrupt payment to foreign public officials for the purpose of obtaining or retaining business for or with, or directing business to, any person. The FCPA also applies to foreign firms and persons who take any act in furtherance of such a corrupt payment while in the United States. For more detailed information on the FCPA, see the FCPA Lay-Person's Guide at: <http://www.justice.gov/criminal/fraud/fcpa/docs/lay-persons-guide.pdf>

Other Instruments: It is U.S. Government policy to promote good governance, including host country implementation and enforcement of anti-corruption laws and policies pursuant to their obligations under international agreements. Since enactment of the FCPA, the United States has been instrumental to the expansion of the international framework to fight corruption. Several significant components of this framework are the OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions (OECD Antibribery Convention), the United Nations Convention against Corruption (UN Convention), the Inter-American Convention against Corruption (OAS Convention), the Council of Europe Criminal and Civil Law Conventions, and a growing list of U.S. free trade agreements. This country is party to the UN Convention, and the OAS Convention, but generally all countries prohibit the bribery and solicitation of their public officials.

OECD Antibribery Convention: The OECD Antibribery Convention entered into force in February 1999. As of December 2009, there are 38 parties to the Convention including the United States (see <http://www.oecd.org/dataoecd/59/13/40272933.pdf>). Major exporters China, India, and Russia are not parties, although the U.S. Government strongly endorses their eventual accession to the Convention. The Convention obligates the Parties to criminalize bribery of foreign public officials in the conduct of international business. The United States meets its international obligations under the OECD Antibribery Convention through the U.S. FCPA. El Salvador is not a signatory of the OECD Convention.

UN Convention: The UN Anticorruption Convention entered into force on December 14, 2005, and there are 143 parties to it as of December 2009 (see <http://www.unodc.org/unodc/en/treaties/CAC/signatories.html>). The UN Convention is the first global comprehensive international anticorruption agreement. The UN Convention requires countries to establish criminal and other offences to cover a wide range of acts of corruption. The UN Convention goes beyond previous anticorruption instruments, covering a broad range of issues ranging from basic forms of corruption such as bribery and solicitation, embezzlement, trading in influence to the concealment and laundering of the proceeds of corruption. The Convention contains transnational

business bribery provisions that are functionally similar to those in the OECD Antibribery Convention and contains provisions on private sector auditing and books and records requirements. Other provisions address matters such as prevention, international cooperation, and asset recovery. El Salvador is a party to the UN Convention since July 1, 2004.

OAS Convention: In 1996, the Member States of the Organization of American States (OAS) adopted the first international anticorruption legal instrument, the Inter-American Convention against Corruption (OAS Convention), which entered into force in March 1997. The OAS Convention, among other things, establishes a set of preventive measures against corruption provides for the criminalization of certain acts of corruption, including transnational bribery and illicit enrichment, and contains a series of provisions to strengthen the cooperation between its States Parties in areas such as mutual legal assistance and technical cooperation. As of December 2009, the OAS Convention has 33 parties (see <http://www.oas.org/juridico/english/Sigs/b-58.html>) El Salvador is a signatory of the OAS Convention. On December 3, 2007, El Salvador appointed the Ministry of Foreign Affairs, through the Dirección General de Asuntos Jurídicos y Derechos Humanos, as central authority for the purposes of article XVIII of the Inter-American Convention against Corruption.

Council of Europe Criminal Law and Civil Law Conventions: Many European countries are parties to either the Council of Europe (CoE) Criminal Law Convention on Corruption, the Civil Law Convention, or both. The Criminal Law Convention requires criminalization of a wide range of national and transnational conduct, including bribery, money-laundering, and account offenses. It also incorporates provisions on liability of legal persons and witness protection. The Civil Law Convention includes provisions on compensation for damage relating to corrupt acts, whistleblower protection, and validity of contracts, inter alia. The Group of States against Corruption (GRECO) was established in 1999 by the CoE to monitor compliance with these and related anti-corruption standards. Currently, GRECO comprises 46 member States (45 European countries and the United States). As of December 2009, the Criminal Law Convention has 42 parties and the Civil Law Convention has 34 parties. El Salvador is not a party to the Council of Europe Conventions.

Free Trade Agreements: While it is U.S. Government policy to include anticorruption provisions in free trade agreements (FTAs) that it negotiates with its trading partners, the anticorruption provisions have evolved over time. The most recent FTAs negotiated now require trading partners to criminalize “active bribery” of public officials (offering bribes to any public official must be made a criminal offense, both domestically and trans-nationally) as well as domestic “passive bribery” (solicitation of a bribe by a domestic official). All U.S. FTAs may be found at the U.S. Trade Representative Website: <http://www.ustr.gov/trade-agreements/free-trade-agreements>. El Salvador has a free trade agreement (FTA) in place with the United States, the CAFTA-DR, which came into force on March 1, 2006.

Local Laws: U.S. firms should familiarize themselves with local anticorruption laws, and, where appropriate, seek legal counsel. While the U.S. Department of Commerce cannot provide legal advice on local laws, the Department’s U.S. and Foreign Commercial Service can provide assistance with navigating the host country’s legal system and obtaining a list of local legal counsel.

Assistance for U.S. Businesses: The U.S. Department of Commerce offers several services to aid U.S. businesses seeking to address business-related corruption issues. For example, the U.S. and Foreign Commercial Service can provide services that may assist U.S. companies in conducting their due diligence as part of the company's overarching compliance program when choosing business partners or agents overseas. The U.S. Foreign and Commercial Service can be reached directly through its offices in every major U.S. and foreign city, or through its Website at www.trade.gov/cs.

The Departments of Commerce and State provide worldwide support for qualified U.S. companies bidding on foreign government contracts through the Commerce Department's Advocacy Center and State's Office of Commercial and Business Affairs. Problems, including alleged corruption by foreign governments or competitors, encountered by U.S. companies in seeking such foreign business opportunities can be brought to the attention of appropriate U.S. government officials, including local embassy personnel and through the Department of Commerce Trade Compliance Center "Report A Trade Barrier" Website at tc.export.gov/Report_a_Barrier/index.asp.

Guidance on the U.S. FCPA: The Department of Justice's (DOJ) FCPA Opinion Procedure enables U.S. firms and individuals to request a statement of the Justice Department's present enforcement intentions under the anti-bribery provisions of the FCPA regarding any proposed business conduct. The details of the opinion procedure are available on DOJ's Fraud Section Website at www.justice.gov/criminal/fraud/fcpa. Although the Department of Commerce has no enforcement role with respect to the FCPA, it supplies general guidance to U.S. exporters who have questions about the FCPA and about international developments concerning the FCPA. For further information, see the Office of the Chief Counsel for International Counsel, U.S. Department of Commerce, Website, at http://www.ogc.doc.gov/trans_anti_bribery.html. More general information on the FCPA is available at the Websites listed below.

Exporters and investors should be aware that generally all countries prohibit the bribery of their public officials, and prohibit their officials from soliciting bribes under domestic laws. Most countries are required to criminalize such bribery and other acts of corruption by virtue of being parties to various international conventions discussed above.

U.S. individuals and firms operating or investing in El Salvador should take the time to become familiar with the relevant anticorruption laws in order to properly comply with them, and where appropriate, they should seek the advice of legal counsel. U.S. companies operating in El Salvador are subject to the U.S. Foreign Corrupt Practices Act.

Corruption can be a challenge to investment in El Salvador. El Salvador ranks 83 out of 177 countries in Transparency International's Corruption Perceptions 2013 Index. El Salvador has laws, regulations and penalties to combat corruption, but their effectiveness is inconsistent. Soliciting, offering, or accepting a bribe is a criminal act in El Salvador. The Attorney General has a special office, the Anticorruption and Complex Crimes Unit, which handles cases involving corruption by public officials and administrators. The Constitution also established the Court of Accounts that is charged with investigating public officials and entities and, when necessary, passing such cases to the Attorney General for prosecution. In 2005, the government issued a code of

ethics for the executive-branch employees, including administrative enforcement mechanisms, and it established an Ethics Tribunal in 2006.

The Legislative Assembly approved a new Transparency Law in 2011 in an effort to combat corruption and increase government accountability. In February 2013, President Funes appointed members to the Access to Information Institute as mandated by the law. The Institute's effectiveness, however, has not been demonstrated.

There have been some recent corruption scandals at the federal, legislative, and municipal levels. There have also been credible complaints of judicial corruption. El Salvador has an active, free press that reports on corruption.

El Salvador is not a signatory to the OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions. El Salvador is a signatory to the UN Anticorruption Convention and the Organization of American States' Inter-American Convention Against Corruption.

Anti-Corruption Resources

Some useful resources for individuals and companies regarding combating corruption in global markets include the following:

- Information about the U.S. Foreign Corrupt Practices Act (FCPA), including a "Lay-Person's Guide to the FCPA" is available at the U.S. Department of Justice's Website at: <http://www.justice.gov/criminal/fraud/fcpa>.
- Information about the OECD Antibribery Convention including links to national implementing legislation and country monitoring reports is available at: http://www.oecd.org/department/0,3355,en_2649_34859_1_1_1_1_1,00.html. See also new Antibribery Recommendation and Good Practice Guidance Annex for companies: <http://www.oecd.org/dataoecd/11/40/44176910.pdf>
- General information about anticorruption initiatives, such as the OECD Convention and the FCPA, including translations of the statute into several languages, is available at the Department of Commerce Office of the Chief Counsel for International Commerce Website: http://www.ogc.doc.gov/trans_anti_bribery.html.
- Transparency International (TI) publishes an annual Corruption Perceptions Index (CPI). The CPI measures the perceived level of public-sector corruption in 180 countries and territories around the world. The CPI is available at: http://www.transparency.org/policy_research/surveys_indices/cpi/2010. TI also publishes an annual *Global Corruption Report* which provides a systematic evaluation of the state of corruption around the world. It includes an in-depth analysis of a focal theme, a series of country reports that document major corruption related events and developments from all continents and an overview of the latest research findings on anti-corruption diagnostics and tools. See <http://www.transparency.org/publications/qcr>.

- The World Bank Institute publishes Worldwide Governance Indicators (WGI). These indicators assess six dimensions of governance in 212 countries, including Voice and Accountability, Political Stability and Absence of Violence, Government Effectiveness, Regulatory Quality, Rule of Law and Control of Corruption. See http://info.worldbank.org/governance/wgi/sc_country.asp. The World Bank Business Environment and Enterprise Performance Surveys may also be of interest and are available at: <http://go.worldbank.org/RQQXYJ6210>.
- The World Economic Forum publishes the *Global Enabling Trade Report*, which presents the rankings of the Enabling Trade Index, and includes an assessment of the transparency of border administration (focused on bribe payments and corruption) and a separate segment on corruption and the regulatory environment. See <http://www.weforum.org/s?s=enabling+trade+index>.
- Additional country information related to corruption can be found in the U.S. State Department's annual *Human Rights Report* available at <http://www.state.gov/g/drl/rls/hrrpt/>.
- Global Integrity, a nonprofit organization, publishes its annual *Global Integrity Report*, which provides indicators for 92 countries with respect to governance and anti-corruption. The report highlights the strengths and weaknesses of national level anti-corruption systems. The report is available at: <http://report.globalintegrity.org/>.

Bilateral Investment Agreements

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CAFTA-DR, the free trade agreement among Central American countries, the Dominican Republic, and the United States entered into force for the United States and El Salvador on March 1, 2006. CAFTA-DR's investment chapter provides protection to most categories of investment, including enterprises, debt, concessions, contract, and intellectual property. Under the agreement, U.S. investors enjoy, in almost all circumstances, the right to establish, acquire, and operate investments in El Salvador on an equal footing with local investors. Among the rights afforded to U.S. investors are due process protection and the right to receive a fair market value for property in the event of an expropriation. Investor rights are protected under CAFTA-DR by an effective, impartial procedure for dispute settlement that is fully transparent and open to the public.

In 2010, a new alcohol tax entered into force in El Salvador. U.S. industry has voiced concerns that the new tax discriminates against imported alcohol, in violation of El Salvador's CAFTA-DR and WTO obligations. The El Salvadoran government has not officially confirmed its position on whether the CAFTA-DR is a multilateral agreement versus a bilateral agreement with the United States. U.S. firms have raised concerns that El Salvador may not be adhering to its CAFTA-DR obligations regarding import treatment of goods from free trade zones in other Central American countries which appear to meet CAFTA-DR rules of origin requirements. In addition, the USG has raised CAFTA-DR procurement obligation concerns with respect to the Salvadoran government's corn and bean seed distribution program.

El Salvador also has free trade agreements with Mexico, Chile, Panama, Colombia, and Taiwan. All have entered into force with the exception of the FTA with Colombia which is expected to be activated soon. El Salvador, jointly with Costa Rica, Guatemala, Honduras, Nicaragua, and Panama, signed an Association Agreement with the European Union that includes the establishment of a Free Trade Area. The agreement includes a provision for Central American countries and Panama to get access to a wider range of EU development aid. The agreement was ratified on December 11, 2012 by the European Parliament and entered into force with El Salvador in August 2013. The five Central American Common Market countries, which include El Salvador, have an investment treaty among themselves.

The free trade agreements that El Salvador has with Mexico, Chile, and Panama include investment provisions. El Salvador is also negotiating trade agreements with Canada, Peru, and Belize that will contain investment provisions. The Salvadoran government signed a Partial Scope Agreement (PSA) with Cuba in 2011 and is negotiating another with Ecuador.

OPIC and Other Investment Insurance Programs

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

Labor

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In 2012, El Salvador had a labor force of approximately 2.6 million. While Salvadoran labor is regarded as hard working, general education and professional skill levels are low. According to many large employers, there is also a lack of middle management-level talent, which sometimes results in the necessity to transplant additional managers from abroad. Employers do not report labor-related difficulties in incorporating technology into their workplaces.

The constitution guarantees the right of employees in the private sector to organize into associations and unions. Employers are free to hire union or non-union labor. Closed shops are illegal. Labor law is generally in accordance with internationally recognized standards, but is not enforced consistently by government authorities. In 2011, several businesses expressed concerns about the government's application of labor laws, alleging a disregard of established legal procedures.

As of April 2014, there were 16 free trade zones operating in El Salvador. They host more than 200 companies operating in areas such as textiles, distribution, call centers, business process outsourcing, agribusiness, agriculture, electronics, and metallurgy. Owned primarily by Salvadoran, U.S., Taiwanese, and Korean investors, the firms employ a labor force of approximately 71,500. The section above on Performance Requirements and Incentives outlines the benefits available to investors in these zones.

TABLE 3: Key Macroeconomic Data, U.S. FDI in El Salvador

Economic Data	Year	Amount	Year	Amount	Source of data
GDP	Central Bank of El Salvador		International Monetary Fund		
El Salvador Gross Domestic Product (GDP) (<i>Millions U.S. Dollars</i>)	2013	24,259	2013	24,512	<ul style="list-style-type: none"> http://www.bcr.gob.sv/bcrsite/?cdr=23&lang=es http://www.imf.org/external/pubs/ft/weo/2014/01/weodata/weorept.aspx?sy=2009&ey=2013&scsm=1&ssd=1&sort=country&ds=.&br=1&pr1.x=52&pr1.y=7&c=253&s=NGDP&grp=0&a=
	2012	23,814	2012	23,864	
Foreign Direct Investment (Stock)	Central Bank of El Salvador		U.S. Bureau of Economic Analysis (BEA)		
U.S. FDI in El Salvador (<i>Millions U.S. Dollars, stock positions</i>)	2013	2,344	2013	pending release	<ul style="list-style-type: none"> http://www.bcr.gob.sv/bcrsite/?cdr=125&lang=es http://www.bea.gov/international/di1usdbal.htm
	2012	2,385	2012	2,697	
U.S. Inbound FDI Stock as % GDP	2013	9.7	2013	n/a	See above.

	2012	10	2012	11.3	
Foreign Direct Investment (Inflows)	Central Bank of El Salvador		United Nations Economic Commission for Latin America and the Caribbean (ECLAC)		
Total FDI inflows to El Salvador (Millions U.S. Dollars)	2013	140.1	2013	137.2	<ul style="list-style-type: none"> • http://www.bcr.gob.sv/bcrsite/?cdr=131&lang=es • http://interwp.cepal.org/sisgen/ConsultaIntegrada.asp?idIndicador=1824&idIoma=i
	2012	481.9	2012	483.6	
Total FDI inflows as % GDP	2013	0.6	2013	0.6	See above.
	2012	2.0	2012	2.0	

TABLE 4: Sources and Destination of FDI (stock)

2012 Direct Investment from/in Counterpart Economy Data (Stocks)					
From Top Five Sources/To Top Five Destinations (US Dollars, Millions)					
Inward Direct Investment			Outward Direct Investment		
Total Inward	8,635	100%	Total Outward	6	100%
United States	2,798	32%	Nicaragua	5	88%
Panama	2,465	29%	Guatemala	0	7%
Mexico	820	9%	Costa Rica	0	3%
Virgin Islands, British	493	6%	Honduras	0	2%
Spain	280	3%	United States	0	-1%
"0" reflects amounts rounded to +/- USD 500,000.					

Source: Direct data query from International Monetary Fund, <http://cds.imf.org>

Partial List of Major Foreign Investors

AES Corporation (USA) -- Electricity distribution
AIG (USA) -- Insurance
Alba Petroleos (Venezuela) -- Gas station, refinery, electricity generation
Avery Dennison (USA) -- Labeling and packaging
Bancolombia (Colombia) -- Banking
Bayer de El Salvador (German) -- Pharmaceutical processing, fertilizers
Decameron International (Colombia) -- Tourism/hotels
DELSUR (Colombia) -- Electricity distribution

Banco Davivienda -- formerly HSBC (Colombia) -- Banking
Citigroup (USA) -- Banking
Scotiabank (Canada) -- Banking
Digicel (Caribbean) -- Cellular telephone service
Duke Energy (USA) -- Thermal electricity generation plants
Elf (France) -- Propane gas
Cenergica (Israel) -- Owner/operator of the Nejapa power/generating plant
EMEL S.A. (Chilean/USA) -- Electricity distribution
Trafigura PUMA Energy(Netherlands) -- Gas stations/small refinery at Acajutla
America Movil (Mexico) -- Fixed and wireless telephone, retail
Fruit of the Loom (USA) -- Apparel assembly
Grupo Calvo (Spain) -- Tuna fishing/processing
Hanes Brand (USA) -- Apparel assembly
Holcim (Swiss) -- Cement
Intelfon (Panama/El Salvador) -- Telecommunications
International Paper (USA) -- Packaging
Lacoste (France) -- Textiles/apparel
Kimberly Clark de C.A. (USA) -- Paper production and distribution facility
Maseca (Mexico) -- Corn Milling
Max (Guatemala) -- Appliance retailing
Petenatti (Brazil) -- Textiles
PriceSmart (USA) -- Member discount store and supermarket
SABMiller (South Africa) -- Beer, sodas, and other beverages
Sara Lee Knit Products (USA) -- Apparel assembly
Sears (U.S. franchise acquired by a Mexican firm) -- Retail
Unopetrol El Salvador (Honduras) -- Oil refinery; Service stations/grocery markets
Stream (USA) -- Customer service/sales call center
Sykes (USA) -- Customer service/sales call center
Telefonica de España (Spain) -- Cellular telephone service
TIGO (USA/Luxembourg) -- Cellular telephone service, cable television, landline, and internet
Texaco Caribbean (USA) -- Fuel storage and lubricant blending, and service station/grocery markets
Unifi (USA) --Yarn
Unisola-Unilever (UK) -- Consumer products
WalMart (United States) -- Supermarkets

Contact Point at Post

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U.S. Embassy San Salvador

Address: Final Blvd. Santa Elena, Antiguo Cuscatlán, La Libertad, El Salvador

Email: webmasters@state.gov

Website: <http://sansalvador.usembassy.gov/index.html>

In addition, to reach the U.S. Foreign Commercial Service (FCS) Office directly, please contact FCS San Salvador via email at: office.sansalvador@trade.gov.

Chapter 7: Trade and Project Financing

- [How Do I Get Paid \(Methods of Payment\)](#)
- [How Does the Banking System Operate](#)
- [Foreign-Exchange Controls](#)
- [U.S. Banks and Local Correspondent Banks](#)
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How Do I Get Paid (Methods of Payment)

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The banking system offers many payment methods. For domestic transactions, open accounts are common, where the exporter ships the goods as soon as the order is received and then invoices the purchaser for payment within 30, 60, or 90 days. Letters of credit, legal documents between an importer and exporter, give the exporter confidence that the importer is able to pay for the goods while assuring the importer that payment will be made only after the terms outlined in the letter have been met. Local banks also offer standby letters of credit in which the issuing bank promises to pay a third party on behalf of a second. Cash against documents allow the buyer to assume the title for the goods being purchased upon paying the sale price in cash. A variant of this is the document against acceptance, where the shipping documents are held by the buyer's bank until the buyer has accepted (signed) the draft. Cash in advance is also common. Another common practice is factoring, whereby a company sells its account receivables to a financial institution, normally at a discounted rate; and then the buyer pays the financial institution. The Commercial Service discourages sending shipments without agreeing to payment terms in advance and receiving proper bank documents.

The following credit rating agencies operate in El Salvador:

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

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

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

GLOBAL VENTURE, S.A. DE C.V.

Calle Las Palmas, Pasaje 7, No. 130
Colonia San Benito, San Salvador, El Salvador, C.A.
Tel: (503) 2224-5701; Fax: (503) 2245-6173
Web Page: <http://www.globalventureratings.com/inicio.html>

PACIFIC CREDIT RATING, S.A. DE C.V.

Colonia Maquilishuat, Calle Jacarandas,
Pje. 11, Block J-4, Casa No. 2, San Salvador San Salvador, El Salvador, C.A.
Tel: (503) 2266-9470; Fax: (503) 2266-9470
Web Page: <http://www.ratingspcr.com>

DUN & BRADSTREET

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

How Does the Banking System Operate[Return to top](#)

The Financial System Supervisor (Superintendencia del Sistema Financiero, SSF) (<http://www.ssf.gob.sv/>), an independent regulatory agency, authorizes and supervises all financial institutions in El Salvador. In August 2011, the Financial System Supervisor was merged with the Stock Market, and the Pension Supervisor in order to create a single, independent regulatory agency which is headed by a Directive Council.

By law, all transactions carried out in Salvadoran banks must be denominated in U.S. dollars. Interest rates and fees are set by market conditions. Private banks, branches of foreign banks, state-owned banks, and credit unions are authorized to collect funds from the public. The banking industry is competitive due to the presence of foreign banks and the openness of the banking law.

U.S. banks interested in operating in El Salvador as private banks or as a branch should be familiar with Salvadoran banking law, norms and regulations available at: <http://www.ssf.gob.sv>

Commercial banking services in El Salvador are provided by 13 institutions: ten private banks, one branch of a foreign bank, and two state-owned banks. The leading private banks: Banco Agrícola S.A. (acquired by Bancolombia); Banco Citibank de El Salvador S.A. (former Banco Cuscatlán, and Banco Uno); Banco Davivienda Salvadoreño, S.A. (formerly HSBC); Scotiabank; and Banco de América Central; account for approximately 80% of the Salvadoran banking sector. Citibank N.A. Sucursal El Salvador is the only foreign bank with a branch in El Salvador. Banco Hipotecario and Banco de Fomento Agropecuario are government owned. In addition to the aforementioned, there are other financial institutions authorized to capture savings from the public, including five cooperative banks, and three credit and saving societies.

Banco Agrícola and Banco Citibank de El Salvador S.A. are the second and third largest banks in Central America. The largest bank in the region is Banco Nacional de Costa Rica, a state-owned bank, with no operations outside Costa Rica. Non-resident banks also lend without restriction to Salvadoran clients. Citibank is the only U.S. banking institution with full services in El Salvador.

Foreign-Exchange Controls

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

U.S. Banks and Local Correspondent Banks

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As correspondent banking relationships often change and the Salvadoran banking sector is subject to new regulations, please consult directly with each bank for the latest information:

Banco Agrícola S.A. (Acquired by Grupo Bancolombia)

Lic. Rafael Barraza Domínguez, President
Blvd. Constitución No. 100 y 1a. Calle Pte., Plaza Las Américas
San Salvador, El Salvador, C.A.
Tel: (503) 2267-5900; Fax: (503) 2267-5920
Web Page: <http://www.bancoagricola.com>
Wachovia Bank, NA
New York Standard Chartered Bank, N.Y.
Bank of America, San Francisco, California
Citibank N.A., New York
JPMorgan Chase Bank, New York

Banco CITIBANK de El Salvador, S.A.

Ing. Juan Miró, Citigroup Country Officer
Edif. Pirámide Citibank, Km. 10, Carretera a Santa Tecla
Santa Tecla, La Libertad, El Salvador, C.A.
Tel. (503) 2212-3525, Fax (503) 2212-3013
Web Page: <http://www.citi.com.sv>

Banco Davivienda Salvadoreño, S.A.

Ing. Gerardo Simán Siri, Executive President
Centro Financiero Banco Davivienda Salvadoreño
Avenida Olímpica No. 3550 Apdo. Postal No.: (0673)
San Salvador, El Salvador, C.A.
Tel: (503) 2256-2000;
Web Page: <http://www.davivienda.com.sv/>

Banco G&T Continental El Salvador, S.A.

Lic. Roberto Silva, President and Manager
Torre 2, 4o. Nivel, World Trade Centre, 89 Av. Norte, Col. Escalón,
San Salvador, El Salvador, C.A.
Tel: (503) 2209-8277, Fax (503) 2298-5261
Web Page: <http://www.gytcontinental.com.sv>

Banco Promérica, S.A.

Lic. Eduardo Quevedo, President
Calle Chiltiupán, Centro Comercial La Gran Vía, Edif.
Banco Promérica, Ciudad Merliot, La Libertad, El Salvador, C.A.
Tel: (503) 2513-5015; Fax: (503) 2513-5105
Web Page: <https://www.promerica.com.sv/>
Wells Fargo, N.A, New York
Citibank, N.A., New York
Standard Chartered Bank, New York

Scotiabank El Salvador, S.A.

Lic. Carlos Mauricio Lomeli, President
25 Avenida Norte No.1230
San Salvador, El Salvador, C.A.
Apdo. Postal No. 237
Tel: (503) 2234-4806; Fax: (503) 2234-3434
Web Page: <http://www.scotiabank.com.sv>
Bank of New York, New York
Banco Centroamericano de Integración Económica
Bank of Nova Scotia, New York
Bank of Nova Scotia, Toronto
Banco Santander, S.A., New York
Commerzbank, A.G.
HSBC Bank USA,
N.A.
JPMorgan Chase Bank, N.A., New York
Wells Fargo Bank, N.A., San Francisco

Banco de América Central, S.A.

Lic. Raúl Ernesto Cardenal Debayle, President
Edif. Credomatic 55 Av. Sur y Alameda Roosevelt y Av. Olímpica
San Salvador, El Salvador, C.A.
Tel: (503) 2247-4453; Fax: (503) 2224-4138
Web Page: <http://www.bac.net/elsalvador/esp/banco>
BAC Florida Bank, USA
Banco Internacional de Costa Rica, Miami, FL
BPD Bank USA
CITIBANK NA, New York
Commerce Bank, Coral Gables, FL
Rabobank, New York
Cobank USA

Banco Procredit

Lic. Benedikt Gabriel Hoffman, General Manager
Blvd. Constitución y 1a. Calle Pte. No. 3538, Colonia Escalón
San Salvador, El Salvador, C.A.
Tel: (503) 2206-9000; Fax: (503) 2267-4511

Web Page: <http://www.bancoprocredit.com.sv>
Citibank NA, New York

Banco Azteca

Ing. Carlos Garza, President
65 Avenida Sur y Alameda Rossevelt, Edif E, Nivel 7
San Salvador, El Salvador, C.A.
Tel. (503) 2514-4504, Fax (503) 2514-4510
Web Page: <http://www.bancoazteca.com.sv>

Banco Industrial, S.A.

Lic. Juan Miguel Torrebiarte Lantzenorferr
Avenida Magnolias, Boulevard del Hipódromo, No. 144. Colonia San Benito
San Salvador, El Salvador, C.A.
Tel. (503) 2213-1717; Fax: (503) 2213-1771

Banco Hipotecario de El Salvador

Lic. Carlos Alberto Ortiz, President
Sucursal Senda Florida Sur, Colonia Escalón
San Salvador, El Salvador, C.A.
Tel: (503) 2250-7101; Fax: (503) 2298-0447
Web Page: <http://www.bancohipotecario.com.sv/>
Wells Fargo Bank
Citibank N.A.
Banco Latinoamericano de Comercio Exterior (Bladex)

Banco de Fomento Agropecuario

Lic. Nora Mercedes Miranda de López, President
Km. 10 ½ Carretera a La Libertad, Santa Tecla.
La Libertad, El Salvador C.A.
Tel: (503) 2241-0801, Fax (503) 2241-0815
Web Page: <http://www.bfa.gob.sv/>

BAC Florida Bank

Representative: Ms. Antonella de Fernández
Edif. Credomatic, Edif. D, 2º. Piso, 55 Av. Sur
San Salvador, El Salvador, C.A.
Tel: (503) 2206-4674, Fax: (503) 2206-4671
Web Page: <http://www.bacflorida.com/>

Inter-American Development Bank (IDB)

Rodrigo Parot, Representative for El Salvador
Edificio World Trade Center, 4o. Nivel Torre I
Calle El Mirador y 89 Av. Norte
Apartado Postal No. (01) 199
San Salvador, El Salvador, C.A.
Tel: (503) 2233-8900 (Ext. 8913), Fax: (503) 2233-8921
Web Page: <http://www.iadb.org/countries>

Central American Bank for Economic Integration (CABEI)

Lic. Guillermo Funes Cartagena, Director

Calle La Reforma No. 130. Colonia San Benito
San Salvador, El Salvador, C.A.
Tel: (503) 2267-6147; (503) 2267-6100; Fax: (503) 2267-6180
Web Page: <http://www.bcie.org/>

Banco de Desarrollo de El Salvador (BANDESAL)

Ing. Oscar Lindo, President
Torre II, Nivel 4, Edif World Trade Center
89 Av. Norte, Colonia Escalón
San Salvador, El Salvador. C.A.
Tel: (503) 2267-0100
<http://www.bandesal.gob.sv>

Project Financing

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Bank financing is readily available. Since dollarization in 2001, interest rates for deposits and for loans have dropped sharply, but are still several percentage points above U.S. levels. Banks offer 30-year mortgage loans. U.S. exports to El Salvador are usually financed by loans made by local banks to importers. Rates for loans to finance consumer goods imports average 6% for terms of less than a year. Intermediate goods are financed at even lower interest rates. Local banks offer a variety of letters of credit, sight drafts, and other methods of payment at competitive prices. Irrevocable letters of credit are recommended for any commercial transactions in El Salvador.

The **Foreign Agricultural Service (FAS) of the U.S. Department of Agriculture (USDA)** administers the Commodity Credit Corporation (CCC) Export Credit Guarantee Programs (GSM-102/103) for commercial financing of U.S. agricultural exports. Under these programs, the CCC does not provide financing, but guarantees payments due from foreign banks. Typically, 98% of principal and a portion of interest at an adjustable rate are covered. Two programs underwrite credit extended by the private banking sector in the U.S. or by the U.S. exporter to approved foreign banks using dollar-denominated, irrevocable letters of credit to pay for food and agricultural products sold to foreign buyers. The first, the Export Credit Guarantee Program (GSM-102) covers credit terms of up to three years. The second, the Intermediate Export Credit Guarantee Program (GSM-103) covers credit terms of up to 10 years. However, because payment is guaranteed, financial institutions in the United States can offer competitive credit terms to foreign banks, usually with interest rates based on the London Inter-Bank Offered Rate (LIBOR).

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

process, handle, store or transport agricultural products imported from the U.S. The FGP provides credit guarantees, financial devices that eliminate most of the risk of non-payment by foreign banks, to facilitate sales of manufactured goods and services: <http://www.fsa.usda.gov> .

The **U.S. Overseas Private Investment Corporation (OPIC)** provides medium to long-term financing in the form of investment guarantees and direct loans and loan guaranties to projects with at least 25% U.S. investor equity. In addition, it offers political risk insurance that protects against expropriation, political violence and inconvertibility. OPIC can participate in up to 50% of the total costs of a new venture but cannot exceed 75% of the total investment. OPIC support is available for new investments, privatizations, expansions and modernizations of existing plants. OPIC generally can insure an acquisition of an industrial, commercial or other self-sustaining enterprise, subject to a finding of positive developmental benefits. Insurance may be available for existing investments if the insurance is needed due to the unavailability or inadequacy of private insurance coverage. U.S. investors can register their overseas investment with OPIC (with no fee), leaving the door open to apply for political risk insurance at a future time. <http://www.opic.gov> .

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

The **U.S. Trade and Development Agency (USTDA)** facilitates partnerships between American companies and infrastructure and industrial project sponsors in Latin America through the funding of project planning assistance. The agency funds various forms of technical assistance, early investment analysis, training, orientation visits and business workshops that support the development of a modern infrastructure and a fair and open trading environment. These activities are designed to involve American companies on the "ground floor" of projects: <http://www.ustda.gov> .

The **Millennium Challenge Corporation (MCC)** and the Government of El Salvador on November 29, 2006, signed a five-year, \$461 million economic development Compact with El Salvador, which was completed in September 2012. This Compact has sought to stimulate economic growth and reduce poverty in the country's northern region through strategic investments in education, public services, enterprise development, and transportation infrastructure. In December 2011, the MCC Board of Directors approved El Salvador's eligibility to develop a proposal for a second compact for consideration. For most current information, companies are encouraged to consult the MCC

www.mcc.gov or contact the MCC's resident country mission in El Salvador at Tel: (503) 2501-2498.

The **U.S. Small Business Administration (SBA)** helps Americans start, build, and grow businesses through an extensive network of field offices and partnerships with public and private organizations. SBA's Export Working Capital Program (EWCP) loans are targeted to businesses that are able to generate export sales and need additional working capital to support these sales. The SBA Export Express program provides exporters and lenders a streamlined method to obtain SBA backed-financing for loans and lines of credit up to \$250,000. Lenders use their own credit decision process and loan documentation; exporters get access to their funds faster. The SBA provides an expedited eligibility review and provides a response in less than 24 hours:

<http://www.sba.gov/oit>.

The **Inter-American Development Bank (IDB)**, through the Development Bank of El Salvador, offers credit to support the development of the private sector, especially small and medium-sized enterprises. These credits to date have not been widely used due to the extensive paperwork required. Machinery and other capital goods exports to El Salvador may be financed at low rates and long terms through special credit lines offered by international financial institutions: <http://www.iadb.org>.

The **Financial System to Promote Development** began operating in January 2012 to offer credit to activities that do not have high profitability and that are not attractive to commercial banks. The system is administered by the Development Bank of El Salvador (BANDESAL) and the funds that it administers: Economic Development Fund (FDE), and Guarantee Salvadoran Fund (FSG). The initial capital is \$300 million. The bank will function both as a first-tier bank and as a second-tier bank. Interest rates may vary between 6% and 7%.

The **Central American Bank for Economic Integration (CABEI)** offers financial assistance to Central American governments for social, education, economic development, and health projects. The bank also offers credit lines (through a local private bank) to the private sector, including the micro-, small- and medium-sized enterprises. <http://www.bcie.org/english/index.php>.

Web Resources

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

Country Limitation Schedule: http://www.exim.gov/tools/country/country_limits.html

Overseas Private Investment Corporation (OPIC): <http://www.opic.gov>

Millennium Challenge Corporation: <http://www.mcc.gov/>

U.S. Trade and Development Agency: <http://www.ustda.gov/>

Small Business Administration (SBA) Office of International Trade:
<http://www.sba.gov/oit/>

USDA Commodity Credit Corporation:

<https://www.fsa.usda.gov/FSA/webapp?area=about&subject=landing&topic=sao-cc>

U.S. Agency for International Development: <http://www.usaid.gov>

Development Bank of El Salvador: <http://www.bandesal.gob.sv>

El Salvador's Financial System Superintendence: <http://www.ssf.gob.sv/>

Credit Rating Agencies registered in El Salvador:

<http://www.ssf.gob.sv/index.php/estados/688-rpcrl>

Salvadoran Banking Association: <http://www.abansa.org.sv/>

Chapter 8: Business Travel

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Business Customs

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

Business cards are used and it is important to exchange business cards, during a first meeting. It is helpful to have a supply of business cards printed in Spanish.

Breakfast meetings are common and begin around 7:30 a.m. Lunches and dinners can be lengthy (2-3 hours). Dinners starts late by U.S. standards, frequently at 8:00 p.m. Lunch is usually at 12:30 p.m.

Travel Advisory

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The Department of State warns U.S. citizens to exercise caution when traveling to El Salvador because of the high rate of crime. For most updated travel information please contact: Bureau of Consular Affairs, Office of Overseas Citizen Services (CA/OCS) at 1-888-407-4747, from overseas: (202) 501-4444, or the El Salvador Desk, U.S. Department of State, Phone: (202) 647-3505. The Department of State Bureau of Consular Affairs website is http://travel.state.gov/travel/cis_pa_tw/cis/cis_1109.html, offers e-mail safety information updates. Also, the Travel Advisory Service of the Department of State can provide information in recorded and fax form for any travel warnings on traveling to foreign countries. For recorded information contact Tel: (202) 647-5225. To receive a facsimile, call (202) 647-3732.

In case of emergency, the American Citizen Services (ACS) Unit in El Salvador is open every business day from 8:15 a.m. until 11:30 a.m. with the exception of **U.S.** and **Salvadoran holidays** and the **first Friday** of each month. If you need to contact for emergencies during normal business hours, please call the American Citizens Services (ACS) Unit by phone at (503) 2501-2628. From the United States you may also dial

(301) 985-8840 ext. 2628, regular toll charges apply.

For recorded information about ACS services, please dial (503) 2501-2600, e-mail at accsansal@state.gov or fax (503) 2278-6020 or (503) 2278-5522.

For After-hour Emergencies, you may call (503) 2501-2253. This phone number is ONLY for assistance in an emergency directly affecting a U.S. Citizen in El Salvador. Emergencies include death, arrest, missing persons, child abduction and lost or stolen lost passports.

The American Citizen Services (ACS) Unit does not handle visas or immigration information requests.

Visa Requirements

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A visa is not required for ordinary U.S. passport holders. The passport must be valid for at least six months. A tourist card, available for \$10.00, is issued at the airport. Official and diplomatic passport holders are exempt. For non-U.S. passport holders, please consult the following web page:

http://www.rree.gob.sv/index.php?option=com_content&view=article&id=91&Itemid=173

Visa requirements by country of origin can be found at:

http://www.rree.gob.sv/index.php?option=com_content&view=article&id=443&Itemid=176.

The departure fee is \$37.13. This is included in the airline ticket price. Travelers leaving by land do not pay exit taxes.

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

State Department Visa Website: http://travel.state.gov/visa/visa_1750.html

U.S. Embassy in El Salvador - Consular Section Website:

<http://sansalvador.usembassy.gov/visas.html>

Telecommunications

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The Electricity and Telecommunications Regulator (SIGET) reported that El Salvador has 949,682 fixed phone lines and 8,634,902 mobile phones. Direct dialing and fax facilities to most countries in the world are available. An estimated 282,666 people subscribed to Internet services. The postal service system does not meet the international standards; however there are many private courier services, such as DHL, FedEx and UPS operating in the market.

For the most current statistical information about the sector by categories be sure to obtain the latest report issued by the SIGET. The link follows:

http://www.siget.gob.sv/images/documentos/telecomunicaciones/Indicadores/2013_I_II_TRIMESTRE.pdf

Transportation

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U.S. airlines with international flights to El Salvador include: American Airlines, United Airlines, Delta, and Spirit. The Colombian airline AVIANCA has direct flights to and from main cities in the United States. Most hotels offer airport shuttle services for their guests, at rates ranging from \$25 - \$45 for a one-way trip. Visitors commonly drive rental cars and a U.S. driver's license is valid for 60 days. Taxicab services, normally provided within the perimeter of deluxe hotels, are reliable. Public transit bus service is not recommended. You may find a list of travel facilitation and car rental providers at <http://export.gov/elsalvador/businessserviceproviders/index.asp>

Language

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Spanish is the official language. English is spoken in business circles. Business travelers should hire a Spanish-speaking interpreter for meetings.

<http://export.gov/elsalvador/businessserviceproviders/index.asp>

Health

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Travelers can check the latest health information with the Centers for Disease Control and Prevention, 1600 Clifton Rd. Atlanta, GA 30333, USA. 800-CDC-INFO (800-232-4636) TTY: (888) 232-6348, 24 Hours/Every Day. The hotline at 877-FYI-TRIP (877-394-8747) and website at <http://www.cdc.gov/travel> give the most recent health advisories, immunization recommendations or requirements, and advice on food and drinking water safety for regions and countries. A booklet entitled Health Information for International Travel (HHS publication number CDC-95-8280) is available from the U.S. Government Printing Office, Washington, DC 20402, and Telephone: (202) 512-1800.

Following are some useful health hints while you are in El Salvador:

- Most well-known restaurants in El Salvador serve safe food and beverages, but lettuce, cabbage, and other uncooked ground vegetables should not be eaten, as there is a very high risk of bacterial dysentery and parasitic infection from these food items.
- As in any part of the world, common sense must prevail. Hot food should be eaten hot and cold food should be eaten cold.
- Meat, pork, and chicken should be well cooked.
- Bottled drinks are considered safe. Tap water is not potable. Commercially available water bottled in El Salvador from the Agua Cristal plant has been judged safe for consumption, however, be sure the heat-molded seal on the bottleneck has not been broken.

- All the reputable restaurants in El Salvador use ice made from bottled water and it is considered safe. Contrary to notices occasionally posted in some hotels, water from spigots and other non-bottled sources is not safe to drink.
- Insect repellent should be used liberally when outdoors. There has been a sharp rise in the occurrence of dengue fever in Central America.

Yellow Fever Immigration Requirement for El Salvador Entry/Exit

All Salvadorans or foreigners traveling to/from, the African continent, or certain countries in South America must show proof of vaccination against yellow fever. The vaccination must have occurred 10 days prior to the exit from, or entry to, El Salvador.

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

The government of El Salvador now requires all passengers coming from Panama to have a yellow-fever vaccination at least 10 days prior to entering the El Salvador.

The requirement does not affect travelers who are transiting El Salvador. The U.S. Embassy encourages all travelers to ensure they meet all immigration requirements before traveling. For further information on the requirement, please contact the Salvadoran Immigration Office:

Dirección General de Migración y Extranjería (DGME)

Centro de Gobierno. 9ª Calle Poniente / 15 Avenida Norte (Alameda Juan Pablo II)
Edificio Ministerio de Gobernación, San Salvador, El Salvador
Tel.: (503) 2526-3000.

Website: <http://www.seguridad.gob.sv>

E-mail: denuncias.migracion@seguridad.gob.sv

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

Ministerio de Salud

Calle Arce # 827, San Salvador, El Salvador

Tel.: (503) 2221-1001 or (503) 2205-7219

Website: <http://www.salud.gob.sv/>

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

Local Time, Business Hours, and Holidays

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Standard time zone: UTC/CMT –6 hours. No daylight savings time. For current time, go to: <http://www.timeanddate.com/worldclock/city.html?n=228>. Working hours in the private sector usually are from 8:00 am to 5:30 pm and in the government sector from 7:30 am to 3:30 pm.

Holidays observed in El Salvador:

January 1	New Year's Day
April 14-18*	Holy Week (Semana Santa)
May 1	Labor Day
June 17	Father's Day
August 3-6*	Feast of San Salvador (Agostinos)
September 15	Independence Day
November 2	All Soul's Day
December 25*	Christmas Day

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

Temporary Entry of Materials and Personal Belongings

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

Those who plan to live and work in El Salvador for an extended period will need to obtain temporary residency, renewed periodically depending on the amount of time granted in the residency permit. Under Article 11 of the Investment Law, foreign investors with investments equal to or more than 4,000 minimum monthly wages, have the right to receive "Investor's Residence" permitting them to work and stay in the country. Such residency can be requested within 30 days after the investment has been registered. The residency permit covers the investor and his family and is issued for one year, subject to extension on a yearly basis. There are few restrictions on the professional and technical jobs that can be held by foreigners.

American investors seeking permanent residence in El Salvador or interested in a multiple visa, should review requirements and fees at the Direction of Commerce and Investment (DCI) of the Ministry of Economy, website:

<http://servicios.minec.gob.sv/oni/html/proceso/tramitesMigratoriosEspanol.html>

You may also request information via e-mail from the Commercial Service in San Salvador at: office.sansalvador@trade.gov

Web Resources

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Ministry of Tourism in El Salvador (MITUR) and CORSATUR:

<http://www.elsalvador.travel/en>

Ministry of Foreign Relations: <http://www.rree.gob.sv>

Salvadoran Restaurants Association:

<http://www.restaurantesdeelsalvador.com/index.php>

Commerce and Investment Office/ Ministry of Economy:

<http://servicios.minec.gob.sv/oni/main.html>

Salvadoran Immigration Office: <http://www.seguridad.gob.sv>

Chapter 9: Contacts, Market Research, and Trade Events

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- [Market Research](#)
- [Trade Events](#)

Contacts

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U. S. Commercial Service San Salvador

Ms. Aileen Nandi, Regional Senior Commercial Officer
E-mail: aileen.nandi@trade.gov

Ms. Laura Gimenez, Commercial Officer
E-mail : laura.gimenez@trade.gov

Boulevard Santa Elena Sur,
Antiguo Cuscatlán, La Libertad, El Salvador
Tel: (503) 2501-2999 ext. 3211 or (503) 2501-3211; Fax: (503) 2501-3067
Web: <http://export.gov/elsalvador>

Global Markets – Washington D.C.

Mr. Mark Siegelman, Desk Officer
International Trade Administration (ITA)
U.S. Department of Commerce
1401 Constitution Ave NW
Washington, DC 20230
E-mail: mark.siegelman@trade.gov
Tel: (202) 482-0704; Fax: (202) 482-5865
Web: <http://www.trade.gov/mac>

Country Government Agencies

Ministry of Economy

Mr. Tharsis Salomon Lopez, Minister
Complejo Plan Maestro
Centro de Gobierno

San Salvador, El Salvador, C.A.
Tel: (503) 2590-5283; Fax: (503) 2590-5810
Web: <http://www.minec.gob.sv>

Ministry of Public Works

Mr. Gerson Martínez, Minister
Km. 5 Calle a Santa Tecla, Plantel DUA / La Lechuza
San Salvador, El Salvador, C.A.
Tel: (503) 2528-3085 / 02; Fax: (503) 2528-3065
Web: <http://www.mop.gob.sv>

Ministry of Finance

Mr. Carlos Enrique Cáceres Chávez, Minister
Edificio Los Cerezos
Blvd. Los Héroes
San Salvador, El Salvador, C.A.
Tel: (503) 2244-3002 / 03; Fax (503) 2225-7491
Web: <http://www.mh.gob.sv>

Ministry of Health

Ms. Elvia Violeta Menjivar, Minister
Calle Arce No. 827
San Salvador, El Salvador, C.A.
Tel: (503) 2222-8235; Fax: (503) 2221-0985
Web: <http://www.salud.gob.sv/>

Ministry of Agriculture & Livestock

Mr. Orestes Ortez, Minister
Final 1a Av. Norte y Av. Manuel Gallardo
Santa Tecla, La Libertad, El Salvador, C.A.
Tel: (503) 2210-1745 / 1700; Fax: (503) 2534-9850
Web: <http://www.mag.gob.sv>

Ministry of Environment

Mr. Lina Pohl, Minister
Kilómetro 5 ½ Carretera a Santa Tecla, Calle y Colonia Las Mercedes,
Edificio MARN (anexo al edificio ISTA) No. 2
San Salvador, El Salvador, C.A.
Tel: (503) 2132-9418/21; Fax: (503) 2132-9420
Web: <http://www.marn.gob.sv>

Ministry of Foreign Relations

Mr. Hugo Roger Martinez, Minister
Calle El Pedregal Blvd. Cancillería
500 metros al PTE. del Campus 2 de U Matías Delgado,
San Salvador, El Salvador, C.A.
Tel: (503) 2231-2929/03 2289-3633; Fax: (503) 2278-1025
Web: <http://www.rree.gob.sv>

Ministry of Governance

Mr. Ramon Aristides Valencia, Minister

Final 15 Av. NTE y 9a calle PTE. Centro de Gobierno
San Salvador, El Salvador, C.A.
Tel: (503) 2527-7984; Fax: (503) 2221-6387
Web: <http://www.gobernacion.gob.sv>

Ministry of Public Security and Justice

Mr. Benito Lara Fernandez, Minister
Complejo Plan Maestro Edif. B 1, 1a planta Centro de Gobierno
San Salvador, El Salvador, C.A.
Tel: (503) 2526-3083/4; Fax: (503) 2281-5959
Web: <http://www.seguridad.gob.sv>

Ministry of Tourism

Mr. José Napoleón Duarte Durán, Minister
Edificio Carbonell # 1 Col. Roma
Alameda Dr. Manuel Enrique Araujo y Pasaje Carbonell
San Salvador, El Salvador, C.A.
Tel: (503) 2243-7835; Fax: (503) 2223-6120
Web: <http://www.elsalvador.travel/en>

Ministry of Labor and Social Welfare

Mr. Sandra Guevara Perez, Minister
Alameda Juan Pablo II y 17 Avenida Norte, Plan Maestro Centro de Gobierno
San Salvador, El Salvador, C.A.
Tel: (503) 2529-3773; Fax: (503) 2529-3782
Web: <http://www.mtps.gob.sv/>

Ministry of Defense

General David Munguia Payes, Minister
Carretera a Santa Tecla Km 5 ½
San Salvador, El Salvador, C.A.
Tel: (503) 2250-0021; Fax: (503) 2298-2005
Web: <http://www.fuerzaarmada.gob.sv>

Ministry of Education

Mr. Carlos Mauricio Canjura, Minister
Alameda Juan Pablo II Edificios A 1, Plan Maestro, Centro de Gobierno
San Salvador, El Salvador, C.A.
Tel: (503) 2592-4022; Fax: (503) 2281-0257
Web: <http://www.mined.gob.sv/>

Civil Aviation Authority

Mr. Rene Roberto Lopez Morales, Executive Director
Aeropuerto de Ilopango
San Salvador, El Salvador, C.A.
Tel: (503) 2565-4404;
Web: <http://www.aac.gob.sv>

Vice Ministry of Transportation

Mr. Nelson Napoleón García Rodríguez, Vice Minister
Km 9.5 carretera al Puerto de La Libertad #100

Santa Tecla, El Salvador, C.A.
Tel: (503) 2133-3602; Fax: (503) 2133-3611
Web: www.vmt.gob.sv

Central Reserve Bank

Mrs. Oscar Ovidio Cabrera Melgar, President
Alameda Juan Pablo II y 17 Av. Norte
San Salvador, El Salvador, C.A.
Tel: (503) 2281-8402; Fax: (503) 2281-8401
Web: <http://www.bcr.gob.sv>

Comisión Ejecutiva Portuaria Autónoma (CEPA) (Port and Airport Administration)

Mr. Nelson Edgardo Vanegas Rodríguez, President
Boulevard Los Héroes, Edificio Torre Roble, Metrocentro
San Salvador, El Salvador, C.A.
Tel: (503) 2260-3320 Fax: (503) 2249-1380
Web: <http://www.cepa.gob.sv>

Comisión Ejecutiva Hidroeléctrica del Río Lempa (CEL)

(Hydroelectric Executive Commission)
Mr. David Antonio Lopez Villafuerte, President
9a Calle PTE. No. 950 Entre 15 y 17 Av. NTE. Centro de Gobierno
San Salvador, El Salvador, C.A.
Tel: (503) 2211-6011; Fax: (503) 2211-6232
Web: <http://www.cel.gob.sv>

Administración Nacional de Acueductos y Alcantarillados (ANDA)

(Water & Sewage Autonomous Administration)
Mr. Marco Antonio Fortín, President
Blvd. Del Hipódromo # 609 Col. San Benito
San Salvador, El Salvador, C.A.
Tel: (503) 2247-2574; Fax: (503) 2247-2571
Web: <http://www.anda.gob.sv/>

Dirección Nacional de Medicamentos (National Medicine Directorate)

Mr. José Vicente Coto, Director
Edificio DNM Nivel 4 y 5, Merliot
Santa Tecla, El Salvador, C.A.
Tel: 2247-6000 Fax: N/A
Web: <http://www.medicamentos.gob.sv/>

Agencia de Promoción de Inversiones y Exportaciones – PROESA

(National Investment & Export Promotion Agency)
Mr. Carlo Giovanni Berti Lungo, Acting Executive Director
Edificio D'Corá, Primer Nivel, Boulevard Orden de Malta,
Urb. Santa Elena, Antiguo Cuscatlán, La Libertad, El Salvador, C.A.
Tel: (503) 2241-6400; Fax: (503) 2241-6497
Web: <http://www.proesa.gob.sv/>

Defensoría del Consumidor (Consumer Protection Agency)

Mrs. Yanci Guadalupe Urbina González, President

Calle Circunvalación # 20, Plan de La Laguna
Antiguo Cuscatlán, La Libertad
El Salvador, C.A.
Tel: (503) 2526-9004
Web: <http://www.defensoria.gob.sv>

Country Trade Associations/Chambers of Commerce

American Chamber of Commerce of El Salvador (AMCHAM)

Mrs. Claudia de Ibáñez, President
Ms. Carmen Aida Muñoz, Executive Director
Edificio World Trade Center, Torre 2 Nivel 3
San Salvador, El Salvador, C.A.
Tel: (503) 2263-9494; Fax: (503) 2263-9393
Web: <http://www.amchamsal.com>

Asociación de Distribuidores de El Salvador (ADES)

(Distributors' Association of El Salvador)
Mr. Rodrigo Zablah, President
Plaza Suiza, 3ra. Planta, Local LC-5
San Salvador, El Salvador, C.A.
Tel: (503) 2223-6574; Fax: (503) 2245-3359
Web: <http://www.adess.org.sv>

Asociación Nacional de la Empresa Privada (ANEP)

(National Association for Private Enterprise)
Mr. Jorge Daboub, President
Boulevard del Hipódromo # 542 Col. San Benito
San Salvador, El Salvador, C.A.
Tel: (503) 2209-8300; Fax: (503) 2209-8317
Web: <http://www.anep.org.sv>

Asociación Salvadoreña de Distribuidores de Materiales de Construcción (ASDEMAC)

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

Asociación Salvadoreña de Empresarios del Transporte de Carga (ASETCA)

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

Asociación Salvadoreña de Industriales (ASI)

(Salvadoran Industrial Association)

Mr. Javier Simán, President

Calles Roma y Liverpool, Colonia Roma

San Salvador, El Salvador, C.A.

Tel: (503) 2279-2488; Fax: (503) 2267-9251

Web: <http://industriaelsalvador.com/>

Asociación Salvadoreña de Importadores de Repuestos Automotrices (ASIRA)

(Auto-Parts Importers Association)

Mr. David Ramón Canahuati, President

Condominio Monte María, Edif. C 1-1 1a C. PTE. # 2904

San Salvador, El Salvador, C.A.

Tel: (503) 2260-5327; Fax: (503) 2261-1803

Web: N/A

Cámara Agropecuaria y Agroindustria de El Salvador (CAMAGRO)

(Salvadoran Agriculture and Agribusiness Chamber)

Mr. José Agustín Martínez, President

Colonia Maquilishuat, Calle El Lirio # 19

San Salvador, El Salvador, C.A.

Tel: (503) 2264-4622/23/24; Fax: (503) 2263-9448

Web: <http://www.proamo.org/>

Cámara de Comercio e Industria de El Salvador

(Salvadoran Chamber of Commerce and Industry)

Mr. Luis Cardenal, President

9a. Avenida Norte y 5a. Calle Poniente

San Salvador, El Salvador, C.A.

Tel: (503) 2231-3000; Fax: (503) 2271-4461

Web: <http://www.camarasal.com/>

Cámara Salvadoreña de la Industria de la Construcción (CASALCO)

(Salvadoran Chamber of the Construction Industry)

Mr. Carlos José Guerrero, President

Paseo General Escalón No. 4834, Col. Escalón

San Salvador, El Salvador, C.A.

Tel: (503) 2510-1200; Fax: (503) 2510-1225

Web: <http://www.casalco.org.sv>

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

(Textile and Apparel Industry Chamber)

Mr. José Antonio Escobar, President

Edificio ASI, Tercera Planta

San Salvador, El Salvador, C.A.

Tel: (503) 2267-9243; Fax: (503) 2298-3508

Web: <http://www.camtex.com.sv>

Corporación de Exportadores de El Salvador (COEXPORT)

(Exporters Corporation)

Mr. Pablo Arturo Durán Castro, President
Av. La Capilla # 359 A Col. San Benito

San Salvador, El Salvador, C.A.

Tel: (503) 2212-0200; Fax: (503) 2243-3159

Web: <http://www.coexport.com.sv/>

Fundación Salvadoreña para el Desarrollo Económico y Social (FUSADES)

(Social and Economic Development Think Tank)

Mr. Francisco de Sola, President

Edificio FUSADES

Blvd. y Urb. Santa Elena

Antiguo Cuscatlán, La Libertad, El Salvador, C.A.

Tel: (503) 2278-3366; Fax: (503) 2278-3356

Web: <http://www.fusades.org/>

Fundación Empresarial para la Acción Social (FUNDEMÁS)

(Business Foundation for Social Action- CSR Organization)

Mrs. Elena María de Alfaro, President

Edificio FEPADE/ISEADE, Calle El Pedregal,

Antiguo Cuscatlán, La Libertad, El Salvador, C.A.

Tel: (503) 2212-1799; Fax: (503) 2212-1798

Web: <http://www.fundemas.org>

Market Research

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To view market research reports produced by the U.S. Commercial Service please go to the following website: <http://www.export.gov/mrktresearch/> and click on Country and Industry Market Reports.

Please note that these reports are only available to U.S. citizens and U.S. companies. Registration to the site is required, and is free.

Trade Events

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Please click on the links below for information on upcoming trade events.

U.S. and Foreign Countries: <http://export.gov/tradeevents/index.asp>

International Trade Fair and Convention Center in El Salvador (CIFCO):

<http://www.cifco.gob.sv>

Chapter 10: Guide to Our Services

The President's National Export Initiative aims to double exports over five years by marshaling Federal agencies to prepare U.S. companies to export successfully, connect them with trade opportunities and support them once they do have exporting opportunities.

The U.S. Commercial Service offers customized solutions to help U.S. exporters, particularly small and medium sized businesses, successfully expand exports to new markets. Our global network of trade specialists will work one-on-one with you through every step of the exporting process, helping you to:

- Target the best markets with our world-class research
- Promote your products and services to qualified buyers
- Meet the best distributors and agents for your products and services
- Overcome potential challenges or trade barriers
- Gain access to the full range of U.S. government trade promotion agencies and their services, including export training and potential trade financing sources

To learn more about U.S. government trade promotion resources for new and experienced exporters, please visit: <http://www.export.gov>.

For more information about services provided in El Salvador, see the following: <http://www.export.gov/elsalvador/servicesforu.s.companies/>.

The U.S. Commercial Service in Central America includes individual offices in Costa Rica, El Salvador, Guatemala and Honduras as well as State Department partner posts in Nicaragua and Belize. The Central America offices operate under the direction of the Regional Senior Commercial Officer in San Salvador, El Salvador. The Commercial Service offers regional options to expand exports in the Central America market. Commercial staff in each location can advise on export promotion services. For El Salvador, send inquiries to office.sansalvador@trade.gov.

For more information on market research, services and programs in Central America, please visit: <http://www.export.gov/centralamerica/>

U.S. exporters seeking general export information/assistance or country-specific commercial information can also contact the **U.S. Department of Commerce's Trade Information Center at (800) USA-TRAD(E)**.

To the best of our knowledge, the information contained in this report is accurate as of the date published. However, **The Department of Commerce** does not take responsibility for actions readers may take based on the information contained herein. Readers should always conduct their own due diligence before entering into business ventures or other commercial arrangements. **The Department of Commerce** can assist companies in these endeavors.

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