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Department of Commerce

U.S. Country Commercial Guides

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El Salvador

U.S. Department of Commerce | International Trade Administration

Table of Contents

Doing Business in El Salvador

Market Overview

The United States is El Salvador's main trading partner. In 2016, U.S. exports to El Salvador were $3.0 billion, a decrease of about 270 million from 2015. El Salvador's exports to the United States were $2.5 billion, in 2016, unchanged from 2015. A partial list of U.S. companies with market presence includes: AES Corp, American Airlines, Arrow Electronics, Caterpillar, Citi, Colite, Cisco, Coca-Cola, Crowley, Delta, FedEx, General Electric, General Motors, John Deer, Kimberly Clark, Kraft, Microsoft, PriceSmart, United, Walmart, Xerox, 3M, as well as dozens of U.S franchises.

U.S. companies exporting to El Salvador benefit from the Central America-Dominican Republic Free Trade Agreement (CAFTA-DR) with zero percent duties on U.S. consumer and industrial goods. CAFTA-DR entered into force eleven years ago and has contributed to the dramatic increases in the United States' bilateral trade with El Salvador and trade throughout the region. Also, El Salvador has a dollarized economy, which eliminates foreign exchange risk and lowers transaction and financial costs. Moreover, the proximity to the United States gives El Salvador a strategic location and elevates its position as a regional hub for Central America. Additionally, El Salvador is a highly receptive market for U.S. products and services.

El Salvador's economy is predominantly services-based. Agriculture accounts for about 10% of GDP and employs 21% of the population. Manufacturing and industry accounts for 25% of GDP and employs 20% of the population. The service sector accounts for almost 65% of the GDP and employs 58% of the population.

Politically, the country remains divided and will hold municipal and legislative elections in 2018 and Presidential elections in 2019.

El Salvador continues to receive strong support from the United States Government and international organizations. The Alliance for Prosperity is a joint effort of the Governments of El Salvador, Guatemala and Honduras to promote prosperity, security and good governance. The Government of the United States supports this effort. Each country provides funding and in-kind contributions towards this initiative.

Market Challenges

The Government of El Salvador (GOES) continues to struggle to attract foreign direct investment (FDI) in comparison to the rest of Central America. The most recent data from the Salvadoran Central Reserve Bank reported FDI inflows at $428.75 million in 2015, significantly less compared to the $1 billion average to other countries in the region. Leading causes contributing to the lack of FDI include the deteriorating security situation and inconsistency in enforcing commercial law. For 2017, the International Monetary Fund (IMF) forecasts a GDP growth rate of 2.4%. The business sector remains worried about the country's low growth rate and security situation.

Corruption remains a problem in El Salvador, which ranked 95 out of 168 in the 2016 Transparency International's Corruption Perceptions Index, which scores countries on their perceived levels of corruption. Soliciting, offering, or accepting a bribe are considered criminal acts and U.S. companies doing business in El Salvador are subject to the United States Foreign Corrupt Practices Act.

In terms of U.S. exports to El Salvador, market entry requirements for importing goods and services are often related to environmental controls, consumer protection, and controlled products. U.S. and local companies have complained about a growing number of customs and non-tariff barriers, including customs valuation and lack of consistency with customs rulings. Importing samples to El Salvador continues to be burdensome and a detrimental factor for growth in some industries.

El Salvador's procurement law calls for competitive contracts and applies to all Salvadoran public institutions. Nevertheless, a trend to favor no-bid contract or shortlist contracts is increasing.

Market Opportunities

Best prospects for U.S. exports based on trade statistics, market analysis and interest from U.S. companies include: pharmaceuticals, travel and tourism, automotive parts, packaging and food processing equipment, printing and graphics, safety and security equipment, and renewable energy.

Additionally, the GOES has identified nine growth sectors: specialized textiles and apparel, offshore business services, tourism, aeronautics, agro-industry, medical devices, footwear manufacturing, logistic and infrastructural networks, and healthcare services.

The Millennium Challenge Corporation's (MCC) second Compact of $277 million with the Government of El Salvador is playing a key role in improving the business climate, logistical infrastructure, and human capital. The Government of El Salvador is contributing an additional $88 million to the five-year compact for a total investment of $365 million in three interrelated projects. There are opportunities for U.S. companies to compete for these projects. For more information please see: The Millennium Challenge Corporation

Market Entry Strategy

Agent or Distributor

Appointing an agent or distributor is recommended for U.S. companies exporting to El Salvador. One agent is usually sufficient, since commercial activity is concentrated in the capital and the country's size does not justify regional agents.

Depending on the nature of the products/ services, some companies use a regional distributor/ agent for the Central American region. Once an agreement has been signed, U.S. companies should support their distributors and jointly develop strategic marketing campaigns that help establish and increase market share. Also, training the partner on the delivery of after-market service is critical for succeeding in El Salvador.

Franchising

Licensing and franchises are common business agreements used in El Salvador. Licensing is most commonly used for clothing brands. U.S. franchise concepts are common in many segments including: fitness, mailing and shipping, real estate, training, and travel. U.S. franchises for fast food and casual dining restaurants have been very successful.

Opening an Office

U.S. companies should seek legal guidance from a local attorney, preferably with in-depth knowledge of CAFTA-DR, to fully understand and take advantage of the Free Trade Agreement benefits, local laws and regulations related to taxation, customs and import procedures, local labor laws, and residence permits. According to the World Bank's Doing Business Report, El Salvador ranks 129 out of 189 in the starting a business category and it takes an average of 15.5 days in 2017.

The 1999 Investment Law grants equal treatment to foreign and domestic investors. The National Investment Office, Direccion Nacional de Inversiones (DNI), provides business and investment advice. The DNI administers incentives and facilitates business registration.

Personal relationships are key to a successful business partnership. U.S. companies must visit their potential partners and demonstrate long term commitment to the market. Before signing any contracts, U.S. firms must check the bona fides of potential partners.

Political Environment

Political Environment

State Department's Report on El Salvador's Political Environment

Selling US Products & Services

Using an Agent to Sell US Products and Services

The use of an agent or distributor is a proven market entry strategy for El Salvador. For most products and services, one agent for the country is sufficient as commercial activity is concentrated in San Salvador. An exclusive territorial contract is most recommended only when the business relationship has proven to be stable, professional, and profitable for both parties. U.S. companies must include

CAFTA-DR provisions when drafting distributorship agreements with Salvadoran companies. The full text of CAFTA-DR Chapter 11 (Cross-Border Trade in Services) can be found in the following website: CAFTA-DR Chapter 11.

U.S. companies should become familiar with Sections "B" and "C" of Chapter III, Title III of the Salvadoran Commercial Code, which regulates the agent and distributor relationship. According to Article 392, an agent, representative, or distributor is a natural or juridical person who, on a permanent basis and, with or without legal representation, and through a contract, is appointed by a principal to establish a representation or distribution agency for a specific product or service in the country. The representation or distribution agency may be exclusive or not, as 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 sales. A representative agent revealing confidential information is also grounds for termination.

If the principal should terminate, modify or not extend the representation, agency or distribution agreement 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.

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) or visit the Commercial Service San Salvador web page.

A local lawyer plays a critical role in providing in-depth local analyses of the legal requirements regarding contracts or agreements with local partners. A lawyer can also provide valuable insights for U.S. companies wishing to participate in government tenders. As company's legal representative, a lawyer can obtain bid documents. While the U.S. Commercial Service cannot recommend a specific law firm, it can provide a list of Business Service Providers in different areas who can assist companies.

Establishing an Office

The government of El Salvador's National Investment Office (ONI - Oficina Nacional de Inversiones) operates a near "one-stop" window to help foreign companies and individuals complete the requirements needed to obtain a license to establish a business in El Salvador, as 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 a lawyer to work with ONI is recommended as a way to help ensure that all steps are completed.

The Registry of Commerce Office in the National Registry Center (CNR-Centro Nacional de Registro), has created an "Integrated Services Window" so individuals can submit the requirements to open a business requested by the National Registry Center, Ministry of Finance, Ministry of Labor, and as Social Security Institute (ISSS) in one place.

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 minimum capital required for a business to begin operations is $2,000.

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 a municipal services clearance from the municipality where the company and its facilities are located and 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). Once the Registry of Commerce Office has issued the company's license, it must be published in a local newspaper.

Firms that sell or manufacture pharmaceuticals are required to obtain a permit from the National Directorate of Medicines (Direccion Nacional de Medicamentos – DNM). 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 are regulated by the Financial System Superintendency (Superintendencia del Sistema Financiero) and must register with this agency.

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

Franchising

El Salvador began adopting the franchise business model in late 1970s, when McDonald's and KFC entered the market. Since then the business environment for U.S. franchises has been favorable and Salvadoran consumers have shown clear preference for U.S. franchises over local or other international franchise concepts.

El Salvador is a small and competitive market and overall there are no significant challenges for U.S. franchise firms. There are about 100 local companies operating under international franchise business models. U.S. companies dominate with 75% market share and investment varies from low cost operations up to larger investments, such as hotels.

U.S. franchise systems operate successfully in many segments, including: hotels, car rentals, accounting, fitness, mailing and shipping, real estate, training, and travel. Fast-food franchises and casual dining restaurants have been the most successful, including: Starbucks Coffee Company, Taco Bell, Domino's Pizza, Red Mango, Denny's, Ruby Tuesday, Cold Stone Creamery, Olive Garden, and Smashburger.

There is no specific law or government agency that regulates franchise operations or contracts in El Salvador. CAFTA-DR enhanced protection for U.S. brands and trademarks, removed technical barriers for U.S. exports and provided alternative dispute resolutions for U.S. companies doing business in El Salvador.

Trademark laws meet international standards to protect trademarks and distinctive signs. To get full protection, the trademarks must be registered at the Intellectual Property Registry at the National Registry Center.

A highly publicized court case between a prominent U.S. franchisor and its former franchisee suggests that enforcement of franchise contracts in the courts can be difficult. Consequently, we urge franchisors to develop their business plan based on careful analysis of the business *bona fides* of their potential franchisees.

Direct Marketing

In El Salvador, direct marketing is widely used. Companies use catalogs, flyers and mailers but far less in comparison to the United States. Most often a marketing piece is inserted in newspaper or a magazine. Also, ads are placed in utility bills. Distributing flyers at busy street corners and parking lots is common. Telemarketing is aggressively used by the financial sector, particularly banks and credit card companies.

Digital direct marketing is in its nascent stage in El Salvador. Companies are just becoming comfortable using text messaging, social media (mainly Facebook), email, and blogs to reach Salvadoran consumers.

Joint Ventures/Licensing

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. This 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: Centro Nacional de Registros

Selling to the Government

El Salvador's government procurement and contracting system law is based primarily on international standards which covers contracts for works, supplies, consulting and leasing of real estate conducted by any government agency. Though a World Trade Organization 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 administer the bidding processes. UNOPS is the main procurement resource agency for the United Nations.

U.S. companies can participate through a local representative in procurement processes. The CAFTA-DR Government Procurement Chapter provides for transparency, competitiveness, and market access to U.S. suppliers. Please see CAFTA-DR Chapter 9.

The procurement process is decentralized; each government agency is responsible for promoting and awarding contracts. There is no electronic contracting platform, only an electronic notification system for companies registered online as providers at Comprasal, which is open to U.S. companies, regardless of whether the company has a local representative. Public announcements are made through print media and are posted are in the government procurement website.

Under Salvadoran law, local companies have preference for civil engineering and construction projects that are financed by the Government of El Salvador. However, this is not a major trade barrier since most large projects receive funds or loans from international financial institutions and are therefore open to international competition.

The Commercial Service maintains Commercial Liaison Offices in each of the main multilateral development banks, including the World Bank and the Inter-American Development Bank. These institutions lend billions of dollars to developing countries for projects aimed at accelerating economic growth and social development by reducing poverty and inequality, improving health and education, and advancing infrastructure development. The Commercial Liaison Offices help American businesses learn how to get involved in bank-funded projects, and advocate on behalf of American bidders. Learn more by contacting the Commercial Liaison Offices to the World Bank and the Inter-American Development Bank.

Distribution & Sales Channels

Well-known U.S. products are often imported via distributors and not directly from the manufacturer. However, a product may gain brand recognition before a formal supplier/distributor relationship is established. Owners of small stores often travel to the United States to purchase small quantities of products for resale, especially for used vehicles, auto parts, clothing, jewelry, cosmetics, and certain household goods.

Most containerized imports enter via Guatemala and Honduras and are then trucked to El Salvador. Little cargo enters through El Salvador's Pacific maritime Acajutla Port, which was built to manage bulk exports and imports. Air cargo enters via the international airport. Major distribution centers are located in free trade zones. Large distributors usually import consumer and non-consumer products and sell to wholesale distributors or directly to the retail stores. Large department stores and importers of machinery and raw materials buy directly from U.S manufacturers, consolidate shipments and then export to El Salvador.

El Salvador follows the international commercial terms (INCOTERMS) for drafting contracts to stipulate the obligations of buyer and seller. All the INCOTERMS that apply to sea and inland waterway transport are implemented and accepted, among them: Free Alongside Ship (FAS), Free on Board (FOB), Cost and Freight (CFR), Cost, Insurance and Freight (CIF), as well as those that apply to any mode of transport, Ex Works, Free Carriers, Carriage Paid to, Carriage and Insurance Paid to, Delivered at Terminal, Deliver at Place and Delivered Duty Paid.

Express Delivery

U.S. Express Delivery companies (Fedex, Transexpress, UPS) operate in the country, with daily arrivals and departures to and from El Salvador. DHL is also present in the market. Though couriers try to meet their service standards, customs procedures for express shipments are a burdensome process, which delays the release of goods and documents. Though there is a $200 *de minimis* on the value of the invoice, it's not taken into consideration to speed the release, affecting not only e-commerce, but also the release of samples.

Selling Factors & Techniques

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 practice for brand positioning. A 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. For more information or to request a meeting to discuss specific strategies, contact the U.S. Commercial Service El Salvador Office.SanSalvador@trade.gov.

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 2,300 members use e-mail, and about half now use the internet to promote their businesses. The American Chamber of Commerce has about 312 members and reports that all of its members have e-mail and 100% use the internet and social media to promote their business. Facebook is the market leader for social media and widely used by companies.

eCommerce

The Government of El Salvador continues to use the internet to convey 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 via the internet and companies can register their supply and demand of products and services.

The most current data from the International Telecommunication Union shows internet penetration of 38%, an increase of 78% from 2015. Penetration of wi-fi networks is also increasing and therefore access to internet in places like restaurants, malls, and schools is more common.

The Electronic Signature law was passed in 2015, which facilitates business and commerce through internet-based transactions. Per the legislation, the certified electronic signature is equivalent to an ink signature. The Ministry of Economy oversees the Electronic Signature Unit which regulates service providers that produce and store electronic certificates. As of now the law has not yet entered into force.

Trade Promotion & Advertising

Advertising in El Salvador is conducted through TV, radio, and newspapers, and it is estimated that 20% 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.

El Salvador has 47 television 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, Telecorporación Salvadoreña. There are 28 Ultra High Frequency (UHF) channels in lower bands with limited broadcasting range, some with national coverage links, such as Canal 19, Canal 21, and Canal 33. The main television channels are now transmitting their programing through the internet, targeting the audience of Salvadorans living abroad.

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

In terms of print 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 with 65% of the total circulation, followed by Diario El Mundo. Additionally, El Heraldo 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 and La Pagina are electronic newspapers. The American Chamber of Commerce, the Chamber of Commerce and Industry, as well as other trade organizations, circulate monthly magazines with paid advertising. Magazines with regional reach such as Estrategia y Negocios, El Economista Regional, SUMMA and Central America Today are preferred advertising vehicles for economic and business groups.

The International Convention and Fair Center of El Salvador 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 the biannual International Fair. The Construction Chamber, CASALCO, holds an exhibit every two years. The Salvadoran Agriculture Chamber (CAMAGRO) organizes the main agricultural products/and machinery trade show. In addition, The Salvadoran Association of Industry (ASI) organizes a local tradeshow to promote different industry sectors: a regional energy congress, providing space for exhibitors, technical briefings and business to business meetings.

Salvadoran companies travel frequently to trade shows in the United States to seek new products and business partners. For a list of U.S. trade shows supported by the U.S. Commercial Service in El Salvador visit U.S. trade shows in El Salvador.

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 U.S. exporters through every step of the exporting process. To learn more about U.S. government trade promotion resources for new and experienced exporters, please visit: U.S. trade promotion.

Pricing

In El Salvador, the government regulates prices for liquefied propane gas, public transportation, energy, and medicines. The government regulatory agency, the General Superintendence of Electricity and Telecommunications SIGET regulates electricity and telecommunications. Government ministries directly subsidize water services and establish the distribution service tariff. The Ministry of Economy and the Consumer Protection Office closely monitor retail gasoline and diesel, as well as basic food products prices.

For imported products, the price structure includes import duties and a 13% value-added tax (VAT). Import tariffs for non-CAFTA-DR goods can vary. For example, raw materials, import duties 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%. The tariffs only apply to products manufactured outside of the Central American Common Market and non-U.S products. A comparative chart of Central American import duties can be found at the Central American Economic Integration Secretariat website.

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:

CAFTA-DR

On services, a 20% withholding tax is applied to 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.

Sales Service/Customer Support

With an estimated 2.6 million Salvadorans residing in the United States, Salvadorans are familiar with U.S. products and like to receive U.S. level customer service. Sellers can gain an edge by offering good service and customer support. Consumers' and/or end users' 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 in 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.

Due Diligence

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 Equifax and TransUnion, also provide credit reports on Salvadoran firms.

Local Professional Services

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).

Principle Business Associations

There are several business associations in El Salvador that play an active role in advocating for rule of law, transparency, economic growth, trade, competitiveness and corporate social responsibility. Following is a partial list of the leading associations in El Salvador:

American Chamber of Commerce of El Salvador

Cámara Salvadoreña de Tecnologías de Información y Comunicaciones (CASATIC)
IT Chamber

Asociación de Distribuidores de El Salvador (ADES)
Distributors' Association of El Salvador

Asociación Nacional de la Empresa Privada (ANEP)
National Association for Private Enterprise

Asociación Salvadoreña de Industriales (ASI)
Salvadoran Industrial Association

Asociación Salvadoreña de Importadores de Repuestos Automotrices (ASIRA)
Auto-Parts Importers Association

Cámara de Comercio e Industria de El Salvador
Salvadoran Chamber of Commerce and Industry

Cámara Salvadoreña de la Industria de la Construcción (CASALCO)
Salvadoran Chamber of the Construction Industry

Cámara de la Industria Textil y Confección de El Salvador (CAMTEX)
Chamber of Textile and Apparel Industry

Corporación de Exportadores de El Salvador (COEXPORT)
Exporters Corporation

Limitations on Selling US Products and Services

There are no limitations on selling U.S. products and services in El Salvador. There are restrictions on land ownership. No single natural or legal person (Salvadoran or foreign) can own more than 245 hectares. Rural land cannot be owned by foreigners from countries where Salvadorans do not enjoy the same right. Land for industrial plants can be owned by foreign persons, if minority or partners are foreign and enterprise is organized under Salvadoran law. Foreign citizens and private companies can freely establish businesses in El Salvador.

Foreign-owned duty free commercial centers or establishments in El Salvador's seaports can operate as long as the majority of its capital is owned by Salvadorans and the enterprise is organized under Salvadoran law.

CAFTA-DR, Annex 1, Schedule of El Salvador contains obligations and measures related to cross-border services and investment in the following sectors: cooperative productions societies, air services, communication services – advertising and promotional series for radio and television, television and radio broadcasting services, performing arts, circuses, construction and related engineering services, public account and public auditing, health services, legal services (notary public), teachers, customs agents, energy, road transportation services and land transport. More information: CAFTA-DR

Web Resources

National Registry Center (CNR)

Consumer Protection Office

Central American Economic Integration Secretariat (SIECA)

ITC Development Index

Internet Users by Country

AmCham

Commercial Liaison Office to the World Bank

Commercial Liaison Office to the Inter-American Development Bank

Asociación de Distribuidores de El Salvador (ADES)

Asociación Nacional de la Empresa Privada (ANEP)

Asociación Salvadoreña de Industriales (ASI)

Commercial Service in El Salvador

CIFCO

Leading Sectors for US Exports & Investments

Best Prospect Overview

Agricultural Sector

Overview

In 2016, U.S. agriculture exports to El Salvador in the consumer-oriented product category reached a record high of $169.1 million (chocolates and cocoa products, snack foods, breakfast cereals, red meats, poultry meats, pork meat, processed foods, sauces and condiments, and processed fruits and vegetables), approximately 20% of the total market. The distribution of consumer-ready foods is carried out through a number of channels. Supermarkets, such as Walmart and local chain Super Selectos, 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 for 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 Associations (ADES). 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 Guatemalan 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 (household earning is $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.

Consumers are increasingly purchasing groceries 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. The supermarket industry is dominated by Walmart, Super Selectos and U.S. wholesaler PriceSmart.

Consumer-Oriented Products

Confectionary: Chocolates and Cocoa Products

Processed Foods: Processed Fruit and Vegetables, Breakfast Cereals, Pancake mixes, and Salad Dressings

Animal Feed: Pet Foods (Dog and Cat)

Wine: White Zinfandel

Tree Nuts: Peanuts, Almonds, Walnuts, Mixed nuts

Dairy Products: Aged Cheese, Processed Cheese, Whey Protein

Fruit and Vegetables: Apples, Grapes, Stone Fruit (peaches, plums, cherries)

Meats: Pork Cuts for Hotel/Restaurant/Institutional (HRI) and Retail, Beef Cuts for HRI and Retail, Mechanically Deboned Poultry Meat (for sausage manufacturing), Meat, Sausages, 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 United States and annually remit approximately $4.3 billion to relatives in El Salvador, which represents 17% of GDP. 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 increasing 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. Households are continuously searching for convenience in food preparation. The affluent segment of the population is being served by boutique style supermarkets such as the Super Selectos store opened in the upscale Santa Elena neighborhood and in middle-upper Santa Rosa, both in the Greater San Salvador Metropolitan area. A younger generation joining the labor force is providing growth to retail consumption.

Web Resources

[FAS website]

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

Wheat

Overview

Most of the wheat processed by Salvadoran mills comes from the United States, which accounts for almost 100 % of total imports, although some Canadian wheat is imported when price is competitive for local wheat millers. Annual imports of U.S. wheat range from 230,000 to 295,000 metric tons. In 2015, U.S. wheat imports reached $41.6 million.

Best Products

Bulk Wheat – DNS, SRW and HRW varieties

Opportunities

Bakery consumption continues to increase, mainly due to the growth of fresh bakery centers in all major supermarket chains. Convention tourism is also helping boost consumption of bakery products at hotels due to the increase in business events. In addition, a high growth of coffee bars that serve desserts is helping to boost the growth of bakery product consumption.

Bakery manufacturers continue to be optimistic about free trade and believe that the Central America – Dominican Republic – United States Free Trade Agreement (CAFTA-DR) is providing growth opportunities. Ethnic bakery products, especially sweet cookies and cheese quesadillas, exported to the United States are growing due to the high demand for these products by the Salvadoran community residing in the United States.

U.S wheat has no tariffs or quotas due to the benefit of free trade under CAFTA-DR.

Web Resources

[FAS Website]

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

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 113,000 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 U.S. and South American 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).

Members of the Salvadoran Rice Millers Association (ASALBAR) are the distributors of both imported and locally processed rice. ASALBAR continues working with the U.S. Rice Producers Association on a marketing campaign to increase local consumption of U.S. rice through the USDA Market Access Program (MAP).

Best Products

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.

Web Resources

FAS Website

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

Corn

Overview

El Salvador is 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 account for 90% of local demand, estimated at 470,000 metric tons for the 2016-17 crop year.

Best Products

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

Opportunities

Snack food production is at the top of the list in the food processing sector. Yellow corn is a main ingredient in the snack manufacturing process. Products such as corn chips, salted peanuts, cheese puffs and party mixes are some of the most popular items in the local snack sector. The DIANA and Bocadeli snack brands produced in El Salvador offer respectable quality for the price, and have roughly 75% of the snack market. In addition, DIANA is the largest snack producer in Central America and is already exporting products such as corn chips and nacho tortillas 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 year 2021.

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.

In 2015, local corn production was severely affected by a drought caused by the El Niño phenomenon. It is expected that the drought could repeat in 2017 causing a reduction to local production, creating opportunity for imported yellow and white corn.

Web Resources

FAS Website

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

Soybeans

Overview

El Salvador does not produce soybean meal; thus, the total demand estimated at 173,000 metric tons in the 2015-2016 marketing year 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 2016, soybean meal imports reached $74.1 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

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 U.S. soybean meal with no tariffs or quotas.

Web Resources

FAS Website

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

Travel and Tourism

Overview

	2015	2016*	2017	2018
Salvadoran Travelers to the United States	170,382	Figures will be released in June 2017	N/A	N/A

Source: U.S. Department of Commerce, ITA, Office of Travel & Tourism Industries (OTTI);
*Statistics Figures: As of December 2015

The number of Salvadoran visitors to the United States has steadily increased in the last few years, according to the U.S. Department of Commerce, Office of Travel & Tourism Office Industries. In 2015, Central America reported 1,068,099 visitors to the United States. As of December 2015; 170,382 Salvadorans had visited the United States, an increase of 34.9% (compared to the same period in 2014), the highest growth in the region followed by Belize (17.8%), and Nicaragua (14.0%).

States like California, Washington D.C., Maryland, Virginia, and Texas are common destinations due to the large Salvadoran communities in those cities. States like Florida, New York, Illinois, and Nevada are visited for leisure and business purposes. The most common activities for Salvadorans visiting the United States are amusement parks, sightseeing in cities, dining in restaurants, visiting museums, and shopping. Peak season for Salvadorans traveling to the U.S. are Easter week, San Salvador Feasts (first week of August), and Christmas. El Salvador is among the top 50 countries with the most international visitors going to the United States.

Several U.S. carriers have been flying to El Salvador for over 25 years and have continued to invest and demonstrate a long term commitment to this market. American Airlines, United, and Delta Airlines offer daily flights to gateway cities and connections to the rest of the United States. These airlines fly directly to Miami, Dallas, Houston, Los Angeles, and Atlanta. Spirit offers direct flights to Fort Lauderdale and Houston.

Competition for U.S. carriers is significant, particularly from Avianca, a Colombian airline, which is the market leader, offering eight ports of entry to the United States: Miami, San Francisco, Los Angeles, Houston, Dallas, Washington D.C. (Dulles), New York (JFK), and Chicago. Also, Aeromexico (Mexico), and Copa Airlines (Panama) offer connections to different U.S. cities through their hubs in Mexico City and Panama respectively.

El Salvador is Avianca's hub in Central America, increasing the number of passengers traveling through El Salvador's International Airport. CEPA, the government agency responsible for operating the airport, has a modernization project under construction to improve the airport facilities. Over 2 million passengers travel through the airport each year.

In El Salvador, there are approximately 12 wholesale operators (issuer and receptive), of which 4 have a strong emphasis in promoting travel to the United States. Due to the size of the market, the main wholesale operators also manage their own travel agencies for retail purposes. In 2008, the Salvadoran Authorized Travel Agencies Association (AVA) was created to bring together all the travel agencies authorized by International Air Transportation Association (IATA) IATA; there are approximately 28 members in AVA. However, since there is no law that regulates the establishment of a travel agency in the market, tour operators estimate that there are a total of 200 agencies in the market (the majority micro to small size companies).

Wholesale operators are the main distribution channel in the market; it is key to establish a close relationship, offer new travel products, high level of service, and provide marketing material (preferably in Spanish) to increase sales. Although internet access is available, printed material (brochures, magazines, travel guides, maps, and press kits) is still preferred by travel agents and travelers.

Social media is starting to play an important role to engage and connect with clients. The use of Facebook as a promoting tool is a new trend among travel agencies, who use the platform to promote cheap tickets, tour packages, and contests; in order to increase their sales.

Sub-Sector Best Prospects

- Shopping
- Theme Parks/Amusement
- National Parks/Monuments
- Entertainment and cultural activities: sports events, music concerts, museums

Opportunities

The U.S. Commercial Service in San Salvador actively promotes the United States as a tourism destination. Recent activities include: recruiting delegations to travel and tourism trade events such as IPW (formally known as International Pow Wow) and the Go West Summit, supporting local tourism operators with their promotion activities of U.S. destinations, providing destination presentations, organizing familiarization trips to the United States, and facilitating communication with U.S. destinations, attractions, and service suppliers. In addition, the U.S. Commercial Service coordinates education seminars to travel agencies on the U.S. visa application process and entry procedures. The training is provided by representatives of the Department of State and the Department of Homeland Security.

To be successful in El Salvador, U.S. tourism suppliers should educate travel agents about their services through seminars or outreach events organized by travel associations, tour operators or the U.S. Embassy. Considering the limited resources that Direct Marketing Organizations face today, the U.S. Commercial Service can organize training sessions through webinars, allowing U.S. Convention and Visitors Bureaus, and travel and tourism suppliers to promote their destinations and services without traveling to El Salvador.

In addition, U.S. Convention and Visitors Bureaus can promote their destination by locating advertisements in specialized tourism or business magazines. JET, published by Grupo Altamirano; is the only tourism magazine in the country; published quarterly and distributed among 12,000 subscribers to El Diario de Hoy newspaper. JET is available online at ISSUU website (a portal of free-to read publications worldwide). The business magazine El Economista, published by Grupo Dutriz, is published bi-monthly and distributed in the Central American region (over 30,000 copies). El Economista is available printed and online.

U.S. companies looking to meet with Salvadoran tour operators may consider attending or participating in the following events:

- **IPW:** The largest travel and tourism trade event organized by the U.S. Travel Association, where more than 1,200 foreign buyers gather to conduct business meetings with U.S. tourism and travel organizations. For IPW dates and location visit the U.S. Travel Association
- **Go West Summit:** Organized by International Tourism Marketing Inc., is the leading travel show that gathers U.S. suppliers of 13 Western States (Alaska, Arizona, California, Colorado, Idaho, Montana, Nevada, New Mexico, Oregon, South Dakota, Texas, Utah, Washington and Wyoming). For Go West Summit 2017 dates and location visit Go West Summit

Web Resources

- Office of Travel & Tourism Industries
- U.S. Travel Association
- Comisión Ejecutiva Portuaria Autónoma-CEPA
- Authorized Travel Agencies Association (AVA)
- IPW 2017
- Go West Summit 2018
- JET Magazine
- El Economista Business Magazine
- U.S. Commercial Service El Salvador

Pharmaceuticals

Overview

	2015	**2016**	**2017 (estimated)**	**2018 (estimated)**
Total Market Size	$220.3	$214.1	$209.6	$217.98
Imports	$344.4	$352.6	$353.64	$367.79
Exports	$124.1	$138.5	$144.04	$149.80
Import from the U.S.	$71.9	$61.0	$63.44	$65.98

Source: Salvadoran Industry Association report based on data of the Central Reserve Bank of El Salvador; statistics in millions of Note: No reliable source for local production. 2017/2018 projections are based on a growth rate of 4% per year.
U.S. dollars. Statistics based in the HTCs: 30022000, 30021090, 30023000, 30039012, 30049091, 30045010, 30042010, 30049092, 30041010, 30043910, 30043210, 30049011, 30059000, 30066000.

El Salvador is one of the leading producers of pharmaceuticals in Central America; with 33 pharmaceutical laboratories certified by the National Medicine Directorate (DNM). The DNM provides Good Manufacturing Practices Certificates to local laboratories based on the international quality standards established in the 32nd Report of the World Health Organization.

Current data shows the pharmaceutical market in El Salvador grew by 4.1% in 2015, and has had an average growth of 4.0% in the period 2010-2015 representing one the main industrial manufacturing sectors in the country. The products manufactured by the Salvadoran pharmaceutical industry are in the generic market and fall into five categories: (1) mixed or unmixed products, (2) vitamins (3) antibiotics (4) corticosteroids hormones (5) veterinarian medicine.

The regulatory entity in El Salvador is the National Medicine Directorate (DNM), which is responsible to oversee the analysis, surveillance, and quality control of medicines, certification of pharmaceutical laboratories, registration of products, and setting the maximum price limits on drug prices. The list of maximum prices, authorized over the counter products, and controlled substances is available at the DNM website.

The largest single buyer of pharmaceutical products in El Salvador is the public sector, including the Ministry of Health and the Salvadoran Social Security Institute. According to the Chemical Pharmaceutical Industry Association of El Salvador (INQUIFAR), these purchases are mainly of imported products. According to this association, El Salvador imported $352 million in 2016, an increase of 2.4% compared to the previous year. El Salvador imports products from 71 countries; from which the U.S. has the largest market share ($61 million), followed by Mexico, Panama, and Germany. Products coming from China and India are increasing their presence in the market. As for Salvadoran pharmaceutical exports, the main recipients are countries in the Central America region. Exports to the U.S. represent an estimated 3.1 percent.

U.S. companies interested in entering the Salvadoran market need a local legal and pharmacist representatives in order to do business in the country. The National Medicine Directorate is responsible for product registration which is granted to a product only for 5 year term and may represent a challenge to U.S. companies. Other important challenges facing the pharmaceutical sector in El Salvador are the high cost of pharmaceuticals, price control, and data protection.

Vijosa S.A. de C.V. is the largest pharmaceutical company in El Salvador; they produce injectables, tablets, capsules, liquid packs, syrups and eye drops. Other key companies in the market are: Corporación Bonima, S.A. de C.V., Grupo Paill, S.A. de C.V., BIOGALENIC, S.A. de C.V., Laboratorios Arsal, S.A. de C.V., Establecimientos Ancalmo,S.A. de C.V., ACTIVA, S.A. de C.V. ,Laboratorios López, S.A. de C.V., Laboratorios Teramed, S.A. de C.V., and Laboratorios Suizos, S.A. de C.V. Currently, there is no manufacturing capability of gel caps in El Salvador.

Best prospects:

- Anesthesiology products
- Antibiotics
- Vitamins
- Gauze, bandages and similar articles
- Medicaments containing corticosteroid hormones, their derivatives
- Medicaments for therapeutic or prophylactic use
- Raw material of active principles and excipients

- PET and aluminum coils
- Primary packaging
- Gel caps

Opportunities

Pharmaceuticals that treat cardiovascular disease, stroke, and diabetes are in demand in the Salvadoran market as these are the leading causes of death in the country. In addition, food supplements represent a potential opportunity for U.S. companies. In recent years, local laboratories have looked into manufacturing their products in the United States. U.S. exporters offering private label and are in compliance with FDA regulations and certifications may want to explore opportunities in this area.

Web Resources

- Ministry of Health
- Salvadoran Social Security Institute (ISSS)
- National Medicine Directorate (DNM)
- Office Salvadoran Government Procurement website
- Chemical Pharmaceutical Industry Association of El Salvador (INQUIFAR)
- Salvadoran Industry Association (ASI)
- Lidia Sosa, Commercial Specialist: lidia.sosa@trade.gov

Automotive Parts and Service Equipment (APS)

Overview

	2014	**2015**	**2016**	**2017 (Estimated)**
Total Market Size	192,152,311.90	206,294,415.50	211,650,279.30	213,380,277,10
Local Production	N/A	N/A	N/A	N/A
Imports	198,986,680.19	213,569,718.90	218,578,914.09	220,808,418.90

	2014	2015	2016	2017 (Estimated)
Exports	6,834,369.00	7,275,303.44	6,928,634.75	6,999,306.82
Imports from the U.S.	57,875,426.74	59,662,555.05	61,722,640.79	62,358,383.99

$US thousands (Source: Central Reserve Bank of El Salvador)

The United States is the most significant player in El Salvador's aftermarket auto parts and accessories market. In a country with stagnant economic growth, U.S. imports in 2016 increased by 2% from the previous year and industry leaders expect a higher growth in future years. With 30% of the total import market, U.S. companies enjoy a reputation for high quality products with excellent warranties.

This sector is highly competitive and price sensitive. There are no significant local manufacturers of auto parts and accessories and the market is mainly supplied by imports. Asian companies have gained market share as the number of Japanese, Korean, and Chinese auto manufacturers continues to grow in El Salvador. Other third market imports (Colombia, Brazil and Germany) have not yet threatened the dominant position held by the United States. Taiwanese companies are known for their ability to compete on price and are positioned to take a greater share of the import market. A partial list of brands currently in the market include: Turtle Wax, Mobil Oil, Goodyear, Bendix, Alloy International; Die Hard, BF Goodrich, Dayco, STP, Fleetguard, Castrol, Champion Spark Plug, American Quality Lubricant, Federal Mogul, Penzzoil, Prestone, and others.

Most of the end users of auto parts and accessories are owners of mechanic and repair shops and individual vehicles. They prefer to purchase auto parts and accessories directly from the distributor/retailer. Salvadoran distributors are extremely receptive to U.S. products. Many executives speak English, and are familiar with U.S. business practices. Moreover, El Salvador's geographic proximity to the United States provides greater access to U.S. companies and faster inventory delivery in comparison with Asian companies. The breakdown of end-users is as follows:

- Freight and passenger transportation companies
- Repair and maintenance shops
- Service stations, gasoline dealers and lubrication centers
- Government agencies
- Other end-users: car rentals and cargo companies.

Companies that seek to do business in El Salvador should work closely with a local distributor. Assigning one distributor for the size and demand of the country is appropriate. A potential Salvadoran distributor may handle various products and often seeks an exclusive distributorship. After conducting an exhaustive due diligence and establishing a solid business relationship, U.S. companies should consider using letters of credit, extending lines of credit, or the Small Business Administration (SBA) financing programs.

- Breakdown of distribution channels, are as follows:
- Importers and distributors of automotive parts and accessories
- Tire distributors
- Wholesalers

The Vice Ministry of Transportation reported that the total vehicle park is 1,008,000 in El Salvador, out of which approximately 50% are concentrated in the capital city of San Salvador. Each year the vehicle park increases by 7%. Due to the bad condition of roads and weather conditions, vehicles deteriorate quickly and need repair and/or maintenance sooner than in other places.

The distribution of the total number of vehicles are: 455,595 automobiles, 206,125 pick-ups, 205,426 motorcycles, 38,758 heavy trucks, 28,750 light trucks, 33,326 minibuses, 7,634 public buses, 9,733 truck heads and 11,828 cargo transport vehicles and other type 10,905.

In 2016, 51,361 new vehicles were imported to El Salvador. As a result, demand for auto parts, service equipment and accessories for new vehicles have increased. Leading automotive manufacturers present in the market include: Honda, Kia, Toyota, Chevrolet, Mitsubishi Motors, BMW, Hino, Daihatsu, Chery, Isuzu, Jeep, Ford, and Peugeot.

Sub-Sector Best Prospects

The greatest opportunities include spare and replacement parts for gasoline and diesel motors. For instance:

- Oil or petrol-filters for internal combustion engines
- Parts of pumps for liquids
- Pneumatic Tires
- Parts of Spark-ignition
- Suspension shock absorbers
- Parts of compression-ignition/ internal combustion piston engines
- Compressors
- Other motor parts: radiators, accumulators, green filters, batteries, lubricants and motor oil.
- Accessories: sound systems, bumpers, spoilers, cleaning products.
- Safety products: alarms, GPS systems.
- Brake systems and components.
- Diagnostic equipment.

Opportunities

There are no manufacturers of automotive parts and accessories in El Salvador. Import tariffs for auto parts under HTC 8708 and most vehicle accessories under HTC 8714 were automatically reduced to zero after the CAFTA-DR implementation. U.S. brands are always in high demand by Salvadoran distributors who are looking for innovation, high quality, durability, warranty, and fast delivery.

Currently, 90% of used vehicles purchased in El Salvador are imported from the United States and many are salvaged cars bought at auctions. The salvaged vehicles are then repaired and sold in the local market. Auto repair shops play a key role in influencing customers on purchasing decisions.

Automotive accessories are a niche market in El Salvador. "Tuning" is now a very well-known term. Tuning has become a way to personalize the characteristics of a vehicle to the owner's preference in order to provide better fuel economy and more power or just to change the appearance. Exterior modifications have increased the demand of accessories and parts such as: front and rear bumpers, splitters, light weight wheels and spoilers.

Repair shops are seeking current generation diagnostic equipment. Tools for technical maintenance include diagnosis software, scanners, electronic measure systems, and pneumatic tools, among others. Shops that handle collision repair need welding equipment, cutting tools, adhesives, glass repair kits, spray guns, batch ovens, glass protection films and other equipment related to body repair.

Public transportation companies own around 16,000 buses. The most common brands are: Blue Bird, International, American Motors, Mercedes Benz and Hyundai. The Ministry of Public Transportation reported that there will be an increase of new buses imports due to the requirement to replace buses older than 20 years.

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

- Salvadoran Association of Auto Parts Importers (ASIRA)
- Salvadoran Association of Distributors of Vehicles (ASALVE)
- Association of Auto Repair Shops (APTSA)
- Salvadoran Association of Cargo Agents (ASAC)

A good opportunity for U.S. companies to meet Salvadoran buyers is at U.S. trade shows. The U.S. Commercial Service in Central America annually leads a buyer delegation to:

- APTA Expo, Atlanta Georgia, October 9-11, 2017 – Public Transportation's Premier Showcase

- AAIW: SEMA and APPEX, Las Vegas, NV, October 31 to November 3, 2017

Web Resources

Vice Ministry of Transportation (VMT)

Salvadoran Association of Distributors of Vehicles (ASALVE)

Salvadoran Association of Autoparts Importers (ASIRA)

Salvadoran Reserve Bank (BCR)

Sandra Hernandez, Commercial Assistant: sandra.hernandez@trade.gov

Packaging Equipment

Overview

	2014	**2015**	**2016**	**2017 (Estimated)**
Total Market Size	269,044,965	193,411,328.38	188,391,144.33	190,218,538.40
Local Production	N/A	N/A	N/A	N/A
Imports	527,687,741	531,487,234.49	516,963,336.45	521,977,880.70
Exports	258,642,776	338,075,906.11	328,572,192.12	331,759,342.30
Imports from the U.S.	229,430,945	218,797,130.13	205,937,592.93	207,873,406.20

$US thousands (*total market size = (total local production + imports) - exports*) (Source: Central Reserve Bank of El Salvador.) (HS codes: 3901-3923, 4405-4416, 4707, 4804-4823, 8422-8441)

El Salvador's packaging industry has experienced slight growth with notable opportunities for Salvadoran companies that export. There are no packaging machinery manufacturers in El Salvador and most of the equipment and parts are imported. U.S. imports of packaging equipment represent 40% of the total import market. As Salvadoran companies demand innovative packaging to stand out from their competition, packaging equipment suppliers will need to provide equipment that can accommodate a wide range of sizes, shapes, textures, labels, and colors.

Food Packaging Equipment

There is perhaps no greater variation of machinery in any industry than that of food packaging equipment in general. In El Salvador, food packaging equipment, parts and materials are imported mainly from the United States, Mexico, Italy, China and Germany.

According to the Salvadoran Industry Association (ASI), the food industry production had 2.8% growth in 2015. Total exports of food products to other countries were $549.60 million in 2016. Leading products include: sugar, tuna, snacks, baking, candy, and dairy products.

Salvadoran companies understand that to be able to compete they need to invest in packaging innovation to improve their productivity and efficiency. Companies in the food industry range from small family-owned to large corporations. Whether they purchase customized or off the shelf machinery, their priority is to invest in the most suitable equipment that reduces costs while increases efficiencies and food safety.

Some of the leading industyplayers include the following companies: Grupo Calvo, S.A. de C.V., Productos Alimenticios Diana, S.A. de C.V., Harisa, S.A. de C.V., Productos Alimenticios Bocadelli, S.A. de C.V., Lacteos El Corral, S.A. de C.V., Molinos de El Salvador, S.A. de C.V., McCormick de Centroamérica, S.A. de C.V., Eco Foods, S.A. de C.V., Sabores Cosco de Centroamerica, S.A. de C.V. and Bimbo de El Salvador.

Salvadoran food manufacturers are looking for innovative brand and packaging solutions.

Best opportunities in this sector are: capping machinery, can packaging equipment, water and beverages bottling equipment, retort pouching equipment, weight fillers, closing machines, labeling printing, case packers, design and intelligent packaging software.

According to the consumer needs there are innovative trends that are moving to a future generation: digital evolution, clean-label messaging, eco-responsible packaging, and mobile-engaged packaging. Salvadoran food manufacturers are looking for innovative brand and packaging solutions. Therefore solutions for intelligent packaging, active packaging, safe packaging and recyclable and sustainable packaging represent untapped opportunities for the market.

Paper and Cardboard

Central America in general has a strong paper and cardboard production. Twenty years ago, El Salvador’s government successfully attracted multinational companies that forced local manufacturers to innovate and produce higher quality products. Companies such as Kimberly Clark, which operates the largest paper plant in Latin America, not only helped shape the now competitive marketplace but continued to invest in El Salvador.

There are no manufacturers of paper packaging equipment and parts in this sector. Machinery and parts are mainly imported from the United States, Germany, Italy, and China.

In 2016, total exports of paper and paperboard as well as articles of paper pulp were $290.6 million, a decrease of 2.8% from 2015. The overwhelming amounts of these exports are to other Central America countries and include products such as: toilet paper, cardboard packaging, labels, napkins and paper tablecloths, and carton boxes.

Leading companies in the paper and cardboard production include: Kimberly-Clark de Centroamerica, S.A de C.V., Sigma Q, Alas Doradas, S.A. de C.V., Cajas y Bolsas, S.A., Evergreen Packaging de El Salvador, S.A. de C.V. Dar Kolor, S.A. de C.V., Impresos La Unión, S.A. de C.V., Albacrome Sociedad Anónima de Capital Variable, Bemisal, S.A. de C.V. and R.R. Donnelley de El Salvador, S.A. de C.V.

With the exception of a few multinational companies, Salvadoran companies have significantly decreased their investments in new machinery. To succeed in the market, U.S. companies must offer financing options.

The leading demand of packaging equipment and materials in the paper and carton board sector include: unbleached wrapping (including packaging) paper, rolls of uncoated paper and paperboard, containers (boxes, bags, etc.), shrink wrap machines, filling and closing machines, machinery for making pulp and making/finishing paper, machinery for making pulp of fibrous cellulosic material, paperboard cutting machines, machines for making cartons, boxes, cases, tubes or drums.

Plastic Packaging

The plastic sector represents 2.8% of the manufacturing industry in El Salvador. In El Salvador packaging companies have consistently invested in new technologies and have become Central America's market leaders in plastic bags, plastic beverage containers, and plastic packaging. Most of the materials and equipment in this sector is imported from the United States. The main competitors are: South Korea, Saudi Arabia, Germany and Spain.

The total exports of plastic products have increased by 3.5% in 2016. Top products exported are: beverages bottling, plastic bags, plastic packaging materials and plastic houseware. Leading export markets for Salvadoran companies include: Guatemala, Honduras, Nicaragua, Costa Rica, and the Dominican Republic.

Top companies in the plastics industry are: Termoencogibles, S.A. DE C.V., Sigma Q, Carvajal Empaques El Salvador S.A. de C.V., Plastiglas de El Salvador, S.A. de C.V., Celpac, S.A. de C.V., Tubos y Perfiles Plásticos, S.A. de C.V., Salvaplastic Internacional, S.A. de C.V., Polybag, S.A. de C.V., Iberplastic, S.A. de C.V. and Plasticos El Panda, S.A. de C.V.

Flexible packaging has the greatest growth potential. U.S. companies can successfully compete in the market if the equipment can generate savings for the client, is durable, flexible and adapts to client's packaging uniqueness, performs as promised, and has adjustable parts. Exceptional customer service and extensive training, preferably in Spanish, are essential in successfully entering the competitive marketplace. Most companies are committed to having better environmentally-friendly packaging. Eco-friendly equipment and green technology are in high demand.

Leading equipment and materials in the plastics industry include: equipment for sacks and bags of polymers of ethylene, polyethylene, ethylene-vinyl acetate copolymers, plastic tubes, pipes, hoses of plastics, self-adhesive sheets, and thermoformed equipment.

The Salvadoran Association of the Plastic Industry (ASIPLASTIC) with its Plastic Recycling Program “Eco Amigos” is committed to providing information to other companies on how to separate and recycle plastic and reconvert it into a new product. Equipment and technology for plastic residual and disposal has strong potential in the market.

Pharmaceutical Packaging

Pharmaceutical packaging equipment from the United States enjoys an excellent reputation and is widely accepted in the Salvadoran market due to high quality and outstanding customer service. The strongest U.S. competitors in this sector are Italy, Germany, and Brazil.

According to the Central Reserve Bank, the pharmaceutical sector experienced a 4.1% production growth in 2016. Total exports of pharmaceutical products were $138.5 million. an increase of 11.6% from the previous year. El Salvador exports pharmaceuticals products to 37 countries in the world.

Top companies in the pharmaceutical industry are: Laboratorios Vijosa, S.A. de C.V., Corporación Bonima, S.A. de C.V., Grupo Paill, S.A. de C.V., Laboratorios, S.A. de C.V., Biogalenic, S.A. de C.V., Laboratorios Arsal, S.A. de C.V., Establecimientos Ancalmo, S.A. de C.V., Activa, S.A. de C.V., Laboratorios López, S.A. de C.V., Laboratorios Theramed, S.A. de C.V., and Gamma Laboratories, S.A. de C.V.

Best prospects in the pharmaceutical sector include: capsule packaging equipment, pharmaceutical packaging, medical device packaging, labeling, tamper-proof packaging, controls and robotics, sealing devices, barcode label printers, tablet and capsule counters and filling and closing machines. All pharmaceutical packaging equipment needs to be in compliance with FDA standards.

Breakdown of distribution channels, are as follows:

Importers – Distributors- End-User

Import/Distributor – End-User

Sub-Sector Best Prospects

U.S. manufacturers of food processing and packaging equipment have the greatest opportunities in the following segments:

- Machinery for finishing paper and paperboard, carton handling, bagging, shrink and wrapping equipment.
- Heat sealing machines and labeling.
- Filling, closing and sealing machinery, stretch wrapping film, cushioning and void fill machines.
- Used and refurbished packaging machinery (sought by medium-sized Salvadoran companies).
- Biodegradable packaging materials.
- Intelligent packaging software/technology.
- Retort pouching equipment.

Opportunities

The packaging industry is mainly supplied by imports. U.S. exports are more competitive over third country exporters that don't qualify for CAFTA-DR duty benefits. Import tariffs for packaging equipment under CAFTA-DR are zero.

Whether working with a local distributor or end users, spending time forming a personal connection before discussing business is essential. Salvadorans are looking for long term business partners that are committed to the market. The U.S. Commercial Service offers customized solutions to help U.S. exporters successfully expand exports to El Salvador. For more information contact Sandra Hernandez, Commercial Assistant, at sandra.hernandez@trade.gov.

Following are additional opportunities for U.S. companies to meet Salvadoran potential buyers:

- Process Expo 2017 – Chicago, Illinois – September 18-20, 2017
- Pack Expo 2017 - Las Vegas, Nevada - September 25-27, 2017
- National Plastics Expo NPE 2018 -Orlando, Florida - May 7-11, 2018

Web Resources

Asociacion Salvadoreña de Industriales (ASI) – Salvadoran Industry Association

Corporacion de Exportadores (COEXPORT)– Corporation of Exporters of El Salvador

Ministerio de Economia – Ministry of Economy

Fundación Salvadoreña para el Desarrollo Economico y Social Fusades (FUSADES) – Salvadoran Economic and Social Development Foundation

Asociación Salvadoreña de la Industria del Plástico (ASIPLASTIC) – Salvadoran Association of the Plastic Industry

U.S. Commercial Service El Salvador

Printing and Graphics

	2014	2015	2016	2017 (Estimated)
Total Market Size	**$ 84,245,396.05**	**$111,883,984.25**	**$ 81,818,695.53**	82,417,020.57
Local Production	N/A	N/A	N/A	N/A
Imports	**$ 348,041,160.19**	**$385,292,985.37**	**$ 349,013,592.36**	$352,175,095.22
Exports	**$ 263,795,764.14**	**$273,409,001.12**	**$ 267,194,896.83**	$269,806,117.11
Imports from the U.S.	**$ 157,034,798.90**	**$165,337,929.33**	**$ 152,566,827.31**	$153,974,649.27

$US thousands (Source: Central Reserve Bank of El Salvador)

Overview

The paper, printing and graphic industry in El Salvador provides ample market opportunities for U.S. companies. El Salvador does not manufacture machinery and equipment for processing paper and paper-related products, therefore, companies in the industry import machinery, equipment and most supplies.

The industry is mainly divided in two sectors, companies manufacturing paper and cardboard products and companies in the printing and graphic business. Local paper and cardboard production is not sufficient to satisfy local demand. Paper pulp is mainly imported to manufacture toilet paper, napkins newspapers, advertising materials (brochures, posters, billboards, promotional flyers, and banners), packaging, labeling and magazines. In 2016, imports into El Salvador were valued at $368.4 million an increase of 9.35% from 2015. The United States was the number one supplier, exporting to El Salvador $155.90 million (34% percent) in printing graphics equipment materials. Mainly competitors were: Mexico, Chile, China and Canada.

El Salvador's openness to importing from new markets and utilizing trade agreements provides for more competition from worldwide suppliers. Small and medium sized companies purchase used machinery from larger local companies or import from other countries. Spare parts to maintain, repair and recondition machinery are imported. Salvadoran processing/printing companies are highly interested in learning about new trends in the industry and often travel to U.S. trade shows.

There are more than 600 companies registered in the industry of which 88 percent are printing and graphic companies, 4.8 percent manufacture paper and cardboard products, and 7.1 percent supply the paper and graphics industry. Acoaceig de R.L. is a cooperative of printing companies with more than 100 members. The cooperative imports paper and printing supplies for its members to sell to companies in the industry.

Sub-sector: Spare parts, ink, ink-jet printing equipment, plates, software, films, paper pulp and cardboard paper.

Opportunities:

- As Salvadoran exports increase, companies are continuously seeking new technology and suppliers of paper, machinery, parts and equipment to improve their packaging products to export to international markets.
- Market competition and advertising campaigns involving printed promotional materials have increased demand for graphic design software, paper, and printing supplies.
- In 2018, El Salvador will have national legislative elections. For this reason, the printing and graphics industry will provide promotional printing materials to support the political campaigns. Most of these materials are printed locally.
- Import duties form most machinery and equipment has zero tariffs.

A good opportunity for U.S. companies to meet Salvadoran companies is through their participation in trade shows. The U.S. Commercial Service in El Salvador will be promoting one show related to the printing and graphics industry during 2017. Through this promotion, Salvadoran buyers register with the U.S. Commercial Section to participate in the following trade shows:

- Graphics of the Americas – Fort Lauderdale, FL February 22-24, 2018

Resources
Association of Salvadoran Industries
SIECA

Organizations
ACOACEIG de R.L.
8 Avenida Norte No 1008, Barrio San Miguelito San Salvador, El Salvador
Maria Turcios, General Manager
(503) 2289-8818
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Safety and Security Equipment

Overview

	2014	2015	2017 (Estimated)	2018 (Estimated)
Total Market Size	126,400,256.75	131,357,283.02	113,987,774.14	127,132,606.54
Imports	131,059,827.95	134,981,970.24	119,867,088.65	131,853,797.52
Local Production	N/A	N/A	N/A	N/A
Exports	4,659,571.20	3,624,687.22	5,879,314.51	4,721,190.98
US Imports	50,840,116.84	47,851,536.96	48,801,183.86	46,148,829.13

Source: Central Reserve Bank of El Salvador; statistics in millions of U.S. dollars
Total market size (total local production + imports - exports).
Statistics based on the following Harmonized Tariff System codes: 8424.1, 8471.5, 8471.6, 8471.8, 8521.1, 8521.9, 8523.52, 8523.59, 8523.8, 8525.5, 8525.6, 8525.8, 8528.72, 8528.73, 8530.8, 8531.1, 8531.2, 8531.8, 8531.9, 8536.5, 8541.4, and 9022.19.

The safety and security industry in El Salvador represents a growing market for U.S. exporters. Security has become an important factor for private companies, public institutions, Salvadorans in general and it also affects international trade. El Salvador has one of the highest homicide levels in the world and crimes such as extortion, assault and robbery are common. To combat the violence the government is executing a five year plan called El Salvador's Security Plan (Plan El Salvador Seguro), which is an integrated approach to addressing crime and violence prevention. The Salvadoran Government has numerous Plan Seguro direct purchases such as electric monitoring bracelets tendering which is expected to increase the Salvadoran market size in 2018. In addition to public funds and international assistance cooperation, a "special contribution" of 5% for all telecommunications equipment and service will help fund the Plan.

El Salvador continues to receive strong support from the United States Government and international organizations. The U.S. Congress approved up to $750 million for the implementation of the Strategy for Engagement in Central America in support of the Alliance for Prosperity and other regional priorities in 2016.

The private sector spends about four percent of company sales in safety and security, mainly personnel protection, perimeter surveillance, and assets protection. Common practices for commercial and residential security are hiring armed guards, security armed patrol, and GPS tracked vehicles.

For the past three years the United States has been the main source of imports in El Salvador, leading about 36% of the imports market share. China and Mexico are the main competitors in the market, which through their market share is about half of that from the United States. Some of the brands in the market include Garrett, Cantonk, Ihan, IDteck, Axis, GE, Honeywell, Verisystems, Pelco, System Sensor, and Samsung

There is no significant local production of safety and security equipment in El Salvador. To do business in El Salvador, U.S. companies need a local agent, representative, or distributor to navigate the registration process and follow up on public and private opportunities. Technology has no import restrictions but all private security companies and individuals providing alarm monitoring, security, private investigations, custody, transportation of valuables, and guard services need an authorization from the Ministry of Justice and Security. Additionally, the Arms, Ammunition and Explosive Law requires prior authorization of the Ministry of Defense for the importation of firearms, personal protection pepper sprays, tear (CS) and (CN) gases, explosives, electrical shock protection devices and similar products. Import duties for most security equipment and devices are zero percent and subject to a 13 percent value added tax.

Sub-Sector Best Prospects

The following subsectors have a very high probability of success: video surveillance system, intrusion detention/burglar alarm systems, electronic access control systems, door/entrance solutions, physical security, personal protection products, fire and rescue, and IT security. Scanning equipment and some articles under surveillance systems, as well as electronic monitoring bracelets, are tied to specific government projects but face funding and execution challenges.

Opportunities

All security equipment is imported into the country and the private and public sector has preference for U.S. products, services and technologies. There is need for more efficient and sophisticated products and training. The main buyer is the public sector; however most acquisitions depend on loans from multilateral development banks or grants and donations by donor countries.

U.S businesses interested in conducting business with government agencies should appoint a local partner. All government purchases are channeled through www.comprasal.gob.sv, an online portal for all competitive bidding processes. All government purchases are regulated by the Acquisition and Purchasing Law (Ley de Adquisiciones y Contrataciones –LACAP), including direct purchase which is often the case for special projects and technology.

As the level of violence remains at critical levels, individuals are seeking solutions to feel safer. Opportunities for residential security monitoring services and video surveillance systems are growing in a market where barbed wire, bars on windows and doors, and gated neighborhoods are most prevalent.

Web Resources

Challenges in Central America

Alliance for Prosperity of the Northern Triangle State

IDB

Council of the Americas

Official Salvadoran Government Procurement website

Ministry of Defense of El Salvador

National Civil Police

Central America Economic Integration Secretariat

Central Reserve Bank of El Salvador

Oversees Security Advisor Council (OSAC)

Import controlled products

Special contribution 5% on Telecommunication

Renewable Energy

Overview

El Salvador does not have the natural resources of its neighbors and imports roughly 30% of the country's fuel requirements for electrical production. Therefore the

Salvadoran government wants to expand the country's natural resource capacity in order to decrease fossil fuel dependency. In 2007, the Salvadoran government passed Decree 462 which grants tax breaks to companies who develop renewable energy projects and 10 years of import tax exemption to machines and equipment. In addition, the Salvadoran Government released their 2010-2024 National Policy and hopes to modernize and expand the country's natural resource capabilities in order to increase the contribution of these energy sources to the national energy supply.

Private sector companies, NGOs, and regional banks develop relationships with Salvadoran counterparts such as General Superintendent for Electricity and Telecommunication (SIGET), Ministry of the Environment and Natural Resources (MARN) and National Energy Council (CNE) to create solar, hydroelectric, wind, thermal and biomass energy projects, especially in the areas of Acajutla and La Paz. To date the country has developed hydroelectric and geothermal capabilities with an installed capacity of 487 MW in hydroelectric power and 204.4 MW in geothermal. The country has a potential increased capacity of 3,049 MW in the combined sectors. In addition, the government is in the process of attracting private sector companies for solar, biomass and wind capacities.

Sub-Sector Best Prospects

The government is receptive to expanding this sector and El Salvador contains vast water reserves and receives large amounts of sunlight. Therefore biomass, wind, solar, hydroelectric and geothermal energy opportunities exist in the country. In order to facilitate the projects organizations such as: The Inter-American Development Bank, USAID and OPIC fund major energy projects with in the country.

<u>Biomass:</u>

There are three biomass plants in El Salvador. The plants include: CASSA, El Ángel and La Cabaña. In 2011, the plants produced 109.5 MW. In addition the country is developing hydro-electric power from biogas found in landfills. The Nejapa landfill receives the solid waste from San Salvador with a total installed capacity of 6.3 MW, there is a potential to increase the capacity up to 10 MW.

El Salvador has created projects in anaerobic bio digestion as an alternative to the traditional practices of removing organic wastes. There are 3 installed systems including: Granja de los Hermanos Jovel (717 m^3), Avícola Campestre (6,600 m^3), Agroindustrias San Julián (1,200 m^3).

Wind:

Due to the country's location on the Pacific Ocean, El Salvador receives strong winds in various areas of the country. Twelve locations with winds reaching higher than 700 W/m2 to 50 meters above the ground level were selected as potential sites for wind farms.
For a complete List of Wind Farm Locations

Solar:

The central region of El Salvador receives a high level of solar radiation (5.3 kWh/m2/day). Therefore photovoltaic systems are an opportunity to take advantage of the country's vast solar resources. Most solar panels are installed in government buildings, schools and universities. The largest photovoltaic system is 99 kW. Currently there are 14 solar panel systems installed in El Salvador which totals 344.86 KW.

Hydroelectric:

There are 4 hydroelectric dams located in the Lempa River. The following plants include: Guajayo (19.8 MW), Cerrón Grade (172.8), 5 de Noviembre (99.4 MW), 15 de Septiembre (180 MW). These plants are overseen by the Río Lempa hydroelectricity Board (CEL). As of 2012, the country has a total of 20 power plants with an installed capacity of 487 MW. According to the Master Plan by the government, 18 sites were identified with the potential for capacities greater than 20 MW and 209 sites with capacities less than 20 MW. The total potential of hydroelectric power in El Salvador is 2,258 MW. Unfortunately, hydroelectric energy is only obtainable during the rainy season (May-October).
For more information regarding the Salvadoran government's Renewable energy Master Plan

Geothermal:

El Salvador has the highest level of geothermal production in Central America. As of 2012 the country has an installed capacity of 204.4 MW within two geothermal installations. A study was completed and found there are 12 geothermal areas in El Salvador with underground temperatures estimated above 150 ° C (high enthalpy), as well as 12 geothermal areas with underground temperatures that are estimated between 90 to 150 ° C (low enthalpy). The geothermal potential in both categories equals 791 MW in total and increases the potential capacity by 25.8%.

Potential Renewable Energy Projects companies can gain more information:

Biomass:

- Estiercol de Ganado (84 MW)

- Estiercol de Cerdos (2 MW)
- Estiércol de Aves de corral (96 MW)

Wind

- Metapán (42MW)
- San Julián (30MW)

Solar Energy

- Solar Fotovoltaica (17.8 MW)
- Solar Térmica Concentrada (85 MW)

Hydroelectric

- El Chaparral (66 MW)
- Extension of 5 November (80 MW)
- Cimarron (262 MW)

Opportunities

The Government of El Salvador is actively looking to attract investors to expand the country's renewable energy capacity. The country provides U.S. companies with numerous opportunities in the renewable energy sectors, with needs ranging from technology to equipment procurement to consultancy services. The Salvadoran market is open for solar cells and panels, wind turbines and blades, generators, support structures, hydroelectric power stations. Tenders can be found on the Ministry of Energy's website.

Associations:

Association of Renewable Energy

Salvadoran Industrial Industry

Web Resources

- Executive Hydroelectric Commission of the Lempa River
- The Inter-American Development Bank
- Ministry of the Environment and Natural Resources
- National Energy Council
- General Superintendent of Electricity and Telecommunications
- Sustainable development NGO
- Salvadoran owned electric company
- Organization of Latin American Energy
- Development Bank of El Salvador
- United States Agency for International Development
- Delsur Banco Nacional

- Ministry of Economy

Commercial Service Specialist Contact in El Salvador: Maria.Rivera@trade.gov

Customs, Regulations & Standards

Trade Barriers

There are few trade barriers that affect the imports 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 resort to imports, 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, which will be eliminated in 15 years (2021). Tariffs for rice will be eliminated in 18 years (2024), except in Costa Rica and the Dominican Republic.

El Salvador has used sanitary standards to prevent 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. USDA/FAS is having discussions with officials from the Ministry of Agriculture to have the U.S. eggs and processed egg products sanitary inspection system recognized as equivalent. If granted, U.S. eggs and processed egg products production facilities will not need to meet the current requirement of plant-by-plant inspection.

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 2015, the Ministry of Agriculture reviewed their seed giveaway program to comply with CAFTA-DR. the Terms of

Reference for the purchase of maize seeds were updated to accommodate non-local providers. According to the "Special and Transitory Disposals to Promote the Production of Basic Grains" decree, a committee will review all tenders and make recommendations to the Ministry of Agriculture (MAG) responsible for the final resolution. For the 2016 program, the committee reviewed all tenders and made purchase recommendations to MAG which selected only local providers.

Since the year 2013 the Ministry of Agriculture requires plant by plant inspections to be able to import seafood from the United States and any part of the world. In order to do plant inspections the Salvadoran government requires an official invitation from the government of the country where the plant is operating. Since the U.S. Government does not issue official invitations to do plant-by-plant inspections, U.S. seafood companies have great difficulties exporting seafood to El Salvador. Bilateral efforts are being made to allow the importation of U.S. seafood.

Import Tariff

As of January 1, 2015, 100 percent of U.S. consumer and industrial goods enter the Central America Free Trade Agreement (CAFTA-DR) countries duty free (for goods that meet the country of origin requirements). Approximately 80% of these products entered duty-free following when CAFTA-DR first entered into force in 2006. The remaining 20% of consumer and industries goods were on a 5 or 10 year phased tariff reduction schedule. January 1, 2015 marked the 10th year of the tariff reduction schedule and thus those products are now duty-free.

CAFTA-DR provides preferential treatment for products that meet the CAFTA-DR origin rule. The Agreement allows the 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 five years.

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

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

According CAFTA-DR chapter 20, in case of disputes," the Parties shall at all times endeavor to agree on the interpretation and application of the Agreement, and shall make every attempt through cooperation and consultations to arrive at a mutually satisfactory resolution of any matter that might affect its operation. "

"Any Party may request in writing consultations with any other Party with respect to any actual or proposed measure or any other matter that it considers might affect the operation of the Agreement." The consulting Party may request another consulting Party to make available personnel of its government agencies or other regulatory bodies who have expertise in the matter subject to consultations.

If the Parties fail to resolve a matter pursuant through consultations, "may also request in writing a meeting of the Commission, where consultations have been held pursuant to Article 16.6 (Cooperative Labor Consultations), Article 17.10 (Collaborative Environmental Consultations), or Article 7.8 (Committee on Technical Barriers to Trade)" of CAFTA-DR. The Commission shall consist of the cabinet-level representatives of the consulting Parties.

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, regardless the origin, are charged a value-added tax (VAT) of 13%.

In November 2015, a "Special Contribution for Citizen's Security" of 5% was imposed on the telecommunication industry. This contribution applies to all telecom devices, software and hardware imported into El Salvador.

El Salvador's tariff schedule (for other trading partners)

Alternative Dispute Resolution

"Each Party shall, to the maximum extent possible, encourage and facilitate the use of arbitration and other means of alternative dispute resolution for the settlement of international commercial disputes between private parties in the free trade area; to this end, each Party shall provide appropriate procedures to ensure observance of agreements to arbitrate and for the recognition and enforcement of arbitral awards in such disputes."

"The Commission may establish an Advisory Committee on Private Commercial Disputes comprising persons with expertise or experience in the resolution of private international commercial disputes."

Import Requirements & Documentation

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 a section to its website, 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

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 (Direccion 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. USDA/FAS San Salvador has been able to obtain access for U.S. products rejected by the Ministry of Public Health on a case-by-case basis. In addition USDA/FAS San Salvador was able to negotiate exemption of the Certificate of Free Sale for U.S. meat and meat products and in lieu have local sanitary authorities from Ministries of Health and of Agriculture accept the Food Safety Inspection Service (FSIS) 9060-5 Export Certificate. Additional information can be found on USDA's website 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 by the importer at the Ministry of Agriculture.

In 2011, the Government created a 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.

Read more about customs regulations and rules of origin certification under CAFTA-DR

Labeling/Marking Requirements

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.

Labeling requirements for textile products, lightings, tobacco and consumer products

New labeling requirements for alcoholic beverages entered into force on June 12, 2014, includes the following:

1. No false or misleading labeling.
2. The data to be displayed in labels must be in Spanish, clear, visible and easy to read for the consumer.
3. No words, images or any other representation that can lead to the confusion for the consumer.
4. The height of labeling characters must be no less than 1 mm.
5. Healing and preventive indicators are not allowed on labeling.
6. Indicate the name and origin of the product.
7. Indicate the alcoholic strength on each product and net content.
8. List of ingredients and expiration date.
9. For national products: designate the name and address of the manufacturer, distributor or exporter, as the case may be. For imported products: designate the name and address of the importer or distributor.
10. Indicate sanitary registration number and lot code.
11. Include the caption: "el consumo excesivo de bebidas alcohólicas perjudica la salud", if applicable.
12. Country of origin.

The Technical Regulation

New labeling requirements for baby formula milk were established by the Ministry of Health in 2014. Additional requirements might be implemented through the regulation to the law.

To review the Central America Technical Regulation (RTCA)

U.S. Export Controls

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 its end-use. The exporter must determine whether the export requires a license. BIS implements and enforces the Export Administration Regulations (EAR).

Temporary Entry

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.

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, 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 materials, 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
- Other goods according to specific norms or international agreements

Each person entering the country may bring tax-free: personal goods such as clothes, handbags and toiletries; medicines, food, medical devices, sport items, surfboards, one photography camera, one movie camera, one image record device, one personal computer, musical instruments, working tools, sample goods, books, CD’s, 500 hundred grams of tobacco, hunting and sport weapons, two pets (cats or dogs) and other goods valued at less than $500.

Prohibited & Restricted Imports

Imports of certain high-caliber firearms are 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 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.
- Movies contrary to ethics and good behavior.
- Medications or equipment used to induce abortions.
- Gambling machines and tables, roulette wheels and any other items or articles used for gambling are 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 importing these items should consult with the appropriate government regulatory agency for information of 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

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 Salvadoran exporter is electronically linked to the Central Customs Service and can present and process electronically fiscal related data. Teledespacho has reduced the documentation processing time from two to three weeks to a few hours.

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 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

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 and date and place of issuance.

Goods originated in CAFTA-DR countries trans-shipped via other countries, especially via Panama, must meet certain requirements in order to receive CAFTA-DR benefits, as established in the Salvadoran Customs Operation Manual. Merchandise that has been in transit or transshipment through one or more countries, whether part of the Agreement or not, will require additional documentation that proves transshipment took place under Customs' control. Customs will also require that Certificates of Origin should be issued in the United States, to receive CAFTA-DR preferences.

To verify Salvadoran Custom's origin criteria

Under CAFTA advanced rulings related to classification, value and origin of the goods can be requested. In El Salvador, Customs is the entity that provides these advanced rulings, which have to be requested before any exportation. A period of up to 90 days should be taken into consideration for these advanced rulings to be deliver by the authority.

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

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

Standards for Trade

Overview

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.

The United States 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 and eliminate unnecessary barriers and enhance bilateral cooperation. Read more on [Technical Barriers to Trade under CAFTA-DR](#).

Trade Agreements

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. As of 2015, all U.S. industrial and commercial goods enter El Salvador duty free. For more information, see the CAFTA-DR 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. However, 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 Peru and South Korea. El Salvador signed a partial scope agreement with Cuba in 2011 that entered into force in 2012, and recently concluded negotiations of a partial scope agreement with Trinidad and Tobago and Ecuador.El Salvador is also negotiating trade agreements with Belize and Bolivia, as well as renegotiating the trade agreement with Venezuela.

El Salvador's Congress ratified the World Trade Organization's (WTO) Trade Facilitation Agreement on February 4, 2016.

The U.S. Trade Compliance Center (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 (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.: *National Institute of Standards and Technology*

Contact information for the TCC:

Trade Compliance Center

Enforcement and Compliance/ITA

U.S. Department of Commerce

14th and Constitution Avenue, NW

Washington, DC 20230

Tel: 202-482-1191

Fax: 202-482-6097

E-mail: tcc@trade.gov

Licensing Requirements for Professional Services

The Law for Trademarks and Other Distinctive Signs includes licensing and raises protections for trademarks and distinctive signs to internationally accepted standards. This 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:

Centro Nacional de Registros.

Web Resources

Central America Economic Integration System (SIECA)

National Quality Council

Salvadoran Standards Organism

Salvadoran Organism of Technical Regulations:

Salvadoran Accreditation Organism

National Directorate of Medicines

National Institute of Standards and Technology (NIST)

Ministry of Economy

Organization of American States

CAFTA-DR

Customs Authority

U.S. Trade Compliance Center (TCC)

El Salvador Official Journal

Investment Climate Statement

Executive Summary

The government of El Salvador (GOES) has not been effective in improving its investment climate. In recent years, El Salvador has lagged behind the region in attracting foreign direct investment (FDI), in both absolute terms and as a proportion of GDP. The Salvadoran Central Reserve Bank ("Central Bank") estimated FDI inflows of less than USD 345 million between January and September 2016, significantly less than the over USD1 billion average for other countries in the region during the same period. Political polarization, cumbersome bureaucracy and regulations, an ineffective judicial system, and widespread violence are barriers to investment in El Salvador.

On September 9, 2015, El Salvador's second Millennium Challenge Corporation (MCC) Compact entered into force. With its "More Investment, Less Poverty" theme, the USD 277 million Compact (plus USD 88.2 million from El Salvador in counterpart funding) includes projects to improve the investment climate, logistical infrastructure and human capital over five years. The investment climate initiative includes the creation of a new entity that endeavors to streamline business and investment regulations ("Organismo de Mejora Regulatoria"), which works with the private sector to improve trade facilitation and permitting processes, among other things.

The Presidents of El Salvador, Guatemala, and Honduras announced the Northern Triangle Countries' Alliance for Prosperity Plan in 2014. The goal of the Alliance is a more integrated region that is democratic, provides greater economic opportunities, effective public institutions, and improved security for its citizens. Its success depends greatly on the political will of the three governments. For Fiscal Year 2016, the U.S. Congress made available up to USD 750 million for the United States to implement its Strategy for Engagement in Central America, including support to the Alliance for Prosperity Plan and other regional priorities.

The U.S.-Central American-Dominican Republic Free Trade Agreement (CAFTA-DR), entered into force for the United States and El Salvador in 2006. El Salvador also has free trade agreements with Mexico, Chile, Panama, Colombia, and Taiwan. El Salvador, jointly with Costa Rica, Guatemala, Honduras, Nicaragua, and Panama, signed an Association Agreement with the European Union that includes a Free Trade Area. El Salvador is in the process of reaching trade agreements with Canada, Peru, and South Korea. A Partial Scope Agreement with Trinidad and Tobago and Ecuador, will soon enter into force, and El Salvador is negotiating a similar agreement with Belize and Bolivia, as well as re-negotiating one with Venezuela.

The GOES continues to take some measures to improve the business climate, with very limited results. In January 2015, in its five-year planning document (Plan Quinquenal), the government identified 44 geographic areas for prioritized economic development efforts. Also in 2015, the Legislative Assembly passed relevant legislation, such as better regulation and oversight of remittances, strengthened penalties against bulk cash smuggling, and increased financial inclusion by improving access to financial services and "e-money." The Assembly also approved an electronic signature law and reformed the country's fiscal incentive law in order to promote increased investment in renewable energy in 2015. The Ministry of Economy took steps to facilitate access to and improve both its physical and online "one-stop window" for investors. However, the government also introduced new taxes on telecommunications transactions and income over $500,000.

Table 1

Measure	Year	Index/Rank	Website Address
TI Corruption Perceptions Index	2016	95 of 176	http://www.transparency.org/research/cpi/overview

Measure	Year	Index/Rank	Website Address
World Bank's Doing Business Report "Ease of Doing Business"	2016	95 of 189	doingbusiness.org/rankings
Global Innovation Index	2016	104 of 128	https://www.globalinnovationindex.org/analysis-indicator
U.S. FDI in partner country ($M USD, stock positions)	2015	2.605 billion	http://www.bea.gov/international/factsheet/
World Bank GNI per capita	2015	3,940	http://data.worldbank.org/indicator/NY.GNP.PCAP.CD

Openness To, and Restrictions Upon, Foreign Investment

Policies Toward Foreign Direct Investment

The GOES recognizes that attracting FDI is crucial to improving the economy. FDI is not screened by the government, which passed FDI promotion legislation over the past several years. However, FDI levels are still paltry and lag far behind regional neighbors. The Central Bank reported investment inflows at USD 428.6 million in 2015, and it attracted only around USD 344 million in the first nine months of 2016. Meanwhile, in 2015, El Salvador's regional neighbors attracted, on average, USD 1.4 billion per country.

Political polarization, inconsistent and burdensome commercial regulations, an ineffective judicial system, and widespread violent crime undermine El Salvador's investment climate. CAFTA-DR includes an investment chapter with and other dispute resolution mechanisms.

In November 2014, Presidents Salvador Sanchez Ceren of El Salvador, Otto Perez Molina of Guatemala and Juan Orlando Hernandez of Honduras presented a plan to promote economic, social and institutional development in their countries, known as the Alliance for Prosperity in the Northern Triangle. The plan involves joint efforts to promote economic integration in the Northern Triangle of Central America; to invest in human capital; to provide greater opportunities to all citizens; to ensure more accountable, transparent, and effective public institutions; and to guarantee a safe and secure environment for their people, with a particular focus on the underlying conditions driving migration to the United States. The three Northern Triangle countries allocated over USD 2.6 billion from their national budgets to support the Alliance for Prosperity in 2016 and the United States is supporting it with a portion of the USD 750 million allocated in FY 2016 to the U.S. Strategy for Engagement in Central America.

Under the Alliance for Prosperity, GOES achievements include:

The creation of a National Council for Public Safety, bringing together diverse sectors of society and generating an integrated approach to addressing crime and violence prevention called "Plan El Salvador Seguro" (El Salvador's Security Plan).

A renewed focus on fighting extortions through the establishment and strengthening of Anti-Extortion Units across the country. These police/prosecutor teams work with business owners to prosecute extortions affecting the business community. Overall, Salvadoran prosecutors obtained a total of 1,365 convictions for extortion-related charges in 2016. The specialized prosecution unit maintained a 93 percent conviction rate during 2016.

The launching of a "Youth Employment and Employability Program," focused on programs for health, education, and job market opportunities for young people.

The Exports and Investment Promotion Agency of El Salvador (PROESA) supports investment in nine main sectors: textiles and apparel; business services; tourism; aeronautics; agro-industry; medical devices; footwear manufacturing; logistic and infrastructure networks; and healthcare services.

The National Association of Private Enterprise (ANEP), El Salvador's umbrella business/private sector organization, has established an ongoing dialogue with relevant GOES ministries.

Limits on Foreign Control and Right to Private Ownership and Establishment

Foreign citizens and private companies can freely establish businesses in El Salvador. No single natural or legal person – whether national or foreign – can own more than 245 hectares (605 acres) of land. Per the Salvadoran Constitution, there is no restriction on the ownership of rural land by foreigners in El Salvador, unless Salvadoran nationals face restrictions in the corresponding country. If the rural land will be used for industrial purposes, however, the reciprocity requirement does not apply. Foreigners may engage in commercial fishing anywhere in Salvadoran waters provided they obtain a license from the Center for the Development of Fishing and Aquaculture (CENDEPESCA), a government entity.

Other Investment Policy Reviews

El Salvador has been a World Trade Organization (WTO) member since 1995. The latest trade policy review performed by the WTO was published in March 2010 (document: WT/TPR/S/226/Rev.1).

The latest investment policy review performed by the United Nations Conference on Trade and Development (UNCTAD) was published in 2010.

Business Facilitation

El Salvador has various laws that promote and protect investments, as well as providing benefits to local and foreign investors. These include: the Investment Law, the International Services Law; the Free Trade Zones Law; the Tourism Law, the Renewable Energy Incentives Law; the Law on Public Private Partnerships; the Special Law for Streamlining Procedures for the Promotion of Construction Projects; and the Legal Stability Law for Investments.

The 1999 Investment Law grants equal treatment to foreign and domestic investors. With the exception of limitations imposed on micro businesses, which are defined as having 10 or fewer employees and yearly sales of USD 121,319.40 or less, foreign investors may freely establish any type of domestic businesses. Investors who begin operations with 10 or fewer employees must present plans to increase employment to the Ministry of Economy's National Investment Office. The Investment Law provides that any mined resource is the exclusive property of the state. The government may, however, grant private concessions for resource extraction, but there have been no new permits issued in recent years.

Per the Salvadoran constitution, there are no special restrictions on ownership of rural land by citizens of other countries, unless Salvadoran citizens are restricted in their rural land ownership in those countries. If rural land will be used for industrial purposes, the reciprocity requirement is lifted.

Business Registration

Per the World Bank, eight steps taking an average of 15 days are necessary to register a new business in El Salvador.

In November 2015, the GOES inaugurated the Business Services Office (Oficina de Atencion Empresarial) to cater to entrepreneurs and investors. The new office has two important components: "Growing Your Business" (Crecemos Tu Empresa) and the National Investment Office (Direccion Nacional de Inversiones, DNI). Growing Your Businesses provides business and investment advice, especially for micro-, small- and medium-sized enterprises. The DNI administers investment incentives and facilitates business registration.

Contact information:

Business Services Office

Telephone: (503) 2590-9000

Address: 3 calle Poniente, entre la 71 y 73 avenida Norte, N.° 3729, edificio Bel Air, colonia Escalón, San Salvador. Schedule: Monday-Friday, 7:30 a.m. - 3:30 p.m.

Crecemos Tu Empresa

E-mail: crecemostuempresa@ minec.gob.sv

Website

The National Investment Office:

Luisa Valiente, National Director of Investments, lvaliente@minec.gob.sv;

Roberto Salguero, Deputy Director of Administration, rsalguero@minec.gob.sv

Special Investments; Christel Schulz, Business Climate Deputy,

cdearce@minec.gob.sv

Monica Aguirre, Deputy Director of Investment Facilitation,

maguirre@minec.gob.sv.

Telephone: (503) 2590-5806.

The Directorate for Coordination of Productive Policies at the Ministry of Economy focuses on five areas: Productive Development, Capacity Building, Trade Facilitation, Taxation, and Export Promotion.

The Productive Development Fund (FONDEPRO) provides grants to small enterprises to strengthen competitiveness.

The National Commission for Micro and Small Businesses (CONAMYPE) supports micro and small businesses by providing training, technical assistance, financing, venture capital, and loan guarantee programs. CONAMYPE also provides assistance on market access and export promotion, marketing, business registration, and the promotion of business ventures led by women and youth.

The Micro and Small Businesses Promotion Law defines a microenterprise as a natural or legal person with annual gross sales up to 482 minimum monthly wages, equivalent to USD 121,319.40 and up to ten workers. A small business is defined as a natural or legal person with annual gross sales between 482 minimum monthly wages (USD 121,319.40) and 4,817 minimum monthly wages (USD 1,212,438.90) and up to 50 employees. To facilitate credit to small businesses, Salvadoran law allows for inventories, receivables, intellectual property rights, consumables, or any good with economic value to be used as collateral for loans.

Outward Investment

While the government encourages Salvadoran investors to invest in El Salvador, it does not promote nor restrict investment abroad.

Bilateral Investment Agreements and Taxation Treaties

El Salvador has bilateral investment treaties in force with Argentina, Belize, BLEU (Belgium-Luxembourg Economic Union), Chile, Czech Republic, Finland, France, Germany, Israel, Republic of Korea, Morocco, the Netherlands, Paraguay, Peru, Spain, Switzerland, Taiwan Province of China, United Kingdom, and Uruguay.

The agreement entered into force for the United States and El Salvador, Guatemala, Honduras, and Nicaragua in 2006, for the Dominican Republic in 2007, and for Costa Rica in 2009. CAFTA-DR's investment chapter provides protection to most categories of investment, including enterprises, debt, concessions, contract, and intellectual property. Under this agreement, U.S. investors enjoy the right to establish, acquire, and operate investments in El Salvador on an equal footing with local investors. Among the rights afforded to U.S. investors are due process protection and the right to receive a fair market value for property in the event of an expropriation. Investor rights are protected under CAFTA-DR by an effective, impartial procedure for dispute settlement that is fully transparent and open to the public.

El Salvador also has free trade agreements with Mexico, Chile, Panama, Colombia, and Taiwan. 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 South Korea that are expected to contain investment provisions. The Salvadoran government signed a Partial Scope Agreement (PSA) with Cuba in 2011, concluded negotiations on a PSA with Trinidad and Tobago in October 2014 and with Ecuador in September 2016. These PSAs have not come into force. El Salvador is also negotiating PSAs with Belize and Bolivia, as well as re-negotiating one with Venezuela.

El Salvador, along with Costa Rica, Guatemala, Honduras, Nicaragua, and Panama, signed an Association Agreement with the European Union that establishes a Free Trade Area. The agreement, which entered into force with El Salvador in August 2013, includes a provision for Central American countries to receive access to a wider range of EU development aid. El Salvador is one of the five Central American Common Market countries, which have an investment treaty among themselves.

El Salvador does not have a bilateral taxation treaty with the United States.

On June 1, 2015, El Salvador signed the Multilateral Convention on Mutual Administrative Assistance in Tax Matters, becoming the 86th signatory. El Salvador is the 8th Latin American country and the 3rd member of the Central American Common Market - after Costa Rica and Guatemala - to join the Convention.

El Salvador became a member of the Global Forum on Transparency and Exchange of Information for Tax Purposes in 2011. El Salvador's Phase 1 peer review report, which demonstrates its high level of commitment to the international standard for tax transparency and exchange of information, was published in March 2015. The 86 jurisdictions participating in the Convention.

Legal Regime

Transparency of the Regulatory System

The laws and regulations of El Salvador are relatively transparent and generally foster competition. The GOES publishes some of its draft laws and regulations for public comments online, especially the ones that affect the financial sector, and some other economic laws that pertain to the Ministry of Economy. The government controls 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. Regulatory agencies are often understaffed and inexperienced in 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 reforms allowed SIGET to develop a cost-based pricing model for the electricity sector, which it 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 99 kWh monthly. The electricity subsidy costs the government upwards of USD 141.8 million annually. Energy sector companies warn that ever-changing subsidies and the government's inability to pay the subsidies in a timely manner erodethe financial stability of the power sector and discourage needed investment in new generation capacity.

International Regulatory Considerations

El Salvador belongs to the Central American Common Market and the Central American Integration System (Spanish acronym SICA), organizations which are working on regional integration, such as the harmonization of tariffs and customs procedures. El Salvador commonly incorporates international standards, such as the Pan-American Standards Commission (Spanish acronym COPANT), into its regulatory system.

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 opportunities to provide comments when the government forms committees to discuss proposed laws, and when regulations are being developed at government agencies. Companies complained, however, that laws are passed without following required notification processes, and not in accordance with CAFTA-DR and WTO regulations.

El Salvador is a member of UNCTAD's international network of transparent investment procedures. 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. Accounting systems are generally consistent with international norms.

Legal System and Judicial Independence

El Salvador's commercial law is based on the Commercial Code and the corresponding Commercial Code of Procedures. There is a specialized commercial court that resolves these disputes. All documents and payments can be submitted electronically to the Commerce Registry.

Local investment and commercial dispute resolution proceedings in El Salvador routinely last many years. The Salvadoran Foundation for Economic and Social Development (FUSADES), an internationally-recognized think tank and research entity, characterizes domestic courts as being unwilling to enforce arbitration awards and instead opting to politicize conflicts between the government and the investors.

Foreign investors may seek redress for commercial disputes through local domestic courts but some investors find the slow-moving legal system to be costly and unproductive. The handling of some cases demonstrates that the legal system may be subject to manipulation by diverse interests, and final judgments are at time difficult to enforce. Any person thinking of investing in El Salvador should carry out proper due diligence by hiring competent local legal counsel. In recent years, there were several U.S. firms tied up in litigation associated with their investments.

Laws and Regulations on Foreign Direct Investment

Miempresa is the Ministry of Economy's website for new businesses in El Salvador. At Miempresa, investors can register new companies with the Ministry of Labor, Social Security Institute, pension fund administrators, and certain municipalities; request a tax identification number/card; and perform certain administrative functions.

The country's eRegulations site provides information on procedures, costs, entities, and regulations involved in setting up a new business in El Salvador.

The Exports and Investment Promoting Agency of El Salvador (PROESA) was created to attract domestic and foreign private investment, promote exports of goods and services produced in the country, evaluate and monitor the business climate and drive investment and export policies. PROESA provides direct technical assistance to investors interested in starting up operations in El Salvador, regardless of the size of the investment or number of employees.

Competition and Anti-Trust Laws

The Competition Law entered into force in 2006 and established the Office of the Superintendent of Competition. According to the Organization for Economic Co-operation and Development (OECD) and the Inter-American Development Bank (IDB), the Office employs enforcement standards that are consistent with global best practices and has appropriate authority to enforce the law effectively. Appeals of decisions made by the Office of the Superintendent of Competition are made directly to the Supreme Court, the country´s highest court.

Expropriation and Compensation

The 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. In 1980, private banks were nationalized, but were subsequently returned to private ownership. A 2003 amendment to the Electricity Law requires energy generating companies to obtain government approval before removing fixed capital from the country, which is intended to prevent energy supply disruptions.

Dispute Settlement

ICSID Convention and New York Convention

El Salvador is a member state to the International Centre for Settlement of Investment Disputes (ICSID Convention). ICSID is included in a number of El Salvador's investment treaties as the forum available to foreign investors. Within the domestic legal framework it is also mentioned in the Investment Law, with the limitations mentioned above regarding the change to the Arbitration Law in 2009.

El Salvador is a signatory to the convention on the Recognition and Enforcement of Foreign Arbitral Awards (1958 New York Convention) and the Inter-American Convention on International Commercial Arbitration (The Panama Convention).

Investor-State Dispute Settlement

Amended Article 15 of the 1999 Investment Law limits a foreign investor's access to international dispute resolution and may obligate them to use national courts, if the foreigner comes from a country without a pre-existing trade agreement with El Salvador. The rights of investors from CAFTA-DR countries are protected under the trade agreement's dispute settlement procedures. Submissions to national dispute panels and panel hearings are open to the public, and interested third parties have the opportunity to be heard. 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.

El Salvador approved the Mediation, Conciliation and Arbitration Law in 2002. However, 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 complain that the modification dilutes the fundamental efficacy of arbitration as an alternative method of resolving disputes. According to the Law, arbitration takes place at the Arbitration and Mediation Center, a branch of the Chamber of Commerce and Industry of El Salvador.

In October 2016, the World Bank's International Centre for Settlement of Investment Disputes ruled in favor of El Salvador on a case brought by an international mining company that challenged the government's failure sought to force government acceptance of a gold-mining project. The ruling served to galvanize the country's anti-mining movement, which led to the approval of a bill banning the exploration and extraction of metal mining in the country.

Bankruptcy Regulations

The Commercial Code, the Commercial Code of Procedures, and the Banking Law all contain sections that deal with the process for declaring bankruptcy. However there is no separate bankruptcy law or court. According to data collected by the 2017 World Bank's Doing Business report, resolving insolvency in El Salvador takes 3.5

years on average and costs 12 percent of the debtor's estate, with the most likely outcome being that the company will be sold piecemeal. The average recovery rate is 32.9 cents per U.S. dollar. El Salvador scores 2 out of 3 points on the commencement of proceedings index, 4 out of 6 points on the management of debtor's assets index, 0 out of 3 points on the reorganization proceedings index, and 3 out of 4 points on the creditor participation index. El Salvador's total score on the strength of insolvency framework index is 9 out of 16. Globally, El Salvador ranks 80 out of 190 on Ease of Resolving Insolvency.

Industrial Policies

Investment Incentives

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

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

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, i.e., 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);

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 (e.g., 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.

The Tourism Law establishes fiscal incentives for those who invest a minimum of USD 25,000 in tourism-related projects in El Salvador, including: value-added tax exemption for the acquisition of real state; import tariffs waiver for construction materials, goods, equipment (subject to limitation); and, a ten-year income tax waiver. 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 its profits during the exemption period to a government-administered Tourism Promotion Fund.

The Renewable Energy Incentives Law promotes investment projects that use renewable energy sources. On October 15, 2015, the Legislative Assembly approved amendments to the Law to encourage the use of renewable energy sources and reduce dependence on environmentally-unfriendly fossil fuels. These reforms extended the benefits and tax for new investments in projects to install power generation plants and for projects expansion, using renewable energy sources, such as hydro, geothermal, wind, solar, marine, biogas and biomass.

The incentives include full exemption, during the first 10 years, from customs duties on the importation of machinery, equipment, materials, and supplies used for the construction and expansion of substations, transmission or sub-transmission lines. Revenues directly derived from power generation based on renewable sources enjoy full exemption from income tax for a period of five years in case of projects above 10 MW and 10 years for smaller projects. The Law also provides an exemption from payment of any type of income tax derived directly from the sale of certified emission reductions (CERs) under the Mechanism for Clean Development of the Kyoto Protocol, or carbon markets (CDM).

Foreign Trade Zones/Free Ports/Trade Facilitation

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

The 1998 law established rules for export processing zones and bonded areas. The foreign trade 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 foreign trade zone to produce goods or services for export or to provide services linked to international trade. The regulations for the bonded areas are similar.

Qualifying firms located in the foreign trade zones and bonded areas may enjoy the following benefits:

Exemption from all duties and taxes on imports of raw materials and the machinery and equipment needed to produce for export;

Exemption from taxes for fuels and lubricants used for producing exports if they not domestically produced;

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.

Exemption from taxes on certain real estate transfers, e.g., for the acquisition of goods to be employed in the authorized activity.

Companies in the foreign trade 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.

There are 17 free trade zones operating in El Salvador. They host 242 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, as of June 2016 the firms employed a labor force of over 70,000 people. Section 5, above, on Performance Requirements and Incentives, outlines the incentives available to investors in these zones.

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, but the benefit was eliminated in 2011. Later that same year, however, the Salvadoran government approved regulations to support producers. The regulations include a new form of "drawback," approved by the 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 regulations also included 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 Import and Export Center (Centro de Trámites de Importaciones y Exportaciones - CIEX El Salvador).

Performance and Data Localization Requirements

February 2013 reforms to the country's Free Trade Zone Law made it compliant with WTO regulations. The reforms eliminated permanent tax exemptions based on export performance, and instead grant tax credits based on the number of employees and level of investment. 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. Current labor laws, however, require that 90 percent of the workforce in plants and in clerical positions be comprised of Salvadoran citizens. These restrictions regarding nationality and percentages are more lax for professional and technical jobs.

Foreign investors and domestic firms are eligible for the same incentives. Exports of goods and services are levied zero value-added tax.

Investors 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 totaling more than USD 1 million have the right to obtain an Investor's Residency status, which allows them to work and remain in the country. This type of residency may be requested within 30 days after the investment has been registered. The residency status covers the investor and their family for a period of one year, and may be extended annually. It is customary for companies to employ local lawyers to manage the process of obtaining residency. The American Chamber of Commerce in El Salvador can also provide information regarding the process.

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

El Salvador's Investment Law does not require investors to incorporate a specific percentage of local content, to turn over source code or provide access to surveillance, or to fulfill other performance criteria.

Protection of Property Rights

Real Property

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 hire competent local legal counsel to advise them on the property's title prior to purchase.

No single natural or legal person–whether national or foreign–can own more than 245 hectares (605 acres) of land. Per the Constitution, a principle of reciprocity is applied regarding the ownership of rural land, meaning there are no restrictions on the ownership of rural land by foreigners in El Salvador, unless this restriction is applied to Salvadoran nationals in the corresponding states. If the rural land will be used for industrial purposes, however, the reciprocity requirement is lifted.

Real property can be transferred without government authorization. For title transfer to be valid vis-a-vis third parties, however, it needs to be properly registered. Real estate lease law tends to heavily protect the interests of tenants; the law allows tenants to remain on property after their lease expires, provided they continue to pay rent. Likewise, the law limits the amount of rent that can be charged and makes eviction processes extremely difficult.

Squatters occupying private property in good faith can eventually acquire title. If the owner of the property is unknown, squatters can acquire title after 20 years of good faith possession through a judicial procedure; if the owner is known, squatters can acquire title after 30 years.

Squatters may never acquire title to public land, although municipalities often grant the right of use to the squatter.

Zoning is regulated by municipal rules. Municipalities have broad power regarding the use of property within their jurisdiction. Zoning maps, if they exist, are generally not available to the public.

The ineffectiveness of the judicial system discourages investment in real estate and makes execution of real estate guarantees difficult. The real property lease law provides extensive protection to tenants, but landowners' interests often go unprotected. Securitization of real estate guarantees or titles is legally permissible but does not occur frequently in practice.

In April 2012, the Legislative Assembly passed a constitutional reform recognizing the existence and the rights of indigenous peoples. However, there are no provisions for traditional use of lands or for indigenous peoples to share in revenue from exploitation of natural resources, as the government does not specifically demarcate any lands as belonging to indigenous communities.

According to the latest agricultural census (2007-2008), agricultural land in El Salvador totals 2,283,444.48 acres, of which 1,695,653.4 acres are owned and not rented out (74 percent), 478,127.32 acres are rented (21 percent), and 109,665.48 acres (five percent) are not clearly defined.

El Salvador ranks 71th of 190 economies on the World Bank's Doing Business 2017 report in the Ease of Registering Property category. According to the collected data, registering a property takes on average of five steps over a period of 31 days, and costs 3.8 percent of the reported value of the property.

Intellectual Property Rights

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 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 five and 10 years respectively, and ratified an international agreement extending protection to satellite signals.On February 15, 2017, the Legislative Assembly approved amendments to El Salvador's Intellectual Property Law. USTR expressed concerns that it had not had an opportunity to review the draft legislation and noted that the CAFTA-DR contains transparency provisions. USTR indicated it would seek bilateral discussion of the proposed legislation and is engaging with the GOES to explore substantive issues with the proposed amendments.

The National Directorate of Medicines (NDM) has registered 60 products for data protection since 2008, including seven in 2016. The NDM protects the confidentiality of relevant test data and the list of such protected medications is available at the NDM's website.

Salvadoran authorities have limited resources to dedicate to IPR issues and enforcement of existing laws. The Salvadoran Intellectual Property Association (Asociacion Salvadoreña de Propiedad Intelectual, ASPI) notes that piracy is common in El Salvador because the police focus on investigating criminal networks rather than points of sale. The contraband and piracy of medicines and software also remain a problem, as well as the purchase of drugs online, whereby unlicensed or counterfeit products are imported to El Salvador. The National Civil Police (PNC) has an Intellectual Property Section with eight investigators. According to ASPI, the PNC section coordinates well with other government and private entities. Nevertheless, the PNC admits that a lack of resources and expertise, e.g., regarding information technology, hinders its effectiveness in combatting IPR crimes. Most PNC operations focused on copyright infringement, and there were only 19 arrests in 2016. During the year, the police seized a total of 56,919 pirated optical media discs (CDs and DVDs), along with six DVD/CD burners and 15 burner towers used to make pirated discs. The police also seized tens of thousands of counterfeit products, including 56,919 fake Disney toys and purported Casio brand wristwatches (9,980) and clocks (7,700). Other commonly counterfeited brands included Tommy Hilfiger, Calvin Klein, Levis, Polo Ralph Lauren, Sony, Dell, HP, Converse, Puma, and Hello Kitty. Both ASPI and the PNC would like the Attorney General's Office to do more to prosecute IPR cases; only two or three prosecutors are dedicated to such work.

Contraband and counterfeit products, especially cigarettes, liquor, toothpaste and cooking oil, remain widespread. The Distributors Association of El Salvador (ADES) estimates that around 50 percent of the liquor consumed in El Salvador is smuggled. Most contraband cigarettes come in from China, Panama, and Paraguay and undercut legitimately-imported cigarettes, which are subject to a 39 percent tariff. According to ADES, most contraband cigarettes are smuggled in by gangs, with the complicity of Salvadoran authorities. A February 2017 study by CID Gallup Latin

America, noting the link between contraband cigarettes and gang finances, estimated that 32 percent of the 940 million cigarettes consumed annually in El Salvador are contraband. Gallup estimated that, during 2014, the GOES lost USD 15 million in tax revenue due to cigarette smuggling.

The national Intellectual Property Registry has two registered geographical indications for El Salvador: "Balsamo de El Salvador" (balm for medicinal, cosmetic and gastronomic uses – registered since 1935) and "Café Ilamatepec" (coffee – registered in 2010). Salvadoran hard liquor "Chaparro" is in the process of registration.

El Salvador is not listed in the notorious market report nor Special 301 list.

El Salvador is a signatory of the Berne 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; the Rome Convention for the Protection of Performers, Phonogram Producers, and Broadcasting Organizations; and the Beijing Treaty on Audiovisual Performances (2012), which grants performing artists certain economic rights (such as rights over broadcast, reproduction, and distribution) of live and recorded works.

For additional information about treaty obligations and points of contact at local IP offices, please see WIPO's country profiles.

Financial Sector

Capital Markets and Portfolio Investment

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. Foreign investors may obtain credit in the local financial market under the same conditions as local investors. According to the legislation, the maximum interest rate for credit cards and loans is 1.6 times the weighted average effective rate established by the Central Bank. There are different maximum interest rates according to the different market segments and amounts (consumption, credit cards, mortgages, home repair/remodeling, business, and microcredits).

On July 31, 2014, the Legislative Assembly approved the Financial Transactions Tax Law. The law assesses a 0.25 percent tax on many financial transactions such as electronic, check or wire transfers and payments exceeding USD 1,000; loan or disbursements; and transactions between entities of the financial system. There are also several exemptions from the tax, such as end-use credit card payments; social security, pensions, and insurance payments; transactions made by the state, NGOs, diplomats, or international organizations; and stock exchange primary market operations. The 0.25 percent withholding tax is designed to capture some revenue from the informal sector and expand the tax base. The taxes withheld are credited against any obligation due to the tax authorities within a two-year period of the withholding date.

The 1994 Securities Market Law established the present framework for the Salvadoran securities exchange, which opened in 1992. The Salvadoran securities exchange 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 2015 and 2016, the exchange averaged daily trading volumes of about USD 11.3 million. Government-regulated private pension funds, Salvadoran insurance companies, and local banks are the largest buyers on the Salvadoran securities exchange.

Money and Banking System

El Salvador's banks are among the largest in Central America and many are owned by foreign financial institutions. The penetration of financial services is relatively low with only 35 percent of Salvadorans holding bank accounts. The banking system is sound and generally well-managed and supervised. El Salvador’s Central Bank is responsible for regulating the banking system, monitoring compliance of liquidity reserve requirements, and managing the payment systems.

The banking system's total assets as of January 2017 totaled USD 16 billion. Under Salvadoran banking law, there is no difference in regulations between foreign and domestic banks and foreign banks can offer all the same services as domestic banks.

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 Insurance Companies Law regulates the operation of both local and foreign insurance firms. Foreign firms, including U.S., Colombian, Canadian, and Spanish companies, have invested in Salvadoran insurers.

Foreign Exchange and Remittances

Foreign Exchange

There are no restrictions on transferring investment-related funds 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 that is considered a tax haven or has low or no taxes, will be subject to a tax of twenty-five percent.

The Monetary Integration Law dollarized El Salvador in 2001 and the U.S. dollar accounts for nearly all currency in circulation and can be used in all transactions. Salvadoran banks, in accordance with the law, must keep all accounts in dollars. Dollarization is supported by family remittances – almost all from workers in the United States – that totaled USD 4.6 billion in 2016.

Remittance Policies

There are no restrictions placed on investment remittances. The Caribbean Financial Action Task Force report on monitoring remittances, noted that El Salvador has strengthened its remittances regimen, prohibiting anonymous accounts and limiting suspicious transactions. On July 23, 2015, the Legislature approved reforms to the Law of Supervision and Regulation of the Financial System so that any entity sending or receiving systematic or substantial amounts of money by any means, at the national and international level, falls under the jurisdiction of the Superintendence of the Financial System.

Sovereign Wealth Funds

El Salvador does not have a sovereign wealth fund.

State-Owned Enterprises

El Salvador successfully liberalized many sectors where the government previously exerted monopoly control, effectively limiting most forms of direct competition from state-owned enterprises. El Salvador maintains state-owned enterprises (SOEs) in energy production, water supply and sanitation, ports and airports, and the national lottery.

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 hydro-electric and geothermal energy. The primary water service provider is the National Water and Sewer Administration (ANDA), which provides services to 40 percent of the total population of El Salvador. As an umbrella institution, ANDA defines policies, regulates and provides services. The Autonomous Executive Port Commission (CEPA) operates both the ports and the airports. CEL, ANDA and CEPA Board Chairs hold Minister-level rank and report directly to the President.

The Law on Public Administration Procurement and Contracting (LACAP) covers all procurement of goods and services by all Salvadoran public institutions, including the municipalities. Exceptions to LACAP include: procurement and contracting financed with funds coming from other countries (bilateral agreements) or international bodies; agreements between state institutions; and the contracting of personal services by public institutions under the provisions of the Law on Salaries, Contracts and Day Work. The government has a website where tenders by government institutions are published.

Alba Petroleos is a joint-venture between a consortium of mayors from the leftist Farabundo Marti National Liberation Front (FMLN) party and a subsidiary of Venezuela's state-owned oil company PDVSA. Alba Petroleos 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 charge that the conglomerate receives preferential treatment from the government. Critics also allege that Alba Petroleos' commercial practices, including financial reporting, are non-transparent. The company's high dependence on the cash flow from the oil credit line with PDVSA combined with a politically-driven business model and poor financial management appears to be driving Alba Petroleos towards insolvency.

Privatization Program

El Salvador does not have a privatization program.

Responsible Business Conduct

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

The Secretariat of Transparency and Corruption was launched in 2009 with the mandate to develop guidelines, strategies, and actions to promote transparency and combat corruption in government The watchdog organization Transparency International is represented in-country by the Salvadoran Foundation for Development (FUNDE), which publicly stated that the Secretariat of Transparency and Corruption, and its Active Transparency (Transparencia Activa) propaganda body, are commissioned, among other things, to attack and discredit those who criticize the government. According to FUNDE, Transparencia Activa grossly manipulates information and misrepresents the facts.

The Technical Committee of the National Council against Trafficking in Persons (the TIP Council) is a cabinet- level body that, as of January 2017, was revising the "Protocol for Interinstitutional Action for the Integral Care of Trafficking in Persons Victims." The protocol describes methods for the care and referral of victims and includes information and materials to create awareness of local TIP Council resources that are available to the public.

More information can be found at:

Open Government Partnership- El Salvador

El Salvador does not waive or weaken labor laws, consumer protection, or environmental regulations to attract foreign investment.

Corruption

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 95 out of 176 countries in Transparency International's Corruption Perceptions 2016 Index. El Salvador has laws, regulations and penalties to combat corruption, but their effectiveness is questionable. Soliciting, offering, or accepting a bribe is a criminal act in El Salvador. The Attorney General's Anticorruption and Complex Crimes Unit handles allegations of corruption against public officials. The Constitution establishes a Court of Accounts that is charged with investigating public officials and entities and, when necessary, passing such cases to the Attorney General for prosecution. Executive-branch employees are subject to a code of ethics, including administrative enforcement mechanisms, and the government established an Ethics Tribunal in 2006.

In 2011, El Salvador approved the Law on Access to Public Information and joined the Open Government Partnership, becoming one of the first countries to do so. The

Open Government Partnership promotes government commitments made jointly with civil society on transparency, accountability, citizen participation and use of new technologies.

Corruption scandals at the federal, legislative, and municipal levels are commonplace and there have been credible allegations of judicial corruption. The law provides criminal penalties for corruption by officials, but the government does not implement the law effectively. The NGO Social Initiative for Democracy stated that officials, particularly in the judicial system, often engaged in corrupt practices with impunity. Long-standing government practices in El Salvador, including cash payments to officials, shielded budgetary accounts, and diversion of government funds, make corruption easy and accountability difficult. For example, the accepted practice of ensuring party loyalty through off-the-books cash payments to public officials has persisted across five presidential administrations. The Attorney General's Office expressed frustration over the lack of transparency within the government as it pursues illicit enrichment cases against current and former officials. El Salvador has an active, free press that reports on corruption. In late 2015, the Probity Section of the Supreme Court began, for the first time, to investigate allegations of illicit enrichment of public officials. The Supreme Court reported that, as of July 2016, the Probity Section investigated 72 current and former public officials for evidence of illicit enrichment and submitted five cases to the Attorney General's Office for possible criminal investigation. As of mid-July 2016, the Attorney General's Office reported investigating 93 cases related to corruption, resulting in seven convictions.

In August 2016, the Attorney General's Office opened a criminal corruption case against former president Mauricio Funes (2009-14), currently a fugitive in Nicaragua, and prosecuted the former attorney general and a prominent businessman linked to several administrations under charges related to corruption. In October 2016, the Attorney General's Office brought embezzlement, misappropriation, and money laundering charges against former president Elias Antonio (Tony) Saca (2004-2009).

The illicit enrichment law requires appointed and elected officials to declare their assets to the Probity Section of the Supreme Court. The declarations are not available to the public, and the law does not establish sanctions for noncompliance. In May 2016, the Supreme Court established three criteria for selecting which cases to investigate: the age of the case (i.e., proximity to the statute of limitations), the relevance of the position, and the seriousness and notoriety of the alleged illicit enrichment.

The law provides for the right of access to government information, but authorities did not always effectively implement the law. As of July 2016, the Institute for Access to Public Information had formally received 1,001 cases, 81 percent of which are resolved. The law gives a narrow list of exceptions that outline the grounds for nondisclosure and provide for a reasonably short timeline for the relevant authority to respond, no processing fees, and administrative sanctions for noncompliance.

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.

Resources to Report Corruption

Contact at government agency or agencies are responsible for combating corruption:

Doctor Marcel Orestes Posada, President of the Court of Government Ethics

Court of Government Ethics (Tribunal de Etica Gubernamental)

Calle Los Espliegos #30, Colonia San Francisco, San Salvador

(503) 2560-6400

Website

Contact at "watchdog" organization (international, regional, local or nongovernmental organization operating in the country/economy that monitors corruption, such as Transparency International):

Roberto Rubio-Fabián

Executive Director

National Development Foundation (Fundacion Nacional para el Desarrollo)

Fundación Nacional para el Desarrollo, Calle Arturo Ambrogi #411, entre 103 y 105 Avenida Norte, Colonia Escalón, San Salvador

(503) 2209-5300

direccion@funde.org

Political and Security Environment

El Salvador's 12-year civil war ended in 1992 upon the signing of peace accords. Since then, there has been no political violence aimed at foreign investors, their businesses, or their property.

The constitution provides for freedom of internal movement, foreign travel, emigration, and repatriation. The government has generally respected these rights, although in many areas, the government cannot ensure freedom of movement, due to the strength of criminal gang activity.

Each gang has its own defined territory and will restrict entry. Gang members often do not allow persons living in another gang's controlled area to enter their territory, even when travelling in public transportation or for commercial deliveries. Gangs frequently force people to present identification cards (that contain their addresses) to determine where they live. If gang members discover that a person lives in a rival gang's territory, that person might be killed, beaten, or not allowed to enter the territory. Bus companies and distributors often must pay extortion fees to operate within gang territories, and these costs are passed on to paying customers.

A GOES Central Bank report released in April 2016, estimated that violence costs El Salvador USD 4 billion or 16 percent of its GDP in 2014. The study put extortion fees paid by businesses at USD 756 million. Another estimate, by the Institute for Economics and Peace, calculated the true cost of Salvadoran violence in 2015 to be USD 8.5 billion, while the World Economic Forum's 2016-17 Global Competitiveness Index reported that costs due to organized crime for Salvadoran businesses are the highest among 138 countries.

Labor Policies and Practices

In 2015, El Salvador had a labor force of approximately 2.9 million, according to the Ministry of Economy. While Salvadoran labor is regarded as hard working, general education and professional skill levels are low. According to many large employers, there is a lack of middle management-level talent, which sometimes results in the necessity to bring in managers from abroad. Employers do not report labor-related difficulties in incorporating technology into their workplaces.

The Salvadoran Constitution guarantees the right of employees in the private sector to organize into associations and unions. In practice, unions are independent of the government and employers. Unions may strike only to obtain or modify a collective bargaining agreement or to protect professional rights. They must also engage in negotiation, mediation, and arbitration processes before striking, although many groups skip or go through these steps quickly. The law prohibits workers from appealing a government decision declaring a strike illegal. Employers are free to hire union or non-union labor. Closed shops are illegal. Labor laws are generally in accordance with internationally-recognized standards, but are not enforced consistently by government authorities. Although El Salvador improved labor rights since the CAFTA-DR entered into force in 2006 and the passage of the 2014 Special Trafficking in Persons Law, there is still room for better implementation.

The current administration has committed to promote labor rights and linked labor rights to its efforts to increase economic productivity and boost employment. Challenges include a need to elaborate policies protecting the right to unionize in order to meet international best practices, improving regulations guaranteeing the right to a safe workplace, and adequate government resources to conduct inspections. Workplace discrimination, related specifically to disability and gender, remain a significant issue. According to labor unions, government sources, and the private sector, the Ministry of Labor has serious budget constraints, which affect its ability to thoroughly inspect for labor violations.

While workers have the right to strike, the law contains cumbersome and complex registration procedures for conducting a legal strike. The law does not recognize the right to strike for public and municipal employees or for workers in essential services, which include those services where disruption would jeopardize or endanger life, security, health, or normal conditions of existence for some or all of the population. The law does not specify which services meet this definition, and courts therefore apply this provision on a case-by-case basis.

The government does not effectively enforce the laws on freedom of association and the right to collective bargaining in all cases. Resources to conduct inspections were inadequate, and remedies remained ineffective. Penalties for employers who disrupt the right of a union to exist but were generally not sufficient to deter violations. The Ministry of Labor lacks sufficient resources, such as vehicles, fuel, and computers, to enforce the law fully. Judicial procedures were subject to lengthy delays and appeals. According to union representatives, the government did not consistently enforce labor rights for public workers, maquila/textile workers, subcontracted workers in the construction industry, security guards, informal sector workers, or migrant workers. As of June 2016, the Ministry of Labor had received five claims of violation of the freedom of association.

El Salvador's Labor Law mandates that the minimum wage must be proposed by the National Minimum Wage Council. In December 2016, El Salvador's National Minimum Wage Council approved minimum wage increases that ranged by sector from 19 to 105 percent, which raised concerns about the country's competitiveness. Private sector trade associations complained that the wage determination process was politicized, and one trade association challenged the increase as unconstitutional before the Supreme Court. Only about 28 percent of Salvadorans work in the formal sector, opening the government up for criticism that the minimum wage increase constitutes another barrier to formalization and is likely to suppress the increased tax revenue that would come along with higher participation in the formal economy.

OPIC and Other Investment Insurance Programs

Overseas Private Investment Cooperation (OPIC) has an agreement with El Salvador that requires it to approve all insurance applications. This agreement is being re-negotiated and it may 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. El Salvador uses the U.S. dollar, so full inconvertibility insurance is unnecessary, but investors may want to protect against the possibility of not being able to transfer funds for other reasons. El Salvador is a member of the Multilateral Investment Guarantee Agency (MIGA).

Foreign Direct Investment and Foreign Portfolio Investment Statistics

Key Macroeconomic Data, U.S. FDI in Host Country/Economy

	Host Country Statistical source*		**USG or international statistical source**		**USG or International Source of Data: BEA; IMF; Eurostat; UNCTAD, Other**
Economic Data	**Year**	**Amount**	**Year**	**Amount**	
Host Country Gross Domestic Product (GDP) ($M USD)	2015	$25.85 billion	2015	$25.85 billion	www.worldbank.org/en/country
Foreign Direct Investment	**Host Country Statistical source***		**USG or international statistical source**		**USG or international Source of data: BEA; IMF; Eurostat; UNCTAD, Other**
U.S. FDI in partner country ($M USD, stock positions)	2015	$2,639.79 m	2015	$2,605 m	BEA data available at http://bea.gov/international/direct_investment_multinational_companies_comprehensive_data.htm
Host country's FDI in the United States ($M USD, stock positions)	2015	N/A	2015	N/A	BEA data available at http://bea.gov/international/direct_investment_multinational_companies_comprehensive_data.htm
Total inbound stock of FDI as % host GDP	2015	10.2%	2015	10.1%	

* Central Bank, El Salvador

Sources and Destination of FDI

Direct Investment from/in Counterpart Economy Data					
From Top Five Sources/To Top Five Destinations ***(US Dollars, Millions)***					
Inward Direct Investment			**Outward Direct Investment**		
Total Inward	9,158	100%	Total Outward	2	100%
United States	2,640	28.8%	Guatemala	1	50%
Panama	2,230	24.4%	Nicaragua	1	50%
Mexico	973	10.6%	Costa Rica	N/A	N/A
Spain	843	9.2%	Honduras	N/A	N/A
Colombia	763	8.3%	Panama	N/A	N/A
"0" reflects amounts rounded to +/- USD 500,000.					

Contact for More Information on the Investment Climate Statement

U.S. Embassy San Salvador

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

Phone: + (503) 2501-2999

Email: webmasterss@state.gov

Website

To reach the U.S. Foreign Commercial Service (FCS) Office, please email: office.sansalvador@trade.gov

Trade & Project Financing

Methods of Payment

The U.S. Commercial Service discourages sending shipments without agreeing to payment terms in advance and receiving proper bank documents. Advance payment or an irrevocable letter of credit are recommended for initial commercial transactions until a well-established relationship based on prompt payment and contractual obligations is established with the Salvadoran counterpart. Letters of credit (LCs) are among the most secure instruments available to international traders. An LC is useful when reliable credit information about a foreign buyer is difficult to obtain, but the exporter is satisfied with the creditworthiness of the buyer's foreign bank. An LC also protects the buyer since no payment obligation arises until the goods have been shipped or delivered as promised.

Open account transactions among established business partners are used in El Salvador. The goods are shipped and delivered before payment is due, usually in 30 to 90 days. This payment method is the most advantageous option to the Salvadoran importer in cash flow and cost terms, but it is consequently the highest risk option for the U.S. exporter. However, with the use of one or more of the appropriate trade finance techniques, such as export working capital financing, government-guaranteed export working capital programs, export credit insurance, export factoring, etc., the U.S. exporter can offer open competitive account terms while substantially mitigating the risk of nonpayment by the foreign buyer.

Factoring is offered by most banks operating in El Salvador and few private companies, such as Quedex and Inter Corp.

Local credit-rating agencies should be authorized by the financial system supervisor (SSF), four companies have been approved to manage credit and financial history in El Salvador, INFORED; Transunion El Salvador; Asocaicion Protectora de Creditos and Equifax Centro America.

Primary credit cards and charge cards primary used in El Salvador are, in priority order: VISA, MasterCard, American Express. According to legislation, the maximum interest rate for credit cards and loans is 1.6 times the simple average effective rate established by the Central Bank.

Collection agencies are not regulated and often times run by law professionals. The most visible collection agency in El Salvador is Puntual S.A. de C.V. An option for U.S companies is to work with known law firms that offer extra-judicial collection services.

Banking Systems

El Salvador's banking system is sound and generally well-managed and supervised. The banking system's total assets as of January 2017 totaled $16 billion. The Financial System Supervisor (Superintendencia del Sistema Financiero, SSF), 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. The Central Bank regulates the financial system, administers international reserves, and manages the payment system and financial services, and provides services to exporters and importers (Centro de Tramites de Importaciones y Exportaciones – CIEX El Salvador).

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.

Commercial banking services in El Salvador are provided by fourteen institutions: twelve private banks, and two state-owned banks. The leading private banks: Banco Agrícola S.A. (acquired by Bancolombia), Banco Cuscatlán (former Citibank de El Salvador S.A), Banco Davivienda Salvadoreño, S.A. (formerly HSBC), Scotiabank El

Salvador S.A., and Banco de América Central S.A., together account for approximately 95% of the Salvadoran banking sector. Banco Hipotecario and Banco de Fomento Agropecuario are government owned with market share about 4%. In addition to these aforementioned, there are other financial institutions authorized to capture savings from the public, including seven cooperatives and four savings and loans associations.

Foreign Exchange Controls

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

US Banks & Local Correspondent Banks

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 or the Salvadoran Bank Association (Asociacion Bancaria Salvadoreña – BANDA):

Banco Agrícola S.A.
Blvd. Constitución No. 100 y 1a. Calle Pte., Plaza Las Américas
San Salvador, El Salvador, C.A.
Tel: (503) 2267-5900
Web Page

Banco Azul
3a. Calle Pte. No. 3952, Col. Escaló
Tel: (503) 2555-8000
San Salvador, El Salvador, C.A.
Web Page

Banco Cuscatlán de El Salvador, S.A.
Edif. Pirámide Citibank, Km. 10, Carretera a Santa Tecla
Santa Tecla, La Libertad, El Salvador, C.A.
Tel. (503) 2212-3525
Web Page

Banco Davivienda Salvadoreño, S.A.
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

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

Citibank , N.A. Sucursal El Salvador
Alameda Manuel Enrique Aruajo y Calle Nueva No. 1
Edificio PALIC, Segunda Planta
San Salvador, El Salvador, C.A.
Tel: (503) 2211 - 2855, Fax (503)
Web Page

Banco Promérica, S.A.
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

Scotiabank El Salvador, S.A.
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

Banco de América Central, S.A.
Edif. Credomatic 55 Av. Sur y Alameda Roosevelt y Av. Olímpica
San Salvador, El Salvador, C.A.
Tel: (503) 2247-4453
Web Page

Banco Procredit
Blvd. Constitución y 1a. Calle Pte. No. 3538, Colonia Escalón
San Salvador, El Salvador, C.A.
Tel: (503) 2206-9000
Web Page

Banco Azteca
65 Avenida Sur y Alameda Rossevelt, Edif E, Nivel 7
San Salvador, El Salvador, C.A.
Tel. (503) 2514-4504
Web Page

Banco Industrial, S.A.
Avenida Magnolias, Boulevard del Hipódromo, No. 144. Colonia San Benito
San Salvador, El Salvador, C.A.
Tel. (503) 2213-1717

Banco Hipotecario de El Salvador
Sucursal Senda Florida Sur, Colonia Escalón
San Salvador, El Salvador, C.A.
Tel: (503) 2250-7101;
Web Page

Banco de Fomento Agropecuario
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

Project Financing

Bank financing is readily available in El Salvador. Since the dollarization of the economy 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.

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.

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.

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. 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.

The **U.S. Trade and Development Agency (USTDA)** facilitates partnerships between U.S. 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 U.S. companies on the "ground floor" of projects.

The **Millennium Challenge Corporation (MCC)** and the Government of El Salvador signed the second Compact with El Salvador on September 9, 2015 for $277 million. This Compact with its "More Investment, Less Poverty" theme, includes projects: to improve the investment climate, logistical infrastructure, and human capital over the next five years. For additional information, companies are encouraged to consult the MCC 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.

The **Multilateral Development Banks (World Bank, Inter-American Development Bank)** lends billions of dollars to developing countries on projects aimed at accelerating economic growth and social development by reducing poverty and inequality, improving health and education, and advancing infrastructure. The Commercial Service maintains Commercial Liaison Offices in each of the main Multilateral Development Banks, including the World Bank and the Inter-American Development Bank. These institutions lend billions of dollars in developing countries on projects aimed at accelerating economic growth and social development by reducing poverty and inequality, improving health and education, and advancing infrastructure development. The Commercial Liaison Offices help American businesses learn how to get involved in bank-funded projects, and advocate on behalf of American bidders. Learn more by contacting the Commercial Liaison Offices to the World Bank and to the Inter-American Development Bank.

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.

Financing Web Resources

[Commercial Liaison Office to the World Bank](#)
[Commercial Liaison Office to the Inter-American Development Bank](#)
[Export-Import Bank of the United States](#)
[Country Limitation Schedule](#)
[Overseas Private Investment Corporation (OPIC)](#)
[Millennium Challenge Corporation](#)
[U.S. Trade and Development Agency](#)
[Small Business Administration (SBA) Office of International Trade](#)
[USDA Commodity Credit Corporation](#)
[U.S. Agency for International Development](#)
[Development Bank of El Salvador](#)
[El Salvador's Financial System Superintendence](#)
[Authorized Credit Rating Agencies](#)
[Salvadoran Banking Association](#)

Business Travel

Business Customs

El Salvador and the United States share strong business ties which provide Salvadorans a high level of comfort in doing business with U.S. companies. Much like the rest of Latin America, in El Salvador business is conducted after a relationship has been established. Spending time forming a personal connection before jumping into business discussions is highly recommended. Spanish is the official language in El Salvador.

The business dress code in El Salvador is conservative. A lightweight suit is the most appropriate attire for 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 start late by U.S. standards, frequently at 7:00 p.m. Lunch is usually at 12:30 p.m.

Travel Advisory

The Department of State warns U.S. citizens to exercise caution when traveling to El Salvador because of the high crime rate. For the most updated travel information 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 offers safety updates, travel warnings and country specific information.

Prior to travelling to El Salvador, you should consider enrolling in STEP (Smart Traveler Enrollment Program). STEP is a free service to allow U.S. citizens travelling abroad to enroll their trip with the nearest U.S. Embassy.

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

For information about ACS services, please dial (503) 2501-2600, or e-mail at acssansal@state.gov. For after-hour emergencies, call (503) 2501-2999.This phone number is **ONLY** for emergency assistance directly affecting a U.S. Citizen in El Salvador. Examples of emergencies include: death, arrest, missing persons, and child abduction.

Security Threat Information

The threat against Americans from political activity is considered low. The threat from criminal elements is critical. Random and violent crime is endemic throughout the country. Armed street robberies, carjacking, kidnapping for ransom, sexual assaults and residential burglaries threaten those residing in El Salvador. U.S. citizens or official travelers have not been singled out, but are subject to the same threats as all other people in El Salvador. Consider scheduling flights to arrive during daylight. Traveling on the roads after dusk is dangerous for security and traffic safety reasons.

Travelers should be aware that the downtown area of San Salvador, along with other urban areas in the country, is significantly less safe than the west side of the capital. Visitors are strongly advised to exercise caution while in the vicinity of your hotel, particularly at night. Travel to rural areas should be undertaken with caution. Mountain roads, poorly maintained vehicles, highway robberies and other violence are real threats. Public transportation, especially buses, both within and outside the capital, is risky and not recommended. Use radio dispatched taxis or those recommended by hotels. For the latest Travel Warning to El Salvador or visit The State Department.

Visa Requirements

Individuals entering El Salvador on U.S. diplomatic, official or tourist passports are not required to obtain a Salvadoran visa prior to entering the country. However, holders of tourist passports should expect to pay a $10.00 fee at the port of entry. Official and diplomatic passport holders are exempt.

Individuals possessing a passport from a country other than the United States should look up that country's visa requirements.

Immigration, Customs and Quarantine
Imports of certain high-caliber firearms are prohibited. Any exception to this rule MUST be approved in advance of arrival by the Salvadoran authorities. 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.

The importation or possession of other firearms or ammunitions while traveling to or while in El Salvador is prohibited. Travelers in possession of any firearm or ammunition are subject to arrest/detainment by Salvadoran authorities and local law.

Approval to carry a firearm on a flight from airlines departing the U.S. to El Salvador does not constitute approval from the Government of El Salvador to bear a firearm while in El Salvador.
For Salvadoran Consular Services

The airport departure fee is included in the airline ticket price. Bearers of diplomatic passports are exempt from this departure fee. Travelers leaving by land do not pay exit taxes.

Visas to the U.S.
U.S. companies that require travel of foreign business partners to the United States should allow sufficient time for visa issuance. Visa applicants should go to the following links:
State Department Visa Website

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

Interview Waiver Program for Non-Immigrant applicants to the United States
The Consular Section of the U.S. Embassy in San Salvador, El Salvador, has instituted an Interview Waiver Program for qualifying individuals renewing visas (B1/B2). This program is designed to reduce wait times and facilitate the visa application process for proven travelers. Qualifying applicants will be able to schedule a special appointment and will only be required to appear at the Embassy to submit their application and fingerprints. They will no longer have to wait for an interview with a Consular Officer.

In general, all who qualify for this program must be renewing a tourist visa that expired in the last 12 months, or is still valid. The B1/B2 visa must have expired in the past 12 months, been issued in San Salvador and issued to the fullest validity possible (10 years for an adult) Applicants must not have had a visa refused after the original visa was issued.

Qualified applicants can schedule a special appointment via the website or the call center (2113-3122). All applicants, including those qualifying for interview waiver, must still complete the online application (DS-160), pay the visa fee ($160), and schedule an appointment to drop off the required documents and passports. Qualifying applicants may no longer have to wait to be interviewed by a Consular Officer; however, applicants are reminded that the Consular Officer maintains the right to call any applicant for a personal interview.

Currency

The legal currency in El Salvador is the U.S. Dollar.

Credit cards are accepted by the majority of stores and restaurants in the main cities, especially those in shopping centers. Visa is the most widely accepted card followed by Master Card and American Express. In most stores you will be asked to show an ID card when paying with a credit card.

ATMs are located in shopping centers, major hotels, and convenience store at gas stations, and inside or outside banks.

There is a 13% Value Added Tax (IVA) on all purchases, which is included in most prices. A 10% tip is usually included in the invoice of restaurants. If it is not included, it is customary to leave the tip in cash.

Telecommunications/Electric

There are no government restrictions on access to the Internet which is available in public places throughout the country; Wi-Fi is available at international hotels, airport, popular restaurants and business areas in main cities – San Salvador, San Miguel and Santa Ana. The postal service system does not meet international standards; however there are many private courier services, such as DHL, FedEx, and UPS, operating in the market.

SIGET (Electricity and Communications Regulator) publishes a report with statistical information grouped by its main areas (land lines, mobile, Internet and costs).

Telecommunication companies that provide fixed phone line service:

- CTE, S.A. de C.V.
- Telefónica Móviles El Salvador, S.A. de C.V.
- GCA Telecom, S.A. de C.V. (GCA)
- El Salvador Network, S.A. (SALNET)
- Telemovil El Salvador, S.A. (TIGO)

- Telecomunicaciones de America (TELECAM)
- CTE Telecom Personal (CLARO)
- I.P. Holding's S.A de C.V.
- RED 4G, S.A. de C.V.
- Digicel, S.A. de C.V.

Providers of Mobile service:

- CTE Telecom Personal (CLARO)
- Digicel, S.A. de C.V.
- Telemovil El Salvador, S.A. (TIGO)
- Telefónica Móviles El Salvador, S.A. de C.V.
- Intelfon, S.A. de C.V. (RED)

Providers of cable and satellite service:

- CTE Telecom Personal (CLARO)
- Telemovil El Salvador, S.A. (TIGO)
- SKY

Mobile phone providers offer roaming service. In order to avoid high roaming charges, consider purchasing a pre-paid SIM card from any of the major cell phone providers (Tigo, Movistar, Claro and Digicel). An ID card or passport is required to purchase a SIM card. There is GSM coverage in most of the country and 3G in the main cities.

Electrical plug/outlet and voltage (110-120 volts) are the same as in the U.S. The primary socket type is North American non-grounded.

Transportation

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 and El Salvador serves as its regional hub.

Most hotels offer airport shuttle services for their guests at rates ranging from $25 - $45 for a one-way trip.

Taxi services, normally provided within the perimeter of deluxe hotels, are mostly reliable. Public transit is not recommended.

Renting a car in El Salvador is an option. However, car accidents are amongst the most common causes of serious injury. Avoid driving at night, plan alternative routes, and use seat belts.

Language

Spanish is the official language. English is spoken in some business circles. Business travelers should hire an interpreter for meetings

Business Service Providers

Health

Travelers can check the latest health information with the Centers for Disease Control and Prevention website. It provides 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. You may also reach the CDC's hotline at 1-800-CDC-INFO.

Following are some useful health tips 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 pose a risk of bacterial dysentery and parasitic infection.
- As in any part of the world, one must use common sense. Hot food should be eaten hot and cold food should be eaten cold.
- Meat, pork, and chicken should be cooked thoroughly.
- Bottled drinks are considered safe. Tap water is not potable. Commercially available water bottled in El Salvador from the Agua Cristal plant is considered 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.
- Insect repellent should be used liberally when outdoors. There has been a sharp rise in the occurrence of dengue fever, chikungunya and zika in Central America.

Yellow Fever Immigration Requirement for El Salvador Entry/Exit

All travelers going to, or coming from: Panama, Bolivia, Brazil, Colombia, Ecuador, French Guiana, Paraguay, Peru, Venezuela and the continent of Africa, must show proof of vaccination against yellow fever. The vaccination must have occurred at least ten days prior to the exit/entry to El Salvador.

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

Dirección General de Migración y Extranjería (DGME)

Centro de Gobierno. 9ª Calle Poniente y final 15 Avenida Norte

Edificio Ministerio de Gobernación, Centro de Gobierno, San Salvador, El Salvador

Tel.: (503) 2526-3000 or (503) 2213-7800

Website

E mail: atencion.usuarios@seguridad.gob.sv

Chikungunya, Dengue and Zika

Chikungunya, dengue and zika are present in El Salvador. Most common symptoms include: fever, rash, severe headache, joint pain, and muscle or bone pain. Prevention is important as there are no specific treatments for chikungunya or dengue and vaccines are still not available. It is recommended to use repellents, cover exposed skin, and sleep in screened or air conditioned rooms. The *Aedes* mosquitos that carry these illnesses are primarily day biting and often live in homes and hotel rooms especially under beds, in bathrooms and closets. Malaria is now uncommon in El Salvador but travelers to rural areas in the departments of Ahuachapán, Santa Ana, and La Unión should be aware of the potential for infection by *Plasmodium vivax*. For further information on yellow fever, dengue and chikungunya, visit the Centers for Disease Control and Prevention website.

Medical Services

Although many physicians in El Salvador are highly trained, hospital emergency rooms and clinics are generally not equipped and maintained to U.S. standards. Private hospitals are recommended and accept credit card. Travelers should arrange for medical insurance and evacuation prior to arrival. Refer to medical providers.

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

Local Time, Business Hours and Holidays

Standard time zone: UTC/CMT –6 hours. El Salvador does not follow daylight savings time. 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
March 30 to April 3*	Holy Week (Semana Santa)
May 1	Labor Day

Holidays observed in El Salvador:	
May 10	Mother’s 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.

Climate

The climate in San Salvador is suitable for summer clothing year round, with an occasional need for a sweater in the evening in December and January. Climate is tropical, rainy season (May to October); dry season (November to April).

Temporary Entry of Materials or Personal Belongings

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 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 entry visa, should review requirements and fees at the Direction of Commerce and Investment (DCI) of the Ministry of Economy, website

Travel Related Web Resources

Ministry of Tourism in El Salvador (MITUR) and CORSATUR

Ministry of Foreign Relations

Salvadoran Restaurants Association

Ministry of Economy

Salvadoran Immigration Office

SIGET

STEP

Travel

US Embassy – El Salvador