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Doing Business in El Salvador

Market Overview

The United States is El Salvador’s main trading partner. In 2018, U.S. exports to El Salvador reached $3.4 billion, $400 million more than 2017. El Salvador’s exports to the United States were $2.5 billion, in 2018, unchanged since 2016. Services trade to El Salvador also remained consistent at $1.1 billion. A partial list of U.S. companies with market presence includes: Abbott Laboratories, AES Corp, American Airlines, AT&T Inc., AVX Corporation, Caterpillar, Citibank, Hanesbrands, Cisco, Delta, FedEx, General Electric, General Motors, John Deer, Kimberly Clark, Microsoft, PriceSmart, SBA Communications, United, Walmart, Xerox, 3M, and many others as well as dozens of U.S franchises. There are more than 345 companies in El Salvador with a presence, most as subsidiaries of U.S. based companies.

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 12 years ago, on March 1, 2006, 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. El Salvador’s proximity to the United States give it a strategic location and elevates its position as a regional hub for Central America. El Salvador is a highly receptive market for U.S. products and services. El Salvador’s economy is predominantly services-based. GDP from Agriculture in El Salvador decreased to 314.17 USD Million in the fourth quarter of 2018. Agriculture accounts for about 5% of GDP and employs 16% of the population. Manufacturing and industry accounts for 17% of GDP and employs 20% of the population. The service sector accounts for almost 65% of the GDP and employs 58% of the population.

On February 3, 2019, newcomer, candidate Nayib Bukele beat out in an uncontested single election against both major political parties that have controlled politics in the country for the last several decades. President Bukele and his Grand Alliance for National Unity (GANA) took office June 1, 2019. President Bukele is very popular but his party does not enjoy a majority in the Legislative Assembly which is still largely controlled by the two major political parties whom he beat out in February. The rightist opposition National Republican Alliance (ARENA) party holds a majority in the Assembly and the leftist party, Farabundo Marti National Liberation Front (FMLN), holds a lesser number of seats. President Bukele’s GANA party holds only a small minority that will create challenges to passing needed legislation on several issues, at least until new Legislative Assembly elections are held in 2021.

President Bukele has actively courted U.S. favor in the months since his election and since taking office on June 1, 2019. He has repeatedly stated that El Salvador is “open for business” and made two preinauguration trips to the U.S. to meet with members of the U.S. Government, Congress, and Multilateral institutions.

El Salvador’s economy is heavily dependent on the United States. In 2018, President Trump tweeted his intention to withdraw $450 million in aid. Much of those funds have already been reallocated for other uses. Nevertheless, El Salvador continues to receive strong support from the United States Government and international organizations. The Alliance for Prosperity (A4P) is a joint effort of the Governments of El Salvador, Guatemala, and Honduras to promote prosperity, security, and good governance. Each country provides funding and in-kind contributions towards this initiative. The Government of the United States’ U.S. Strategy for Central America, which also focuses on citizen security, developing economic opportunities, and strengthening institutions supports the Alliance for Prosperity with its development assistance.
With the election of President Bukele in February 2019, discussions started to take place about the possibility of an initiative that would create a campaign specifically focused on promoting tourism in El Salvador. There are a broad range of industry sectors and needs that could potentially be filled by U.S. companies as plans for this initiative, led by the Ministry of Tourism, take shape.

Opportunities related to the initiative with a broad reach across destinations in El Salvador are many. The initiative and intergovernmental team led the Minister of Tourism will start with the development of several surfing destinations along El Salvador’s coastline. As plans move forward and the government defines its plans and determines funding sources, there will be opportunities not just in the traditional tourism participants including hotels, restaurants, travel agencies, etc., but also a range of infrastructure and large project opportunities. There will be the demand for inputs for security needs, transportation,

**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. In the most recent World Bank ranking on the ease of doing business, El Salvador fell 12 positions in 2019 to 85th from 73rd in 2018 among the 190 economies measured.

Challenges remain and the most recent data from the Salvadoran Central Reserve Bank reported net foreign direct investment (FDI) inflows at $2.4 billion in El Salvador in 2018, the United States accounts for one quarter of El Salvador’s overall FDI stock (second only to Panama). U.S. textile companies are the largest single employers in the country. This FDI level is improved from 2017 during which time FDI was below $1 billion, the lowest in the region. President Bukele recognizes the importance of improving the investment climate and has pledged investment activities to change the perception of the country.

Leading causes contributing to the lack of FDI include inconsistency in enforcing commercial law, corruption, and the policies of the previous FMLN administration which were often seen as not working for a stable and friendly business environment. While the security situation also contributes to the lack of FDI, the security situation has improved in recent years. For 2018, the International Monetary Fund (IMF) forecasts a GDP growth rate of 2.5% in 2019 and is expected to drop to a 2.2% growth rate through 2024. The business sector remains worried about the country’s low growth rate, corruption, and security situation.

The country’s investment ranking also fell.

Corruption remains a problem in El Salvador, which scored 35 points out of 100 on the 2018 Corruption Perceptions Index reported by 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 (FCPA).

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 customs and non-tariff barriers, including customs valuation, tariff code reclassification, labeling requirements, and the inconsistent application of customs regulations. Despite this, notable improvements have occurred in 2018 including simplification of customs procedures and improvements in getting products through at some border crossings.
El Salvador’s procurement law calls for competitive contracts and applies to all Salvadoran public institutions. President Bukele will need to improve the perception of the competitive bidding and contracting process which tended to favor no bid contracts or shortlist contracts under the previous administration.

In August 2018, the FMLN Government discontinued diplomatic recognition of Taiwan in favor of the People’s Republic of China (PRC) following a trend of some of its neighbors and CAFTA-DR countries including Panama, Costa Rica, and the Dominican Republic. The move to recognize the PRC and subsequent decisions made by the FMLN administration have raised concern about lack of transparency and corruption in any PRC-related business deals. It is not yet clear whether or how the Bukele administration will reevaluate El Salvador’s relationship with the PRC.

**Market Opportunities**

Best prospects for U.S. exports based on trade statistics, market analysis and interest from U.S. companies include: agricultural products, travel and tourism, automotive parts, plastics, packaging and food processing equipment, safety and security equipment, and 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.

In September 2015, El Salvador’s second Millennium Challenge Corporation (MCC) Compact entered into force. The Compact (2015-2020) for $277 million is playing a key role in improving the business climate through targeted investments in logistical infrastructure, regulatory reform, and human capital. The Compact focuses on improving El Salvador’s investment climate by improving its productivity and competitiveness in international markets. The five-year compact focuses on investments in: 1) institutional capital of El Salvador (e.g. regulatory reform and Public-Private Partnerships) to enhance the investment climate; 2) human capital to improve the quality of education and better match students’ skills with the demands of firms engaged in international trade; and 3) physical capital to reduce transportation and logistics costs. The GoES is contributing an additional $88 million to the five-year compact for a total investment of $365 million. The current pipeline of public private partnerships (PPP) projects offers U.S. companies the opportunity to compete in procurements to win concessions to finance, design, build, operate and/or maintain these projects, and/or to provide these PPPs with debt and/or equity financing. This PPP pipeline includes projects to develop and manage the international Cargo Terminal, street lighting and video surveillance on the ring road around San Salvador, a new government center and a 43km toll road between a main port and the border with Guatemala. For additional information, companies are encouraged to consult the MCC website.

**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 140 out of 190 in the starting a business category and it takes an average of 16.5 days in 2018.

The 1999 Investment Law grants equal treatment to foreign and domestic investors. The National Investment Office, Dirección 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 are recommended to check the bona fides of potential partners.
Political Environment

State Department Fact Sheet: *U.S. Relations with El Salvador*
**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 $1,603.58.

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, TCBY, Olive Garden, Panda Express, 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. Marketing through contact centers is aggressively used by telecommunication companies and 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, electronic billboards, 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**

Many governments finance public works projects through borrowing from the Multilateral Development Banks. Please refer to “Project Financing” Section in “Trade and Project Financing” for more information.
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. As of now the law has not yet entered into force and electronic signatures are still not widely used. The Ministry of Economy (MINEC) is the coordinating entity for the Electronic Signature Unit which regulates service providers that produce and store electronic certificates. MINEC is working with other government entities to provide a framework and the database of information that will be necessary to make electronic signatures viable. The process is complex and ties into the modernization of the National Statistics System.

**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. *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 (CIFCO) 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.

El Salvador assesses a value-added tax (VAT) of 13 percent on most goods. Excise taxes also apply to certain goods, such as alcohol, firearms, cigarettes, and new automobiles. Imported products may be subject to duties. Import tariffs for non-CAFTA-DR goods can vary. For example, raw materials import duties typically range from 0 to 5%, intermediate goods typically range from 5 to 10%, and finished goods are charged a maximum of 30%. Textiles, agricultural products, vehicles, and a few other non-essential products are subject to higher tariffs that range from 15 to 164%. 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 reduced tariff and non-tariff barriers for U.S. exports into the region. Duties for U.S. made products to El Salvador can be found in the CAFTA-DR Tariff Schedule.

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.
Protecting Intellectual Property

In any foreign market companies should consider several general principles for effective protection of their intellectual property. For general background and more information, please link to our article on [Protecting Intellectual Property](https://www.export.gov/article?id=Protecting-Intellectual-Property) and to our IPR protection website Stopfakes.gov.

Several general principles are important for effective management of intellectual property ("IP") rights in El Salvador. First, it is important to have an overall strategy to protect your rights. Second, IP is protected differently in El Salvador than in the United States. Third, rights must be registered and enforced in El Salvador, under national legislation. For example, your U.S. trademark and patent registrations will not protect you in El Salvador. There is no such thing as an "international copyright" that will automatically protect an author’s writings throughout the entire world. Protection against unauthorized use in specific countries depends, basically, on the national laws of that country. However, most countries do offer copyright protection to foreign works in accordance with international agreements.

Registration of patents and trademarks is on a first-in-time, first-in-right basis, so you should consider applying for trademark and patent protection even before selling your products or services in the Salvadoran market. It is vital that companies understand that intellectual property is primarily a private right and that the U.S. government generally cannot enforce rights for private individuals in El Salvador. It is the responsibility of the rights holders to register, protect, and enforce their rights where relevant, retain their own counsel and advisors. Companies may wish to seek advice from local attorneys or IP consultants who are experts in Salvadoran law. Although a firm or individual may apply for a patent or trademark directly, most foreign firms hire local law firms specializing in intellectual property. The U.S. Commercial Service’s Business Service Provider program has a partial list of local lawyers at: [http://www.export.gov/elsalvador/businessserviceproviders/index.asp?bsp_cat=80120000](http://www.export.gov/elsalvador/businessserviceproviders/index.asp?bsp_cat=80120000)

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

It is always advisable to conduct due diligence on potential partners. Negotiate with a full understanding of the position of your partner and seek advice from local attorneys or IP consultants to honor the contract. Consider carefully, however, whether to permit your partner to register your IP rights on your behalf. Doing so may create a risk that your partner will list itself as the IP owner and fail to transfer the rights should the partnership end. Keep an eye on your cost structure and reduce the margins (and the incentive) of would-be bad actors. Projects and sales in El Salvador require constant attention. Work with legal counsel familiar with Salvadoran laws to create a solid contract that includes non-compete clauses, and confidentiality/non-disclosure provisions.

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

- U.S. Chamber of Commerce and local American Chambers of Commerce
- Salvadoran Association of Intellectual Property (ASPI)
- National Association of Manufacturers (NAM)
- International Intellectual Property Alliance (IIPA)
- International Trademark Association (INTA)
- Coalition Against Counterfeiting and Piracy
- International Anti-Counterfeiting Coalition (IACC)
- Pharmaceutical Research and Manufacturers of America (PhRMA)
- Pharmaceutical Security Institute (PSI)
- Biotechnology Industry Organization (BIO)
- Motion Picture Association of America (MPAA)
- Business Software Alliance (BSA)
- Recording Industry Association of America (RIAA)

**IP Resources**

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

- For information about patent, trademark, or copyright issues -- including enforcement issues in the US and other countries -- call the STOP! Hotline: +1-866-999-HALT or visit www.STOPfakes.gov.
- For more information about registering trademarks and patents (both in the U.S. as well as in foreign countries), contact the U.S. Patent and Trademark Office (USPTO) at: +1-800-786-9199, or visit http://www.uspto.gov.
- For more information about registering for copyright protection in the United States, contact the U.S. Copyright Office at: +1-202-707-5959, or visit http://www.copyright.gov/.
- For more information about how to evaluate, protect, and enforce intellectual property rights and how these rights may be important for businesses, please visit the “Resources” section of the STOPfakes website at http://www.stopfakes.gov/resources.
- For information on obtaining and enforcing intellectual property rights and market-specific IP Toolkits visit: http://www.stopfakes.gov/business-tools/country-ipr-toolkits. The toolkits contain detailed information on protecting and enforcing IP in specific markets and contain contact information for local IPR offices abroad and U.S. Government officials available to assist SMEs.
- An English-language overview for El Salvador’s IPR regime can be found on the WIPO website https://wipolex.wipo.int/en/legislation/profile/SV

**IP Attaché Contact for El Salvador**

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Intellectual Property Rights Attaché for Mexico, Central America and the Caribbean
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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).

Principal 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
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)
ICT Facts and Figures
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

Agricultural Sector

This is a best prospect industry sector for this country. Includes a market overview and trade data.

Overview

In 2018, U.S. agriculture exports to El Salvador in the consumer-oriented product category reached a record $187.1 million, approximately 20% of the total market. Pork and pork products, processed vegetables, sauces and condiments, wine, poultry meat and products, dairy products, meat products and pet food all reached record imports in 2018. The distribution of consumer-ready foods is carried out through a number of channels. Supermarkets, such as Walmart and leading 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 mainly due to larger product offerings, discounts and especially due to security concerns in open-air markets. 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.

Leading Sub-Sectors

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, Chardonnay, Cabernet Sauvignon, Pinot Noir
- **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.

**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 2018, U.S. wheat imports reached $68.1 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.

**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 115,000 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). U.S. rice imports reached $24.2 million in 2018, approximately 32 percent higher than in 2017.

**Best Products**
• Rough rice
• Milled parboiled rice

Opportunities
Rice production continues 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.

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 475,000 metric tons for the 2018-19 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 2018, local corn production was affected by a drought that according to the Ministry of Agriculture could cause a 20% loss of the total crop. It is expected that the impact of this drought could create opportunities for imported yellow and white corn in Calendar Year 2019.

Soybeans
Overview
El Salvador does not produce soybean meal; thus, the total demand estimated at 178,000 metric tons in the 2018-2019 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 2018, soybean meal imports reached $82.4 million, a 20 percent increase compared to 2017. El Salvador's poultry industry is the most developed in the region.

**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.

More than two million Salvadorans reside in the United States and annually remit approximately $5 billion to relatives in El Salvador, which represents approximately 20% 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 Super Selectos store 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 and increased use of eCommerce.

**eb Resources**
- FAS website
- FAS Contact in El Salvador: Miguel.Herrera@fas.usda.gov
Automotive Parts and Service Equipment (APS)

This is a best prospect industry sector for this country. Includes a market overview and trade data.

Overview

<table>
<thead>
<tr>
<th></th>
<th>2017</th>
<th>2018</th>
<th>2019 (est.)</th>
<th>2020 (est.)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Total Market Size</strong></td>
<td>266,957,106</td>
<td>249,037,478</td>
<td>251,527,853</td>
<td>264,043,131</td>
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<tr>
<td><strong>Imports</strong></td>
<td>276,117,188</td>
<td>259,937,733</td>
<td>262,537,110</td>
<td>265,162,481</td>
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<tr>
<td><strong>Exports</strong></td>
<td>9,160,082</td>
<td>10,900,255</td>
<td>11,009,257</td>
<td>11,119,350</td>
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<tr>
<td><strong>Imports from the U.S.</strong></td>
<td>45,967,626</td>
<td>46,471,430</td>
<td>46,936,144</td>
<td>47,405,505</td>
</tr>
</tbody>
</table>


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 2018 increased by 1% from the previous year. Industry leaders remain confident and expect higher growth in future years. With 30% of the total Salvadoran import market, U.S. companies enjoy a reputation for high quality products with excellent warranties.

The Vice Ministry of Transportation reported that the total number of vehicles in circulation is 1,182,662 in El Salvador, out of which approximately 40% are concentrated in the capital city of San Salvador. 454,282 are new vehicles and 728,380 are used.

Vehicles in circulation increased by 8% from the previous year. Additionally, due to the bad condition of roads and weather conditions, vehicles deteriorate quickly and need frequent repair and/or maintenance. Unreliable, unsafe, and inefficient public transportation are considerations by Salvadoran’s when deciding to buy a car.

Vehicles are distributed by type as follows: 531,821 automobiles, 211,809 pick-ups, 289,566 motorcycles, 40,067 heavy trucks, 32,545 light trucks, 34,615 minibuses, 7,351 buses, 10,578 truck heads and 13,283 trailers, 4,872 all-terrain vehicle (ATV), 116 ambulances, 6,039 other types.

61.55% of the used vehicles imported to El Salvador are between 5 and 8 years old. The government is trying to implement a new law to reduce the current used vehicle age allowed from eight years to seven for vehicles imported into the country.

Leading automotive brands present in the market include: Audi, Porsche, Nissan, Honda, Hyundai, Kia, Toyota, Chevrolet, Mitsubishi Motors, BMW, Hino, Daihatsu, Chevy, Isuzu, Jeep, Ford, Dodge, Mazda, VW, and Peugeot.

El Salvador’s automotive 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 continue to grow in El Salvador. Three countries (Colombia, Brazil and Germany) make up a third of imports into the market but do not yet threatened the dominant position for imports 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: Amalie, ArmorAll, Turtle Wax, Mobil Oil, Goodyear, Bendix, Alloy International, Die Hard, BF Goodrich, Dayco, STP, Fleetguard, Castrol, Champion Spark Plug, American Quality Lubricant, Federal Mogul, Pennzoil, Prestone, among 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 exhaustive due diligence and establishing a solid business relationship with a potential partner, 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

Leading Sub-Sectors

The top opportunities include spare and replacement parts for gasoline and diesel motors. For instance:
- Air conditioning machines; containing a motor driven fan, other than window or wall types, incorporating a refrigerating unit
- Oil petrol-filters for internal combustion engines.
- Vehicle parts and accessories; n.e.c.\(^1\) In heading no. 8708
- Radial Tires
- Electric accumulators; lead-acid, of a kind used for starting piston engines, including separators.
- Engines; parts, suitable for use solely or principally with spark-ignition internal combustion piston engines.
- Retreaded or used pneumatic tires of rubber; solid or cushion tires, tire treads and tire flaps, of rubber
- Suspension shock absorbers
- Gaskets, washers and other seals of valves
- Machinery; intake air filters for internal combustion engines
- Fans
- Safety products: alarms, GPS and sound systems.
- Diagnostic equipment.

\(^1\) n.e.c.: Not elsewhere classified
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 up” is now a very well-known term. Tuning up 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. There are no restrictions to customize vehicles in El Salvador. Consumers like to customize: wheels and rims, auto sound and alarms, spoilers, LED taillights and others.

Repair shops are seeking current generation diagnostic equipment. Tools for technical maintenance include diagnostic 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 (buses) and heavy-duty transportation (trucks) are the main end users of remanufactured parts. Remanufacturers also import and distribute new parts, some of which are used as replacement parts in rebuilt engines. The parts are mainly imported from the U.S., China, Mexico, and Japan. Remanufacturers explained that a good portion of their customers buy imported used engines locally and have them remanufactured.

Remanufactured parts and used parts are sold through new parts distributors as well as through smaller shops in the city center. The primary parts distributors which sell used and remanufactured parts in many cases do not carry them as a separate line of products, but rather in packages. For example, a brake system kit might include a remanufactured spare part. Rebuilt or remanufactured parts which are in heavy demand in the country are brake and clutch systems and engines for heavy duty transportation.

Unlike new parts, importers of used, remanufactured and rebuilt parts, do not have to show an invoice from the manufacturer to calculate the 13% tax which is estimated by the Salvadoran Customs authorities.

As of 2019, there are no local distribution of electric vehicles (EV). In 2019, one battery charging station was opened in El Salvador. DELSUR, an electricity distribution company, has started the promotion of electric mobility and has imported the first EV. The country does not have any regulations or subsidies for EV but is expected this market will grow in the coming years.

There is an existing proposed law that was submitted to the Legislative Assembly to regulate Electric Transportation. If the proposed law is formally approved, there will be good opportunities for U.S. electric mobility companies.
The most common public bus 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 bus imports due to the requirement to replace buses older than 20 years.

Growth in the construction sector and transportation infrastructure projects in 2020 will increase the demand of commercial vehicles and heavy-duty parts.

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

- Salvadoran Association of Auto Parts Importers (ASIRA)
- Salvadoran Association of Distributors of Vehicles (ASALVE)

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

- The Automotive Aftermarket Industry Week (AAIW): SEMA and APPEX shows in Las Vegas, NV, November 5-8, 2019

Web Resources

Vice Ministry of Transportation (VMT)
Salvadoran Association of Distributors of Vehicles (ASALVE)
Salvadoran Reserve Bank (BCR)
U.S. Commercial Service Contact

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

This is a best prospect industry sector for this country. Includes a market overview and trade data.

**Overview**

In 2018, El Salvador's installed electricity generation capacity was 1.824 MW, and system demand was 1,081 MW. Total exports to other markets in Central America are 89.6 million kWh and imports are 1.675 billion kWh, mainly from Guatemala. Electrification is above 98% of the population in urban areas and 86% in rural areas.

In 2017, the generation sources in the market were broken down as follows: 23.9% hydroelectric, 22% geothermal, 19% thermal, 7% biomass, 1% solar, and 26% imports to meet the country's requirements for electrical production.

Generation market share is divided as follows: 47% State owned, 30% multinationals, and 23% local operators. The distribution market share is divided between 97% multinationals and 3% local distributors. El Salvador's strategy is developed by the government and is primarily focus in energy efficiency and promoting participation of renewable energy (solar, wind and biogas). The market is made up of purchase power agreements (PPA) awarded in competitive auctions supervised by the regulator and the Spot market. Transmission is State owned, and the market is regulated by the Superintendencia General de Electricidad Y Telecomunicaciones (General Superintendent for Electricity and Telecommunication - SIGET).

El Salvador's policy is to expand the country's natural resource capacity to decrease fossil fuel dependency. To this end, in 2007, the Salvadoran government passed Decree 462 which grants tax breaks to companies who develop renewable energy projects and provides for 10 years of import tax exemptions for purchases of machines and equipment. In addition, the Salvadoran Government released the 2010-2024 National Policy the purpose of which is 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 SIGET, the 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. In addition, the government is in the process of attracting private sector companies for solar, biomass, and wind capacities.

**Leading Sub-Sectors**

The government is receptive to expanding the renewable energy sector, especially in areas that take advantage of the country’s vast water sources, and large amounts of sunlight. Also, biomass, wind, solar, hydroelectric, and geothermal energy opportunities exist in the country. In order to facilitate these projects, organizations such as: The Inter-American Development Bank, USAID, and OPIC fund major energy projects within the country.

**Biomass**

There are three biomass plants in El Salvador. The plants include: CASSA, El Ángel, and La Cabaña. In 2011, these three plants produced 109.5 MW of electricity. 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 the potential to increase the capacity by 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 m³), Avícola Campestre (6,600 m³), and Agroindustrias San Julián (1,200 m³).

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 capacity of the largest photovoltaic system is 99 MW. Currently there are 14 solar panel systems installed in El Salvador with a total production capacity of 344.86 MW.

Hydroelectric
There are four hydroelectric dams located in the Lempa River. The following plants on the Lempa 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 had a total of 20 power plants with an installed capacity of 487 MW. According to the Government’s Master Plan, 18 sites with the potential for capacities greater than 20 MW were identified and 209 sites with capacities less than 20 MW. The total potential hydroelectric production capacity of El Salvador’s sites are 2,258 MW of. 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. The country has an installed capacity of 204.4 MW within two geothermal installations. Report by the National Energy Council (CNE) locates 12 geothermal sites in El Salvador with underground temperatures estimated above 150° C (high enthalpy), and 12 geothermal sites with underground temperatures estimated between 90 to 150° C (low enthalpy). The geothermal potential in both categories equals 791 MW in total and increases the potential generation capacity by 25.8%.

Opportunities
The Government of El Salvador is actively looking to attract investors to expand the country’s renewable energy capacity, which translates into opportunities for companies that can provide for needs ranging from technology to equipment procurement to consultancy services. There is also a need for solar cells and panels, generators, support structures, and hydroelectric power stations. Tenders can be followed on the Ministry of Energy's website.

Specific opportunity is a green energy tender to solicit bidders for a 28 megawatts photovoltaic energy and biogas project, 20MW and 8MW, respectively. The potential investment is USD58 million over the next three years. Specific announcements are available at http://www.delsur.com.sv/licitaciones. Interested parties are expected to submit their proposals by December 2018 and contracts between electricity distributors and generators will be signed in April 2019. SIGET would determine the price of the megawatt and contracts will
be awarded for 15 years. Photovoltaic energy projects should enter in operation in 2020 and the biogas projects in 2021.

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
- Organization of Latin American Energy
- Development Bank of El Salvador
- United States Agency for International Development
- Ministry of Economy
- Annual Energy Congress

U.S. Commercial Service Contact

Maria Irene Rivera, Senior Commercial Specialist, maria.rivera@trade.gov
Medical Equipment

This is a best prospect industry sector for this country. Includes a market overview and trade data.

Overview

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
<th>2019 estimated</th>
</tr>
</thead>
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<td>Total Market Size</td>
<td>64.5</td>
<td>59.7</td>
<td>54.4</td>
<td>54.9</td>
</tr>
</tbody>
</table>

(total market size = (total local production + imports) - exports)

Units: USD millions

Source: Central Reserve Bank of El Salvador

Statistics based in the HTCs: 3005.90; 3006.10; 3006.20; 3006.3010; 3006.3020; 3006.50; 3006.70; 4014.10; 4014.90; 4015.11; 4015.90; 4818.901; 9011.10; 9012.10; 9012.90; 9013.20; 9013.80; 9013.90; 9018.11; 9018.12; 9018.13; 9018.20; 9018.3110; 9018.3190; 9018.32; 9018.3910; 9018.3990; 9018.50; 9018.90; 9019.20; 9022.12; 9022.14; 9022.21; 9022.30; 9022.90; 9402.9010; 9402.9020; 9402.9090; 9025.11

June 1, 2019, President Nayib Bukele was sworn into office taking over from the previous left leaning party in power since 2009. President Bukele named Ana Orellana Bendeck as the new Minister of Health. Her priorities will be to seek solutions to El Salvador main health problems: the shortage of medicines (which is estimated in 40% in the public sector), lack of maintenance and bad conditions of the hospitals infrastructure and improve health services for the population.

The Salvadoran health sector is composed of the public sector, which includes the Ministry of Public Health and Social Assistance (MSPAS), the Salvadoran Social Security Institute (ISSS), the Salvadoran Integral Rehabilitation Institute (ISRI), Salvadoran Institute of Teachers Welfare (ISBM), the Military Health Service (IPSFA), and the Solidarity Fund for Health (FOSALUD). The private health sector is made up of hospitals, clinics, and non-profit organizations. The Ministry of Health has a total of 30 hospitals, and 372 health units; and the ISSS has 11 hospitals, and 71 health units and community units. There is only one military hospital. The private system is composed of approximately 30 hospitals, and over 116 private clinics concentrated in the country’s three main cities: San Salvador, Santa Ana, and San Miguel.

According to the Ministry of Health’s 2018-2019 Annual Report, the 2019 health budget totals $704.64 million USD, from which $657.83 million are from government funds, $9.40 million from foreign loans, $16.96 from donations, $16.55 from Ministry own funds, and $3.91 from special activities.

In 2017, the Multipurpose Household Survey Report done by the General Directorate of Statistics and Census (DYGESTIC) in El Salvador, reported that 24% of the total population had medical insurance in El Salvador, broken out as follows: 91.5% ISSS, 6.3% ISBM, 1.7% IPSFA, and 0.4% private or other.

The public sector is the key primary purchaser of medical equipment and supplies through the Ministry of Health and the Salvadoran Social Security Institute (ISSS). Public institutions differ from private entities as they only buy new equipment. Some private hospitals occasionally acquire used or refurbished equipment. Approximately 70% of El Salvador’s market is new medical equipment and 30% used or refurbished.

New and used medical equipment can be imported into El Salvador and need to be registered at the DNM; however, used or refurbished equipment cannot be older than 10 years from the date of manufacture. In
addition, U.S. exporters should be advised that the Good Manufacturer Certificate (GMC) is required when exporting new, used or refurbished equipment to El Salvador.

To enter the market a U.S. exporter needs to identify a local distributor or representative in the country. Selling to public institutions typically requires participation in a public bidding process announced through the government procurement website: www.comprasal.gob.sv. It is recommended that the U.S. companies work closely with their local partner to develop effective promotional strategies and maintain a continuous presence in the market. Also, it is recommended to have a legal representative (law firm) who can assist in preparing a bid offer. According to the Salvadoran Government Procurement Law (LACAP), the lower bid is usually granted.

Medical devices, pharmaceuticals, and dental products are regulated under the Medicine Law that entered into force on April 2012. Products need to be registered at the National Medicine Directorate (DNM). The registration requirements are available at the DNM website: www.medicamentos.gob.sv. In addition, ionizing radiation devices or equipment require an import permit from the Radiation Protection Directorate at the Ministry of Health.

Leading Sub-Sectors

- Respiratory equipment
- Ultrasound scanning apparatus
- Magnetic Resonance Imaging equipment
- X-ray equipment
- Computerized Axial Tomography scanners (CT apparatus)
- Cardiac monitors
- Beds, lamps
- Dialysis equipment

Opportunities

In 2018, El Salvador imported a total of $57 million in medical equipment and devices, with U.S. products making up roughly 34% of the market share. US products are preferred due to quality, customer awareness, and availability of spare parts and accessories. The main competitors in this sector are products from China, Germany, and Mexico. There is no significant local production in El Salvador.

- The Ministry of Health will conduct separate international biddings for the design and construction of hospitals and for the purchase of equipment. The company who designs the project will recommend to MINSAL the equipment needed in each hospital. Bids will be published at El Salvador Government procurement website COMPRASAL (www.compral.gob.sv) and the Development Business (www.devbusiness.com).

Following are mid-term projects under development by the public and private sector:

a) Public Sector – projects funded by a $170 million loan from the Inter-American Development Bank; international bids are expected to be announced in 2019.

- North Zone Hospital: bids are expected to be announced in October 2019 for a new hospital in the northern part of San Salvador, which will provide services to the municipalities of Apopa, Nejapa, Aguilares, Tonacatepeque, Guazapa, and El Paisnal. The hospital will have
approximately 100 beds and will provide surgery, pediatric, and gynecologic services. $5 million will be allocated for the purchase of medical equipment.

i.

ii. Hospital Rosales: bids for the main public hospital in El Salvador are expected November or December 2019. The project contemplates the remodeling of current facilities and the construction of new towers. $19 million will be allocated for the purchase of medical equipment.

b) Private Sector

i. Hospital de San Miguel: new hospital in the third largest city in the country, San Miguel. Hospital will include three operating rooms, two intensive care units, and newborn nursery services. Would represent an investment of approximately $4 million. Hospital is expected to be in operation by 2020.

ii. Hospital de Diagnostico: one of the main private hospitals in the country, is planning the construction of a new hospital in the city of Nuevo Cuscatlán. The new facility will have 50 beds with the capacity to increase to 100 and will be fully equipped to provide all health services. Project is still under process of obtaining permits, which may take a few years.

a. Diagnostico is also opening a walk in emergency clinic/urgent care center on Orden de Malta in the Santa Elena neighborhood of Antiguo Cuzcatlán.

Post-sale service is crucial in the market as hospitals and clinics require technical support for their equipment. For example, a large German manufacturer is the leading supplier in the health system as they have well established operations in El Salvador and can respond quickly to local needs. U.S. companies are encouraged to work with local distributors that can provide technical support to local clients.

Web Resources

- Ministry of Health: [www.salud.gob.sv](http://www.salud.gob.sv)
- Salvadoran Social Security Institute (ISSS): [www.isss.gob.sv](http://www.isss.gob.sv)
- Official Salvadoran Government Procurement website: [www.comprasal.gob.sv](http://www.comprasal.gob.sv)

U.S Commercial Service Contact Information

Lidia Sosa, Commercial Specialist, [Lidia.sosa@trade.gov](mailto:Lidia.sosa@trade.gov)
Packaging Equipment

This is a best prospect industry sector for this country. Includes a market overview and trade data.

Overview

<table>
<thead>
<tr>
<th></th>
<th>2017</th>
<th>2018</th>
<th>2019 (Estimated)</th>
<th>2020 (Estimated)</th>
</tr>
</thead>
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<td>613,213,798</td>
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<td>313,035,392</td>
<td>316,165,746</td>
<td>319,327,403</td>
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<tr>
<td><strong>Imports from the U.S.</strong></td>
<td>174,893,577</td>
<td>161,141,689</td>
<td>162,753,106</td>
<td>164,380,637</td>
</tr>
</tbody>
</table>

Source: Central Reserve Bank of El Salvador. Note: No reliable source for local production. HS codes: 3901-3923, 4405-4416, 4707, 4804-4823, 8422-8441.

El Salvador’s packaging industry has experienced slight growth with notable opportunities to provide packaging equipment to Salvadoran exporters. There are 233 exporting companies in the packaging industry. 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 30% 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.

According to the Vice Ministry of Economy, exports in the packaging industry represents 71% of the overall exports of the country. Exports in this sector have increased slightly 2017 to $313 million in 2018. The forecast looks good for the upcoming years.

Food Processing and Packaging Equipment

El Salvador’s food processing industry has experienced slight growth with notable opportunities for Salvadoran exporters. The growth is fueled by demand for “ethnic” or “comfort” foods sought by the large population of Salvadorans living abroad. Additionally, El Salvador has proudly become the Central America leader in the production and export of juices and snacks. Food processing companies export mainly to: Guatemala, Honduras, the United States, Spain, Canada, and Nicaragua.

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 Central Reserve Bank (BCR) of El Salvador, the total exports of food products to other countries reached $431.80 million in 2018. Leading products needing packaging include: sugar, tuna, snacks, baking, candy, coffee, 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. Salvadoran food manufacturers are looking for innovative branding and packaging solutions. 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, increases efficiencies, and maintains food safety.


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

Consumer needs are driving innovative trends that are moving to a future generation: digital evolution, clean-label messaging, eco-responsible packaging, and smart 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 has a strong paper and cardboard production sector. 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.

In 2018, total exports of paper and paperboard as well as articles of paper pulp were $322.7 million. 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.


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

Except for 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. Local packaging companies have consistently invested in new technologies to 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 most exported plastic products are: plastic furniture ($13.8 m.), polymers and other primary forms ($9.8 m.), plastic brooms ($8.7 m.) and plastic shoes ($5.5 m.). The leading export markets for Salvadoran companies include: Guatemala, Honduras, Nicaragua, Costa Rica, and the Dominican Republic.


Flexible packaging has the greatest growth potential in this sector. 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 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: resins, equipment for sacks and bags of ethylene polymers, polyethylene, ethylene-vinyl acetate copolymers, plastic tubes, pipes, hoses of plastics, self-adhesive sheets, and thermoforming machines.

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 2.1% production growth in 2018. Total exports of pharmaceutical products were $142.2 million, an increase of 1.8% from the previous year. El Salvador exports pharmaceutical products to 37 countries around the world.


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 follow FDA standards.

Breakdown of distribution channels are as follows:

Importers – Distributors- End-User
Import/Distributor – End-User
Leading Sub-Sectors
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.

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, it’s crucial to spend time forming a personal connection before discussing business. 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.

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

- Pack Expo 2019 – Las Vegas, Nevada – September 22-25
- Process Expo, Chicago, Illinois – October 8-11, 2019
- International Production and Processing Expo, Atlanta, GA – February 12-14, 2020

Web Resources

Salvadoran Industrial Association (ASI)
Salvadoran Industrial Plastic Association (ASIPLASTIC)
Corporation of Exporters of El Salvador (COEXPORT)
Ministry of Economy (MINEC)
Salvadoran Economic and Social Development Foundation (FUSADES)
Central Reserve Bank (BCR)

U.S. Commercial Service Contact

Sandra Hernandez, Commercial Assistant Sandra.hernandez@trade.gov
Plastics

This is a best prospect industry sector for this country. Includes a market overview and trade data.

Overview

<table>
<thead>
<tr>
<th></th>
<th>2017</th>
<th>2018</th>
<th>2019 (est.)</th>
<th>2020 (est.)</th>
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<td><strong>Exports</strong></td>
<td>$371,305,989</td>
<td>$366,727,202</td>
<td>$370,394,474</td>
<td>$374,098,419</td>
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<tr>
<td><strong>Imports from the U.S.</strong></td>
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<td>$190,908,889</td>
<td>$192,817,978</td>
<td>$194,746,158</td>
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</tbody>
</table>

Source: Central Reserve Bank of El Salvador. Note: No reliable source for local production.

Although El Salvador lacks petroleum reserves, the country is the second largest supplier of plastic products in Central America, after the U.S. which makes the plastics industry an important industrial sector in El Salvador. The plastic sector represents 2.8% of the manufacturing industry in El Salvador. The three largest areas of production are beverage bottles (23.7%), plastic bags (17.5%), plastic packaging (15.9%), plastic tableware (10.4%) and other plastic products (8.7%) and have become the Central American leader in exporting plastic bags, plastic beverage containers, and plastic packaging.

The United States is the largest provider of plastic products and equipment in the Salvadoran market. Main competitors of plastics machinery and equipment include: China, Guatemala, México, Canada, Colombia, Taiwan, and Brazil.

Salvadoran companies continue investing in new technologies and implementing new techniques to improve their productivity and efficiency in the plastics industry. The most exported plastic products are: plastic furniture ($13.8 million), polymers and other primary forms ($9.8 million), plastic brooms ($8.7 million) and plastic shoes ($5.5 million). The leading export markets for Salvadoran companies include: Guatemala, Honduras, Nicaragua, Costa Rica, and the Dominican Republic.


Leading Sub-Sectors

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

The sector continuously needs to invest in updated machinery if they are to continue to see an increase in exports in the coming years. Therefore, it is anticipated that imports of the equipment that they will need for their products will continue to grow as well.

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 residue and disposal has strong potential in the market.
Opportunities

There are good opportunities in the market for U.S. exporters of equipment and materials in the plastics industry, especially in the manufacture of energy efficient plastic processing machines that save time and minimize waste. The use of bio-based plastic materials is growing in El Salvador and there is a niche for machinery that processes durable bio-based plastic products.

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

- NPE 2021-The Plastics Show – Orlando, Florida – May 17-21, 2021

Web Resources

Salvadoran Industrial Association (ASI)
Salvadoran Industrial Plastic Association (ASIPLASTIC)
Central Reserve Bank (BCR)

U.S. Commercial Service Contact Information

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

Safety and Security Equipment

This is a best prospect industry sector for this country. Includes a market overview and trade data.

Overview

Safety and security equipment demand in El Salvador offers a steady market of opportunities for U.S. exporters. El Salvador has one of the highest homicide levels in the world, crimes such as extortion, assault, and robbery are common, therefore security is a vital factor for private companies, public institutions, Salvadorans in general, and international trade related activities.

The government of El Salvador's plan to mitigate crime and violence has included decisions that improve procedures, security, and efficiency in the criminal justice sector such as the purchase of electric monitoring
bracelets, the integration of a monitoring and communication system, acquisition of new patrol vehicles, patrol vehicle equipment for the police, screening technology for prisons and airports, among others. The greatest challenge is the lack of resources to fund security plans, but the acquisition of technology, infrastructure, and police equipment is commonly through loans from international financing institutions, international cooperation, and or a fund created by law specifically for security, resources are from a 5% tax on purchases of telecommunications products, and services such as fixed and mobile telephony, pay-TV, and internet. The United States cooperation on security includes border security, violence prevention, prison reform, and other areas highlighted in the following link: https://www.state.gov/j/inl/regions/westernhemisphere/219166.htm

The private sector expenditures in safety and security is mostly on guards, perimeter surveillance, and asset protection. It is common practice to hire services from private security companies for commercial and residential security, including guards, security armed patrol, and GPS tracked vehicles. In the main city of San Salvador, its and other neighboring municipalities are cooperating to increase city surveillance and municipal police as they share responsibilities for preventing and responding to crime and violence. To sell US products and services in El Salvador, the use of an agent or distributor is recommended, as well as to develop contracts between the parties using CAFTA-DR provisions CAFTA-DR Chapter 11.

<table>
<thead>
<tr>
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<th>2015</th>
<th>2016</th>
<th>2017</th>
<th>2018 (Estimated)</th>
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<td>Total Local Production</td>
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</tr>
<tr>
<td>Total Exports</td>
<td>43261869.16</td>
<td>39735194.21</td>
<td>28489769.47</td>
<td>37162277.61</td>
</tr>
<tr>
<td>Total Imports</td>
<td>750937030.34</td>
<td>678676291.35</td>
<td>704662975.58</td>
<td>711425432.42</td>
</tr>
<tr>
<td>Imports from the US</td>
<td>76676144.78</td>
<td>70753705.93</td>
<td>73324165.81</td>
<td>73584672.17</td>
</tr>
<tr>
<td>Total Market Size</td>
<td>707675161.18</td>
<td>638941097.14</td>
<td>676173206.11</td>
<td>674263154.81</td>
</tr>
<tr>
<td>Exchange Rates</td>
<td>NA</td>
<td>NA</td>
<td>NA</td>
<td>NA</td>
</tr>
</tbody>
</table>

(totale market size = (total local production + imports) - exports)

Source: Central Reserve Bank of El Salvador; statistics in millions of U.S. dollars. Official currency is U.S. dollar, no exchange rates apply. Trade data constructed on products classified under HS code 85, and HS 93.

Overall, the United States continues to be the main source of imports in El Salvador, leading about 32% of the imports market share in 2017, followed by China with 14% of market share. There is no significant local production of safety and security equipment in El Salvador and import duties for most security equipment and devices are zero percent, subject to a 13% value added tax. To do business in El Salvador, a U.S. company should either register an office or work with a local agent to navigate the procurement registration process and follow up on public and private opportunities. Also, the Ministry of Justice and Security must authorize private security companies and individuals providing alarm monitoring, security, private investigations, transportation of valuables, and guard services. 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.

Leading Sub-Sectors

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, IT security, scanning equipment, road and airport security.

Opportunities
El Salvador’s private and public sector has a preference for U.S. products, services, and technologies. More efficient and sophisticated products, and training are always in demand. The main buyer is the public sector, however most acquisitions depend on loans from multilateral development banks or grants, and donations by contributor countries.

Government purchases are channeled through www.comprasal.gob.sv, an online portal for 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. 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

- 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
- 5% Tax on Telecommunication

U.S. Commercial Service Contact

Maria Irene Rivera, Senior Commercial Specialist, maria.rivera@trade.gov
Travel and Tourism

This is a best prospect industry sector for this country. Includes a market overview and trade data.

Overview

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 (OTTI). In 2018, 212,263 Salvadorans visited the United States, an increase of 14.0% compared to 2017.

California, Washington D.C., Maryland, Virginia, and Texas are common destinations due to the large Salvadoran communities in those cities. 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/New Year’s.

In 2018, a total of 3.4 million passengers travel through the international airport in El Salvador. CEPA, the government agency responsible for operating the airport, has a modernization project to improve the airport facilities and open five new gates by the end of the first semester of 2019.

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. The U.S. airlines 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, Houston, and Atlanta. Spirit offers direct flights to Fort Lauderdale and Houston. On May 1, 2019, Delta Airlines cancelled their direct flight to Los Angeles.

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), and New York (JFK). Due to its restructuring process, Avianca canceled direct flights from San Salvador to Chicago, Boston and Orlando. Chicago is now only available through a connecting flight in Guatemala.

Aeromexico (Mexico) and Copa Airlines (Panama) offer connections to different U.S. cities through their hubs in Mexico City and Panama respectively.

In 2018, the low-cost airline Volaris started operations in El Salvador and has grown rapidly offering direct flights to the following U.S. cities: Los Angeles (LAX), San Diego (through Tijuana CBX), New York (JFK), and Washington D.C (Dulles). The newest low-cost competitor in the market is the Mexican airlines Interjet, who offers flights to three U.S. cities through connecting flights in Mexico City.

In November 2018, United Airlines announced a joint business agreement (JBA) with COPA and Avianca, which will provide travelers from Central America codeshare flight options and new nonstop routes to the United States. The JBA is still pending approval from the U.S. government.

In El Salvador, there are approximately 12 wholesale operators (issuer and receptive), of which four 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 the International Air Transportation Association (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 is a total of 200 agencies in the market (the majority micro to small size companies). Some airlines operating in the market worked together under the umbrella of the Salvadoran Association of Airlines (ASLA), which was recreated in 2018.

Wholesale operators are the main distribution channel in the market and are 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 to increase their sales.

With the election of President Bukele in February 2019, discussions started to take place about the possibility of an initiative that would create a campaign specifically focused on promoting tourism in El Salvador. There is a broad range of industry sectors and needs that could potentially be filled by U.S. companies as plans for this initiative, led by the Ministry of Tourism, take shape.

Leading Sub-Sectors

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

Opportunities

The U.S. Commercial Service in El Salvador actively promotes the United States as a tourism destination. Recent activities include: recruiting delegations to the travel and tourism trade event IPW, supporting local tourism operators with their promotion activities of U.S. destinations, providing targeted 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. Representatives of the Department of State and the Department of Homeland Security provide the training.

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.

Opportunities related to the initiative with a broad reach across destinations in El Salvador are many. The initiative and intergovernmental team led the Minister of Tourism will start with the development of several surfing destinations along El Salvador’s coastline. As plans move forward and the government defines its plans and determines funding sources, there will be opportunities not just in the traditional tourism participants including hotels, restaurants, travel agencies, etc, but also a range of infrastructure and large project opportunities. There will be the demand for inputs for security needs, transportation,
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 locations visit the [U.S. Travel Association](https://www.ustravel.org/).
- **Go West Summit**: Organized by International Tourism Marketing Inc., a 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 dates and location visit [https://www.gowestsummit.com/](https://www.gowestsummit.com/)

**Web Resources**

- Office of Travel & Tourism Industries
- U.S. Travel Association
- Go West Summit
- Comisión Ejecutiva Portuaria Autónoma-CEPA
- Authorized Travel Agencies Association (AVA)
- Salvadoran Association of Airlines (ASLA)

**U.S. Commercial Service Contact Information**

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**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. After long discussions with officials from the Ministry of Agriculture (MAG), USDA/FAS managed to have U.S. lamb and veal accepted under the CAFTA-DR sanitary inspection system equivalence granted to U.S. pork, beef and poultry; thus, avoiding the plant-by-plant inspection requirement. USDA/FAS also has been able to get approval from MAG to accept the Agricultural Marketing Service (AMS) export certificates for products containing small quantities of egg.
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 (SPS) measures when it imposed this requirement. The CAFTA-DR chapter on 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 2018 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 had great difficulties exporting seafood to El Salvador. However, bilateral efforts made by USDA/FAS and DOC/NOAA to allow the importation of U.S. seafood were successfully conducted and in the first quarter of 2019 Salvadoran health authorities decided to grant admissibility to U.S. born and raised seafood. USDA/FAS and DOC/NOAA will continue negotiating with the GOES to gain access for all seafood exported from the U.S., including third country product.

Import Tariff

As of January 1, 2015, 100% of U.S. consumer and industrial goods enter the CAFTA-DR countries duty free (for goods that meet the country of origin requirements). Approximately 80% of these products entered duty-free when CAFTA-DR first entered into force in 2006. The remaining 20% of consumer and industrial 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, TRQs 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 to 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 through consultations, they “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 alcohol content and an 8% ad valorem tax. In addition, all goods and services in El Salvador, regardless of 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. However, in 2018, the Constitutional Court admitted five demands stating that the 5% tax is unconstitutional as it represents a double taxation for the population; a final resolution hasn’t been taken by the Supreme Court.

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, whether import permits are required, if there are import restrictions for a product, and which specific 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, instead, 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. In January 2019, CIEX launched the importation single window for food and beverage products and is currently working in the incorporation of other products to the electronic platform.

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, including 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 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.

**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 United States imposes export controls to protect national security interests and promote foreign policy objectives. The United States also participates in various multilateral export control regimes to prevent the proliferation of weapons of mass destruction and prevent destabilizing accumulations of conventional weapons and related material. The U.S. Department of Commerce’s Bureau of Industry and Security (BIS) administers U.S. laws, regulations and policies governing the export and reexport of commodities, software, and technology (collectively “items”) falling under the jurisdiction of the Export Administration Regulations (EAR). The primary goal of BIS is to advance national security, foreign policy, and economic objectives by ensuring an effective export control and treaty compliance system and promoting continued U.S. strategic technology leadership. BIS also enforces anti-boycott laws and coordinates with U.S. agencies and other countries on export control, nonproliferation and strategic trade issues.

BIS is responsible for implementing and enforcing the EAR, which regulate the export, reexport, and transfer (in-country) of items with commercial uses that can also be used in conventional arms, weapons of mass destruction, terrorist activities, or human rights abuses, and less sensitive military items.

BIS’s Export Administration (EA) reviews license applications for exports, reexports, transfers and deemed exports (technology transfers to foreign nationals in the United States) subject to the EAR. Through its Office of Exporter Services, EA provides information on BIS programs, conducts seminars on complying with the EAR, and provides guidance on licensing requirements and procedures. EA’s Office of Technology Evaluation (OTE) analyzes U.S. export data on items subject to the EAR, BIS license application data, and global trade information to assess data trends. OTE’s data portal provides excerpts from statistical reports, along with data sets to enable the public to perform analyses of exports and licensing on its own.

U.S. exporters should consult the EAR for information on how export license requirements may apply to the sale of their items. If necessary, a commodity classification request may be submitted in order to obtain BIS assistance in determining how an item is controlled (i.e., the item’s classification) and the applicable licensing policy. Exporters may also request a written advisory opinion from BIS about application of the EAR to a specific situation. Information on commodity classifications, advisory opinions, and export licenses can be obtained through the BIS website at www.bis.doc.gov or by contacting the Office of Exporter Services at the following numbers:

- Washington, D.C. Tel: (202) 482-4811 Fax: (202) 482-3322
- Western Regional Office Tel: (949) 660-0144 Fax: (949) 660-9347

Further information on export controls is available at:
http://www.bis.doc.gov/licensing/exportingbasics.htm

BIS’s Export Enforcement (EE) is responsible for the enforcement of the EAR. BIS works closely with U.S. embassies, foreign governments, industry, and trade associations to ensure that exports from the United States are secure. In accordance with the EAR, BIS officials conduct site visits, also known as End-Use Checks (EUCs),
globally with end-users, consignees, and/or other parties to transactions involving items subject to the EAR, to verify compliance.

An EUC is an on-site verification of a party to a transaction to determine whether it is a reliable recipient of U.S. items. EUCs are conducted as part of BIS's licensing process, as well as its compliance program, to determine if items were exported in accordance with a valid BIS authorization or otherwise consistent with the EAR. Specifically, an EUC verifies the \emph{bona fides} of recipient(s) of items subject to the EAR, to include: confirming their legitimacy and reliability relating to the end use and end user; monitoring their compliance with license conditions; and ensuring such items are used and/or re EXPORTED or transferred (in-country) in accordance with the EAR.

BIS officials rely on EUCs to safeguard items subject to the EAR from diversion to unauthorized end uses/users. The verification of a foreign party’s reliability facilitates future trade, including pursuant to BIS license reviews. If BIS is unable to verify the reliability of the company or is prevented from accomplishing an EUC, the company may receive, for example, more regulatory scrutiny during license reviews or be designated on BIS's Unverified List or Entity List, as applicable.

BIS has developed a list of “red flags,” or warning signs, intended to discover possible violations of the EAR. Also, BIS has “Know Your Customer” guidance.

BIS provides a variety of training sessions to U.S. exporters throughout the year. These sessions range from one to two day seminars and focus on the basics of exporting as well as more advanced topics. Check a current seminar schedule for a list of upcoming seminars.

BIS also provides online training.

The EAR does not regulate transactions involving all U.S. goods, services, and technologies. Other U.S. Government agencies regulate more specialized exports. For example, the U.S. Department of State's Directorate of Defense Trade Controls has authority over defense articles and services. A list of other agencies involved in export control can be found on the BIS website or in Supplement No. 3 to Part 730 of the EAR.

The \textit{EAR} is available on the BIS website. And on the e-CFR (\textit{Electronic Code of Federal Regulations}) website.

The Consolidated Screening List (CSL) is a list of parties for which the United States Government maintains restrictions on certain exports, reexports or transfers of items. The CSL consolidates a number of smaller lists of restricted parties that are maintained by a variety of U.S. Government agencies, including the Department of Commerce, as an aid to industry in conducting electronic screens of potential parties to regulated transactions. The CSL is available here: \url{http://apps.export.gov/csl-search} or \url{https://developer.trade.gov/consolidated-screening-list.html}.

\textbf{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 show
• 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, and one personal computer; musical instruments; working tools; sample goods; books; CDs; 500 hundred grams of tobacco; hunting and sport weapons; up to 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. For a complete list of products or substances controlled by the NDM please see: https://www.medicamentos.gob.sv/index.php/es/servicios-m/listados/listados-farmaceuticos/lomsc.

Items that are prohibited by the Rules of Application and Interpretation of the Central American Importation Tariff Decree are:

• 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.

Anyone considering importing these items should consult with the appropriate government regulatory agency for information on 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, postage stamps, and nickel coins for legal circulation.

**Customs Regulations**

The Central American Uniform Customs Code (CAUCA), and its regulation known as RECAUCA, are the customs procedures framework 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. CAUCA and RECAUCA are currently under review by the Central American customs authorities to simplify and modernize customs procedures.

In July 2018, El Salvador's Legislative Assembly approved the country's incorporation into the Customs Union established by Guatemala and Honduras in June 2017. El Salvador is moving into the operational phase, which includes working to harmonize regulations and procedures, integrate border posts, establish interconnectivity between automated systems, and train customs officials on the new procedures. Implementation of Customs Union obligations is expected to take at least 12 to 18 months. During implementation, El Salvador is expected to periodically revise its customs rules and procedures.

El Salvador has an Electronic Payment System (P@GOES-DGA; [http://www.aduana.gob.sv/pagoes/index.html](http://www.aduana.gob.sv/pagoes/index.html)), which allow companies to make online payments of import tariffs and related taxes of a Merchandise Declaration. The system is available 24/7, representing a reduction in time, and costs to the private sector.

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

In May 2019, El Salvador adopted the DUCA (Declaracion Unica Centroamericana), a single online document to replace three physical customs forms, in conjunction with other members of the Central American Economic Integration Secretariat (SIECA). SIECA manages the [DUCA online platform](http://www.aduana.gob.sv/pagoes/index.html). [Salvadoran Customs offers assistance](http://www.aduana.gob.sv/pagoes/index.html) with the DUCA process.
In 2018, El Salvador approved amendments to the Customs Simplification Law to reduce the timeframes of customs procedures. The reform halved the statutory time to clear goods through customs (from 48 to 24 hours), while taxpayers will have four days to pay duties and taxes. In addition, the reform introduced a 24-hour deadline to conduct non-intrusive inspections.

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. 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, as well as its date and place of issuance.

Goods originating 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 trans-shipment took place under Customs’ control. Customs will also require that Certificates of Origin be issued in the United States to receive CAFTA-DR preferences.

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 delivered 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, eliminate unnecessary barriers, and enhance bilateral cooperation. Read more on Technical Barriers to Trade under CAFTA-DR.

**Standards**

The Salvadoran Standardization Organization (OSN) and the Salvadoran Technical Regulation Organization (OSARTEC) are responsible for standards in El Salvador. Both institutions fall under the National Quality Council which was created in 2011 with the approval of the Quality Salvadoran System Law.
The Quality Salvadoran System Law regulates the study, development, and application of standards; accreditation, technical regulation, and metrology; develops the capacity of professionals; and strengthens the material, financial, and human resources of the entities responsible for quality topics in the country.

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

The OSN is responsible for:

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

The OSARTEC is responsible for:

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

The CIM is responsible for:

- Acting as the scientific, industrial and legal metrology in El Salvador.
- Performing international functions assigned to the National Metrology Institute
- Organizing a national metrology system according to the International System of Units.
- Calibrating scales, volumes and temperatures.

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

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

Testing, inspection and certification

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

Publication of technical regulations

Proposed Central America Technical Regulations (RTCA’s) are published in major newspapers. The WTO and Central American Secretaries for Economic Integration are notified. Final RTCA’s are published in the Official Journal. Summaries can be found at: http://www.imprentanacional.gob.sv/index.php/institucion or http://osartec.gob.sv/. The installation of standards drafting committees is announced in newspapers for interested parties to participate.

The Improvement Regulatory Law (IRL) entered into force in El Salvador in April 2019. The law seeks to develop clear rules, procedures and simple services; and will require government institutions to submit a regulatory agenda the first quarter of every year to the Regulatory Improvement Organism (OMR), regulatory entity within the President of El Salvador Office. The implementation of the law is gradual, the country first regulatory agenda is expected to be published by March 2020. RTCA’s are excluded from the IRL as they fall within the exceptions stated in Art. 7, which includes Free Trade Agreements, international agreements, and international conventions. Nevertheless, Salvadoran technical regulations are subject to the new IRL.

NIST Notify U.S. Service

Members of the World Trade Organization (WTO) are required under the Agreement on Technical Barriers to Trade (TBT Agreement) to notify to the WTO proposed technical regulations and conformity assessment procedures that could affect trade. Notify U.S. (www.nist.gov/notifyus) is a free, web-based e-mail registration service that captures and makes available for review and comment key information on draft regulations and conformity assessment procedures. Users receive customized e-mail alerts when new notifications are added by selected country(ies) and industry sector(s) of interest, and can also request full texts of regulations. This
service and its associated web site are managed and operated by the USA WTO TBT Inquiry Point housed within the National Institute of Standards and Technology, part of the U.S. Department of Commerce.

Contact Information

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

Organismo Salvadoreño de Normalización (OSN):
Tel: (503) 2247-5321

Organismo Salvadoreño de Normalización (OSN):

www.osn.gob.sv

Organismo Salvadoreño de Reglamentación Técnica (OSARTEC)
Tel. (503) 2247-5331
http://osartec.gob.sv/

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

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

Trade Agreements

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 harmonized 95% of tariff rates, mostly for industrial goods.

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 Free Trade Agreement with Mexico, which entered into force in December 2011. The Central American countries signed a Free Trade Agreement with South Korea in February 2018 was pending ratification. 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 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.

There is currently 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 complete customs union, such as customs procedures, sanitary and phytosanitary standards, standards, quota management, and intellectual property rights.

Guatemala and Honduras launched a Customs Union initiative in 2015 to facilitate trade by eliminating customs procedures at shared borders. In 2017, El Salvador entered negotiations to join the Customs Union. In July 2018, after a period of consultation with the private sector and government institutions, El Salvador’s Legislative Assembly approved the Customs Union adhesion protocol to the “Northern Triangle Customs Union”. Currently, the three countries are working on the operational phase of the Customs Union implementation. Coffee, sugar, and goods under different rules of origin in FTAs, and those with different tariffs have been excluded from the customs union.

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 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 website 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 Agreements Compliance Program
Office of Trade Negotiations and Compliance
U.S. Department of Commerce
14th Street and Constitution Avenue, NW
Washington, DC 20230
Tel: 202-482-1191
E-mail: tanc@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
CAPTA-DR
Customs Authority
U.S. Trade Compliance Center (TCC)
El Salvador Official Journal
Investment Climate Statement

Executive Summary

The outgoing government of El Salvador (GOES) is generally perceived as unsuccessful at improving the investment climate. Political polarization, cumbersome bureaucracy, an ineffective judicial system, and widespread violence and extortion have all contributed to this perception. The GOES has taken some measures to improve the business climate, with very limited results. The most commonly cited impediments to doing business in El Salvador include the discretionary application of laws/ regulations, lengthy and unpredictable permitting procedures, and customs delays.

President-elect Nayib Bukele assumes office on June 1, 2019. He has pledged to support investors and make El Salvador a more attractive destination for investment. The incoming administration’s plans to improve the investment climate will be evident soon after Bukele takes office.

In 2015, El Salvador’s second Millennium Challenge Corporation (MCC) Compact entered into force. The five-year USD 277 million Compact (plus USD 88.2 million from GOES funding) seeks to improve El Salvador’s investment climate by improving its productivity and competitiveness in international markets. MCC Compact information is available at https://www.mcc.gov/where-we-work/program/el-salvador-investment-compact.

El Salvador began implementing the Simplified Administrative Procedures Law in February 2019. This law seeks to streamline and consolidate administrative processes among GOES entities to facilitate investment. In 2016, El Salvador adopted the Electronic Signature Law to facilitate e-commerce and trade, which is still pending implementation.

In August 2018, El Salvador recognized the People’s Republic of China and ceased to recognize Taiwan. El Salvador signed several memorandums of understanding (MOUs) with China but has not entered into negotiations with China for an investment or trade agreement. Although the GOES announced the cancellation of its trade agreement with Taiwan in February 2019, the Supreme Court halted the cancellation in March 2019 and the agreement remains in force.

In November 2018, El Salvador officially joined the Northern Triangle Customs Union with Guatemala and Honduras following the ratification of the Accession Protocol by Legislative Assembly. The Customs Union inaugurated the first integrated border post in El Salvador in December 2018. Northern Triangle countries continue technical-level negotiations to operationalize the Customs Union, harmonize customs regulations and procedures, interconnect automated systems, and finalize which goods will freely move within the single customs territory. Full implementation of the Customs Union is targeted for 2020.

In recent years, El Salvador has lagged behind the region in attracting foreign direct investment (FDI). The sectors with the largest investment have historically been textiles and retail establishments, though investment in energy projects has been increasing steadily.

In November 2018, El Salvador and Bolivia signed a Partial Scope Agreement that is pending ratification in the Legislative Assembly. In 2018, El Salvador also ratified a free trade agreement (FTA) with South Korea, signed trade agreements with Cuba and Bolivia, and reinitiated long-stalled FTA negotiations with Canada.

In December 2018, El Salvador adopted the Regulatory Improvement Law (LMR), which establishes the Regulatory Improvement Institution (OMR), an MCC compact investment, as the government’s sole institution for regulatory reform. OMR will coordinate the regulatory improvement process and the simplification of
business procedures and paperwork. In addition, El Salvador enacted the Law on the Elimination of Bureaucratic Barriers in December 2018 that creates a specialized tribunal to verify that regulations and procedures are implemented in compliance with the law. The new tribunal has the authority to sanction public officials who impose administrative requirements not contemplated in the law.

Table 1

<table>
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<td>104 of 126</td>
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Openness To, and Restrictions Upon, Foreign Investment

Policies Toward Foreign Direct Investment

The GOES recognizes that attracting FDI is crucial to improving the economy. El Salvador does not have laws or practices that discriminate against foreign investors. The GOES does not screen or prohibit FDI. However, FDI levels are still paltry and lag far behind regional neighbors. The Central Bank reported net FDI inflows of USD 839.6 million in 2018.

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. PROESA provides information for potential investors about applicable laws, regulations, procedures, and available incentives for doing business in El Salvador. Website: [http://www.proesa.gob.sv/investment/sector-opportunities](http://www.proesa.gob.sv/investment/sector-opportunities)

As part of a 2018 reorganization, the GOES created the post of Presidential Commissioner for Investment. 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. The Salvadoran Constitution stipulates there is no restriction on foreign ownership of rural land in El Salvador, unless Salvadoran nationals face restrictions in the corresponding country. Rural land to be used for industrial purposes is not subject to the reciprocity requirement.

The 1999 Investments 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 extractive resource is the exclusive property of the state. The GOES may grant private concessions for resource extraction, though there have been no new permits issued in recent years.

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 2016 (document: WT/TPR/S/226/Rev.1).

[https://docs.wto.org/dol2fe/Pages/FE_Search/FE_S_S006.aspx?Query=(f@Symbol=%20wt/tpr/s/*)%20or%20(f%20@Title=%20e%20salvador%20)%20or%20(f@CountryConcerned=%20e%20salvador))&Language=ENGLISH&Context=FormerScriptedSearch&languageUChanged=true#](https://docs.wto.org/dol2fe/Pages/FE_Search/FE_S_S006.aspx?Query=(f@Symbol=%20wt/tpr/s/*)%20or%20(f%20@Title=%20e%20salvador%20)%20or%20(f@CountryConcerned=%20e%20salvador))&Language=ENGLISH&Context=FormerScriptedSearch&languageUChanged=true#


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 Investments 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.

Business Registration

Per the World Bank, registering a new business in El Salvador requires nine steps taking an average of 16.5 days. According to the World Bank's 2019 Doing Business Report, El Salvador ranks 147 in the “Starting a Business” indicator. El Salvador launched an online business registration portal in 2017 designed to give
entrepreneurs a one-stop shop for registering new companies. Specifically, the online business registration website allows new businesses the ability to formalize registration within three days and conduct administrative operations through the online platform. The portal (https://miempresa.gob.sv/) is available to all, though services are available only in Spanish.

The GOES’ Business Services Office (Oficina de Atención Empresarial) caters to entrepreneurs and investors. The office has two divisions: “Growing Your Business” (Crecemos Tu Empresa) and the National Investment Office (Dirección Nacional de Inversiones, DNI). “Growing Your Businesses” provides business 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: 1 calle Poniente, final avenida Norte, N.°8, San Salvador. Schedule: Monday-Friday, 7:30 a.m. – 3:30 p.m.

Crecemos Tu Empresa
E-mail: crecemostuempresa@minec.gob.sv
Website: www.minec.gob.sv/crecemostuempresa

The National Investment Office:
- Ana Luisa Valiente, National Director of Investments, Email: lvaliente@minec.gob.sv
- Roberto Salguero, Deputy Director of Administration, Email: rsalguero@minec.gob.sv
- Special Investments; Christel Schulz, Business Climate Deputy, Email: cdearce@minec.gob.sv
- Laura Rosales de Valiente, Deputy Director of Investment Facilitation, Email: lrosales@minec.gob.sv
Telephone: (503) 2590-5116.

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. Website: http://www.minec.gob.sv

The Productive Development Fund (FONDEPRO) provides grants to small enterprises to strengthen competitiveness. Website: http://www.fondepro.gob.sv/

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. Website: https://www.conamype.gob.sv/

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.
El Salvador provides equitable treatment for women and under-represented minorities. The GOES does not provide targeted assistance to under-represented minorities. CONAMYPE provides specialized counseling to female entrepreneurs and women-owned small businesses.

**Outward Investment**

While the government encourages Salvadoran investors to invest in El Salvador, it neither promotes nor restricts 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, United Kingdom, and Uruguay. El Salvador is one of the five Central American Common Market countries, which have an investment treaty among themselves.

The CAFTA-DR entered into force in 2006, between the United States and El Salvador. 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 protections and the right to receive a fair market value for property in the event of expropriation. Investor rights are protected under CAFTA-DR by an effective, impartial procedure for dispute settlement that is transparent and open to the public.

El Salvador also has free trade agreements (FTAs) with Mexico, Chile, Panama, Colombia, and Taiwan. Although the GOES announced the cancellation of the Taiwan FTA in February 2019, the Supreme Court halted the cancellation in March 2019 and the FTA will remain in force until the Supreme Court rules on the case.

In 2018, El Salvador ratified an FTA with South Korea, which also includes investment provisions. This FTA is pending ratification from South Korea's National Assembly to enter into effect. El Salvador's FTAs with Mexico, Chile, and Panama also include investment provisions. El Salvador reinitiated trade agreement negotiations with Canada, which will likely include investment provisions. The Salvadoran government signed a Partial Scope Agreement (PSA) with Cuba in 2011 and an additional Protocol to the PSA in October 2019. El Salvador and Bolivia signed a PSA in November 2018 that is pending ratification in the Legislative Assembly. The PSA agreement with Ecuador entered into force in 2017.

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 2013, includes a provision for access to a wider range of EU development aid. El Salvador and Central American countries are negotiating with United Kingdom to ensure continuity post-Brexit.

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


El Salvador became a member of the Global Forum on Transparency and Exchange of Information for Tax Purposes in 2011. The OECD published El Salvador's Phase 1 peer review report, which demonstrates its
commitment to international standards for tax transparency and exchange of information, in 2015. The Phase 2 peer review on implementation of the standards, published in 2016, concluded that El Salvador is "largely compliant."

In December 2018, the Directorate General of Internal Revenues (DGII) re-interpreted tax rules and modified the criteria to classify companies as large taxpayers. The re-classification subjects free zone companies to several tax obligations, including the payment of the Special Contribution for Citizen Security (CESC). Enacted in 2015, the CESC applies a five-percent tax on the profits of companies whose net income exceeds USD 500,000. CESC proceeds finance security measures, including the GOES’ Plan El Salvador Seguro (Secure El Salvador Plan).

**Legal Regime**

Transparency of the Regulatory System

The laws and regulations of El Salvador are relatively transparent and generally foster competition. Legal, regulatory, and accounting systems are transparent and consistent with international norms. However, the discretionary application of rules can complicate routine transactions, such as customs clearances and permitting applications. Regulatory agencies are often understaffed and inexperienced in dealing with complex issues. New foreign investors should review the regulatory environment carefully. In addition to applicable national laws and regulations, localities may impose permitting requirements on investors.

Companies have noted that the GOES has enacted laws and regulations without following required notice and comment procedures. The Regulatory Improvement Law, enacted in December 2018, requires government agencies to publish online the list of laws and regulations they plan to approve, reform or repeal each year. Institutions cannot adopt or modify regulations and laws not included in that list. Prior to adopting or amending laws or regulations, the Simplified Administrative Procedures Law requires the GOES to perform a Regulatory Impact Analysis (RIA) based on a standardized methodology. Proposed legislation and regulations, as well as RIAs, must be made available for public comment. In practice, the Legislative Assembly does not publish draft legislation on its website and does not solicit comments on pending legislation. The GOES does not yet require the use of a centralized online portal to publish regulatory actions. The implications of the recent reforms are not yet apparent, though private sector stakeholders have expressed support for the measures.

The GOES 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 and residential electricity rates.

The Superintendent of Electricity and Telecommunications (SIGET) oversees electricity rates, telecommunications, and distribution of electromagnetic frequencies. The Salvadoran government subsidizes residential consumers for electricity use of up to 100 kWh monthly. The electricity subsidy costs the government between USD 50 million to USD 60 million annually. Energy sector companies have warned that the government's inability to pay the subsidies in a timely manner has discouraged investment in new generation capacity.

El Salvador’s public finances are relatively transparent. Budget documents, including the executive budget proposal, enacted budget, and end-of-year reports, as well as information on debt obligations are accessible to the public at: [http://www.transparenciafiscal.gob.sv/ptf/es/](http://www.transparenciafiscal.gob.sv/ptf/es/). An independent institution, the Court of Accounts,
audits the financial statements, economic performance, cash flow statements, and budget execution of all GOES ministries and agencies. The results of these audits are publicly available online. However, the Office of the President manages reserved expenses and other special funds that are not subject to disclosure or audit.

International Regulatory Considerations

El Salvador belongs to the Central American Common Market and the Central American Integration System (SICA), organizations which are working on regional integration, (e.g., 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, adheres to the Agreement on Technical Barriers to Trade (TBT Agreement), and has adopted the Code of Good Practice annexed to the TBT Agreement. El Salvador is also a signatory to the Trade Facilitation Agreement (TFA) and has notified its Categories A, B, and C commitments. El Salvador has established a National Trade Facilitation Committee as required by the TFA, though it has met only twice since its formation.

El Salvador is a member of the U.N. Conference on Trade and Development’s international network of transparent investment procedures: http://tramites.gob.sv. Investors can find information on administrative procedures applicable to investment and income-generating operations including the name and contact details for those in charge of procedures, required documents and conditions, costs, processing time, and legal bases for the procedures.

Legal System and Judicial Independence

El Salvador's legal system is codified law. Commercial law is based on the Commercial Code and the corresponding Commercial and Civil Code of Procedures. There are specialized commercial courts that resolve disputes.

Although foreign investors may seek redress for commercial disputes through Salvadoran courts, many investors report the legal system to be slow, costly, and unproductive. Local investment and commercial dispute resolution proceedings routinely last many years. The judicial system is independent of the executive branch but may be subject to manipulation by diverse interests. Final judgments are at times difficult to enforce. The Embassy recommends that potential investors carry out proper due diligence by hiring competent local legal counsel.

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. Website: https://www.miempresa.gob.sv/

The country's eRegulations site provides information on procedures, costs, entities, and regulations involved in setting up a new business in El Salvador. Website: http://tramites.gob.sv/

The Exports and Investment Promoting Agency of El Salvador (PROESA) is responsible for attracting domestic and foreign private investment, promoting exports of goods and services, evaluating and monitoring the business climate, and driving 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. Website: http://www.proesa.gob.sv/

Competition and Anti-Trust Laws

The Office of the Superintendent of Competition reviews transactions for competition concerns. According to the Organization for Economic Cooperation and Development (OECD) and the Inter-American Development Bank (IDB), the Superintendent employs enforcement standards that are consistent with global best practices and has appropriate authority to enforce the Competition Law effectively. Superintendent decisions may be appealed directly to the Supreme Court, the country’s highest court. Website: http://www.sc.gob.sv/home/

Expropriation and Compensation

The Constitution allows the government to expropriate private property for reasons of public utility or social interest. 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.

Dispute Settlement

ICSID Convention and New York Convention
El Salvador is a member state to the ICSID Convention. ICSID is included in a number of El Salvador’s investment treaties as the forum available to foreign investors.

Investor-State Dispute Settlement
In 2016, ICSID ruled in favor of El Salvador on a case brought by an international mining company that sought to force government acceptance of a gold-mining project. Following the ruling, El Salvador banned the exploration and extraction of metal mining in the country.

The rights of investors from CAFTA-DR countries are protected under the trade agreement’s dispute settlement procedures. There have been no successful claims by U.S. investors under CAFTA-DR. There are currently no pending claims by U.S. investors.

For foreign investors from a country without a pre-existing trade agreement with El Salvador, amended Article 15 of the 1999 Investment Law limits access to international dispute resolution and may obligate them to use national courts. Submissions to national dispute panels and panel hearings are open to the public. Interested third parties have the opportunity to be heard.

International Commercial Arbitration and Foreign Courts
A 2002 law allows private sector organizations to establish arbitration centers for the resolution of commercial disputes, including those involving foreign investors. In 2009, El Salvador modified its arbitration law to allow parties to appeal a ruling to the Salvadoran courts. Investors have complained that the modification dilutes the efficacy of arbitration as an alternative method of resolving disputes. Arbitrations take place at the Arbitration and Mediation Center, a branch of the Chamber of Commerce and Industry of El Salvador. Website: http://www.mediacionyarbitraje.com.sv/

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.
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 2019 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 32.5 cents per U.S. dollar. Globally, El Salvador ranks 89 out of 190 on Ease of Resolving Insolvency.

Website:

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 incentives:
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, and full exemption from income tax and municipal taxes on company assets.

Service firms operating under the existing Free Trade Zone Law are also eligible for the incentives. Firms providing services to the Salvadoran market cannot receive the incentives. Eligible services include: 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 tax 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 estate; 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 reduction of 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. More information about tax incentives for tourism, please visit: http://www.mitur.gob.sv/ii-aspectos-legales-en-beneficio-de-la-inversion-contemplados-en-la-ley-de-turismo/

The Renewable Energy Incentives Law promotes investment projects that use renewable energy sources. In 2015, the Legislative Assembly approved amendments to the Law to encourage the use of renewable energy sources and reduce dependence on fossil fuels. These reforms extended the incentives to power generation using renewable energy sources, such as hydro, geothermal, wind, solar, marine, biogas and biomass. The incentives include a 10-year exemption in full 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 megawatts and 10 years for smaller projects. The Law also provides a tax exemption on income derived directly from the sale of certified emission reductions (CERs) under the Mechanism for Clean Development of the Kyoto Protocol, or carbon markets (CDM).

El Salvador does not issue guarantees or directly co-finance foreign direct investment projects. However, El Salvador has a Public-Private Partnerships Law that allows private investment in the development of infrastructure projects, including in areas of health, education and security.

**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 free trade zones are textile plants. A Salvadoran partner is not needed to operate in a free trade zone, and some textile operations are completely foreign-owned.

There are 17 free trade zones in El Salvador. They host 242 companies in sectors including textiles, distribution, call centers, business process outsourcing, agribusiness, agriculture, electronics, and metallurgy. Owned primarily by Salvadoran, U.S., Taiwanese, and Korean investors, free trade zone firms employ more than 84,000 people. The point of contact is the Chamber of Textile, Apparel and Free Trade Zones of El Salvador (CAMTEX) at: [https://www.camtex.com.sv/site/](https://www.camtex.com.sv/site/).

The 1998 law established rules for free trade zones and bonded areas. The free 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 free 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 free 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 for either 15 years (if the company is located in the metropolitan area of San Salvador) or 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., the acquisition of goods to be employed in the authorized activity.

Companies in the free trade zones are also allowed to sell goods or services in the Salvadoran market if they pay applicable taxes on the proportion sold locally. Additional rules apply to textile and apparel products. Regulations allow a WTO-compliant “drawback” to refund custom duties paid on imported inputs and intermediate goods exclusively used in the production of goods exported outside of the Central American region. 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.
All import and export procedures are handled by the Import and Export Center (Centro de Trámites de Importaciones y Exportaciones – CIEX El Salvador). More information about the procedures can be found at: http://www.ciexelsalvador.gob.sv/registroSIMP/

Performance and Data Localization Requirements

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. Labor laws require that 90 percent of the workforce in plants and in clerical positions be comprised of Salvadoran citizens. Nationality restrictions 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 exempt from value-added tax.

Investors who plan to live and work in El Salvador for an extended period need to obtain temporary residency, which may be renewed periodically. Under Article 11 of the Investment Law, foreigners with investments totaling more than $1 million may obtain Investor’s Residency status, which allows them to work and remain in the country. This residency may be requested within 30 days of registering the investment. It allows residency for the investor and family members for a period of one year, and may be extended annually.

It is customary for companies to hire local attorneys to manage the process of obtaining residency. The American Chamber of Commerce in El Salvador can also provide information regarding the process. Website: http://www.amchamsal.com/?lang=en

The International Services Law establishes benefits for businesses that invest at least $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 to qualify, the minimum capital investment must be $10 million, if surgical services are provided, or a minimum of $3 million, if surgical services are not provided. Hospitals or clinics must be located outside of major metropolitan areas, and medical services must be provided only to patients with insurance.

El Salvador 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. Business-related data may be freely transferred outside of El Salvador.

**Protection of Property Rights**

Real Property

Private property, both non-real estate and real estate, is recognized and protected in El Salvador. Mortgages and real property liens exist. Companies that plan to buy land or other real estate are advised to hire competent local legal counsel to guide them on the property’s title prior to purchase.

Per the Constitution, no single natural or legal person—whether national or foreign—can own more than 245 hectares (605 acres) of land. Reciprocity applies to the ownership of rural land, i.e., El Salvador does not restrict the ownership of rural land by foreigners, unless Salvadoran citizens are restricted in the corresponding states. The restriction on rural land does not apply if used for industrial purposes.
Real property can be transferred without government authorization. For title transfer to be valid regarding third parties, however, it needs to be properly registered. Laws regarding rental property tend to favor the interests of tenants. For instance, tenants may remain on property after their lease expires, provided they continue to pay rent. Likewise, the law limits the permissible rent 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 perceived ineffectiveness of the judicial system discourages investments in real estate and makes execution of real estate guarantees difficult. Securitization of real estate guarantees, or titles is legally permissible but does not occur frequently in practice.

El Salvador ranks 73rd of 190 economies on the World Bank's Doing Business 2019 report in the Ease of Registering Property category. According to the collected data, registering a property takes an average of six steps over a period of 31 days, and costs 3.8 percent of the reported value of the property.

**Intellectual Property Rights**

El Salvador's legal structure is strong. El Salvador revised several laws to comply with CAFTA-DR’s provisions on intellectual property rights (IPR), such as extending the copyright term to 70 years. 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. In 2008, the government enacted test data exclusivity regulations for pharmaceuticals (for five years) and agrochemicals (for 10 years) and ratified an international agreement extending protection to satellite signals.

El Salvador’s enforcement of IPR protections falls short of its written policies. Salvadoran authorities have limited resources to dedicate to enforcement of IPR laws. The National Civil Police (PNC) has an Intellectual Property Section with seven investigators, while the Attorney General’s Office (FGR) has 13 prosecutors in its Private Property division that also has responsibility for other property crimes including cases of extortion. 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 combating IPR crimes.

The National Directorate of Medicines (NDM) has registered 82 products for data protection since 2008, including three in 2017 and eight in 2018. The NDM protects the confidentiality of relevant test data and the list of such protected medications is available at the NDM's website: https://www.medicamentos.gob.sv/index.php/es/servicios-m/informes/unidad-de-registro-y-visado/listado-de-productos-farmaceuticos-con-proteccion-de-datos-de-prueba
The Salvadoran Intellectual Property Association (ASPI - Asociacion Salvadoreña de Propiedad Intelectual) notes that piracy is common in El Salvador because the police focus on investigating criminal networks rather than points of sale. Trade in counterfeit medicines and pirated software is common.

In 2018, the PNC arrested 38 individuals for reproducing copyrighted material. In 2018, the PNC also conducted 39 inspections and 20 raids, where it seized 30,300 pirated optical media discs (CDs and DVDs), along with five burner towers used to make pirated discs, and tens of thousands of fake products, including clothing (2,275 articles), footwear (2,526 pairs), toys (114,960 items), parts for sewing machines, and mobile phones. Additionally, in a 2018 operation at El Salvador’s international airport, the Drug Division of the PNC and DNM confiscated 4,950 pharmaceuticals in violation of IP laws.

Contraband and counterfeit products, especially cigarettes, liquor, toothpaste and cooking oil, remain widespread. According to the GOES and private sector contacts, most unlicensed or counterfeit products are imported to El Salvador. The Distributors Association of El Salvador (ADES) estimated in 2017 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 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 $15 million in tax revenue due to cigarette smuggling.

Customs officials have identified some counterfeit products arriving directly from China through the Salvadoran seaport of Acajutla. In 2018, Customs officials seized 39 shipments based on the presumption of containing fake products. These shipments primarily involved toys (e.g., Disney, Marvel, Hello Kitty, Barbie, and DC Comics), footwear (e.g., Adidas, Nike, Puma, and Converse), and handbags (e.g., Michael Kors).

The national Intellectual Property Registry has 22 registered geographical indications for El Salvador. In 2018 four new geographic indications were registered, particularly involving Denominations of Origin for Jocote baron rojo San Lorenzo (a sour fruit-registered in July), Pupusa de Olocuita (traditional dish-registered in March), Shrimp from the Jiquilisco Bay (registered in November), and Loroco San Lorenzo (flower used in Salvadoran cuisine-registered in July). Additionally, El Salvador has registered “Balsamo de El Salvador” (balm for medical, cosmetic, and gastronomic uses – registered since 1935), “Café Ilamatepec” (coffee – registered in 2010), and “Chaparro” (Salvadoran hard liquor- registered in December 2016).

El Salvador is not listed in the notorious market report nor Special 301 list. There are no IP-related laws pending.

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 at http://www.wipo.int/directory/en/details.jsp?country_code=SV
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. Foreign investors may obtain credit in the local financial market under the same conditions as local investors. Interest rates are determined by market forces, with the interest rate for credit cards and loans capped at 1.6 times the weighted average effective rate established by the Central Bank. The maximum interest rate varies according to the loan amount and type of loan (consumption, credit cards, mortgages, home repair/remodeling, business, and microcredits).

In January 2019, El Salvador eliminated the Financial Transactions Tax (FTT), which was enacted in 2014.

The 1994 Securities Market Law established the present framework for the Salvadoran securities exchange. 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. In 2018, the exchange averaged daily trading volumes between $10 million and $16 million. Government-regulated private pension funds, Salvadoran insurance companies, and local banks are the largest buyers on the Salvadoran securities exchange. For more information, visit: https://www.bolsadevalores.com.sv/

Money and Banking System
All but one of the major banks operating in El Salvador are regional banks owned by foreign financial institutions. Given the high level of informality, measuring the penetration of financial services is difficult; however, it remains relatively low between 30 percent- according to the Salvadoran Banking Association (ABANSA) - and 40 percent- reported by the Superintendence of the Financial System (SSF). 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. No bank has lost its correspondent banking relationship in recent years. There are no correspondent banking relationships known to be in jeopardy.

The banking system’s total assets as of January 2019 totaled $18 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, non-governmental organizations, and other microfinance institutions. The Money Laundering Law requires financial institutions to report suspicious transactions to the Attorney General.

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

Foreign Exchange Policies
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, are subject to a tax of twenty-five percent.

The Monetary Integration Law dollarized El Salvador in 2001. 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 U.S. dollars. Dollarization is supported by remittances – almost all from workers in the United States – that totaled $5.47 billion in 2018.

Remittance Policies
There are no restrictions placed on investment remittances. The Caribbean Financial Action Task Force report on monitoring remittances ([https://www.cfatf-gafic.org/index.php/member-countries/el-salvador](https://www.cfatf-gafic.org/index.php/member-countries/el-salvador)) was generally positive and noted that El Salvador has strengthened its remittances regimen, prohibiting anonymous accounts and limiting suspicious transactions. In 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 has successfully liberalized many sectors, though it maintains state-owned enterprises (SOEs) in energy production, water supply and sanitation, ports and airports, and the national lottery (see chart below).

<table>
<thead>
<tr>
<th>SOE</th>
<th>2019 Budgeted Revenue</th>
<th>Number of Employees</th>
</tr>
</thead>
<tbody>
<tr>
<td>National Lottery</td>
<td>$51,653,500.00</td>
<td>150</td>
</tr>
<tr>
<td>State-run Electricity Company (CEL)</td>
<td>$362,033,465.00</td>
<td>895</td>
</tr>
<tr>
<td>Water Authority (ANDA)</td>
<td>$221,265,600.00</td>
<td>4,356</td>
</tr>
<tr>
<td>Port Authority (CEPA)</td>
<td>$140,589,815.00</td>
<td>2,104</td>
</tr>
</tbody>
</table>

Although the GOES privatized energy distribution in 1999, it maintains significant energy production facilities through state-owned Rio Lempa Executive Hydroelectric Commission (CEL), a significant producer of
hydroelectric and geothermal energy. The primary water service provider is the National Water and Sewer Administration (ANDA), which provides services to 96 percent of urban areas and 77 percent of rural areas in El Salvador. As an umbrella institution, ANDA defines policies, regulates and provides services. The Autonomous Executive Port Commission (CEPA) operates both the seaports 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 publishes tenders by government institutions at: https://www.comprasal.gob.sv/comprasal_web/.

Alba Petroleos is a joint venture between a consortium of mayors from the FMLN party and a subsidiary of Venezuela’s state-owned oil company PDVSA. Alba Petroleos operates 55 gasoline service stations across the country and businesses in a number of other industries, including energy production, food production, medicines, micro-lending, supermarkets, and bus transportation. Critics have charged that the conglomerate receives preferential treatment and have also alleged that Alba Petroleos’ commercial practices, including financial reporting, are non-transparent. Although audited financial statements are not available to the public, Alba Petroleos is at risk of insolvency. A February 2019 report from the Court of Accounts notes that Alba Petroleos had losses equivalent to 113 percent of its capital (Alba Petroleos refuse to publish financial statements).

**Privatization Program**
El Salvador is not engaged in a privatization program and has not announced plans to privatize.

**Responsible Business Conduct**

The private sector in El Salvador, including several prominent U.S. companies, has embraced the concept of responsible business conduct (RBC). Several local foundations 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 created RBC programs to provide education and training, transportation, lunch programs, and childcare. In addition, RBC programs have included inclusive hiring practices and provided assistance to surrounding communities in areas such as health, education, senior housing, and HIV/AIDS awareness. Organizations monitoring RBC are able to do their work freely.

The Secretariat of Transparency and Corruption was launched in 2009 to develop guidelines, strategies, and actions to promote transparency and combat corruption in government (see: http://www.presidencia.gob.sv/temas/secretaria-de-participacion-ciudadana-transparencia-y-anticorrupcion-de-la-presidencia/). The watchdog organization Transparency International is represented in-country by the Salvadoran Foundation for Development (FUNDE).

El Salvador does not waive or weaken labor laws, consumer protection, or environmental regulations to attract foreign investment. El Salvador's ability to effectively and fairly enforce domestic laws is limited by a lack of resources. El Salvador does not allow mining activity.
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 105 out of 180 countries in Transparency International’s 2018 Corruption Perceptions Index. While El Salvador has laws, regulations, and penalties to combat corruption, their effectiveness is at times questionable. Soliciting, offering, or accepting a bribe is a criminal act in El Salvador. The Attorney General’s Anticorruption and Anti-Impunity 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.

Corruption scandals at the federal, legislative, and municipal levels are commonplace and there have been credible allegations of judicial corruption. Three of the past four presidents have been indicted for corruption, and a former Attorney General is in prison on corruption-related charges. The law provides criminal penalties for corruption, but implementation is generally perceived as ineffective. In 2017, a civil court found former president Mauricio Funes guilty of illicit enrichment and ordered him to repay over USD 200,000. In 2018, the Attorney General brought additional embezzlement and money laundering charges against Funes, who fled to Nicaragua in 2017, where he currently enjoys asylum. In March 2019, the Supreme Court unanimously approved the Attorney General’s December 2018 petition to request Funes’ extradition. In 2018, former president Elias Antonio (Tony) Saca pleaded guilty to embezzling more than USD 300 million in public funds. The court sentenced him to 10 years in prison and ordered him to repay USD 26 million.

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, facilitate corruption and impede accountability. For example, the accepted practice of ensuring party loyalty through off-the-books cash payments to public officials (i.e., sobresueldos) has persisted across five presidential administrations. El Salvador has an active, free press that reports on corruption. In 2015, the Probitry Section of the Supreme Court began investigating allegations of illicit enrichment of public officials. In 2017, Supreme Court Justices ordered its Probitry Section to audit legislators and their alternates. The illicit enrichment law requires appointed and elected officials to declare their assets to the Probitry Section. The declarations are not available to the public, and the law does not establish sanctions for noncompliance.

The law provides for the right of access to government information, but authorities have not always effectively implemented the law. 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 non-compliance.


UN Anticorruption Convention, OECD Convention on Combating Bribery
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 Jose Nestor Castaneda Soto, President of the Court of Government Ethics
Court of Government Ethics (Tribunal de Etica Gubernamental)
87 Avenida Sur, No.7, Colonia Escalon, San Salvador
(503) 2565-9403
Email: n.castaneda@teg.gob.sv
http://www.teg.gob.sv/

Licenciado Raúl Ernesto Melara Morán
Fiscalia General de La Republica (Attorney General's Office)
Edificio Farmavida, Calle Cortez Blanco
Boulevard y Colonia Santa Elena
(503) 2593-7400
(503) 2593-7172
Email: xvpocasangre@fgr.gob.sv
http://www.fiscalia.gob.sv/

Chief Justice Oscar Armando Pineda Navas
Avenida Juan Pablo II y 17 Avenida Norte
Centro de Gobierno
(503) 2271-8743
Email: conchita.presidenciacsj@gmail.com
http://www.csj.gob.sv

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 – FUNDE)
Fundacion Nacional para el Desarrollo, Calle Arturo Ambrogi #411, entre 103 y 105 Avenida Norte, Colonia Escalon, San Salvador
(503) 2209-5300
Email: direccion@funde.org

**Resources to request government information**

Access to Public Information Institute (IAIP for its initials in Spanish)
Rene Eduardo Carcamo
Commissioner President of the IAIP
Prolongacion Ave. Alberto Masferrer y Calle al Volcán, Edif. Oca Chang # 88
(503) 2205-3800
Email: rrcarcamo@iaip.gob.sv
https://www.iaip.gob.sv/
Political and Security Environment

El Salvador’s 12-year civil war ended in 1992. Since then, there has been no political violence aimed at foreign investors.

The crime threat level in El Salvador is critical and the Travel Advisory warns U.S. citizens of the high rates of crime and violence. A majority of serious crimes in El Salvador are never solved. El Salvador lacks sufficient resources to properly investigate and prosecute cases and to deter crime. For more information, visit: https://travel.state.gov/content/travel/en/international-travel/International-Travel-Country-Information-Pages/ElSalvador.html

El Salvador has thousands of known gang members from several gangs including Mara Salvatrucha (MS-13) and 18th Street (M18). Gang members engage in violence or use deadly force if resisted. These "maras" concentrate on extortion, violent street crime, car-jacking, narcotics and arms trafficking, and murder for hire. Extortion is a common crime in El Salvador. U.S. citizens who visit El Salvador for extended periods are at higher risk for extortion demands. Bus companies and distributors often must pay extortion fees to operate within gang territories, and these costs are passed on to paying customers. The World Economic Forum's 2018 Global Competitiveness Index reported that costs due to organized crime for Salvadoran businesses are the highest among 140 countries. In 2017, the World Bank estimated that companies in El Salvador allocated 3.4 percent of their revenues to security and crime prevention, the highest in Central America.

Labor Policies and Practices

In 2018, El Salvador had a labor force of approximately three million, according to the Ministry of Economy. Informal employment accounts for approximately 72 percent of the 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 need 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. 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 has improved labor rights since the CAFTA-DR entered into force and the passage of the 2014 Special Trafficking in Persons Law, there remains room for better implementation.

The Ministry of Labor (MOL) is responsible for enforcing the law. The government proved more effective in enforcing the minimum wage law in the formal sector than in the informal sector. Unions reported the ministry failed to enforce the law for subcontracted workers hired for public reconstruction contracts. The government provided its inspectors updated training in both occupational safety and labor standards. As of June 2019, MOL conducted 13,315 inspections, in addition to 3,857 follow-up inspections, and levied $777,000 in fines against businesses.

The law sets a maximum normal workweek of 44 hours, limited to no more than six days and to no more than eight hours per day, but allows overtime (to be paid at a rate of double the usual hourly wage). The law mandates that full-time employees receive pay for an eight-hour day of rest in addition to the 44-hour normal
workweek. The law provides that employers must pay double-time for work on designated annual holidays, a Christmas bonus based on the time of service of the employee, and 15 days of paid annual leave. The law prohibits compulsory overtime. The law states that domestic employees are obligated to work on holidays if their employer makes this request, but they are entitled to double pay. The government does not adequately enforce these laws.

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 apply this provision on a case-by-case basis. The law places several other restrictions on the right to strike, including the requirement that 30 percent of all workers in an enterprise must support a strike for it to be legal and that 51 percent must support the strike before all workers are bound by the decision to strike. In addition, unions may strike only to obtain or modify a collective bargaining agreement or to protect the common professional interests of the workers. They must also engage in negotiation, mediation, and arbitration processes before striking, although many groups often skip or go through these steps quickly. The law prohibits workers from appealing a government decision declaring a strike illegal.

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 were generally not sufficient to deter violations. The Ministry of Labor lacks sufficient resources 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, subcontractors in the construction industry, security guards, informal sector workers, or migrant workers. In 2018, the Ministry of Labor received 1,778 complaints of violations of the labor code, including 565 instances of failure to pay the minimum wage, and 15 claims of violations for labor discrimination.

El Salvador’s Labor Law mandates that the minimum wage must be proposed by the National Minimum Wage Council. In January 2017, El Salvador raised the minimum wage in four sectors: commercial/industrial, textiles, seasonal harvesting, and agriculture. The minimum wage increase applied to Salvadorans working in the formal economy, approximately 28 percent of the labor force or 770,000 people.

**OPIC and Other Investment Insurance Program**

Overseas Private Investment Corporation (OPIC) has an agreement with El Salvador that requires governmental approval on each project application. In December 2017, OPIC announced its Northern Triangle initiative to leverage $1 billion in private investment in El Salvador, Guatemala, and Honduras over the next two years. Currently, OPIC is supporting eight projects in El Salvador, as well as several regional projects that include El Salvador. More information on the Northern Triangle initiative is available at [https://www.opic.gov/opic-action/regional-priorities/northern-triangle](https://www.opic.gov/opic-action/regional-priorities/northern-triangle)

El Salvador uses the U.S. dollar, so full inconvertibility insurance is unnecessary. El Salvador is a member of the Multilateral Investment Guarantee Agency (MIGA).

**Foreign Direct Investment and Foreign Portfolio Investment Statistics**

<p>| Table 2: Key Macroeconomic Data, U.S. FDI in Host Country/Economy | 78 |</p>
<table>
<thead>
<tr>
<th>Economic Data</th>
<th>Year</th>
<th>Amount</th>
<th>Year</th>
<th>Amount</th>
<th>USG or International Source of Data: BEA; IMF; Eurostat; UNCTAD, Other</th>
</tr>
</thead>
<tbody>
<tr>
<td>Foreign Investment</td>
<td>Direct</td>
<td>Host Country Statistical source*</td>
<td>USG or international statistical source</td>
<td></td>
<td>USG or International Source of data: BEA; IMF; Eurostat; UNCTAD, Other</td>
</tr>
<tr>
<td>Host country's FDI in the United States (SM USD, stock positions)</td>
<td>2017</td>
<td>N.A.</td>
<td>2017</td>
<td>N.A.</td>
<td><a href="http://bea.gov/international/direct_investment_multinational_companies_comprehensive_data.htm">BEA data available at http://bea.gov/international/direct_investment_multinational_companies_comprehensive_data.htm</a></td>
</tr>
<tr>
<td>Total inbound stock of FDI as % host GDP</td>
<td>2017</td>
<td>10.5%</td>
<td>2017</td>
<td>12.2%</td>
<td>N/A</td>
</tr>
</tbody>
</table>

* Central Bank, El Salvador. In 2018, the Central Bank released GDP estimates using the new national accounts system from 2008 and using 2005 as the base year.

Table 3: Sources and Destination of FDI
### Table 4: Sources of Portfolio Investment

<table>
<thead>
<tr>
<th></th>
<th>Inward Direct Investment</th>
<th>Outward Direct Investment</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Total Inward</td>
<td>Total Outward</td>
</tr>
<tr>
<td>Panama</td>
<td>2,661</td>
<td>1</td>
</tr>
<tr>
<td>United States</td>
<td>2,611</td>
<td>2</td>
</tr>
<tr>
<td>Mexico</td>
<td>871</td>
<td>1</td>
</tr>
<tr>
<td>Spain</td>
<td>867</td>
<td></td>
</tr>
<tr>
<td>Colombia</td>
<td>851</td>
<td>0</td>
</tr>
</tbody>
</table>

*Coordinated Direct Investment Survey, International Monetary Fund

"0" reflects amounts rounded to +/- USD 500,000.

Contact for More Information

**Michael L. Benton**

Deputy Economic Counselor  
U.S. Embassy San Salvador  
Address: Final Blvd. Santa Elena, Antiguo Cuscatlán, La Libertad, El Salvador  
Phone: + (503) 2501-2999  
Email: bentonML2@state.gov  
Website: [http://sansalvador.usembassy.gov/index.html](http://sansalvador.usembassy.gov/index.html)

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, Asociacion Protectora de Creditos, and Equifax Centro America.

Primary credit and charge cards used in El Salvador are, in priority order, VISA, MasterCard, and 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 legal professionals. The most visible collection agency in El Salvador is Puntual S.A. de C.V. One option for U.S companies is to work with reputable law firms that offer extra-judicial collection services.

Banking Systems

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 are: Banco Agrícola S.A. (acquired by Bancolombia); Banco
Cuscatlán (formerly 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, they account for approximately 95% of the Salvadoran banking sector. Banco Hipotecario and Banco de Fomento Agropecuario are government-owned, with market share of about 4%. In addition to the aforementioned, other financial institutions are 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 or the Salvadoran Bank Association (Asociacion Bancaria Salvadoreña – ABANSA) for the latest information.

**Banco Agrícola S.A.**
Blvd. Constitucion No. 100 y 1ª. Calle Pte., Plaza Las Americas
San Salvador, El Salvador, C.A.
Tel: (503)2267-9500
[Web Page]

**Banco Azul**
3a. Calle Pte. No. 3952, Col. Escalón
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 Olimpica 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 Atlantida**
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 Roosevelt, 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**
Project Financing

Bank financing is readily available in El Salvador. Since the dollarization of the economy in 2001, interest rates for deposits and 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, direct loans, and loan guarantees 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 five-year 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.

**Multilateral Development Banks:**

U.S. Commercial Service Liaison Offices at the Multilateral Development Banks (Inter-American Development Bank, World Bank)

The Commercial Service maintains Commercial Liaison Offices in each of the main Multilateral Development Banks, including the Inter-American Development Bank and the World 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 Inter-American Development Bank ([http://export.gov/idb](http://export.gov/idb)) and the World Bank ([http://export.gov/worldbank](http://export.gov/worldbank)).

**Financing Web Resources**

Commercial Liaison Office to the Inter-American Development Bank([http://export.gov/idb](http://export.gov/idb))

Commercial Liaison Office to the World Bank([http://export.gov/worldbank](http://export.gov/worldbank))

Commercial Liaison Office to the World Bank([http://export.gov/worldbank](http://export.gov/worldbank))
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 reconsider travel to El Salvador because of the high crime rate. For the most updated travel information contact visit The Department of State Bureau of Consular Affairs website, which offers safety updates, travel advisories, 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 visit The U.S. Embassy in El Salvador website. For information that you cannot find on the website, please e-mail 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.

Safety and Security Information

For the most updated safety and security information, please visit the El Salvador Country Information page of the Department of State Bureau of Consular Affairs website. The crime threat level in El Salvador is critical and the Travel Advisory warns U.S. citizens of the high rates of crime and violence.

Swimming: Strong undertows and currents make swimming at El Salvador's Pacific Coast beaches extremely dangerous even for experienced swimmers. Since 2008, 16 U.S. citizens have drowned while swimming in Salvadoran waters. Lifeguards are not always present at beaches and lakes. In addition, El Salvador’s search and rescue capabilities are limited, and access to medical resources in these areas is inadequate.

Protests: Demonstrations, sit-ins, and protests may occur at any time or place, but are most frequent in and around the capital San Salvador. Avoid demonstrations. Even peaceful demonstrations may turn violent. Follow local news media reports or contact the U.S. Embassy for up-to-date information.

CRIME: El Salvador has one of the highest homicide levels in the world and crimes such as extortion, assault and robbery are common. Since January 2010, 50 U.S. citizens have been murdered in El Salvador. The majority were of Salvadoran/U.S. citizenship. During the same time period, 562 U.S. citizens reported having their passports stolen, while others were victims of violent crimes.
Typical crimes in El Salvador include extortion, mugging, highway assault, home invasion, and car theft. Assaults against police officers are on the rise. Shootouts between rival criminal gangs and between police and criminal gangs are common. Home invasions and/or burglaries of residences during broad daylight occur in affluent residential neighborhoods in San Salvador. Some of these home invasions are committed by individuals posing as deliverymen or as police officers.

Exercise caution at all times and practice good personal security procedures throughout your stay.

- Always travel in groups.
- Avoid remote or isolated locations.
- Avoid displaying or carrying valuables in public places.
- Never leave passports and other important documents in vehicles.
- U.S. Embassy personnel are advised not to walk, run, or cycle in the unguarded streets and parks of El Salvador, even in groups. Exercise only in gyms and fitness centers. Do not travel on public transportation, especially buses. Use only radio-dispatched taxis or those stationed in front of major hotels.
- Be vigilant while visiting banks or using ATMs.
- Remain vigilant even in well-known restaurants, hotels, and retailers within San Salvador.
- Credit card cloning, and similar fraud is common. Do not let your credit card out of your sight.
- Armed holdups of vehicles traveling on El Salvador’s roads are common.
- Drive with your doors locked and windows raised.
- Avoid travel outside of major metropolitan areas after dark and on unpaved roads at all times because of criminal assaults and lack of police and road service facilities.
- Be aware that criminals may follow travelers from the El Salvador International Airport to private residences or secluded stretches of road where they carry out assaults and robberies. Armed robbers are known to shoot if the vehicle does not come to a stop.
- Travelers with conspicuous amounts of luggage, late-model cars, or foreign license plates are particularly vulnerable to crime.

Armed robberies of climbers and hikers in El Salvador's national parks are common. Engage the services of a local guide certified by the national or local tourist authority when hiking in back-country areas and within the national parks. The tourist police force (POLITUR) provides security and assistance to tourists. Officers are in 19 tourist destinations.

Most serious crimes in El Salvador are never solved; only 7 of the 50 murders of U.S. citizens since January 2010 have resulted in convictions. The Government of El Salvador lacks sufficient resources to properly investigate and prosecute cases and to deter violent crime.

El Salvador has thousands of known gang members from several gangs including Mara Salvatrucha (MS-13) and 18th Street (M18). Gang members engage in violence or use deadly force if resisted. These “maras” concentrate on extortion, violent street crime, car-jacking, narcotics and arms trafficking, and murder for hire. Extortion is a common crime in El Salvador. U.S. citizens who visit El Salvador for extended periods are at higher risk for extortion demands.

**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 $12.00 fee at the port of entry and have 6 months of validity left. 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.

All Salvadoran nationals travelling to the United States must first obtain a U.S. visa. U.S. companies that require travel of foreign business partners to the United States should allow sufficient time for visa issuance. The Consular Section of the U.S. Embassy recommends applying at least 45 days in advance, but it’s always recommended to apply as early as possible in advance of the anticipated travel date. Visa applicants should go to the following links:

State Department Visa Application Website
U.S. Embassy in El Salvador - Consular Section Visa Unit Website

In addition, some airlines may require travelers to have more than 6 months validity left on their passport, therefore the U.S. Embassy recommends that travelers with 6 months or less validity left on their passports renew their passports prior to travelling to the United States.

Interview Waiver for Non-Immigrant applicants to the United States

The Consular Section of the U.S. Embassy in San Salvador, El Salvador, has instituted Interview Waiver procedures for qualifying individuals renewing visas (B1/B2). This policy is designed to reduce wait times and facilitate the visa application process for proven travelers. Qualifying applicants may submit their documents through the Cargo Expreso courier service without the need to physically come to the Embassy. In general, all who qualify for the waiver of the interview must be renewing a B1/B2 visa (a visa for temporary tourist or business travel) 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 make arrangements to submit their documents through the courier service via the website or the call center (2113-3122 or 2113-3130). All applicants, including those qualifying for interview waiver, must still complete the online application (DS-160) and pay the visa fee ($160. Applicants qualifying for the Interview Waiver 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 most 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 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/Electronics

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. 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. The low-cost airline, VOLARIS, also provides direct flights to/from the United States.

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. Uber is a generally trusted form of transportation and there are also a few car services that the Embassy can recommend. 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, Alpina and Las Perlas plants 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.
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 cards. 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.

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<thead>
<tr>
<th>Holidays observed in El Salvador 2019</th>
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<tbody>
<tr>
<td>January 1</td>
<td>New Year's Day</td>
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<tr>
<td>April 18 - 21</td>
<td>Holy Week (Semana Santa)</td>
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<tr>
<td>May 1</td>
<td>Labor Day</td>
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<td>May 10</td>
<td>Mother’s Day</td>
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<td>June 17</td>
<td>Father's Day</td>
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<td>Holidays observed in El Salvador 2019</td>
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<tr>
<td>August 3-6*</td>
<td>Feast of San Salvador (Agostinos)</td>
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<td>September 15</td>
<td>Independence Day</td>
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<td>November 2</td>
<td>All Soul’s Day</td>
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<tr>
<td>December 25*</td>
<td>Christmas Day</td>
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* 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