EL SALVADOR

In 1998, the U. S. trade surplus with El Salvador was $77 million, compared to a $52 million surplus in 1997. U.S. merchandise exports to El Salvador were $ 1.5 billion, an increase of $117 million (8.4 percent) over 1997. El Salvador was the United States' 49th largest export market in 1998. U.S. imports from El Salvador were $ 1.4 billion in 1998, an increase of $91 million (6.8 percent) from the level of imports in 1997.

The stock of U.S. foreign direct investment in El Salvador was $221 billion in 1997, an increase of more than 26 percent from 1996.

IMPORT POLICIES

Tariffs

El Salvador is a member of the Central American Common Market (CACM), which also includes Costa Rica, Nicaragua, Guatemala, and Honduras. It is also an active member of the Central American Northern Triangle Subregional Group, formed by El Salvador, Guatemala and Honduras, which seeks to further economic, political and social integration in the region. The Northern Triangle countries hope to conclude a free trade agreement with Mexico during 1999. CACM members are working to reduce their common external tariff (CET) from the current range of 0 to 20 percent to 0 to 15 percent by the year 2000, while allowing each country to implement the necessary reductions at its own pace.

El Salvador's tariffs in January 1999 range from 0 to 16 percent for most products. Tariffs on capital goods and raw material currently are 0 to 1 percent. Intermediate goods range from 5 to 11 percent. Final goods range from 15 to 16 percent. With the exceptions of a few products, most trade within CACM is duty free.

There are no legal barriers to U.S. exports of manufactured goods or bulk, non-agricultural commodities to El Salvador. Except vehicles, alcoholic beverages, and certain luxury items, U.S. exports face tariffs ranging from 0 to 16 percent, with rates scheduled to fall to a maximum of 15 percent in July 1999.

STANDARDS, TESTING, LABELING AND CERTIFICATION

Generally, standards have not been a barrier to the importation of U.S. consumer-ready food products. The Ministry of Health requires a "certificate of free sale" showing that the product has been approved by U.S. health authorities for public sale. Importers also may be required to deliver samples for laboratory testing, but this requirement has not been enforced. All imports of fresh foods, agricultural commodities, and live animals must be accompanied by a sanitary certificate. Basic grains and dairy products also must have import licenses.

Sanitary restrictions on poultry

Since 1992, the Ministry of Agriculture has imposed arbitrary sanitary measures that restrict U.S. poultry imports. These sanitary restrictions call for zero tolerance or negative laboratory tests for diseases such as avian denovirus, chicken anemia, and salmonella. These diseases are common worldwide and are not recognized as List "A" diseases by the International Office of Epizootics. Given the ubiquitous nature of salmonella in poultry populations throughout the world, it would be difficult for any established poultry-producing country to guarantee zero tolerance or negative lab tests on meat that has not been cooked or irradiated. These standards are applied in a discriminatory manner by El Salvador, since domestic production is not subject to the same requirements as imports. As a result of these restrictive measures, exports of U.S. poultry to El Salvador have virtually ceased. U.S. officials have met with Salvadoran agricultural officials to resolve this issue, with no success to date.

EXPORT SUBSIDIES

El Salvador offers a six percent rebate to exporters of non-traditional goods based on the f.o.b. value of the export. The following products do not enjoy this rebate: coffee, sugar, cotton and metal/mineral products. However, processed coffee can apply for the rebate, if it incorporates 30 percent of national value added tax -- for instance, if it is shipped as “gourmet” coffee, or if it is “organic” coffee. Sugar can apply if it is exported as refined sugar. Assembly plants using imported parts (maquiladoras) are eligible if they meet the criteria of adding 30 percent Salvadoran input to the production process. Although they enjoy a ten year exemption from income tax and duty free privileges, firms operating in free zones are not eligible to receive rebates. According to COEXPORT (The El Salvadoran Exporters Association), 500 of their registered 600 members received rebates in 1997. The Ministry of Finance is reported to have reimbursed 9.2 million dollars to Salvadoran exporters in rebates during 1997, and more than $ 12 million in 1998. In 1997, the government withheld 25 percent of export rebates to satisfy income tax obligations. From 1998 on, however, this withholding will no longer take place and exporters will be able to keep 100 percent of the rebate.

LACK OF INTELLECTUAL PROPERTY PROTECTION

Patents

El Salvador’s new patent legislation, (Decree Law 604), effective since November 1993, represented a significant step in terms of patent protection. However, several provisions are not TRIPs-consistent. These are: only 15 years from the date of solicitation for pharmaceutical products and processes; broad interpretation for patentable material; overly broad compulsory licensing provisions, the potential for obligatory compulsory licenses; and no protection for products in the pipeline.

SERVICES BARRIERS

El Salvador is overdue in providing to the WTO an acceptance of the Fifth Protocol to the General Agreement on Trade in Services, which is necessary to bring its commitments on financial services into effect.

Foreign investors are limited to 49% of equity in TV and radio broadcasting. Foreign lawyers must be graduates of a Salvadoran university. Notaries must be Salvadoran citizens.

ELECTRONIC COMMERCE

There are no known tariff or non-tariff measures, burdensome or discriminatory regulations, or discriminatory taxation affecting electronic commerce.