EL SALVADOR

In 1997, the U.S. trade surplus with El Salvador was $52 million, a shift of $54 million from the U.S. trade deficit of $2 million in 1996. U.S. merchandise exports to El Salvador were $1.4 billion, a decrease of $326 million (30.4 percent) from the level of U.S. exports to El Salvador in 1996. El Salvador was the United States' fiftieth largest export market in 1997. U.S. imports from El Salvador were $1.4 billion in 1997, an increase of $273 million (25.4 percent) from the level of imports in 1996.

IMPORT POLICIES

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 by mid 1998. 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 1998 range from 0 to 18 percent for most products. Tariffs on capital goods and raw material currently range from 0 to 1 percent. Intermediate goods range from 5 to 13 percent. Final goods range from 15 to 18 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 18 percent, with rates scheduled to fall to a maximum of 15 percent b the beginning of the year 2000.

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 for 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 since November 1992 to resolve this issue, with no success to date. Salvadoran officials have acknowledged that the restrictions were imposed to keep U.S. poultry out of the local market and are not intended to operate as “normal” sanitary measures. The U.S. Embassy estimates the value of lost U.S. poultry exports at $5 million per year.

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. Maquilas are eligible if they meet the criteria of adding 30 percent Salvadoran input to the production process. Though they enjoy a ten year exemption from income tax and duty free privileges, firms operating in the free zone 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. 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.

SERVICES BARRIERS

Foreign banks face the same requirements as Salvadoran banks and can offer a full range of services. Restrictions on foreign investment in local banks were lifted in 1995, and rules governing the opening of foreign bank branches are clear and transparent. In October 1996, the National Assembly passed legislation regulating the insurance sector. The law establishes minimum requirements for net worth and capital investments, provides for a separate supervisory function, and lays out a framework for competition and transparency.