

# WORLD TRADE ORGANIZATION

G/SCM/N/38/SLV  
G/SCM/N/48/SLV  
G/SCM/N/60/SLV  
G/SCM/N/71/SLV  
10 January 2002  
(02-0104)

Committee on Subsidies  
and Countervailing Measures

Original: Spanish

## SUBSIDIES

### New and Full Notification Pursuant to Article XVI:1 of the GATT 1994 and Article 25 of the SCM Agreement

#### EL SALVADOR

The following communication, dated 21 December 2001, has been received from the Permanent Mission of El Salvador.

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Pursuant to Article XVI, paragraph 1, of the General Agreement on Tariffs and Trade (GATT) 1994 and in accordance with Article 25 of the Agreement on Subsidies and Countervailing Measures, El Salvador hereby submits a new and full notification of the following programme.

1. Description

Drawback of 6 per cent on the f.o.b. value of exports, payable to Salvadoran or foreign natural or legal persons that own firms exporting or marketing Salvadoran goods and services outside the Central American region.

2. Period covered by the notification

As from 1 June 2001.

3. Policy objective and/or purpose of the subsidy

To stimulate exports of Salvadoran goods and services outside the Central American region, with a view to diversifying domestic production for the foreign market and to achieving employment-generating sustainable economic growth, along with the transfer of technology and investments.

4. Background and authority for the subsidy

Background

The damage to the domestic infrastructure resulting from the armed conflict in El Salvador during the 1980s and early 1990s severely impacted production sectors, investment and export development. Following the signing of the Peace Accords, it was necessary for El Salvador to launch

the aforementioned scheme under a policy geared towards promoting investments and exports and offsetting the costs generated by the conflict.

Moreover, because El Salvador is a developing and open economy dependent on traditional exports such as coffee and sugar, it has been seriously affected by the decline in international prices of these commodities over the years, resulting in worsening terms of trade and requiring the implementation of instruments to diversify the country's export production capacity.

The earthquakes that hit El Salvador in 2001 have increased the need for jobs. According to ECLAC, total losses amounted to US\$1,603 million, i.e. 12 per cent of GDP and 55 per cent of exports in 2000. In the aftermath of the catastrophe, El Salvador was faced with the need to improve the welfare of its people, and especially those most severely affected by the quakes. In creating opportunities to maintain and raise employment levels, the benefits deriving from the drawback scheme are therefore essential for the country's economic and social development.

### Legislation

#### Law on the Revival of Exports

Legislative Decree No. 460 of 15 March 1990, published in the Official Journal (No. 88, Vol. 307) of 18 April 1990, as amended by Legislative Decree No. 749 of 19 April 1991, published in the Official Journal (No. 95, Vol. 311) of 27 May 1991; Legislative Decree No. 181 of 18 December 1997, published in the Official Journal (No. 239, Vol. 337) of 22 December 1997, and Legislative Decree No. 534 of 13 January 1999, published in the Official Journal (No. 21, Vol. 342) of 1 February 1999.

#### Regulations of the Law on the Revival of Exports

Executive Decree No. 68 of 27 November 1990, published in the Official Journal (No. 269, Vol. 309) of 27 November 1990, as amended by Executive Decree No. 43 of 29 April 1993, published in the Official Journal (No. 19, Vol. 319) of 26 May 1993.

5. Form of the subsidy (i.e. grant, loan, tax concession, etc.)

Drawback of 6 per cent on the f.o.b. value of exports.

6. To whom and how the subsidy is provided (whether to producers, to exporters, or others; through what mechanism; whether a fixed or fluctuating amount per unit; if the latter, how determined).

This incentive benefits Salvadoran or foreign natural or legal persons that own firms which export or market Salvadoran goods and services outside the Central American region and which comply with the requirements laid down in the Law on the Revival of Exports and its Regulations.

7. Subsidy per unit, or in cases where this is not possible, the total amount or the annual amount budgeted for that subsidy (indicating, if possible, the average subsidy per unit). Where provision of per unit subsidy information (for the year covered by the notification, the previous year, or both) is not possible, a full explanation.

Total Amounts Refunded Under the 6 Per Cent Drawback Scheme  
(In Millions of Dollars)

January-December 1998	January-December 1999	January-December 2000	January-June 2001
11.9	11.4	13.8	6.5

Total Exports Eligible/Not Eligible under the 6 Per Cent Drawback Scheme  
(In Millions of Dollars)

EXPORTS	January- December 1998	January- December 1999	January- December 2000	January- June 2001
Eligible	199.1	190.7	231.4	108.2
Not eligible	2,242	2,319.3	2,719.1	1,355.9
Total	2,441.1	2,510	2,950.5	1,464.1

8. Duration of the subsidy and/or any other time-limits attached to it, including date of inception/commencement.

Indefinite. It will be adjusted to the international obligations undertaken by El Salvador, and in particular to the WTO Subsidies Agreement.

9. Statistical data permitting an assessment of the trade effects of the subsidy. The specific nature and scope of such data is left to the judgement of the notifying Member. To the extent possible, relevant and/or determinable, however, it is desirable that such information include statistics of production, consumption, imports and exports of the subsidized product(s) or sector(s).

COMPARATIVE TABLE  
(In Millions of Dollars)

SCHEME	1998	1999	2000
(a) World exports	5,429.400	5,594.300	Not available
(b) Salvadoran exports	2,446.1	2,497.5	2,950.5
(c) b / a	0.045%	0.044%	Not available
(d) Salvadoran exports eligible for 6% drawback	199.1	190.7	231.4
(e) d / a	0.0036%	0.0034%	Not available

Source: International Monetary Fund, Central Reserve Bank, Ministry of Economy.