

IV. TRADE POLICIES AND PRACTICES BY SECTOR

(1) Overview

1. Under the economic reform begun in 1989, sectorial policy has had two main objectives. The first is to rebuild an economy in which a substantial part of the production sector, especially agriculture, was destroyed during ten years of conflict. The second is to reverse the earlier import substitution industrialization (ISI) strategy, and to reduce the anti-export bias of such policies by adopting a system which is more neutral between sectors. The overall objective has been to get "prices right", so that producers and consumers are able to profit from correct market signals. These policies include: (i) the liberalization of the exchange rate régime and credit policy (Chapter I); (ii) the elimination of price controls, most non-tariff barriers, and the existing export taxes; (iii) the rationalization of tariffs; and (iv) the privatization of key institutions such as the agricultural marketing boards and the banks. As a result of the Peace Accords of 1992, measures were also adopted regarding the land tenure system with the aim of mending the damage caused by the agrarian reform of 1980 and guaranteeing property rights.¹ These changes have created an incentive to lift productivity in the reformed agricultural sector.

2. The results of this programme seem to be successful since economic growth increased from 1 per cent in 1989 to 6.5 per cent in 1995. Exports of agricultural and manufacturing goods grew strongly during the 1990-1994, compared to 1985-1990 when agricultural trade as well as manufactured exports declined, and manufactured imports only showed slight growth.² The growth of non-traditional exports to extra-regional markets can be partly attributed to special incentive programmes, as discussed later.

3. Despite the adoption of more neutral policies, high tariffs are still in force for some key industries. For instance, the clothing industry operates behind tariffs of up to 24 per cent, while the average for the industrial sector as a whole is 10 per cent (Chart IV.1). Tariff escalation is still evident in some industries where the pattern of protection inherited from the import substitution industrialization strategy still prevails. However, as a result of planned reforms, these tariff peaks and escalation will be greatly reduced, except for high rates resulting from the tariffication for agricultural goods.

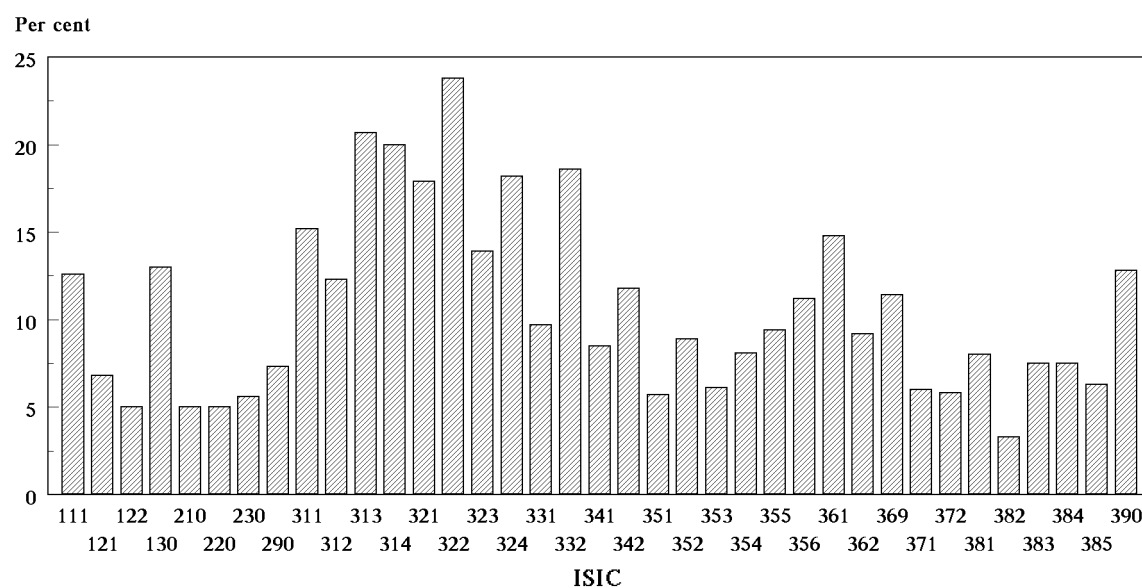
4. In terms of its contribution to GDP, the services sector is today the most important productive sector, despite the extensive damage to the transport infrastructure, in particular, during the war. The modernization of this sector is essential to attain higher levels of productivity, and for the country to deepen its integration into the world economy. As part of the overall reform programme, key institutions in this sector have been privatized. For instance, in the financial sector the five most important banks were privatized, only the *Banco Hipotecario* remains to be privatized; the telecommunication monopoly and the electricity sector are in the process of being privatized; and there are plans to privatize some of the ports and airports services.

5. One of the main objectives of the reform programme is to enhance productivity. However, for productivity to increase, investment in human capital and infrastructure, which was negligible during the war, will need to increase, and the Government is making an effort to redirect spending towards investment in these areas.

¹The land reform introduced in 1980 seems to have had a negative effect upon the production of some agricultural goods such as cotton, formerly an important export crop, whose production has basically disappeared.

²UNSTAT Comtrade database.

Chart IV.1
Average tariffs by ISIC classification, 1995



ISIC	Major groups
111	Agriculture and livestock production
121	Forestry
122	Logging
130	Fishing
210	Coal mining
220	Crude petroleum and natural gas production
230	Metal ore mining
290	Other mining
311-312	Food products
313	Beverages
314	Tobacco
321	Textiles
322	Clothing
323	Leather products
324	Footwear
331	Wood products
332	Furniture except metal
341	Paper products
342	Printing
351	Industrial chemicals
352	Other chemicals, incl. pharm.
353	Petroleum refineries
354	Petroleum and coal products
355	Rubber products
356	Plastic products
361	Pottery and china
362	Glass and products
369	Other non-metallic mineral products
371	Iron and steel
372	Non-ferrous metals
381	Fabricated metal products
382	Non-electrical machinery incl. computers
383	Electrical machinery
384	Transport equipment
385	Professional and scientific equipment
390	Other manufactured products

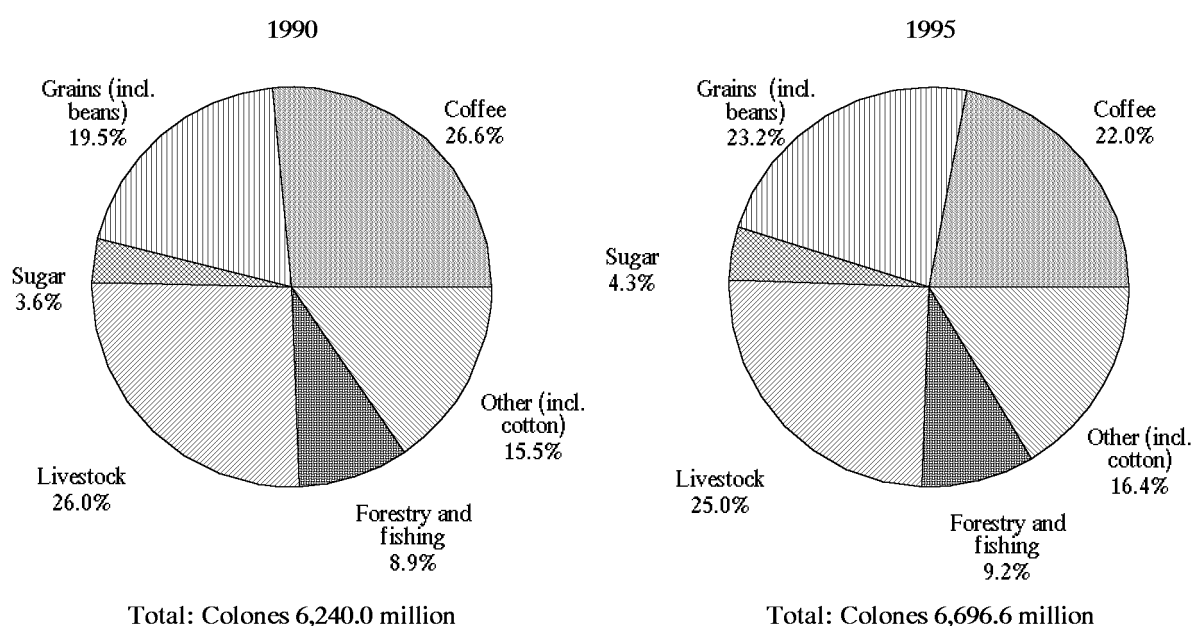
Source: Government of El Salvador; and estimates by the WTO Secretariat.

(2) Agriculture, Forestry and Fishing(i) Main features

6. Agricultural production accounts for some 22.3 per cent of total GDP, showing little change from the situation in 1989 when it stood at 23 per cent.³ The most important agricultural products are coffee, basic grains and sugar. The production of coffee has decreased slightly since 1990, while the production of basic grains and sugar have increased. Livestock is also an important activity, contributing 25 per cent of agricultural GDP in 1995 (Chart IV.2).

Chart IV. 2
Agricultural GDP by sector, 1990 and 1995

Constant 1990 prices



Source: Government of El Salvador.

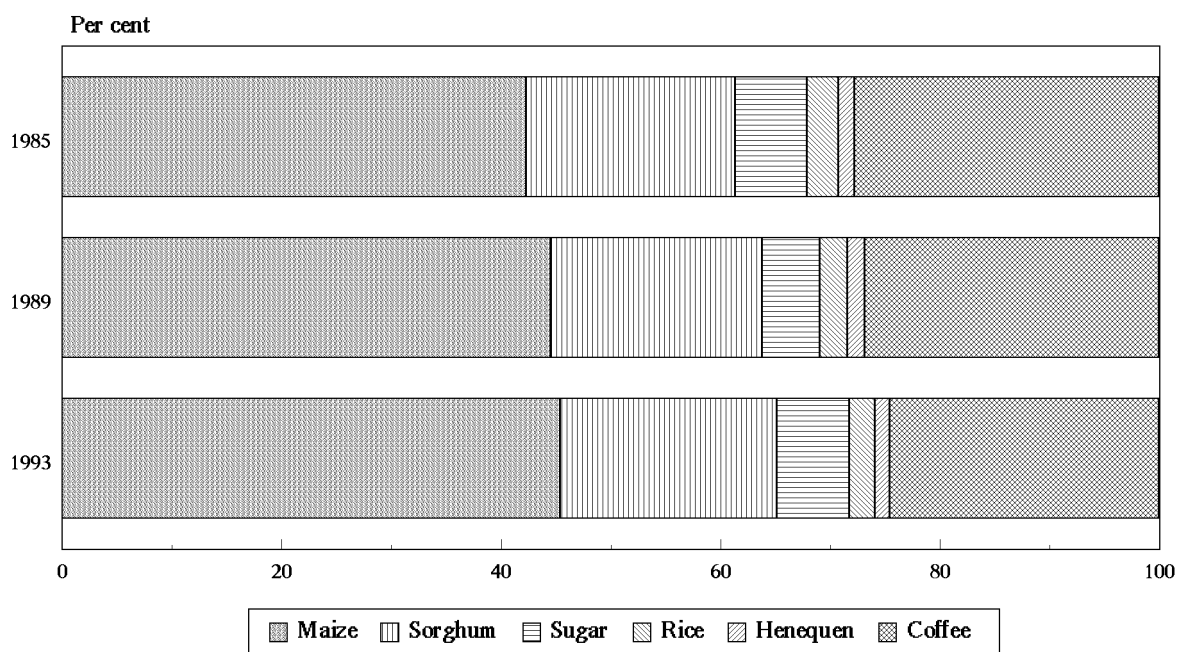
7. The agricultural sector is a major employer in the country. In 1995, 27 per cent of total employment was in agricultural activities, and 65 per cent of the rural labour force consider the agrarian sector to be their principal source of income.⁴ As shown in Chart IV.3, a high proportion of land is devoted to the production of basic grains, especially maize, and to the production of coffee. Land is a scarce resource in El Salvador, and land that is only marginally suitable for agriculture is being

³World Bank (1995).

⁴Government data.

farmed, doing away with an important area of forest and reducing rainfall and water catchment areas.⁵ Thus, the mismanagement of the land has not only had a negative impact upon agriculture but also upon the environment as whole.

Chart IV.3
Distribution of cultivated land, 1985, 1989 and 1993



Source: Government of El Salvador.

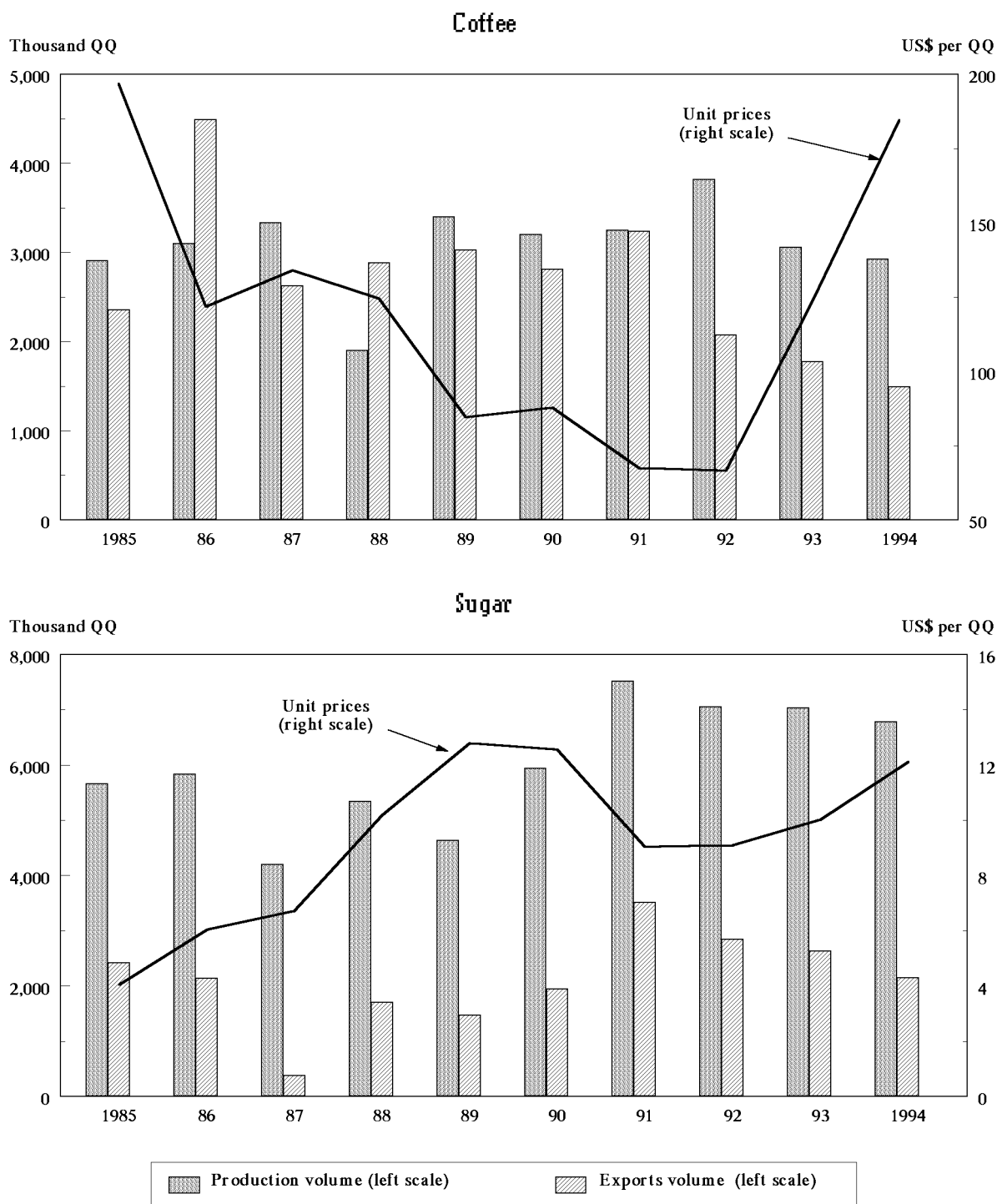
8. Traditionally, El Salvador has been an exporter of agricultural goods; coffee and, to a lesser extent, sugar, cotton and shrimp have long dominated El Salvador's exports. In 1994, agricultural exports accounted for more than 50 per cent of total exports; coffee alone accounted for 32 per cent of the total (Chart I.8). After coffee, sugar is now the main agricultural export (Chart IV.4). Exports of agricultural goods have decreased since 1985 when they accounted for almost 70 per cent of total exports. According to the authorities, agricultural exports have decreased because El Salvador is not able to compete with subsidized products originating in developed countries.

9. Imports of agricultural goods account for some 18 per cent of total imports (Chart I.8). Table IV.1 shows the most important agricultural imports, including those goods imported under the United States' PL-480 programme, which was extensively used in the 1980s. However, the duty-free importation of commodities under this aid scheme tends to depress the domestic price of these goods and/or those of their direct or close substitutes, causing a distortion in the allocation of resources.⁶

⁵Norton et al. (1994).

⁶Núñez and Loehr (1991).

Chart IV. 4
Coffee and sugar production, exports and prices, 1985-94



Note: 1 QQ = 45 kg.

Source: Government of El Salvador.

Table IV.1
Major agricultural imports and exports

Exports	Imports
Traditional	Major imports
Coffee	Bovine live animals
Sugar	Meat and offal
Shrimp	Powdered milk
Cotton	Vegetables
	Fruits
	Wheat
	Yellow maize
	Rice
	Flour, cereals and starches
Non-traditional	Imports under PL-480 (none since 1992)
Sesame seeds	Wheat
Honey	Wheat flour
Vegetables	Lard
Fruits	Vegetable oil
Natural balsam	Sorghum (1992 only)
	Yellow maize (1992 only)
	Soybean flour

Source: Government of El Salvador.

10. In 1989, the agricultural sector underwent a process of deregulation and liberalization, as was the case for the other sectors. This process included a reduction of tariffs, the elimination of export and import permits, the elimination of price controls, the dismantling of marketing boards and the simplification of marketing procedures.

11. Tariffs for agricultural commodities have been lowered and now range from 1 to 20 per cent. (Table AIV.1) Before 1989, tariffs generally ranged from 5-80 per cent, but many commodities fell into the 40-60 per cent bracket⁷, and some had tariffs higher than 80 per cent. In addition, agricultural commodities were subject to import and export licensing and/or prohibitions, whereas today only a few commodities are subject to licences or export permits (Chapter III).

12. At present, there are no support prices or price controls for agricultural goods. The elimination of support prices was announced on 20 July 1990 by the Ministry of Agriculture and Livestock (*Ministerio de Agricultura y Ganadería*, MAG) and the Ministry of Economy as part of the New Policy on Basic Grains (*Nueva Política de Granos Básicos*). Price controls for basic grains were initially replaced by a system of price bands⁸, which were subsequently abandoned in 1994 to allow prices to be set by the market.

13. From 1980 to 1989, the marketing of the most important agricultural products was controlled by the State. The State exercised complete control over trade through marketing boards such as: the National Coffee Institute (*Instituto Nacional del Café*, INCAFE), the National Sugar Institute (*Instituto*

⁷Núñez and Loehr (1991).

⁸*La Prensa Gráfica*, 21 July 1990, p.31.

Nacional del Azúcar, INAZUCAR), and the Regulatory Institute of Provisioning (*Instituto Regulador de Abastecimiento*, IRA), in charge of commercializing basic grains and powdered milk. The Salvadorian Cotton Co-operative (*Co-operativa Algodonera Salvadoreña, Ltda*, COPAL), a private association, was granted monopoly power to market cotton by the Government in the 1980s.

14. Since 1989 these institutions have been either dismantled (IRA) or reformed (INCAFE, INAZUCAR and COPAL). The private sector now participates in the marketing of products previously monopolized by the State marketing boards. INCAFE and INAZUCAR were replaced by regulatory institutions such as the Salvadorian Coffee Council (*Consejo Salvadoreño del Café*, CSC) and the Salvadorian Commission for the Development of the Sugar Sector (*Comisión Salvadoreña para el Desarrollo del Sector Azucarero*, CDA). COPAL no longer holds monopoly power for the marketing of cotton.

15. In 1994, a commodity market (*Bolsa de Productos Agropecuarios de El Salvador*, BOLPROES) was created. This was a private initiative to make the marketing of agricultural products more efficient. The goal is for BOLPROES to facilitate not only domestic trade but also intra-regional and international trade. BOLPROES initiated operations in mid-1995 by marketing white maize.

16. At present, there are no direct support programmes available to producers. However, the Ministry of Agriculture and Livestock (*Ministerio de Agricultura y Ganadería*, MAG) provides some services: the provision of water for irrigation; sanitary inspections and certification by the General Directorate for Plant and Animal Health (*Dirección General de Sanidad Vegetal y Animal*, DGSVA); and the analysis of soil by the National Centre for Agricultural and Forestry Technology (*Centro Nacional de Tecnología Agropecuaria y Forestal*, CENTA). The prices of these services are based on their cost.

17. CENTA is an autonomous institution created in 1993⁹, whose goal is to increase the productivity of the agrarian and forestry sectors, through the provision of technical support and educational programmes, which are free-of-charge to farmers.

18. According to the authorities, the effects of the measures undertaken as a result of implementation of the Uruguay Round Agreement on Agriculture will only become evident in the longer run. Until now, implementation of the Agreement has not had a major effect on the Salvadorian agricultural sector since most of the liberalization process undertaken in this sector, including the reduction of tariffs and non-tariff barriers, was undertaken before the end of the Uruguay Round.

19. The six main government objectives for the agricultural sector are: first, to strengthen the agricultural sector to further rural development; second, to increase production of basic grains and any other essential products; third, to increase and diversify the production of agricultural products, especially of non-traditional crops; fourth, to introduce the production of new crops; fifth, to promote exports of agricultural goods; and sixth, to stimulate the development of agro-industrial production.

20. The hope is that the private sector will take a major part in accomplishing these objectives. The Government will also assist through the promotion of research and development and technology transfer for the production of non-traditional crops, technical assistance, agricultural education, information about markets, and advice on international marketing. In addition, the Government, through its Local Development Programme, will provide basic services (electricity, telephones, and roads).

⁹Decree No. 462, 11 February 1993.

21. In the past, the lack of resources, along with the absence of the right price signals and the existence of other economic distortions, appear to explain the low productivity in the agricultural sector. Thus, in order to attain the objectives outlined above, several constraints will need to be overcome. For example, El Salvador has insufficient land for significant crop expansion, so that the main source of growth in agricultural output has to be gains in productivity and, hence, competitiveness. The liberalization process undertaken in 1989 will aid in this respect; however, the prolonged existence of high tariffs and non-tariff barriers created inefficient and rigid production structures which have yet to prove responsive to price signals. Accordingly, for the liberalization programme to overcome the inertia created by past policies, the authorities recognize that other factors, such as technology, irrigation, seeds, infrastructure and education, are essential.

22. The conflict in the 1980s had serious detrimental effects in the rural areas, and hence on the agricultural sector. There was substantial disinvestment in the rural areas as well as migration to the urban areas. The destruction of already scarce infrastructure during the armed conflict exacerbated the problems of the sector. According to the authorities, the land reforms of 1980 also failed to achieve the desired goals, contributing to the deteriorating situation in the sector. The division of land was such that certain crops could no longer be produced in an efficient manner. As a result, the production of cotton today is negligible, while in the 1970s it was the second most important cash crop, generating at least 9 per cent of agricultural GDP and 9.5 per cent of export revenues. The production of basic grains and other cash crops has also decreased.¹⁰ The agrarian reform of 1980 also created uncertainty about property rights because of the possibility of future expropriation of private property, and contributed to further disinvestment in the sector.

23. In 1992, however, as a result of the Peace Accords, property rights have been ensured in the reformed sector. The possibility of future expropriations was limited by a constitutional provision stipulating the maximum size of a piece of land that an individual is allowed to own. The Peace Accords also introduced a market mechanism to distribute land. For example, since 1992 the co-operatives formed as a result of the land reform of 1980 have been allowed to sell or inherit the land. These reforms appear to have helped to initiate the re-activation of the agricultural sector, but it will inevitably take time for these and other reforms to undo the damage of the 1980s.

24. The 40 per cent level of illiteracy in the rural area has also been a factor in the low level of productivity in the sector, and needs to be tackled by an education programme targeted at rural areas. The reform programme should also help to reduce migration to urban areas where the industrial sector is unable to absorb this labour and where migration is placing a strain on the supply of basic public services, such as health, sanitation and education.

25. The proportion of irrigated land to the total area of land under production is low. According to the MAG, the gains in productivity from increased irrigation could therefore be high. For instance, if sorghum could be irrigated, it would be possible to have two or three harvests per year.¹¹

26. The overvaluation of the Colon has hindered the re-activation of the rural sector because of the loss of competitiveness of Salvadorian agricultural products in international markets (Chapter I). While producers benefit from an overvalued exchange rate through reduced domestic prices for imported

¹⁰Goitia (1990).

¹¹Ramos et al. (1995).

inputs, estimated to be around 40 per cent of the value of output, this apparent benefit is not sufficient to compensate for the loss in competitiveness of exports.¹²

27. It has been argued that the reform programme needs to be supported by an increase in competition in factor and product markets, especially for agro-industrial production where ownership appears to be highly concentrated.¹³ This lack of competition can translate into collusive price-setting practices which undermine the goal of the economic reform programme to set "prices right". For the right price signals to reach both consumers and producers the market structure should be such that prices are not fixed by wholesalers; consumers would also benefit from a wider choice.

28. The Salvadorian agrarian sector is also concerned about the potentially negative effects of the NAFTA on their non-traditional agricultural exports to the United States market where El Salvador competes with Mexico in the sale of fruit and vegetables. However, it is possible that the phased reduction of tariffs within NAFTA will allow sufficient time for restructuring in these activities so that they retain their competitiveness.¹⁴

(ii) Crop production and livestock

(a) Coffee

29. Coffee has traditionally been the most important agricultural crop and export in El Salvador. In 1994, coffee contributed 24 per cent to agricultural GDP and 3.3 per cent to total GDP.¹⁵ Since 1985, with the exception of 1988 and 1992, production of coffee has been around the 3 million quintals (QQ).¹⁶ Coffee production is not responsive to short-term price changes (i.e., there is a low price elasticity of supply); Chart IV.5 shows that, despite the price fluctuations, production has not varied greatly since 1985, except for 1988 when production fell sharply, apparently because of the security situation in the rural areas, the export tax on coffee and the appreciation of the real exchange rate. The low elasticity of supply can be attributed to the nature of the crop: once the producer has invested in a plantation it is costly to switch to another crop. Price fluctuations can, however, result in changes in productivity, since farmers invest less in maintaining plantations at times of persistent low prices.

30. Exports of coffee have been somewhat more erratic than production, being affected by world market conditions and policies. In 1989, exports, which had been subject to quotas under the International Coffee Organization (ICO), were made subject to market conditions until the retention scheme was established in 1993 by the Association of Coffee Producing Countries (*Asociación de Países Productores de Café*, APPC). Despite these changes directly affecting coffee, as well as other policies to increase the export orientation of the Salvadorian economy, coffee remains the most important export in El Salvador, accounting for 28.3 per cent of total exports (including maquila) in 1995.¹⁷

¹²Ramos et al. (1995).

¹³Ramos et al. (1995).

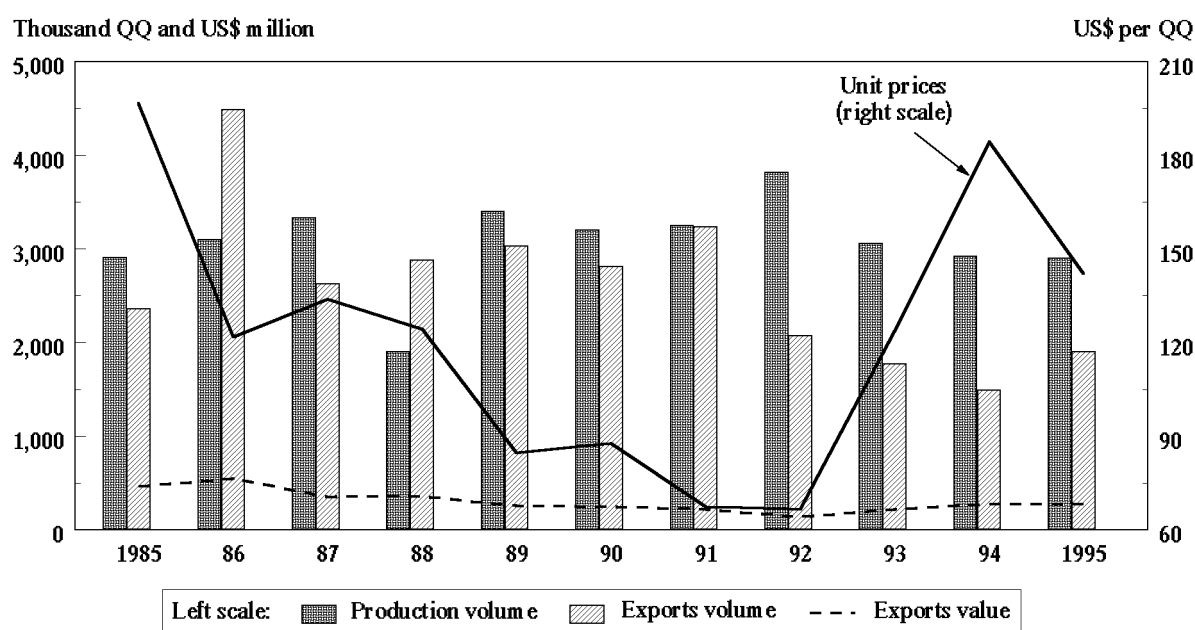
¹⁴Revilla (1994).

¹⁵WTO Secretariat calculations based on Central Reserve Bank data.

¹⁶One quintal (QQ) is equal to 45 kg..

¹⁷Salvadorian Coffee Council (*Consejo Salvadoreño del Café*, CSC) based on Central Reserve Bank's data.

Chart IV. 5
Coffee production, exports and world prices, 1985-95



Note: 1 QQ = 45 kg.

Source: Government of El Salvador.

31. In terms of labour and income distribution, coffee is also an important crop since it is often produced by smaller farmers, making intensive use of the land.¹⁸ Land devoted to coffee was less affected by the agrarian reform than land under extensive cultivation, such as cotton and sugar.¹⁹ In 1986, around 20,000 hectares of reformed land were devoted to coffee. However, the cultivation of this crop in the reformed sector has been declining; in 1993/94 only 15,700 hectares were planted with coffee.²⁰ Most of the reformed land is organized in co-operatives which mainly produce organically grown coffee. In 1994, 25 per cent of the labour employed in the agricultural sector was engaged in activities related to coffee.²¹

32. Since 1989, commercial, fiscal, and exchange rate policies directly affecting the coffee sector have undergone substantial reforms (Table IV.2). These measures are part of the overall package to restructure the Salvadorian economy with the aim of improving the efficiency of all sectors.

¹⁸Norton et al. (1994).

¹⁹Only 7 per cent of the land cultivated with coffee was transferred (World Bank, 1989).

²⁰Salvadorian Coffee Council.

²¹Salvadorian Coffee Council.

Table IV.2

Major policies adopted in the coffee market, 1989-95

Policies	Measures adopted	Date
Domestic commercial policy	INCAFE declared unconstitutional	1989
	Creation of the CSC	1989
International commercial policy	The Association of Coffee Producing Countries was established and coffee retention scheme was designed	1993
	Transitory law for the retention of coffee	1993
	Transitory law for the retention of coffee	1995
Fiscal policy	Export tax on coffee modified: reducing the rate (exempt from taxes up to US\$45 and 30 per cent on the rest)	1989
	Export tax on coffee modified: reducing the rate (exempt from taxes up to US\$55 and 25 per cent on the rest)	1991
	Export tax on coffee modified: reducing the rate (exempt from taxes up to US\$65 and 25 per cent on the rest)	1992
	Export tax on coffee eliminated	1993
	Exports of coffee subject to income tax	1993
Exchange rate policy	Market exchange rate is used for coffee transactions.	1989
	Coffee exporters authorized to sell proceeds from exports in the foreign exchange market	1993

Source: Government data.

33. INCAFE, the official marketing board, was created in 1979 to protect small producers and ensure that coffee earnings were repatriated. INCAFE's rôle was to market coffee both at the national and international level and to collect the export tax from producers. Although the process of nationalization was intended to protect coffee producers, there was a lack of transparency regarding the prices and quantities of coffee purchased. In addition, INCAFE incurred substantial operating losses and delayed payments to producers.²² INCAFE was dismantled in 1989, when the private sector was again allowed to control the marketing of coffee, and the State took on a regulatory rôle.²³ The liberalization of marketing of coffee has been especially beneficial for producers since the wedge between the producer price and the export price has decreased.²⁴

34. In 1989 the Salvadorian Coffee Council (*Consejo Salvadoreño del Café*, CSC) was established.²⁵ The CSC consists of four ministers and representatives of the producers, exporters, private co-operatives and co-operatives of the reformed sector. Its rôle is to regulate the marketing of coffee without direct intervention, granting equal conditions to all exporters. The CSC is also in charge of the allocation of coffee export quotas (when in place) among producers, and of the surveillance of the implementation of and compliance with the International Coffee Agreement. The Council also represents the interests of the Salvadorian producers in international organizations, especially in the ICO.

²²World Bank (1989).

²³Legislative Decree No. 352, 30 October 1989.

²⁴Norton et al. (1994)

²⁵Decree No. 353, 30 October 1989.

35. El Salvador has been a member of the ICO since its creation in 1962. The ICO still exists; however, as noted earlier, in 1989 its export quota system was abolished. Subsequently, in 1993, the producer countries, created the APPC, which re-established the quota system as a means of controlling the international price of coffee through supply management. The APPC was able to establish coffee retention schemes for the 1993, 1994 and 1995 harvests.²⁶

36. El Salvador has been a member of the APPC since its inception. The quota to be exported is announced in a temporary decree issued every year. For the 1993-95 harvests 20 per cent of total production was to be retained. For the 1996/97 harvest, El Salvador has been allocated an export quota of QQ 3 million (1QQ = 45 kg.), which represents most or all of normal production. The CSC distributes the export quota among the exporters according to the amount of coffee that they receive and their available stock. The coffee left for domestic consumption is either the green coffee or coffee of inferior qualities that does not qualify for export.

37. As part of the reform programme in the sector, the export tax levied on coffee exports was amended in 1989, and finally abolished in 1993 (Table IV.2). The fiscal importance of this tax had been decreasing since 1987 as shown in Table IV.3, due partially to the decrease in the tax rate, caused by amendments to the tax system. When the export tax was eliminated, an income tax on the export proceeds of coffee was established.²⁷ This tax is variable, based upon the internal price of the coffee "oro-uva" on the day the purchase contract is set (Table IV.4).

Table IV.3
Share of coffee export tax in total tax collection, 1985-93
(Thousands of Colons)

Year	Total taxes	Share derived from taxes on coffee
1985	2,391,010	14.9
1986	3,508,159	27.2
1987	3,232,628	13.4
1988	3,175,573	11.6
1989	3,330,237	3.7
1990	4,792,742	5.3
1991	5,783,031	3.8
1992	6,956,644	0.4
1993	8,128,844	0.1

Source: Government of El Salvador.

²⁶For a thorough presentation of the operational stages of the APPC Retention Schemes see the WTO (1995a) and WTO (1995b).

²⁷Decree No. 171, *Diario Oficial* No. 200, 28 October 1994.

Table IV.4

Income tax on coffee

(Colons per quintal, per cent)

Internal price (C/quintal)	Tax rate
Up to 800.00	1.5
From 800.01 to 1,100.00	5.0
From 1,100.01 to 1,300.00	9.0
From 1,300.01 to 1,500.00	11.0
From 1,500.01 to 1,800.00	13.0
From 1,800.01	15.0

Note: 1 quintal = 45 kg.

Source: Decree No. 171.

38. The anti-export bias in this sector has been substantially reduced by eliminating the export tax and allowing exporters access to the foreign exchange market. Until 1993, coffee exporters had to surrender their foreign exchange earnings to the Central Reserve Bank, even though this requirement did not apply to other exporters.

39. According to the CSC, the coffee sector has been faced with two additional problems: low productivity and the lack of labour in rural areas. The low productivity is mainly related to the lack of investment in the coffee plantations; for instance, trees are not being replaced when necessary, plantations are not being replanted, and there has been a low rate of disease control. Coffee producers also regard the lack of rural labour as a serious problem. For instance, due to climatic conditions the 1995/96 coffee harvest ripened faster than normal, C 100,000 of coffee fell and was left on the ground²⁸, mainly because there was insufficient labour to harvest the crop. This shortage of labour in the rural areas seemed to be linked to the receipts of remittances from the United States, which in certain instances have become the major source of income for rural dwellers who, thus do not need to engage in other remunerative activities.

(b) Sugar

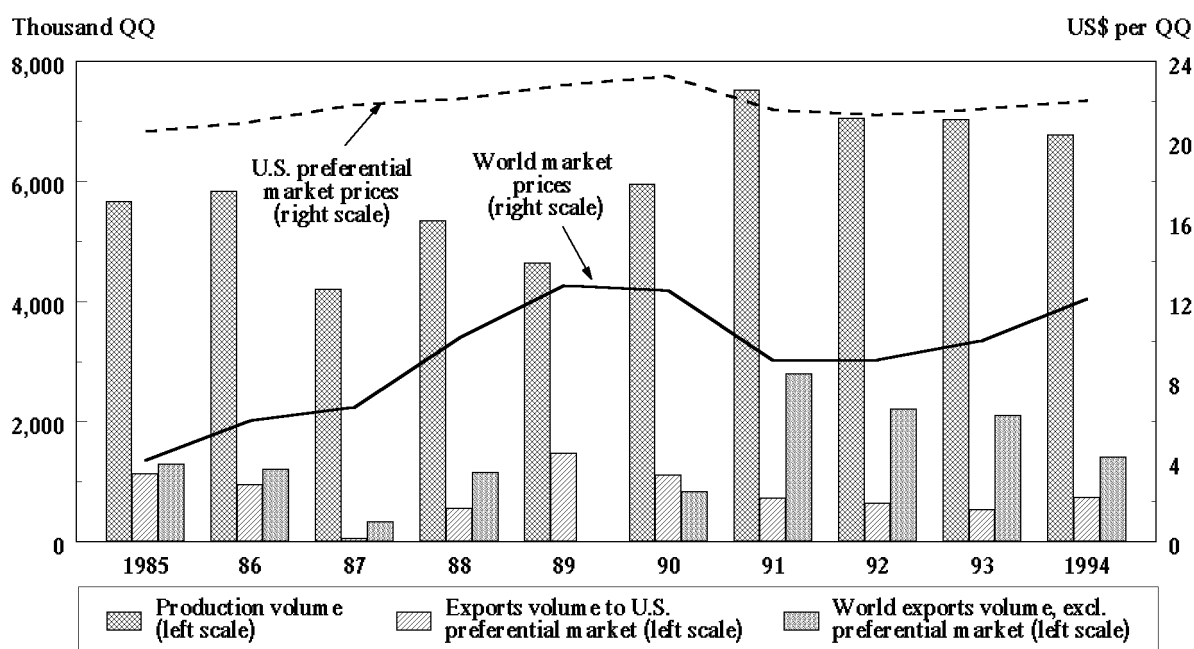
40. The sugar sector, despite its small contribution to GDP (0.6 per cent), is considered an important crop for the Salvadorian economy. It is the second most important traditional agricultural export, amounting to 3.3 per cent of total exports and to 8.6 per cent of traditional exports. Production of sugar has increased since 1989 due mainly to the liberalization measures that directly affected the sector and other macroeconomic policies adopted by the authorities (see below). Recent data provided by the authorities show that sugar yields increased to 193.5 lbs./short ton by 1995.²⁹ The key issue in the sugar industry has been to shift to sugar cane varieties with high sugar content, rather than concentrating on sugar cane volume or trying to extend the land area under cultivation.

²⁸FUSADES (1996).

²⁹Previously, yields were around 166 lbs/short ton, while they should have been over 200 lbs./S.T. (Núñez and Loehr (1991)).

41. El Salvador has been allocated an export quota to the United States preferential sugar market; it also exports to the world market (Chart IV.6). However, exporters only sell surpluses on the world market as a last resort after fulfilling both the U.S. quota and domestic demand; for instance, in 1989 there were no exports to the world market. However, given the increase in the production of sugar cane, the decrease in the U.S. quota, and the slow increase in the domestic demand of sugar (since it is already high), exports to the world market have increased.

Chart IV. 6
Sugar production, exports and prices, 1985-94



Note: 1 QQ = 45 kg.

Source: Government of El Salvador.

42. Sugar production also generates substantial employment. Sugar cane is produced by both independent producers and producers of the reformed sector. The latter are organized in 141 co-operatives that own approximately 44 per cent of total land under sugar cane cultivation and produce some 42 per cent of total production. Independent producers (around 2,500) produce 48 per cent of the total production. In 1994, the amount of land planted with sugar cane decreased by 5,900 mz.; total land under sugar cultivation amounted to 68,200 mz. for the 94/95 harvest.³⁰ For the 1995/96 harvest, 60 per cent of the sugar was produced by the co-operatives of the reformed sector and 40 per cent by independent producers.

43. Most sugar cane is processed for sugar production; only a small proportion is devoted to small-scale production of honey (*mieles y dulces*). The sugar industry comprises ten mills, eight private and two State-owned. For the 1995/96 harvest, 86 per cent of the sugar was privately processed, while the rest was processed by the State-owned mills.

³⁰MAG (1995). 1mz. = 1.75 acres (Central American land measure).

44. INAZUCAR was established in 1980 as a State monopoly in charge of marketing sugar, setting the price of sugar and allocating sugar quotas amongst the mills.³¹ In 1989, the marketing of sugar was liberalized and the rôle of INAZUCAR was modified; since then the private sector has also been allowed to buy sugar cane and sell sugar, and today the former marketing board competes with private sector traders. The State-owned mills are now in the process of being privatized.³²

45. In 1990, the Salvadorian Commission for Sugar Development (*Comisión Salvadoreña para el Desarrollo del Sector Azucarero*, CDA) was created.³³ The CDA has replaced INAZUCAR in its rôle of distributing sugar quotas among the private and State-owned sugar mills, and advises the Ministry of Economy on the approval of export licences. All told, two quotas are allocated: first, for the U.S. preferential market; and, second, for the domestic market. The balance may be sold on the world market. The quotas are allocated based on the historic levels of production of each mill.

46. The increase in the production of sugar may partly be attributed to macroeconomic policies (Chapter I), the elimination of the State monopoly over the marketing of sugar, the removal of price controls, the increase in the availability of inputs (due to the reduction of tariffs) and the increase in industrial yields.

47. As shown in Chart IV.7, domestic prices for sugar have historically been fixed at levels above the world market price. According to the authorities, this policy was followed to benefit sugar producers. After the liberalization in 1989 the State-owned mills increased producer prices so that sugar cane production would give a higher return to growers.³⁴ However, since the 1991/92 harvest the authorities have not fixed the price of sugar. Since the 1992/93 harvest, the mills have set the purchasing price for sugar cane, which includes a premium for sugar cane of higher yields (i.e. higher sugar content). According to World Bank estimates, it is not clear whether, if the domestic market price of sugar were allowed to fall to world levels, domestic production could continue.³⁵

48. Despite the thorough process of liberalization that has taken place in El Salvador, the sugar sector continues being protected. The import permit for sugar originating in Central America has not been eliminated, since Salvadorian producers are concerned about possible sugar imports from Guatemala.³⁶ Changes being considered to the import régime are discussed in Chapter III(2).³⁷

³¹Decree No. 237, 20 May 1980.

³²Decree No. 92, *Ley de Privatización de Ingenios y Plantas de Alcohol*, *Diario Oficial* No. 159, 30 August 1995.

³³Legislative Decree No. 31, 29 May 1990.

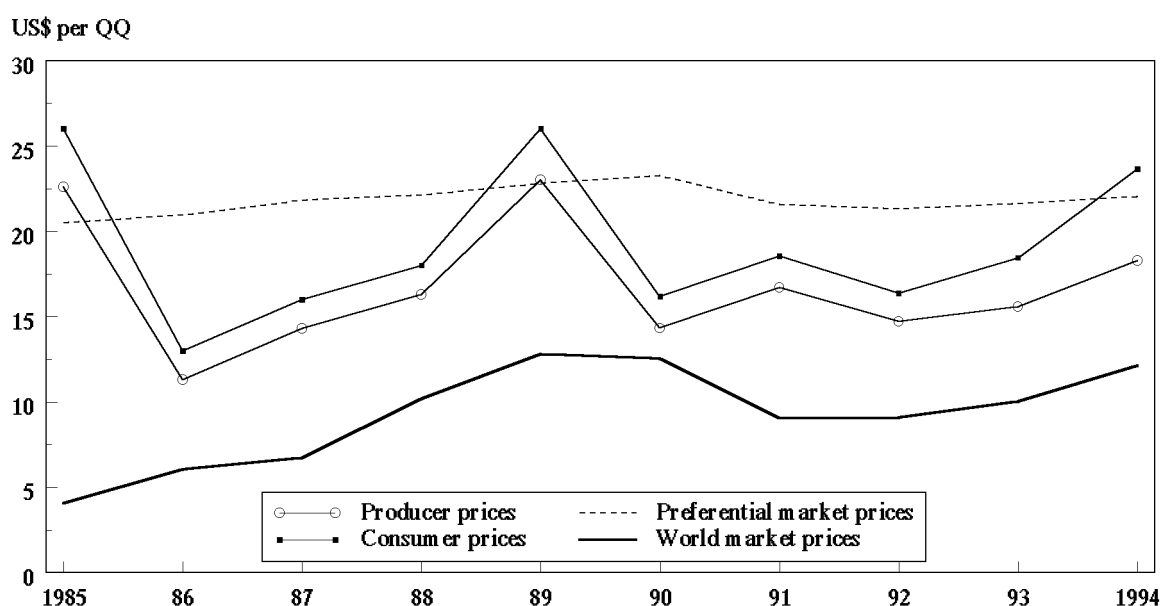
³⁴Norton et al. (1994).

³⁵World Bank (1989).

³⁶Ramos et al. (1995).

³⁷The applied tariff at present is 20 per cent.

Chart IV.7
Sugar prices, 1985-94



Note: 1 QQ = 45 kg.

Source: *Asociación Azucarera de El Salvador*, and Government of El Salvador.

49. On the whole, the new, more market-oriented policies have benefited producers and processors of sugar. However, producers of confectionary goods and related products are at a clear disadvantage, since they have to purchase expensive national sugar, which increases their costs of production and renders them uncompetitive. According to the authorities, this group of producers has complained several times about the high cost of sugar and the difficulties of importing this product. The final consumers of sugar and confectionary products are also affected by these policies.

(c) Basic grains and other crops

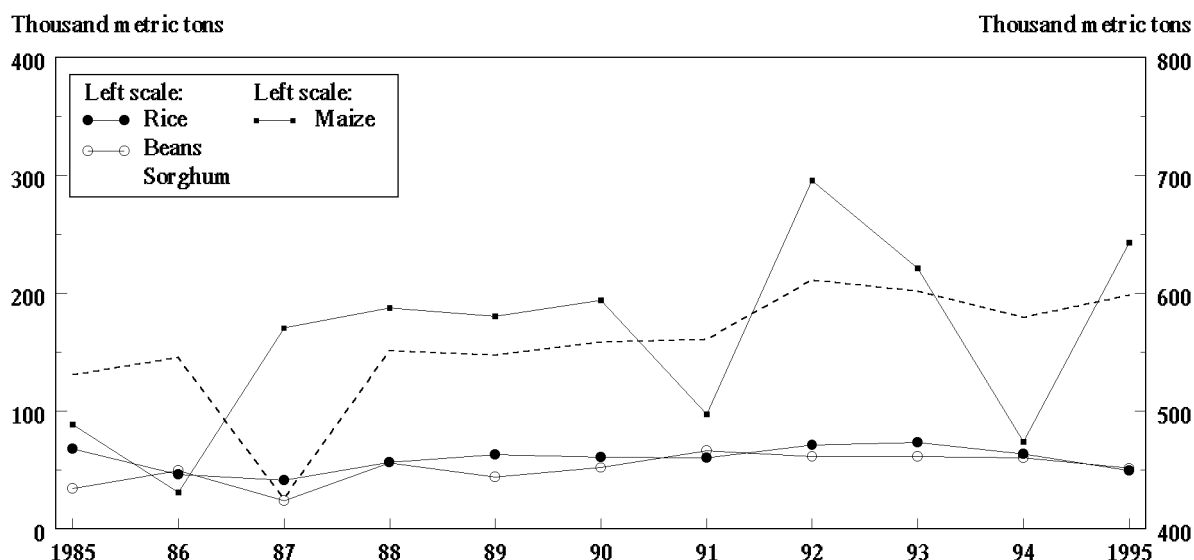
50. The contribution of basic grains, including beans, to agricultural GDP amounted to some 23 per cent in 1995.³⁸ Production is concentrated in maize, sorghum, beans, and rice. As shown, in Chart IV.8 the volume of production of maize and sorghum, although more erratic, has since 1985 been higher than that of rice and beans. However, El Salvador has historically been an importer of grains.

51. White maize is the most important basic grain. It is the staple food in El Salvador, especially at lower income levels. As shown in Chart IV.3 more than 40 per cent of the land under cultivation was devoted to the production of this crop. Some 300,000 producers are engaged in the production of white maize, most of them own small (1-5 hectares) and medium-size (5-20 hectares) farms, many

³⁸Beans are included with basic grains in Salvadorian agricultural data.

of which do not generate a surplus to be marketed. It has been estimated that only 24 per cent of all farmers produce enough maize to generate a surplus for sale to intermediaries.³⁹

Chart IV.8
Volume of production in selected crops, 1985-95



Source: Government of El Salvador.

52. The current, temporary tariff rate on white maize is 1 per cent.⁴⁰ Imports of substitutes, such as wheat and wheat flour (i.e., bread as a substitute for corn tortillas), made available under United States PL-480, are duty free; this adversely affects the production of white maize, but, as noted earlier, there have been no such imports in recent years.

53. After white maize, sorghum is the second most important grain in terms of production. The amount of land under sorghum, almost 20 per cent of the total land under cultivation, has not varied since 1985. Approximately, one third of the production of sorghum is used on the farms where it is grown; the rest is sold for the preparation of commercial animal feed. Yellow maize, a substitute for sorghum in the production of animal feed, is imported as none is produced in El Salvador.

54. The tariff rates for sorghum and yellow maize are 20 per cent and 10 per cent, respectively, although both are imported duty free under United States PL-480. Consideration is being given to the introduction of a seasonal tariff for yellow maize (Chapter III(2)(iii)): the applied tariff for yellow maize would be raised to 10 per cent during the sorghum harvest and lowered to 1 per cent at other times. However, according to the MAG, production of sorghum in El Salvador is very competitive,

³⁹Norton et al. (1994),

⁴⁰The normal rate of 5 per cent has been reduced because of a shortage of white maize (Biministerial Decision No. 116, *Diario Oficial* No. 63, 29 March 1996).

so that even if the tariff were lowered to zero per cent, domestic producers would be able to compete.⁴¹ If this is indeed the case, further protection for this activity would serve only to increase profitability and food grain prices, with flow-on effects for the costs of beef and other meat products.

55. Rice and beans are less important grains; their volume of production has been fairly stable since 1985, as has been the area of land under cultivation for the two crops. The area of land devoted to beans is not evident in Chart IV.3, either because it is negligible or because beans are planted as a secondary crop together with maize and the land is recorded under the use of the primary crop.⁴² The tariff for beans, at 15 per cent, is above the average level of 12.6 per cent for agricultural products (Table AIV.1). However, when imports of this grain are required, the traditional sources of supply are other Central American countries, for which the rate of duty is zero.

56. El Salvador has not achieved self-sufficiency in the production of rice, despite the relatively high yields.⁴³ The applied tariffs vary widely: rice for seed (item 1006.10.10) attracts a rate of 5 per cent, unhusked rice (1006.10.90) is dutiable at 20 per cent, and other rice items are dutiable at 20 to 35 per cent, well above the average tariff for agricultural products.

57. The marketing of basic grains, as for other major agricultural products, was managed by the State until 1989. During 1953-1989, the State controlled the marketing and pricing of basic grains through the Regulatory Institute of Provisioning (*Instituto Regulador de Abastecimientos*, IRA). The IRA did not have a full monopoly over the marketing of basic grains, since it did not have the capacity to control the whole market, although it had been created with the intention of being the sole buyer and seller of basic grains (including beans) and powdered milk. In fact, the IRA was only able to market some 20 per cent of the supply of basic grains. Although also in charge of setting minimum and maximum prices, the institution was, in practice, unable to control prices, since 80 per cent of the grains were marketed directly by producers in a parallel market.

58. In 1989 it was decided to dismantle the IRA, completely freeing the marketing of basic grains and powdered milk. The IRA's infrastructure is still in the process of being sold. Price controls for basic grains were also abolished in 1989, although a system of price bands was established for maize, rice and sorghum in 1990⁴⁴; these were abolished in 1994 since when prices have been set by market forces.

59. According to the MAG, the basic grain sector is very sensitive from a social point of view. To help the sector meet the challenges imposed by the liberalization programme, the authorities will concentrate on four main tasks: (i) to increase the productivity of small and medium-size producers, who comprise the majority of producers of these crops; (ii) to develop more environmentally friendly methods to control diseases, in order to reduce the use of pesticides which have become an environmental and public health hazard; (iii) to promote the development of agro-industries to process grains into

⁴¹Ramos et al. (1995).

⁴²In El Salvador beans are planted: (i) as a distinct crop; (ii) between the maize; or (iii) alternating with maize.

⁴³Ramos et al. (1995).

⁴⁴Announced by the MAG and the Ministry of Economy in *La Prensa*, 21 July, 1990.

animal feed; and (iv) to strengthen BOLPROES, the Salvadorian commodity market, so that the marketing of grains becomes more efficient, and scarcity due to inefficiencies in marketing becomes less common.

60. Cotton was historically one of the most important agricultural crops in El Salvador. In the 1970s, cotton generated 9 per cent of agricultural GDP, 9.5 per cent of foreign exchange earnings and more than 150,000 jobs. However, the cultivation of cotton has virtually disappeared. The area under cotton decreased by 10 per cent from 1980 to 1990, and exports declined from US\$45.7 million in 1982 to US\$1 million in 1990. El Salvador has now become an importer of cotton.⁴⁵ However, according the authorities, the need to import cotton has not harmed the textile industry.

61. The production of cotton was severely harmed by the war, when many cotton plantations were burnt. In addition, the costs of controlling diseases became so high that the activity became uncompetitive. This situation was also exacerbated by the appreciation of the exchange rate. Finally, the agrarian reform also had a negative impact upon cotton production, since the farms were divided into small plots which are less suitable for the production of cotton.

62. The Salvadorian Cotton Co-operative (*Cooperativa Algodonera Salvadoreña Ltd.*, COPAL), created in 1942, was a private institution which had monopolistic and monopsonistic rights in the cotton market.⁴⁶ As the production of cotton diminished and trade was liberalized, the marketing board for cotton, COPAL, lost the powers granted by the Government to trade in cotton.

(d) Livestock and dairy products

63. In 1995, livestock represented 25 per cent of agricultural GDP, making it the most important agricultural sector in El Salvador (Chart IV.2). Cattle ranching has lost importance since 1990, while the production of poultry has gained. Cattle ranching amounted to 17 per cent of agricultural GDP in 1990 declining to 14 per cent in 1995, while poultry production increased from 8 per cent to 11 per cent over the same period.⁴⁷

64. According to the MAG, since 1990 the size of the Salvadorian herd has been stable (1.26 million head), although the production of meat has fluctuated.⁴⁸ El Salvador is neither a substantial exporter nor importer of meat. Since 1991 there have been no meat exports, and imports of meat have been on the average around 0.4 per cent of total imports.⁴⁹

65. The protection afforded by the applied tariff of 20 per cent is above the average for the agricultural and livestock sector as a whole and lies at the upper limit of the tariffs applied to products of the sector (Table AIV.1). The sector will eventually be affected by the reductions of tariffs that are scheduled to continue until 1999, as stipulated in the economic reform programme. The authorities

⁴⁵MAG (1991).

⁴⁶Executive Decree No. 50, 15 May 1942.

⁴⁷*Banco Central de la Reserva* (1995).

⁴⁸In 1991, the production of meat was around 51.1 million lbs, decreasing in 1992 to 42 million lbs. Production recovered to 59 million lbs. in 1994 (MAG, 1995).

⁴⁹UNSTAT, Comtrade database.

expect that the sector will need to undergo a thorough reform and achieve considerable productivity increases in order to survive without the present levels of protection. The sector would also need to attract more investment. However, there seems to be some reluctance to invest in cattle ranching, stemming from the time of the armed conflict.

66. In contrast, the chicken industry has been growing since the beginning of the 1980s. From 1980 to 1986 production of poultry meat doubled, and, since 1986, it has been growing at an annual rate of 2.3 per cent.⁵⁰ In 1994, production reached 45,000 metric tonnes, enough to meet the national demand. There are only a few producers but, according to the MAG, there is no evidence of collusive price behaviour.⁵¹

67. A 20 per cent tariff applied to imports of poultry, is scheduled to be reduced to 15 per cent by 1999. Producers are concerned about potential imports of certain chicken parts from the United States; Salvadorian whole chicken is competitive in the international market, but once it is partitioned it is not possible to compete with the low prices of American chicken wings, thighs and legs. These can be attributed to the low American demand for these parts, while chicken breasts, which are in high demand, are more expensive.

68. Trade in poultry meat between El Salvador and the United States has been disrupted for sanitary reasons. El Salvador claims that the avian influenza (*influenza aviar*) has not been eradicated in the United States; exports of chicken from El Salvador are also restricted for sanitary reasons. El Salvador's concern about imported chicken has grown as it has made a serious effort to eradicate many poultry diseases.

69. The production of milk fell consistently throughout the 1991-1994 period, from 335 million litres in 1991 to 225 million, while in 1994 there were plans to start reducing the applied tariff of 15 per cent to reach the target of 6 per cent by 1999. However, as this sector is very sensitive, consideration is being given to retaining the existing level of protection.⁵²

70. Producers of fresh milk have not been able to compete with the national industries that reconstitute imported powdered milk, despite the import duty of 15 per cent on powdered milk. The poor competitiveness of domestic production is linked to low productivity, caused by the lack of rainfall, suitable feed and infrastructure. One proposal has been to increase the tariff for imported powdered milk to 20 per cent and to maintain it at that level until the year 2000, when it would be reduced again to 15 per cent.⁵³ While this policy would provide time for the sector to adjust, it would inevitably increase consumer prices.

71. Protection for the sector has been bolstered by a quantitative restriction on imports of dairy products (Chapter III(2)) and a countervailing duty on milk imports originating in Costa Rica (Chapter III(2)).

⁵⁰MAG (1991).

⁵¹Ramos et al. (1995).

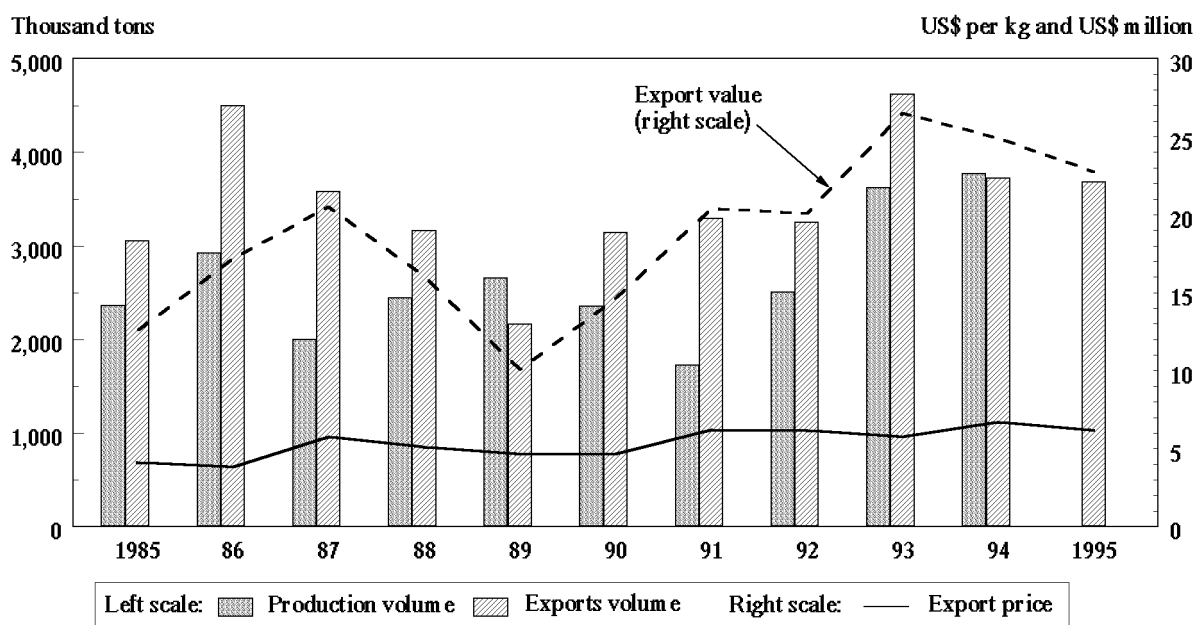
⁵²MAG (1995).

⁵³Ramos et al. (1995).

(iii) Fishing

72. While the fishing sector makes only a minor contribution to agricultural GDP (2.2 per cent in 1990 and 3.4 per cent in 1995), fish and fisheries products are the third most important agricultural export, after coffee and sugar. In 1994, exports of fish generated US\$27.4 million, of which 91 per cent were exports of shrimp.⁵⁴ These exports have been increasing steadily since 1989. In 1995 (January to October), shrimp exports accounted for 1.4 per cent of total exports. According to data from national sources, exports have been consistently higher than production since 1985 (Chart IV.9). According to the authorities, this can be attributed to the increase in the weight related to the freezing of processed and packaged shrimp (i.e., shrimp ready for export). Imports of fish, which are dutiable at 13 per cent on average, are negligible.⁵⁵

Chart IV. 9
Shrimp production, exports and world prices, 1985-95



Source: Government of El Salvador.

73. Fishing is mainly a small-scale activity. In total there are around 25,000 fishermen, and 3,000 people are engaged in the processing of the products. The deep sea fleet catches mainly shrimp and prawns, which are sold to domestic processors who export the finished product. In 1996, 7,790 fishermen were licensed to catch shrimp, and there were 86 processing companies. In order to protect the species, a licence to fish shrimp is required. According to the MAG, no more licences are being granted at present since shrimp is being over-exploited. Small-scale fishing is mainly for other species for own-consumption and/or for sale on the domestic market.

⁵⁴Banco Central de la República (1995).

⁵⁵UNSTAT, Comtrade database.

74. The Salvadorian territorial waters represent an area greater than the national territory and have not yet been fully exploited. Most of the resources have been concentrated in shrimp fishing which is highly profitable. Other available species, such as tuna, shark, sardines and squid, have not yet been exploited. However, little investment has been made in the technologies required to fish these species by El Salvador and exploitation may require foreign direct investment with its attendant "know-how".

75. The main challenge in this sector is to diversify production and attain a sustainable level of exploitation of resources. However, most of the public sector's resources have been devoted to the sanitary inspection of the shrimp processing plants, instead of being allocated to research and development. The plants are inspected every three months in order to ensure the quality of the crustacea being processed for export. According to the authorities, such quality control is of the utmost importance, otherwise, there is a high risk of losing the Salvadorian niche in the international market, particularly the United States, the main market. In 1995, El Salvador started exporting to the European Community and Japan, but transportation costs to these markets are high.

76. Fishing in coastal waters is reserved for Salvadorians. Coastal waters are defined as the 12 marine miles measured from the lowest tide. In addition, the Centre for the Development of Fishing (*Centro de Desarrollo Pesquero*, CENDEPESCA) has prohibited fishing in coastal waters to reduce over-exploitation. Both nationals and foreigners require a licence to fish and must comply with requirements stipulated by CENDEPESCA.

(3) Manufacturing

77. El Salvador's manufacturing sector accounted for some 23 per cent of GDP in 1995 (Chart I.2). In 1995, manufacturing employment amounted to 19 per cent of the total workforce (380,700 workers). The industrial sector is dominated by production of food, beverages and tobacco; other important sectors include chemicals, clothing and wearing apparel, and paper products (Chart IV.10). Apart from clothing and wearing apparel produced in the free zones, mainly for export to the United States, manufactured goods are consumed mainly in the national and Central American market. El Salvador is an important supplier of manufactured goods to the rest of Central America. However, some industries have been able to compete not only at the regional level, but also in other markets.⁵⁶

78. In 1994 exports of manufactured goods accounted for some 44.7 per cent of total exports while imports of manufactured goods accounted for some 71 per cent of total imports (Table AI.1 and AI.2).⁵⁷ Both exports and imports experienced substantial growth during 1990-1994, with exports growing at an average rate of 23.9 per cent and imports at an average rate of 29.6 per cent. This growth was spread across a number of sectors, and is representative of the overall improvement of the Salvadorian economy since the beginning of the 1990s.

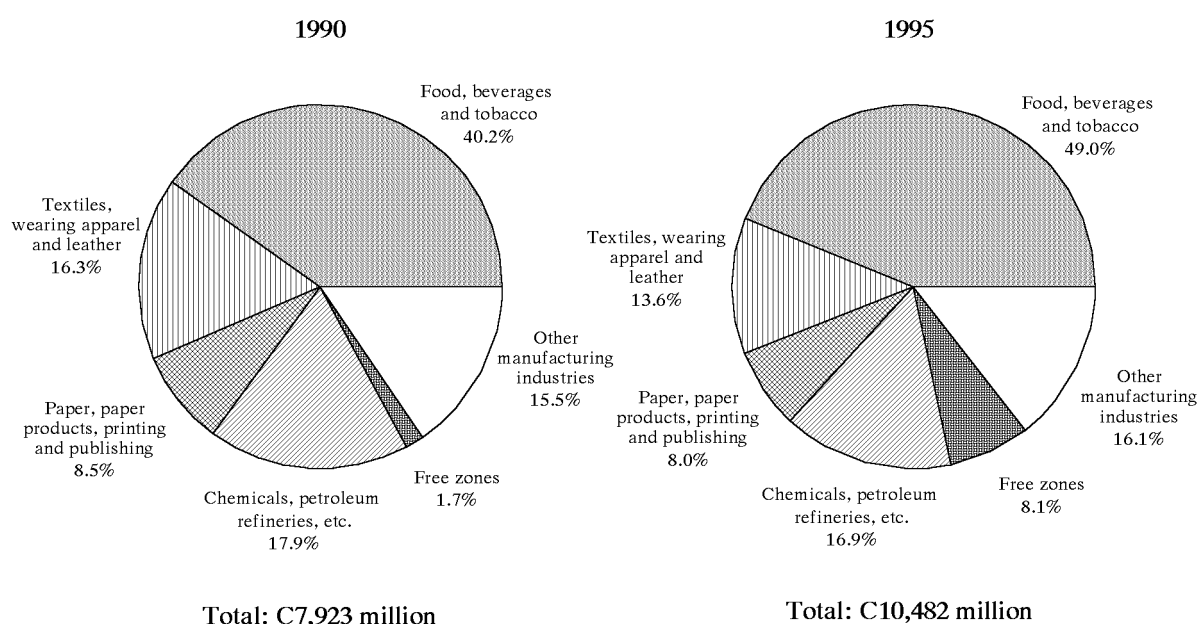
⁵⁶CEPAL estimated that in 1995 the most competitive industries in El Salvador were the: (i) sugar refineries and food processing industries, (ii) textile industry, except for manufacturing of wearing apparel (*prendas de vestir*), (iii) shoe industry, except for plastic shoes, and (iv) paper products (Salazar, 1995).

⁵⁷UNSTAT, Comtrade database.

79. The industrial sector in El Salvador consists of industries established in the national customs territory as well as those established in the free zones. The most important national industries - food, beverages and tobacco - experienced the highest rates of growth in the period 1990-95 (Chart IV.10), while other industries appear to have contracted. However, this apparent contraction may be related to the movement of some industries to the free zones to take advantage of the trade régime in the zones. Alternatively, some parts of industry may well have foundered under the challenges imposed by the process of liberalization. Today, the Salvadorian industrial sector is continuing to adjust to the more open economic environment.

Chart IV.10
Industrial GDP by sector, 1990 and 1995

Per cent and constant 1990 prices



Source: Government of El Salvador.

80. Free zones have gained importance since 1990; at that time they contributed only 1.7 per cent to GDP, whereas in 1995 they accounted for 8.1 per cent (Chart IV.10). Most of the enterprises located in the free zones, produce clothing and wearing apparel for export to the United States.⁵⁸ In 1995

⁵⁸These products are exported under heading 9802.00.80 of the Harmonized Tariff Schedule of the United States (formerly TSUS 807), a preferential régime which relates to off-shore assembly programmes. El Salvador has negotiated two restraints with the United States. First, a specific limit quota for men's and boys' cotton and man-made fibre shirts not knit (category 340/360), notified under Article 2.1 of the WTO Agreement on Textile and Clothing (ATC) (G/TMB/N/63). Second, a Guaranteed Access Level (GALS) for the same category of textiles goods made with U.S. cut and formed fabric, sewn in CBERA countries. This measure was notified under Article 3.1 of the ATC (G/TMB/N/66). These measures were originally negotiated under the Multifibre Arrangement (MFA) and were carried over into the ATC upon its entry into force on January 1995. Three additional restraints measures have been negotiated with the United States on cotton and man-made fibre sleepwear (category 351/651), cotton and man-made fibre underwear (category 352/652) and cotton and man-made fibre (continued...)

(January-October) exports from the free zones accounted for 38.8 per cent of total exports, while export of all other manufactured goods amounted to 34.2 per cent.⁵⁹

81. Prior to the introduction of the outward-oriented reforms, Salvadorian industry had developed under an import substitution industrialization strategy within the framework of the CACM. Initially, this strategy was quite successful and there was a considerable expansion of the industrial sector. However, by the 1970s the easy stage of substitution had come to an end. In the next stage, import substitution had to be based on more intensive use of intermediate and capital goods and required higher levels of technology that were not available in the country. Under the ISI strategy, El Salvador produced manufactured goods mainly for domestic consumption and export to the other CACM countries, a pattern that is still dominant despite the reforms.

82. The main policy instrument used to promote the ISI strategy was the external tariff, which provided high levels of protection for the industrial sector and was aimed at promoting the production of final goods at the expense of intermediate and capital goods. Material inputs had much lower rates of protection than final industrial goods, so that, in consequence, the effective rate of protection for final industrial goods was much higher than that implied by nominal tariff rates. Tariff protection was supplemented with additional instruments to promote industrial growth, such as tax exemptions, preferential interest rates and differential exchange rates which favoured the industrial sector. These policies created three biases: first, a bias against the agricultural sector; second, an anti-export bias; and third, a bias in favour of the production of final goods.⁶⁰

83. The CACM's external tariff (NAUCA), in place since 1964, was replaced in 1986 by a new tariff, NAUCA II.⁶¹ However, both tariffs provided similar, high effective rates of protection for manufacturing: effective protection to import substitution industries doubled the nominal protection, while the export sector had a negative effective rate of protection, exacerbating the anti-export bias.⁶² The World Bank estimated that while nominal protection rates varied between -25 and 89 per cent, effective protection rates ranged between -28 and 302 per cent.⁶³

84. In practice, the available level of protection was not fully used since the Central American manufacturers sold their products at prices considerably lower than the c.i.f price plus the tariff (i.e. there was water in the tariff). Thus, the tariff could have been reduced without affecting national production, imports and consumption.⁶⁴ Nevertheless, the structure of protection appears to have

⁵⁸(...continued)

skirts (category 342/642). In the first half of the quota year the utilization rate ranged from 37 to 10 per cent for the first two categories (OTEXA (1996).

⁵⁹*Banco Central de la República* (1995).

⁶⁰Abrego (1991).

⁶¹The Central American Uniform Tariff Nomenclature (*Nomenclatura Arancelaria Uniforme Centroamericana*, NAUCA).

⁶²Salazar (1995).

⁶³World Bank (1989).

⁶⁴Willmore (1989).

discouraged the production of intermediate goods and created an incentive for low-value-added assembly operations, relying mainly on imported inputs (see Table IV.5).⁶⁵

85. The assembly or *maquila* sector started developing in El Salvador at the end of the 1970s as a response to the lack of success of the ISI strategy in developing the industrial base. The country had a certain comparative advantage such as sufficient labour force, competitive wages, some installed infrastructure and reasonable geographic proximity to the United States.⁶⁶ However, throughout the years, El Salvador's wage competitiveness has been somewhat offset by lower manufacturing productivity, attributable to a deterioration in infrastructure and the lack of a skilled labour force. The latter has been exacerbated by emigration.⁶⁷

86. In 1989, the liberalization of the industrial sector began as part of the wider economic reform programme. Tariffs on inputs and capital goods have progressively been reduced, as has the gap between the tariffs on inputs and final goods. As noted in Chapter III, the goal is to reduce protection on final goods to 15 per cent, so that tariffs for all goods would range from 0-15 per cent by 1999. Tariffs levied on capital goods have already been reduced to 1 per cent.

87. As shown in Table IV.6, the 1995 applied tariff provides an average level of protection of 10.1 per cent for the industrial sector as whole, with tariffs ranging from 1-30 per cent. However, some of the most important industries - wearing apparel, tobacco, beverages, textiles, and food products - benefit from above average levels of protection (Table AIV.1).⁶⁸

⁶⁵World Bank (1989).

⁶⁶At the end of the 1970s when the violence started the maquiladoras migrated to other countries. (Salazar, 1995).

⁶⁷World Bank (1989).

⁶⁸Wearing apparel (ISIC 322) 23.8 per cent, tobacco (ISIC 3140) 20 per cent, beverages (ISIC 313) 20.7 per cent, textiles (ISIC 321) 17.9 per cent, and food products (ISIC 311) 15.2 per cent.

Table IV.5
Economic classification of imports, 1991-95
(Thousands of Colons and per cent)

Category	1991	1992	1993	1994	Jan-Oct./1995
Value					
Final goods	2,893.6	4,093.8	4,567.5	5,292.9	5,655.1
Non-durables	2,486.2	3,497.0	3,857.0	4,410.9	4,671.6
Durables	407.4	596.8	710.5	882.0	983.5
Intermediate goods	5,789.6	6,515.2	7,330.8	8,570.6	8,982.8
Manufacturing	4,475.2	5,075.6	5,622.8	6,590.5	6,733.1
Petroleum	1,016.1	1,072.2	1,076.3	976.5	878.5
Agriculture	543.0	592.6	614.3	734.1	742.9
Fertilizers	242.2	252.8	294.9	318.5	286.1
Construction	688.9	758.3	971.3	1,100.8	1,302.9
Other	82.5	88.7	122.4	145.2	203.9
Capital goods	2,592.1	3,607.5	4,942.9	5,837.1	6,092.9
Manufacturing	715.4	1,016.1	1,491.9	1,361.5	1,642.4
Transport	1,193.4	1,720.0	2,252.3	2,893.6	3,105.4
Agriculture	89.0	98.8	525.9	107.6	86.6
Construction	92.2	128.1	95.4	316.8	350.9
Other	502.1	644.5	577.4	1,157.6	907.6
Maquila	858.1	1,305.7	1,924.9	2,823.6	3,577.9
Total	12,133.4	15,522.2	18,766.1	22,524.2	24,308.6
Share					
Final goods	23.8	26.4	24.3	23.5	23.3
Non-durables	20.5	22.5	20.6	19.6	19.2
Durables	3.4	3.8	3.8	3.9	4.0
Intermediate goods	47.7	42.0	39.1	38.1	37.0
Manufacturing	36.9	32.7	30.0	29.3	27.7
Petroleum	8.4	6.9	5.7	4.3	3.6
Agriculture	4.5	3.8	3.3	3.3	3.1
Fertilizers	2.0	1.6	1.6	1.4	1.2
Construction	5.7	4.9	5.2	4.9	5.4
Other	0.7	0.6	0.7	0.6	0.8
Capital goods	21.4	23.2	26.3	25.9	25.1
Manufacturing	5.9	6.5	7.9	6.0	6.8
Transport	9.8	11.1	12.0	12.8	12.8
Agriculture	0.7	0.6	2.8	0.5	0.4
Construction	0.8	0.8	0.5	1.4	1.4
Other	4.1	4.2	3.1	5.1	3.7
Maquila	7.1	8.4	10.3	12.5	14.7
Total	100.0	100.0	100.0	100.0	100.0

Source: Banco Central de la República (1995), *Revista Trimestral: octubre-noviembre-diciembre 1995*, San Salvador, El Salvador.

Table IV.6
Main features of the Salvadorian tariff schedule, 1995

	Simple average		Tariff dispersion	
	Tariff (ad valorem per cent)	Tariff range (ad valorem per cent)	Standard deviation ^a	Coefficient of variation ^a
All tariff lines	10.1	1-30	7.6	75.4
By sector ^b :				
Agriculture and fisheries	12	1-20	6.1	50.6
Mining	6.8	5-20	3.6	52.3
Industry	10.1	1-30	7.8	77.1
By degree of processing:				
Primary products	10.3	1-25	5.9	57.0
Semi-processed products	8.8	1-30	5.8	65.8
Finished goods	10.9	1-30	8.8	80.6

a The standard deviation measures the absolute dispersion of a distribution; the coefficient of variation is a measure of relative dispersion, defined as the standard deviation divided by the average.

b Based on ISIC classification.

Source: Government of El Salvador; and WTO Secretariat.

88. Tariff escalation is also evident in some of these industries. The textile industry for instance has an average nominal tariff for inputs of 6.2 per cent, while that of fully processed textiles is 21.1 per cent (Table AIII.1). This same pattern of tariff protection is also present in the production of paper (ISIC 341) and leather products (ISIC 323) for which inputs have to be imported. However, on average, the 1995 tariff tends to protect primary products and finished goods more than semi-processed goods (Table IV.6). The food industry (ISIC 312), in particular, conforms to this pattern of protection. Thus, the pattern of higher protection for processing activities, except in agriculture, that existed under the ISI strategy continues, albeit at reduced levels, but will diminish as the liberalization process continues.

89. In 1989 most non-tariff barriers were eliminated, the remaining measures affecting only a few products. Diesel for public transportation and liquid gas for domestic consumption are subsidized, and exports of subsidized diesel and liquid gas are prohibited (Chapter III). The Ministry of Economy sets the retail price of these two products weekly. No other export or price controls affect industrial goods.

90. Import prohibitions affect some manufactured goods such as subversive and pornographic material, gambling machines and machines to fabricate coins, etc. (Chapter III(2)). Weapons and military material, official stamps and coins, and eau-de-vie made with sugar cane can only be imported by the State. Import licences are still required for imports of jute and cloth sacks, and for the duty-free entry of some goods originating in other Central American countries (Chapter III(2)).⁶⁹ In addition, saccharine and similar products are subject to an import quota unless they are imported for medical use; for such

⁶⁹According to the Salvadorian authorities the licence requirement for ethyl alcohol has been eliminated for details, see Chapter III(1)(viii).

imports permission may be obtained from Ministry of Public Health and Social Assistance on the advice of the Superior Council for Public Health (*Consejo Superior de Salud Pública*), and the Salvadorian Commission for the Development of the Sugar Sector (CDA).

91. The process of liberalization has been complemented by the revision and passage of laws such as the Law for Free Zones and Fiscal Areas and the Law for the Reactivation of Exports. These laws promote the *maquila* sector and grant special incentives to producers of non-traditional exports (Chapter III). In addition, the Law for the Guarantee and the Development of Foreign Direct Investment (*Ley de Garantía y Fomento a la Inversión Extranjera*) is intended to foster foreign direct investment and guarantees the rights and regulates the obligations of foreign investors (Chapter II).

92. A specific project is intended to promote industrial development in areas particularly affected by the armed conflict. This provides for the creation of industrial parks, including essential services, and the provision of technical assistance. There are no other projects to aid specific industries, including those that are being restructured; there are only general programmes of technical assistance and financial support administered by the Salvadorian Association of Industrialists (*Asociación Salvadoreña de Industriales*, ASI), the Multi-sectorial Investment Bank (*Banco Multisectorial de Inversiones*, BMI) and other private associations. Assistance to small-scale industries is provided by the private sector Association of Medium and Small Salvadorian Entrepreneurs (*Asociación de Medianos y Pequeños Empresarios Salvadoreños*, AMPES), and by the Finance and Guarantee Fund for Small Enterprises (*Fondo de Financiamiento y Garantía para la Pequeña Empresa*, FIGAPE). In addition according to Central American legislation, micro-enterprises may be granted duty exemptions for their inputs.⁷⁰

(4) Services

93. The services sector is the most important sector in the Salvadorian economy, contributing some 62 per cent of GDP (Chart I.2). The most important sub-sector is commerce, which accounts for 34.5 per cent of services GDP, followed by transportation and telecommunications (12.7 per cent), and government (9.8 per cent) and community services (9.6 per cent) (Chart IV.11). The workforce of just over 1 million corresponds to some 54 per cent of total employment.⁷¹

94. The services sector was severely affected during the armed conflict in the 1980s, when infrastructure became a strategic target, and it was not possible to carry out repairs or provide basic maintenance. State intervention was pre-eminent both in pricing and in the delivery of services, while regulation was poor. According to a survey undertaken in 1995 by the World Bank, the deficiencies in the quality and quantity of infrastructure was a major concern for most producers.⁷² The authorities have recognized the need to improve the available infrastructure since it has proven inadequate to support the export-led development model adopted at the beginning of the 1990s.

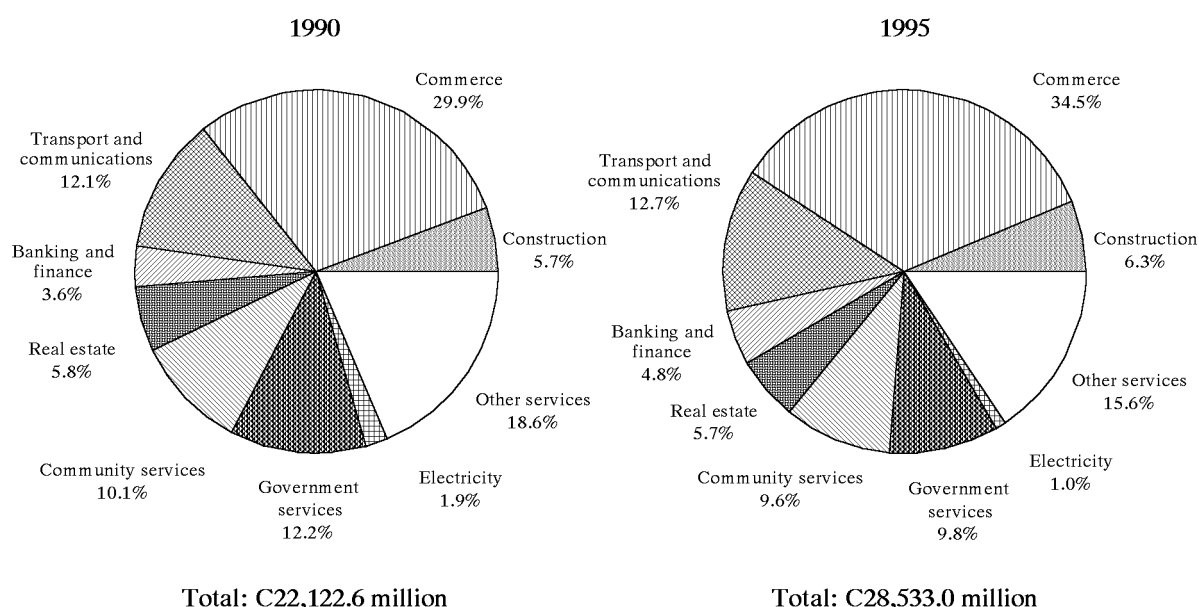
⁷⁰Agreement on the Central American Tariff and Customs Régime (*Convenio Centroamericano sobre el Régimen Arancelario Centroamericano*), 27 December 1994, Chapter V, Article 21.

⁷¹Government of El Salvador.

⁷²World Bank (1995).

Chart IV.11 Services GDP by sector, 1990 and 1995

Per cent and constant 1990 prices



Source: Government of El Salvador.

95. The rôle of the State in the services sector, despite recent privatizations and cut-backs, remains important, with several public monopolies still in place: (i) basic telecommunications; (ii) some support services (loading and unloading) at airports and ports; (iii) rail transportation; (iv) electricity generation and distribution; and (v) extraction and distribution of drinking water. However, the lucrative telecommunications public monopoly is in the process of being privatized, and the Executive Autonomous Ports Commission (*Comisión Ejecutiva Portuaria Autónoma*, CEPA) is planning to privatize the services of loading and unloading at airports and ports (see below). In air transport, a private Salvadorian airline of mixed national and foreign capital (TACA) has a dominant position in the transportation of passengers and merchandise in the Central American market (which is also open to international airlines). In addition, the authorities have advised that electricity generation and the extraction of drinking water are also in the process of being privatized.

96. In its Schedule of Specific Commitments on Services under the GATS, El Salvador has made both horizontal and specific commitments on market access and national treatment for foreigners to operate in the Salvadorian services sector. The specific commitments cover six areas: business services, communication services, environmental services, financial services, tourism services and transport services. The horizontal commitments regarding market access relate to registration requirements for foreign firms, limitations on profit repatriation of registered investment, activities reserved to Salvadorian nationals, and employment of nationals and their conditions of employment. Regarding national treatment, there is only one restriction that applies to the four modes of supply: a deduction of 20 per cent on all income, other than dividends, paid to legal persons not domiciled in El Salvador.⁷³

⁷³WTO document, GATS/SC/29.

97. In practice, these horizontal limitations are not very restrictive. According to the authorities, the requirement to register investment and the restriction on profit repatriation cannot be enforced. Since the liberalization of the capital account, investors have no incentive to register their investment and, hence, there is no possibility of enforcing the limitation on capital repatriation (Chapter II(ii)).

98. The limitation imposed by the reservation of certain activities for Salvadorian nationals in small-scale commerce and small-scale industry is also of minor importance; small-scale commerce is defined as an operation holding "liquid capital" (assets minus liabilities) of less than C 100,000 (US\$11,428.57) and small-scale industry is defined as an operation whose liquid capital is less than C 50,000 (US\$5,714.28). It is also possible for foreigners to be exempted from these reservations (Chapter II).⁷⁴

99. According to the authorities, El Salvador's Schedule of Specific Commitments on Services include only those sectors whose market structure and regulatory framework were known at the time that the offer was made. Therefore, the list should not be taken as exhaustive, and the omission of any sector should not be considered as intended for protective purposes. For instance, construction services were not included in the schedule; however, there are no restrictions on foreigners investing in Salvadorian construction companies or on foreign companies operating in the country. Foreign companies are only required to "legalize" their status, although this procedure does have somewhat different requirements for foreign and national companies, as stated in the horizontal commitments. As indicated in Chapter II, foreign nationals face formalities additional to those faced by nationals to legalize an investment.

100. Apart from the WTO Services Agreement, El Salvador has no bilateral or regional agreements on services in general. However, there is a Central American agreement to facilitate the opening of banking agencies and branches (*Acuerdo para la Facilitación de Apertura de Agencia y Sucursales Bancarias en Centroamérica*), and a more comprehensive agreement for trade in services is being negotiated in the region. In addition, El Salvador has signed several agreements on the recognition of professional qualifications with different countries.⁷⁵

101. El Salvador did not participate in the financial services negotiations and has not participated in the negotiations on telecommunications and maritime transportation because of budgetary constraints rather than a lack of interest. According to the authorities, El Salvador is also ready to negotiate an agreement to facilitate the movement of natural persons to and from its national territory.

(i) Financial services

102. The rôle of the State in the financial sector has diminished substantially in recent years. For example, the Salvadorian commercial banks, nationalized in 1980, were again privatized during 1991-1994;⁷⁶ five State banks and three other financial institutions ("*financieras*") were sold to private shareholders. In addition, in 1992, the interest rates offered and charged by these banking institutions were liberalized, as was the allocation of credit.

⁷⁴Decree No. 9, *Reglamento de la Ley Reguladora del Ejercicio del Comercio e Industria*, *Diario Oficial* No. 23, 4 February 1970.

⁷⁵WTO document S/C/N/17, 18 June 1996.

⁷⁶Danby (1995).

103. Three public development banks remain in operation: the Agricultural Development Bank (*Banco de Fomento Agropecuario, BFA*), the Saving Banks Federation (*Federación de Cajas de Crédito, FEDECREDITO*), and the Finance and Guarantee Fund for Small Enterprises (*Fondo de Financiamiento y Garantía para la Pequeña Empresa, FIGAPE*). However, the Government is planning to privatize FEDECREDITO, and another bank, *Banco Hipotecario* is in the process of being privatized.

104. At the time of privatization, preferential treatment is given to bank workers who wished to acquire share holdings in the new institutions. For instance, 17 per cent of the shares of the *Banco Hipotecario* are to be sold to the workers, another portion is to be sold to small share-holders at a preferential rate, and the remaining shares will be auctioned. In addition, a ceiling on shareholding by a natural or legal person is set at 5 per cent of the capital of the institution being privatized. This limitation on market access applies both to nationals and foreigners.

105. The entity in charge of regulating the financial institutions in El Salvador is the Superintendency of the Financial Sector (*Superintendencia del Sistema Financiero, SSF*), which was separated from the Central Reserve Bank of El Salvador (*Banco Central de Reserva de El Salvador, BCR*) in 1990.⁷⁷ Effective prudential regulation is particularly important since banks have recently become independent and are expanding rapidly. Thus, the Organic Law of the Superintendency of the Financial Sector (*Ley Orgánica de la Superintendencia del Sistema Financiero*) tightens formal requirements on commercial banks, requiring provisioning against bad loans and a larger capital base. While it is unclear how effective the regulatory authorities are in enforcing provisioning against bad loans⁷⁸, El Salvador has not suffered banking crisis following privatization, as has happened in some other economies.

106. In 1991 the BCR was granted greater independence and its rôle was redefined as the entity in charge of promoting and maintaining monetary stability.⁷⁹ Previously, the BCR had little independence; for example, it had to follow government guidelines on the allocation of credit among sectors and projects, and on the conditions of the loans. Thus, the commercial banks lost their independence and effectively became branches of the BCR. The arbitrary allocation of credit is the principal reason why, at the end of the 1980s, the ratio of bad loans was more than 40 per cent and most banks were on the verge of bankruptcy.⁸⁰ During the 1980s financial resources were directed towards financing the war, agricultural exports and the beneficiaries of the agrarian reform.⁸¹

107. Despite the improvement in the operation of the financial system, there are still many sectors of the economy - small and micro enterprises, especially in rural areas - that do not have access to credit.⁸² Instead, the informal financial sector has been fulfilling this rôle in areas that legally recognized institutions do not reach.⁸³ Thus, there seems to be room for further development of small-scale financial

⁷⁷*Ley Orgánica de la Superintendencia del Sistema Financiero*, *Diario Oficial* No. 278, 10 December 1990.

⁷⁸Danby (1995).

⁷⁹*Ley Orgánica del Banco Central de Reserva de El Salvador*, *Diario Oficial* No. 80, 3 May 1991.

⁸⁰BCR (1992).

⁸¹Danby (1995).

⁸²World Bank (1995).

⁸³Danby (1995).

institutions that would encourage financial savings in the rural area. In addition, the influx of remittances provides a unique opportunity to receive deposits and increase savings, so that remittances could become a more direct source of national savings, but this is only possible if financial savings instruments are available to recipients. According to the authorities, the private financial institutions do capture an important percentage of the remittances; nevertheless, most of them are used on the consumption of non-tradeable goods.

108. The Banking and Financial Law stipulates that foreign ownership in banks and financial institutions constituted in El Salvador is allowed up to a maximum of 50 per cent, provided that there is reciprocal treatment in the country where foreign investors are based.⁸⁴ However, foreign banks are allowed to operate in the country with no restrictions if they can prove that they are legally established in accordance with the law of the country in which they are based; maintain a permanent representative in El Salvador with power to perform all activities; and accept to be subject to Salvadorian law.

109. Insurances services are not mentioned in El Salvador's Schedule of Commitments, but, according to the authorities, national treatment is given to foreign insurance companies operating in El Salvador, with the exception of the restrictions specified in FDI Law and the Law Regulating the Exercise of Commerce and Industry and its Regulation.⁸⁵ There are no provisions stipulating that exporters or importers must use national insurance companies.

(ii) Transportation⁸⁶

(a) Roads

110. Land transportation is of particular importance to Salvadorian trade with the other Central American countries and for access to ports on the Pacific Coast. However, during the 1980s, roads were not maintained; they progressively deteriorated and continue to present a problem for trade. The authorities indicated that several programmes to improve the roads, financed with international funds, (e.g., from Japan) have been concluded.

111. A regional agreement has been signed by the five Central American countries regarding land transportation, to allow trucks to circulate without any restrictions. This privilege is not extended to Panama or Mexico because of the absence of reciprocal rights. However, El Salvador, Guatemala and Honduras are currently negotiating a non-reciprocal transportation agreement with Mexico.

(b) Ports

112. El Salvador has two main public ports Ajacutla and Cutuco. The Executive Autonomous Ports Commission (*Comisión Ejecutiva Portuaria Autónoma*, CEPA), founded in 1965, administers both

⁸⁴*Ley de Bancos y Financieras*, *Diario Oficial* No. 92, 22 May 1991 (Article 9).

⁸⁵These restrictions are the same as those specified in the horizontal commitments.

⁸⁶This section is based on INCAE (1996).

ports, as well as the International Airport of El Salvador and the National Railroad of El Salvador (*Ferrocarriles Nacionales de El Salvador*, FENADESAL). The Cutuco seaport is, in turn owned by FENADESAL.⁸⁷

113. Ajacutla is the most important port: in 1993, 42.3 per cent of El Salvador's trade passed through this port, while only 1 per cent of the merchandise was transported through Cutuco (the balance being handled by road and air).⁸⁸ The infrequent departure of ships, however, renders maritime transport inefficient for exporting, and exporters tend to rely on more expensive air transport, especially to destinations outside Central America.

114. The port of Ajacutla is capable of handling 3 million metric tonnes (MT) of merchandise a year, whereas in 1995 the amount shipped was around 2.1 million MT, a utilization rate of 69 per cent. The under-utilization of the port is mainly caused by low levels of efficiency which can be attributed to the lack of equipment to handle containers. Manual procedures are still used, rendering Ajacutla less competitive than ports in the Central American Region. However, modernization is envisaged, but has been delayed while the airport has been given priority.

115. Some operations at Ajacutla have been franchized to the private sector, and as a result, have become more efficient. However, a project to hire private companies to carry out the loading and unloading (*estiba/destiba*) has not been successful since it is in this activity that the unions are strongest.

116. The volume of merchandise handled through Cutuco has diminished substantially, mainly because of the war and the overall poor state of repairs of the port. Thus, in 1979 the port handled 205, 687 MT, while in 1993 it handled only 40,964, and, by 1995, only 12 per cent of the port's capacity was being utilized. CEPA would prefer to award the management of this port to the private sector.

117. No commitments were made in the negotiations on maritime transportation; however, according to the authorities there are no restrictions on foreign companies operating in El Salvador. It seems that maritime transport is solely operated by foreign companies since no domestically owned shipping services have been developed.

(c) Airports

118. There are two public airports in El Salvador, the International Airport El Salvador and Ilopango Airport. The most important airport in terms of merchandise and passengers transportation is the International Airport. Ilopango houses a military base where the airforce is headquartered, but it is also a civilian airport servicing private planes and domestic flights. In the period 1988-95, the merchandise handled at the International Airport grew by 240 per cent. Most of this merchandise originates in or is shipped to the United States, while only 3 per cent of the merchandise handled by air freight goes to the Central American region.

⁸⁷CEPA (1994).

⁸⁸INCAE (1996).

119. CEPA relies on private companies to provide most airport services, excluding maintenance of the airport infrastructure, while it remains in charge of handling and storing merchandise, and airport security. CEPA is considering awarding the handling and storing of merchandise to private companies by public tender.⁸⁹

120. Traders consider that the major drawbacks of using air transportation are: the lack of sufficient storage space; the lengthy process of dispatching the merchandise; the infrequency of flights to major airports; and the high rates charged for air transportation.

121. CEPA attributes the time lag between the arrival and the dispatch to the time taken by customs to clear the merchandise, which in turn creates the problem of insufficient storage space; merchandise may need to be stored for up to 15 days before being cleared by customs.⁹⁰

122. Only TACA (*Transportes Aéreos de Centroamérica*) has daily cargo flights to major airports in the United States, while other (international) airlines have only weekly or bi-weekly flights. However, TACA's rates are higher than those of other airlines.⁹¹ The high costs and infrequency of flights have become a problem for the assembly (*maquila*) industries, although perishables are given priority when there is a shortage of space.

123. The only commitment in El Salvador's schedule in respect of air transport services relates to maintenance and repair services, for which a foreign company must apply to CEPA for a licence; the applicant must also be domiciled in El Salvador.

(d) Railways

124. The National Railroad of El Salvador (*Ferrocarriles Nacionales de El Salvador*, FENEDESAL) was created in 1975 after the two private companies in charge of the railways went bankrupt and were nationalized as a single State-owned enterprise. FENEDESAL is administered by CEPA. The State railways system has some 602 km. of track, linking San Salvador with Cutuco and Ajacutla, as well as with the most important cities. Trains are mainly used for cargo transportation from Ajacutla and Cutuco.⁹²

125. Since 1975, only emergency maintenance has been carried out on railways. As a result, the condition of the infrastructure at present restricts the speed of the trains and the service has become uncompetitive. The prospects for improvement are limited since road transportation is much more efficient and reaches more users.⁹³

⁸⁹CEPA (1994).

⁹⁰INCAE (1996).

⁹¹INCAE (1996).

⁹²CEPA (1994).

⁹³INCAE (1996).

(iii) Telecommunications

126. Basic telecommunications services are still a State monopoly, operated by the National Telecommunications Administration (ANTEL). The operations are in the process of being privatized, by sale to two competing providers; in future, other companies will be allowed to enter the market.⁹⁴ Once ANTEL is privatized, a regulatory body will be created. The authorities hope that this transformation of the telecommunications market will be completed by the end of 1996. Foreign companies, such as AT&T, provide international voice telephone services. AT&T only provides services as an international carrier, and, as such it does not require a licence; however, it does have a bilateral agreement for interconnection with ANTEL.

127. Foreign investment is allowed in value-added services, provided ANTEL grants the operator a licence or a concession; once ANTEL is privatized, the new regulatory body will grant licences and concessions. While this limitation on market access has been specified in El Salvador's Schedule of Commitments, most of the services included as value-added are considered basic services under the WTO negotiations on telecommunications.

⁹⁴The Constitution of 1960 (Legislative Decree No. 2996) was reformed in 1983 (Decree No. 38) to allow private companies to participate in the market. However, while ANTEL retained its monopoly, no foreign investment eventuated.

REFERENCES

- Abrego, L.E. (1991), "Reforma comercial y reconversión industrial en El Salvador: algunas reflexiones", Realidad Económica - Social, Vol. 4, No. 22, July/August, Universidad Centroamericana "José Simeon Cañas", San Salvador, El Salvador.
- Banco Central de la Reserva (1995), Revista Trimestral: octubre-noviembre-diciembre 1995, San Salvador, El Salvador.
- CEPA (1994), Comisión Ejecutiva Portuaria Autónoma, San Salvador, El Salvador.
- Danby (1995), "Challenges and Opportunities in El Salvador's Financial Sector", World Development, Vol. 23, No. 12, December.
- Dijkstra G. and C. Rivera Alemán, (undated). Export Promotion in El Salvador: the Rôle of the Export Processing Free Zone "San Bartolo", Maastricht.
- Dun & Bradstreet Information Service (1994), Exporter's Encyclopaedia 1994/95, Baltimore, M.D.
- FUSADES (1996), Informe Trimestral de Coyuntura: Cuarto Trimestre de 1995, San Salvador, El Salvador.
- Goitia, A. (1990), Crisis de la agricultura, política agraria y ajuste estructural en El Salvador, CADESCA, Guatemala.
- INCAE (1996), Alianza Centroamericana para el Desarrollo Sostenible: Estrategia Económica Regional, Unpublished.
- Inter-American Development Bank (1996). "Economic Integration in the Americas: 1995 Year-End Report", Department of Integration, Trade and Regional Programs, Periodic Note, February, Washington, D.C.
- La Prensa Gráfica, 21 July 1990, p.31.
- MAG (1991), Estrategia y políticas para el desarrollo del sector agropecuario 1991-1994, Ministry of Agriculture and Livestock, San Salvador, El Salvador.
- MAG (1995), "Sector agropecuario, forestal, pesquero y agroindustrial", preliminary version, unpublished, Ministry of Agriculture and Livestock, San Salvador, El Salvador.
- Norton, R., R. Arias, V. de Calderón, (1994), Una estrategia de desarrollo agrícola para El Salvador 1994-2000, FUSADES, San Salvador, El Salvador.
- Núñez, R.D. and W. Loehr, (1991) El Salvador: an assessment of the impact of recent policy changes on agriculture, AID, Maryland.
- OTEXA, 15 July 1996. Full reference at Internet on 22 July 1996: gopher://una.hh.lib.umich.edu:70/00/ebb/foreign/texqfill.otx).

Ramírez, D. (1993), Evaluación de la Política Cambiaria Julio/1989 - Diciembre/1992, Banco Central de Reserva de El Salvador, San Salvador, El Salvador.

Ramos, H., E. Cruz Palencia, A. Angel, E.F. Ventura R., O.E. Mejía M., J.A. Arévalo M., (1995), "El Salvador: Plan Económico de El Salvador 1995-1999, Análisis de sus Efectos en el Sector Agropecuario", Política Agrícola, Vol. V, No. 1, April. OAPA/MAG, San Salvador, El Salvador.

Revilla, V. (1994), EL NAFTA y El Salvador, OAPA/MAG, San Salvador, El Salvador.

Salazar C. R. (1995), "El Salvador: Política industrial, comportamiento empresarial y perspectivas", Revista de la CEPAL, No. 55, April, United Nations, Santiago de Chile.

Torres-Rivas, E., G. Rosenthal K., E. Lizano, R. Menjívar, S. Ramírez, (1975), Centroamérica Hoy, Siglo Veintiuno Editores, Mexico D.F., Mexico.

UNDP (1996), Human Development Report 1996, Oxford University Press, New York.

Willmore, L. (1989), "Promoción de exportaciones y sustitución de importaciones en la industria centroamericana", Cuaderno de Economía y Finanzas, No. 9, Banco Centroamericano de Integración Económica (BCIE), Tegucigalpa, Honduras.

World Bank (1989), El Salvador: Country Economic Memorandum, Washington, D.C.

World Bank (1995), El Salvador: Meeting the Challenge of Globalization, Washington, D.C.

World Bank (1996), World Bank Development Report 1996, Oxford University Press, New York.

WTO (1995a), Trade Policy Review - Costa Rica, Geneva.

WTO (1995b), Trade Policy Review - Uganda, Geneva.

