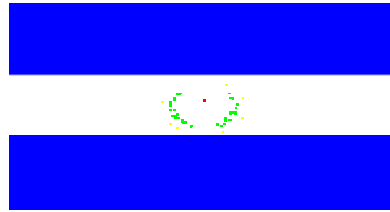


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**NATIONAL ACTION PLAN FOR TRADE
CAPACITY BUILDING**

EL SALVADOR

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NATIONAL ACTION PLAN FOR TRADE CAPACITY BUILDING
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Abbreviations and Acronyms

Alianza	Alianza por el Trabajo
ALIDES	Central American Alliance for Sustainable Development
APE	Export Promotion Agency
ASTM	ASTM Standards Worldwide
ASYCUDA	Automated System for Customs Data
BITS	Bilateral agreements for the promotion and reciprocal protection of investments
CABC	Central American Business Council
CACM	Central American Common Market
CEDARTS	Artisan Development Agency
CENTREX	National Center of Export Procedures
CNR	National Registry Center (intellectual property)
CONACYT	National Council of Science and Technology
CONAMYPE	National Commission for Micro and Small Enterprises
CONCAUSA	Central American-United States of America Joint Accord
COPANT	Pan American Standards Commission
DATCO	Trade Agreements Administration Office
DDCE	Competitive Development Exports Office
DGSVA	General Office of Animal and Plant Health
DSU	Understanding on Rules and Procedures Governing the Settlement of Disputes
EBOPS	Extended Balance of Payments Services
FDI	Foreign Direct Investment
FUSADES	Fundación Salvadoreña para el Desarrollo Económico y Social
GATS	WTO General Agreement on Trade in Services
GMO	Genetically Modified Organisms
GOES	Government of El Salvador
HACCP	Hazard Analysis and Critical Control Point
IAAC	Inter-American Accreditation Cooperation
ICC	International Chamber of Commerce
ICSID Convention	Convention on the Settlement of Investment Disputes
IDB	Inter-American Development Bank
ILO	International Labor Organization
IPR	Intellectual Property Rights
ISO	International Organization on Standardization
IT	Information Technology
MAG	Ministry of Agriculture
MBP	Manufacturing Best Practices
MIF	Multilateral Investment Fund
MINEC	Ministry of Economy
MIPYMEs	Micro, small and medium enterprises
MISPAS	Ministry of Public Health and Social Assistance
NAP	National Action Plan
NBFI	Non-banking financial institutions
ODASP	Office of Productive Sector Support for Trade Negotiations
ONI	National Investment Office
PPP	Preliminary Project Profile
PROESA	Promoting Investment in El Salvador
PYMES	Small and Medium Enterprise
SAC	Central-American Tariff System

SIAS	National System of Government Procurement
SICEX	Export Electronic System
SIECA	Secretaría de Integración Económica Centroamericana
SIGET	Superintendent of Electricity and Telecommunications
SIM	Inter-American Metrology System
SPS	Sanitary and Phytosanitary Measures
SUSA-ES	Information System in Plant Protection and Animal Health
TBT	Technical Barriers to Trade
TPES	Trade Point Project
TRIPS	Trade-Related Aspects of Intellectual Property Rights
UIC	Competitive Intelligence Office
UNAC	Regulating Unit for Government Procurement
UNCITRAL	United Nations Commission on International Trade Law
UNCTAD	United Nations Conference on Trade and Development
USAID	United States Agency of International Development
US-CAFTA	United States-Central America Free Trade Agreement
WCT	WIPO Copyright Treaty
WIPO	World Intellectual Property Organization
WPPT	WIPO Performances and Phonograms Treaty
WTO	World Trade Organization

NATIONAL ACTION PLAN FOR TRADE CAPACITY BUILDING

EL SALVADOR

FOREWORD

The National Action Plan for Trade Capacity Building for El Salvador has been prepared to define, prioritize, and articulate the country's trade-related capacity building needs. The Action Plan will serve as a management tool for mobilizing and managing trade capacity building assistance – both from public and private sources – to support: a) preparation for and participation in the United States-Central America Free Trade Agreement (US-CAFTA) negotiations; b) implementation of the agreement; and c) the transition and changes necessary to reap fully the benefits of the US-CAFTA. It has been conceived as an integral component of the country's trade development strategy.

The El Salvador Action Plan was prepared under the direction of the Trade Policy Department with the Ministry of Economy of El Salvador. Technical support was provided by the OAS-IDB-ECLAC Tripartite Committee.

For the preparation of the Action Plan a broad consultation was organized by the Government of El Salvador (GOES) with public entities with responsibilities in the area of trade, as well as with representatives of the private sector and other segments of civil society, including academic and research institutions. Each participant provided written inputs describing the organizational and policy making structure of the entity and identifying its needs for trade capacity building. On October 22 to 25, 2002 a team from the Tripartite Committee (OAS Trade Unit) met with representatives of each institution for information gathering. A program of the meetings and a list of participants is included in Annex 1. A representative from the United States Agency for International Development (USAID), responsible for a significant part of cooperation projects in El Salvador, was also present.

The information gathering exercise was conducted following the template agreed to at the meeting with the donor community held on October 10, 2002 in Panama City, Panama. The main objective was to include in the Action Plan the relevant information necessary to present to potential donors –both public and private– well defined and articulated needs with an appropriate justification. The Action Plan will evolve over time, being revised and updated as appropriate, particularly in light of implementing obligations and structural changes. In this first phase, emphasis was placed on the needs most relevant to phases (i) trade negotiation preparation and participation and (ii) trade agreement implementation.

The need to prioritize was stressed throughout the exercise. Priorities do not reflect the importance of a particular issue for El Salvador in terms of their overall development strategy or their negotiating objectives but rather its significance as an area that requires support in order to attain specific objectives. When prioritizing, an attempt was made at indicating if the need was immediate (e.g., data for tariff negotiations or public awareness efforts) or if support was required over the medium term but that, due to the nature of the assistance, efforts should begin sooner. This was considered critical to a successful process with the donors given the limitations in the availability of resources and time constraints in some of their authorization processes.

An attempt was made to place the identified needs in the context of the broader development strategy, in general, and of the trade policy objectives, in particular. El Salvador is implementing a coherent and focused development strategy that will provide an effective framework in which to integrate the different cooperation projects and help avoid a piecemeal approach that could hamper cooperation efforts. An overview of this vision is included in Part A.

In identifying its priorities, El Salvador paid particular attention to the importance it attributes to strengthening the Central American integration process. Thus, many of the projects identified as top priorities were those that have a potential to be implemented as part of a sub-regional effort. This will certainly help rationalize donor's activities and ensure a better use of scarce resources. It will have the added advantage of strengthening the recently revitalized regional integration process.

Finally, an effort was also made to build upon the many successful cooperation programs already in place at different stages of implementation in order to ensure that the Action Plan takes the best advantage of available resources.

The Action Plan consists of two parts. Part A provides a brief discussion of the national context, providing the current organizational and policy-making structure. Part B includes El Salvador's trade capacity-building assessment, identifying a prioritized list of capacity needs.

PART A: INTRODUCTION AND DESCRIPTION

Part A includes a brief description of the current national organizational and policy-making structure for negotiation and implementation of trade agreements. This part provides a context in which to assess El Salvador's trade-related needs. First, it presents a broad overview of El Salvador's development strategy, in which trade policy plays a fundamental role. Following this, a description of the trade-related regulatory structure within the country is provided, including a discussion of the various competencies of agencies that are participating in the negotiation and implementation of trade agreements, as well as information on the role of the private sector.

1. ECONOMIC OVERVIEW

El Salvador is a country of 6.4 million people, with a territory of 21 thousand km² and a GDP of \$13.7 billion (2001, World Bank figures). Located in Central America, El Salvador is bound by Guatemala, Honduras, and the Pacific Ocean. The smallest of the Central American countries, it is the only one without a border on the Caribbean Sea. El Salvador's economy is oriented to light industry (manufacturing in 2001 comprised 23 percent of GDP) and services (61 percent of GDP). Agriculture, which in 2001 made up nearly 10 percent of GDP remains an important export sector and source of employment, but has decreased in overall economic significance; in 1981 the agricultural sector represented over a third of GDP.



Since 1992, when it concluded the Peace Accords that ended a destructive 12-year armed conflict, El Salvador has implemented far-reaching political, economic and social reforms. Political reforms, including reducing the scope of the military and establishing a National Civilian Police; reforming the electoral and judicial systems; and setting up a Land Transfer Program for ex-combatants and supporters of the opposition, led to democratic elections and electoral transitions. An *Economic Platform for Social Development*, announced in February 1995, included three main components: tariff reduction and market openness, a fixed exchange rate, and state reform. Economic reforms were designed to reactivate and modernize the economy and enhance long-term investment and growth. Reforms have been rewarded with steady growth: from 1991 to 2001, GDP increased by an average of 4.3 percent per year. Growth is biased towards the early part of the period, with an upsurge following the implementation of reforms and downturns following several exogenously generated setbacks from Hurricane Mitch; a series of destructive earthquakes in 2001; and rising oil import prices coupled with a falling price of coffee, one of El Salvador's main exports. However, even in 2001 growth was maintained, at 1.8 percent.

Throughout the last decade El Salvador's outward-looking, market-oriented policies, growing level of remittances from abroad and moderate levels of post-war foreign aid, along with a conservative monetary policy and relatively low external debt have helped sustain the economy. Since 1994 El Salvador has had a relatively stable currency and low inflation. Macroeconomic policies have been bolstered by privatization and deregulation projects. The 1998 Foreign Investment Law on Promotion and Guaranties opened virtually every sector of the economy to foreign investment. As of 1999, foreign banks receive national treatment for a full range of financial services.

A relatively open economy, about a third of El Salvador's economy is devoted to trade. Exports of goods and services experienced rapid growth during the 1990s, at an average annual rate of about 14 percent between 1991 and 2001, falling in 2002 with plummeting coffee prices. Main export products include coffee, pharmaceutical products, sugar, shrimp, textile and apparel, and cardboard boxes. Main export markets are the United States, Guatemala, Honduras, Nicaragua and Costa Rica.

El Salvador has the lowest tariff of the Central American countries, with an average of around 4 percent, and import tariff revenue accounts for only about 9 percent of its current tax revenue. In keeping with its WTO commitments, El Salvador gradually, yet dramatically, reduced import duties for final and intermediate goods from up to 300 percent *ad-valorem* in 1990, to a range of 5 to 15 percent by 1999. In 1995, import tariffs on capital goods and raw materials were reduced to zero.

As its internal market is limited in size and scope, El Salvador recognizes the importance of trade and market expansion to its economic well-being and progress. Current economic development strategy places great importance on regional integration with its Central American neighbors, which increases its market from 6 to 35 million people, and trade agreements with other major trading partners have the potential to exponentially increase these market opportunities.

El Salvador's current economic development strategy provides a coherent and focused framework within which to integrate the projects that will comprise the National Action Plan developed in this document. The New Alliance - *La Nueva Alianza* – aims as its principal objective to improve the quality of life and well-being of the Salvadoran people. As such, it establishes as a requirement the attainment of an accelerated development, one which is inclusive and sustainable, which will be reached through its complementary components: Macroeconomic stability; the *Alliance for Employment*; the *Alliance for Solidarity*; the *Alliance for the Future*; and the *Alliance for Security*. All of these plans are being developed following the principle of shared responsibility, which holds that public and private efforts must be integrated in order to aim for economic, social and political development of the country.

Since 1999 the Government of El Salvador (GOES) has revised its trade policy in order to develop a strategy that will create more and better jobs, and recapture the economic dynamism of the country. The *Alliance for Employment*, which is the economic development strategy of the Flores Administration, portrayed below (Source: *Ministerio de Economía, El Salvador: Sistema de Mejoramiento de la Competitividad -- Creando Condiciones para la Transición Hacia el Libre Comercio, Junio de 2002*), integrates short, medium, and long term elements at the micro and macro level that aim to open markets and to increase the competitiveness of national industry to better adapt it to meet the challenges of globalization. This framework was designed to help the country to better take advantage of the opportunities that will be created through free trade. The *Alliance for Employment* includes efforts to make available more and better jobs. This is centered in the conviction that the only viable form to combat poverty is to facilitate the enhancement of capacities and abilities of all Salvadorans through work.

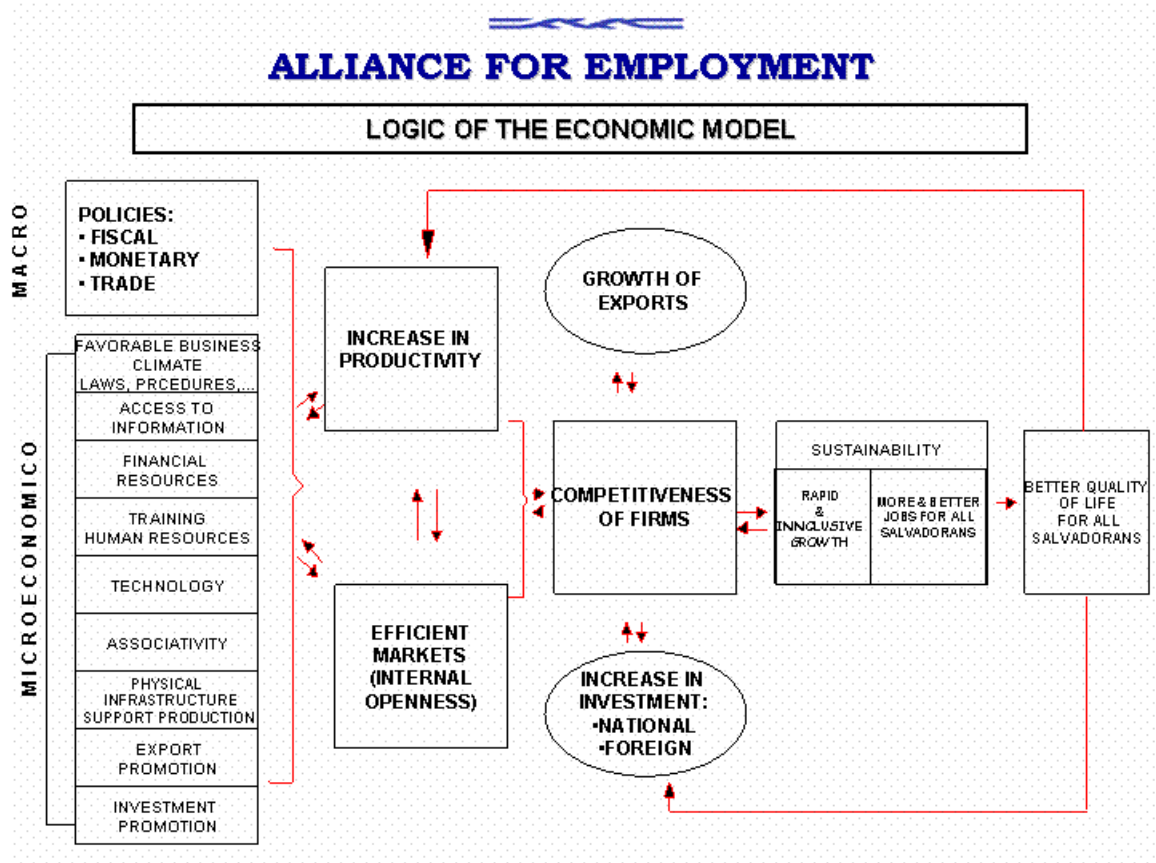
As such, the *Alliance for Employment* contains the following Strategic Programs:

- System of Support to Agricultural Development
- Integral System of Support for the Development of Small and Medium Enterprises
- Export Development
- Investment Promotion and Attraction
- Salvadorans living abroad
- Productive and trade integration with Central America
- Development of a new work culture
- Development and strengthening of an economic infrastructure to support production.

The *Alliance for Employment's* economic policy strategy rests on two main components:

- **Market opening and diversification**
- **Enhancement of the competitiveness of the export sector.**

This National Action Plan will contain elements to develop these two components.



Component 1: Market opening and diversification

The first component is achieved by government policies that include trade negotiations with principal partners, transparent and simple guidelines for investors, modern legislation and investment guarantees, intellectual property rights protection, competitiveness enhancement, and measures to facilitate and expedite the establishment and operation of an investment, including one-stop window for investments registration and related administrative procedures to make the Salvadoran market attractive for exporters and investors alike.

The trade policy of the GOES is very much oriented towards opening and diversifying the market for Salvadoran exporters. To make operative its objective of expanding and diversifying market opportunities the GOES has recently engaged actively in a series of trade negotiations. Since joining the World Trade organization (WTO) in May 1995, El Salvador has pursued a strategy of increasing ties with its main trading partners through bilateral and regional initiatives. These include:

1. Closer integration with its Central American neighbors
2. Membership and active participation in the WTO and the current Doha round of negotiations
3. Implementation of trade agreements signed with Latin American partners (Mexico, Chile, Dominican Republic and Panama)
4. Ongoing negotiations with new partners, currently including FTA negotiations with Canada, the United States through the CAFTA, and with thirty-four countries in the Americas through the ongoing Free Trade Area of the Americas (FTAA) process.

Participation in the Central American Common Market (CACM)

One important initiative for El Salvador is the reinvigoration of the Central American Common Market. Central America provides an opportunity to more than quintuple El Salvador's market, from 6 to 35 million consumers. El Salvador is an active participant in the Central American Economic Integration initiative, and is working for the completion of the customs union with Guatemala, Honduras, Costa Rica and Nicaragua, as set forth in the Guatemala Protocol to the General Treaty on Central American Integration. Closer integration with its neighbors promises multiple benefits for regional trade and investment. Central American integration continues to advance: according to recent SIECA figures, 73% of the Central American tariff (SAC) is now harmonized. A framework for Central American trade disciplines has been created, which includes customs procedures; standards and technical barriers to trade and sanitary and phytosanitary measures; investment and services (this agreement was signed on March 24, 2002, pending negotiations on their lists of reservations or nonconforming measures) and commercial dispute settlement.

In addition to expanding market opportunities, the process of negotiating trade agreements has been important for regional integration. Central American countries have forged joint positions in their trade negotiations with third countries, which has strengthened their positions in the negotiations and made the Central American region a more attractive place for trade and investment, among others.

WTO Membership and Participation. El Salvador joined the WTO in 1995. The ongoing negotiations in agriculture and services and the Doha negotiations, launched in November 2001, provide an important forum of participation for the GOES. The WTO Agreements form the base for El Salvador's post-Uruguay Round free trade agreement disciplines.

Bilateral Free Trade Agreements (FTAs) with third parties. The countries of Central America have been actively negotiating free trade agreements. Since the mid-1990s, El Salvador has entered into FTAs with Chile, the Dominican Republic, Mexico and Panama:

Central America – Panama. Negotiations were announced in May 1997, during a Summit of the Central American countries. The normative part of the FTA with Panama was approved in May 2001. Bilateral protocols including market access, rules of origin, and services are negotiated bilaterally between Panama and each of the Central American countries. The bilateral protocol between Panama and El Salvador was signed on March 6, 2002 and the agreement will enter into force 30 days after

being ratified by both countries. El Salvador has already ratified the agreement and expects Panama to ratify it as well in December of this year.

Central America – Chile. The FTA between Central America and Chile was signed in 1999. The tariff elimination schedules, rules of origin and further annexes to the agreement were formalized through a protocol by Chile and El Salvador in November 2000, which entered into force on June 1, 2002.

Central America – Dominican Republic. An FTA with the Dominican Republic was also signed in 1999. The El Salvador – Dominican Republic agreement entered into force on October 4, 2001 and the rest of Central America followed suit shortly after.

CA-3 – Mexico. The Northern Triangle (El Salvador, Guatemala, Honduras) – Mexico FTA was signed in June 2000 and entered into force in March 2001 for Guatemala and El Salvador and in June 2001 for Honduras. Costa Rica and Nicaragua have FTA's as well.

Free Trade Agreements in progress. El Salvador is in the process of expanding its markets even further by engaging, along with other Central American countries, in negotiations with Canada, the United States, and all of the countries of the Americas.

CA4- Canada. In December 2001 the CA-4 countries (El Salvador, Guatemala, Honduras and Nicaragua) began initial negotiations towards an FTA with Canada, based upon the Canada-Costa Rica FTA, which was signed in June 2000 and entered into force in November 2002. So far there have been five substantial rounds of discussions on goods, services and investment. For El Salvador, Canada represents a major market opportunity for products such as indigo, sesame, gourmet and traditional coffee, fruits such as pineapple and guayaba, beans, seafood, dehydrated lemon and lemon juice, ethnic beverages (horchata, cebada), chile salsa, natural soap, honey, and apparel.

CA- USA. In January 2002, the Bush Administration announced that it is “prepared to explore the possibility of negotiating a U.S.-Central America Free Trade Agreement with Central American leaders.” Since then a number of preliminary talks have been held between the US and all Central American countries (Costa Rica, El Salvador, Guatemala, Honduras and Nicaragua).

Free Trade Area of the Americas (FTAA). El Salvador is also participating actively in the Free Trade Area of the Americas (FTAA), a negotiation among thirty four countries in the Americas that will be completed in 2005.

Trade is thus seen by GOES as means to:

- Overcome the constraints of small territorial and market size
- Open major trade and employment opportunities
- Increase investor interest in El Salvador
- New sources of technology transfer.

Component 2: Enhancement of the competitiveness of the export sector

In the new international economic environment, the GOES recognizes that free trade can serve as a sustainable and effective tool to combat poverty. Free trade can be a catalyst for orienting the efforts of the government's strategy and can help ensure that the benefits of free trade reach the majority of Salvadorans through the generation of better jobs and increased business opportunities.

The GOES recognizes that these opportunities and benefits can only be gained by enhancing the competitiveness of goods and firms and by improving the general business climate of the country. As such, the GOES has worked consistently to create a **National System of Competitiveness Enhancement** — *Sistema Nacional de Mejoramiento de la Competitividad* —, building upon the country's favorable macroeconomic conditions and including crosscutting efforts to increase resource productivity and market efficiency. This has implied a number of changes to the legal and institutional framework.

In order to improve the general productivity of El Salvador's resources, efforts have concentrated on the elimination of obstacles to the production and trade of goods and services, principally facilitating the ease of access to information, financial resources, capacity building and technical assistance, clustering of firms, quality and technology, and the development of efficient productive infrastructure.

Market efficiency has increased as steps have been taken to improve the business climate, through the modernization of the legal and regulatory framework; increases in the transparency of procedures relating to trade and investment; as well as through the creation of institutional mechanisms that facilitate the establishment of national and foreign investments (for example, through the operation of the National Investment Office (ONI)) and the strengthening of institutions and mechanisms related to consumer rights.

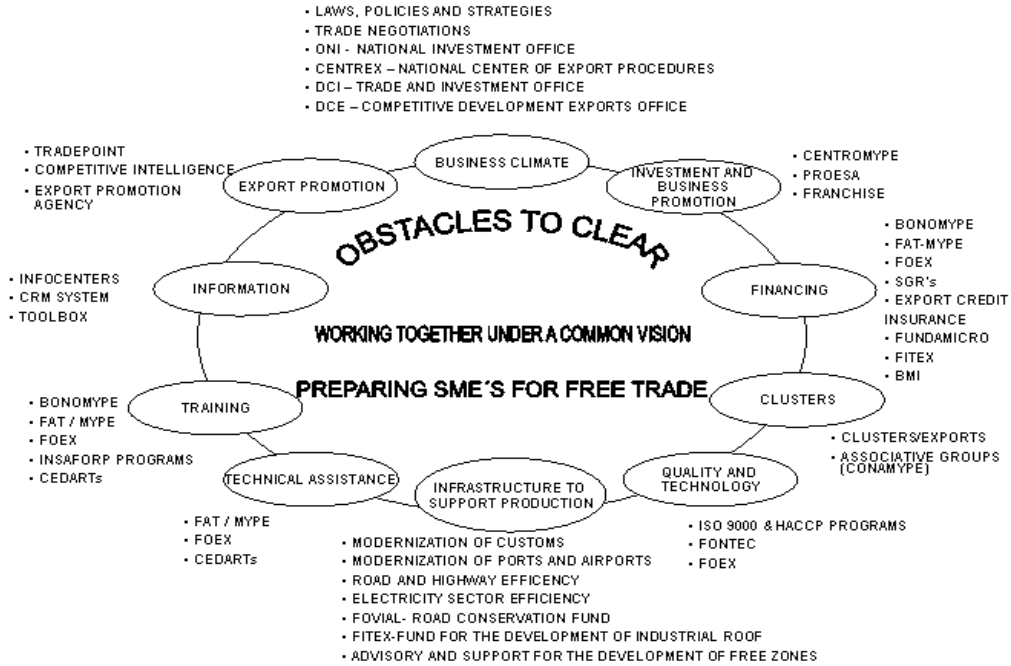
To facilitate the operation of the National System of Competitiveness Enhancement, the various efforts and initiatives set out in the government's strategy take into account the new demands of the international reality. In this sense, emphasis has been placed on two main complementary components:

The first component is that of the **Growth, Diversification and Promotion of Investments** and the second component is the **Growth, Diversification and Promotion of Exports**, which is in the final process of implementation. In order to face the challenge of growth, diversification and promotion of exports, the GOES, through the Ministry of Economy has designed and is putting into place a **National Competitive Export Development System**— *Sistema Nacional de Desarrollo Competitivo de Exportaciones* —, which integrates the instruments and mechanisms necessary for the development of foreign markets, as well as the development of export potential and of firm capacity.

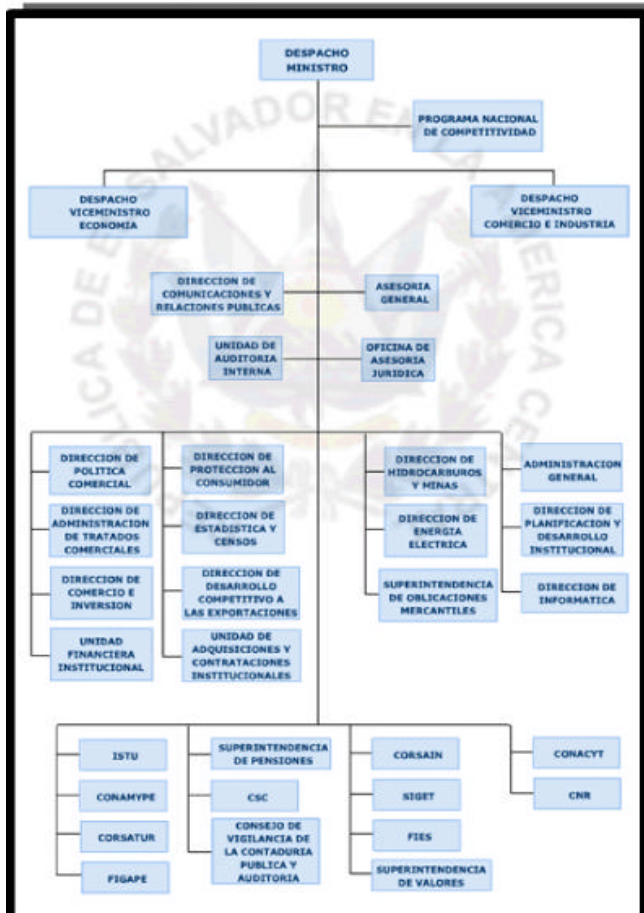
One of the main objectives of the National Competitive Export Development System is to give support primarily to MIPYMEs. Its general objective is "to create basic conditions for the support of the export efforts of the small and medium enterprises allowing them to reap the benefits of free trade." The National Competitive Export Development System does this by integrating instruments and measures of support to the MIPYMEs so that they can meet the challenges of free trade by being competitive in the local market and by developing sufficient capacity so as to be able to export to foreign markets.

The following graphic demonstrates the main challenges confronting the MIPYMEs and the instruments and mechanisms created to support them:

**WORKING TOGETHER UNDER A COMMON VISION:
“PREPARING SME’S FOR FREE TRADE”**



Organigram of MINEC



2. TRADE POLICY INSTITUTIONS AND POLICY MAKING

The **Ministry of Economy (MINEC)** is in charge of formulating and implementing policies, strategies, and initiatives for the local, regional and international market to boost the productive and commercial development of the country. The MINEC is responsible for trade-related policy, conducting trade negotiations, and carrying out negotiations on investment and export promotion.

The MINEC’s mandate is set out in Title V of the Constitution, and further developed in the Internal Rules of the Executive, and the Internal Rules of the Ministry of Economy.

The MINEC structure is set out in the organigram, shown below. The MINEC’s responsibilities are divided into two units,

each headed by a Vice Minister: 1) the Vice-Minister of Economy; and 2) the Vice-Minister of Trade and Industry, both headed and coordinated by the Ministry of Economy. The current administration has been working to restructure and modernize the institutional structure of the MINEC in order to support the national business sector in a more efficient manner, so as to confront the challenges presented by free trade.

1) The **Vice-Minister of Economy** is responsible for carrying out trade negotiations and following and implementing the process of Central American regional economic integration.

In fulfilling his responsibilities, the Vice-Minister relies on two offices:

The **Trade Policy Office** — *Dirección de Política Comercial* (DPC-MINEC), coordinates and conducts bilateral, regional and multilateral trade negotiations with the purpose of improving market access for Salvadoran exports and increasing investment and technology flows. The Trade Policy Office is mandated to consult regularly with other governmental agencies and entities responsible for areas related to the trade policy agenda. These include, among others: the Ministry of Agriculture (*Ministerio de Agricultura y Ganadería*), the Ministry of Public Health and Social Assistance (*Ministerio de Salud Pública y Asistencia Social*), the Ministry of Labor (*Ministerio de Trabajo*), the Ministry of Finance (*Ministerio de Hacienda*), the Ministry of the Environment and Natural Resources (*Ministerio de Medio Ambiente y Recursos Naturales*), and the National Council for Science and Technology (*Consejo Nacional de Ciencia y Tecnología*).

The **Trade Agreements Administration Office** — *Dirección de Administración de Tratados* (DATCO) is the entity responsible for the implementation of trade agreements. Its mandate includes ensuring the compliance of obligations under trade agreements on the part of GOES as well as its trading partners; following tariff liberalization and the application and preparation of the administration of safeguards, antidumping and countervailing duties procedures; verification of origin and participation in National Committees. DATCO works in close cooperation with the Trade Policy Office.

The private sector has set up the **Office of Productive Sector Support for Trade Negotiations** — *Oficina de Apoyo del Sector Productivo para las Negociaciones Comerciales* (ODASP), which serves to articulate to the government private sector needs in and views on trade negotiations and policy. ODASP is comprised of representatives from 37 private sector associations.

In the US-Central America negotiations, ODASP will work closely with the **FUSADES** — *Fundación Salvadoreña para el Desarrollo Económico y Social*, a private, non-partisan, non-for-profit research center created in the mid 1980s. In addition to conducting economic research, FUSADES has proposed development strategies, promoted foreign investment, and provided views on new economic policy and related laws. ODASP and FUSADES and the AMCHAM serve together to represent El Salvador in the **Central American Business Council**—*Consejo Empresarial Centro Americano* (CABC) created in February 2002 to support the US-CAFTA negotiations.

2) The **Vice-Minister of Trade and Industry** is responsible for coordinating the efforts directed towards the: improvement of the business climate in the country; facilitation of the establishment and operation of national and foreign investments; development and strengthening of the investment and export promotion schemes, and other initiatives designed to foment the productive and commercial competitiveness of the country. In the execution of his responsibilities, the Vice-Minister relies on the following offices of the MINEC and agencies of other Ministries:

a) Normative and Facilitation Area (Laws, Strategies, Projects)

The **Competitive Development Exports Office** — *Dirección de Desarrollo Competitivo de Exportaciones* (DDCE - MINEC), was created late in 2001 under the Vice Minister of Trade and Industry. Its aim is to contribute to the diversification and development of the country's exportable offer and its exporting business capacities. To this end, the office is charged with conceptualizing, designing, and developing tools and basic mechanisms for supporting technical specialists and business exporters. These tools and basic mechanisms include the provision of strategic information services related to products and markets, which,

Centro de Servicios de Exportación, which provides specialized trade-related information for the export sector.

The **Trade and Investment Office**—*Dirección de Comercio e Inversión (MINEC)* aims at contributing to the economic and social development of the country, through the support of the business sector, in order to increase production and boost efficiency and competitiveness in the national and international markets. To this end, the office is responsible for improving the business climate; facilitating the establishment and operation of investments; monitoring companies to identify obstacles to production and contribute to their solution; and developing the industrial roof for exports in the country. The office has two subdivisions:

- i) The **National Investment Office** (ONI – *Oficina Nacional de Inversiones*), which serves as a one-stop window to assist companies and individuals to process all the necessary permits and requirements to establish national and foreign investments/ a business (whether a branch, agency, office, or joint venture). Amongst other requirements and procedures, the Office assists individuals and companies with the following:
 - a. Tax ID Number (Número de Identificación Tributaria) (NIT) ;
 - b. Value Added-Tax Payer Registration (Registro de Contribuyente IVA);
 - c. Employer ID Number (Número de Identificación Patronal) (NIP del ISSS);
 - d. Foreign Capital Registration (Registro de Capital Extranjero);
 - e. Visa and Residency Permits from the Ministry of Governance (Trámites de Visas y Residencias ante Ministerio de Gobernación); and
 - f. Permits from the Ministry of Labor (Trámites ante el Ministerio de Trabajo).

- ii) **Support to Business Development** (*Apoyo al Desarrollo Empresarial*), which serves to facilitate the operation of national and foreign investments. In its functions the office:
 - a. Administers the Free Trade Zones Law (*Ley de Zonas Francas*) and the legislation on export reactivation (*Ley de Reactivación de Exportaciones*);
 - b. Monitors enterprises periodically in order to identify operational obstacles and support their solutions; and
 - c. Assesses and supports the development of an industrial roof in free zones and industrial parks.

The **Office of the Fund for Export Promotion** --*Dirección del Fondo de Fomento de Exportaciones (FOEX-MINEC)* was created in April 2002 to administer the Fund for Export Promotion (*Fondo de Fomento de Exportaciones*), which co-finances up to 50% of specific activities under the *Plan de Exportación de Pequeñas y Medianas Empresas* (Matching Grant for small and medium enterprises). FOEX's operation during the current pilot phase is governed by the Manual of Operations authorized by the World Bank, which provides the resources, with charge to the Loan Agreement to Improve Competitiveness.

In the execution of its functions, the FOEX Unit relies on an Evaluating Committee and a Board of Directors who ratifies the actions taken by the Committee. Members of the private and public sectors integrate both bodies, in order to ensure the necessary participation and transparency. Co-financing operations are made through reimbursement to the investments made by the exporter.

Given the strong demand for the services provided by FOEX, the MINEC is in the process of identifying new sources of finance that will permit the entity to continue offering the export sector this effective support as well as enlarging its coverage.

The **National Commission for the Micro and Small Enterprises** — *Comisión Nacional de la Micro y (CONAMYPE - MINEC)*, was reorganized under the MINEC in June 1999 with the

objective of supporting the development of CONAMYPE under an economic focus. Its mission is to support the competitive development of Salvadoran micro and small enterprises. To this end, the Commission promotes, facilitates, and coordinates policies, strategies, and programs and projects (both public and private, national and foreign) for the development of micro and small enterprises, an important sector of Salvadoran industry. In the execution of its activities, CONAMYPE functions with a mixed Board of Directors (Government-private sector), headed by the Ministry of Economy. The CONAMYPE develops other tools and mechanisms to support micro and small enterprises which operate through third institutions (FAT-MYPE, BONOMYPE, Tool Box (*Caja de Herramientas*), etc).

The **National Statistics Institute**—*Instituto Nacional de Estadística (MINEC)* is in the process of creation after the restructuring undertaken by the Directorate of Statistics and Census (*Dirección General de Estadística y Censos*). This process is strategic for the country as it responds to the need for a modern national statistics system that satisfies the pressing demand for statistics information. This process of modernization is crucial for the complete implementation of the System of Competitive Development of Exports (trade negotiations, administration of Trade Treaties, Competitive Intelligence, Trade Point, the Agencies of Export and Investment Promotion), which requires updated statistics information. The process includes, in addition to reorganization of the Institute, the endowment of new statistics systems and methods; a new technological and computer (software and hardware) platform; and capacity-building and technical assistance programs for its efficient management, which have not been delivered due to budget constraints.

The GOES is identifying national sources to finance the execution of the census. However, it will also require external support and cooperation to deliver capacity-building and technical assistance programs.

The **PROESA (Promoting Investment in El Salvador)**—*Comision Nacional para la Promocion de Inversiones (PROESA)* is an inter-ministerial committee made up of the Minister of Foreign Affairs, the Minister of Economy and the private sector, and headed by the Vice President of El Salvador. PROESA is a publicly-funded organization with strong private participation that is exclusively devoted to actively promoting foreign investment.

b) Promotion and Marketing

The **National Agency for the Promotion of Exports (MINEC)** will be created at the end of March 2003. It will be created as an autonomous entity under MINEC. The Agency's principal mission is to integrate the efforts of the Ministries of Economy and Foreign Affairs, for which it will rely on three offices headed by an Executive Director:

- i) Center of Export Services or 'Trade Point,' which currently forms part of the Competitive Development Exports Office (*Dirección de Desarrollo Competitivo de Exportaciones*) of the MINEC and is operating on a partial basis due to human resources constraints.
- ii) Promotion and Marketing (*Promoción y Marketing*), for which the Foreign Affairs Ministry will provide part of the required personnel.
- iii) Image and Networking (*Imagen y Redes Externas*), for which the Foreign Affairs Ministry will provide part of the required personnel.

The formation of this Agency is not only considered a priority but an urgent need, since it is necessary to support the efforts to promote exports in a sustainable and effective manner. Yet, despite the partial contributions of personnel that each Ministry will provide during the Agency's initial phase, its capacity to provide services will be limited due to budget constraints.

For this reason, the MINEC is identifying sources of cooperation to finance the operations of the Agency. This cooperation includes personnel, particularly for the areas of management and administration, as well technical specialists, in accordance to the organizational and functional design devised for the Agency. In addition, other resources are required to support the development of 'consensus building' campaigns on the benefits and advantages of free trade and to ensure that the business sector benefits from free trade.

c) Other Entities that Support the Competitive Development of Exports System

CRM,' which aims at systemizing the information with specialized contents and directing any consultation made by micro, small, and medium enterprises and other sectors to the respective institutions responsible for administering the different supporting instruments. In this regard, the Association will also support the efforts of the Competitive Development of Exports System described above.

The General Customs Office—*Dirección General de la Renta de Aduanas (Ministry of Finance)*. Created in 1936, it is responsible, pursuant to its Organizational Statute of 1998 (*Reglamento Orgánico Funcional de la Dirección General de la Renta de Aduanas*) for the implementation and enforcement of customs laws and regulations and application of tariffs and taxes to imports and exports.

The National Council of Science and Technology—*Consejo Nacional de Ciencia y Tecnología (CONACYT-MINEC)*, is responsible for directing and coordinating activities related to standardization, metrology, verification and certification of quality. CONACYT is directed by a board of directors, comprised of representatives from government (essentially of the Ministry of Economy, Education and Foreign Affairs), the private sector and professional associations, and the academic sector. CONACYT's mandate enables the entity to formulate and oversee national science and technology policy.

The **Salvadoran Institute for Professional Development** —*Instituto Salvadoreño de Formación Profesional (INSAFORP-Ministry of Labor)* supports the System through the development of capacity-building and practical training programs for enterprises, both at the operation and management level, based on the strategies for the promotion of investments and for the development of competitive exports under the Salvadoran Government Plan.

The **University for Entrepreneurs** —*Universidad Empresarial (MINEC-MINED)* will be created at the end of 2003. Its principal mission is to create the desired link between the projected human resources requirements on the part of enterprises, on the one hand, and the training programs of these enterprises, on the other. The mechanism combines academic formation in the classroom with practical training in enterprises. The GTZ of Germany is currently conducting studies with regards to the implementation of this program. The identified sources of finance for this program are shared (Government-Business Sector).

Multi-Sector Investment Bank (*Banco Multisectorial de Inversiones (BMI)*) is a public entity specialized in development banking. The bank supports, amongst others efforts, the Development of Competitive Exports System through the design and formulation of laws and different tools and mechanisms that support the System. These laws and mechanisms include: Leasing (*Ley de Leasing*), Factoring (*Ley de Factoraje*), Reciprocal Guarantees for Corporations (*Ley de Sociedades de Garantía Recíproca*) and Export Insurance (*Seguro de Crédito a la Exportación*).

The **Ministry of Foreign Affairs** through El Salvador's Embassies abroad, also participates in export and investment promotion, and provides broad policy input for trade negotiations.

PART B: CAPACITY BUILDING ISSUES BY AREA

Part B contains an articulation and prioritization of trade-related capacity needs of El Salvador in three areas: (i) Trade Negotiation Preparation and Participation; (ii) Trade Agreement Implementation and (iii) Transition to Free Trade.

Summary

A number of cross-cutting needs were identified during the course of this exercise in several of the issue areas. The GOES identified these as priorities for which it might be desirable to design cooperation efforts in an integrated manner.

CAPACITY BUILDING ISSUE	PRIORITY
Support to the micro, small and medium enterprises (MIPYMEs)	1
Collection, manipulation and dissemination of statistics	2
Enhanced knowledge of market requirements in the United States	3
Institutional strengthening through comparative studies and performance benchmarking	4
Strengthening of the consultation and coordination mechanisms with the private sector and civil society	5

The following table presents a summary of the needs for the trade negotiation preparation and participation phase and for the trade agreement implementation phase of El Salvador by capacity building issue area. Priorities are indicated in the right hand column.

These needs are elaborated in greater detail in the corresponding sections.

I. TRADE NEGOTIATION AND PARTICIPATION	PRIORITY
1. NON-AGRICULTURAL GOODS: TARIFFS AND NON-TARIFF MEASURES	
<i>Access to updated, reliable information on tariff and non-tariff measures in a format adapted to the requirements of the negotiators (data bases and software)</i>	1
<i>Increased knowledge of the United States legislation and regulations that could have an impact on market access for Salvadoran exports</i>	2
2. RULES OF ORIGIN AND CUSTOMS PROCEDURES	
<i>Establishment and implementation of an efficient consultation mechanism with the private sector for obtaining specific information from the productive sectors in a timely fashion to allow for the appropriate formulation and negotiation of specific rules of origin</i>	1
<i>Strengthening the understanding of the productive structure of El Salvador</i>	2
<i>Strengthening capacity of personnel with responsibilities in the area of origin</i>	3
3. STANDARDS: TECHNICAL BARRIERS TO TRADE	
<i>Performance Benchmarking and Institutional Best Practices</i>	1
<i>Strengthening Personnel Capacity</i>	2
<i>Participation in International Standardization Fora</i>	3
<i>Modernization of the legal framework</i>	4
<i>Enhancement of public education in the field of standards/technical barriers to trade</i>	5
4. AGRICULTURE	
<i>Technical assistance and training of technical personnel in the use of analytical tools to improve trade capacity to assess the impact of negotiating decisions</i>	1
<i>Enhanced understanding of U.S. technical requirements for product entry into the U.S. market</i>	2
<i>Financing of participation in multilateral meetings on agriculture</i>	3
<i>Training in new issues in agriculture</i>	4
<i>Private sector outreach</i>	5
<i>Impact Studies</i>	6

5. AGRICULTURE: SANITARY AND PHYTOSANITARY MEASURES	
<i>Enhanced knowledge of SPS Requirements in main trading partner markets</i>	1
<i>Enhanced awareness of the disciplines and framework in the WTO Agreement on the Application of Sanitary and Phytosanitary Measure.</i>	2
<i>Adaptation or survey of technical guides/regulations/processes of quality control for fruits/vegetables/fishery and agriculture products</i>	3
6. SERVICES	
<i>Technical assistance to improve the national service statistics</i>	1
<i>Enhance knowledge and information on the United States legislation in the areas of financial services, construction and professional services</i>	2
<i>Strengthening of the consultation and coordination mechanism with the private sector in the area of services</i>	3
<i>Study on the applicability of existing treaties and/or bilateral agreements in force between the USA and El Salvador on mutual recognition of professionals</i>	4
7. INVESTMENT	
<i>Technical assistance to improve statistics on FDI flows</i>	1
<i>Enhance knowledge and information on the United States legislation and institutions in the area of investment</i>	2
<i>Enhance knowledge and strengthen the capacity to apply the investor-state dispute settlement mechanism</i>	3
8. SUBSIDIES, ANTIDUMPING AND SAFEGUARDS	
<i>Technical assistance to improve trade statistics</i>	1
<i>Enhance knowledge and information on the United States legislation in anti-dumping, countervailing and safeguard procedures</i>	2
9. INTELLECTUAL PROPERTY	
<i>Enhance knowledge and strengthening the capacity to apply the latest international agreements on intellectual property rights</i>	1
<i>Enhance knowledge and information on the United States legislation and requirements for the protection of intellectual property rights</i>	2
10. LABOR ISSUES	
<i>Enhance knowledge and strengthening personnel capacity on labor related issues</i>	1
<i>Enhance knowledge and information on the United States labor legislation</i>	2
<i>Strengthen the capacity of the Ministry of Labor to implement cooperation agreements</i>	3
11. ENVIRONMENTAL ISSUES	
<i>Enhance knowledge and strengthening personnel capacity on environmental issues</i>	1
<i>Strengthen the capacity of the Ministry of Environment to implement Environmental Cooperation Agreements.</i>	2
<i>Enhance knowledge and information on the United States environmental legislation and regulations.</i>	3

II. TRADE AGREEMENT IMPLEMENTATION	PRIORITY
1. NON-AGRICULTURAL GOODS: TARIFFS AND NON-TARIFF MEASURES	
<i>Modernization of automated customs management system, including the registration of customs declarations</i>	1
<i>Improvement in collection and dissemination of trade statistics</i>	2
<i>Inter-connection between export clearinghouses in Central America</i>	3
2. RULES OF ORIGIN AND CUSTOMS PROCEDURES	
<i>Strengthening of the institutional infrastructure for origin verification and control</i>	1
<i>Strengthening private sector capacity for complying with origin</i>	2
3. STANDARDS: TECHNICAL BARRIERS TO TRADE	

<i>Assistance in building confidence in conformity assessment procedures</i>	1
<i>Enhancement of public education in the field of standards/technical barriers to trade</i>	2
4. AGRICULTURE	
<i>Capacity building in use of tools for the analysis of origin in agricultural and farm products</i>	1
5. AGRICULTURE: SANITARY AND PHYTOSANITARY MEASURES	
<i>Strengthening the national SPS enquiry point</i>	1
6. INVESTMENT	
<i>Upgrade existing IT resources to gather and access information of the National Investment Office (ONI)</i>	1
<i>Implementation of an institutional and policy framework that facilitates the formalization and operation of micro, small and medium enterprises (MIPYMEs)</i>	2
7. GOVERNMENT PROCUREMENT	
<i>Develop a modern electronic system for government procurement</i>	1
<i>Performance Benchmarking and Institutional Best Practices</i>	2
<i>Improve collection of information and statistics on government procurement</i>	3
<i>Enhance knowledge and practical experience in the area of government procurement</i>	4
8. DISPUTE SETTLEMENT	
<i>Enhance knowledge and strengthening personnel capacity to apply dispute settlement mechanism</i>	1
<i>Development and training in i) dispute settlement mechanisms in trade agreements and ii) arbitration and other alternative dispute settlement mechanisms to solve private trade controversies</i>	2
9. COMPETITION POLICY	
<i>Enhance practical experience in the area of competition policy</i>	1

1. NON-AGRICULTURAL GOODS: TARIFFS AND NON-TARIFF MEASURES

Legal and Institutional Framework

The Ministry of Economy (MINEC) has the main responsibility within the government for defining the country's trade policy, conducting trade negotiations and for export and investment promotion. Through its Trade Policy Office, the MINEC coordinates and conducts bilateral, regional and multilateral trade negotiations with the purpose of improving access for Salvadorian exports and increasing investment and technology flows. Having pursued a very active negotiating agenda in recent years, the negotiating team is formed by well-trained and experienced negotiators.

Throughout the preparation process and the participation in trade negotiations, the Trade Policy Office holds permanent consultations with other governmental agencies and entities responsible for areas related to the trade policy agenda. These include, among others: *Ministerio de Agricultura y Ganadería* (Ministry of Agriculture), *Ministerio de Salud Pública y Asistencia Social* (Ministry of Health), *Ministerio de Trabajo* (Ministry of Labor), *Ministerio de Hacienda* (Ministry of Finance), *Ministerio de Medio Ambiente y Recursos Naturales* (Ministry of the Environment and Natural Resources), *Consejo Nacional de Ciencia y Tecnología* (National Council for Science and Technology).

Several governmental entities are involved in the implementation of trade agreements. These include the Trade Agreements Administration Office, the General Customs Office and CENTREX.

Consultations with the private sector are conducted through the ODASP, recently created with the participation of representatives of all the private sector associations. A coordinator at the Trade Policy Division has been appointed to follow-up on these consultations.

During the past year, the Ministry of Economy has made efforts to open a space for consultations with civil society (NGOs, academic sector and the general public). An electronic address has been created to receive this sector's contributions and opinions on trade issues.

Guided by the objective of promoting free trade as key for the long-term economic growth of the country, El Salvador has pursued an active trade negotiating agenda that has resulted in FTA's signed with Central America, Mexico, Dominican Republic, Panama and Chile, ongoing negotiations with Canada, and preparatory discussions with the United States. Additionally, El Salvador participates actively in the Free Trade Area of the Americas (FTAA) negotiations and the WTO Doha Development Agenda.

These agreements are consistent with the major reform and liberalization of the import tariff system that El Salvador initiated in the early 1990s and that has meant a sharp reduction of tariffs from high levels of 40-80% for finished goods. In 1993 El Salvador adopted the Central American Customs Duty System (SAC). Based on the international Harmonized System, SAC establishes a tariff ceiling of 15 percent, with import tariffs fixed as follows:

- 0 percent for capital goods and raw materials
- 5 percent for intermediate goods not produced in El Salvador
- 10 percent for all other intermediate goods
- 15 percent for finished goods

A limited list of goods pay higher tariffs between 25 to 40 percent including: automobiles, certain textiles, firearms and some luxury items.

I. TRADE NEGOTIATION AND PARTICIPATION

Given the critical importance that the opening of export markets has for El Salvador's development strategy, GOES has given high priority to ensuring that its negotiating team is provided with the appropriate information and tools to conduct a successful market access negotiation with its main trading partner. This area is considered one where technical cooperation is required in the short term.

PRIORITIES

1. *Access to updated, reliable information on tariff and non-tariff measures in a format adapted to the requirements of the negotiators.* This has been identified as the most pressing need during the negotiating phase. Although information and software is already available in this area through current technical assistance programs, the GOES considers that there is a need for improvement in order to allow for informed and prompt decisions during the negotiating process. This need could be addressed through a package of information, data bases and software customized to El Salvador needs that would include:

- Export-import data for Central American countries-United States at the 8-10 digit level accessible in MS Excel for, at least, the most recent five years.
- Schedule of the United States accessible in MS Excel or MS Access with conversion capabilities from HS2002 to SAC (Harmonized Central American tariff System). A lack of a Spanish version of the US Schedule is seen as a serious limitation for negotiators and exporters.
- Impact analysis of liberalization for specific products. This would need to be complemented with more macro impact analysis for sectors of the economy.

Preferably, this package would be developed as a regional project given its value to all Central American parties.

2. *Increased knowledge of the United States legislation and regulations that could have an impact on market access for Salvadoran exports.* The GOES understands the importance of having a thorough understanding of the requirements of access for exports to the US market as a basis for preparing for a successful negotiation as well as for the implementation phase of the US-CAFTA. Thus, a need has been identified for a programme that would allow El Salvador's negotiators to deepen their knowledge of the various requirements --beyond tariffs--that goods may need to meet in entering the US market (sanitary and phytosanitary measures, standards, labeling, etc.).

NON-AGRICULTURAL GOODS: TARIFFS AND NON-TARIFF MEASURES	
<i>Access to updated, reliable information on tariff and non-tariff measures in a format adapted to the requirements of the negotiators (data bases and software)</i>	1
<i>Increased knowledge of the United States legislation and regulations that could have an impact on market access for Salvadoran exports.</i>	2

II. TRADE AGREEMENT IMPLEMENTATION

PRIORITIES

1. *Modernization of automated customs management system, including the registration of customs declarations.* Currently, the UNCTAD-developed Automated System for Customs Data (ASYCUDA) is used for customs management. The system covers most foreign trade procedures including the handling of manifests and customs declarations, accounting procedures, transit and suspense procedures. However, due to limitations in the current format (ASYCUDA++) being used in El Salvador there is not enough flexibility to attend to the country's needs in this area. Improvements in the system for customs registration should allow for the compilation of information according to preference programs (in a multiple-column format) to take into account differences in tariff elimination schedules in the various FTAs to which El Salvador is party. This is particularly important given the need for impact analysis for sectors of the economy. The improved system should also be capable of automatically adjusting the different tariff levels according to the tariff elimination schedules.

2. *Improvement in the collection, analysis and dissemination of trade statistics.* Improvement in the collection, administration and dissemination of trade statistics was identified as one of the most pressing needs during both the negotiating and the implementation phases. Currently, CENTREX is the only institution in the country that generates trade statistics by product (at a 13 digit level) and serves as a source of information of last resort to several governmental entities and the private sector. Other institutions, including Customs, participate in the collection, analysis and dissemination of trade statistics. There is a need to organize these efforts within a more coherent structure. A strong interest for a centralized system of statistics has been expressed by many entities that depend on reliable information. A comprehensive plan is being developed by GOES to establish a National Statistic System, a project for which cooperation in terms of resources and technical support is critical.

3. *Inter-connection between export clearinghouses (ventanillas únicas de exportación) in Central America.* As a means of strengthening the regional integration process among Central American countries, there is a need for enhanced inter-connection between export clearinghouses. This would facilitate the gathering of information in a more efficient manner avoiding, for example, the need for multiple input of the same data (both by the exporting and importing country) and allowing for better data collection of intra-regional trade.

NON-AGRICULTURAL GOODS: TARIFFS AND NON-TARIFF MEASURES	
<i>Modernization of automated customs management system, including the registration of customs declarations</i>	1
<i>Improvement in collection and dissemination of trade statistics</i>	2
<i>Inter-connection between export clearinghouses in Central America.</i>	3

2. RULES OF ORIGIN AND CUSTOMS PROCEDURES

Legal and Institutional Framework

The Trade Policy Office of the Ministry of Economy is responsible for the negotiation of origin and of customs procedures in the context of free trade agreements. Currently, the verification of origin is the responsibility of the Trade Agreements Administration Office (DATCO). Given the nature of this task, coordination with and support from the *Dirección General de la Renta de Aduanas del Ministerio de Hacienda* (Customs) has been indispensable. Customs is the entity that has the capability of performing the different activities required during the verification process. Moreover, to deal with complex cases and ensure the functioning of a proper verification mechanism, a system of collection of information and analysis is required. At present, Customs is the only entity within the government that has some of the institutional support structure to perform this type of activity. This includes: a specialized laboratory for customs analysis (*aduanálisis*); a unit for classification of goods; and a specialized information unit responsible for gathering data on imports, exports, sources, value and volume of a specific good to the degree of disaggregation needed for an effective verification mechanism. In conclusion, although DATCO currently has the responsibility for verification of origin, it is felt that in terms of resources and institutional structure, Customs is better suited to perform these tasks. It would be desirable to transfer them to Customs as soon as possible.

ODASP is the direct link of the productive sector with the Trade Policy Office, responsible for the negotiations in this area. Requests for information on specific products are done in writing to ODASP specifying the type of information required to be collected according to a special format. The mechanism is also used to inform producers, on an ongoing basis, about the progress of the negotiations. GOES is promoting the strengthening of this consultation mechanism to ensure that the results of the negotiations are beneficial for the productive sectors of the country.

A comprehensive reform of the customs system has been supported by projects such as the IDB Program to Strengthen Custom Systems (TC0012037-ES).

I. TRADE NEGOTIATION AND PARTICIPATION

PRIORITIES

1. *Establishment and implementation of an efficient consultation mechanism with the private sector for obtaining specific information from the productive sectors in a timely fashion to allow for the appropriate formulation and negotiation of specific rules of origin.* In order to ensure that the negotiations result in specific rules of origin that the Salvadoran firms can comply with, it is essential that the negotiators have access to reliable information of a very detailed nature including: type of product, inputs used for its elaboration, country of origin of the inputs, productive process, transformation of inputs during that process, etc. Producers themselves are the only ones capable of providing this type of information. A need was expressed for the strengthening of the current consultation mechanism with the private sector through a system that would: ensure that negotiators have prompt access to the information; offer a channel of communication with the private sector throughout the negotiating process; provide electronic means to organize the information gathered and to process it with the use of appropriate software.

2. *Strengthening the understanding of the productive structure of El Salvador.* A complementary way of enhancing information on the productive structure of firms that produce goods of actual or potential export interest to El Salvador or those that, for other policy considerations, require special attention during the rules of origin negotiation, is through a survey that would provide a comprehensive account of the current situation of the Salvadoran industry. The survey would collect information per firm at the product level on the origin of inputs used in the production of a given good, its cost structure, transformation of the product, and other relevant data. A database would be developed with the information gathered and the appropriate software designed to allow for the required analysis during the negotiations.

This information is key during the negotiating phase. First, because it will serve as a reference for the preparation of the proposals on rules of origin to be presented by El Salvador. Second, because it provides a solid base for analyzing, with the appropriate software, the extent to which compliance with a proposed rule of origin is possible given the productive structure of the country. Finally, this type of study will ensure an effective way of channeling information from the private sector and enhancing their participation in the negotiating process.

3. Strengthening personnel capacity. A need identified in the area of human resource development both during negotiations and extending into the implementation phase was for personnel preparation of representatives from ministries and entities involved in the negotiation, implementation and control of origin regimes. There is a need to deepen the understanding of the substantive aspects of existing origin regimes, especially in NAFTA, and other related issues. This could be achieved through seminars, workshops and internships, particularly in the following areas of special interest: implications of criteria for determining origin; methods for determining regional value content; preparation of rules of origin offers; advance rulings; accumulation; methods for verification of origin including elements such as management of inventories; and implementation of the WTO Valuation Agreement with emphasis on case studies.

RULES OF ORIGIN AND CUSTOMS PROCEDURES	
<i>Establishment and implementation of an efficient consultation mechanism with the private sector for obtaining specific information from the productive sectors in a timely fashion to allow for the appropriate formulation and negotiation of specific rules of origin.</i>	1
<i>Strengthening the understanding of the productive structure of El Salvador</i>	2
<i>Strengthening capacity of personnel with responsibilities in the area of origin</i>	3

II. TRADE AGREEMENT IMPLEMENTATION

PRIORITIES

1. Strengthening of the institutional infrastructure for origin verification and control. There is a need for strengthening and rationalizing the institutional infrastructure responsible for verification of compliance with origin requirements, application of the principle of cumulation and validation of origin certificates. To this end, the GOES is planning the creation of a specialized unit within Customs that will absorb the verification responsibilities currently assigned to DATCO. As explained above, Customs is in a better position to conduct these activities given the specialized expertise of their personnel, the technical infrastructure and the nature of the other function it performs. Having a single responsible institution will ensure the best use of resources and a rational administration of the verification process.

Additionally, this same entity will be in charge of issuing to exporters, importers or producers, advance rulings certifying whether a good satisfies a regional value-content requirement or other origin related matters, as appropriate. This function is linked with valuation and classification of goods, tasks performed by Customs.

Cooperation is required to establish and strengthen the new specialized unit in particular in the following areas:

- a. strengthening of the capacity of personnel specialized in the performance of the different duties assigned to the new unit through, among others, internships in equivalent entities in trade partners
- b. availability of the hardware and software required to ensure the appropriate carrying out of its functions

2. *Strengthening private sector capacity for complying with origin.* The private sector has identified a pressing need for increasing its capacity for complying with origin in the context of the different FTAs negotiated by El Salvador. This is an issue that is also very much linked to cooperation activities identified in the third area, Transition to Free Trade. Although private sector participation is key during the negotiating process, there is also a need to ensure that appropriate support be put in place to allow firms to make the necessary improvements in their production processes to benefit from increased export market opportunities.

RULES OF ORIGIN AND CUSTOMS PROCEDURES	
<i>Strengthening of the institutional infrastructure for origin verification and control.</i>	1
<i>Strengthening private sector capacity for complying with origin</i>	2

3. STANDARDS: TECHNICAL BARRIERS TO TRADE (TBT)

Legal and Institutional Framework

The entity responsible for directing and coordinating activities related to standardization, metrology, verification and certification of quality is the National Council of Science and Technology (CONACYT). CONACYT, which is an autonomous entity under the responsibility of the MINEC, is directed by a board, comprised of representatives from the government (the Ministry of Economy, Education and External Relations), the private sector and professional associations, and the academic sector. CONACYT is made up of three specialized departments, among which is the Office of Standardization, Metrology and Quality Certification, which directs and coordinates activities and execution of policy in the area of standardization, metrology, and quality verification and certification. Among its functions, this office accredits and registers accredited laboratories; develops programs to promote and disseminate information regarding the importance of standards, metrology, and quality certification and verification; trains personnel; exchanges information with international organizations working in the area of standardization and gives technical advice on quality verification reports received from accredited laboratories.

In the area of trade policy related to standards/TBT, the GOES is bound by the obligations of the WTO Agreement on Technical Barriers to Trade, and has signed the Code of Good Practice. El Salvador is a signatory to the General Treaty of Economic Integration of Central America and the Central American Regulatory System Standards and the provisions on S/TBT in the bilateral agreements signed by the GOES with Chile, the Dominican Republic, Mexico and Panama. El Salvador is a member of International Organization for Standardization (ISO), Codex Alimentarius, the Pan American Standards Commission (COPANT), the Inter-American Accreditation Cooperation (IAAC), and the Inter-American Metrology System (SIM).

In matters of trade policy, CONACYT acts as a facilitator and coordinator in overseeing the implementation of disciplines on standards and technical barriers to trade. CONACYT coordinates with the Trade Agreements Administration Office.

The designated enquiry point under the WTO TBT Agreement is the MINEC. CONACYT, through MINEC, is responsible for responding to enquiries from other Members and interested parties in other Members, providing the relevant documents regarding adopted or proposed technical regulations, standards, conformity assessment procedures and regarding the membership and participation of El Salvador in international and regional standardizing bodies and conformity assessment systems as well as bilateral and multilateral arrangements within the scope of the TBT Agreement. CONACYT is also responsible for making available information regarding the location of information published pursuant to obligations under the TBT Agreement.

El Salvador's technical regulations are elaborated and prepared by committees comprised of stakeholders from the public and private sector and civil society. Depending on the issue being regulated, on the part of the public sector, these could include the Ministry of Public Health and Social Assistance, the Ministry of Agriculture, the Ministry of Environment, and the Office of Consumer Protection. In areas in which these Ministries have competence in standardization, metrology and issues related to quality, they must coordinate their activities with CONACYT.

El Salvador has taken steps to improve the national quality system and to enhance transparency and access to information. In terms of information technology, El Salvador currently has in place online information systems that make available basic indicators on science and technology, updated every 3 years. In addition, El Salvador makes use of two online information systems, TradePoint and INFOQ. Trade Point provides information such as market and product profiles, export plans, business opportunities linkages, commercial intelligence, international trade, legal and financial assistance, and other services. In addition, El Salvador has put in place a national center for information on quality standards and conformity assessment, INFOQ (www.infoq.org.sv) an information center with on-line catalogs, and catalogs of El Salvador's technical standards, ISO standards, Codex Alimentarius standards and technical regulations of trade partners such as

Mexico, Chile, the United States; and a list of accredited and non-accredited laboratories. CONACYT, through the Office of Trade Agreements Implementation of the Ministry of Economy notifies to the WTO Secretariat all of El Salvador's technical regulations, as mandated in the WTO TBT Agreement, and through SIECA to all Central American countries. All new standards and technical regulations are, by law, published in the newspaper of largest circulation.

A national system for product certification is being designed. This system will need to be constructed in a way that will permit El Salvador to evaluate the quality of export products as well as to assess imports against international quality standards.

A national legal metrology laboratory has been in operation since December 1995, with equipment that follows international standards to allow El Salvador to offer quality services.

The GOES has received some technical assistance in the area of standards and technical barriers to trade. This includes

- Cooperation agreements that cover technical exchanges and short seminars with Brazil, Colombia and Mexico. These consist of short training courses of 3-5 days in which experts from these countries come to El Salvador to share expertise and experience. El Salvador pays the cost of the stay of the experts.
- A programme with ASTM for translation of standards.
- NIST seminars on legal metrology.
- IDB *Small Business Development* - Quality Management. Programme for Hazard Analysis and Critical Control Point (HACCP) and ISO 9000 certification for small and medium enterprises.
- IDB Regional Project. Reduction of Technical Barriers to Trade. (ATN/MT-7309-RG)
- In the pipeline, under the Plan Puebla-Panama, IDB Project "Harmonization of Standards, Technical Regulations and Rules of Origin.

Various areas of improvement were identified in the area of standards and technical barriers to trade. The GOES recognizes that an integrated quality system is essential to El Salvador's competitiveness, trade performance, and growth, and that there are certain improvements that can be made in this area, and as such, standards and technical barriers to trade are seen as a priority needs area.

I. TRADE NEGOTIATION AND PARTICIPATION

PRIORITIES

1. Performance Benchmarking and Institutional Best Practices. CONACYT expressed an interest in an assessment of the current quality system; as well as the conduct of a comparative study of institutions and procedures used in other countries, within the framework of international trade and obligations under the WTO TBT Agreement, with the objective of elaborating a set of performance benchmarks that could be used by GOES to develop a national action plan to enable CONACYT to adapt best practices to the national context.

2. Strengthening Personnel Capacity. A main need identified in the area of human resource development and personnel preparation both during negotiations and extending into the implementation phase was for capacity building of representatives from the ministries and institutions who work with CONACYT in the elaboration, preparation, and implementation of standards in the legal framework guiding standardization activities in the ambit of trade policy. The objective is to make all relevant actors aware and to enhance their understanding of the principles and obligations existing in the WTO TBT Agreement and other trade agreements signed by the GOES. Such capacity building could help develop a more comprehensive approach towards the development and implementation of trade-related standards activities and obligations.

3. Participation in International Standardization Fora. CONACYT also recognized the need for the facilitation of participation in international standardization fora. This participation is important in the

preparation and participation stage, as discussions at the international level may directly influence the shape of an eventual agreement on TBT within the US-CAFTA. The GOES recognizes the importance of following and participating in these discussions, but budget constraints do not enable them to participate regularly in fora that often have subscription fees, or hold meetings in countries across the world. This participation will continue to be important during the implementation stage, as well as during the transition to free trade.

4. *Modernization of the legal framework related to standardization.* A need was expressed for a review of the legal framework and the desirability of assistance in the updating of the legal framework for standardization, according to which all standards, be they voluntary or obligatory, must currently be notified through the major newspaper.

5. *Enhancement of public education in the field of standards/technical barriers to trade.* Interest was expressed in expanding trade education activities, especially with respect to the private sector. It was suggested that one way of fulfilling this need would be to hold seminars for the private sector on standards-related issues. This activity corresponds to the preparation and also the implementation phase.

STANDARDS: TECHNICAL BARRIERS TO TRADE	
<i>Performance Benchmarking and Institutional Best Practices.</i>	1
<i>Strengthening Personnel Capacity.</i>	2
<i>Participation in International Standardization Fora.</i>	3
<i>Modernization of the legal framework.</i>	4
<i>Enhancement of public education in the field of standards/technical barriers to trade.</i>	5

II. TRADE AGREEMENT IMPLEMENTATION

PRIORITIES

1. *Assistance in building confidence in conformity assessment procedures.* In terms of implementing a CAFTA, and in preparation to take advantage of the opportunities such an agreement may bring, CONACYT requests technical assistance to identify means to increase confidence in the conformity assessment mechanisms and accreditation systems used for El Salvador's goods. This can be done through accreditation or other agreements, either through governments or through conformity assessment bodies

2. *Enhancement of public education in the field of standards/technical barriers to trade.* Interest was expressed in expanding trade education activities, especially with respect to the private sector. It was suggested that one way of fulfilling this need would be to hold seminars for the private sector on standards-related issues. This activity corresponds to the preparation and also the implementation phase.

STANDARDS: TECHNICAL BARRIERS TO TRADE	
<i>Assistance in building confidence in conformity assessment procedures</i>	1
<i>Enhancement of public education in the field of standards/technical barriers to trade</i>	2

4. AGRICULTURE

Legal and Institutional Framework

The agricultural sector is an important one for El Salvador. While it comprises 10 percent of GDP, the agricultural sector employs 30 percent of the labor force, and agricultural products such as coffee, sugar and shrimp are included among El Salvador's most important exports.

Agricultural trade policy is conducted by the Ministry of Economy in cooperation with the Ministry of Agriculture. El Salvador, as a member of the WTO, is subject to the disciplines of the WTO Agreement on Agriculture and participates in the Doha Round negotiations on Agriculture.

Given the importance of the agricultural sector to the population of El Salvador, and the technological advances and new issues addressed at the multilateral level trade negotiations, the GOES considers this a sector of importance and expresses various priority needs for technical assistance.

I. TRADE NEGOTIATION AND PARTICIPATION

PRIORITIES

1. *Technical assistance and training of technical personnel in the use of analytical tools to improve trade capacity to assess the impact of negotiating decisions.* In preparing for tariff negotiations, a realistic picture of market opportunities in the trading partner and the impact such liberalization will have on specific sectors of the home market is seen as essential. In this area, the GOES has identified a number of related needs. First, acquisition of and training in the use of an effective mechanism for tracking agricultural trade statistics was seen as essential for preparing for the negotiations. In addition, training in the use of software to analyze trade statistics that will identify market opportunities, comparative studies of tariff regimes, and the comparison of tariff reduction offers and possible scenarios resulting from international trade negotiations was identified as a need. Building on these, the GOES feels that a useful tool in the preparations for negotiations is training in the use of analytical and theoretical tools for assessing market opportunities and for calculating the effects of tariff liberalization and tariffication of nontariff measures in the agricultural sector. Such models would include the new issues addressed in the new round of agriculture negotiations.

2. *Enhanced understanding of U.S. technical requirements for product entry into the U.S. market.* The GOES recognizes the importance of understanding the requirements of access for export to the US market, and thus identifies as a technical assistance need a programme for training El Salvador's negotiators in the various requirements agricultural goods may need to meet in entering the US market (for example, sanitary and phytosanitary measures, standards, labeling).

3. *Financing of participation in multilateral meetings on agriculture.* A related request is that of financing the participation of the GOES in negotiations and discussions on agriculture at the WTO. The GOES had received financing for this purpose, but these funds will run out in 2003. The GOES is requesting assistance in this area in order to maintain the necessary continuity of participation.

4. *Training in new issues in agriculture.* Agriculture is one of the issues in which there are ongoing negotiations at the multilateral level. At the same time, technological developments, especially advances in biotechnology, have dramatically changed the landscape of agricultural techniques, and, as a result, agricultural trade policy. As a small country, with limited resources, El Salvador needs technical assistance in specific issues that may arise in the negotiations with the United States. A particular need was articulated for the exchange of technical expertise and research in the area of genetically modified organisms (GMOs). This project was expressed as a need for the short term, and one that could be applied at a regional level.

5. *Private sector outreach.* The GOES recognizes the need for all stakeholders to be informed about the negotiations and to be able to give their inputs to the negotiators. As such, GOES requests technical assistance in seminars (for example on WTO, FTAA and US-CAFTA issues) that will help private sector representatives identify their strengths and weaknesses and market opportunities resulting from trade negotiations. Such seminars could assist the private sector in coordinating at the regional level.

6. *Impact Studies.* In order to be able to better prepare for negotiations in the area of agriculture, the GOES believes that sectoral impact studies of the farming sector with regard to liberalization within the context of FTAs and other preferential trade agreements is an important tool for the preparation of negotiating positions.

AGRICULTURE	
<i>Technical assistance and training of technical personnel in the use of analytical tools to improve trade capacity to assess the impact of negotiating decisions.</i>	1
<i>Enhanced understanding of U.S. technical requirements for product entry into the U.S. market.</i>	2
<i>Financing of participation in multilateral meetings on agriculture</i>	3
<i>Training in new issues in agriculture.</i>	4
<i>Private sector outreach</i>	5
<i>Impact Studies</i>	6

II. TRADE AGREEMENT IMPLEMENTATION

PRIORITIES

AGRICULTURE	
<i>Capacity building in use of tools for the analysis of origin in agricultural and farm products.</i>	1

5. AGRICULTURE: SANITARY AND PHYTOSANITARY MEASURES

At the regional level, sanitary and phytosanitary measures are regulated by the Central American Regulation on Sanitary and Phytosanitary Measures (SPS), which has been in force since 1999. This regulation covers sanitary and phytosanitary measures that could directly or indirectly affect trade among the Parties, preventing them from becoming unnecessary barriers to trade, as well as develops the legal measures to gradually and voluntarily harmonize sanitary and phytosanitary measures and procedures intraregionally and with third Parties, with the objective of protecting human, animal or plant life or health, as established in the General Treaty on Central American Economic Integration (Guatemala Protocol) and the WTO Agreement on the Application of Sanitary and Phytosanitary Measures (SPS Agreement) .

The Central America Regulation on Sanitary and Phytosanitary Measures goes more in depth in some issues than does the WTO SPS Agreement, especially in issues related to transparency and, particularly, harmonization of measures. It also includes specific obligations with regard to the registration of foods and veterinary and biological medicines and makes specific reference to the possibility of requiring zoosanitary, phytosanitary or food safety certificates.

In El Salvador the legal framework for the application of sanitary and phytosanitary measures includes the following laws: the Law of Plant and Animal Health; the Law of Promotion of the Hygienic Production of Milk and Milk Products and its regulations; Law and regulation of sanitary meat inspection; regulation for the accreditation of juridical persons interested in the supply and application of vaccination against Low Pathogenic Avian Influenza; program of prevention, control and eradication of Low Pathogenic Avian Influenza and its respective regulation; requirements and specifications for the import of milk and milk products; the Consumer Protection Law, as well as the Central America Regulation on Sanitary and Phytosanitary Measures and the WTO SPS Agreement.

The SPS regime is administered by the Ministry of Agriculture (MAG) and the Ministry of Public Health and Social Assistance. The Ministry of Agriculture (MAG), through its General Office of Animal and Plant Health (DGSVA) is the authority responsible for authorizing the importation of vegetables, animals and related products. The MAG also establishes the zoosanitary and phytosanitary requirements for importing these products. The MAG also grants sanitary and phytosanitary certificates for exporting animal and vegetable products. The MAG currently makes use of an Information System in Plant Protection and Animal Health (SISA-ES) comprised of an information platform which permits the accelerated procedures for obtaining sanitary and phytosanitary requirements for those products that so require and grant the respective import authorization. The process for emitting the import authorization through both Ministries is approximately 24 hours at the most.

The Ministry of Public Health and Social Assistance (MISPAS) extends, upon demand, a certificate of free sale (food safety certificate) for exports. It also requires the presentation of such a certificate from an importing country. The General Health Office is the authority responsible for the elaboration and application of Food Safety for food related to public health in accordance with the Health code and its regulations.

Various areas of improvement were identified in the area of sanitary and phytosanitary measures. SPS is a priority area for technical assistance.

I. TRADE NEGOTIATION AND PARTICIPATION

PRIORITIES

1. Enhanced knowledge of SPS Requirements in main trading partner markets. The GOES recognizes the importance of understanding the regulations and requirements that Salvadoran exporters must meet in order to be able to sell their goods in these markets. The MAG specifically identifies FDA standards, which regulate processed foods, and labeling standards, including nutritional labeling standards and the requirements needed to comply with basic standards in partner markets in countries such as the US, Canada and Japan.

2. *Enhanced awareness of the disciplines and framework in the WTO Agreement on the Application of Sanitary and Phytosanitary Measures.* The GOES, as a WTO member recognizes the importance of a profound understanding of these obligations on the part of all stakeholders and policymakers in this area. A specific area targeted is assistance in the process of sanitary registries and labeling regulations.

3. *Adaptation or survey of technical guides/regulations/processes of quality control for fruits/vegetables/fishery and agriculture products.* The GOES recognizes the importance these internationally known standards play in international trade. International trade requires that producers are up to date and follow such guides, especially in control of residue analysis, pesticide control, quality control for fruits, vegetables and fishery and agricultural products. Such a survey would increase information about these disciplines and regulations at the international level and help to enhance the capacity of technical personnel in order to ensure best practices in production and processing.

AGRICULTURE: SANITARY AND PHYTOSANITARY MEASURES	
<i>Enhanced knowledge of SPS Requirements in main trading partner markets</i>	1
<i>Enhanced awareness of the disciplines and framework in the WTO Agreement on the Application of Sanitary and Phytosanitary Measures.</i>	2
<i>Adaptation or survey of technical guides/regulations/processes of quality control for fruits/vegetables/fishery and agriculture products.</i>	3

II. TRADE AGREEMENT IMPLEMENTATION

PRIORITIES

1. *Strengthening the national SPS enquiry point.* The GOES recognizes the need for transparency and information exchange in the area of SPS, both within the obligations of the WTO SPS Agreement as well as in bilateral agreements. Strengthening the national enquiry point will allow the GOES to more efficiently expedite SPS measures and trade. While an enquiry point has been established and notified, resources are tight, and needs exist in enhancing information systems, training personnel, and access to updated technical bibliographies and reference documents.

AGRICULTURE: SANITARY AND PHYTOSANITARY MEASURES	
<i>Strengthening the national SPS enquiry point.</i>	1

6. SERVICES

Legal and Institutional Framework

The GOES identifies services as the largest sector in El Salvador, and its importance has increased since the beginning of the 1990's. The GOES has undertaken a process of regulatory reform to promote economic growth by increasing trade in services and foreign investment. The key elements of the Program have been the privatization and/or granting of concession in public services, the decentralization of decision-making and the progressive elimination of barriers to trade in services.

The Ministry of Economy (MINEC) has primary responsibility within the government for negotiations on services and implementation of trade agreements with provisions on services. Within the MINEC, the Trade Policy Office (DPC) is in charge of negotiations of trade in service (including the lists of reservations in FTAs) and the Trade Agreements Administration Office (DATCO) is responsible for the implementation of trade agreements. Other entities play an important role in the coordination and consultation on specific services sectors, these are: Ministry of Education, Ministry of Transportation, the Superintendent of the Financial System, the General Superintendent of Electricity and Telecommunications (SIGET).

As a WTO member El Salvador is subject to the multilateral disciplines on trade in services developed under the aegis of the WTO General Agreement on Trade in Services (GATS).

The GOES also signed on to the IV Protocol on Telecommunications and V Protocol on Financial Services both Annexes to the GATS.

El Salvador has negotiated trade agreements including provisions on services with the Dominican Republic, Mexico, Chile and Panama. Additionally, El Salvador has recently signed the Treaty on Investment and Services in the context of the Central American Common Market (CACM). The Treaty has yet to enter into force but the GOES expects to ratify this Agreement by the end of 2002 once the parties finalize the exchange of their lists of reservations or nonconforming measures.

The legal framework of El Salvador is equally applicable to nationals and foreigners with some exceptions provided for in the Constitution or by law and listed as reservations or limitations in the trade agreements of which El Salvador is a signatory. Some of these laws are applicable to all sectors and economic activities and other are sector specific. The areas reserved for nationals or exceptions are however very limited. Pursuant to the Foreign Investment Law, non-discriminatory market access is guaranteed to foreign investors in most services sectors. Market access in financial services is regulated by specific sectoral legislation, the 1999 Banking Law. Under this law, foreign banks are afforded national treatment and can offer the same services as Salvadoran banks. The Insurance Companies Law, enacted in 1996, regulates the operation of local insurance firms and accords national treatment to foreign insurance firms.

Reforms in the Financial System have been supported by a number of donor institutions. Among them, the IDB has provided assistance through the Project "Support of the Modernization of the Financial System" (Projects ES-0125, ATN/MT-6400-ES), and FOMIN's Regional Program Banking Supervision (ATN/MT-5855-RG). Under "Assistance to the Financial System Superintendent" USAID has helped develop a regulatory framework, and design and set-up the information technology systems necessary to support supervision of the non-bank financial institutions (NBFIs).

Although El Salvador has undergone an important process of regulatory reform and market opening in services in the past years, further progress in this regard could be facilitated by addressing a number of issues that still remain in the area of technical capacity in services. These are discussed below.

I. TRADE NEGOTIATION AND PARTICIPATION

PRIORITIES

1. *Technical assistance to improve the national service statistics.* The purpose of this component is to strengthen El Salvador's ability to gather and interpret accurate statistics on services. Compilation of improved statistics on services output and trade is a goal shared by all countries in the Western Hemisphere. This is an important objective because it allows for governments to better evaluate which service sectors and which trading partners are of importance and to design appropriate policies to promote these.

El Salvador has adopted the 1993 System of National Accounts and the balance of payments framework described in the fifth edition of the *Balance of Payments Manual (BPM5)*. Further assistance is required in the implementation process and in the adoption of the Extended Balance of Payments Services (EBOPS) classification. Further technical assistance may also be necessary in the collection of data in selected services sectors.

IT resources (hardware and software) are required to upgrade existing technological capabilities and allow for the interactive access and use of all the entities involved on services issues to fully benefit from the information collected and processed.

2. *Enhance knowledge and information on the United States legislation in the areas of financial services, construction and professional services (through studies, technical exchanges/internships and technical information and literature).* The GOES believes that accurate information and understanding of federal and state legislation in specific services sectors in the United States would benefit both the negotiating and implementation processes of the US-CAFTA agreement. The GOES is particularly interested in the requirements for providers of financial, construction and professional services in states/regions with higher concentration of population of Hispanic or Central American origin.

3. *Strengthening of the Consultation and Coordination mechanism with the Private Sector in the area of Services.* In addition to the existing coordination through ODASP, the GOES considers important to strengthen the consultation mechanisms to cover sector specific issues of interest to the service industries. GOES believes that involvement of a large number of concerned actors in the area of services is an important step towards developing a national consensus on the implementation of desirable policy reforms and pro-competitive regulations for services.

In this regard, it is deemed extremely beneficial to better understand the United States' procedures for interagency coordination and consultation with civil society in the area of services. The promotion of exchanges of technical experts and of technical information could be instrumental in this regard.

4. *Study on the applicability of existing Treaties and/or bilateral agreements in force between the USA and El Salvador on mutual recognition of professionals.* Professional services is a sector of particular interest to the GOES. The need for a study or diagnosis of this issue arises from the number of existing mutual recognition agreements for professional services in force between the USA and El Salvador and the effect that these may have in the US-CAFTA negotiations on professional services. Enhanced knowledge of the agreements in force should facilitate this process.

SERVICES	
<i>Technical assistance to improve the national service statistics.</i>	1
<i>Enhance knowledge and information on the United States legislation in the areas of financial services, construction and professional services</i>	2
<i>Strengthening of the consultation and coordination mechanism with the private sector in the area of services.</i>	3
<i>Study on the applicability of existing treaties and/or bilateral agreements in force between the USA and El Salvador on mutual recognition of professionals.</i>	4

7. INVESTMENT

Legal and Institutional Framework

The Government of El Salvador (GOES) views foreign investment as crucial for economic growth and development and has taken numerous steps in recent years to improve the investment climate.

The Ministry of Economy (MINEC) has primary responsibility within the government both for negotiations on investment and investment promotion. Within the MINEC, the Trade Policy Office (DPC) is in charge of international trade negotiations and the Trade Agreements Administration Office (DATCO) is responsible for the implementation of trade agreements.

The National Investment Office (ONI – *Oficina Nacional de Inversiones*), at the Ministry of Economy serves as a one-stop window, to assist companies or individuals to process all the necessary permits and requirements to establish a business in El Salvador, whether as a branch, agency, an office, or joint venture. ONI helped to simplify and expedite the process of registration and legalization of investment and it is now possible to complete all steps necessary to begin operations within seven working days. ONI works closely with PROESA. The Ministry of Foreign Relations through Salvadoran Embassies abroad also participates in investment promotion.

Also important for foreign investment are the financial sector's regulatory agencies, the Superintendent of the Financial System (*Superintendencia del Sistema Financiero*), the Superintendent of Securities (*Superintendencia de Valores*), and the Superintendent of Pensions Funds (*Superintendencia de Pensiones*). The National Registry Center (*Centro Nacional de Registros*) oversees the actual compliance with the requirements and guarantees established pursuant the Investment Law as well as the registration of domestic and foreign investments.

El Salvador has negotiated trade agreements with investment chapters with the Dominican Republic, Mexico and Panama. Additionally, El Salvador has also concluded twenty-three bilateral agreements for the promotion and reciprocal protection of investments (BITs). Thirteen have already entered into force: Argentina, Czech Republic, Ecuador, France, Germany, Netherlands, Nicaragua, Paraguay, Peru, Spain, Switzerland, Taiwan and the United Kingdom. Similar agreements have been signed but are pending ratification or notification with Belize, Belgium, Chile, Canada, Costa Rica, Israel, Korea, Morocco, the United States and Uruguay.

In the context of the Central American Common Market (CACM) El Salvador has recently signed the Treaty on Investment and Services. The GOES expects that this Treaty will enter into force after the pending negotiations of lists of reservations or nonconforming measures are completed.

The main law governing foreign investment in El Salvador is the Investment Law (*Ley de Inversiones*) that entered into force on April 2000. Pursuant to the Foreign Investment Law, FDI is allowed in all sectors in El Salvador, with very limited areas reserved for nationals. Other laws complementing the basic legal framework for investment include: the 1990 Export Reactivation Law, the 1998 Law of Commercialization and Industrial Free Zones (Free Trade Zones Law), the 1999 Banking Law, the Insurance Companies Law, the Intellectual Property Promotion and Protection Law, the Mining Law, the Monetary Integration Law, the Stock Market Law, and special legislation governing privatizations.

Various areas of improvement were identified in the area of investment as indicated below.

I. TRADE NEGOTIATION AND PARTICIPATION

PRIORITIES

1. Technical assistance to improve statistics on FDI flows. The GOES regards complete and up to date information and statistics on foreign direct investment as a key element to better evaluate and design appropriate policies to promote FDI. Since existing information on FDI flows is not complete and accurate,

the purpose of this component is to strengthen mechanisms and procedures to gather, disseminate and interpret information and statistics on FDI flows. Technical assistance is required to achieve this objective.

According to the National Investment Office (ONI), under the current legal framework there is no incentive for the investor to register the total amount of the capital invested before the authorities after all the legal requirements to operate in El Salvador have been fulfilled. Security concerns are identified as an additional deterrent to register investments. Therefore, in order to identify a viable mechanism to overcome the current limitations a study of the law and regulations dealing with registration of investments is required.

2. Enhance knowledge and information on the United States legislation and institutions in the area of investment (through exchanges of technical experts and technical information and literature). The GOES believes that information and understanding of federal and state legislation in the area of investment in the United States is necessary during both negotiation and implementation of the US-CAFTA. Currently lack of information limits the possibility of potential Salvadoran investors to access the US market in particular in the areas of financial, construction and professional services in states/regions with higher concentration of population of Hispanic or Central American origin.

Information and technical exchanges with US federal and state institutions dealing with investment promotion and facilitation are also deemed extremely beneficial to better understand United States' mechanisms and procedures and enhance existing capabilities in El Salvador.

3. Enhance knowledge and strengthening capacity to apply the investor-state dispute settlement mechanism. (Through workshops, exchanges of technical experts and technical information and literature). The GOES regards the investor-state dispute settlement mechanism as an important component of the bilateral investment treaties and free trade agreements containing provisions on investment. GOES has limited hands-on experience in applying these mechanisms to a particular case under the BITS and/or FTAs in force. The experience of other trading partners on the application of these procedures should prove particularly helpful. This item covers knowledge of the mechanisms, experience in their practical application and interagency coordination necessary to effectively comply with the procedures established in the BITS and FTAs. It includes the arbitration procedures under the Convention on the Settlement of Investment Disputes between States and Nationals of Other States (ICSID Convention) and mechanisms according to the rules of the UNCITRAL (United Nations Commission on International Trade Law) and the International Chamber of Commerce (ICC).

INVESTMENT	
<i>Technical assistance to improve statistics on FDI flows.</i>	1
<i>Enhance knowledge and information on the United States legislation and institutions in the area of investment</i>	2
<i>Enhance knowledge and strengthen the capacity to apply the investor-state dispute settlement mechanism.</i>	3

II. TRADE AGREEMENT IMPLEMENTATION

PRIORITIES

1. Upgrade existing IT resources to gather and access information of the National Investment Office (ONI). The GOES, with support of the World Bank under the framework of the National Program on Competitiveness, developed and implemented the automated system at the National Investment Office (ONI). This system helped to simplify and expedite the process of registration and legalization of investments in El Salvador. It is now possible to process all the necessary permits and requirements necessary to begin operations within seven working days at the one-stop window of the ONI. The system connects the seven Ministries and institutions (Ministry of Finance, Social Security Institute, Central Bank, Foreign Affairs, Governance, National Registry Center) that play a role in the authorization of new

businesses. However, the technology currently in use (transmission via radio signals) needs to be upgraded. High maintenance costs, unreliability and unfeasibility to broaden the coverage of the current system within El Salvador are indicated as the main limitations of the current technology. Moreover, existing technological capabilities do not allow adequate interactive access to the system and exchange of up to date information between government entities and other institutions. GOES considers that the ideal mechanism for the automated system at the National Investment Office (ONI) is an Internet based system.

2. *Implementation of an institutional and policy framework that facilitates the formalization and operation of micro, small and medium enterprises (MIPYMEs).* Building on the successful experience of the ONI and the one-stop window to process all the necessary permits and requirements to establish a business in El Salvador, the GOES is looking to implement a system geared toward MIPYMEs. The current procedures under the ONI are not tailored for the establishment of MIPYMEs. This system seeks to simplify and expedite the administrative process of registration and legalization of investment of MIPYMEs. Support to MIPYMEs is one of the cornerstones of the trade and development strategy of the GOES. There are around 472,000 of MIPYMEs in El Salvador, by far the largest percentage of enterprises. According to the *Comisión Nacional de la Micro y Pequeña Empresa (CONAMYPE)* MIPYMEs represent between 25 and 36% of the GNP and 33.9% of the labor force in El Salvador. An ongoing project “Support for Microenterprise and Small Business” (MIF/AT-321 Approved: May 3, 2000) under execution by the CONAMYPE will lead to a specific proposal covering the evaluation and promotion of good business practices, design of a system for monitoring MSB performance, and facilitation and promotion of the development of an interactive information system for microentrepreneurs and small businessmen.

INVESTMENT	
<i>Upgrade existing IT resources to gather and access information of the National Investment Office (ONI)</i>	1
<i>Implementation of an institutional and policy framework that facilitates the formalization and operation of micro, small and medium enterprises (MIPYMEs).</i>	2

8. GOVERNMENT PROCUREMENT

Legal and Institutional Framework

The Ministry of Economy (MINEC) coordinates and oversees negotiations on government procurement through the Trade Policy Office (DPC). The Trade Agreements Administration Office (DATCO) is responsible for the implementation of trade agreements. MINEC negotiates and implements trade agreements in this area in coordination with UNAC (*Unidad Normativa de Adquisiciones y Contrataciones de la Administración Pública*- Regulating Unit for Government Procurement) as representative of the Ministry of Finance.

El Salvador has negotiated trade agreements including provisions on government procurement with Chile, Dominican Republic and Panama. The free trade agreement with Mexico does not cover government procurement. However, pursuant to the FTA El Salvador-Mexico parties must start negotiating a chapter on government procurement (with broad coverage and national treatment) eighteen months after the entry into force of the agreement (March 15, 2001).

Government procurement in El Salvador is regulated by the law 668 (Ley de Adquisiciones y Contrataciones de la Administración Pública-LACAP). This new government procurement law, which entered into force on June 29, 2002, established more transparent processes for government purchases and contracts. Pursuant to law 668, the Regulating Unit for Government Procurement (*Unidad Normativa de Adquisiciones y Contrataciones de la Administración Pública*-UNAC), created under the Ministry of Finance, manages the National System of Government Procurement (Sistema de Adquisiciones y Contrataciones de la Administración Pública-SIAS). The SIAS incorporates all levels of government, including municipalities. UNAC is empowered to define government procurement policy and set guidelines to regulate contracts and purchases of goods and services, enforce and implement the law and regulations. Additionally UNAC has responsibility for establishing and managing the National Registry of Government Procurement (Registro Nacional de Adquisiciones y Contrataciones de la Administración Pública).

The following items were identified as priorities in the area of government procurement.

II. TRADE AGREEMENT IMPLEMENTATION

PRIORITIES

1. Develop a modern electronic system for government procurement. The development of the National Registry of Government Procurement is in the early stages following the entry into force of law 668 on June 29, 2002. Existing procedures and technology cannot handle the large amount of information and procurement processes generated by all the entities included in the National System of Government Procurement. GOES identified as the greatest need in the area of government procurement, the development and implementation of an automated system to make the process of government purchasing more efficient and transparent. This system will allow to consult and to carry out the different parts of the procurement process through electronic means. The goals of this project include the promotion of more efficient and standardized procedures, simplify supplier's participation and benefit from expanded supply and better conditions of quality and price. Moreover, this system will disseminate public information and comply with increasing commitments in the area of government procurement arising due to the FTAs signed by El Salvador.

In the area of information technology and equipment the need is the strengthening of the existing technological capabilities. UNAC considers that the ideal mechanism for the automated system for government procurement is an Internet based system. It is required that such system allow for the interactive access and use of all the entities involved on government procurement. Technical assistance and training to fully benefit from the use of this technology will be also required.

2. *Performance Benchmarking and Institutional Best Practices.* UNAC (*Unidad Normativa de Adquisiciones y Contrataciones de la Administración Pública*) expressed an interest in the conduct of a comparative study of institutions and procedures used in other countries, within the framework of international trade and obligations under FTAs, with the objective of elaborating a set of performance benchmarks that could be used by GOES to develop a national action plan to enable UNAC to adapt best practices on government procurement to the national context.

3. *Improve collection of information and statistics on government procurement.* An additional element to the development of an electronic system for government procurement is to strengthen El Salvador’s ability to gather and interpret accurate information and statistics on government procurement. This is an important objective because it allows for governments to better evaluate information and design appropriate policies. The GOES believes that more accurate information and statistics will benefit both the negotiating and implementation processes of the US-CAFTA agreement.

4. *Enhance knowledge and practical experience in the area of government procurement.* The GOES believes that exchanges of technical experts and of technical information with institutions in the US and other trading partners will be extremely beneficial during both negotiation and implementation of the US-CAFTA. In this regard, UNAC identified the implementation of each of the steps of the procurement process as areas of particular interest.

GOVERNMENT PROCUREMENT	
<i>Develop a modern electronic system for government procurement.</i>	1
<i>Performance Benchmarking and Institutional Best Practices.</i>	2
<i>Improve collection of information and statistics on government procurement.</i>	3
<i>Enhance knowledge and practical experience in the area of government procurement.</i>	4

9. SUBSIDIES, ANTIDUMPING AND SAFEGUARDS

Legal and Institutional Framework

The Ministry of Economy (MINEC) coordinates and oversees negotiations on subsidies, antidumping and safeguards and implementation of trade agreements with provisions on these issues. Within the MINEC, the Trade Policy Office (DPC) conducts international trade negotiations and the Trade Agreements Administration Office (DATCO) is responsible for the implementation of trade agreements. In this regard, DATCO administers provisions and procedures to address unfair import competition such as dumping or illegal subsidization or to avoid serious injury to a group of producers or industries through the use of safeguards. The Ministry of Agriculture, the Customs Office (*Dirección General de la Renta de Aduanas*) of the Ministry of Finance and the Central Bank (*Banco Central de Reserva*) play an important role and support DATCO in this area as sources of technical information and statistics. Consultations with the private sector are conducted through the *Oficina de Apoyo del Sector Productivo para las Negociaciones Comerciales* (ODASP), created with the participation of representatives of all the private sector associations.

El Salvador has negotiated trade agreements including provisions on anti-dumping, countervailing and safeguard procedures with Chile, Dominican Republic, Mexico and Panama.

The legal framework include: the WTO Agreement on Implementation of Article VI of the General Agreement on Tariffs and Trade 1994 and the WTO Agreement on Subsidies and Countervailing Measures. In the context of the Central American Common Market (CACM), El Salvador applies the Central American Regulations on Unfair Trade Practices, in force since January 12, 1996.

The following areas were identified as issues where assistance is required.

I. TRADE NEGOTIATION AND PARTICIPATION

PRIORITIES

1. *Technical assistance to improve trade statistics.* The GOES regards complete and up to date information and trade statistics as a key input to conduct and make determinations in anti-dumping, countervailing and safeguard procedures. Authorities in charge of administering these procedures require access to accurate information to better evaluate petitions or potential investigations. Precise and detailed information on specific products and/or sectors is commonly required. The purpose of this component is to strengthen mechanisms and procedures to gather, disseminate and interpret trade statistics.

IT resources (hardware and software) are required to upgrade existing technological capabilities and allow for the interactive access and use of all the entities involved on these procedures.

2. *Enhance knowledge and information on the United States legislation in anti-dumping, countervailing and safeguard procedures (through studies, technical exchanges/internships and technical information and literature).* The GOES believes that accurate information and understanding of US legislation and procedures before the U.S. Department of Commerce, International Trade Commission and Court of International Trade would benefit both the negotiating and implementation processes of the US-CAFTA agreement. The GOES identified exchanges of technical experts and of technical information with institutions of main trading partners as a viable instrument to achieve this objective.

SUBSIDIES, ANTIDUMPING AND SAFEGUARDS	
<i>Technical assistance to improve trade statistics.</i>	1
<i>Enhance knowledge and information on the United States legislation in anti-dumping, countervailing and safeguard procedures</i>	2

10. DISPUTE SETTLEMENT

The Trade Policy Office (DPC) of the Ministry of Economy (MINEC) conducts international trade negotiations in the area of dispute settlement and the Trade Agreements Administration Office (DATCO) is responsible for the implementation of trade agreements.

The GOES regards the dispute settlement mechanism as an important component of the FTAs and WTO system and as the ultimate guarantor that the parties will fulfill the substantive commitments they have made and realize the benefits they expected to derive from the WTO and FTA agreements. On disputes between state parties, the legal framework in the area of dispute settlement includes the WTO Annex 2, Understanding on Rules and Procedures Governing the Settlement of Disputes (DSU), and the dispute settlement mechanisms agreed in the free trade agreements negotiated by GOES with Chile, Dominican Republic, Mexico and Panama. In the context of the Central American Common Market (CACM), Ministers approved the Central American Dispute Settlement Mechanism on September 2002. GOES expects that this mechanism will enter into force relatively soon after the pending consultation and ratification procedures are completed.

Another important area for GOES is the development of mechanisms to facilitate and promote the use of arbitration and other alternative dispute settlement mechanisms to solve private trade controversies. El Salvador is Party to the New York Convention on the Recognition and Implementation of Foreign Arbitral Awards (signed on 10 June 1958 and ratified on 26 February 1998) and of the Inter-American Convention on International Commercial Arbitration (signed on 30 January 1975, ratified on 27 June 1980 and deposited on 11 August 1980).

The priorities in dispute settlement identified by GOES are indicated below.

II. TRADE AGREEMENT IMPLEMENTATION

PRIORITIES

1. Enhance knowledge and strengthening personnel capacity to apply dispute settlement mechanisms (through workshops, exchanges of technical experts and technical information and literature). A need in the area of human resource development and preparation both during negotiations and implementation phase was for capacity building of personnel in charge of administering dispute settlement mechanisms. GOES has limited hands-on experience in applying dispute settlement mechanisms to a particular case under the WTO or FTAs in force. The experience of other trading partners on the application of these procedures should prove particularly helpful. This item covers experiences in the practical application of the different stages of the dispute settlement mechanism (consultation, procedures before a neutral body, hearings, reports, written submissions, etc.).

2. Development and training in i) dispute settlement mechanisms in trade agreements and ii) arbitration and other alternative dispute settlement mechanisms to solve private trade controversies. GOES considers that these subjects are relatively new in El Salvador, particularly under the framework of modern free trade agreements. Therefore, better and deeper understanding of these issues is required. The objective is to make all relevant actors (lawyers, trade experts, private sector and civil society) aware and to enhance their understanding of the principles and provisions of the WTO DSU and other dispute settlement mechanisms of trade agreements signed by the GOES. GOES identified as a complementary subject the need to facilitate and promote the use of alternative dispute settlement mechanisms to solve private trade controversies.

Workshops and awareness activities directed to lawyers, private sector and civil society could be instrumental in this regard. Furthermore, private sector representatives identified the introduction of specialized courses, advanced programs and graduate degrees on dispute settlement issues in Universities and Law Schools as a critical need.

DISPUTE SETTLEMENT	
<i>Enhance knowledge and strengthening personnel capacity to apply dispute settlement mechanism.</i>	1
<i>Development and training in i) dispute settlement mechanisms in trade agreements and ii) arbitration and other alternative dispute settlement mechanisms to solve private trade controversies.</i>	2

11. INTELLECTUAL PROPERTY

Legal and Institutional Framework

The Trade Policy Office of the Ministry of Economy is in charge of defining and implementing trade policy in the area of intellectual property rights, including pre-drafting of intellectual property rights (IPR) bills, negotiation of trade agreements with provisions on intellectual property and inter-agency coordination in this subject matter. The National Registry Center —*Centro Nacional de Registros* CNR— through the Office of Intellectual Property is responsible for the administrative procedures for the registration and granting of intellectual property rights as well as promoting public awareness and use of IPRs in El Salvador. Also important in the enforcement of rights are the Special Unit against infringement of Intellectual Property (*Unidad Especial de Delitos contra la Propiedad Intelectual*) under the Attorney General Office (*Fiscalía General de la República*) and the Judicial System to hear and decide on IPR disputes and infringement cases.

The WTO Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS) became part of El Salvador's legislation through its ratification of the Marrakech Agreement. As an international treaty in El Salvador, the WTO TRIPS Agreement constitutionally takes precedence over any conflicting domestic law. The main legislation in the area of intellectual property rights is the 1993 Law (*Ley de Fomento y Protección de la Propiedad Intelectual*). The Law on Trademarks and Distinctive Signs entered into force on June 2002. The law builds on established regulations for the acquisition, registration, and protection of trademarks, other distinctive signs and geographical indications. The law also provides for special protection for well-known marks. El Salvador has adhered to the Bern Convention for the Protection of Literary and Artistic Works, the Paris Convention for the Protection of Industrial Property, the Geneva Convention for the Protection of Producers of Phonograms Against Unauthorized Duplication, the World Intellectual Property Organization (WIPO) Copyright Treaty, the WIPO Performance and Phonograms Treaty, and the Rome Convention for the Protection of Performers, Phonogram Producers, and Broadcasting Organizations.

El Salvador has negotiated trade agreements with intellectual property chapters with the Dominican Republic, Mexico and Panama. The only CACM instrument on intellectual property was the 1968 “Central American Convention for the Protection of Industrial Property,” addressing the issues of trademarks, trade names, advertising slogans or signs, appellations of origin, geographical indications and unfair competition. A protocol was signed and the convention repealed on January 1, 2000.

The GOES deems the promotion of Salvadoran creativity and enhancing public awareness to protect intellectual property rights as priorities in this area. A wide array of activities has been pursued including fairs, workshops and information sessions involving different institutions, private sector and civil society. The Intellectual Property Program under the USAID PROALCA project has been valuable in supporting these efforts.

The following areas were identified as issues where assistance is required.

I. TRADE NEGOTIATION AND PARTICIPATION

PRIORITIES

1. *Enhance knowledge and strengthen capacity to apply the latest international agreements on intellectual property rights. (through technical assistance, exchanges of technical experts, training in trading partners IPR offices, technical information and literature).* El Salvador has ratified the Treaties on copyright and related rights of the WIPO, the Copyright Treaty (WCT) and the Performance and Phonograms Treaty (WPPT) that recently entered into force.

These treaties include provisions that attempt to meet the challenges of digital technology, particularly the Internet. Enhancing capacity is needed due to the lack of experience in applying the provisions of these agreements and other areas involving new technologies in the administration and protection of intellectual property rights under the existing institutional and legal framework.

2. *Enhance knowledge and information on the United States legislation and requirements for the protection of intellectual property rights (through exchanges of technical experts and technical information and literature).* The GOES believes that information and understanding of US legislation and requirements for protection of intellectual property rights (i.e., patents, trademarks, etc) is necessary during both negotiation and particularly during the implementation of the US-CAFTA. Lack of information on the substantive requirements and procedures before US IPR authorities limits the possibility of Salvadorans acquiring and protecting intellectual property in the United States.

INTELLECTUAL PROPERTY	
<i>Enhance knowledge and strengthening the capacity to apply the latest international agreements on intellectual property rights.</i>	1
<i>Enhance knowledge and information on the United States legislation and requirements for the protection of intellectual property rights</i>	2

12. COMPETITION POLICY

Legal and Institutional Framework

Although there are sector-specific regulations to ensure that domestic markets remain competitive, El Salvador does not have a comprehensive legal framework for competition policy. GOES is actively designing and debating draft legislation to regulate competition conditions in the Salvadorian market and to establish a competition authority. However, no capacity needs are expressed at this stage.

Pursuant to article 110, there is a constitutional prohibition on monopolies. The objective of this prohibition is to guarantee free competition and protect the consumer by prohibiting monopolistic practices. The Commercial Code (Articles 489, 490 and 491) regulates matters relating to commercial activity and good practices without prejudice to the public or to the national economy. The Criminal Code (Article 232) imposes sanctions for specific conducts including price fixing, tying, imposition of unequal contract terms for transactions of the same type, discriminatory practices in respect of the movement of goods, securities or commodities, among others.

Commercial Tribunals are responsible for the imposition of sanctions, at the request of interested parties, in respect of the activities prohibited by the Commercial Code. The Office of the Attorney General may also initiate investigations in accordance with the provisions of domestic law.

El Salvador has negotiated trade agreements including provisions on competition policy with Chile, Dominican Republic and Panama. The free trade agreement with Mexico does not cover competition policy.

II. TRADE AGREEMENT IMPLEMENTATION

Enhance practical experience in the area of competition policy. The GOES believes that future exchanges of technical experts and of technical information with institutions in the US and other trading partners will be extremely beneficial particularly in the implementation phase of the US-CAFTA. GOES considers that these exchanges will become even more relevant after the comprehensive draft legislation on competition enters into force and the creation of the competition authority is approved. An ongoing project of the World Bank has supported the efforts of GOES in this area.

COMPETITION POLICY	
<i>Enhance practical experience in the area of competition policy.</i>	1

13. LABOR ISSUES

In the area of labor related issues, the Trade Policy Office (DPC) of the Ministry of Economy (MINEC), in charge of international trade negotiations, actively coordinates with the International Affairs Office of the Ministry of Labor (*Dirección de Relaciones Internacionales del Ministerio de Trabajo y Previsión Social*). The Ministry of Labor is the highest labor authority in El Salvador and defines the national labor policy. The Ministry of Labor oversees the implementation of the legal framework in force in El Salvador, including Constitutional provisions, the Labor Code and sector specific legislation, and eventually, labor cooperation agreements with trading partners.

El Salvador is an active participant in the international efforts to protect, respect and promote labor rights in multilateral fora specialized in labor issues, such as the International Labor Organization (ILO).

In the context of the Central America Common Market (CACM) El Salvador is a member of the Central American Alliance for Sustainable Development (Alianza Centroamericana para el Desarrollo Sostenible-ALIDES) created in 1994. Countries signatories of ALIDES and the United States issued an Action Plan under the initiative called CONCAUSA (Central American-United States of America Joint Accord) to provide for the strengthening and modernization of the Ministries of Labor of the region and the implementation of a broad agenda on key labor issues. Another significant project is the ongoing regional effort supported by the IDB, USAID and SIECA (*“Programa Regional de Modernización del Mercado Laboral BID-USAID-SIECA”*). This project includes the following features: promotion of social dialogue, labor security and safety, alternative resolution of labor disputes, and a regional system of information.

A series of projects have provided important support in this area. Under the Labor History and Pension Reform program, USAID is assisting the Superintendent of Pensions Unit of the Social Security Administration and the National Institute of Pensions to construct a single labor history database to transfer pensions and other benefits for workers under the old system into the new system. Also important are projects sponsored by FOMIN and executed by the Ministry on Labor on Intermediation in the Labor Market (ATN/MH 7496-ES) and the Regional Project on Modernization of the Labor Market (ATN/MH-5978-RG). A recent project under the framework of the Plan Puebla Panama is the “Information System on Labor Training” approved in July 2002.

The following topics were identified as issues where assistance is required.

I. TRADE NEGOTIATION AND PARTICIPATION

PRIORITIES

1. Enhance knowledge and strengthening personnel capacity on labor related issues. (through workshops, exchanges of technical experts and technical information and literature). A need in the area of human resource development and preparation both during negotiations and implementation phase was for capacity building of personnel in charge of labor related issues in international trade negotiations. GOES has limited hands-on experience in negotiating and none implementing agreements on labor cooperation such as those included in some regional free trade agreements existing in the Western Hemisphere. The experience of other trading countries on the negotiation and implementation of these agreements should prove particularly helpful. Technical exchanges and a comparative study of institutions and procedures used in other countries, within the framework of international trade and obligations under FTAs were identified as possible mechanisms to address this need.

2. Enhance knowledge and information on the United States labor legislation. The GOES believes that information and understanding of federal and state labor legislation in the United States would benefit both the negotiating and implementation processes of the US-CAFTA agreement.

3. *Strengthen the capacity of the Ministry of Labor to implement labor cooperation agreements.* The GOES believes that the International Relations Office of the Ministry of Labor needs to be strengthened in order to undertake implementation of obligations under labor cooperation agreements. To this end, the GOES has identified the need to enhance and strengthen human resources, technical capacities and technical/technological infrastructure. Experience of other trading partners in this area is seen as a priority with the view of developing an action plan to strengthen the capabilities of the Ministry of Labor.

LABOR ISSUES	
<i>Enhance knowledge and strengthening personnel capacity on labor related issues.</i>	1
<i>Enhance knowledge and information on the United States labor legislation</i>	2
<i>Strengthen the capacity of the Ministry of Labor to implement labor cooperation agreements</i>	3

14. ENVIRONMENTAL ISSUES

On environmental issues, the Trade Policy Office (DPC) of the Ministry of Economy (MINEC), in charge of international trade negotiations, works in close coordination with the Office of International Cooperation of the Ministry of Environmental and Natural Resources.

El Salvador is an active participant in the international efforts to better protect the environment and promote the sustainable use of natural resources in regional and multilateral fora specialized in environmental issues.

Under the framework of the Central American Alliance for Sustainable Development (*Alianza Centroamericana para el Desarrollo Sostenible- ALIDES*), created in 1994, El Salvador is pursuing several initiatives aimed at modernizing and strengthening environmental legislation and institutions. The goal of the signatories of ALIDES is to undertake all the necessary actions to ensure that economic, social and environmental policies contribute to sustainable development.

Countries signatories of ALIDES and the United States work based on an Action Plan under the initiative called CONCAUSA (Joint Declaration Central America-USA). This Action Plan promotes consultation and coordination for the adoption and implementation of policies, national legislation and standards that provide for high levels of environmental protection, conservation of biodiversity, energy development, reducing existing levels of pollution, and public awareness campaigns to strengthen sustainable use of natural resources.

El Salvador's current economic development strategy under the "*Alianza por el Futuro*", integrates environmental policies as an important component. This framework recognizes that the protection of the environment is essential to the sustainability of the economy, as well as the quality of life and health for present and future generations. The main law in El Salvador is the Environmental Law (*Ley de Medio Ambiente*), in force since March 2, 1998. Among the objectives of the Environmental Law are the following: to conserve and protect the flora and fauna, achieving cleaner air, enhancing access to safe water and sanitation services, and strengthening national capacities for integrated water resources management and for waste management. The following areas were identified as issues where assistance is required.

I. TRADE NEGOTIATION AND PARTICIPATION

PRIORITIES

1. Enhance knowledge and strengthening personnel capacity on environmental issues (through workshops, exchanges of technical experts and technical information and literature). A need in the area of human resource development and preparation both during negotiations and implementation phase was for capacity building of personnel in charge of environmental issues in international trade negotiations. GOES has limited hands-on experience in negotiating and none implementing agreements on environmental cooperation such as those included in some regional free trade agreements existing in the Western Hemisphere. The experience of other trading countries on the negotiation and implementation of these agreements should prove particularly helpful. Technical exchanges and a comparative study of institutions and procedures used in other countries, within the framework of international trade and obligations under FTAs were identified as possible mechanisms to address this need.

2. Strengthening the Ministry of Environment to implement environmental cooperation agreements: The GOES believes that the Ministry of Environment should be strengthened in order to undertake the implementation of obligations under environmental cooperation agreements. To this end, the GOES has identified the need to enhance and strengthen human resources and technical capabilities. Exchange of experiences with other trading partners in this area is seen as a way to facilitate the development of an implementation strategy.

3. *Enhance knowledge and information on US environmental legislation and regulations.* The GOES believes that increased information and an enhanced understanding of federal and state environmental legislation in the United States would benefit both the negotiating and implementation processes of the US-CAFTA agreement.

ENVIRONMENTAL ISSUES	
<i>Enhance knowledge and strengthening personnel capacity on environmental issues.</i>	1
<i>Strengthen the capacity of the Ministry of Environment to implement Environmental Cooperation Agreements.</i>	2
<i>Enhance knowledge and information on the United States environmental legislation and regulations.</i>	3

III. TRANSITION TO FREE TRADE AND ADJUSTMENTS FOR REAPING BENEFITS OF THE AGREEMENT.

In the new international economic environment, the GOES recognizes that free trade can serve as a sustainable and effective tool to combat poverty. Free trade can be a catalyst for orienting the efforts of the government's strategy and can help ensure that the benefits of free trade reach the majority of Salvadorans through the generation of better jobs and increased business opportunities.

The GOES recognizes that these opportunities and benefits can only be gained by enhancing the competitiveness of goods and firms and by improving the general business climate of the country. As such, the GOES has worked consistently to create a **National System of Competitiveness Enhancement** — *Sistema Nacional de Mejoramiento de la Competitividad* —, building upon the country's favorable macroeconomic conditions and including crosscutting efforts to increase resource productivity and market efficiency. This has implied a number of changes to the legal and institutional framework.

In order to improve the general productivity of El Salvador's resources, efforts have concentrated on the elimination of obstacles to the production and trade of goods and services, principally facilitating the ease of access to information, financial resources, capacity building and technical assistance, clustering of firms, quality and technology, and the development of efficient productive infrastructure.

Market efficiency has increased as steps have been taken to improve the business climate, through the modernization of the legal and regulatory framework; increases in the transparency of procedures relating to trade and investment; as well as through the creation of institutional mechanisms that facilitate the establishment of national and foreign investments (for example, through the operation of the National Investment Office (ONI)) and the strengthening of institutions and mechanisms related to consumer rights.

To facilitate the operation of the National System of Competitiveness Enhancement, the various efforts and initiatives set out in the government's strategy take into account the new demands of the international reality. In this sense, emphasis has been placed on two main complementary components:

The first component is that of the **Growth, Diversification and Promotion of Investments**, which operates through the following system:

STRATEGIC COMPONENTS	ELEMENTS OF THE NATIONAL SYSTEM OF INVESTMENT PROMOTION AND ATTRACTION	
ECONOMIC, SOCIAL AND POLITICAL STABILITY STRENGTHENING THE NATIONAL MARKET - strengthening competitiveness - protection and orientation towards the consumer STRATEGIC OUTWARD ORIENTATION - Economic and commercial openness - Economic Blocs (Central America and FTAs with other partners)	FRAMEWORK (POLICIES, LAWS, STRATEGIES)	MINISTRY OF ECONOMY - Investment Law - Commercial Code -Commercial Registry Law - Other laws
FAVORABLE, SECURE AND EFFICIENT BUSINESS CLIMATE - Modern legislation, investment guarantees - Intellectual Property - Competitive incentives (Free Zone law and Law of Reactivation of Exports) - Facilitation of establishment and operation of investments	FACILITATION	MINISTRY OF ECONOMY - ONI - Trade and Investment Office
	PROMOTION AND MARKETING	PROESA

<ul style="list-style-type: none"> - Access to industrial infrastructure - Improvement of “Quick Response” <ul style="list-style-type: none"> - strategic placement of the country - Efficient public services - World class productive infrastructure - Productive resources and profitable operations 	INSTRUMENTS OF SUPPORT	<ul style="list-style-type: none"> • Free Zone law • Export Reactivation Law • Tourism Law (in process) • FITEX, others
<ul style="list-style-type: none"> • EFFECTIVE AND SUSTAINABLE CAPACITY TO PROMOTE INVESTMENT • IMPROVED PERSONAL SAFETY (Coordination with Ministry of Governance and CNS) 	EXTERNAL SUPPORT	MINISTRY OF FOREIGN AFFAIRS PROESA Offices abroad

The second component is the **Growth, Diversification and Promotion of Exports**, which is in the final process of implementation. In order to face the challenge of growth, diversification and promotion of exports, the GOES, through the Ministry of Economy has designed and is putting into place a **National Competitive Export Development System**— *Sistema Nacional de Desarrollo Competitivo de Exportaciones* —, which integrates the instruments and mechanisms necessary for the development of foreign markets, as well as the development of export potential and of firm capacity.

The principles of the National Competitive Export Development System are as follows:

- **Competitive Equity (equal opportunities for firms).** This aims at overcoming obstacles that firms face as they aim for competitiveness. These include existing asymmetries, immature market conditions, restrictions due to market size, high risks associated with start-ups.
- **Public/Private Collaboration and Co-investment.** In a globalized world, competitiveness is reached only through a partnership of the private and public sector. This system aims for a cooperation and integration of public and private sector efforts, promoting herewith the participation, shared responsibility and continuity of these efforts.
- **Construction and Strengthening of Public Capacity.** The challenges of international competitiveness create new demands for services. This obligates the public and private sector to invest in services to support the business sector. In this context, the state must respond to new demands and adapt its capacity and institutions, while developing new capabilities.
- **Maximization of Scarce Resources (Public and Private).** The size of El Salvador’s economy makes clear that resources available to invest in international competitiveness are scarce. It is therefore necessary to take advantage of economies of scale, division of labor, specialization, complementarity of efforts; and to assure efficient financing and focus the provision of services, prioritizing those which will have the most impact and return to the competitiveness of public goods, such as employment and public finances.
- **Known and Shared Vision.** It is important that those that direct, execute and control the System share the same vision. It is necessary to establish goals, means and indicators for measuring performance; to establish coordination mechanisms and to maintain the direction of all the components of the System.
- **Transparency.** A main objective is to construct and strengthen credibility to maintain legitimacy. It is essential to facilitate the maximum access to information. As well it is necessary to maintain permanent systems of evaluation of the impact of support and to manage resources with care.
- **Country Leadership.** The public sector has the role of heading the international competitiveness efforts, taking on the tasks to make this possible and to open foreign markets in the quickest most effective manner.

- **Flexibility (Adaptation).** An efficient administration recognizes changes in conditions or circumstances and should respond by making necessary adjustments in order to make best use of resources. The permanent demand for new services due to the new international dynamic requires institutional flexibility.
- **Business Orientation.** The use of support instruments and of co-financing will facilitate the decision to invest when initial investments are too costly or when returns are underrated. Support instruments should be informed and promoted but the entrepreneurs should be selected through competitions.

The main components of the National Competitive Export Development System are:

a) Development of External Markets

The phenomenon of globalization is providing the impulse for increased free trade among countries and regions. Negotiations to solidify the formation of economic blocs are eliminating not only geographic and customs borders, but also the barriers to trade, whether tariff or nontariff, allowing market conditions to be improved and increasing the demand for Salvadoran products.

b) Development of Exports and Entrepreneurial Capacity

The GOES realizes the importance of systematic efforts to improve the competitiveness of products and firms. As such, the System is seeking to find a way to eliminate the basic obstacles that slow the development of production, the capacity of firms to do business, easy and opportune access to financing, to information, to training, to technical assistance, to quality, to technological innovation, and to the support infrastructure for production. The System seeks to create institutional capacity necessary to promote exports and investment.

This system has been developing in a gradual manner and responds to specific Strategic Components that are accompanied by a legal regime that facilitates its development, as well as an institutional framework that includes various public and private entities that operate under the Coordination of the Ministry of Economy. These components are set out in the table below.

STRATEGIC COMPONENTS	ELEMENTS OF THE NATIONAL COMPETITIVE EXPORT DEVELOPMENT SYSTEM	
EXTERNAL MARKET: STRENGTHENING AND DIVERSIFICATION - Taking advantage of the new international reality - Trade Negotiations - FTAs (Central America, Mexico, Dominican Republic, Panama and Chile) - FTAs in negotiations (Canada, USA) - Participation in the formation of the FTAA - WTO Agreements COMPETITIVE EXPORTS: STRENGTHENING, DIVERSIFICATION - Product diversification - Increased export volume - Increased Quick Response capacity - Strengthening of Productive and Management Capacity of Firms (Quality, Productivity, Competitiveness) - Associations for Export - Effectiveness of the Economic Infrastructure - Effective Capacity for the Promotion of Exports	FRAMEWORK (POLICIES, LAWS, STRATEGIES)	MINISTRY OF ECONOMY - Trade Policy - Trade Negotiations - Trade Agreements Administration
	FACILITATION	MINISTRY OF ECONOMY - Competitive Export Development - Trade and Investment Office
	PROMOTION AND MARKETING	EXPORT PROMOTION OFFICE (in process)
	INSTRUMENTS OF SUPPORT	<ul style="list-style-type: none"> • Export Credit Insurance • FOEX • Others
SUPPORT OF EXTERNAL NETWORK	MINISTRY OF FOREIGN AFFAIRS	

One of the main objectives of the National Competitive Export Development System is to give support primarily to MIPYMEs. Its general objective is “to create basic conditions for the support of the export efforts of the small and medium enterprises allowing them to reap the benefits of free trade.” The National Competitive Export Development System does this by integrating instruments and measures of support to the MIPYMEs so that they can meet the challenges of free trade by being competitive in the local market and by developing sufficient capacity so as to be able to export to foreign markets.

The following graphic demonstrates the main challenges confronting the MIPYMEs and the instruments and mechanisms created to support them:



CURRENT TECHNICAL COOPERATION PROGRAMS

A number of steps are already being taken in order to help the GOES achieve the objectives of the National System of Competitiveness Enhancement and the National Competitive Export Development System plans. Various programmes undertaken by the GOES and with the assistance of international and national institutions address a number of the needs addressed in this document.

The MIPYME sector is a main priority area for existing cooperation programs. The IDB, through its Multilateral Investment Fund (MIF), is carrying out a major project on the Development of Micro and

Small Enterprises (MIPYMEs) (TC-99-08-00-2). The US Agency for International Development (USAID) has also been very active in this area. Following is a description of a sample of some of the projects being financed by USAID in El Salvador. Although they were originally conceived as part of the Earthquake Reconstruction Program, the projects will be expanded to non-earthquake departments in 2003.

1. Export Promotion. Technical assistance and training will be provided to micro and small enterprises to enhance their export capabilities; strengthen the Center for the Competitiveness of the Micro and Small Enterprise (CENTROMYPE); and provide assistance to the Ministry of Economy to integrate and coordinate export promotion mechanisms such as the Export Promotion Fund. An innovative aspect of this initiative is that USAID is providing funds to establish a matching grant mechanism with the Ministry of Economy to co-finance between 50 and 80 percent of the costs for export promotion services and technical assistance. This program hopes to promote \$5 million in exports of at least 100 Salvadoran products, helping 1,000 micro and small businesses grow and create as many needed jobs.

2. Technical Assistance Fund. USAID is co-financing a Technical Assistance Fund (TAF) within the National Commission for Micro and Small Enterprises (CONAMYPE) to offer technical assistance to micro and small enterprises (MSEs) nationwide. A matching grant mechanism to support the TAF for micro and small enterprises located in the Departments most affected by the earthquakes is being implemented. The technical services being provided are intended to improve the business capability, efficiency, management, and profitability of approximately 3,475 MSEs. Through a cost-sharing arrangement, these MSEs will buy business development services from local business advisory consultants and companies.

3. Micro and Small-Artisan Development. USAID and CONAMYPE are working with aid to artisans, a US private voluntary organization, to reactivate economic activity in the country's earthquake-affected Departments by supporting and promoting artisan exports and local sales. The objective is to promote over \$1 million in domestic and export sales from the artisan craft sector, benefiting 1,000 micro and small artisans and 1,000 business service providers. The activity is also designed to build the capacity of the four recently established Artisan Development Centers (CEDARTS). The CEDARTS will provide technical assistance services, access to communications and the Internet, new design and product development support, and technical and managerial training to artisans living in the surrounding areas.

4. Strengthening Rural Microfinance Institutions. USAID has helped develop a regulatory framework, and designed and set-up the information technology systems necessary to support supervision of non-bank financial institutions (NBFIs).

Other USAID projects aimed to promote development and strengthen competitiveness in important sectors include:

Energy Policy. El Salvador has begun to privatize and restructure key aspects of the energy sector. This will lead to a more reliable and higher quality energy supply at reasonable prices. USAID projects in this area have been instrumental. USAID is supporting energy sector restructuring through the establishment of a private sector-led market and supported the Government's creation of a new Energy Department within the MINEC that is encouraging the development of affordable, privately-produced and delivered energy. USAID is also working to strengthen the energy regulatory body—Superintendent of Electricity and Telecommunications (SIGET)—so that it can establish and maintain a transparent, fair, and stable energy regulatory structure.

Tax Administration. In September 2001, USAID sponsored a study on tax administration to identify legal, administrative and technological constraints to tax collection, and provided recommendations on how to increase revenues. In 2002, USAID launched an effort to assist the Ministry of Finance to increase voluntary tax compliance and tax revenues; improve audits of key enterprises; and promote sound fiscal policy by broadening the tax base.

PRIORITIES FOR FUTURE TECHNICAL ASSISTANCE

In its continuing efforts to enhance the competitiveness of Salvadorans firms, the GOES has identified a number of areas as requiring priority attention in the quest to achieve the objectives of the National System of Competitiveness Enhancement and the National Competitive Export Development System. These points apply to all Salvadoran firms, but particularly to the MIPYMEs, as they undertake the transition towards freer trade.

- **Development of human resources, of productive capacities and science and technology.** For El Salvador to be competitive internationally with technologically robust products and firms, there is a need to develop a knowledge-based economy. This requires, as a critical condition, the training of highly qualified and competent human resources.

To this end, there is a pressing need to establish mechanisms for the transfer of technology, training and capacity building that promote the development of entrepreneurial capacities in the short, medium and long term. This includes, among others: advanced degrees on trade, international business and administration; programs on export promotion and other related areas; and, strengthening of other areas linked with production activities such as industrial and chemical engineering.

In the short term, the priority area is that related to technical vocational training. In the medium and long term there is a need to strengthen the segment of professionals responsible for the design, production and commercialization of high value added products. This type of training not only provides inputs to existing firms and foreign companies established in the country, but also will facilitate the development of the innovative capacity of El Salvador's industry.

Regarding the development of science and technology, a special effort is required for the implementation of a System for Technological Innovation that provides equality of opportunities to the Salvadoran entrepreneur in the implementation of research and development processes. The lack of mechanisms –public and private—to facilitate these processes is evident in El Salvador. The components of the proposed System, identified by previous consultancies, would be the following: an extension system; an innovation fund; and the creation of a community of government officials and entrepreneurs educated on these issues. The expected result of the implementation of the system includes: the strengthening of the firm-university relationship; the development of centers and institutions dedicated to research and technological adaptation and application; the effective link between innovation activities and productive activities; the development of a segment of researchers with a high level of education that would help strengthen, through practical applications, the productivity, the quality and the competitive capacity of the firms; the design of programs to facilitate the quality certification of products.

In the context of the strengthening of competitiveness, quality and productivity are issues of vital importance that result from technological innovation and the adequate know how. In this case, there are two important components for the promotion of both conditions in the industrial and services sectors of the country: one is the culture of quality and, the other, the appropriate knowledge to ensure that this becomes an ongoing effort that persists in the future. This requires special efforts that should result in the strengthening of professional capacity that will promote the development of quality management and the establishment of a new culture of quality.

- **The development of practical co-financing instruments for the private sector (Matching Grants)**
 - Strengthening of the Fund for the Promotion of Exports (*Fondo de Fomento a las Exportaciones FOEX*)
 - The creation of the Technological Innovation Fund (*Fondo de Innovacion Tecnológica FONTEC*) for the local and export markets.
 - *FAT-MYPE*
 - *BONOMYPE*

- **The permanent improvement of the business climate.** This is related to the permanent effort to identify and eliminate the barriers to productive development and entry into markets; the design of policies and strategies and the creation, implementation and strengthening of instruments and mechanisms in support of the productive sector oriented towards the improvement of competitiveness (intellectual property, strengthening competition, among others).
- **Strengthening of the institutional capacity that provides services in support of the entrepreneurial sector (public and private), particularly of the exporter.** This includes the strengthening of the institutional and operative components of the System of Competitive Export Development such as the Unit of Competitive Intelligence, the Trade Point, the INFOCENTROS network, CENTROMYPE and CONAMYPE.
- **Strengthening the culture of clusters particularly for exports.** One of the main obstacles for taking advantage of the benefits of free trade is the limitation in the number and volume of export products in the country. The objective is to continue the efforts that have been developed with the micro, small and medium sized firms to organize clusters with emphasis on creating a culture that recognizes the advantages and benefits of operating in a cooperative manner to export.
- **Development, promotion and measurement of competitiveness.** This includes the consolidation of a new national statistics system; the identification and continuous measurement of critical factors for the improvement of competitiveness; the establishment and continuous measurement of competitiveness indexes; and the analysis of the measurable advances in specific sector and in the economy as a whole.

Specific needs particularly relevant to the MIPYMEs, the sector regarded as having the highest priority for cooperation programs geared towards facilitating the transition to free trade, have been identified by the GOES for the period 2002-2004. Following is a table that summarizes the needs that have been identified in the context of the Integral System of Competitive Development and Export Promotion.

NEEDS 2002-2004

PRIORITY AREA	TYPE OF SUPPORT	SUPPORT REQUIREMENTS FOR PYMES
National Statistics System	Human Resources And Institutional Capacity Strengthening	<ul style="list-style-type: none"> • Strengthening capacity of human resources • Technical assistance to management and technical personnel • Data bases and hardware
Business Intelligence	Strengthening Capacity And Expansion of Human Resources	<ul style="list-style-type: none"> • Technical assistance in modern R&D methods and systems • Creation, development and monitoring of Salvadorian competitive indicators • Evaluation of El Salvador's competitiveness conditions and recommendations • Acquisition of data bases
Quality, Productivity and Technological Capacities	Strengthening Capacity of Human Resources And Services Offer	<ul style="list-style-type: none"> • Training to PYMEs to strengthen management capabilities and practices (medium and management levels) • Strengthening the culture of quality • Technical assistance to strengthen human resources and quality standards in PYMEs • Training in design, production methods, quality, logistics, electronics, etc.

Technological Innovation		<ul style="list-style-type: none"> • Linkages to universities and technology institutes to increase the technological capacity of El Salvador • Access to innovation infrastructure in the United States (hard and soft technologies) • Support for the establishment of the “Universidad Empresarial”
Export Promotion Agency	Strengthening Capacities in Specialized Issues to Benefit from Free Trade	<ul style="list-style-type: none"> • Enhanced understanding of US import requirements through contacts with FDA and Customs representatives • Access to statistics of interest to exporters • Assistance to ensure equal opportunities in access to: credits, insurance, risk capital, technological innovation.
Trade Point	Strengthening to Improve Services to Clients	<ul style="list-style-type: none"> • Strengthening personnel capacity • Acquisition of data bases • Assistance in import procedures in main trading partner markets through internships
Trade Promotion	Trade Facilitation	<ul style="list-style-type: none"> • Linkages between PYMEs and companies in the US to increase trade and promote strategic alliances • Specialized training in marketing in the United States
Business Environment	Strengthening of Transparency	<ul style="list-style-type: none"> • Understanding of US competition policy • Training on the legal aspects of the free trade process

Finally, within the context of the National Action Plan, various technical assistance needs were identified that fell into the ambit of elements necessary to help El Salvador’s firms, particularly the MIPYMEs, transition to freer trade, and to assist them in reaping the benefits from this transition to more open trade with their main trading partner. Most of these elements identified apply to all Salvadoran firms, as they aim to reach the objectives set out in the National System of Competitiveness Enhancement and the National Competitive Export Development System, but some are oriented particularly to the MIPYMEs, as they undertake the transition towards freer trade. Several specific needs have been identified during this preliminary stage of the National Action Plan. Although these needs will generally require further elaboration, and will be carried out as part of a larger development strategy, they have been broadly categorized and described below.

a. Development of Infrastructure

1. Strengthening of CONACYT’s capacity for accreditation of laboratories and certification and inspection bodies. This was identified as a significant need, particularly in the area of sanitary and phytosanitary measures. Having the capacity to accredit laboratories in sectors of importance to El Salvador will enable El Salvador to more effectively and efficiently take advantage of opportunities resulting from the increased access to foreign markets resulting from the implementation of free trade agreements.

2. Enhancing the capacity of the Legal Metrology Laboratory. The greatest need in the area of information technology and equipment was the strengthening of the legal metrology laboratory in trade-related activities, including through enhancement of equipment and the provision of reference standards. The accurate assessment of weights and measures is an important component of trade and competition, and proper legal metrology capacity is seen as essential in enabling El Salvador’s exporters to sell their goods abroad.

3. Technical assistance to establish and develop mechanisms and credit schemes and other rural financial programs (agricultural insurance and/or strategic investment plans, microcredits, etc.). This would be done with the national banking and financial system (banks, credit unions) and with the help of the MAG.

4. *Strengthening and decentralization of technical laboratories.* The need was expressed for plant, equipment and technical capacity for El Salvador's testing laboratories. This includes validation and improvement of laboratories to carry out analysis of residues, pesticides, microbes and others with the objective of achieving a strong food safety certification system for products for sale in the internal market and for export. Equipment needs already identified include a high performance liquid chromatograph and related accessories, as well as training in the use of such equipment.

b. Strengthening of human resources

1. *Develop a program aimed to the strengthening of technical, educational innovation and manufacturing capacity of the private sector, particularly the MIPYMEs.* This would include the identification of technical education programs and the establishment of mechanisms and institutions that will sustain and extend this knowledge and educational mechanisms.

2. *Regular and ongoing exchange of technical expertise in quality assurance with key institutions in the United States.*

3. *Assistance in techniques for handling of fruits and vegetables for export.* The need was expressed for assistance in the handling, transport, and packaging of fruits and vegetables for export. This would need to follow the concept of "from the ground to the nearest seller". This would consist of 3 to 6 seminars for industries and producers.

4. *Capacity building in Manufacturing Best Practices (MBP).* Training in manufacturing best practices in was identified as essential to strengthen El Salvador's capacity for inspection capacity in Hazard Analysis and Critical Control Point (HACCP).

5. *Exchange of research and technical expertise for the development of phylogenic material for fruits/vegetables/grains.* This would include the establishment of conventions among research institutes to realize studies in fruit, vegetable and grain production.

6. *Development and training in the use of an information system for SPS requirements.* Strengthening of an information system designed to administer quarantine operations at the border.

c. Benchmarking of competitiveness in major export markets

1. *Cooperation of international institutes or entities specialized in marine study.* Cooperation with institutes specialized in marine study (such as, for example, the Smithsonian Institute) was targeted as a need. Such institutions could assist in preparation and development of projects to assess the marine coasts as potential continental waters, for use in tourism or fishing as a means of generating employment.

2. *Identification of potential areas for the growth of forest products.* This would include production potential and market assessments for potential for medicinal, industrial, energy or agricultural use. The study should include a component on forest administration for industrial use as well as conservation.

3. *Set up value added chains for fruits/vegetables/fish and agriculture products for export to United States.* Such a project would help the productive conversion of subsistence farming to take advantage of the foreign market for small producers. The project would include setting up production, processing and services chains, along with promotion of these products in foreign markets.

4. *Assistance in strengthening food safety programs, HACCP programs and Good Manufacturing Practice (GMP) programs.* The GOES recognizes the need to implement sound food safety programs at the national level in order to be able to carry out trade obligations and be competitive.

5. *Exchange of technical experts from both the private and public sector in the areas of inspection, control and quarantine administration.* Such a programme would help enhance the understanding of practices used in partner markets, serve for transfer of technical knowledge and provide opportunities for exchange of ideas and learning by doing in the area of sanitary and phytosanitary measures.

d. Maximizing benefits of trade agreements for the private sector (e.g., development of export promotion with emphasis on small and medium enterprises, and investment attraction programs).

1. *Strengthen Institutional Export Promotion Programs for MIPYME.* Such programs will build partnerships with foreign partner's private and public institutions to strengthen Salvadoran export promotion programs through access to experts and programs. This program would include technical assistance for MIPYMEs to help firms access global markets, devise new market entry strategies and improve their competitiveness; the strengthening of institutional facilities; access to statistics and market intelligence; financial assistance for training and technological innovation; and marketing and promotion activities.

2. *Strengthen Institutional Investment Attraction Programs for MIPYMEs.* These programs would aim to build partnerships with foreign partner's private and public institutions at the federal and/or state level to strengthen Salvadoran investment attraction programs through access to partner's experts and programs.

3. *Programmes to expedite MIPYMEs exports to the US market.* Develop a 3 to 5 yearlong programs directed at small groups of SME's in a number of sectors (agriculture, industrial and services) that will enable them to export their product to the US within a year. Also, develop a communications program that will form part of this effort to communicate to the public the benefits of free trade.

4. *Creation of a Trade Primer for the private sector.* This manual would serve to explain trade requirements (for example, technical regulations and standards, sanitary and phytosanitary measures) at the federal and subfederal levels in partner country markets in an accessible manner for potential exporters in various sectors. The private sector has identified seventeen products of particular interest: honey, rice, preserved meats, alcoholic beverages, shrimp, ornamental plants, soft drinks and juices, milk and milk products, poultry parts, roasted coffee and extracts, beef, pork, fish, fruits, sugar (crude and refined), candy and snacks.

5. *Transfer of equipment and knowledge for the enhancement of risk assessment systems in potential zones.* This could include a field study to assess the degree of assistance needed.

Annex I.

Visita Misión del Grupo de Donantes para la
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San Salvador, 22 – 25 de octubre de 2002

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