# GENERAL AGREEMENT ON

# TARIFFS AND TRADE

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## ACCESSION OF EL SALVADOR

Questions and Replies to the Memorandum on Foreign Trade Régime (L/6391)

In a communication dated 30 November 1988 circulated as L/6440, the Government of El Salvador applied for accession to the General Agreement pursuant to Article XXXIII. At its meeting on 20 December 1988, the Council set up a Working Party to examine El Salvador's application for accession. The terms of reference of the Working Party are reproduced in document L/6508. In GATT/AIR/2698 contracting parties were invited to submit questions in writing concerning the foreign trade régime of El Salvador. The questions submitted by contracting parties in connection with El Salvador's foreign trade régime and the replies thereto provided by the Salvadorean authorities are given below. Questions received at a later date will be answered at the meeting of the Working Party.

Delegations wishing to raise additional questions concerning El Salvador's foreign trade régime might inform the delegation of that country (with a copy to the secretariat) of such questions in advance of the meeting of the Working Party, so that considered replies can be made available by El Salvador to members at the time of the Working Party meeting.

<sup>&</sup>lt;sup>1</sup>The Annexes listed on page 3 are available for consultation in the secretariat (Development Division, Room 2010).

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#### ANNEXES

- 1. Legislative Decree No. 385, of 30 November 1989, eliminating exemptions.
- Resolution No. 224, of 18 September 1989, amending the C.A. Import Tariff.
- 3. Legislative Decree No. 383, of 30 November 1989, amending Part III.
- 4. Resolution No. 111, of 15 April 1988, preferential duties of 20-60 per cent of the C.A. Tariff.
- 5. Resolution No. 154, of 1 June 1988, preferential duties of 5 per cent for maize.
- 6. Resolution No. 164, of 8 June 1988, preferential duties of 1 per cent for rice.
- 7. El Salvador: Breakdown of trade subject to the uniform, differential and autonomous tariffs of the Central American Import Tariff, January-September 1989.
- 8. Method of working out the formula of effective protection.
- 9. Legislative Decree No. 183, of 8 February 1989, abolishing the selective consumption tax.
- 10. Monetary Board Resolution No. J.M. 20/89, of 31 July 1989, on exchange measures.
- 11. Monetary Board Resolution No. J.M. 2/88, of 20 January 1988, eliminating prior deposits.
- 12. Legislative Decree No. 295, of 27 July 1989, replacing the Ministry of Foreign Trade by the Ministry of Economic Affairs.
- 13. Payments Convention signed between El Salvador and Costa Rica, of 10 September 1987.
- 14. Tela Agreement, of 8 April 1987.

# REPLIES TO THE QUESTIONS SUBMITTED BY CONTRACTING PARTIES CONCERNING THE MEMORANDUM ON FOREIGN-TRADE REGIME (DOCUMENT L/6391)

#### **General**

## Question 1

Why has El Salvador applied for provisional rather than full membership of the GATT? Does it intend to pursue full membership at an early date?

## Reply

El Salvador changed its request for provisional membership to a request for full membership of the General Agreement in order to comply with Article XXXIII of the General Agreement, as indicated in GATT document L/6440 of 8 December 1988.

### Question 2

What are El Salvador's intentions re acceding to MTN Codes?

#### Reply

El Salvador intends to accede to the MTN Codes in so far as they are compatible with its national economic policy.

## Section 3.1.2(A), pages 17/18: financial flows for the private sector

# Question 3

Would El Salvador specify what local content requirements are used as criteria to determine eligibility for production incentives?

## Reply

No local content requirements have been defined for the grant of production incentives. In the past these have been granted according to the laws governing the specific production activity to be encouraged; however, these laws have been repealed (Annex 1, Legislative Decree 385 of 30 November 1989).

#### Question 4

Does El Salvador intend to accede to the Harmonized Commodity Description and Coding System (HS)? If so, what timetable is envisioned in this regard?

Yes, El Salvador intends to accede to the Harmonized System as rapidly as possible following accession to the General Agreement.

## Section 6.1.1.1 (i), page 38: exemptions from duties

#### Question 5

Could El Salvador provide clarification on items referred to under points 2, 3 and 5 of this Section?

#### Reply

#### Second indent:

- (a) Goods covered by Conventions of the Central American Common Market (CACM):
  - Under Article 3 of the General Treaty on Central American Economic Integration, the States parties grant each other free trade for all products originating in Central American countries.
- (b) Existing bilateral conventions:
  - Goods covered by the Bilateral Trade Treaty with Honduras; and
  - Treaty of Free Trade and Preferential Treatment with Panama.
- (c) Goods covered by international conventions:
  - Construction vehicles, machinery and equipment (for housing, roads, bridges), agricultural machinery and equipment.

#### Third indent:

Goods covered by national laws relating to purposes or activities other than manufacturing. However, these laws have been repealed (Annex 1, Legislative Decree 385 of 30 November 1989). Consequently, the goods previously covered by these laws will pay the corresponding customs duties.

## Fifth indent:

Goods for duly determined activities as authorized by the Central American Tariff and Customs Council. There is no classification of such goods, and to date the Council has not authorized any exemption.

#### Question 6

Could El Salvador also provide specific examples of types of products to which it has granted exemptions in the past under Article 21 of the Central American Customs and Tariff Convention?

The types of products to which this question refers are explained in the previous reply, and in some specific cases are mentioned in Annexes Nos. XXXVII and XXXVIII to document L/6391.

## Section 6.1.1.1 (j), page 38: modification of customs duties

### Question 7

Could El Salvador give further details of the modifications in tariffs which it has recently implemented? To which document does Annex A refer?

#### Reply

Two tariff changes have recently been made:

(a) The first is provided for in Resolution No. 224 of the Ministries of Economic Affairs and of Finance dated 18 September 1989 and published in the Official Gazette No. 171 of that same date. Besides including the tariff changes made prior to its adoption, the Resolution introduces changes in other tariff headings listed in Parts I and II of the Customs Tariff. Resolution 224 modifies 412 items, in the great majority of cases in the form of a percentage reduction in import duties (Annex 2, Resolution No. 224 of 18 September 1989).

The second is contained in Legislative Decree No. 383 of 30 November 1989, introducing modifications to Part II of the Central American Import Tariff by reducing import duties on a large number of headings (Annex No. 3).

(b) The document to which Annex A refers is the Central American Import Tariff, which is one of the instruments constituting the Central American Customs and Tariff Convention.

## Section 6.1.1.1 (1), page 39: safeguards

#### Question 8

Do these safeguard measures apply both to contracting States of CACM and to countries outside the Central American region?

#### Reply

They do not only apply to imports from countries outside the Central American Common Market.

#### Question 9

Are there cases where contracting States may be exempted?

#### Reply

It is possible for a Member State of the Central American Common Market to be exempted. This case arises when a consensus is under consideration in the Customs Council and at least three States parties vote in favour, in which case those States are so bound.

## Question 10

The Memorandum states these safeguard measures may be applied for not more than thirty days. Can this thirty-day period be extended? If not, how soon can safeguard actions be reintroduced on similar products?

#### Reply

The thirty-day period can be extended only in the following cases:

- where the Council cannot reach a decision within the thirty-day period, in which case it is automatically extended;
- 2. where the Council authorizes extensions.

## Question 11

What is the nature of the decision taken by Council in this area?

## Reply

The Council's decision is binding on the signatory countries that vote in favour of it, provided that at least three countries have so voted in favour.

## Question 12

Has El Salvador applied these safeguard provisions in the past? If so, cite concrete examples.

## Reply

Yes, it has applied safeguard provisions in the past. Examples are: Resolution No. 111 of the Ministries of Economic Affairs and of Finance dated 15 April 1988, authorizing imports of equipment, final goods and inputs intended for the reconstruction of the city of San Salvador and adjoining areas that were severely damaged by the earthquake of 10 October 1986 (Annex 4, Resolution No. 111 of 15 April 1988).

Resolutions Nos. 154 and 164, dated 1 and 8 June 1988, authorizing imports of rice and yellow maize with 1 per cent and 5 per cent of tariffs respectively, on account of the shortfall in supply caused by the drought (Annexes 5 and 6, Resolutions Nos. 154 and 164 of 1 and 8 June 1988, respectively).

## Section 6.1.1.2, page 39: customs valuation system

#### Question 13

It is stated that the features of the customs valuation legislation of the Tariff and Customs Convention (Central America) are substantially those of the Brussels Definition of Value. In what ways does this legislation differ?

## Reply

It differs only in terms of form, drafting or clarification.

### Question 14

In the case of a dispute on customs valuation in what circumstances may an importer go beyond the final administrative level? Are there time-limits set for dealing with complaints and appeals?

## Reply

Whenever the importer is notified or has evidence that owing to customs valuation discrepancies the imported product cannot leave customs. The hierarchical levels for resolving a problem of this kind are the following:

- (1) Director-General of Customs Receipts;
- (2) National Committee on Customs Valuation.

The time-limit for the Director is thirty days; in the case of the National Committee on Customs Valuation, the case must be referred to it, through the Director of Customs, within ten working days following the notification in question or the expiry of the time-limit for the Director of Customs to resolve the matter.

## Question 15

Are customs valuations performed exclusively by Government custom officials or does El Salvador also employ the services of specialized inspection enterprises?

#### Reply

Customs valuations are performed by customs officials. In exceptional cases, specialized enterprises or persons are asked for information or advice.

# Section 6.1.1.3, page 42: The Central American Uniform Customs Code and its Regulations

## Question 16

Have the draft texts on the Central American Uniform Customs Code and its regulations been approved by the Central American Tariff and Customs Council?

#### Reply

Neither the Central American Uniform Customs Code (CAUCA) nor its Regulations (RECAUCA) have yet been approved by the Central American Tariff and Customs Council

## Question 17

Will the text of the Code and related regulations be made available for the information of the contracting parties?

#### Reply

Both instruments, in their present state, may be made available to contracting parties on request. After they have been adopted by the Council, arrangements will be made to distribute them officially.

## Question 18

Is El Salvador prepared to implement provisions of the Code immediately upon its approval?

#### Reply

Yes.

#### Question 19

Have texts of the Central American Uniform Customs Code been approved?

# Reply

No.

## Section 6.1.2.1: Central American Import Tariff (d) page 43: Tariffs

## Question 20

Are uniform tariff rates contained in Part I of the Convention bound among contracting States?

#### Reply

Yes.

#### Question 21

Will El Salvador bind all tariff items under the GATT? It not, will El Salvador negotiate on particular tariff items in Parts I, II and III of its Tariff Schedule?

## Reply

No, El Salvador will negotiate on specific items included in any of the three parts of the Central American Customs and Tariff Convention.

## Question 22

To what extent will El Salvador's membership in CACM restrict its ability to enter into tariff negotiations on items listed in Part I of the Convention? For example, we note that under the Treaty on Central American Integration, El Salvador undertakes not to grant exemptions from or reductions in customs duties on imports from outside the area on articles produced in contracting States.

#### Reply

In no way whatsoever, since the integration instruments in question contain procedures whereby any of the contracting parties of the Central American Common Market can conduct tariff negotiations on items of interest to it.

#### Question 23

What percentage of El Salvador's total tariff is represented under Parts I, II and III respectively?

#### Reply

Until 31 May 1989, the percentages of the Central American import tariff were as follows:

```
Total tariff 1,863 headings = 100 per cent
Part I 1,675 headings = 89 per cent
Part II 92 headings = 5 per cent
Part III 106 headings = 6 per cent
```

However, in line with the opening up of El Salvador's economy and tariff reductions based on the reforms introduced in September and December 1989 (Annexes 2 and 3), the proportions were modified as follows:

```
Total tariff 1,852 headings = 100 per cent
Part I 1,686 headings = 91 per cent
Part II 93 headings = 5 per cent
Part III 73 headings = 4 per cent
```

## Question 24

Could El Salvador give a breakdown of its trade subject to both uniform tariffs, differential tariffs in the Central American Import Tariff. In addition the share of trade on which tariffs are left to the discretion of each contracting party?

# Reply

The breakdown by value, volume and percentage is given in Annex No. 7.

## Question 25

What is the average negotiated tariff on end-products? Could more detail be given in the formula for establishing tariffs set out in the Memorandum on page 44?

#### Reply

The average negotiated tariff on end products is 5 per cent for goods not produced in the CACM, and 40 per cent for goods produced in it.

With regard to the formula used for establishing tariffs, owing to a typing error the formula set out in the Memorandum on page 44 does not properly show the position of the variables used. The correct presentation of the formula is as follows:

$$t_{i} = G_{i}(V_{i}/P_{i}) + t_{i} \{ 1 - (V_{i}/P_{i}) \} (1)$$

Which is identical or equivalent to:  $t_j = G_j (V_j/P_j) + t_i (I_j/P_j)$  (1')

The meanings of the terms or symbols used is as follows:

- $G_{i}$  = Degree (percentage) of effective protection of good "j"
- t; = Real tariff for final good "j"
- t; = Real tariff for inputs (i) used in the production of good "j"
- (t, and t, are real tariffs because they include exemptions and surcharges)
- V; Value added of good "j"
- I; = Value of imports incorporated in good "j"
- P = Gross value of production of good "j"
- $(V_{\cdot}/P_{\cdot})$  = Coefficient of the ratio of value added to gross value of production

 $(I_{i}/P_{i})$  - ratio of value of inputs to gross value of production.

The (equivalent) formulas or equations (1) and (1'), are derived from the corresponding specific formulas for effective protection used in the preparation of the Central American Tariff, namely:

$$G_{j} = \frac{t_{j} - t_{i} \{ 1 - (V_{j}/P_{j}) \}}{(V_{j}/P_{j})}$$

Which is identical or equivalent to:

$$G_{j} = \frac{t_{j} - t_{i} (I_{j}/P_{j})}{(V_{j}/P_{j})}$$

It is easy to see that (1) and (1') are merely simply algebraic transformations of (2) and (2') respectively.

Which is equivalent to:  $G_{j} = \frac{(W_{j}/P_{j}) - (V_{j}/P_{j})}{(V_{j}/P_{j})}$ 

Where:

 $G_{j}$  = Degree (percentage) of effective protection of good "j"

W; = Value added of good "j" under protection

 $V_{ij} = Valu$  added of good "j at world prices

(W./P.) = Percentage coefficient of value added under protection of good "j"

(v,/P,) = Percentage coefficient of value added at world prices of good 'j"

The algebraic procedure for the transformation of equations (3) and (3') into forms (2) and (2') are given in Annex No. 8.

## Question 26

Is it envisaged that the tariff ceiling under the Central American Tariff and Customs Convention will be lowered from 100 per cent?

Yes, and tariff reductions have already been made: they are contained in Resolution 224 and Legislative Decree No. 383 mentioned above (Annexes 2 and 3 respectively).

### Question 27

What are the criteria used to determine "not manufactured" and "manufactured" in the area?

#### Reply

The criterion used to determine whether products are manufactured or not manufactured in the Central American region is that of originating products as establishing in the General Treaty of Central American Integration.

## Question 28

Can products be classified differently depending on their end use?

## Reply

No, in the tariff structure the text of the breakdown avoids classifying products according to their end use. However, in very exceptional cases the tariff description includes the end use of some goods.

## Question 29

How are these changes notified?

#### Reply

In view of the preceding reply this circumstance cannot arise.

# Section 6.1.2.2, page 45: selective consumption tax

## Questions 30-35

What is meant by "products manufactured in El Salvador in adequate conditions as to quantity, quality and price"?

Can El Salvador provide more details on the rate structure as applied to particular product groups?

Is the selective consumption tax imposed on both domestically produced and imported products?

What GATT justification can El Salvador provide for maintaining differential taxes in relation to domestic products on the 43 tariff headings referred to in the Memorandum?

Are CACM countries exempted from this tax?

Will El Salvador commit to removing this tax on or before the expiry date of 31 December 1989?

#### Reply

Questions 30 to 35 concerning the selective consumption tax have become irrelevant since the tax was abolished (Annex No. 9, Legislative Decree No. 183 of 8 February 1989).

# Sections 6.1.2.2, 6.1.2.3, 6.1.2.4 and 6.1.2.5: taxes, special levies and consular fees

El Salvador's system of import levies includes selective consumption tax, sales tax, special levies on alcoholic beverages, and consular fees of which there are numerous exceptions.

#### Question 36

How does the country plan to simplify this régime following its accession to the GATT?

## Reply

The country has begun a process of simplification of the tax system affecting imports under which, as mentioned above, the selective consumption tax has been abolished, modernization of the sales tax is being studied and consular fees have been simplified by subsuming them into the levies charged by the customs.

## Question 37

Will these import charges be phased-out or incorporated into a negotiated tariff schedule?

#### Reply

In accordance with national economic policy, some charges and other measures affecting imports are gradually being eliminated. For the time being the country has not considered incorporating them into a negotiated tariff schedule.

## Question 38

According to Section 6.1.2.3 of L/6391, the Supply Control Institute, under its statutes, is empowered to regulate prices of imported milk

powder. However, it is unclear from the El Salvador Memorandum whether the price for imported milk powder is currently regulated. Could El Salvador inform the Working Party whether the price for imported milk powder is currently regulated? If the price for imported milk powder is being regulated, would El Salvador explain the reasons for such regulation and the criteria used by the Supply Control Institute in determining the price for imported milk powder?

## Reply

At present the price of milk powder is not regulated except in the case of milk which is imported and distributed by the Government through the Supply Control Institute.

The Institute regulates milk prices because this item is part of the basic basket of consumer goods; the purpose is to protect low-income consumers.

# Section 6.1.3.2. (b), page 52: general controls and requirements on imports

#### Question 39

Which body establishes priorities for approving import applications and allocating foreign exchange?

#### Reply

The body which establishes priorities for approving import licences is the Monetary Board. The Central Reserve Bank of El Salvador is responsible for allocating foreign exchange, but with the liberalization process import priorities have been abolished. Authorization has been delegated to the banking system for roughly 90 per cent of foreign exchange, and its payments are covered by resources from the banking market; only 10 per cent continues to be authorized by the Central Bank. As from 1990, the commercial banks will authorize 100 per cent.

## Question 40

Are there still import protection measures in force for balance-of-payments reasons?

## Reply

By Resolution No. J.M.-20/89 of 31 July 1989 the Monetary Board eliminated most import restrictions for balance-of-payments reasons (Annex No. 10).

## Question 41

Article 24 of Decree Number 146 governing foreign exchange transfers stipulates that a foreign exchange permit must be issued by the Central

Bank Reserve prior to any import of goods. Under what conditions would the Central Bank Reserve refuse to grant an import permit?

#### Reply

Under no conditions, provided the requirements established by the Central Reserve Bank are fulfilled, such as submission of the Import Licence Application Form (F-10); presentation of the Tax Identification Number (NIT) and of the pro forma invoice or order; and the provisions of Article 27 of the Regulations. There are also the cases of administrative controls for reasons of health, protection of the environment, strategic military grounds, etc.

## Question 42

Has the elimination of the prior deposit of 25 per cent on deposits scheduled for 31 December 1988 been carried out?

#### Reply

The prior deposits on the c.i.f. value of imported goods established under Monetary Board Resolution No. 2/86 of 21 January 1986 were gradually phased out as provided for in Monetary Board Resolution No. 2/88 of 20 January 1988 (Annex 11).

## Section 6.2.3: export incentives

# Question 43

Does El Salvador consider that its export incentive programmes, outlined in Section 6.2 of L/6391, are fully consistent with the requirements of GATT Article XVI, and if so, for what reasons?

#### Reply

El Salvador considers that the export incentive programmes are consistent with the provisions of Article XVI of the General Agreement, for the following reasons:

- (a) The incentives are especially aimed at manufactured products and not primary products as established in Annex I, Notes and Supplementary Provisions, Ad. Article XVI, paragraph 2;
- (b) The incentive policy of El Salvador, as a developing country, is aimed at encouraging export products, with a view to making them more competitive on world markets;

- (c) The economic liberalization policy that has been pursued in El Salvador since June of this year follows, in general terms, the GATT principles and objectives:
- (d) El Salvador's incentive policy falls within the framework of special and differential treatment for the developing countries;
- (e) As a member of the Central American Common Market, El Salvador is implementing integration policies that are recognized by GATT provisions.

Furthermore, the Export Promotion Law, in which it is sought to include incentives and other support measures for exportable products, is currently being revised.

#### Section 6.2.3.1(f): free zones

## Question 44

What is the customs régime applicable to "free zones"?

#### Reply

According to the Regulations on the grant of incentives of the Customs Régime, Chapter III, Article 16, "the customs régime applicable to operations carried out under the Law in Free Zones or Fiscal Enclaves shall be governed by the provisions of the Law and of these Regulations, and where not otherwise provided for by the "Regulations on the form and presentation of customs documents at customs offices and on customs agents, and the directives on these matters issued by the Executive Branch in the areas of foreign trade and finance".

# Section 6.3.1, page 59: measures against unfair trading practices

## Question 45

Has El Salvador used Articles 25 and 26 of the Central American Tariff and Customs Convention in the past?

#### Reply

Only Article 26 has been used for the application of safeguards; some specific cases are mentioned in the reply to question 12.

## Question 46

What are the procedures for taking measures against unfair trade practices? Does El Salvador intend to apply GATT provisions on dumping and

<sup>\*</sup>The functions of the Ministry of Foreign Trade have been taken over by the Ministry of Economic Affairs (Annex 12, Legislative Decree No. 295, 27 July 1989).

countervailing measures since some of the implementing regulations seem at odds with existing GATT provisions?

#### Reply

With regard to the first question, the procedures are set forth in Chapter 25 of the Central American Tariff and Customs Convention and its Regulations.

With regard to the second question, El Salvador will proceed in accordance with the provisions of GATT Article VI in so far as they are consistent with domestic legislation.

## Question 47

Does El Salvador consider that its dumping and countervailing duty provisions, as outlined in Section 6.3 of L/6391 are fully consistent with GATT Article VI? If so, on what basis?

## Reply

No, they are not fully consistent.

## Section 6.3.2.1, page 16: government procurement

## Question 48

Are foreign as well as domestic suppliers eligible to bid on invitations to tender?

#### Reply

They are not equally eligible. Preference is given to local products, and secondly to products from Central American countries. In other cases the origin of the funds to be used for making the purchase is considered.

## Question 49

Has El Salvador established a threshold value under which contracts are not subject to tendering procedures outlined in the Memorandum?

#### Reply

There is no threshold value. Article 11 of the Supply Act which applies to government institutions stipulates that "for any purchase of goods, the procuring entity shall encourage competition among possible sellers and award the contract to the best offer".

#### Question 50

Can El Salvador specify what share of total government procurement in recent years was done through open, selective, and single tendering, respectively?

The following table shows the tendering procedures used in recent years:

|     |                     | May 86/<br>April 87<br>No. Z | April 87/<br>March 88<br>No. Z | April 88/<br>March 89<br><u>No. 2</u> |
|-----|---------------------|------------------------------|--------------------------------|---------------------------------------|
| (a) | Open tendering      | 111 42                       | 115 50                         | 117 5                                 |
| (b) | Selective tendering | 152 58                       | 113 50                         | <b>91</b> 3                           |
| (c) | Single tendering    |                              |                                | 26 1                                  |
|     | TOTAL               | 263 100                      | 228 100                        | 234 100                               |

Section 7.1.2, page 69: characteristics of the Treaty on Central American Economic Integration

#### Question 51

The Memorandum states that in virtue of the "Central American Clause of Exception", advantages conferred by contracting States upon any Central American country shall be expressly excluded from advantages granted to a foreign country. How does El Salvador consider this to be consistent with Article I of the General Agreement, which together with Article II constitutes Part I of the GATT?

## Reply

The General Treaty on Central American Economic Integration establishes, inter alia, the obligation for signatory States to apply the Central American Clause of Exception in trade treaties they conclude on a most-favoured-nation basis with countries other than the contracting States of the Central American Common Market. Under the above clause, the advantages mutually granted by the States that form the Central American Common Market are excluded from the advantages granted to third countries.

On the basis of Part III, Article XXIV, of the General Agreement, which refers to exceptions to the application of the m.f.n. Clause, El Salvador considers that the Central American Clause of Exception is compatible with Part I of the General Agreement, as the above-mentioned Article authorizes the establishment of customs unions and free-trade zones to achieve greater integration of the economies of the participating countries and facilitate trade between the constituent territories.

## Question 52

How does the multilateral clearing system for imports between the contracting parties of the Central American Common Market operate? Is this system flexible enough to take account of divergencies in inflation rates and real exchange rates?

With regard to the first question, at present no multilateral clearing system is in operation. To overcome this lack, the countries have concluded bilateral trade and payments conventions. With Costa Rica there is a local currency payments convention, operated through the central banks of each country; with Guatemala and Honduras there is the "Tela Agreement", which allows free trade in which the economic agents involved in trade transactions are directly responsible for the corresponding payments and for that purpose may use dollars, local currencies, barter or other means of payment authorized by the governing boards of the central banks. Nevertheless, the Central American countries are progressing towards a revival of the former payments system through the Central American Clearing House (CCCA), adopting a new approach to avoid the accumulation of bilateral debts that lead to the suspension of operations through the CCCA. The new system is receiving supplementary support from the European Economic Community, which will provide financial and technical resources so that it can resume activities shortly (Annexes 13 and 14. Payments Convention between El Salvador and Costa Rica and Tela Agreement, dated 10 September 1987 and 8 April 1987, respectively).

With regard to the second part of the question, no reply can be given since no multilateral payments system is in operation.

If the new scheme does enter into operation, it will take account of the more flexible exchange systems that are in use in almost all countries of the Central American region.

## Section 8.1.1. and 8.1.2: Monetary Board and Central Reserve Bank

#### Question 53

Would El Salvador explain what criteria are used by the Monetary Board and the Central Reserve Bank for establishing priorities for approving import applications and allocating foreign exchange?

## Reply

This question has already been answered in the reply to Question 39.