

GENERAL AGREEMENT ON

TARIFFS AND TRADE

RESTRICTED

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ACCESSION OF EL SALVADOR

Additional Questions and Replies Concerning the Foreign Trade Régime of El Salvador

Addendum

As indicated in document L/6652/Add.1, the replies received from the Government of El Salvador to the additional questions submitted by contracting parties are reproduced hereunder.

QUESTIONS SUBMITTED BY THE EUROPEAN COMMUNITIES

Contents

	<u>Question number</u>	<u>Page number</u>
- Tariffs	1-2	4
- Taxes	3	4
- Import controls	4-6	4
- Export incentives	7	5
- Unfair trading practices	8	6
- Government procurement	9	6
- MTN Codes	10	6

ANNEXES

1. List of products making up the basic basket.
2. Export Revival Law. Legislative Decree No. 460 of 15 March 1990.¹

¹ Available in the Secretariat (Development Division, office 2010) for consultation by interested delegations.

TARIFFS

Question 1

El Salvador will not bind all tariff items as other Latin American countries have done. Will this position be reviewed?

Reply

El Salvador is currently reviewing the position stated in reply to Question No. 21 of Document L/6652, having in mind a generalized maximum tariff ceiling.

Question 2

Is there a time-table for adoption of the Harmonized System?

Reply

No. El Salvador is interested in adopting the Harmonized System within a reasonable period after its Accession to GATT, taking into consideration any studies carried out in the context of the Central American Common Market.

TAXES

Question 3

Is there a time-table for completion of the simplification of the tax system affecting imports?

Reply

There is no time-table. The country is continuing to study the possibilities of reducing and simplifying the tax system.

IMPORT CONTROLS

Question 4

When will the remaining import restrictions imposed for balance-of-payments purposes be removed? Which products are still affected?

Reply

If import restrictions imposed for balance-of-payments purposes is intended to mean the restrictions mentioned in Annex No. 10 of Document L/6652 (Resolution JM-20/89), it should be recalled that most of these were repealed in that same year, 1989, in accordance with the liberalization timetable contained in that Resolution.

Question 5

Which products form the "basi basket"? How exactly are these products protected? Is there a time-table for liberalization of basic basket products?

Reply

The products which form the basic basket are listed in Annex No. 1.

There are no specific measures for the protection of imports of products in the basic basket with the exception of internationally accepted health measures. What exists in the country is consumer protection through a policy of regulated prices, in which a progressive liberalization process is being carried out. As may be seen, only eight of the products listed as forming the basic basket are regulated.

Question 6

Please give details of the import controls imposed for "reasons of health, protection of the environment" (page 16) etc. and the products affected.

Reply

The import controls (administrative controls) refer to visa or import authorisations by specialized national institutions on grounds of morals, public health, safety, etc.

The list of products affected is not given because it is currently being revised; it will be notified once El Salvador has completed its process of accession to GATT.

EXPORT INCENTIVES

Question 7

What are the export support measures to be included in the revised Export Promotion Law?

Reply

On 15 March 1990 a new law was adopted, entitled the Export Revival Law (see Annex No. 2).

UNFAIR TRADING PRACTICES

Question 8

El Salvador does not consider its dumping and countervailing provisions to be in conformity with GATT. Does it have any intention of amending domestic legislation to bring it into line with GATT regulations?

Reply

For El Salvador, the only provisions in effect in this field are those contained in regional integration instruments (Central American Tariff and Customs Convention) which provide for procedures (consultation, notification, appeal etc.) of a general nature which could establish differences in this regard with respect to the provisions provided for in the General Agreement.

In any case, El Salvador intends to undertake a comprehensive study of this question in order to seek comparability through the necessary adjustments following its accession to GATT.

GOVERNMENT PROCUREMENT

Question 9

El Salvador's public procurement policy does not seem to be GATT consistent. Are there plans to change it?

Reply

For the time being, there are no plans to change the policy. However, after acceding to GATT, El Salvador could study this possibility, taking into account its status as a developing country and as a member of an economic integration scheme.

MTN CODES

Question 10

Can El Salvador give any more information on its intentions regarding the signature of the GATT codes and an indication of the expected time-frame for signature?

Reply

El Salvador considers that some of the MTN Codes are of particular interest with respect to the guidelines of its current economic policy. Consequently, after acceding to GATT it would study the matter in greater depth with a view to adopting some of the Codes within a period of four to five years.

Annex 1

List of Products Which Make up the Basic Basket

- * 1. Rice
- * 2. Beans
- * 3. Maize
- 4. Pasta
- 5. Meat: beef, pork, chicken and fish
- * 6. Milk
- 7. Eggs
- * 8. Edible fats and oils
- * 9. Sugar
- *10. Roasted and ground soluble coffee
- 11. Salt
- 12. Bread
- 13. Dairy products
- 14. Baby and children's food
- 15. Dehydrated soup and the like
- 16. Sardines and mackerel
- *17. Flours of all kinds
- 18. Clothing in general
- 19. Footwear
- 20. Matches
- 21. Soap (toilet and washing)
- 22. Detergents
- 23. Shampoo
- 24. Toothpaste
- 25. Toothbrushes
- 26. Shoe polish
- 27. School articles
- 28. Medicine
- 29. Toilet paper
- 30. Sanitary towels
- 31. 1.5 volt batteries

*Products with regulated prices

Questions Submitted by the United States

Contents

		<u>Question Number</u>	<u>Page Number</u>
Chapter II	Economy and Public Finance Income and Expenditure	1-2	11-12
Chapter III	General Economic Policy Production Policy	3	12
Chapter IV	Foreign Trade Developments - Analysis of the trade balance - Analysis of the balance of payments	4 5-6	13 13-14
Chapter VI	Trade Policy Instruments - Tariff and Customs Régime - Customs Valuation Legislation and its Regulations - Tax System for Imports - Central American Import Tariff - Selective Consumption Tax - Sales Tax (Stamp Tax) - Special Levies on Certain Goods - Legislation on Tariff Exemptions for Certain Activities - Prohibitions and General Requirements for Imports - Export Promotion - Export Promotion Law and Regulations - Government Free Zone - Financing Programmes - Measures Against Unfair Trade Practices. Dumping, Subsidies and Countervailing Measures - Government Procurement - Monopolies - State-Trading Enterprises: National Investment Corporation (Corsain) - International Barter	7-20 21-26 27 28-30 31 32-36 37-39 40-42 43-49 50 51-53 54-55 56-57 58-59 60-61 62-67 68 69	14-20 20-22 22-23 23 23-24 24-26 26-27 27-28 28-30 30-31 31 31-32 32 33 33-34 34-36 36 36-37

	<u>Question Number</u>	<u>Page Number</u>
Chapter VII		
- Trade Relations with Other Countries	70	37
- Characteristics of the Treaty and Present Situation of the Common Market and Integration	71-73	37-38
- Bilateral Trade Agreements and Treaties		
- Bilateral Trade Treaty with Honduras	74	38-39
- Treaty on Free and Preferential Trade between El Sa'vador and Panama	75	39-40

ANNEXES¹

- I - Amendments to the Wealth Tax Law (Legislative Decree No. 386 of 30 November 1989)
- II - Update of Annex I of document L/6391: Trade balance of El Salvador, in value terms, by country
- III - Update of Table No. 2 of document L/6391: Exports of Goods (f.o.b.), in millions of US dollars
- IV - Update of Table No. 3 of document L/6391: Economic breakdown of imports (c.i.f.) in millions of US dollars
- V - Update of Table No. 1 of document L/6391: Balance of payments
- VI - Update of Table No. 4 of document L/6391: International reserves
- VII - Modification and expansion of Parts I and II of the Central American Import Tariff (Resolution No. 94 of 21 May 1990)
- VIII - Establishment of the exchange rate applicable in the Import Régime (Legislative Decree No. 400 of 12 December 1989)
- IX - National Supplementary Note on customs value (87-A)
- X - Organic Law of the Consular Service of El Salvador, Article 169
- XI - Powers of the Directorate General of Customs Receipts for the classification of goods - Decree No. 38 of 29 July 1941
- XII - Complaints (Rule VII)
- XIII - Draft Central American Customs Code (CAUCA)
- XIV - List of products with regulated prices
- XV - Internal taxes relating to the import of alcoholic beverages
- XVI - Export Revival Law (Decree No. 46 of 15 March 1990)
- XVII - Law on the Free Zone and Bonded Warehouse Régime (Decree No. 461 of 15 March 1990)
- XVIII - Identification by tariff line of products of which the importation is absolutely prohibited (Rule X)

¹Available in the secretariat (Development Division, Office 2010) for consultation by interested delegations.

CHAPTER II - ECONOMY AND PUBLIC FINANCE

2.6.2 Income and Expenditure

Question 1

Tables 3 and 4, on pages 15 and 16 of L/6391 respectively, list "indirect" taxes on imports, but do not break-out the portion of consumption taxes or taxes on legal acts and transactions (e.g. stamp taxes) that are derived from imports, What portion of government revenue in a recent representative period has been derived from each of the following sources: tariffs, stamp and consumption taxes, and other charges on imports?

Reply

Due to the methods of collecting receipts from stamp taxes it is impossible to distinguish each act giving rise to such taxes, including those connected with import transactions.

A table detailing specific sources of current receipts of the Central Government is given below:

	1989		1988		1987		1986	
	¢ million	%	¢ million	%	¢ million	%	¢ million	%
Total								
Current Receipts	2,623.6	100.0	2,811.3	100.0	2,720.9	100.0	3,007.3	100.0
Import Duties	312.7	11.9	214.3	7.6	258.6	9.5	204.1	6.8
Legal Acts & Transactions (stamps)	774.6	29.5	717.9	25.5	713.6	26.2	560.1	18.6
Consumption taxes	469.9	17.9	482.3	17.2	381.6	14.0	318.5	10.6

Question 2

Please briefly describe how the wealth and property transfer taxes are applied with respect to imports.

Reply

It is impossible to establish a relationship in their application between wealth and property transfer (taxes) and imports. In any case, there is no discriminatory treatment. It may be noted for information purposes that the wealth tax is applied over a threshold of Q300,000.01 (see Annex I); and property transfer taxes are applied on the basis of 1½ per cent on the sales value, while imports are subject to the payment of the duties shown in the customs tariff.

CHAPTER III - GENERAL ECONOMIC POLICY

3.1.4 Production Policy

Question 3

Do the "instruments and mechanisms" and "measures" for boosting and improving domestic production include direct subsidies to domestic producers? If so, in which sectors and to what extent? Will El Salvador commit to observe the provisions of Article XVI:1 after accession, including to notify such measures?

Reply

El Salvador's economic recovery policy provides for the granting of incentives to domestic production, especially in the sectors that are fundamental for the population, notwithstanding the fact that, as mentioned in the reply to question 3 of document L/6652, a significant number of production incentives were abolished on 30 November 1989.

With regard to the second part of the question, in principle, El Salvador does not oppose observing the provisions of Article XVI:1 of the General Agreement provided El Salvador's status as a developing country is taken into account in this connection.

CHAPTER IV - FOREIGN TRADE DEVELOPMENTS

4.1 Analysis of the Trade Balance

Question 4

Please update Annex 1 and Tables 2-3, on pages 28 and 32-33 of L/6391 respectively, to give the same information for 1987 and, as possible, 1988 and 1989.

Reply

Please see Annexes II, III and IV.

4.2 Analysis of the Balance of Payments

Question 5

Please update Tables 1 and 4 on pages 31 and 34 of L/6391 respectively, to give the same information for 1987 and, as possible, 1988 and 1989.

Reply

Please see Annexes V and VI.

Question 6

What are the Government of El Salvador's expectations in the short- to medium-term concerning the balance of payments? Does El Salvador foresee early recourse to GATT provisions concerning trade restrictions taken for balance-of-payments purposes? If so, what legal authority and trade policy instruments does El Salvador intend to use in this regard?

Reply

The Government of El Salvador's expectations concerning the balance of payments are to reverse the unfavourable performance of 1988 and 1989, and gradually reduce the existing imbalances through the opening up or greater liberalization of foreign trade, which will encourage competitiveness and promote exports. In sum, the 1990-1994 economic programme includes among its external sector objectives a gradual rise in the level of net international reserves so as to achieve by the end of 1990 a level equivalent to three months of imports, and in subsequent years 3.5 months of imports.

At present, in line with expected international financial support, the economic authorities do not foresee early recourse to GATT provisions concerning trade restrictions, but might do so if any of the expected

financing does not come through, or if the value of exports were to collapse for any reason.

The legal authorities of the Executive Branch which issue provisions in this connection are the Ministry of the Economy and Ministry of Finance. The instruments they use are the Tariff and non-tariff measures or provisions.

CHAPTER VI - TRADE POLICY INSTRUMENTS

6.1.1.1 Tariff and Customs Régime

(A) Content of the Régime

Question 7

Has El Salvador submitted a current copy of its applied tariff schedule for this Working Party? What changes, and on what time-table, does the Government of El Salvador foresee in its applied tariffs within the next 4-5 years?

Reply

The national modifications of Parts I and II of the Tariff under Resolution No. 94 of 21 March 1990, which includes the reforms introduced by Resolution No. 224 of September 1989, are attached (see Annex VII).

Furthermore, it should be recalled that Annex III of Document L/6652 contains Legislative Decree 383 of 21 December 1989, which introduces modifications of Part III of the Tariff (National Part), concerning changes in the import duties and the headings.

There is no specific time-table for the next four or five years, and it is therefore difficult to foresee what substantial changes may take place in the future.

Question 8

How does El Salvador publicize its trade, tariff, and customs laws and regulations? Are all regulations affecting trade published promptly in such a manner as to enable governments and traders to become acquainted with them prior to implementation?

Reply

The trade, tariff and customs laws and regulations are published and circulated by means of the Official Journal, and their entry into force depends on their nature; for example, transitional provisions are implemented on the day of publication, while in other cases the interval between publication and entry into force ranges from three to fifteen days. Nevertheless, these regulations are continuously notified and transmitted to government agencies and to private sector bodies, such as the El Salvador Chamber of Commerce and Industry, and the El Salvador Businessmen's Association (ASI) etc., who reprint and sell them to the general public. The Tariff Department of the Directorate-General of Customs Receipts periodically issues a Bulletin entitled "Tariff Criteria" to inform customs brokers and trade associations of the more representative tariff criteria.

Question 9

Can El Salvador commit to the implementation of Article X in all aspects of its trade, customs, and tariff laws and regulations after accession to the General Agreement?

Reply

In principle, El Salvador would not have any problem in implementing Article X of the General Agreement. However, this will be possible in so far as the set of policy measures and actions to modernize El Salvador's economy which is currently being implemented is supplemented and improved.

(E) Nomenclature

Question 10

Please give more detail on preparations for conversion of the Central American Uniform Nomenclature (NAUCA II) to the Harmonized System nomenclature. Will this be accomplished within the next year?

Reply

El Salvador's answer on this point is to be found in the reply to question 4 of Document L/6652.

El Salvador reiterates its interest in acceding to the Harmonized System within a reasonable period following accession to the General Agreement. This would require, in principle, consideration and approval by the Central American Common Market member countries, since at present a common external tariff is applied.

(H) Monetary unit and conversion of currencies

Question 11

Please describe the current exchange rate or rates applied for the conversion of El Salvador's currency. How are these rates determined? Are different types or categories of imports subject to different rates of exchange? Are currency conversions associated with imports and exports subject to different rates of exchange?

Reply

On 19 March 1990 the economic authorities adopted new exchange measures to stabilize the exchange rate, establishing four different markets:

BUYING EXCHANGE RATE

(Colones per US Dollar)

- Official	5.00
- Regulated bank rate	6.90
- Free bank rate	7.70 (23 May 1990)
- Coffee bank rate	7.30

Exchange houses were authorized during May 1990. The average exchange rate in these institutions so far has been very close to the free bank rate.

The purpose of the segmentation described above is to institutionalize a foreign exchange system that will be transparent and reduce or eliminate any discretionary element. The regulated bank rate at a lower level (applied to priority imports such as petroleum, medicine, public sector goods and services, and the servicing of the external public debt) is intended to reduce the impact on the fiscal deficit and inflation.

The exchange rate applicable for the general import régime is subject to the provisions of Legislative Decree No. 400 of 8 December 1989 (see Annex No. VIII). Generally speaking, this is an average exchange rate which the Central Reserve Bank communicates to the Customs every week.

With regard to the general export régime, the applicable rate (bank or exchange house) is the free rate, with the exception of coffee for which the rate is now fixed by the monetary authorities.

(I) Duty free admission and exemption from duty

Question 12

Concerning duty exemptions for goods covered by the provisions of regional or international conventions, excluding the preferences applied to CACM trade, and preferential trade with Panama and Honduras, why are these exemptions granted? Do they constitute a significant portion of El Salvador's imports?

Reply

They are granted by virtue of the provisions of international agreements or conventions which so stipulate, such as the Vienna Convention (for diplomats in general, international missions, etc.) and of contracts to which the Government is a party, through specific projects which so stipulate, such as those with international finance institutions (IDB, IBRD, etc.). These kinds of exemption do not constitute a significant portion of the country's imports.

Question 13

Concerning duty exemptions for goods imported for activities authorized by the Central American Tariff and Customs Council, please explain under what conditions the Council might grant such exemptions?

Reply

So far there has not yet been a case that would constitute a precedent or experience. This is a special provision for cases specially authorized by the Council.

(J) Responsibility and procedure for modification of customs duties.

Question 14

What institution of the Government of El Salvador may change tariff rates, e.g. can the Executive change tariff rates by decree, or must all changes be made by the Legislature?

Reply

As regards the Executive branch, the institutions of the Government of El Salvador which can change customs tariffs are the Ministry of the Economy and the Ministry of Finance acting together.

The customs tariffs included in Parts I and II of the Tariff may be modified by the Council within a range of 1 per cent of the national ad valorem tariff and must be put into effect in each CACM member country within thirty days, the sole procedure involved being the issuing of an executive order (by the Ministry of the Economy and the Ministry of Finance together, in the case of El Salvador).

Tariffs of less than 1 per cent and over 100 per cent negotiated in Parts I and II of the Tariff may only be adopted by a decree of the Legislative Assembly, and this is likewise the case for Part III of the Tariff.

(K) Unfair trade practices

Question 15

Please identify all of El Salvador's domestic laws and regulations for applying countervailing duties or other measures against unfair trade practices other than those listed in section 6.3.1. Are there any unfair trade practices other than dumping and subsidies subject to import restrictions under El Salvadoran law?

Reply

In the absence of domestic legislation and regulations for these cases, El Salvador has the regional provisions of the General Treaty of Central American Economic Integration and the Convention on the Central American Tariff and Customs Régime, Articles 25 and 26, and their respective Regulations.

(L) Safeguard clauses

Question 16

Please identify and fully describe the provisions of El Salvador's domestic legislation or authority for safeguarding domestic production from imports. Please describe how this legislation or authority is consistent with Article XIX of the General Agreement.

Reply

The main provisions are set forth in the General Treaty of Central American Integration and the Central American Tariff and Customs Convention and the Regulations of Articles 25 and 26 of that Convention.

This legislation and the regulations are considered consistent with Part IV of the General Agreement, Article XVIII and the Decision of 28 November 1989 on safeguard action for development purposes (Tokyo Round Agreements).

Question 17

Please describe measures which can be invoked under this legislation to protect El Salvador's balance of payments.

Reply

Measures that can be invoked to protect the balance of payments include selective tariffs up to a negotiated ceiling for likewise selected imports, etc.

In general, the balance-of-payments provision is that of Article 26 of the Central American Tariff and Customs Convention which in turn refers to Article 4 of the Convention, which establishes as one of the régime's objectives, that of meeting balance of payments needs.

Question 18

What agencies of the Government of El Salvador administer laws on unfair trading practices, safeguards and trade measures taken for balance-of-payments purposes? What are their procedures? What provisions are there for appeal?

Reply

The government agencies which administer laws on unfair trading practices and safeguards are the Ministry of the Economy and the Ministry of Finance, and on trade measures taken for balance-of-payments purposes, the Central Reserve Bank of El Salvador, in co-ordination, if necessary, with the Economy and Finance Ministries.

With regard to procedures, complaints are made to the Ministry of the Economy (in the case of unfair trading practices) or the Central Reserve Bank (in the case of measures taken for balance-of-payments purposes) by affected or interested persons or enterprises. In all cases a technical economic study must be submitted giving full details of the case involved. The institutions analyse the complaint and take the corresponding decision.

Appeals may be made by the existing civil procedures to the competent administrative authority (the above-mentioned agencies).

Question 19

Please describe any recent instances where "countervailing measures" have been invoked for the reasons cited in sections (K) and (L).

Reply

There are no recent instances where countervailing measures have been invoked for the reasons cited in sections (K) and (L) of document L/6391.

Question 20

Will El Salvador commit to observe GATT provisions in the application of its laws governing unfair trade, safeguards, restrictions for balance-of-payments purposes, etc., e.g. Articles VI, XVIII and XIX after its accession to the General Agreement?

Reply

El Salvador will observe GATT provisions concerning these matters in cases where they are applicable, taking into account its status as a developing country.

6.1.1.2 Customs Valuation Legislation and its Regulation

Question 21

Is there any domestic legislation, separate from Annex B of the Convention, dealing with customs valuation matters? If so, please identify it.

Reply

Only the provisions of the National Supplementary Note (87-A) which appears in Part II (National) of the Central American Import Tariff (see Annex No. IX) and of Article 169 of the Organic Law of the Consular Service of El Salvador (see Annex No. X).

(C) Determination of the normal price

Question 22

Does El Salvador maintain lists of "indicative", "normal" or "official" prices for imports for use if the other methods of calculating customs valuation are judged inappropriate?

Reply

With the exception of what is mentioned in the reply to question No. 21, El Salvador does not maintain lists of "indicative", "normal" or "official" prices.

Question 23

To what extent are the prices of domestic goods similar to imports used in the determination of customs value for imported goods?

Reply

They are not used at all.

Question 24

Are royalties, or fees for using patented material considered in the determination of the customs value of imports? How does El Salvador value computer software and other imported recorded material for customs purposes?

Reply

- (a) As a general rule, royalties are considered in the determination of the customs value.
- (b) For customs purposes, for the time-being El Salvador accepts in good faith invoiced prices for imports of computer software and other imported recording material; in so doing it collects this type of information in its price data-bank.

(G) National Committee for Customs Valuation

Question 25

Does this Committee also deal with appeals concerning tariff classification? If not, please describe El Salvador's procedures and institutions for assigning tariff classification to imports, and for appealing initial decisions.

Reply

- (a) The National Committee for Customs Valuation has no powers regarding the determination of the classification of goods.
- (b) The Directorate General of Customs Receipts has a Tariff Department whose main purpose is to determine the classification of goods, in accordance with Decree No. 38, in the framework of El Salvador's legislation (see Annex No. XI).

With regards to appeals, these are governed by National Rule VII contained in Part 3 of the Tariff (see Annex No. XII).

6.1.1.3 Cauca and Recauca

Question 26

Please give us a report on progress towards implementation of the Code and its regulations by the CACM countries. Please provide a copy of the code and its regulations for the review of the Working Party participants.

Reply

The Central American Customs Code (CAUCA) has been prepared at the technical level by representatives of the CACM member countries coordinated by SIECA; it is waiting to be considered and approved by the Council (see Annex No. XIII). The Regulations of the Code (RECAUCA) will be prepared once the Code has been adopted.

6.1.2 Tax System for Imports

Question 27

Whether or not currently applied, is there any provision in El Salvadoran law for the application of taxes or charges on imports other than those listed in this section of L/6391?

Reply

Apart from the taxes or charges listed in Section 6.1.2 of document L/6391, from which consumption taxes should be eliminated, there are other import charges that are not of a general nature and are levied on an exceptional basis in special cases. These are described below, with a mention of the legal instrument establishing them:

1. Five per cent surcharge on the import duty when the importer is not a registered trader (Trade Registration Law).
2. One per cent of the import duty in the case of partial clearances covered by a single set of original documents (Regulations Governing the Form and Presentation of Customs Documents).
3. Five per cent of the import duty, up to C 200, for failure to declare weight, value or tariff heading number (Regulations Governing the Form and Presentation of Customs Documents).
4. Fifteen per cent of the import duty when imports are carried out by post and the principal value exceeds US\$ 50 (Consular Law).
5. Five per cent of the import duty when a value is declared that is lower than the declared valuation (Regulations Governing the Form and Presentation of Customs Documents).
6. When declarations could cause tax losses, in cases not provided for by the Law on the Repression of Contraband, the duties actually levied may be increased by a surcharge of 25 per cent of the loss the Treasury would have incurred. (Rule III of the National Tariff, part 3).
7. Five per cent of the import duty for failure to submit for final clearance within a period of thirty days imports which were

provisionally released (Regulations Governing the Form and Presentation of Customs Documents).

6.1.2.1 Central American Import Tariff

Question 28

Why would El Salvador not wish to bind all tariff items under the GATT, as indicated in the response to Question 21 in L/6652?

Reply

Owing to El Salvador's commitments as a member country of the Central American Common Market and its status as a developing country.

Question 29

Does El Salvador have any tariff surcharges in effect at this time, or any plans to apply such levies in the short-to-medium term?

Reply

No, under Article 18 of the Convention on the Central American Tariff and Customs Régime, which states that "the Contracting States undertake not to impose on or in connection with importation customs duties other than those established in the Central American Import Tariff in conformity with this Convention".

Question 30

Does the authority exist for the Executive to apply tariff surcharges? If so, will El Salvador commit to apply any such levy in conformity with GATT provisions?

Reply

No, there is no such authority, as stated in the reply to Question No. 29.

6.1.2.2 Selective Consumption Tax

Question 31

Does El Salvador intend to replace the Selective Consumption Tax with any other sort of indirect tax, or to increase the level of other taxes, such as the sales tax (stamp tax), to make up the revenue lost with its elimination? If so, please describe.

Reply

Not in the short term, since the sole purpose of abolishing this tax was to facilitate imports, eliminate discriminatory restrictions (prohibitions) and reduce smuggling by lowering the price of goods.

6.1.2.3 Sales Tax (Stamp Tax)

Question 32

Is the rate of application still 5 per cent ad valorem? Is this tax applied to all domestic sales? How is it applied to domestic products, e.g., at what point of sale and on what basis?

Reply

Yes, it is still 5 per cent ad valorem, and it is applied to all transactions of goods and services, domestic or not, with the exception of those which generally concern specific types of goods, such as those mentioned in section 6.1.2.3 (e) of document L/6391.

It is applied at all stages of sales transactions, producer or importer, distributor, retailer, consumer.

(E) Exemptions, exonerations or tax-free treatment

Question 33

Are the products listed in this section exempted from the application of the sales tax (stamp tax) under any form of non-tariff restriction that might limit the quantities imported (e.g., prohibitions, restrictive import licensing requirements, State trading, or other quantitative restrictions)? Are imports and domestic output exempted equally?

Reply

Yes, the products listed in this section are exempted from any form of non-tariff restriction that might limit the quantities imported. The exemptions apply both to imports and to domestic production.

Question 34

Does El Salvadoran law provide for the expansion of the list of products exempted from the sales tax? What offices administer this law, and what criteria are used to determine whether items should be added or dropped from the exemption list? Within the last 5 years, what items have been added or dropped from the list?

Reply

With regard to the list of products subject to price regulation listed in section 6.1.2.3 (e) of document L/6391, under the internal regulations of the Executive branch the Ministry of the Economy and the Ministry of Finance have the power to expand or reduce the list of products exempted from the sales tax (stamp tax).

The criteria used include: development needs, adequate supplies, gradual and progressive liberalization in the case of imported products.

Recently the following have been liberalized in the list of products subject to price regulation:

Pasta

Foods exclusively for children (strained foods, cereals, soups)

Ground roasted coffee

Dehydrated soup

Milk powder for babies

Sanitary towels and toilet paper

Powder detergents

Toothpaste

Matches

Sardines and mackerel

Lubricating grease and oil

Tyres and inner tubes

Medicaments

Hemp fibres

"5 Molinos" milk powder

Fluid processed milk

Molasses

Soap

Cotton seed flour, hulls and linters.

The prices of the products listed in Annex XIV have still to be deregulated.

All these products are of different brands and presentation, both imported and domestic. In the case of medicaments, more than five thousand products are included.

(F) Products subject to price regulation

Question 35

Are the products subject to price regulation listed in Annex IX subject to any form of non-tariff restriction that might limit the quantities imported? Are these products exempted from any tariffs, taxes, or other domestic or import charges normally applied? If freely imported, are importers required to observe the price controls?

Reply

Generally speaking, these products are not subject to non-tariff restrictions that might limit the quantities imported. These types of product are solely exempted from the sales tax (stamp tax). With regard to the last part of the question, the answer is yes.

Question 36

Please describe how these price controls are established, i.e., who decides and using what criteria? What other products are price-regulated?

Reply

The price controls are established by means of a technical evaluation by the Ministry of the Economy based on criteria such as the destination of the products (food, transport, construction, etc).

A characteristic of the present economic policy in this regard is gradually to reduce price controls.

6.1.2.4 Special Levies on Certain Goods

Question 37

How are the two levies listed applied to domestic alcoholic beverages, e.g., at what point of sale? Please describe any additional restrictions or requirements on the importation of alcoholic beverages or raw materials for their manufacture.

Reply

The internal levies on domestic alcoholic beverages are applied when the product leaves the bonded warehouse.

With regard to the import of alcoholic beverages or raw materials for their manufacture, with the exception of the corresponding import duty, the treatment is exactly the same as for domestic products and these levies are paid when they clear customs (see Annex No. XV).

Question 38

Is the discriminatory tax on imported sacks and bags still in effect? If so, will El Salvador eliminate it or extend it to domestic production as well, as required by Article III?

Reply

Yes, for the time being it is not planned to eliminate it or extend it to domestic products.

The main reason for its existence is that this is an industry of fundamental importance in boosting the economic and social recovery of the depressed areas of the country where these industrial plants are located.

6.1.2.5 Consular Fees and Formalities

Question 39

What is the relation between the fees listed in Annex XI and the actual cost of processing imports, i.e., the cost of services rendered as provided for in Article VIII?

Reply

The consular fees currently applied to imports on account of consular action are limited to:

- (a) A fixed charge of US\$2 per commercial invoice, and
- (b) A charge for the bill of lading of US\$1 per US\$500 of the invoice value. This charge cannot exceed US\$30 in any case.

El Salvador is of the opinion that the above is consistent with the provisions of Article VIII:1(a) of the General Agreement.

6.1.2.6 Legislation on Tariff Exemptions for Certain Activities

Question 40

Which, if any, of the tariff exemptions listed in sub-parts (a)-(f) are still in effect, or have they all been eliminated under Decree 385 of 30 November 1989?

Reply

With the exception of the General Law on Co-operative Associations, all the others were repealed by Decree No. 385.

(E) Decree 315 of 13 March 1986 (Export Promotion Law)

Question 41

If tariff exemptions under this Decree have been eliminated, do any enterprises continue to enjoy such exemptions even though such exemptions are no longer being granted to new firms?

Reply

The enterprises covered by the previous Law that has now been repealed continue to enjoy their acquired rights in full or in part, depending on the treatment provided for them under either of the two new laws; the benefits obtained under that Law have been rationalized in the two new laws mentioned below:

- (a) Export Revival Law (Decree No. 460 of 15 March 1990)(Annex No. XVI)
- (b) Law on the Free Zone and Bonded Warehouse Régime (Decree No. 461 of 15 March 1990)(Annex No. XVII).

6.1.3.1 Prohibitions and Requirements for Specific Goods

Question 42

To the extent possible, please list, by tariff line, the specific items absolutely prohibited from import. In addition, please list the specific requirements listed in Decree No. 222 of 23 December 1985. Have these requirements been updated or altered since that time?

Reply

The specific articles whose importation is absolutely prohibited were modified by Decree No. 383 of 30 November 1989, which was appended as Annex No. 3 of document L/6652. In general the tariff line for those articles is indicated.

With regard to products whose import is prohibited, the requirements listed in section 6.1.3.1 of document L/6391 remain valid. In our opinion these provisions are compatible with Articles XX and XXI of the General Agreement (See Annex XVIII).

6.1.3.2 Prohibitions and General Requirements for Imports

(A) Prohibitions

Question 43

Are the prohibitions listed in Annex XX still in effect? Has the list been altered since its creation in May 1987? Specifically, why are these

products still prohibited, and what are El Salvador's plans in this regard? Are these prohibitions applied equally to all trade, or are imports from selected sources permitted? Please indicate the specific GATT provisions that El Salvador believes can justify such restrictions after its accession to the GATT.

Reply

They are not in effect.

(B) General controls and requirements on imports

Question 44

How will foreign exchange be allocated after 100 per cent of foreign exchange has been "delegated to the banking system?" Will the Government still have discretion to refuse import permits based on foreign exchange availability?

Reply

The monetary authority allocates foreign exchange to the regulated bank market for the payment of imports of petroleum, medicine, public sector goods and services and servicing the external public debt; and to the bank market for coffee. Other imports are covered by the free bank market in which foreign exchange is allocated basically according to availability.

The Government will always have discretion to rationalize the use of foreign exchange depending on circumstances.

Question 45

Will there be any other non-tariff limitations on imports, e.g., import licences, after this development? If so, please list them by type of restriction, and by tariff line, and indicate the specific GATT provision that El Salvador believes would justify the restriction.

Reply

For the time being it is not planned to apply any non-tariff measures.

Question 46

Are there any agencies other than the Central Reserve Bank with authority to limit imports?

Reply

Yes, the Ministry of the Economy and the Ministry of Finance.

Question 47

Does the Central Reserve Bank apply at this time the maximum import prices and minimum export prices provided for in Article 6 of Decree No. 146 of 30 May 1961? If so, on what products?

Reply

At the moment the Central Reserve Bank verifies the prices of 100 per cent of exports and imports to avoid any undervaluation or overvaluation, by means of the presentation of the following forms:

F10 - Application for Import Registration (application to be able to order goods from abroad)

F12 - Declaration of Entry of Foreign Exchange from Exports

Question 48

Does El Salvador, at this time, require prior deposits for imports or for opening letters of credit? If so, please describe the remaining requirements. Are the exemptions listed in Annex XXIII of L/6391 still in effect? What changes, if any are planned in these requirements and exemptions?

Reply

Prior deposits for imports or for opening letters of credit have been completely abolished. The exemptions listed in Annex XXIII of document L/6391 have been eliminated.

Question 49

Can the Government of El Salvador commit to its authority to apply non-tariff import restrictions in conformity with GATT provisions after accession?

Reply

In principle, El Salvador could commit to its authority to apply non-tariff import restrictions in conformity with GATT provisions, provided this does not affect its economic stability and its status as a developing country.

6.2.3 Export Promotion

Question 50

Are there any other measures granted by the Government of El Salvador for export promotion at this time other than those covered in this section?

Reply

Yes, there are some measures granted by the Government of El Salvador for export promotion which are contained in the Export Revival Law and the Law on the Free Zone and Bonded Warehouse Régime, in force since 1 April 1990, which replace the Law mentioned in section 6.2.3 of document L/6391. Both Laws appear in annexes (see the reply to Question No. 41).

6.2.3.1 Export Promotion Law and Regulations

Question 51

Please describe revisions undertaken or contemplated to Export Promotion Law and its Regulations brought into effect by Legislative Decree No. 315 dated 21 March 1986?

Reply

This question is answered in the replies to Questions Nos. 41 and 50.

Question 52

Approximately what portion of El Salvador's exports in a recent representative period have benefitted from the measures described in sections (A) to (F)?

Reply

Since these are recently enacted Laws (15 March 1990) the information requested cannot be supplied.

Question 53

Will these measures be notified as provided for in Article XVI after accession?

Reply

In principle, El Salvador would have no difficulty in notifying the measures provided for under these new provisions (see the replies to Questions Nos. 41 and 50) provided these notifications fall within the provisions of Article XVIII and Part IV of the General Agreement and the Decision of 28 November 1979 of the Tokyo Round Agreements.

6.2.3.2 Government Free Zone

Question 54

Do any of the export promotion measures described in 6.2.3.1. operate for enterprises established in these zones?

Reply

No, because their situation is now governed by recently-enacted provisions (see the replies to Question Nos. 41 and 50).

Question 55

For items produced under the tax and tariff-free conditions of these free zones, are regular import taxes, customs charges, and tariffs applied if these products are entered for consumption into El Salvador's customs territory? If not, why not?

Reply

Yes, they are applied.

6.2.3.3 Financing Programmes

Question 56

Please describe the difference between the rates granted under the programmes listed in (a) to (e) and (1) commercial rates of interest and (2) the cost of funds to the Government of El Salvador. What is the term of credits granted in these programmes, e.g. less than two years, 2-5 years, etc.

Question 57

What are El Salvador's plans for these programmes?

Reply

The Government which took power on 1 June 1989 redefined interest rate policy in a Monetary Board Resolution of 18 July 1989.

This Resolution establishes that: (a) interest rates on credits granted by financial institutions must be higher than the rate of inflation and above the basic borrowing rate; (b) the subsidies granted by means of interest rates should gradually be eliminated; (c) the interest rate structure for credits should be simple; (d) the basic lending rate of banks for credits of up to one year should be 20 per cent and for credits of over one year 22 per cent, and (e) interest rates applied to credits granted with the resources of the Economic Development Fund of the Central Reserve Bank will increase by three points with annual adjustments of three points until reaching the basic lending rate.

By this same Resolution, all financing programmes for the promotion of exports through interest rates that were in force, including those mentioned in the Memorandum in paragraphs (a) to (e), have been abolished and the interest rates for new credits under those programmes are in accordance with the structure and criteria described above.

6.3.1 Measures Against Unfair Trade Practices, Dumping,
Subsidies and Countervailing Measures

Question 58

Who administers El Salvador's laws and regulations governing measures against unfair trade practices? What provisions are there for the appeal of decisions taken.

Reply

El Salvador does not have laws or regulations in this field. However, the specific provisions of the General Treaty of Central American Economic Integration (chapter 3) and the Central American Tariff and Customs Convention (chapter VII) are applicable, in which case the authority responsible for administering them is the Ministry of the Economy.

Question 59

Describe in detail the reasons why El Salvador does not consider its anti-dumping and countervailing duty provisions fully consistent with GATT Article VI. Why would El Salvador not alter its laws and regulations in this area to bring them into consistency with the GATT after accession?

Reply

For El Salvador, the only provisions in force in this sphere are those contained in the regional integration instruments (Central American Tariff and Customs Convention) which provide for procedures (consultation, notification, appeal etc) of a general nature which could establish differences in this regard with respect to those provided for in the General Agreement. The second part of the question would imply the regional analysis of these instruments.

El Salvador intends to carry out a thorough study of this question with a view to ensuring compatibility by means of the necessary adjustments, following its accession to the General Agreement.

6.3.2.1 Government Procurement

Question 60

Please list the State entities, State-owned firms, or any private firms covered by El Salvador's government procurement regulations. Do these State entities and firms engage in general commerce? Are the inputs for their output subject to these government procurement regulations?

Reply

The General Procurement Office of the Republic is the sole State entity whose principal function is to supply official agencies in good time with the goods they need, of appropriate quality and at the lowest possible price.

Thus, it may be said that all government entities can make use of services of the General Procurement Office.

Question 61

Do the provisions described in this section distinguish between purchases by State-trading entities used to produce goods for processing or commercial sale and goods purchased for direct use by the Government?

Reply

The Supply Law of El Salvador does not establish any difference between these operations; on the contrary, the sole government institution devoted to buying and selling goods is the General Procurement Office of the Republic, and it only purchases finished products.

6.3.2.2 Monopolies

Question 62

Does El Salvador plan to notify these entities under Article XVII after accession. If not, why not? Will El Salvador commit to observe the provisions of Article XVII, including those concerning non-discrimination and the use of commercial considerations in the purchases and sales effected through State-trading enterprises?

Reply

El Salvador could in principle observe the provisions of Article XVII of the General Agreement, following accession, provided account is taken of its status as a developing country, the possible public interest of the existence of such enterprises, the country's general economic situation, and the need to ensure entrepreneurial freedom and consumer protection (Article 110 of the Political Constitution of the Republic of El Salvador).

Question 63

Are duties collected or assessed on the State-traded imports and exports of entities described in this section? What is the rôle of private traders in products handled by these entities? ▲

Reply

- (a) They are collected solely in the case of coffee exports, which can now also be exported by private traders;
- (b) Private traders can act as state suppliers provided they meet the requirements established for such operations.

Question 64

What percentage of El Salvador's imports and exports are traded by such enterprises?

Reply

In view of the recent legislative changes concerning such enterprises at the institutional level, sufficient information is not now available to indicate the requested percentages.

(B) Supply Regulation Institute (IRA)

Question 65

Please describe recent activities within the CACM under the Limón Protocol. How are these activities consistent with Article I of the GATT.

Reply

The Limón Protocol is still a regional instrument that is in force under which the "Contracting States shall regulate the marketing of and the trade in basic grains, namely maize, rice, beans and grain sorghum, within the Central American region; they shall co-ordinate domestic production and supply policies and ensure the utmost freedom of trade". Recent activities of El Salvador under the Limón Protocol are minimal.

Activities under this Protocol fall within the general context of CACM instruments and consequently their compatibility with these provisions is related to the contents of Part III, Article XXIV, of the General Agreement.

Question 66

Does the Supply Regulation Institute have a monopoly on the purchase or sale of agricultural output in El Salvador? What special rôle does the Institute have in the purchase and sale of maize, rice, beans, grain sorghum and other related products?

Reply

- (a) No
- (b) To facilitate and moderate supply and demand in order to ensure fair prices that are accessible for consumers and profitable for domestic producers of essential basic products.

Question 67

How does the Institute arrange "stable prices which must be remunerative for the producer and fair to the consumer"? Does it have legal authority to set prices?

Reply

So far, " stable prices" have been established by taking account of the criteria of costs of production or importation and local supply. Studies are currently being carried out to identify viable options to underpin a rational price policy for essential products for the population. The Institute has legal authority to set prices in co-ordination with other State institutions.

6.3.2.3 State-Trading Enterprises:
National Investment Corporation, (CORSAIN)

Question 68

Please supply a list of the firms associated with CORSAIN. Are these firms subject to El Salvador's government procurement laws or regulations? Are they subject to domestic taxation? When they engage in international trade, do they pay import or export tariffs, taxes, or fees? Are they required to give any sort of preference to domestic products in their purchases or sales? How extensive are the Government's holdings in CORSAIN? What is BANAFI?

Reply

- (a) CORSAIN does not have any associated firms.
- (b) The Government does not have any direct holdings in CORSAIN.
- (c) BANAFI is the National Bank for Industrial Development. Its primary objective is to "promote the development of industrial activities: manufacturing, mining, industrialization of marine resources and tourism projects and agroindustrial projects, aimed at creating, modifying or expanding economic activities based on them".

6.3.3 International Barter

Question 69

Have there been any barter arrangements completed in the last two years? If so, with which countries and what was the approximate value of the contracts? Would barter imports be exempted from normal taxes, tariffs and charges paid by other imports?

Reply

In 1988 and 1989, twelve and fourteen barter operations, respectively, were carried out with the following countries: Honduras, Costa Rica, United States, Nicaragua and Mexico. Barter operations are not exempt from taxes, except for those involving goods originating in CACM member countries and in cases where the operations are carried out by the Government.

The value of the contracts in 1988 was US\$ 6 million for exports and US\$ 721,000 for imports, and in 1989 US\$ 745,000 exports and US\$ 154,000 for imports.

CHAPTER VII - TRADE RELATIONS WITH OTHER COUNTRIES

Question 70

Does El Salvador have any bilateral trade agreements that provide for mandated or directed trade?

Reply

No.

7.1 Central American Common Market

7.1.2 Characteristics of the Treaty, Present Situation of the Common Market and Integration

Question 71

Does El Salvador agree that the "Central American Clause of Exemption", is consistent with Article XXIV of the GATT? If not, please explain in what regard its provisions exceed those of Article XXIV?

Reply

Yes.

Question 72

Are there any El Salvadoran imports from third countries subject to quantitative restrictions at this time that are not applied to intra-CACM trade? If so, please describe them.

Reply

Yes, they do exist, and are set forth in the Treaty on Free and Preferential Trade between El Salvador and Panama (listed as Annex XXXVIII of document L/6391) and the Bilateral Trade Treaty between El Salvador and Honduras (listed as Annex XXXVII of document L/6391).

Question 73

Will El Salvador agree to co-ordinate with other GATT members of the CACM in providing periodic reports on developments within this organization that affect CP trade? Will El Salvador agree to consult with the contracting parties, if requested, concerning developments with the CACM that affect CP trade?

Reply

Yes.

7.2 Bilateral Trade Agreements and Treaties

7.2.1 Bilateral Trade Treaty with Honduras

Question 74

Please provide the following information concerning El Salvador's preferential trade agreements with Honduras:

- What portion of El Salvador's imports and exports are covered by the preferential agreement?
- Is all the preferential trade duty-free, or are there partial preferences in place as well? If so, at what level?
- Does the agreement extend to exemptions from quantitative restrictions and non-tariff import taxes and charges? If so, please specify which measures are exempted.
- Does El Salvador apply any quantitative restrictions in its trade with Honduras that are not applied to other countries?

Reply

TRADE TREATY BETWEEN EL SALVADOR AND HONDURAS

A. Number of tariff headings with an advantage for Honduras

24 headings for which goods enter Honduras with reduced duties and enter El Salvador from Honduras duty-free.

B. Number of tariff headings under the free trade régime (duty free)

I. With restrictions

16 headings subject to quota
1 heading subject to quota and import control

—
Total 17 headings

II. Without restrictions

349 headings

C. Total number of headings negotiated

I. With advantage to Honduras (B): 24 headings (6%)

II. Free trade

(a) with restrictions (C): 17 headings (4%)

(b) without restrictions (A): 349 headings (90%)

TOTAL 390 headings (100%)

(390 headings = 21% of the total tariff of El Salvador)

(A): Annex A of the Treaty; (B): Annex B of the Treaty; (C): Annex C of the Treaty.

7.2.2 Treaty on Free and Preferential Trade Between
El Salvador and Panama

Question 75

What portion of El Salvador's trade with Panama is conducted on a preferential basis? Please specify the nature of the "preferential treatment" accorded this trade that is not duty-free. What is the duty status of the trade covered by quantitative restrictions.

Reply

THE TRADE TREATY BETWEEN EL SALVADOR AND PANAMA

A. Number of tariff headings with advantages for Panama

21 headings for which goods pay reduced duties when entering Panama and enter El Salvador from Panama duty free.

1 heading covered by the same conditions but with a quota.

22 headings

B. Number of tariff headings under the Free Trade Régime (duty free):

I. With restrictions

9 headings subject to quota
112 headings subject to import control
3 headings subject to export control
13 headings subject to import and export control

137 headings

II. Without restrictions

366 headings

C. Total number of headings negotiated:

1. With advantage to Panama:	22 headings	(4%)
2. Free trade		
(a) With restrictions:	137 headings	(26%)
(b) Without restrictions:	366 headings	(70%)
	<hr/>	
TOTAL	525 headings	

(525 headings = 28% of the total tariff of El Salvador)