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## **El Salvador Profile: Basic Data, Macroeconomic Indicators, Foreign Investment Regulations & Incentives**

by Deborah Tyroler

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**BASIC DATA** Land area: 21,393 sq.km. (8,260 sq.mi.); largely volcanic upland. El Salvador is the most densely populated country on the mainland of the western hemisphere. Population: 5.4 million (est. mid-1991) Capital: San Salvador Largest cities (est. 1985): San Salvador, 459,902; Santa Ana, 137,879; San Miguel, 88,520 Arable land: 27% Literacy rate: 65% Currency: colon. Exchange rates were unified on June 9, 1990. The colon's official rate, C8.05:US\$1 (October 1991), fluctuates daily according to a foreign exchange auction. The official rate is used for all transactions. Communications & transportation (c. 1991): Railways: 602 km. (374 mi.) 0.914-m gauge, single track Highways: 10,000 km. (6,211 mi.) total; 1,500 km. (931.7 mi.) paved; 4,100 km. (2,546.5 mi.) gravel; 4,400 km. (2,733 mi.) earth (improved and unimproved). Major cities are connected with San Salvador by paved roads. Side roads are generally accessible throughout the year. Ports: Acajutla and Cutuco on Pacific; on Atlantic, Puerto Barrios and Santo Tomas de Castilla on Guatemalan coast Air service: 130 airports total, 88 usable; six with permanent-surface runways; one with 2,440-3,659 m. runway. International airport located 40 km. (25 mi.) from San Salvador. Airlines: AESA, American, Continental, COPA, LACSA, TAN SASHA, TACA Shipping lines: Baltic Shipping Company, Central American Services, C.N. Lloyd Brasileiro, Colsa Line, Compagnie Generale Maritime, Compania Transatlantica Espanola, Concorde Shipping, Inc., Consortion Hispania Line, D'Amico Line, Delta Line, Flota Mercante Gran Colombiana, Hapag Lloyd, Johnson Line, K Line, Lykes Lines, MexicanLines, Mitsui Osk Lines, Ned Lloyd Lines, N.Y.K. Line, Orient Overseas Line, Pan Atlantic Lines, Scan Pacific Line, Sea Land Service, Inc., Uiterwyk Line Central America, and others Telecommunications: Nationwide trunk radio relay system; link with Central American Microwave System; 116,000 telephone lines; 77 AM, 5 FM, five TV, two shortwave stations; one Atlantic Ocean INTELSAT satellite station Visa/entry requirements: Valid passport and visa required. Central Americans require passports only. (Contact with Salvadoran consulate or embassy recommended.) **MACROECONOMIC STATISTICS & INDICATORS** Gross Domestic Product (GDP): US\$5.5 billion (1989 estimate) GDP per capita: US\$913 (1989), US\$618 (early 1991) Real GDP growth: January 1981-January 1991, -15.3%; 1990, 3.4% Origin of GDP (1990-constant 1962 prices): agriculture, 23.9%; manufacturing, 18%; commerce, 16.3%; government, 14.1%; other services, 11.5%; transport & communications, 6.1%; electricity, gas & water, 3.9%; construction, 3.1%; financial services, 3.0%; mining, 0.1% Consumer price index: 23.5%, 1990; 9.8%, 1991 Labor force: 1.61 million (1989) Employment by sector: agriculture, 36%; manufacturing, 14%; construction, 5%. Open unemployment rate (1991): 14% (official), 40% (independent). Labor market data are considered unreliable due to difficulties in measuring composition and size of the informal sector. Measures of underemployment are large and variable since they typically include the informal sector. Wage rates (late 1990): Official minimum wage, US\$2.85 per day for industrial workers and approximately US\$1.30 per day for agricultural workers. Agricultural wage varies upward by region, season, and product. Principal products: coffee, cotton, corn, sugar, rice, sorghum Major manufactures: processed foods, clothing and textiles, petroleum products Main exports: coffee, cotton, sugar, shrimp Main imports: machinery, construction materials, petroleum,

foodstuffs, fertilizer Foreign trade (1989): Exports of goods & services (FOB), US\$615 million; Imports of goods & services (CIF), US\$1.05 billion Principal trade partners (1989): Exports U.S. (41%), Germany (17.8%), Guatemala (14.1%), Costa Rica (7.0%), Canada (3.9%), Japan (2.7%) Imports U.S. (43.5%), Guatemala (9.4%), Mexico (7.8%), Venezuela (4.4%), Costa Rica (3.9%), Japan (3.5%)

**FOREIGN INVESTMENT REGULATIONS & INCENTIVES** One of the most comprehensive foreign investment statutes in Latin America, the Investment, Guaranty and Promotion Law of 1986 allows 100% repatriation of dividends and profits for most investments. The Export Promotion Law of 1990, targeted particularly toward maquila and assembly-type investments, provides generous tax incentives for foreign investors. Foreign investors in El Salvador are not required by law to operate through joint venture. Similarly, local management and control are not required by law, but in El Salvador's small and highly concentrated economic environment, local participation is generally desirable. Foreign companies must be approved and registered by the Ministry of Foreign Trade and investment registered with the ministry and the Central Bank. Under the foreign investment law of 1988, all foreign capital brought into the country for less than one year must be registered with the Central Bank's Exchange Control Department; capital brought in for more than one year must be registered with the Ministry of Economy. The 73-ha. (180 acres) San Bartolo Free Zone, located 20 minutes from San Salvador, offers easy access to national and international transportation and combines the best features of a modern industrial park with the following additional advantages: (1) proximity to suppliers of raw materials and components; (2) productive labor at relatively low wage rates; (3) government recruitment and training center; (4) waste disposal facilities; and (5) extensive vocational and training programs for workers. A 94.5-ha. free trade zone near the Cuscatlan International Airport is under development. Sample group of foreign businesses operating in El Salvador: Abbott Labs, American Standard, Baldwin United Corp., Black & Decker, Cargill, Colgate-Palmolive, Crown Zellerbach, DHL, Eberhard-Faber, The Hanover Insurance Co., IBM World Trade Corp., Judy Bond, Inc., McCann Erickson Int., Minnesota Mining & Manufacturing, National Cash Register, Otis Elevator Co., Perry Manufacturing Co., Price Waterhouse, Rorer Group, International, Sterling Drug, Inc., Vick Chemical Co., 3M

**CONTACTS** [To call El Salvador from the US, dial access code (011), followed by the area code (503), and then the number.] National Industrial Development Bank and Salvadoran Investment Corp. Primera Calle Poniente entre 43 y 45 Av. Norte San Salvador, El Salvador Tel: (503) 24-6677 Investment Promotion Service Salvadoran Foundation for Social and Economic Development (FUSADES) Edificio La Centro Americana P.O. Box 01-278 San Salvador, El Salvador Tel: (503) 23-2738 Fax: (503) 23-4723 Asociacion Nacional de la Empresa Privada (ANEP) Apartado 1204 Alameda Roosevelt y 55 Ave. Sur #2827 San Salvador, El Salvador Tel: (503) 24-1236/23-8932/23-8207/23-3893 Fax: (503) 23-8932 Commercial Attache Embassy of El Salvador 2308 California Street, NW Washington, DC 20008 Tel: (202) 265-3480 Fax: (202) 234-3834

**SOURCES** Back issues, LADB's Central America Update, Chronicle of Latin American Economic Affairs. Caribbean/Latin American Action. 1991 Caribbean and Central American Data Book. Washington, DC: November 1990. Economist Intelligence Unit. Guatemala, El Salvador, Honduras: Country Profile, 1991-92. London: Business International Limited, 1991. Investing, Licensing and Trading Conditions Abroad: North America/Latin America. Business International Corporation, September 1991.

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