BRINGING DOWN THE BARRIERS – CHARTING A DYNAMIC EXPORT DEVELOPMENT AGENDA

World Export Development Forum
Montreux, Switzerland, 8-11 October 2007

El Salvador
Background Country Paper

WINNING NATIONAL STRATEGIES FOR EXPORT DEVELOPMENT
Abbreviations

The following abbreviations have been used in the document:

- ABANSA: Salvadorian Banking Association – represents the private banking system.
- ANEP: National Association of Private Enterprises - coordinates private enterprises efforts.
- ASDER: Salvadorian Broadcast Association - groups main radio and T.V. enterprises of El Salvador.
- ASES: Salvadorian Association of Insurance Companies.
- ASI: Salvadorian Industry Association - groups main industry firms and provides training services, consultancy, and technical and financial exports information.
- BCR: Central Bank of El Salvador - creates statistical data about exports and includes CENTREX, exporting procedures office.
- BFA: Bank for Farming Promotion - provides financial export needs for SMEs.
- BH: Real Estate Mortgage Bank - provides financial resources to exporting SMEs.
- CAMAGRO: Farming and Agro-industrial Chamber of El Salvador, is a private association that provide training, technical assistance and market information for exporters.
- CCIES: Chamber of Commerce and Industry of El Salvador, provides training, technical assistance and market information to exporting members.
- CEPA: Harbor Executive Commission, administrates Acajutla Port activities and coordinates La Union Port building.
- COEXPORT: Exporters Corporation of El Salvador, private association of exporters - provides market information, training and exports technical assistance.
- DGRA: Customs Direction of El Salvador.
- EXPORTA: Exports Promotion Agency, public institution which provides services to firms in order to support their internationalization process.
- FUSADES: Salvadorian Foundation for the Economic and Social Development, works as a centre of studies and investigations, also provides trainings, technical assistance and financing services.
- GyS: Guarantees and Insurances, multi-sectorial society of reciprocal guarantees.
- MAG: Ministry of Agriculture - the agribusiness department generates strategic information for farming and agro industrial sector.
- MH: Ministry of Treasury - public institution in charge of fiscal management.
- MINEC: Ministry of Economy - includes Competitive Intelligence Department (in charge of developing sectorial studies), FOEX (Fund for export promotion), DATCO (Direction of Administration of Trade Agreements) and Trade Politics Direction.
- MITUR: Ministry of Tourism - in charge of positioning El Salvador's as a country brand, promoting it as a tourist destination.
- MRREE: Ministry of Foreign Affairs – creates, manages and executes the external policy of El Salvador.
- PROESA: Investment Promotion Agency - public institution created to attract investment to El Salvador.
- SETEC: Technical Secretariat.
General Overview of Export Development

In 1989, El Salvador passed from an import substitution to an open commercial model. Following this, a legal framework was created in 1990 that has enabled export promotion instruments to be developed, including the Exports Reactivation Law (or 6% Return), the Industrial Free Trade Zones Act and the Fiscal Enclosures Law.

As a result, from 1990 to 1997 El Salvador obtained growth in exports of an average 2.3% per annum. But beginning in 1997 a continuous deceleration in export growth occurred. This increased the country’s trade deficit.

Nonetheless, in the last decade, Salvadorian exports have doubled, going from US$1,652.0 million in 1995 to US$3,383.0 million in 2005, reaching a level of GDP contribution of 20.8%. Also, exports have changed their structure, moving from being mostly composed of traditional products, to be composed largely by maquila (51.02%) and by nontraditional product exports (42.09%). There is a high export concentration in eight sectors, representing 82% of total exports: textile and dressmaking (including maquila), foods and beverages, metal works, plastics, coffee products, sugar, pharmaceutical industries, chemicals and fishing.

On the international plane, in 1989, El Salvador initiated a process of commercial opening that has been consolidated in Free Trade Agreements with the following countries: México, Panamá, Dominican Republic, Chile, the United States and Taiwan. Additionally, Central American customs union is being culminated and the Free Trade Agreement with Canada and Colombia is being negotiated. In 2007, negotiations for an Association Agreement with the European Union have begun.

However, these commercial agreements have not yet significantly contributed to increase exports. This is due to a group of obstacles that limit the exporting activity of Salvadorian business.
Creation of a National Export Strategy

In order to turn El Salvador’s exports into an impetus for economic development of the country, the National Commission for Export and Investment Promotion (CONADEI), throughout the Salvadorian Export Promotion Agency (EXPORTA El Salvador), in cooperation with the Corporation of Exporters from El Salvador (COEXPORT), initiated in October 2005, a process of wide consultation and planning with the private and public institutions directly involved with the exporting sector, as well as an array of companies and representatives from all of the exporting sectors and industries. The Strategy that was created also included a careful analysis of sectorial documents, studies and policies.

The technical and financial support of US-AID and the IADB enabled creation of a team for this process composed of two national consultants and an international consultant coordinator. They enriched the Strategy design with an external and objective vision of Salvadorian exports. The team undertook more than 100 interviews with Salvadorian industrialists from diverse sectors and from small, medium and large-sized companies.

The information compiled in this field investigation served as the basis for the first draft of the National Exports Strategy. This was presented to enterprise associations and then to public institutions in order to get their feedback and approval.

The culmination, released in August 2006, is the National Exports Strategy General Framework. Covering a 10 year period, the Framework was launched by Elías Antonio Saca, President of the Republic of El Salvador, and by the Vice-president of the Republic, Ana Vilma Albanez de Escobar, accompanied by the Minister of Economy, Yolanda de Gavidia, the President of the National Association of Private Enterprises (ANEP), Federico Colorado, and the President of the Corporation of Exporters of El Salvador, Vilma de Calderón.

The National Export Strategy

The National Export Strategy General Framework includes Three Year Strategic Plans and Annual Operational Plans, which specify concrete actions for each of seven strategic axes:

1. Enterprises competitiveness.
2. Financing and insurance.
3. Transportation and Logistics.
6. Exporting Culture.

<table>
<thead>
<tr>
<th></th>
<th>Chile</th>
<th>United States</th>
<th>Mexico</th>
<th>Panama</th>
<th>Dominican Republic</th>
<th>Taiwan</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Exports</strong></td>
<td>0,7</td>
<td>2005,8</td>
<td>41,6</td>
<td>63,1</td>
<td>49,2</td>
<td>6,0</td>
</tr>
<tr>
<td><strong>Imports</strong></td>
<td>133,1</td>
<td>3.085,8</td>
<td>590,0</td>
<td>206,9</td>
<td>5,1</td>
<td>76,1</td>
</tr>
<tr>
<td><strong>Balance of Trade</strong></td>
<td>-132,4</td>
<td>-1.080,0</td>
<td>-548,4</td>
<td>-143,8</td>
<td>44,2</td>
<td>-70,0</td>
</tr>
</tbody>
</table>
The Framework also includes a public-private inter-institutional framework, created to guarantee coordination and the efficient use of available resources and to support monitoring and evaluation of the National Export Strategy.

Main Challenges, Obstacles, Opportunities and Risks

To understand the Strategy, it is important to identify the main issues it is meant to address. The overall challenge is for El Salvador to complete the transition to becoming an export-led economy. Ideally, this will be with the country positioned as a high value product and services supplier, enjoying market and product diversification, and with an economy which adjusts rapidly to changes in demand.

A key step towards achieving this positioning will involve El Salvador developing new infrastructure able to support a dynamic export sector. This will necessarily include development of the Union Port and the Dry Channel (important transport logistics facilities).

It will also be important for our country to take every advantage of regional and international trade opportunities, including Free Trade Agreements, the Plan Puebla Panama, Central American Integration, Central American Common Market, the potential demand of Salvadorian products by a large Hispanic community in the United States. We can also look towards benefiting from the Tourism Law and the hardworking Salvadorian work force.

Obstacles which will have to be overcome, and which the Strategy is designed to address, include the following:

1. Limited enterprise management
2. The limited capacities of businesses to apply appropriate marketing tools
3. A disarticulated and insufficient institutional support
4. Poor transport, Logistics and infrastructure
5. A cumbersome customs bureaucracy
6. Little access to financing for business
7. An unfavourable businesses climate for exports
8. The lack of an export culture in the Salvadorian business community
9. Limited exportable supply

Also to note are the risks that could affect the Strategy’s rate of success. These include strong competition from China and India, the prospect of an economic model change during the implementation period, continued problems in taking advantage of Free Trade Agreements, the inability to obtain the optimal level of investment required to dynamize the economy, natural variations in the prices of traditional products, natural disasters that could affect the country, and the absence of efficient policies and laws.

Against this backdrop, the El Salvador National Export Strategy has these features:

Vision

To be a competitive exporting country with high value goods and services production and marketing capacity, satisfying international demand requirements.
Mission

To increase El Salvador’s exports through products and markets diversification, competitiveness strengthening of companies through an integrated vision and a coordinated and efficient implementation of actions among the different actors, in order to facilitate an agile exporting process.

Goal for 2016

To reach by 2016, $12,000 million in total exports.

Strategic Objectives

1. Diversify exportable supply through a greater number of different products.
2. Diversify target markets, increasing enterprises-markets combination.
3. Maximize benefits and opportunities given by the current Free Trade Agreements El Salvador has signed.
4. Increase exported value by suggesting high prices and high quality market niches.
5. Coordinate inter-organizational efforts in order to ensure a fluid, profitable and agile exporting process, creating conditions that allow the country to have competitive firms, adapted to international market requirements.

Institutional Framework

The National Export Strategy is based on a coordinated and integrated institutional framework, which consolidate the export support services offered by the private and public sectors, generating an efficient use of resources and focusing efforts in providing solutions to exporter needs. This framework must enable related institutions with suitable mechanisms of supervision and execution, which guarantee the fulfillment of the objectives.

The Institutional Framework of this Strategy has the following objectives:
- Coordinate the private and public efforts for the development of exports, in order to generate agreement and efficient use of resources, through a responsible coordinating instance that establish, implement and supervise the National Exports Strategy.
- Develop adjustment and evaluation mechanisms that guarantee the fulfillment of the actions considered within the framework of the National Exports Strategy.

According to this proposal, this institutional framework is composed by the Strategic Committee, the Executive Committee and the respective technical teams of each axis.

Strategic Committee

This committee provides strategic direction and delineates exports development of the country; it is in charge of permanent revision of goals, objectives and actions fulfillment that integrate the National Exports Strategy, as well as any future adjustment given by international markets requirements and the world-wide economy. It is conformed by:
- Vice-president of the Republic (president of the Committee)
- Minister of Economy
- Vice-minister of Foreign Affairs
- National commissioner for Agriculture
- President of the National Association of Private Enterprises, ANEP
- President of Corporation of Exporters of El Salvador, COEXPORT
- President of Chamber of Commerce and Industry of El Salvador, CCIES
- President of Industry Salvadorian Association, ASI.

**Executive Committee**
The Executive Committee, coordinated by EXPORTA El Salvador, coordinates inter-institutional efforts with the purpose of ensuring the execution of the National Exports Strategy in each strategic axis and action lines. It is conformed by:

- Representative of Ministry of Economy, MINEC
- Representative of Ministry of Agriculture, MAG
- Representative of Farming and Agro-industrial Camera of El Salvador, CAMAGRO
- Representative of Exporters Corporation of El Salvador, COEXPORT
- Representative of Chamber of Commerce and Industry of El Salvador, CCIES
- Representative of Salvadorian Industry Association, ASI
- Representative of Exports Promotion Agency, EXPORTA El Salvador

---

**CONADEI**

- **President**
  - Vice President of the Republic of El Salvador
  - Ministry of Economy, Foreign Affairs and Ministry of Treasury; Commissioner for Agriculture.
  - ANEP President and 3 representatives of private sector (COEXPORT, CCIES, ASI)
- **Strategic Committee**
  - 4 representatives of private sector (COEXPORT, ASI, CCIES, CAMAGRO)
  - 3 representatives of public sector (MRREE, MINEC, EXPORTA)
- **Executive Committee**

---

**Technical Teams of the Seven Axes**

**1. Enterprise Competitiveness for International Markets**
Coordinating: Agency of Exports Promotion, EXPORTA
- Ministry of Economy, MINEC
- Ministry of Agriculture, MAG
- Exporters Corporation of El Salvador, COEXPORT
- Chamber of Commerce and Industry of El Salvador, CCIES
- Salvadorian Industry Association, ASI
- Salvadorian foundation for the Economic and Social Development, FUSADES

**2. Financing and Insurances**
Coordinating: Multi-sectorial Investment Bank, BMI.
- Salvadorian Banking Association, ABANSA
- Salvadorian Association of Insurances Companies, ASES
- Stock Market, BVES
- Guarantees and Insurances, GyS
- Exports Promotion Agency of El Salvador, EXPORTA
- Exporters Corporation of El Salvador, COEXPORT
- Central American Bank for Economic Integration, BCIE
- Ministry of Economy, MINEC
- Salvadorian Industry Association, ASI
- Chamber of Commerce and Industry of El Salvador, CCIES
- Real Estate Mortgage Bank, BH
- Bank for Farming Promotion, BFA

3. Transportation and Logistics
Coordinating: Chamber of Commerce and Industry of El Salvador, CCIES.
- Exports Promotion Agency of El Salvador, EXPORTA
- Investment Promotion Agency, PROESA
- Customs Direction, DGRA
- Harbor Executive Commission, CEPA
- Corporation of Exporters from El Salvador, COEXPORT
- Ministry of Economy, MINEC
- Technical Secretariat (SETEC)
- Ministry of Agriculture, MAG (invited)
- Superior Advisor of Public Health, CSSP (invited)
- Vice ministry of Transportation (invited)

4. Commercial Antennas
Coordinating: Ministry of Foreign Affairs, MRREE
- Exports Promotion Agency of El Salvador, EXPORTA
- Investment Promotion Agency, PROESA
- Ministry of Tourism, MITUR
- Corporation of Exporters of El Salvador, COEXPORT
- Chamber of Commerce and Industry of El Salvador, CCIES
- Salvadorian Industry Association, ASI
- Farming and Agro-industrial Chamber of El Salvador, CAMAGRO
- International Chambers (invited)

5. Country Brand Image
Coordinating: Ministry of Tourism, MITUR
- Exports Promotion Agency of El Salvador, EXPORTA
- Investment Promotion Agency, PROESA
- Ministry of Foreign Affairs, MRREE
- Representative of the Private Sector
- Newspapers (invited).

6. Exporting Culture
Coordinating: Corporation of Exporters of El Salvador, COEXPORT
- Exports Promotion Agency of El Salvador, EXPORTA
- Salvadorian Industry Association, ASI
- Salvadorian Foundation for the Economic and Social Development, FUSADES
- Ministry of Education, MINED
- Private Universities Association of El Salvador, AUPRIDES
- 3 private associations represented by an exporter
- Salvadorian Broadcast Association, ASDER
- Newspapers (invited)

7. Business Export Environment
Coordinator: Ministry of Economy, MINEC.
- Technical Secretariat
- Central Bank of El Salvador, BCR
- Ministry of Treasury
- Exports Promotion Agency of El Salvador, EXPORTA
- Exporter Corporation of El Salvador, COEXPORT
- Chamber of Commerce and Industry of El Salvador, CCIES
- Salvadorian Industry Association, ASI
### 2007-2009 Strategic Plan: More Products, More Markets, More Value

The Strategic Framework is organized into Bi-annual strategic plans. For the Strategic Plan 2007-2009, the most important objectives are summarized in exporting **More Products**, with **More Value** towards **More Markets**, on the base of a coordinated institutional framework composed by Strategic Exports Committee, Executive Exports Committee and 7 axis technical teams.

The export aim is to increase exports by 2008 to US $4,700,0 million, representing a 39% increase over 2005 (considered as the base year for the National Export Strategy framework).
Also notable about the 2007-2009 Strategic Plan are the specific actions set out in it to be carried out by the technical teams of the Strategic Axes. The starting point for this is the Plan’s definition of results and specific objectives for each general goal, as follows:

- More products:
  - Increase the actual productive capacity
  - Diversify the exportable supply
  - Increase the quantity of exporting companies
- More markets:
  - Access to markets with FTA
  - Increase the actual demands for exporters
  - Increase the number of market niches
- More value:
  - Orient the product commercialization in high value niches
  - Promote innovation and design
  - Facilitate the access to international certifications

Finally the Plan includes a monitoring system with impact indicators and defined performance goals for each specific objective.

**Performance Goals**

The goals for the first triennium are organized according to the mentioned strategic targets (More Products, More Markets and More Value), being a result of consensual plans elaborated by the 7 technical teams, directly depending on the fulfillment of the proposed activities in each plan.

**More products**
- 1 Strategic Finance Council conformed
- 1 Center of Financial Advisory established
- 1 Awareness plan implemented for the bank and the exporting sector
- 1000 projects supported by the productive development fond
- 1 running consortium program. At least one export consortium per sector
- 1 legal framework proposal for export consortium
- 6 designed and implemented sectorial development programs
- 1 Webpage for online proceedings for exporters
- 1 designed and implemented awareness campaign for export culture generation

**More Markets**
- 10 named business promoters
- 5 implemented commercial offices
- 1 operating Commercial Intelligence Network
- 1 group of logistic services users
- 1 logistic support network
- 1 designed and implemented annual calendar of activities for logistic qualification
- 30 consolidation companies
- 1 new distribution center operating abroad
- 3 annual evaluations information from the business climate evaluators
- 30 business/market briefs- studies.
- 10 commercial fair attended per year
- 10 sectorial mission attended per year
- 2 designed and implemented sectorial brands

**More value**
- 6 designed and implemented sectorial development programs
- 10 fairs attended per year
- 10 sectorial mission attended per year
• 2 designed and implemented sectorial brands
• 100 companies participating in the sectorial brand promotional campaigns
• 1 awareness quality, design and innovation campaign
• 1 design contest developed per year
• 1000 projects supported by the Productive Development Fond
• 1 designed and implemented annual campaign for exporting culture and enterprise social responsibility awareness.

Advances

- Meetings of Committees and Work groups have been held consistently:
  • On average, the Strategic Committee has held meetings once every two months, which demonstrates the commitment and leadership of the top directors of the country in public and private sector.
  • The Executive Committee has held meetings in average once a month, keeping constant communications between each meeting.
  • Work groups of each Axis hold periodic meetings. The fact that each Axis is coordinated by an institution member of the Executive Committee has been fundamental.
- The strategy has already an approved budget for each axis.

- AXIS 1: Competitiveness in International Markets
  • The National Program of Exporting Development is being designed.
  • The Executive Committee has made a sectorial priority, based on statistical criteria and evaluation of the sector dynamism. The chosen sectors are: Foods, Pharmaceutical and Services. This will be the work framework for the three first Programs of Exporting Development.
  • Technical consultants have provided advisory services to 4 enterprise groups in process of consortium formation: metal works, plastics, pharmaceuticals and a group of foods and beverages that is already working.
  • A methodology for Export Consortia Development is being built inter-institutionally.
  • The first phase of Trade Intelligence Network is being finished. This phase involves the management of a trade information system, which EXPORTA will feed with market information, market profiles and tendencies observed in foreign markets, among other information. This project counts on I.A.D.B. and JICA support.
  • During 2007, El Salvador has participated en 10 trade shows and 6 trade missions in coordination of EXPORTA, EXPRO, FONDEPRO and the Chamber of Commerce.

- AXIS 2: Financing and Insurances
  • A portfolio of existing financial services to the exporter has been developed.
  • A “Best Practices” for financial services to the exporter has been created.
  • The first window of financial advisory will be starting this year, located en SGR.
  • The working plan for the axis has been presented to private banks members of ABANSA.

- AXIS 3: Logistics and Transportation.
  • An investigation about the degree of knowledge of logistics providers is been developed.
  • Funds for an investigation of logistic services have been negotiated.
  • A virtual directory of logistic services providers is being created.
  • On September 18, 19 and 20, 2007, the first Mesoamerican Logistic Forum will be held in El Salvador.
- **AXIS 4: Commercial Antennas**
  - Training for Commercial Antennas, with International Trade Center’s support, has been developed.
  - It is planned that for 2007 10 commercial antennas begin operation.

- **AXIS 5: Country Brand Image.**
  - The institutions involved in promoting El Salvador’s brand image have shared materials in order to promote El Salvador’s new country brand: El Salvador Impressible!
  - The first sectorial brand is created (Food and Beverages brand)

- **AXIS 6: Exporting culture**
  - An advertising campaign is being designed and will be addressed to exporters and commercial suppliers.

- **AXIS 7: Businesses Environment**
  - The first Procedures Forum was made within the framework of “El Salvador Efficient”, in coordination with SETEC.
  - A physical window with representatives of the different ministries has been created to make public procedures more efficient.
  - Statistical Homologation has been developed between EXPORTA, BCR and MINEC.
  - A computer tool is being created to share statistical information between MINEC and EXPORTA in order to present public results.