



**Is Trade  
Promotion a  
Good  
Investment?**

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# El Salvador: Is Trade Policy a Good Investment?



# El Salvador's Trade Policy in the 90's

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- 1989: A new Economic Model was implemented to pursue a global commercial opening.
- 1990: Export Reactivation Law is approved as an instrument for the promotion of non traditional exports destined to outer Central American markets.
  - Export Fiscal incentive promotes the diversification of national production (6% of FOB export value for non traditional exports outside Central America).



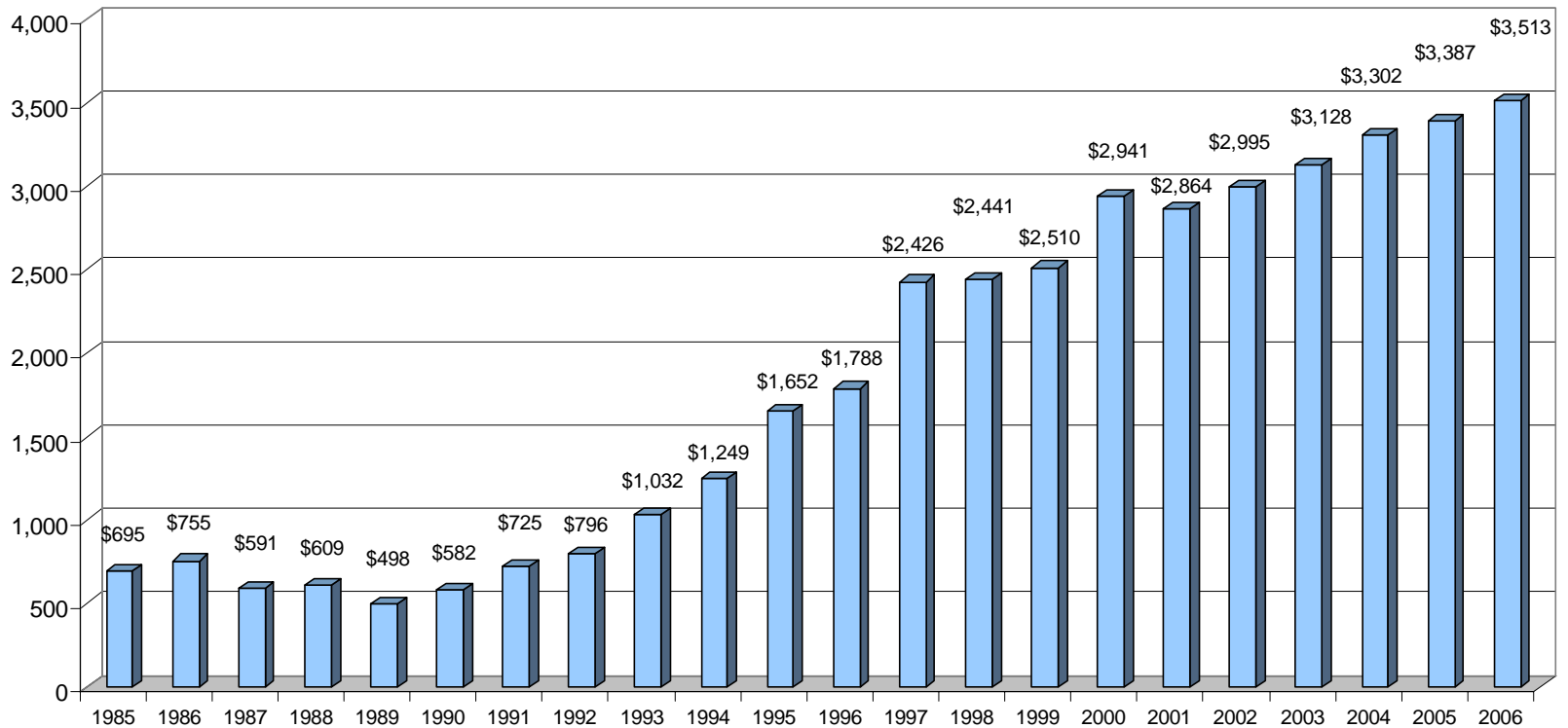
# El Salvador's Trade Policy since 2000

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- Free Trade Agreements with:
  - Mexico: March 15, 2001
  - Dominican Republic: October 4, 2001
  - Chile: June 1, 2002
  - Panama: April 11, 2003
  - United States - CAFTA: March 1, 2006
- In negotiation: Canada, Taiwan, Colombia and European Union (to initiate this year).



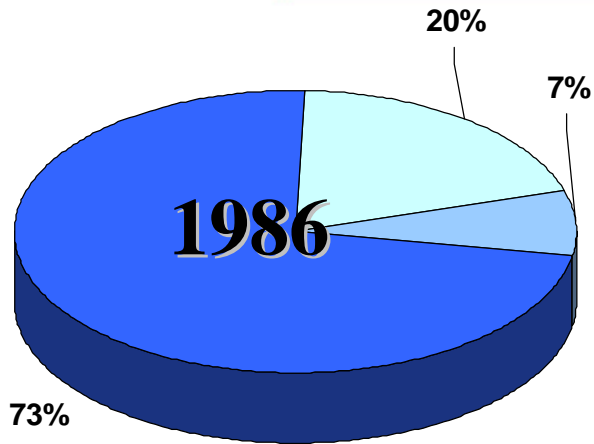
# Export Development 1985 -2006



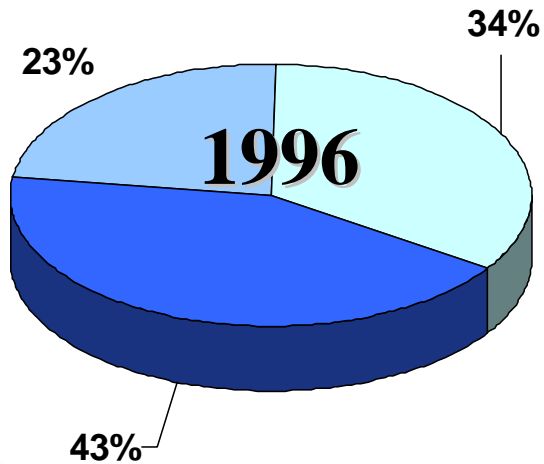
Source: BCR, El Salvador



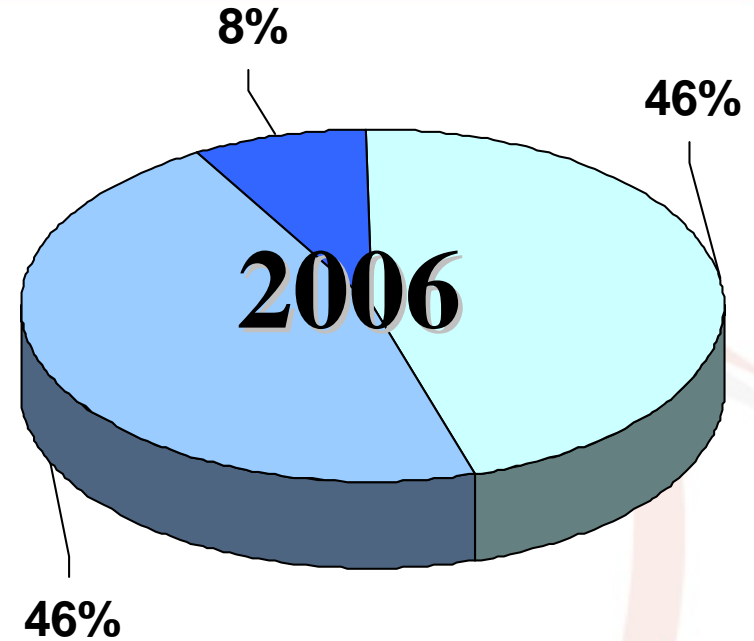
# Export Evolution 1986-2006



■ Traditional ■ Non Traditional ■ Maquila



■ Traditional ■ Non Traditional ■ Maquila



■ Traditional ■ Non Traditional ■ Maquila



# Some economic and social indicators

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- El Salvador:
  - Is one of the three countries (with Mexico and Chile) in Latin America that has **investment grade** from Moody's for the past 8 years.
  - Is ranked as the **third most transparent economy** in Latin America, after Chile and Uruguay (Transparency International Organization 2005-2006).
  - Is ranked as the **5th most competitive economy** in Latin America (The World Economic Forum 2006).
  - In the last 12 years El Salvador has **doubled its GDP** and have **reduced its poverty** from 58.9% in 1992 to 34.5% in 2004 and its **extreme poverty** from 27.8% to 12.6%, (UNDP).



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# EXPORTA

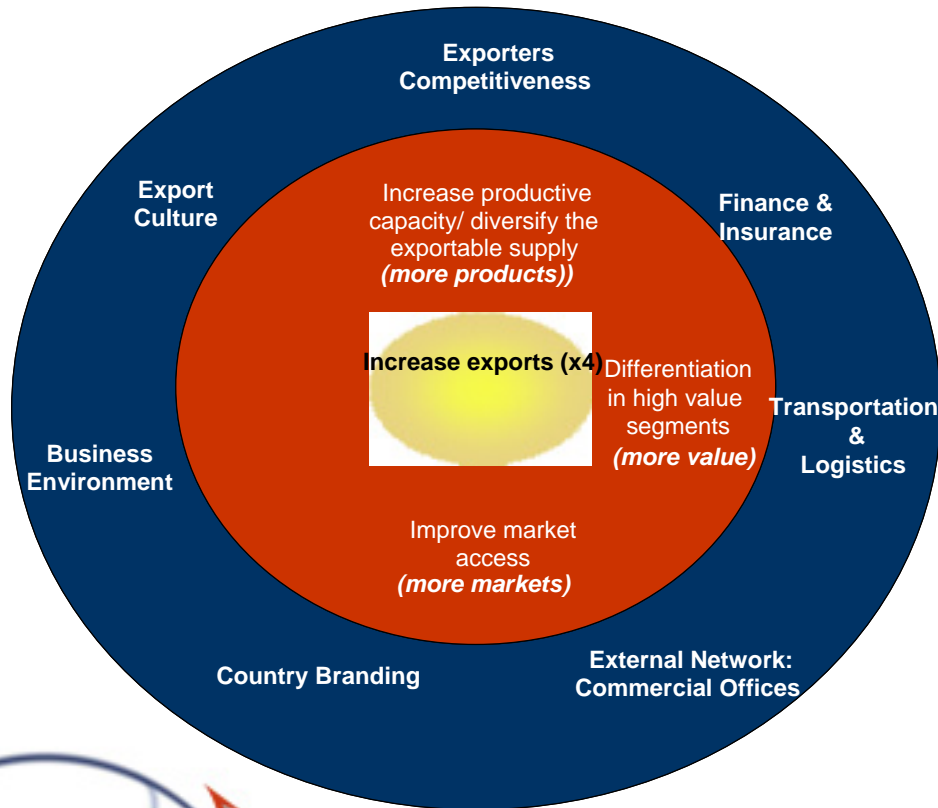
National Export Promotion Agency of El Salvador

**Is a TPO a Good Investment?**





# National Export Strategy 2006-2016

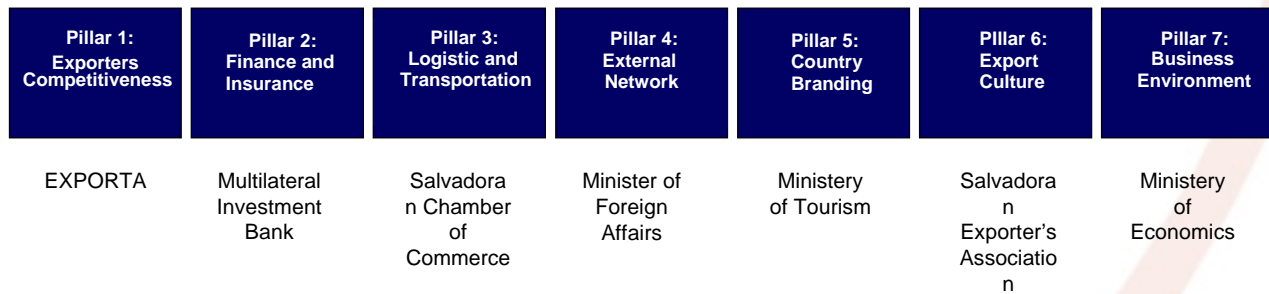


## Private-Public Partnership

### Strategic pillars:

1. Exporters Competitiveness
2. Finance and insurance
3. Logistic and transportation
4. External Network
5. Country Branding
6. Export Culture
7. Business Environment

# National Export Strategy: Institutional Framework



# El Salvador's Export Promotion Agency

## Activities and client orientation:

Market Information  
and Research

Export Support  
Services

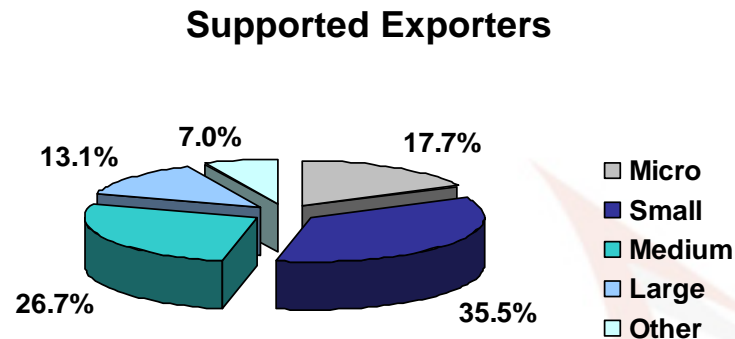
Marketing and  
Country Branding

- Created in February 2004
- Attached to the Presidency of the Republic (Vice-president of the Republic is EXPORTA's President).
- Small organizational structure: 25 employees (shared administration with Investment Promotion Agency).
- Export promotion focused on **non traditional products** (without maquila)
- **38% of EXPORTA's support goes to Agribusiness.**
- Support for established and potential exporters.



# Is EXPORTA's Budget a Good Investment?

EXPORTA BUDGET 2006	
MARKET RESEARCH	32.94%
EXPORT SUPPORT SERVICES	34.01%
MARKETING AND COUNTRY BRANDING	33.05%
	100.00%



In 2006:

- ✓ EXPORTA's budget represented only 1% of the total exports increase.
- ✓ EXPORTA has supported 94.5% of Salvadoran Exporter's Directory
- ✓ Those 94.5% exported the equivalent of 67.8% of non traditional exports
- ✓ Salvadoran Exports grew 3.7%
- ✓ **Non traditional exports grew 23.1%**
- ✓ **Agribusiness exports grew 141%**

# Final Remarks

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- **Exports performance is the result of diverse internal and external components, but it can also reflect the efficacy and efficiency of a TPO.**
- **There are two possible measurements:**
  - **TPO efficacy on overall exports**
  - **TPO efficacy on the performance of exporters directly supported.**
- **Does size matter? There are large local companies with small export activities.**
- **Focus on certain markets and certain sectors allow to make a better use of scarce resources.**
- **Private-Public Partnership and funding are necessary.**





**EXPORTA**  
EL SALVADOR

Agencia de Promoción de Exportaciones de El Salvador  
[www.exporta.gob.sv](http://www.exporta.gob.sv)