

GUIDE TO DOING BUSINESS IN EL SALVADOR

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1.- Legal System

What type of legal system exists in the country?

The Legal System governing the Republic of El Salvador (hereafter "El Salvador") is the Roman Civil system; its historic sources are the Napoleonic Code, Spanish Law and Civil Code of Mr. Andrés Bello. Pursuant to articles 102 and 103 of the Political Constitution of the Republic of El Salvador (hereafter "the Constitution"), economic freedom (wherever it does not contravene social interest) and the Right to Private Property are socially guaranteed.

In article 83 of the Constitution, El Salvador declares it self a sovereign State, the sovereignty lies with the people that exercise it in the manner prescribed within the limits of the Constitution. The form of government is republican, democratic and representative; its political system is pluralist and is expressed through the political parties that are the only instrument for exercising the representation of the people within the government.

2.- Foreign Investment

2.1.- Are there any restrictions to foreign investment?

Any physical person or legal entity, national or foreign, can make investments of any kind in El Salvador, except in those situations that are limited by law, and no discriminations or differences may be applied based on nationality, residence, race, gender or religion (article 6 of the Law on Investments).

By law El Salvador has created the National Investment Office (hereafter "ONI"), which is part of the Ministry of Economy, its role is to centralize and coordinate all formalities that investments require and make it easier for the investors to comply with the requirements stipulated by law. The national or foreign investor may contact ONI to obtain and request in one single place, the necessary authorizations to operate in the country, thus reducing time and costs.

The Government promotes foreign investments through the National Agency for the Promotion of Investments of El Salvador (hereafter "PROESA"), which is the government agency that since its foundation in 2000, has been providing professional consultancy to foreign investors with regard to the business environment and business opportunities in the country. PROESA's activity concentrates on the search of investments by promoting El Salvador abroad and providing the information and technical support that the investors need. It specifically helps the investors with:

- Information on business opportunities in El Salvador, the key entrepreneurial sectors and the Salvadoran economy.
- Support to coordinate visit programs and to find ideal places to settle in El Salvador.

- Personalized information and practical advice on how to establish a business in El Salvador.
- Relevant contacts that include the Salvadoran authorities, providers of public services, and providers of professional services, such as lawyers, accountants, specialists in relocation and recruiting companies.
- Support in finding companies with which to establish possible alliances, share investments or have other forms of cooperation.
- Analysis of the business opportunities in El Salvador.

The Law on Investments grants equal opportunities to the local and foreign companies. Its main objective is to avoid discriminatory and/or unjustified measures that contravene the normal activities of a foreign investment.

2.2.- Requirements to be met when investing in the country

It can be done directly as an individual or by incorporation a local company or by establishing a foreign branch in the country. The requirements are: registration of the company, registration of the tax identification number, registration of the registry number as a tax payer, registration of the number of employer's identification, temporary residence, multiple visa, ID card of foreign resident, for its investors and/or directors, and/or more foreign employees that work in the country.

A foreign company can operate in El Salvador using one of the three following options: 1) create a branch, 2) constitute a company domiciled in the country and 3) appoint an agent and distributor.

1. Recording in the Registry

- i. Registry of Foreign Investment
- ii. Original and copy of the articles of incorporation and by-laws (deed of constitution).
- iii. Original or copy of the Tax Payer's Identification Number ("NIT") of the company and of the legal representative.
- iv. Original and copy of the Single Identity Document ("DUI") of the legal representative.
- v. Authorization is required in case the formalities are not personally carried out.

2. Tax Requirements

The companies that can enjoy benefits must be dedicated to production activities, assembling, manufacturing, processing, transforming or commercializing of goods and services linked to international and regional trade.

The benefits that are granted are the following:

The Law on Industrial and Commercial Free Zones offers the following incentives to the companies:

- Exemption from Income Tax. The exemption from Income Tax is for a period of 15 years from the beginning of its operations.
- Exemption of Value Added Tax.
- Exemption of municipal taxes. The exemption of the municipal taxes over the assets of the company is for a period of 10 years.

- Exemption of the taxes on the transfer of real estate when the property is used for commercial purposes.
- Exemption of the taxes on the import of machinery, raw material, equipment and intermediate goods used for production.
- The option to sell part or all of the production on the local or Central American market.

3. Licenses and Permits

To formalize the company and process all the applications that this implies, it is necessary to present, in one single act, a package of documents that must include:

- Testimony of the articles of incorporation and bylaws (deed of constitution) of the company and photocopy of same reduced to 74% and centered on foolscap sized paper;
- Application form for the Registration of a Company for the first time;
- Original Initial Balance Sheet and a photocopy of same reduced to 74% and centered on foolscap sized paper;
- Receipts of duly paid Registration Fees for each one of the previous formalities;
- Form for the issuance of the NIT (number of tax payer's identification) /NRC (Registration of Added Value), together with the receipt of the payment of \$0.23 per issuance of the NIT;
- Form for assignment and authorization of the Correlative of Invoices;
- Form of Notice of Registration of an Employer and registration of signatures of the ISSS; and
- Form for the Registration of an Establishment of the Ministry of Labor.

Additionally for the formalities related to the registration in the Ministry of Finance, an authorization signed by the Legal Representative and authenticated by a Notary must be added to the package of documents that is being presented, indicating who the person is that is authorized to realize the formality regarding the NIT/NCR (Registration of the Added Value Tax) and Correlative of Invoices.

4. Is it necessary to constitute a local company?

No, it is not a requirement, but it is recommended to constitute a company because of the advantages in the fiscal and operational fields; for example, that a local company is not subject to the *withholding tax* of 20%.

5. Requirements for opening a branch of a foreign company

- i. A duly authenticated copy of the Deed of Constitution and of the articles of incorporation of the foreign company.
- ii. Duly authenticated probative documentation of the agreement to establish a branch in the country.
- iii. Certification issued by the Registry of Foreign Investment of the Ministry of Economy, certifying that the foreign company has introduced a minimum capital of USD\$ 11,428.58 into the country.
- iv. A document of Power of Representation granted in favor of a representative in the country.
- v. Initial balance sheet certified by a certified public accountant in El Salvador.
- vi. All the above in Spanish, otherwise translations are necessary.

3.- Banking matters

“El Salvador is one of the countries of Latin America that has a qualification of the degree of investments granted by Moody's. The country is also the second freest economy in America, according to The Heritage Foundation, and took fifth place in the index of global competitiveness (GCI) of the World Economic Forum (WEF) in 2006, if one takes only Latin America into consideration. Recently the Fitch Ratings risk measurement reaffirmed the country's sovereign qualification in BB+ and it kept the same stable perspective.

The qualifications of El Salvador are backed by its macroeconomic stability, its relatively low public sector debt load and its good record of structural reforms, including the implementation of the Dominican Republic – Central America Free Trade Agreement (DR-CAFTA).”¹

1. Opening of bank accounts by foreign companies.

- i. Verify the legal existence of the company and its duly authenticated statements/Apostille, in Spanish, before the respective bank.
- ii. Credentials of the legal representation or officer with sufficient and specific power to open the current account. Identity document or valid passport if the Legal Representative or Attorney in Fact.
- iii. Deposit of a certified check, cashier's check or another means accepted by the bank for opening the current account.
- iv. Register of signatures

2. Loans for foreign companies

- i. Present proof of how it is going to conduct business in El Salvador.
- ii. Have a current account with the bank where it is requesting a loan and/or banking operations
- iii. Audited Financial Statements for the last 3 years.
- iv. Local and international bank and commercial references.

4.- Incentives for foreign investment

The most significant factor for attracting foreign investments are the tax advantages, plus the political stability and other accommodation advantages.

El Salvador has recently passed in to law the Tourism Bill, which, in article 36, sets an important incentive for investments that qualify as Project of Interest in National Tourism. During a term of 5 years (2006-2011), any new investment that is qualified as a Project of Interest in National Tourism, for an amount of capital of at least (US\$ 50,000.00), shall enjoy the following incentives:

- Exemption from the tax on Transfer of real estate properties that affect the acquisition of the property or properties that shall be used for the project.
- Exemption from the rights and taxes, including the Tax on the Transfer of Personal Property and on the Rendering of Services, in the importation of its properties, equipment and accessories, machinery, vehicles, airplanes or boats and the building materials for the buildings of the project. The exempted amount cannot be more than 100% of the invested own capital of the project in question.

¹ Guía del Inversionista Estrategia y Negocios, February 2007, p. 40

- Exemption from the payment of Income Tax for a period of 10 years, accounted from initiation of operations.
- Partial exemption from the municipal taxes for a period of 5 years, accounted as of the initiation of the operations related to tourism activities, and up to 50% of their value.

All companies benefiting from the incentives established in the Law must contribute 5% of the profit obtained during the period of exemption.

Soon El Salvador will announce a "Law on Tax Incentives for Renewable Energy Sources", seeking more water generation, explorations for geothermic steam and the generation of eolic and solar power. There will be exemption from income tax and from the duty on the importation of articles for facilities for the installation of power plants. The feasibility and exploration studies shall be exempted from income tax. A Law on the Promotion and Operation of Bio-fuels, such as ethanol extracted from sugar cane will also be promulgated soon.

5.- Private Property

5.1.- Type of system that guarantees it.

Article 105 of the Constitution is where the State recognizes, promotes and guarantees the right to Private Property, to uncultured land, whether individual, communal cooperative or in any other way associative and for no reason whatsoever may the maximum extension of land which the Constitution establishes as a right to property be reduced.

The maximum extension of uncultured land belonging to one and the same physical person or legal entity may not be more than two hundred and forty-five hectares. This limitation shall not be applicable to the rural cooperative or communal associations. Private property, free contracting and economic freedom are part of the private initiative and El Salvador enjoys full entrepreneurial freedom.

Article 102 of the Constitution guarantees economic freedom and establishes that the State must promote and protect private initiative. Article 103 of the Constitution recognizes and guarantees the right to private property in the social framework.

5.2.- Expropriation.

Article 106 of the Constitution regulates expropriation due to legally proven public usefulness or social interest, and after just compensation.

When expropriation is motivated by war, public calamity or when the purpose is the supply of water or electrical power or the construction of homes or public roads, then compensation does not have to take place beforehand.

6.- Tax regime

6.1.- What factors determine a company's physical domicile?

Article 55 of the Tax Code establishes that for all tax purposes the domicile of legal entities, successions and trusts in the country, whether constituted under national or foreign laws, is:

- a) The place where the board of directors or the effective administration of its businesses is located;
- b) In case the place of its administration and headquarters is not known, the place where the main center of its activity is located;

c) The place that the representative indicates on the form in which the basic information of the registry is provided, or the place stated in the last declaration of Income Tax or of Taxes on the Transfer of Real Estate Properties; and

d) In the case that there is no domicile, the place where the generating takes place.

6.2.- What taxes apply to the companies with a fiscal domicile in the country?

Legal entities, domiciled or not, calculate their taxes by applying a rate of 25% to their taxable income (art. 40 of the Law on Income Tax).

6.3.- What taxes apply for those companies that receive revenue in the country, but do not have a fiscal domicile in the country?

Article 158 of the Tax Code establishes the obligation to withhold 20% of the amounts paid or credited for any kind of revenue obtained in the country, including advances on said payments in favor of non-domiciled persons in the country, as well as the revenue from the transfer of intangible assets. The only cases of exception are the dividends paid to accredited assets, on condition that whoever is distributing those profits has paid the corresponding tax. It is moreover established that the affiliates or branches must carry out said retention for the payments of any kind that they make to their headquarters. The annual liquidation of the taxes is based on the 25% mentioned in article 41 of the Law on Income Tax.

A company that receives revenue in the country and that does not have its tax domicile in the country can only operate through a Branch domiciled in the country or through a branch constituted in the country (domiciled) or through a distributor. All revenue must be justified and is taxable as indicated above.

6.4.- Which taxes apply to the following headings:

1. Dividends payable to foreign shareholders in the company:

The *withholding tax* or retention tax is applied to this heading (part of the *Income tax*, art.158 Tax Code previously mentioned above).

2. Dividends received from foreign companies:

Applied to revenues and taxable with a 20% tax.

3. Interests paid to the corporation's foreign shareholders:

The Value Added Tax is applied.

4. Royalties payable to the corporation's foreign shareholders:

The *withholding tax* or Income retention is applied (article 158 of the Tax Code).

6.5.- Are there control rules for foreign companies?

As indicated above, foreign companies may work in El Salvador through a branch or agency; it must legally register a company domiciled in El Salvador, of which 100% of the stock capital belongs to the foreign company.

The other alternative to operate a foreign company is by appointing and accrediting a distributing agent or a distributor of its products.

6.6.- Are there specific capitalization regulations for foreign companies?

This depends on the legal form under which the foreign company operates in El Salvador. If it is through a foreign capital company domiciled in El Salvador, the regulations of the Code of

Commerce and the articles of incorporation are applied for capital increases, and if it is a branch or agency of a foreign company legalized in El Salvador, the regulations of the Code of Commerce are also applied for capital increase indicated therein for foreign agencies or branches.

The operating form of a foreign company in El Salvador is realized through a branch and/or by constituting an affiliated company, or by appointing an agent or distributor.}

The DR-CAFTA puts the foreign investor on the same level by granting it an equal treatment as the National investor and guaranteeing the protection of its investment.

6.7.- Price of Transfer – local treatment

Article 9 of the Law on Investments guarantees the foreign investors the transfer outside of the country of funds related to its investment, which must be realized without delay and after convertibility to a foreign currency through the banking market.

In El Salvador there is no exchange risk since the legal currency and the liberating power is the United States Dollar.

Another characteristic to take into account is that the four principle commercial banks in the country are owned by international banks.

6.8.- What taxes apply to imports and exports?

With regard to exports, the export operations bear a 0% tax if they qualify to enjoy the above-mentioned exemptions. However, the taxes are collected when goods and services are purchased by the producers for the manufacturing of the products or providing of services that are exported, but they have the benefit of a 6% return for a FOB export (DRAWBACK)

The tax for imports will be calculated according to the Central American Tariff System, which is common in all of the countries of the region. A gradual decrease of the taxes and tariffs is currently taking place. El Salvador offers an Electronic System for Foreign Trade, in which an electronic window is offered to carry out the formalities of:

- Registration as exporter and affiliation to the SICEX (Integrated System of Foreign Trade)
- General guide to export formalities
- Export documents issued by the CENTREX
- Electronic payment of the services of the CENTREX

6.9.- Are there any treaties on double taxation?

No, to date there is no treaty on double taxation but actions are being taken further to the signing of DR-CAFTA. The Central American countries are members of the World Trade Organization (WTO), which fosters the elimination of privileges; therefore, the member countries of the DR-CAFTA seek to eliminate double taxation in order to avoid the competition of incentives between the Central American countries and its trading partners.

7.- Labor system

7.1.- Minimum wage - specifications.

The minimum wage for trade and services is currently \$ 158.40 per month; for industries it is \$154.80 and for the agricultural sector it is \$74.05 per month. The minimum wage is reviewed

every three years. If the employees do not earn the minimum wage, they can appeal to the Bureau of General Inspection of Labor to submit the corresponding complaint, which can include establishing sanctions.

7.2.- National employees

1. Requirements for hiring them.

The requirements to hire a national employee varies according to the policies of each company, but the hiring must always adopt the precepts of the Labor Code, giving the employee all of its legal benefits, and a good work environment must also be maintained with the necessary conditions for the employee to be able to perform adequately. An Individual Employment Contract is required.

2. Causes for termination of the work relation.

In El Salvador the grounds for termination of the work relation are governed by the Labor Code and are divided as follows:

- i. Grounds for termination without any responsibility for any of the parties and without any legal intervention;
- ii. Grounds for termination without any responsibility for any of the parties that require legal intervention
- iii. Grounds for termination without any responsibility for the employer, among which twenty causes are determined that leave the employers free of responsibility and that are stipulated in Art. 50 of the labor code;
- iv. Grounds for termination with responsibility for the employer, where the employee shall have the right to consider the work contract terminated with responsibility for the employer.
- v. Grounds for termination by mutual agreement and/or resignation. According to Art. 52 of the Labor Code, the employment contract terminates by mutual agreement of the parties or because of resignation of the employee, on condition that there is written proof on a notarized resignation form of the Ministry of Labor; the resignation produces its effects without the employer needing to accept it Should the resignation be by mutual agreement, then there shall be no responsibility for the parties.
- vi. The employment contract also terminates through dismissal in fact, except those cases exempted by our Labor Code, Art. 55

In case of termination of any employment contract, whichever the cause may be that motivated same, the employer must give the employee a declaration that expresses only the following: the date of initiation and the date of termination of the work; the type of work that was carried out; the salary earned during the last payment period and, if the employee so wishes, the declaration must also Express the efficiency and behavior of the employee and the cause or causes for the termination of the contract.

7.3.- Foreign employees.

To be employed in El Salvador all non-Salvadoran citizens need a work permit. This permit is officially called Temporary Residence with Authorization to Work.

1. Requirements for hiring them.

The requirements to hire foreign employees are:

They must have a valid work permit issued by the General Section for Foreign Immigration of the Ministry of Governance; sign and agree with the work contract according to the type of work for which he/she is hired; the employer must also ensure that the foreign employee has all benefits as well as a work environment appropriate to his/her work.

2. Causes for termination of the work relation.

The same as mentioned above are applicable to the foreign employee, unless the work contract stipulates a specific period for the termination of the work relation.

3. Immigration requirements.

Application for a Temporary Residence with a permit to work, at the Section of the Ministry for Foreign Immigration and Governance, thus complying, among other requirements, with the presentation of the following documents:

- Authenticated birth certificate.
- Complete photocopy of the passport.
- Statement of the criminal record of the country where he/she has lived during the last three years.
- Medical certificate that he/she does not suffer from infectious-contagious diseases.
- AIDS test.
- Copy of the work contract.

The above always applies and also when the established work period implies a sojourn of up to one year within the National territory, otherwise one can apply for a tourist visa for up to 90 days (Art.6 Immigration Law) or a multiple visa for the temporary residents for the duration of their residence (Article 56 Immigration Law).

7.4.- Taxes payable by the employee.

The employee pays over his/her salary, 6.25% of Pension Fund Administrator (AFP) and 3% of Social Security (Common Risks) known as health, which is a charge of 9.25%

7.5.- Retained taxes to be paid by the employer

The employer has to pay 6.75% of AFP and 7.5% of Social Security and 1% to the Salvadoran Institute for Professional Formation (INSAFORP) if it has more than 10 employees on the payroll, which together amount to 15.25%.

7.6.- Collective Labor Right

The collective right to work is regulated in the Labor Code articles 268 to 278. Article 269 of the Labor Code stipulates that the collective work contract is celebrated between one or several unions on the one hand and the employer on the other.

8.- Agency and Distribution

8.1. - Applicable Legislation

- 1) Commercial Code, articles 392-A to 399-B (regulates the subject matter).
- 2) El Salvador signed and ratified the DR-CAFTA, is in force since March 1st, 2006 and it is an International Treaty of higher hierarchy than the secondary law. DR- CAFTA stipulates the rules for the Agency and Distribution between El Salvador and companies in the United States; Annex 11.3 specific commitments "section c El Salvador" that indicates:

- i- articles from 394 to 399-b of the Commercial Code apply only to the contracts that were signed after such articles became effective;

- ii- articles 394 up to 399-B of the Commercial Code will not be applicable to any distribution contract that a person from the United States subscribes after this agreement becomes effective, as long as the contract stipulates it so;
- iii- the signing parties of a distribution contract will be allowed to establish the applicable mechanisms and forums in case of controversy;
- iv- if a distribution contract includes a specific disposition with regard to compensations, which could, for example, include a disposition of "non compensation", article 397 of the Commercial Code will not apply to the said contract;
- v- under the laws of El Salvador, a distribution contract must be treated as exclusive only if the contract expressly stipulates it so;
- vi- El Salvador will promote that the parties involved in distribution contracts made after this Treaty has become effective, include dispositions that establish mandatory arbitration in case of controversy and specific methods to determine every compensation;
- vii- for the purposes of this Section, a Distribution Contract has the same meaning established by articles 394 to 399-B of the Commercial Code.

8.2. - Requirements for foreign companies

If the foreign company opts for not having presence in El Salvador and selling its products or services through an agent, distributor or representative different from the company, these may be a national or foreign agency or distributor that carries out business in El Salvador. An agency, distribution or representation contract must be negotiated and signed, in which the clear rules of the operation are established: time period, products, services, sales goals, controls, imports, prices of articles and services, commissions and bonuses. In this case the territory, exclusiveness or not, form of payment, arbitration for discrepancies, jurisdiction must also be established. If one of the signing companies is from the United States of America, the rules of DR-CAFTA described above applies.

8.3. - Restrictions for foreign companies

El Salvador keeps, promotes and encourages openness to foreign investment and all foreign investors receive equal treatment to that of locals. Foreign investors can obtain credits in the local financial market under the same conditions as the local investors. There are no controls or special requirements for common transfers, access to foreign currencies or the majority of capital transactions. The currency is the US dollar.

There are some restrictions on the possession of land. Foreigners, like locals, may buy uncultured land up to 245 hectares, only if there is a reciprocity agreement with their country of origin.

8.4. - Applicable tax regime

According to article 41 of the Income Tax Law, the legal entities, residents or not, will calculate their taxes applying a 25% rate to their taxable income, which will be applied to the physical persons holders of mercantile firms and tax payers according to articles 151, 152 and 153 of the Tax Code. The settlement and payment are made on a monthly basis through advances or payment towards the tax Account that consists of 1.5% of the monthly gross income. Income Tax Law and the payment of sales are subject to the VAT Law: 13%.

9. – E - Commerce

9.1. - Applicable Legislation

El Salvador does not yet have an applicable electronic legislation other than the Customs Simplification Law.

9.2. - Electronic signature

Several projects of e-commerce and electronic signature have been prepared, but these have not followed the UNCITRAL guidelines.

A progressive use of e-mail and electronic signature has taken place in El Salvador since 2004. In recent years there has been an increase in the use of broadband.

10. - Economic information and others

10.1. - Population:

El Salvador is a country with a tropical climate, located in Central America, with a population of approximately 6.7 million inhabitants. 90% of the Salvadoran population is crossbred; 9% is white and 1% is indigenous; very little Indians have retained their customs and traditions. El Salvador is the most densely populated country in Latin America.

10.2. - Territorial extension:

21,041 km². El Salvador is the smallest country of Central America and the only Central American country without a coast on the Caribbean Sea. The land is mostly mountainous, with a narrow coastal belt and a central plateau.

10.3. - Does the national legislation award a legal and safe framework for foreign investment?

Yes, El Salvador has an Investments Law aimed at encouraging investments in general and foreign investments in particular, to contribute to the economic and social development of the country, increasing productivity, the generation of jobs, the export of goods and services and the diversification of production.

10.4. - What level of economic stability does the country have?

In the index of economic liberty of 2005, presented by the Heritage Foundation, El Salvador occupies position number 24 among 153 countries. Together with Chile, that occupies position number 11, they are the better ranked of Latin America. The qualified areas are Trade Policy, Tax burden, Intervention in the Economy, Salaries and Prices, Regulations.

11. - Information on a Central American level

11.1. - The country has live experience under the Free Trade Agreement signed between Central America, the Dominican Republic and the United States (DR-CAFTA)

The Free Trade Agreement between Central America, the Dominican Republic and the United States became effective in El Salvador on March 1 of 2006. In 2007, 97.9% of the products originating in El Salvador entered the United States tax-free and 77.8% of the goods produced in the United States entered El Salvador tax-free.

11.2. - Viability of an efficient customs union

Currently, El Salvador and the rest of the Central American countries are working together to achieve an integral Customs Union. Efforts are being kept up in favor of the external common tax for importing products outside the Central American area. There is work being done in the homologation of all the tax rates and the uniformity of the exemptions of each one of the countries establishing a regional rate for all the products that are received from outside the Central American area.

The Central American Uniform Customs Code (CAUCA) and the National Regulations of the Central American Uniform Customs Code (RENCAUCA), establish the basic customs legislation of mandatory application in the signing countries, in conformity with the requirements of the Common Market and the Agreement on the Central American Duties and Customs Regime.

11.3. - Viability of the regional registration of a company

Currently there is no legislation in force that allows the registration of a company on a regional level.

11.4. - Viability of recording intellectual property on a regional level.

Currently there is no legislation in force that stipulates or regulates the registration of intellectual property on a regional level.

El Salvador has progressed in the handling, registration and protection of intellectual property. The Salvadoran Government has made considerable efforts to reach international standards on this matter. El Salvador has now the National Registrations Center, an organization that has a specialized department for the registration of Intellectual Property.

11.5. - Advantages of the commercial trade between the countries of the region

The commercial exchange between the countries of the region may bring significant macroeconomic stability. The environment has improved with the signing of the DR-CAFTA; treaties signed with other countries like Mexico and Chile; the agreement that is on the way to being negotiated with the European Union; the Treaty subscribed with the Dominican Republic; the Free Trade Agreement signed with Taiwan and the one on the way of being negotiated with Colombia.

Foreign investment perceives the Central American region as one market.

Benefits for the dollarization of El Salvador:

- Eliminates the risk of devaluation to defend the monetary value of deposits, pensions and salaries. Especially one objective was to avoid that some sectors seek to gain competitiveness through devaluations, used as mechanisms to reduce the workers' salaries;
- Reduce the interest rates and extend the competition in the Salvadoran financial system, to alleviate the difficult financial situation that many companies and families were experiencing and thus stimulate the acquisition of housing and other family investment goods that improve the level and quality of life of society;
- Stimulate private investment and so achieve greater economic activity and the technological modernization of the country, generating conditions of trust for the investors, as well as long term resources due to the fact that this stimulates the generation of jobs and wealth, necessary for the progress of the country;

- Reduces the lack of credibility that emerging economies have, through the elimination of monetary policy, at the same time that conditions requiring fiscal discipline, which tend to reduce the risk of the country, are created;
- The above facilitates the reduction of interest rates and contains inflation in similar terms to the inflation of the United States, historically low.