

RPTB1

TRADE AND INVESTMENT PROMOTION PLANNING SYSTEM

90/91 TRADE AND ECONOMIC OVERVIEW

Mission: SAN JOSE

Country: EL SALVADOR

El Salvador's economy with substantial American assistance has done well over the last several years, registering positive, if modest, growth each year since 1983. A severe drought in the first half of 1988, and an intensive campaign by the FMLN guerrilla army to sabotage key economic infrastructure (mostly in electricity generation and transmission), have contributed to a decline in agricultural production, particularly coffee, and created difficulties in the electricity-dependent manufacturing sector. Presidential elections in 1989 and the installation of the new government, injected a degree of uncertainty into the economic scene, but the indications are now positive that the new regime intends to contain inflation and promote a positive investment climate. With some improvement in the prospects for peace there could be significant increases in economic activity.

PROSPECTS FOR CANADIAN EXPORTERS

El Salvador's economy is primarily agriculture-based (coffee, cotton and sugar) although the manufacturing sector, and especially textiles, is relatively strong by Central American standards. Canadian exports to El Salvador (\$16 million in 1987; \$23 million in 1988) have both expanded and diversified in the last few years. Major export items are industrial raw materials, including chemicals and plastics, newsprint, and parts for machinery. In addition to these products, there are good, but largely unexploited, opportunities for the export of agricultural inputs, including agrochemicals, genetic material, veterinary medicines/equipment and computer applications.

The Inter-American Bank is active in El Salvador. The pipeline of projects for 1989 and beyond, however, is relatively small. The main areas of IADE activity are electricity, water supply and health. Lines of credit to industry have recently been established and may form a more important component of future lending.

Government procurement and Government initiated capital projects are few, largely because of difficulty in obtaining financing. There are, however, indications of a possible large acquisition of new lines and switching equipment by ANTEL, the national telephone company.