

EL SALVADOR Onwards and upwards

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President MAURICIO FUNES of El Salvador and U.S. President BARACK OBAMA in the Oval Office. President Funes was the first Central American leader to be received at the White House by President Obama after he took office.

El Salvador's progress has been endorsed by U.S. President Obama, and the Partnership for Growth will accelerate the nation's development

Exciting times lie ahead for El Salvador as its partnership with the United States, under the Partnership for Growth (PFG) strategy, is advancing at a steady pace. Since the U.S. Assistant Secretary of State for Economic, Energy and Business Affairs, Jose Fernandez, visited El Salvador in August this year, both sides have been working closely to develop a set of activities and policies designed to overcome any barriers to economic development.

The Partnership for Growth is an effort to put into practice President Obama's Presidential Policy Directive on Global Development, and represents a departure from business-as-usual for both the United States (El Salvador's most important trade and investment partner and home to more than 2.3 million Salvadorans) and El Salvador. This effort recognizes the important role of policy reforms to support the private sector and civil society in increasing El Salvador's participation in the global economy.

"I want to thank President Obama for including our country in such important initiatives like the Bridge Project and the Partnership for Growth," said President of El Salvador Sr. D. Mauricio Funes Cartagena.

"I also want to thank President Obama when he recognizes the importance of our population in the development of his country. The presence of more than 2 million of Salvadorans who work and live in the United States, and the importance that this population has in the development of El Salvador through the remittances that they send year by year."

PFG is not a new initiative focused on improving a single sector, but rather a comprehensive proposal aimed at accelerating and sustaining broad-based economic growth in a select group of countries.

"We are in the face of a great opportunity for our political, economic and social development, an opportunity that is historic in nature – to do away with the obstacles that in the past did not allow us to advance as a unit towards a new model of development with social justice," said President Funes Cartagena.

"But also it is fundamental from the economic point of view because the majority of the Latin America countries are just overcoming this international crisis better than other countries in the world based on models against poverty and betting on their productive sectors and the hardworking people that they have."

In addition to trade and immigration, bilateral relations will focus on increased cooperation on security matters and on greater support for development programs. As a result, reforms have been made in key sectors to boost productivity and attract investment in agriculture, technology and the agro-fishery industries. The government has reformed the agriculture sector through the Agriculture Family Plan. This year they will spend \$800 million (out of \$4 billion) for public investment, which will also help the economy.

Another successful program initiated by President Funes Cartagena is the Sistema Social de Proteccion Universal, which has helped protect the most vulnerable in El Salvador's society. The first measures included temporary work programs, the construction of 25,000 homes for social housing, and the expansion of basic services.

President Funes's aim is to "write a new history in the field of social policy." His first campaign was three-pronged: to give free uniforms and supplies to 1.3 million students in the public sector, to ensure that social security covered the unemployed and to eliminate fees for access to health services. "We need to make a peaceful

and democratic revolution to implement a social model that will help organize the economy and promote human development," summarized the president.

As relations deepen between the U.S. and El Salvador it is important to note that this year is the 190th year anniversary of the First Independence Cry, something that President Obama acknowledged and commended the country on.

"I am delighted to congratulate the people of El Salvador as you celebrate the 190th anniversary of your independence this September 15," said President Obama. "The United States and El Salvador share a strong commitment to democracy, rule of law, and inclusive economic development. Our ties are further enriched by the 2.3 million Sal-

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D. MAURICIO FUNES CARTAGENA, President of El Salvador

vadorans who call the United States home. El Salvador is a key partner in our efforts to dampen the threats posed by transnational criminal organizations and gangs. Through our Partnership for Growth, we are committed to working closely to boost economic prosperity and create a safer, more prosperous, and more democratic future for all our

citizens." El Salvador is the only country in the Americas selected to participate in the Partnership for Growth program (the other states are Ghana, Tanzania and the Philippines). The simple fact that President Obama has chosen the country is in itself a message of confidence that will attract foreign investment going forward.

Kolashanpan
LA ORIGINAL

CONTACT US
PREMIER IMPORTS: 1289 N. Post Oak Rd. Suite 160, Houston TX. 77055. Phone: (713) 862-8467
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Juan Carlos Jover and Lucia Valero



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Winning the battle

El Salvador knows it must sustain its successful efforts to increase security in order to attract further investment

Having adopted the US dollar as its official currency in 2001, El Salvador is now entering a period of growth and financial readjustment following its own recession, and its recovery rates and statistics continue to attract investors and foreign businesses, with some 19,000 American citizens already living and working full-time in the country. It comes as little surprise that the U.S. is El Salvador's most important trade and investment partner given that it is home to over 2.3 million Salvadorans, a huge number when you consider that the current population of El Salvador is just over 6 million.

But Foreign Minister Hugo Martinez was quick to point to new initiatives regarding emigration, when he gave a press conference just a few weeks before President Obama's visit to El Salvador. As Chancellor of the Republic of El Salvador, Minister Martinez spoke of reduced emigration from the north of the country thanks to scholarships given to young people to study rural tourism and administration. The Minister also spoke of proposals to boost investment by second generation Salvadorans in the U.S. in projects in their communities of origin in El Salvador, and made his point clear that none of this economic or political growth would have been possible without international co-operation. "We feel that other countries and regions are now becoming interested in El Salvador. Places such as the European Union, and emerging powers like Brazil, Russia, India, with whom we have boosted diplomatic relations. This is due to our new approach to foreign relations, which has gone from making very close relationships determined by our sympathy or antipathy towards the parties and governments of other countries, to foreign relations as they should always be: relations between states, open to the world, without putting any further restrictions on the interests and universal values we all share."

Since stepping into office in June of 2009, Salvadoran President Mauricio Funes's foreign policy has prioritised maintaining continued close relations with the U.S. El Salvador has proved to be a committed member of the coalition of nations fighting against terrorism, having sent eleven rotations of troops to Iraq to support 'Operation Iraqi Freedom' from 2003 to 2008.

At the same time, El Salvador is developing political and economic ties with other centre-left and centre-right governments throughout Latin America, further distancing themselves from radical leftist regimes throughout the sub-continent,

some of whom have taken an anti-U.S. stance. President Obama was quick to praise both the country and President Funes himself on a recent visit, saying "I think the partnership that we're forging together is exactly what's needed in the Americas today — neighbors joining with neighbors to realize progress that none of us can achieve alone. Every nation, I believe, no matter how large or how small, can contribute to that progress. And I believe that under the leadership of President Funes, El Salvador can be a source of great prosperity and security for this region for many years to come."

President Obama was also quick to point out the importance of partnership and co-operation between the two countries stating that "Instead of the old donor-recipient model, we're working as partners, with El Salvador in the lead, to confront the hurdles to growth and development. As El Salvador's largest trading partner, we'll help identify reforms that can mobilize private investment, increase trade and create opportunities for the Salvadoran people. And one of the most important steps is to foster collaborations between government and the private sector, because both have so much to gain when people are lifted out of poverty and contribute to their country's prosperity."

Having suffered political unrest and upheaval for the past twenty years or so, a new feeling of optimism exudes from this government, which is mostly made up of members of the left-wing political party Farabundo Marti National Liberation Front (FMLN), which prompted Medardo Gonzalez, the General Coordinator of the FMLN to comment, "The legacy we would like to leave is a country where we can live peacefully, with democracy, without violence, and without hunger. We hope to have a country where we Salvadorans can live in peace, and where there is no need for the young people to go somewhere else to find a place to work because they could not find it here."

In May 2010, less than a year after taking office, President Funes signed an EU-Central America Association Agreement (EU-CAAA) which is set to boost trade and investment ties with Europe when it comes into force next year. Other countries which look to benefit from the bilateral free trade agreement are Costa Rica, Guatemala, Honduras, Nicaragua and Panama. Collectively these six small countries form the Central American Integration System (Sistema de la Integración Centroamericana; SICA) and shortly after the

signing of the EU-CAAA, President Funes organised the most recent meeting of the political organisation in San Salvador, capital of El Salvador. At the meeting President Funes addressed five important topics affecting each of these Central American nations: security, social policy, climate change and natural disaster prevention, economic integration and regional institutionalism.

In doing so, President Funes may have initiated an important era of change in Central America's political history, paving the way for further co-operation between the Salvadoran and U.S. governments in tackling drug trafficking and organised crime.

During President Obama's visit the two leaders said that one of the key issues they discussed was one of regional security, with Funes calling their recent security co-operations "the best weapon to combat and reduce crime in the region." Since 2005 the International Law Enforcement Academy (ILEA), a police organisation run by the U.S. Department of State, has been based in San Salvador where it trains local Salvadoran police forces in narcotics interdiction, counter-terrorism and pre-

vention of organised crime. The Federal Bureau of Investigation and El Salvador's National Civilian Police have also joined forces and together operate the Transnational Anti-Gang unit which addresses the problem of street gangs in both countries. Speaking of the need to tackle these issues at ground level as well as internationally, Secretary of Strategic Affairs for the Presidency, Franzi Hato Hasbun, said "We have to win the battle against crime with the participation of the communities, chiefly in the poor neighborhoods."

The country's bloody Civil War ended less than twenty years ago, in 1992, but already the current government has managed to make El Salvador the only country in Central America with diminished homicide rates in recent years, reporting a 25% drop in extortion cases and boasting a significant decrease in the amount of kidnappings. Much

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HUGO MARTINEZ,
Foreign Minister and Chancellor of
the Republic of El Salvador

THE NUMBERS AT A GLANCE

The Central Bank's monthly activity index indicates that the economy continues to gather strength, growing by 3.2% year on year in April.

Nominal GDP: (m) 22.640
Real GDP growth: 2.4%
Expenditure on GDP: Private consumption: 2.8%
Gross fixed investment: 3.6%
Exports: 7%
Imports: 7%
Origin of GDP (% real change): Agriculture: 2.1
Industry: 1.9
Services: 2.5
GDP per head (US\$ at PPP): 6.747
Recorded unemployment: 7%



CARLOS GERARDO ACEVEDO,
president of the Banco Central de
Reserva de El Salvador

Banking on growth

The president of El Salvador's central bank has confidence in his country's economy, and its people

Despite being the smallest country geographically in Central America, El Salvador has the third largest economy in the region. In common with most countries around the world, its economy was dealt a blow in 2009 by the global recession and real GDP contracted by 3.5%, but a rise in exports and remittances helped create a slow return to positive growth in 2010.

The economy grew by 1.4% last year, which is slightly higher than the estimated 0.7%, and in June 2011 El Salvador's Economic Activity Volume Index showed expansion had risen to 3.6%. In addition, tax revenues and exports were up and remittances exceeded \$2,100 million, representing an increase of 4.5% compared to last year, according to the central bank.

According to Finance Minister Carlos Caceres, the financial system and increased tax revenues are the two main strengths of El Salvador that make it ready to face any possible financial crisis in the future, saying that its efforts to maintain fiscal stability enable it to increase tax revenues and rationalize public spending.

Also, Economy Minister Hector Dada Hirezi recently launched the government's Industrial Policy 2011-2024, which is jointly backed by the business community to revitalize and transform the economic sector and contribute to national development.

"Various indicators suggest that economic activity is recovering at an acceptable pace," says Carlos Gerardo Acevedo, president of the Banco Central de Reserva de El Salvador, the nation's central bank. "As a government we are committed to a growth of 2.0%, which is a more realistic target that would respond to various initiatives that are under way or about to be implemented. We are strongly committed to implementing the new De-

"WHEN SALVADORANS HAVE HAD THE CHANCES TO DEVELOP THEIR CAPACITIES, THEY HAVE DONE VERY WELL; THE PROOF IS EVIDENT IN HOW SUCCESSFUL THEY ARE WHEN THEY GO TO THE UNITED STATES OR OTHER COUNTRIES."

velopment Banking System, which we expect to commence operations shortly."

The economy became fully dollarized in 2001, and after a decade of liberalization the domestic banking sector has now become one of the strongest in regional security. International conglomerates have acquired the country's most representative banks, resulting in an injection of almost \$1 billion in foreign direct investment (FDI).

A new law seeks to strengthen the supervision of the financial sector by merging the supervisory agencies, giving more regulatory power to the central bank. "It is a project we have been working on for some time, along with a degree of input from the IMF, and the integration model we are following was first tested in Norway, Finland and Denmark," says Mr. Acevedo. Three supervisory committees, which currently oversee the financial system and

banks, pensions, and the stock market, are to be merged into one single entity. The move is also expected to help to boost transparency in the industry. Remittances from the 2.5 million-strong diaspora are vital to El Salvador's economy. Most expats have settled in the U.S. and work in the services and construction industries, which are particularly vulnerable to changes in the U.S. economy and have been badly affected in the past couple of years. Nevertheless, remittances continue to rise: inflows increased by 4.3%, totaling \$1.8 billion, in the first half of 2011.

In addition to overseas remittances, imports and exports are also key contributors to the national coffers. El Salvador has been promoting greater international trade and a more investment-friendly environment for years, embarking on a wave of privatizations that has touched on sectors such as telecoms and electricity distribution, as well as banking and pension funds. Tourism has been highlighted as a particularly untapped industry that is ripe for foreign activity, as well as infrastructure and energy sectors — particularly in El Salvador's potential to leverage its solar, wind and hydroelectric energy sources.

Central bank statistics indicate that FDI grew \$640 million, or 8.3%, between June 2010 and June 2011, totaling \$8.347 billion, with the financial sector receiving the greatest attention.

"El Salvador is a small country, as many might say the 'Tom Thumb of the Americas', but it is a country with great potential and a population that has great capabilities, like a diamond in the rough," says Mr. Acevedo. "When Salvadorans have had the chances to develop their capacities, they have done very well; the proof is evident in how successful they are when they go to the United States or other countries. They have excelled, indicating that there is a gross human capital just needing opportunities to develop."

Banco Central de Reserva de El Salvador The Central Reserve Bank of El Salvador www.bcr.gob.sv

The Central Reserve Bank of El Salvador is one of the pillars of the nation, helping the economy to continue growing through transparency, integrity and effective management. The Central Bank's sound policies has allowed the entrance of large financial conglomerates, modernizing greatly the banking sector in the past several years. Financial system has been performing well, lending strength and stability to Salvadoran economy, which is expected to see a positive growth for 2011 and the following years. The Central Bank stands firm behind El Salvador and the country's potential as a growing business and investment destination.

The strong and transparent financial engine of the nation



A helping hand

The Partnership for Growth is one of many initiatives aimed at aiding El Salvador's development

El Salvador is making strides to recover from the global crisis, and the country is expected to grow by 2.5 per cent this year. This has in no small part been attributable to President Funes' technical advisor Dr. Alexander Segovia, an Oxford-trained economist.

Dr. Segovia oversees President Funes' five-year social and economic plan, which includes a strategic outlook to 2024. "The priorities are poverty, equality, and all the other social issues. These will make up 43 per cent of the programs

and projects, which will exceed \$4.5 billion," said Dr. Segovia. The administration is now addressing fiscal issues as well as maintaining control over public finance.

The last assessment by the International Money Fund reveals that El Salvador has met 100 per cent of all indicators. The Anti Crisis goals have been met, the government have established a Universal Social Protection System, and will spend 4 per cent of GDP on social programs.

The government is also mak-

ing active moves to increase private investment, namely: the creation of a system to foster development, including the establishment of a State Bank, to help address the lack of capital to finance strategic investments; the establishment of Public-Private Partnerships where infrastructure, energy, ports, airports, transport systems are concerned; development of the port of La Unión; and a new Free Trade Zone law.

Most significantly, El Salvador is one of the first coun-

tries to participate in the Partnership for Growth program with the United States, putting into practice the principles of the new Policy Directive – to drive economic progress in the region and achieve sustainable economic growth.

President Funes and President Obama underscored the importance of working together on global climate change, green growth, and clean energy, and also discussed the importance of Central American economic integration efforts. President Obama pledged support to a new Crossroads Fund in partnership with the Inter-American Development Bank to foster more efficient and secure regional transport networks throughout Central

America.

The program also includes technical assistance from agro development to exploiting maritime resources, and the transfer of technology and innovative know-how in order to attract big IT companies.

With the Bridge initiative, the government will use remittances from Salvadorans living in the U.S. to create a fund to finance development projects, while the US will also help reposition El Salvador's image in the world.

However, international cooperation is not a substitute for El Salvador's obligations as a nation, and the country knows it has to work hard in order to grow and develop in every way.



Technical Secretary
DR. ALEXANDER SEGOVIA

Exporting a taste of home



"BECAUSE OF THE FREE TRADE AGREEMENT THERE IS AN OPPORTUNITY TO BE SEIZED... WHAT WE'RE DOING IS PROMOTING OUR CULTURE THROUGH OUR PRODUCTS."

JOSHUA ALVARADO, owner of Rio Grande Food Products



"THROUGH OUR ALLIANCE WITH PEPSICO IN THE STATES WE HAVE A TREMENDOUS OPPORTUNITY, AS WE GO HAND IN HAND WITH A PERFECT STRATEGIC PARTNER."

D. CARLOS SLUMAN, chief executive of Livsmart



"THE U.S. MARKET IS VERY IMPORTANT TO US. AMERICA IS FOR US THE BIGGEST GAMBLE FOR THE NEXT DECADE. THE MARKET IS SO LARGE WE CAN NOT PUT LIMITS ON IT."

ING. D. ALFONSO MOLINA PORTILLO, executive director of Embotelladora La Cascada

Salvadorans living in the U.S. send large amounts of money 'back home' – but also make a ready market for brands ready to cater to their tastes

In recent years, Salvadoran business relationships with the U.S. have been strengthened, thanks largely to the U.S.-Central America-Dominican Republic Free Trade Agreement (CAFTA-DR), implemented between El Salvador and the United States in 2006. The Salvadoran economy continues to benefit from a commitment to free markets and careful fiscal management and has been growing at a steady pace since the signing of peace accords in 1992.

Much of the improvement in El Salvador's economy is a result of the privatization of the banking system, telecommunications, public pensions, electrical distribution and some electrical generation; reduction of import duties; elimination of price controls; and improved enforcement of intellectual property rights. Capping those reforms, in 2001, the U.S. dollar became legal tender in El Salvador. The economy is now fully dollarized.

Under its export-led growth strategy, El Salvador has pursued economic integration with the United States and Canada as well as other Latin American countries.

The U.S. is home to well over two million Salvadorans, and remittances from Salvadorans working in the States are a major source of income for both individual families in El Salvador, and the country as a whole. In 2010, the Central Bank estimated that remittances totaled \$3.5 billion.

But in addition to sending money back home, this expatriate population has another vital role for the Salvadoran economy. Many yearn for (and are willing and able to pay for) a 'taste of home,' and so constitute what is known among Salvadoran business as 'the nostalgia market.'

Joshua Alvarado, owner of the Rio Grande Foods Products, has been manufacturing and distributing ethnic foods

products in the United States and Canada for 20 years.

"Our main objective is to always select the highest quality products by hand that preserve authentic Latin flavors," said Alvarado. "Right now because of the Free Trade Agreement there is an opportunity to be seized – in our case it's a market with an ethnic background. What we're doing is promoting our culture through our products."

Despite competition from other importers in the U.S., the brand Rio Grande has spread to 22 states.

"We've worked hard to get the most out of the free trade agreement. We had no stability in the brand price competition, and that forced us to create a brand. The competitive advantage of our products is quality," said Alvarado.

"Our brand has evolved into a symbol of reliability, flavor and nostalgia for the foods from our lands. Our slogan "Lo Nuestro" ("Our Own") reflects the conviction to serve the Latin/Caribbean community not only in the United States but also in other in-

ternational markets to achieve our mission of "Bringing the best of Latin America to you."

Another company synonymous with the taste and flavour of El Salvador for the last 60 years is soft drinks manufacturing company Embotelladora La Cascada, SA. A leader in the soft drinks market, its best known products are Salva Cola, Kolashanpan and Cascade juices in different variations. Their products are 100 per cent Salvadoran and are identified as the taste of El Salvador in both national and international markets. The Cascade products not only stand out because they are 100 per cent Salvadoran but because they have the lowest price in the market – this is one of the company's main advantage. Embotelladora La Cascada, SA faces tough competition and presently has seven competitors imitating the Kolashanpan brand, hence the company slogan "Kolashanpan, la original!"

"Since the Free Trade Agreement was signed there have been many more opportunities. The exchange of goods and services has been

more flexible and there has also been an exchange of technological knowledge. Also, being a dollarized economy helps us analyse costs better as there is no currency fluctuation," said Ing. D. Alfonso Molina Portillo, executive director of Embotelladora La Cascada.

"The U.S. market is very important to us. America is for us the biggest gamble for the next decade. The market is so large we can not put limits on it; our growth is continuous and we know that at some point will grow exponentially. We are interested in partnerships with supermarkets and convenience stores.... to distribute our products. And we don't want to limit ourselves to just the nostalgia market, we are also interested in the Afro-American market."

Health drink company LivSmart, which was founded under the name of Bon Appetit in 1981, is another company capitalising on the Free Trade Agreements and business with the U.S.

LivSmart was the first health and wellness company of the Americas, and is dedicated to improving the

life of consumers with balanced and healthy beverages. LivSmart makes more than 130 million in annual revenue from drinks made without preservatives.

Today, LivSmart serves as a business unit of the group Cabcorp (The Central America Beverage Corporation), which is the anchor bottler of PepsiCo for Central America and part of the Caribbean.

Chief executive Sr. D. Carlos Sluman, explains how important the North American market is for the future of LivSmart.

"The first step is to gain market share. We had to adapt the 'marketing mix,' as the Petit juice we consume in El Salvador is not the same as is consumed in the United States. We believe that through our alliance with PepsiCo in the States that we have a tremendous opportunity, as we go hand in hand with a perfect strategic partner. We are proud to say we're a success. We consider ourselves capable, we have investment capacity, suitable partners, knowledge, processes and brands, and a willingness to go beyond the dream," said Mr Sluman.

Transportation services with a technical edge

Equidistant between Guatemala, Honduras and Nicaragua, El Salvador offers an ideal transportation point in Central America

Advanced Logistics Solutions, a young company with aspirations of revolutionizing transportation and logistics in the region, is known for being an "early adopter" when it comes to applying technology to its operations. For example, it was the first logistic company in the country to feature GPS across its entire truck and trailer fleet to add extra security to its clients' deliveries across the region.

"GPS technology has been around in Central America for many years, but the companies that provided the service had local networks only," says the company's general manager Carlos Quezada. "Our clients operate

across Central America, and we were having problems with Nicaragua and Costa Rica because of the loss of GPS signals in these countries. So in 2004 we started our own network of communication antennas, including 22 in the mountains. If an antenna needed a repair we had to literally run and fix it, otherwise we had signal loss affecting a wide area: that was the price to pay for having our own GPS system in Central America. Now it is very common, but we were the pioneers."


Large multinational consumer companies in their portfolio, such as Unilever, Pepsi-Co, Coca-Cola and

Ducal, rely on the tailor-made, quality-certified transportation services offered by the El Salvador-based outfit.

"Nobody does what we do," says Mr. Quezada. "Our model is a fleet exclusively dedicated to the customer, where we meet all needs in detail: what the customer asks for, that is what he gets. Once we know what the requirements are, we can offer a customized logistics solution, which could be a high-capacity truck, a double deck or even a narrow van, depending on the specific features the load requires. That way we can always provide a tool that is effective and attractive."



A great project fostering development



ALBA Petróleos de El Salvador, S.E.M. de C.V.
CALIDAD PEVISA



On May 19th Alba Petróleos de El Salvador inaugurated the Schafik Jorge Hándal plant for storage and distribution of petroleum products, in the port of Acajutla. This project, the most modern in Central America, will guarantee the provisioning and storage for all of the citizens of El Salvador. Alba Petróleos de El Salvador carries out a fundamental social mission committed to the people of El Salvador.

"Alba Petróleos grows and El Salvador benefits"

Plenty of hard work ahead

From a miserably low starting point of widespread illiteracy and truancy, El Salvador is slowly winning the battle to equip its people for the modern world

After years of strife, more than a million Salvadoran children were still not in school in the late 1980s. Poor families in the countryside in particular suffered a lack of schools and teachers. As a result, illiteracy is a huge problem in El Salvador, where presently nearly 18 per cent of the population cannot read or write.

However, when the government took office in 2009, the figure was closer to 20 per cent, according to official estimates.

According to Minister of Education Salvador Sanchez Ceren, the government's



"MORE THAN 100,000 ADULTS HAVE LEARNED TO READ AND WRITE IN EL SALVADOR SINCE 2010."

SALVADOR SANCHEZ CEREN,
El Salvador's Minister of Education

overall aim is to reduce the illiteracy figure to four per cent by 2014, and to make education more widely available. "More than 100,000 adults have learned to read and write in El Salvador since 2010 to the present day," said Minister Sanchez Ceren.

The government has made reforms to the educational system with programs such as the Scholar Package, through which pupils receive food and clothing as an incentive to attend school.

The government has said it is committed to investing 5.5 per cent of the GDP in education; \$145 million is earmarked for infrastructure, food and scholarship packages, and programs to improve the quality of teaching.

El Salvador has already initiated major reforms of the secondary education system, which are designed to both increase access and improve

the quality of education offered, while ensuring its relevance to a changing, technologically driven global economy.

However, a large number of children still are unable to attend secondary school because they need to work in order to support their families: according to the United Nations, more than 35 per cent of Salvadoran children have to work, usually on sugar and coffee plantations, in domestic services or as street vendors.

The education situation following secondary school has its problems too. According to El Salvador's government statistics, only 5 per cent of the population has a university-level degree. In El Salvador, a person who does not have a professional career cannot expect a good salary; many of those with degrees are hired for manual jobs that pay a minimal salary. Those who have no secondary education usually end up working for less than the minimum wage.

The government is also aware that in order for education to lead to a future filled with opportunities, it is not enough to merely attend school, it is essential that the education received be of quality – delivered by well-trained, motivated teachers and professors. The government is very focused on improving teacher quality and getting teachers and students more engaged with one another.

"We have implemented a program called 'Dignity,' to help with the ongoing training of teachers. We are forming a school of higher learning where teachers can aspire to doctoral degrees; we want to improve the quality of education through the increased knowledge of our teachers," Minister Ceren explains.

School facilities are another cause for concern: books and materials, when present, are often of poor quality and dated. Private schools tend to be better equipped, but most are located in urban areas. Access to laboratories, computers and libraries follow the same pattern – the likelihood of access increases with proximity to a city and for those attending private schools.

However, progress is being made. Truancy and dropout rates have decreased since 2005, and the majority of today's Salvadorans have a far greater understanding of the value of education than their predecessors.



Training El Salvador's leaders of the future

An educated workforce able to compete in increasingly global and technological markets is crucial for poverty reduction and economic growth in emerging economies. And the government of El Salvador are all too familiar with this fact and have, as a result, been increasing access to third level education since the 1980s.

There are presently 23 universities in El Salvador, of which some are secular while others have religious affiliations. Many of these universities were established in 1981, absorbing much of the student population who, because of the war, could not access the National University.

Universidad Tecnológica de El Salvador (UTEC), was one of those established in 1981 and is renowned for its technical and innovative prowess. In fact the motto which has identified the philosophy of the university since its inception was "technology and science for the development of a people", and this ethos remains very much alive to this day.

Originally situated in the Chahin building on Calle Ruben Dario in San Salvador, El Salvador the UTEC campus began with three faculties: Economics, Engineering and Architecture, and Science and Humanities. The first rector of the university was the lawyer Juan José Olives Peñaterom, but the university has been under the helm of Dr. José Mauricio Loucel since 1992.

Five years after the university was established it was reduced to rubble when a major earthquake destroyed much of the capital in 1986, including the Chahin building. Not one to be overwhelmed by a natural disaster, UTEC built its very own university-owned Simón Bolívar building the very same year. A year later, UTEC built a second building, the Francisco Morazán.

Over the years, UTEC has become renowned for its advances and specialisation in technology, innovation and research. It has accumulated many accreditations including the Association

of Central American private universities (AUPRICA) in 1994, the Latin American network of university cooperation (R.L.C.U.) in 2003 and the National Commission of accreditation of the Ministry in 2008.

As well as being known for its technological and innovative pursuits, UTEC is also closely associated with politics, regularly compiling opinion polls via The Salvadoran Opinion Research Center (CIOPS) which is based at the university. Approximately 97 per cent of the university's investment in technology and research comes from student fees, with the remainder drawn from research carried out for institutions such as the Ministry of Education

Universidad Centro Americana "José Simeón Cañas" (UCA) is another university which has evolved over the years into an outstanding institute for higher education. It was founded in September 1965 at the request of a group of Roman Catholic families who appealed to the Salvadoran government and to the Society of Jesus to create an alternative to the University of El Salvador.

This has driven the university to focus on undergraduate degrees, research within the social sciences, popular presentation of research results and local peer-reviewed journals. In the 1970s and 1980s during the Civil War in El Salvador, UCA was known as the home of several important Jesuit scholars and intellectuals, including Jon Sobrino, Ignacio Ellacuría, Ignacio Martín-Baró, and Segundo Montes. They were outspoken against the abuses of the Salvadoran military and government, and carried out re-

search to demonstrate the effects of the war and of poverty in the country.

The university is widely known as the "university of social change" and is constantly trying to improve education in general – including that of teachers and professors. In today's education sector, universities have to help one another in order to grow and move forward, and this can be seen in the cooperation programs with universities from the US and Latin American countries.

TODAY'S STUDENTS WILL BECOME FUTURE BOSSES AND EMPLOYEES, SO THEIR NURTURING IS VITAL, AND UNIVERSITIES CAN ALSO HELP LARGE COMPANIES IN THEIR SEARCH FOR TECHNOLOGICAL INNOVATION.

Large corporations are also beginning to see the importance of helping universities and their development. Today's students will become those corporations' future bosses and employees, so their nurturing is vital, and universities can also help large companies in their search for technological innovation.

Technology features prominently in El Salvador's economy and the Universidad Francisco Gavidia, whose motto is technology, humanism and quality, is another private insti-

tute which is helping change the face of El Salvadoran society.

Francisco Gavidia University (UFG) was founded in 1981 and is located in Alameda Roosevelt 3031, San Salvador. It was named after the humanist Salvadoran Francisco Gavidia, who was a writer, educator, historian and journalist.

In 1997 the UFG made a qualitative leap in the use of technology, when it acquired Node Computers with direct Internet connection. A first for a university in El Salvador and was considered a breakthrough, at the time, for higher education teaching in Central America. It continues to serve as a valuable technological resource to support the teaching-learning process.

UFG has been a landmark on the issue of quality, offering open courses in the training of Internal Auditors of Quality under ISO 9001:2000, which have trained hundreds of people from different industrial, commercial and service sectors. The university has also ventured into the field of counseling and consulting where Quality Management Systems are concerned.

From the year 2006 to date, the academic offerings of the university have been updated and have diversified into specialist technical areas of expertise, which distinguish the institution from other national and regional higher education institutes.

In September 2007, the University redesigned its Institutional Strategic Plan 2007-2012, which contains new goals and targets that respond to changes and requirements of national and regional environment.

Lower oil prices and higher living standards

ALBA Petroleos is changing the petroleum industry in El Salvador by bringing fairer oil prices and social benefits

In 2006, 20 municipal mayors belonging to the incumbent left-wing Farabundo Martí National Liberation Front (FMLN) party came together to form the Inter-Municipal Association of Energy for El Salvador (ENEPASA) and signed an agreement with PDV Caribe, a subsidiary of Venezuela's state-owned oil company PDVSA.

The new company – ALBA Petroleos de El Salvador – is the first time the Venezuelan government has formed a joint venture with representatives of local governments rather than with a national government or private enterprise. From its inception, the project has been designed to foster El Salvador's development not only politically through regional alliances, but also economically, culturally and socially.

The entry of ALBA Petroleos into the market has been seen as a first step toward "de-privatizing" oil imports, as the commercialization of imported oil used to be firmly in the hands of private multinationals. "Since our arrival in December



DR. LUZ ESTRELLA RODRIGUEZ,
VP of ALBA Petroleos
and Mayor of Apopa

2007, we have generated high expectations because our goal was to establish a fairer price for oil for Salvadorans by revealing the full market chain from beginning to end," says Dr. Luz Estrella Rodríguez, vice president of ALBA Petroleos and Mayor of Apopa. "In establishing a fair price for oil, the competition had to match our prices and our transparency regarding tax contributions to the state."


In May, the company opened its newly built storage plant capable of storing 350,000 barrels of fuel in Acajutla. It is also preparing its imminent entry into the Salvadoran propane gas market.

Dr. Rodríguez says, "ALBA Petroleos' power plant was designed to the highest quality standards. Venezuelans, with their extensive experience in the field, ensured that this is one of the best plants in Latin America, complying with all international standards and safety precautions, including ISO 14000 standards, which address various aspects of environmental management."

"Of the \$115-million invested in the plant, 3% went directly to the neediest of communities," she adds. "Our company has a social purpose. We put \$3.6 million directly into street, water and energy projects around the plant."


ALBA Petroleos has a 100% Salvadoran workforce that benefits from comprehensive training schemes. It is also behind various agricultural projects helping rural communities, as well as new schools and health clinics.

Three decades of professional quality training



XXX years of tireless work in Salvadoran Education are only a reflection of a country determined to excel.

Therefore, today more than ever, we are committed to continue doing our best by offering quality education and innovation.



Universidad Tecnológica
Our Commitment is Innovation

Educating with quality

Minister for Tourism, Jose Napoleon Duarte Duran discusses his country's potential as a holiday destination

Tourism contributes to about 7 per cent towards the GDP and employs 6 per cent of the workforce in El Salvador, but there is still potential to grow. What are your plans to bring foreign investment to the tourism sector?

First of all, we are modifying the Law on Tourism in the Republic of El Salvador in order to maintain attractive tax incentives for foreign and domestic investors. Secondly, we aim to introduce public investment in the tourism sector. For example, MITUR (Ministry of Tourism) has invested nearly \$15 million in various aspects of the tourism sector in the last two years.... we are developing an interpretive museum, adding parking lots, creating signs for

tourists and so on. Thirdly, we are opening a consultation process with the private sector to assess the possibility of public-private partnership initiatives – again in a bid to expand the tourism sector.

What campaigns are you promoting to attract tourists?

We have launched a campaign called All-Inclusive El Salvador as part of our international strategy based on our country's attractions.... our beaches, the welcoming weather, mountains, volca-



noes, lakes, forests, the Mayan world, archeology, museums, historic sites – the list goes on. The all-inclusive concept is geared towards time in the sense that one can be at a volcano in the morning and lying on a beach in the afternoon. Everything is accessible. We are trying to capitalise on this competitive advantage.

Looking ahead, what are the growth forecasts for 2012?

Two years ago we had a lot of reservations about the growth of tourism as we were immersed in the middle of a crisis, but that is now changing. We

recovered last year with tourism increasing by 8.3 per cent and we hope that this year we can maintain above average growth and increase by another 4 per cent – but that is not without its challenges.

How important is health and medical tourism to El Salvador?

In El Salvador the health tourism sector is still in its infancy but growing. Plastic surgery, for example, is an attractive option for tourists and the country has plenty of good surgeons.

About 18 per cent of the country's GDP is generated by Salvadorans living in the U.S. and sending money

home – how important is this to the economy?

The Salvadoran economy receives remittances of about \$4 billion annually from Salvadorans living abroad and obviously this has important consequences. The average family remittance is \$250 to \$300.

How would you rate present relations between the U.S. and El Salvador?

The relationship currently with the U.S. and El Salvador is excellent. Not so long ago the president of El Salvador invited U.S. president Barack Obama here, and they discussed safety issues as well as the provision of special funds to combat drug trafficking. It was a very successful meeting.

An undiscovered world awaits

The unspoilt nature of El Salvador represents an opportunity for its tourism industry... and for holidaymakers

The role tourism plays in emerging economies has been well documented over the years. From job creation to significant monetary gains, the tourism sector ranks in the top three categories for economic development in most emerging economies.

In El Salvador tourism is already proving that it can be a force to be reckoned with, but it is not something that happens overnight or without effort – so sustained, aggressive promotional campaigns are a mandatory prerequisite for success.

CORSATUR and the Ministry of Tourism are working very hard to promote the country using the slogan "El Salvador... Impressive." The aim is to attract tourists from different countries including the Eurozone. José Napoleón Duarte Duran, the Minister of Tourism for El Salvador, presided over an innovative international marketing campaign in 2009, which is expected to draw two million visitors to the country by 2014.

As part of this international campaign, authorities in El Salvador invested in a promotional campaign in London in which 20 taxis were decorated with images of the Ilimatepec and Izalco Volcanoes as well as other nature and adventure destinations within the country... showing the diversity of this beautiful land.

Surfing is another area the government are heavily promoting as increasing numbers of surfers visit El Zonte, Sunzal and La Libertad, prime spots that are not yet overcrowded.

El Salvador is also hosting the ISA World Masters Surfing Championship between October 16-23 this year. "I'm thrilled about the upcoming ISA World Championship," said ISA President Fernando Aguerre. "This is the most amazing competition for any master surfer in the world. Combine this with such an epic wave like the Punta Ro-ca, and you'll get is one of the greatest surfing displays you can imagine."

Sports aside, the government is well aware that in order to keep the economy moving forward it must attract foreign direct investment. Consequently, it has modified Article 36 of the Tourism Law: fiscal incentives have been maintained, while the minimum capital needed to attract SMEs has been reduced.

As tourism in El Salvador continues to grow - with 40 per cent travelling there for the sun and beaches, 38 per cent for the colonial structures and history, and 22 per cent for the mountains and volcanoes – the use of the U.S. dollar as Salvadoran currency and direct flights of 4-6 hours from most cities in the United States is a definite bonus.

Currently, tourists to El Salvador can be classified into four groups: Central Americans; North Americans; Salvadorans living abroad (primarily in the United States); and Europeans and South Americans.

The task of promoting tourism has just begun, and Mr Duarte concludes, "One of our goals is that the country achieve worldwide recognition as a travel destination because there is no doubt that we are an undiscovered destination."



"ONE OF OUR GOALS IS THAT THE COUNTRY ACHIEVE WORLDWIDE RECOGNITION AS A TRAVEL DESTINATION BECAUSE THERE IS NO DOUBT THAT WE ARE AN UNDISCOVERED DESTINATION."

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sigmaQ

Alas Doradas

Over the past 10 years, El Salvador has promoted an aggressive trade liberalization policy that has led to the signing of free trade agreements with eight countries (the United States, Central America, Chile, Mexico, Panama, Colombia, Dominican Republic, and Taiwan), opening access to a potential market of 1.1 billion people, with more agreements with Canada, Cuba, Peru and the EU on the table.

The legal framework in El Salvador ensures equal treatment of national and international investors. It also opens up access to local financing and offers investors the freedom to transfer funds and profits abroad. Furthermore, the adoption of the U.S. dollar as legal tender in 2001 has cut out currency risks to the benefit of foreign trade, and the country offers some of the most attractive inflation and interest rates in the region.

Promoting business contacts among international buyers and exporters, the Exporters Corporation of El Salvador (COEXPORT) is a private non-profit organization that offers information, support, training and technical assistance to the nation's exporters. It also provides an advisory service to the government on export-related issues and submits proposals designed to enhance the international competitiveness of Salvadoran exports.

President of COEXPORT Francisco Bolaños states that many important international business partnerships have been forged by its members thanks in large part to the hard working people of El Salvador. "They represent our [nation's] wealth," he says. "Our exporters are winners, they have fought to overcome the economic crisis and other vicissitudes, thus becoming the inspiration of many new companies that now follow suit. This is why each exporter – big or small – is so important and deserves our respect, admiration and support. The initiative and creativity of Salvadorans have capitalized on opportunities in various global markets."

Last year, Salvadoran ex-

ports reached \$4.471 billion, representing an increase of 17.8% over 2009. Imports also rose 17.8% in 2010, reaching \$8.548 billion. The garment industry is the country's number one exporter, and last year garment exports increased by \$342 million to \$1.745 billion. Other top exports in 2010 include agro-industrial products (\$637 million), food and beverages (\$333 million), electrical and mechanical products (\$260 million), and textiles (\$198 million).

The U.S. is El Salvador's number one investor and leading trade partner. Bilateral relations were boosted when the U.S.-Central America-Dominican Republic free trade agreement (CAFTA-DR) came into effect in 2006. U.S. goods exports to El Salvador in 2010 reached \$2.4 billion, up 20.8% (\$421 million) from 2009. Meanwhile some 48% of El Salvador's exports headed to the U.S. last year, with a value of \$2.2 billion in 2010, up 21.5% (\$392 million) from 2009.

"We can say that our exports have grown, but this does not mean we should reduce our efforts to expand or we can rest on our laurels," says Mr. Bolaños. "In fact our exports have not grown, rather they have recovered."

ARROCERA SAN FRANCISCO

There are more than two million Salvadorans living in the United States, with a huge hankering for good old-fashioned home produce. To meet this demand, Arrocería created All Foods in 2001 to fill this ethnic food gap. Arrocería have developed a vast portfolio of "Back Home Products" for the Latin American market in the U.S. and today the company brings almost 300 Latino food products, including the prestigious brand leader Doña Lisa, to consumers in the U.S. and Canada. Rice and beans, pickled vegetables and conserves, tropical canned soups, atoles and powder refreshments, and refried beans are just a few of the company's stalwarts. As well as producing their

own brand products, Arrocería distribute many other brands too. "We are passionate about delivering good quality food to the Latino market," said company president Guillermo Novoa.

SIGMAQ

Another example of Salvadorans' market creativity is at packaging multinational SigmaQ, which is the regional packaging leader thanks to its use of technology, innovative designs and environmentally friendly products. It serves 2,800 clients in more than 100 countries with items that include folding cartons and luxury, corrugated and flexible packaging, among others. From the design of the package to production technology, material selection and legal guidance, SigmaQ has become a global front-runner in the industry. "Our focus is to help position our clients and this leads to creative designs. SigmaQ has over 120 packaging designers. We put a lot of attention to this aspect, which leads us to be more creative," says company CEO Henry Yarhi.

ALAS DORADAS

Alas Doradas is a company devoted to producing and selling pre and post-consumer recycled paper, thus promoting a clean environment. The company has developed a boutique paper product line that uses 100 per cent recycled paper, vegetable-based inks and organic materials in its ranges of school and office notepads, writing paper, napkins and kitchen rolls. As part of its social responsibility, Alas Doradas has installed a wastewater treatment plant to treat every drop of water used in the production of its products. "At Alas Doradas, we make every effort to obtain the best quality in raw materials for our products. Our team is focused on contracting the best suppliers within the market, to ensure compliance with worldwide accepted quality standards," said Guy Wyld, general manager of Alas Doradas.

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