

GENERAL AGREEMENT ON

TARIFFS AND TRADE

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Question and Replies to the Memorandum on Foreign Trade Régime (L/7028)

Revision

In order to facilitate the Working Party deliberations, all the questions submitted by contracting parties in connection with the foreign trade régime of Honduras, and the replies thereto provided by the authorities of Honduras, circulated in documents L/7160 and Addenda, are incorporated in this revised document .

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General

1. What trade policy objectives does Honduras have concerning its GATT membership?

The economic policy of the Government of Honduras is undergoing thorough reform aimed at achieving sustained social and economic development. To that end, Honduras is striving towards a better participation in world trade in order to benefit from its advantages, achieve greater levels of efficiency, diversification and competitiveness in national production, and modernize economic structures by eliminating superfluous administrative regulations and updating their legal framework.

Honduras views the General Agreement as the most suitable framework for implementing its plans for economic growth sustained by increased exports of goods and services and by a greater participation in the world economy, since GATT is simultaneously a set of rules and a body working towards the elimination of restrictive and unfair trade practices, accords differential treatment to developing countries and guarantees the existence of multilaterally-agreed rules to settle possible international trade disputes by juridical means.

2. Is there an independent statutory body in Honduras responsible for reviewing and advising the Government on matters relating to trade and industry policies? Has Honduras given consideration to establishing an independent advisory body which could assist with objective analysis of trade and industry policy options?

There is no entity in Honduras that is independent of the Central Government and has responsibility for advising it on matters relating to trade and industry policies. The creation of such an independent body has not been considered to date.

CHAPTER I: THE HONDURAN ECONOMY

1.2 Structure and performance of the Honduran economy

3. Please describe any price and trade controls associated with the production and export of coffee, and indicate the rationale for these measures. Please discuss any future plans for trade controls in this sector.

Honduras currently prohibits the export of coffee berries and parchment coffee because the products in that state are highly perishable and therefore very difficult to market. Exports of raw coffee and roasted coffee, in beans or ground, are subject to a levy according to prevailing international prices, at a rate of 20 per cent on each 46 kg. sack once the price exceeds US\$70.

Owing to the severe crisis in the coffee industry as a result of the collapse in world prices, a subsidy of L 50 per quintal produced is granted

so as to soften the blow for the large number of coffee producers; this subsidy is funded by means of special bonds issued by the Ministry of Finance and Public Credit, and is provided only for the current harvest (1992-1993).

At the domestic level, roasted and ground coffee for household consumption is subject to price control by the Ministry of the Economy and Trade on the grounds that it is a major item in the Honduran basic basket of consumer staples.

As for future plans for this sector, the Government is favourable to an agreement among the main producing and consuming countries to control the world coffee supply. This agreement would enter into force with the 1993-1994 harvest.

4. Concerning financial services described in this section, please describe the scope and nature of private and State ownership and control in this sector.

Financial services in Honduras are governed by various laws covering the activities of enterprises and institutions in this sub-sector. They all grant access for foreign investment to the domestic market. At present, fifteen commercial banks operate in the country, two of them being subsidiaries of foreign banks and two State development banks, one aimed at the agricultural sector and the other at municipal development. There are also eight insurance institutions operating in the country (two of them foreign), six saving and loan associations and seven pension funds.

The present Government's economic policy includes the goal of modernizing the financial sector, which implies overhauling and updating the existing laws, and enacting new legislation to support activities that have developed recently. The aim is to achieve higher levels of efficiency in the sector, reducing the cost of financial intermediation, increasing the range of services provided hitherto and their coverage, through greater openness, updating the laws and redefining the functions of the State entities involved.

5. Are investments in the services sector (banking, insurance, telecommunications) covered by the new law on investments?

The Investment Law covers investments in any sector of the economy. All commercial investments, irrespective of the nationality of the investors, are therefore registered by the Ministry of the Economy and Trade, which issues an "investment certificate", upon the mere presentation of documentation attesting to such investments. Nonetheless, under the restrictions contained in Chapter VI of the afore-mentioned law, the Government may draw up a list of activities in which investors may invest only after obtaining its authorization. These activities are described in

Articles 50 and 51 of the implementing regulations of the Law, and, include the following services:

- (a) Health:
 - health services provided by the private sector.
- (b) National security:
 - Telecommunications;
 - Electricity generation, transmission and distribution;
 - Air transport;
 - Economic activities carried out within 40 km. of the border with another country or the sea coast or on islands, keys, reefs, rock formations and sandbanks as delimited under the Constitution of the Republic.
- (c) Financial and insurance services.
- (d) Educational services provided by the private sector.

The services sector is regulated by a very broad legal framework, comprising various general laws, including the recently enacted Law on Investments, as well as specific laws for its different sub-sectors. Studies are currently being carried out to pinpoint the problems affecting the different sub-sectors and to draw up suitable policy guidelines for achieving their sustained development.

1.4 Structural Adjustment Programme

6. Please outline the specific measures concerning price controls and trade measures provided for in Decree-Law No. 18-90.

7. What price controls are currently applied in Honduras?

Chapter I of Decree No. 18-90 lays down the measures amending the national tariff and customs régime, which include the following:

- Reappeal of customs exemptions and duty-free treatment for imports of goods for State institutions;
- Reappeal of all tax exemptions for private voluntary non-profit organizations;
- Elimination of all tariff surcharges applied to imports, with the exception of Decree No. 54 (10-per-cent surcharge), which is amended by the attachment of a list of the exempted products;
- Reform of import duties, with the establishment of a time-table for the entry into force of the progressive tariff-cutting process, culminating in the setting of a maximum tariff of 20 per cent and a minimum tariff of 5 per cent as from January 1992.

Chapter VI repeals the decrees containing the Export Promotion Laws, thus eliminating the financial, tax and promotion mechanisms therein.

As far as price controls are concerned, the structural adjustment programme launched by Decree No. 18-90 provides for the gradual liberalization of the regulations established concerning the prices of some products that are considered sensitive. This process is carried out through executive decrees issued by the Ministry of the Economy and Trade. At present the prices of only six products are subject to controls: roasted and ground coffee, iron bars, petroleum products, cement, fertilizers and airline tickets.

The Ministry of the Economy, through the Directorate of Production and Consumption, supervises the products in question to ensure that they are traded at the established prices; nevertheless, the mechanism is flexible and allows for an increase in the price of a product if a request to that effect is submitted to the Directorate concerned and the latter approves it after studying the matter.

8. Further details of the current situation regarding price setting would be appreciated. On page 15, six products are listed as subject to price controls. Does legislation restrict price control to those six, or does legislation permit the reimposition of price control on more products in future?

With the implementation of the Law on the Structural Re-organization of the Economy of March 1990, the Government of Honduras launched a price liberalization process so as to promote a realistic reallocation of resources. The system of guaranteed prices for State purchases of basic grains was eliminated, and a gradual reduction of price controls was initiated. Nevertheless, the Executive Power, through the Ministry of the Economy and Trade, reserves the power to expand or restrict the list of goods or services considered essential for popular consumption or the country's economic activities and therefore liable to price controls. These powers are conferred by Article No. 245, paragraph 11, of the Constitution and Articles Nos. 29 and 30 of the Consumer Protection Law, Decree No. 41-89.

9. Page 15, paragraph 2: It is stated that price controls are currently maintained on six products, namely coffee, cement, iron bars, petroleum products, fertilizers and airline tickets. Is this list of products subject to further revision? If so, according to what criteria? How would Honduras plan to meet its GATT obligation under Article III:9 which calls upon contracting parties applying internal maximum price control measures to "take into account" the interests of exporting contracting parties with a view to avoiding prejudicial effects which may arise from the maintenance of such controls?

The list of products currently subject to price control will be maintained until it is deemed that the conditions which led to their inclusion in this mechanism have been overcome; nonetheless, it is important to underline that present economic policy is aimed at eliminating this form of control.

Honduras considers that the price controls on the products mentioned do not affect the interests of contracting parties exporting these products; the mechanism used is, therefore, consistent with Article III:9 of the General Agreement.

10. What is the nature of the price controls on fertilizers (minimum or maximum permitted prices; divergence from world prices etc)?

In the case of fertilizers, as mentioned above, controls are based on the criterion that they are an essential input for production. The price control mechanism used freezes the current price of the product; prices can only be modified through application to the Ministry of Economy and Trade, which will carry out the appropriate market surveys and studies to determine whether or not an increase is called for.

11. What products, if any, enjoy guaranteed prices for State purchases now that those on staple grains have been abolished? Does legislation permit the reimposition of such measures (page 15) ?

The powers and responsibilities entrusted to the Honduran Agricultural Marketing Institute (IHMA) for the establishment of guaranteed minimum prices for the purchase of staple grains from producers were repealed by the Agricultural Modernization and Development Law, Decree No. 31-92. Consequently, no staple grains are subject to guaranteed prices. It is also important to point out that such a régime has never existed for products other than staple grains in State purchases.

CHAPTER II: TRADE POLICY REGIME: FRAMEWORK AND OBJECTIVES

2.2 Institutional framework

12. What fiscal or trade measures are currently in place to defend Honduras's balance of payments (BOP)? What authority exists to apply such measures, e.g., laws, decrees, regulations? Will Honduras commit to notify those measures applied for BOP purposes that affect trade and consult with the contracting parties as provided for in the General Agreement?

Natural or legal persons who export goods must submit a prior declaration to the Central Bank of Honduras of the quantity, value and destination of the goods to be exported. This makes it possible to obtain from exporters a series of data facilitating the estimation of the country's foreign currency needs.

Article 10 of the Tariff and Customs Régime Law enacted by Decree No. 213-87 of 29 November 1987 empowers the Ministries of Finance and Public Credit and of the Economy and Trade, after consulting the National Tariff Commission, to take the necessary and appropriate measures to counter trade practices that might cause serious injury to domestic industry. This is in keeping with Articles XVIII and XIX of the General Agreement on restrictions to safeguard the balance-of-payments and on emergency action on imports of particular products. If measures of this kind were to be applied, Honduras undertakes to notify the GATT Secretariat and conduct the relevant consultations with contracting parties in accordance with the provisions of the General Agreement.

13. Please describe the authority of the Government of Honduras to alter import or export tariffs or to restrict imports or exports without additional legislation, and how such authority is applied.

Under Article 7 of the Law on the Tariff and Customs Régime of Honduras (Decree No. 213-87), the National Congress has exclusive power to modify the existing tariff in special cases after hearing the opinion and justifications of the Executive power as represented by the Ministries of Finance and Public Credit and the Economy and Trade. It should be stressed here that such modifications must respond to situations of serious injury to domestic industry, be aimed at ensuring domestic supply or promoting the establishment of new industries, or serve the purposes of international negotiations.

14. What agency of the Government of Honduras has responsibility for agricultural policy. Does this agency or Ministry have a rôle in the Economic Cabinet?

The agency with responsibility for agricultural policy is the Ministry of Natural Resources, which does participate in the National Economic Cabinet by the presence of the Minister concerned.

15. Please list the products in the "basic basket". In addition to exemption from the 7 per cent value-added type sales tax, are these products exempted from any other taxes or trade measures? Are imports and exports of these products specifically regulated, and if so, how?

The products included in the basic basket are the following:

Dairy products: Cream, cheese, pasteurized milk, natural milk, powdered milk;

White sugar

Fats: Vegetable fat, vegetable oil;

Meat: Dressed chicken, pork chops, beef steak, beef ribs, white fish;

Vegetables: Cabbage, tomatoes, onions, potatoes, manioc (cassava);

Hen's eggs

Red (kidney) beans

Fruit: Citrus fruit, bananas, plantains;

Cereals: Second-quality rice, maize tortillas, bread;

Other: Coffee, salt, bottled soft drinks, tomato sauce.

These products are not exempted from any other tax or trade measures, nor is there special treatment for imports or exports of such products.

Regulations concerning State participation

16. Does the national legislation include and if so what types of rules and provisions that affect companies (e.g. concerning competition, State aid, anti-trust legislation)?

There is no legislation in Honduras specifically regulating the constitution and operation of monopolies, or regulating competition among companies or the granting of State aid. However, Article 338 of the Constitution prohibits monopolies, monopsonies, oligopolies, hoarding and similar practices in industrial and commercial activity.

17. Does Honduras have State trading enterprises in terms of Article XVII of the General Agreement? If any, please provide specific description on these enterprises, inter alia, the product items these enterprises import or export.

The independent State-owned enterprises that carry on operations that might be directly or indirectly classified as trading activities in the country are as follows:

- National Agricultural Development Bank (BANADESA);
- Honduran Forestry Development Corporation (COHDEFOR);
- National Electricity Company (ENEE);
- National Port Company (ENP);
- Honduran Telecommunications Company (HONDUTEL);
- Honduran Agricultural Marketing Institute (IHMA);
- Autonomous National Water Supply and Drainage Service (SANAA);
- National Basic Product Supply Company (BANASUPRO).

National Agricultural Development Bank (BANADESA)

The main purpose of the National Agricultural Development Bank is to channel financial resources for the development of production, productivity and marketing in the national agricultural sector. To this end it may carry out banking activities and some specialized activities such as the sale of agricultural inputs, in co-ordination with the State development policy for agriculture.

The Law for the Development and Modernization of Agriculture, enacted on 5 March 1992 by Decree No. 31-92 of the National Congress, amended the BANADESA Law and included among other things the following provisions: prohibition on lending to State, municipal or decentralized entities; impossibility of guaranteeing the Bank's loans by other State institutions; changes in the composition and functions of the Board of Directors; and financial reorganization of the institution.

The BANADESA Board of Directors consists of: the Ministers of State for Natural Resources, Finance and Public Credit and the Economy and Trade;

the Presidents of the Central Bank and BANADESA; the Executive Director of INA; and a representative of FENAGH and of the rural workers' organizations.

Honduran Forestry Development Corporation (COHDEFOR)

COHDEFOR is a semi-independent institution which discharges the following functions according to the law setting it up: to make optimum use of forestry resources, ensure the protection, improvement, conservation and expansion of those resources, and act as executing agency for forestry policy.

The Law for the Modernization and Development of the Agricultural Sector mentioned above establishes that the utilization, processing and internal and external marketing of wood and other forestry products may be carried out only by private legal persons or individuals subject to the relevant provisions.

The Management Board of COHDEFOR comprises: the President of the Republic, the Ministers of Natural Resources, Economy and Trade, Finance and Public Credit, and Defence and Public Security; the Secretariat of Planning, Co-ordination and Budget; the Executive Director of INA (National Agrarian Institute); a representative of the timber industry; a representative of the forestry workers' associations and co-operatives forestry; and a representative of the wood products industry.

Honduran Telecommunication Company (HONDUTEL)

HONDUTEL is a decentralized State company responsible for national and international telecommunications services: telephone, telegraph, telex, telephoto, teleprocessing, facsimile, radio broadcasting, television and other electric or visual communication media.

The more important powers and responsibilities of HONDUTEL are:

- to direct, manage, operate, maintain, expand and modernize telecommunications services;
- to regulate and authorize the installation and operation of stations linked with telecommunications services;
- to conclude contracts, provide technical services and enter into purchase transactions for the apparatus, equipment and other articles necessary for the installation and operation of the above-mentioned services.

The Board of Directors of HONDUTEL consists of the Ministers for Communications, Public Works and Transport, Government and Justice; National Defence and Public Security, Finance and Public Credit and Culture.

National Electricity Company (ENEE)

ENEE is an independent public utility set up for the purpose of promoting the development of electrification in the country, for which it has the following responsibilities:

- to study electricity generation potential and problems relating to power generation, transmission, distribution and sale;
- to execute projects relating to electricity generation, transmission and distribution;
- buying and selling of electricity and related services;
- buying and selling of electricity system installations and assets relating to the electricity service industry.

The company is directed and managed by a Board of Directors consisting of the Ministers of Communications, Public Works and Transport, Natural Resources, Finance and Public Credit, and Planning, Co-ordination and Budget; the President of the Central Bank; and a representative of the Honduran Private Enterprise Council.

National Port Company (ENP)

This is an independent public service entity with jurisdiction over all the country's sea ports. Its purpose is to promote national development by providing appropriate and efficient services and installations in sea ports. The responsibilities entrusted to the company to achieve these objectives are as follows:

- to study needs and plan port works and installations;
- to construct port works and installations;
- to administer, operate and use the port services, works and installations under its responsibilities;
- to negotiate and contract domestic and foreign loans and grant the relevant guarantees.

The company is run by a Management Council consisting of the Ministers of the Economy and Trade, Communications, Public Works and Transport, Natural Resources and Planning, Co-ordination and Budget; and representatives of the Chambers of Commerce and Industry, trade union organizations and national shipping companies.

Honduran Agricultural Marketing Institute (IHMA)

The Law setting up the IHMA establishes it as an independent institution which, in accordance with the Agricultural Modernization and Development Law, executes the policy adopted by the Government through the Agricultural Development Council (CODA) with regard to the marketing of staple grains. Its responsibilities include the identification of problems in the execution of the policy on prices and marketing of staple grains,

the constitution and management of the strategic reserve of staple grains and co-ordination with other public and private bodies in the management of grants-in-aid of staple grains. A privatization process is under way for the Institute's storage facilities and services and other assets relating to the provision of these services.

Its Board of Directors consists of the Ministers for Natural Resources, Economy and Trade, Finance and Public Credit, and Planning, Co-ordination and Budget; and the Executive Director of the National Agrarian Institution.

Autonomous National Water Supply and Drainage Service (SANAA)

The SANAA was set up in order to promote the development of public drinking water supply and sewerage and run-off water drains throughout the country. To attain these objectives, the company has powers to:

- study water resources and their suitability to meet problems of drinking water supply and drains;
- implement projects relating to the collection, piping, storage, purification and distribution of drinking water; and with the collection, treatment and disposal of waste water and run-off water;
- buy and sell all auxiliary services;
- purchase installations and sell services of water and drainage systems, as considered desirable;
- buy and acquire material and equipment within or outside the country;
- negotiate and conclude loans within and outside the country and grant the necessary guarantees;
- determine, set, modify, apply and collect fees, dues, rents and other charges for the use of its facilities.

The Board of Directors consists of the Ministers of Public Health and Natural Resources, a representative of the municipalities, a medical doctor with a diploma from the Autonomous National University of Honduras and a sanitary or civil engineer with experience in sanitary engineering.

National Basic Products Supply Company (BANASUPRO)

BANASUPRO is a State entity set up for the purpose of contributing to the economic and social well-being of the population in general, and in particular the poorer urban and rural sectors, by supplying basic consumer goods in sufficient quantities and at reasonable prices. BANASUPRO

operates through its own sale outlets or concessions. Its main responsibilities include:

- purchasing or preparing consumer goods for sale at reasonable prices under suitable conditions;
- organizing and operating an efficient marketing system;
- concluding contracts with national and foreign firms for the purchase of consumer goods;
- importing the articles it needs to achieve these ends when shortages arise;
- negotiating and entering into contracts for the financing necessary for the smooth conduct of its operations.

Its board of directors consists of the Ministers of the Economy and Trade, Finance and Public Credit, Natural Resources, and Government and Justice; and the General Manager of the IHMA.

Finally, in general terms, mention should be made of contracts for public works, provision of advisory services and supply of goods concluded by the Central Government and decentralized institutions, as governed by the Government Procurement Law, Decree No. 148-85 of 29 August 1985. The Law provides that these institutions may conclude contracts with national and foreign natural or legal persons. Such contracts are awarded by public tender, through notices published in the Official Journal and at least two other daily newspapers with wide circulation, in which both national and foreign bidders may participate.

18. Page 20, last paragraph: it is stated that Honduras' trade liberalization strategy includes the "transfer of State activities to the private sector, under the approach that private initiative is the main engine of development and economic growth". First, do any of these "State activities" fall within the meaning of Article XVII of the GATT? If so, which ones? Second, please describe precisely what State activities have been transferred to the private sector and how this has been brought about. Can Honduras offer an assessment of the success of this privatization policy to date? How would Honduras propose to deal with any setbacks in this area which would leave certain activities in State hands (for example, lack or absence of suitable buyers)?

The independent State-owned enterprises that carry on operations that might be directly or indirectly classified as trading activities in the country are as follows:

- National Agricultural Development Bank (BANADESA);
- Honduran Forestry Development Corporation (COHDEFOR);
- National Electricity Company (ENEE);
- National Port Company (ENP);
- Honduran Telecommunications Company (HONDUTEL);
- Honduran Agricultural Marketing Institute (IHMA);
- Autonomous National Water Supply and Drainage Service (SANAA);
- National Basic Product Supply Company (BANASUPRO).

With regard to the transfer of State activities, the Honduran Government began the process of transferring State-owned enterprises to the private sector in 1985, when it enacted Decree No. 161-85 of 10 November 1985, the "Privatization Law" (see Annex 1 to document L/7160/Add.2), which was amended in the same year by Decree No. 197-85 of 7 December. This Law was adopted in view of the fact that the National Investment Corporation (CONADI) had large holdings in productive enterprises which had not attained the goals envisaged when they were set up, and represented a major financial burden for the Central Government. Under this Law, other public enterprises such as the Honduran Forestry Development Corporation (COHDEFOR), the Honduran Banana Corporation (COHBANA) and the National Agricultural Development Bank BANADESA) could transfer their investments, shareholdings and other assets to the private sector in the same way as was established for CONADI.

As of 1990 the privatization process was boosted under the Law on the Structural Reorganization of the Economy, Decree No. 18-90, of 1990. In that year, the Ministry of Finance Decision No. 763-A set up the High-Level Privatization Committee, comprising representatives of the public and private sectors, including organized labour.

The sale of thirty enterprises and other State property under the Honduran Government's privatization programme has raised a sum of L 645.4 million (equivalent to US\$113.2 million). The majority of the enterprises privatized to date formed part of CONADI's holdings and were transferred to the private sector by public auction and/or direct negotiation. The privatization programme has led to a reduction in the Honduran external debt of approximately US\$30 million, generating US\$16 million in new investment, increasing exports by approximately US\$14 million and creating 2,000 new jobs.

For the future, the Government not only intends to repeat the success achieved by privatization of the enterprises mentioned but also to expand the programme by implementing the second phase and selling enterprises and entities that are larger than those held by CONADI. It is envisaged that future privatization will affect enterprises in which the Government has an investment of more than US\$2 billion.

The Honduran Government considers that the privatization process has been a success and it is taking measures to ensure that the subsequent phases will also be successful; nevertheless, if it appears that some activities cannot be transferred to the private sector, they will continue to be administered by the State on the basis of the rationalization and efficiency criteria which characterize the new domestic economic policy.

19. Does Honduras have State monopolies and, if so, in which fields are they operating? Could you describe how monopolies are regulated in your legislation?

In view of the strategic nature and social importance of some activities, the Honduran State reserves the right to run and provide such services as telecommunications, electricity, port services, drinking water

and drainage. The autonomous State entities responsible for these services are:

- Honduran Telecommunication Company (HONDUTEL)
- National Electricity Company (ENEE)
- National Port Company (ENP)
- Autonomous National Water Supply and Drainage Service (SANAA).

The description of their activities appears in the reply to the following question.

In regard to the way in which they are regulated, decentralized State entities are monitored by the Superintendency of Decentralized Institutions (SED), which oversees their economic and financial activities with a view to gauging their efficiency in implementing programmes and projects, periodically evaluating the implementation of programmes and their financial performance, and verifying whether their activities are in keeping with the provisions of their charters, regulations and by-laws. These entities are furthermore audited by the National Audit Office and by the Directorate-General for Administrative Probity.

20. Are there currently in existence in Honduras any State-operated or State-sanctioned monopolies on the production or trade of certain goods, e.g., on fertilizers, cement, petroleum products, tobacco products, alcoholic beverages, dairy products, meat, forest products or agricultural commodities?

- In particular, please describe the domestic and foreign trading activities of COHDEFOR, COAPALMA, IHMA, and BANADESA.
- Please describe how Government participation in these enterprises is effected and how Government views are incorporated in enterprise operation.

Since the privatization of Cementos de Honduras S.A. (CEHSA) in September 1992, there are no State-operated enterprises engaged in the production or marketing of such goods as cement, petroleum products, tobacco products, meat or dairy products in the country. The Government does intervene in the marketing and exploitation of forestry products, and the marketing of certain staple grains and fertilizers, through institutions such as COHDEFOR, IHMA and BANADESA. However, these functions were totally redefined and restricted by the Law for the Modernization and Development of the Agricultural Sector, enacted in April 1992.

Originally, the Honduran Forestry Development Corporation (COHDEFOR) included among its functions the exploitation, processing and marketing of forestry products, whether the forests concerned were in public or in private areas. The Corporation had exclusive responsibility for the export of wood and resin distillation products as well as for marketing them domestically at the wholesale level. It was also responsible for setting up and operating industrial and commercial forestry enterprises. However, the new Law for the Modernization and Development of the Agricultural

Sector repealed the articles of the COHDEFOR Act that gave it the above-mentioned powers, and provided that the exploitation, processing and internal and external marketing of wood and other forestry products may be carried out solely by private natural or legal persons, subject to the relevant provisions in force.

Nevertheless, COHDEFOR remains a semi-autonomous institution carrying out the other functions provided for in the Law that set it up, namely to make optimum use of forestry resources, ensure their protection, improvement, conservation and development, and act as the executing agency of forestry policy.

The law creating the Honduran Agricultural Marketing Institute (IHMA) provides that it is responsible for formulating government agricultural marketing policy, promoting the improvement of marketing systems for staple grains, and stabilizing their prices on the domestic market. The law empowered IHMA to establish maximum and minimum guarantee prices for purchasing basic grains, buying and selling them depending on local market conditions, importing or exporting, and providing storage services, among other things.

However, the Law for the Modernization and Development of the Agricultural Sector repealed the articles of the IMHA Act giving it the above-mentioned powers and functions, thus limiting its market regulation powers. In the redefinition of the Institute's functions, it was given responsibility for executing the policy adopted by the competent State bodies with regard to the marketing of staple grains; accordingly, it has been entrusted with new functions, including those of identifying problems in the execution of grain pricing and marketing policy, the constitution and management of the strategic reserve of basic grains, and co-ordination with other public and private entities in the management of donations of staple grains. In addition, it is intended shortly to privatize the grain storage facilities and services and other activities relating to the provision of such services for which the Institute is currently responsible.

Finally, the National Bank for Agricultural Development has as its primary objective the channelling of financial resources for the development of domestic agricultural output, productivity and marketing. The Bank is empowered to carry out banking operations of all kinds, in co-ordination with government development policy for the sector. Nevertheless, as a result of the Law for the Modernization and Development of the Agricultural Sector, various articles of the Act setting up the bank were reformed so that the institution's operations would match its specific functions under the new agriculture law. The reforms are wide-ranging, and include the prohibition of granting credit to State, municipal or decentralized entities; prohibition on the guaranteeing of the Bank's credits by other State institutions; changes in the membership and functions of the Board of Directors; and financial re-organization of the institution.

The Agro-industrial Co-operative for African Palm Agricultural Reform (COAPALMA) is not a State entity but rather a private enterprise formed by a group of co-operatives engaged in the extraction and processing of crude African-palm oil, most of which is marketed domestically. The Government does not participate in any way in the decision-making bodies or management of this enterprise.

Chapter III: Export Policy

3.1 Introduction

21. Pages 21-25 inclusive describe the comprehensive export policy which Honduras has put in place. The policy places considerable emphasis on export promotion. Will Honduras provide its assurance that this policy is and will continue to be implemented in a GATT-consistent manner, i.e. in conformity with Articles I, VI, VIII, IX, X, XI, XIII, XVI and XX?

The export promotion policy described in pages 21-25 of the Memorandum of Accession is implemented in a manner consistent with the provisions of the General Agreement. The sole purpose of the policy is to increase investment, as well as the levels of employment and vocational training, together with the overall development of Honduras on the basis of its comparative advantages.

This policy will continue to be implemented without any form of discrimination and without causing distortions which could constitute indirect protection for domestic production and it will thus continue to be fully consistent with GATT regulations.

22. Will the present export tax of 1 per cent be maintained?

Honduras does not envisage modifying the present 1 per cent export tax on almost all export products in the near future.

23. In regard to paragraph 3.3: Does Honduras intend to retain the export duty? Maintaining it would seem inconsistent with the aims of the export promotion programme.

Export duties currently in force are dictated by fiscal considerations and there is no plan to modify them in the near future. However, the export duty could be adjusted should further studies so justify.

24. Are banana exports exempted from export duties by virtue of the tariff (paragraph 3.3) or exclusively under the system of incentives established in April of 1987 (paragraph 3.4.5)?

Banana exports are subject to a specific duty of US\$0.50 per 40 lb.-box, as established by the export tariff. Nevertheless, pursuant to the Law on Incentives to Banana Production, banana exports from new plantations are exempt from the payment of this duty for a period of three years, and pay US\$0.20 per box as of the fourth year up to and including the sixth. Likewise, in the case of exports originating from areas fully restored by

the producer (the North Coast of Honduras suffers from annual flooding which damages crops) half the export duty is levied during the following three years.

3.2 Legal provisions

25. Please describe more fully the purpose of the Export Processing Centre (CENTREX). What "institutions concerned" are involved in CENTREX operations?

The purpose of the Export Processing Centre (CENTREX) is to facilitate and simplify export formalities. It currently operates as a Unit of the Directorate-General for Enterprise Management within the Ministry of the Economy and Trade. Its functions include dealing with export-related formalities, co-ordinating procedures and actions to facilitate and simplify investment and exports, providing information and advice to exporters concerning export formalities and procedures, and monitoring and keeping a register of export operations carried out.

The CENTREX centralizes all the formalities to be carried out in the various State institutions or agencies connected with exports of goods, to which end the latter have seconded officials who may issue decisions, certificates, permits or other documents required for export operations in accordance with the relevant laws and regulations. The State institutions with officials seconded to CENTREX are the Ministries of Natural Resources, Public Health, and the Economy and Trade, and the Central Bank of Honduras.

26. Page 21, paragraph 2: In respect of groundfish caught in waters that are the subject of the North Atlantic Fisheries Organization (NAFO), and bluefin tuna caught in waters that are the subject of the International Convention on Atlantic Tuna (ICCAT), how are these catches dealt with under the export permit system operated by the Honduran Ministry of Natural Resources? Are these species covered by the Ministry's "wildlife protection requirements"?

These species do not live in Honduran territorial waters and are not, therefore, the subject of export permits. Honduran legislation does not have any regulations on these catches nor on export permits for them.

27. Why does Honduras require the submission of an Export Declaration and a commercial invoice to the Central Bank prior to export? Is this an administrative requirement only, e.g., for statistical purposes, or are there other reasons, e.g., enforcement of foreign exchange regulations? Is a fee charged for this process? If so, please provide the fee schedule. Does the Government retain the right to deny export approval at the time of submission? If so, please outline the criteria applied.

The submission of an export declaration to the Central Bank prior to export is a requirement established for statistical purposes, because Honduras does not have sufficient technical resources to do this by other means. This declaration indirectly serves the application of the Law on the Repatriation of Foreign Exchange from Exports.

The Government does not employ any approval mechanism over such declarations, which do not constitute a permit of any kind, nor does it charge any fee for this process.

28. Does Honduras ban export of any products? If so, please indicate which ones.

At present, the only export prohibition concerns coffee berries and parchment coffee, due to the problems involved in marketing coffee in this state. Apart from these, there are no other products subject to any kind of mechanism aimed at controlling or limiting the volume of exports. However, exports of certain animals or animal products are banned for reasons of wildlife conservation.

29. Are there in fact no quantitative export restrictions?

At present there are no products subject to any kind of mechanism aimed at controlling or limiting export volumes. However, the exportation of certain animals or animal products is prohibited, for the sake of wildlife protection.

30. Which products, if any, are currently subject to quotas, permits or licences that monitor or restrict the quantity exported?

No products are currently subject to any kind of mechanism aimed at monitoring or restricting the quantity exported.

31. What are the phytosanitary conditions applied to plants and vegetable products other than foodstuffs? Are they meant solely to protect the health of consumers?

Seeds, plants and parts of plants for export are inspected by representatives of the Department of Plant Health of the Ministry of Natural Resources, who issue the relevant phytosanitary certificates, which are in turn countersigned by the Chief Plant Health Officer. These controls are carried out in order to avoid the spread of any disease affecting plants and other vegetable products, as well as to guarantee the soundness and quality of agricultural products exported from the country.

32. Does Honduras maintain export restrictions on, for example, weapons? How does the export control system applied by Honduras operate and what products are subject to it?

The traffic in weapons and other items such as drugs and gunpowder is considered illegal and constitutes an offence in Honduran law: it is therefore prohibited. Such activities are governed by the Law on Contraband and Tax Fraud.

In order to export vegetable or animal products or by-products, an export permit must be obtained from the Ministry of Natural Resources, which requires compliance with the phytosanitary conditions laid down in the Law on Plant Health and in the Sanitary Regulations for the Import and

Export of Animals and Animal Products, as well as with regulations on wildlife protection. Exports of food products must also satisfy the requirements of the Health Code which are supervised by the Food Control Division of the Ministry of Public Health. In addition, natural or legal persons wishing to engage in an export operation must submit an Export Declaration to the Central Bank of Honduras. All these formalities are carried out at the Export Processing Centre (CENTREX) of the Ministry of the Economy and Trade, where all the above-mentioned departments have their delegated officials.

Free Zones and Industrial Processing Zones

33. What is the difference between the Free Zones covered in paragraph 3.4.2 and the Industrial Processing Zones for Export Trade dealt with under paragraph 3.4.4?

The Free Zones and the Industrial Processing Zones for Export Trade (ZIPs), provide basically the same incentives for national and foreign export companies. The difference is that the former were originally under State administration, a situation which is now changing with the privatization of the only Free Zone set up under this scheme, and that they operate under a separate tariff régime, namely that of Exceptional Treatment established in the Customs Law. ZIPs, on the other hand, have been run since their creation by private companies and their trade is conducted under the Temporary Admission System, one of the Inward-Processing Régimes, within the framework of the Customs Law of Honduras.

34. Could you describe the export surveillance system applied for statistical purposes? According to the report, goods exported from the so-called Free Zones and ZIP-zones do not need an export surveillance declaration. How is the surveillance of the exports from these areas arranged? What rôle do the ZIP-zones (Industrial Processing Zones for Export Trade) and Free Zones play in the economy in general and in exports in particular?

In general, Export Declarations must be submitted to the Central Bank of Honduras. They must state the quantity, value and destination of the goods to be exported, as well as the probable date of export and the currency in which the corresponding payment will be received. This Declaration is submitted to the Export Processing Centre (CENTREX), which comprises a delegated official of the Central Bank.

The administration of the Free Zones maintains a system of permanent surveillance within the restricted area, ensuring that the operations taking place there are in conformity with the law. The Directorate-General of Customs is responsible for surveillance outside the restricted area, paying special attention to and supervising its points of entry and exit. The exportation of goods requires documentary evidence attesting to compliance with tax obligations and the presentation of an exit document for the operation.

In the case of the ZIPs, a customs administration has been set up in each one to be responsible for the formalities involved in the movement of goods to and from them. It is also empowered to carry out the necessary inspection activities in order to prevent abuses or infringements of customs regulations. The transfer of goods from the ZIPs to export customs offices is approved by the ZIP customs authorities, who also exercise appropriate supervision over the movement of such goods. The export customs office thus permits the shipment of the goods concerned upon receipt of the authorization issued by the ZIP customs authority.

The Free Zones and ZIPs have become increasingly important in the Honduran economy from the standpoint of production, exports and job creation. In 1986 there were 14 companies employing 2,453 workers, while in 1991 the number of enterprises operating amounted to 59, employing a total of 20,121 workers.

In 1991, total exports from Free Zones and ZIPs amounted to US\$192.2 million, equivalent to 23.8 per cent of the country's total exports of goods.

The products that generate the highest gross value of output are, by order of importance, clothing, non-metallic furniture and accessories, and plastic products.

35. This section indicates that Honduras' requirement that exporters submit an Export Declaration and a commercial invoice does not apply to exports originating in the Free Zones or Industrial Processing Zones for Export Trade (ZIP), small exports, and the operations of inward-processing enterprises. Concerning these exemptions:

- Why are these products exempted?

Exports originating in the Free Zones or ZIPs are exempt from having to submit the declaration required by the Law on the Repatriation of Foreign Exchange from Exports, but they do have to comply with the requirements relating to statistical monitoring and customs control carried out by the officials of the Directorate-General of Customs present in these zones in accordance with the decrees that created the Free Zones and ZIPs. In other words, regulations of this kind are established specifically for these zones in the legal instruments setting them up.

- What is the value limit defining exempted small exports?

By Resolution No. 13-90 of 27 March 1992 the Central Bank of Honduras established that exports of a value of less than US\$3,000 do not require submission of an export declaration.

- There is evidence that textile products from third countries are being transshipped to the United States through Honduras in order to circumvent United States textile import restrictions. If export declaration requirements for the free trade and other export trade processing zones are to be waived, what other

measures does Honduras have in place to prevent such transshipment?

It is completely untrue that Honduras has ever been a party to operations aimed at outmanoeuvring United States restrictions on textiles. As mentioned above, the interpretation that there are no controls of any kind on exports effected by enterprises operating in the Free Zones or ZIPs is mistaken. The control procedures for exports of goods originating in these zones are stipulated in the decrees and regulations that establish the legal framework for their constitution and operation, namely Decree No. 356, Law for the Creation of the Free Zone of Puerto Cortes, of 19 July 1976, and its regulations, and Decree 37-87, Law on the Industrial Processing Zones for Export Trade, of 7 April 1987, and its regulations.

As already stated the administration of the Free Zones maintains a system of permanent surveillance within the restricted area, ensuring that the operations taking place there are in conformity with the law. The National Customs Service is responsible for surveillance outside the restricted area, paying special attention to and supervising its points of entry and exit. The exportation of goods requires documentary evidence attesting to compliance with tax obligations and the presentation of an exit document for the operation.

36. Could you describe the export surveillance system applied for statistical purposes? According to the report, goods exported from the so-called Free Zones and ZIP-zones do not need an export surveillance declaration. How is the surveillance of the exports from these areas arranged? What rôle do the ZIP-zones (Industrial Processing Zones for Export Trade) and Free Zones play in the economy in general and in exports in particular?

In general, Export Declarations must be submitted to the Central Bank of Honduras. They must state the quantity, value and destination of the goods to be exported, as well as the probable date of export and the currency in which the corresponding payment will be received. This Declaration is submitted to the Export Processing Centre (CENTREX), which comprises a delegated official of the Central Bank.

The administration of the Free Zones maintains a system of permanent surveillance within the restricted area, ensuring that the operations taking place there are in conformity with the law. The Directorate-General of Customs is responsible for surveillance outside the restricted area, paying special attention to and supervising its points of entry and exit. The exportation of goods requires documentary evidence attesting to compliance with tax obligations and the presentation of an exit document for the operation.

In the case of the ZIPs, a customs administration has been set up in each one to be responsible for the formalities involved in the movement of goods to and from them. It is also empowered to carry out the necessary inspection activities in order to prevent abuses or infringements of customs regulations. The transfer of goods from the ZIPs to export customs

offices is approved by the ZIP customs authorities, who also exercise appropriate supervision over the movement of such goods. The export customs office thus permits the shipment of the goods concerned upon receipt of the authorization issued by the ZIP customs authority.

The Free Zones and ZIPs have become increasingly important in the Honduran economy from the standpoint of production, exports and job creation. In 1986 there were 14 companies employing 2,453 workers, while in 1991 the number of enterprises operating amounted to 59, employing a total of 20,121 workers.

In 1991, total exports from Free Zones and ZIPs amounted to US\$192.2 million, equivalent to 23.8 per cent of the country's total exports of goods.

The products that generate the highest gross value of output are, by order of importance, clothing, non-metallic furniture and accessories, and plastic products.

3.4 System of export incentives

3.4.1 Export promotion

37. Are any of the provisions of the Export Promotion Act still in effect in Honduras?

The Export Promotion Act was entirely repealed by Decree No. 18-90 of 12 March 1990.

Economic programmes

38. Could Honduras give additional information concerning public aids granted by the Central Government? What are the major areas and what is the amount? Under what economic programmes are the subsidies accorded?

At present the government provide social welfare programmes for the poorer population groups through the Honduran Social Investment Fund, the Family Allowances Programme (PRAF), the urban passenger transport subsidy, and the Land Bank Fund.

- Honduran Social Investment Fund: The FHIS was set up for the purpose of cushioning the impact of economic adjustment on the poorer sectors through community improvement projects. These projects include: support for the informal sector of the economy, education, community facilities, environment, roads and streets, historical monuments and ruins, irrigation and drainage, health and hygiene.
- Family Allowance Programme (PRAF): The PRAF was established in order to benefit poor Honduran women. It includes three projects, namely:

- Women Heads of Family Project: Under this programme, women heads of family receive a grant of L 20 per month during the school year (roughly US\$3.70 using the Customs Valuation Factor of L 5.40 per US dollar) for each child enrolled in primary school.
- Mother and Infant Project: Under this project L 20 is granted through health centres to needy, pregnant and/or breast-feeding women who apply for medical treatment for their children under five years of age.
- Vocational Training Project: Under this programme training is given in agricultural and commercial service areas, administrative skills and support for credit systems.
- Urban Passenger Transport Subsidy: Under this programme, a daily subsidy is granted to public transport bus owners so as to keep the price of this service within the reach of the poorest strata of the population. The subsidy was introduced by Decree 18-90.
- Land Bank Fund: This Fund was set up as a current transfer by Decree No. 18-90 in order to finance housing for deprived groups. With the creation of the Social Housing Fund (FOSOVI), the amounts allocated to the Land Bank became part of the assets of FOSOVI.

Details of the current transfers by the Central Government to alleviate the effects of the Adjustment Programme launched in March 1990 are given below:

Description	Millions of dollars	
	1991	1992
FHIS	18.8	19.8
PRAF	5.6	7.4
Transport subsidy	12.5	14.4
Land Bank Fund	1.8	1.9

Note: Conversion of lempiras to dollars was made using the Customs Valuation Factor of L 5.40 = US\$1.

39. Honduras applies various instruments to encourage exports. Are these régimes intended for specific sectors, enterprises or products? Could the Honduran delegation provide more detailed information on the implementation of these programmes?

The laws and regulations governing the implementation of these programmes have been made available in the annexes to the Memorandum on the

Foreign Trade Régime, document L/7028, for consultation by interested contracting parties.

40. What kind of export incentives are applied by Honduras? What types of support measures are used in the export promotion programmes applied by Honduras (the amount of support and sectoral allocation)?

The Government of Honduras accords special benefits to enterprises establishing themselves in the Free Zones or ZIPs, such as exemption from import and export duties, exemption from the payment of internal taxes such as income tax and sales tax, among others. Companies operating under the Temporary Import Régime (RIT) are also exempted from the payment of import and export duties, and allowed a ten-year income tax holiday. Similarly, new banana plantations are exempt from the export tax for a period of three years, and banana exports from restored areas pay only half of that tax for the same period. Measures concerning export financing are described below.

41. Does the Honduran Government offer any official trade credits or export credit guarantees to finance Honduran exports? If so, at what terms and under what circumstances?

The Government of Honduras provides four lines of credit for exports financing and these are channelled through the Central Bank of Honduras:

1. Pre-export and export rediscount:

Amount: Variable
Term: Up to 6 months
Interest: 24 per cent per annum

2. Revolving credit between the Inter-American Development Bank (IDB) and the Central Bank of Honduras (BCH):

Amount: Variable
Term: Up to 6 months
Interest: 24 per cent per annum

3. Financing in lempiras and US dollars under the Economic Recovery Programme of the International Development Agency (IDA):

Amount: L: up to L 16 million
US\$: up to 1.6 million
Term: 24 months
Interest: L: 24 per cent per annum
\$: negotiable

4. Funding by the European Community and the Latin American Confederation of Saving and Loan Co-operatives:

Amount: L 540,000
Term: Working capital - 18 months, investment - 5 years
Interest: 24 per cent per annum

42. Please indicate which, if any, commodities currently benefit from domestic income and price supports, or from other domestic subsidies which might affect trade.

A daily subsidy is granted to public transport bus owners so as to keep the price of this service within the reach of the poorest strata of the population. The subsidy was introduced by Decree 18-90, and amounted to US\$14.4 million in 1992.

With the same objective, there are also subsidies to sales of oil products, which act both as direct subsidies and as cross-subsidies. The former directly subsidize consumption of liquefied petroleum gas (LPG) for household consumption in twenty-five-pound cylinders, in accordance with Article 2 of Decision No. 303-92 of 5 August 1992, as follows: "The price fixed for LPG-distribution companies ... shall be subsidized at the terminal by the Government as follows":

TABLE 1

Honduras: Value of the LPG Subsidy

Terminal	L/gallon
Tegucigalpa	1.9948
San Pedro Sula	1.8632
Puerto Cortés	1.8361
La Ceiba	1.9476
Santa Rosa de Copan	1.9476

Source: Ministry of the Economy and Trade.

This subsidy has been in effect since April 1990, but its level has been changed a number of times to take into account the adjustment of the maximum sales price, owing to the changes in world LPG prices, the interbank foreign exchange rate and the Customs Valuation Factor.

Cross subsidies are not specific government expenditures, but consist in the maintenance of higher-than-normal prices for superior and regular gasoline (petrol) and jet fuel in order to be able to maintain lower prices for household kerosene, diesel and fuel oil (Bunker C), so that they do not substantially affect the poorer sectors of the population, industries using diesel as a fuel (especially passenger and goods transport by road) and

cement production in the case of Bunker C. The scale of these cross-subsidies is estimated currently as follows:

TABLE 2
Honduras: Fuel Subsidies

Product	Subsidy per gallon	Selling price
	L	L
Household kerosene	4.1200	2.97
Other kerosene	1.0640	6.18
Diesel	0.7584	6.44
Fuel oil (Bunker C)	0.7671	3.38

Source: Ministry of the Economy and Trade.

Furthermore, to lessen the impact of the sharp drop in coffee prices on the world market, the Coffee Industry Emergency Law (Decree No. 126-92, of 23 September 1992) provides a payment of L 50 per quintal of raw coffee or the equivalent sold by the producer during the 1992-1993 harvest. This financial support to producers is financed by the issue of "Coffee-Growers' Bonds" for up to a maximum of L 125 million, which will be sold to the public by public auctions or through the Honduran Stock Exchange.

3.4.3 Temporary Import Régime

43. Does Honduras consider that the exemption from income tax on profits on exports under the Temporary Import Régime (paragraph 3.4.3 of L/7028) is consistent with Article XVI of the GATT? Is Honduras prepared to give a commitment to reduce or eliminate this subsidy?

44. Does Honduras consider the ten-year income tax exemption for export profits under temporary import régimes or the various benefits provided in connection with the industrial processing zones for export trade and the banana export incentives to be export subsidies? If not, please explain.

The advantages granted by the Government of Honduras to enterprises covered by this régime are aimed at boosting investment, employment, vocational skills and industrial development in the country, and are a widespread practice in many developing countries; Honduras therefore considers the régime consistent with Article XVI of the General Agreement. As a developing country, it also expects that its rights to special and differential treatment will be recognized.

45. Page 23, last paragraph: It is stated that under the "Temporary Import Régime" (RIT), payment of duties, fees and taxes will be suspended on imports of raw materials and intermediate products necessary for the production of export goods. Can Honduras provide a complete list of the

products included in this programme? Will fishery products be included in the list of goods that be accorded this treatment? Can Honduras indicate the expected duration of the RIT?

The following imports are exempt from payment of customs duties and other taxes and fees:

- Raw materials, semi-finished goods, packaging and other goods when they are assembled, processed, altered or physically incorporated in products to be exported to countries not in Central America;
- Machinery, equipment, tools, spare parts and accessories if they are exclusively used to assemble, process, alter or manufacture articles for export to countries not in Central America;
- Sample books, instructions and models needed to adapt production to the standards and design requirements of the international market and for demonstration, research or educational purposes.

Only industrial and agro-industrial enterprises which export outside the Central American region can take advantage of this régime, consequently enterprises whose activity is fishing do not qualify under the RIT. The programme is for an indefinite period.

46. Under the export promotion régime, is there a special re-export régime providing for exemption from export tariffs in the case of processing which has not substantially affected the nature of the product? What are the criteria for defining "substantially affected the nature of the product" for the purposes of product classification?

The export promotion régime does not provide for exemption from export duty for the re-export of goods which have undergone processing that has not substantially affected their nature. Under the temporary régimes provided by the Customs Law there is the Re-export Régime, which does provide for exemption from export duties for goods previously imported whether temporarily or definitively, whose nature has not been substantially affected. However, this is not considered part of the export promotion system since the import operation concerned pursues a specific objective.

Article 72 of the Customs Law establishes the following criterion for defining whether goods have undergone any modification that substantially affect their nature:

"The mere incorporation of finished parts or pieces into products covered by this régime is not considered a substantial modification, provided they do not undergo any other process which affects the nature of the imported good."

47. Are there any special subsidies or incentives for non-traditional exports?

There are currently no subsidies or special incentives for exports of non-traditional products.

3.4.4 Industrial Processing Zones for Export Trade (ZIP)

48. Please explain the difference in the operations of Free Zones, Industrial Processing Zones for Export Trade, and the Temporary Import Régime, i.e., how would a firm decide which régime covered its operations or where to locate?

The Free Zones and Industrial Processing Zones for Export Trade basically grant the same incentives for the operation of national and foreign enterprises engaged in export activities. The difference lies in the fact that the Free Zones were created under State administration, a situation which will now be reversed with their privatization, and operate under a different customs régime, which is the exceptional régime provided for in the Customs Law; whereas the ZIPs have been run since their creation by private management companies and their trading activities are carried out under the Temporary Import Régime (RIT), one of the inward-processing régimes likewise provided for by the Customs Law.

The incentives provided by the Temporary Import Régime (RIT) are granted to enterprises already established or to be established in the country, that are located within its customs territory.

Enterprises interested in enjoying the benefits of these régimes decide to opt for a particular régime in accordance with their requirements and their own expectations, and provided they meet the requirements laid down by the national laws and the regulations for each specific zone.

49. Concerning the Temporary Import Régime (RIT) and the Export Processing Industrial Zones (ZIP):

- What sort of special tax and tariff régimes, if any, are applied to the capital goods and other means of production used under these régimes that are not ultimately directly incorporated in exports? What sort of special taxes or tax exemptions, if any, are applied to persons or enterprises producing exports under these régimes?

The Temporary Import Régime (RIT) allows the suspension of payment of customs duties and other taxes and fees, including the Sales Tax, for imports of the following:

- machinery, equipment, tools, spare parts and accessories if they are exclusively used to assemble, process, modify or manufacture articles for export under this régime;
- sample books, instructions, patterns and models needed to adapt production to the standards and design requirements of the

international market and for demonstration, research or educational purposes.

"Machinery and equipment" means goods which are used to produce other goods or services or to provide some other kind of production service and which are not consumed in a single production cycle, with the exclusion of passenger vehicles and office equipment.

Profits from exports under the RIT are totally exempt from payment of income tax for a period of ten years from the date on which production for export commences, when the enterprises under the RIT meet the following requirements:

- they are an industrial or agro-industrial enterprise;
- they directly employ at least twenty-five people.

Nevertheless, exemption from income tax does not apply to foreign natural or legal persons whose country of origin allows them to deduct or credit the income tax paid in Honduras.

The ZIP régime allows the import of goods or merchandise (including capital goods) with total exemption from payment of customs duties, charges and surcharges, internal consumption, production and sales taxes, as well as other levies, taxes and surtaxes. In addition, the production and sale of goods generated with ZIPs, as well as the industrial and commercial buildings and establishments within ZIPs, are exempt from payment of State and municipal taxes.

Profits earned by enterprises in ZIPs are exempt from payment of income tax provided that the enterprises are not allowed to deduct or credit this tax in their countries of origin.

Companies operating ZIPs enjoy the following tax benefits:

- The right to import free of duty, tariffs, charges and surcharges, domestic consumption and sales tax and other taxes and levies directly or indirectly related to customs import operations, all goods or merchandise (meaning any product, article, raw material, packaging, wrapping, manufactures and in general any goods without exception) which they import and which are used or incorporated exclusively in the development and exploitation of the ZIP, including building materials, equipment, spare parts, machinery and office equipment, provided that these goods are not produced locally, and subject to prior authorization by the Ministry of the Economy and Trade.
- Exemption from income tax for a period of twenty years and from municipal taxes for a period of ten years.
- What tax and tariff treatment is applied to goods produced under these régimes that are ultimately sold in Honduras?

Goods entering or produced under the RIT cannot be sold on the domestic or Central American markets, therefore, any beneficiary enterprise

which does this has to pay the relevant taxes in addition to a fine equivalent to 100 per cent of the taxes assessed.

Regarding ZIPs, merchandise which has entered a ZIP and not been subject to any processing there cannot be imported for final use or consumption in Honduras. However, goods that have been processed or manufactured in ZIPs may be imported for final use or consumption in Honduras provided that such goods are not produced locally and subject to authorization by the Ministry of the Economy and Trade as well as payment of the duties and other relevant charges.

50. Honduran law provides for the establishment of industrial free zones (ZIPs). How important are these seven ZIPs (production sectors, number of jobs) in relation to the total volume of the country's foreign trade?

The free zones and ZIPs have become increasingly important in the Honduran economy from the standpoint of production, exports and job creation. In 1986 there were fourteen companies employing 2,453 workers, while in 1991 the number of enterprises operating amounted to fifty-nine with a total employment of 20,121 workers.

In 1991, total exports from free zones and ZIPs amounted to US\$192.2 million, equivalent to 23.8 per cent of the country's total exports of goods. The products that generate the highest gross value of output are, by order of importance, clothing, non-metallic furniture and accessories, and plastic products.

51. Concerning the Free Zone of Puerto Cortes and other territories covered by the "exceptional régimes" specified in this section:

- What sort of special tax and tariff régimes, if any, are applied to the capital goods and other means of production used under these régimes that are not ultimately directly incorporated in exports. What sort of special taxes or tax exemptions, if any, are applied to persons or enterprises producing exports under these régimes?

Merchandise entering the Free Zone (meaning any product, article, raw material, packaging, wrapping, manufactures and in general any movable tangible property without exception, including capital goods) is exempt from payment of tariff duties, charges, surcharges, internal consumption and other taxes and levies directly or indirectly related to customs import and export formalities. Sales and production inside the Free Zone and commercial and industrial buildings and establishments therein are also exempt from payment of municipal taxes and charges.

Profits earned in the Free Zone by enterprises established there are exempt from payment of income tax provided that the enterprises are not subject to taxes in other countries which render this exemption invalid.

- What tax and tariff treatment is applied to goods produced under these régimes that are ultimately sold in Honduras?

Merchandise which has entered a free zone and has not been subject to any industrial processing there may be imported for domestic use or consumption provided that it meets the requirements and formalities set out in the customs legislation and regulations. Merchandise produced in free zones can be imported for final use or consumption in Honduras after the relevant tariff duties have been paid.

In both cases, once the merchandise has entered national customs territory it is subject to the ordinary tax treatment.

52. Does Honduras consider the favourable tax and tariff treatment for capital goods and other items used in the production of exported goods which were not "physically incorporated" in such goods a subsidy? If not, why not?

The favourable treatment applied to such goods is provided by the special régimes mentioned above, and therefore this question has already been answered in the reply to question N^o ? in Section 3.4.3.

53. Are normal taxes, tariffs, and other customs charges applied to "imports" into Honduras's customs territory from the Free Trade Zones, other export processing zones (e.g. RIT and ZIP), and from bonded warehouses? Are there specific criteria for inclusion of a firm in these zones?

Goods entered or produced under the RIT cannot be sold on the domestic or Central American market. If any enterprise covered by the RIT engages in such operations, it must pay the tax obligations concerned and is liable to a fine equivalent to 100 per cent of the assessed taxes.

Goods entered into a Free Zone and not subject to any industrial processing therein may be imported for final consumption or use in the country after complying with all the requirements and formalities laid down in the customs legislation and regulations.

As far as ZIPs are concerned, goods entered into them and not subjected to any processing may not be imported for final consumption or use in the country. However, merchandise subjected to any form of processing in the ZIPs may be imported for final consumption or use in the country, provided there is no national industry of such goods, subject to authorization by the Ministry of the Economy and after payment of the customs duties and other relevant charges.

For an enterprise to be entitled to the advantages of the RIT, it must submit an application to the Directorate of Production and Consumption of the Ministry of the Economy and Trade, specifying the machinery, equipment and tools to be used, the goods and inputs to be imported under the régime, and the description of the products to be exported, among other things. The Directorate of Production and Consumption will analyse, evaluate and decide on the request. In the event of a favourable decision, it issues an authorization resolution granting entitlement to the régime. Natural or

legal persons wishing to establish themselves in a Free Zone must obtain authorization from the institution that administers it.

In order to operate in an Industrial Processing Zone for Export Trade, the applicant must submit a request to the Directorate of Production and Consumption of the Ministry of the Economy and Trade, together with the required documentation. The attached documentation is forwarded to the Directorate of Customs for analysis, evaluation and decision. Once a favourable decision has been taken and the duly certified and registered articles of incorporation of the firm have been submitted, the relevant authorization is issued by the Ministry of the Economy and Trade.

- **Are firms locating in Honduras's Free Trade Zones or the other export processing zones (e.g. ZIP and RIT) required to export a certain percentage of their output or to meet a local content requirement in their production?**

The RIT is an advantage granted to exports of products destined for non-Central-American countries. The supervision exercised over enterprises operating under this régime monitors the ratios of inputs used in the exported goods.

The law creating the Free Zones stipulates that in such zones there may be established operational, commercial and industrial enterprises basically engaged in export activities or engaged in related or complementary activities. An enterprise basically engaged in export activities in these zones is considered to be an enterprise for which exports or re-exports account for not less than 50 per cent of annual sales in the case of a commercial enterprise, and not less than 95 per cent of annual output in the case of an industrial enterprise.

ZIPs were created in order to encourage, through job creation, manufacturing and service industries aimed exclusively at exports. To be exported, goods entered into the ZIPs must undergo processing which alters their nature. However, goods introduced into a ZIP that have not undergone any processing may be re-exported retaining the certificate of origin with which they entered.

54. Does Honduras apply any export performance or local content production requirements to foreign firms that invest in Honduras?

Honduras does not apply any such regulations.

55. Is there an export commitment required or requested of firms to qualify for tariff duty exemption for imports of machinery and equipment, etc. by firms investing in Honduras?

Apart from the advantages granted by the special régimes described above, there are no such requirements.

IV. IMPORT POLICY

4.1 Introduction

Concerning non-tariff import restrictions:

56. Which Honduran imports, if any, are currently subject to import bans, quotas, or import licensing restrictions? Could Honduras please explain the reasons for these restrictions? Could Honduras please list the laws and other regulations that authorize such measures and indicate which Ministries administer these restrictions? Please describe and explain the relationship of these measures to GATT Article XI.

At present, Honduras does not have any restrictions such as bans, quotas or licences. However, the Government of Honduras reserves the right to apply restrictions to imports in accordance with the provisions of Articles VI, VIII, XII, XVIII, XIX, XX and XXI of the General Agreement for reasons of hygiene, health, balance of payments, unfair competition, promotion of the domestic economy or national security.

The following laws authorize the adoption of the types of restriction mentioned above: the Health Code, the Law on Plant Health, the Health Regulations for the Import and Export of Animals, and Animal Products and By-Products, the Law on the Honduran Tariff and Customs Régime, the Multilateral Framework Agreement for the Trade Liberalization Programme among the Governments of Costa Rica, El Salvador, Guatemala, Honduras, Mexico and Nicaragua (for trade with these countries), the Partial-Scope Agreement between the Republic of Colombia and the Republic of Honduras (for trade with that country), the Partial-Scope Agreement between Venezuela and Honduras (for trade with Venezuela), the Transitional Multilateral Free Trade Agreement between Honduras and other Central American Countries (for trade relations with Central America under free trade agreements). The competent Ministries are the Ministries of the Economy and Trade, of Public Health, and of Natural Resources. The restrictions are applied through the Directorate-General of Customs and the Ministry of Finance and Public Credit.

57. Is Decree No. 340 (10 June 1974) regarding the Honduran Institute of Agricultural Marketing (IHMA) import monopoly for corn, rice, beans, sorghum and potatoes, still in effect?

Chapter II, Article 20 of the Law on the Modernization and Development of the Agricultural Sector, Decree No. 31-92 of April 1992, provides for the free domestic and foreign marketing of agricultural products, including staple grains, without the need for prior authorization or administrative permits, subject only to customs, tax, foreign exchange, hygiene, public health and international trade agreements.

58. Honduras recently blocked the import of a shipment of chicken previously contracted. Under what legal authority and for what reason was

this importation blocked? Has Honduras exercised this authority on any other imports since March 1990?

Decree No. 128-91 of December 1991 (see Annex 3 to document L/7160/Add.3) temporarily modified the tariffs in the Import Tariff for a number of headings and sub-headings, including the tariff on poultry meat, with the objective of ensuring an efficient and regular supply of food products of prime necessity and taking into account the need to complement domestic meat production with imports (subject to a permit by the Ministry of the Economy and Trade in accordance with the provisions of the above-mentioned Decree) without harming domestic producers. In January 1992, the Ministry of the Economy and Trade authorized the import of partial consignments of 42,000 lb. each in conformity with the provisions of the above-mentioned Decree. In March 1992, the Ministry's enquiries showed that the circumstances which had led to the authorization of the imports in question had been eliminated and it therefore issued Decision No. 053-A-92 annulling the decision authorizing the import. The decision cancelling the import permit was in accordance with the powers given by Decree No. 129 of March 1971 (see Annex 4 to document L/7160/Add.3) setting out the responsibilities of the Ministry, namely, regulation of foreign trade, regulation and administration of economic controls and restrictions necessary for stability and economic order. Annulment of the decision authorizing the import in question was also in conformity with paragraphs 2 and 3 of Article 121 of the Law on Administrative Procedure, Decree No. 152-87 (see Annex 5 to document L/7160/Add.3) which authorizes State Ministries to annul decisions when the circumstances which justified them no longer exist or when situations arise which, if they had existed prior to the decision, would have made it unnecessary. Decisions can also be annulled or modified when they are no longer expedient or appropriate for the purposes for which they were taken. No other imports have been blocked under the above-mentioned legal framework.

59. Please list farm products whose importation is restricted or banned for animal or plant health reasons.

The Ministry of Natural Resources is currently drawing up and harmonizing at the regional level a list of agricultural products whose import will be restricted or banned for plant health reasons; this list will be approved by the Council of Ministers during the first half of 1993. Once it has been approved, a copy will be transmitted to the GATT Secretariat for the information of the contracting parties.

60. Does Honduras maintain any other non-tariff barriers to trade? Please describe.

Honduras does not apply any non-tariff barriers to trade other than those concerning health and plant health controls, protection of wildlife and plants, archaeological monuments and works of national heritage or for reasons of national security.

61. Will Honduras adhere to the Licensing Code?

Honduras intends to accede to the Code on Import Licensing and, once it has become a contracting party to the General Agreement, within the

meaning of Article XXXIII, it will notify the Secretariat of its intention to accede to the Code.

62. Will Honduras commit to apply its laws and regulations which provide for import prohibitions, import licensing, import permits or other quantitative limitations on imports in a manner consistent with the provisions of the General Agreement, including Articles XI, XII, XIII, XIX, XX and XXI?

Once it has become a contracting party, within the meaning of Article XXXII of the General Agreement, Honduras will apply to other contracting parties Parts I, III and IV, as well as Part II, to the extent that it is compatible with the legislation in force at the time of acceding, subject to the provisions in the Protocol of Accession resulting from the relevant negotiations.

4.2 Legal Provisions

63. Are all laws, regulations, requirements, decrees, etc., affecting trade published prior to implementation and in a manner allowing traders to be aware of them? Where does Honduras publish such information? Where can importers and exporters go to determine which products are under quota or licensing restriction?

All laws, rules and regulations of a legal nature are published in the official journal, La Gaceta, when they are adopted and they enter into force at the time of publication unless there is a provision to the contrary fixing another later date. Once a law, rule or regulation has been approved by the competent authority, it is sent for publication in the next issue of the Official Journal. Importers who seek information on products subject to restrictions, quotas or licences can address themselves to the Ministries of the Economy and Trade, of Natural Resources or of Public Health.

64. What authority does the Honduran Government have to administratively alter tariff levels or to apply import or export surcharges without recourse to legislative approval? In what Ministry or Ministries would such authority be vested?

Article 7 of the Law on the Honduran Tariff and Customs Régime (Decree No. 213-87) specifies that it is the exclusive responsibility of the National Congress to modify the prevailing tariff in special cases subject to justification given by the Executive Power through the Ministries of Finance and Public Credit and of the Economy and Trade. In this connection, it should be emphasized that any modifications must correspond to situations where there is serious prejudice to domestic production, or must be necessary to ensure domestic supplies, promote the creation of new production activities or for the purpose of international negotiations.

65. Page 27, paragraph 1: It is stated that the duties contained in the Import Tariff may be modified by the National Congress, after receiving the

opinion accompanied by an explanatory statement of reasons, of the Executive Power, for purposes such as ensuring adequate protection for local production, guaranteeing domestic supply, and promoting new production activities. Are there any criteria in place which would serve to limit this discretionary authority? Is Honduras willing to consider an across-the-board ceiling binding in the context of its tariff negotiation?

Although duties may be modified by the National Congress, the relevant proposals for modification are usually submitted by the competent Ministries or departments of the Executive Power. Decisions by the Legislative Power can only be vetoed by the President of the Republic.

Honduras intends binding a maximum ceiling for its import tariff as a contribution to the liberalization of world trade.

66. L/7028 states that "imports of products of vegetable or animal origin must meet [the] sanitary conditions" which are specified in this section.

- Do the same laws and/or the same requirements apply to like products produced domestically? What Ministry or Ministries administer such requirements for domestic goods?
- Please describe how importers and domestic producers acquire the necessary Honduran certificates.

The provisions on the sanitary conditions which must be met by imported or domestic animals and plants are set out in the Health Regulations for the Import and Export of Animals and Animal Products and By-products and in the Law on Plant Health, respectively. Domestic legislation does not contain any measures distinguishing between imports of products of plant or animal origin and similar products produced domestically.

Imports of products of plant or animal origin require a health permit issued by the Ministry of Natural Resources and they must meet the health requirements laid down by the Ministry of Public Health, in addition to specifying inter alia the nature of the product, the country of origin, the port of shipment and the means of transport. The provisions contained in the Health Code also apply and must be met. In the case of foodstuffs, therefore, the registration provisions and requirements laid down for domestically produced foodstuffs must be met.

The sanitary certificate for the import or export of animals, and animal products and by-products and for any form of plant material must be applied for on first-class stamped paper at the offices of the Animal Health and Plant Health Departments, respectively, of the Ministry of Natural Resources. For exports and imports of animal products, the application must be made no less than seven days or fifteen days respectively before their despatch.

67. Please describe how importers or foreign exporters of food products go about satisfying the domestic requirements for safety and purity listed in

this section. How does this process differ from that applied in the case of domestic food products?

Both exporters and importers of food products must respect the provisions on purity and quality contained in the Health Code, Decree No. 65-91 of August 1991, as well as the relevant provisions laid down by the Ministries of Public Health, of Natural Resources and of the Economy and Trade. The latter Ministry is responsible for setting quality standards and ensuring their observance, without prejudice to the responsibilities of other public bodies.

Importers and exporters of food products must hold a Sanitary Licence issued by the Ministry of Public Health and, in addition, importers must have the corresponding sanitary certificate issued by the health authorities in the country of origin. The Ministry of Public Health, through the National Referral System (which brings together all official and private health laboratories), verifies the quality and purity standards of products for human consumption whether imported or produced locally. Furthermore, any establishment dealing with the production, handling and marketing of foodstuffs, water and beverages must have a sanitary licence issued by the Ministry of Public Health before it can be set up and function.

68. Page 27, paragraph 2: Would Honduras please elaborate on the consistency of the Law on Plant Health and the Health Regulations with internationally agreed phytosanitary standards? What criteria will the Ministry of Natural Resources employ in determining whether to submit fisheries products to periods of quarantine or to restrict or prohibit these imports?

The Law on Plant Health and the Health Regulations are fully consistent with internationally agreed phytosanitary standards. The amendments to the Law on Plant Health, which will enter into force during the first quarter of 1993, state that the FAO/WHO International Code of Conduct on the Distribution and Use of Pesticides is mandatory.

Honduras is party to the International Plant Protection Convention and follows its provisions when issuing import/export licences or international phytosanitary certificates which are equivalent to and harmonized with those issued by Mexico and other Central American countries.

The Ministry of National Resources is currently drawing up and harmonizing at the regional level a list of agricultural products whose import will be restricted or banned for phytosanitary reasons. This list will be approved by the Council of Ministers during the first half of 1993. Once it has been approved, a copy will be sent to the GATT Secretariat for the information of the contracting parties.

69. Page 27, paragraph 3: This paragraph notes that imports of products of vegetable or animal origin that are considered harmful to health are regulated by the Ministry of Public Health in accordance with the Health Code. Could Honduras specify the criteria for determining that such

products are harmful to health? Are there mechanisms in place that provide for comment by trading partners on proposed regulatory actions? How does the health Code compare with the Law on Plant Health and the Health Regulations? Does the Code comply with international standards?

The criteria used to determine whether products are harmful to health consist of the following chemical and health analyses:

- Chemical analysis: this is carried out to see whether the product fulfils the requirements concerning its formula and preparation from the qualitative and quantitative points of view;
- Health analysis: this is carried out to see whether the product contains chemical or biological components which could affect public health.

Both analyses are carried out in conformity with the guidelines laid down in the Pan-American Health Standards and the Codex Alimentarius.

In addition, trade partners can make comments on proposed regulatory measures through the following:

- the institutions directly involved, for example, the Food Control Division of the Ministry of Public Health and the Agriculture and Livestock Department of the Ministry of Natural Resources;
- the Inter-Agency Commission for Standardization and Quality Control, in which the competent sectors involved in the process have broad responsibility.

The Health Code and the Law on Plant Health are complementary and consistent. The common objective of all the health measures (relating to storage, transport, handling, use, marketing, etc.) concerning domestic or imported products, for example, foodstuffs of vegetable or animal origin, beverages, dangerous substances, as well as the introduction, dissemination, control and eradication of pests and diseases affecting crops and plantations caused by animals or plants, is to ensure the health and security of the population and safeguard the Honduran economy. In the case of human health, the laws, regulations and other provisions within the competence of the Ministry of Public Health apply, whereas the laws, regulations and other provisions within the competence of the Ministry of Natural Resources are applicable to the health of animals, plants and other natural resources: nevertheless, interdependent action by both Ministries is co-ordinated jointly.

The relative competence is set out in the Law on the Ministry of Natural Resources, which states that this Ministry is responsible for agricultural production (products of vegetable or animal origin) in accordance with technical standards. It is the responsibility of the Ministry of Public Health, in conformity with the Health Code, to supervise control of these products during their transport, storage, processing and marketing until they reach the final consumer.

Exports of products of animal origin (meat) are certified by the meat packers' laboratory and, as a foodstuff, the certificate is issued by the Food Control Division of the Ministry of Public Health. When the analysis cannot be carried out by these laboratories, it is undertaken by the laboratory of the Centre for the Study and Control of Contaminants (CESCO), especially in the case of residues (insecticides, heavy metals, aflatoxins, etc.).

Furthermore, Article 6 of the Health Code prescribes that the Code and health regulations in general should be implemented in conformity with the international conventions and treaties to which Honduras is a signatory.

In addition, it is provided that foodstuffs, food additives and packaging for foodstuffs shall conform to the food standards and methods laid down in the Codex Alimentarius and endorsed by the Republic of Honduras. The standards and methods which are not laid down in the Codex Alimentarius or accepted by Honduras shall be those drawn up by the Pan American Health Organization (PAHO) and approved by the Council of Ministers of Public Health of Central America and Panama. In their absence, the standards to be applied shall be those of the Central American Institute of Industrial Research and Technology (ICAITI) and, in the last instance, in the absence of regulations by PAHO and ICAITI, the standards laid down in the Federal Code of Regulations of the Food and Drug Administration of the United States of America (FDA).

Honduras belongs to the following standardization organizations:

- Central American Institute of Research and Industrial Technology (ICAITI);
- Commission of the Codex Alimentarius;
- Pan American Standards Commission (COPANT).

70. Please describe in general terms Honduras's standards régime in areas other than veterinary and phytosanitary regulations. What agency/groups are responsible for setting national standards; what rôle does Honduras play in international standards bodies? How do trading partners have input into national standards setting process?

As far as standards and specifications for purity and quality are concerned, the sanitary standards of the Pan American Health Organization (PAHO) are used, together with the provisions contained in the Health Code, Decree No. 65-91 of August 1991, and its regulations, as well as the relevant provisions laid down by the Ministries of Public Health, of Natural Resources and of the Economy and Trade. The latter Ministry is responsible for setting quality standards and ensuring their observance, without prejudice to the responsibilities of other public bodies. When adopting official quality standards and health measures and verifying compliance with them, the Ministries benefit from the advice and collaboration of an inter-governmental committee composed of public and private bodies competent in this field. The control of the quality and

purity standards of imported and locally produced products is carried out by several national laboratories, for example, the Food Control Laboratory, the Centre for the Study and Control of Contaminants, the Laboratory of the Ministry of Natural Resources, the Laboratories of the Autonomous National University of Honduras and other laboratories in the State's institutional network.

In addition, special provisions on quality, purity and transport requirements, etc., can be found in the Health Code and its regulations, which deal with sanitary requirements for foodstuffs and beverages, articles for domestic use, medicines, herbicides, pesticides, insecticides, rodent killers, explosives, corrosive and radioactive substances, inflammable substances and other hazardous substances, pharmaceutical products and medical equipment, cosmetics, chemical and biological products and raw materials for pharmaceutical use. In this connection, it should be noted that it is the responsibility of the laboratory of pharmaceutical specialties of the Chemical-Pharmaceutical College of Honduras, as an official laboratory, to carry out the qualitative-quantitative chemical and other analyses to control the quality of drugs. Regarding cosmetics, the proportion of the substances used for their preparation must be specified so as to distinguish them from medicaments and determine their safety.

The following could be mentioned as general standards:

- Both exporters and importers of food products, drugs or pharmaceuticals must hold a sanitary licence issued by the Ministry of Public Health and, in addition, importers must have the corresponding sanitary certificate issued by the health authorities in the country of origin. If the products marketed have specific trademarks or names, these must be registered with the said Ministry. The same requirement applies to food products which, before being marketed, undergo preparation or processing or are broken up, or are presented to the public in any type of packaging, in which case the packaging must be authorized by the above-mentioned Ministry.
- Import of any food product whose sale is banned in the country of origin is prohibited. The customs authorities will not allow food products which do not have the required sanitary certificates to enter the country.
- Provisions applicable to any type of bottled, canned, packaged or otherwise wrapped product stipulate that the packaging, containers, recipients and other adjuncts of products marketed must bear a label, tag, sign or inscription affixed, engraved, stamped or printed in Spanish with the name of the product, the manufacturer, the date of manufacture and sell-by date, contents, weight or measure, information on its toxicity or addictiveness, as well as the other particulars laid down in the law. The use of packaging for pharmaceutical products is also regulated, as is their safe storage.

- Imported foodstuffs must meet the health requirements laid down for locally produced foodstuffs. The marketing of food products, their recipients, contents and packaging processes are prohibited without prior authorization by the Ministry of Public Health.
- The export and domestic marketing of any foodstuff which has spoiled or been contaminated, adulterated or falsified or which for any other reason is technically deemed to be harmful to health is banned.
- There is a ban on the import of foodstuffs, food additives, substances used in the preparation of foodstuffs, substances used in the making of packaging that will be in contact with foodstuffs and packaging of a quality that allows the organoleptic, physical-chemical or biological characteristics of the foodstuffs to be modified or permits any form of contamination.
- The authorities of the Ministry of Public Health decide whether or not a product is fit for human consumption and fix the maximum amounts of chemical, physical and biological residues permitted in water, foodstuffs and beverages. There are also regulations on the contents of flavour enhancers, preservatives, colouring matters, shelf life, methods and systems, equipment and means of transport. In addition, the use of radiation for the preservation of foodstuffs is allowed only when authorized by the Ministry of Public Health.
- In order to carry out the necessary controls, the health authorities have free access to any premises where foodstuffs are manufactured, handled, stored, kept, transported, deposited, distributed or sold, whether they are of imported or domestic origin; where necessary, the authorities may take samples for analysis in accordance with the rules laid down.
- It is prohibited to attribute medicinal, preventive, therapeutic, nutritional or special properties to foodstuffs or beverages which might be misleading concerning their true nature, origin, composition or quality.
- It is prohibited to transport foodstuffs and beverages in the same vehicle as any other dangerous substance which might contaminate them.
- Pharmaceutical products may only be sold in places authorized by the Ministry of Public Health. The sale of pharmaceutical products whose sell-by date has expired is banned.

Consumer protection

71. Is there any legislation governing labelling, packaging, etc.?

There is no specific legislation on the labelling or packaging of

products, although there are provisions covering the subject in the Law on Consumer Protection, enacted on 7 April 1989 by Decree No. 41-89, and its Implementing Regulations. This law requires suppliers of goods and services to comply with the conditions in terms of quantity, quality and efficiency established by the competent authorities for their products. Packaged products sold in the country must carry the following information printed on their retail packagings:

- Brand name.
- Name of the manufacturer.
- Country of production.
- Selling price to the public.
- Date of manufacture and expiry.
- Content, weight or measure.
- Ingredients.
- Warning in the case of possible illness or addiction as a result of use.

In the case of foreign products, these particulars must be the same as those required in the country of origin. Rules also exist concerning publicity and promotion, guarantees and credit sales in respect of goods and services.

72. Will Honduras adhere to the Standards Code?

Once Honduras is a contracting party to the General Agreement, within the meaning of Article XXXII, it will notify its intention to accede to the Standards Code. Honduras considers that the Code breaks new ground in the standards field and it is therefore being studied.

Other trade regulations

73. Page 27, paragraph 4: This paragraph states that the Law on Contraband and Tax Fraud is being revised, inter alia, to counter "unfair trade practices which cause or threaten injury to domestic production". It is further stated that draft regulations have been drawn up on the origin of goods, unfair business practices, and safeguard action, which reflect the GATT rules on these matters. What is the present status of these efforts? Will copies of the new law and regulations be made available? If not, could Honduras elaborate the main tenets of the new law and regulations?

The drafts of the Central American Regulations on Unfair Practices and Safeguard Clauses and the Regulations on the Central American Origin of Goods have already been prepared, but they are still being negotiated by Central American countries and it is not therefore possible at the present stage to give specific examples. Nonetheless, when the regulations have been approved they will be transmitted to the GATT Secretariat for distribution to the contracting parties. It is also important to note that the provisions contained in these regulations take into account already-existing provisions within GATT and they will enter into force when Central American integration becomes effective on 1 March 1993.

74. Under what circumstances can tariff rates be increased to provide additional protection to Honduran industries? Are there any special legislative provisions governing the provision of emergency protection? Do these provisions, if any, conform to the requirements of Article XIX of the GATT?

Article 7 of the Honduras Customs and Tariff Law (Decree 213-87) establishes that in special cases the National Congress has exclusive power to modify the current tariff, after receiving the reasoned opinion of the Executive Power, through the Ministries of Finance and Public Credit and of the Economy and Trade. It is stressed that such changes must seek to address situations of serious injury to domestic production, guarantee domestic supply, promote the establishment of new industries, or meet the purposes of international negotiations.

For the time being, there are no legislative provisions providing a legal framework for the adoption of emergency measures. Nevertheless, Article 10 of the above-mentioned Law authorizes the National Tariff Commission (consisting of two members of the Ministries of Finance and Public Credit, Economic Affairs and Trade, and Planning, Co-ordination and Budget, and the Central Bank of Honduras, as well as three members of the Honduran Private Enterprise Council (COHEP)) to take the necessary and appropriate measures to offset any import trade practices that may cause serious injury to domestic production. These provisions are consistent with GATT Article XIX.

In addition, the Multilateral Framework Agreement for the Trade Liberalization Programme among the Governments of Costa Rica, El Salvador, Guatemala, Honduras, Mexico and Nicaragua, also specifies that any safeguard measure shall only take the form of a tariff, which will be applied on the basis of clear and strict criteria, for a specified period of time and on a non-discriminatory basis, once serious injury to domestic production has been shown to exist.

Serious injury to production means any actual injury or impairment resulting from the loss of any material lawful or normal gain that the domestic industry or production suffers or may suffer as an immediate consequence of unfair practices or material retardation of the establishment of a domestic industry.

To determine the existence of material injury, account will be taken of the decline in domestic prices as a consequence of imports, the existence of underutilized capacity, and the increase in inventories of domestic producers. In any case, the injury must be based on facts rather than presumptions and must be actual or imminent.

An enterprise or industry which considers that its production is threatened may request the modification of tariffs in the following manner:

- (a) It submits to the National Tariff Commission a request for a modification of duties, clearly setting out the reasons justifying the request, the nature of the products concerned by

the tariff modification, the enterprises involved and evidence of the existence of injury or threat of injury to the domestic industry.

- (b) After receiving the request the National Tariff Commission carries out technical studies and investigations to examine the accuracy of the allegations and the viability of the request.
- (c) After examining the request it issues its decision for or against the request in the light of whether or not there is sufficient evidence to justify modifying the tariff. If the decision is favourable, it is transmitted to the Ministry of Finance and Public Credit or of the Economy and Trade, which will forward it for approval by the National Congress.

In the context of the Central American integration process, on 1 March 1993 the Central American Regulations on Unfair Trade Practices and Safeguard Clause will come into effect; these regulations were adopted by the Ministers responsible for Central American Regional Integration and Development. Chapters VI, VII and VIII lay down the procedures to be followed to modify the common external tariff.

Unfair trade practices

75. It is indicated that draft regulations have been drawn up on "unfair trade practices and safeguard action" (page 32) in context of the new Central American integration process. Please provide specific illustrations on these regulations. Please explain in detail how the regulations "reflect the GATT rules on these matters" (page 27). Will both the procedures and the contents of the regulations be applied in an equal and non-discriminatory manner between Central American countries and any other GATT contracting party? When are the regulations expected to take effect?

The Central American Regulations on unfair trade practices are still under negotiation by the Central American countries, and we are therefore unable at present to provide specific examples. Nevertheless, as soon as the draft has been approved it will be forwarded to the GATT Secretariat for circulation to contracting parties.

76. Has Honduras ever taken anti-dumping measures, countervailing measures, or safeguard measures? If so, on what legal basis?

In August 1982, Honduras applied countervailing measures to Guatemala on the basis of the bilateral agreement then governing trade between the two countries. It took this action because Guatemala unilaterally established a security, in the form of a cash deposit, for the value of customs duties and the economic stabilization tax for certain Honduran products. As a countervailing measure, Honduras temporarily banned imports of certain Guatemalan products, invoking Section 4 of the Convention and defending domestic industry and exports.

As regards the Central American Transitional Multilateral Free Trade Agreement, in February 1992 Honduras involved Article No. 11 of the Agreement to apply a customs security equal to the import duty for certain products from Guatemala, El Salvador, Nicaragua and Costa Rica which pay a lower duty when entering those countries than the tariff applied by Honduras.

In May 1992, imports of maize (corn) seed for sowing from Guatemala were temporarily prohibited to compensate for the ban imposed by that country's authorities on Honduran exports of the same product to Guatemala.

In June 1992 Honduras applied anti-dumping measures to El Salvador, by indefinitely suspending imports of sugar from that country because it was being exported to Honduras at a lower price than that prevailing on the El Salvador market.

The measures aimed at averting unfair trading practices are covered by Article 10 of the Law on the Tariff and Customs Régime, Decree No. 213-87 of 29 November 1987. Under this Article, the Ministries of Finance and Public Credit and of the Economy and Trade may, after hearing the opinion of the National Tariff Commission, take the necessary and appropriate action to remedy trade practices that cause or threaten injury to the domestic industry.

77. What are the safeguards applied so far by Honduras in case of market disruption? Does Honduras have legislation concerning actions in case of market disruption?

Honduras has not applied safeguard measures. Recent measures aimed at averting unfair trade practices are described in the reply to the preceding question.

78. Concerning legislation on the application of safeguard or countervailing measures to protect Honduran goods from injury by subsidized or excessive levels of imports, or other safeguard provisions:

79. Do draft or formal laws and regulations yet exist in Honduran law in these areas? If either laws or drafts exist, please provide them.

At present, there is no legislation providing a regulatory legal framework for the adoption of emergency measures. However, Article 10 of the Law on the Tariff and Customs Régime empowers the National Tariff Commission to take the necessary and appropriate measures to remedy trade practices which cause serious injury to the domestic industry. The Commission is composed of two members from the Ministries of Finance and Public Credit, of the Economy and Trade, of Planning, Co-ordination and Budget, the Central Bank of Honduras and three members of the Honduran Private Enterprise Council (COHEP). The relevant provisions are consistent with those of Article XIX of the General Agreement.

In the case of trade covered by the various trade agreements signed by Honduras, these agreements provide for safeguard clauses in certain

specified cases when it has been proved that there is a serious threat to production.

In the context of the Central American integration process, it is expected that on 1 March 1993 Central American Regulations on Unfair Trade Practices and Safeguard Clauses will enter into force after approval by the Ministers responsible for integration and regional development in Central America.

80. Could Honduras supply translated English texts of its laws or draft laws concerning protection against dumped, subsidized, or excessive imports?

A Spanish copy of the Central American Regulations on Unfair Trade Practices and Safeguard Clauses will be made available to contracting parties for consultation as of 1 March 1993.

81. Will Honduras adhere to the Anti-Dumping Code?

Honduras intends to accede to the GATT Anti-Dumping Code. At the moment, Central American countries have adopted the Central American Regulations on Unfair Trade Practices and Safeguard Clauses and these are consistent with the relevant provisions in GATT. The regulations are expected to be implemented as of 1 March 1993.

Government Procurement

82. In reference to the Law on Government Procurement, are preferences of any kind given to national suppliers? Does this law apply to purchases by State-owned enterprises engaged in international trade?

The conclusion, interpretation and execution of contracts, whether they are for services or goods, always take into account the public interest, the legal framework and the principles of good administration. In practice, therefore, national or foreign enterprises wishing to conclude contracts with the State receive national treatment.

The Government Procurement Law, Decree No. 148-85 (see Annex 6 to document L/7160/Add.3) also governs the contractual relations of autonomous State bodies under the specific modalities of their structure and budget implementation; in such cases, their procurement is audited by the internal audit body, without prejudice to the auditing responsibilities of the Controller-General of the Republic and other competent organs.

83. Could you give the approximate annual value of Government procurement? Do foreign suppliers have access on this market? What share of the procurement have foreign suppliers? What procedures are applied in Government procurement (tendering, information, thresholds)? Are any sectors excluded from general procurement procedures?

The approximate value of Government procurement of goods and services for the years 1987-1991 is given below:

HONDURAS: CURRENT CENTRAL GOVERNMENT SPENDING
ON GOODS AND SERVICES

(in million dollars)¹

Year	1987	1988	1989	1990	1991
Spending on goods and services	146.2	139.5	133.7	103.4	92.1

¹Converted at the average exchange rate for each year.

Source: Ministry of Finance and Public Credit and Central Bank of Honduras.

There is no statistical data available at present on the percentage of State purchases coming from foreign suppliers; nevertheless, the bulk of such purchases are made from foreign trade representatives established in the country.

Under Article 1 on the Law on Government Procurement, Decree 148-85, all duly constituted national or foreign, natural or legal persons, shall be eligible for all Government contracts to supply services or goods. That Law regulates the contractual relations arising from the transactions mentioned above. It is also applicable to autonomous public-sector institutions, in keeping with their particular structure and budget procedures, in which case such purchases are verified by their internal audit body, without prejudice to auditing by the Inspectorate-General of the Republic and of other competent authorities. Those eligible for Government contracts shall be national or foreign natural or legal persons having legal capacity who are not included under sub-paragraphs 1-6 of Articles 11, 12 and 13 of the aforementioned Law.

National bidders must furnish evidence of their status in the form of their documents of incorporation duly registered in the Register of Real Estate and Commercial Concerns, and their representatives should furnish adequate powers to enter into contracts with the Government. Foreign bidders must obtain due authorization to engage in business in Honduras, and must also be registered in the Register of Real Estate and Commercial Concerns. Their legal representative must also show proof of legal residence in the country. Foreign companies must provide proof that in their country of origin equal access conditions are accorded to Honduran companies in government procurement, subject to exceptions provided for in

international treaties or loan contracts entered into by the Government of Honduras.

Contracts for the provision of services or goods between the Government and natural or legal persons are subject to domestic law, as well as to the jurisdiction of national courts.

Through its Directorate-General for Budget, the Government maintains a Register of Contractors of Public Works and Consultancy Services, while the Government Procurement Office keeps a National Register of Government Suppliers listing those wishing to be awarded Government contracts. For that purpose they must furnish evidence of their commercial activity, financial standing, previous experience, including evidence that they have no claims outstanding in relation to the Government, or, as appropriate, compliance with the Law on Commercial Representatives and Distributors of Trading Companies and other applicable laws.

It should be pointed out that the conclusion, interpretation and performance of contracts, for the supply of services or of goods, will always be guided by considerations of the public interest, existing legal provisions and the principles of sound administration. It shall be deemed to be in the public interest to encourage and develop technical and professional activities relating to the supply of consultancy services, to foment national entrepreneurial capabilities and experience in the execution of public works and to provide incentives to national production. To that end, the Government shall take the measures necessary and appropriate to facilitate the greatest possible use of Honduran firms and professionals.

The procedures require that contracts for the supply of goods or services must be awarded by tender, which may be public or private, and the terms and conditions of which are contained in the Law on Government Procurement and the General Regulations on Purchases, Supplies and Surplus Goods. Open tendering is necessary when the amounts of the tenders are greater than the threshold established annually in the national budget. Calls for public tenders are published in the Official Journal, La Gaceta, and at least two national mass-circulation dailies, with such frequency and notification periods as stipulated in the relevant regulations, depending on the nature and scale of the contract for which tenders are being invited.

A call for international public tenders may be issued in cases where this is required by foreign funding or when special technology is needed, or where there are reasons that warrant participation by foreign contractors. The competent administrative body will draw up a document outlining the administrative basis and technical specifications for each call for tenders.

Calls for private tenders are made when prices are below the threshold established annually in the national budget. Private tenders will also be invited when there are not more than three companies with sufficient capacity to carry out the contract listed in the Register of Government

Suppliers, when it is desirable to limit the number of bidders, whether for reasons of public interest, security or on other grounds provided for in the regulations. Private tenders may also be invited in cases where there could be a shortage of certain products, or if open tendering has attracted no bidders or failed for reasons not attributable to the officials responsible for the procedure and, if for properly defined reasons of urgency, it were not possible to repeat the call for public tenders.

By way of exception, provision exists for urgent and emergency purchases to be made, circumventing the usual bidding procedures. The purpose is to provide the necessary rapid mechanisms for immediate action to restore essential services that may be unexpectedly interrupted for reasons beyond the direct control of the institution concerned or its staff.

84. Page 27, last paragraph: Is Honduras prepared to adhere to the Government Procurement Code upon accession to GATT? What other Tokyo Round Codes might Honduras be prepared to join upon accession to GATT?

Honduras intends to accede to the GATT Anti-Dumping Code. At present Central American countries are negotiating an Anti-Dumping Code consistent with the relevant provisions in GATT and it will be implemented when Central American integration becomes effective, which is due to take place on 1 March 1993.

With regard to the Customs Valuation Code, Honduras will adopt it under the special time frame laid down by GATT for developing countries, because it needs sufficient time to train customs personnel and obtain the technical resources needed to implement the Code. Honduras also intends to accede to the Code on Import Licensing.

Finally, in the case of the Government Procurement Code, the Honduran Government recognizes the importance of such regulations, but requires time to study their implications at both the domestic and international levels.

4.3 Characteristics of the tariff régime

85. Has Honduras provided a current copy of its customs tariff for the review of the contracting parties? Will Honduras provide a HS-based tariff schedule and concordance for the establishment of its GATT Schedule?

In Annex 9 to document L/7028, Honduras submitted a copy of its current Import Tariff, which is available to contracting parties at the GATT Secretariat. In the context of tariff negotiations, Honduras will submit the concordance of the Tariff based on the CCCN Nomenclature with the Harmonized Commodity Description and Coding System (HS) for the establishment of its Schedule.

86. Page 26, paragraph 5: It is stated that Honduras plans to convert from the CCCN to the HS Nomenclature by 1 January 1993. Are these plans on track?

In the context of the agreements and progress made in the Central

American Integration Programme, on 1 March 1993 Honduras will replace the CCCN by the Central American Harmonized System (SAC).

Import policy

87. Honduras has stated that its import substitution policy was abandoned in 1990. Nonetheless, the tariff structure seems to carry vestiges of that policy: the duties on machinery and equipment (capital goods) are still lower than those applied to intermediate and consumer goods. Is there a classification of imported goods into major groups in terms of their "economic" destination?

By the Law on Structural Reorganization of the Economy of 1990, the Government of Honduras took steps to open its economy even further by means of a substantial reduction of tariff levels. Nonetheless, owing to the need to promote the country's development, it has set lower tariffs for inputs and goods needed for production. There is in fact a Foreign Trade Classification According to Use or Economic Destination (CUODE), which is used to compile import statistics based on these criteria.

88. Does Honduras have any plans to alter the rates applied in its customs tariff from the current structure?

In 1990, following implementation of the Law on the Structural Reorganization of the Economy, Decree No. 18-90, Honduras commenced a tariff reform process which concluded in 1992 with ceiling and floor duties of 20 per cent and 5 per cent respectively. No modification of the current tariff structure is envisaged in the short term except for changes made within the context of Central American integration.

89. Will Honduras please submit import statistics for a recent representative period, by tariff item, by supplier country?

A breakdown of imports by tariff item and supplier country for the period January-December 1991 is annexed to this document (see Annex 7 to document L/7160/Add.3).

90. Page 28, paragraph 4: It is stated that the new import duties are based on the importance of goods for the production system, with lower tariffs set for raw materials and machinery not produced domestically, and higher tariff rates for locally-produced goods. There is no mention of fisheries products in this paragraph. Are fisheries products an exception to this categorization? If not, can Honduras indicate the applicable category for fisheries products for the purposes of tariff treatment?

Fisheries products do not constitute an exception to the criteria used as a basis to fix import tariffs. They are considered to be finished goods which could be produced locally and are therefore subject to the maximum

duty of 20 per cent. The exceptions cover fish for reproduction and fish-meal of crustaceans and molluscs for human consumption, which are subject to duties of 5 per cent and 10 per cent respectively.

91. Concerning the average level and distribution of Honduras's tariff rates:

- What portion of Honduras's imports are currently subject to preferential tariff rates, i.e. non-m.f.n. tariffs, under its various free-trade agreements and other preferences? Are there any sectors of Honduras's trade schedule which are exempted from such preferences?

Imports to Honduras under the Central American Transitional Multilateral Free-Trade Agreement, which replaced the various bilateral free-trade agreements which previously governed trade in the region, benefit from preferential tariff rates. The other bilateral trade agreements signed by Honduras provide for different treatment; however, these preferential rates are unilateral and applicable to exports from Honduras to countries which have granted preferential rates. Table 3 below shows the situation:

Table 3

HONDURAS: IMPORTS FROM CENTRAL AMERICA AND PANAMA
UNDER PREFERENTIAL AGREEMENTS
(US\$ million)

Year	Imports from Central America	Total imports	Percentage
1988	33.4	870.4	3.8
1989	31.8	834.9	3.8
1990	39.1	869.7	4.5
1991	60.6	853.2	7.1

Source: Ministry of the Economy and Trade.

The tariff headings covered by the Agreement belong to all chapters of the tariff schedule with the exception of the following:

- Chapter 27: mineral fuels, mineral oils and products of their distillation, bituminous substances, mineral waxes.

- Chapter 45: cork and articles of cork.
- Chapter 86: railway or tramway locomotives, rolling stock and parts thereof; railway or tramway tracks, fixtures and fittings and parts thereof; non-electrical traffic signalling equipment.
Chapter 88: aircraft.
- Chapter 93: arms and ammunition.
- Chapter 95: worked carving and moulding material and articles thereof.
- In a recent representative period, what percentage of non-preferential import trade entered at rates of duty of 5 per cent or less, at 10 per cent, at 15 per cent, and at 20 per cent?

The period to which tariff rates between 5 per cent and 20 per cent correspond is 1992 and at present we do not have the relevant statistics because of data-processing problems.

- What is Honduras's current average trade-weighted tariff as applied to m.f.n. trade?

For 1991, the average weighted tariff was calculated to be 14 per cent, and the ceiling and floor rates were 4 per cent and 35 per cent respectively. For the moment, technical problems in compiling statistics prevent us from estimating the average weighted tariff for 1992, however, taking into account the tariff structure which existed during 1992 it will be lower than that for 1991.

92. L/7028 states that, due to tariff reform, Honduras's levels of effective protection have dropped from highs of 200 per cent on some items. What are the current levels of effective protection on imports?

In accordance with the tariff-cutting programme initiated in 1990 under the Law on the Structural Reorganization of the Economy, Decree No. 18-90, effective protection levels have been radically reduced

in recent years, see Table 4.

Table 4
HONDURAS:
EFFECTIVE PRODUCTION LEVELS¹ BY ISIC ACTIVITY²
1991-1992

ISIC activity	1990	1991	1992
31 Food products, beverages and tobacco	56.1	45.8	31.3
32 Textiles, clothing and leather goods	81.0	65.9	34.9
33 Wood and its products	57.0	48.2	31.3
34 Paper manufacture and paper products	149.8	109.0	50.1
35 Manufacture of chemical substances, petroleum and coal	76.2	61.8	37.1
36 Manufacture of non-metallic mineral products	41.2	34.8	27.4
37 Basic metal industry	42.9	35.4	28.5
38 Manufacture of metal products, machinery and equipment	50.9	42.6	30.8
Overall total	62.4	51.0	32.9

¹Exchange rates are not included in the calculation of effective protection. It is also assumed that there are no quantitative restrictions nor tariff overlap.

²ISIC: International Standard Industrial Classification of all Economic Activities.

Source: Ministry of Finance and Public Credit.

93. It is indicated that as a result of the tariff reform, Honduras has adopted a tariff ceiling of 20 per cent and a floor rate of 6 per cent as of 1 January 1992 (page 28) while paragraph 5.2. states that "the Central American countries have negotiated a common external tariff, setting a floor rate of 5 per cent and a ceiling rate of 20 per cent. Which will enter into force on 1 January 1993 ..." (page 34). Does this mean that the 1992 tariff régime has been established on the basis of the common external tariff régime which becomes effective next year?

In March 1990, Honduras began overhauling its economic policy. This included changes in the tariff system, with a progressive reduction in

import tariffs culminating in the application of a tariff ceiling of 20 per cent and a floor of 5 per cent as from 1 January 1992. However, although this is consistent with the common external tariff that Central America will apply as from January 1993, the Honduran Government adopted it unilaterally in order to bring about the structural changes pursued by the new national economic policy.

94. Following the tariff reform of 1990, the Honduran tariff régime has become more transparent, with a ceiling of 20 per cent and a floor of 5 per cent (L/7028, page 28). This system should conform to the common external tariff of the Central American countries (L/7028, page 34). What products are exempt from this harmonization (goods deemed essential) and what will the tariff differences be for these products?

As part of the Central American integration process a list of tariff items based on the Central American Harmonized System (SAC) Nomenclature, has been negotiated for the goods considered essential and therefore exempted from the harmonization. Accordingly, these will be subject to duties lower than 5 per cent or greater than 20 per cent, as the case may be. The tariff for items below the floor will be 1 per cent, and for those above the ceiling it will be 25 per cent.

95. What impact does the common external tariff régime among the Central American countries have on bilateral tariff negotiations in terms of the accession of Honduras to the General Agreement?

The commitments resulting from the bilateral tariff negotiations conducted in connection with Honduras' accession to GATT must take into account its responsibilities under the Central American integration process, which include the characteristics of the common tariff régime to be established by the region so as to achieve the profound level of regional integration desired by the Central American nations. This is fully in accordance with the provisions of Article XXIV of the General Agreement, which recognizes the desirability of increasing freedom of trade by the development, through voluntary agreements, of closer integration between the economies of the countries parties to such agreements, such as customs unions or free-trade areas.

96. It is understood that in the past customs duty exemptions or suspensions were granted not in respect of specific products but to private or public enterprises. Has this practice been terminated?

Decree No. 18-90 of 3 March 1990 put an end to the granting of customs duty exemptions or suspensions that had been granted to State institutions and non-profit voluntary private organizations by means of special laws and decrees.

97. Paragraph 4.2 states that, "the current Import Tariff includes ... exemptions, ..." (page 26). Paragraph 4.3., however, states that, "the distortions generated by the system of duty exemptions were eliminated ..." (page 28). Please indicate how to reconcile these two sentences.

The exemptions (exonerations) referred to in paragraph 4.2 should not be understood as part of, nor compared with, the system of exemptions and duty-free treatment mentioned in paragraph 4.3 which was eliminated by Decree 18-90. The first paragraph (4.2) refers to products exempt from payment of the surcharges included in the Import Tariff (Decree 54 (10 per cent) and Decree 85-84 (5 per cent)). In the case of the 10-per-cent surcharge, the exemptions concern specific products; in other words, the nature of the importer is not the criterion applied. The list of products exempt from payment of this surcharge is set out in Annex 1 to the document for the Accession of Honduras (L/7028). In the case of the 5-per-cent customs administrative services levy, exemptions are based on the criteria of the nature of the importer and the specific use of the products. Under these criteria, imports by the Central Government, local Governments, the Honduran Social Security Institute, the Autonomous National University of Honduras, enterprises covered by the Law on Intellectual Expression, officially authorized donations, pharmaceutical products and raw materials, and agricultural inputs are exempt.

Customs exemptions and duty-free treatment are defined as follows in Decision No. 371-A of April 1990:

- Customs Exemption: The right granted to certain natural and legal persons to be exonerated from payment of customs duties and surcharges arising in connection with the import or export of goods;
- Customs duty-free treatment: This is the official document certifying exemption from payment of customs duties and surcharges in connection with the import and export of goods.

Decree 18-90 repealed the customs exemptions and duty-free treatment granted as special dispensation by specific or general Laws, including those provided for the public sector, armed forces, decentralized institutions and State-owned enterprises.

98. Page 28, last paragraph: It is stated that the system of duty exemptions was eliminated through the repeal of all legal provisions exempting public or private institutions and natural legal persons, "with the exception of those established by the constitution and by international agreements...". Could Honduras please specify which entities are covered by this exception? What duty scheme applies to these entities?

99. Please specify those tariff exemptions still in force, and indicate which ones are specified in Honduras's Constitution.

100. With regard to duty exemptions, are military personnel exempted from duty payment when importing on a private basis?

Decree No. 18-90 Law on the Structural Reorganization of the Economy eliminated the customs exemptions and concessions for exempted imports provided for in special and general laws, including those in favour of State authorities, the Armed Forces, decentralized institutions and State enterprises. The only exemptions and concessions remaining in effect are those granted to persons and institutions entitled to these privileges under international agreements such as with the United Nations, the OAS, Central American integration entities; European Economic Community; conventions subject to the criterion of strict reciprocity; natural or legal persons who have signed contracts with the State prior to the entry into force of the Law on the Structural Reorganization of the Economy under which they are entitled to customs exemptions; and the Autonomous National University of Honduras (UNAH), in accordance with the Constitution of the Republic.

Other customs exemptions are those in favour of Hondurans residing abroad, in accordance with Decree No. 185-86 of 31 October 1986 and provisions of the Customs Law, Decree No. 212-87 of 29 November 1987; enterprises covered by the régime for Free Zones RITs and ZIPs; and non-profit-making public-interest voluntary private organizations duly registered in the country.

In accordance with the foregoing provisions, no person is entitled to tax exemptions in a personal capacity if his legal status is not one of those mentioned above.

Agricultural sector

101. Could you describe the import system for agricultural products (licensing procedures, import quotas, import prohibitions and restrictions, import treatment of processed products)?

The current economic policy of Honduras involves no prohibitions, quotas or other types of special restrictions on imports of agricultural products, nor does it accord different treatment to processed agricultural imports. Imports of agricultural products must be covered by a phytosanitary permit that must be requested from the Ministry of Natural Resources and must also be accompanied by a similar permit issued in their country of origin, depending on the nature of the product. The provisions of the Health Code are also applicable, and such imports must meet the requirements contained in it. Therefore, in the case of food, the registration requirements and provisions established for domestically-produced foods as regards residual content of chemicals and physical elements permitted in water, food and beverages for human consumption, among other regulations, must be observed. Finally, an import declaration must be submitted to the Central Bank of Honduras, for the

purpose of facilitating the statistical registration of the import transaction.

Moreover, there is a price-band mechanism which establishes tariffs that vary inversely with the world price of the product in question, and is currently applied to some staple grains such as sorghum, yellow maize, whole and brown rice and rice in the husk. The mechanism is designed to protect both producers and consumers from sharp fluctuations in the world prices of these products, with a view to assuring a margin of food security for the Honduran people.

102. Concerning the price band mechanism:

- Please explain in detail how it works.
- Please define the term "basic agricultural products" as it relates to the application of this mechanism. What products are currently covered by the mechanism and what products could be covered if the Government decided to expand the programme?
- What are Honduras's plans regarding the use of a price band mechanism to regulate imports? Does Honduras plan to expand the programme, alter it, or eventually eliminate it? Please indicate a time frame for any such future plans.

"Basic agricultural products" means products of primary origin closely related to primary production activities which are essential to ensure economic stability, as understood from the standpoint of the well-being both of the producers of the goods included in the mechanism and of the consumers by guaranteeing their food security.

The price-band mechanism concerns basic agricultural products. The products currently subject to this mechanism are yellow maize, sorghum, whole and brown rice and rice in the husk. However, similar basic products consumed in the place of the ones mentioned or processed from them could be included so as to ensure the effectiveness of the mechanism. No modifications of the system are envisaged in the near future.

To set the maximum and minimum prices for a specific product, the international f.o.b. prices for the last sixty months are used, adjusted by the United States Producer Price Index on the basis of the last month of the series. Prices are ranked from highest to lowest and the top and bottom fifteen are eliminated. The lowest of the remaining thirty prices becomes the floor price and the highest the ceiling. Prices falling between the floor and ceiling are subject to a 25 per cent tariff. In the case of prices higher than the ceiling, a tariff is applied that is less than 25 per cent and diminishes as the price increases, but can never be less than 5 per cent. In the case of prices below the floor price, a tariff is applied that is in inverse proportion to the price, but can never exceed 45 per cent.

The Honduran Agricultural Marketing Institute (IHMA) is the independent entity responsible for determining and preparing the tables of prices and tariffs using the above mechanism; these are subsequently submitted for approval to the Agricultural Development Council (CODA), the body responsible for consultation and harmonization of activities carried out by public sector agricultural institutions. After these steps have been taken, the ensuing customs tariffs are submitted for consideration by the National Congress and then published in the country's information media. The tariffs thus set are valid for twelve calendar months from the first day of September of each year.

There is no special timetable for modifying this price mechanism, which was established for reasons of food security for the population and seeks to insulate the domestic market from abrupt price fluctuations on world markets, thus protecting consumers and producers alike.

103. Page 29, paragraph 1, and page 34, paragraph 2: It is understood that the Price Land Mechanism is intended to establish variable import levies so as to prevent foreign imports from undermining minimum domestic prices. Would Honduras indicate which products are covered by this system, the associated price bands and the import levies now in effect? The Memorandum notes that the PBM will terminate upon entry into force of the "definitive multilateral agreement" in 1993. There is no indication, however, as to whether the PBM will continue to apply to third-country suppliers outside the regional trading bloc. Could Honduras clarify the status of the PBM after implementation as it relates to agricultural imports from outside the trading bloc? Would any modification have to be made to the system in light of a Uruguay Round agreement on agriculture, and what would be the nature of the changes?

There is an error of interpretation of the second paragraph on page 34, which states that the Transitional Multilateral Free-Trade Agreement will expire automatically upon the entry into force of the definitive multilateral agreement, not that the price band mechanism will be abolished following the entry into force of this Agreement. The price-band mechanism was conceived as a regional instrument and it will remain in force within the Central American integration system; it is currently being applied by all Central American countries with the exception of Costa Rica.

Honduras considers that the Central American price band mechanism is consistent with the draft Final Act of the Uruguay Round, which envisages the tariffication of variable import duties, particularly those based on arbitrarily defined guarantee prices, which form part of policies designed to insulate the domestic market from the international market so as to ensure the success of domestic support policies. The price band system used in Central America is based on a mechanism which links the national and international markets by calculating a tariff which varies in inverse proportion to the trend in international prices with the objective of mitigating the abrupt fluctuations in international markets while at the same time following their medium-term and long-term trends. The overall goal is to minimize the risk of scarcity of staple grains.

A list of products currently subject to the mechanism, together with their respective tariffs and price margins, is annexed.

4.4 Other import levies

104. Will Honduras commit to apply its laws and regulations which provide for the application of taxes, charges, and tariff surcharges to imports in a manner consistent with the provisions of the General Agreement, including Articles III, VI, XVIII and XIX?

Once it is a contracting party within the meaning of Article XXXII of the General Agreement, Honduras will apply to the contracting parties Parts I, III and IV of the Agreement and Part II to the extent that it is compatible with the legislation in force at the time of accession resulting from the negotiations on the accession of Honduras to GATT.

105. What taxes of a fiscal character remain in addition to the harmonized customs duties under the common external tariff?

The remaining taxes over and above the harmonized customs duties are the 10 per cent surtax, the 5 per cent customs administrative service levy on imports, the selective consumption tax, the sales tax and the production and consumption tax.

Tariff régime

106. We would be grateful for clarification about Honduras' Import Tariff: what duties are represented by the three columns and how are they applied (e.g. cumulatively)?

The current Import Tariff (Annex No. 9 to document L/7028) includes the duties applicable to the c.i.f. value (first column), the surtax of Decree 54 (10 per cent)(second column); and the customs administrative service fee, Decree 85-84 (5 per cent), which are applied not cumulatively, to the c.i.f. value of the goods. A fourth column is added in the chapters comprising articles subject to the selective consumption tax, which is applied at a single marketing stage and calculated on the basis of the value resulting from the application of the import duties (duty plus Decree 54 (10 per cent surtax where applicable) plus Decree 85-84 (5 per cent customs administrative service fee)), with the addition of a presumed 15 per cent profit to that sum.

107. Are all taxes and surtaxes considered cumulative?

No, the taxes and the only two surtaxes applied are not cumulative but are levied based on the c.i.f. value of goods.

4.4.1 Surtaxes

108. There are references to surtaxes in section 4.1 first paragraph 4.3 first paragraph and section 4.4.1. Do these cover the same measures as the

surcharges mentioned in section 4.2 first paragraph and the last paragraph on page 31 of document L/7028?

Apart from the surtaxes mentioned in section 4.4.1, all other surtaxes mentioned in document L/7028, mentioned above, were eliminated by Decree No. 18-90, Law on the Structural Re-organization of the Economy, as were the 8 per cent consular stamp tax, the 12 per cent levy on non-equalized duties, the 5 per cent levy on c.i.f. value of imports of machinery, equipment and inputs and the 20 per cent levy ad valorem c.i.f. on all imports. The paragraphs in section 4.1, 4.2, 4.3 and 4.4.1 refer to a system of surtaxes that has already been eliminated, as explained in section 4.4.1.

109. Section 4.4.1, surtaxes, lists two levies that are applied at present: is there mandatory legislative or regulatory provision in respect of the number or level of these surtaxes? Will the elimination of the 10 per cent surtax, scheduled for January 1993, be permanent?

The legal basis for the creation of taxes and public charges is the Constitution of the Republic, which explicitly includes this power among the attributions of the National Congress. The establishment or modification of taxes is carried out by the submission of a bill to Congress by the Ministry of Finance and Public Credit. The criteria governing the formulation of tax policy in general and tariff policy in particular are aimed at a régime stripped of purely fiscal functions and of any rôle in the protection of the balance of payments (save in exceptional cases in accordance with Article XIX of the General Agreement).

The elimination of the 10 per cent surtax scheduled for January 1993 will be permanent and applicable to all import operations.

110. We would be grateful if Honduras could provide a list of the products exempted from the 10 per cent surtax, and of the agricultural inputs excepted from the customs administrative services levy. What are the "other autonomous entities" whose imports are excepted from the latter levy?

111. Does Honduras intend to extend the 10 per cent surtax beyond its scheduled elimination on 1 January 1993?

Imposition of the 10 per cent surtax will be extended beyond the date planned for its elimination mainly due to financial problems, even though tariff equalization is essential within the Central American integration process in order to eliminate differences in import duties which directly affect the costs of enterprises and prices to the consumer, and to create conditions which increase competitiveness. The list of tariff headings exempt from payment of this surtax has been expanded by Decree No. 18-90 (see Annex 8 to document L/7160/Add.3), which contains the List of Products Exempt from the 10 per cent Surtax established by Decree No. 54. This list is annexed to document L/7160/Add.3.

The other autonomous entities mentioned as exempt from the 5 per cent surtax are the Honduran Social Security Institute (IHSS) and the Autonomous National University of Honduras (UNAH).

Customs administrative services

112. Honduras applies a 5 per cent levy on imported goods to recover the costs of customs administrative services (paragraph 4.4.1 of L/7028). This would appear to be inconsistent with Article VIII of the GATT as it could result in fees and charges being levied which are in excess of the cost of the service being rendered. In the light of past panel findings on ad valorem customs user fees, will Honduras give a commitment to modify the levy to ensure it is consistent with Article VIII?

113. It is indicated that a 5 per cent ad valorem levy is applied under the heading of "customs administrative services". Does Honduras have the intention to bring this scheme into compliance with provisions of Article VIII of the General Agreement?

114. Page 29, paragraphs 3-5: Can Honduras provide its assurance that the 10 per cent surtax and 5 per cent levy for customs administrative services are being applied in a manner consistent with Article VIII of the GATT?

115. Page 29, paragraph 5: How was the levy of 5 per cent arrived at for the "Customs Administrative Services Surtax"? Will there be any maximum ceiling on the amount charged on any individual transaction?

The 10 per cent surtax is not related to the provisions of Article VIII of the General Agreement. The 5 per cent levy for customs administrative services was instituted to cover the costs incurred in providing customs services and it is applied in accordance with the provisions of Article VIII of the General Agreement. However, we recognize that the revenue stemming from the application of this surtax has exceeded the costs for which it was established. Consequently, the Government of Honduras is prepared to carry out a gradual reduction in order to bring it down to levels that will cover the costs incurred under this heading within the time frame established by GATT for developing countries. This gradual reduction will make it possible to find an alternative source of domestic revenue that will be consistent with the relevant requirements laid down in the General Agreement, while at the same time enabling the country to fulfil its international financial obligations.

At present the elimination of the surcharge would involve a loss of tax receipts of over US\$20 million, or 5 per cent of tax revenue.

116. At what point is the 5 per cent levy for customs administrative services levied? Why is this charge applied? How are these revenues used? How is this charge related to the cost of customs administrative services for individual entries. If this is a customs service charge, why are imports for government procurement exempted? Why are enterprises covered by the Law on Intellectual Expression, donations, agricultural inputs,

medicine and raw materials for medicaments, computers and their accessories exempted?

This levy is applied when the importer settles the relevant import document, either in the customs office or in the bank designated for this purpose.

Enterprises covered by the Law on Intellectual Expression are exempt from payment of the levy because it is considered that the right to duty-free import of books, magazines, newspapers, pamphlets, non-musical recordings, short films for television and other publications not banned under the law is part of freedom of expression. In addition, the import of machinery, spare parts, accessories, including ink and newsprint, whether in sheets or rolls, and other materials which are used as means for the manifestation and dissemination of intellectual expression are also exempt from payment of customs duties and taxes provided that they are not used for trade.

The conditions which characterized the Honduran economy at the time of preparation of the Law on the Financial Adjustment of the Public Sector, Decree No. 85-84, which established the levy for customs administrative services, were sufficient reason to justify the exemptions listed in document L/7028. The reason for the exemption of medicine and inputs necessary for its manufacture was the fact that Honduras does not have a developed pharmaceutical industry that could fully satisfy the large demand for medicinal products, as well as the need to promote the industry already in place and to facilitate its diversification. With regard to agricultural inputs, Honduras does not produce basic inputs for agriculture domestically, although this activity is vital for economic development and food security. Computers and their accessories were included because it is the State's responsibility to promote the development of education, the conservation, promotion and dissemination of culture and the improvement of the economy as a factor of progress on the basis of the public and social interest.

Finally, only grants/donations officially authorized by the State are exempt from payment of this levy.

4.4.2 Selective consumption tax

117. Page 29, last paragraph, and page 30: Is the 10 per cent "selective consumption tax" applied to domestic products and imports at the same "single stage of marketing"? In other words, is this tax equally visible in the case of both domestic and imported products? When in the marketing cycle is it applied? Finally, will Honduras provide its assurance that this tax, as well as the production and consumption tax and the sales tax, are being applied in a manner consistent with Article III of the GATT?

The 10 per cent Selective Consumption Tax applies to both domestic products and imports. For domestic products, the Selective Consumption Tax is calculated in accordance with Article 3, paragraph A, of Decree No. 58

of 29 July 1982 and it is based on the ex-factory price plus 15 per cent imputed profit. Application of this tax is consistent with Article III of the General Agreement since it affects producers, manufacturers and importers who market goods subject to this levy and, pursuant to the law, they must register with the Directorate-General of Taxation. Any natural or legal persons who produce or import goods subject to this levy are also liable to its payment. Honduras gives its assurance that the Production and Consumption Taxes, as well as the Sales Tax, are applied in a non-discriminatory manner.

118. On what basis is the "selective consumption tax" calculated with respect to domestic products? How does Honduras explain about the consistency of the "selective consumption tax" with provisions of Article III of the General Agreement?

In the case of domestic products, the selective consumption tax is calculated in accordance with Article 3, Section A, of Decree No. 58 of 29 July 1982; it is applied to the ex-works selling price plus an estimated 15 per cent profit. Application of this tax is consistent with Article III of the General Agreement as the tax is payable by producers, manufacturers and importers engaged in the marketing of goods subject to this levy. Under the law they must be registered with the Directorate-General of Taxation. The tax must also be paid by natural or legal persons who casually produce or import the goods subject to the tax.

119. What are the criteria for deciding which goods are not considered essential and thus attract the selective consumption tax (section 4.4.2)?

The classification of products as non-essential and therefore subject to the selective consumption tax is made fundamentally on the grounds that consumers of such goods have a payment capacity such that they can pay additional tax. The products affected are not included in the basic consumption basket.

120. Approximately what portion of the revenue of this tax is collected from imports and from domestically produced goods?

One per cent of the total revenue from the Selective Consumption Tax comes from domestic production, the most important being perfumery products, cosmetics and toiletries. Imported goods provide 99 per cent, although 48 percent of this is for automobiles.

121. Please submit a list, in translation and by tariff line item, of all products subject to this tax. How are these items selected and who approves their inclusion for assessment of the tax?

A breakdown in Spanish of the products subject to this tax was given in Annex 16 to the document L/7028. It is also to be found in Annex 10, Customs Laws, in the same document. The classification of non-essential products on the basis of which this levy is applied is basically motivated by the consideration that the particular product's

consumers are able to pay a levy for it and the products taxed are not included in the staple consumption basket. The National Congress of the Republic is responsible for approving the tariff headings which are subject to this tax. The legal basis for the creation of taxes and payments, as well as public expenditure, is the Constitution of the Republic and the creation or modification of taxes requires a law submitted to the National Congress by the Ministry of Finance and Public Credit.

122. Does Honduras apply a selective consumption tax rate of 50 per cent to any goods? If so, please indicate which ones.

At present, the highest rate applied under this tax is 30 per cent. The majority of products subject to this tax pay a rate of 10 per cent.

123. The text in L/7028 indicates that the basis of application of this tax to imports is "the value resulting from the application of import duties with 15 per cent imputed profit added to the c.i.f. value of the goods".

- Please give a specific example of how this tax would be applied to a domestic article and an imported article, both with an invoice value of L 50.
- Why is a 15 per cent uplift applied to the valuation of imports subject to this tax?
- Why is the 15 per cent profit adjustment uniform amongst products as different as automobiles and perfume?
- Is the 15 per cent imputed profit calculation also applied to domestic products, and if not, why not?

The following is an example of how the Selective Consumption Tax is applied to a domestic product and an imported product:

Imported Product

Invoice value	L 50.00
20% duty on c.i.f. value	10.00
10% surtax of Decree 54	5.00
5% customs administrative services	2.50
<hr/>	
Value following application of tariff duties	L 67.50
15% imputed profit as per Decree 58	10.10
<hr/>	
Basis for application of the Selective Consumption Tax of Decree 58	L 77.60
10% Selective Consumption Tax	7.76
<hr/>	
Value after application of Decree 58 and tariffs	L 85.36

Domestic Product

Invoice value	L 50.00
15% imputed profit as per Decree 58	7.50
<hr/>	
Basis for application of the Selective Consumption Tax of Decree 58	L 57.50
10% Selective Consumption Tax	5.75
<hr/>	
Value after application of Decree 58	L 63.25

This is just given as an example and it should not be taken as proof that application of this tax is discriminatory because if the price of an imported product was similar to that of a domestic product, it would not be competitive and would therefore not be imported.

Market surveys carried out during the period when the tax was instituted showed an average gross profit margin of around 30 per cent and an average net margin of 20 per cent. Taking into account these parameters and with a view to equalizing domestic prices and the prices of these products, whether they are imported by large, small or future importers, it was decided to add to the tax base the 15 per cent imputed profit so as to ensure that the different agents in the market were competing on an equal footing.

In addition, the 15 per cent imputed profit adjustment is also applied to domestic producers of articles subject to its payment in accordance with

Article 6 of Decree No. 58 of the Law on Selective Consumption Taxes, which states that the following are subject to this tax: producers, manufacturers and importers who market goods subject to this levy and they must register with the Directorate-General of Taxation. Any other natural or legal person who happens to produce or import goods subject to this levy is also liable to this payment.

4.4.3 Production and consumption tax

124. Has the Government of Honduras made any progress in transforming this tax from a "specific" to an ad valorem levy, as described in this section of L/7028? Is the list of products subject to this tax in Table 6 complete, or are there other products? Please update and expand Table 6 of L/7028 as necessary to make it current and comprehensive.

As stated in section 4.4.3 of document L/7028, the Production and Consumption Tax is applicable to matches, sugar, beer, petroleum products, spirits and their products, carbonated drinks and cigarettes. Currently all of these products are subject to an ad valorem duty. The list shown in Table 6 of the afore-mentioned document is complete.

125. Approximately what portion of the revenue of this tax is collected from imports and from domestically produced goods?

Revenue from the Production and Consumption Tax is as follows:

Table 5

HONDURAS

REVENUE FROM THE PRODUCTION AND CONSUMPTION TAX

	Imported product %	National production %
Production of beer	2	98
Production of spirits	-	100
Production of liqueurs	25	75
Production of matches	3	97
Consumption of petroleum products	-	100
Consumption of sugar	-	100
Consumption of carbonated drinks	2	98

Source: Ministry of Finance and Public Credit.

4.4.4 Sales tax

126. At what point of sale is this tax applied on domestic and imported goods?

Pursuant to the Law on the Sales Tax, Decree Law No. 24, and its amendment, Decree No. 287 (see Annex 9 to document L/7160/Add.3), the Sales Tax is not cumulative and is imposed at the import stage as well as at any stage of sale of the goods or services subject to this tax. Sale means any act which implies transfer of ownership against payment of any goods or services from one person to another.

127. What are the "basic basket" products mentioned in section 4.4.4 sales tax? Is the list of these products fixed, or is there provision to alter its content?

The products included in the basic basket are the following:

Dairy products: Cream, cheese, pasteurized milk, natural milk, powdered milk;

White sugar;

Fats: Vegetable fat, vegetable oil;

Meat: Dressed chicken, pork chops, beef steak, beef ribs, white fish;

Vegetables: Cabbage, tomatoes, onions, potatoes, manioc (cassava);

Hen's eggs;

Red (kidney) beans;

Fruit: Citrus fruit, bananas, plantains;

Cereals: Second-quality rice, maize tortillas, bread;

Other: Coffee, salt, bottled soft drinks, tomato sauce.

These products are not exempted from any other tax or trade measures, nor is there special treatment for imports or exports of such products.

The household consumption surveys carried out roughly every ten years determine the proportion of expenditure per family income bracket, and are used to draw up the list of products in the basic basket.

4.5 Customs rules and procedures

128. Please describe in some detail how and why "consular invoices" must be obtained by exporters. There are few other countries that require such procedures for importation. Why is this complex, time-consuming, expensive, and difficult process required by Honduras? Will Honduras

reform or replace this system to minimize the barrier to importation that it represents?

According to the Law on Consular Fees, Decree No. 27-91 of March 1991, the reason for the payment of consular fees is that Honduran Consulates abroad fulfil important administrative functions and that acts carried out by Honduran consular officials in fulfilment of their obligations and responsibilities incur the payment of consular duties and fees. The imposition of these consular fees is consistent with the provisions of GATT Article VIII, although when Honduras becomes a contracting party it will review the tax if any other party so requests.

129. What are the fees associated with "consular invoices"? Do these fees differ depending on the location of the Consulate issuing the certificate? If so, why? How does Honduras inform traders of the fee schedule and of any changes in the schedule?

The amount of the consular fees in trade-related transactions is established by the Law on Consular Fees, Decree No. 27-91. The Law provides that the amounts to be paid under this heading in all Honduran Consulates is as follows:

For certification of bills of lading for	
a f.o.b. value exceeding US\$500.00	US\$10.00

For commercial invoices:

Up to US\$	500.00	Free	
From	501.00	to	US\$1,000.00
			US\$10.00
From	1,001.00	to	2,000.00
			15.00
From	2,001.00	to	5,000.00
			20.00
From	5,001.00	to	20,000.00
			25.00
	20,001.00 and over		30.00

"Other services" refers to the use of airports and cartage and stowage, which are both charged at a specific rate of L 0.01 per kilo.

Pursuant to Honduran legislation, once laws and decrees have been published in La Gaceta they are deemed to be public knowledge and no person may plead ignorance of them.

130. Are there charges placed on imports at the time "consular invoices" are issued? If so, please list these charges. What is the purpose of these charges? As appropriate, please indicate how these charges are related to the cost of the services rendered.

It should be emphasized that Honduran Consulates abroad do not issue consular invoices but legalize commercial invoices submitted by importers. With the exception of consular fees for the legalization of commercial invoices laid down for the operations referred to in the Law on Consular Fees, Decree No. 27-91, which fixes the amounts to be paid under this provision in all Honduran Consulates as mentioned above, there is no other additional charge.

131. Can Honduras indicate, approximately, what portion of its imports are covered by the six types of customs régimes listed in this section?

Honduran statistical records are not at present able to provide this information.

132. Please describe in more detail the warehousing service fee described in section 4.5. Since it is applied to imports on an ad valorem basis, it would appear that this charge is unrelated to the cost of the service provided. If this is not the case, please explain.

133. In accordance with the Customs Law, Decree No 212-87 does Honduras plan to change the structure of its customs and warehousing fees to reflect the actual cost of services as required by Article VIII, Section 1(a) of the General Agreement?

The fee for warehousing in warehouses belonging to the Directorate-General of Customs is calculated as follows:

Once the merchandise unloading requirements established by the customs authorities have been completed, the owner of the goods has a period of fifteen calendar days, after the customs house manifest has been stamped, in which to clear the goods without having to pay for this service. After these fifteen days, the daily warehousing service charge per gross kilo is as follows:

The first 10 kg.	L 0.00133
The next 10 kg.	0.00266
The next 10 kg.	0.00399
The next 10 kg.	0.00532
The next 10 kg.	0.00665
The next 10 kg.	0.01000

Goods not deposited within the customs premises owing to the nature of the merchandise pay half the above-mentioned rates. The above rates are applied up to the date of assessment of the customs clearance document, whether or not the articles are entering the country duty free, save in the case of governmental imports which are exempt from the warehousing fee.

Once the import document has been stamped, the owner of the goods has four working days (for which no warehousing is charged) to complete the necessary formalities, settle the amount payable and withdraw the goods from customs premises. If he fails to do so, he will pay L 0.05 per kilo per additional day after the above-mentioned four days as long as the goods remain in customs jurisdiction. After fifteen working days following the above-mentioned four days, the goods will be considered abandoned and will be sold off by public auction after the owner has been notified. The fee for this service is never calculated on an ad valorem basis.

Regarding modification of the warehousing fees, these are applied in conformity with the provisions of Article VIII. However, at present no

up-to-date study of the approximate costs of warehousing services is available.

134. Can Honduras provide full details of the fines mentioned in the last paragraph, page 31?

The fines mentioned in the last paragraph on page 31 of document L/7028, correspond to the penalties applicable for customs offences, depending on whether the offence is classified as a tax or an administrative offence. Under the Customs Law, Decree No. 212-87, a customs offence means "any action or omission on the part of the person subject to a tax obligation, for the purpose of avoiding entirely or in part the payment of that obligation or the proper application of the Customs Law". A full description of tax and administrative offences may be found in Article 168 and 169 of the Customs Law, attached as Annex No. 10 to document L/7028.

Administrative offences are subject to fines ranging from L 100 to L 1,000 depending on the seriousness of the offence in the opinion of the customs authority.

Tax offences are subject to a penalty of 25 per cent to 100 per cent of the value of the tax revenue which the State has failed to receive. In cases where the tax cannot be determined, a fine of from L 200 to L 20,000 is imposed according to the nature and seriousness of the offence.

Errors made in the declaration of the customs value and identified under the Law on the Customs Valuation of Goods, Decree No. 151-87, are punishable by a fine of not less than L 10 and not more than L 200 according to the seriousness of the mistake. However, if bad faith on the part of the consignee or importer, fraud in the submission of inaccurate, incomplete or false declarations or documents or any other action resulting in the evasion of tax or in a loss of tax revenue is found to exist, a fine is imposed of L 1,000 to L 10,000 according to the seriousness of the offence.

Refusal to allow inspection of the books or documents or other evidence necessary to establish customs value is punishable by a fine of L 50 per day until the relevant provisions of the Valuation Law are fulfilled.

135. Could Honduras kindly clarify what the "indirect and other taxes" are that mentioned in the last paragraph, page 31?

The mention of indirect and other taxes in the last paragraph of page 31 of document L/7028 does not refer to the actual existence of indirect or other taxes not mentioned in the document L/7028, but rather to the jurisdiction and powers of the customs to make such charges when a presidential or legislative decree so requires. The Government of Honduras will duly notify the GATT Secretariat should such a situation arise.

136. Are the "Single Window for Customs Formalities", the single charge for customs services, and the "Single Customs Declaration" noted in this section available for the importation of goods from all countries, or are they available for only some imports? To what countries in this "single change for customs services" applied?

Agreements were signed at meetings of Ministers of Transport of the Central American region and the members of the Central American Transport Commission aimed at dismantling obstacles to the movement of vehicles within Central America, with the creation of a single charge for customs administrative services at the land customs offices where the Single Window System operates. This single charge is applied to any person or vehicle crossing a Central American frontier and consists of a charge negotiated at the Central American level for the provision of immigration and vehicle inspection services as follows:

Private motorcar	US\$ 1.00
Pickup, van or microbus	1.50
Loaded truck	11.00
Loaded lorry	7.00
Unloaded truck or lorry	1.50
Motorcycles and bicycles	0.50
Per person	0.50

In Honduras, payment of these charges in local currency is based on the Customs Valuation Factor established by the Central Bank of Honduras. The Single Customs Declaration has been in force since 1992 for all imports regardless of the place of origin of the goods.

Customs valuation

137. What is the relationship between the customs valuation scheme which is based on "normal price criterion" (page 32) and provisions of Article VII, inter alia, paragraph 2(b), of the General Agreement?

Basically, the criterion of normal price pursuant to the Brussels definition is used, in accordance with Decree 151-87, Law on the Customs Valuation of Goods (L/7028, Annex 10). In accordance with the Valuation Law, the normal price is determined on the basis of the price paid or payable, with corrections or adjustments when the price differs from the normal competition price. To determine the price paid or payable, the price paid or payable appearing in the invoice or relevant documentation will be taken as indicating the normal price, provided the transaction is a bona fide operation, without prejudice to adjustments to that price considered necessary when the elements of the transaction differ from those set forth in the definition of value in the Valuation Law. In accordance with the definition of the normal price, a transaction under conditions of free competition is understood to exist when the following conditions are met:

- payment of the price for the goods is the sole consideration afforded by the buyer;

- the price is not influenced by any trade, financial or other relationships, whether or not of a contractual nature, other than those created by the transaction itself;
- no part of the proceeds of any subsequent resale, disposal or use of the goods reverts directly or indirectly to the seller or a business associate.

The calculation of the normal price is determined with the following assumptions:

- the goods are delivered at the point of entry into the country's customs territory;
- the seller bears all the costs (transport, insurance, commissions, broker's fees, expenses incurred outside the national territory for the importation of goods, duties and charges payable outside the national territory, packaging and packing, loading and stowage connected with the delivery of the goods at the point of entry into the customs territory), which is why they are included in the normal price;
- the buyer pays the duties and levies payable in the country, which is why they are excluded from the normal price.

For the determination of the normal price, in cases where it is impossible to adhere to the price paid or payable with the necessary corrections or adjustments when it differs from the competition price, the following prices are used sequentially and by elimination:

- normal competition price;
- probable selling price;
- actual selling price;
- price determined on the basis of the rental contract.

The Government of Honduras considers that the application of the normal price is basically compatible with GATT Article VII, paragraph 2(b), but recognizes that the Brussels Valuation is not in conformity with the spirit pursued by the GATT. Consequently, it considers it necessary to accede to the Customs Valuation Code on the basis of the timeframe established for developing countries.

138. How often does Honduras set "a customs valuation factor" (page 32)? By what procedure is "a customs valuation factor" publicized?

In accordance with Resolution No. 359-6/92, the Board of Directors of the Central Bank of Honduras sets the customs valuation factor on the basis of the average cross-exchange rate on the free foreign-exchange market for foreign-exchange dealers, which reflects real conditions in the economy.

Changes in the customs valuation factor are notified by a resolution of the Board of Directors of the Central Bank of Honduras.

139. Please describe in detail how imports are valued for customs purposes.

- Honduras states that customs valuation is based on the "normal price", the price prevailing in a transaction considered to have taken place under conditions of free competition. How would Honduras apply this "normal price" criterion to transactions between related parties?

In the case of related parties, the customs valuation based on the normal price is calculated by comparing a like or identical product from the same place of origin in approximately the same quantities.

- Does Honduras refer to price lists or other valuation references in determining the value of imports for customs purposes?

In conformity with the Law on the Customs Valuation of Goods, the customs authority is responsible for verifying and, where necessary, investigating the declared customs value and for this purpose it utilizes price lists, catalogues and pro-forma invoices. If it does not have sufficient information, it requests the supplier to provide it. Investigation and verification of declared customs values can be done even after the customs duties have been calculated and paid when, after the period of six-months, errors or previously unknown facts came to light.

- Under what circumstances does the Government of Honduras require valuation of imports on a basis other than invoice value?

For valuation purposes, a basis other than invoice value is required under the following circumstances:

- there is no information on the product which is the subject of valuation;
- there have been no previous sales of the product which is the subject of valuation;
- the invoice submitted is not the original and it is deemed to be false;
- the price has been reduced as a result of a discount and this does not apply to all possible purchasers of the product in question.

140. What agency of the Government of Honduras makes determinations of customs valuation? Please describe the process by which an importer may dispute the valuation as determined by this agency. How do importers appeal valuation and classification decisions of the Honduran customs service?

The entity responsible for fixing the customs value is the Directorate-General of Customs of the Ministry of Finance and Public Credit.

Regarding appeals against customs valuations, Article 25 of the Customs Valuations Law sets up a National Customs Valuation Committee composed of representatives of the Government and the private sector. This Committee is responsible for hearing and deciding upon the complaints made regarding valuation. The Committee's activities are governed by the provisions contained in rules of procedure. All complaints against action by the customs authorities are subject to the provisions of Chapter X of the Customs Law, which relates to complaints and appeals. Appeals may be made orally or in writing to the competent Administrator of Customs who will deal with the matter. If the party concerned disputes the latter's decision, he may appeal in writing to the Director-General of Customs for a review at a higher level. As a last resort, an appeal against the decision taken by the Director-General of Customs may be made to the Ministry of Finance and Public Credit.

If the dispute has not been resolved after all the aforementioned administrative procedures have been exhausted, appeals may be made before the competent courts which, in this case, are in the first instance the Administrative Courts. The Court of Appeal and the Supreme Court of Justice are the second and final instances, respectively.

141. Will Honduras adhere to the Customs Valuation Code?

Honduras will adopt the Customs Valuation Code, under the special time frame laid down in the Code for developing countries because it needs sufficient time to train customs personnel and obtain the technical resources needed to implement the Code.

Other matters

142. How are "laws, regulations, judicial decisions and administrative rulings of general application" published? Are some publications made before the measures of general application referred to above are taken? If so, how long a period is it between one publication and the point where the measures are taken?

All laws, regulations and rules of a legal nature issued are published in the Official Journal, La Gaceta, and enter into force at the time of publication therein unless a subsequent date is specified. Once the law, regulation or provision has been adopted by the authority concerned, it is sent for publication in the next issue of the Official Journal.

MTN Agreements

143. Does Honduras intend to join the GATT codes on subsidies, anti-dumping, customs valuation, import licensing and technical barriers to trade? If so, within what timeframe?

Honduras intends to join the GATT Anti-Dumping Code. The Central American countries are currently negotiating an anti-dumping code that is consistent with the GATT provisions in this respect, which will be

implemented once Central American integration comes into effect, the date set being 1 January 1993.

With regard to the Customs Valuation Code, Honduras will adopt it with the special timeframes established therein for developing countries as it will need a reasonable time in which to train customs personnel and obtain the necessary technical resources for its implementation.

Finally, Honduras also intends to accede to the Import Licensing Code.

CHAPTER V TRADE RELATIONS AND AGREEMENTS WITH OTHER COUNTRIES

5.2 Economic Community of the Central American Isthmus

144. To what extent have the projects outlined in paragraph 5.2 been implemented?

In keeping with the objectives set within the framework of Central American economic action, there have been significant achievements in the implementation of the proposed projects, both as regards measures to revitalize Central American integration as well as additional action to facilitate transition towards the Central American Community.

I. Revitalization of Central American Integration

- Progress has been made in establishing a legal and institutional framework for integration, with the setting-up of the Central American Integration System (SICA), which replaced the Organization of Central American States (ODECA).
- With a view to liberalizing trade among the five countries of Central America, a single window and collection in all land customs offices have been implemented, a single customs declaration form has been adopted, the International Transit Way-Bill has come into effect, and the Anti-Dumping Code is awaiting approval by the Ministers responsible for integration.
- With regard to the harmonization of the import tariff, the Central American Import Tariff and the new Central American Uniform Customs Code (CAUCA) have been negotiated. The economic authorities have also approved the Free Payments System without Central Bank intervention.
- The Central American countries have been co-ordinating their participation in trade negotiations and negotiations on co-operation with other groups of countries and international bodies.

II. Additional action to facilitate transition towards the Central American Community

- Efforts are underway to implement a price-band system for staple

grains in Central America; this has been adopted by the countries in the region with the exception of Costa Rica, and a programme of reconversion and modernization of the agricultural sector is being drawn up.

- Programmes are being studied with a view to industrial reconversion.
- With the support of friendly countries and the Central American Bank Economic Integration (CABEI), programmes have been developed for financing small, medium-sized and micro-enterprises in the Central American region.
- Efforts are being co-ordinated to modernize and harmonize Central American industrial property legislation.

145. Are any aspects of the bilateral agreements that governed Honduras's trade with the members of the Central American Common Market until February 1992 still in effect? If so, please describe them.

No, the Transitional Multilateral Free-Trade Agreement automatically repealed the bilateral trade conventions, agreements or treaties signed by Honduras with the other signatory countries, in accordance with Article 22 of the Agreement.

146. What is the current situation as regards the application of the Transitional Multilateral Free-Trade Agreement (AMT) signed in July 1991?

All the Central American countries have been fully applying the Transitional Multilateral Free-Trade Agreement since 7 February 1992 in their free trade (with the exception of Panama). Pursuant to Article 1 of the AMT, the list of liberalized tariff headings was expanded in October 1992 to include 19 headings in addition to the 1618 originally negotiated. The new tariff headings are annexed to document L/7160/Add.1. The definitive agreement will enter into force on 1 March 1993, superseding the Transitional Multilateral Agreement automatically.

147. Page 34, paragraphs 3 and 4: Has the Transitional Multilateral Free-Trade Agreement signed by Honduras, Costa Rica, El Salvador, Guatemala, and Nicaragua and which entered into force on 7 February 1992 been notified to the GATT? The Memorandum indicates that this Agreement will expire automatically upon the entry into force of the "definitive multilateral agreement" in 1993. Can Honduras specify when in 1993 this will occur and indicate any plans for notification of the agreement to GATT?

The Transitional Multilateral Free-Trade Agreement has been notified to the GATT Secretariat. The definitive multilateral agreement will enter into force on 1 March 1993 and will be notified to GATT before its implementation.

148. Concerning the trade coverage of the Transitional Multilateral Free-Trade Agreement:

- What portion of Honduras's trade volume and value with the members of the Central American Common Market is covered by this Agreement?

Approximately 85 per cent of the products included in Honduran trade with other Central American countries are covered by the Transitional Multilateral Free-Trade Agreement. Precise figures on the portion of trade volume and value they represent are not currently available.

- Does the Transitional Multilateral Free-Trade Agreement include non-tariff measure preferences among signatories? If so, please describe.

The Agreement does not include non-tariff-measure preferences.

- Please indicate into which tariff chapters the 1,600 lines covered by this Agreement are classified, and indicate which chapters are not covered by this Agreement.

The 1,600 tariff lines covered by the Agreement are classified in all tariff chapters with the exception of the following:

- Chapter 27: mineral fuels, mineral oils and products of their distillation; bituminous substances; mineral waxes.
- Chapter 45: cork and articles of cork.
- Chapter 86: railway or tramway locomotives, rolling stock and parts thereof; railway or tramway tracks, fixtures and fittings and parts thereof; non-electrical traffic signalling equipment.
- Chapter 88: aircraft.
- Chapter 93: arms and ammunition.
- Chapter 95: worked carving and moulding material and articles thereof.

149. On what date will this Agreement be superseded by the "Definitive Multilateral Agreement"?

This Agreement is transitional and will automatically lapse when the Central American Import Tariff comes into force, the planned date being 1 March 1993.

150. Concerning plans for a full free-trade agreement for Honduras and the members of the Central American Common Market:

- Will the completed free-trade area be implemented on

1 January 1993, or is a longer transition to completion of the FTA contemplated?

It is planned to implement the full free-trade area on 1 March 1993.

- **Will this free trade agreement cover aspects of Central American trade other than tariffs, e.g. non-tariff measures, services, investment, government procurement?**

The new Central American Integration Treaty is intended to cover not only free trade in goods but also agreements on movement of services, capital and labour. The Agreement of Nueva Ocotepeque, signed by Honduras, El Salvador and Guatemala, provides for measures for the establishment and operation of branches and subsidiaries of national banks and finance companies in the territories of the other countries, as well as the integration of the securities markets and harmonization of financial legislation and tax treatment of these institutions.

151. Does Honduras have any plans to join the Central American Common Market?

Yes, the Transitional Multilateral Agreement was a major step towards Honduran membership of the Central American Common Market, the main instruments of which are to come into force on 1 March 1993.

152. Concerning exemptions to the common external tariff with the other members of the planned free-trade area:

- **To what degree are the tariff structures of the signatories to the Transitional Multilateral Free-Trade Agreement already externally aligned?**

The tariff structures of the signatories to the Transitional Multilateral Free-Trade Agreement are almost entirely externally aligned, save for a few exceptions in the case of goods which the countries classify as "fiscal", and which will not circulate freely in the region. Standardization of fees for customs administrative services is also pending.

- **Does Honduras anticipate any delays to a January 1993 date for full implementation of the common external tariff?**

As the integration instruments and mechanisms of the Central American Common Market have not been ratified by the legislative bodies of the countries concerned, the entry into force of the common external tariff has been postponed until 1 March 1993.

- **Approximately how many tariff lines and what portion of intra-Central American imports into Honduras does Honduras expect will be covered by the exemptions to the common external tariff for "goods deemed essential and duties of a fiscal character?"**

Eighty-five tariff lines for what are considered essential goods, and approximately twenty lines for goods classified as "fiscal" are expected to be excluded from the common external tariff.

153. Could Honduras please indicate what products will be subject to these exemptions?

Goods considered essential are basically medicine and agricultural inputs, which are dutiable at a rate of 1 per cent. "Fiscal" goods are articles such as vehicles, perfume and jewellery, which are dutiable at a rate of 25 per cent.

154. Please elaborate on the character of the regional instruments being drawn up to regulate and co-ordinate certain aspects of economic policy.

The regional instruments that regulate and co-ordinate aspects of economic policy are the following:

- The Central American Uniform Customs Code, which seeks to modernize customs clearance by establishing the basic customs law that is mandatory in signatory countries.
- The Central American Regulations on Unfair Business Practices and Safeguard Clauses, which establishes provisions designed to counter unfair business practices and regulate the application of safeguard clauses with respect to goods from third countries.
- Regulations on the Central American origin of goods, designed to determine the origin of goods.
- The Central American Uniform Customs Convention (CAUCA), which is an instrument that serves as a framework for defining the future customs regulations of the region, and will enter into force on 1 March 1993.
- The Law on the Customs Valuation of Goods, which establishes the system and the elements to be taken into account for the customs valuation of goods, and is to enter into force on 1 March 1993.
- The Central American Import Tariff, which will enter into force on 1 March 1993 and contains the Harmonized System and all the tariffs that will govern regional trade: tariff ceiling of 20 per cent, floor rate of 5 per cent and intermediate rates of 10 and 15 per cent.

The last three instruments are part of what is known as the Central American Tariff and Customs Régime.

155. Please describe the regional institutions contemplated to facilitate and carry forward the integration process.

The Protocol of Tegucigalpa of December 1991 established the Central American Integration System (SICA), replacing the Organization of Central American States (ODECA), as the organic structure for all aspects of regional integration. The following organs have been established to achieve the goals of the SICA:

- The Central American Parliament, an organ having functions of proposal, analysis and recommendation, governed by its own constituent treaty and protocol which are in force.
- The Central American Judicial Council, which will begin functioning when the Central American Court of Justice is formed and will be responsible for managing disputes arising in connection with the interpretation and implementation of the Protocol of Tegucigalpa.
- The Central American Court of Justice, whose purpose is to ensure legality in the interpretation and implementation of the protocol and its supplementary or derivative instruments.
- The Consultative Committee, made up of representatives of business, labour, academic and other major sectors involved in the Central American integration process.

In the course of the integration process, various specialized institutions have been established in the monetary, transport, port development and customs fields, with a view to underpinning the integration effort. The following are the main institutions:

- The Central American Bank for Economic Integration (CABEI), set up in 1961, is the financial arm of the economic integration programme, and has international legal personality. The regional members are Honduras, Guatemala, El Salvador, Nicaragua and Costa Rica, while Mexico, Venezuela and Chinese Taipei have joined as non-regional members. It has a double rôle, as an integration bank and a development bank, although its credit and investment policy is guided by economic integration objectives.
- The Central American Monetary Council, which is the organ established by the central banks, through an Agreement they have signed among themselves, to implement fully the provisions on monetary matters included in the General Treaty. Its main functions are:
 - (a) to promote the uniformity of exchange systems and the stability and convertibility of Central American currencies;
 - (b) to expand the Central American multilateral clearing system, encouraging the use of national currencies in transactions among Central American countries;

- (c) to facilitate financial assistance to correct temporary balance-of-payments difficulties and forestall adverse tendencies in regional exchange systems;
 - (d) to attain uniformity of monetary, exchange and credit legislation, structures and conditions in member countries;
 - (e) to create favourable conditions for co-ordination of monetary and fiscal policy;
 - (f) to establish a system of constant information and consultation in order to harmonize monetary, exchange and credit policy measures and instruments.
-
- Central American Institute of Public Administration (ICAP), which was set up in 1963 for the purpose of training civil servants of Central American countries in administering development and integration programmes.
 - Central American Industrial Research and Technology Institute (ICAITI), set up in 1955 to support the advancement of production technology as well as technical research and training.
 - Nutrition Institute of Central America and Panama (INCAP), set up in 1949, which carries out very wide-ranging research in the field of nutrition, including education and training, as well as supporting national nutrition programmes.
 - Central American Higher University Council (CSUCA), established in 1948 with the principal aims of ensuring that the universities of the region contribute to its cultural, social and economic enhancement, and spreading the ideal of Central American union. It is responsible for the Central American university publishing company (EDUCA).
 - Central American Corporation for Aerial Navigation Services (COCESNA), set up under the Agreement signed by the Governments of the five countries in February 1960, with the essential objective of providing services for civil air navigation and technical assistance.
 - Central American Telecommunications Confederation (CONTELCA) which, unlike the preceding institutions, is the product of the Telecommunications Treaty signed by the Central American States in April 1966. It is responsible for running the Central American telecommunications network and provides advice and technical assistance in this sphere.

5.3 Partial-scope agreements

156. Approximately what percentage of Honduras's imports are covered by trade preferences under the partial scope agreements under the auspices of ALADI?

Honduras does not grant tariff preferences to the countries with which it has signed partial-scope agreements, and therefore there are no imports covered by trade preferences of this kind. Honduras and the countries with which it has signed these agreements intend to establish free trade by 31 December 1996. This was agreed in such a way because those countries have a higher degree of development than that currently attained by Honduras, and have granted this preferential treatment to Honduras in order to contribute to the development of the country and the region.

157. Please specify the nature of the benefits accruing to Honduras under the régime of access to the southern frontier strip of Mexico.

The régime of access to the southern frontier strip of Mexico grants tariff benefits allowing free access for Central American products to Mexican territory within an area of twenty kilometres and for an amount of up to US\$100 million per year.

The products exempted from this treatment are those included in a list drawn up annually, the contents of which may vary from year to year. The list for 1992 is given in Annex No. 10.

158. How deeply does this "strip" extend into the Mexican customs territory? Has this arrangement been notified to the GATT?

The strip has a depth of 20 kilometres from the international frontier with Guatemala; the customs houses of entry are those for the jurisdiction of Tapachula, in the State of Chiapas.

Honduras has not notified this Agreement to GATT because it is not yet a member of GATT. However, in the LAIA Report for 1989/1990 (document L/6946) of 20 December 1991, the list of agreements signed mentions the agreement between Mexico and non-member countries, including Honduras, original Protocol of 3 December 1984.

5.4 Other trade agreements

159. Please describe in more detail Honduras's current preferential tariff arrangements with Mexico and Venezuela, and its plans to move towards a free-trade area with these countries by 31 December 1996. Is it contemplated that free trade with Mexico will be fully implemented by 31 December 1996?

Honduras signed a partial-scope agreement with Mexico in December 1984, which entered into force in June 1985. This agreement is based on the granting of preferences as regards the tariffs and other restrictions applied by Mexico on imports of negotiated products; these

products must originate in and come from the territory of the parties and be covered by certificates of origin issued by the public sector bodies designated by the Governments.

Mexico unilaterally granted preferences to 128 Honduran products, while maintaining the following non-tariff restrictions:

- (a) requirement of a prior import licence for some of the products concerned;
- (b) health certificates issued by the Honduran Government for agricultural products;
- (c) the Mexican Ministry of Trade and Industrial Development will set annual import quotas for some of the products concerned. The parties reserve the right to apply, unilaterally and temporarily, safeguard measures on imports of products covered by the Agreement. The Agreement has a duration of four years, extendable for similar periods, and while it is in force the preferences granted may not be withdrawn.

On 22 September 1986 the partial-scope agreement with Venezuela came into force for a period of three years, extendable for similar periods.

The purpose of this agreement is to boost regional integration as provided for in the 1980 Treaty of Montevideo, through the grant of tariff preferences and elimination or reduction of non-tariff restrictions. The signatory countries agree to grant each other tariff preferences for specific lists of products for each signatory to the Agreement; these preferences will be extended exclusively to products originating in and coming from signatories.

By this agreement, the signatories agreed to reduce or eliminate tariffs or other restrictions applied to products covered by the agreement, while refraining from introducing non-tariff restrictions for imports of negotiated products or tightening the restrictions that have been declared, with the exception of measures aimed at protecting public morals, national security, the safety of the population and natural resources and avoiding the movement of gold and other metals, as well as radioactive materials; and also measures aimed at protecting the national artistic, historical and archeological heritage.

The signatory countries may apply safeguard clauses for balance-of-payments reasons, in a temporary and non-discriminatory manner, but they must expire at the end of the pre-announced period.

A framework free trade agreement is currently being negotiated for the establishment of free trade areas between Guatemala, El Salvador and Honduras, known as the Northern Group, and Mexico, which is to be attained by 31 December 1996. The aim is to raise to the highest possible level and diversify mutual trade among signatories, achieve a sustained increase in the exportable supply of the signatory Central American countries,

stimulate investment and encourage the creation and operation of bilateral and multilateral firms of a regional character. Meetings have already been held among the three Central American countries to draw up the lists of exceptions to be included in this agreement.

Negotiations are also under way on a framework agreement on trade and investment between Central America and Venezuela, which would enter into force on 31 December 1996. The goal is to intensify economic and trade relations among these countries and promote their economic complementarity, by the creation of a free trade area and the establishment of mechanisms to facilitate mutual trade in goods and services, as well as to promote and protect investment among signatory countries.

160. What objectives and obligations (including preferential tariff arrangements) are included in the Central America/Mexican Framework Agreement on Free Trade signed on 20 August 1992? Will additional Central America/Mexico trade agreements be negotiated under the framework? If so, what issues will they address?

The Multilateral Framework Agreement for the Programme of Trade Liberalization between Central America and Mexico, signed on 31 March 1992, has the following objectives:

- To strengthen economic and trade relations between the signatories through the gradual establishment of a free trade area, to be achieved by 31 December 1996.
- To increase and diversify reciprocal trade and improve access for the signatories' products to the world market.
- To expand sustainably the exportable surplus of the signatory Central American countries.
- To co-ordinate and complement economic activity, particularly in the production of goods and services.
- To stimulate investment aimed at intensive use of the markets and competitiveness of the signatories.
- To encourage the creation and operation of bilateral and multilateral enterprises of a regional character.

The countries undertake to:

- eliminate all export subsidies or any other type of subsidy having equivalent effects;
- apply the measures provided in their domestic legislation, in conformity with the GATT rules, if situations of dumping and other unfair business practices arise;

- take the necessary measures to ensure that the technical standards on industrial, commercial, animal health, security and public health matters existing in each country do not become a barrier to trade among them;
- grant imports of the other countries treatment no less favourable than that applied to the like domestic product as regards taxes, charges and other internal levies;
- keep one another informed as to their foreign trade régimes and statistics; any change in foreign trade régimes must be communicated within thirty days of promulgation.

This agreement establishes the reference framework for bilateral negotiations between Mexico and the Central American countries. It establishes rules on unfair business practices, safeguard clauses, dispute settlement, technical standards and internal taxes.

Bilateral negotiations will have to be conducted concerning rules of origin, tariff-cutting, elimination of non-tariff barriers, trade in services and customs facilities.

161. What will be the legal relationship between the regional and bilateral agreements?

The framework agreement establishes the frame of reference to govern bilateral or partial-scope agreements signed between the Central American countries and Mexico. In addition, the tariff concessions in bilateral agreements signed prior to the entry into force of the framework agreement and not included in it will be maintained. It is intended that the tariff concessions granted under bilateral partial-scope agreements and the commitments covered by the Act of Tuxtla-Gutierrez - concerning the six work programmes that form the foundations for economic complementarity among the parties - which were signed between the Central American countries and Mexico prior to the signing of the framework agreement will remain in force during the transition period until the concessions in those agreements become part of the concessions included in the framework agreement. It has been agreed that tariff-cutting by the Central American countries will depend on the progress made in the other programmes contained in the Act of Tuxtla-Gutierrez, especially as regards promotion of investment, energy supply and technical training and co-operation.

162. Honduras has concluded various preferential trade agreements, both in the framework of Central American integration and the LAIA and with the United States (L/7028, page 33). Could the Honduran delegation provide statistical data on the trade flows under these agreements and indicate in particular the proportion of the country's foreign trade covered by them (i.e. the proportion of preferential trade)?

Apart from the trade treaties it has signed, Honduras is a beneficiary of preferential access mechanisms granted by some developed countries, such

as the Caribbean Basin Initiative (CBI) and the Generalized System of Preferences (GSP); trade figures for these are also given.

PREFERENTIAL TRADE OF HONDURAS
1988-1991
(Millions of dollars)

	1988	1989	1990	1991
CBI	442.5	459.4	492.0	556.9
GSP	291.6	335.4	248.5	227.5
USA	43.9	49.1	50.4	59.8
EEC	198.5	213.5	118.7	112.8
Canada		0.9	2.1	1.6
Japan		36.7	22.6	11.0
Other countries	49.2	35.2	54.7	42.3
Total CBI + GSP	734.1	794.8	740.5	784.4
Bilateral with C.A. and Panama				
Imports	33.4	31.8	39.1	60.6
Exports	11.3	8.2	8.8	20.0
Total bilateral trade with C.A. and Panama	44.7	40.0	47.9	80.6

Source: Ministry of Planning, Co-ordination and Budget
Ministry of the Economy and Trade

CHAPTER VI: OTHER TRADE RELATED ASPECTS

6.1 Introduction

6.2 Exchange policy

163. We would appreciate clarification of Honduras' foreign exchange régime. The third paragraph on page 15 of L/7028 says that after January 1990 an inter-bank foreign exchange market was authorized, to be based on foreign-exchange supply and demand. However section 6.2, says there is a reference rate determined periodically by the Central Bank on the basis of the principal economic and financial indicators. What are those indicators and how are they related to foreign exchange supply and demand? What is

the relationship between the reference price and the inter-bank market mentioned on page 15?

The Foreign Exchange Régime established in 1990 was modified by Resolution No. 359 of the Central Bank Board of Directors of 19 June 1992; from that date, the exchange rate was floated and is determined by market forces.

164. In 1990, Honduras introduced a new exchange rate system. The official rate is set periodically by the Central Bank according to the trade situation (in 1991 L 5.40 = US\$1). The exchange rate is determined on the basis of a weighted average of transactions by the Central Bank. The buying and selling rate of other currencies is adjusted and set daily by the Central Bank of Honduras on the basis of international exchange rates (L/7028, page 37). A commission is charged for the purchase of foreign exchange. Is it correct to understand that government purchases are subject to a 1 per cent commission and other purchases 1.5 per cent, or is there a more specific differentiation?

The exchange system established in 1990 was amended by Resolution No. 359 of the Central Bank Board of Directors on 19 June 1992. As of that date the exchange rate was floated and will be determined by market forces. The discrimination in the exchange commission charged has also been eliminated, and is now set at 1.5 per cent for all purchasers, with the repeal of Resolution No. 146/3/90 which had established different commissions.

165. L/7028 states that conversion to local currency for customs valuation purposes is carried out using a reference exchange rate or "Customs Valuation Factor" which is regularly set by the Board of Directors of the Central Bank of Honduras.

- Please elaborate on the purpose of this mechanism which is used to estimate the value of foreign trade transactions.
- Is this reference exchange rate based on a rate of exchange recognized by the International Monetary Fund as required by Article VII, Section 4(a) of the General Agreement?

The Customs Valuation Factor is used to convert the value of goods expressed in foreign currency into lempiras, and it is established according to the inter-bank exchange rate in force on the date, for the purpose of applying the relevant customs charges.

As of June 1992, free negotiation among exchange dealers was established as the rule for determining the inter-bank exchange rate, so that in turn the Customs Valuation Factor would be fixed on the basis of the average exchange rate on the inter-bank market "at whatever intervals is considered advisable".

The inter-bank exchange rate used for the calculation of the customs valuation factor is based on the average of all the free exchange rates

used in the banking system: this process is recognized by the International Monetary Fund.

The method used to fix the interbank rate of exchange has been free negotiation of the rate among foreign exchange dealers, so that the Customs Valuation Factor is fixed on the basis of the average rate of exchange on the interbank market and is revised at appropriate intervals. In December 1992, the Customs Valuation Factor was increased by 5.6 per cent from L 5.40 to L 5.70 for US\$1.00.

166. Is the lempira convertible for all foreign trade transactions? What controls and procedures, if any, does the Government of Honduras maintain to regulate the level of the national exchange rate?

The lempira is convertible for all foreign trade transactions through the private institutions of the financial system at the free exchange rate prevailing at the time of the transaction. The Central Bank of Honduras intervenes only in situations where there might be abrupt fluctuations in the exchange-rate trend, and take the form of the placement or withdrawal of appropriate quantities of foreign exchange on the foreign exchange market.

167. How does the Honduran Government ration available foreign exchange, i.e., what measures are used, and what criteria are applied for applications to purchase foreign exchange? What portion of the value of applications for foreign exchange are rejected?

Access to foreign exchange in Honduras has been liberalized by Resolution No. 359 of the Board of Directors of the Central Bank of Honduras. Foreign exchange may be acquired by interested agents from banking institutions, foreign-exchange houses or selling agents, without any type of rationing or restriction on the purchase of foreign exchange.

168. What are the requirements for settlement in US dollars for imports from outside the Central American region (mentioned in page 37)?

No authorization is required for the purchase of foreign exchange in the country's commercial banks. Access to foreign exchange was completely liberalized as from 19 June 1992, and purchase of foreign exchange is authorized automatically without any additional criteria. Apart from through the national banking system, foreign exchange may be acquired through exchange offices specializing in such transactions.

169. Under the present regulations, importers must apply to a commercial bank in order to purchase foreign exchange. What are the criteria governing the authorization of the request for foreign exchange: in other words, is foreign exchange authorized automatically on request or are there further criteria to be met?

170. Page 37, paragraphs 5 and 6: It is stated that exporters are allowed to retain 30 per cent of their earnings subject to prior authorization by the Central Bank, in order to meet their import needs. What does this

prior authorization involve? Is it in place only to ensure that the retained earnings are indeed being used to finance imports, or does it have some other purpose? In cases where importers choose to finance imports by purchasing foreign exchange from a commercial bank, what is the typical duration of the required application process? How stringent are the approval criteria?

Following the entry into force of Resolution No. 359-06/92 of 19 June 1992, which gave effect to the process of liberalizing the foreign exchange market, the Central Bank of Honduras ceased to participate in the fixing of the rate for foreign exchange supply and demand under the National Bank system and its rôle has been replaced by free negotiation among the parties. The amount and rate of the foreign exchange supply or demand on the market is determined in this fashion and the priority foreign exchange mechanism has no practical effect. If any application is made, however, prior authorization under the mechanism will involve seeking from the exporter information which will allow his foreign exchange needs to be estimated and he will subsequently have to submit justification for the use of the foreign exchange.

Regarding the last two parts of the question, it should be mentioned that, following entry into force of Resolution No. 359-06/92, all applications for foreign exchange to pay commercial imports are dealt with through foreign exchange dealers and the method used to fix prices and amounts is free negotiation among the parties; the duration of the process and the stringency of the criteria depend upon the applicant's bargaining power and the foreign exchange available to the dealer.

171. Please describe any limits on the repatriation of foreign exchange earned by foreign firms. Are there any limits on the amount of foreign exchange that can be brought into Honduras?

The Honduran Investment Law guarantees access for investors to the purchase of foreign currency in the banking system, foreign-exchange houses and other authorized institutions for the payment of dividends and repatriation of capital relating to foreign investments. There are no limits on the entry of foreign exchange into the country.

172. This section states that "There are no regulations regarding payment for services.". Does this mean that payments for services, including royalties, may be made without Government regulation?

Section 6.2 deals with the country's foreign-exchange policy, and therefore the statement that "there are no regulations regarding payment for services" refers to the fact that there are no specific regulations governing access to foreign exchange for payments relating to services. It is also important to note that the Law on Trademarks and Patents contains the provisions governing their use and working.

6.3 Legislation recently adopted or in the course of approval

173. Pages 38-40: What is the status of the laws described here as being "at various stages of review"? Will this legislation be made available for consultation by contracting parties? Is there any existing legislation which Honduras would seek to grandfather upon the signing of its Protocol?

The Investment Law has been enacted together with its regulations and these have been transmitted to the GATT Secretariat to be made available to interested contracting parties.

Important progress has been made in the area of intellectual property through the creation of a legal framework to protect intellectual property rights. A draft Trademark and Patent Law has been drawn up; it is currently being discussed with the private sector and should be submitted to the National Congress during the first quarter of 1993. As far as copyright is concerned, a committee in which representatives of the public and private sectors participate has been established, with responsibility for preparing a draft copyright law which it is hoped will be approved by the Legislative Branch during the first half of 1993.

174. Concerning the Law on Agricultural Modernization:

- Please describe the "existing policies and institutions" in this area that involved "bureaucratic procedures" and "direct State intervention." Does Honduras have any State-trading institutions or production enterprises in this area?

The existing policies to which document L/7028 refers in the section concerned are the policies relating to the marketing of basic grains, use and management of forestry resources, marketing of agricultural products, assignment of land, and credit management.

The institutions responsible for the design and implementation of public sector agricultural policies are the following:

- Ministry of Natural Resources;
- National Agrarian Institute (INA);
- Honduran Agricultural Marketing Institute (IHMA);
- National Agricultural Development Bank (BANADESA);
- Honduran Coffee Institute (IHCAFE);
- Honduran Forestry Development Corporation (COHDEFOR).

The responsibilities entrusted to these institutions, and their procedures and co-ordination mechanisms, in the framework of the above policies, were redefined by the Law for the Modernization and Development of the Agricultural Sector, so that they match the new rôles established for them in the new national economic policy.

There are no State trading or production enterprises in this sector.

- **What is the clause of "discretionary assignment"? Please indicate what import permits are currently required for machinery and inputs.**

There is a misreading of this paragraph, which reads "(elimination of the) causes of discretionary assignment" and not "clause of discretionary assignment". What the paragraph means is that the possibility of discretionary assignment of land is eliminated.

In the context of the new law, any agricultural producer may import inputs for agricultural use, raw materials and machinery, without need of prior administrative permits or authorizations.

175. Does the State have a rôle in the acquisition and distribution of agricultural inputs? Please describe.

The Government of Honduras implements a programme of acquisition and sale of agricultural inputs such as fertilizers and agricultural implements through the National Agricultural Development Bank (BANADESA). This institution purchases agricultural inputs directly from distributors established in the country and sells them to local farmers. Owing to its larger purchasing volume, it obtains a buyer's discount which it uses to stabilize market prices, ensuring that input prices do not rise unusually as a result of demand pressure or discretionary criteria applied by other retail distributors. Consequently, producers are offered a price in line with international prices, without unfair competition for the other firms engaged in the sale of agricultural inputs, as the product is offered at cost price in accordance with market prices and in line with world price movements of the inputs.

It also administers grants of inputs, especially those received from the Government of Japan, which are made available to projects implemented by BANADESA on behalf of local farmers.

176. The new Investment Law of 20 June 1992 guarantees participation without restrictions on ownership except as noted in the Constitution. Please outline the Constitutional requirements. Does this law, or any other current law of Honduras, impose export performance requirements for foreign investors? Is any law in this regard contemplated for the future?

Under the Constitution of Honduras, the State recognizes, guarantees and promotes the freedoms of consumption, saving, investment, employment, initiative, trade, industry, recruitment and enterprise. However, the Constitution stipulates that the exercise of these activities may not be contrary to the public interest nor harmful to public morals, health or security.

The Constitution establishes that private individuals are primarily responsible for carrying out economic activities, but the State may, for reasons of public order or the public interest, reserve to itself the

exercise of specific basic industries, activities and services of public interest, and adopt economic, tax and public security measures and laws to channel, stimulate, supervise, orient and supplement private initiative, on the basis of a rational and planned economic policy.

The Constitution states that the technical and rational utilization of the nation's natural resources is a matter of public interest and necessity. Consequently, it empowers the State to regulate their use, in accordance with the public interest, and to establish the conditions for the grant thereof to private individuals. Reafforestation and forestry conservation are declared to be in the national and public interest.

It also stipulates that the law may establish restrictions or prohibitions on the acquisition, transfer, use and enjoyment of State and municipal property for reasons of public order or in the public or national interest.

It establishes the exclusive right for Honduran nationals by birth or companies formed entirely by them to acquire State, collective (ejidal), communal or private lands situated within an area extending 40 kilometres from the country's borders with neighbouring States.

Neither the Investment Law nor any other existing law imposes export performance requirements on foreign investors. No such law is contemplated for the future.

- **When will implementing regulations for the new Investment Law be promulgated?**

The regulations for the Investment Law were approved by Executive Decision No. 345-92 published in the official journal, La Gaceta, of 19 September 1992. A copy of the regulations has already been sent to the GATT Secretariat for consultation by contracting parties.

177. Did the Ministry of the Economy and Trade have a rôle in the actual conduct of international trade, i.e., physically control the quantities imported and exported in certain sectors? To what extent does the new Ministry of Economic Development retain participation in certain State-trading operations?

The Ministry of the Economy and Trade regulated international trade in goods through the grant of import and export permits for certain commodities, materials, finished products and other goods considered essential for the country's economic activity and to meet the population's basic needs.

It is important to mention that the process of restructuring the Ministry of the Economy has not yet been completed, and therefore its name has not yet been changed.

The functions of quantitative control of exports or imports are no longer exercised by the Ministry of the Economy and Trade, which confines

itself to normative and administrative activities relating to international trade in goods and services.

The Law on the Tariff and Customs Régime of Honduras empowers the Ministry to take whatever measures it considers necessary with respect to goods coming from abroad in order to counter trade practices that cause or threaten to cause injury to domestic industry, after having heard the reasoned view of the National Tariff Commission.

Trade Related Intellectual Property Rights

178. The Memorandum states that the legislation on intellectual property is under revision. Within which time-frame do you envisage enacting the new Industrial Property Bill and Copyright Bill?

At the present time both laws are being prepared, though the preliminary draft Industrial Property Law is the more advanced. The Government of Honduras hopes that both preliminary draft laws will be ready for approval by Congress in the course of 1993.

179. Honduran intellectual property rights laws in all areas - patents, trademarks and copyrights - allow varying interpretations and appear to be outdated. Is the announced plan to submit updated laws in this area to Congress by the end of 1992 still on course?

Significant progress has been made in the creation of a legal framework for the enforcement of intellectual property rights. Thus, the draft trademarks and patents bill is about to be completed, and is under discussion with the private sector in the country. It is planned to submit the bill to Congress in the first quarter of 1993. With regard to protection of copyright, a Commission consisting of public and private sector representatives has been set up to prepare a draft copyright bill which it is hoped will be approved by the legislature in early 1993.

180. Will the draft patent law, as currently contemplated, adequately protect chemicals and pharmaceuticals, which are now outlawed from protection? Does Honduras plan to offer transition (pipeline) protection for those products (like chemicals and pharmaceuticals) which are not patentable currently in Honduras, but which are under patent in other countries and have not been marketed in Honduras?

The trademarks and patents law will adequately protect chemicals and pharmaceuticals, since it has been drafted on the basis of the international regulations envisaged for the protection of such products. The provision of transitional protection to such products pending the adoption of the new law has not been considered as it is hoped that the new law will be completed and adopted shortly.

181. There is currently little protection in Honduras against the practice of registering foreign trademarks for the sole purpose of trading in the trademark, rather than using the mark for production. Will the proposed trademark law contain solid protection against the registration of

well-known marks by parties unrelated to the holder of record in the country of origin?

The new legislation will provide proper protection for trademarks and well-known marks, and therefore a trademark will be inadmissible, owing to the existing rights of other parties, if it is the imitation or the total or partial reproduction of a distinctive mark well known to the public or to business circles at international level.

182. How does the Government of Honduras plan to address the draft cable law currently under consideration which would allow for compulsory licensing of programming?

This draft law was withdrawn from the National Congress on 9 October 1992, and was introduced without the knowledge or participation of any governmental agency.

183. Will the draft copyright law provide effective protection for foreign-source broadcast transmissions and retransmissions, including premium programming?

At the moment the Commission responsible for drafting the copyright law is studying whether foreign broadcast transmissions and retransmissions should be regulated by a specific law or in the framework of a comprehensive copyright law. Nevertheless, whatever the legal instrument of protection, it will adequately cover both national and foreign broadcast transmissions and retransmissions, including premium programming.

ANNEXES TO DOCUMENT L/7160

Contents

1. Exceptions to Decree 54 (10-per-cent surtax).
2. Exceptions to Decree 84 (5-per-cent surtax), Annex A to Decree 134-91.
3. Exceptions to the tariff floor bound for Central America, according to the Central American Harmonized System Nomenclature (SAC).
4. Exceptions to the tariff ceiling bound for Central America, according to the Central American Harmonized System Nomenclature (SAC).
5. Decree No. 81-92, Law on Support for the National Coffee-Growing Industry.
6. Board of Directors Decision No. 008/92, Regulations for the grant of the Coffee-Growers Productivity Premium.
7. Decree No. 14-92.
8. Decision No. 303-92.
9. Decision No. 371-A, Regulations for the Law on the Structural Reorganization of the Economy. Section I: Exemptions and Duty-Free Treatment.
10. Decree No. 27-91, Consular Fee Law.
11. Resolutions of the Central Bank of Honduras on Monetary Policy.
12. Decree No. 41-89, Consumer Protection Law.
13. Press release of the Honduran Agricultural Marketing Institute concerning the Import Price-Band System.

ANNEXES to documents L/7160/Add.2 and Add.3

1. Privatization Law, Decrees Nos. 161/85 and 197/85.
2. Investment Law, Decree No. 80/92 and its Regulations.
3. Decree Law No. 128/91.
4. Decree No. 129.
5. Law on Administrative Procedure, Decree No. 152-87.
6. Law on Government Procurement, Decree No. 148-85.
7. Import Statistics by Tariff and Country of Origin 1991.
8. Decree No. 222-92.
9. List of Products Exempted under the Régime of Access to the Southern Border Region of Mexico.