In a communication dated 10 September 1990 circulated as L/6727, the Government of Honduras applied for accession to the General Agreement pursuant to Article XXXIII. At its meeting on 3 October 1990, the Council set up a Working Party to examine the application for accession of Honduras. The terms of reference of the Working Party are reproduced in document L/6735/Rev.1. In GATT/AIR/3337 contracting parties were invited to submit questions in writing concerning the foreign trade régime of Honduras. Questions submitted by contracting parties in connection with the foreign trade régime of Honduras and the replies thereto provided by the authorities of Honduras are reproduced hereunder. Further questions and replies will be circulated in due course.

Delegations wishing to raise additional questions concerning the foreign trade régime of Honduras might inform the delegation of that country (with a copy to the secretariat) of such questions in advance of the meeting of the Working Party, so that considered replies can be made available by Honduras to members at the time of the Working Party meeting.
QUESTIONS AND REPLIES CONCERNING THE FOREIGN TRADE REGIME

General

1. 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.

Price régime

2. 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.

3. 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.

4. 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.
5. 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.

6. According to available information, Honduras applies a tariff system based on the CCCN Nomenclature. Honduras has expressed its intention of introducing the Harmonized System on 1 January 1993 (L/7028, page 28). What stages are planned for introducing the Harmonized System, and what is the current state of work in this regard?

The CCCN-based Nomenclature will be replaced by the Central American Harmonized System (SAC) Nomenclature which is based on the Harmonized Commodity Description and Coding System. The technical analysis of the SAC has been completed, and is scheduled to be adopted by the Central American countries in December 1992. However, for purely logistical reasons its implementation could occur in the first half of 1993.

7. 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.

8. 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.

9. 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.

10. It is stated that "a minimum or maximum international price" is established by the "harmonized price band mechanism" with respect to tariffs on imports of basic agricultural products (page 29). Please provide a detailed illustration on this price band mechanism. What is the decision-making system of this mechanism, i.e. which body, by what kind of procedures and how often sets the price as well as what kind of publication procedures the mechanism has.

11. We would be grateful for details of the harmonized price-band mechanism which modifies tariffs on basic agricultural imports (page 29, first paragraph): which products are potentially affected; which are currently affected; how are the minimum or maximum international prices established? What is the rationale for this mechanism?

The price-band mechanism concerns basic agricultural products. Those currently regulated by this mechanism are yellow maize, sorghum, and whole and brown rice and rice in the husk. However, other basic products and/or the products related to them could be included as consumption substitutes or by-products from processing, in order to ensure that the mechanism works effectively.

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 prices 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 increases in inverse proportion to the price, but can never
exceed 45 per cent.

The Honduras 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.

This price mechanism 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.

12. It is indicated that the duty-free system has been eliminated "with
the exception of those established by the constitution and by international
agreements ..." (page 28). Please provide specific measures and items
subject to the current duty exemption scheme.

13. Could Honduras kindly list the products affected by the exemptions
from duties established by the Constitution, and by international
agreements (page 28, last paragraph)?

The exemptions mentioned in the last paragraph on page 28 do not apply
to imports of specific goods but rather to the persons entitled to these
privileges under international agreements, such as with the United Nations
and its specialized agencies, the OAS and its specialized bodies; Central
American integration entities; European Economic Community; conventions
subject to the criterion of strict reciprocity, such as those applicable to
diplomatic missions, and international bilateral conventions signed by the
Government of Honduras; natural or legal persons who have signed contracts
with the State prior to the entry into force of the Law on the Structural
Re-organization of the Economy under which they are entitled to customs
exemptions; and the Autonomous National University of Honduras, in
accordance with the Constitution of the Republic.

Other customs exemptions are those in favour of Hondurans residing
abroad, in accordance with Decree 185-86 of 31 October 1986 and the
provisions of the Customs Law, Decree 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. These exceptions are applied on the basis of the type of importer falling within the criteria mentioned above, and not for specific articles.

14. 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 (exonerationes) 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.

15. 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 January 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.

Other import levies

16. Please provide specific items subject to the exception of the "ten per cent surtax". Can Honduras be committed to eliminate this surtax by January 1993 as stated in paragraph 4.4.1?

A list of specific items exempt from the 10 per cent surtax is attached hereto. Nevertheless, the Government of Honduras repeats that this surtax will be eliminated on 1 January 1993.

17. 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?

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.

18. 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.

Selective consumption tax

19. What are the criteria for deciding which goods are not considered essential and thus attract the selective consumption tax (section 4.4.2)? What approximate proportion of the products affected are domestically produced?

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.

Roughly 1 per cent of all articles subject to the tax are goods produced domestically, the most important being perfumery products, cosmetics and toiletries.

20. 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.

Sales tax

21. 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.

Customs administrative services

22. 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?

23. 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?

This levy is applied in accordance with the provisions of GATT Article VIII, as it is applied exclusively for customs administrative services. However, we recognize that the revenue stemming from the application of this surcharge 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 timeframe 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 ensure that it fulfils 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.

24. 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?

A list of the products exempted from the 10 per cent surtax and of the goods exempted from the 5 per cent customs administrative service levy is attached to this document. Nevertheless, we repeat that the 10 per cent surtax will be eliminated as from 1 January 1993 and that the 5 per cent customs administrative service levy will be gradually reduced to a level reflecting the costs incurred in the provision of the services.

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).

Other charges

25. Please provide detailed descriptions on "other services" (page 31). What is the amount of levies applied as "warehousing service fees", "fees for other services" and "consular fees"?

The amount of the warehousing service fee is determined in accordance with the Customs Law, Decree No. 212-87, as follows:

Once the merchandise unloading requirements established by the customs authorities have been completed, in the places where the customs provides the warehousing service 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 warehousing service charge per gross kilo daily is as follows:

<table>
<thead>
<tr>
<th>Period</th>
<th>Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>First ten days</td>
<td>L 0.00133</td>
</tr>
<tr>
<td>Next ten days</td>
<td>0.00266</td>
</tr>
<tr>
<td>Next ten days</td>
<td>0.00399</td>
</tr>
<tr>
<td>Next ten days</td>
<td>0.00532</td>
</tr>
<tr>
<td>Next ten days</td>
<td>0.00665</td>
</tr>
<tr>
<td>Next ten days</td>
<td>0.01000</td>
</tr>
</tbody>
</table>

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 from 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 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 of an f.o.b. value exceeding US$500.00
  US$10.00

- For commercial invoices

<table>
<thead>
<tr>
<th>Description</th>
<th>Fee</th>
</tr>
</thead>
<tbody>
<tr>
<td>Up to US$ 500.00</td>
<td>Free</td>
</tr>
<tr>
<td>from 501.00 to US$ 1,000.00</td>
<td>US$10.00</td>
</tr>
<tr>
<td>from 1,001.00 to 2,000.00</td>
<td>15.00</td>
</tr>
<tr>
<td>from 2,001.00 to 5,000.00</td>
<td>20.00</td>
</tr>
<tr>
<td>from 5,001.00 to 20,000.00</td>
<td>25.00</td>
</tr>
<tr>
<td>20,001.00 and over</td>
<td>30.00</td>
</tr>
</tbody>
</table>

"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.

26. It is indicated that "a single charge for customs services" is established "in the context of the new Central American integration process" (page 32). To what countries is this "single charge for customs services" applied?

The meetings of Ministers of Transport of the Central American region and the members of the Central American Transport Commission have signed agreements aimed at dismantling obstacles to the movement of vehicles within Central America, with the creation of a single charge for customs 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:

<table>
<thead>
<tr>
<th>Description</th>
<th>Fee</th>
</tr>
</thead>
<tbody>
<tr>
<td>Private motorcar</td>
<td>US$1.00</td>
</tr>
<tr>
<td>Pickup, van, microbus</td>
<td>1.50</td>
</tr>
<tr>
<td>Loaded truck</td>
<td>11.00</td>
</tr>
<tr>
<td>Loaded lorry</td>
<td>7.00</td>
</tr>
<tr>
<td>Unloaded truck or lorry</td>
<td>1.50</td>
</tr>
<tr>
<td>Motorcycles and bicycles</td>
<td>0.50</td>
</tr>
<tr>
<td>Per person</td>
<td>0.50</td>
</tr>
</tbody>
</table>
Honduras applies these rates in lempiras based on the current Customs Valuation Factor established by the Central Bank of Honduras.

27. 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, and available to contracting parties in the Office of the Special Adviser to the Director-General.

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.

28. 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 of accession 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.

**Customs valuation**

29. 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.

30. 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.

Unfair trade practices

31. 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.

In addition, it is important to stress that these regulations will take account of the GATT provisions in this field, and will enter into force when Central American Integration comes into effect on 1 January 1993.
32. 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.

Other matters

33. 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.

34. Please explain the judicial procedures for the purpose of the prompt review and correction of administrative action relating to customs matters.
as well as the view of Honduras on their consistency with Article X of the General Agreement.

With regard to appeals against customs valuation decisions, Article 25 of the Customs Valuation Law established a National Customs Valuation Committee consisting of government and private sector representatives, which is responsible for hearing and deciding on complaints and appeals submitted in this field. The work of the Committee is governed by the provisions in its rules of procedure. Any complaint against the acts of the customs authorities is subject to Title X of the Customs Law, which concerns complaints and appeals. Complaints may be made orally or in writing to the relevant Customs Administrator who will decide as appropriate. If the affected party disagrees with the decision, it has available the appeal for review by a higher authority, which must be submitted in writing to the Directorate-General of Customs. The decision of the Directorate-General of Customs may be appealed against to the Ministry of Finance and Public Credit as the final administrative instance.

If disagreement persists after these administrative procedures have been exhausted, complaints may be raised to the competent courts of law, which in this case are the courts of administrative jurisdiction in the first instance, and the Court of Appeal and the Supreme Court of Justice as the second and the final instances, respectively.

35. 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.

36. 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.

37. 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.

38. 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?

No authorization of any kind is required to purchase foreign exchange in commercial banks in Honduras. Access to foreign exchange was completely liberalized as from 19 June 1992, and purchases are authorized automatically without any further criteria. Besides the national banking system, foreign exchange may be purchased in exchange offices specializing in such transactions.

Economic programmes

39. 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:

<table>
<thead>
<tr>
<th>Description</th>
<th>Millions of dollars</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1991</td>
</tr>
<tr>
<td>FHIS</td>
<td>18.8</td>
</tr>
<tr>
<td>PRAF</td>
<td>5.6</td>
</tr>
<tr>
<td>Transport subsidy</td>
<td>12.5</td>
</tr>
<tr>
<td>Land Bank Fund</td>
<td>1.8</td>
</tr>
</tbody>
</table>

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

This objective is also pursued by the 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>
<thead>
<tr>
<th>Terminal</th>
<th>L/gallon</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tegucigalpa</td>
<td>1.9948</td>
</tr>
<tr>
<td>San Pedro Sula</td>
<td>1.8632</td>
</tr>
<tr>
<td>Puerto Cortés</td>
<td>1.8361</td>
</tr>
<tr>
<td>La Ceiba</td>
<td>1.9476</td>
</tr>
<tr>
<td>Santa Rosa de Copan</td>
<td>1.9476</td>
</tr>
</tbody>
</table>

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 so as to be able to maintain lower prices for household kerosene, diesel and fuel oil (Bunker C). Consequently 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>
<thead>
<tr>
<th>Product</th>
<th>Subsidy per gallon</th>
<th>Selling price</th>
</tr>
</thead>
<tbody>
<tr>
<td>Household kerosene</td>
<td>4.1200</td>
<td>2.97</td>
</tr>
<tr>
<td>Other kerosene</td>
<td>1.0640</td>
<td>6.18</td>
</tr>
<tr>
<td>Diesel</td>
<td>0.7584</td>
<td>6.44</td>
</tr>
<tr>
<td>Fuel oil (Bunker C)</td>
<td>0.7671</td>
<td>3.38</td>
</tr>
</tbody>
</table>

Furthermore, to lessen the impact of the sharp drop in coffee prices on the world market, the "Law on Support for the National Coffee-Growing Industry" Decree No. 81-92, established a "Coffee-Growers Productivity Premium", with a nominal value of L 20 (US$3.70 using an exchange rate of L 5.40 = US$1) for each 100-pound bag of fertilizer for coffee purchased by producers during the period between 18 June and 31 December 1992. Each producer is entitled to a maximum purchase of 200 bags of fertilizer,
amounting to L 4,000 (US$740.74 using an exchange rate of L 5.40 = US$1) for the purposes of this premium. The Honduran Coffee Institute, together with the recipient of the premium, determines the quantity and mixes of fertilizers that can be used and credits the producer with the appropriate premiums. An amount of up to L 10 million has been allocated for this premium (US$1.85 million using the exchange rate of L 5.40 = US$1), and this amount may be increased to L 15 million (US$2.78 million) subject to agreement between the Ministry of Finance and Public Credit and the Central Bank of Honduras.

40. 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."

41. 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 already been made available to the GATT Secretariat in the annexes to the Memorandum on the Foreign Trade Régime, document L/7028, for consultation by interested contracting parties.

42. 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?
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.

43. 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.

State owned enterprises

44. 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 (COHDEPOR);
- 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 PENTAGH 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.


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.

45. Paragraph 2.4 indicates that Honduras undertakes the "transfer of State activities to the private sector, under the approach that private initiative is the main engine of development and economic growth". Please provide a detailed description about the "transfer of State activities to the private sector".

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", 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 Co-operation (CONADI) held 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 Co-operation (COHDEFOR), the Honduran Banana Co-operation (COHBANA) and the National Bank for Agricultural Development (BANADESA) could transfer their investments, shareholdings and other assets to the private sector in the same way as was established for CONADI.

To broaden the applicability of the Privatization Law, its regulations were drawn up and published as Decision No. 298-87 of the Ministry of the Economy and Trade of 4 February 1987. As of 1990 the privatization process was boosted under the Law on the Structural Re-organization of the Economy, Decree 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. In 1991 some major enterprises were privatized, including a cement company, a steel mill and the Government's holdings in a national airline.

In the first half of 1992 five companies were privatized, and it is planned to transfer many of the State-owned enterprises to the private sector before the end of the year. So far twenty-five enterprises held by CONADI have been transferred to the private sector by public auction and/or direct negotiation.

46. 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)

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<thead>
<tr>
<th></th>
<th></th>
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<th></th>
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</thead>
<tbody>
<tr>
<td>CBI</td>
<td>442.5</td>
<td>459.4</td>
<td>492.0</td>
<td>556.9</td>
</tr>
<tr>
<td>GSP</td>
<td>291.6</td>
<td>335.4</td>
<td>248.5</td>
<td>227.5</td>
</tr>
<tr>
<td>USA</td>
<td>43.9</td>
<td>49.1</td>
<td>50.4</td>
<td>59.8</td>
</tr>
<tr>
<td>EEC</td>
<td>198.5</td>
<td>213.5</td>
<td>118.7</td>
<td>112.8</td>
</tr>
<tr>
<td>Canada</td>
<td>49.2</td>
<td>35.2</td>
<td>54.7</td>
<td>42.3</td>
</tr>
<tr>
<td>Japan</td>
<td>1.6</td>
<td>2.1</td>
<td>11.0</td>
<td>11.0</td>
</tr>
<tr>
<td>Other countries</td>
<td>0.9</td>
<td>36.7</td>
<td>22.6</td>
<td>11.0</td>
</tr>
<tr>
<td>Total CBI + GSP</td>
<td>734.1</td>
<td>794.8</td>
<td>740.5</td>
<td>784.4</td>
</tr>
</tbody>
</table>

### Bilateral with C.A. and Panama

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Imports</td>
<td>33.4</td>
<td>31.8</td>
<td>39.1</td>
<td>60.6</td>
</tr>
<tr>
<td>Exports</td>
<td>11.3</td>
<td>8.2</td>
<td>8.8</td>
<td>20.0</td>
</tr>
<tr>
<td>Total bilateral trade with C.A. and Panama</td>
<td>44.7</td>
<td>40.0</td>
<td>47.9</td>
<td>80.6</td>
</tr>
</tbody>
</table>

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

47. 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.
ANNEX TO THE DOCUMENT CONTAINING REPLIES TO THE QUESTIONS FROM AUSTRALIA, JAPAN, NEW ZEALAND AND SWITZERLAND

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).
6. Board of Directors Decision No. 008/92, Regulations for the grant of the Coffee-Growers Productivity Premium.
10. Decree No. 27-91, Consular Fee Law.