The following communication, dated 19 July 1991, has been received from the Permanent Mission of Honduras.

HONDURAS: REFORMS TO THE FOREIGN TRADE REGIME

Approximately one year after the start of the Uruguay Round of multilateral trade negotiations, Honduras modified, in an autonomous and unilateral manner, its tariff régime which was based on the Central American Uniform Tariff Nomenclature (NAUCA) under which a mixed tariff system was applicable to all imported goods; this action was taken in pursuance of Decree No. 213-87 of 14 December 1987 which took effect as from January 1988. The new tariff régime, known as NAUCA-2, is based on the Customs Co-operation Council Nomenclature (CCCN) and is designed to make the customs tariff an instrument for development, leaving aside functions of revenue or balance-of-payments protection, in order to meet the needs of diversification and updating in the context of the constant expansion of international trade.

NAUCA-2, which merged the ad valorem duty and the specific duty into a single one, had a floor rate of 1 per cent and a ceiling of 90 per cent ad valorem for raw materials and finished products respectively.

Having regard to the country's difficult economic situation, characterized by constant imbalances of an internal and external nature in the economic, monetary and fiscal areas and with an upward trend in debt servicing, in 1990 the Government of the Republic implemented a programme primarily designed to reorganize the economy with a view to achieving stabilization and sustained growth, by increasing production and generating employment, growth also outside the economy and increased private investment, all these being conducive to improving the country's integration in international trade.

Part of this programme was carried through with the adoption of Decree 18-90 of March 1990 known as the Law on Structural Organization of the Economy. Under this Decree, further reforms were introduced in the customs tariff régime, with a view to achieving greater efficiency and productivity in the producing sector and encouraging and supporting the
export sector by boosting its competitiveness through a gradual and significant reduction of customs duties on imports. Accordingly, since the entry into force of the above-mentioned Decree, until 31 December 1990 the maximum tariff rate was 40 per cent and the floor rate 2 per cent; for the current year 1991, the corresponding rates are 35 per cent and 4 per cent respectively, and they are expected to be reduced to 20 per cent and 5 per cent in 1992.

Furthermore, Decree 18-90 eliminated certain additional tariff charges that to some extent restrict the free flow of goods; these include the 20 per cent charge applied on all imports (Decree No. 59 of 28 July 1982), the 8 per cent consular stamp duty and the 12 per cent applied on non-adjusted duties (Decree No. 97 of 30 December 1970) as well as the 5 per cent charge established under Decree No. 54 of 30 April 1981.

Another important feature of the tariff reform was the elimination of tariff exemptions which were causing distortions in producing sectors; this measure has helped producing sectors to expand their activities and compete in similar conditions.

In addition, and in the context of the liberalization programme that began with progressive and gradual tariff reductions on imports, on 14 February 1991, under Resolution No. 109-2/91, the Directorate of the Central Bank of Honduras decided that the import permit required for all imports of goods would be converted into an import register.

In addition to the foreign trade liberalization programme, our country's new economic policy, designed to improve its economic situation and the well-being of its population, is also aimed at eliminating all discriminatory aspects, reducing State intervention in economic matters and transferring certain producing activities to the private sector, as well as fostering the establishment of clear, transparent and equitable regulations and disciplines.

In the light of the foregoing, and even though these structural adjustment measures have had a strong impact on society, more particularly on the poorer strata of the population, the Government of Honduras hopes that in the medium term the establishment of a system based on the opening of markets and on fair competition at international level will, through these measures, contribute to speed up our country's economic development for the benefit of the entire population, and thus to achieve economic and social equity.