

GENERAL AGREEMENT ON

RESTRICTED

Spec(93)23
2 July 1993

TARIFFS AND TRADE

Original: Spanish

WORKING PARTY ON THE ACCESSION OF HONDURAS

Communication from Honduras

The communication reproduced hereunder has been submitted by the Ministry of the Economy and Trade of Honduras for circulation to members of the Working Party on the Accession of Honduras. This text and the earlier documentation reproduced in L/7028, L/7160/Rev.1, L/7197 and L/7197/Add.1 will be considered at the meeting of the Working Party scheduled to take place on 5-6 July 1993.

ACCESSION OF HONDURAS TO THE GENERAL AGREEMENT

Issues Pending from the First Meeting of the Working Party: Position of Honduras

INDEX

	<u>Page</u>
<u>Introduction</u>	2
I. Export policy	2
II. Import policy	2
III. Trade relations and agreements with other countries	6
IV. Other trade-related aspects	7
V. Contribution of Honduras to the Uruguay Round negotiations	8

INTRODUCTION

Honduras wishes to express its thanks for the cordial welcome and support extended by the delegations of contracting parties at the first meeting of the Working Party on the Accession of Honduras to the General Agreement. It also expresses its satisfaction at the progress made in the examination of the various issues dealt with at that meeting and in the bilateral tariff negotiations thanks to the constructive approach of the parties.

The purpose of the present document is to set out the official position of the Government of Honduras and to give a progress report on issues raised at the first meeting of the Working Party which needed to be explained or resolved.

I. EXPORT POLICY

Export promotion

Honduras considers its export promotion programme to be consistent with the provisions of Article XVI of the General Agreement. The programme aims to increase investment, employment and vocational skills, and to achieve higher living standards in general. It is a fundamental component of the country's social and economic development strategy and is in keeping with Article XVIII of the General Agreement, in which the contracting parties recognize that the attainment of the objectives of the Agreement will be facilitated by the progressive development of economies that are less developed.

Furthermore, it is explicitly provided in the MTN Agreements that parties will not prevent developing country signatories from adopting measures and policies to assist their industries, including those in the export sector.

Similarly, in the Decision of 28 November 1979 (L/4903), the developed contracting parties stated that they do not expect the developing countries, in the course of trade negotiations, to make contributions that are inconsistent with their development, finance and trade needs, and that developed contracting parties shall not therefore seek, neither shall less-developed contracting parties be required to make, concessions that are inconsistent with the latter's development, financial and trade needs. In this connection, we reiterate that the benefits accorded under the Export Promotion Programme are of vital importance for its successful implementation, and if any of them were reduced the country's development objectives could be placed in jeopardy.

II. IMPORT POLICY

The 10 per cent surtax

It is important to note that the scope of this surtax has been gradually reduced and it currently applies to only 30 per cent of the tariff headings in the import tariff. Moreover, Honduras guarantees that where it is applied, the resulting tariff will not exceed the tariff rate to be bound in GATT.

It should also be noted that the surtax is of the utmost importance for the State's immediate financial requirements. Nonetheless, Honduras is prepared to undertake not to extend the levy to any further tariff headings, and to envisage gradually reducing the number of headings to which it applies as the fiscal situation improves.

The 5 per cent levy for customs administrative services

The levy for customs administrative services, applied on an ad valorem basis, is a transparent mechanism and therefore cannot become a barrier to trade or cause trade distortions. The Government wishes to make it clear that it is not intended to provide direct or indirect protection for domestic producers.

Nonetheless, Honduras recognizes that the levy may be operating as a fiscal-type charge, i.e. the revenue stemming from it may exceed the customs services costs that need to be covered. Because no cost study has been carried out in this connection we are unable at present to assess the situation accurately.

Honduras has taken note of the recommendations made to the United States by the Panel set up in 1988 (L/6264) to examine its customs user fee, and is aware of their importance. However, we wish to point out that the country is currently facing a serious fiscal problem which, were it to be compounded by the elimination of the surtax, would exacerbate the imbalance in the State's finances and, as a result, Honduras would be unable to meet its international financial obligations, including its obligations with the international financial institutions.

As a demonstration of its readiness to comply with the provisions of the General Agreement, Honduras proposes to introduce a mechanism whereby, over a period of four years, the levy would be reduced to 1.5 per cent, i.e. to 30 per cent of the present level. The mechanism would provide sufficient leeway for the country to overcome its fiscal problems and find alternative sources of revenue to meet its financial and development needs.

Selective consumption tax

Honduras wishes to make it clear that the criteria for determining which goods are to be subject to this tax are not such as to make it an instrument for protecting domestic production. The main reason for introducing the tax is to rationalize the consumption of goods regarded as luxury articles. Consequently, Honduras does not consider the application of the tax to be inconsistent with Article III.1 of the General Agreement. Moreover, it is consistent with the provisions Article II.2 which does not prevent contracting parties from imposing duties and charges on imports when they are equivalent to an internal tax.

With regard to the 15 per cent imputed profit used in calculating the basis for application of the selective consumption tax, this percentage was determined on the basis of studies on the average profit margin. However, Honduras is ready to review the manner in which the tax is applied, to ensure its conformity with GATT rules.

Law on Consular Fees

According to the Law on Consular Fees, Decree No. 27-91 of March 1991, the reason for payment of consular fees is that Honduran consulates abroad carry out important administrative functions, which give rise to payment of consular duties. Under Article II.2(c) of the General Agreement countries may impose on the importation of any product fees or charges commensurate with the cost of services rendered.

With regard to the value of the benefits accorded to exporters and their relation to the cost of rendering services, as the basis for the application of the fee, we wish to point out that Articles II.2(c) and VIII.1(a) refer to the cost of services rendered and not the value of the benefits deriving therefrom, and provide that such fees and charges should not represent an indirect protection to domestic production. Honduras therefore considers that its levying of consular fees:

- is limited to the cost of a service rendered;
- does not constitute indirect protection to domestic producers;
- does not constitute a fiscal-type charge.

Honduras has noted the recommendations of the 1927 World Economic Conference, which established that consular fees must be a fixed charge of an amount not exceeding the cost of the service rendered, and not an additional source of revenue. The structure of Honduras' consular fee is in keeping with the recommendations of the above Conference. Furthermore, Honduras considers that it is consistent with the Recommendation of 31 October 1957 concerning consular formalities. Accordingly:

- it is not issuing consular invoices but legalizing commercial invoices;
- consular fees are not charged on an ad valorem basis, but on a fixed-rate basis;
- commercial invoices of less than US\$100 are not legalized;
- additional commercial documents are not required for the legalization of commercial invoices.

The imposition of fees relating to consular invoices is envisaged in Article XVIII:4(a) of the General Agreement. Honduras takes note of paragraph 1(c) of the same Article and recognizes the need to minimize the effects of these formalities. It also recognizes the need to review the fee and align it with GATT rules.

Restrictions to imports of poultry meat

Honduras is seeking a prompt and satisfactory solution, consistent with the provisions of the General Agreement, to the problem that has arisen concerning imports of poultry meat. It has initiated consultations

with the domestic poultry sector - which could be seriously affected by such imports - and has also begun talks with the contracting party directly affected by these measures, with a view to finding a solution acceptable to both parties in the near future.

Price-band mechanism

The tariffs applying to the products currently subject to the price-band mechanism (yellow maize, sorghum, whole and brown rice and rice in the husk) are determined taking into account the international f.o.b. prices for the last sixty months, adjusted by the United States Producer Price Index for the Mexican Gulf States on the basis of the last month of the series. The tariff applies to all the above products regardless of their country of origin, which means that imports of these products receive m.f.n. treatment.

Honduras is largely an agricultural country. Staple grains are mostly produced by small farmers who depend on this activity for their livelihood. Grain production is important to the country's economic development, and particularly for the sector of the population with low living standards. Nevertheless, the protection accorded to domestic producers by the price-band mechanism is not in the form of producer price support or indirect subsidies or aid: prices are determined with reference to a series of international prices over a specified period, in order to prevent domestic market prices being affected by seasonal fluctuations in world prices. This also ensures greater transparency in the administration of the system.

Honduras is currently reviewing the way the mechanism has operated since it was introduced, in order to ascertain whether any adjustments are necessary to ensure that it is applied consistently and transparently.

MTN Agreements

Customs Valuation Code

As Honduras already stated at the first meeting of the Working Party, it wishes to adhere to the above Code, under the special time-frame laid down for developing countries. In addition, it hopes that both the GATT Secretariat and the developed contracting parties will be able to assist with personnel training and technical resources so that Honduras can implement the Code.

Anti-Dumping Code

Honduras wishes to accede to this Code.

Standards Code

Honduras has noted the comments on the adoption of this Code made by certain contracting parties at the first meeting of the Working Party. Honduras is currently analysing the content of the Code and the possible implications for the country if we were to join it. Implementation would require administrative and technical structures which, for budgetary reasons, the country does not at present possess. However, we do not

exclude the possibility of acceding to the Code in the future, in better fiscal circumstances and with the necessary technical and financial assistance.

Decision by CONTRACTING PARTIES on the Application of Sanitary and Phytosanitary Measures

Honduras considers that a multilateral agreement on the application of sanitary and phytosanitary measures would greatly facilitate international trade transactions. Honduras is an active participant in the Uruguay Round negotiations and, once the Round is successfully concluded, it will be ready to subscribe to agreements reached on sanitary and phytosanitary measures.

A bill on animal and plant health is in the process of being discussed. It was drawn up to take account of the proposals concerning sanitary and phytosanitary measures in the Draft Final Act of the Uruguay Round. Our legislation will therefore be in keeping with the new multilateral trading rules in this area. As soon as the Bill is enacted by the National Congress, Honduras will send a copy to the GATT Secretariat for consultation by contracting parties.

Harmonization of Central American sanitary requirements

There is no specific list of agricultural products whose import is prohibited or restricted for sanitary or phytosanitary reasons. Any restrictions on the entry of such products depend on the sanitary status of the exporting country, on the basis of the manuals produced by the International Office of Epizootics (IOE). Before importing a given product or animal, a sanitary permit must be obtained from the relevant department of the Ministry of Natural Resources.

At the region level, the countries of Central America that are advised by the International Regional Organisation for Plant Protection and Animal Health (OIRSA) and the FAO, are arranging meetings for the harmonization of animal health requirements for the import and export of animals, and animal products and by-products. As a result, the list of headings and sub-headings will be harmonized on the basis of the Central American Tariff System (SAC) and once it has been approved, a copy will be made available for contracting parties at the GATT Secretariat.

III. TRADE RELATIONS AND AGREEMENTS WITH OTHER COUNTRIES

Economic Community of the Central American Isthmus

Before the first meeting of the Working Party on the accession of Honduras to the General Agreement, Honduras sent to the GATT Secretariat a report on the status of the Central American integration process. In addition, the Central American countries which are GATT contracting parties have been asked to send relevant notifications to inform other contracting parties on further progress in the Central American integration process.

In the view of Honduras, if the contracting parties consider that the instruments and other measures recently put into effect as part of the integration process need to be reviewed, this Working Party is not the appropriate forum for such a review.

IV. OTHER TRADE-RELATED ASPECTS

Below is a list of the laws that contain provisions relating to trade. Most of them are already available at the GATT Secretariat for consultation by contracting parties, and the remainder will be sent in the near future. They are related directly or indirectly to aspects of international trade and the list is illustrative rather than exhaustive.

LIST OF HONDURAN LAWS CONTAINING PROVISIONS RELATING TO TRADE

1. Nueva Ocotepeque Agreement on Trade and Investment
2. Partial-Scope Agreement between the Republic of Colombia and the Republic of Honduras
3. Partial-Scope Agreement between the Republic of Honduras and the United Mexican States
4. Partial-Scope Agreement between the Republic of Honduras and the Republic of Venezuela
5. Agreement between Honduras and the United States of America on the Establishment of the Trade and Investment Council
6. Multilateral Framework Agreement between Mexico and Central America
7. Multilateral Framework Agreement between Venezuela and Central America
8. Export Tariff
9. Central American Uniform Customs Code
10. Commercial Code
11. Health Code
12. Labour Code
13. Central American Tariff and Customs Agreement
14. Agreement on the Exchange of Tax Information
15. Import Charges
16. Customs Laws
17. Law on Consular Fees
18. Law on the Central Bank of Honduras
19. Law on Foreign Exchange Bureaux
20. Law Establishing the Free Zone of Puerto Cortés
21. Law on Contraband and Tax Fraud
22. Law on Government Procurement
23. Law on the Honduran Forestry Development Corporation (COHDEFOR)
24. Law Establishing CENTREX
25. Law on the Autonomous Municipal Bank (BANMA)
26. Law on the National Agricultural Development Bank (BANADESA)
27. Law Against the Unlawful Enrichment of Public Employees
28. Law Against the Illicit Trade in Narcotics, Psychotropic Substances and Other Dangerous Drugs
29. Law on Banking Establishments
30. Law on the Honduran Telecommunications Company (HONDUTEL)

31. Law on the National Electricity Company (ENEE)
32. Law on the National Port Company (ENP)
33. Law on the Selective Consumption Tax
34. Law on Income Tax
35. Law on Production and Consumption Tax
36. Law on Sales Tax
37. Law on the Honduran Agricultural Marketing Institute (IHMA)
38. Law on the Honduran Tourism Institute
39. Law on Incentives to Banana Production
40. Law on Foreign Exchange Receipts from Exports
41. Law on Investment
42. Law on Trade Marks and Patents
43. Law on the Merchant Marine
44. Monetary Law
45. Law on the Financial Adjustment of the Public Sector
46. Law on the Modernization and Development of the Agricultural Sector
47. Law on the Structural Reorganization of the Economy
48. Basic Law on the General Supply Office of the Republic
49. Law on Privatization
50. Law on Administrative Procedure
51. Law on Consumer Protection
52. Law on the Protection of Hondurans Engaged in Small-Scale Commerce
53. Law on the Temporary Admission Régime
54. Law on the Repatriation of Capital
55. Law on Representatives and Distributors of Commercial Companies
56. Law on Plant Health
57. Law on Insurance
58. Law on the Autonomous Water Supply and Drainage Service (SANAA)
59. Law on the National Basic Product Supply Company (BANASUPRO)
60. Law on Land Transport
61. Law on Industrial Processing Zones for Export Trade
62. Central American Regulations on Unfair Business Practices and Safeguard Clause
63. Sanitary Regulations for the Import and Export of Animals and Animal Products and By-Products
64. Regulations on the Central American Origin of Goods
65. General Treaty on Central American Integration

V. THE CONTRIBUTION OF HONDURAS TO THE URUGUAY ROUND NEGOTIATIONS

The contracting parties participating in this Working Party have acknowledged that Honduras has unilaterally undertaken a far-reaching process of trade liberalization and economic deregulation. Honduras asks that this endeavour be regarded as its contribution to the Uruguay Round negotiations, together with the concessions that Honduras will grant on binding its customs tariffs in bilateral tariff negotiations.