



## Doing Business In HONDURAS: A Country Commercial Guide for U.S. Companies

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# Chapter 1: Doing Business In HONDURAS

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## Market Overview

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U.S. exporters enjoy an enviable position in the Honduran market, and saw this position improve after the 2006 implementation of the Central American Free Trade Agreement (CAFTA-DR). The US, joined by Honduras, El Salvador, Nicaragua, Costa Rica, Guatemala, and the Dominican Republic, signed the Central American Free Trade Agreement (CAFTA) in August 2004. Honduras was the second country to ratify CAFTA. This agreement entered into force for Honduras on April 1, 2006, one month following El Salvador and the United States. CAFTA-DR lowers tariffs on U.S. goods destined for the Central American market. Over the past decade, U.S. exports to Honduras have increased both in terms of absolute dollar value and in terms of market share. Strong prospects for exports of goods and services are not limited to a few industries but run the gamut, including: franchising; food processing, hotel, and restaurant equipment; auto parts and transportation machinery; safety and security equipment; computers and peripherals; building products; electrical machinery; textile fabrics and apparel; telecommunications, and electric power generation equipment. Honduran imports of textiles and apparel input materials, oils and lubricants, industrial chemicals, plastic materials, paper and related products, electrical materials and equipment and medical supplies all showed increases in 2006.

The U.S. is the chief trading partner for Honduras, supplying over half of Honduran imports and purchasing 65 percent of Honduran exports. U.S. exports to Honduras in 2006 were \$3.7 billion, up approximately 14 percent from the previous year. Honduran tariffs on most goods from outside the Central American Common Market (CACM) are currently within the zero to 15 percent range. With CAFTA-DR in effect, about 80 percent of U.S. industrial and commercial goods can now enter the region duty-free, with the remaining tariffs phased out over ten years. Nearly all textile and apparel goods that meet the Agreements rules of origin became duty-free and quota-free immediately, promoting new opportunities for U.S. fiber, yarn, fabric, and apparel manufacturing. Honduras is one of the largest exporters of apparel and textile products by volume to the U.S. market behind such countries as Mexico and China, and the first among Central American and Caribbean countries.

According to the Central Bank of Honduras, the stock of total foreign direct investment (FDI) in Honduras in 2005 was \$567.8 million, up from \$464.6 million in 2004. New U.S. investment totaled \$131.3 million and represented 35.3% of new investment in Honduras in 2005. During the first semester of 2006, Honduras received \$226.2 million in new investment. In the first 6 months, 71.5 percent of new FDI in the maquilas (light assembly) sector (or \$52.1 million total) and 73.8 percent of new FDI in non-maquila sectors (or \$167.0 million total) came from the United States. The Honduran

government is generally open to foreign investment, with limited restrictions and performance requirements, although some U.S. investors have experienced unexpectedly extensive waiting periods for environmental permits and concessions. CAFTA-DR also aims to eliminate inter-Central American tariffs, and facilitate increased regional trade, benefiting U.S. companies manufacturing in Honduras.

The close proximity of Honduras to the United States and recognition of the high quality and reliability of American products constitute advantages for U.S. exporters and manufacturers. With CAFTA-DR implementation, lowered tariffs grant additional competitiveness for U.S. goods.

Prospects for the Central American region are good. Central America offers a market of 32 million people with annual manufactured imports from the U.S. of more than USD 9 billion. This makes Central America a better market today for U.S. exporters than many markets where the competition and travel distance is much greater. Worker remittances from families in the U.S. are an important source of foreign exchange and help to guarantee funding for continued imports of U.S. goods and services. Regionalization is quickly becoming a fact for business. Factories and distribution facilities have been and are being located to serve a regional market. Rarely does a U.S. businessperson visit just one Central American country. New investors weigh the advantages each country offers as they look to locate new plants. Regional managers are becoming the norm with responsibilities for multiple countries within the market. Trade among the countries of Central America has increased dramatically. Leading sectors for U.S. exports and investment include safety and security equipment, automotive parts & service equipment, computers and peripherals, food processing and packaging equipment, textile machinery, equipment & fabrics, franchising and electrical power systems.

Central America and Honduras enjoy relative stability, real market opportunities and substantial U.S. exports in a market that is close to the U.S. and growing. Regional integration will spur investment, growth, trade and continued market opportunities for U.S. firms. Corruption, drug trafficking, and poverty are factors limiting the potential of this market.

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Honduras held local, congressional, and presidential elections in November of 2005. Elections were deemed fair and free by domestic and international observers, and the opposition Liberal party candidate Mel Zelaya won a close presidential race. As this new government took office in 2006, investors and exporters encountered a slowdown in legislative changes and implementation of new laws. Though historically Honduras has experienced reduced GDP growth in each post-election year, passage of CAFTA and other external factors led to robust GDP growth of 5.5 percent in 2006.

Personal security is a major concern in Honduras, with theft, pickpockets, and armed robberies occurring frequently in urban areas. Honduras also has a very high and rising incidence of murder and other violent crimes. American tourists and business people are not generally targets of violent crime.

In addition, the lack of judicial security, a deteriorating security environment, and endemic corruption pose real risks, making business disputes difficult to resolve.

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The Honduran government is focused on promoting poverty alleviation and job creation in Honduras. The top priorities of the Zelaya administration include spurring domestic production of basic grains, tourism, forest products and housing construction. Government owned enterprises continue to operate the port system, electricity distribution, highways, and postal system. On December 25, 2005, Honduran national telecommunications company Hondutel officially lost its monopoly on long distance and international calling, but as of March 2007 the legislation and regulations necessary to permit opening of the sector and free competition has not been passed or implemented.

It is likely that 2007 will see continued explosion in consumer spending and construction booms, as remittances grow at unprecedented rates, creating opportunities for U.S. retailers, construction supply and service companies, and consumable goods manufacturers.

## **Market Entry Strategy**

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For marketing purposes, the country can be thought of as divided into two regions: the North Coast, including San Pedro Sula, the country's commercial and industrial capital; and the Central region, where Tegucigalpa, the political capital and largest city, is located. Tegucigalpa and San Pedro Sula are the major distribution centers for imported products. A single distributor or representative is sufficient to cover all of Honduras. Representatives and distributors tend to carry rather broad lines on a non-exclusive basis.

Price is among the most important selling factors in Honduras. In many cases, Honduran business people buy directly from the source if they feel that the cost-savings is sufficiently advantageous. The local banking system is traditionally conservative and generally extends only limited amounts of credit, though looser monetary policies and increased competition from regional and international banks led to an expansion of consumer credit in 2006. U.S. exporters that offer attractive financing terms on sales to Honduran traders have the best chance of gaining market share. Most non-agricultural duties were eliminated with the implementation of CAFTA-DR. The duty assessed by the Honduran government at the time of customs clearance ranges from 0 to 15 percent for select few items.

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## Chapter 2: Political and Economic Environment

For background information on the political and economic environment of the country, please click on the link below to the U.S. Department of State Background Notes.

<http://www.state.gov/r/pa/ei/bgn/1922.htm>

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### Using an Agent or Distributor

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The civil and commercial codes, Decree Law No. 549, Official Register (La Gaceta) No. 22366, of December 7, 1977, govern the principal-agent relationship in Honduras. This law is entitled "Law on Agents, Distributors and Representatives of Domestic and Foreign Companies," and includes a provision for penalties for wrongful termination that discourages exclusive distribution agreements. For new-to-market or new-to-export companies, authorized distributorship arrangements or renewable periods of representation are recommended over exclusivity contracts, unless the relationship has proven to be stable and profitable for both parties. For contractual relations entered into after the date of entry into force of the CAFTA Agreement (April 1, 2006), the following special regime obligations apply:

Honduras may not require that a representative, agent, or distributor be a national of Honduras or an enterprise controlled by nationals of Honduras;

Honduras may not require a goods or service supplier of another Party to supply such goods or services in Honduras by means of a representative, agent, or distributor, except as otherwise provided by law for reasons of health, safety, or consumer protection;

Honduras shall provide that: the fact that a contract of representation, distribution, or agency has reached its termination date shall be considered just cause for goods or service supplier of another Party to terminate the contract or allow the contract to expire without renewal; and any damages or indemnity for terminating a contract of representation, distribution, or agency, or allowing it to expire without renewal, without just cause shall be based on the general law of contracts;

Honduras shall provide that: if the amount and form of any indemnification payment is not established in a contract of representation, distribution, or agency and a party wishes to terminate the contract: the parties may agree to resolve any dispute regarding such

payment in the Center for Conciliation and Arbitration of Honduras, or if the parties agree otherwise, to another arbitration center; and in such proceeding general principles of contract law will be applied; in any decision awarding an indemnity calculated under Article 14 of Decree Law No. 549, the amount shall be calculated as of the date of entry into force of the CAFTA Agreement, expressed in terms of Honduran Lempiras as of that date, and converted into U.S. dollars at the exchange rate in effect on the date of the decision.

Although a U.S. firm may export directly to Honduran companies, appointing a local agent, representative, or legal advisor is strongly recommended to help with import procedures, sales promotion and after-sales service. Independent intermediaries are especially important for smaller companies, as their knowledge of the market and of the relevant business customs and practices adds to the strength of the U.S. manufacturer/exporter. U.S. companies are advised to evaluate local prospects in terms of the services and benefits provided, considering factors such as location, financial strength, quality of the sales force, warehousing facilities, reputation in the market, outlay on advertising, product compatibility and overall experience.

Renewable periods for representation and non-exclusive relationships are strongly recommended when drawing up the agent/distributor agreement. After successfully locating prospective intermediaries, U.S. exporters should contact a Honduran lawyer for assistance with key issues such as contract arrangements and advice on protection of intellectual property. The Embassy Commercial and/or Consular Sections can provide a list of attorneys (see web resources section). A written agreement often avoids later disputes and misunderstandings between the U.S. firm and the local partner. Both of the country's largest chambers of commerce, the Chamber of Commerce and Industry of Tegucigalpa (CCIT) and the Chamber of Commerce and Industry of Cortes (CCIC), have established International Arbitration Centers for alternative dispute resolution.

Exporters of pharmaceuticals, agro-chemicals, food items, animal feeds and medicines are required to register their products before they can be sold in the Honduran marketplace. Pharmaceuticals, food items and medicine-related products must be registered with the Ministry of Public Health. Agro-chemicals and animal feeds must be registered with the Ministry of Environment and Natural Resources.

In compliance to the CAFTA agreement, U.S. firms are no longer required to participate in public tenders through a local authorized agent or representative. In terms of participation in international public bids in general, foreign firms engaged in the execution of construction, design, consulting, and rehabilitation projects are required, under the State Contracting Law, to register provisionally at the Company Registration and Classification Committee of Civil Engineers (CIRCE). Once a contract for a specific project has been awarded, foreign firms are required to register on a permanent basis with the Honduran Organization of Civil Engineers (CICH). In general, since the timeframe between the public bid announcement and the presentation of bids is often short, having a local partner enhances the U.S. firm's ability to prepare a competitive offer.

Selection of the appropriate agent or distributor requires time and effort. The U.S. Department of Commerce offers several services to U.S. firms interested in finding a partner or distributor for their product or service. The U.S. Commercial Service (USCS) offers free and intensive one-on-one counseling plus low-cost, highly effective programs

to help U.S. businesses establish or expand their foreign markets. The Commercial Section of the Embassy can locate interested, qualified representatives in potential markets in Honduras through its International Partner Search (IPS) service. A U.S. firm may also check the background and reputation of a prospective partner through the International Company Profile Report (ICP). Through its Gold Key Service, the Commercial Section can schedule appointments, arrange translators and make reservations for U.S. businesses searching for partners or customers in Honduras. The IPS and ICP, as well as other valuable services, are also available for a nominal fee through the U.S. Export Assistance Centers (USEACs) of the U.S. Department of Commerce, located in 111 U.S. cities. For additional information on export-related assistance and market information offered by the federal government, U.S. companies may visit.

[www.export.gov](http://www.export.gov) or call 1-800-USA-TRADE.

## **Establishing an Office**

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Efforts are underway in Honduras to streamline the registration requirements for establishing an office. An important step in this regard has been enactment of a law on simplification of administrative procedures in setting up a company (Article 308 of the Commercial Code, Decree No. 255-2002). Significant improvements have been made in eliminating a series of administrative obstacles in this area, particularly with the procedures associated with time and cost. Through efforts led by the Foundation for Investment and Export Development (FIDE) and the National Competitiveness Program, and in collaboration with the Chamber of Commerce of Tegucigalpa (CCIT), the steps for launching a business in Honduras have been reduced from up to six months to an average of 44 days.

Foreign businesses setting up operations in Honduras are subject to the Commercial Code, which recognizes several types of mercantile organizations: individual ownership, general partnership, simple limited partnership, limited liability company, corporation and joint stock company. Starting capital for a Limited Liability Company should be no less than 5,000.00 Lempiras (approximately USD265) and at least two partners at all times. Required starting capital for a stock company/corporation is 25,000 Lempiras (approximately USD 1,315) and at least five partners at all times.

An important requirement for operating a business in Honduras, in connection to any project, industrial facility or other public or private activity that could generate potential harm to the environment, natural resources, or national cultural and historical sites, is an Environmental Impact Assessment, to be obtained through the Ministry of Natural Resources and the Environment (SERNA). Additional information for doing business in Honduras, as it pertains to the specific requirements for different sectors of investment, is available through the Ministry of Industry and Trade (SIC) at <http://www.sic.gob.hn>.

The following information prepared by the World Bank summarizes the steps involved in setting up a business in Honduras (based on a stock corporation). Thanks to an innovative partnership with the Government of Honduras, some of these steps can be handled by the Chamber of Commerce of Tegucigalpa, reducing somewhat the time and effort required to establish a business:



1. Procure a certificate of deposit at a local bank; pay the registry fee.  
Time to complete: 1 day; Cost to complete: no charge
2. Constitute the company before a Notary Public, who is to draw up the instrument of organization.  
Time to complete: 2 days; Cost to complete: 5% for up to Lps.25, 000 and 3% over Lps.25,000 of starting capital.  
Comment: The process is known as Simultaneous Organization "Fundación Simultanea". The company may be established as: a) Simultaneous Organization; or, b) Public Subscription. The constitution instrument should be written in a special paper called stamped paper ("Papel Sellado"). The sealed paper has a value of Lps. 5.00 and it is used by the Notary Public for its protocol, which is the collection of original signed documents in Notary custody, as well for the ("Testimonio": the copy that will filed to the civil judge for Commercial Registry).
3. Request from the Ministry of Industry and Trade (SIC) an authorization to conduct commercial activities in Honduras. Publish the registration notice in "La Gaceta", the official legal journal, or an ordinary newspaper of wide daily circulation.  
Time to complete: 1 day; Cost to complete: US\$35 for one advertisement in "La Gaceta"; \$15 for a local newspaper
4. Purchase the contract stamps and bar stamps from a Commercial Bank  
Time to complete: 1 day; Cost to complete: included below  
Comment: Registry Stamps and Contract Stamps are printed in the same paper, design and values available are Lps.0.50, Lps1.00, Lps.5.00, Lps.10.00, Lps.20.00, Lps.50.00, Lps.100.00, Lps.500.00 and Lps.1, 000. There are no written or design differences between those stamps. They can be bought at the Honduran Central Bank (Banco Central de Honduras) or through the national banking system. Bar Stamps (Timbres del Colegio de Abogados) have their own particular design and values and can be procured through Banco Atlántida S.A.
5. File the articles of incorporation with the Mercantile Registry. There are 24 public registry centers throughout the country. For the capital city, this step is conducted at the Chamber of Commerce of Tegucigalpa (CCIT). For the rest of the country, it is conducted at the registry centers of the Property Office.  
Time to complete: 7 days  
Cost to complete: Lps. 1.5 for each Lps.1,000 of corporation capital (Derechos de registro/registration fees) + Lps.30 up to Lps.300,000 of the capital and Lps.10 for each Lps.100,000 after Lps.300,000 (Bar stamps/Timbres del Colegio de Abogados).
6. Apply for the tax identification code (Registro Tributario Nacional, RTN) at the Dirección Ejecutiva de Ingresos (DEI), Ministry of Finance  
Time to complete: 1 day; Cost to complete: no charge  
Comment: All natural or juridical persons must obtain the RTN. The Notary who authorizes an incorporation deed must send a note to the administrative authority informing of such incorporation, in order to obtain the RTN.
7. Acquire legal accounting and minute's books  
Time to complete: 1 day; Cost to complete: approximately US\$180  
Comment: The minutes books can now be authorized as separate bound sheets.

8. Apply for an operational permit (Permiso de Operación) from municipal authorities. This step can now be conducted directly by the company, without the services of an attorney.

Time to complete: 1 day (prior to February 2007, it used to take 35 days); Approximate cost: Lempiras 1,250 + Lempiras 1,000 for professional fee.

Comment: To obtain the operational permit, it is necessary to fulfill some or all of the following requirements, depending on the type of industrial or commercial activity:

- a) Copies of the personal identification card and municipality tax solvency of the General Manager;
- b) Copy of the RTN;
- c) Copy of the constitution instrument (Escritura de constitución de la compañía)
- d) Copy of the cadastral code (Clave cadastral) corresponding to the place in which the corporation will operate its business;
- e) Zoning record;
- f) Environmental impact assessment;
- g) Tenancy agreement and income tax solvency record corresponding to the Owner of the place in which the corporation will operate its business;
- h) Cadastral inspection in the place in which the corporation will operate its business;
- i) Payment of the following taxes (for an approximate total cost of Lempiras 1,250): Nomenclature taxes; Zoning tax; Inspection tax; Code tax; Environmental tax; annual fire department and garbage department taxes.

9. Register for Sales tax and acquire the authorization of the company books

Time to complete: 7 days, simultaneous with procedure 8

Cost to complete: nominal

Comment: According to the Tributary Code (Código Tributario), corporations are required to record their constitution instrument and operation permits before the Minister of Finance, in order to pay sales taxes imposed on the sale of goods or services.

10. \*Register at the National Vocational Training Institute (Instituto Nacional de Formación Profesional ñ INFOP)

Time to complete: 1 day; Cost to complete: No charge

Comment: Employers are required to contribute 1% of the company's total payroll to INFOP.

11. \*Register at Social Security Institute (Instituto Hondureño de Seguridad Social, IHSS)

Time to complete: 7 days; Cost to complete: No charge

Comment: IHSS is the national social security hospital and patient care institution for company workers and their dependants. Corporations are required to contribute 5% of each employee's salary for illness and maternity (Enfermedad y Maternidad, EM), plus 2% for disability, old age and death, (Invalidez, vejez y muerte ,IVM).

12. \*Register at Social Housing Fund (Régimen de Aportación, (RAP) al Fondo Social de la Vivienda (FOSOVI))

Time to complete: 1 day, simultaneous with procedure 8; Cost to complete: No charge

Comment: If corporations have more than 10 employees, they are required to contribute 1.5% of each employee's salary.

13. \*Register with local and national Chambers of Commerce

Time to complete: 1 day, simultaneous with procedure 8; Cost to complete: nominal.

Note: Some procedures may take place simultaneously, as those marked with an asterisk (\*).

Additional Sources of Information:

[World Bank/Doing Business](http://www.doingbusiness.org)

<http://www.doingbusiness.org>

[National Competitiveness Program](http://www.hondurascompite.com)

<http://www.hondurascompite.com>

[Ministry of Industry and Trade \(SIC\)](http://www.hondurastradeportal.com)

<http://www.hondurastradeportal.com>

[Property Office \(Mercantile Registry\)](http://www.ip.hn)

<http://www.ip.hn>

## Franchising

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In recent years the number of U.S. franchises operating in Honduras has grown rapidly. There are about 60 foreign firms now operating in Honduras under franchising agreements. Most of these firms are U.S. fast-food and casual restaurants, such as T.G.I. Friday's, Applebee's, Tony Roma's, Ruby Tuesdays, Chicago Grill, Pizza Hut, McDonald's, Wendy's, Subway, Burger King, Church's Chicken, Sbarro, Chester's, Cinnabon, Pretzels, Popeye's, Domino's Pizza, Quiznos, Dunkin Donuts/Baskin-Robbins, Little Caesar's and Kentucky Fried Chicken (KFC). Among other foreign businesses operating under franchise agreements are automotive aftermarket services, clothing, movies and entertainment, cleaning and pest control, health & fitness, electronics, cosmetics & toiletries, business services, convenience stores, dry-cleaners, car rentals, mailing, and fast-printing. In addition, several major hotel chains are entering the market through construction of new facilities and acquisition of existing properties, such as Holiday Inn, Real Inter-Continental, Clarion Hotels, Best Western, Microtel Inn and Marriott International. In general, demand in this sector has been spurred by the local market need for quick services, convenient hours and locations, quality products, and most importantly, solid customer service. Honduras has no locally developed franchises.

Franchising is an area well worth exploring for growth and expansion of U.S. business. Regional stability and the growth in investor confidence have contributed directly to the increase in the availability of U.S. franchises in various economic activities. Some of the positive market entry factors found in Honduras for franchisers include the availability of suppliers and personnel, the absence of trade barriers, and a high receptivity to U.S. goods and services (especially if no equivalent local product or service exists). In addition, the CAFTA and the Honduran Investment Law (2002) provides for national treatment for most foreign direct investment, guaranteeing the right to foreigners to freely establish, acquire, and dispose of interests in business enterprises within constitutional bounds.

Finding the right partner will determine the ultimate success or failure of the franchise venture in Honduras, and potential franchisees must be carefully selected. The most promising candidates are those with proven financial resources that have already established a successful business in the country.

## Direct Marketing

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Direct marketing is still a relatively new concept in Honduras, mainly because telecom and mail delivery infrastructures are not well developed for this type of marketing. For example, obtaining reliable addresses is problematic, as the use of "reference" addresses (and not street names and numbers) is the common practice. Mail advertising of products and services is generally conducted through credit card companies, thus limiting the target market only to their respective credit card holders. Local company listings and mailing information can be obtained through local chambers of commerce and industry associations.

Overall growth in Cable TV and Internet subscriber markets is creating increased opportunities for direct TV sales and e-mail-based promotional campaigns. Among the companies that currently utilize non-conventional distribution channels are TV Offer, Ofertel (direct response TV), Avon Oriflame and Rommanel (catalog and door-to-door sales).

## Joint Ventures/Licensing

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The Honduran Investment Law (Decree #80-92) allows foreign investment and joint ventures between national and foreign investors through the execution of contracts whereby the contracting parties may contribute land, capital, services, technology, technical assistance or other assets for the production or marketing of goods and services. Licensing agreements, in which foreign firms are authorized to produce a patented product in exchange for royalty payments, are also guaranteed under the country's regulatory framework for investment. Laws applicable to joint venture and sharing contracts are also contained in Chapter XIII, Title II, Book IV of the Commercial Code.

A wide variety of opportunities for investment and strategic alliances are offered through joint venture initiatives. The 1992 Investment Law provides that, with few exceptions, there are no limits on the percentage of capital that can be owned by a foreigner. Thus, no special policy exists to regulate joint ventures, except that in certain sectors majority control must be in the hands of Honduran nationals. These include companies that wish to take advantage of the Agrarian Reform Law; wish to obtain commercial fishing rights; are local transportation companies; or seek to operate radio and TV stations. In general terms, the greatest opportunities for joint ventures can be found in the industrial, agricultural, tourism, power generation, forestry, construction, and service sectors. The Commercial Section regularly reports to the Department of Commerce about Honduran firms interested in pursuing joint ventures in various industry sectors.

The Foundation for Investment and Development of Exports (FIDE), a private institution dedicated to supporting the development of new export and investment sectors, works with local businesses to strengthen their capacity to attract foreign joint venture partners, and locates appropriate manufacturing facilities for investors. Additional information on FIDE's investment promotion programs is available at <http://www.hondurasinfo.hn>.

The Constitution of Honduras requires that all foreign investment complement, but not substitute for, national investment. In certain types of industries, majority Honduran ownership is required (see section VII, Investment Climate, Openness to Foreign

Investment). There are also limits on the amount of land a single corporation may own. Licensing of foreigners to practice law, medicine, engineering, and other professions is tightly regulated by national professional organizations.

Except for foreign currency earned by companies operating in free-trade zones and industrial parks, Honduran law allows that all foreign exchange earnings on exports from Honduras be repatriated. The liberalization of Honduras' foreign exchange regime now makes it easier for companies operating in the country to remit dividends and royalties, return capital overseas and make payments on foreign debt. Foreign exchange authorizations by the Central Bank have been eliminated, and foreign debt authorizations now take less than 48 hours to obtain. Remittances of dividends and royalties must still be approved by the Central Bank.

Taxation is an important issue to consider when investing in Honduras. The Financial Balance and Social Protection Act, Decree 194-2002 of June 5, 2002, introduced changes to the income tax, business assets tax, sales tax and car registration duties. Decree 131-98 of May 20, 1998 established a 4% tax on tourism-related services (including hotel accommodations, car rentals, and travel agents). Hotels and lodging facilities that serve a low-income clientele and are designated by the Honduran Ministry of Tourism are exempt from payment of this tax.

The corporate tax rate is 15% on the first LPS. 200,000.00 of taxable income and 25% on any income above that amount (as of January 2007 the exchange rate was \$1 = Lempiras 18.8952). As of 1999, the maximum income tax rate (above Lempiras 500,000.00) is 25%. Except for firms operating in the industrial parks, located in the free tourism zones (ZOLT) or under the Temporary Import Regime, income tax is payable on income derived from operations within Honduras. The annual period for computing the tax on taxable income begins on January first (1) and ends on December thirty-first (31). Non-resident aliens (and foreign companies not located in Export Processing Zones and Free Trade Zones) are only taxed on the gross income earned in Honduras. A 35% tax is assessed on corporate dividends and royalties for use of copyrights, patents, trademarks, and designs. Wages, salaries, commissions, or any other types of compensation are taxed at 35%. Under Decree 194-2002, the 15% tax levied on income, profits, dividends or any other type of profit sharing reserve receipts will be phased out according the following schedule: (10% in 2002; 5% in 2003 and 0% in 2004). The same schedule applies to the 10% tax applied to income earned by natural or artificial persons who are residents of or domiciled in the country, for dividends or any other type of profit sharing or reserve receipts. Capital gains are taxed as normal income, while capital losses can be used to offset capital gains only from the same period. Income from public shows is taxed at 30%, and insurance premiums at 15%. Honduras also collects excise, property, and municipal taxes based on income obtained during the previous year.

Other percentages taxed on the gross income earned in Honduras include films and videotapes for movies and television: 15%; royalties for mining, quarrying and other natural resource operations: 10%; income from the operation of airplanes, vessels and land vehicles: 10%; income from operations of communication firms: 5%; interest earned on bonds, notes, securities, and other obligations: 5%; any other income not covered above: 20%.

Public or private artificial persons who make payments or grant credits to natural or

artificial persons who are residents of Honduras but who are not exempt from the income tax, must withhold and pay to the tax authorities 12.5% of payments made or credits granted for professional fees, per diem allowances, commissions, awards, bonuses, and remuneration for technical services. Payments made under labor contracts entered into during the fiscal year, the fees for which are the sole source of income and do not exceed Lempiras 90,000.00, are exempted.

There is a 1% tax on net assets in Honduras. This tax applies to companies whose capital is greater than LPs. 750,000. However, the income tax paid by these companies is credited against the net assets tax, and many companies do not have any additional liability. Exempt from the net asset tax are individuals whose total net assets do not exceed Lempiras 3,000,000.00 (\$158,000.00); businesses in their pre-operative stages; and businesses operating in free trade zones, industrial processing zones, tourism free zones and maquilas. Payment of this tax is deductible from the income tax.

Other than the Tax Information Exchange Agreement (TIEA), signed between the United States and Honduras in 1991, there are no tax treaties between the U.S. and Honduras.

## **Selling to the Government**

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Honduras is subject to all government procurement provision of CAFTA. CAFTA-DR eliminated a requirement dictating foreign firms were required to act through a local agent (at least 51 percent Honduran-owned). The CAFTA-DR requires fair and transparent procurement procedures, including advance notice of purchases and timely and effective bid review procedures. Under the CAFTA-DR, U.S. suppliers are permitted to bid on procurements covered by the Agreement for most Honduran government entities, including most key ministries, on the same basis as Honduran suppliers. The anti-corruption provisions in the Agreement require each government to ensure that bribery in matters affecting trade and investment, including in government procurement, is treated as a criminal offense, or is subject to comparable penalties, under its law.

Foreign companies may appoint a local representative through a power of attorney. Bids are evaluated based on cost, delivery time, reputation of the firm, technical support, performance in previous contracts and specific aspects related to each particular bid.

Under the Government Contracting Law, which entered into force in October 2001, all public works contracts over one million Lempiras (approximately \$53,000 as of January 2007) must be offered through public competitive bidding. Public works contracts between 500,000 and one million Lempiras (\$25,000 and \$50,000) can be offered through a private bid, and contracts less than Lempiras 500,000 (\$25,000) are exempt from the bidding process. Government purchases and project acquisitions are generally exempted from import duties.

Some foreign firms complain of mismanagement and lack of transparency in the bid processes. One way that the Government of Honduras has tried to improve transparency and fairness in government procurement is by contracting with the United Nations Development Program (UNDP) to manage procurement for a number of ministries and state-owned entities. However, in some cases, U.S. companies have expressed concerns about the way UNDP has managed major procurements for the government, such as complaints that bid requirements were written so narrowly that they

avored a particular company from the outset and that UNDP management of invitation-only, limited-bid process, was not transparent.

In an effort to facilitate dissemination of public bidding opportunities, the Honduran government recently established an online Contracting and Procurement Information System known as "Hondocompras", which can be accessed at [www.hondocompras.hn](http://www.hondocompras.hn). Local government tender announcements and other pre-qualified trade opportunities may also be accessed through the Trade Leads Program database of the U.S. Department of Commerce at [www.export.gov](http://www.export.gov).

## **Distribution and Sales Channels**

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Distribution channels in Honduras are similar to those in the U.S. Although Honduras has fewer levels of distribution and a more limited number of specialty, chain, and department stores, new investments in the construction of large shopping malls and other smaller mixed-use commercial centers in strategic urban areas, as well as big retail stores such as PriceSmart and HyperPaiz, are a good indicator of increased opportunities in the retail distribution sector in Honduras.

Tegucigalpa and San Pedro Sula are the major distribution centers for imported products. The most common alternative channels include selling directly to customers, selling through intermediaries based in the United States, and selling through local distributors/representatives. U.S. firms will find that a single distributor or representative is sufficient to cover all of Honduras, given its relatively small size. The Honduran market has been traditionally highly receptive to U.S. products and services. To market aggressively, U.S. exporters should establish local representation or a local sales office.

Representatives and distributors tend to carry rather broad lines on a non-exclusive basis. The number of full-service local distributors that stock large inventories of parts and equipment is limited. Many local buyers make direct contacts with U.S. suppliers at the factory or warehouse level. Storeowners often buy goods in small lots from stores; export brokers, or wholesalers in the U.S., particularly in Miami, New Orleans and Houston, the principal gateway cities.

## **Selling Factors/Techniques**

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When selling in Honduras, U.S. exporters must take into account that for marketing purposes, the country is divided into two regions; the North Coast, including San Pedro Sula, the country's commercial and industrial capital; and the Central region, where Tegucigalpa, the political capital and largest city, is located.

Large importers and distributors in Honduras usually have offices in both cities to take advantage of market opportunities. In other instances, large international firms have granted exclusive distributor rights; i.e., one exclusive distributor in San Pedro Sula and another in Tegucigalpa. These types of arrangements are acceptable under current Honduran laws.

Price is among the most important selling factors in Honduras. In particular, consumer product categories such as electronics, appliances, and automobiles are highly competitive. In such cases, the sales promotion and customer service efforts of U.S. companies become extremely helpful. U.S. products are often preferred based on quality, technology, reliability, and availability factors.

Because of high (though falling) local interest rates generally offered only for the short term, importers / distributors, as well as Government of Honduras agencies, often have problems in securing the funds to purchase imports. U.S. exporters that offer attractive financing terms on sales to Honduran traders have the best chances of gaining market share. This is particularly true for large-scale projects. It is important to emphasize, however, that international firms must exercise due caution when granting credit to Honduran trading partners. Firms should take care to investigate the creditworthiness and reputation of potential partners before granting credit.

As in most Latin American countries, a good personal relationship with prospective customers is basic to penetrating the market. While it may take a little longer than is customary in the U.S. to consummate a business relationship, the investment in time can pay off in long-lasting and mutually profitable alliances.

## **Electronic Commerce**

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Electronic Commerce is gradually evolving in the Honduran market, as local internet connectivity is in a rapidly developing stage at both private and government levels. For example, significant improvements have been made within the public sector, as the majority of government institutions are using web-based infrastructure to facilitate information and electronic processing of documents, promote investment, and improve general services to the public. Additional information on e-government development is available at

<http://www.it.gob.hn/>

<http://www.gob.hn/>.

An increasing number of private sector companies are also utilizing e-commerce as an alternative sales strategy. There are several consumer trade sites and gateways currently marketing products and services via the internet, especially in the areas of grocery/foods, consumer household products, and tourism services. Among the most popular sites are:

[www.mallcredomatic.com](http://www.mallcredomatic.com)

[www.honduras.net](http://www.honduras.net)

[www.hondumall.com](http://www.hondumall.com)

[www.aeropost.com](http://www.aeropost.com)

[www.floresenlaweb.com](http://www.floresenlaweb.com)

[www.lacuracaonet.com](http://www.lacuracaonet.com)

[www.ladylee.com](http://www.ladylee.com)

[www.invitrohonduras.com](http://www.invitrohonduras.com)

[www.hondufowers.com](http://www.hondufowers.com)

[www.phoneservehn.com](http://www.phoneservehn.com)

[www.catracholandia.com](http://www.catracholandia.com)

[www.atelierdelamoda.com](http://www.atelierdelamoda.com)

[www.ahoracompro.com](http://www.ahoracompro.com)

[www.equipos.hn](http://www.equipos.hn)



[www.hondurasweb.com](http://www.hondurasweb.com)

Although there is no domestic legislation regulating e-commerce activities in Honduras, the CAFTA-DR includes provisions on electronic commerce that reflect its importance in global trade and for supplying services by electronic means as a key part of a vibrant e-commerce environment. Under the Agreement, Honduras has committed to provide non-discriminatory treatment of digital products and not to impose customs duties on such products, as well as to cooperate in numerous related policy areas.

## Trade Promotion and Advertising

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Most advertising in Honduras is conducted through newspaper, TV, and radio. Billboards are also a strong medium for reaching customers and delivering publicity campaigns, especially as vehicle traffic increases in the main urban areas. U.S.-style unipole structures are common in the local market, especially for those companies interested in increasing brand awareness or launching a new product. A number of advertisement agencies are also available to guide companies through the process of developing promotional activities and choosing the most appropriate media strategy.

Honduran newspapers are considered one of the best ways for advertising products and services. Major local newspapers and business journals include:

### Honduran Newspapers

#### ***Diario El Heraldo***

Spanish/Daily  
Sub-Director: Maria Antonia Martínez  
P.O. Box 1938  
Tegucigalpa, M.D.C., Honduras  
Tel: (504) 236-6000  
Fax: (504) 221-0778  
E-mail: [diario@heraldo.hn](mailto:diario@heraldo.hn)  
[Http://www.heraldo.com](http://www.heraldo.com)

#### ***Diario La Tribuna***

Spanish/Daily  
Manager: Manuel Acosta Medina  
P.O. Box 1501  
Comayagueta, M.D.C., Honduras  
Tel: (504) 233-1283  
Fax: (504) 234-2755  
E-mail: [macosta@latribuna.hn](mailto:macosta@latribuna.hn)  
[Http://www.latribuna.com](http://www.latribuna.com)

#### ***Honduras This Week***

English/Weekly  
Manager: Mario Gutierrez  
P.O. Box 1323  
Tegucigalpa M.D.C. Hondura  
Tel: (504) 239-0285  
Fax: (504) 232-2300  
E-mail: [hontweek@multidata.hn](mailto:hontweek@multidata.hn)  
[Http://www.hondurasthisweek.com](http://www.hondurasthisweek.com)

## **San Pedro Sula Based Newspapers**

### ***Diario La Prensa***

Spanish/Daily  
Director: Nelson Fernández  
P.O. Box 143  
San Pedro Sula, Honduras  
Tel: (504) 553-3101  
Fax: (504) 553-4020  
E-mail: [nelson@laprensa.hn](mailto:nelson@laprensa.hn)  
E-mail: [correos@laprensa.hn](mailto:correos@laprensa.hn)  
[Http://www.laprensahn.com](http://www.laprensahn.com)

### ***Diario El Tiempo***

Spanish/Daily  
Manager: Carlos Rosenthal  
P.O. Box 450  
San Pedro Sula, Honduras  
Tel: (504) 553-3388  
Fax: (504) 553-4590  
E-mail: [tiempo@continental.hn](mailto:tiempo@continental.hn)  
[amalia.Hernandez@continental.hn](mailto:amalia.Hernandez@continental.hn)  
[Http://www.tiempo.hn](http://www.tiempo.hn)

## **Honduran Business Journals**

### ***Estrategia & Negocios***

Spanish/Monthly  
Silvia de Angulo, manager  
Barrio Rió de Piedras 7<sup>th</sup> Calle entre 19-20 Ave. S.O.  
Tegucigalpa, Honduras  
Tel. (504) 553-5157  
Fax. (504) 553-5157  
E-mail: [sestynegsus@sulanet.net](mailto:sestynegsus@sulanet.net)

### ***Hablemos Claro Financiero***

Regina Wong Ayl, Manager  
Edificio Torre Libertad Blvd. Suyapa Col. Florencia Sur,  
Entre Ed. Leme y Escuela Antares  
Tel. (504) 239-4350 / 239-3916  
Fax. (504) 239-7008  
E-mail: [anuncios@hablemosclaro.com](mailto:anuncios@hablemosclaro.com)  
<http://www.hablemosclaro.com>

### **Trade Promotion:**

In addition to the export promotion programs of the U.S. Department of Commerce, the Commercial Service in Tegucigalpa can assist U.S. companies through trade missions, seminars, conferences, catalog shows and matchmaker events. These programs are conducted periodically on a cost-recovery basis with pre-approved budgets.

There are a limited number of privately organized trade promotion events in Honduras. Most local trade exhibits are organized by the Foundation for Investment and Development of Exports (FIDE), in cooperation with a specific industry sponsor, as well as by the Chambers of Commerce of Cortés (CCIC) and the Chamber of Commerce of Tegucigalpa (CCIT).

Located in the city of San Pedro Sula, Expocentro is the biggest local trade exhibit center. Expocentro holds approximately 12 trade shows a year. For more information on trade fairs taking place at Expocentro fair grounds please contact:

## **Expocentro**

P.O. Box 14, San Pedro Sula, Cortés, Honduras  
Tel: (504) 566-0345 up to 48, fax: (504) 566-0344  
Contact: Lilia Urrutia de Hernandez, Manager  
E-mail: [expocentro@ccichonduras.org](mailto:expocentro@ccichonduras.org)

### **Pricing**

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U.S. exporters should keep in mind the relatively small size of the Honduran market and the high elasticity of demand for consumer products when devising marketing strategies. Price is one of the most important elements that influence the receptivity score of most Honduran imports. In many cases, Honduran businesspeople buy directly from abroad if they feel that the cost of imports available in the local market is too high. U.S. exporters should carefully analyze both the cost approach and the market approach when making pricing decisions.

Price escalation represents another important consideration in terms of export retail pricing. Products imported into Honduras are usually priced based on the C.I.F. value, import duties, in-country transportation costs, and distributor margins.

The Honduran government controls the prices for coffee and medicines, and regulates the prices of gasoline, diesel, and liquid propane gas. In addition, it keeps an informal control over prices of certain staple products, such as milk and sugar, by pressuring producers and retailers to keep prices as low as possible. The Zelaya administration has been more aggressive in using such pressure, expanding their price-control efforts in 2006 to include such products as cement and steel. The local sales tax is 12% for most goods. Products exempted from the 12% tax include staple foods; purified water; medicines and pharmaceuticals; agrochemicals; educational materials; electrical power generation machinery and equipment; agricultural machinery and tools; handicrafts; and capital goods such as trucks, tractors, cranes, computers, and equipment used for the maquiladora industry. A 15% sales tax is also assessed on new cars, alcohol, cigarettes and tobacco products. Taxes on fuels, particularly gasoline, are among the highest in the Central American region.

Services exempt from the sales tax include utilities (electrical power and potable water), educational services, professional fees (legal, accounting, engineering, etc.), clinical and medical services, land transportation services, banking, insurance and financial services. Tourism services are subject to a 4% tax, with air transportation subject to a 10% tax.

### **Sales Service/Customer Support**

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The availability of adequate service and support frequently makes the difference in purchasing decisions, especially by the government. In general, it is important to secure sales through an established, reputable distributor that offers an adequate service infrastructure. U.S. companies should consider providing training, technical assistance, and sales support to their local counterparts, particularly for products that require periodic maintenance and service.

The protection of intellectual property rights (IPR) is under the jurisdiction of the Property Institute. The Division handles the registration of patents, trademarks and copyrights, as well as any complaints regarding their infringement.

Honduras is largely in compliance with the Trade Related Aspects of Intellectual Property Rights (TRIPS). In the late 1990s there was a strengthening of laws dealing with IPR, including a 1999 law on copyrights, patents, and trademarks as well as a royalty's law that came into force in January 2000. The Business Software Alliance established a presence in Honduras in 2000 to protect software companies from piracy in Honduras. The Property Institute and Attorney General's office cite procedural problems and a lack of resources as impediments to effective enforcement. The Government of Honduras in 2006 turned increased attention to IPR issues, but enforcement remains ineffective. An estimated 75% of all software in Honduras is pirated, and pirated movies and music are freely available on the streets of Honduran cities.

To be protected under Honduran law, patents and trademarks must be registered with the Property Institute. The life of patents range from 10 to 20 years, depending on the importance of the invention. Trademarks are valid up to 10 years from the registration date. "Notorious" or well-known trademarks are protected under the Pan American Convention (1917), to which Honduras is a party. Illegal registration of a well-known trademark, however, must be contested in court if the original holder is to exercise the rights. (Also see Section VII. G). Because this regulation favors first registration over first use, numerous cases have arisen of "squatting" on established trademarks, which the legitimate holder must then either purchase or contest in court. Data protection is provided for five years. Honduras also offers process patent protection.

A new law to meet CAFTA-DR obligations was passed in December 2005, strengthening Honduras IPR protection regime and conforming with, and in many areas exceeding, WTO norms. CAFTA-DR obligations also provide stronger deterrence to piracy and counterfeiting by criminalizing end-user piracy and requiring Honduras to authorize the seizure, forfeiture, and destruction of counterfeit and pirated goods and the equipment used to produce them. The CAFTA-DR text also mandates both statutory and actual damages for copyright and trademark infringement, which would ensure that monetary damages could be awarded even when it is difficult to assign a monetary value to the violation. Finally, under CAFTA-DR, prosecutors are able to confiscate pirated goods and file IP cases "ex-officio", or on their own initiative, without first requiring the affected company to file a criminal complaint.

Performing due diligence in Honduras, as in most of Central America, can be time-consuming and difficult. There are very few sources of independently verifiable information about companies and individuals. There are no publicly listed Honduran companies and rarely do they publish information about their officers, sales or financial information. Most companies are sole proprietorships and partnerships, and business generally is conducted based upon personal reputation and contacts.

Companies should request bank and trade references from potential agents and customers. The U.S. Department of Commerce in Honduras can assist your company in collecting information on Honduran companies through the International Company Profile (ICP) service, which can be ordered through any U.S. office of the U.S. Commercial Service (U.S. Export Assistance Centers). Find your USEAC at <http://www.export.gov>

Companies should also consult with their own U.S. banks for information on Honduran banks, most of which have correspondent banking relationships with banks in the southern states and East Coast.

## Local Professional Services

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Selecting a competent and reliable local attorney is an important first step to doing business in Honduras. The advice and counsel of a local attorney is essential to opening a business and to understanding Honduran judicial and administrative systems. The Economic/Commercial Section maintains a list of attorneys that have experience assisting U.S. firms. This list is posted on the Embassy's website at <http://honduras.state.gov>

The Embassy is not permitted to recommend a specific attorney from that list, though the Embassy makes every effort to remove from the list attorneys known to have provided poor services.

## Web Resources

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<a href="#">U.S. Commercial Service</a>	<a href="http://www.buyusa.gov/centralamerica/en">http://www.buyusa.gov/centralamerica/en</a>
<a href="#">U.S. Embassy Consular Section</a>	<a href="http://honduras.usembassy.gov">http://honduras.usembassy.gov</a>
<a href="#">FIDE</a>	<a href="http://www.hondurasinfo.hn/">http://www.hondurasinfo.hn/</a>
<a href="#">Programa Nacional de Competitividad</a>	<a href="http://www.hondurascompite.com/">http://www.hondurascompite.com/</a>
<a href="#">World Bank</a>	<a href="http://rru.worldbank.org/DoingBusiness">http://rru.worldbank.org/DoingBusiness</a>
<a href="#">Ministry of Industry and Trade</a>	<a href="http://www.sic.gob.hn">http://www.sic.gob.hn</a>
<a href="#">Secretaria de Recursos Naturales</a>	<a href="http://www.serna.gob.hn/">http://www.serna.gob.hn/</a>
<a href="#">Customs &amp; Tax Directorate</a>	<a href="http://www.dei.gob.hn">http://www.dei.gob.hn</a>
<a href="#">Social Security Institute</a>	<a href="http://www.ihss.hn">http://www.ihss.hn</a>
<a href="#">National Vocational Training Institute</a>	<a href="http://www.infop.org">http://www.infop.org</a>
<a href="#">Chamber of Commerce of Tegucigalpa</a>	<a href="http://www.ccit.hn">http://www.ccit.hn</a>
<a href="#">Chamber of Commerce of Cortes</a>	<a href="http://www.ccichonduras.org">http://www.ccichonduras.org</a>
<a href="#">Expocentro</a>	<a href="http://www.ccichonduras.org/expocentro">http://www.ccichonduras.org/expocentro</a>
<a href="#">Government Procurement</a>	<a href="http://www.honducompras.gob.hn">http://www.honducompras.gob.hn</a>
<a href="#">Property Institute</a>	<a href="http://www.ip.hn">http://www.ip.hn</a>
<a href="#">Honduran Central Bank</a>	<a href="http://www.bch.hn">http://www.bch.hn</a>
<a href="#">Business Software Alliance</a>	<a href="http://www.bsa.org">http://www.bsa.org</a>
<a href="#">Honduras Government Portal</a>	<a href="http://www.gob.hn">http://www.gob.hn</a>
<a href="#">Trade &amp; Investment Resource</a>	<a href="http://www.freetradehonduras.org">http://www.freetradehonduras.org</a>

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## Chapter 4: Leading Sectors for U.S. Export and Investment

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### **Commercial Sectors**

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## Telecommunications equipment and services

### Overview

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	2005	2006	2007 (estimated)
Total Market Size	190.0	200.0	210.0
Total Local Production	0.0	0.0	0.0
Total Exports	0.0	0.0	0.0
Total Imports	190.0	200.0	210.0
Imports from the U.S.	115.0	120.0	125.0

(The above statistics are unofficial estimates. Data in US\$ millions.)

The telecommunications sector in Honduras is scheduled to undergo a major restructuring process, evolving towards competitive markets led by the private sector, though that process has been largely stalled since mid-2005 due to Honduran government failure to pass legislation and regulations opening the sector to full competition. Entrance of new players in the fixed telephony market through the telephony for All (TPT) project, launched in 2003, generated profound changes in the country's telecom market structure, stimulating increased growth and network modernization. Those new entrants were permitted to operate only as sub-contractors of Hondutel, and as of February 2007 have still not been given authorization to operate independently. The telecom market officially opened to competition on December 25, 2005, when the national utility, Hondutel, lost its exclusivity for international long distance services. A major reform initiative for the sector is future passage of the new Telecom Framework Law, which remains under legislative review, and is expected to stimulate competition and investment, simplify licensing procedures, and strengthen the sector's regulatory entity (Conatel).

During 2007, investments in the telecom sector will be geared by service and coverage expansion plans of the two mobile operators, who are sharpening their strategies to improve their positions in the local market. The Band A operator (Tigo), for example, announced a \$100 million investment plan for this period. Increased competition is also expected for this sub-sector, as Hondutel has recently been granted a mobile band concession. There are also market entry probabilities under a fourth mobile band concession, upon passage of the new Telecom Framework Law. Under Hondutel's 2007 Investment Program, approximately \$38 million have been allocated for expansion of the fixed telephony network (100,000 new lines), as well as internet, mobile communications, and cable TV.

Access to telecommunications service in Honduras remains well below the Latin American average. Total number of fixed lines in service by year-end 2006 was 550,000, with only 6.86 lines per one hundred inhabitants. Estimated telephony demand for 2007 is 850,000 lines.

## Best Products/Services

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Among the most important investments conducted in the telecom sector during the period 2002-2006 were fixed telephony (through Hondutel and TpT sub-operators), mobile telephony (conducted by cellular operators Celtel-Millicom International Celular (Tigo) and Aló-América Móvil (Claro), Cable TV, data transmission, and radio broadcasting. Most promising telecom sub-sectors include fixed wireless (WiMax) and wireless telephone systems and equipment; data transmission equipment; fiber-optic equipment, internet, VoIP, and broadband integrated solutions. Mobile telephony expansion and internet access have been the highest growth areas. Increased opportunities exist for value added and triple-play services, such as those including telephony, broadband internet access, and video. Honduran topography also makes it difficult for increased access in fixed telephony, which creates more growth opportunities for wireless technologies in general.

## Opportunities

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Under CAFTA-DR, U.S. exports under the Information Technology Agreement will enter the Honduran market duty-free immediately after the treaty's enactment. At the regional level, the Central American countries and Mexico plan to develop a US\$60 million fiber optic broadband telecommunications network project to help facilitate data exchange and interconnection, known as the Mesoamerican Information Highway. This project, to be completed by early 2008 and supported by the IADB and CABEL, will utilize the region's existing electricity transmission infrastructure.

Increased liberalization, when it moves forward, coupled with the highly dynamic nature of the telecom sector, should stimulate the provision of new telecom services in the Honduran market. Further expansion of the Honduran telecommunications infrastructure is also anticipated, as the various new operators compete to service the current unsatisfied demand for fixed telephony. At the same time, Hondutel will need to embark in important investment efforts in order to improve its network's capabilities and secure its long-term competitive edge. As it enters into the mobile telephony market as the third cellular operator in the country, through the recently awarded Band B concession, the company will need to invest approximately \$125 million for the period 2007. Modernization investments are also foreseen in the areas of fiber optics; PCS; microwave network; fixed wireless band width access; and expansion of the telephone operating-center, submarine cable network, and trunking system.

The National Telecommunications Commission (Conatel) recently released an international public bid invitation for a mobile telephony service concession, involving the provision of Personal Communications Services (PCS) throughout the Honduran territory. The concessionaire of this fourth mobile band will be competing with Tigo, Claro and the national telecom company Hondutel.

## Resources

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National Telecommunications Commission <http://www.conatel.hn>  
Telecom Utility Company (Hondutel) <http://www.hondutel.hn>  
Regional Technical Telecom Commission <http://www.comtelca.hn>  
United Nations Development Program <http://www.undp.un.hn/pnudhondutel.htm>



International Telecommunications Union <http://www.itu.int>  
 Inter-American Development Bank <http://www.iadb.org/ppp>  
 Honduras Trade Portal <http://www.hondurastradeportal.com>  
 Regional Trade Statistics <http://www.sieca.org.gt>  
 National Statistics Institute <http://www.ine-hn.org>  
 CAFTA-DR Website <http://www.export.gov/cafta>  
 Plan Puebla Panama <http://ppp.sre.gob.mx>  
 Latin Business <http://www.latinbusinesschronicle.com/technology>  
 Central American Bank for Economic Integration <http://www.bcie.org>

## Security and Safety Equipment

### Overview

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	2005	2006	2007 (estimated)
Total Market Size	95.4	116.6	136.4
Total Local Production	0.00	0.00	0.00
Total Exports	0.00	0.00	0.00
Total Imports	95.4	116.6	136.4
Imports from the U.S.	81.0	106.2	122.1

(The above statistics are unofficial estimates)

Elevated crime rates have increased demand for safety and security equipment in all sectors of the economy, including among personal, residential, commercial, financial and national police force users. It is estimated that the general market for Security & Safety Equipment will grow at a rate of 17% for the next three years, as security clients look to replace guards with technology. The market for security and safety equipment is supplied entirely by imports, with the U.S. supplying over 80% of the total. Among third-country suppliers are Canada, Taiwan, France and Japan.

The market for residential security equipment is growing. Various private housing new projects contemplate the installation of different types of home security systems, such as alarms, sensors, smoke and fire detectors; water sprinklers and automated computerized home security systems. Demand for electronic alarm systems, closed circuit TV, one-way mirrors, bulletproof windows and armored vehicles are also on the rise for the commercial and banking sectors. Within the public sector, the Ministry of Security has been authorized, through a governmental executive decree, to make direct purchases of modern technology for safety and security purposes.

### Best Prospects/Services

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Electronic surveillance equipment  
 Biometric systems  
 Alarm systems (fire and smoke/burglar/motion)  
 TV closed circuits  
 Security Cameras

Remote monitoring; Perimeter security  
Electric residential fences  
Armored Vehicles  
Protective Clothing  
X-ray Inspection Equipment  
Safes and Strong Boxes  
Sprinkler Systems  
Smoke Detectors  
Fire Extinguishers  
Vehicle Alarm Systems  
Airport and sea port safety & security equipment

## **Opportunities**

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In compliance to the U.S. Customs Service's Container Security Initiative, the National Port Authority has obtained maritime certification, encompassing the acquisition of technology to pre-screen cargo containers before they arrive at U.S. ports, as well as the countering of any illegal activities that may occur at the ports. Among the equipment needed to increase security in local ports are x-ray inspection equipment, security cameras and other specialized electronic security devices. In addition to port infrastructure, the country's four international airports are undergoing a series of urgent improvements and terminal expansion plans involving on going safety and security equipment.

## **Resources**

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Honduras Trade Portal	<a href="http://www.hondurastradeportal.com">http://www.hondurastradeportal.com</a>
Government Procurement Online System	<a href="http://www.hondurastradeportal.com">http://www.hondurastradeportal.com</a>
Trade & Investment Portal	<a href="http://www.freetradehonduras.org">http://www.freetradehonduras.org</a>

The US Commercial Service under the International Buyer Program provides assistance, information and registration for the following Trade Shows:

ASIS International 2007 (Security Solutions Expo)	<a href="http://www.asisonline.org">www.asisonline.org</a>
C3 Expo (Corporate and channel computing)	<a href="http://www.c3expo.com">www.c3expo.com</a>
CTIA Wireless	<a href="http://www.ctiawireless.com">www.ctiawireless.com</a>
Infocomm International	<a href="http://www.infocomm.org">www.infocomm.org</a>
International Security Conf/Expo (ISC-Expo)	<a href="http://www.iscwest.com">www.iscwest.com</a>

## Automotive Parts / Service Equipment

### Overview

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	2005	2006	2007 (estimated)
Total Market Size	120.7.8	126.0	138.0
Total Local Production	0.0	0.00	0.00
Total Exports	0.0	0.00	0.00
Total Imports	120.7	126.0	138.0
Imports from the U.S.	74.7	81.3	89.4

(The above statistics are unofficial estimates)

Market demand for U.S. products in this sector looks promising, with an expected growth rate of 10% over the next three years. An aging car population continues to fuel demand for automotive parts and accessories in Honduras. An estimated 70% of the total vehicle population is at least 5 years old and in need of constant repairs. The introduction of U.S. manufactured vehicles has also increased significantly over recent years, posing greater opportunities for American exporters. Honduras has no local production of automotive parts & accessories. The United States is one of the major suppliers in this sector, along with Japan, Taiwan, Korea, China, Brazil, Mexico, Germany and the U.K.

Public service transportation units represent one of the major end-users of automotive parts and accessories in Honduras. Most of the urban transportation fleets use buses of low operational quality, which are 80% obsolete. The replacement needs for urban buses alone is estimated at \$60 million.

There are more than 300 retailers of automotive parts and accessories in Honduras who buy directly from overseas or through local distributors. Japanese cars and light trucks dominate the market but parts are often purchased through the United States. American-made pickups, SUVs, heavy trucks and buses have stronger shares of the local market. Recent tariff changes for automotive vehicles include an overall reduction in tariffs, elimination of the disadvantage to U.S. vehicles vs. Japanese models as Honduras rescinded the tariff based on engine size, and the implementation of a complete ban on the importation of used vehicles more than ten years old.

### Best Prospects/Services

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In general, most automotive aftermarket products and service equipment are expected to offer good sales opportunities in the Honduran market. Particularly promising products include:

- All types of engine spare parts
- Electrical and brake system components
- transmission and suspension parts
- tires; wheels
- bumpers; spoilers; tail lights
- mobile electronics; alarms; sound systems
- repair shop, paint, tools & equipment
- emission control equipment

- batteries
- automotive accessories

## Opportunities

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In order to comply with the “Regulation of Hazardous Gas Emissions of Automotive Vehicles” enacted in 2001, aimed at reducing the increasing air pollution levels generated by tailpipe emissions in the major cities of Honduras, all passenger motor vehicles need to be fitted with an emissions control system or catalytic converter. This important regulatory measure, coupled with the growing demand for effective emissions control devices, should positively influence the demand for automotive parts and accessories through local repair shop services.

The Commercial Service Office in Tegucigalpa annually recruits and leads a delegation of Honduran automotive aftermarket leaders to the AAIW (Sema/AAPEX) show in Las Vegas, Nevada, the most important retail and specialty automotive aftermarket trade event in the U.S. For more information on this International Buyer Program, please visit [www.aaiwshow.com](http://www.aaiwshow.com).

## Resources

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Honduran Association of Automotive Dealers and Distributors of Automotive Parts & Accessories	<a href="http://www.ahdiva.com">http://www.ahdiva.com</a>
Honduran Customs Directorate	<a href="http://www.dei.gob.hn">http://www.dei.gob.hn</a>
Honduras Trade Portal	<a href="http://www.hondurastradeportal.com">http://www.hondurastradeportal.com</a>
Regional Trade Statistics	<a href="http://www.sieca.org.gt">http://www.sieca.org.gt</a>
National Statistics Institute	<a href="http://www.ine-hn.org">http://www.ine-hn.org</a>
CAFTA-DR Website	<a href="http://www.export.gov/cafta">http://www.export.gov/cafta</a>
Automotive Aftermarket Industry Week	<a href="http://www.aaiwshow.com">http://www.aaiwshow.com</a>
U.S. Commercial Service	<a href="http://www.BuyUSA.gov/centralamerica">http://www.BuyUSA.gov/centralamerica</a>

## Franchising

### Overview

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The popularity of franchising continues to grow steadily in Honduras, especially in the fast-food and casual dining sector. Honduras' population as of December 2005 has been estimated at 7.2 million, with Tegucigalpa, the capital, at 1,200,000 and San Pedro Sula, the country's main business center, at 850,000 inhabitants. Honduras has over 60 international franchises concentrated throughout these two main cities.

No official figures on the franchise sector are available, and the industry has not yet formed an association. Honduras has no locally developed franchises. The market is expected to grow 10 percent per year during the next 3 years. Great interest exists to open new franchises in Honduras, as can be observed during the International Franchise Expo (IFE). Honduras participates annually in this event, with a delegation of local businesspeople recruited by the Commercial Service through the International Buyer Program (IBP).

### Best Prospects/Services

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In addition to the food/beverage and casual dining sub-sector, demand for convenience, hotels/motels & resorts, and entertainment services is growing rapidly. These services include dry cleaning, pest control, day care learning centers, security, advertising, real estate, discount stores, convenience store/pharmacy, cosmetics and toiletries, and casual clothing.

### Opportunities

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Market developments involving tourism, construction, and social infrastructure projects should create excellent prospects for U.S. franchises interested in exploring the Honduran market. A good indicator of potential opportunities in the franchising sector is the country's emphasis on supporting tourism development as a key cluster for economic growth. Strong efforts in promoting Honduras as one of the world's top tourism destinations has resulted in 78 percent increase in the number of tourists for the period 2002-2006. The government is encouraging investments in large-scale projects, such as the Tela Bay tourism complex, which will bring franchise concept opportunities in connection to the establishment of hotels, restaurants, and beach resorts. Urban modernization and a highly consumer-oriented society are attracting increased investments in the construction of large shopping malls and retail outlets throughout the country's largest cities, providing additional opportunities for securing strategically located franchise outlets.

There is no special franchise legislation in Honduras. Franchise companies are subject to normal trade laws such as paying a 25 percent tax on royalties and a value-added tax of 12 percent. Under the CAFTA-DR trade agreement, most import duties for U.S. exports have been reduced.

When Central American investors consider a franchise concept, they look for reputable franchisors with a worldwide presence and solid acceptance in other markets, able to provide extensive training and start-up support. Local investors also look for

recognizable trademarks, as local consumers consider recognizable U.S. trademarks as high quality articles. Potential franchisees are usually young, wealthy executives familiar with the U.S. and other countries or large corporations that already own more than one franchise in different industry sectors, such as fast food.

## **Resources**

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International Franchise Expo

<http://www.franchiseexpo.com>

Honduras Trade Portal

<http://www.hondurastradeportal.com>

International Franchise Association

<http://www.franchise.org>

CAFTA-DR Website

<http://www.export.gov/cafta>

U.S. Commercial Service

<http://www.BuyUSA.gov/centralamerica>

## Textile Machinery, Equipment and fabrics

### Overview

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	2004	2005	2006 (estimated)
Total Market Size	23.00	25.00	30.00
Total Local Production (Fabric)*	38.00	40.00	45.00
Total Exports(Apparel)**	128.00	132.00	140.00
Total Exports(Apparel)***	2,521.00	2,600.00	2,700.00
Total Imports	25.00	26.00	28.00
Total Imports from U.S.	11.00	12.00	15.00

(The above statistics are unofficial estimates)

\* **Lbs. Per Month**, \*\***Dozens**, \*\*\***U.S. Dollars**

Honduras is the third largest exporter of apparel and textile products to the US market. With private industry construction of industrial parks, equipped with advanced technology and up-to-date infrastructure, Honduras hosts some of the region's most successful textile manufacturers. Over 40% of the companies established in export processing zones are of US origin. According to the Honduran Manufacturers Association, the Caribbean Basin Trade Partnership Act (CBTPA) has made the country more attractive to drawback factory investment, construction and expansion of industrial parks, and dyes to manufacture and process textile products used in the manufacturing industry. Average annual growth rate for the industry is 5-7% for the next three years.

### Best Prospects/Services

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Most promising sub-sector categories within the industry for the next two years:

\*Full Package Programs

\*Fabric producers starting from the Spinning process

\*Opening of woven textile companies

\*Accessories to be produced in order to supply the full package companies: trims, zippers, buttons, yarn, boxes, plastic bags, hangers, thread, etc.

### Opportunities

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Honduras is the heart of Central America and owns the most important Port in the region, Puerto Cortes. Vertical integration is the key to the industry's growth. Honduras plans to be the textile hub of the region in the next 2 years. Fabric companies are welcome to invest in a country that offers one of the highest quality and integrated industries in Central America and the Caribbean. Honduras is currently the No. 1 importer of Yarn in the region, importing more than 170,000,000 kg. Per year.

### Resources

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- Honduran Manufacturers Association: [www.ahm-honduras.com](http://www.ahm-honduras.com)
- Sewn Products Equipment & Suppliers of the Americas: [www.spesa.org](http://www.spesa.org)
- American Apparel and Footwear Association: [www.apparelandfootwear.org](http://www.apparelandfootwear.org)

The US Commercial Service under the International Buyer Program provides assistance, information and registration for the following Trade Shows:

MAGIC Marketplace

[www.magiconline.com](http://www.magiconline.com)



## Food Processing and Packaging

### Overview

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	2004	2005	2006 (estimated)
Total Market Size	10.95	12.10	13.20
Total Local Production	1.00	1.25	1.40
Total Exports	1.05	1.12	1.15
Total Imports	10.95	12.10	13.20
Imports from the U.S.	11.00	12.00	13.00

(The above statistics are unofficial estimates)

The total market for food processing and packaging equipment in Honduras has increased steadily over the past few years and further increases are expected in the years to come. The United States continues to be Honduras' largest supplier of food processing and packaging equipment, enjoying a high level of acceptance and reputation for high quality.

### Best Products/Services

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Industrial Machinery, plant equipment for food and beverage production

Can Sealing machines

Packaging and wrapping machinery

Machinery parts

Machinery for processing of fruits, nuts and vegetables.

Machinery for the industrial prep. of manufactured foods, drinks

### Opportunities

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The market for food processing and packaging machinery in Honduras has increased steadily over the last five years. Honduran exporters are pursuing expansion plans to increase production and improve the quality of their exports, particularly non-traditional agricultural products such as melons, watermelons, mangoes, winter vegetables, fruits and flowers. With CAFTA, producers are looking forward to opportunities of exporting new products to the American market. Everyday, more and more companies are strengthening the offer of processed products such as tortillas; processed wheat, soy or oats; dehydrated fruits and vegetables; Individual Quick Frost fruit and vegetables; Milk cooling tanks.

### Resources

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Foreign Agricultural Service

[www.fas.usda.gov](http://www.fas.usda.gov)

The US Commercial Service under the International Buyer Program provides assistance, information and registration for the following Trade Shows:

National Restaurant Association

[www.restaurant.org](http://www.restaurant.org)

Packexpo  
Worldwide Food Expo  
Food Marketing Institute

[www.pmmi.org](http://www.pmmi.org)  
<http://www.idfa.org/meetings/2005wwfexpo.cfm>  
[www.fmi.org](http://www.fmi.org)

## Computers and Peripherals

### Overview

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	2004	2005	2006 (estimated)
Total Market Size	51.0	56.0	64.4
Total Local Production	0.0	0.0	0.0
Total Exports	0.0	0.0	0.0
Total Imports	51.0	56.0	64.4
Imports from the U.S.	46.5	53.5	61.5

(The above statistics are unofficial. Figures are in US\$ millions).

Although most Honduran imports of Computers and Peripherals are from the U.S., not all of this equipment is made in the United States. Many Asian countries have large distribution centers in Miami; therefore, trans-shipment data is not reflected in local import statistics.

The market for computers and peripherals in Honduras is still growing. Demand is intensifying with the growing use of computers in most sectors of the economy, especially personal computers and software/multimedia. Increased IT modernization needs, the introduction of new and faster products, E-Government initiatives, and the increasing interest in Internet access have all helped fuel demand for computer equipment in Honduras. Government deregulation efforts are also contributing to the sector's continuous growth. Small businesses, medium-sized enterprises, and households are emerging as important customers for computer equipment suppliers as a result of Internet popularity and expansion. Although still low compared to other Latin American countries, with a penetration of 0.32 percent per 100 inhabitants, average annual growth rate for internet coverage is 41.3 percent. Among the leading computer brands are Dell, Compaq, Hewlett-Packard, and IBM. Honduras does not apply any import duties to computer equipment and most software. The estimated average growth rate is 10-15 percent for the period 2006-2008. Honduras is the fourth largest market for computer equipment in the CAFTA region.

### Best Products/Services

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The most promising sub-sectors for Honduras are computer systems, computer equipment parts and peripheral equipment, including:

- Storage devices and digitizers
- Hard disks
- Keyboard units
- Computer monitors
- Server Systems
- Modems
- CD-Rom Drives
- Single and Multifunction Printer Units; Memory modules and parts for printers
- PCs

Computer Software/Multimedia:

- Specialized software applications (accounting, financial)
- General Business Application solutions for Windows
- Systems supporting software
- Software development/programming tools
- Software games

## Opportunities

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One of the local government's IT priorities, recently announced by the new administration for the period 2006-2010, is provision of computer equipment for the country's public educational network. Development of digital libraries and virtual laboratories are also important initiatives currently underway between the Honduras National University and private colleges, aimed at improving the country's educational and university research levels. At the regional level under the Plan Puebla Panama initiative, the Central American countries have agreed to develop a "Mesoamerican Information Society" and strengthen IT cooperation efforts for the establishment of Internet "telecenters" throughout rural areas.

The clone equipment market assembled with Asian, U.S., European and Latin American parts is also well established locally due to competitive prices. Imported clone components include motherboards, keyboards, mouses and cases, among others. Asian parts and components used to build a clone generally comprise 60 to 75 percent of the finished product. Between 25-40 percent of U.S. parts are used in the process of computer clone manufacturing -- for example: hard drives (Seagate) and micro-processors (Intel and AMD)].

The CAFTA-DR agreement will provide greater levels of intellectual property protection for the IT industry in general. Under CAFTA, U.S. exporters will also benefit from total elimination of tariffs on software products.

## Resources

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IT Governmental Committee	<a href="http://www.it.gob.hn">http://www.it.gob.hn</a>
Government Procurement	<a href="http://www.honducompras.gob.hn">http://www.honducompras.gob.hn</a>
Honduran Science and Technology Council	<a href="http://www.cohcit.gob.hn">http://www.cohcit.gob.hn</a>
Ministry of Education	<a href="http://www.se.gob.hn">http://www.se.gob.hn</a>
Honduras Trade Portal	<a href="http://www.hondurastradeportal.com">http://www.hondurastradeportal.com</a>
CAFTA-DR Website	<a href="http://www.export.gov/cafta">http://www.export.gov/cafta</a>
Regional Trade Statistics	<a href="http://www.sieca.org.gt">http://www.sieca.org.gt</a>
National Statistics Institute	<a href="http://www.ine-hn.org">http://www.ine-hn.org</a>
International Data Corporation	<a href="http://www.idc.com">http://www.idc.com</a>
Honduran Customs Directorate	<a href="http://www.dei.gob.hn">http://www.dei.gob.hn</a>

## E Electrical Power Systems and components

### Overview

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	2005	2006	2007 (estimated)
Total Market Size	180.0	190.0	200.0
Total Local Production	0.0	0.0	0.0
Total Exports	0.0	0.0	0.0
Total Imports	180.0	190.0	200.0
Imports from the U.S.	125.0	130.0	135.0

(The above statistics are unofficial estimates. Data in US\$ millions.)

Energy demand in Honduras is growing at approximately 7.3 percent a year. The National Electrical Energy Company (ENNE) forecasts needs of 856.5 MW generating capacity for the period 2006-2008. The country's current installed capacity is 1,450.4 MW (478.1 hydro; 912.5 thermoelectric; 59.8 biomass). Approximately 36 percent of the total of fuel imports is utilized for thermoelectric generation, a situation that has contributed to the country's internal deficit. As such, expansion of power production using renewable energy technologies is a priority in current energy policy. At present, electrical power coverage in Honduras is 62 percent, which means that approximately 2.5 million citizens (particularly those living in rural areas), do not have access to electricity. With demand growing rapidly, especially in the industrial, commercial, and residential sectors, ENEE has entered into a period of expansion efforts aimed at extending its transmission grid to incorporate rural communities in Honduras, as well as expanding the distribution capacity in high growth areas. At present, however, ENEE is also undergoing a major internal administrative, technical, and financial restructuring process.

### Best Products/Services

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Renewable energy sources, co-generation, energy efficiency and rural electrification are top priorities on the country's energy agenda. The following is a list of the most promising sub-sector categories within the industry for the next three years:

- Electrical Power Generators
- Parts of panels, boards, consoles and transformers
- Hydroelectric Turbines
- Circuit Breakers
- Switch Gear
- Conducting Cable
- Parts of Steam and other Turbines

### Opportunities

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The Honduran territory has great potential for energy generation through renewable sources, estimated at 13,268.43 MW. Most promising projects are in the areas of hydro, biomass, co-generation, wind, and geothermal sources. Under the country's energy policy action plan for the period 2005-20014, aimed at reducing the country's dependency on fossil fuels, energy generation through renewable sources is expected to

increase by 27 percent (approximately 350.4 MW of installed capacity). In particular, the potential for hydroelectric generation is significant (around 3,200 MW). Financing support in this sector is primarily led by the Central American Bank for Economic Integration (CABEI). Rural electrification is another key component of the country's energy agenda. Under ENEE's Strategic Plan for National Electrification, electrical power coverage in Honduras is expected to increase from 62 to 75 percent by the year 2008, though severe financial difficulties at the state-run company make attainment of that goal unlikely.

A recently passed Renewable Energy Law, designed to promote the development and use of non-fossil based domestic energy sources, may also help promote development in this sector. The new law provides significant incentives for renewable energy projects such as a tax holiday on profits for projects under 50 MW installed capacity, and tax exemptions on imported machinery for 12 or 15 years, depending on the size of the project. If renewable energy production does increase, the potential market for power generation equipment would be approximately USD200 million, representing a strong opportunity for U.S. firms.

Imports of electric power systems, equipment and materials for the Central American region are also being determined by the Central American Electric Interconnection System (SIEPAC). The \$320 million project, scheduled to be finalized in 2008, has received financial approval (approximately \$240 million) from the Inter-American Development Bank (IADB). This regional energy integration project is part of the Plan Puebla Panamá (PPP) initiative, which requires the construction of 230 kilovolt power transmission lines and substations to create a 1,800 km new transmission backbone extending from Panama to Guatemala (passing through the southern part of Honduras). Another important initiative at the regional level is the Mesoamerican Energy Integration Plan (PIEM), led by the Mexican government. Under the PIEM, participating countries have agreed on a list of projects on energy efficiency and have discussed ways to cooperate on renewables. Some of the project proposals under PIEM include the construction of a refinery and a natural gas pipeline. Both IADB and CABEI are providing financing support for this regional initiative.

## Resources

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Ministry of Natural Resources & the Environment	<a href="http://www.serna.gob.hn">http://www.serna.gob.hn</a>
National Electric Company	<a href="http://www.enee.gob.hn">http://www.enee.gob.hn</a>
National Energy Commission	<a href="http://www.cne.gob.hn">http://www.cne.gob.hn</a>
Central American Bank for Economic Integration	<a href="http://www.bcie.org">http://www.bcie.org</a>
Regional Trade Statistics	<a href="http://www.sieca.org.gt">http://www.sieca.org.gt</a>
CAFTA-DR Website	<a href="http://www.export.gov/cafta">http://www.export.gov/cafta</a>
Regional Commission for Electric Interconnection	<a href="http://crie.org.gt">http://crie.org.gt</a>
Energy and Environment Partnership with C.A.	<a href="http://www.sgsica.org/energia">http://www.sgsica.org/energia</a>
Central American Commission For Environment And Development	<a href="http://www.ccad.ws">http://www.ccad.ws</a>
Plan Puebla Panama Initiative	<a href="http://www.sre.gob.mex">http://www.sre.gob.mex</a>
Inter-American Development Bank	<a href="http://www.iadb.org/ppp">http://www.iadb.org/ppp</a>
Energy Information Administration	<a href="http://www.eia.doe.gov">http://www.eia.doe.gov</a>
Honduras Trade Portal	<a href="http://www.hondurastradeportal.com">http://www.hondurastradeportal.com</a>
SIEPAC Network Company	<a href="http://www.eprsiepac.com">http://www.eprsiepac.com</a>
Presidential Modernization Commission	<a href="http://www.sse.cpme.gob.hn">http://www.sse.cpme.gob.hn</a>

## **Hotel and Restaurant Equipment**

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Hotel and Restaurant Equipment is one of the TOP 10 leading sectors for U.S. companies. The U.S. is the leader in equipment exports to the region with approximately 40% of the market.

Tourism – whether it's for historic attractions, sporting activities, or for just relaxation -- plays a significant role in nearly all of the Central American economies, and have stimulated growth in the hotel and restaurant industry growth. Equipment and supplies to support this sector are therefore in great demand.

The hotel industry is rapidly expanding in urban and rural tourism. Many of the new projects include bungalow-type resorts, apart-hotels, cabins, hostels and inns. Convention traffic is also increasing.

The restaurant industry is growing at an even faster rate. Many first-class restaurants, fast-food chains and franchises are opening, ice cream parlors, Internet cafes development of new shopping malls and centers.

### **Best Products/Services**

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Hotel and Institutional Catering Equipment  
Commercial Kitchen Equipment  
Fast Food Equipment  
Food Preparation Equipment  
Restaurant Equipment  
Vending Machines  
Commercial Laundry Equipment  
Resort Furnishing/Equipment  
Refrigeration/Freezing Equipment  
Cooking appliances: ovens, ranges, broilers, grills, fryers, baking and pasta machines  
Refrigeration compressors and air conditioning  
Dishwashers and laundry machines  
Catering equipment and vending machines  
Kitchen sundries, glassware, china, tableware and flatware  
Franchise opportunities for restaurants and hotels

### **Opportunities**

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With CAFTA, more than 80% of U.S. exports of consumer and industrial goods will become duty free in Central America immediately, with remaining tariffs phased out over

10 years. The establishment of a secure, predictable legal framework for U.S. investors in Central America is expected

Imports from the U.S. represent approximately 40% of all imports in this industry. Distributors of hotel and restaurant equipment indicate that they want to market quality equipment and supplies, with availability of spare parts and technical assistance where required. Financing facilities are sought. Many of the hotels and restaurants are U.S. franchises and these search for high quality supplies and equipment.

The elimination of tariffs for products in these sectors will make U.S. equipment more price-competitive.

Other advantages for U.S. products: virtually no import restrictions; standards are similar to the U.S.; a variety of qualified agents and distributors available; growing use of English in local commerce.

The Tela Bay project is a major priority in the country's tourism development strategy. The property set aside for the project covers 107 hectares of Caribbean coastline, including approximately three kilometers of beach. It is owned by the Honduran Institute of Tourism. The physical, social and cultural characteristics of the project zone, in addition to its careful planning, give the Tela Bay project everything it needs to become a sustainable tourism destination where profitability and nature are well balanced. The Tela Bay project has a capacity of 1,013 hotel rooms, 454 condominium/rentals, 124 residential units and 3,068 square meters of commercial space. Areas have also been set aside for recreational activities, administration and public services. All development criteria have been designed to remain flexible and envision for the future a marina in the village of Miami, a golf course in the city of Tela, approximately 8 kilometers from the project site.

## Resources

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Honduran Institute of Tourism

[www.letsgehonduras.com](http://www.letsgehonduras.com)

Commercial Service Central America:

[www.buyusa.centralamerica/en](http://www.buyusa.centralamerica/en)

Information on CAFTA:

International Trade Administration:

[www.ita.gov/cafta](http://www.ita.gov/cafta)

The US Commercial Service under the International Buyer Program provides assistance, information and registration for the following Trade Shows:

National Restaurant Association

[www.restaurant.org](http://www.restaurant.org)



## Agricultural Sectors

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- [Processed fruits and vegetables](#)
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## Coarse Grains

### Overview

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	2003	2004	2005 (estimated)
Total Market Size	106.0	103.2	106
Total Local Production	76.6	73.3	77
Total Exports	0	0	0
Total Imports	29.4	29.9	39.9
Imports from the U.S.	27.5	29.6	39.7

(Statistics are unofficial estimates)

Under the category of coarse grains, white corn is the grain produced on the largest scale in Honduras. It is utilized mainly for human consumption. However, production is not sufficient to satisfy demand. Lack of affordable credit, poor seed quality, several consecutive years of weather anomalies, and other factors have prevented Honduras from becoming self sufficient.

### Best Products/Services

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The main product imported in the coarse grain category is yellow corn. An average of 65% of yellow corn is imported within the coarse grain category. Imports of yellow corn from the U.S. are in demand to manufacture feed for the poultry, shrimp, livestock and swine industries.

### Opportunities

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The poultry, livestock, aquaculture and swine sector will continue to growth. It is expected that Honduras will demand yellow corn to manufacture feed. Honduras is ranked 25th among the leading country markets for U.S. coarse grains imports.

Once CAFTA-DR goes into effect, in the case of white corn Honduras will not reduce the out-of-quota duty, but liberalization will occur through a quota which will grow 2% per year into perpetuity. Honduras will have a base quota of 23,000 MT for white corn. In reference to yellow corn the tariff will be eliminated by 15 years and a quota will be

established. Honduras will have a quota of 181,437 MT, growing by 5% per year. Tariff cuts will be backloaded.

## Resources

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- U.S. Department of Agriculture  
Foreign Agricultural Service in Honduras
- Exporter Guide 2004 at [www.fas.usda.gov/scriptsw/attacherep/defaults.asp](http://www.fas.usda.gov/scriptsw/attacherep/defaults.asp)
- FAIRS Report 2004 [www.fas.usda.gov/scriptsw/attacherep/defaults.asp](http://www.fas.usda.gov/scriptsw/attacherep/defaults.asp)

## Rice

### Overview

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	2003	2004	2005 (estimated)
Total Market Size	27.3	38.3	38.6
Total Local Production	7.2	5.2	5.7
Total Exports	0	0	0
Total Imports	20.1	33.1	30.8
Imports from the U.S.	20.1	33.1	30.8

(Statistics are unofficial estimates)

Of all the grains produced in Honduras, rice is produced on the smallest scale. Chronic production problems have not allowed domestic rice farmers to increase their output and keep up with the demand. As a result, rice imports have become a necessity in Honduras.

### Best Prospects/Services

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Local rice millers prefer to import paddy rice for price reasons and to keep their plants running. However, milled rice is also imported into Honduras.

### Opportunities

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Historically, virtually all rice imports have been from the U.S. Honduran import demand is expected to remain strong. Honduras is ranked 11<sup>th</sup> among the leading 35 country markets for U.S. rice imports.

Once CAFTA-DR goes into effect rice tariff will be eliminated in 18 years. Tariff cuts will be backloaded, with out-of-quota imports subject to a safeguard. There will be a base quota of 90,000 MT for rough rice, growing by 2% per year. Imports under the quota will be subject to a performance requirement, which will be eliminated in 18 years. A base quota of 8,500 MT will be for milled rice, growing by 5% per year.

## Resources

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- U.S. Department of Agriculture

Foreign Agricultural Service in Honduras

- Exporter Guide 2004 at [www.fas.usda.gov/scripts/attacherep/defaults.asp](http://www.fas.usda.gov/scripts/attacherep/defaults.asp)
- FAIRS Report 2004 [www.fas.usda.gov/scripts/attacherep/defaults.asp](http://www.fas.usda.gov/scripts/attacherep/defaults.asp)

## Wheat

### Overview

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	2003	2004	2005 (estimated)
Total Market Size	27.0	28.1	30.0
Total Local Production	0	0	0
Total Exports	0	0	0
Total Imports	27.0	28.1	30.0
Imports from the U.S.	27.0	28.1	30.0

(Statistics are unofficial estimates)

Honduras's land and climate are unsuitable for commercial wheat farming. The country depends on imports to fill its wheat demand.

### Best Prospects/Services

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Industry needs of wheat in Honduras average per year 202,000 MT, with the vast majority coming from the U.S.

### Opportunities

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The U.S. should remain Honduras' main source of wheat, both through commercial channels and donations. U.S. tariffs on Honduras imports are currently zero. Once CAFTA-DR goes into effect, the tariff will be set at zero immediately. Honduras ranks 33<sup>th</sup> among the leading 35 country markets for U.S. wheat imports.

### Resources

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- U.S. Department of Agriculture  
Foreign Agricultural Service in Honduras
- Exporter Guide 2004 at [www.fas.usda.gov/scripts/attacherep/defaults.asp](http://www.fas.usda.gov/scripts/attacherep/defaults.asp)
- FAIRS Report 2004 [www.fas.usda.gov/scripts/attacherep/defaults.asp](http://www.fas.usda.gov/scripts/attacherep/defaults.asp)

## Soybean meal

### Overview

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	2003	2004	2005 (estimated)
Total Market Size	25.9	21.4	31.3
Total Local Production	0	0	0
Total Exports	0	0	0
Total Imports	25.9	21.4	31.3
Imports from the U.S.	25.9	21.4	31.3

(Statistics are unofficial estimates)

Traditionally, Honduras has filled virtually all of its soybean meal demand with U.S. product. Domestic production is negligible.

### Best Prospects/Services

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The growing poultry and shrimp sectors in Honduras have triggered increasing demand for soybean meal in recent years.

### Opportunities

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Continued expansion in the feed industry, particularly for poultry production, should continue to fuel the demand for U.S. soybean meal in coming years. U.S. tariffs on Honduras imports are currently zero. Once CAFTA-DR goes into effect, the tariff will be set at zero immediately. Honduras ranks 12<sup>th</sup> among the leading 35 country markets for U.S. soybean meal exports.

### Resources

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- U.S. Department of Agriculture  
Foreign Agricultural Service in Honduras
- Exporter Guide 2004 at [www.fas.usda.gov/scriptsw/attacherep/defaults.asp](http://www.fas.usda.gov/scriptsw/attacherep/defaults.asp)
- FAIRS Report 2004 [www.fas.usda.gov/scriptsw/attacherep/defaults.asp](http://www.fas.usda.gov/scriptsw/attacherep/defaults.asp)

## Red Meats

### Overview

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	2003	2004	2005 (estimated)
Total Market Size			
Total Local Production			
Total Exports	0.6	4.6	
Total Imports	7.8	9.9	14.0
Imports from the U.S.	7.1	9.2	13.0

(Statistics are unofficial estimates)

Honduras used to be a beef meat exporter to the U.S. However, due to a drop in prices production declined in 2002 and 2003.

### Best Products/Services

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CAFTA-DR will bring immediate tariff elimination on prime and choice pork and beef cuts. Current demand on beef cuts, prime pork, beef variety meats, liver, tongue, bellies, trimmings and pork foot.

### Opportunities

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The tourism sector in Honduras has had a substantial growth. Growth of US restaurants and franchises have increased in Honduras. From 1999 to 2003 total visitors increased by 107%, food and drink establishments increased by 86% and hotels increased by 52%. The government of Honduras has designated tourism as one of the priority sectors likely to create an important number of jobs and economic growth. Hotels and fine restaurants need a consistent supply of quality meat products such as U.S. beef and pork. There is competition from Canada and Nicaragua.

### Resources

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- U.S. Department of Agriculture  
Foreign Agricultural Service in Honduras
- Exporter Guide 2004 at [www.fas.usda.gov/scripts/attacherep/defaults.asp](http://www.fas.usda.gov/scripts/attacherep/defaults.asp)
- FAIRS Report 2004 [www.fas.usda.gov/scripts/attacherep/defaults.asp](http://www.fas.usda.gov/scripts/attacherep/defaults.asp)
- Retail Report 2004 [www.fas.usda.gov/scripts/attacherep/defaults.asp](http://www.fas.usda.gov/scripts/attacherep/defaults.asp)

## Processed Fruits and Vegetables

### Overview

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	2003	2004	2005 (estimated)
Total Market Size	37.1	35.6	38.0
Total Local Production	N/A	N/A	N/A
Total Exports	12.1	14.3	14.8
Total Imports	25.0	21.3	22.0
Imports from the U.S.	5.7	7.1	8.4

(Statistics are unofficial estimates)

Processed fruits and vegetables growth has increased substantially every year. Canned goods with familiar U.S. familiar brands are well known.

### Best Products/Services

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Products that are popular and that under CAFTA-DR will bring immediate tariff elimination are: canned sweet corn, tomato paste, canned pears, canned peaches and mixed canned fruit.

### Opportunities

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There is a good number of U.S. franchises and restaurants in Honduras. Currently, they import French fries from Canada, the U.S. could introduce its products after CAFTA-DR with immediate tariff elimination. The import duty will lower from 15% to 0%.

### Resources

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- U.S. Department of Agriculture Foreign Agricultural Service in Honduras
- Exporter Guide 2004 at [www.fas.usda.gov/scriptsw/attacherep/defaults.asp](http://www.fas.usda.gov/scriptsw/attacherep/defaults.asp)
- FAIRS Report 2004 [www.fas.usda.gov/scriptsw/attacherep/defaults.asp](http://www.fas.usda.gov/scriptsw/attacherep/defaults.asp)
- Retail Report 2004 [www.fas.usda.gov/scriptsw/attacherep/defaults.asp](http://www.fas.usda.gov/scriptsw/attacherep/defaults.asp)

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## Chapter 5: Trade Regulations and Standards

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- [Trade Barriers](#)
- [Import Requirements and Documentation](#)
- [U.S. Export Controls](#)
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- [Labeling and Marking Requirements](#)
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### Import Tariffs

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The duty assessed by the Honduran government at the time of Customs clearance ranges between 0 to 15 percent for most items.

Honduras is a member of the Central American Common Market (CACM), which also includes Guatemala, El Salvador, Nicaragua and Costa Rica. Honduras' tariffs on most goods from outside the Central American Common Market (CACM) are currently within the zero to 15 percent range. Under CAFTA-DR, about 80 percent of U.S. industrial and commercial goods can now enter the region duty-free, with the remaining tariffs to be phased out over ten years. Nearly all textile and apparel goods that meet the Agreement's rules of origin are now duty-free and quota-free, promoting new opportunities for U.S. and regional fiber, yarn, fabric, and apparel manufacturing. (The Agreement's tariff treatment for textile and apparel goods was made retroactive to January 1, 2004.)

Honduras maintains a combination price band and absorption agreement for corn, grain sorghum, and corn meal. Under the price band mechanism, import duties can vary from 5 percent to 45 percent, depending on the import price. The duty for these products drops to 1 percent if the end users agree to first purchase a predetermined amount of corn and sorghum from domestic farmers; otherwise, the higher tariffs of the price band mechanism remain in effect. The tariff reduction only takes place during the non-harvest season (March through August), and only end-users who have previously signed the absorption agreement may apply for this preferential treatment. A similar absorption agreement exists for rough rice, with duties of 1 percent for signers of the agreement and 45 percent for everyone else. This mechanism guarantees a market for corn and sorghum producers and establishes a direct communication of supply and demand volumes, purchase and sale prices, thus eliminating commercial intermediaries.

Rice farmers and millers have also reached a similar absorption agreement. However, in the case of rice, duties have been fixed at 1% for rough rice and 45% for milled rice for signers of the agreement. For everyone else the duty is 45% across the board on all

rice products. This agreement, which has the blessing of the Government of Honduras, also appears to satisfy farmers and importers.

Under the CAFTA-DR, Honduras eliminated its tariffs on nearly all agricultural products within 15 years (18 years for rice and chicken leg quarters and 20 years for dairy products). For the most sensitive products, tariff rate quotas permit some immediate zero-duty access for specified quantities during the tariff phase-out period, which will expand over time. Honduras will liberalize trade in white corn through expansion of a Tariff-rate Quota (TRQ). Accordingly, the CAFTA-DR should lead to the elimination of market access barriers, including the price band and absorption agreement system, for all products other than white corn.

It is first necessary to obtain the appropriate Harmonized System (HS) classification number for determining when a particular product can enter the CAFTA-DR region duty-free. With this number it is then possible to check the country and product-specific tariff elimination schedule. For more information on the practical aspects of exporting under CAFTA please consult the links below:

<http://www.export.gov/fta>

<http://www.ustr.gov>

A general 12 percent sales tax is applied to most products. Goods exempted from this tax include staple foods, fuels, medicines, agro-chemicals, books, magazines and educational materials, agricultural machinery and tools, handicrafts, and capital goods such as trucks, tractors, cranes, and computers, among others. Goods and services imported by maquilas and other firms protected under Special Export Development Regimes are also exempted from the sales tax. A 15 percent sales tax is applied to beer, brandy, compound liquors, and other alcoholic beverages, cigarettes and other tobacco products. This tax is levied on the distributor sale price, minus the amount of the production and consumption tax on both imports and national products. This calculation procedure is also applied to the twelve percent tax on carbonated beverages. A 10 percent selective consumption tax is also applied to some products considered non-essential, such as alcoholic beverages.

Honduras maintains a combination price band mechanism and absorption agreement for corn, grain sorghum, and corn meal. Under the price band mechanism, duties vary from 5 to 45 percent, depending on the import price. The tariff is calculated every 15 days using international prices plus freight and insurance charges. Under a renewable five-year period, the duty assessed to these products drops to 1 percent if the end users agree to first purchase a predetermined amount of corn and sorghum from domestic farmers; otherwise, the higher tariffs of the price band mechanism remain in effect. The tariff reduction only takes place during the non-harvest season (March through August), and only end-users who have previously signed the absorption agreement may apply for this preferential treatment. A similar absorption agreement exists for rough rice, with duties of 1 percent for signers of the agreement and 45 percent for everyone else.

Complete information on import tax legislation, customs regulations, and general administrative procedures is available at <http://www.dei.gob.hn>.



CAFTA-DR provides new market access for U.S. consumer and industrial products and agricultural products, improving U.S. competitiveness against third country suppliers and helping expand overall U.S. exports. The agreement requires important reforms of the domestic legal and business environment, as well as transparency and efficiency in administering customs procedures, including CAFTA rules of origin.

Honduras did not negotiate any tariff rate quotas when it became a member of the WTO. It does however, have limitations on imports of rice and corn in order to protect local production. At present, imports of these two products during harvest time are not allowed. Due to zoo sanitary measures, Honduras does not allow imports of fresh, chilled, or frozen poultry meat.

In addition to agricultural products, Honduras maintains some non-tariff barriers in connection to services. Currently, special government authorization must be obtained to invest in the tourism, hotel, and banking services sectors. In addition, foreigners may neither hold a seat on nor provide direct brokerage services in Honduras' stock exchange. Honduran professional associations heavily regulate the licensing of foreigners to practice law, medicine, engineering, accounting, and other professions. Under the CAFTA-DR, Honduras will allow substantial market access in services across their entire services regime, subject to very few exceptions. For more information on service and investment barriers, please read the National Trade Estimate Report on Foreign Trade Barriers, found at the Document Library of: <http://www.ustr.gov>

**Import Requirements and Documentation**

In Honduras most import license requirements have been eliminated. Among the general documentation required by customs are commercial invoices, bills of lading, and certificates of free sale. Import documentation may be prepared by a local customs house broker or by an importer with sufficient experience in completing the documents.

The Honduran government requires that sanitary permits be obtained from the Ministry of Health for all imported foodstuffs, and that all processed food products be labeled in Spanish and registered with the Division of Food Control (DFC) of the Ministry of Health. The registration process is relatively faster for those products considered to be at high risk for sanitary concerns, such as raw meat. Imports of raw and processed agricultural products are reviewed by the National Plant and Animal Health Service (SENASA) of the Ministry of Agriculture and Livestock. In order to obtain an import permit, all importers of food products, additives, and inputs used in food processing, must submit the following documents to SENASA:

- Phyto or Zoo Sanitary Import Permit Request provided by SENASA
- Certificate of Origin
- Pro-Forma Invoice

SENASA requests the issuance of Phyto or Zoo Sanitary Certificate by a U.S. federal government authority in the plant where the food products have been processed. SENASA does not accept documents from commercial trading companies. Regarding imports of U.S. poultry products, SENASA has requested USDA to add an Additional

Declaration (AD) to the phyto certificates. The AD provides an indication that specific poultry or sub-products have originated in areas free of high or low pathogenic avian influenza. The Animal Plant Health Inspection Service (APHIS) also provides regular updates to local government authorities in connection to the origin of disease outbreaks within the United States. SENASA typically issues an import license within 15 days of receiving the request for import approval.

For detailed information on import license requirements, please contact FAS Tegucigalpa at <http://www.fas.usda.gov>. Alternatively, U.S. exporters may contact SENASA and the Ministry of Health offices at:

<http://www.senasa-sag.gob.hn>

<http://secsalud.hn>

## **U.S. Export Controls**

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The U.S. Government requires firms to obtain an export permit for some products, specifically for those considered as security sensitive. Commerce Control List categories include nuclear materials; electronics; chemicals, microorganisms and toxins; navigation and avionics; sensors and lasers; and materials processing, among others. For more information, U.S. exporters should contact the Bureau of Industry and Security at the U.S. Department of Commerce, Ph.: (202) 2482-2000 and 1-800-USATRADE; <http://www.bis.doc.gov>

## **Temporary Entry**

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The Temporary Import Law (RIT), enacted in 1984, allows exporters to introduce raw materials, parts, and capital equipment into Honduran territory exempt from surcharges and customs duties as long as the material or part is to be incorporated into a product which is exported outside of the country. This law also provides a 10-year tax holiday on profits from these non-traditional exports, under certain conditions. Interested parties may obtain authorization for this program through the Ministry of Industry and Trade. Amendments made to the RIT law in 1997 allow manufacturers to export their products to other Central American countries. These amendments also enable local importers to resell the machinery and equipment no longer needed, by paying an import duty based on its C.I.F. value.

Companies that do not operate in free trade zones or export processing zones fall under the jurisdiction of the Temporary Import Law. At present, over 500 companies are incorporated into the RIT program.

Temporary entry requirements for goods such as commercial samples, sales displays and other items for use at exhibits and trade shows are established under Article 73 of the Honduran Customs Law, Decree 212-87. Customs legislation allows duty free admission of such products, as well as for items to be used for scientific and entertainment purposes, for up to 3 months. This temporary entry authorization can also be extended for the same period of time, if necessary. Temporary import requirements also apply under Article 74 of the Honduran Customs Law for a period of up to 6 months, such as in the case of products to be used in the execution of construction projects, tourism and recreational activities, and other special private and public works. Temporary entry is granted upon making a deposit equivalent to the import duty

applicable to the specific product. The guarantee is refunded at the time of re-exporting the product.

Additional information on the Honduran temporary import regime and related investment promotion legislation is available at <http://www.sic.gob.hn>

### **Labeling and Marking Requirements**

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Labeling requirements for merchandise in general are established under Article 9 of the Consumer Protection Law, Decree 41-89 of 1990. Enforcement of marking and labeling regulations is conducted by the General Directorate of Production and Consumption of the Ministry of Industry & Trade. Special regulations also apply to medicines and agricultural products under the Health Code and the Phyto Zoo Sanitary Law, respectively.

In general, labels of all consumer-oriented products are required to include the following basic information: name of the product; name of the manufacturer; country of origin; sales price; elaboration and expiration dates; net content; list of ingredients and any applicable health warnings. Labeling information for products manufactured outside of Honduras should be standardized according to the requirements of their country of origin.

Labeling requirements for food products are very specific. Honduran law requires that all processed food products be labeled in Spanish and registered with the Division of Food Control (DFC) of the Ministry of Public Health. For detailed information contact FAS Tegucigalpa at <http://www.fas.usda.gov>

### **Prohibited and Restricted Imports**

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Under the recently enacted Financial Balance and Social Protection Act, imports of ground motor vehicles over seven years old and passenger buses over ten years old are prohibited, except for those considered to be classic collectible cars. Imports of refurbished and right-hand drive vehicles are also prohibited. Import restrictions are also imposed on firearms and ammunition, toxic chemicals, pornographic material, and narcotics. Import restrictions are mostly based on phyto-sanitary, public health, and national security factors.

Honduras did not negotiate any tariff rate quotas when it became a member of the WTO. It does however, have limitations on imports of rice and corn in order to protect local production. Imports of these two products during harvest time are not allowed. In addition, Honduras does not allow imports of fresh, chilled, or frozen poultry meat due to phyto-sanitary barriers.

### **Customs Contact Information**

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Questions pertaining to customs issues may be addressed to:

Customs and Tax Division  
(Dirección Adjunta de Rentas de Aduana)

Address: Edificio Gabriel A. Mejía, Colonia Palmira  
Tegucigalpa, Honduras  
Tel: (504) 238-3503, 238-1514; Fax: (504) 238-3503  
Customs Hotline Email: [gestion.aduanera@dei.gob.hn](mailto:gestion.aduanera@dei.gob.hn)  
<http://www.dei.gob.hn>

## Standards

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## Overview

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Standardization efforts began in 1998, upon establishment of the National Standardization Commission of the Ministry of Industry and Trade (SIC). The Commission includes representatives from the Ministry of Agriculture, Natural Resources & the Environment, Health, and Finance, as well as several other key organizations from the private sector. As of October 2006 (through executive decree 215-A-2006), standards-related duties and activities are a responsibility of the newly created National Standards Commission (Organismo Nacional de Normalización) of the National Science and Technology Council (COHCIT), the technical secretariat of the National Quality Council (CNCA). The CNCA is under the umbrella of the National Competitiveness Commission of the executive branch. The main objectives of the standards governmental body are to:

- a) Formulate and coordinate the execution of normalization and quality control programs adequate to country needs.
- b) Elaborate and supervise technical laws
- c) Coordinate technical and scientific resources within the country to effectively control the quality of products commercialized within Honduras.
- d) Integrate technical committees for individual normalization projects.
- e) Formulate new laws considered necessary to improve quality of goods and services offered in the country.

In general, standards issues and related technical obstacles do not pose a major hurdle for U.S. exporters. At present, work is being done in connection to defining the limits of the procedures described on Executive Decree 130-2005, particularly on voluntary and mandatory compliance terms, in order to allow a practical development of the national standardization program. Honduras currently has only nine (9) national standards. With CAFTA implementation, signatories are expected to intensify their joint work in the field of standards, technical regulations, and conformity assessment procedures with a view to facilitating trade between each other.

## Standards Organizations

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COHCIT has identified the following four main productive areas for the potential development of standards in Honduras:

- Agricultural production
- Tourism
- Forestry and Wood Production
- Industrial Production

Honduras is also a correspondent member of the International Standards Organization (ISO) since January 2000. With CAFTA implementation and other trade agreements, Honduran manufacturers are increasingly seeking certification on international standards. ISO certification for local companies is currently conducted through COHCIT, as well as through legally credited international institutions. A total of 36 local companies are currently certified under ISO 9001 and ISO 14001, and approximately 30 are in the process of obtaining certification.

## Conformity Assessment

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Among the most relevant national testing and conformity assessment bodies are:

- Ministry of Industry and Trade  
<http://www.hondurastradeportal.com>  
Consumer Protection and Metrology Division  
<http://www.sic.gob.hn>
- National Plant and National Health Service (SENASA)  
<http://www.senasa-sag.gob.hn>
- National Laboratory of Residues;
- Quality Control Lab for Veterinary Products;  
<http://www.sag.gob.hn>
- Ministry of Health  
General Directorate of Sanitary and Environmental Regulation  
Food Control Lab  
<http://www.secsalud.hn>
- Ministry of Natural Resources and the Environment  
CESCO (Pollution Control Research Center)  
DECA (Environmental Control and Evaluation Directorate)  
Mining Executive Directorate (DEFOMIN Laboratory)  
<http://www.serna.gob.hn>
- Ministry of Finance  
Customs and Tax Division  
National Customs Laboratory  
<http://www.dei.gob.hn>

- Official Laboratory of Honduran Chemical and Pharmaceutical Industry Association
- Other private laboratories such as Jordanlab, MQ, and the Honduran Foundation for Agricultural Research (FHIA).

### **Product Certification**

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At present, there are no MRAs (mutual recognition agreements) between Honduran and U.S. organizations. With CAFTA implementation and other trade agreements, Honduran manufacturers are increasingly seeking certification on international standards.

Product certification requirements apply to the importation of certain products. In the case of food items, for example, certificates of free sale and of origin are required. Importers must provide certifications proving the products will not cause damage to humans, animals or the environment. Specific certifications are also required according to the type of product to be imported. Imports of animal and plant origin, for example, require a phyto-sanitary permit. In the case of medical and pharmaceutical products which are not for free sale nor over-the-counter, a Sanitary Registration is also required.

### **Accreditation**

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The National Science and Technology Council (COHCIT) is the official accreditation body in Honduras, as part of an agreement signed with the Costa Rican Accreditation Entity (ECA) on November 2005. Additional information on ECA is available at <http://www.eca.go.cr>

### **Publication of Technical Regulations**

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Final technical regulations are published in the local government newspaper "La Gaceta". Honduras' national gazette is available only through printed copies purchased from the National Graphic Arts Company, Tel. (504) 230-3026. New laws and regulations approved by the government's executive branch become effective on the date of publication.

### **Labeling and Marking**

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The content, weight and measurement of products sold in Honduras shall be expressed in units established by the metric and decimal system recognized officially. Importers are instructed that products are required to label information in Spanish such as:

- Product definition/description
- Name of the product (the official name as noted on the U.S. Certificate of Free Sale)
- Physical characteristics, including ingredients (must be qualitative composition, translated literally from English)
- Net weight/volume
- List of ingredients and additives and the percentage total for each
- Name, address and telephone number of Honduran distributor/representative
- Sanitary License registration number; obtained from the Ministry of Health
- Expiration date

Imported sample-size products must comply with labeling laws. Bulk-packed food products do not require labeling, unless they will be sold at the retail level as an individual unit. Nutritional labeling is not required. The declared net content must be expressed in SI (System International) units; additional net content declaration in other units is optional. Small variations in net content are permitted, but must not be excessive. Honduras does not require a specific container size for any products.

Pharmaceutical products need to list active ingredients, and must include a sell-by date. Cigarettes and alcoholic beverages must contain a warning label that complies with the IHADFA (Instituto Hondureño para la Prevención del Alcoholismo, Drogadicción y Farmacodependencia). Pharmaceutical products, pesticides must be labeled in Spanish if possible. The authority that enforces product labeling requirements for food and pharmaceutical products is the Ministry of Public Health, while the Ministry of Agriculture enforces labeling requirements for pesticides.

Personal Hygiene, Homecare and Cosmetic Products do not require legal registry as with pharmaceutical products, but an inscription process requested by the Ministry of Health, depending on the product.

## **Trade Agreements**

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The CAFTA agreement entered into force on April 1, 2006, supplanting the earlier Caribbean Basin Initiative and later Caribbean Basin Economic Recovery Act trade benefits. CAFTA-DR liberalized bilateral trade between the United States and the region and also furthers integration efforts among the countries of Central America, removing barriers to trade and investment in the region by U.S. companies. CAFTA-DR also requires countries to undertake needed reforms to alleviate systemic problems in such areas as customs administration; protection of intellectual property rights; services, investment, and financial services market access and protection; government procurement; sanitary and phyto-sanitary (SPS) barriers; and other non-tariff barriers.

The final act of the Multilateral Commercial Negotiations of the Uruguay Round, which established the World Trade Organization (WTO), was signed by Honduras on April 15, 1995. Honduras is also a member of the Central American Common Market (CACM) since 1961, which includes Costa Rica, El Salvador, Nicaragua, and Guatemala. Panama, although not a full member of the CACM, has participated in CACM activities. As of May 2003, the harmonized tariff level as common external tariff between CACM countries was 77% of the entire customs duty schedule.

Members of the Northern Triangle CA-3 (Honduras, Guatemala, and El Salvador) signed a free trade agreement (FTA) with Mexico that went into effect in June 2001. In addition, the CA-3 has had an exchange of a limited trade agreement proposal with the Andean Community. Honduras has also signed limited trade agreements with Colombia and Venezuela. At the regional level, a free trade agreement went into effect with the Dominican Republic in December 2001. Regional FTA negotiations are also ongoing with Colombia, Canada, Chile and the Republic of Panama, and Honduras (along with Guatemala, El Salvador and Nicaragua) expects to begin negotiations with the European Union in 2007.

Since April 1998, Honduras continues to participate as a member of the CA-4 block in negotiation rounds for the Free Trade Area of the Americas (FTAA). Preliminary talks for strengthening commercial relationships through FTAs have also taken place with China (Taiwán), Mercosur and Caricom countries.

Central America established a common external tariff schedule in 1998. Six Central American countries signed a revised Protocol for economic integration and macroeconomic coordination in October 1993. The integration protocol allows Central American countries to advance at varying rates toward more open trade. The “Northern Triangle” countries (Guatemala, El Salvador and Honduras) have moved the most rapidly to eliminate trade barriers among themselves and are in the process of eliminating customs inspections at their common borders, relying instead on electronic documentation filed in advance.

### Contact Information

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#### National Standards Body

National Science and Technology Council (COHCIT)  
(Organismo Hondureño de Normalización/OHN)  
Mrs. Sandra Gómez, Coordinator  
Apartado Postal No. 4458  
Tegucigalpa, Honduras  
Tel: (504) 228-0658; 230-3045; Fax: (504) 230-1899  
E-mail: [javela@cohcit.gob.hn](mailto:javela@cohcit.gob.hn)  
<http://www.cohcit.gob.hn>

#### National Quality Council

(Sistema Nacional de la Calidad-SNC/COHCIT)  
Mrs. Cristina Rodríguez, Coordinator  
Apartado Postal No. 4458  
Tegucigalpa, Honduras  
E-mail: [cristina@cohcit.gob.hn](mailto:cristina@cohcit.gob.hn)  
<http://www.cohcit.gob.hn>  
<http://www.hondurascalidad.com>

#### Post Standards Contact

U.S. Embassy - U.S. Commercial Service  
Rossana Lobo  
Senior Commercial Specialist  
Avenida La Paz  
Tegucigalpa, Honduras  
Tel: (504) 236-9320; Fax: (504) 238-2888  
E-mail: [Rossana.Lobo@mail.doc.gov](mailto:Rossana.Lobo@mail.doc.gov)  
<http://www.buyusa.gov/centralamerica/en>

### Web Resources

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- Honduran Ministry of Industry & Trade: <http://www.sic.gob.hn>
- Honduran Science and Technology Council: <http://www.cohcit.gob.hn>



- Secretariat for Central American Economic Integration <http://www.sieca.org.gt>
- Honduran Private Enterprise Council: <http://www.cohep.com>
- Chamber of Commerce of Tegucigalpa: [www.ccit.hn](http://www.ccit.hn)
- Chamber of Commerce of Cortes: [www.ccichonduras.org](http://www.ccichonduras.org)

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## Chapter 6: Investment Climate

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### Openness to Foreign Investment

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The Honduran government is generally open to foreign investment and welcomes it. Restrictions and performance requirements are fairly limited. U.S. companies tend to encounter problems investing in infrastructure and a few visible large projects like the airport, telecom, and energy sectors, as domestic companies seek ways to keep the competition out.

Relatively low labor costs, proximity to the U.S. market, and Central America's best Caribbean port (Puerto Cortés) have also made Honduras increasingly attractive to investors. At the same time, however, Honduras' investment climate is hampered by high levels of crime, a weak judicial system, high levels of corruption, low educational levels among the population, and limited infrastructure.

The Constitution of Honduras requires that all foreign investment complement, but not substitute for, national investment. Companies that wish to take advantage of the Agrarian Reform Law, engage in commercial fishing, forestry, or local transportation activities, serve as representatives, agents, or distributors for foreign companies, or operate radio and television stations must be majority-owned by Hondurans.

The 1992 Investment Law, which still largely governs investment conditions in Honduras, guarantees national treatment to foreign private firms in Honduras, with only a few exceptions. The law does not limit foreign ownership of businesses, except for those specifically reserved for Honduran investors, i.e., small firms with capital less than 150,000 Lempiras (approx. \$8,000). For all investments, at least 90 percent of a

company's labor force must be Honduran, and at least 85 percent of the payroll must be paid to Hondurans.

Additionally, government authorization is required for both foreign and domestic investors in the following areas:

- Basic health services,
- Telecommunications,
- Generation, transmission, and distribution of electricity,
- Air transport,
- Fishing, hunting and aquaculture,
- Exploitation of forestry resources,
- Investigation, exploration, and exploitation of mines, quarries, petroleum and related substances,
- Agricultural and agro-industrial activities exceeding land tenancy limits established by the Agricultural Modernization Law of 1992 and the Land Reform Law of 1974,
- Insurance and financial services, and
- Private education services.

Under the Government Contracting Law, which entered into force in October 2001, all public works contracts over one million lempiras (about \$53,000 as of February 2007) must be offered through public competitive bidding. Public contracts between 500,000 and one million lempiras (\$26,000 and \$53,000) can be offered through a private bid, and contracts less than 500,000 lempiras (\$26,000) are exempt from the bidding process. The Central America-Dominican Republic Free Trade Agreement (CAFTA-DR) eliminated the former requirement that foreign firms act through a local agent (at least 51 percent Honduran-owned) to participate in public tenders.

The CAFTA-DR requires fair and transparent procurement procedures, including advance notice of purchases and timely and effective bid review procedures. Under the CAFTA-DR, U.S. suppliers are permitted to bid on procurements covered by the Agreement for most Honduran government entities, including key ministries on the same basis as suppliers. The anti-corruption provisions in the Agreement require each government to ensure that bribery in matters affecting trade and investment, including in government procurement, is treated as a criminal offense, or is subject to comparable penalties, under its law.

The 1992 Investment Law requires that all local and foreign direct investment be registered with the Investment Office in the Ministry of Industry and Trade. Upon registration, an investor is issued an investment certificate, which provides investment

protection under the law and guarantees investors' international arbitration rights. These rights are further reinforced under CAFTA-DR.

In 2002, the Government of Honduras ratified a law on simplification of administrative procedures in establishing a company. Through this new legislation, the government has made significant improvements in streamlining procedures and eliminating a series of administrative obstacles involved in the process, reducing the steps for establishing an office from up to six months to a maximum of 44 days. Foreign businesses setting up operations in Honduras are subject to the Commercial Code, which recognizes several types of mercantile organizations: individual ownership, general partnership, simple limited partnership, limited liability company, corporation and joint stock company.

Management of Honduras' four international airports was turned over to a consortium with majority U.S. investment in October 2000, the only major privatization effort in recent years. A dispute over the financing of certain projects that the consortium agreed to undertake soon developed, and the agreement between the consortium and the government was re-negotiated in 2003, and approved by the Honduran Congress in February 2004. There continues to be controversy over the terms of this agreement, and U.S. investors divested from this consortium in 2005. The airports concession was acquired by Honduran investors in late 2005.

In September 2003, the GOH opened the telecommunications market for sub-contractors to provide services under contract with Hondutel, Honduras' state-owned telephone monopoly. Under the new program, foreign and domestic carriers can register with Honduras' regulatory body, Conatel, as sub-contractors for Hondutel fixed telephony services. Hondutel officially lost its monopoly on fixed-line telephony on December 25, 2005. This is a positive step towards the liberalization of the telecom sector; however, the process through which foreign companies can obtain licenses to provide long distance and international dialing has not yet been established. As of August 2007, after more than a year and a half of political wrangling, neither the new telecommunications sector law nor the implementing regulations that would level the playing field for foreign investors have yet been passed by Congress. Currently, all sub-operators must obtain approval from Congress. Cellular telephony services are open to full private ownership.

The National Electric Company (ENEE) has turned over most of its thermal energy generation to the private sector but retains responsibility for electricity transmission and distribution, as well as for almost all hydroelectric energy generation and distribution throughout the country. ENEE has been losing money for years and is widely considered bankrupt. The company was taken over by a Government of Honduras "intervention commission" in mid 2006, which has a mandate to repair the broken firm. Without significant new investment in the electricity generation sector, many industrialists fear power shortages could hamper additional economic activity as soon as 2009. By law, ENEE retains the monopoly on distribution and marketing of electricity.

The GOH is working with the U.S. Trade and Development Agency to modernize Puerto Cortés. The ENP met International Maritime Organization requirements for port security by the July 1, 2004, deadline, and has created an autonomous unit that will be responsible for the port security program. Eventual privatization of the port has been raised as a possible policy objective, but no firm plans nor deadlines have been set. In

2005, Puerto Cortés became a member of the U.S. government's Container Security Initiative and Megaports Initiative.

A new law enacted in October 2003 grants municipalities the right to manage water distribution themselves, and, if they wish, to grant concessions to private enterprises. The law establishes a transition period of five years from its date of publication, after which the current national water service SANAA will be disbanded and exist only to provide technical assistance to the new service providers.

The Ministry of Natural Resources and Environment frequently takes up to a year to issue environmental permits for U.S. and domestic investors, despite continued pressure from the U.S. Government to decide on these permits in a transparent and timely manner. In July 2004, the Minister of Natural Resources and the Environment issued a decree calling for a new national policy on mining and ordered the government agency responsible for granting mining permits and concessions, DEFOMIN, to stop granting any new mining concessions. Nearly three years later, this review is still stalled and the moratorium on new concessions has blocked plans of some U.S. investors, including the expansion plans of a U.S. company operating in Honduras, which in 2006 cancelled an \$8 million investment in the mining sector due to this delay. The U.S. government is aware of other investment delays in the mining, housing, and renewable energy sectors, due to ongoing reviews and non-issuance of their environmental permits.

In 2001, a Bilateral Investment Treaty (BIT) between the United States and Honduras entered into force. The treaty provides, among other things, for equal protection under the law for U.S. investors, with limited exceptions, and permits expropriation only in accordance with international legal standards and accompanied by adequate compensation. U.S. investors in Honduras also have the right to submit an investment dispute to binding international arbitration.

Under the CAFTA-DR, U.S. investors enjoy, in almost all circumstances, the right to establish, acquire, and operate investments in Honduras on an equal footing with local investors. In the investment chapter of the CAFTA-DR, Honduras will commit to provide a higher level of protection for U.S. investors than under the existing BIT. Among the rights afforded to U.S. investors are due process protections and the right to receive a fair market value for property in the event of an expropriation. Investor rights will be backed by an effective, impartial procedure for dispute settlement that is fully transparent. Submissions to dispute panels and panel hearings will be open to the public, and interested parties will have the opportunity to submit their views. The CAFTA-DR requires that all forms of investment be protected, including enterprises, debt, concessions, contracts, and intellectual property. Upon entry into force of the CAFTA-DR, the BIT will be suspended. For a period of 10 years, however, current U.S. investors may choose either dispute settlement under the BIT or the FTA.

## **Conversion and Transfer Policies**

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The 1992 Investment Law guarantees foreign investors access to foreign currency needed to transfer funds associated with their investments in Honduras. This includes:

- Imports of goods and services necessary to operate,
- Payment of royalty fees, rents, annuities and technical assistance, and

- Remittance of dividends and capital repatriation.

The Central Bank uses an auction system to regulate the allocation of foreign exchange. According to auction system regulations, dollar purchases are conducted within a band ranging from 7 percent above to 7 percent below the base price established every 5 days. All individuals, foreign residents or national, can participate in auction system dollar purchases with a minimum investment of \$5,000 and a maximum of \$300,000. In 2006 the Honduran currency, the Lempira, held steady against the dollar at a rate of 18.8952 per 1.00 USD.

## **Expropriation and Compensation**

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The Honduran government has the authority to expropriate property for purposes of land reform (usually related to a land invasion by farmer groups) or for public use. Disputes related to land seizure actions by the Honduran National Agrarian Institute (INA) are common for both Honduran and foreign landowners. U.S. citizens have experienced land disputes in particular in coastal regions. According to the National Agrarian Reform Law, idle land fit for farming can be expropriated and awarded to landless poor. Generally, an INA expropriation case begins after squatters target and invade unprotected property. The squatters then file for the land with the INA under the Agrarian Reform Law. In most cases, claimants have found that pursuing the subsequent legal avenues is costly and time consuming, and rarely leads to positive results. Compensation for land expropriated under the Agrarian Reform Law, when awarded, is paid in 20-year government bonds.

## **Dispute Settlement**

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The Honduran government has a poor record of handling investment disputes, due to the outdated commercial code and the weak judicial system.

The Honduran Commercial Code is the main legislation that regulates the operations of businesses in the country. This code, however, was written in 1950 and needs to be updated. The application of the Commercial Code and its regulations falls under the jurisdiction of the Honduran civil court system.

Most investment and property disputes are long lasting and arduous. U.S. claimants frequently complain about the lack of transparency and the slow administration of justice in the courts. There are also complaints that the Honduran judicial system caters to favoritism, external pressure and bribes. While some U.S. firms have satisfactorily resolved their cases through the courts, the majority have difficulty navigating the legal system. Many U.S. citizens have also complained about the quality of legal representation they receive from Honduran attorneys.

A new Civil Procedures Code (CPC), approved by the Honduran Congress on January 19 2007, is expected to transform the entire civil-court system by establishing adversarial proceedings based on open, oral arguments. This will make civil proceedings more transparent, corruption more difficult to conceal, and civil justice more accessible, accountable, and fair. The CPC will provide more effective protection of commercial transactions, property rights, and land tenure. There will also be enhanced

efficiency of rulings mandated by foreign courts. The CPC is being reviewed as a model for similar reforms in Guatemala, Costa Rica, and Nicaragua.

Land title disputes are extremely common in Honduras, due to the problems with the Honduran judicial system and the lack of a clear land tenure system: see Land Rights in section A.7, below.

Arbitration:

Between 1997 and 2001, the Inter-American Development Bank worked with the Chamber of Commerce and Industry to establish the framework for commercial arbitration. Honduras' Conciliation and Arbitration Law (Decree 161-2000), which seeks to encourage arbitration and clarify the procedures under which arbitration takes place, entered into force in March 2001. In September 2001, Centers for Conciliation and Arbitration were established within the Chambers of Commerce and Industry in Tegucigalpa and San Pedro Sula. Arbitration and conciliation are generally considered swifter and more cost-effective means of resolving disputes between commercial entities, and there may be the additional advantage that the arbitrator or mediator may have specialized expertise in the technical area involved in the dispute. However to date, U.S. companies and U.S. citizens who have gone through an arbitration process have expressed disappointment with both the slow pace and lack of transparency of the procedure.

Honduras has been a member of the ICSID (International Center for the Settlement of Investment Disputes) since March 1989.

## **Performance Requirements and Incentives**

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There are relatively few performance requirements in Honduras. The 1992 Investment Law guarantees freedom to export and import to all foreign investors, and eliminates the requirement of prior administrative permits and licenses, except for statistical registries and customs procedures.

Application procedures for service suppliers in all sectors are generally simple, clear and non-discriminatory. Honduras' service sector is widely accessible to foreign companies, including current U.S. participation in the Honduran banking, insurance and accounting markets. In both the banking and insurance sectors, the general rule is that foreign companies operate on an equal footing with local companies, so long as the foreign company establishes a branch or subsidiary in Honduras. However, there are restrictions on cross-border services and offshore operations. Insurance may not be offered on a cross-border basis, and a foreign bank wishing to operate offshore must establish a representative office in Honduras, which entails reporting requirements and other procedures which are very cumbersome. Furthermore, a Honduran branch of a foreign bank may only operate based on its capital in Honduras, not on its global or regional capital.

Honduran law prohibits discriminatory or preferential export and import policies affecting foreign investors. In practice, however, the Honduran government has at times used phyto-sanitary and zoosanitary requirements to prevent imports of U.S. poultry, milk products, pork, feed grains and rice to Honduras. Changes in sanitary and phyto-

sanitary requirements are not always reported to the WTO as required, which creates uncertainty among U.S. suppliers and Honduran importers. Under CAFTA-DR, Honduras has agreed to apply the science-based disciplines of the WTO Agreement on Sanitary and Phyto-sanitary Measures, and will move towards recognizing export eligibility for all plants inspected under the U.S. food safety and inspection system.

The Honduran government requires that sanitary permits be obtained from the Ministry of Health for all imported foodstuffs, and that all processed food products be labeled in Spanish and registered with the Division of Food Control (DFC) of the Ministry of Health. Some U.S. businesses have complained that delays in the process of granting these permits hamper their ability to import products into Honduras. U.S. companies have also reported that these regulations are not always strictly enforced for Honduran companies. If true, this lack of enforcement on the part of the Honduran government places any U.S. company that does comply with the regulations at a disadvantage.

Additional import restrictions, based mainly on public health, public morality, and national security grounds, remain in place. For example, restrictions are imposed on the importations of firearms and ammunitions, toxic chemicals and pornographic material.

U.S. citizens wishing to travel to Honduras do not need a visa prior to arrival. Foreigners interested in working in the country must obtain a resident visa from the Honduran Ministry of Government and a work permit from the Ministry of Labor. To process a request for a resident visa and work permit may take up to three months.

#### **Incentives:**

In 1999, the Honduran National Congress passed a Tourism Incentives Law, which offers tax exemptions for national and international investment in tourism development projects in Honduras. The law provides income tax exemptions for the first ten years of the project and permits the duty-free import of goods needed for the project, including publicity materials. In June 2002 a reformed law was passed, offering the same basic incentives, but with a narrower definition of who may qualify for the incentives. For example, restaurants were included as a duty-free tourist activity in the 1999 law, but removed in the 2002 law. This change is due in large part to the current saturation of the fast food and restaurant market, since many franchises established locations in Honduras under the duty-free incentives of the 1999 law. Other enterprises now excluded from the law's benefits are casinos, night clubs and movie theaters. In addition, a requirement was added that a business must be located in a designated tourism zone in order to qualify for tax exemptions and duty-free status.

For information on investment incentives offered in Free Trade Zones, see Section E, Foreign Trade Zones/Free Ports, below.

#### **Right to Private Ownership and Establishment**

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The 1992 Investment Law guarantees both local and foreign investors the right to own property, subject to certain restrictions established by the Honduran Constitution and several laws relating to property rights. This guarantee includes the right to free acquisition, profit, use, disposition and any other right attributable to property ownership. The major exception is the constitutional prohibition of foreign ownership of land within



40 kilometers of international borders and shorelines, although Honduran law now permits foreign individuals to purchase properties in designated “tourism zones” (see section A.7, Land Rights, below.)

Investors have the right to freely establish, acquire and dispose of interests in business enterprises at market prices, under freely negotiated conditions and without government intervention. However, in several instances in 2006 the government of Honduras arbitrarily established de facto or de jure price controls on products being sold by private firms, and in the case of fuels sought to nationalize all imports and close the market to competition. As of February 2007 that plan remains under debate, but if implemented would imply the loss of markets for several long-established foreign investors, and could lead to the stranding of tens of millions of dollars in capital investments.

Private enterprises compete on an equal basis with public enterprises with respect to access to markets, credit and other business operations.

## **Protection of Property Rights**

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### **Intellectual Property Rights:**

Although Honduras does not host large-scale in-country optical pirating, pirated goods are imported from neighboring countries, and the piracy of books, sound and video recordings, compact discs and computer software is widespread. Confiscations have steadily increased with new CAFTA-DR ex-officio powers, although the sales of pirated goods continues unabated. The illegitimate registration of well-known trademarks has also been a problem. Success in protecting intellectual property rights (IPR) rests primarily on the government of Honduras’ ability to effectively implement its current laws, rather than a need for further legislation. Protection of intellectual property rights is handled by the Property Institute.

Honduras largely complied with the Trade Related Aspects of Intellectual Property Rights (TRIPS) Agreement by the January 1, 2000, deadline. In December 1999, the Honduran Congress passed two laws to correct deficiencies in previous legislation concerning copyrights, patents and trademarks. The Copyright Law added more than 20 different criminal offenses related to copyright infringement and establishes fines and suspension of services that can be levied against offenders. The Law of Intellectual Property, which covers both trademarks and patents, included modifications on patent protection for pharmaceuticals, extending the term from seventeen to twenty years to meet international standards. The Honduran Congress recently passed legislation governing the designs of integrated circuits and plant variety protection as a measure to bring it into compliance with its CAFTA agreements.

In early 2006, Honduras strengthened its legal framework for the protection of intellectual property rights (IPR) with the passage of new laws in preparation for the entry into force of the CAFTA-DR. The laws provide stronger deterrence against piracy and counterfeiting by, for example, requiring Honduras to authorize the seizure, forfeiture, and destruction of counterfeit and pirated goods and the equipment used to produce them. They also provide the establishment of statutory damages for copyright and trademark infringement, to ensure that monetary damages can be awarded even when losses associated with an infringement are difficult to assign. The CAFTA-DR also

requires Honduras to protect undisclosed test data submitted for the purpose of product marketing approval of pharmaceutical and agricultural chemical products against disclosure and unfair commercial use.

Finally, the CAFTA-DR provides that authorities are able to confiscate pirated goods and investigate intellectual property cases on their own initiative. During 2006 Honduran government prosecutors engaged in a series of raids against producers and vendors of pirated goods. This renewed emphasis on enforcement marks a notably positive shift towards greater anti-piracy efforts.

Honduras became a member of the World Intellectual Property Organization (WIPO) in 1983, and became party to the WIPO Copyright Treaty (WCT) and the WIPO Performances and Phonogram Treaty (WPPT) in May 2002. Honduran law protects data exclusivity for a period of five years, and protects process patents, but does not recognize second-use patents.

### **Land Rights:**

U.S. citizens should exercise extreme caution before entering into any form of commitment to invest in property, particularly in coastal areas and the Bay Islands. Honduran laws and practices regarding real estate differ substantially from those in the United States, and fraudulent deeds and titles are common. There is no title insurance in Honduras. In addition, the Honduran judicial system is weak and inefficient, often prolonging disputed cases for many years before resolution. Approximately 80% of the privately held land in the country is untitled. Americans have spent thousands of dollars in legal fees and years of frustration trying to resolve property disputes, even in cases in which local attorneys and Honduran and U.S. real estate agents had given assurances to the investor. There have been claims of widespread corruption in land sales and the registry and dispute resolution process, including claims against attorneys, real estate companies, judges and local officials. Property registration often is not up to date, nor can the results of title searches be relied upon. Violence has been used against Americans involved in disputed property cases. Potential investors should engage competent local legal representation before making any commitments. Investors should thoroughly check references of attorneys and real estate agents. The purchase of land in Honduras by foreigners should be undertaken only with great caution.

Article 107 of the Honduran Constitution prohibits foreign ownership of property in Honduras that lies within 40 kilometers (25 miles) of the Caribbean Sea, the Gulf of Fonseca, international borders, or on any of the islands and cays belonging to Honduras. However, recognizing that the constitutional prohibition of foreign property ownership in Honduras was a barrier to development of tourism and the economic potential of Honduras' coastal and island areas, the Honduran National Congress passed a law in 1990 to allow foreigners to purchase properties in designated tourism zones established by the Ministry of Tourism in order to construct permanent or vacation homes. This law was challenged as unconstitutional in 2004, but in January 2005 the Supreme Court upheld the new law, thus permitting foreigners to continue to own littoral and frontier property.

Foreigners or foreign companies seeking to purchase property in designated tourism zones exceeding 3,000 square meters in size or for tourism or other development projects must present an application to the Honduran Tourism Institute at the Ministry of

Tourism. In addition to providing the requested personal information, the potential buyer must also prove that a contract to buy a specific property exists and that it is registered with the Honduran Tourism Institute. The buyer must also present feasibility studies and plans about the proposed tourism or economic development project.

## **Transparency of Regulatory System**

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The Honduran government does not publish regulations before they enter into force and there is no formal mechanism for providing proposed regulations to the public for comment. Regulations must be published in the official government publication "The Gazette" in order to enter into force. Honduras lacks an indexed legal code and lawyers and judges must maintain and index the publication of laws on their own. Procedural red tape to obtain government approval for investment activities is very common.

Foreign market participants who are represented locally and are members of connected private sector groups essentially have access to the same information as their Honduran counterparts. The lack of a formal notification process excludes most non-governmental groups, including foreign companies, from commenting on regulations.

The Honduran legal system is not efficient or transparent: many U.S. claimants frequently complain about the lack of transparency and the slow administration of justice in the courts. There are also complaints that the Honduran judicial system caters to favoritism, external pressure and bribes. While some U.S. firms have satisfactorily resolved their cases through the courts, the majority have difficulty navigating the legal system. Many U.S. citizens have also complained about the quality of legal representation they receive from Honduran attorneys.

## **Efficient Capital Markets and Portfolio Investment**

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There are no government restrictions on foreign investors' access to local credit markets. However, the local banking system is conservative and generally extends only limited amounts of credit. Interest rates have been steadily declining for several years, but remain high. As of July 2006, the average lending rate for a loan in Lempiras as was 15.7 percent, down slightly from 16.9 percent a year earlier, and for a loan in dollars was 8.3 percent, up from 7.9 percent a year earlier. Local banks should not be considered a significant source of start-up capital for new foreign ventures, unless they use specific business development credit lines made available by bilateral or multilateral financial institutions, such as the Central American Bank for Economic Integration. Loans from banks tend to be short-term, with substantial collateral and/or guarantee requirements. Several regional and international banks acquired new operations or expanded existing operations in Honduras in 2006, including Citibank, HSBC, and GE Capital. Increased competition and higher standards overall have led to more competitive lending practices and an expansion of credit that could benefit potential investors.

There are a limited number of credit instruments available in the local market. The only security exchange operating in the country is the Central American Securities Exchange (BCV) in Tegucigalpa ([www.bcv.hn](http://www.bcv.hn)). (Another securities exchange, the Honduran Securities Exchange (BHV) in San Pedro Sula, ceased operations in 2004.) The Central American Securities Exchange is supervised by the National Banking and Insurance

Commission. Instruments that can be traded theoretically include bankers' acceptances, repossession agreements, short-term promissory notes, Honduran government private debt conversion bonds and land reform repayment bonds. However, in practice, the market is nearly 100% composed of short-term government securities, and no formal secondary market for these bonds exists. No private firms currently sell commercial paper or corporate stock on the exchange. Any private business is eligible to trade its financial instruments on the exchange, and firms that participate are subject to a rigorous screening process. Historically, traded firms generally have had economic ties to the different business/financial groups represented as shareholders of the exchange, which has in the past led to lax risk management practices and an enduring loss of public confidence in the institution. Supervision of the exchange has traditionally been inadequate, even though a new law regulating security exchanges was passed in 2001. Investors should exercise caution before putting money into the BCV.

There is no regulatory body for the accounting profession in Honduras. The Association of Public Accountants is responsible for certifying practicing professionals. In general, Honduran businesses adhere to international Generally Accepted Accounting Principles (GAAP). These principles are normally applied per guidelines from the Ministry of Finance's General Directorate for Taxation.

The Honduran financial system is comprised of commercial banks, state-owned banks, savings and loans and finance companies. There are currently 16 commercial banks operating in Honduras, which account for roughly 90 percent of the assets in the financial system. Of these 16 banks, 7 have majority foreign ownership, accounting for 39 percent of total bank capital (as of November 2006). There is limited off-shore banking in Honduras.

The Honduran banking sector is in the midst of a wave of consolidation. Between 1999 and 2002, four Honduran banks either collapsed or were liquidated. Bancorp collapsed in 1999 and Banhceser in 2001; in each case allegations of corruption and wrongdoing emerged from the investigations into the causes of the bank's failures. In 2002, the National Banking and Insurance Commission announced the forced liquidation of Banco Capital, and placed another bank, Banco Sogerin, under the supervision of the national Deposit Insurance Fund. With both Banco Sogerin and Banco Capital failing at the same time, the CNBS delayed the initial sale of Banco Sogerin for several months to prevent wider damage to the banking system. The sale of Banco Sogerin was finally announced in July 2003. In 2005-2006, HSBC purchased BanIstmo, GE Capital purchased 49% of BAC and recently concluded a deal to purchase Banco Mercantil, and Citigroup purchased Banco Cuscatlan and Banco Uno. With the exception of Banco Mercantil, each of these is a regional bank with limited exposure in Honduras.

In September 2004, at the insistence of the IMF, the Honduran Congress passed a set of four financial sector reform laws that should lead to improved supervision of the banking system. The four laws reformed the Deposit Insurance Fund, the Central Bank, the National Banking and Insurance Commission, and the general system of financial supervision. A fifth law, passed in December 2004, establishes new and stronger penalties for financial crimes including bank fraud.

Honduras has not experienced major problems with domestic political violence. Political demonstrations do occur sporadically, and they can disrupt traffic, but they are generally announced in advance and are usually peaceful. Most major demonstrations occur in downtown Tegucigalpa. Travelers should avoid areas where demonstrations are taking place, and they should keep informed by following the local news and consulting hotel personnel and tour guides.

However, while political violence is not a major concern, levels of crime and violence are high, and do represent a major constraint on investment. In a World Bank survey conducted in 2002 of both Honduran and foreign firms operating in Honduras, one in three firms surveyed reported having suffered a criminal attack in the previous year. These attacks led to a loss of 0.9 percent of annual sales, and expenses devoted to security measures (hiring security guards, installing alarms, etc.) represented another 3.6 percent of annual sales. Total losses due to a lack of security therefore added up to 4.5 percent of sales - a significant proportion, second in the region only to Guatemala.

## **Corruption**

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Two codes regulate justice and provide for penalties against corruption: the Criminal Procedures Code (CPC) and the Penal Code (PC). In 2002, a reform of the CPC entered into force, changing the criminal judicial system from a traditional written inquisitorial trial system to an adversarial, oral, and public trial system. The new CPC is improving justice and accountability in a number of ways, including increased transparency in the criminal process.

The main responsibility for fighting corruption lies with the Public Ministry, under the direction of the Attorney General (Fiscal General). In 2002, the Government created a new control entity, the Supreme Court of Accounts (TSC) which brought together the Comptroller General of the Republic (CGR), the Directorate of Administrative Probity (Ethics office) and the Office of State Assets under one roof and under the direction of three members selected by Congress. While the TSC has undertaken numerous investigations, it has had no noticeable effect in limiting or reducing corruption in Honduras.

Historically, many U.S. firms and citizens operating in Honduras have found corruption to be a serious problem and a constraint to successful investment. In a World Bank survey conducted in 2002 of both Honduran and foreign firms operating in Honduras, corruption was identified as the single largest constraint to economic growth. In its 2007 perception survey of business persons, Transparency International named Honduras as one of the five most corrupt countries in the Western Hemisphere. Corruption appears to be most pervasive in government procurement, government permits, and in the buying and selling of real estate (land titling). With considerable U.S. help, the government is reforming Honduras' judicial system and reducing elite immunity and corruption, though serious problems remain in these areas. Bribery is a criminal act in Honduras and, depending on the degree of the offense, is subject to fines or incarceration. A bribe to a foreign official is also a criminal act under U.S. law (the Foreign Corrupt Practices Act).

## **Bilateral Investment Agreements**

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On July 12, 2001, a Bilateral Investment Treaty (BIT) between the U.S. and Honduras entered into force. The Treaty provides for equal protection under the law for U.S. investors in Honduras and permits expropriation only in accordance with international law standards and accompanied by adequate compensation. U.S. investors in Honduras also have the right to submit an investment dispute to binding international arbitration. The U.S.-Honduras Treaty of Friendship, Commerce and Consular Rights (1928) provides for Most Favored Nation treatment for investors of either country. The U.S. and Honduras also signed an agreement for the guarantee of private investments in 1955 and an agreement on investment guarantees in 1966. Honduras signed a Tax Information Exchange Agreement with the U.S. in 1992.

Provisions for investment are included in bilateral commercial treaties between Honduras and Costa Rica, El Salvador, Guatemala, Panama and the Dominican Republic. Honduras also has bilateral investment agreements with the United Kingdom and Spain.

CAFTA-DR not only liberalizes bilateral trade between the United States and the region, but also furthers integration efforts among the countries of Central America, removing barriers to trade and investment in the region by U.S. companies. CAFTA-DR will also require the countries of Central America to undertake needed reforms to alleviate many of the systemic problems noted above, in areas including protection of intellectual property rights, openness of government procurement, financial services market access and protection, alleviation of sanitary and phyto-sanitary barriers, and others.

#### **OPIC and Other Investment Insurance Programs**

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The U.S. Overseas Private Investment Corporation (OPIC) provides loan guarantees, which are typically used for larger projects, and direct loans, which are reserved for projects sponsored by or substantially involving U.S. small businesses and cooperatives. OPIC can normally guarantee or lend from \$100,000 to \$250 million per project. OPIC also offers insurance against risks of currency inconvertibility, expropriation and political violence. In July 2004, OPIC concluded a new bilateral investment treaty with Honduras. The agreement updates one signed in 1966, and should streamline OPIC support for U.S. investment in Honduras.

Other countries, including Germany, the United Kingdom, Taiwan, Spain, Italy, Switzerland and Japan provide insurance and guarantees for their companies doing business in Honduras. In addition, Honduras is a party to the World Bank's Multilateral Investment Guarantee Agency (MIGA).

#### **Labor**

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Honduras has a significant availability of labor for industries with a demand for relatively low skilled workers, given the low average education level of its population. There is a limited supply of skilled workers in all technological fields, as well as in medical and high technology industries.

In general, Honduras' labor laws are good. There are several concerns, however, in enforcement. The maquila sector has made great strides in eliminating the worst forms

of labor violations. Union officials remain critical of what they perceive as inadequate enforcement by the Ministry of Labor (MOL) of workers' rights, particularly the right to form a union and bargain collectively, and the reinstatement of workers unjustly fired for union organizing activities. Through cooperation within the bipartite and tripartite commissions (unions, MOL, private sector) and other venues, MOL inspectors' access to maquila plants to enforce the labor code has improved, and MOL has continued to work to increase its effectiveness in enforcing worker rights and child labor laws.

The labor law prescribes a maximum 8-hour workday and 44-hour week. There is a requirement for at least one 24-hour rest period every week. The Labor Code provides for a paid vacation of 10 workdays after one year, and of 20 workdays after four years. The Constitution and Labor Code prohibit the employment of persons under the age of 16, except that a 15-year old may be permitted to work with the written permission of parents and the MOL. All persons under 18 years of age are prohibited from night work, dangerous work and full time work.

The Children's Code (September 10, 1996) prohibits a person of 14 years of age or less from working, even with parental permission, and establishes prison sentences of 3 to 5 years for individuals who allow children to work illegally. An employer who legally hires a 15-year-old must certify that the young person has finished or is finishing compulsory schooling. The MOL grants a number of work permits to 15-year-olds each year. Document fraud is prevalent among minors interested in working. Many violations of the children's code occur in the agricultural sector and informal economy.

Additional information about Honduran labor legislation, including copies of the laws themselves, can be found (in Spanish only) at [www.levlaboral.com](http://www.levlaboral.com).

## **Foreign-Trade Zones/Free Ports**

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There are no known export subsidies provided by the Honduran government. The Temporary Import Law (RIT) allows exporters to introduce raw materials, parts and capital equipment (except vehicles) into Honduras exempt from surcharges and customs duties if the input is to be incorporated into a product for export (up to five percent can be sold locally). Export processing zones can be established anywhere in the country, and companies operating in export processing zones are exempt from paying import duties and other charges on goods and capital equipment. In addition, the production and sale of goods within export processing zones are exempt from state and municipal income taxes for the first ten years of operation. Companies operating in an export processing zone are permitted unrestricted repatriation of profits and capital and have access to onsite customs facilities. However, companies are required to purchase the Lempiras needed for their local operations from Honduran commercial banks or from foreign exchange trading houses registered with the Central Bank.

Most industrial parks and export processing zones are located in the northern Department of Cortés, with close access to Puerto Cortés, Honduras' major Caribbean port, and San Pedro Sula, Honduras' major commercial city and a transportation crossroads. Industrial parks and export processing zones are treated as offshore operations. Subsequently, customs duties must be paid on products manufactured in the parks and sold in Honduras. In addition, if Honduran inputs are used in production, they are treated as exports and must be paid for in U.S. dollars. While most companies

that operate in these parks are involved in apparel assembly, the government and park operators are beginning to diversify into other types of light industry, including automotive parts and electronics assembly. In 2005, a consortium of investors announced the development of a new export processing zone, Green Valley. When completed, Green Valley will be one of the largest parks of its kind in the hemisphere.

Privately-owned tourism zones may be established to promote the development of the tourism industry in Honduras. The law allows the free importation of equipment, supplies, and vehicles to businesses operating in designated tourism zones, with certain restrictions (see the description of the tourism law in section A.5, above).

## **Foreign Direct Investment Statistics**

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Foreign Direct Investment (FDI) in Honduras has registered a sustained growth trend since 2002, reflecting increased governmental efforts for achieving macroeconomic stability and for attracting investors' confidence. According to Central Bank data, FDI flows to Honduras in 2005 totaled \$567.8 million (a 22.2 percent increase over 2004), registering a historical high for the country. Although the U.S. continues to be a dominant source of FDI in Honduras (with 65.3 percent of all FDI flows during the first semester of 2006), among other countries and regions currently maintaining high levels of investment are: Asia (textiles); Mexico (ICT, telecom, consumer trade); Central America (mainly Panama and El Salvador, in the financial services sector, real estate, and development of commercial projects); and U.K./Holland/Spain/Italy (construction, electrical power, agro-industry).



**Table 1: Honduras - Foreign Investment - Companies  
by Country of Origin**  
in US\$ millions

	2004	2005	2006
United States	68.6	131.3	147.6
Canada	40.8	12.3	2.5
Mexico	35.9	44.4	16.7
El Salvador	17.7	26.1	7.6
Guatemala	9.0	25.2	18.4
Nicaragua	5.7	5.0	2.5
Costa Rica	6.6	-2.4	1.0
Panama	21.7	20.5	9.2
Bahamas	4.8	23.5	-28.6
Spain	0.1	0.0	0.0
England	61.0	47.4	10.5
Holland	3.6	3.3	1.3
Germany	14.4	-1.8	-2.6
Switzerland	23.7	16.4	11.7
Italy	6.0	3.7	0.3
France	0.0	15.8	6.2
Japan	0.1	0.3	0.0
Others	4.9	0.8	21.8
<b>Total</b>	<b>324.6</b>	<b>371.8</b>	<b>226.2</b>

Source: Central Bank of Honduras. Country breakdown for 2004 and 2005 is preliminary data only. Year-end data not yet available as of February 2007.

**Table 2: Honduras – Foreign Direct Investment by Economic Activity**  
(Millions of Dollars and percentages)

Economic Activity	I Semester			
	2003	2004	2005P	2006P
Agriculture; Fishing	12.5	11.1	21.0	2.8
Mining	21.7	40.9	13.5	2.9
Manufacturing	68.7	106.7	74.3	51.1
Electricity, water	5.6	7.2	10.0	3.0
Construction	4.8	0.8	-1.3	0.2
Consumer Trade, Hotels/Restaurants	45.6	23.3	108.4	16.9
Transportation, Storage, Communications	63.1	81.1	98.4	100.7
Financial, Insurance, Services	25.2	53.4	47.5	27.6
<b>Total</b>	<b>247.3</b>	<b>324.6</b>	<b>324.6</b>	<b>226.3</b>

Source: Central Bank of Honduras. P=preliminary

**Table 3: Honduras - Foreign Direct Investment Flows in Maquiladora Industry by  
Economic Sector**

(Millions of Dollars and percentages)

		I Semester	%	%
	2005P	2006P	2005	2006
Textile Industry	76.3	43.9	39.0	60.3
Commerce	8.0	4.3	4.1	5.9
Agriculture & Fishing	7.8	3.0	4.0	4.2
Services to Corporations	22.9	30.7	11.7	42.2
Electronic Components	65.3	-10.0	33.4	-13.7
Plastic Products	0.6	0.0	0.3	0.0
Wood Products	-0.4	-0.4	-0.2	-0.6
Tobacco	5.3	1.2	2.7	1.7
Cardboard products	3.3	0.0	1.7	0.0
Chemical products	2.7	0.0	1.4	0.0
Energy	0.4	0.0	0.2	0.0
Food Products	-0.5	0.0	-0.2	0.0
Other Industries	3.2	0.0	1.6	0.0
Total	195.8	72.8	100.0	100.0

Source: Information based on quarterly surveys applied to industrial park companies; data is yet not included in Balance of Payment statistics.  
P=Preliminary

**Table 4: Selected Foreign Investments in Honduras**

The following is a partial list of foreign firms and franchises of foreign firms operating in Honduras, with a description of the type of investment and country of origin.

Investor	Country	Type of Investment
American Airlines	U.S.	Airline services
America's Favorite Chicken	U.S.	Fast food
American Home Assurance Co.	U.S.	Insurance services
American International Group	U.S.	Insurance services
Americatel	U.S.	Telecommunications
Applewoods	U.K.	Cosmetics and Toiletries
Applebee's	U.S.	Restaurant
Astaldi	ITA	Engineering
Azucarera "La Grecia"	Guatemala	Sugar
BAC (Banco de América Central Honduras)	Nicaragua	Financial services
Banco Lafisse	Nicaragua	Financial services
Banco Uno	Nicaragua	Banking services

Baskin-Robbins	U.S.	Ice Cream
BAT Industries PLC	U.K.	Tobacco products
Bay Island Fish Co.	U.S.	Seafood
Bayer	Germany	Pharmaceutical products
Benneton	ITA	Casual clothing
Best Western	U.S.	Hotel
BGA/Banlstmo	Panama	Banking services
Bojangles	U.S.	Restaurant
Breakwater Resources Corp.	CAN/U.S.	Mining
Bristol Myers Squibb	U.S.	Beauty products
Budget Rent a Car	U.S.	Car rental
Burger King Inc.	U.S.	Fast food
Candy Bouquet	U.S.	Candy Store
Cargill, Inc.	U.S.	Animal feed, poultry & meat processing
Castle & Cooke, Inc.	U.S.	Bananas and other agricultural products; bottling and brewing
Caterpillar Tractors	U.S.	Spare parts, accessories
Cerveceria Hondurena, S.A.	South Africa	Soft drinks and beers
Chestnut Hill Farms	U.S.	Agricultural products
Chiquita Brands International	U.S.	Bananas and other agricultural products
Church's Chicken	U.S.	Fast food
Cinemark	U.S.	Entertainment
Cinnabon	U.S.	Fast food
Citigroup	U.S.	Banking and financial services
Citrus Development Corp.	U.S.	Citrus production and processing
Colgate-Palmolive	U.S.	Personal care products
Congelados Holanda	Mexico	Ice cream
Continental Airlines	U.S.	Airline services
CPC International	U.S.	Corn starch
Crowley American Transport	U.S.	Ocean freight services
Cultivos Marinos	U.S.	Shrimp farms
Cybex	U.S.	Health & fitness
Daimler Chrysler Corporation	U.S.	Cars
Demahsa	Mexico	Corn flour
DHL	U.S.	Air freight services
Dickies	U.S.	Textiles and apparel
Domino's Pizza	U.S.	Fast food
Dos Pinos	Costa Rica	Ice cream and milk products
Dry Cleaning USA	U.S.	Dry cleaning services
Dunkin' Donuts	U.S.	Fast food
Empacadora Cortes, S.A.	U.S.	Meat production; packing
Elektra	Mexico	Household goods/appliances
Ernst & Young International	U.S.	Accounting & auditing services
Exxon	U.S.	Petroleum products marketing
FEDEX	U.S.	Air freight services
Five Star Mining	U.S.	Mining exploration
GE Capital	U.S.	Financial Services

G.B.M. de Honduras	U.S.	Computer services
Glamis Gold, Ltd.	U.S./Canada	Gold mining
Global One Communication	U.S.	Telecommunications
Gold's Gym	U.S.	Health & fitness
Grupo Granjas Marinas	U.S.	Shrimp farms
H.B. Fuller	U.S.	Adhesives; paints
Hertz Rent a Car	U.S.	Car rental
Holiday Inn Hotel	U.S.	Hotel
Hotel Real Inter-Continental	El Salvador	Hotels
Hotel Princess	Guatemala	Hotel
House of Windsor	U.S.	Tobacco
Industrial Engineers, Inc.	U.S.	Repair & construction, naval vessels
Kentucky Fried Chicken	U.S.	Fast food
Kimberly-Clark	U.S.	Paper products; Pharmaceutical products
KPMG Peat Marwick	U.S.	General business consultants
La Fragua	Central America	Consumer Trade
Lear Corporation	U.S.	Electronic Automotive Harnesses
Little Caesar's Pizza	U.S.	Fast food
Lloyds TSB (Cuscatlan)	El Salvador	Banking services
Maersk Sealand	Denmark	Shipping
Mail Boxes, etc.	U.S.	Courier services and copy center
Marriott Hotels and Resorts	U.S.	Hotel
Martinizing	U.S.	Dry cleaning services
Mayan Gold, Inc.	U.S.	Mining
McDonald's Corporation	U.S.	Fast food
McCann Erickson	U.S.	Advertising; publicity
Midas International	U.S.	Automotive parts & Services
Millicom	Sweden/U.S.	Telecom
Motorola	U.S.	Telecommunications
Moore Business Forms	U.S.	Business forms
Multiplaza (Grupo Roble)	El Salvador	Shopping center chain
Nestle Products	Switzerland	Food products
Oracle	U.S.	Software
Pakmail	U.S.	Packaging and Courier Services
Pan Bimbo	Mexico	Bread products
Pan American Life Ins. Co.	U.S.	Life insurance
Parker Tobacco	U.S.	Cigars
Payless Shoe Source	U.S.	Footwear
Paysen	Germany	Pharmaceutical products
Peat, Marwick, & Mitchell	U.S.	Accounting and auditing services
Phelps-Dodge	U.S.	Electric wire & Cable manufacturing
Pizza Hut International	U.S.	Fast food
Pollo Campero	Guatemala	Fast food; animal feed; poultry processing
Popeye's	U.S.	Fast food
Price Smart	U.S.	Warehouse stores

Price Waterhouse	U.S.	Accounting & auditing services
Quick Internet	U.S.	Telecommunications, internet services
Quizno's	U.S.	Fast food
Radio Shack	U.S.	Electrical Appliances
RJR-Nabisco	U.S.	Food products
Ruby Tuesday's	U.S.	Restaurant
Russell Corporation	U.S.	Textiles and apparel
Sabritas	Mexico	Snacks
Scott Paper, Inc.	U.S.	Paper products
Seaboard Marine Corp.	U.S.	Winter fruits & vegetables; aquaculture; ocean freight services
Sears	U.S.	Consumer Household goods
Select	U.K.	Convenience stores
Shell	U.K. /Netherlands	Petroleum products marketing
Siemens	Germany	Telecommunications
Smith-Kline Beecham	U.K.	Pharmaceutical
Sprint	U.S.	Telecommunications products
Standard Fruit (Dole)	U.S.	Tropical fruits
Star Mart	U.S.	Convenience store
Stewart & Stevenson	U.S.	Electricity generation
Subway	U.S.	Fast food
TAHSA	U.K.	Tobacco
TACA	El Salvador	Airline services
TCBY	U.S.	Fast food
Technology Research Corp.	U.S.	Electrical supplies
Texaco	U.S.	Petroleum products marketing
TGI Friday's	U.S.	Restaurant
3M	U.S.	Office supplies
Tony Roma's	U.S.	Restaurant
Tropical Gas Company	U.S.	Appliance and other equipment
Unilever	U.K./Holland	Cleaning Products, Beverages, Food
United Marketing (Unimerc)	U.S.	Marketing services
United Parcel Services (UPS)	U.S.	International Courier
United Technologies Automotive	U.S.	Automobile electronics assembly
U.S. Tobacco	U.S.	Cigars
Van Ommeren-Ceteco	Netherlands	Trading/retailing
Wellington Hall Caribbean, Inc.	U.S.	Furniture
Wendy's	U.S.	Fast food
Witten International	U.S.	Apparel
Xerox	U.S.	Business machine sales & services

## Web Resources

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Economic Commission for Latin America and the Caribbean (CEPAL)	<a href="http://www.eclac.cl">http://www.eclac.cl</a>
Honduran Central Bank	<a href="http://www.bch.hn">http://www.bch.hn</a>
Honduran Association of Banking Institutions	<a href="http://www.ahiba.hn">http://www.ahiba.hn</a>
Ministry of Industry and Trade	<a href="http://www.sic.gob.hn">http://www.sic.gob.hn</a>
FIDE	<a href="http://www.hondurasinfo.hn">http://www.hondurasinfo.hn</a>
National Banking & Insurance Commission	<a href="http://www.cnbs.gov.hn">http://www.cnbs.gov.hn</a>
Foreign Trade Information System	<a href="http://www.sice.oas.org">http://www.sice.oas.org</a>
Overseas Private Investment Corporation	<a href="http://www.opic.gov">http://www.opic.gov</a>
Honduran Manufacturing Association	<a href="http://www.ahm-honduras.com">http://www.ahm-honduras.com</a>

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## Chapter 7: Trade and Project Financing

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### How Do I Get Paid (Methods of Payment)

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Cash in advance and irrevocable letters of credit, confirmed by U.S. banks, are the most appropriate methods of payment for U.S. exporters selling to Honduran firms. A third party, such as the Export-Import Bank of the United States, should insure open account transactions.

### How Does the Banking System Operate

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The Honduran banking system, currently comprised of 16 private banks includes financial intermediaries, one securities exchange, brokerages, credit operators, and foreign exchange houses. Most of the commercial banks were originally founded to service the financing needs of family-run business conglomerates, rather than provide full banking services to the public in a transparent manner.

Total assets in the Honduran financial system in 2007 were \$8.2 billion or 115 percent of GDP. Banks account for 90% of total assets in the financial system. The minimal capital requirement to operate a bank is Lempiras 100 million (\$6.1 million). Average interest rates in the banking system decreased from 18 percent in 2004 to 16 percent in 2007.

In September 2004, at IMF insistence, the GOH passed four banking reform laws aimed at strengthening the nation's financial system. The Central Bank reform law, which took effect on September 22, 2004, changes the structure of the Central Bank's Board of Directors, provides greater flexibility in the areas of exchange rate policy, monetary policy, and liquidity management, and provides for a stronger capitalization of the Central Bank from the central government. The Banking Commission reform law and the FOSEDE reform law transfer the responsibility for the restitution of troubled banks from FOSEDE to the Banking Commission. The Financial System law (Decree No. 129-2004) delineates the responsibilities of the Banking Commission and the Central Bank to supervise and regulate the country's financial sector. The overriding objective of the law is to bring Honduran financial sector regulation into compliance with the internationally recognized Basel core principles for effective banking supervision. The law also strengthens the previously ineffective national credit bureau and imposes new restrictions on bank ownership and management.

There are few legal barriers to entry in the banking sector, but the small size of the market has meant that most foreign investment has been in regional, rather than

Honduran-only, banks. Seven banks had majority foreign ownership since 2004 (Cuscatlan, Banco de Honduras, Citi Group, BGA/Banitsmo, BAC/Credomatic, Banco Uno, LAFISE, and Promerica).

Debt relief under the enhanced HIPC Debt Initiative from all of Honduras' creditors will surpass US\$3 billion over time, including over \$1 billion in new debt relief approved in 2007 by the Interamerican Development Bank. IDA will provide debt relief under the enhanced HIPC Debt Initiative amounting to US\$98 million in NPV terms (approximately US\$118.9 million in debt service relief) to be delivered from 2000 through 2012. The IMF will provide debt relief of SDR 22.66 million (equivalent to US\$30.3 million) in NPV terms on payments falling due to the IMF during 2001-07. The remaining bilateral and multilateral creditors are also expected to provide their share of relief required under the enhanced HIPC Initiative.

### **Foreign-Exchange Controls**

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Until early 1990, Honduras maintained a fixed official exchange rate of 2 lempiras (LPS) to the U.S. dollar. In March 1990, with the passage of a sweeping economic reform package, the Central Bank of Honduras devalued the lempira vis-a-vis the dollar, and later permitted it to float within a managed band devaluating at approximately 4% per year. The exchange rate was held fixed throughout 2006 at a rate of Lps. 18.8952 to \$1.00.

In 1994, the Central Bank established an auction system to regulate the allocation of foreign exchange more tightly and improve transparency of foreign exchange transactions. Commercial banks are now required to sell 50 percent of repatriated foreign exchange earnings to the Central Bank each night.

### **U.S. Banks and Local Correspondent Banks**

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**Project Financing**

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The United States Export-Import Bank (Ex-Im Bank) guarantees the repayment of loans, or makes loans to foreign purchasers of U.S. goods and services. Ex-Im Bank also provides credit insurance that protects U.S. exporters against the risks of non-payment by foreign buyers for political or commercial reasons. Ex-Im Bank does not compete with commercial lenders but assumes the risks they cannot accept. Export-Import Bank is not a development bank, and therefore looks for reasonable reassurance of repayment in all transactions.

At present, no local bank has direct access to Ex-Im Bank's credit lines. These lines, however, are available through U.S. commercial banks. In February 1999, Ex-Im Bank signed a \$50 million export facilitation facility for Central America with the Central American Bank for Economic Integration (CABEI). Also in February 1999, OPIC and Citibank signed an agreement to establish a \$200 million investment facility for Central America and the Caribbean that will help meet the need for medium and long-term capital in the region. This facility will be in place until 2009.

Long-term financing is generally available only through special lines of credit that selected commercial banks have with Central American Bank for Economic Integration. The programs that are available from this institution concentrate on export projects, including export processing zones and industrial parks.

The U.S. Department of Agriculture (USDA) provides credit guarantees for a wide range of agricultural and products exported from the United States, as well as export bonuses for selected products under the Export Enhancement Program and the Dairy Export Incentive Program. The USDA financing programs are aimed at encouraging U.S. agricultural exports.

The U.S. Small Business Administration (SBA) provides financial and business development assistance to encourage and help small business develop export markets. SBA offers both loans and loan guarantees.

The U.S. Trade Development Agency (TDA) provides grant loans for pre-feasibility studies overseas on projects with high U.S. products and services export potential.

Assistance from the Overseas Private Investment Corporation (OPIC) is available for new investments, privatization, and for expansions and modernization of existing plants sponsored by U.S. investors. The investors must contribute additional capital for modernization and/or expansion to be eligible. Financing is not available for projects that can secure adequate financing from commercial sources.

## **Web Resources**

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Export-Import Bank of the United States: <http://www.exim.gov>

Country Limitation Schedule: [http://www.exim.gov/tools/country/country\\_limits.html](http://www.exim.gov/tools/country/country_limits.html)

OPIC: <http://www.opic.gov>

Trade and Development Agency: <http://www.tda.gov/>

SBA's Office of International Trade: <http://www.sba.gov/oit/>

USDA Commodity Credit Corporation: <http://www.fsa.usda.gov/cc/default.htm>

U.S. Agency for International Development: <http://www.usaid.gov>

(Insert a link to the applicable Multilateral Development Bank here and any other pertinent web resources.)

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## Chapter 8: Business Travel

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### **Business Customs**

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In Honduras, written contracts are used as a means to formalize verbal agreements between trusted colleagues. Unlike the United States, personal relationships are important in creating and maintaining business ties and avoiding possible disputes. As a result, Honduran business people build lifetime relationships and establish close links with clients or customers, creating a reciprocal feeling of obligation and a mutual desire of assistance.

Since Hondurans are hospitable and gracious hosts, the closing of a business deal is similar to a social activity. As a result, many Americans find that going straight to the point when negotiating with Hondurans is not well - received. When meeting with Honduran counterparts, it is often best to move into business matters gradually. After the courtesy formalities have been taken care of, meetings generally turn to a more concrete discussion of business. Hence, unlike the United States, business negotiations tend to be slower and more drawn out in Honduras, placing more emphasis on relationships than conducting a business transaction.

As far as punctuality is concerned, Hondurans tend to be more relaxed than Americans. Waiting to be received for meetings is not unusual. While Americans take pride on timeliness, keeping a schedule is not as important in Honduras. Hence, it is necessary to understand that this approach to scheduling and punctuality is a cultural aspect of Honduras, and should not be taken as discourtesy or disinterest.

### **Travel Advisory**

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One important issue to keep in mind when visiting Honduras is security. Street crime is a principal concern, with theft, pick pockets, and armed robberies in urban areas on the rise. In addition, armed car and home robberies have been a problem. As a precaution, one should avoid wearing excessive jewelry and carrying valuables or large sums of money when walking in downtown areas. In the event that one's passport should be stolen or lost, or should one experience a threatening situation, it should be reported

immediately to the local police and the US Embassy's security office. For more information, please visit <http://honduras.state.gov> and follow these links: FAQ, then Crime & Security, then Consular Information Sheet. There is also extensive information on criminal tactics and personal security measures in the Crime & Security section of the website.

One of the main requirements for United States citizens when entering Honduras is a valid, passport. It is not required that bearers of U.S. diplomatic, official, or regular passports possess a visa as long as the visit will not exceed a period of 30 days. For additional information regarding travel to Honduras, please contact the Honduran Embassy in Washington D.C. located at 3007 Tilden Street N.W., Washington D.C. 20008, tel. (202) 966-7702. In addition, Honduran Consulates are located in the following cities: Atlanta, Chicago, Houston, Los Angeles, Miami, New York, New Orleans, San Francisco, San Juan, and Tampa. For additional inquires, please contact the Honduran Embassy's email address: [embhondur@aol.com](mailto:embhondur@aol.com).

## Visa Requirements

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### 1. Visas for Investors

Individuals interested in investing in Honduras should approach the nearest Honduran consulate or the Honduran Embassy in Washington. If already in Honduras, one may apply to the General Immigration Directorate for a residence visa.

According to Executive Order No. 8, the following procedures have been developed to facilitate the entrance into Honduras for foreigners who wish to invest in agricultural, agribusiness, industrial, tourism and export projects, in accordance with government promotion and investment policies and the Export Processing Zone Law:

Art. 3: All citizens of countries with whom the Government of Honduras has established diplomatic relations are eligible for investors' visas. Others may also be eligible if they are involved in an investment initiative proposed by one of the following local institutions: Honduran Private Enterprise Council (COHEP), Foundation for Investment and Development of Exports (FIDE), National Industry Association (ANDI), and National Chambers of Commerce and Industry.

Art. 4: The classification of the "Visa for Investors" is as follows:

- a) Investor's Type 1 Visa: issued to the investors and their dependents.
- b) Investor's Type 2 Visa: issued to technicians and specialized workers, their spouses and their economic dependents.

Art. 6: The application for the visa must be submitted personally or by a legal representative, and must contain the following specific information:

- a) Complete name of the applicant.
- b) Nationality and permanent residence.
- c) Purpose of the visit.

The following documents must be included in the application:

- a) Current passport.
- b) Bank or Commercial references.
- c) Evidence or proof of the investor's intentions.

Art. 8: The bearer of a Type 1 visa will be granted a three-month visa to remain in the country. This visa may be extended up to a maximum period of one year. Those with a Type 2 visa will be authorized an initial period of one month, which can be extended up to a maximum of six months.

Art. 12: Bearers of such visas will be able to receive all the benefits established under the Export Processing Zone Law.

## **2. Residence**

The application for residence may be done outside of Honduras through a Honduran consulate, or through the Ministry of Government and Justice. The residence registration process takes about three to four months. Among the documents required to apply for Honduran residence are:

- a) Health Certificate (original and copy).
- b) Police Department Certificate (original and copy).
- c) Letter of Employment (original and copy).
- d) Two Photos.

The residence card must be renewed every year.

## **3. Work Permit**

The following procedures are required in order to obtain a work permit in Honduras:

- a) Obtain Honduran residence. While the application for residence is in process, a temporary work permit can be requested through the Ministry of Labor.
- b) Provide the following information to the Ministry of Labor:
  - 1) A list of names of all the employees working for the company and their corresponding nationalities.
  - 2) A letter of employment and the type of job offered.
  - 3) A work contract stating the position the foreign employee will execute.

U.S. Companies that require travel of foreign businesspersons to the United States should be advised that security options are handled via an interagency process. Visa applicants should go to the following links.

State Department Visa Website: <http://travel.state.gov/visa/index.html>

United States Visas.gov: <http://www.unitedstatesvisas.gov/>

Consular Section US Embassy in Tegucigalpa: <http://honduras.state.gov>

## Telecommunications

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Telephone service is adequate. Direct-dial, long-distance calling within Honduras and to the U.S. and several other countries is available. Costs are based on the destination, and rates are available through operator assistance. Night rates are charged from 10 p.m. to 7 a.m. daily. Calls from Honduras to the US are more expensive than calls from the US to Honduras.

Radio reception is satisfactory. U.S.-style music is featured on several stations, but news is exclusively in Spanish. A good short-wave radio is necessary to receive American stations and international broadcasts, including the Voice of America (VOA). The Embassy's Public Affairs Section has schedules and program information.

Twelve local TV stations can be seen in Honduras, all with Spanish-language programming. Some local companies offer cable service with a wide range of stations, including major U.S. networks, CNN and entertainment-oriented stations.

Four daily and one weekly Spanish-language newspapers, along with one weekly English newspaper are published in Tegucigalpa and San Pedro Sula. Major sources of English-language news are the Latin American air express editions of the Miami Herald, the New York Times, the Wall Street Journal, the Washington Post, and USA Today, which arrive the day of, or day after, publication. Overseas editions of Time and Newsweek are available at several newsstands or by subscription.

## Transportation

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Passenger and air - freight services are generally reliable. Three gateway cities (Houston, Miami, and New Orleans) are only 2 ½ hours flying time from Honduras. Direct flights between Honduras and cities in North and Central America are provided by the following international airlines: American Airlines, Continental Airlines, COPA, Spirit, and TACA Airlines. Isleña Airlines, which belongs to Grupo TACA, connects Tegucigalpa, San Pedro Sula, and La Ceiba with the north coast and the Bay Islands. Other domestic commercial airlines are Atlantic Airlines and Aerolineas Sosa. Charter service and aircraft rentals (small single- and twin-engine equipment) are available from private flying services operating out of Tegucigalpa, San Pedro Sula, and La Ceiba. Among the airlines having local representation and offering connections to various destinations worldwide are Lufthansa, KLM/Air France, Varig, British Airways, Alitalia, and Japan Airlines (JAL). Air travelers leaving Honduras are required to pay \$32.32 in departure fees.

Passenger ground transportation, including comfortable bus service, is also available to various cities in the country, as well as to some Central American destinations. Although the cabs are often run-down, taxi service is available in the downtown areas of Tegucigalpa and San Pedro Sula and can be hired on an hourly basis. One of the best options for foreign visitors is calling a Radio Taxi (225-5563), a reliable cab service available in the cities of Tegucigalpa and San Pedro Sula. Major hotels and airports in Tegucigalpa and San Pedro Sula offer shuttle service for two to three times the normal rates. Taxis are not metered, so negotiation of the fare before entering is strongly advised. In addition, several car rental companies are also available.



## Language

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Spanish is the official language of Honduras. A substantial number of Honduran professionals and business executives speak English, and many high government officials and private sector leaders were educated in the United States.

## Health

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Drinking water must be boiled and filtered. Purified water can be purchased in major cities and smaller towns. Fruits and vegetables must be cleaned carefully and meats cooked well. The main health hazards include AIDS, malaria, dengue fever, dysentery, parasites, hepatitis A and B, typhoid, and rabies. There have been reports of cholera as well, although not in epidemic proportions. A malaria suppressant should be taken if traveling to coastal regions or rural areas for extended stays. Heat and sun exposure are also hazards. Take care to use sunscreen and avoid dehydration. Essential medical care service is available in Tegucigalpa, San Pedro Sula, La Ceiba, and Choluteca. In the countryside, medical care in many cases is very limited and often inaccessible.

Doctors and hospitals often expect immediate cash payment for health services. U.S. medical insurance is not accepted for hospital admission, physician service, or medical testing in Honduras. The Medicare/Medicaid program doesn't provide for payment of medical services outside of the United States. Check with your own insurance company to confirm whether your policy applies overseas, including provision for medical evacuation.

The "Foreign Service Posts: Guide for Business Representatives" is available for sale by the Superintendent of Documents, U.S. Government Printing Office, Washington, D.C. 20402; Tel (202) 512-1800; fax (202) 512-2250. Business travelers to Honduras seeking appointments with U.S. Embassy Tegucigalpa officials should contact the Commercial Section in advance by telephone at (504) 238-5114, or by fax (504) 238-2888.

## Local Time, Business Hours, and Holidays

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**Local Time:** Honduras does not switch to Daylight Savings Time. Therefore, for six months out of the year, Honduras is 2 hours behind Eastern Standard Time. For the rest of the year, Honduras is only 1 hour behind Eastern Standard Time.

**Business Hours:** Business hours for commercial and industrial offices is between 08:00 and 18:00, Monday through Friday. Manufacturing plants and construction sites start at 07:00 and close between 16:00 and 17:00. Banks are open to the public at 09:00 and close at 18:00. Auto banking closes at 8 p.m. Some banks have automatic teller, that are open all night.

The following list of Honduran and American holidays will be observed as a day of leave for all Embassy employees during 2006:

<b>Date</b>	<b>Day of the Week</b>	<b>Holiday</b>
January 1	Sunday	New Year's Day
January 16	Monday	Martin Luther King's
February 20	Monday	President's day
April 13	Thursday	Holy Thursday
April 14	Friday	Good Friday
April 15	Saturday	Easter Saturday
April 17	Monday	Day of the Americas
May 1	Monday	Honduran Labor Day
May 29	Monday	Memorial Day
July 4	Tuesday	Independence Day
September 4	Monday	Labor Day
September 15	Friday	Central American Independence Day
October 9	Monday	Francisco Morazan's Birthday & Columbus Day
October 16	Monday	Discovery of America
November 10	Friday	Veterans Day
November 23	Thursday	Thanksgiving Day
December 25	Monday	Christmas Day

### **Temporary Entry of Materials and Personal Belongings**

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The Temporary Import Law (RIT), enacted in 1984, allows exporters to introduce raw materials, parts, and capital equipment into Honduran territory exempt from surcharges and customs duties as long as the material or part is to be incorporated into a product that is exported outside of the country. This law also provides a 10-year tax holiday on profits from these non-traditional exports, under certain conditions. Interested parties may obtain authorization for this program through the Ministry of Industry and Trade. Amendments made to the RIT law in 1997 allow manufacturers to export their products into other Central American countries. These amendments also enable local importers to resell the machinery and equipment no longer needed, by paying an import duty based on its C.I.F. value.

Companies that do not operate in free trade zones or export processing zones fall under the jurisdiction of the Temporary Import Law. At present, over 500 companies are incorporated into the RIT program.

Temporary entry requirements for goods such as commercial samples, sales displays and other items for use at exhibits and trade shows are established under Article 73 of the Honduran Customs Law, Decree 212-87. Customs legislation allows duty free admission of such products, as well as for items to be used for scientific and entertainment purposes, for up to 3 months. This temporary entry authorization can also be extended for the same period of time, if necessary. Temporary import requirements also apply under Article 74 of the Honduran Customs Law for a period of up to 6 months, such as in the case of products to be used in the execution of construction projects, tourism and recreational activities, and other special private and public works. Temporary entry is granted upon making a deposit equivalent to the import duty applicable to the specific product. The guarantee is refunded at the time of re-exporting the product.

## Web Resources

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- US Embassy in Tegucigalpa, Honduras: <http://honduras.usembassy.gov>.
- State Department Visa Website: <http://travel.state.gov/visa/index.html>
- United States Visas.gov: <http://www.unitedstatesvisas.gov/>

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## Chapter 9: Contacts, Market Research, and Trade Events

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### Contacts

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#### A. Honduran Government Agencies

##### ***Presidential Palace***

Mr. Manuel Zelaya Rosales, President of the Republic of Honduras  
Palacio José Cecilio del Valle  
Blvd. Juan Pablo II  
Tegucigalpa, M.D.C.  
Tel. (504) 221-4545  
Fax. (504) 221-4552

##### ***Central Bank of Honduras***

Gabriela Nuñez de Reyes, President  
Edif. Banco Central  
Apdo. Postal 3165  
Tegucigalpa, M.D.C.  
Tel: (504) 237-1677, 237-1668  
Fax: (504) 237-6261

##### ***Ministry of Industries and Trade***

Elizabeth Azcona, Minister  
Edif. Fenaduana, 4to Piso, Blvd Quawait  
Tegucigalpa, M.D.C.  
Tel: (504) 235-3699, 235-4089  
Fax: (504) 235-3686

##### ***Ministry of Finance***

Hugo Noe Pino, Minister  
Secretaria de Finanzas  
Tegucigalpa, M.D.C.  
Tel: (504) 222-8701, 222-1211/78  
Fax: (504) 238-2309

##### ***Ministry of Foreign Affairs***

Milton Jimenez, Minister  
Antigua Casa Presidencial, ½ cuadra al norte  
de la Corte Suprema de Justicia  
Tegucigalpa, M.D.C.  
Tel: (504) 234-3297

Fax: (504) 234-1922

***Ministry of Public Works, Transportation and Housing***

Rosario Bonano, Minister  
Bo. La Bolsa, Comayagua, M.D.C.  
Tel: (504) 225-3614/0691  
Fax: (504) 225-5003

***Ministry of Agriculture and Livestock***

Hector Hernandez, Minister  
Col. Loma Linda Norte  
Blvd. Centro America  
Tegucigalpa, M.D.C.  
Tel: (504) 239-8394, 231-1921  
Fax: (504) 232-5375

***Ministry of Natural Resources and Environment***

Mayra Mejia, Minister  
Frente al Birichiche,  
100 metros al Sur del Estadio Nacional  
Tegucigalpa, Honduras  
Tel: (504) 235-7833  
Fax: (504) 232-6250

***Ministry of Labor and Social Security***

Riccy Moncada, Minister  
Colonia Puerta del Sol, Intersección Boulevard La Hacienda y Villa Olímpica  
Tegucigalpa, Honduras  
Tel: (504) 235-3455  
Fax: (504) 235-3455

***Ministry of Tourism***

Ricardo Martinez, Minister  
Col. San Carlos, 5 Piso, Edif. Europa  
Tegucigalpa, Honduras  
Tel (504) 222-4002  
Fax (504) 222-6642

***Ministry of Health***

Orizon Velasquez, Minister  
3 Calle, 4 Ave, Contiguo Correo al Nacional  
Tegucigalpa, Honduras  
Tel. (504) 222-8518, 222-5771 Ext. 1055  
Fax: (504) 222-5226

***Technical Ministry of International Cooperation***

Karen Zelaya, Minister  
Blvd. San Juan Bosco dos cuadras despues del Centro  
Financiero Banexpo  
Apdo. Postal 1327  
Tegucigalpa, Honduras

8/15/2007

Tel. (504) 239-5269  
Fax. (504) 239-5277

***Empresa Hondureña de Telecomunicaciones (HONDUTEL)***

Jacobo Regalado, General Manager  
Final Blvd. Morazan, atrás de Bigos, Edif. Los Almendros  
P.O. Box 1794  
Tegucigalpa, M.D.C.  
Tel. (504) 237-9802, 238-3131  
Fax. (504) 238-5614

***Servicio Autónomo Nacional de Acueductos y Alcantarillados (SANAA)***

Jorge Mendez, General Manager  
1 Ave., 13 Calle, Comayagua  
P.O. Box 437  
Tegucigalpa, M.D.C.  
Tel. (504) 237-8551  
Fax. (504) 237-8552

***Empresa Nacional de Energía Eléctrica (ENEE)***

Juan Bendeck, General Manager  
Calle Real, Edif. Banco Atlántida, 4 Piso  
Comayagua, M.D.C.  
Tel: (504) 237-8466, 238-0809  
Fax: (504) 237-8473

***Honduran Council for Science and Technology (COHCIT)***

Miriam Mejia, Minister  
P.O. Box 4458  
Tegucigalpa, M.D.C.  
Tel. (504) 291-0345  
Fax: (504)

***Municipality of Tegucigalpa***

Ricardo Alvarez, Mayor  
Frente al Parque Central  
Tegucigalpa, M.D.C.  
Tel. (504) 238-3319, 238-3351  
Fax: (504) 222-0242  
E-mail: alcalde@amdc.hn

***Municipality of San Pedro Sula***

Rodolfo Padilla Sunceri, Mayor  
P.O. Box 663  
San Pedro Sula, Honduras  
Tel. (504) 557-3556, 558-1995  
Fax: (504) 557-2844  
E-mail: Alcaldia@Netsys.hn

***Honduran Fund for Social Investment (FHIS)***

Marloan Lara, Minister and Executive Director

Edificio IPM  
Apartado Postal 3581  
Tegucigalpa, M.D.C.  
Tel: (504) 233-1730, 234-5231-37  
Fax: (504) 234-5255  
Email: lyuway@fhis.hn

## **B. Country Trade Associations /Chambers of Commerce**

### ***Honduran American Chamber of Commerce (AMCHAM)***

Roberto Alvarez, President  
Lic. Patricia Lopez, Executive Director  
P.O. Box # 1838  
Tegucigalpa M.D.C.  
Tel: (504) 235-9959, 231-1379, 232-6035  
Fax: (504) 232-2031  
E-mail: [amchamtegucigalpa@hotmail.com](mailto:amchamtegucigalpa@hotmail.com)

### ***Foundation for Investment and Development of Exports (FIDE)***

Lic. Vilma Sierra Executive President  
Antonio Young, Vice President  
P.O. Box # 2029  
Tegucigalpa M.D.C.  
Tel: (504) 235-3471, 235-3472  
Fax: (504) 235-7484  
E-mail: [fide@hondutel.hn](mailto:fide@hondutel.hn)  
[Http://www.hondurasinfo.hn](http://www.hondurasinfo.hn)

### ***Federation of Agricultural Producers and Exporters (FPX)***

Medardo Galindo, General Manager  
P.O. Box # 236  
San Pedro Sula, Cortés  
Tel: (504) 566-0139, 566-3794, 566-2368,  
Fax: (504) 566-3852  
E-mail: [fpx.honduras@spxhn.com](mailto:fpx.honduras@spxhn.com)

### ***Honduran Council for Private Enterprise (COHEP)***

Ing. Mario Cnahuati, President  
Benjamin Bogran, Executive Director  
P.O. Box 3240  
Tegucigalpa M.D.C.  
Tel: (504) 235-3336  
Fax: (504) 235-3345/44  
E-mail: [cohep@consejo.com](mailto:cohep@consejo.com)

### ***National Honduran Association of Exporters (ANEXHON)***

Lic. Roberto Panayotti, President  
Local de la C.C.I.C.  
San Pedro Sula, Cortes  
Tel: (504) 553-3626  
Fax: (504) 553-3777

***Construction Industry Association (CHICO)***

Ing. Elvin Ernesto Santos, President  
Mario Sandoval, General Manager  
P.O. Box # 905  
Tegucigalpa M.D.C.  
Tel: (504) 232-0183, 232-1756  
Fax: (504) 239-0973  
E-mail: chico@david.intertel.hn

***International Chamber of Commerce (INTERCHAM)***

Hector Diaz, President  
Ave Circunvalación, 17 Ave., 9-10 Calle, S.O. Edificio CCIC  
P.O. Box # 4548  
San Pedro Sula, Cortés  
Tel: (504) 557-4994  
Fax: (504) 557-4994  
E-mail: intcham@simon.intertel.hn

***Honduran Federation of Chambers of Commerce (FEDECAMARA)***

Lic. Edison Cardenas, President  
P.O. Box # 3393  
Tegucigalpa M.D.C.  
Tel: (504) 232-6083  
Telefax: (504) 232-1870

***Chamber of Commerce and Industry of Tegucigalpa (C.C.I.T.)***

Lic. Amilcar Bulnes, President  
Lic. Maria Margarita Quiñonez General Manager  
P.O. Box # 3444  
Tegucigalpa M.D.C.  
Tel: (504) 232-4200,  
Fax: (504) 232-0159  
E-mail: ccit@hondutel.hn

***Chamber of Commerce and Industry of Cortes (C.C.I.C.)***

Ing. Oscar Caceres, President  
P.O. Box # 14  
San Pedro Sula, Cortés  
Tel: (504) 553-0761, 553-2490  
Fax: (504) 553-3777  
E-mail: ccic@ccichonduras.org

***National Industry Association (ANDI)***

Ing. Adolfo Facussé, President  
Guermo Matamoros, Executive Director  
Tel: (504) 232-2221, 239-1239  
Fax: (504) 221-5199  
P.O. Box # 3447  
Tegucigalpa M.D.C.  
E-mail: andi@andi.hn



***Honduran Apparel Manufacturers Association***

Jesus Canahuati, President  
Henry Fransen, Executive Director  
P.O. Box # 2658  
San Pedro Sula, Cortés  
Tel: (504) 556-5526  
Fax: (504) 556-5525  
E-mail: [director@ahm-honduras.com](mailto:director@ahm-honduras.com); [www.ahm-honduras.com](http://www.ahm-honduras.com)

***Honduran Association of Banking Institutions (AHIBA)***

Roque Rivera, President  
P.O. Box #1344  
Tegucigalpa, M.D.C.  
Tel: (504) 235-6770  
Fax: (504) 239-0191  
E-mail: [ahiba@ahiba.hn](mailto:ahiba@ahiba.hn)

***Honduran Mining Association (ANAMINH)***

Miriam Bueso, President  
Edif. Plaza Millennium 2ndo Nivel Cubi B Guel 3  
Comaguela, Honduras  
Tel: (504) 225-3733  
Fax: (504) 225-3733  
Email: [anaminh@yahoo.com](mailto:anaminh@yahoo.com)

***Honduran Association of Importers and Distributors of Land and Cattle Products (ADIVEPAH)***

Ing. Mario Valladares, President  
P.O. Box # 3642  
Tegucigalpa, M.D.C.  
Tel: (504) 239-1382  
Fax: (504) 239-1382, 221-4201  
E-mail: [adivepah@itsnetworks.net](mailto:adivepah@itsnetworks.net)

***Association of Meat Importers (AIMCA)***

*Asociacion de Importadores de Carnicos*  
Roberto Prego, President  
Barrio Buenos Aires, 1era y 2nda Ave. 10 Calle, NO, casa No. 109  
San Pedro Sula, Cortes  
Tel: (504) 551-2468  
Fax: (504) 551-2468  
E-mail: [r.prego@edured.net](mailto:r.prego@edured.net)

***Honduran Association of Importers and Distributors of Vehicles (AHDIVA)***

Federico Quiros, President  
Centro Commercial Lomas Blvd. Local 37  
Tegucigalpa, Honduras  
Tel: (504) 239-9088 / 221-0559  
Fax: (504) 221-0559  
E-mail: [ahdiva@multivisionhn.net](mailto:ahdiva@multivisionhn.net)

***Honduran Association of Importers and Distributors of Petroleum Products (AHDIPPE)***

Harry Panting, President  
P.O. Box #1392  
Tegucigalpa, M.D.C.  
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**Market Research**

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**Trade Events**

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Please click on the link below for information on upcoming trade events.

<http://www.export.gov/tradeevents.html>

In Honduras:

[www.buyusa.gov/honduras](http://www.buyusa.gov/honduras)

Please also see Chapter 3, section on "Trade Promotion and Advertising."

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## Chapter 10: Guide to Our Services

The U.S. Commercial Service offers customized solutions to help your business enter and succeed in markets worldwide. Our global network of trade specialists will work one-on-one with you through every step of the exporting process, helping you to:

- Target the best markets with our world-class research
- Promote your products and services to qualified buyers
- Meet the best distributors and agents for your products and services
- Overcome potential challenges or trade barriers

For more information on the services the U.S. Commercial Service offers U.S. businesses, please click on the link below.

[www.buyusa.gov/honduras](http://www.buyusa.gov/honduras)

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U.S. exporters seeking general export information/assistance or country-specific commercial information should consult with their nearest **Export Assistance Center** or the **U.S. Department of Commerce's Trade Information Center** at **(800) USA-TRADE**, or go to the following website: <http://www.export.gov>

To the best of our knowledge, the information contained in this report is accurate as of the date published. However, **The Department of Commerce** does not take responsibility for actions readers may take based on the information contained herein. Readers should always conduct their own due diligence before entering into business ventures or other commercial arrangements. **The Department of Commerce** can assist companies in these endeavors.