



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), which was signed by the US, Honduras, El Salvador, Nicaragua, Costa Rica, Guatemala, and the Dominican Republic in August 2004. Honduras was the second country to ratify CAFTA-DR, which entered into force for Honduras on April 1, 2006, one month following El Salvador and the United States. CAFTA-DR eliminates most tariffs and other barriers to U.S. goods destined for the Central American market, provides protection for U.S. investments and intellectual property and creates more transparent rules and procedures for doing business. CAFTA-DR also aims to eliminate inter-Central American tariffs, and facilitate increased regional trade, benefiting U.S. companies manufacturing in Honduras.

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 extensive and include: franchising; food processing, hotel, and restaurant equipment; processed foods, 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. For the period January-November 2007, Honduran imports of tractors, telecom equipment, electrical generators, industrial machinery, and general consumer goods all showed the most increases.

The U.S. is the chief trading partner for Honduras, supplying almost half of Honduran imports and purchasing approximately 65 percent of Honduran exports. U.S. exports to Honduras in 2007 were \$4.5 billion, up approximately 21 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. goods can now enter the region duty-free, with tariffs on the remaining 20 percent to be phased out within 10 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 flow of foreign direct investment (FDI)

into Honduras in 2007 was \$814.9 million, up from \$674.1 million in 2006. Of the total FDI flows, 72.6 percent is directed towards the general business sector, and 27.4 percent towards the export processing (*maquila*) sector. The U.S. continues to be the leading investor in the *maquila* sector, participating with 41.1 percent of FDI flows in 2006, followed by Canada with 35.5 percent. During 2006, the *maquila* sector received a total of \$184.7 million in FDI, the second highest amount recorded in the last seven years (exceeded only by \$195.8 million in 2005). With respect to all other business sectors, the U.S. is also taking the FDI lead with \$263.3 million, followed by the UK (\$45.2 million) and Canada (\$41.7 million). The sectors reporting the highest amounts of FDI flows are retail, restaurant/hotels, financial/insurance, and telecommunications. During 2006, Honduras also consolidated itself as the second largest recipient of FDI flows in Central America (23.0 percent), after Costa Rica (37.4 percent). The stock of U.S. direct investment in Honduras at the end of 2006 on a historical cost basis was \$517 million.

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.

Honduras marked 25 years of unbroken civilian, constitutional rule in 2007. José Manuel “Mel” Zelaya of the Liberal Party was elected President for a four-year term in November 2005. Economic growth over the last two years has averaged more than 6 percent, led by the construction, agricultural and financial sectors. Remittances from Hondurans living in the United States, more than a quarter of Honduran GDP, have made a major contribution to domestic demand in recent years.

Overall Central America and Honduras enjoy relative stability, growing economies and proximity to the U.S., all of which make these markets attractive for U.S. exports. Regional integration should spur investment, growth, trade and continued market opportunities for U.S. firms in coming years.

Market Challenges

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Honduras still needs to overcome various issues in order to maintain growth and reduce poverty. Some of these issues include promoting investment, maintaining macroeconomic stability, and increasing the private sector’s competitiveness in order to reap the benefits of Free Trade Agreements such as CAFTA-DR.

The lack of judicial security and endemic corruption are major problems for the investment environment. Judicial processes are long and opaque, and property titles are frequently not respected. Honduras came in behind all other CAFTA-DR countries both in the 2007 Transparency Perceptions Index and in the 2008 World Bank Doing Business Index. With a score of 2.5 out of 10 on the former, Honduras is perceived to have a major corruption problem.

Particular difficulties exist in the telecoms and energy sectors. The state-owned electrical company ENEE is incurring chronic deficits, as rates charged to consumers do not cover costs. In 2007, President Zelaya’s administration ordered the military to take temporary control of ENEE (it has since been returned to civilian control). But serious

reform proposals face strong political opposition. Likewise, liberalization of the international telecommunications market is required by CAFTA-DR and vital to improving the investment climate, but a reform bill has been unable to overcome the political wrangling for over two years -- with the state-owned company Hondutel continuing to reap the (legitimate and illegitimate) rewards. Meanwhile, government-owned enterprises continue to operate the port system, electricity distribution, highways, and postal system.

Economic growth hides serious distortions in the employment market. Honduras is the third-poorest country in Latin America. About 40 percent of Hondurans are unemployed and underemployed, with predictable consequences in terms of crime. 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 due to their nationality, but should avoid obvious demonstrations of wealth.

To combat these problems, the Honduran government says it is focused on poverty alleviation and job creation. Despite USD 4 billion of debt forgiveness and a 5-year, USD 215 million Millennium Challenge Compact that both focus on poverty reduction, however, execution has proved well below expectation and the government appears more interested in applying its resources to public-sector salaries and resorting to short-term populist fixes (such as price freezes) than in addressing the root causes of poverty. This will be increasingly problematic if 2008 sees slowed or no growth in remittances, consumer spending, and/or construction due to the housing and credit crisis in the United States.

Market Opportunities

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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. Among the leading sectors for U.S. exports and investment are safety and security equipment, travel, tourism & education, automotive parts & service equipment, computers and peripherals, building products, printing and graphic arts equipment, food processing and packaging equipment, processed foods, textile machinery, equipment & fabrics, general consumer goods, franchising and electrical power systems.

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.

Honduras, located in the heart of Latin America, is only at a 2-hour flight from main U.S. gateway cities, and 48 to 72 hours by sea. With the lowest logistical costs in the region, Honduras is also a distribution platform for the rest of Central America. Puerto Cortés, the largest deep-water port in the region, is the first port in Latin America to qualify under both the Megaports and Container Security Initiatives (CSI), which now make approximately 90 percent of all transatlantic and transpacific cargo imported into the U.S. subject to prescreening prior to import.

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 including HSBC and Citigroup led to an expansion of consumer credit in 2007. 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 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. Decree Law No. 549 applies to a contract only if the representative, distributor, or agent has registered with the Ministry of Industry & Trade (SIC).

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, Economic, and 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 with the CAFTA-DR 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 time frame 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 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 long and costly administrative obstacles. 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 62 days in 2005 to an average of 21 days in 2007.

According to the World Bank's Doing Business 2008 report, Honduras has experienced reforms and improved its position on the "ease of doing business" in the following four major areas: starting a business, dealing with licenses, getting credit, and registering property.

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 (LLC), corporation and joint stock company. The most common and economically significant legal forms are the corporation (*sociedad anónima, or SA*) and the Limited Liability Company (*sociedad de responsabilidad limitada, or SRL*). Starting capital for a limited liability company should be no less than 5,000 lempiras (approximately USD 265) and include at least two partners at all times. Required starting capital for a stock company or corporation is 25,000 lempiras (approximately USD 1,315) and include at least five partners at all times.

An important requirement for operating a business in Honduras for 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, 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 Limited Liability Company). Thanks to an innovative partnership with the Government of Honduras, some of these 13 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: 5percent for up to Lps.25, 000 and 3 percent 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," or the copy that will filed with the civil judge for Commercial Registry.

. 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;" USD 15 for a local newspaper.

4. Purchase the contract stamps and bar stamps from commercial bank Banco Atlántida
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: 5 days

Cost to complete: Lps. 1.5 for each Lps.1,000 of corporation capital (Derechos de registro/registration fees) plus 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 minutes books

Time to complete: 1 day; Cost to complete: approximately USD 180

Comment: The minutes books can now be authorized as separate bound sheets.

8. Register with local and national Chambers of Commerce

Time to complete: 1 day; Cost to complete: nominal

9. 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: Lps. 1,250 + Lps. 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 Lps. 1,250): Nomenclature taxes; Zoning tax; Inspection tax; Code tax; Environmental tax; annual fire department and garbage department taxes.

10. 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.

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

Time to complete: 3 days (simultaneous with procedure 8); 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 percent of each employee's salary for illness and maternity (Enfermedad y Maternidad, EM), plus 2 percent for disability, old age and death, (Invalidez, vejez y muerte, IVM).

12. *Register at the National Vocational Training Institute (Instituto Nacional de

Formación Profesional INFOP)

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

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

13. *Register at Social Housing Fund (Régimen de Aportación, (RAP) al Fondo Social de la Vivienda (FOSOV))

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 percent of each employee's salary.

Note: Procedures marked with an asterisk (*) may take place simultaneously.

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

Property Office (Mercantile Registry)

<http://www.ip.hn>

Franchising

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In recent years the number of U.S. franchises operating in Honduras has grown rapidly. About 60 foreign firms now operate in Honduras under franchising agreements. Most of these firms are U.S. fast-food and casual restaurants, such as Chili's, T.G.I. Friday's, Applebee's, Tony Roma's, Ruby Tuesdays, UNO Chicago Grill, Pizza Hut, Burger King, McDonald's, Wendy's, Subway, 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 and fitness, electronics, cosmetics and toiletries, business services, convenience stores, dry-cleaners, car rentals, mailing, and fast-printing. In addition, several major hotel chains have entered the market through construction of new facilities and acquisition of existing properties, such as Holiday Inn, Real Inter-Continental, Crowne Plaza, 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, CAFTA-DR and the Honduran Investment Law (2002) provide 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 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 and financial institutions, thus limiting the target market only to their respective clients. Local company listings and mailing information can be obtained through local chambers of commerce and industry associations.

Although internet-based direct marketing solutions are rapidly evolving and the number of Hondurans who are regularly on-line is increasing, Internet access in Honduras is still low (the International Telecommunications Union estimates 4.9 percent of the total population).

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).

Only a small percentage of Honduran businesses are currently utilizing Call Centers to interact with their customers, such as airlines, commercial banks and insurance companies, most of which are not operated locally.

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. Joint ventures are usually established in Honduras as a way to compete for government contracts or in heavily regulated sectors.

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 that is funded by the United States Agency for International Development, supports 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. Most relevant bodies have developed procedures for the temporary licensing of professional service suppliers of another country.

Except for foreign currency earned by companies operating in free-trade zones and industrial parks, Honduran law directs that all foreign exchange earnings on exports from Honduras be repatriated. The liberalization of Honduras's 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 percent 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 25 percent over the gross taxable income. 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 25

percent income tax is assessed on royalties for use of copyrights, patents, trademarks, and designs. Wages, salaries, commissions, or any other types of compensation are taxed at 35 percent. 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 percent, and insurance premiums at 15 percent. 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: 10 percent; royalties for mining, quarrying and other natural resource operations: 10 percent; income from the operation of airplanes, vessels and land vehicles: 10 percent; income from operations of communication firms: 5 percent; interest earned on bonds, notes, securities, and other obligations: 5 percent; any other income not covered above: 20 percent.

Public or private legal, juridical or conventional persons who make payments or grant credits to natural/individual or legal, juridical or conventional 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 percent 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.

A 1 percent tax on net assets in Honduras 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 Lps 3,000,000 (USD 158,000); businesses in their pre-operative stages; businesses operating in free trade zones, industrial processing zones, tourism free zones and maquilas; banks, financial and insurance companies, investments in securities and holding companies. The income tax paid during the previous year constitutes a credit in favor of the net assets 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 provisions of CAFTA-DR. CAFTA-DR eliminated a requirement dictating foreign firms were required to act through a local agent (at least 51 percent Honduran-owned). CAFTA-DR requires fair and transparent procurement procedures, including advance notice of purchases and timely and effective bid review procedures. Under 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 to help them navigate the procurement maze, 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. Honduras is not a signatory of the WTO multilateral Agreement on Government Procurement (GPA), and as such does not necessarily use the same procedures as other signatories.

Under the Government Contracting Law, which entered into force in October 2001, all public works contracts over one million Lps (approximately USD 53,000 as of March 2008) must be offered through public competitive bidding. Public works contracts between 500,000 and one million Lps (USD 25,000 and USD 50,000) can be offered through a private bid, and contracts less than Lps 500,000 (USD 25,000) are exempt from the bidding process. Government purchases and project acquisitions are generally exempted from import duties.

Winning contracts with the Honduran Government can be challenging, even for large companies. Some foreign firms complain of mismanagement, bureaucratic delays, 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 favored a particular company from the outset and that UNDP management of invitation-only, limited-bid process, was not transparent.

Efforts for strengthening the country's procurement systems are underway. In order to facilitate dissemination of public bidding opportunities, the Honduran government recently established an online Contracting and Procurement Information System known as "Honducopras", which can be accessed at www.honducopras.hn and is administered by the State Procurement Agency (ONCAE). As of January 2008, and as part of ONCAE's State Contracting and Procurement Efficiency Program, Honduras has implemented a new national "Standard Bidding Document" that is deemed acceptable to multilateral financing entities such as the Inter-American Development Bank (IADB) and the World Bank, which improves several aspects of the government procurement process.

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.

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 (Wal-mart), 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 coastal city of La Ceiba is also one of the fastest growing regions in Honduras, attracting a significant number of commercial outlets and retail chains. 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. With the implementation of the CAFTA-DR Free Trade Agreement, an increasing number of Honduran importers are seeking U.S. suppliers of goods and services to expand market opportunities.

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, automobiles, and foods 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. Adapting products and services to the local culture is also an important factor to remain competitive.

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. For background and credit check information on prospective Honduran partners, the U.S. Commercial Service office in Tegucigalpa offers the International Company Profile (ICP) service. For more information about the

ICP and other services, U.S. exporters may visit <http://www.usatrade.gov> or call 1-800-USA-TRADE.

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 develop a business relationship, the investment in time can pay off in long-lasting and mutually profitable alliances.

Electronic Commerce

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Although there is still a long way to go for e-commerce to become a trusted business tool for the transaction of goods and services in Honduras, it is gradually evolving in the Honduran market, as local internet connectivity is in a rapidly developing stage at both private and government levels. 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 in Honduras is available at <http://www.it.gob.hn> and <http://www.gob.hn>.

An increasing number of private sector companies are also utilizing ICT solutions as an alternative sales strategy. The most promising sectors include e-tourism, e-commerce, e-education, and outsourcing. 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. According to Credomatic Honduras, one of the local pioneers in this area, online sales in Honduras have experienced an annual growth rate of 60 percent between the 2003 to 2006 period. Growth estimates for 2007 are of 117 percent, and are mainly attributed to an increase in online payments for cable television and college tuition services. For the tourism industry alone, online purchases increased by 41.5 percent in 2007.

The most common types of e-commerce alternatives in Central America are business-to-consumer (B2C) websites, designed to attract purchases from the region's immigrants residing in the U.S. and who are looking for ways to provide consumer goods to their families abroad. The Central American commercial banking industry has also been very successful in developing user-friendly websites for B2B and B2C customer interactions. The online expansion has been accelerated by the incursion of global financial institutions such as GE Money, Citigroup, and HSBC to the region.

Among the challenges hindering advancement of ICT solutions in the region are telecom infrastructure gaps (broadband connection is less than 25 percent), the high cost of courier/mailing services, and the lack of a legal framework supporting the ICT industry. Although there is no domestic legislation regulating e-commerce activities in Honduras, CAFTA-DR includes provisions on electronic commerce that reflect its importance in global trade. 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.

Internet Usage and Population Growth of Honduras:

YEAR	Users	Population	percent Pen.	Usage Source
2000	40,000	6,076,875	0.7 percent	ITU
2005	223,000	6,569,026	3.4 percent	ITU
2007	337,300	6,827,496	4.9 percent	ITU

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. There are not a wide variety of specialized industry publications. 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
[Http://www.heraldo.com](http://www.heraldo.com)

Diario La Tribuna

Spanish/Daily
 Manager: Manuel Acosta Medina
 P.O. Box 1501
 Comayaguela, M.D.C., Honduras
 Tel: (504) 233-1283
 Fax: (504) 234-2755
 E-mail: 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
[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
E-mail: 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
amalia.Hernandez@continental.hn
[Http://www.tiempo.hn](http://www.tiempo.hn)

Honduran Business Journals***Estrategia & Negocios***

Spanish/Monthly
Manager: Silvia de Angulo
Address: Barrio Río de Piedras 7th Calle entre 19-20 Ave. S.O.
Tegucigalpa, Honduras
Tel. (504) 553-5157
Fax. (504) 553-5157
E-mail: sestynegsus@sulanet.net

Hablemos Claro Financiero

Spanish/Monthly
Manager: Regina Wong
Address: 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
<http://www.hablemosclaro.com>

Regional Business Journals***Central America Today***

English/Bi-Monthly
Country Sales Manager: Verushka Lagos
Address: Campus Universidad de San Pedro Sula, Ave. Circunvalación, N.O.
San Pedro Sula, Honduras
Tel: (504) 553-3725; (504) 552-2277
Fax: (504) 580-1617
E-mail: vershka.lagos@centralamericatoday.com
<http://www.centralamericatoday.com>

Mercados Y Tendencias

Spanish/Monthly
Country Manager: Juan Carlos Carbajal
Address: Plaza Marte, Blvd. Morazán, Local No. 11
Tegucigalpa, Honduras
Tel: (504) 221-1148

E-mail: Honduras@grupocerca.com
<http://www.grupocerca.com>
<http://www.edicionesdelsol.com>

Honduran Online Newspapers

Hondudiario

Address: Col. Palmira, ave. República de México
Tegucigalpa, Honduras
Tel: (504) 221-0385; (504) 221-1039
E-mail: hondudiario@hondudiariohn.com
<http://www.hondudiario.com>

Proceso Digital

Director: Marlen Perdomo de Zelaya
<http://www.procesodigital.hn>

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), the Chamber of Commerce of Tegucigalpa (CCIT), and local industry associations.

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

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 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 percent for most goods. Products exempted from the 12 percent 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 percent 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 percent tax, with air transportation subject to a 10 percent 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.

Protecting Your Intellectual Property

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Introduction

Several general principles are important for effective management of intellectual property rights (IPR) in Honduras. First, it is important to have an overall strategy to protect IPR. Second, IPR is protected differently in Honduras than in the U.S. Third, rights must be registered and enforced in Honduras under local laws. Companies may wish to seek advice from local attorneys or IPR consultants. The U.S. Commercial Service can often provide a list of local lawyers upon request.

It is vital that companies understand that intellectual property is primarily a private right and that the US government generally cannot enforce rights for private individuals in Honduras. It is the responsibility of the rights' holders to register, protect, and enforce

his or her rights where relevant, retaining his or her own counsel and advisors. While the U.S. Government is willing to assist, there is little it can do if the rights holders have not taken these fundamental steps necessary to securing and enforcing their IPR in a timely fashion. Moreover, in many countries, rights holders who delay enforcing their rights on a mistaken belief that the USG can provide a political resolution to a legal problem may find that their rights have been eroded or abrogated due to doctrines such as statutes of limitations, laches, estoppel, or unreasonable delay in prosecuting a lawsuit. In no instance should USG advice be seen as a substitute for the obligation of a rights holder to promptly pursue its

It is always advisable to conduct due diligence on partners. Negotiate from the position of your partner and give your partner clear incentives to honor the contract. A good partner is an important ally in protecting IP rights. Keep an eye on your cost structure and reduce the margins (and the incentive) of would-be bad actors. Projects and sales in Honduras require constant attention. Work with legal counsel familiar with Honduran laws to create a solid contract that includes non-compete clauses, and confidentiality/non-disclosure provisions.

It is also recommended that small and medium-size companies understand the importance of working together with trade associations and organizations to support efforts to protect IPR and stop counterfeiting. There are a number of these organizations, both Honduras or U.S.-based. These include:

- The U.S. Chamber and local American Chambers of Commerce
- The Honduran Property Institute (General Directorate of Intellectual Property)
- National Association of Manufacturers (NAM)
- International Intellectual Property Alliance (IIPA)
- International Trademark Association (INTA)
- The Coalition Against Counterfeiting and Piracy
- International Anti-Counterfeiting Coalition (IACC)
- Pharmaceutical Research and Manufacturers of America (PhRMA)
- Biotechnology Industry Organization (BIO)

IPR Resources

A wealth of information on protecting IPR is freely available to U.S. rights holders. Some excellent resources for companies regarding intellectual property include the following:

- For information about patent, trademark, or copyright issues -- including enforcement issues in the US and other countries -- call the STOP! Hotline: **1-866-999-HALT** or register at **www.StopFakes.gov**.
- For more information about registering trademarks and patents (both in the U.S. as well as in foreign countries), contact the US Patent and Trademark Office (USPTO) at: **1-800-786-9199**.
- For more information about registering for copyright protection in the US, contact the US Copyright Office at: **1-202-707-5959**.
- For US small and medium-size companies, the Department of Commerce offers a "SME IPR Advisory Program" available through the American Bar Association that provides one hour of free IPR legal advice for companies with concerns in Brazil, China, Egypt, India, Russia, and Thailand. For details and to register, visit: **http://www.abanet.org/intlaw/intlproj/iprprogram_consultation.html**

- For information on obtaining and enforcing intellectual property rights and market-specific IP Toolkits visit: www.StopFakes.gov. This site is linked to the USPTO website for registering trademarks and patents (both in the U.S. as well as in foreign countries), the U.S. Customs & Border Protection website to record registered trademarks and copyrighted works (to assist customs in blocking imports of IPR-infringing products) and allows you to register for Webinars on protecting IPR.
- The U.S. Commerce Department has positioned IP attachés in key markets around the world. You can get contact information for the IP attaché who covers Latin America at <https://www2.focusbrazil.org.br/siteusa/index.htm> or by contacting Dorian.Mazurkevich@mail.doc.gov.

IPR Climate in Honduras

The protection of intellectual property rights (IPR) is under the jurisdiction of the Property Institute (IP). The General Directorate of Intellectual Property division (<http://www.geocities.com/pihonduras>) 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. Since the entry into force of CAFTA-DR, the Government of Honduras has turned increased attention to IPR issues, but enforcement remains weak, although it is improving. The IP and Attorney General's office blame procedural difficulties and a lack of resources. An estimated 75 percent of all software in Honduras is pirated, and pirated movies and music are freely available on the streets of Honduran cities. Legislation is currently in discussion what would prevent the entrance of pirated goods into Honduras. To be protected under Honduran law, patents and trademarks must be registered with the IP. The life of patents ranges 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 (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 in December 2005 strengthened Honduras's IPR protection regime, 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. 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. However, in practice a company complaint is still needed to begin legal proceedings. Additional legislation to comply with CAFTA-DR IPR requirements is currently under discussion.

Due Diligence

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U.S. companies should conduct legal and financial due diligence before completing a commercial transaction or formalizing any agreement. 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 they rarely 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> or visit <http://www.BuyUSA.gov/honduras/en>.

Companies should also consult with their own U.S. banks for information on Honduran banks, most of which have correspondent banking relationships with financial institutions 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 and Consular Sections maintain a list of attorneys that have experience assisting U.S. firms. This list is posted on the Embassy's website at <http://honduras.usembassy.gov>.

The Embassy assumes no responsibility for the professional ability, reputation, or the quality of services provided by the lawyers on the list.

Web Resources

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[U.S. Commercial Service](#)
[U.S. Embassy Consular Section](#)
[FIDE](#)
[Programa Nacional de Competitividad](#)
[World Bank](#)
[Ministry of Industry and Trade](#)

<http://www.buyusa.gov/centralamerica/en>
<http://honduras.usembassy.gov>
<http://www.hondurasinfo.hn/>
<http://www.hondurascompite.com/>
<http://www.worldbank.org/DoingBusiness>
<http://www.sic.gob.hn>

[Secretaria de Recursos Naturales](#)
[Customs & Tax Directorate](#)
[Social Security Institute](#)
[National Vocational Training Institute](#)
[Chamber of Commerce of Tegucigalpa](#)
[Chamber of Commerce of Cortes](#)
[Expocentro](#)
[Government Procurement](#)
[Property Institute](#)
[General Directorate of IPR](#)
[World Intellectual Property Org \(WIPO\)](#)
[World Trade Organization](#)
[Honduran Central Bank](#)
[Business Software Alliance](#)
[Honduras Government Portal](#)
[Trade & Investment Resource](#)

<http://www.serna.gob.hn/>
<http://www.dei.gob.hn>
<http://www.ihss.hn>
<http://www.infop.org>
<http://www.ccit.hn>
<http://www.ccichonduras.org>
<http://www.ccichonduras.org/expocentro>
<http://www.honducompras.gob.hn>
<http://www.ip.hn>
<http://www.geocities.com/pihonduras>
<http://www.wipo.org>
<http://www.wto.org>
<http://www.bch.hn>
<http://www.bsa.org>
<http://www.gob.hn>
<http://www.freetradehonduras.org>

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Automotive Parts / Service Equipment

Overview

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	2005	2006	2007 (estimated)
Total Market Size	272.3	340.4	348.0
Total Local Production	N/A	N/A	N/A
Total Exports	N/A	N/A	N/A
Total Imports	N/A	340.4	348.0
Imports from the U.S.	184.9	280.0	284.2

(Sources: USDOC/OTII and SIECA. Data in USD Millions).

Market demand for U.S. products in this sector looks promising, with an expected growth rate of 10 percent over the next three years. An aging car population continues to fuel demand for automotive parts and accessories in Honduras. An estimated 70 percent 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 percent obsolete. The replacement needs for urban buses alone is estimated at over USD 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 the elimination of a disadvantage to U.S. vehicles vs. Japanese models, as Honduras rescinded the tariff based on engine size.

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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Recent tariff changes involving a complete ban for the importation of used automobiles and passenger motor vehicles of more than 10 and 13 years old, respectively, is expected to increase the used vehicle population in Honduras (former import regulation was 7 and 10 years old). According to 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.

Resources

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Honduran Association of Automotive Dealers and Distributors of Automotive Parts & Accessories	ahdiva@amnettgu.com
Honduran Customs Directorate	http://www.dei.gob.hn
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
Automotive Aftermarket Industry Week	http://www.aaiwshow.com
U.S. Commercial Service	http://www.BuyUSA.gov/centralamerica

Building Products

Overview

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	2005	2006	2007 (estimated)
Total Market Size	1,284,330,171	1,335,402,200	1,110,000,000
Total Local Production	69,720,000	94,819,200	110,000,000
Total Exports	281,472,000	328,206,000	800,000,000
Total Imports	1,496,082,171	1,568,789,000	1,800,000,000
Imports from the U.S.	820,762,000	976,644,000	1,100,000,000

(The above statistics are unofficial estimates. Data in US Dollars
Sources: Central Bank of Honduras; SIECA; CHICO).

After a period of stagnation, the construction industry has rebounded sharply in the last two years and, according to the Central Bank of Honduras, it has experienced a growth of 45.6 percent (30.8 percent in 2006) in terms of the construction permits granted during the first semester of 2007. There is a lot of commercial and residential building activity throughout the country, particularly in the largest urban and commercial areas, San Pedro Sula and Tegucigalpa. Over 50 percent of the country's total population currently resides in these two cities. Developers are aware of this trend and have accelerated the process of urbanization, which also represents a series of challenges as well as obvious opportunities. Improved conditions prevailing in the local construction market include macroeconomic stability, access to credit, and a reduction in the time required to obtain construction permits.

Among the construction projects being developed are industrial processing zone facilities, retail chains, shopping malls, and housing. Foreign investment, financial liquidity and increased participation of foreign capital in the commercial banking system, remittances of Honduran workers living abroad, lower interest rates and increased access to financing are some of the factors paving the way for accelerated growth in the construction sector.

Best Products/Services

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Asphalt products
Cement manufacturing equipment
Prefabricated buildings of metal
Prefabricated buildings of wood
Water heaters
Bathroom fixtures; Ceramic floors and tiles
Kitchen cabinets and countertops
Plastic pipes and fixtures
Paints and fillers
Shingle and roof products
Electrical wiring, accessories and fixtures
Ornamental works

Opportunities

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Continued growth of approximately 11 percent in the construction industry is expected for the period 2008-2009, particularly in the residential and commercial sectors. Honduras has an estimated deficit of 700,000 homes, and the potential market for housing unit improvements is also significant.

A breakdown of the construction sector in Honduras is as follows:

Residential: 50.4 percent
Commercial: 38.0 percent
Industrial: 96.1 percent
Other Buildings: 25.7 percent

With the CAFTA-DR, ninety-nine percent of U.S. construction equipment and over fifty-five percent of building supply exports are exempt of duties. This is providing American companies with excellent opportunities in the price-sensitive local market.

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Construction Industry Chamber <http://www.chicoorg.org>
Commercial Service Central America: <http://www.buyusa.centralamerica>

The US Commercial Service under the 2008 International Buyer Program provides assistance, information and registration for the following Trade Shows:

International Builders Show <http://www.buildershow.com>
World of Concrete <http://www.worldofconcrete.com>
CONEXPO-CON/AGG 2008 <http://www.conexpoconagg.com>

Printing & Graphic Arts

Overview

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	2005	2006	2007 (estimated)
Total Market Size	5.2	8.7	13.1
Total Local Production	N/A	N/A	N/A
Total Exports	N/A	N/A	N/A
Total Imports	5.2	8.7	13.1
Imports from the U.S.	4.9	6.9	9.6

(The above statistics are unofficial estimates. Data in USD millions
Sources: USDOC OTTI; SIECA).

Honduras offers good prospects for U.S. exporters of Printing & Graphic Arts equipment (PGA). Although a relatively small market, the PGA industry has experienced high-growth rates in recent years, reaching an average of 50 percent in 2007. The industry is comprised of approximately 500 companies, most of which are small and medium-sized (SMEs) located in Tegucigalpa and San Pedro Sula. The market is largely dependent on imports and, except for a 12 percent sales tax, most items in this sector enter the country free of duties. Between 2005 and 2007, local enterprises have imported an estimated USD 27 million worth of PGA equipment. The United States maintains a dominant market share position, supplying 80 percent of total imports into Honduras. Other suppliers in the PGA sector include Germany (particularly with the Heidelberg brand), Italy, and Japan. Technological updates play an important role in the business performance for the sector's different market niches, and local PGA importers look for equipment from reliable brands that can be upgraded. Trade data for this PGA market overview is based on Harmonized System (HS) tariff schedule codes 8440 (bookbinding machinery and parts); 8442 (phototypesetting and composing machinery, parts, printing type, plates) and 8443 (reel-fed offset printing machinery, sheet-fed, office type, letterpress, flexographic, gravure, and textile printing machinery).

Best Products/Services

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Products of interest for Honduran buyers include:

- Spare parts for printing machinery
- Pre-Press (new and used equipment)
- Consumable supplies; Paper/ink
- Flexographic equipment
- Art/graphic design products
- Presses-digital, web offset, sheetfed)
- Printers-wide format and scanning devices

Opportunities

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According to industry sources, local demand will be triggered by the advertising campaigns for both the upcoming political internal and general presidential elections to be held in November 2008 and 2009, respectively. Local printing companies need to expand capacity, reduce costs and update technology in order to satisfy demand. Major end-users of PGA equipment are in the commercial printing (brochures, posters, cards, flyers, micro-punctured vehicle signs, banners, stationery, forms, government documents, stickers, IDs, etc.), advertising (billboards, signs, displays, metallic structures), flexible packaging, labeling, and graphic printing and publishing (newspapers, magazines, books, etc.). As the sector is mostly comprised of SMEs, financing is key to their operation. Lack of adequate credit has increased demand for refurbished equipment and parts.

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U.S. Department of Commerce
Central American Economic Integration
System
U.S. Commercial Service Tegucigalpa

<http://www.export.gov>
<http://www.sieca.org.gt>
<http://www.BuyUSA.gov/honduras>

U.S. exporters are encouraged to let the CS Tegucigalpa office know of their participation in a PGA-related trade show in the U.S. and about their interest in being visited by a Honduran buyer. CS Tegucigalpa promotes International Buyer Program (IBP)-certified events and will be glad to pass U.S. company information on to Honduran IBP delegates in advance of the event. Proven sales and marketing PGA venues under the 2008-2009 IBP schedule include:

Graphic Communications
Printing & publishing: PRINT 2009
(Print '09 takes place every 4 years)

<http://www.graphicsoftheamericas.com>
<http://www.gasc.org>

Food Processing and Packaging

Overview

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	2006	2007	2008 (estimated)
Total Market Size	242,226,738	252,780,300	262,700,000
Total Local Production	100,720,426	110,780,300	115,700,000
Total Exports	38,351,592	40,000,000	43,000,000
Total Imports	179,857,904	182,000,000	190,000,000
Imports from the U.S.	83,098,297	88,550,000	90,500,000

(The above statistics are unofficial estimates. Data is US Dollars

Sources: SIECA; USDOC/OTTI).

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

Container labeling machines

Meat & Poultry packaging plant machinery

Lid, seal & close machinery

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, shrimp, jalapeno peppers, fruits and flowers. With CAFTA-DR, producers are looking forward to opportunities of exporting new products to the American market. Every day, more and more companies are offering processed products such as tortillas; processed wheat, soy or oats; dehydrated fruits and vegetables; Individual Quick Frost fruit and vegetables; and milk cooling tanks.

Resources

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Foreign Agricultural Service
Central American Trade Stats

<http://www.fas.usda.gov>
<http://www.sieca.org.gt>

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

National Restaurant Association
PackExpo International 2008
Institute of Food Technologies Food Expo 2008

<http://www.restaurant.org>
<http://www.pmmi.org>
<http://www.ift.org>

Hotel and Restaurant Equipment

Overview

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	2005	2006	2007 (estimated)
Total Market Size	345,958,187	370,000,000	524,000,000
Total Local Production	0.00	0.00	0.00
Total Exports	124,121,813	130,000,000	136,000,000
Total Imports	470,080,000	500,000,000	660,000,000
Imports from the U.S.	188,032,000	200,000,000	335,000,000

(The above statistics are unofficial estimates. Data in US Dollars
Sources: SIECA; Honduran Tourism Institute).

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

The hotel industry is rapidly expanding in urban and rural tourism. Among 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 due to attractive incentives. Honduras has the largest amount of established U.S. fast food and casual dining franchises in Central America. The development of modern shopping malls and commercial centers have prompted the establishment of an increasing number of restaurant businesses.

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-DR, more than 80 percent of U.S. exports of consumer and industrial goods enter duty free, with the remaining tariffs phased out over 10 years. CAFTA-DR also mandates the establishment of a more secure, predictable legal framework for U.S. investors in Central America. Imports from the U.S. represent approximately 40 percent 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 seeking 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: similarity of standards; availability of qualified agents and distributors; and 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 majority 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.

Among some other tourism-related projects and joint venture opportunities in Honduras are: Los Micos Beach and Golf Resort; Guanaja Reef Club; Merendon Hills Eco Resort, Spa & Residences; and Paraiso Beach Resort and Casino.

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Honduran Institute of Tourism

<http://www.letsgohonduras.com>

Commercial Service Central America:

<http://ww.buyusa.centralamerica/en>

Information on CAFTA:

International Trade Administration:

<http://ww.ita.gov/cafta>

The US Commercial Service under the 2008 International Buyer Program provides assistance, information and registration for the following Trade Show:

National Restaurant Association

<http://ww.restaurant.org>

Travel and Tourism Services

Overview

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Trends in Arrivals

	2005	2006	2007 (estimated)
Honduran Arrivals to the United States	89,718	92,445	96,000
Percent Change	5	3	4

(Source: ITA Office of Travel & Tourism Industries).

Honduras is among the top 50 arrivals market for the United States, accounting for 13 percent of arrivals from Central America. Despite strict visa requirements, the close proximity of the United States (only 2.5 hours flight to the U.S. main gateway cities), coupled with the high receptivity for U.S. products and services, make the U.S. a preferred destination for Honduran travelers, followed by South America and the Caribbean. With a population of 7.2 million, the country's economic growth registered in recent years has the potential to prompt more middle-class travelers to the U.S. In 2006, Honduran arrivals totaled 92,445, up 3 percent from 2005.

Best Products/Services

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Shopping/retail

Hotels/motels/Restaurants

Transportation services (airlines, vehicle rentals, bus and rail between cities)

Entertainment/Recreational activities/services (theme parks, museums, night clubs, sports)

Business Convention (conferences, seminars, trade shows)

Hospitals/clinics/medical services

Opportunities

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The most popular destinations for Honduran visitors in the U.S. are Florida/Miami, New York/New York City, California, Las Vegas, Los Angeles and Orlando. Washington, DC, New Orleans, Chicago, and Houston are popular secondary destinations. Florida is the preferred choice for leisure travel, with 55.7 percent of market share. Among the top activities are shopping, theme parks, dining out, night clubs/dancing, historical visits, and concerts/plays/musicals. The typical visitor to the U.S. has visited at least once before. The high season for Honduran travel to the U.S. is June-August, because of school holidays. Shorter trips during national holidays are also very popular.

U.S. Department of Commerce (USDOC) statistics show that 54percent of total inbound trips from Central Americans are to visit friends and relatives, followed by vacation/holidays (40 percent), business (26 percent), and convention attendance (10 percent). USDOC visitation estimates are 16.5 nights for the average length of stay in the U.S., and 1.2 states visited. Industry sources estimate that the greatest proportion of Honduran visitors are in the age groups of 35-44, married and professional, followed by the age groups of 25-34, and 15-24 years of age.

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USDOC/ITA Office of Travel & Tourism
Travel & Industry Association

<http://www.tinet.ita.doc.gov>
<http://www.tia.org>

Telecommunications Equipment and services

Overview

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	2005	2006	2007 (estimated)
Total Market Size	175.0	248.0	280.0
Total Local Production	N/A	N/A	N/A
Total Exports	N/A	N/A	N/A
Total Imports	N/A	N/A	N/A
Imports from the U.S.	153.1	226.2	256.2

(The above market size statistics are unofficial estimates based on trade data from SIECA. Source for Imports from the US: USDOC/OTII. Data in USD millions).

In order to comply with CAFTA-DR, the telecommunications sector in Honduras needs to evolve towards a more competitive, open market. Attempts to pass CAFTA-compliant reform legislation have been repeatedly stalled since mid-2005. Entrance of new players in the fixed telephony market through the telephony for All (TPT) project, launched in 2003, was designed to generate profound changes in the country's telecom market structure, stimulate increased growth and network modernization. Unfortunately, those new entrants were permitted to operate only as sub-contractors of the national utility, Hondutel, and little progress has been made since then. A major market development took place in December 2005, when Hondutel lost its exclusivity for international long distance services. During 2008, a new Telecom Framework Law may pass, which could stimulate competition and investment further, simplify licensing procedures, and strengthen the sector's regulatory entity (Conatel).

If legislation passes, the landscape of investments in the telecom sector in 2008 could change dramatically. Irish-Jamaican cell operator Digicel may enter the market, after posting a winning bid of USD 80 million for the fourth cellular band. The other mobile operators are already working to improve their positions in the local market.

Access to telecommunications service in Honduras remains well below the Latin American average. Total number of fixed lines in service by year-end 2007 was 713,597 (up from 550,000 in 2006), with only 9.75 lines per one hundred inhabitants. Cellular lines, including packages and pre-paid lines, are much more prevalent. Total number of cellular lines is more than 2.2 million, with a density of more than 30 per 100 inhabitants.

Best Products/Services

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Among the most important investments conducted in the telecom sector during the period 2002-2007 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 entered 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, , coupled with the highly dynamic nature of the telecom sector, should stimulate the provision of new telecom services in the Honduran market when it moves forward. Further expansion of the Honduran telecommunications infrastructure is also anticipated, as the various operators compete to service the current unsatisfied demand for fixed telephony. At the same time, Hondutel needs to embark in important investment efforts in order to improve its network's capabilities and secure its long-term competitive edge, as well as to continue expanding into the mobile telephony market as a relatively new third cellular operator in the country. 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 awarded a fourth mobile telephony service concession, involving the provision of Personal Communications Services (PCS) throughout the Honduran territory. The new concessionaire of this fourth mobile band will be competing with Tigo, Claro and the national telecom company Hondutel.

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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>

U.S. exporters are encouraged to let the CS Tegucigalpa office know of their participation in a PGA-related trade show in the U.S. and about their interest in being visited by a Honduran buyer. CS Tegucigalpa promotes International Buyer Program (IBP)-certified events and will be glad to pass U.S. company information on to Honduran IBP delegates in advance of the event. ICT events under the 2008 IBP schedule include:

CTIA (wireless) <http://www.ctiawireless.com>
NxtComm (voice, video,data) <http://www.nxtcommshow.com>
InfoComm (audio visual) <http://www.infocomm.org>
Int'l Wireless Communications Expo <http://www.iwceexpo.com>

Security and Safety Equipment

Overview

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	2005	2006	2007 (estimated)
Total Market Size	320.0	365.0	457.0
Total Local Production	N/A	N/A	N/A
Total Exports	N/A	N/A	N/A
Total Imports	N/A	N/A	N/A
Imports from the U.S.	283.8	322.8	406.3

(The above market size statistics are unofficial estimates. Source for U.S. imports from the US: USDOC/OTII. Data is USD millions).

Elevated crime rates in urban areas 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 (SEC) will grow at a rate of 25 percent for the next three years, as many 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 percent of the total. Among third-country suppliers are Canada, Taiwan, France, Mexico, Germany, 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. Securing a local agent/distributor in the local market is key for an effective market entry strategy in the SEC sector, particularly for support in providing installation, maintenance, and after sales services.

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	http://www.hondurastradeportal.com
Government Procurement Online System	http://www.hondurastradeportal.com
Trade & Investment Portal	http://www.freetradehonduras.org

The US Commercial Service provides assistance, information and registration to Honduran importers for the following U.S. Trade Shows:

ASIS International 2008 (Security Solutions Expo)	www.asisonline.org
International Security Conf/Expo (ISC-Expo)	www.iscwest.com
CTIA Wireless	www.ctiawireless.com
InfoComm International	www.infocomm.org
C3 Expo (Corporate and channel computing)	www.c3expo.com

Franchising

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Despite several years of continuous growth, the popularity of franchise business concepts continues in Honduras, especially in the fast food and casual dining sectors. The first franchising concept starting operations in Honduras dates back to the late 1980's, with the establishment of Pizza Hut. Honduras' population as of September 2007 has been estimated at 7.4 million, with Tegucigalpa, the capital, at 1,324,000 and San Pedro Sula, the country's main business center, at 898,000 inhabitants. Population density in urban areas indicates that franchising will continue expanding into new business sectors. Honduras has over 65 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. With a dominant share from US franchises, the market is expected to grow 10 percent per year during the next 3 years. Prospective new franchising entrants are encouraged to pay close attention to intellectual property, financial, and taxation aspects of doing business in Honduras. Both U.S. companies and potential franchisees engaging in this type of investments should also conduct extensive market research; commit to building a sound, long-term business plan; allow enough flexibility to adjust the existing business model to accommodate local cultural differences; have a legally bound franchise agreement, detailed operations manuals, good training program; and work out a development schedule for master licenses realistic to the Honduran market.

Best Prospects/Services

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In addition to the food/beverage and casual dining sub-sector, demand for convenience, hotels/motels and 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, personal care, cosmetics and toiletries, and casual clothing. U.S. franchises tend to have high brand recognition among the general public.

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. As one of the fastest growing industries in Honduras, tourism is diversifying its products to attract more visitors. Strong efforts in promoting Honduras as one of the world's top tourism destinations have resulted in a 78 percent increase in the

number of tourists for the period 2002 to 2007. 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. Other high growth tourism areas are the Bay Islands and Copan Valley. 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 (Tegucigalpa, San Pedro Sula, and La Ceiba), 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.

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U.S. International Buyer Program Trade Shows:
International Franchise Expo

<http://www.franchiseexpo.com>

Other Resources:

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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	2006	2007 (estimated)	2008 (estimated)
Total Market Size	1,021,697,186	1,155,500,000	1,153,500,000
Total Local Production	40,413,714	44,500,000	46,500,000
Total Exports	2,447,100,000	2,600,000,000	2,670,000,000
Total Imports	1,384,989,100	1,400,000,000	1,470,000,000
Total Imports from U.S.	1,259,081,000	1,300,000,000	1,370,000,000

(The above statistics are unofficial estimates. Data in US Dollars)

Sources: Central Bank of Honduras; Honduran Manufacturers Association; SIECA).

Honduras is the fourth 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 offers the textile industry one of the more exciting investment opportunities in the region. Honduras hosts some of the region's most successful textile manufacturers. Over 40 percent of the companies established in export processing zones are of US origin. According to the Honduran Manufacturers Association, with passage of CAFTA-DR the country has become even 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 to 7 percent for the next three years. Honduras's Free Trade Zone law designates the entire country as a free trade zone.

Textile machinery and parts used by local apparel producers are usually imported directly from the U.S., Italy, Germany, Switzerland, and Spain. Most raw materials used by the local industry, including colorants, and chemicals, are imported from manufacturers in the United States, Germany, and Switzerland. The United States is the largest supplier (40 percent of imports) of textile machinery and accessories to Honduras. Other important competitors in this sector are Italy (39 percent), Switzerland (5 percent), and China (3 percent).

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; Yarn

*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.

Fabrics:

Harmonized Code Product

59021000 Fabrics manufactured for pneumatic nylon

55151100 Synthetic fibers mixed with rayon

54075200 Other fabrics with textured polyester dyes

59031000 Impregnated fabrics with polyurethane

55132100 Other taffeta fabrics

55161400 Fabrics with artificial fibers

52094200 Cotton fabrics with 85 percent denim

51121900 Fine wool fabrics

Textile Machinery:

Harmonized Code Product

8445130000 Drawing or roving machinery

8445200000 Textile spinning machines

8445300010 Textile twisting machines

8445400000 Textile winding or reeling machines

8446100090 Weaving machines 8447111000 Hosiery knit machines

8448399000 Parts & accessories of machines

8448515000 Sinker, needle & other articles

8448591000 Parts of knitting machines

8451900010 Parts, machines for wash, dry-clean, iron, and press

8451900020 Parts of machines for bleach, dry, washing, or cleaning

Opportunities

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Honduras is the heart of Central America and owns the most important port in the region, Puerto Cortés. 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.

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- Honduran Manufacturers Association: <http://www.ahm-honduras.com>
- Sewn Products Equipment & Suppliers of the Americas: <http://www.spesa.org>
- American Apparel and Footwear Association: <http://www.apparelfootwear.org>

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

Int'l Fabrics Assn Int'l (IFAI Expo 2008) <http://www.ifaexpo.info>

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Computers and Peripherals

Overview

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	2006	2007	2008 (estimated)
Total Market Size	85,700,801	90,400,000	90,600,000
Total Local Production	0.00	0.0	0.0
Total Exports	976,899	1,200,00	1,400,000
Total Imports	86,677,700	91,600,000	92,000,000
Imports from the U.S.	72,459,670	74,500,000	76,000,000

(The above statistics are unofficial estimates. Figures are in USD millions
Sources: SIECA; USDOC/OTTI).

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 12 percent for the period 2007-2009. Honduras is the fourth largest market for computer equipment in the CAFTA-DR 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 Generic and brand names

- Digital Cameras/multimedia projectors/other LCD devices

Computer Software/Multimedia:

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

Opportunities

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One of the local government's IT priorities, announced 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 to 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)].

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

Resources

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

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 USD millions.)

Honduras has a current installed capacity of 1150 MW. Energy demand in Honduras is growing at approximately 10 percent a year. The increase is due to population pressure and economic growth, as well as subsidies, illegal hookups and non-payment of legal hookups, all of which eliminate any incentives to conserve energy. The National Electrical Energy Company, ENEE, is widely considered bankrupt and is losing hundreds of millions of dollars each year (please see energy paragraph in Chapter 6).

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 considered one of the priorities 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 needs to conduct 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.

Best Products/Services

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- Turbines
- Electrical Power Generators
- Solar Power Systems
- Parts of panels, boards, consoles and transformers
- Circuit Breakers
- Switch Gear
- Conducting Cable

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 2005-2014, 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.

Despite ENEE's financial woes, the increasing demand for energy, and therefore the need for additional installed capacity, is real. Estimates of such demand vary but an average of an additional 100 MW/yr through 2015 seems a reasonable figure. Regardless of the manner in which such energy is produced, there will be a demand for turbines, especially those that can be available in the near term. The most likely sources of such new installed capacity seem to be coal and bagasse, with hydro and biodiesel also possible.

While blackouts and brownouts are widely expected to hit Honduras in 2009, they are already happening in the North Coast (San Pedro Sula, Cortés, and La Ceiba) as well as Roatán. These blackouts are due to lack of local installed capacity and distribution problems, respectively. Accordingly, there is a demand for reliable, emergency power generation systems such as generators. Many maquilas (garment factories) in the North Coast and hotels in Roatán have either purchased their own generators or are actively considering their options. Lastly, some hotels in Roatán that are not yet connected to the grid are reportedly considering solar power systems.

A recently passed Renewable Energy Law, designed to promote the development and use of non-fossil based domestic energy sources, may 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.

The Inter-American Development Bank has announced the approval of a USD 350,000 grant from its Fund for Special Operations to support energy efficiency and biofuel Energy and Climate Change (SECCI) Initiative. The grant will support preparation of investment plans and loans for energy efficiency measures and the development of technical studies, including those related to the implementation of a national program to produce and promote biofuels in Honduras.

Resources

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Ministry of Natural Resources & the Environment	http://www.serna.gob.hn
National Electric Company	http://www.enee.gob.hn
National Energy Commission	http://www.cne.gob.hn
Central American Bank for Economic Integration	http://www.bcie.org
Regional Trade Statistics	http://www.sieca.org.gt
CAFTA-DR Website	http://www.export.gov/cafta
Regional Commission for Electric Interconnection	http://crie.org.gt
Energy and Environment Partnership with C.A.	http://www.sgsica.org/energia

Central American Commission For Environment
And Development <http://www.ccad.ws>
Plan Puebla Panama Initiative <http://www.sre.gob.mx>
Inter-American Development Bank <http://www.iadb.org/ppp>
Energy Information Administration <http://www.eia.doe.gov>
Honduras Trade Portal <http://www.hondurastradeportal.com>
SIEPAC Network Company <http://www.eprsiepac.com>
Presidential Modernization Commission <http://www.sse.cpme.gob.hn>

US Trade Shows under the 2008 International Buyer Program Schedule of the U.S.
Department of Commerce:

Power-GEN International <http://www.powergen-international.com>

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Agricultural Sectors

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Coarse Grains

Overview

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	2006	2007	2008 (estimated)
Total Market Size	161.3	213.3	2750.1
Total Local Production	115.3	156.3	212.1
Total Exports	0	0	0
Total Imports	46.0	57.0	63.0
Imports from the U.S.	46.0	57.0	63.0

(Statistics are unofficial estimates)

Under the category of coarse grains, white corn is the grain produced on the largest scale in Honduras. It is mainly utilized for human consumption. Sorghum takes up about 7 percent of the total coarse grain production. The Government of Honduras is providing incentives to increase production of white corn and sorghum to assure food security for human consumption.

Best Prospects/Services

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The main product imported in the coarse grain category is yellow corn. An average of 65 percent of yellow corn is imported. Those from the U.S. are used for animal feed production, particularly in the poultry, shrimp, tilapia, livestock and swine industries.

Opportunities

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Increased growth is expected in the poultry, livestock, aquaculture and swine sectors. More yellow corn for feed to supply chicken to local franchises will be needed. Honduras is also preparing to export chicken to the U.S. The GOH is also providing incentives to increase beef production. Honduras ranks 16th among the leading country markets for U.S. coarse grains imports.

Under CAFTA-DR, Honduras did not reduce the out-of-quota duty for white corn, but liberalization will occur through a quota which will grow at 2 percent per year. Honduras will have a base quota of 23,000 MT for white corn. For yellow corn, the tariff will be eliminated over 15 years and Honduras will have a quota of 208,653 MT in 2008,

growing by 5 percent 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
- FAIRS Report 2004 www.fas.usda.gov/scriptsw/attacherep/defaults.asp

Rice

Overview

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	2006	2007	2008 (estimated)
Total Market Size	44.3	45.7	49.6
Total Local Production	8.8	15.1	18.1
Total Exports	0	0	0
Total Imports	35.5	30.6	31.5
Imports from the U.S.	35.5	30.6	31.5

(Statistics are unofficial estimates)

Rice is the grain produced on the smallest scale in Honduras. Production has increased because the GOH is now providing credit. However, it is not enough to keep up with the demand. As a result, the United States continues to be Honduras's largest supplier of rice. The quality and reliability of U.S. rice is well-known.

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 13th among the leading 35 country markets for U.S. rice imports.

Under CAFTA-DR, rice tariffs will be eliminated over 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 percent 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 percent per year.

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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
- FAIRS Report 2004 www.fas.usda.gov/scriptsw/attacherep/defaults.asp

Wheat

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	2006	2007	2008 (estimated)
Total Market Size	37.0	58.6	69.7
Total Local Production	0	0	0
Total Exports	0	0	0
Total Imports	37.1	58.6	69.7
Imports from the U.S.	37.1	58.6	69.7

(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 202,000 MT per year, with the vast majority coming from the U.S.

Opportunities

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The U.S. should remain Honduras's main source of wheat, both through commercial channels and donations. U.S. tariffs on Honduras imports are currently zero. However, due to the increase in the price of wheat, bakeries are looking into possibilities of importing wheat flour. Honduras ranks 28th among the leading 35 country markets for U.S. wheat imports.

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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
- FAIRS Report 2004 www.fas.usda.gov/scriptsw/attacherep/defaults.asp

Soybean meal

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	2006	2007	2008 (estimated)
Total Market Size	39.2	41.2	43.3
Total Local Production	0	0	0
Total Exports	0	0	0
Total Imports	39.2	41.2	43.3
Imports from the U.S.	39.2	41.2	43.3

(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, shrimp, and tilapia sectors in Honduras have triggered increasing demand.

Opportunities

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Continued expansion in the feed industry, particularly for poultry and tilapia production, should continue to fuel the demand for U.S. soybean meal in coming years. The increased number of food franchise outlets are also requiring more chicken. Honduras is preparing to export chicken to the U.S., where tariffs on Honduran imports are currently zero. Honduras ranks 11th among the leading 35 country markets for U.S. soybean meal exports.

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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
- FAIRS Report 2004 www.fas.usda.gov/scriptsw/attacherep/defaults.asp

Red Meats

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	2006	2007	2008 (estimated)
Total Market Size	21.4	26.4	31.6
Total Local Production	0.2	0.2	0.3
Total Exports	1.0	1.0	1.3
Total Imports	22.2	27.2	32.6
Imports from the U.S.	17.2	22.1	24.3

(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. Imports are now needed to satisfy demand.

Best Products/Services

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CAFTA-DR brought immediate tariff elimination on prime and choice pork and beef cuts. Current demand centers on beef cuts, prime pork, beef variety meats, liver, tongue, sausage, trimmings and pigs' feet.

Opportunities

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The tourism sector in Honduras has witnessed substantial growth. Growth of US restaurants and franchises have increased in Honduras. From 2000 to 2006 total visitors increased by 65 percent, food and drink establishments increased by 98.3 percent, and hotels increased by 52.6 percent. The government has designated tourism as one of the priority sectors likely to create jobs and economic growth. Hotels and fine restaurants need a consistent supply of quality meat products such as U.S. beef and pork.

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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
- FAIRS Report 2004 www.fas.usda.gov/scriptsw/attacherep/defaults.asp
- Retail Report 2004 www.fas.usda.gov/scriptsw/attacherep/defaults.asp

Processed Fruits and Vegetables

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	2006	2007	2008 (estimated)
Total Market Size	16.8	19.7	21.8
Total Local Production	N/A	N/A	N/A
Total Exports	N/A	N/A	N/A
Total Imports	16.8	19.7	21.8
Imports from the U.S.	10.2	11.4	11.6

(Statistics are unofficial estimates)

Imports of processed fruits and vegetables from the U.S. have increased substantially in recent years. Brands of canned goods are well-known in the Honduran market.

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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The many U.S. franchises and restaurants in Honduras currently import French fries from Canada. Without tariffs, however, the U.S. can now introduce its products. Honduran ranks 31st among the leading 35 country markets for U.S. process food and vegetables exports.

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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
- FAIRS Report 2004 www.fas.usda.gov/scriptsw/attacherep/defaults.asp
- Retail Report 2004 www.fas.usda.gov/scriptsw/attacherep/defaults.asp

Other Consumer Oriented Products

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	2006	2007	2008 (estimated)
Total Market Size	194.8	242.3	290.5
Total Local Production	1.0	1.5	2.5
Total Exports	0	0	0
Total Imports	193.8	240.8	288.0
Imports from the U.S.	14.1	26.8	52.7

(Statistics are unofficial estimates. Data in US\$ millions.)

The category of other Consumer Oriented Products comprises a wide range of products, which have witnessed significant increases in the past few years. The U.S. market share has increased from 13 to 24 percent in the last year.

Best Products/Services

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- Vegetable and animal oil/fats
- Pop Corn
- Preparation for sauces and sauces
- Spices
- Mustard

Foods-Processed: Other consumer-oriented products offering good export opportunities are snack foods, packaged & canned foods, breakfast cereals, food additives, dairy products, wine, and pet foods.

Opportunities

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Under CAFTA-DR, the tariff on a wide range of consumer-oriented products was eliminated. Market demand for U.S. products in this sector looks promising.

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- U.S. Department of Agriculture Foreign Agricultural Service in Honduras
<http://www.fas.usda.gov>

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Chapter 5: Trade Regulations and Standards

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Import Tariffs

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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 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.)

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>

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.

Rice farmers and millers have also reached a similar absorption agreement. However, in the case of rice, duties have been fixed at 1 percent for rough rice and 45 percent for milled rice for signers of the agreement. For everyone else the duty is 45 percent across the board on all rice products. This agreement, supported by the Government of Honduras, also appears to satisfy farmers and importers.

Under 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, 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.

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 12 percent tax on carbonated beverages. A 10 percent selective consumption tax is also applied to some products considered non-essential, such as alcoholic beverages.

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

Trade Barriers

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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 -which are still ongoing- 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. Import of these two products during harvest time is not allowed.

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 CAFTA-DR, Honduras allows 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

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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.

How to Declare That A Good Is Originating

CAFTA-DR designates the importer with the responsibility of claiming preferential treatment under the Agreement. It does not require that the importer provide a certification in support of the claim of preference unless requested by the customs authority. The importer should work with the U.S. exporter to ensure that a U.S. good meets the relevant rule of origin under CAFTA-DR prior to making a claim. The assistance and cooperation of U.S. suppliers in producing accurate and well-documented claims for preferential treatment is vital.

Demonstrating Eligibility for Preferential Tariff Treatment

In general, a product's eligibility for preferential tariff treatment may be demonstrated in a variety of ways provided it is in written or electronic form, for instance: a statement on company letterhead, a statement on a commercial invoice, or a certification. While no official form is required in order to demonstrate eligibility for preferential tariff treatment under CAFTA-DR, a certification should include the following information:

- (a) the name of the certifying person, including, as necessary, contact or other identifying information;
- (b) tariff classification under the Harmonized System and the description of the good;
- (c) information demonstrating that the good is originating;
- (d) date of the certification; and
- (e) in the case of blanket period certification, the time period over which the certification is applicable.

In some situations, multiple shipments of identical goods are being sent to the same CAFTA-DR importer. In these cases, it is not necessary to create new written or electronic certifications for each individual shipment. The importer may maintain one such "blanket" certification to be presented to the customs authority, if requested. The "blanket period" may not exceed a period of one year.

For additional information on declaring origin and to see a sample certification for exports to Honduras, please visit <http://www.export.gov/fta/CAFTA>.

U.S. exporters seeking information on tariffs for products imported into Honduras may also visit: <http://www.dei.gob.hn/avisos/ProgramaDesgravacionHondrasCAFTA.xls>.

The Honduran government requires that a sanitary registration 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 Sanitary Regulation Directorate (SRD) of the Ministry of Health. The registration process is relatively faster for those low-risk products within group C such as oils, margarine, non-alcoholic beverages, canned fruits and vegetables, nuts, cereals, and soups. The C category does not need laboratory analysis. Foodstuffs from group B such as ice cream, honey, and flour are subject to further analysis if necessary. Foodstuffs from group A such as meats, canned meat, milk, and yogurt need laboratory analysis. Imports of raw and processed agricultural products need an import permit given 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. SENASA has requested USDA to add an Additional Declaration (AD) to the phyto certificates for poultry imports. 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 72 working hours when all required documents are provided.

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 by writing to regulacionhn@yahoo.com or visiting the following websites:

<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 Sanitary Regulation Directorate (SRD) of the Ministry of Public Health. For detailed information contact FAS Tegucigalpa at <http://www.fas.usda.gov> or write regulacionhn@yahoo.com.

Prohibited and Restricted Imports

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Under the Financial Balance and Social Protection Act, imports of ground motor vehicles over ten years old and passenger buses over thirteen 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.

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

Standards

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Overview

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Standardization efforts began in 1998, upon establishment of the Inter-Institutional 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) Integrate technical committees for individual normalization projects.

- c) Formulate new national standards projects.

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-DR 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 regional trade.

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-DR implementation and other trade agreements, Honduran manufacturers are increasingly seeking certification on international standards. The implementation of ISO certification for local companies is conducted by legally credited international standards institutions, and is supported by COHCIT. 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.

Member countries of the World Trade Organization (WTO) are required under the Agreement on Technical Barriers to Trade (TBT Agreement) to report to the WTO all proposed technical regulations that could affect trade with other Member countries. **Notify U.S.** is a free, web-based e-mail subscription service that offers an opportunity to review and comment on proposed foreign technical regulations that can affect your access to international markets. Register online at: <http://www.nist.gov/notifyus>

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-saq.gob.hn>
- National Laboratory of Residues (LANAR);

- 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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With CAFTA-DR implementation and other trade agreements, Honduran manufacturers are increasingly seeking certification on international standards.

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. As part of CAFTA-DR, Honduras and the U.S. recognized each other's inspection systems in the manufacturing and processing of animals and products of animal origin as equivalent. In the case of medical and pharmaceutical products which are not for free sale or over-the-counter, a Sanitary Registration is also required.

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The "Oficina Hondureña de Acreditación (OHA)", which operates under the umbrella of the National Science and Technology Council (COHCIT), is the official accreditation body in Honduras. COHCIT signed a technical cooperation agreement with the Costa Rican Accreditation Entity (ECA) on November 2005. Additional information on OHA/COHCIT and ECA is available at:

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

<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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CAFTA-DR supplanted 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 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 percent 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 signed free trade agreements with Colombia, Panama, Chile, and Taiwan. 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 Canada, the European Union, and the Caribbean CARICOM countries. Since April 1998, Honduras has participated as a member of the CA-4 block in negotiation rounds for the Free Trade Area of the Americas (FTAA).

Central America established a common external tariff schedule in 1998. Six 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 "CA-3" 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) 228-6195; 230-3045; Fax: (504) 230-1899
E-mail: 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
<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
<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
- Chamber of Commerce of Cortes: www.ccichonduras.org
- Honduran Customs Office: <http://www.dei.gob.hn>
- U.S. Department of Commerce: <http://www.export.gov/fta/CAFTA>
- USDOC Bureau of Industry & Security: <http://www.bis.gov>
- Foreign Agricultural Service: <http://www.fas.usda.gov>
- National Institute of Standards & Technology: <http://www.nist.gov/notifyus>

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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 sectors such as airports, telecoms, and energy, 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's 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 have Hondurans as majority owners.

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 Lps 150,000 Lempiras. 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 March 2008) must be offered through public competitive bidding. Public contracts between 500,000 and one million lempiras (USD 26,000 and USD 53,000) can be offered through a private bid, and contracts less than 500,000 lempiras (USD 26,000) are exempt from the bidding process. 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 to a maximum of 21 days in 2007, as noted in the 2008 World Bank Doing Business Index. 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, which was approved by the Honduran Congress in February 2004. Controversy continues 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's 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 April 2008, 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 the Government of Honduras "intervention commission" in mid 2006, which has a mandate to repair the broken firm. The military took over in 2007, though it is now once again under civilian control. Without significant new investment in the electricity generation sector, many industrialists fear power shortages could hamper additional economic activity as soon as 2008 or 2009. There have already been reports of power shortages in the North Coast.

The GOH is working with the U.S. Trade and Development Agency to modernize Puerto Cortés. The National Port Company (ENP) has created an autonomous unit that is responsible for the port security program. Eventual privatization of the port has been raised as a possible policy objective, but neither 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. It was the first port in the Western Hemisphere to qualify under both programs, which represents a major advantage for Honduras.

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. To date, many of the water systems have not yet been transferred and, according to government sources, the period for completing this transition will be extended.

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 act in a transparent and timely manner. The U.S. government is aware of investment delays in the mining, housing, and renewable energy sectors, due to ongoing reviews and non-issuance of environmental permits.

According to various sources, all seven versions of a new Mining Law under consideration by the Honduran Congress would effectively tax mining firms out of existence. Whether any of these laws is likely to pass, when, with what modifications, and whether the law would address precious metals or all extractive industries is unknown. There is currently a moratorium against new mining concessions in Honduras. Foreign mining companies operating in Honduras have faced difficulties in recent years, including allegations of pollution and squatter invasions. The US Embassy does not recommend pursuing new or expanded mining operations in Honduras at this time.

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 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 committed 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 are open to the public, and interested parties have the opportunity to submit their views. Despite patchy enforcement in practice, 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 was suspended. For a period of 10 years, however, current U.S. investors may choose either dispute settlement under the BIT or the FTA.

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. New regulations emitted on November 26, 2007 in Gaceta No. 31,467 (*Reglamento para la Negociación Pública de Divisas en el Mercado Cambiario*) establish the following:

- The base price is established every 5 auctions according to the differential between the domestic inflation rate and the inflation rate of the main commercial partners of Honduras;
- The procedure to determine the base price is set by the Central Bank's Board of Directors;
- The Board of Directors will establish through resolutions the exchange commission to be charged by the Central Bank and the exchange agencies in their foreign exchange transactions;
- Individuals and corporate bodies can participate in the auction system for dollar purchases, either by themselves or through an exchange agency expressing the offered price in Lps with a maximum of four decimals. The offers cannot be less than USD 10,000 and more than USD 300,000 for individuals or more than USD 1,200,000 for corporations.

Additional information on the Central Bank's auction system is available at <http://www.bch.hn>.

In 2007 the Honduran currency, the Lempira, held steady against the dollar at a rate of 18.8993 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.

Arbitration:

CAFTA-DR provides for dispute settlement procedures between the United States and Honduras. Domestically, Honduras's 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, 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. This may place U.S. companies that 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, nightclubs 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 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. The Property Institute (IP) handles protection of intellectual property rights.

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-DR 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 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. 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, 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 percent 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.

According to the World Bank's Doing Business Index (DBI), registering property in Honduras requires 7 procedures, takes 24 days, and costs 5.7 percent GNI per capita. A summary of procedures is as follows:

- 1- Verification of property background;
- 2- Verification that municipal taxes have been paid
- 3- The notary issues the deed (preliminary)
- 4- Payment of taxes and fees at a commercial bank
- 5- Notary issues the first copy of the deed
- 6- Registration at the Property Office
- 7- Registration of the change of ownership in the Cadastre office

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: 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 suffers from 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 December 2007, the average lending rate for a loan in Lps was 13.10 percent, down from 15.7 percent a year earlier, and for a loan in dollars was 8.25 percent, down slightly from 8.3 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 (<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 percent 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 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 19 commercial banks operating in Honduras, which account for roughly 90 percent of the assets in the financial system. Of these 19 banks, 9 have majority foreign ownership, accounting for 39 percent of total bank capital (as of November 2007). 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 Banlstmo, GE Capital purchased 49 percent 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.

Political Violence

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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.

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 liberalized bilateral trade between the United States and the region, but also furthered 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 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. For additional information on OPIC financing, insurance, and other programs for assisting U.S. businesses invest overseas please visit <http://www.opic.gov>.

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.leylaboral.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 Lps. 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's major Caribbean port, and San Pedro Sula, Honduras's 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.

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). Additional information on Honduran FTZs and export processing zones is available from the Honduran Manufacturers Association at <http://www.ahm-honduras.com>.

Foreign Direct Investment (FDI) in Honduras has achieved sustained growth since 2002, reflecting increased efforts towards macroeconomic stability and increased investor confidence. According to Central Bank data, FDI flows to Honduras in 2007 totaled \$814.9 million (a 21 percent increase over 2006). Although the U.S. continues to be a dominant source of FDI in Honduras (with 68.6 percent of all FDI flows in the commercial sector during 2006), 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). The U.S. also continues to take the FDI lead in the maquiladora sector (41.1 percent), followed by Canada (35.5 percent). Direct Foreign Investment in 2007 accounted for 6.6 percent of the Honduran GDP, with 7.1 percent is estimated for 2008. Major FDI flows for 2008 are foreseen for the telecommunications, financial and manufacturing sectors.

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

Countries	Years		
	2005 ^{p/}	2006 ^{p/}	2007 ^{p/}
AMERICA	3,489.7	4,200.8	5,111.1
North America	1,452.4	1,704.6	2,450.2
CANADA	20.9	30.7	32.7
UNITED STATES OF AMERICA	1,431.5	1,673.9	2,417.5
LATIN AMERICA	2,037.3	2,496.2	2,660.9
CENTRAL AMERICA	875.3	1,107.4	1,341.3
COSTA RICA	213.8	256.4	296.5
EL SALVADOR	230.8	287.2	357.2
GUATEMALA	356.5	472.0	579.5
NICARAGUA	74.2	91.8	108.1
NERDERLAND ANTILLES	193.2	298.2	158.2
ARGENTINA	41.4	85.6	72.0
BRAZIL	116.8	113.9	130.1
CHILE	62.1	57.1	55.0
COLOMBIA	46.3	58.4	62.3
ECUADOR	74.7	118.6	55.4
MEXICO	207.4	239.1	329.7
PANAMÁ	194.5	242.5	246.3
PERU	39.4	18.6	70.9
VENEZUELA	40.0	40.0	30.0
REST OF L.A.	146.2	116.8	109.7
EUROPE	303.8	312.9	453.7
GERMANY	82.3	47.7	76.4

BÉLGIUM	18.2	17.5	19.6
SPAIN	53.1	60.8	63.0
FRANCIA	16.5	20.2	23.6
HOLAND	16.7	28.1	27.0
ITALY	17.4	20.9	27.7
UNITED KINGDOM	4.9	8.7	38.6
RUSSIA	18.4	19.9	53.9
SWEDEN	35.7	42.6	77.5
REST OF EUROPE	40.6	46.5	46.4
JAPAN	98.6	126.4	177.5
REST OF THE WORLD	197.1	283.8	418.3
CHINA	89.6	113.9	212.2
SOUTH KOREA	25.0	35.7	47.4
INDIA	14.7	25.0	30.5
MALASYA	7.9	6.0	9.5
THAILAND	13.1	16.2	39.5
TAIWÁN	22.7	29.4	34.4
REST FO THE WORLD	24.1	57.6	44.8
TOTAL	4,089.2	4,923.9	6,160.6

Source: Central Bank of Honduras: Country breakdown for 2005 and 2007.

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

Industry Sectors reporting positive variations:
• Banking & Insurance 20.1percent
• Private construction 19.3 percent
• Transport & Communications 12.9 percent
• Public Administration 9.5 percent
• Commerce 8.6 percent
• Miscellaneous Services 6.1percent
• Power & Water 5.4 percent
• Manufacturing Industry 3.1 percent
• Agriculture, Forestry & Fishing 2.4 percent

Table 3: Honduras - Foreign Direct Import Flows by Industry Sector
(Millions of Dollars)

SECTIONS		2005	2006	2007
1	LIVE ANIMALS; ANIMAL PRODUCTS	7,673.7	11,146.1	8,875.8
2	VEGETABLE PRODUCTS	16,460.1	19,709.7	23,522.0
3	ANIMAL OR VEGETABLE FATS AND OILS	1,103.0	3,208.0	5,181.8
4	PREPARED FOODSTUFFS	39,025.0	55,708.0	52,724.8
5	MINERAL PRODUCTS	56,500.8	69,206.6	141,768.5
5.1	FUEL & LUBRICANTS	54,789.2	64,766.6	140,065.7
5.2	OTHER MINERAL PRODUCTS	1,711.7	4,440.0	1,702.8
6	PRODUCTS OF THE CHEMICAL OR ALLIED INDUSTRIES	55,569.3	63,666.2	91,888.4
7	PLASTICS AND RUBBER	27,187.9	29,693.0	33,337.2
8	RAW HIDES AND SKINS, LEATHER, FURSKINS	1,168.1	1,461.5	1,598.2
9	WOOD, CHARCOAL & CORK ART. THEREOF	1,709.1	1,478.7	2,930.6
10	PAPER MANUFACTURING	19,275.4	24,423.5	26,412.8
11	TEXTILE MATERIALS	14,736.6	19,542.7	20,402.9
12	FOOTWEAR & HATS	5,803.9	7,588.2	7,293.0
13	ROCK, PLASTER, GLASS, CEMENT & ALLIEDS	5,338.6	7,822.6	7,833.5
14	PEARLS, PRECIOUS STONES, METALS AND OTHERS	477.8	342.4	330.1
15	COMMON METALS	24,688.6	37,992.1	40,855.0
16	MACHINES, APPLIANCES AND ELECTRICAL EQUIP.	61,174.5	91,957.9	130,465.9
17	TRANSPORT MATERIALS	24,153.4	42,318.1	54,725.5
18	OPTICS, PHOTOGRAPHY, CINEMA, MEDICAL & OTHERS	3,665.1	5,677.9	5,367.8
19	GUNS & AMMUNITIONS	146.6	28.7	173.4
20	MERCHANDISE AND VARIOUS PRODUCTS	7,962.4	12,888.6	14,255.3
21	ART & COLLECTIBLES	29.9	14.5	33.0
	TOTAL	373,849.8	505,875.2	669,975.5
	TOTAL WITHOUT FUEL	319,060.7	441,108.6	529,909.8

Source: Information based on CIF Import Statistics- Honduran Central Bank

Table 4: Honduras - Foreign Direct Investment Flows in Maquiladora Industry by Economic Sector

(Millions of Dollars and percentages)

		I Semester	<i>percent</i>	percent
	2005P	2006P	2005	2006
Textile Industry	76.3	43.9	39.0	68.9
Commerce	8.0	4.3	4.1	8.8
Agriculture & Fishing	7.8	3.0	4.0	4.5
Services to Corporations	22.9	30.7	11.7	17.3
Electronic Components	65.3	-10.0	33.4	1.2
Plastic Products	0.6	0.0	0.3	0.2
Wood Products	-0.4	-0.4	-0.2	0.3
Tobacco	5.3	1.2	2.7	-0.1
Cardboard products	3.3	0.0	1.7	-4.9
Chemical products	2.7	0.0	1.4	0.0
Energy	0.4	0.0	0.2	0.3
Other Industries	3.2	0.0	1.6	3.5
Total	195.8	72.8	100.0	100.0

Source: Information based on quarterly surveys applied to industrial park companies.

Table 5: 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
Chili's	U.S.	Franchise Casual Dining
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
Dippin Dots	U.S.	Franchise Ice Cream
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
New York Pizza	U.S.	Franchise Casual Dining
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.	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

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

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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 18 private banks includes financial intermediaries, one securities exchange, brokerages, credit operators, and foreign exchange houses. In recent years, it has experienced significant growth, consolidation, and regional expansion. CAFTA-DR implementation has encouraged U.S. corporate groups such as GE Finance and Citigroup to finalize important acquisitions as part of their investment and expansion strategies for emerging markets.

Total assets in the Honduran financial system in 2007 were USD 8.2 billion or 115 percent of GDP. Banks account for 90 percent of total assets in the financial system. The minimal capital requirement to operate a bank is Lps 100 million (USD 6.1 million). Average interest rates for local currency in the banking system decreased from 18 percent in 2004 to 13 percent in 2007. Average interest rates in US dollars were 8.58 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. Several banks have majority foreign ownership including Cuscatlán, Banco de Honduras, Citi Group, HSBC, BAC/Credomatic/Bamer, Banco Uno, LAFISE, Azteca, and Promerica).

Debt relief under the enhanced HIPC Debt Initiative from all of Honduras' creditors will surpass USD 3 billion over time, including over USD 1 billion in new debt relief approved in 2007 by the Interamerican Development Bank (IDB). The IDB will provide debt relief under the enhanced HIPC Debt Initiative amounting to USD 98 million in NPV terms (approximately USD 118.9 million in debt service relief) to be delivered from 2000 through 2012. The International Monetary Fund (IMF) will provide debt relief of SDR 22.66 million (USD 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 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 percent per year. The exchange rate was held fixed throughout 2007 at a rate of Lps. 18.8993 to USD 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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Banco LAFISE Honduras

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Banco Continental, S.A.

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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. ExIm Bank is not a development bank, and therefore looks for reasonable reassurance of repayment in all transactions.

At present, only a few banks operating locally (such as HSBC), have direct access to Ex-Im Bank's credit lines. These lines are also available through U.S. commercial banks. In February 1999, Ex-Im Bank signed a USD 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 USD 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.

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

Country Limitation Schedule: 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>

Central American Bank for Economic Integration: <http://www.bcie.org>

Honduran Association of Banking Institutions: <http://www.ahiba.hn>

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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 businesspeople build life-long relationships and establish close links with clients or customers, creating a reciprocal feeling of obligation and desire to assist.

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, 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 for meetings is not unusual. While Americans take pride in timeliness, keeping a schedule is not as important in Honduras. 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 visibly carrying cellular phones, valuables or large sums of money when walking in downtown areas. In the event that one's passport is stolen or lost, or that s/he experiences 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.usembassy.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.

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: <http://www.unitedstatesvisas.gov/>

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

Telephone service is adequate and the cost for long-distance service calls originating from fixed lines has been significantly reduced (current charge is Lps 2.00/minute or USD 0.10). Calls from fixed lines to cellular phones are more expensive than calls between fixed lines. Three mobile telephone providers currently operate in Honduras, and a fourth company recently was awarded a bid for an additional cellular license. Access to telephone service is very limited in rural areas, and there is little chance of significant improvement until Honduras passes telecommunications reform.

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.

Over fifty 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 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 two and a half hours by air from Honduras. Direct flights between Honduras and cities in North and Central America are provided by the following international airlines: American Airlines, Continental Airlines, Delta, 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 USD 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 better 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. However, Radio Taxi prices are significantly higher than normal street taxis, and the passenger may have to wait 30 minutes or more beyond the promised arrival time of the taxi. 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. Sharing cabs with strangers is strongly discouraged. 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 soaked in a chlorine solution for 10 minutes before being rinsed with purified water. Meats should be 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.

For more information please visit <http://honduras.usembassy.gov> and follow these links: FAQ, then Crime & Security, then Consular Information Sheet.

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 are between 8:00 a.m. and 6:00 p.m., Monday through Friday. Manufacturing plants and construction sites start at 7:00am and close between 4:00 p.m. and 5:00 p.m. Banks are open to the public at 9:00 a.m. and close at 6:00 p.m. Auto banking closes at 8 pm. Some banks have ATMs that are open all night, though tourists should avoid taking money out after dark for security reasons.

The following list of Honduran and American holidays will be observed as a day of leave for all Embassy employees during 2008:

<i>Date</i>	<i>Day of the Week</i>	<i>Holiday</i>
January 1	Tuesday	New Year's Day
January 21	Monday	Martin Luther King's
February 18	Monday	President's day
March 20	Thursday	Holy Thursday
March 21	Friday	Good Saturday
April 14	Monday	Day of the Americas
May 1	Thursday	Honduran Labor Day
May 26	Monday	Memorial Day
July 4	Monday	Independence Day
September 1	Monday	Labor Day
September 15	Monday	Central American Independence Day
October 6	Monday	Morazan's Birthday
October 13	Monday	Columbus Day
October 27	Monday	Honduran Armed Forces Day
November 11	Tuesday	Veterans Day
November 27	Thursday	Thanksgiving Day
December 25	Thursday	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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- [Market Research](#)
- [Trade Events](#)

Contacts

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A. Honduran Government Agencies

Presidential Palace

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

Central Bank of Honduras

Edwin Araque, President
Edif. Banco Central
Apdo. Postal 3165
Tegucigalpa, M.D.C.
Tel: (504) 237-1677, 237-1668
Fax: (504) 237-6261
<http://www.bch.hn>

Ministry of Industries and Trade

Fredis Cerrato, Minister
Edif. Fenaduana, 4to Piso, Blvd Quawait
Tegucigalpa, M.D.C.
Tel: (504) 235-3699, 235-4089
Fax: (504) 235-3686
<http://www.hondurastradeportal.com>
<http://www.sic.gob.hn>

Ministry of Finance

Rebeca Santos, Minister
Secretaria de Finanzas
Tegucigalpa, M.D.C.
Tel: (504) 222-8701, 222-1211/78
Fax: (504) 238-2309
<http://www.sefin.gob.hn>

Ministry of Foreign Affairs

Edmundo Orellana, Minister
Antigua Casa Presidencial, ½ cuadra al norte
de la Corte Suprema de Justicia
Tegucigalpa, M.D.C.
Tel: (504) 234-3998; 234-5411
Fax: (504) 234-1484
<http://www.sre.hn>
E-mail: consultas.sre@gmail.com

Ministry of Public Works, Transportation and Housing

Rosario Bonano, Minister
Bo. La Bolsa, Comayagua, M.D.C.
Tel: (504) 225-0994; 225-2690; 225-3614/0691
Fax: (504) 225-5003
<http://www.soptravi.gob.hn>

Ministry of Agriculture and Livestock(SAG)

Hector Hernández, Minister
Blvd. Centroamérica, Ave. La FAO
Tegucigalpa, M.D.C.
Tel: (504) 239-8394, 231-1921
Fax: (504) 232-5375
<http://www.sag.gob.hn>

Ministry of Natural Resources and Environment

Tomás Eduardo Vaquero, Minister
Frente al Birichiche,
100 metros al Sur del Estadio Nacional
Tegucigalpa, Honduras
Tel: (504) 232-1386; 239-4296; 235-7833
Fax: (504) 232-6250
<http://www.serna.gob.hn>

Ministry of Labor and Social Security

Mayra Mejía, Minister
Colonia Puerta del Sol, Intersección Boulevard La Hacienda y Villa Olímpica
Tegucigalpa, Honduras
Tel: (504) 235-3455
Fax: (504) 235-3455
E-mail: upeg@trabajo.gob.hn; info@trabajo.gob.hn
<http://www.trabajo.gob.hn>

Ministry of Tourism

Ricardo Martínez, Minister
Col. San Carlos, 5 Piso, Edif. Europa
Tegucigalpa, Honduras
Tel (504) 222-2124; 222-1183; 222-4002
Fax (504) 238-2102; 222-6642
<http://www.letsoghonduras.com>; Email: tourisminfo@iht.hn

Ministry of Health

Elsa Palou, Minister
3 Calle, 4 Ave, Contiguo Correo al Nacional
Tegucigalpa, Honduras
Tel. (504) 222-8518, 222-5771 Ext. 1055
Fax: (504) 222-5226
<http://www.salud.gob.hn>

Technical Ministry of International Cooperation

Karen Zelaya, Minister
Blvd. San Juan Bosco dos cuadras despues del Centro
Financiero Banexpo
Apdo. Postal 1327
Tegucigalpa, Honduras
Tel. (504) 239-5545; 239-5267; 239-5269
Fax. (504) 239-5277
<http://www.setco.gob.hn>

Empresa Hondureña de Telecomunicaciones (HONDUTEL)

Jorge Rosa, General Manager
Final Blvd. Morazan, atrás de Bigos, Edif. Los Almendros
P.O. Box 1794
Tegucigalpa, M.D.C.
Tel. (504) 238-4936; 237-9802, 238-3131
Fax. (504) 237-1111; 238-5614
<http://www.hondutel.hn>

Servicio Autónomo Nacional de Acueductos y Alcantarillados (SANAA)

Jorge Mendez, General Manager
1 Ave., 13 Calle, Comayaguela
P.O. Box 437
Tegucigalpa, M.D.C.
Tel. (504) 237-8551
Fax. (504) 237-8552
<http://www.sanaa.hn>

Empresa Nacional de Energía Eléctrica (ENEE)

Rixi Moncada, General Manager
Calle Real, Edif. Banco Atlántida, 4 Piso
Comayaguela, M.D.C.
Tel: (504) 237-8466, 238-0809
Fax: (504) 237-8473
<http://www.enee.hn>

Honduran Council for Science and Technology (COHCIT)

Miriam Mejía, Minister
P.O. Box 4458
Contiguo a Chiminike, Blvd. FFAA
Tegucigalpa, M.D.C.
Tel. (504) 291-0345
Fax: (504) 230-1664
<http://www.cohcit.gob.hn>

Municipality of Tegucigalpa

Ricardo Alvarez, Mayor
Frente al Parque Central
Tegucigalpa, M.D.C.
Tel. (504) 238-3319, 238-3351
Fax: (504) 222-0242
<http://www.alcaldiadetegucigalpa.com>

Municipality of San Pedro Sula

Rodolfo Padilla Sunceri, Mayor
P.O. Box 663
Bo. El Centro, 4 y 5 Ave.
San Pedro Sula, Honduras
Tel. (504) 550-6029; 550-5130; 558-1995
Fax: (504) 557-3556/2844
<http://www.msps.gob.hn>

Honduran Fund for Social Investment (FHIS)

Cesar Salgado, Minister and Executive Director
Edificio IPM
Apartado Postal 3581
Tegucigalpa, M.D.C.
Tel: (504) 233-1730, 234-5231-37
Fax: (504) 234-5255
<http://www.fhis.hn>

B. Country Trade Associations /Chambers of Commerce

Honduran American Chamber of Commerce (AMCHAM)

Maria Alexandra, President
Lic. Patricia Lopez, Executive Director
P.O. Box # 1838
Sección Comercial, Hotel Honduras Maya
Tegucigalpa M.D.C.
Tel: (504) 235-9959, 231-1379, 232-6035
Fax: (504) 232-2031
<http://www.achamhonduras.org>

Foundation for Investment and Development of Exports (FIDE)

Lic. Vilma Sierra de Fonseca, 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: cic@fidehonduras.com

[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) 566-0795; 566-3852; 566-2368

Fax: (504) 566-3852

<http://www.fpxhn.net>

Honduran Council for Private Enterprise (COHEP)

Amilcar Bulnes, President

Benjamin Bogran, Executive Director

P.O. Box 3240

Col. Tepeyac, Calle Yoro, Edificio #8

Tegucigalpa M.D.C.

Tel: (504) 235-3336

Fax: (504) 235-3345/44

E-mail: consejo@cohep.com

<http://www.cohep.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; 557-9757

Fax: (504) 553-3777

Email: Roberto@ipsa.hn

Construction Industry Chamber (CHICO)

William Hall Micheletti, President

Mario Sandoval, General Manager

P.O. Box # 905

Col. Castaño Sur, Ave. Virgilio Zelaya Rubí, Bloque C #19

Tegucigalpa M.D.C.

Tel: (504) 221-4512; 221-4806

Fax: (504) 221-4148

<http://www.chicoorg.org>

Honduran Federation of Chambers of Commerce (FEDECAMARA)

Edison Cardenas, President
Maribel Espinoza, Executive Director
P.O. Box # 3393
Edif. Castañito, 2do Nivel, 6 Ave., Col Los Castaños
Tegucigalpa M.D.C.
Tel: (504) 232-6083
Telefax: (504) 232-1870
Email: fedecamara.directora@cablecolor.hn
<http://www.fedecamara.org>

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

Lic. Maria Cristina Handal, President
Mario Bustillo, Executive Director
P.O. Box # 3444
Edif CCIT, Blvd. Centroamerica, contiguo a Emisoras Unidas
Tegucigalpa M.D.C.
Tel: (504) 232-4200
Fax: (504) 232-0159
E-mail: ccit@ccit.hn
<http://www.ccit.hn>

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

Lic. Luis Napoleón Larach, President
Raúl Reina Cleaves, Executive Director
P.O. Box # 14
San Pedro Sula, Cortés
Tel: (504) 553-0761, 553-2490
Fax: (504) 553-3777
E-mail: ccic@ccichonduras.org
<http://www.ccichonduras.org>

National Industry Association (ANDI)

Ing. Adolfo Facussé, President
Fernando García, Executive Director
P.O. Box #3447
Tegucigalpa, M.D.C.
Tel: (504) 232-2221, 239-1239
Fax: (504) 221-5199
E-mail: andi@andi.hn
<http://www.andi.hn>

Honduran Apparel Manufacturers Association

Jesus Canahuati, President
P.O. Box # 2658
San Pedro Sula, Cortés
Tel: (504) 556-5526
Fax: (504) 556-5525
<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; 235-6772
Fax: (504) 239-0191
E-mail: ahiba@ahiba.hn
<http://www.ahiba.hn>

Honduran Mining Association (ANAMINH)

Miriam Bueso, President
Edif. Plaza Millennium 2ndo Nivel Cubi B Guel 3
Comaguela, Honduras
Tel/fax: (504) 234-3476
Email: anaminh@yahoo.com

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

Javier Lacayo, President
P.O. Box # 3642
Tegucigalpa, M.D.C.
Tel: (504) 236-5115
Fax: (504) 236-5069

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; 551-0664
Fax: (504) 551-2468
E-mail: r.prego@edured.net

Honduran Association of Importers and Distributors of Vehicles (AHDIVA)

Delmy de Jaar, President
Centro Commercial Lomas Blvd. Local 37
Tegucigalpa, Honduras
Tel/fax: (504) 221-5725
E-mail: ahdiva@amnettgu.com

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

Danilo Osorio, President
Sarahí Silva, Manager
Residencial Aeropuerto, Ave. Independencia, Bloque H, Lote #1
Tegucigalpa, M.D.C.
Tel: (504) 234-2345
Fax: (504) 233-0660
E-mail: ahdippe@amnettgu.com

Honduran Association of Shipping Companies and Representatives (AHCORENA)

Carlos Izaguirre, President
Edif. Plaza Local 19A
1-2 Calle, 1-2 Ave, N.E.
San Pedro Sula, Cortés
Tel: (504) 552-4412
Fax: (504) 552-4412
E-mail: ahcorena@sigmanet.hn

National Aquaculture Association (ANDAH)

Ing. Alberto Zelaya Girón, Executive Director
P.O. Box # 229
Choluteca, Choluteca
Tel: (504) 782-0986, 224-0577
Fax: (504) 782-3848

Honduran Chamber of Insurance Companies (CAHDA)

Carlos Izaguirre, President
Lic. José Luis Moncada, General Manager
P.O. Box # 3290
Col. San Carlos, Edif. Casa Real, 3er Nivel
Tegucigalpa, M.D.C.
Tel: (504) 221-5354
Fax: (504) 221-5356
<http://www.cahda.org>

Honduran Chamber of Tourism (CAMTURH)

Epaminondas Marinakys, President
Lourdes Bados, Director
Col. Lomas del Guijarro Sur, Cll. Paris, Ave. Niza #1223
P.O. Box # 5804
Tegucigalpa, M.D.C.
Tel: (504) 232-1927
Fax: (504) 235-8355
E-mail: canaturh@canaturh.org
<http://www.canaturh.org>

National Federation of Agricultural Producers (FENAGH)

Santiago Ruiz Cabus, Presidente
P.O. Box # 3209
Tegucigalpa, M.D.C.
Tel: (504) 239-1303
Fax: (504) 231-1392
E-mail: fenagh@hotmail.com

National Hotel Association (AHAH)

Luz de Amador, President
Col. Los Girasoles, Escuela Hotel Madrid
P.O. Box # 3574
Tegucigalpa, M.D.C.
Tel: (504) 221-5805; 236-7174; Fax: (504) 221-4789; 236-7174

C. Country Market Research Firms

KMPG Peat, Marwick y Asociados

Armando Barnica, General Manager
P.O. Box # 3398
Col. Palmira #417, 2 Cille., 2 Ave.
Tegucigalpa M.D.C.
Tel: (504) 238-2106; 238-5605; Fax: (504) 238-5925
E-mail: kpmgtgu@david.intertel.hn

Mercaplan

Jorge Martin Frech, General Manager
Col. Moderna 20 y 21 Ave Blvd Los Proceres
San Pedro Sula, Cortés
Tel: (504) 550-1992, 550-1092; 507-0503
Fax: (504) 550-1996
<http://www.mercaplan.hn>
E-mail: jorge@mercaplan.com

C.I.D.

Consultoría Interdisciplinaria en Desarrollo, S.A.
(Gallup de Centroamérica)
Xiomara Muñoz Deras, Country Manager
P.O. Box # 3390
Tegucigalpa M.D.C.
Tel: (504) 232-0637, 239-0993; Fax: (504) 239-0899
E-mail: repcionhondur@cidgallup.com
<http://www.cidgallup.com>

Martinez Calvo

Ricardo Martinez, General Manager
Hotel Clarion, Edificio Corporativo
Tegucigalpa M.D.C.
Tel: (504) 232-3951, Fax: (504) 232-5005
E-mail: martinezcalvo@hondutel.hn

D. U.S. Embassy Economic Personnel

Economic Section

Robert Armstrong
Economic Counselor
U.S. Embassy
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To view market research reports produced by the U.S. Commercial Service please go to the following website: <http://www.export.gov/marketresearch.html> and click on Country and Industry Market Reports.

Please note that these reports are only available to U.S. citizens and U.S. companies. Registration to the site is required, but free of charge.

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

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 links below.

www.buyusa.gov/honduras/en

www.BuyUSA.gov/centralamerica

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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.