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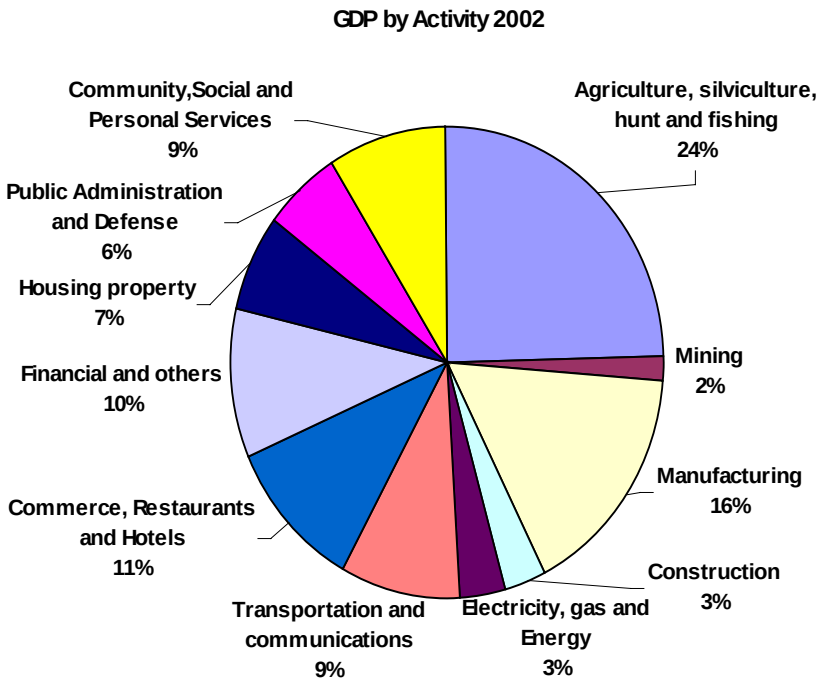
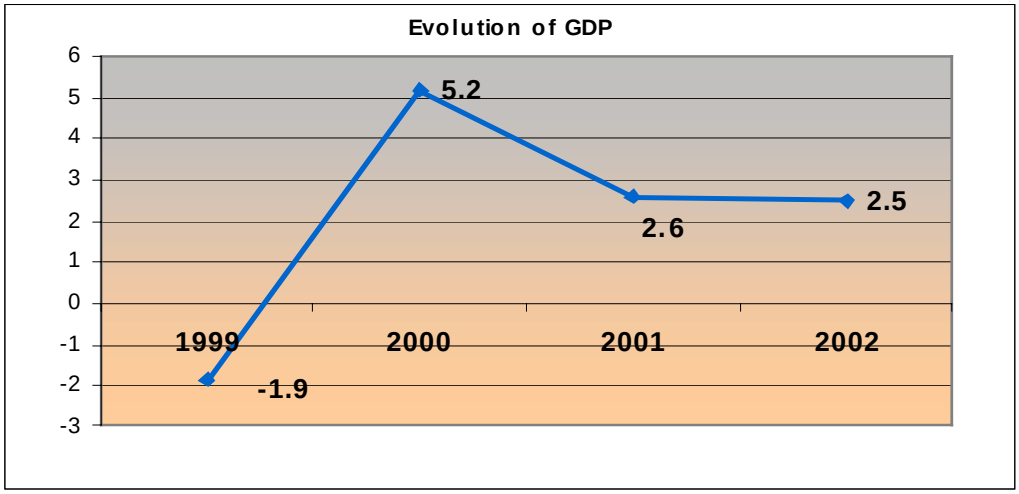
ECONOMIC OVERVIEW

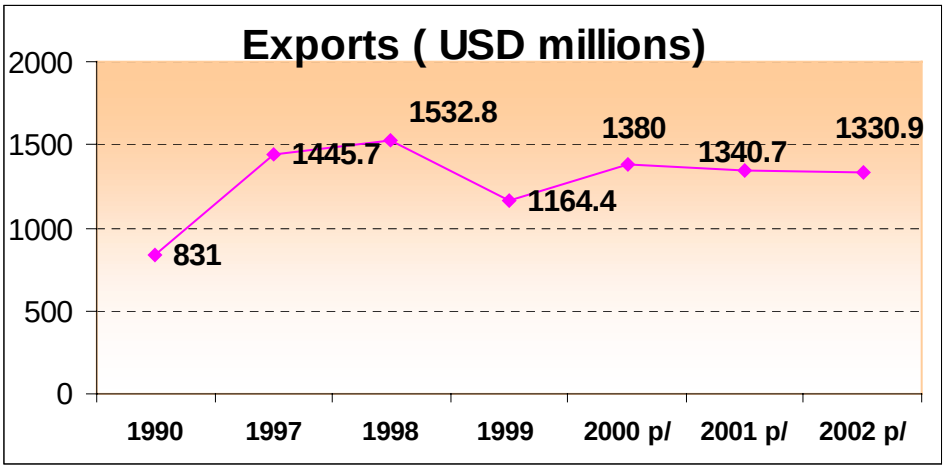
Traditionally Honduras has been an agriculture-based economy, nevertheless it has evolved through the years and nowadays its GDP* consists not only on agriculture (Lps. 1,721 millions) but a fair share of manufacturing (Lps. 1, 132 millions) , commerce, restaurants and hotels (Lps. 744 millions) . * *(GDP in constant terms)*



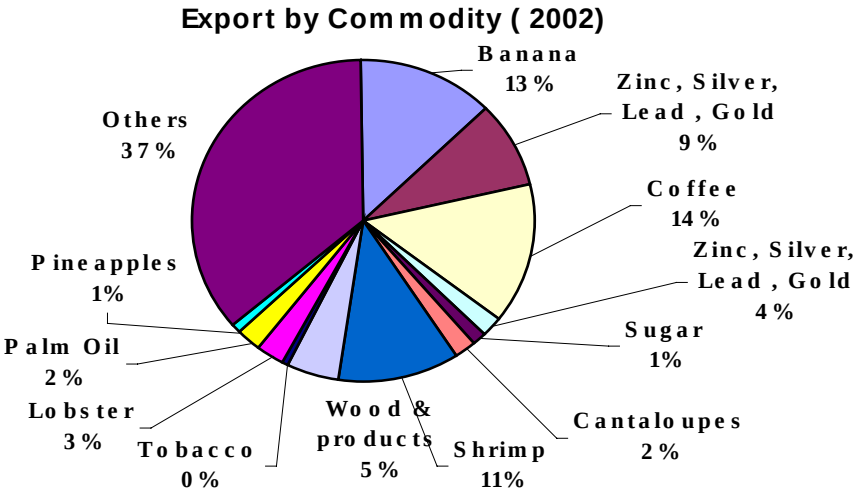
The GDP real growth for 2002 was 2.5%, continuing to recover for the back step that came with Hurrican Mitch in 1998.



Honduran commodity exports have increased since 1990 from USD 831 million to USD 1,330 million for 2002.

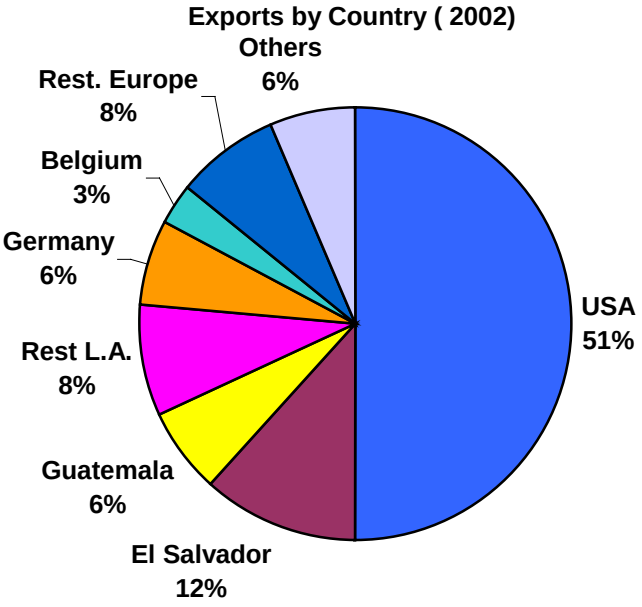


The main commodity exports in 2002 were coffee with 192 million (14%) , banana with $172.4 million (13%), and shrimp, a non- traditional product, has a 11% share of total exports with an export value of US$147 million. Other non-traditional products are important: lobsters, cantaloupes, pineapples and palm oil.

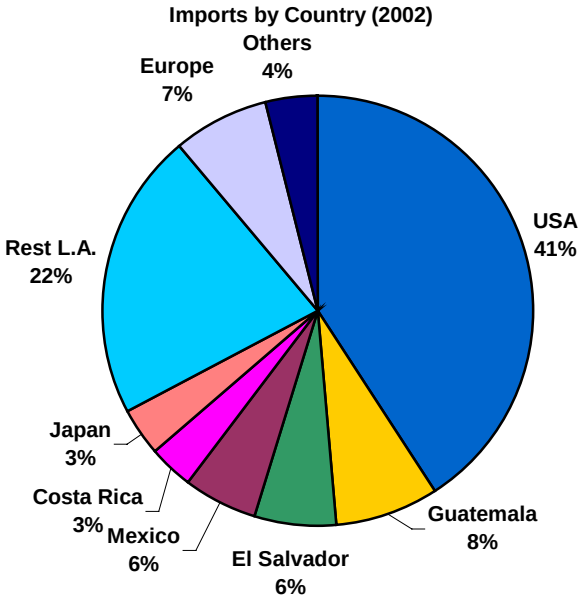


Among the service exports the apparel was USD 559.1 millions (reviewed figures expected to amount USD 700 millions) in added value according to Central Bank of Honduras balance of payments value*. Tourism, one of the most important investment areas, generated USD 291.1 millions in 2002. * *According to US customs imports from apparel of Honduras are aprox. 2.2 millions.*

Concerning trade, our main partner is the United States, 51% of our exports (absolute value: $665.2 million) are destined to this market. Our Central American neighbor countries and Europe are important trade partners as well. El Salvador with 12% (USD 157 millions), Guatemala 6% (USD 83.9 millions) and Germany 6% (USD 83.9 millions).



41% of our total imports come from the United States (USD 1.2 billion). Central America is also important, supplying 17% of our imports (El Salvador, Guatemala and Costa Rica).

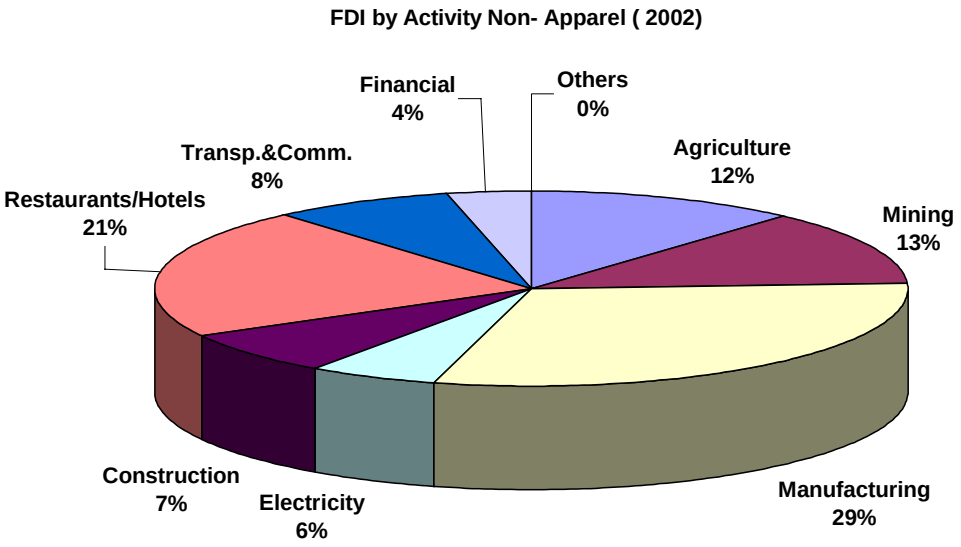


With regards to investment, total Foreign Direct Investment (not including apparel) was $142.9 million from which United States accounted USDM 54.5(48%), Canada USDM 18.1(13%), El Salvador USDM (8%) and Costa Rica USDM 9.8(7%).

Foreign Direct Investment (FDI) not including apparel 2002
(Total $142.9 million)

2002	$ Millions	%
USA	54.5	38%
El Salvador	11.8	8%
Guatemala	6.1	4%
Costa Rica	9.8	7%
Panama	8.8	6%
Spain	5.4	4%
England	4.8	3%
Italy	6.2	4%
Japan	1.2	1%
Canada	18.1	13%
Others	16.1	11%

The main activities in which this FDI was invested were manufacturing (29%) restaurants and hotels (21%) , mining (13%) and agriculture (12%).



In 2002 total Foreign Direct Investment in apparel amounted USD156.5 millions for an accumulated FDI of USD 907 million.

Economic Indicators & statistics Central Bank Of Honduras (in Spanish)
Economic Indicators & statistics FIDE (in Spanish)

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TRADE POLICY

Honduras is an active participant in the world economy through commercial activities and multilateral agreements. Honduras has made important advances in modernizing its trade regulations according to international standards.

Honduras is part of the Central American Common Market, which is based on the 1962 General Treaty and was reactivated in 1993. The conclusion of the negotiations to finalize the formation of this Customs Union is scheduled for December 2003. In 1994 Honduras became member of the General Agreement on Tariffs and Trade (GATT) and the World Trade Organization (WTO). Among the Free Trade Agreement Honduras has ratified and implemented, we find CA3 (Honduras, Guatemala and El Salvador)- Mexico FTA, which came into effect in June 2001, the CA- Dominican Republic FTA since December 2001.

Honduras is working together with the other Central American countries to reach similar agreements with Chile, Panama and Canada. The US -Central American Free Trade Agreement is currently being negotiated. The last round will be held on December 2003.

Over the last decade, Honduras has signed Mutual Investment Protection Agreements with Chile, Cuba, France, Germany, Great Britain, Spain, Switzerland, Taiwan and the United States. Honduran products enjoy preferential access to he world's major markets as a beneficiary of the Generalized System of Preferences with the United States, the European Union, Canada and Japan. The Caribbean Basin Initiative with the United States also grants preference to Honduran products.

International treaties and Free Trade Agreements

Source: taken from www.hondurasinfo.hn official website for FIDE (Foundation for Investment and Development of Exports)

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Central American Free Trade Agreement (CAFTA)

Background

United States is the region's main commercial partner of Central America, exports to this country in 2002 were about 40% (aprox. $4 billions) of the total exports and the imports from the US amounts to $8.7 billions, also 40% of the total imports.

In the last years, the region has intensified efforts to achieve an agreement that allows to improve and fortify commercial relationship with the United States. Under this intention, the Central American countries stated to the government of the US, in several occasions, the possibility of suscribing a free trade agreement that could serve the purpose of consolidating trade relations.

The expectations of the region were fortified in January 2002, when in occasion of the Nation's Address to Congress, the President George W. Bush stated, as a priority of the foreign trade policy of his administration, the possibility of suscribing a comercial agreement with the Central American countries. President Bush's initiative was ratified with other actions such as the meeting with the Central American Presidents held in San Salvador, El Salvador in March of 2002, and with an intense political lobby oriented to provide tools that, according to the US's legislation, would facilitate the negotiation of trade agreements with third parties. The " Trade Promotion Authority" (TPA) passed on August 7, 2002, as a part of the Trade Act 2002, which constitutes the main reference in the foreign trade policy of the United States.

In the months following President Bush's announcement until the TPA passed, the Central American governments began their coordination to face the negotiations. Furthermore, both parties, Central America and USA, proceeded to a series of preliminary technical meetings in which they exchanged information on the key issues that are going to be part of a free trade agreement.

According to the internal procedures, in october 2002, the United States Trade Representative (USTR) notified the House of Representatives and the Senate the President's intention to start negotiations of a free trade agreement with the countries member of the System of the Central American Economic Intergration.

In January 2003, the Foreign Ministries of Central American countries and the United States Trade Representative, announced formally the initiation of the free trade agreement and agreed to conclude negotiations at the end of 2003, as well as the structure and timetable of the rounds.

Source: www.causa.sieca.org.gt official website for the Secretary of Central American Economic (SIECA).Tranlation by IPTS

CAFTA's Negotiation Structure

The structure of the negotiations for CAFTA consists of nine rounds planned to conclude in December 2003.

In each round, five negotiating groups meet and discuss issues regarding 1) market access 2) services and investment 3) dispute settlement and institutional issues 4) labor and environment and 5) other issues such as government procurement and intellectual property. Each of these groups covers specific topics (see list of topics below in Tables of Negotiation) and has representatives of each country negotiating and establishing positions of their country for the different topics.

A sixth group on trade capacity-building meet in parallel with the other five negotiating groups; this group has the objective to improve the capacity of Central American countries to compete in the modern global economy by implementing projects in each country.

The private sector of each country is also involved in the negotiation through the "side room", where they discuss matters of concern and are entitled to present their positions.

Calendar

ROUND	DATE	PLACE
Launching	January 8	USA
1st. Round	January 27-31	Costa Rica
2nd. Round	February 24-28	El Salvador
3rd Round	March 31 – April 4	USA
4th. Round	May 12-16	Guatemala
5th. Round	June 16-20	Honduras
6th Round	July 28 – August 1	USA
7th. Round	September 8-12	Nicaragua
8th. Round	October 20-24	USA
9th. Round	December 8-12	USA

TABLES OF NEGOTIATION

1. **Market Access**

Topics discussed include:

Industrial Goods
Textile and Apparel
Agricultural Goods
Sanitary and Phytosanitary Standards
Technical Barriers to Trade

Rules of Origin
Customs Procedures
Trade Facilitation
Temporary Entry

2. Services and Investment
Topics for discussion include:

Investment
Services
e-commerce
Financial services
Telecommunications

3. Dispute Settlement and Institutional Issues
Topics for discussion include:

Dispute Settlement
Transparency
Safeguards
Institutional Provisions

4. Other Issues
Topics discussed include:

Government Procurement
Intellectual Property

5. Labor and Environment
Topics discussed include:

Labor
Environment

TRADE CAPACITY BUILDING

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Links of interest for Economic Affairs

Government

Central Bank of Honduras - www.bch.hn
Secretary of Industry and Commerce www.sic.gob.hn
National Revenue Agency www.dei.gob.hn
National Commission of Banking and Insurance www.cnbs.gob.hn
National Institute of Statistics www.ine.gob.hn
Secretary of Finance www.sefin.gob.hn

Regional

Secretary for Central American Economic Integration www.sieca.org.gt

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