

WORLD TRADE ORGANIZATION

G/SCM/Q2/HND/4
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Committee on Subsidies and Countervailing Measures

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SUBSIDIES

Replies of Honduras to Questions from the United States¹

The following communication, dated 10 May 2004, is being circulated at the request of the delegation of Honduras.

I. TEMPORARY IMPORT REGIME

1. With regard to the Temporary Import Regime (RIT) programme, please list the industries that have received the greatest amount of funding through this programme.

Reply

The companies that enjoy substantial coverage under the Temporary Import Regime are manufacturers in the textile, wearing apparel and leather sectors. Other major activities which are covered by the Regime and in which a large number of companies are involved include the processing of fish, shellfish and other marine products - specifically shrimp farming, the manufacture of milled products (coffee), and the tobacco industry.

2. What are the conditions for a producer/exporter to be "duly authorized" under this regime? Specifically, please describe the eligibility criteria that companies must meet in order to enjoy the exemptions available under this programme.

Reply

In order to benefit from the Temporary Import Regime, natural or legal persons already established or which may be established in the country must produce goods or services for export.

In order to receive authorization to operate under the Temporary Import Regime, enterprises must apply through a legal representative to the Directorate General of Productive Sectors of the Ministry of Trade and Industry (SIC). The application must provide the following information:

1. Name, business/corporate name of the enterprise, its domicile and the location of its industrial plant, exact address and telephone number.
2. Copy of the public deed of incorporation (companies) or business registration (sole traders), national tax registration (RTN), duly registered notary's certificate, legally established power of attorney, all of which must be authenticated.

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3. Specific information on the object of the application.

The application must be accompanied by a socio economic study which should include:

1. Description of the products to be exported, showing their volume and value, together with a three-year projection, indicating the major markets for the exports.
2. Number of workers to be employed, giving yearly estimates of wages and salaries and social benefits for the first three years of operation.
3. Production capacity installed and used (three-year projection).
4. Brief description or flow chart of the production process.
5. List of machinery, equipment, tools, spare parts, accessories, raw materials, semi-finished products, containers, packaging and any other inputs to be imported with respective tariff headings. In the case of machinery, the quantity to be imported must be included.
6. Utilization rates and estimated percentages of decreases, losses and wastage of raw materials and inputs to be imported for each good to be produced.
7. General balance sheet and statement of earnings with breakdowns including by cost origin (three-year projections).
8. Estimate of annual net foreign exchange earnings and value added for the first three years of operation.
9. Description of the goods to be processed under complementarity, subcontracting and transfer arrangements.

II. THE LAW ON EXPORT PROCESSING ZONES

1. **Please list the industries that are the greatest users of these Zones.**

Reply

The activities that enjoy substantial coverage under the Export Processing Zones (ZIP) regime are those falling in *Division: 32 - Textile, Wearing Apparel and Leather Industries*, of the United Nations International Standard Industrial Classification of All Economic Activities (ISIC).

2. **What are the conditions for a producer company to be "duly authorized" under this regime? Specifically, please describe the eligibility criteria that companies must meet in order to enjoy the exemptions available under this programme.**

Reply

In order to operate as ZIP user companies, natural or legal persons, whether Honduran or foreign, must be legally constituted and established in the ZIP and conclude a contract with the ZIP operating company. This entitles them to purchase or lease, on any legal or contractual basis, the goods or services available in the ZIP for the purpose either of industrial processing for export or of supplying complementary services within the zone.

III. THE LAW ON FREE ZONES

1. Please provide additional information regarding the extension of benefits under this law to the entire national territory of Honduras. Please explain whether companies must be located in particular areas to be eligible for benefits under this programme. If not, please describe the criteria used to define eligibility.

Reply

The adoption of the Law to Promote Production, Competitiveness and Support for Human Development (Decree No. 131-98 of 20 May 1998) amended the Law establishing the Free Zone of Puerto Cortés so as to allow the creation of free zones in any part of the national territory (Article 17).

All domestic or foreign enterprises that operate in a free zone must satisfy the Ministry of Trade and Industry (SIC) that they have at least one permanent representative with broad powers to perform all legal acts and transactions of a civil, commercial and labour-related nature which are to take effect in the national territory.
