



TRADE POLICY REVIEW

REPORT BY

HONDURAS

Pursuant to the Agreement Establishing the Trade Policy Review Mechanism (Annex 3 of the Marrakesh Agreement Establishing the World Trade Organization), the policy statement by Honduras is attached.

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1 INTRODUCTION

1.1. Since its last Trade Policy Review (TPR) in 2016 Honduras has implemented a raft of measures under its national policies to maintain and strengthen its trade policy. The entry into force of the Agreement on Trade Facilitation (TFA) in 2017 led to the implementation at national and regional level of a series of initiatives and actions to improve the time and cost involved in customs clearance, and to simplify the administrative requirements of cross-border procedures.

1.2. Honduras continues to have an open trade policy. Its network of preferential trade agreements has been supplemented by agreements with Peru, South Korea and the United Kingdom. Approximately 93.46% of exports enjoy preferences.

1.3. Since the previous review, Honduras has continued to support the deepening of Central American Economic Integration. In 2017 the first stage in the Process of Deep Integration leading to the Free Movement of Goods and Natural Persons between the Republics of Guatemala and Honduras was implemented, and a model was drawn up for integrated border posts and peripheral customs offices to control the transit of goods.

1.4. The deep integration process has facilitated trade in goods: advance declarations for trade between Guatemala and Honduras have been implemented, as has the electronic transmission of sanitary and phytosanitary certificates. Software developed for the transmission of documents covering trade within the single customs territory is in use, and includes the Central American Invoice and Single Declaration (FYDUCA), the Notification of Sanitary and Phytosanitary Measures (SPS), and the advance declaration and electronic transmission of sanitary and phytosanitary certificates.

1.5. President Xiomara Castro's Government Plan to Refound the Homeland and Construct a Socialist and Democratic State provides that the country's foreign policy is one of openness to the peoples and nations of the world, subject to full reciprocity. It also states that the defence of sovereignty and solidarity will be cross-cutting priorities of its foreign policy, which is founded on the national interest and complementarity in the community of nations.

1.6. Against that background, the approach taken by Honduras to the creation of employment and new opportunities is focused on (a) employment generation on a mass scale, including for young people and others in disadvantaged circumstances, (b) an economic stimulus plan for micro businesses in the social sectors, guaranteeing access to sustainable, decent employment, and (c) a guarantee of legal certainty in a stable socio-political environment conducive to building confidence, private investment and long-term economic growth.¹

1.7. This report is part of efforts to provide transparency and fulfil the obligations Honduras has assumed within the multilateral trading system, and describes the main elements of Honduras' trade and economic policy since its last review.

2 ECONOMIC POLICY

2.1. During the review period, economic activity in Honduras was driven chiefly by domestic production of goods and services – which continued to grow despite adverse global conditions, a rise in internal and external demand, the implementation of measures to support economic activity and job creation (including the availability of financial resources, budget reformulation, fuel and energy subsidies) and the increase in family remittances, which contributed to the buoyancy of household consumption expenditure.

2.2. President Xiomara Castro's administration plans to undertake structural reform of the management of the country's economy and the economic order, as well as to address the need for inter-agency coordination. Another priority is to promote the creation, in rural and urban areas, of employment that pays fair, decent wages sufficient to cover the cost of the basic basket and make economic revival possible. Where the rural component is concerned, the objectives also include agricultural development and food sovereignty.

¹ Government Plan to Refound the Homeland and Construct a Socialist and Democratic State 2022-26, p.21

2.1 Economic developments in Honduras

2.3. The World Bank classifies Honduras as a lower-middle-income economy that experienced fluctuating fortunes during the review period (2016-22), especially in relation to the crises caused by the COVID-19 pandemic in 2020 and tropical storms Eta and Iota in that same year.

2.4. Honduran GDP grew at an average annual rate of 3.8% between 2016 and 2019, leading to a rise in per capita income during the period. Growth was supported mainly by personal consumption expenditure, which in turn was largely driven by remittances from abroad that significantly impact the country's economy.

2.5. In 2020, the Honduran economy was hit hard by the economic effects of the COVID-19 pandemic, with GDP contracting by 9% and external demand also falling. All the components of aggregate demand contracted, but gross capital formation recorded the largest decline, 23.8% in real terms. All production sectors were similarly affected.

2.6. Despite this, macroeconomic conditions improved in 2021 and 2022. Real GDP expanded by 12.5% in 2021 at a year-on-year rate of 4.4% in the first three quarters of 2022, and an estimated rate for the full year of 4.0%. With the exception of construction and mining and quarrying, the sectors that grew most in the third quarter of 2022 were financial intermediation (14.0%), manufacturing (7.6%), commerce (3.2%), hotels and restaurants (23.3%), electricity and water distribution (1.3%), and transport (6.6%).

2.7. In constant terms, overall supply increased by 5.6%, after rebounding by 21.4% in 2021, driven by a rise in both domestic supply and imports of goods and services (7.4%).

2.2 Monetary and credit policies

2.8. According to the Central Bank of Honduras (BCH) the country pursued a fairly tight, cautious monetary policy between 2016 and 2019, keeping the monetary policy rate (MPR) between 5.5% and 5.75%. In view of the national economic slowdown in growth in the pre-pandemic period, the BCH decided to reduce the MPR in December 2019 and February 2020, by 25 basis points (bp) on each occasion, bringing it down to 5.25%.

2.9. Later in 2020, the worsening COVID-19 pandemic (extension of measures to lock down the population and restrict the movement of goods and services) led to a decline in economic activity and employment, and to the BCH taking measures that included authorizing reductions in the MPR on three further occasions, namely from 5.25% to 4.50% in March, to 3.75% in August and to 3.00% in November, which remains in place to date.

2.10. During the period preceding the pandemic, the focus of BCH monetary policy continued to be on maintaining low, stable inflation and an adequate level of international reserves, periodically analysing the economic situation and the national and international outlook and adjusting the conduct of monetary policy in order to maintain liquidity levels in the financial system that were consistent with the goal of price stability.

2.11. During the review period, inflation was generally contained within the established tolerance range, except in 2022 when it was affected by external shocks resulting from global supply chain difficulties and the conflict between Russia and Ukraine.

2.12. In 2022 rising global inflationary pressures due to higher global costs affecting the prices of raw materials – primarily energy and food – led to an acceleration of domestic inflation, which peaked at 10.86% in July 2022. The three items that contributed most to the increase in total inflation were food and non-alcoholic beverages; transport; and housing, water and electricity.² Core

² According to the BCH, these three items account for roughly 69.1% of year-on-year inflation. The greatest price rises for processed foods included those of ground coffee, vegetable fat, chicken meat and beef, classified rice, pasteurized powder milk, and soft drinks. The following agri-foodstuffs recorded price increases: red beans, maize, chicken eggs, corn tortilla, potato, cabbage, dairy products, sweet pepper, pear tomato and red onion. Central Bank of Honduras (2022), *Revisión de Programa Monetario 2022-2023*, August 2022. Viewed at:

inflation (which excludes agri-foodstuffs, fuels and electricity tariffs) behaved in a similar fashion to total inflation, standing at 9.16% in July 2022 as a result of higher raw material and fuel prices and inflationary pressures caused – albeit to a lesser extent - by aggregate demand and a process of adjustment in production costs.³

2.3 Fiscal policy

2.13. The formulation and implementation of Honduran fiscal policy during the review period was geared towards achieving fiscal consolidation, reduced spending and increased tax revenues.

2.14. The Fiscal Responsibility Law (LRF) adopted in May 2016 established macrofiscal targets mapping out the direction of strategic fiscal policy decisions for the period covered.

2.15. The Ministry of Finance in the current administration under President Castro issued the Medium-Term Macroeconomic Framework (MMFMP) 2023-26, a road map to guide the country's strategic economic and fiscal policy decisions with the aim of reducing the deficit, achieving fiscal consolidation, supporting macroeconomic stability and increasing inclusive economic growth.

2.16. During 2022 the fiscal situation improved significantly, thanks in part to the post-pandemic economic recovery. Central government achieved a surplus of HNL 14,000.9 million in the first nine months of 2022, mainly as a result of higher tax revenue and lower capital expenditure. Total revenue amounted to HNL 112,247.4 million (HNL 16,053.9 million more than in the same period of 2021).

3 GOVERNMENT PLAN TO REFOUND THE HOMELAND AND CONSTRUCT A SOCIALIST AND DEMOCRATIC STATE 2022-26

3.1. The Government Plan to Refound the Homeland and Construct a Socialist and Democratic State 2022-26 outlines the path towards the construction of a socialist and democratic state and a country that is as strong as the resolve of its citizens and people.

3.2. The Medium-Term Macroeconomic Framework (MMFMP) 2023-26 provides that the Bicentennial Strategic Government Plan (PEG) 2022-26 to Refound the Homeland and Construct a Socialist and Democratic State⁴ is a planning tool for the medium term that sets out the measures government should take to progress towards achieving long-term development objectives. It identifies five strategic development sectors, namely: (i) governance, (ii) society, (iii) economy, (iv) environment and (v) security and justice, accompanied by the following strategic objectives:

- a. To refound Honduras by constructing a socialist and democratic state built on fairness in order to ensure shared prosperity, and on the protection of the rights of individuals, communities (indigenous peoples) and the natural world.
- b. To ensure equitable access for the people to social security and protection, the promotion of art, science, culture and sport, and to free, good-quality education, health-care and training services by way of poverty-reduction mechanisms.
- c. To strengthen and enhance the State's role in the economy by improving the provision of public services, the formulation and implementation of public policy, and the correction of market distortions in order to foster steady, sustainable human development.
- d. To ensure the protection of shared natural resources so that they are available to use and sustainably managed: ecosystem resources, water for human consumption, production, hydroelectric power generation, irrigation etc.

<https://www.bch.hn/estadisticos/AM/LIBPROGRAMA%20MONETARIO/Revisi%C3%B3n%20Programa%20Monetario%202022-2023.pdf>.

³ Central Bank of Honduras (2022), *Revisión de Programa Monetario 2022-2023*, August 2022. Viewed at: <https://www.bch.hn/estadisticos/AM/LIBPROGRAMA%20MONETARIO/Revisi%C3%B3n%20Programa%20Monetario%202022-2023.pdf>.

⁴ Medium-Term Macroeconomic Framework (MMFMP) 2023-26, p.64.

- e. To ensure public safety and effective access to an integrated judicial system in order to promote an investment-friendly environment and ensure the well-being of the Honduran population.

3.3. In addition, the Strategic Plan supplements the strategic objectives with three cross-cutting lines of action: (i) defence of human rights, (ii) gender: Nothing about us without us; and (iii) territorial development.

3.4. In order to strengthen growth and diversification in agriculture, the Ministry of Agriculture and Livestock of Honduras is drawing up a new policy for the sector with its own intervention strategies. The policy will be inclusive and provides for the use of innovative, sustainable technologies to diversify agricultural output and increase productivity.

3.5. The policy is also expected to reduce vulnerability to climate change.

4 EXTERNAL TRADE POLICY

4.1. Honduras conducts a trade policy based on the following lines of action: (i) participation in the multilateral trading system under the auspices of the WTO, (ii) deepening of Central American Integration, and (iii) expansion of its network of preferential trade agreements with strategic partners or parties with whom Honduras establishes the most cordial and friendly diplomatic relations.

4.1 Multilateral trading system

4.2. As a founding Member of the World Trade Organization (WTO) Honduras attaches great importance to active participation in the multilateral trading system; accordingly, in the context of its involvement in the Doha Development Agenda (DDA), it has reiterated its commitment to a multilateral trading system based on clear and equitable rules, assigning high priority to the defence and promotion of an inclusive, open and transparent Organization that functions effectively for its Members and addresses their developmental and welfare needs.

4.3. Furthermore, it supports the implementation of special and differential treatment along with other flexibilities that help to protect the most sensitive sectors of developing economies, and therefore remains committed to the successful conclusion of the negotiations placing development at the core of the outcomes in accordance with the agreed mandates and the decisions adopted by the Members.

4.4. Honduras considers it necessary to address the concerns and priorities of developing countries, least-developed countries and net food-importing countries in matters such as the treatment of trade-distorting domestic support, the special safeguard mechanism and public stockholding, among other vital means of satisfying needs in respect of food security, livelihood, farmers' welfare and poverty alleviation.

4.5. Honduras favours the consideration, within the WTO, of issues concerning the dynamic and ever-changing reality of international trade, which is why it is making best efforts to participate constructively in the joint initiatives on MSMEs, e-commerce, investment facilitation for development and women's empowerment (as part of the Informal Working Group on Trade and Gender), as well as in the discussions on Plastics Pollution and Environmentally Sustainable Plastics Trade and the initiative on trade and environmental sustainability.

4.6. In addition, it agrees with the imperative need to update the multilateral trading rules: having a Dispute Settlement System together with a functional and effective Appellate Body is a matter of the utmost urgency for our country, which is why it participated in the presentation of proposals to promote discussions among Members on the functioning of the Appellate Body, and those discussions influenced the creation of the "Walker Process".

4.7. All the elements referred to above are consistent with the long-term strategic development objectives set out in the Government Plan to Refound the Homeland and Construct a Socialist and Democratic State 2022-26, in that their emphasis is on human rights, gender, the Government Plan

to Refound the Homeland and Construct a Socialist and Democratic State 2022-26 and acknowledgement of countries' relative development.

4.2 Central American economic integration

4.8. On 13 December 1960, Honduras became a founding member of the economic integration process by signing the General Treaty on Central American Economic Integration, which established the Central American Common Market (CACM) comprising Costa Rica, El Salvador, Guatemala, Honduras and Nicaragua, for the further development of a Central American free trade area and the adoption of a uniform Central American tariff. The Treaty also sets out the Parties' commitment to establish a customs union between their territories.

4.9. The Protocol to the General Treaty on Central American Economic Integration (Guatemala Protocol) signed on 29 October 1993 establishes and consolidates the Economic Integration Subsystem, adapting it to the new institutional framework of the Central American Integration System (SICA), and to the needs of the countries in the region. The subsystem covers Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua and Panama (the latter having joined on 6 May 2013).

4.10. As a basis for establishing the Central American Customs Union, the countries envisage the elimination of taxes or tariff barriers (taxes charged on the entry of merchandise, for example) between the member countries of the Union and the adoption of a common external tariff for products coming from or destined for third countries or other trading blocs.

4.11. Its main benefits are:

- Trade efficiency;
- Lower transport and administrative costs;
- Reinforcement and expansion of logistics infrastructure;
- Stronger intra-regional trade;
- Greater competitiveness in the region.

4.12. Honduras continues to participate actively in work to further develop and deepen Central American economic integration, especially with regard to the necessary steps towards establishing the Central American Customs Union; and to harmonize the regulatory framework in the areas of tariffs, customs, rules of origin, sanitary and phytosanitary measures, competition policy, dispute settlement, technical requirements, and the procedures, guidelines and controls that apply in the region for the purposes of facilitating trade and achieving mutual recognition of sanitary registration certificates, specifically certificates for food and beverages, medicines, cosmetics, hygiene products, veterinary drugs, fertilizers, animal feed, and pesticides for household use and professional use.

4.13. Currently, in accordance with the targets established in the work plans approved by the Council of Ministers for Central American Economic Integration (COMIECO), progress has been made on tariffs, customs, trade facilitation and technical regulations.

4.2.1 Process of Deep Integration leading to the Free Movement of Goods and Natural Persons between the Republics of Guatemala and Honduras

4.14. The first phase of the process of deep integration between Guatemala and Honduras was launched by the Presidential Declaration of 13 December 2014; in conformity with the legal instruments of Central American Economic Integration, progress is gradual and incremental and aims to accelerate the formation of a Customs Union and the free movement of natural persons between the two countries.

4.15. On 26 June 2017 the first stage in the deep integration process began with the formation of the Single Customs Territory between Guatemala and Honduras, where trade is conducted in respect of both community goods⁵, which enjoy free movement, and goods excluded from such treatment.

4.16. On the basis of the legal instruments governing deep integration, the single customs territory between the two States Parties was implemented and a model drawn up for integrated border posts and peripheral customs offices to control the movement of goods and natural persons.

4.17. Trade in community goods that enjoy free movement (goods obtained, collected, produced, worked or processed in the single customs territory) is conducted within the single customs territory, as is trade in community goods excluded from free movement. Also regarded as community goods are movable goods from third countries that have been imported into either State Party, in compliance with tax and non-tax obligations.

4.18. Guatemala and Honduras are signatories to the General Treaty on Central American Economic Integration and the Protocol to the General Treaty on Central American Economic Integration (Guatemala Protocol), as amended on 27 February 2002, and as a result continue to be part of the Central American free trade area which provides for free trade in goods originating in the member states of the economic subsystem.

4.19. The integrated border posts of Agua Caliente, El Florido and Corinto operate in conformity with the procedures laid down in the Operational Regulations. Owing to the uptick in trade operations, the competent authorities of each State Party increased the number of staff assigned to each integrated border post. The priority peripheral customs offices Tecún Umán II, in Guatemala, and Puerto Cortés and Guasaule, in Honduras, have not recorded any import or export operations under the deep integration process, despite being accredited since 1 October 2020.

4.20. The deep integration process has facilitated trade in community goods: advance declarations for trade between Guatemala and Honduras, and between Guatemala and El Salvador, have been implemented, as has the electronic transmission of sanitary and phytosanitary certificates. The software developed for the transmission of documents covering trade within the single customs territory is in use, and includes the Central American Invoice and Single Declaration (FYDUCA), the SPS Notification, the advance declaration and electronic transmission of sanitary and phytosanitary certificates.

4.21. Currently, at the stage of further development, work is in hand to improve administrative and operational procedures at trade facilitation centres and peripheral customs offices.

4.2.2 Trade developments 2021-22

4.22. Trade in community goods within the single customs territory grew by 4.1% in 2022 compared to 2021; the value of trade in 2022 was USD 1,508.3 million, while in 2021 it was USD 1,449.4 million. The level of trade from Guatemala to Honduras was USD 1,204.2 million (equivalent to 79.8% of total trade) and from Honduras to Guatemala it stood at USD 304.1 million (equivalent to 20.2% of total trade).

4.23. In 2022 community goods trade within the single customs territory using FYDUCA software amounted to USD 650.6 million, and represented 43.1% of total trade, while trade using DUCA-F software amounted to USD 857.7 million, or 56.9% of total trade.

4.24. As regards export operations using DUCA-F software and transfers using FYDUCA software, the trade performance in 2022 was similar to that of 2021.

4.25. El Salvador initiated its accession to the deep integration process on 26 July 2017, and became a full member of the Ministerial Body in 2018. It is working to reach the stage in the process already reached by Guatemala and Honduras. The Ministerial Body has yet to adopt the

⁵ Community goods are movable goods obtained, collected, produced, worked or processed in the single customs territory. Also regarded as community goods are movable goods from third countries that have been imported into either State Party, in compliance with tax and non-tax obligations (Article 3 of the Operational Regulations on the Process of Deep Integration leading to the Free Movement of Goods and Natural Persons between the Republics of Guatemala and Honduras).

administrative measure needed to incorporate El Salvador into the process and thus enable it to form part of the single customs territory.

4.26. It should be noted that in 2022 the customs, migration and SPS authorities of Honduras and El Salvador worked on flows and procedures for conducting integrated operations at the El Amatillo border post.

4.2.3 Central American Strategy for Trade Facilitation and Competitiveness

4.27. The Central American digital trade platform (PDCC), of which Honduras is part, is one of the three cross-cutting lines of action of the Central American Strategy for Trade Facilitation and Competitiveness (ECFCC). The strategy promotes the implementation by countries of a regional IT platform that contributes to trade facilitation and regional economic integration by integrating information and processes involved in the management of customs, plant and animal health, migration and the single window.

4.28. The purpose of the platform is to achieve interconnection and interoperability between the regional infrastructure and the customs, migration, health, agriculture and livestock, and security (police) systems already in existence at national level, as well as with certain regional initiatives already well established or already initiated; this will enable services to develop and innovate, increasing their efficiency and effectiveness and improving trade transactions while increasing participation by public and private stakeholders and continuing to harmonize and modernize the services currently performed as part of foreign trade processes in the Central American region.

4.29. The ECFCC, approved on 22 October 2015, is being developed on the basis of a coordinated border management model and contains five short-term priority measures, eight medium- and long-term measures and three cross-cutting areas of action. The medium- and long-term measures are grouped under 8 pillars covering 112 activities that include strategic actions, key projects, national milestones, regional milestones, common regional parameters and additional information.

4.30. Honduras participates actively in the ECFCC in order to comply with the strategic guidelines on shortening export and import times, the aim being to harness the benefits of the Central American market, stimulate trade flows and increase the competitiveness of businesses, especially MSMEs.

4.31. Under Executive Decree PCM-039-2018 of 20 November 2018, Honduras established the National Trade Facilitation Committee (CONFACO) in conformity with Article 23.2 of the WTO Trade Facilitation Agreement, which provides that each Member shall maintain a national committee on trade facilitation or designate an existing mechanism to facilitate both domestic coordination and implementation of the provisions. The Committee, established on 28 January 2019 with public – and private-sector participation, has as its objective to work in coordination with all institutions involved in the implementation and enforcement of trade facilitation initiatives and to manage interagency cooperation mechanisms that contribute to trade facilitation.

4.32. The National Trade Facilitation Committee (CONFACO) is a collegiate body attached to the State Secretariat in the Office of Economic Development as coordinator of implementation and delivery of national trade facilitation policy, which in turn provides that the committee's technical secretariat is to be coordinated by the Ministry of Economic Development.

4.33. Three pillars form the committee's foundational guidelines, and work on the pillars has been ongoing since its establishment.

1. WTO Trade Facilitation Agreement
2. Central American Trade Facilitation Strategy with Emphasis on Coordinated Border Management
3. Process of deep integration (Customs Union)

4.3 Regional trade agreements (RTAs)

4.34. During the review period, Honduras signed three new trade agreements, thus increasing its access to new markets under preferential conditions.

4.35. By signing the agreements with Peru in 2017, Korea in 2019 and Great Britain (as a consequence of Brexit) in 2021, Honduras increased its access to more than 40 countries and around 1.14 billion consumers.

Table 4.1 New regional trade agreements

Treaty/ Agreement	Date of entry into force
1 Free Trade Agreement – Peru – Honduras	1 January 2017
2 Free Trade Agreement – Korea - Central America	1 October 2019
3 Association Agreement between the United Kingdom of Great Britain and Northern Ireland and Central America	1 January 2021

4.36. With the addition of the new agreements, Honduras now maintains and administers 14 regional trade agreements, including the Central American Common Market (CACM).

4.37. It should be noted that the Association Agreement between Central America and the United Kingdom of Great Britain and Northern Ireland (AACRU-2021) ensures the continuity of market access conditions and other disciplines negotiated under the Association Agreement between Central America and the European Union (AACUE). As a result, the tariff reduction schedule, tariff preferences and (regional and national) quotas agreed under the AACUE are retained under the AACRU.

4.3.1 Alliance of countries of Latin America and the Caribbean against inflation

4.38. In order to promote an anti-inflationary plan to help curb the rising prices of basic foods and intermediate products in the region, Honduras participated in the Mexican-led initiative known as the Alliance of Countries of Latin America and the Caribbean against Inflation. The first meeting under the initiative at Heads of State level was held on 5 April 2023.

4.39. The aim of the summit was to establish an alliance to find joint solutions to price pressures and shortages in the basic basket of goods, and to strengthen regional integration and trade. As a result, the participating countries undertook to move forward with measures to facilitate trade, logistics, finance and other aspects so that trade in basic basket products and intermediate goods could take place under better conditions, prioritizing lower costs.

4.40. To that end a Technical Working Group was established with responsibility for drawing up an action plan on the adoption of trade facilitation measures to address the high prices of basic consumer products and inputs, including development of a framework to remove barriers and harmonize sanitary and phytosanitary regulations and certificates.

4.4 Honduran trade

4.41. In 2022 the bulk of Honduran foreign trade took place under a preferential regime, based on the implementation of a trade policy that has favoured the negotiation of regional trade agreements.

4.4.1 Exports

4.42. In 2022, 93.46% of all exports from Honduras were effected under a preferential regime, and 6.54% under a non-preferential regime. Table 4.2 shows the respective shares of preferential and non-preferential trade.

Table 4.2 Honduras: percentage ratio of preferential to non-preferential exports, 2017-22

(USD million)

Years	Preferential	%	Non-preferential	%	Total exports
2017	4,267.17	93.94	275.13	6.06	4,542.30
2018	4,035.22	93.12	298.13	6.88	4,333.35
2019	3,943.27	93.16	289.69	6.84	4,232.96
2020	4,004.95	94.04	253.91	5.96	4,258.86
2021	4,890.92	94.00	311.93	6.00	5,202.85
2022	5,703.00	93.46	399.07	6.54	6,102.07

Source: Central Bank of Honduras.

4.43. The main destination of all exports from Honduras in 2022 was the United States (32.95%), followed by Guatemala and El Salvador in the Central American region, and Germany and Italy in Europe.

4.44. It should be noted that, under preferential regimes, the United States was the main destination in 2022 with 35.3%, followed by Central America (26.4%) and the European Union (22.9%).

4.45. Under non-preferential regimes in 2022, Japan was the chief export destination with 22.8%.

4.4.2 Imports

4.46. Imports are treated differently depending on their origin. In 2022, 72.68% of total imports entered under preferential regimes and 27.32% under non-preferential regimes.

Table 4.3 Honduras: percentage ratio of preferential to non-preferential imports, 2017-22

(USD million)

Years	Preferential	%	Non-preferential	%	Total imports
2017	7,546.66	77.94	2,136.33	22.06	9,682.98
2018	8,002.96	74.62	2,721.46	25.38	10,724.42
2019	7,628.42	73.67	2,725.76	26.33	10,354.18
2020	6,562.35	73.26	2,395.37	26.74	8,957.72
2021	9,498.14	71.84	3,723.69	28.16	13,221.84
2022	11,074.97	72.68	4,162.50	27.32	15,237.48

Source: Central Bank of Honduras.

4.47. In 2022, the United States was the main source of all imports at 34.09%, followed by the People's Republic of China (13.78%) and Guatemala (10.47%). Again in 2022, under preferential regimes the United States accounted for 46.9%, followed by Central America (29.1%) and Mexico (8.6%).

4.48. Under non-preferential regimes, the People's Republic of China was the main source of imports at 50.42%, followed by Brazil (7.6%) and India (7.2%).

5 FUTURE TRADE POLICY DIRECTIONS

5.1. Honduras will continue to honour international commitments in its trade policy, while seeking to reduce the trade gap faced by the country.

5.2. Modernizing the management and operation of the Honduran Customs Administration is key to optimizing automation and control processes. In this respect, it should be noted that specialized technologies will be introduced to reduce tax fraud and increase the reliability of computer equipment used in the operational management of customs, without neglecting trade facilitation within national and regional strategies.

5.3. Honduras will continue to play an active, dynamic role in the administration of its existing preferential trade agreements. The agreements will be reviewed to identify elements that can be used to salvage any production structures adversely affected by open trade practices, particularly where they have an impact on food sovereignty. Agriculture is key to attaining food sovereignty. Accordingly, it is expected that President Xiomara Castro's new agriculture policy will have a positive impact and will enhance sustainable growth and diversification in the sector. Honduras will continue to support and participate in initiatives to find solutions that reduce the cost of and access to food.

5.4. The country will play an active part in discussions within the WTO in support of the ongoing reform process in which it is deeply engaged, paying special attention to the interests of small and vulnerable economies like that of Honduras.

5.5. Additionally, Honduras will promote trade relations with countries that express shared mutual interests. Trade integration will be strengthened and Honduras will seek to become integrated into global value chains. Similarly, it will continue to work in defence of its trade interests.

5.6. Where fiscal policy is concerned, tax administration as a whole will be improved and tax reform will be implemented in a drive to achieve a progressive tax system that addresses abuses and tax evasion.

5.7. The vision of a State where natural resources are protected provides a basis for directly and indirectly promoting the enjoyment of all human rights, including the right to life, housing, water and sanitation, food, health, development, personal safety and an acceptable standard of living. President Xiomara Castro's Government Plan to Refound the Homeland and Construct a Socialist and Democratic State 2022-26 will ensure that human rights are protected through strict compliance with the international agreements to which Honduras is a signatory.
