

# EU statement at the Trade Policy Review of Honduras, 02/05/16

*Statement by EU Deputy Ambassador Detlev Brauns*

I would first like to welcome the Delegation of Honduras, led by Mr. Melvin Redondo, Vice-Minister for Foreign Trade and Economic Integration. My appreciation is extended to the Discussant, Dr. Shin-Yuan LAI, Permanent Representative of Chinese Taipei, for getting us started today with her remarks.

Madam Chair, Honduras is a lower-middle-income country with one of the highest poverty rates in Latin America. As presented in the Secretariat's report, an average annual GDP growth rate of 2.5% between 2009 and 2014 has not been sufficient to improve living conditions or reduce poverty - it is estimated that more than 40% of the population lives in conditions of extreme poverty, particularly in rural areas.

Nevertheless, the EU acknowledges the efforts of the Government for launching ambitious reforms, which also contain a set of trade-related regulations. The EU notes that these reforms are a step in the right direction.

The Honduran economy's dependence on international trade is amongst the highest in Central America. The ratio of trade (exports and imports) to GDP increased during the review period up to 103% in 2014.

Therefore, Honduras has still a long way to go to boost and diversify fully its economy as already highlighted during the previous trade policy review. The Government of Honduras should maintain its strong engagement in improving its institutional and business environment to sustain better its economic development. In this respect, the EU encourages Honduras to pursue further the opening and the diversification of its economy while, at the same time, reinforcing its institutions to ensure a fair, transparent and predictable legal environment, which is crucial to attract FDI.

As a small economy that is highly dependent on foreign trade and investment, Honduras has a lot to gain from a freer, more stable and more open trading environment. In this respect, while the EU acknowledges that Honduras promptly notified its Category A commitments, the ratification of the Agreement is still outstanding and I would therefore encourage the government to proceed with final steps without further delay.

The EU also follows with interest the political initiative of the customs union between Honduras and its neighbouring country Guatemala, which should constitute a milestone towards a closer and deeper economic integration.

A word on our bilateral relationship. Honduras is an important economic market for many European companies. The EU is the second largest trading partner of Honduras globally. According to the latest data from 2014, the EU is the 4<sup>th</sup> main source of imports (6.7% market share) and second largest



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export destination (21.8% of Honduras's sales). The bilateral trade flow proved to be very dynamic as it increased by 21% in 2014.

The trade relations between Honduras and the EU take place in the framework of the comprehensive EU-Central America Association Agreement signed in 2012 and which includes political dialogue, development cooperation and trade.

Honduras benefits from the EU support for development cooperation. The bilateral EU cooperation for the period 2014–2020 provides an allocation of €235 million concentrating on food security, employment and rule of law as main sectors. In addition, Honduras will continue benefiting from the EU sub-regional cooperation programme for Central America (€120 million) during 2014-2020.

Mrs. Chairperson, the EU would like to raise two specific issues of concern.

Firstly, the EU would like to recall the importance attached by the EU to GIs and full implementation of TRIPS, in particular as regards the recent declaration of genericity of certain GI names after these had been protected in Honduras. Therefore, the EU invites the government of Honduras to submit information on this matter.

Second, the EU would like to underline the importance to avoid the creation of new barriers to trade. In this respect, the EU is concerned about the establishment of a new licensing system for the importation of onions in Honduras and would invite Honduras to submit detailed information on this scheme.

On behalf of the EU, I look forward to a constructive exchange of views during this review and wish Honduran delegation the utmost success during its Trade Policy Review.