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For the past three years, the US Agency for International Development (AID) has employed various tactics in persuading the Honduran government to adopt the so-called "Asiatic" approach, or export-led economic development model. The objective was to transform Honduras into an "investor's paradise." Summarized below are indicators of AID's strategy, and economic results thus far. * In 1985, the Agency froze the disbursement of $147 million in development aid to force a devaluation, which the government refused. The stalemate was resolved in January 1986 when Tegucigalpa approved a series of economic measures devised to further selected "structural reforms," and as incentives to "non-traditional" export sectors. The measures included privatization of public companies, reduced public spending, a new tariff system, and a package of fiscal incentives and subsidies for promoting exports destined for markets outside of Central America. Incentives for foreign capital included tax breaks, tariff reductions and exemptions, profit and royalty repatriation guarantees, and strengthening of special "industrial processing zones" (providing free land, long-term and low-cost land rental, government-subsidized water, electricity, etc.). In 1978, three foreign companies had set up shop in the Puerto Cortes industrial "zone." By 1987, the number had increased to 19. The incentives implemented in 1986 had attracted only four assembly operations: one from Hong Kong, one from Taiwan, and two from South Korea. The principal objective of the four Asian "maquiladoras" for establishing operations in Honduras was to avoid restrictions on Asian imports imposed by Washington: by placing a "Honduran face" on their products, these companies sought to maintain or expand previous import levels to the US. Success in attracting agro-industrial foreign capital was also limited. By year-end 1987, the government could point to a single investment of $18 million in this sector by Griffin & Brand, a Texas-based citrus processor. * According to analyses performed by AID, the first step toward a market-oriented export-led economy required the formation of a new entrepreneurial sector to replace backward looking traditional groups. With financial aid of $10 million per year and support from organizations such as Caribbean and Central American Action, the FIDE and FPROEXAH were established. These organizations were dedicated to seeking out new export products and markets. A report by FIDE revealed that the value of non-traditional exports increased from $2.1 million in 1985 to $3.3 million in the first half of 1986. The export growth was attributable in large part to exports destined for the US market via the Reagan administration's Caribbean Basin Initiative. The bulk of the "new" exports derived from a handful of textile enterprises (Zodiak, INDUCASA, Intermoda, Creaciones Vantage and Manufacturera Textilera) who employed CBI incentives. * 1987 was declared the "year of exports" by the government. Results, however, were not very encouraging. Last year, the fiscal deficit surpassed $300 million, while economists estimated that industrial and commercial enterprises needed another $120 million to maintain or expand activities than they managed to obtain. Foreign exchange shortages threatened to strangle the economy. AID, nonetheless, continued with its plan of privatizing the economy and seeking to attract foreign capital. One of its proposals has been to cancel the foreign debt via the sale of public enterprises. * Following the violence on US Embassy grounds in March, negotiations between the US Agency
for International Development (AID) and the government were temporarily suspended. In late July, Central Bank president Gonzalo Carias declared that AID had pressured the government to devalue the lempira by at least 50% by holding up the disbursement of $75 million destined to cover balance of payments deficits. Later, AID agreed to a $139 million aid package, but the schedule of disbursements as of early September had not yet been defined. (Basic data from 09/06/88 report by Regional Coordination for Economic and Social Research of Central America and the Caribbean-CRIES, Managua)

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