

MESOAMERICA

Volume 25, Number 10, October 2006



HONDURAS

Japan Forgives \$106 Million Honduran Debt

Japanese Ambassador Takashi Koezuka and Honduran Minister of Finance Rebeca Santos signed an accord on 6 Oct in Tegucigalpa, the nation's capital, by which Japan forgives \$106 million of Honduras' foreign debt as part of the Heavily Indebted Poor Countries (HIPC) debt reduction initiative, sponsored by the International Monetary Fund (IMF) and the World Bank.

Including the \$434 million of Honduras' debt that Japan forgave last Nov (Vol. 24, No. 12), Japan has now forgiven 100% of the principal debt and interest that Honduras had accrued with that Asian country.

"With this signing we recognize and show our respect for the great effort that the government and people of Honduras have made, which is a truly historical accomplishment," stated the Japanese diplomat.

Koezuka emphasized that the accord will help the Honduran government take the necessary measures to reduce poverty and to promote the social and economical development of the county, as stipulated in the HIPC agreement signed by Honduras in Apr '05 and as outlined in its Poverty Reduction Strategy Paper (PRSP).

PRSPs are prepared by governments in low-income countries through a participatory process involving domestic stakeholders and external development partners, including the IMF and the World Bank. A PRSP describes the macroeconomic, structural and social policies and programs that a country will pursue during several years to promote broad-based growth and reduce poverty, as well as external financing needs and the associated sources of financing.

On 2 Sep, President Manuel Zelaya Rosales proudly announced that his government had achieved a marked reduction in the country's inflation rate, the most significant reduction in the past 16 years, at 4.8% for the previous 12 months (Sep '05 to Aug '06). Also, Zelaya stated that "Honduras had reached the highest level of economic growth of all the Central American countries," with a 5.3% growth in Gross Domestic Product.

Congress Approves Purchase of Cheaper Oil

On 27 Aug, President Zelaya issued executive decree PCM 30-2006 that authorized the Executive Branch to directly acquire petroleum products on the international market “as strategic and essential products for the economic and social development of the county,” in order to take advantage of the offer made by Venezuelan President Hugo Chávez to sell discounted oil to his Latin American and Caribbean neighbors as part of his Bolivarian Alternative for the Americas.

This decree was presented to and approved by the National Congress in Aug and published in the official congressional record, *La Gaceta*, on 5 Sep as Law 107-2006, despite strong objections from the Honduran Council of Private Enterprise (COHEP) that produced a 37-page document containing an elaboration of its arguments against the polemic legislation.

One of COHEP’s key members, Adolfo Facussé, president of the National Association of Industrialists (ANDI), warned the government that it was running the risk of being sued for at least \$300 million because Law 107-2006 allegedly violates procedures established in the Treaty of Mutual Assistance with the US regarding the Protection of Investments, DR-CAFTA, the Honduran Investment Law and the Law of State Contracts.

Both Facussé and US Ambassador Charles Ford warned that charges could be brought against Honduras in international arbitration for violating existing trade agreements. They argue that Zelaya’s executive decree—which opens the door for the government to buy discounted Venezuelan oil on a deferred payment plan—infringes on the rights of existing transnational corporations and their investors to import and sell petroleum products in Honduras at the higher world market price, thereby reducing the profit margin of Texaco, Shell and Esso.

At the same time, however, representatives of several civil society organizations began calling for the resignation of Facussé from the Patriotic Coalition, of which Facussé is a founding member, because he is putting the interests of transnational corporations above national interests. Edwin Sandoval, a representative of the National Federation of Agriculturalists and Cattlemen, requested that Facussé “please resign from this institution and stop making declarations in the name of the Coalition.”

The Zelaya administration is now authorized by Congress to directly purchase gasoline, diesel, kerosene, bunker (heating oil), LPG and aviation fuel on the international market, thereby circumventing the traditional commercial import middlemen. So far, at least 50 companies have signed up to participate in the open-bidding process, including PVDSA (the state-owned *Petróleos de Venezuela*) and PEMEX (owned by the Mexican government).

PVDSA, through its PetroCaribe Initiative, has offered to provide 50% of its imported petroleum products directly to the government of Honduras on credit as a 25-year loan at 1% interest, which would allow the government to provide for its own needs and reduce its current operating expenses. Part of the new fuel supply will go to the National Electrical Energy Company, which has accrued a huge debt due to the increase in international oil prices earlier this year, as well as to provide cheaper fuel for government and public service vehicles.

As early as mid-June, ANDI and the National Transportation Council wanted to cash in on the Venezuelan offer by requesting that the Honduran government directly negotiate with PVDSA for the purchase of six million barrels of oil yearly to supply their affiliated companies, which includes public transportation providers.

Government Cracks Down on Delinquency

Thousands of National Police agents, supported by thousands of military troops, launched “Operation Thunder” on 31 Aug aimed at rounding up and detaining known delinquents, beginning in Tegucigalpa and San Pedro Sula. During the first 12 hours of the operation the police detained 172 people and confiscated numerous firearms and other weapons, along with a large quantity of illegal drugs, according to Vice-Minister of Security Jorge Rodas.

“We are operating throughout the width and breadth of the Republic, and we have concentrated our efforts in those departments where we have observed a growing crime rate,” stated Rodas.

President Zelaya ordered this crackdown on delinquents in response to growing complaints by citizens that his administration has been indifferent to a wave of murders, kidnappings, car thefts, gang violence and other criminal acts, since taking office last Jan.

In addition to mobilizing 10,000 members of the Honduran Army, Navy and Air force, Zelaya authorized the Minister of Security to establish agreements with private security companies to enlist 30,000 security guards in the fight against crime throughout the country. Currently, the National Police force consists of only 8,500 agents, whereas it is estimated that there are about 60,000 private security guards in the country who have had some basic training and are authorized to carry a weapon.

14% of Honduran Population has Migrated Elsewhere

According to the United Nations Program for Development (UNPD), an estimated 14% of Honduran citizens (about 360,000 persons) have fled their native country since '90, most of whom migrated to the US or Mexico.

When asked why they or their family members had migrated, the respondents stated the following: for economic reasons (70%), because of a lack of employment in Honduras (53%), because of the climate of insecurity in Honduras (40%), or to live with a relative in another country (25%).

Honduras had the highest percentage of growth of immigrants to the US between '90 and '00, according to the '06 Report on Human Development in Honduras prepared by the UNPD. Included was an estimate by The Mumford Center, which studies undocumented immigrants, reported that the population of Hondurans in the US grew by 154.2%, followed by an increase of Guatemalans, 124.6%; Salvadorans, 91.6%; Panamanians, 63%; and Nicaraguans, 38.5%.

Compared to other Central American countries, El Salvador had the largest number of emigrants between '90 and '00 with 1.1 million, followed by Guatemala with 627,000 and Honduras with 362,000.

—Clifton L. Holland

