



The Honduran economy is going swimmingly. Photo courtesy of Honduras Institute of Tourism.

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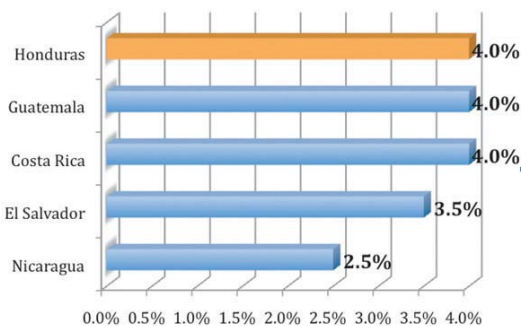


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## Tenth Consecutive Year of Economic Growth Predicted for Honduras in 2009

High commodity prices, international remittances, and sound fiscal account management have helped the Honduran economy achieve sustained economic growth over the past nine years. Also contributing to the economy has been expansion in select sectors such as tourism, which has grown at an annual average rate of 12 percent during the last 5 years. These factors, combined with the country's competitive business climate, have allowed Honduras to maintain its impressive track record of investment attraction and export growth in 2008, putting Honduras on the path to competitive economic performance in 2009 despite the current international downturn.

Central America 2009 Expected Economy Growth



Source: ECLA

As all other countries, Honduras will face different challenges next year, including slower growth for its exports, which over the past decade grew at a combined rate of 10 percent. Fortunately, the nation's strong financial fundamentals, including a widely diversified economy, competitive labor force, advantageous geographic location, and world-class export-support infrastructure, will help the country's economy continue to grow.

For the remainder of this year and throughout 2009, the Honduran economic growth rate is expected to be among the highest in the region. According to a study by the Economic Commission for Latin America (ECLA) the country's economy will grow by 4.5 percent in 2008 (close to the Latin American average of 4.7 percent and better than the rest of Central America including Guatemala, Costa Rica, El Salvador and Nicaragua). The study predicts 2009 will be the tenth consecutive year of economic growth for Honduras, with an expected rate of 4 percent.<sup>1</sup>

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Honduran worker prepares household furniture for export.  
Photo courtesy of Derimasa.

Following an impressive continual increase over the past decade, exports of Honduran products such as electrical wires and harnesses, tilapia filets, and other agricultural products including palm oil, coffee, and melons are predicted to show a positive growth rate, supporting the economy's expansion into 2009 and helping the country maintain its competitive business position in the region.

### Honduras Improves its Global Competitiveness

The country's fundamentals are supported by progressive improvement in its competitiveness ranking worldwide. Honduras is among

the top three nations in Latin America in terms of fewest numbers of days required to open a new business, register a property, and obtain building permits.<sup>2</sup>

Also, Honduras' competitiveness ranking soared from 97th in 2005 to number 82 in 2008-2009, according to the Global Competitiveness Report, supported by such factors as regulations that encourage private enterprise development, modernization of the tax system, increased transparency, world-class quality ports, and an efficient customs system.<sup>3</sup>

A new Standard & Poor's report credits the free trade agreement and foreign investment with Honduras' improving economy: "The good economic growth prospect in the long term and the economy diversification is supported by the expected expansion of the industrial and agriculture sector in the coming years, thanks in part to the momentum of the DR-CAFTA Free Trade Agreement.... Besides that, the record level of foreign direct investment over the past years, especially in the telecommunications, tourism, and export-oriented sectors, including but not limited to the *maquila* industry, must sustain the long-term economic growth and slowly reduce the dependency from basic products exports."<sup>4</sup>

In the context of the current global financial crisis, Honduras is in perfect position to offer U.S. investors the opportunity to reduce their production costs and remain closer to home in a growing economy.

*Sources:*

- <sup>1</sup> Latin America and the Caribbean Economic Study 2007 – 2008. ECLA. August 27, 2008.
- <sup>2</sup> World Bank "Doing Business" Report. 2008 – 2009.
- <sup>3</sup> World Economic Forum, *The Global Competitiveness Report 2008-2009*.
- <sup>4</sup> Standard & Poor's Honduras Sovereign Credit Economy Report, October 8, 2008.

## North American Automotive Electrical Component Manufacturer Blossoms in Honduras

The leading North American supplier of automotive electrical components has found a second home in Honduras.

In 1995, executives of Empire Electronics, based in Troy, Michigan, decided to locate their manufacturing facility abroad. After initially settling on Mexico, they heard about the benefits Honduras offered. Subsequently, Steven Doman, chief executive officer, and his brother, Edward, president, took a quick trip to the country to explore the possibilities, and soon decided Honduras was the ideal place for their company.

"When I came to Honduras, I felt a sense of warmth towards myself and my brother," said Steven Doman. "What I felt 12 years ago, I still feel today."

Honduras has allowed the company to remain competitive even as the auto industry has slumped worldwide. Thanks to its Honduras location, Empire not only has gone head-to-head with automotive parts suppliers in China, but has increased its business.

"Supplying product to North America, Honduras versus China or other Asian countries, the advantage is to Honduras," said Edward Doman.

Empire was the second automotive parts manufacturer to open a facility in Honduras, shortly after automotive wire harness company Lear did so. In the ensuing 13 years, several more auto suppliers have settled in the country, among them FCI and Alcoa.



A worker assembles an electrical component at Empire's facility in Honduras.  
Photo courtesy of Empire Electronics.

Hoping to attract more companies, the Domans have begun to explore the possibility of opening an industrial park that will cater to automotive parts manufacturers.

"I am surprised there aren't more plants set up here," Steve Doman said. "I think Honduras is one of the best kept secrets."

## Royal Caribbean and Carnival Anchor in Roatán



Visitors explore Roatán's cruise port village. Photo courtesy of the Port of Roatan.

**B**eginning this December, cruise ship passengers visiting Roatán, Honduras' most famous Bay Island, will enter a unique, world-class waterfront cruise port village when they dock at Coxen Hole, the largest city on the island.

Sitting on three acres of reclaimed land, the cruise port village includes specialty restaurants serving traditional island fare as well as international cuisine, coffee shops, banks, and retail shops featuring world-renowned brands, beautiful Honduran handicrafts and other souvenirs, and Honduran chocolates.

A spacious reception area will welcome guests with an array of services including island tours and opportunities to enjoy Roatán's white-sand beaches, snorkel and scuba dive on the world's second largest coral reef, encounter dolphins, soar through the jungle canopy on a zipline or play with monkeys and parrots at Gumbalimba Park, ride horses, sail, or kayak.

Royal Caribbean Cruises Ltd., the Municipality of Roatán and the Honduran Institute of Tourism partnered to build the new facilities, which provide a first-class entertainment and shopping experience for island visitors and local residents. Royal Caribbean, the world's second largest cruise line, is spending \$30 million to improve the port.

Given the island's growth in the number of cruise ships and passengers, officials predict the cruise port village, the first of its class to be

opened in Central America, will be a major success. Last year, the Port of Roatán hosted more than 134 ship calls and more than 297,000 cruise passengers. Nearly 200 ship calls and almost 442,800 passengers are expected during the 2008 season.

In November, work will begin on phase two of the village, which will include a pedestrian-friendly marina, additional retail and entertainment facilities, and other attractions to be announced.

Port of Roatán Co. President John Tercek said the development is turning the port "into a world-class destination that will dramatically increase the overall guest experience for all cruise passengers and tourists arriving at the beautiful island of Roatán."

A few miles away at Coral Cay, Carnival Cruise Lines, the world's largest cruise line, is building a \$50 million project called Mahogany Bay-Roatán. Situated on 20 acres, the project includes a two-berth terminal that will accommodate the super post-Panamax ships and up to 7,000 passengers daily.

Scheduled for completion in the fall of 2009, Mahogany Bay's 35,000-square-foot welcome center will include retail shops, restaurants, and bars, plus a 60-foot-high lighthouse, a lagoon and cascading waterfalls, and a nature trail. Taxis, rental cars and tour buses will be available to transport visitors to various sites around Roatán.

*Roatán continued on page 4*



White-sand beaches, clear blue water, and spectacular coral reefs attract visitors and investors to Roatán. Photo courtesy of Honduras Institute of Tourism.

**Roatán** continued from page 3

According to Giora Israel, Carnival Corporation & plc's vice president of strategic planning, "Mahogany Bay-Roatán is designed to build upon the success of our other projects by providing cruise ship guests with an unparalleled landside experience, with modern facilities and a wide range of shore excursion choices, along with opportunities to explore this fascinating and beautiful island."

Visitors who first arrive by ship often return to patronize island resorts and the burgeoning service industry. According to Port of Roatán Customer Service Director Dawn Hyde, the cruise lines' improvements to the island's infrastructure demonstrate Roatán's investment potential.

Kenia Lima, executive president of ZaGo Solutions, a company that advises the Port of Roatán, said "The Port serves as a showcase for tourists, who in many instances return to the islands for prolonged vacations." Noting that a high percentage of cruise ship visitors return to locations throughout the Caribbean, Lima said, "In many instances, those passengers buy properties in mixed-use developments as second homes."

The expansion of the cruise industry, airlines, and investors in Roatán has resulted in positive coverage of the island by such media as CNN, *The Wall Street Journal*, and *The New York Times*, attracting new

construction projects and more tourists and placing Honduras on the radar screens of even more people.

According to Gustavo Ustáriz, tourism consultant and former dean of tourism at San Pedro University, cruise ship visits help show Honduras to the world, providing "a sneak-peek." He said, "Studies show that cruise passengers who become interested in a destination from a port-of-call visit eventually return in a land-package trip."

Ustáriz added, "Also, the arrival of cruise passengers can promote the development of tourism products and attractions to cater to the day-visitors." For example, the community of Punta Gorda, in eastern Roatán, receives cruise passengers participating in a Garifuna culture tour. Visitors pay an entrance fee, taste Garifuna food, and buy their handicrafts, generating income for the local economy.

The Royal Caribbean and Carnival developments are good examples of the types of opportunities international investors are pursuing in Honduras. The enchanting attractions that convinced the cruise lines to establish port facilities, combined with the diverse possibilities of developing tourist circuits on Roatán and the mainland, explain why Honduras is in perfect position for productive investments in its tourism sector.

## Industrial Parks Ease Foreign Companies' Transition to Honduras



Industrial parks house a variety of companies, including textiles and automotive parts.



A panoramic view of Green Valley Industrial Park, San Pedro Sula.



Green Valley and other industrial parks provide electricity and other infrastructure.

Photos courtesy of Green Valley Industrial Park.

International businesses looking to start facilities in Honduras can take advantage of the many benefits the country's industrial parks have to offer.

The country's 23 privately owned industrial parks provide existing manufacturing space in established free zones. In addition to offering on-site security and customs, human resources, clinics, banks, infrastructure, and maintenance, many parks provide their own electricity and waste water treatment facilities, allowing companies easy access to reliable sources for both.

The majority of Honduras' industrial parks are located in and around the country's second largest city, San Pedro Sula, which is an easy drive to Puerto Cortes, the largest deep-water port in Central America.

Since many parks are owned by companies or developers that have established successful businesses in Honduras, most focus on a manufacturing specialty. With the growth of new sectors in Honduras, such as automotive parts manufacturing, a number of parks have begun to expand their offerings.

**Green Valley Industrial Park**, a joint venture between Grupo Karim's, ZIP Choloma, Parkdale Mills and Delta Apparel, was developed with a focus on textile and apparel manufacturing and has diversified to include automotive parts manufacturing with the addition of FCI to the park. The largest industrial park in Honduras, Green Valley offers tenants custom-built, state-of-the-art facilities. A waste water treatment plant cleans 70 percent of the park's water before it is returned to the river.

Green Valley offers another environmental benefit — energy self-sufficiency. Using old wood and thread cones, the park produces vapor, which it sells to Anvil Knitwear, one of its seven tenants. This process allows Anvil to save on the cost of electricity and provides a means of recycling wood and thread cones.

Other international companies have located their operations in competing industrial parks such as Zip Bufalo, Zip Continental, INHDELVA, and Zip San Miguel. These facilities are attractive to businesses since all draw workers by providing access to free lunches and busing, schooling, and co-ops to help them purchase homes.

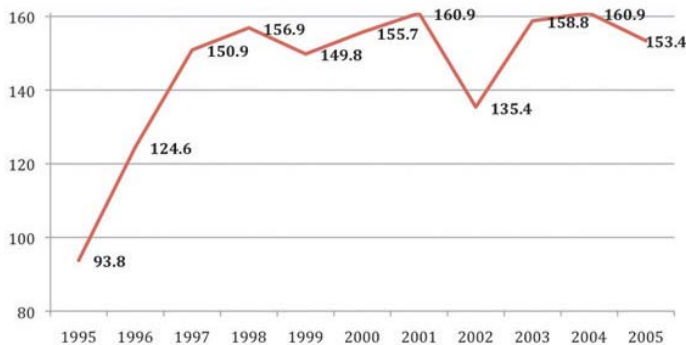
Since many parks have room to expand and many others are under development, they continue to be a magnet for new businesses as the Honduran market grows. Industrial parks are one of the many benefits the country offers new investors, placing Honduras in perfect position for further economic development.

# Honduran Shrimp Feeds U.S. and European Consumers

Since the construction of the first commercial shrimp farm in Honduras in 1972, the country has become the most important producer of farm-raised shrimp in Central America. Although scores of small-scale, family farms exist, large-scale operations account for most of the country's shrimp exports.

Exports of the crustacean reached US\$ 153.4 million in 2005, totaling more than 9 percent of Honduras' overall exports, according to the Honduras Central Bank, and they were calculated to climb to US\$ 165 million in 2007.

**Honduras Shrimp Exports 1995 - 2005**  
(in U.S. millions)



Source: Honduras Central Bank

Europe is the primary market for Honduras' Pacific white shrimp, and the United States is the number two purchaser.

Honduras' largest producer is Sea Farms International (SFI), a U.S.-Honduran joint venture that accounts for 50 percent of the nation's cultivated shrimp exports. SFI raises shrimp in 16,000 acres of ponds built on otherwise unproductive salt flats leased from the government, near an estuary of the Gulf of Fonseca in southern Honduras — the area where most of the country's shrimp is farmed.

Although the majority of shrimp raised in Honduras is traditional, salt-water shrimp, experiments are underway to develop fresh-water prawns, which would expand the country's crustacean-farming capacity.

Hondurans raise shrimp from March through December and restock the ponds during the remaining two months.

Committed to sustainable agriculture, SFI has teamed with the government to establish protected areas around its farms and planted mangroves that have reduced erosion, improved estuary quality by filtering the water, and become an attractive avian habitat. SFI's low-intensity approach to farming (only 8-9 animals per square meter, compared with 40-100 in Southeast Asia, the largest producer of shrimp) allows the company to operate essentially self-sustaining ponds, with very little food required. It also results in healthier crops, since diseases generally do not spread in low-density cultures, thus eliminating the need for the use of antibiotics.

SFI Marketing Manager Roberto Corrales said upscale retailers not only demand a high-quality product, but also shrimp that are produced under socially responsible and environmentally sustainable conditions.

Once the shrimp reach harvesting sizes, SFI workers drain the ponds and truck the crustaceans to the San Lorenzo facility, where they are deheaded by hand, sorted by size, processed, cooked, and packed in ice, all according to U.S. and E.U. quality and safety standards. Sea Farms grinds and dries the heads to create fish meal, which it sells as animal feed, although not as shrimp food — another health precaution.

SFI employees work under extremely sterile conditions, preparing and freezing the shrimp for export, and follow different styles of preparation and packaging to meet the quality requirements of specific clients, such as England's Marks & Spencer.



Birds flocking to the mangrove trees SFI has planted near the shrimp ponds.

Photo courtesy of SFI.



Shrimp packing at a Honduras production facility.

The shrimp industry is an important part of the Honduran economy. According to the Honduras Association of Shrimp Farmers, shrimp exports in 2005 generated more than 160,000 direct and indirect jobs.

Through its farming and processing operations, SFI alone has created more than 2,500 jobs, with women holding nearly 44 percent of those positions.

Said Corrales, "Employee productivity is high, the workers learn skills quickly and eagerly, and they adhere scrupulously to the company's extremely high levels of food safety and quality."



Young Hondurans are learning English to prepare for jobs requiring bilingual skills.

## Bilingual Population Keeps Honduras Competitive

**H**onduras' bilingual population and its youth are major assets to the country's up-and-coming service sector.

As this sector continues to expand, so does the need for bilingual workers, and the Honduran workforce is well-equipped to meet this demand through a system of bilingual schools and increasing bilingual education throughout the country.

Honduras is home to the most bilingual schools in the region, 150 secondary and numerous post-secondary English schools. These provide a steady supply of graduates who can work for companies that need employees who are fluent in English and Spanish and can communicate easily with clients and customers in the United States. Since most of the bilingual population is knowledgeable in information technology, they are well-suited for back office and call center positions.

According to a study by the private consulting firm COFINSA, Honduras has 42,000 young people between the ages of 18 and 35 who are fully bilingual and have completed secondary education studies, preparing them for positions with call centers. This is a major advantage for Honduras compared with neighboring markets, where companies have difficulty finding qualified staff because there are not enough bilingual workers to meet the overwhelming demand for such employees.<sup>1</sup>

In Honduras, "there's a continual supply of workers who can speak English," said Ruben Sorto, Grupo Karim's marketing and new product development corporate director. "It means our country is able to handle increased call center investment."

The majority of Honduras' young bilingual population, an estimated 68 percent, is located in the country's capital city of Tegucigalpa. San Pedro Sula, the country's industrial center, is home to 12.8 percent of the bilingual population. But bilingual education programs are expanding in public primary and secondary schools nationwide, positioning all regions to meet the needs of the service industry.

All bilingual schools in Honduras are affiliated with one or more educational associations, including the National Federation of Private Schools, the Bilingual Schools Association of Honduras, and the U.S. International Christian Schools Association.

The American School in Tegucigalpa, the Mazapan School in La Ceiba, and the Instituto Hondureño de Cultura Interamericana in Tegucigalpa offer official English-certification tests, administering more than 380 exams annually to students who wish to demonstrate their strong bilingual abilities.

While the majority of bilingual schools traditionally have been private, both the Honduran government and private groups have taken steps to make bilingual education available to everyone in the country.

Bilingual Education for Central America (BECA), a grassroots, non-profit organization that promotes affordable bilingual education in Central America, has begun forming community partnerships to build a network of high-quality, low-cost schools in Honduras.

The government also is supporting increased bilingual education with the implementation of the Community-Based Education Project funded by the World Bank. One of this project's objectives is to improve the intercultural bilingual education in ethnic communities. The Ministry of Education is working with the U.S. Agency for International Development (USAID) to strengthen the country's education system, including bilingual studies.

The country's young, bilingual workforce is another reason why Honduras is in perfect position to help foreign companies needing these skills grow their business under stable and peaceful business conditions.

Sources:

<sup>1</sup> "Assessment of Honduras Labor Force Skills for the Attraction of Foreign Investment." Honduras August 2007.



## Not just one door opening. Several.

Just 48 hours from the U.S., Honduras is quickly becoming the new destination of choice for U.S. businesses looking to expand operations and improve productivity. With its young, bi-lingual labor force, location in the heart of the Americas, and secure Caribbean megaport, Honduras can package high-performance solutions for U.S. companies in a range of sectors, including light manufacturing, agribusiness, tourism, and services for export. For more information or a meeting, call FIDE, **1-866-588-1153**, on the Web at [investinhonduras.org](http://investinhonduras.org).

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