INDICATE COLLECT CHARGE TO

ROM AMEMBASSY TEGUCIGALPA CLASSIFICATION:

E.O. K1652X

GDS 4/29/88 (NEGROPONTE, John D.) OR-M 12065:

QN: 3609

TAGS: SUBJECT:

EAGR, ETRD, HO PROPOSED IMPOSITION OF SUGAR QUOTAS

ACTION:

SECSTATE WASHDC IMMEDIATE

TEGUCIGALPA 3609

DEPARTMENT PASS ELECTRONICALLY TO USDA AND USTR

DEPARTMENT PASS CENTRAL AMERICAN CARIBBEAN BASIN INITIATIVE

COLLECTIVEEN

RKKX

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THE TEXT

SUMMARY: Honduran sugar industry extremely xx preoccupied with reported prospects of U.S. sugar import Honduran sugar industry represents largest sector of Honduran private investment in past decade and quotas which are being rumored would have crippling effect not reverberations only on this sector but significant/reverbabions, throughout Honduran private enterprise. Because of its labor intensive nature, industry employs even more workers than the banana companies and Honduras can ill-afford employment implications this action at a time when

DRAFTED BY:

AMB DCM

POL-2 **ECON**

COM AID

AMB: JDNegroponte: kl

4-29-82 211

unemployment is variously estimated as being between CONTENTS AND CLASSIFICATION APPROVED BY:

AMB: JDNegroponte

CLEARANCÉS!

ECCN:Pwackerbarth(draft) COMM: RHIggins (draft)

JANUA FCLASSIFICATION

OPTIONAL FORM 153 (Formerly FS-413) January 1975 Dept. of State

50153-101

Dept of State, RPS/IPS, Margaret P. Grafeld, Dir. (V) Release () Excise () Deny (V) Declassify _Exemption

twenty and thirty percent. END SUMMARY.

3. Delegation consisting of seven representatives/
cwners Honduran sugar industry called on Ambassador
April 29 to express dismay and concern over reports that
USG is considering quotas on sugar imports.

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- 4. Thus far Honduras has exported 36,500 short tons to projects
 U.S. and, in normal course of events,/projects further
 exports in remainder of year of 75-80,000 tons. Industry reps have heard that Washington may be considering imposition of 21,200 ton quota on Honduran imports for remainder of year.
 - have effect of closing at least four of Honduras' seven sugar refineries with corresponding reduction in employment. Counting seasonal agricultural workers, Honduran sugar industry employs more than 50,000 persons twice as many as employed by U.S. banana companies. Moreover sugar industry here is sector in which Honduran private enterprise has invested the most during past two ten years and failures along lines envisaged above would reverberations have/xeverbations far beyond this sector along alone. Confirming this sugar industry assessment is view of Honduras' most prominent banker, Paul Vinelli, who on several occasions ax has made point to Embassy that



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is left of business confidence in Honduras.

- 6. Compounding Honduran sugar industry problem is fact that this year's projected exports have already been pledged as collateral for outstanding credit. In addition, quota mechanism would impose heavier penalty on poorer country such as Honduras which has utterly inadequate warehousing facilities.
- 7. Finally, Honduran industrial and political leaders will have enormous IX difficulty understanding any such action by USG as the first concrete step emanating towards Caribbean country in wake of President's February 24 Caribbean Basin initiative.

NEGROPONTE

