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Honduras: Government Approves Sale Of State-run Cement Plant To Military Officers

by Deborah Tyroler

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On Aug. 29, spokespersons for the government's National Investment Corporation (CONADO) announced the acquisition of the Honduran Cement Industry (INCEHSA) by the Military Social Security Institute (Instituto de Prevision Militar-IPM). The IPM offered the highest bid, \$20 million, for the state-run cement plant. INCEHSA produces 30,000 metric tons of cement per year. Other bidders and respective offers follow: Spanish firm Asland, owner of 15% of INCEHSA stock, \$9 million; the Banco Continental investment group, headed by banker Jaime Rosenthal, \$18 million; and, Petrotela, headed by Liberal Party Deputy Jack Arevalo, \$19 million. Asland withdrew its bid early in the evaluation process. The government's decision to approve the purchase by the military officers provoked a firestorm of protest by private business leaders. The Honduran Private Enterprise Council (COHEP) had earlier requested that the national congress revoke privatization legislation to halt the acquisition. (See CAU 08/30/91 for previous coverage.) The request was apparently ignored. Rosenthal, a former vice president and Liberal Party presidential candidate, asserted that the purpose of privatization is to transfer state-owned property to the private sector and not to simply reshuffle ownership among government agencies. According to unidentified politicians cited by the Agence France-Presse (08/31/91), the move was proof that military officers are "the real rulers in Honduras." Critics say the sale is "illegal" because the capital used to purchase government property derived from state resources, i.e., military officers are government employees. In addition, economists argue that the cement plant is a highly profitable "strategic" enterprise, necessary for the nation's economic development. Consequently, privatization of INCEHSA was not required, nor desirable. COHEP executive secretary Joaquin Luna said the private sector is forced to cope with potential bankruptcy, an allusion to financial problems resulting from economic adjustment policies imposed by multilateral financial institutions. Meanwhile, he added, "others" (the military) take their money from government coffers, and "this is not privatization." Armed forces chief Col. Lazaro Avila Soleno dismissed the criticism by businesspersons. He said, "We made a better offer, and we are protected by the law." In the 1980s, the IPM established the Banco de las Fuerzas Armadas, the Industria Militar (manufacturer of uniforms and gear for the nation's 20,000 soldiers), and a securities firm, among other investments. Avila Soleno currently serves as president of the bank, and manages other IPM investments. IPM earnings are not made public. (Basic data from ACAN-EFE, 08/29/91; AFP, 08/31/91; EFE, 09/04/91)

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