



Honduran-U.S. Relations

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Summary

Porfirio Lobo was inaugurated president of Honduras in January 2010, assuming power after seven months of domestic political crisis and international isolation that had resulted from the June 2009 ouster of President Manuel Zelaya. While the strength of Lobo's National Party in the legislature has enabled his administration to pass much of its policy agenda, Lobo has had limited success in resolving the many challenges facing Honduras. Efforts to foster political reconciliation, for example, have helped Honduras secure international recognition but have only partially diminished domestic polarization. Lobo is relatively unpopular halfway through his four-year term, as 68% of Hondurans believe he has done little to resolve the public's demands.

The poor security and human rights situation in Honduras has continued to deteriorate under President Lobo. Honduras has one of the highest homicide rates in the world, and common crime remains widespread. Moreover, human rights abuses—which increased significantly in the aftermath of Zelaya's ouster—have persisted. A number of inter-related factors have likely contributed to this situation, including the increasing presence of organized crime, weak government institutions, and widespread corruption. Although the government has adopted a number of policy reforms designed to address these challenges, conditions have yet to improve.

Lobo also inherited a weak economy with high levels of poverty and inequality. Honduras suffered an economic contraction of 2.1% in 2009 as a result of the combined impact of the global financial crisis and domestic political crisis. Since taking office, Lobo has secured much needed support from the international financial institutions, and has pushed a number of structural reforms through Congress designed to restore macroeconomic stability and strengthen public finances. Despite the government's tight fiscal policies, the economy grew by 3.8% in 2011 and is expected to grow 4% in 2012. In an attempt to improve social conditions, Lobo has begun implementing a new conditional cash transfer program. Considerable development challenges remain, however, as over two-thirds of Honduras' 8.1 million citizens live in poverty.

Although relations were strained during the political crisis, the United States has traditionally had a close relationship with Honduras. Broad U.S. policy goals in the country include a strengthened democracy with an effective justice system that protects human rights and promotes the rule of law, and the promotion of sustainable economic growth with a more open economy and improved living conditions. To advance these policy objectives, the United States provides Honduras with foreign assistance, maintains significant security and commercial ties, and engages on transnational issues such as migration and human trafficking.

The 112th Congress has expressed considerable interest in Honduras, particularly with regards to the state of democracy, human rights abuses, security challenges, and the treatment of U.S. businesses. In December 2011, Congress adopted the Consolidated Appropriations Act of 2012 (P.L. 112-74), which contains a provision requiring the State Department to withhold 20% of assistance appropriated for the Honduran military and police forces until certain human rights conditions are met. Additional legislation (H.R. 2200), introduced in June 2011, would limit U.S. assistance to Honduras unless the President certifies that the Government of Honduras has settled all outstanding expropriation claims brought by U.S. companies.

This report examines current conditions in Honduras as well as issues in U.S.-Honduran relations.

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Political Situation

Background

Honduras, a Central American nation of 8.1 million people, has suffered from political instability and authoritarian governance for much of its history. The military has traditionally played a large role in domestic politics, and essentially controlled the national government from 1963 until 1971, and again from 1972 until 1982. Hondurans elected a national constituent assembly to draft a new constitution in 1980, and the country returned to civilian rule in 1982 following presidential and legislative elections. Nevertheless, the military continued to operate as an autonomous institution. While Honduras did not experience a civil conflict like those in El Salvador, Guatemala, and Nicaragua, the Honduran military pursued hard-line anticommunist security policies and was responsible for human rights abuses in the 1980s. According to the National Commissioner for Human Rights, the Honduran security forces systematically engaged in arbitrary detentions, torture, and extrajudicial executions, disappearing at least 179 people between 1980 and 1992.¹ During the 1990s, successive Honduran administrations took steps to reduce the power of the military. Mandatory military service was abolished, the police and several state-owned enterprises were removed from military control, and—after the ratification of constitutional reforms in 1999—the military was subordinated to a civilian-appointed defense minister.

The Liberal (*Partido Liberal*, PL) and National (*Partido Nacional*, PN) Parties have dominated Honduran politics since the military relinquished political control in 1982. Both political parties are considered to be ideologically center-right; however, the PL includes a small center-left wing. The parties are oriented around personalist factions and are largely viewed as vehicles for patronage.² According to a number of analysts, “the objective of political competition between the two parties has not been a competition for policies or programs, but rather a competition for personal gain in which the public sector is turned into private benefit.”³ The PL has traditionally had the broadest political base in the country, winning five of the eight presidential elections held since 1982. Three smaller parties—the Christian Democratic Party (*Partido Demócrata Cristiano*, DC), the Innovation and Unity Party (*Partido Innovación y Unidad*, PINU), and the Democratic Unification party (*Unificación Democrática*, UD)—also participate in elections and hold a few seats in the National Congress.

¹ Comisionado Nacional de los Derechos Humanos (CONADEH), *Los Hechos Hablan por Sí Mismos: Informe Preliminar sobre los Desaparecidos en Honduras, 1980-1993*, Second Edition, Tegucigalpa, Honduras, May 2002. An English language translation is available at http://www.cja.org/downloads/Honduras_Report-%22The_Facts_Speak_for_Themselves%22.pdf.

² J. Mark Ruhl, "Honduras Unravels," *Journal of Democracy*, vol. 21, no. 2 (April 2010).

³ *Honduras: A Country Study*, ed. Tim L. Merrill, 3rd ed. (Washington, DC: Library of Congress, Federal Research Division, 1995), p.174. Several more recent studies of the Honduran party system offer similar analysis. See, for example, Ramón Romero, "Los Partidos Políticos y el Estado Hondureño: Evidencias de la Miopía Partidaria," in *Golpe de Estado: Partidos, Instituciones, y Cultura Política* (Tegucigalpa: Centro de Documentación de Honduras, 2010), pp. 23-54; and Leticia Salomón, "Honduras: Golpe de Estado, Sistema de Partidos y Recomposición Democrática," in *Honduras: Retos y Desafíos de la Reconstrucción Democrática* (Tegucigalpa: Centro de Documentación de Honduras, 2011), pp. 1-22.

Figure I. Map of Honduras



Source: CRS.

Manuel Zelaya of the PL was elected president in November 2005, narrowly defeating the PN's Porfirio Lobo. As a wealthy landowner who founded a center-left faction within the PL, Zelaya was regarded as a moderate when he was inaugurated to a four-year term in January 2006.⁴ As his term progressed, however, Zelaya advanced a number of populist policies, including a 60% increase in the minimum wage in December 2008.⁵ Zelaya also forged closer relations with Venezuelan President Hugo Chávez, joining initiatives such as PetroCaribe, which provides oil at preferential discounted rates, and the Bolivarian Alternative for the Americas (*Alternativa Bolivariana para las Américas*, ALBA), a socially-oriented trade block.⁶ Although Zelaya's populist policies helped him maintain support among certain sectors of Honduran society, they alienated many within the traditional economic and political elite. Likewise, his administration's inability to achieve concrete results on a number of issues of importance—such as poverty and violent crime—significantly weakened his public standing.

⁴ "Manuel Zelaya to Head Honduras and Redefine His Party," *Latin America Data Base, NotiCen*, December 15, 2005; "Country Profile: Honduras," *Economist Intelligence Unit*, November 14, 2006.

⁵ "Elevar a L.5500 el Salario Mínimo en Honduras," *El Herald* (Honduras), December 24, 2008.

⁶ It should be noted that the National Congress ratified Honduras' entrance into both PetroCaribe and ALBA.

Political Crisis⁷

On June 28, 2009, the Honduran military detained President Zelaya and flew him to forced exile in Costa Rica. The ouster followed several months of political polarization between Honduran governmental institutions resulting from Zelaya's intention to hold a non-binding referendum and eventually amend the constitution. While Zelaya insisted that the referendum was nothing more than an opinion poll to consult the Honduran populace on the possibility of voting to convene a constituent assembly,⁸ others in Honduras maintained that it was an unconstitutional attempt to perpetuate himself in power. In the aftermath of Zelaya's expulsion, the Honduran Supreme Court⁹ produced documents asserting that an arrest warrant for President Zelaya had been issued in secrecy on June 26, 2009 as a result of his noncompliance with judicial rulings suspending all activities related to the referendum.¹⁰ Likewise, the Honduran National Congress ratified the ouster by accepting an alleged letter of resignation, which Zelaya declared fraudulent, and passing a decree that disapproved of Zelaya's conduct, removed him from office, and named the head of Congress, Roberto Micheletti, the president of Honduras for the remainder of Zelaya's term.¹¹

The legality of Zelaya's removal has been heavily debated; however, most legal and political analysts—including the Truth and Reconciliation Commission appointed to investigate the ouster—have declared Zelaya's removal a “coup d'état.”¹² They assert that although Zelaya disobeyed judicial rulings by attempting to carry out the non-binding referendum, the Honduran military denied the president due process by expelling him from the country. Additionally, they maintain that the Honduran National Congress did not have any legal authority to remove Zelaya from office, and the interim government of Roberto Micheletti was therefore unconstitutional. Nevertheless, Micheletti and his supporters have insisted that he took office through a “constitutional succession.”¹³

After assuming office in late June 2009, Micheletti remained in power for nearly seven months. He worked with the Honduran National Congress to pass a budget that severely reduced government expenditures, and enacted measures that annulled more than a dozen decrees and reforms approved under Zelaya.¹⁴ Micheletti also maintained tight control of Honduran society. The Inter-American Commission on Human Rights (IACHR), an autonomous body of the

⁷ For a more detailed examination of the Honduran political crisis, see CRS Report R41064, *Honduran Political Crisis, June 2009-January 2010*.

⁸ The non-binding referendum would have asked Hondurans, “Do you agree that in the general elections of 2009, a fourth ballot box should be installed in which the people decide on the convocation of a National Constituent Assembly?” “Llegó el Día de Verdad,” *El Tiempo* (Honduras), June 28, 2009.

⁹ It should be noted that although the Honduran judicial system is nominally independent, in practice, it is “subject to patronage, corruption, and political influence” according to the U.S. State Department's *2010 Country Reports on Human Rights Practices*.

¹⁰ Poder Judicial de Honduras, *Expediente Judicial Relación Documentada Caso Zelaya Rosales*, July 2009.

¹¹ “El Decreto de la Separación de Zelaya,” *El Heraldo* (Honduras), June 28, 2009.

¹² See, for example, Edmundo Orellana, “El 28 de Junio y la Constitución,” *La Tribuna* (Honduras), August 1, 2009; Tim Johnson, “All Parties Broke Law in Honduras Coup, Envoy Wrote,” *McClatchy Newspapers*, November 28, 2010; and Comisión de la Verdad y la Reconciliación, *Para que los Hechos No se Repitan: Informe de la Comisión de la Verdad y la Reconciliación*, San José, Costa Rica, July 2011, <http://www.cvr.hn/home/noticias/hojas-de-prensa/para-que-los-hechos-no-se-repitan-informe-de-la-comision-de-la-verdad-y-la-reconciliacion-cvr/>.

¹³ Roberto Micheletti, “Moving Forward in Honduras,” *Washington Post*, September 22, 2009.

¹⁴ “Honduras: Micheletti Prepares to Leave on High Note,” *Latin News Weekly Report*, January 21, 2010.

Organization of American States (OAS), asserts that serious violations of human rights occurred during the Micheletti government, including “deaths; an arbitrary declaration of a state of emergency; suppression of public demonstrations through disproportionate use of force; criminalization of public protest; arbitrary detentions of thousands of persons; cruel, inhuman and degrading treatment and grossly inadequate conditions of detention; militarization of Honduran territory; a surge in incidents of racial discrimination; violations of women’s rights; serious and arbitrary restrictions on the right to freedom of expression; and grave violations of political rights.”¹⁵ Although some sectors of Honduran society strongly supported Micheletti and the ouster of Zelaya, polling suggests that the majority of Hondurans did not.¹⁶

2009 Election

On November 29, 2009, Honduras held a general election to fill nearly 3,000 posts nationwide, including the presidency and all 128 seats in the unicameral National Congress. Former President of Congress and 2005 PN presidential nominee Porfirio Lobo easily defeated his closest rival, former Vice President Elvin Santos of the PL, 56.6% to 38.1%. Three minor party candidates won a combined 5.3% of the presidential vote.¹⁷ Lobo’s PN also won an absolute majority in the unicameral National Congress, with 71 of the 128 seats.

The election was a major defeat for the PL, which has traditionally had the broadest base of support in Honduras. On top of its poor presidential showing, it won just 45 seats in Congress, down from 62 in 2005 (see **Figure 2** below).¹⁸ Some analysts assert that Hondurans held the PL responsible for the country’s political crisis as a result of Zelaya and Micheletti both belonging to the party. Likewise, traditional PL supporters were divided over the political crisis, leading some from the Zelaya-allied faction to stay home on election day.¹⁹

¹⁵ Inter-American Commission on Human Rights (IACHR), *Honduras: Human Rights and the Coup D’état*, December 30, 2009, <http://cidh.org/countryrep/Honduras09eng/Toc.htm>.

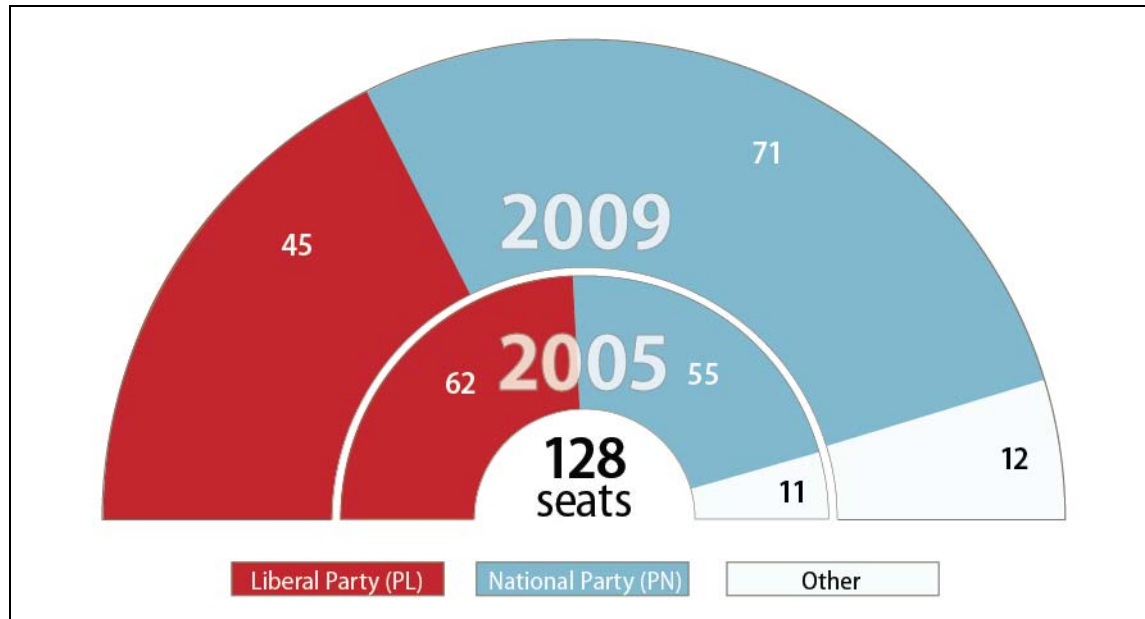
¹⁶ See, for example, Orlando J. Pérez, José René Argueta, and Mitchell A. Seligson, *Cultura Política de la Democracia en Honduras, 2010*, Vanderbilt University, Latin American Public Opinion Project, October 2010, http://www.vanderbilt.edu/lapop/honduras/2010-Cultura_politica_Honduras_smaller3.pdf; and Universidad Centroamericana José Simeón Cañas, Instituto Universitario de Opinión Pública (IUDOP), *Los Hondureños y Hondureñas Opinan Sobre la Situación Política y Evalúan el Primer Año de Gestión de Porfirio Lobo*, Boletín de Prensa, Año XXV, No.1, San Salvador, January 19, 2011, <http://www.uca.edu.sv/publica/iudop/Web/2010/boletinHonduras.pdf>.

¹⁷ “TSE Confirma el Triunfo de ‘Pepe’ en las Elecciones,” *El Heraldo* (Honduras), December 21, 2009.

¹⁸ “Final Results in Honduras,” *Latin News Daily*, December 22, 2009.

¹⁹ Noé Leiva, “El Partido Liberal de Zelaya, el Gran Perdedor de los Comicios Hondureños,” *Agence France Presse*, November 30, 2009; “Partido Liberal Sacrificó el Poder para Salvar Democracia,” *La Tribuna* (Honduras), December 3, 2009.

Figure 2. Party Affiliation in the Unicameral Honduran National Congress
(2005 and 2009 Election Results)



Source: CRS.

There has been considerable debate—both in Honduras and the international community—concerning the legitimacy of the November 2009 election as a result of it being held under the Micheletti government. Supporters of the election note that the electoral process was initiated, and the members of the autonomous Supreme Electoral Tribunal (TSE) were chosen, prior to Zelaya’s ouster. They also note that the candidates were selected in internationally observed primary elections in November 2008,²⁰ and that election day was largely²¹ free of political violence.²² Nonetheless, some Hondurans and international observers have argued that the Micheletti government’s suppression of opposition media and demonstrators prevented a fair electoral campaign from taking place. This led to boycotts and a number of left-leaning candidates for a variety of offices withdrawing from the election.²³ It also led organizations that traditionally observe elections in the hemisphere, such as the OAS, the European Union, and the Carter Center, to cancel their electoral observation missions. Critics of the election also assert that the electoral turnout, which was just under 50% (five points lower than 2005), demonstrated a rejection of the election by the Honduran people. Supporters of the election counter this assertion by arguing that Lobo won more absolute votes in 2009 than Zelaya did in 2005, and that the

²⁰ Former Vice President Elvin Santos was originally ruled constitutionally ineligible to run by the TSE, but became the PL presidential nominee after his stand-in-candidate, Mauricio Villeda, won the PL primary and Congress passed a special decree to allow his candidacy.

²¹ A demonstration in San Pedro Sula by those opposed to the government of Roberto Micheletti was forcefully dispersed on election day.

²² José Saúl Escobar Andrade, Enrique Ortez Sequeira, and David Andrés Matamoros Batso, “Honduran Elections,” Remarks at the Inter-American Dialogue, Washington, DC, October 22, 2009; International Republican Institute, “Hondurans Turn Out to Polls in Credible Elections: IRI’s Preliminary Statement on Honduras’ 2009 National Elections,” November 30, 2009.

²³ “Seguidores de Zelaya No Participarán en Elecciones Aunque Haya Restitución,” *EFE News Service*, November 8, 2009; “Renuncian Importantes Dirigentes del Liberalismo,” *El Tiempo* (Honduras), November 22, 2009.

electoral rolls are artificially inflated—distorting the turnout rate—as a result of Honduras not purging the rolls of those who have died or migrated abroad.²⁴

Lobo Administration (2010-Present)

Porfirio Lobo was inaugurated president of Honduras in January 2010, assuming power after seven months of domestic political crisis and international isolation that had resulted from the June 2009 ouster of President Zelaya. Over half way through his four-year term, President Lobo continues to face daunting challenges. His efforts to lead Honduras out of the country's political crisis have produced mixed results. While initiatives such as the creation of a truth commission, the passage of a political reform measure, and an agreement to allow former President Zelaya to return to the country have won support from the international community, they have only partially reduced domestic polarization. Lobo's popularity has also suffered as a result of the perception that the government has made little progress in addressing the public's most pressing concerns: deteriorating security conditions and high levels of unemployment and poverty. Although the strength of Lobo's National Party in the legislature has enabled his administration to secure passage of several policies designed to address these issues, Hondurans have seen few improvements thus far (see "Security and Human Rights Conditions" and "Economic and Social Conditions" below). Consequently, 68% of Hondurans believe Lobo has done little or nothing to resolve the demands of the population.²⁵

Political Reconciliation

President Lobo has taken a number of steps to ease political polarization in Honduras. After being inaugurated in late January 2010, Lobo arranged safe passage out of the country for former President Zelaya²⁶ and immediately signed a bill providing political amnesty to Zelaya and those who removed him from office. The amnesty covers political and common crimes committed prior to and after the removal of Zelaya, but does not include acts of corruption or violations of human rights.²⁷ President Lobo also appointed a national unity cabinet with representatives of each of the five political parties holding seats in the National Congress, and pledged to engage in dialogue with all sectors of Honduran society. Additionally, Lobo established a truth commission that investigated the events surrounding the 2009 ouster, passed a constitutional reform to grant greater power to citizen initiatives, and forged an agreement with former President Zelaya that facilitated his return to Honduras.

Truth Commission

In April 2010, President Lobo established a Truth and Reconciliation Commission (*Comisión de la Verdad y la Reconciliación*) to investigate the events surrounding the ouster of President Zelaya

²⁴ "Honduras: Tug of War Between Opposition and De Facto Regime Regarding Flow of Voters," *Latin America Data Base, NotiCen*, December 3, 2009; "Final Results in Honduras," *Latin News Daily*, December 22, 2009.

²⁵ Universidad Centroamericana José Simeón Cañas (UCA) and Equipo de Reflexión, Investigación y Comunicación, Compañía de Jesús (ERIC-SJ), *Percepciones Sobre la Situación Hondureña en el Año 2011*, January 2012, http://www.enlaceacademico.org/uploads/media/BOLETIN_SONDEO_2011.pdf.

²⁶ Zelaya had clandestinely returned to Honduras in September 2009, but was unable to leave the Brazilian Embassy where he had taken refuge.

²⁷ "Congreso Aprueba Amnistía para Delitos Políticos Comunes Conexos," *El Tiempo* (Honduras), January 27, 2010.

and to make recommendations to prevent similar events from occurring in the future.²⁸ Reflecting the political polarization in Honduras, the Truth Commission was criticized throughout its operations by several sectors of Honduran society. Some conservatives feared it could be used as a means to promote the constitutional reforms that Zelaya proposed in the lead up to the country's political crisis.²⁹ At the other end of the ideological spectrum, the leftist National Popular Resistance Front (*Frente Nacional de Resistencia Popular*, FNRP)—an umbrella group of those who were opposed to Zelaya's removal—viewed the Truth Commission as an attempt to “whitewash” the ouster. As a result, Zelaya called on officials from his government not to cooperate with the Truth Commission and the FNRP established an alternative commission.³⁰

The Truth and Reconciliation Commission issued its final report in July 2011. Among other findings, the report asserts: (1) Zelaya refused to recognize or obey orders from the judicial branch and other governmental institutions; (2) the Honduran military partially acted on a judicial order in detaining Zelaya but the high command's decision to force the president into exile violated due process and thus amounted to a coup d'état; (3) the Honduran National Congress had no power to remove President Zelaya or name a substitute and therefore the government of Roberto Micheletti was illegal; (4) there is no reliable evidence that President Zelaya intended to dissolve Congress, remain in office, or directly install a national constituent assembly after holding the non-binding referendum; (5) the November 2009 elections were legitimate; and (6) members of the Honduran military and police killed at least 12 citizens as a result of the disproportionate use of force to suppress political demonstrations during the Micheletti government. The report also provides a number of recommendations to avoid similar crises in the future. These include reforming the constitution to establish clear impeachment procedures, and investigating, processing, and punishing those responsible for the human rights abuses that took place in the aftermath of the ouster.³¹

Constitutional Reform

Since his inauguration, Lobo has also engaged various sectors of Honduran society about potential political and constitutional reforms. As noted above, President Zelaya was advocating constitutional reform at the time of his ouster. Zelaya, the FNRP, and others assert that the current constitution—adopted in 1982 by a constituent assembly elected under a military government—reinforces the political and economic exclusion of the majority of the Honduran population. They maintain the only way to overcome this exclusion is to convene a democratic and inclusive constituent assembly to draft a new constitution.³² Lobo, who never ruled out the idea of abstract constitutional changes as a candidate, called for a national dialogue to discuss potential reforms in October 2010. In February 2011, the Honduran National Congress approved a measure that amended the constitutional provisions governing referendums and plebiscites to allow such

²⁸ The creation of a truth commission had previously been agreed to by Zelaya and Micheletti as part of the Tegucigalpa-San José Accord, which they signed in late October 2009 in a failed attempt to end the political crisis. Although the accord fell apart almost immediately, Lobo has implemented several of its provisions since taking office.

²⁹ Germán Reyes, “Lobo Pide No Temer a Comisión de Verdad y Avala Consulta para Constituyente,” *Agencia EFE*, May 4, 2010.

³⁰ “Zelaya Calls on Former Officials Not to Collaborate with Truth Commission,” *ACAN-EFE*, June 8, 2010; “Honduran Resistance Sets Up Alternative Commission,” *Latin News Weekly Report*, July 1, 2010.

³¹ Comisión de la Verdad y la Reconciliación, 2011, op.cit.

³² “Rafael Alegria: Queremos Constituyente Democrática y Popular,” *La Tribuna* (Honduras), July 4, 2011.

citizen initiatives to address “issues of fundamental importance to national life,” potentially including changes to the currently unalterable portions of the constitution.³³

Much like the Truth and Reconciliation Commission, Lobo’s efforts around the issue of constitutional reform have largely failed to reduce polarization. The FNRP and others assert that the changes made thus far are insufficient. They note that any reforms suggested through citizen initiatives would need to be approved by the National Congress, an institution they maintain represents entrenched interests that benefit from the status quo. Consequently, they have continued to push for a constituent assembly capable of drafting a new constitution.³⁴ Likewise, conservative elements within the traditional parties and civil society have reacted to Lobo’s efforts with suspicion. While conceding that abstract changes may be necessary, they are opposed to the idea of convoking a constituent assembly or any attempt to change the unalterable portions of the constitution. They also have accused Lobo of seeking reelection and catering to small radical groups instead of addressing real issues of national importance.³⁵

Return of Zelaya

Although Lobo ensured Zelaya’s safe passage out of the country shortly after taking office, Zelaya was not able to freely return to Honduras until May 2011. Following Lobo’s inauguration, a number of countries joined with domestic groups like the FNRP in calling on President Lobo to create the conditions necessary to allow Zelaya to return to Honduras. Lobo encouraged Zelaya to return from exile but insisted that the former president would have to stand trial for the charges that were brought against him following his ouster, including fraud, falsification of public documents, and embezzlement of \$2.95 million from the presidency and the Honduran Fund for Social Investment. Zelaya insisted that the charges were politically motivated and refused to return until they were dropped. On May 2, 2011, a Honduran court of appeals voted 2-1 to annul the criminal charges against Zelaya due to procedural irregularities.³⁶

With criminal charges out of the way, former President Zelaya entered into a dialogue with President Lobo that was mediated by President Hugo Chávez of Venezuela and President Juan Manuel Santos of Colombia. On May 22, 2011, Lobo and Zelaya signed the “Accord for National Reconciliation and the Consolidation of the Democratic System in Honduras.” Among other provisions, the accord (1) guarantees the right of Zelaya and his exiled supporters to return to political life in Honduras; (2) reaffirms that the Honduran government has an obligation to protect human rights; (3) ensures that the FNRP can register as a political party; and (4) reiterates that the recent reforms to the Honduran constitution guarantee citizens’ rights to seek national plebiscites on issues of fundamental importance.³⁷

³³ “Honduras Congress Approves Referendums,” *Latin News Daily*, February 18, 2011.

³⁴ “Rafael Alegria: Queremos Constituyente Democrática y Popular,” *La Tribuna* (Honduras), July 4, 2011; Frente Amplio de Resistencia Popular, “Posicionamiento Frente Amplio de Resistencia Popular,” July 9, 2011.

³⁵ “Anduray Postula Movimiento para Defender Constitución,” *La Tribuna* (Honduras), June 13, 2011; “‘Lobo y Hernández Gastan 2,000 Millones en Política,’” *La Prensa* (Honduras), July 11, 2011; Unión Cívica Democrática, “Posición de la Unión Cívica Democrática Relacionada con la Reforma del Artículo 5 de la Constitución de la República,” November 11, 2010.

³⁶ “Zelaya Free to Roam,” *Latin News Daily*, May 3, 2011; “Honduras: Zelaya Ruling Removes Final Hurdle – Or Does It?” *Latin News Weekly Report*, May 5, 2011

³⁷ “Acuerdo para la Reconciliación Nacional y la Consolidación del Sistema Democrático en la República de Honduras,” *La Tribuna* (Honduras), May 23, 2011.

International Recognition

Following the ouster of President Zelaya, Honduras was diplomatically isolated by the international community. Although trade continued with the exception of a 48-hour blockade by some Central American countries, the Micheletti government was not recognized by a single nation. On July 4, 2009, the member states of the OAS invoked Article 21 of the Inter-American Democratic Charter and unanimously voted to suspend Honduras from the organization for an unconstitutional interruption of the democratic order.³⁸ Honduras also lost the support of the international financial institutions, which withheld access to loans and other transfers.

As a result of the November 2009 election and Lobo's reconciliation attempts upon taking office, much of the international community—including the United States, the European Union, most Central American nations, and the international financial institutions—quickly recognized the Lobo Administration. Many South American nations, however, expressed concerns that restoring formal relations with Honduras would set a dangerous precedent in the region since Zelaya was never returned to office. They excluded Honduras from regional gatherings and refused to lift the country's suspension from the OAS. Moreover, they indicated that recognition would be dependent on conditions on the ground, including the ability of former President Zelaya to return home peacefully.³⁹

On June 1, 2011, four days after Zelaya returned from exile, Honduras was finally able to rejoin the OAS. Noting the importance of the "Accord for National Reconciliation and the Consolidation of the Democratic System in Honduras" negotiated between Lobo and Zelaya, the OAS member states voted 32-1 to lift the suspension.⁴⁰ Nearly all of the countries that had previously refused to do so also began to restore official ties with Honduras. Ecuador, which was the only country to vote against lifting the suspension, refuses to restore diplomatic relations "so long as those serving in the Honduran government participated in the coup outright and remain in complete impunity."⁴¹

2013 Election

Although over a year and a half remain in President Lobo's term, attention in Honduras is increasingly turning to what could be an extremely volatile election in 2013. Polls conducted over the past year have consistently found high levels of dissatisfaction with democracy in Honduras. They have also found little or no confidence in almost every governmental and political institution in the country. Political parties are among the least trusted, with several polls finding nearly 60% of Hondurans have no confidence in them.⁴² As confidence in the parties has eroded,

³⁸ Organization of American States, *Resolution on the Suspension of the Right of Honduras to Participate in the OAS*, OEA/Ser.P, AG/Res/2 (XXXVII-E/09), Washington, DC, July 4, 2009.

³⁹ "Insulza Dice que Reintegro de Honduras a OEA está Atado a Exilio de Zelaya," *Agence France Presse*, February 11, 2011.

⁴⁰ Organization of American States, *Participation of Honduras in the Organization of American States*, OEA/Ser.P, AG/Res.1 (XLI-E/11), Washington, DC, June 1, 2011.

⁴¹ "Ecuador President Won't Restore Ties with Honduras," *Agence France Presse*, June 2, 2011.

⁴² See UCA & ERIC-SJ, January 2012, op.cit.; Centro de Estudios para la Democracia (CESPAD), *Segunda Encuesta de Opinión Ciudadana: La Continuada Crisis del Bipartidismo y la Creciente Insatisfacción Ciudadana con la Democracia*, September 2011, <http://cespad.org/documentos/encuestas/Segunda%20encuesta%20de%20opinion%20cespad.pdf>; and Neil Nevitte, *Democracy in Honduras: Political Values and Civic Engagement in 2011*, National Democratic Institute for (continued...)

so too has Hondurans' family-based sense of party affiliation to the PL and PN.⁴³ The majority of Hondurans are now open to voting for different political parties. Moreover, public approval of President Lobo and the PN-controlled National Congress is relatively low, and the PL remains divided over the 2009 ouster of President Zelaya.⁴⁴

Given these dynamics, the 2013 election could present an opportunity for third party political forces or anti-system candidates beyond the country's two dominant parties. Several new parties have registered with the TSE over the past year. Former President Zelaya and the FNRP launched the Liberty and Refoundation (*Libertad y Refundación*, LIBRE) party, under which they hope to unite supporters of the FNRP and disillusioned former supporters of the PL. Salvador Nasralla, a television personality and sports commentator, created the Anti-Corruption Party (*Partido Anticorrupción*, PAC) as a platform for a presidential run. And retired General Romeo Vásquez Velásquez, the commander of the Honduran armed forces when Zelaya was deposed, founded the Honduran Patriotic Alliance (*Alianza Patriótica Hondureña*, APH), a self-described civic-military group. These new parties will face a number of challenges, such as a lack of clientelist networks and political party machinery. The most difficult challenge to overcome, however, may be the cynicism of Hondurans toward politics. Voter abstention has increased in each election since 1997, and those abstaining constituted a majority in 2009.⁴⁵ The new parties will need to convince the dissatisfied majority that electoral democracy is capable of producing real changes in Honduras. In December 2011, almost 65% of Hondurans surveyed described the new political parties as "more of the same."⁴⁶

Party primaries to select candidates for the 2013 election will be held in November 2012. Top PN presidential candidates include President of Congress Juan Orlando Hernández, who is backed by President Lobo, and Ricardo Alvarez, the mayor of Tegucigalpa. At least six candidates from various internal factions are seeking the PL's presidential nomination. These include Yani Rosenthal, who served as Zelaya's Minister of the Presidency; Edmundo Orellana, who served as Zelaya's Defense Minister; Mauricio Villeda, who served as one of Micheletti's negotiators during the 2009 political crisis; and Luis Alfonso Santos, a retired bishop who was one of the few members of the Catholic hierarchy to oppose the ouster. Although LIBRE will hold primary elections for most offices, its various internal factions have agreed to back Zelaya's wife, Xiomara Castro, for president.

Security and Human Rights Conditions

Honduras has long struggled to address high levels of crime and violence, but the deterioration in security conditions has accelerated in recent years. Homicide rates have risen rapidly, from an already high 51 murders per 100,000 residents in 2000 to a world-topping 82 per 100,000 in 2010

(...continued)

International Affairs (NDI) and Hagamos Democracia, July 2011, <http://www.ndi.org/files/Democracy-in-Honduras-2011.pdf>.

⁴³ Ruhl, April 2010, op.cit.

⁴⁴ UCA & ERIC-SJ, January 2012, op.cit; CESPAD, September 2011, op.cit; Nevitte, July 2011, op.cit.

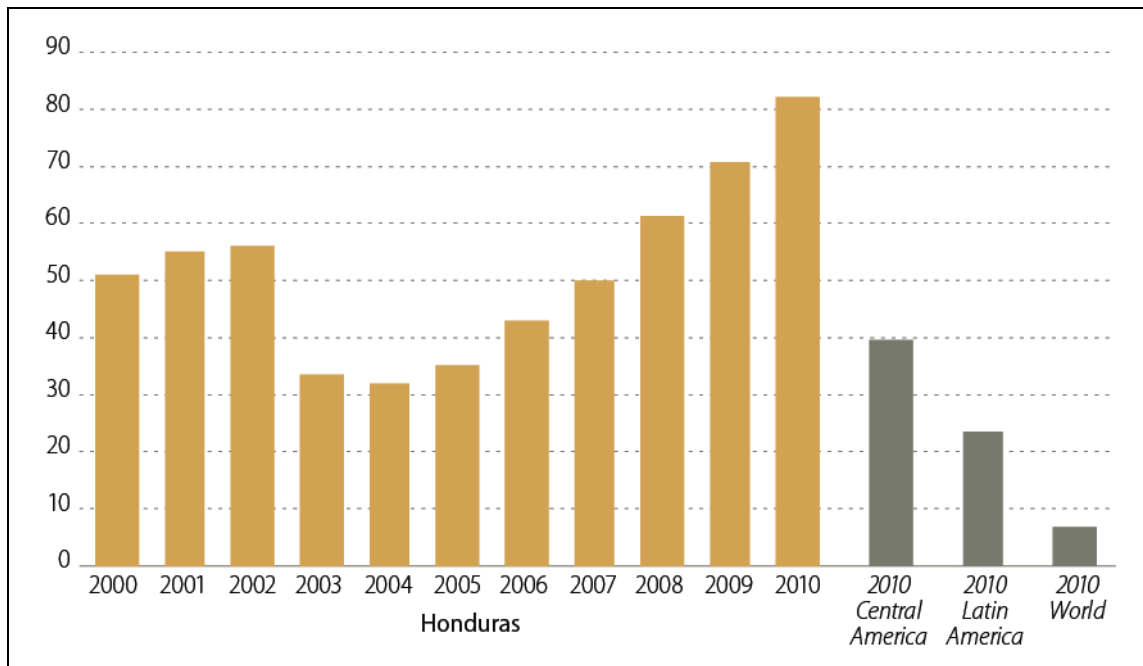
⁴⁵ NDI, *2009 Honduran General Elections: International Election Assessment Mission Final Report*, Washington, DC, January 27, 2010, p. 13,

http://www.ndi.org/files/NDI_Honduras_Final_Report_International_Election_Assessment_Mission_%20English.pdf.

⁴⁶ UCA & ERIC-SJ, January 2012, op.cit.

(see **Figure 3** below).⁴⁷ Preliminary statistics suggest that the homicide rate continued to climb in 2011, with murders increasing by 15%.⁴⁸ Common crime is also widespread. In 2010, 16% of Hondurans reported they had been the victim of a crime in the past year.⁴⁹ The World Bank estimates that crime and violence cost Honduras the equivalent of 10% of gross domestic product (GDP) annually.⁵⁰

Figure 3. Honduran Homicide Rate, 2000-2010
(Homicides per 100,000 Residents)



Source: CRS presentation of data from the United Nations Office on Drugs and Crime (UNODC), *Global Study on Homicide*, 2011.

Many observers have been particularly concerned by a surge in violence against journalists and political and social activists. The frequency of such attacks increased in the aftermath of the June 2009 ouster of President Zelaya, and the attacks have continued under President Lobo. According to the National Commissioner for Human Rights, 20 journalists have been killed in Honduras since 2010.⁵¹ Many others have been threatened, harassed, or attacked, with those who report on or criticize the 2009 ouster, government corruption, and human rights abuses being the most frequent targets. Human rights organizations have also documented attacks against environmentalists, indigenous activists, human rights defenders, land rights activists, political organizers, unionists, and members of the lesbian, gay, bisexual, and transgender (LGBT)

⁴⁷ United Nations, Office on Drugs and Crime (UNODC), *Global Study on Homicide*, 2011.

http://www.unodc.org/documents/data-and-analysis/statistics/Homicide/Globa_study_on_homicide_2011_web.pdf.

⁴⁸ Tatiana Paz, "Homicidios Aumentan un 15% en el 2011 en Honduras," *La Prensa* (Honduras), December 30, 2011.

⁴⁹ Mitchell A. Seligson and Amy Erica Smith, eds., *Political Culture of Democracy, 2010: Democratic Consolidation in the Americas in Hard Times*, Vanderbilt University, Latin American Public Opinion Project, December 2010, <http://www.vanderbilt.edu/lapop/insights/RegionalEng.pdf>.

⁵⁰ "World Bank: Crime, Violence Cost Honduras 10 Percent of GDP Annually," *Associated Press*, March 28, 2012.

⁵¹ CONADEH, "Violaciones a la Libertad de Expresión," Press Release, March 19, 2012.

community.⁵² In the *Bajo Aguan* region of Honduras, for example, at least 50 people have been killed over the past two years as violence has escalated in a long-running land dispute between peasant farmers and large landowners.⁵³ There are indications that members of the Honduran security forces may have been involved in some of these threats and attacks against journalists and activists; however, it is difficult to determine the extent of such involvement since most of the cases have never been investigated.

Criminal Threats, Weak Institutions, and Corruption

A number of inter-related factors have likely contributed to the worsening security and human rights situation. One aspect is the increasing presence of organized crime. An estimated 36,000 Honduran youth belong to street gangs such as *Mara Salvatrucha* (MS-13) and the 18th Street Gang (M-18).⁵⁴ These organizations engage in a wide variety of criminal activities, including kidnapping and extortion.⁵⁵ Honduras also serves as a drug-trafficking corridor as a result of its location between cocaine-producing countries of South America and the major consumer market in the United States. U.S.-backed security efforts over the past two decades have weakened Colombian cartels and restricted trafficking through the Caribbean, providing incentives for Mexican cartels to move into Central America. Consequently, more sophisticated transnational criminal organizations, such as the *Sinaloa* cartel and *Los Zetas*, have now established a presence in Honduras.⁵⁶ Given that two-thirds of Hondurans live below the poverty line,⁵⁷ a large portion of the population may be susceptible to recruitment by these and other criminal groups.

Institutional weaknesses and corruption in the Honduran government have also contributed to deteriorating security and human rights conditions. In 2011, the Honduran National Police had 14,500 officers and a budget of \$151 million (0.9% of GDP)⁵⁸—a force strength and resources that analysts maintain are “grossly insufficient for the efficient policing of a country the size of Honduras.”⁵⁹ The police force also suffers from widespread corruption, with analysts asserting that some officers have moved beyond taking bribes or tipping off criminals to actually participating in crimes and acting as enforcers for criminal interests.⁶⁰ Some 67% of Hondurans

⁵² At least 75 such activists were reportedly murdered between June 2009 and March 2011. IACHR, *Annual Report of the Inter-American Commission on Human Rights 2011*, April 9, 2012, <http://www.oas.org/en/iachr/docs/annual/2011/TOC.asp>.

⁵³ CONADEH, “Informe Muerte Violenta de Personas en el Bajo Aguan,” Press Release, 2012.

⁵⁴ UNODC, *Crime and Development in Central America: Caught in the Crossfire*, May 2007, <http://www.unodc.org/documents/data-and-analysis/Central-america-study-en.pdf>.

⁵⁵ For more information, see CRS Report RL34112, *Gangs in Central America*, by Clare Ribando Seelke.

⁵⁶ Patrick Corcoran, “Mexican Cartels Expand into Honduras,” *InSight Crime*, April 14, 2011.

⁵⁷ United Nations, Economic Commission for Latin America and the Caribbean (ECLAC), *Social Panorama of Latin America, 2011*, November 2011, p.13, http://www.eclac.cl/publicaciones/xml/5/45175/2011-819_PSI-Summary-WEB.pdf.

⁵⁸ Red de Seguridad y Defensa de América Latina (RESDAL), *Índice de Seguridad Pública y Ciudadana en América Latina : El Salvador, Guatemala y Honduras*, 2011.

⁵⁹ “Country Risk Assessment: Honduras,” *IHS Jane's Defense and Security Intelligence and Analysis*, February 8, 2012.

⁶⁰ Edward Fox, “Dynamics of Honduran Police Corruption Narrow Chance for Reform,” *InSight Crime*, January 31, 2012; Diego Jiménez, “El Incendio en Comayagua Evidencia el Colapso del Sistema,” *La Nación* (Costa Rica), February 26, 2012.

believe that the police force is involved in crime.⁶¹ Moreover, recent press investigations suggest that corruption may run to the very top of the organization.⁶²

Partially as a result of the serious flaws in the police force, Honduran presidents have repeatedly turned to the armed forces to provide internal security. The Honduran military, however, has its own limitations. In 2010, Honduras had roughly 8,600 military personnel, and a defense budget of \$172 million (1.1% of GDP). The Honduran military is almost entirely dependent on international donors for functioning equipment and technology since less than 1% of the defense budget is invested in maintenance and procurement.⁶³ Corruption is also a problem. The military has been linked to drug trafficking in Honduras since the 1980s,⁶⁴ and recent reports suggest some sectors continue to engage in illicit activities.⁶⁵ Although the military is more respected than the police force, it enjoys the confidence of less than 36% of Hondurans.⁶⁶

Other justice sector institutions are prone to similar problems. According to the National Commissioner for Human Rights, 80% of crimes that are reported are never even investigated.⁶⁷ This reportedly stems from the failure of public prosecutors, who are charged with coordinating investigations, to work effectively with the police to carry them out.⁶⁸ Although most criminals are never brought to justice, the Honduran prison system is still overcrowded. While Honduras' hard-line anti-gang laws make it relatively easy to detain suspected gang members, the judiciary is incapable of dealing with the volume of cases.⁶⁹ Consequently, Honduran prisons, which have capacity for 8,000 inmates, currently hold 13,000 prisoners—60% of whom have not been convicted.⁷⁰

This lack of capacity and susceptibility to corruption goes well beyond the security forces and justice sector. The patronage system, which allows the political parties to place their supporters in government positions after each election, has prevented the development of a professional civil service. As a result, Honduran officials often lack technical expertise and rarely engage in long-term strategic planning.⁷¹ Likewise, Honduras ranks near the bottom of the Western Hemisphere in Transparency International's annual *Corruption Perceptions Index*, suggesting public-sector corruption is relatively widespread.⁷² This apparently includes infiltration by organized crime.

⁶¹ UCA & ERIC-SJ, January 2012, op.cit.

⁶² Frances Robles, "Graft, Greed, Mayhem Turn Honduras into Murder Capital of World," *Miami Herald*, January 22, 2012; and Daniel Valencia Caravantes, "Así es la Policía del País Más Violento del Mundo," *El Faro* (El Salvador), March 19, 2012.

⁶³ RESDAL, *Comparative Atlas of Defence in Latin America and Caribbean*, 2010.

⁶⁴ Mark B. Rosenberg, "Narcos and Politicos: Politics of Drug Trafficking in Honduras," *Journal of Interamerican Studies and World Affairs*, Vol. 30, No. 2/3, (Summer-Autumn 1988).

⁶⁵ Geoffrey Ramsey, "Cable: Honduran Military Supplied Weaponry to Cartels," *InSight Crime*, April 25, 2011.

⁶⁶ In comparison, 23.3% of Hondurans express confidence in the police force. UCA & ERIC-SJ, January 2012, op.cit.

⁶⁷ CONADEH, "Impunidad," Press Release, April 2012.

⁶⁸ "Policías y Fiscales son un 'Desastre' en la Investigación Criminal," *El Heraldo* (Honduras), April 11, 2012; "La Investigación es Problema de País, Admite Directora de Fiscalías en Honduras," *El Heraldo*, (Honduras), April 15, 2012.

⁶⁹ Hannah Stone, "Honduras Prison Fire Tells of Repressive Anti-Gang Policies," *InSight Crime*, February 16, 2012.

⁷⁰ "Honduras Crea Instituto para Atender Severa Crisis de las Cárceles," *Agence France Presse*, April 11, 2012.

⁷¹ Romero, 2010, op.cit.

⁷² On a scale of 0 (highly corrupt) to 10 (very clean), Honduras receives a score of 2.6. Transparency International, *Corruption Perceptions Index 2011*, 2011, <http://cpi.transparency.org/cpi2011/>.

According to Alfredo Landaverde—a well-respected anti-corruption advocate and former head of the Anti-Narcotics Commission who was assassinated in December 2011⁷³—10% of the members of the Honduran National Congress are involved in drug-trafficking.⁷⁴

Public Security Policies

Recent Honduran presidents have implemented varying anti-crime strategies, but none of them have achieved much success. During his term, President Ricardo Maduro (2002-2006) increased the size of the police force, sent the military into the streets, and implemented hard-line anti-gang policies that made membership illegal and punishable with 12 years in prison. Although the crackdown won popular support and initially reduced crime, its success was short-lived. President Zelaya (2006-2009) replaced the previous administration's zero-tolerance policy with dialogue and other efforts to reintegrate gang members into society. Failure to achieve concrete results, however, led the Zelaya Administration to shift its emphasis toward more traditional law enforcement operations. The deterioration in security conditions accelerated in the aftermath of Zelaya's ouster, as Roberto Micheletti (2009-2010) reoriented the security forces away from combating organized crime to controlling the population.⁷⁵ Some analysts assert that the ouster also exacerbated the situation by reinforcing the general sense of impunity in Honduras.⁷⁶

Since taking office, President Lobo has undertaken a number of initiatives in an attempt to improve security conditions in Honduras. Working with the National Congress, he has enacted significant changes in the country's legal framework. These include a law against terrorism finance; a reform to allow 48-hour detentions; regulations to allow asset forfeiture and wiretapping; and a constitutional amendment to allow the extradition of Honduran citizens in cases of drug trafficking, organized crime, and terrorism. Lobo and the National Congress also increased taxes on the mining, telephone, and other industries to increase funding for security efforts. The tax package was partially rolled back, however, as a result of fierce private sector opposition.⁷⁷ Many of these legal changes are still in the process of implementation.

In reaction to a series of scandals in which the police were implicated in murders and other criminal activities, Honduran officials established two commissions to reform the police force and other justice sector institutions. In December 2011, the National Congress created the Directorate for the Investigation and Evaluation of the Police Career. It will replace the former Internal Affairs Unit of the police, which was reported to be rather ineffective.⁷⁸ In January 2012, the National Congress established a Public Security Reform Commission. It is empowered to investigate the police, the public prosecutor's office, and the judiciary, and suggest reforms to strengthen the institutions and reduce corruption.⁷⁹ Both commissions have been slow to begin

⁷³ Just days before he was assassinated, Landaverde appeared on a television program and stated that he had a list of Honduran officials tied to organized crime and drug-trafficking.

⁷⁴ Tim Johnson, "Drug Gangs Muscle into New Territory: Central America," *McClatchy Newspapers*, April 21, 2011.

⁷⁵ James Bosworth, *Honduras: Organized Crime Gaining Amid Political Crisis*, Woodrow Wilson International Center for Scholars, Working Paper Series on Organized Crime in Central America, December 2010, <http://www.wilsoncenter.org/sites/default/files/Bosworth.FIN.pdf>.

⁷⁶ See, for example, Annie Murphy, "'Who Rules in Honduras?' Coup's Legacy of Violence," *National Public Radio*, February 12, 2012.

⁷⁷ "Honduras Cuts Security Tax After Angering Businesses," *Reuters*, September 14, 2011.

⁷⁸ "Cisma en la Policía Nacional: 60 Días de Escándalos," *El Tiempo* (Honduras), December 22, 2011.

⁷⁹ "Honduras: Lobo Makes Move to Purge Police," *Latin American Weekly Report*, February 2, 2012.

operations, however, leading some observers to question the Honduran government's commitment to security sector reform.⁸⁰

Following in the footsteps of his predecessors, Lobo has also ordered the armed forces into the streets to carry out some internal security operations. He has deployed the military to carry out joint operations with the police on several occasions, and in late November 2011, the Honduran National Congress approved a decree to temporarily allow military personnel to carry out raids, make arrests, disarm people, and act against police officers that are involved in criminal activities. In March 2012, the emergency decree providing the military with broad policing powers was extended for another 90 days. President Lobo also proposed amending the constitution to make the military's policing powers permanent. Lobo has previously suggested merging the security and defense ministries to establish a single civilian ministry to coordinate both the police and military.⁸¹

A number of analysts have raised concerns about this increasing reliance on the military for domestic security. Some assert that the military has begun to carve out a larger role for itself in internal affairs since playing a leading role in the 2009 ouster of President Zelaya, and argue that this is a worrying trend since the military repeatedly took control of the country prior to 1982 and was only subordinated to civilian control in the late 1990s.⁸² U.S. military officials argue that utilizing the Honduran military for domestic security matters "is a necessary initial step to help curb the rising tide of violence," but maintain that such an approach "is unsustainable in the long term."⁸³

Although some of these security policies—such as police reform—could improve human rights conditions in Honduras, the Honduran government has offered few initiatives specifically designed to do so. President Lobo has created a new Ministry of Justice and Human Rights, and provided the Human Rights Unit in the Attorney General's Office with an independent budget for the first time. Lobo has also acknowledged that the Honduran government lacks investigatory capacity, and has requested international assistance to resolve human rights cases.⁸⁴ Human rights organizations maintain that these efforts have been insufficient. They criticize the Lobo Administration for repeatedly dismissing the possibility that attacks against journalists and activists might be related to the victims' professions or activism, and for failing to hold accountable those responsible for such attacks.⁸⁵

⁸⁰ "Proceso de Depuración Policial en Honduras está Estancado," *La Prensa* (Honduras), April 11, 2012; "Gobierno Siembra la Incertidumbre," *La Prensa* (Honduras), April 5, 2012.

⁸¹ "Honduras: Lobo Leans Towards a Permanent Military-Security Role," *Latin American Regional Report: Caribbean & Central America*, April 2012; "Lobo Forced to Clarify Security Reforms," *Latin News Daily*, October 11, 2011.

⁸² See, for example, Thelma Mejía, "Honduras: Putting Defense in the Hands of Civilians," *Inter Press Service*, October 4, 2011; and Geoffrey Ramsey, "New Powers for Honduran Military Will Not Clean Up Law Enforcement," *InSight Crime*, November 30, 2011.

⁸³ General Douglas M. Fraser, United States Air Force Commander, *Posture Statement Before the 112th Congress, House Armed Services Committee*, United States Southern Command, March 6, 2012, p. 24, <http://armed-services.senate.gov/statemnt/2012/03%20March/Fraser%2003-13-12.pdf>.

⁸⁴ "Honduras Pide Ayuda a Colombia, España, y EEUU en Investigación Sobre DDHH," *Agence France Presse*, January 27, 2011.

⁸⁵ Human Rights Watch, *World Report*, 2012, <http://www.hrw.org/world-report-2012/world-report-chapter-honduras>; Committee to Protect Journalists, *Attacks on the Press in 2011*, 2012, http://www.cpj.org/attacks_on_the_press_2011.pdf.

Economic and Social Conditions

With a gross national income (GNI) of \$14.2 billion (2010) and a per capita income of \$1,870, Honduras is classified by the World Bank as a lower-middle-income developing country.⁸⁶ The Honduran economy has historically been dependent on agricultural exports such as coffee and bananas. While these commodities remain important, the Honduran economy has grown more diversified as a result of significant growth in nontraditional sectors such as shrimp farming and the *maquiladora*, or export-processing industry. In 1998, Honduras was devastated by Hurricane Mitch, which killed more than 5,000 people and caused billions of dollars in damage. The economy contracted by 1.4% in 1999, but rebounded with average annual growth of 5% between 2000 and 2008.⁸⁷ During the same time period, international financial institutions provided Honduras with \$2.4 billion in debt relief to free government resources for poverty alleviation efforts.⁸⁸

Honduras in Brief

Approximate Size: Slightly larger than Virginia
 Population (2011 est.): 8.14 million
 Ethnic Groups: 90% Mestizo (mixed Amerindian and European), 7% Amerindian, 2% black, 1% white
 Religions: 65% Roman Catholic, 35% Protestant
 Official Language: Spanish
 GNI (Atlas Method, 2010): \$14.2 billion
 GNI per Capita (Atlas Method, 2010): \$1,870
 Poverty Rate (2010): 67.4%
 Indigence Rate (2010): 42.8%
 Adult Literacy Rate (2007): 84%
 Life Expectancy (2009): 73 years
 Infant Mortality (2010): 20 per 1,000 live births
Sources: U.S. State Department, World Bank, U.N. Economic Commission for Latin America and the Caribbean.

Crises and Recovery

The global financial crisis and domestic political crisis took a significant toll on Honduras. As an open economy that is closely tied to the United States, Honduras is sensitive to international downturns. By early 2009, Honduras was experiencing significant declines in remittances, tourism, and export earnings as a result of the global financial crisis and U.S. recession.⁸⁹ The ouster of President Zelaya exacerbated these economic problems, as the international community, which had been expected to finance 20% of the government's budget,⁹⁰ imposed a series of economic sanctions on Honduras. International financial institutions withheld access to loans and other transfers, the European Union and United States terminated some foreign aid, and Venezuela stopped supplying the country with subsidized oil. Domestic opponents of the ouster placed additional pressure on the economy, engaging in strikes, transportation blockades, and other measures designed to paralyze economic activity. Curfews implemented by the Micheletti government to suppress demonstrations by the political opposition further inhibited economic

⁸⁶ World Bank, "Data: Honduras," <http://data.worldbank.org/country/honduras>.

⁸⁷ "Honduras: Country Data," *Economist Intelligence Unit*, February 2011.

⁸⁸ International Monetary Fund (IMF), "IMF and World Bank Support US\$1 Billion in Debt Service Relief for Honduras," Press Release No. 05/76, April 5, 2005; Inter-American Development Bank (IDB), "IDB Governors Approve \$4.4 Billion in Debt Relief for Bolivia, Guyana, Haiti, Honduras and Nicaragua," Press Release, March 16, 2007.

⁸⁹ "Honduras: Country Report" *Economist Intelligence Unit*, April 2009.

⁹⁰ Robin Emmott, "Aid Freeze in Post-Coup Honduras Hurting Poor," *Reuters*, November 12, 2009.

activity as workers were unable to reach their places of employment. These external and internal shocks contributed to an economic contraction of 2.1% in 2009.⁹¹

Upon taking office in January 2010, President Lobo inherited a weak economy and a growing budget deficit. He entered into negotiations with the international financial institutions, and quickly secured an emergency stand-by agreement with the International Monetary Fund (IMF) as well as much needed development financing from the World Bank and Inter-American Development Bank. Under the agreements, Lobo committed to undertaking structural reforms designed to restore macroeconomic stability and strengthen public finances. The Honduran National Congress has approved several of the structural changes, including a tax reform designed to increase revenue, an energy reform to more narrowly target subsidies, a reform of public sector pension funds designed to make them more sustainable, and a measure de-indexing teachers' wages from changes in the minimum wage in an effort to slow the growth of expenditure on public sector salaries.⁹² These changes, along with improving economic conditions in the United States, have helped narrow the Honduran central government's deficit from 6.2% of GDP in 2009 to an estimated 3.5% of GDP in 2012. Despite these tight fiscal policies, the economy grew by 3.8% in 2011 and is expected to grow by 4% in 2012. The recovery remains fragile, however, and the government's budget constraints leave little room for counter-cyclical spending should the international economic situation worsen.⁹³

Social Indicators

Honduras remains one of the poorest and most unequal countries in Latin America. Nevertheless, international debt relief and higher levels of economic growth over the past decade have allowed the Honduran government to dedicate more resources to poverty alleviation efforts. Between 2002 and 2009, public social spending increased from 9.5% of GDP to 11.4% of GDP.⁹⁴ During the same time period, poverty fell from 77.3% to 65.7% and indigence fell from 54.4% to 41.8%. Both poverty and indigence increased in the aftermath of the global financial crisis and domestic political crisis, however, reaching 67.4% and 42.8%, respectively, in 2010.⁹⁵ The reduction in the poverty rate has not been accompanied by a reduction in income disparities. The top 10% of Hondurans received 43% of all income in 2010, which is more than the bottom 80% combined and a level virtually unchanged from 1999.⁹⁶ Likewise, there continue to be significant barriers to social mobility. According to a 2010 World Bank report, just 51% of the basic housing and education services necessary to succeed in life are available and distributed equitably among Honduran children.⁹⁷

⁹¹ "Honduras: Country Report," *Economist Intelligence Unit*, March 2012.

⁹² "Honduras: Country Report," *Economist Intelligence Unit*, December 2010; IMF, *Honduras: Letter of Intent, Memorandum of Economic and Financial Policies, and Technical Memorandum of Understanding*, September 10, 2010; IMF, "Statement by an IMF Mission at the Conclusion of its Visit to Honduras," Press Release No.12/43, February 9, 2012.

⁹³ "Honduras: Country Report," *Economist Intelligence Unit*, March 2012.

⁹⁴ ECLAC, *Social Panorama of Latin America, 2010*, November 2010, p.156, <http://www.eclac.cl/publicaciones/xml/1/41801/PSI2010-Chapter-III-Social-Spending.pdf>.

⁹⁵ ECLAC, November 2011, op.cit.

⁹⁶ ECLAC, *Statistical Yearbook for Latin America and the Caribbean, 2011*, December 2011, p. 68, <http://www.eclac.cl/publicaciones/xml/8/45608/LCG2513b.pdf>.

⁹⁷ José R. Molinas et al., *Do Our Children Have a Chance? The 2010 Human Opportunity Report for Latin America and the Caribbean*, World Bank, Conference Edition, Washington, DC, 2010, p. 52, (continued...)

The Lobo Administration is currently implementing policy reforms designed to strengthen the Honduran social protection system. When Lobo took office, Honduras had a number of social assistance programs that offered varying levels of coverage and were not well coordinated. Lobo has begun consolidating several of these programs under his *Bono 10,000* initiative, which provides an annual stipend of 10,000 *Lempiras* (about \$525) to families in extreme poverty. In exchange, the families agree to keep their children in school and attend regular preventative health check-ups. The program currently reaches at least 229,000 households, and is expected to incorporate 600,000 families by the end of 2014. The World Bank expects *Bono 10,000* to have a significant impact on household income, but is concerned that Honduras may not be able to sustain the program once it reaches its full projected coverage.⁹⁸

Issues in U.S.-Honduran Relations

The United States has had close relations with Honduras over many years. The bilateral relationship became especially close in the 1980s when Honduras returned to democratic rule and became the lynchpin for U.S. policy in Central America. At that time, the country was a staging area for U.S.-supported excursions into Nicaragua by the *Contra* forces attempting to overthrow the leftist *Sandinista* government. Economic linkages also intensified in the 1980s after Honduras became a beneficiary of the Caribbean Basin Initiative, which provided duty-free importation of Honduran goods into the United States. Bilateral economic ties have further expanded since the entrance into force of the Dominican Republic-Central America-United States Free Trade Agreement (CAFTA-DR) in 2006.

Relations between the United States and Honduras were strained in 2009 because of the country's political crisis. The Obama Administration quickly condemned the June 28 ouster, and, over the course of the following months, leveled a series of diplomatic and economic sanctions designed to pressure Honduran officials to restore Zelaya to power. The Administration limited contact with the Honduran government, suspended some foreign assistance, minimized cooperation with the Honduran military, and revoked the visas of members and supporters of the Micheletti government. Micheletti reacted angrily to U.S. policy toward Honduras, declaring, "it isn't possible for anyone, no matter how powerful they are, to come over here and tell us what we have to do."⁹⁹ In November 2009, the Administration shifted the emphasis of U.S. policy from reversing Zelaya's removal to ensuring the legitimacy of previously scheduled elections. Although some analysts argued that the policy shift allowed those behind the ouster to consolidate their hold on power, Administration officials maintained that elections had become the only realistic way to bring an end to the political crisis.¹⁰⁰

Relations have improved considerably since the inauguration of President Lobo, whose efforts to foster national reconciliation and solidify democratic processes in Honduras led the United States

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http://siteresources.worldbank.org/INTLACREGTOPPOVANA/Resources/840442-1260809819258/6645553-1273515611898/Livro2010_final1.pdf.

⁹⁸ World Bank, *Project Information Document, Appraisal Stage: HN-Social Protection*, Report No. AB5677, May 17, 2010; World Bank, *Information Status & Results: Honduras Social Protection*, Report No. ISR5625, July 12, 2011.

⁹⁹ Carlos Salinas, "Honduran De Facto Leader Vows to Cling to Power Over US Objections," *El País* (Spain), August 5, 2009.

¹⁰⁰ Ginger Thompson, "U.S. Tries to Salvage Honduras Accord," *New York Times*, November 10, 2009.

to restore foreign assistance and resume cooperation on other issues. Current U.S. policy objectives in Honduras include (1) improving the human-rights climate, especially regarding allegations that journalists and other individuals have been targeted for their political views; (2) combating high levels of corruption, crime, and drug-trafficking; and (3) promoting and implementing social and economic reforms to boost growth and reduce poverty and inequality levels that are among the highest in the hemisphere.¹⁰¹ To advance these policy objectives, the United States provides Honduras with foreign assistance, maintains significant security and commercial ties, and engages on transnational issues such as migration and human trafficking.

Foreign Assistance

The United States has provided considerable amounts of foreign assistance to Honduras over the past three decades. In the 1980s, the United States provided about \$2.5 billion (constant 2010 dollars) in economic and military aid to Honduras as the country supported U.S. policy objectives in the region. In the 1990s, U.S. assistance to Honduras began to wane as regional conflicts subsided and competing foreign assistance needs grew in other parts of the world. Hurricane Mitch changed that trend as the United States provided significant amounts of aid to help the country recover from the 1998 storm. As a result of the influx of aid, total U.S. assistance to Honduras for the 1990s amounted to around \$1.2 billion (constant 2010 dollars). With Hurricane Mitch funds expended by the end of 2001, U.S. foreign aid levels to Honduras again began to decline. From 2000 to 2009, total U.S. assistance to Honduras amounted to just over \$900 million (constant 2010 dollars).¹⁰²

Bilateral Assistance

U.S. bilateral assistance to Honduras supports a variety of projects designed to strengthen democracy and the rule of law, enhance citizen security, improve health systems, increase food security, and conserve the environment. Recent bilateral U.S. assistance to Honduras amounted to \$50.3 million in FY2010, \$56 million in FY2011, and is scheduled to total an estimated \$57 million in FY2012. Honduras would receive \$58.2 million under the Obama Administration's request for FY2013. This includes \$49 million in Development Assistance, \$5.5 million for Global Health Programs, \$3 million in Foreign Military Financing, and \$650,000 for International Military Education and Training (see **Table 1** below). Most assistance to the country is managed by the U.S. Agency for International Development (USAID) and the U.S. Department of State.

¹⁰¹ Testimony of Craig Kelly, Principal Deputy Assistant Secretary of State for Western Hemisphere Affairs, U.S. Department of State, before the House Subcommittee on the Western Hemisphere, March 18, 2010.

¹⁰² These figures represent actual obligations, not appropriations. U.S. Agency for International Development (USAID), *U.S. Overseas Loans and Grants: Obligations and Loan Authorizations, July 1, 1945-September 30, 2010*, 2012.

Table I. Bilateral U.S. Assistance to Honduras, FY2008-FY2013

(U.S. \$ in thousands)

Account	FY2008	FY2009	FY2010	FY2011	FY2012 (Estimate)	FY2013 (Request)
DA	15,149	21,382	37,491	42,266	46,266	49,000
GHP (USAID)	12,035	11,750	11,000	10,988	8,000	4,500
GHP (State)	1,000	1,000	1,000	1,000	1,000	1,000
P.L. 480	10,150	5,771	0	0	0	0
INCLE	744	0	0	0	0	0
IMET	936	329	777	765	700	650
FMF	496	0	0	998	1,000	3,000
Total	40,510	40,232	50,268	56,017	56,966	58,150

Sources: U.S. Department of State, *Congressional Budget Justification for Foreign Operations, Fiscal Years 2010, 2011, 2012, and 2013*, <http://www.state.gov/ff/releases/iab/index.htm>.

Notes: DA=Development Assistance; GHP=Global Health Programs; P.L. 480=Food For Peace; INCLE=International Narcotics Control and Law Enforcement; IMET=International Military Education and Training; and FMF=Foreign Military Financing.

Additional U.S. Assistance

Honduras receives some U.S. aid beyond the bilateral assistance noted above. Additional sources of U.S. assistance in recent years include the Central America Regional Security Initiative, the Department of Defense, the Millennium Challenge Corporation, and the Peace Corps.

*Central America Regional Security Initiative*¹⁰³

Honduras receives some assistance provided to Central America through the Central America Regional Security Initiative (CARSI, formerly known as Mérida-Central America), which is funded through the State Department's Western Hemisphere Regional account. In addition to providing the seven nations of Central America with equipment, training, and technical assistance to support immediate law enforcement and interdiction operations, CARSI is designed to strengthen the capacities of governmental institutions to address security challenges and the underlying conditions that contribute to them. Congress has appropriated \$466.5 million for CARSI since FY2008, and the Obama Administration has requested an additional \$107.5 million for CARSI in FY2013. It is unclear what percentage of that funding goes to Honduras since the State Department has not provided a public breakdown of CARSI funding by country.

CARSI supports a wide variety of activities in Honduras. Some U.S. agencies are using CARSI funds to establish and support specially-vetted units and task forces. Drug Enforcement Administration (DEA) and Immigration and Customs Enforcement (ICE) vetted units and a U.S.-Honduran joint Financial Crimes Task Force receive equipment and training in support of complex investigations into drug trafficking, money laundering, and arms and bulk cash

¹⁰³ For more information, see CRS Report R41731, *Central America Regional Security Initiative: Background and Policy Issues for Congress*, by Peter J. Meyer and Clare Ribando Seelke.

smuggling. The Federal Bureau of Investigation (FBI) leads a Transnational Anti-Gang unit designed to interrupt criminal gang activity. A Special Victims Task Force—consisting of vetted members of the Honduran National Police, the Public Ministry, and U.S. advisors—is looking into high profile violent crime cases, such as the persecution of journalists and members of the LGBT community. Other CARSI-funded efforts to strengthen Honduran institutions include support for a joint Criminal Investigative School, and border and prison management reforms. CARSI funds are also being utilized to support civil society and municipal government prevention programs. At least 25 community outreach centers have been established to provide vocational training, employment resources, and other opportunities for at-risk youth.¹⁰⁴

Department of Defense

The U.S. Department of Defense provides Honduras with additional security assistance. Congress has authorized the Department of Defense to provide certain types of support for foreign counterdrug efforts, including training, equipment, infrastructure, transportation, reconnaissance, and intelligence analysis.¹⁰⁵ In recent years, this has included the construction of Honduran naval bases in *Caratasca* and on the island of *Guanaja*, both of which are designed to enhance Honduras' capabilities to detect and interdict illicit drug shipments in high volume maritime trafficking corridors.¹⁰⁶ Estimated direct and indirect Department of Defense counternarcotics support totaled \$8.5 million in FY2011, and is expected to total \$4.9 million in FY2012, and \$4.4 million in FY2013.¹⁰⁷

Millennium Challenge Corporation

The Millennium Challenge Corporation (MCC) provided Honduras with a five-year, \$205 million¹⁰⁸ economic growth compact, which was completed in September 2010. The compact had two components: a rural development project to provide farmers with skills to grow and market new crops, and a transportation project to improve roads and highways to link farmers and other businesses to ports and major production centers in Honduras.¹⁰⁹ In January 2011, MCC announced that it would not be renewing the compact. Although Honduras passes 16 of 20 indicators on the MCC scorecard, it performs below the median on corruption. Nevertheless, MCC has declared Honduras eligible for a Threshold Program of up to \$20 million in FY2012. The Threshold Program will address policy barriers to a second MCC compact and economic growth.¹¹⁰

¹⁰⁴ U.S. Embassy in Honduras, "Current CARSI Projects in Honduras," March 6, 2012.

¹⁰⁵ For more information on Department of Defense counterdrug authorities, see CRS Report RL34543, *International Drug Control Policy*, by Liana Sun Wyler.

¹⁰⁶ "Central America: Behind the Growing Presence of the US," *Latin American Security & Strategic Review*, July 2010; U.S. Department of Defense, *Fiscal Year 2010 DoD Foreign Counterdrug Activity Report*, April 4, 2011.

¹⁰⁷ These are estimates as the Department of Defense budgets its counternarcotics assistance by program rather than by country. U.S. Department of Defense, *Counternarcotics (CN) Support for Foreign Countries*, February 17, 2012.

¹⁰⁸ The compact was originally for \$215 million, but the final \$10 million was terminated as a result of the 2009 ouster of President Zelaya.

¹⁰⁹ Millennium Challenge Corporation (MCC), "Honduras Compact: Raising Incomes, Realizing Dreams" November 3, 2010.

¹¹⁰ MCC, "Report on Selection of Eligible Countries for Fiscal Year 2012," December 2011.

Peace Corps

The Peace Corps, which had been active in Honduras since 1963, pulled all 158 of its volunteers out of Honduras in January 2012 as a result of security concerns.¹¹¹ The volunteers worked on projects related to HIV/AIDS prevention and child survival; protected area management; water and sanitation; and business, municipal, and youth development. The Peace Corps conducted a thorough assessment of the program and security conditions in Honduras in February 2012, and is currently considering whether or not to return to the country. More than 5,500 Americans have served in Honduras since the program was founded.¹¹²

Human Rights Conditions on Aid

Since the 2009 ouster of President Zelaya, Members of Congress have expressed serious concerns about the human rights situation in Honduras. A provision in the Consolidated Appropriations Act of 2012 (P.L. 112-74) requires the State Department to withhold some assistance for the Honduran security forces until certain human rights conditions are met. According to the legislation, 20% of the funds appropriated for the Honduran military and police forces must be withheld until the Secretary of State reports that: “the Government of Honduras is implementing policies to protect freedom of expression and association, and due process of law; and is investigating and prosecuting in the civilian justice system, in accordance with Honduran and international law, military and police personnel who are credibly alleged to have violated human rights, and the Honduran military and police are cooperating with civilian judicial authorities in such cases.” The restriction does not apply to assistance designed to promote transparency, anti-corruption, and the rule of law within the military and police forces. Nor does it apply to any of the security support being provided by the U.S. Department of Defense.

In March 2012, a number of Members of Congress signed onto letters to Secretary of State Clinton reiterating their concerns about human rights conditions in Honduras. A letter signed by seven Senators highlighted a broad range of human rights concerns and requested detailed information on the Honduran government’s compliance with the human rights provisions in the FY2012 appropriations legislation.¹¹³ Another letter, which was signed by 94 Representatives, primarily focused on the situation in *Bajo Aguán*. Among other actions, the letter called for the suspension of U.S. assistance to Honduran security forces.¹¹⁴

Security Cooperation

U.S.-Honduran security cooperation goes well beyond the provision of foreign assistance. Among other initiatives, the two countries work together on counternarcotics efforts, maintain close military ties, and cooperate on port security issues.

¹¹¹ “158 Peace Corps Volunteers Leave Honduras,” *Associated Press*, January 16, 2012.

¹¹² Peace Corps, “Frequently Asked Questions: Peace Corps Operations in Honduras, El Salvador, and Guatemala,” March 2012.

¹¹³ Letter from Barbara A. Mikulski, United States Senator, et al. to the Honorable Hillary Clinton, Secretary of State, March 5, 2012.

¹¹⁴ Letter from Jan Schakowsky, United States Representative, et al. to the Honorable Hillary Clinton, Secretary of State, March 9, 2012.

Counternarcotics Cooperation

Honduras is a major transshipment point for illicit narcotics. Approximately 20% of the cocaine trafficked to the United States is transported through the air,¹¹⁵ and 79% of cocaine smuggling flights departing South America land in Honduras.¹¹⁶ Remote areas, such as the *Mosquitia* region along Honduras' northeastern coast, have been particularly vulnerable to such flights given the lack of state presence. After the drug planes land in Honduras, the cocaine continues on toward the United States on subsequent flights or through maritime corridors and overland routes.

Although counternarcotics cooperation was temporarily disrupted by the 2009 political crisis, communication and coordination between U.S. law enforcement and intelligence entities and Honduran military and police elements have improved since President Lobo took office. A high-level task force, co-chaired by President Lobo and the U.S. Ambassador, convenes quarterly to oversee and direct coordination on security sector efforts. As noted above, the United States provides Honduras with extensive assistance to combat drug-trafficking and related security problems through CARSI and other aid programs (see "Foreign Assistance"). Additional counternarcotics support reportedly has been provided through the DEA's Foreign-deployed Advisory Support Team (FAST) program, which deploys detachments of military-trained special agents to train, mentor, and work with specially vetted members of local security forces.¹¹⁷

U.S.-Honduran counternarcotics efforts have produced considerable results. In 2011, the Honduran government (with U.S. support) interdicted over 22 metric tons of cocaine, which is four times the amount of cocaine it interdicted in 2010. The Honduran government also seized 8 kilograms of heroin, 299,000 pseudoephedrine tablets, and the first cocaine processing laboratory to be discovered in Central America in recent years.¹¹⁸ Despite these accomplishments, concerns about criminal infiltration of the Honduran government and security forces could impede future cooperation.¹¹⁹ The State Department asserts that corrections management and police reform will be needed to sustain near-term successes.¹²⁰

Military Ties

The United States maintains a troop presence of about 600 military personnel known as Joint Task Force (JTF) Bravo at Soto Cano Air Base in Honduras. JTF Bravo was first established in 1983 with about 1,200 troops who were involved in military training exercises and in supporting U.S. counterinsurgency and intelligence operations in the region. In the aftermath of Hurricane Mitch in 1998, U.S. troops provided extensive assistance in the relief and reconstruction effort. Today, U.S. troops in Honduras support such activities as disaster relief, medical and humanitarian assistance, counternarcotics operations, and search and rescue operations that benefit Honduras and other Central American countries. Regional exercises and deployments

¹¹⁵ Information provided to CRS by Joint Interagency Task Force South, 2012.

¹¹⁶ U.S. Department of State, Bureau for International Narcotics and Law Enforcement Affairs, *International Narcotics Control Strategy Report (INCSR)*, March 7, 2012, <http://www.state.gov/j/inl/rls/nrcrpt/2012/vol1/184100.htm#Honduras>.

¹¹⁷ Charlie Savage, Randal C. Archibold, and Ginger Thompson, "D.E.A. Squads Extend Reach of Drug War," *New York Times*, November 7, 2011.

¹¹⁸ *INCSR*, 2012, op.cit.

¹¹⁹ See, for example, Ramsey, April 2011, op.cit.; Johnson, April 2011, op.cit.; and Robles, January 2012, op.cit.

¹²⁰ *INCSR*, 2012, op.cit.

involving active duty and reserve components also provide training opportunities for thousands of U.S. troops.

The Honduran military's role in the June 2009 ouster of President Manuel Zelaya led some to reassess the state of U.S.-Honduran military cooperation. Some analysts questioned the effectiveness of such cooperation, arguing that military-to-military contact does not appear to have obtained its desired outcomes given that the Honduran military reportedly cut off contact with the United States prior to the ouster.¹²¹ The events led the United States to temporarily suspend joint military activities as well as some military assistance to the country.¹²² U.S.-Honduran military cooperation resumed following the election of President Lobo, however, with the United States restoring aid and training efforts.¹²³

Port Security

Honduras and the United States have also cooperated on port security. For the United States, port security emerged as an important element of homeland security in the aftermath of the September 11, 2001, terrorist attacks. Honduras views such cooperation as important in order to ensure the speedy export of its products to the United States, which in turn could increase U.S. investment in the country. In March 2006, U.S. officials announced the inclusion of the largest port in Honduras, Puerto Cortés, in the U.S. Container Security Initiative (CSI). CSI is operated by U.S. Customs and Border Protection (CBP), and uses a security regime to ensure that all containers that pose a potential risk for terrorism are identified and inspected at foreign ports before they are placed on vessels destined for the United States. Honduras also participates in the Department of Energy's Megaports Initiative, which supplies ports with equipment capable of detecting nuclear or radioactive materials, and the Secure Freight Initiative (SFI), which deploys equipment capable of scanning containers for radiation and information risk factors before they are allowed to depart for the United States. Puerto Cortés was one of six ports around the world chosen to be part of the first phase of the SFI.

Trade and Investment

U.S. trade and investment linkages with Honduras have increased significantly since the early 1980s. In 1984, Honduras became one of the first beneficiaries of the Caribbean Basin Initiative (CBI), a unilateral U.S. preferential trade arrangement providing duty-free importation for many goods from the region. In the late 1980s, Honduras benefitted from production-sharing arrangements with U.S. apparel companies for duty-free entry into the United States of certain apparel products assembled in Honduras. As a result, *maquiladoras* or export-assembly companies flourished, most concentrated in the north coast region. The passage of the Caribbean Basin Trade Partnership Act in 2000, which provided Caribbean Basin nations with North America Free Trade Agreement (NAFTA)-like preferential tariff treatment, further boosted the *maquila* sector. Trade relations expanded most recently as a result of the Dominican Republic-

¹²¹ See, for example, Adam Isacson, "When Your Aid Recipients Stop Taking Your Calls," *Center for International Policy*, June 28, 2008.

¹²² John J. Kruzell, "U.S. Limits Contact with Honduran Military," *American Forces Press Service*, July 2, 2009; U.S. Department of State, Office of the Spokesman, "U.S. Assistance to Honduras," July 7, 2009.

¹²³ "Honduras: Ties with US Return to Normal," *Latin News Weekly Report*, April 22, 2010.

Central America-United States Free Trade Agreement (CAFTA-DR), which has significantly liberalized trade in goods and services since entering into force with Honduras in April 2006.¹²⁴

Total trade between the United States and Honduras has increased 44% since the implementation of CAFTA-DR, with U.S. exports to Honduras growing by 67% and U.S. imports from Honduras growing by 21%. Since a large portion of Honduran exports entered the United States duty free prior to implementation of the agreement, analysts had predicted that CAFTA-DR would lead to a relatively larger increase in U.S. exports. Total two-way trade amounted to \$10.6 billion in 2011, \$6.1 billion in U.S. exports to Honduras and \$4.5 billion in U.S. imports from Honduras. Similar to previous trade arrangements, CAFTA-DR has provided substantial benefits to the Honduran *maquila* sector. Textiles and apparel (assembled products from the *maquila* sector) account for 60% of U.S. imports from Honduras. Likewise, textile and apparel inputs, such as yarns and fabrics, account for a substantial portion of U.S. exports to Honduras. Other major U.S. exports to Honduras include oil and machinery.¹²⁵

U.S. foreign direct investment in Honduras has also increased since the implementation of CAFTA-DR. Total U.S. foreign direct investment exceeded \$1 billion in 2010, up 27% from \$787 million in 2006.¹²⁶ The most significant U.S. investments are in the *maquila*, manufacturing, tourism, agriculture, telecommunications, and energy sectors. According to the U.S. State Department, relatively low labor costs, proximity to the U.S. market, and Central America's largest port (Puerto Cortés) make Honduras attractive to investors. At the same time, high levels of crime, a weak judicial system, corruption, low levels of educational attainment, and poor infrastructure hamper investment.¹²⁷ Some Members of Congress have raised questions about the investment climate in Honduras as a result of several cases where U.S.-owned companies allegedly have been driven out of business as a result of anticompetitive practices or have been expropriated without compensation.¹²⁸ On June 15, 2011, a bill (H.R. 2200, Rohrabacher) was introduced to limit U.S. assistance to Honduras unless the President certifies that the Government of Honduras has settled all outstanding expropriation claims brought by U.S. companies.

Despite the increases in trade and investment, some analysts have expressed concerns about the implementation of CAFTA-DR. Labor rights provisions have been of particular concern to many in the United States and Honduras. According to the U.S. State Department, Honduran labor laws are generally satisfactory, however, the government frequently fails to enforce them. In 2010, "union leaders were subjected to violence and threats," "employers commonly threatened to close unionized factories and harassed or dismissed workers seeking to unionize," and "factory management in export-processing zones required compulsory overtime, with some factories enforcing this requirement by locking workers inside."¹²⁹ In March 2012, the American Federation of Labor and Congress of Industrial Organizations (AFL-CIO) joined with Honduran

¹²⁴ For more information on CAFTA-DR, see CRS Report R42468, *The Dominican Republic-Central America-United States Free Trade Agreement (CAFTA DR): Developments in Trade and Investment*, by J. F. Hornbeck.

¹²⁵ U.S. Department of Commerce data, as presented by *Global Trade Atlas*, April 2012.

¹²⁶ U.S. Department of Commerce, "U.S. Direct Investment Abroad Tables," *Survey of Current Business*, September 2011.

¹²⁷ U.S. Department of State, Bureau of Economic, Energy and Business Affairs, *2011 Investment Climate Statement - Honduras*, March 2011, <http://www.state.gov/e/eb/rls/othr/ics/2011/157290.htm>.

¹²⁸ U.S. Congress, House Committee on Foreign Affairs, Subcommittee on the Western Hemisphere, *Next Steps for Honduras*, 111th Cong., 2nd sess., March 18, 2010, Serial No. 111-94 (Washington: GPO, 2010).

¹²⁹ U.S. Department of State, Bureau of Democracy, Human Rights and Labor, *2010 Country Reports on Human Rights Practices - Honduras*, April 8, 2011, <http://www.state.gov/j/drl/rls/hrrpt/2010/wha/154510.htm>.

trade unions to file a petition with the U.S. Department of Labor. The petition alleges that the government of Honduras has failed to effectively enforce its labor laws and comply with its commitments under CAFTA-DR, and calls on the U.S. government to engage Honduras on these issues to ensure future compliance.¹³⁰

Migration Issues

Migration issues are central to the U.S.-Honduran relationship as more than 625,000 Hispanics of Honduran origin—the equivalent of nearly 8% of the Honduran population—reside in the United States. Some 428,000 (68%) of the Hondurans in the United States are foreign born, 79% of whom have arrived since 1990.¹³¹ Immigration from Honduras to the United States is primarily driven by high levels of poverty and unemployment. Given the persistence of those conditions, nearly a third of Honduran citizens who still live in their home country would like to emigrate.¹³²

In addition to relieving social pressure, emigration plays an important role in the Honduran economy. Remittances from migrant workers abroad are the largest single source of foreign exchange for Honduras. They more than tripled between 2002 and 2008 before declining in 2009 as a result of the global financial crisis and U.S. recession, which left many Honduran immigrants unemployed.¹³³ Remittances have since recovered, however, growing by 13% in 2011 to reach \$2.9 billion (17% of GDP).¹³⁴ The United States and Honduras have sought to maximize the development impact of remittance flows under the Building Remittance Investment for Development Growth and Entrepreneurship (BRIDGE) Initiative that was launched in September 2010. Under the initiative, the United States and Honduras partner with financial institutions to leverage the remittances they receive to obtain lower-cost, longer-term financing in international capital markets and fund investments in infrastructure, public works, and commercial development.¹³⁵

Temporary Protected Status

Since Hurricane Mitch struck Honduras in 1998, the U.S. government has provided temporary protected status (TPS) to allow eligible Hondurans—who may otherwise be deported—to stay in the United States. Originally slated to expire in July 2000, TPS has now been extended 10 times. The most recent TPS extension came on November 4, 2011, when the Secretary of Homeland Security announced that the United States would continue to provide TPS for an additional 18 months, expiring on July 5, 2013 (prior to this extension, TPS would have expired January 5, 2012). According to the *Federal Register* notice on the most recent extension, the Secretary of

¹³⁰ AFL-CIO, “The AFL-CIO Joins Honduran Trade Unions in Filing a Petition with Department of Labor against Honduran Government for Failing to Enforce Labor Laws under Trade Agreement,” Press Release, March 29, 2012.

¹³¹ Daniel Dockterman, *Hispanics of Honduran Origin in the United States*, Pew Hispanic Center, Statistical Profile, Washington, DC, May 26, 2011.

¹³² UCA & ERIC-SJ, January 2012, op.cit.

¹³³ “Roundtable Discussion: Outlook for Remittances to Latin America in 2010,” *Inter-American Dialogue*, April 12, 2010; “Latin America: Remittances Slide,” *Economist Intelligence Unit*, January 26, 2009.

¹³⁴ Rene Maldonado, Natasha Bajuk, and Maria Luisa Hayem, *Remittances to Latin America and the Caribbean: Regaining Growth*, Inter-American Development Bank, Multilateral Investment Fund, Washington, DC, 2012, <http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=36723460>.

¹³⁵ Department of State, Office of the Spokesman, “U.S. BRIDGE Initiative Commitments with El Salvador and Honduras,” September 22, 2010.

Homeland Security determined that the extension was warranted because there continues to be a substantial, but temporary, disruption of living conditions in Honduras resulting from Hurricane Mitch, and Honduras remains temporarily unable to adequately handle the return of its nationals.¹³⁶ An estimated 66,000 Hondurans residing in the United States benefit from TPS.¹³⁷

Deportations

Deportations to Honduras have increased significantly over the past decade. Approximately 23,800 Hondurans were deported from the United States in FY2011, making Honduras one of the top recipients of deportees on a per capita basis.¹³⁸ Increasing deportations from the United States have been accompanied by similar increases in deportations from Mexico, a transit country for Central American migrants bound for the United States. Honduran policymakers are concerned about their country's ability to absorb the large volume of deportees, as it is often difficult for those returning to the country to find gainful employment. Individuals who do not speak Spanish, who are tattooed, who have criminal records, and/or who lack familial support face additional difficulties re-integrating into Honduran society. In addition to these social problems, leaders are concerned that remittances may start to fall if the current high rates of deportations continue.¹³⁹

Some analysts contend that increasing U.S. deportations of individuals with criminal records has exacerbated the gang problem in Honduras and other Central American countries. Between 2000 and 2004, an estimated 20,000 unauthorized immigrants with criminal convictions were sent back to Central America, many of whom had spent time in prisons in the United States for drug and/or gang-related offenses. Some observers contend that gang-deportees have "exported" a Los Angeles gang culture to Central America, and that they have recruited new members from among the local populations.¹⁴⁰ ICE does not provide receiving countries with the complete criminal records or gang affiliations of deportees, however, it may provide them with some information regarding deportees' criminal histories and gang affiliations when specifying why the deportees were removed from the United States. Likewise, receiving countries may contact the FBI to request criminal history checks on particular criminal deportees once they have arrived. Nearly 48% of the Hondurans deported from the United States in FY2011 were removed on criminal grounds.¹⁴¹

Trafficking in Persons

According to the State Department's 2011 Trafficking in Persons (TIP) Report, Honduras is primarily a source and transit country for men, women, and children trafficked for the purpose of

¹³⁶ Department of Homeland Security, "Extension of the Designation of Honduras for Temporary Protected Status and Automatic Extension of Employment Authorization Documentation for Honduran TPS Beneficiaries," *76 Federal Register* 68488-68493, November 4, 2011.

¹³⁷ For more information on TPS, see CRS Report RS20844, *Temporary Protected Status: Current Immigration Policy and Issues*, by Ruth Ellen Wasem and Karma Ester.

¹³⁸ Information provided to CRS by the Department of Homeland Security, Immigration and Customs Enforcement, Office of Congressional Relations, October 31, 2011.

¹³⁹ Pamela Constable, "Deportees' Bittersweet Homecoming; Migration is Boon, Bane for Honduras," *Washington Post*, June 27, 2007.

¹⁴⁰ Ana Arana, "How the Street Gangs Took Central America," *Foreign Affairs*, May/June 2005.

¹⁴¹ Information provided to CRS by the Department of Homeland Security, Immigration and Customs Enforcement, Office of Congressional Relations, October 31, 2011.

commercial sexual exploitation and forced labor. Many victims are recruited from rural areas with promises of employment and later subjected to forced prostitution in urban and tourist locales such as Tegucigalpa, San Pedro Sula, and the Bay Islands. Destination countries for trafficked Honduran women and children include Belize, El Salvador, Guatemala, Mexico, and the United States. There are also foreign victims of commercial sexual exploitation in Honduras, most having been trafficked from neighboring countries, including economic migrants en route to the United States. According to a Honduran non-governmental organization, 10,000 children in Honduras are victims of commercial sexual exploitation and some 500,000 are subject to child labor.¹⁴²

The State Department maintains that Honduras does not fully comply with the minimum standards for the elimination of trafficking, however, it notes that the government is making significant efforts to do so. As a result, Honduras is considered a so-called “Tier 2” country. The State Department’s 2011 report recognized the Honduran government’s law enforcement actions against child sex traffickers, the creation of a draft comprehensive anti-trafficking law, and the launch of an anti-trafficking hotline. Nevertheless, the report maintained that the Honduran government provided minimal services for trafficking victims, that laws failed to prohibit trafficking for forced labor, and that the number of trafficking-related convictions had decreased. The State Department’s recommendations for Honduras include passing a comprehensive anti-trafficking law that prohibits forced labor; increasing efforts to investigate and prosecute trafficking offenses; ensuring that specialized services and shelter are available to trafficking victims; and developing formal procedures for identifying and assisting victims.¹⁴³

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¹⁴² “Casa Alianza: En Honduras 10,000 Niños Sufren Explotación Sexual,” *El Tiempo* (Honduras), June 11, 2011.

¹⁴³ U.S. Department of State, Office to Monitor and Combat Trafficking in Persons, *Trafficking in Persons Report*, June 2011, <http://www.state.gov/j/tip/rls/tiprpt/2011/index.htm>.