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Honduras: Background and U.S. Relations

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Summary

Honduras, a Central American nation of 8.4 million people, has had close ties with the United States over many years. The country served as a base for U.S. operations in Central America during the 1980s, and it continues to host a U.S. military presence and cooperate on antidrug efforts today. Trade and investment linkages are also long-standing and have grown stronger since the implementation of the Dominican Republic-Central America-United States Free Trade Agreement (CAFTA-DR) in 2006. Migration is another central concern in bilateral relations as more than 530,000 Hondurans reside in the United States—67% of whom are undocumented.

Domestic Situation

Instability in recent years, such as a coup in 2009 and a spike in emigration in 2014, has led U.S. policymakers to focus greater attention on the domestic situation in Honduras.

President Juan Orlando Hernández of the conservative National Party was inaugurated to a four-year term in January 2014. Since taking office, he has made some progress in combatting corruption and putting public finances on a more sustainable path. His administration also has had some success in apprehending high-level drug traffickers and dismantling their criminal networks. In 2014, annual economic growth accelerated from 2.8% to 3.1%, and the homicide rate fell from 79 homicides per 100,000 residents to 68 homicides per 100,000 residents.

Nevertheless, considerable challenges remain. Many Hondurans have lost faith in the political system, and Hernández and his party have engaged in political maneuvers that have further weakened the country's democratic institutions. Honduras also continues to be one of the poorest and most unequal countries in Latin America. Nearly 65% of households live below the poverty line, and 43% live in extreme poverty. Moreover, while the homicide rate has fallen, Honduras remains one of the most violent countries in the world, and impunity is widespread.

U.S. Policy

Current U.S. policy in Honduras is focused on strengthening democratic governance, including the promotion of human rights and the rule of law; enhancing economic prosperity; and improving the long-term security situation in the country. To advance these policy objectives, the United States provides Honduras with substantial amounts of foreign assistance, maintains significant security and commercial ties, and engages on issues such as migration and human rights.

The 114th Congress is likely to consider several legislative measures that will influence the direction of U.S.-Honduran relations. As it considers annual foreign aid appropriations, Congress will decide whether to fully fund President Obama's \$1 billion request for Central America, which includes at least \$163 million in bilateral aid to promote prosperity, security, and good governance in Honduras. It will also decide whether to maintain the current withholding requirement on assistance to Honduran security forces, which requires the State Department to certify that the country is making progress on human rights issues. Additionally, Congress is considering Department of Defense support for Honduras. Both the House of Representatives and the Senate Armed Services Committee have approved versions of the FY2016 National Defense Authorization Act (H.R. 1735 and S. 1376) that recommend increasing Department of Defense security assistance to Central America by \$50 million.

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Domestic Situation

Honduras, a Central American nation of 8.4 million people, faces significant domestic challenges. The country has held regular elections for nearly three decades, yet democracy remains fragile. Many Hondurans have lost faith in the political system as a result of widespread corruption and ineffective governance. While President Juan Orlando Hernández has made some progress in improving government transparency since taking office in January 2014, he and his party have engaged in political maneuvers that have weakened the country's democratic institutions.

Honduras's once predominantly agricultural economy has diversified since the 1990s as the government's efforts to attract foreign investment have spurred growth in the *maquila* (offshore assembly for re-export) sector and the development of non-traditional exports. Although the country's insertion into the global economy has resulted in modest economic growth and slight improvements in living standards, Honduras remains one of the poorest and most unequal countries in Latin America. In addition to these social disparities, President Hernández inherited a significant fiscal deficit. In an effort to put public finances on a more sustainable path, he has signed an agreement with the International Monetary Fund that will provide Honduras with necessary financing but will constrain the Honduran government's policy options.

Security conditions in Honduras, which were already poor, have deteriorated over the past decade. Common crime is widespread, human rights abuses—such as attacks on journalists and social activists—have increased, and the country has one of the highest homicide rates in the world. President Hernández has sought to address these problems with hardline security policies, such as deploying the military to carry out law enforcement operations. Homicides have declined significantly over the past two years, and his administration has had some success in apprehending high-level drug traffickers and dismantling their criminal networks. Rule of law institutions remain weak, however, and impunity is widespread.

These political, economic, and security challenges are interrelated. High levels of inequality are correlated with high levels of violence, and insecurity discourages investment and leads to weaker support for the political system.¹ These conditions have also produced instability in Honduras, such as a major political crisis in 2009 and a surge in emigration in 2014.

Honduras at a Glance

Area: 112,000 sq. km (slightly larger than Virginia)

Population: 8.4 million (2015 est.)

GDP: \$20 billion (2015 est.)

GDP per Capita: \$2,361 (2015 est.)

Top Exports: coffee, electric machinery parts, seafood, bananas and other edible fruit, palm oil (2014)

Poverty Rate: 64.5% of homes (2013)

Extreme Poverty Rate: 42.6% of homes (2013)

Adult Literacy Rate: 85.5% (2013)

Infant Mortality Rate: 24 per 1,000 live births (2013)

Life Expectancy: 74 years (2015)

Sources: Library of Congress, International Monetary Fund, Global Trade Atlas, Instituto Nacional de Estadística de Honduras; and U.N. Economic Commission for Latin America and the Caribbean

¹ U.N. Office on Drugs and Crime (UNODC), *Global Study on Homicide: Trends, Contexts, Data*, 2011; 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.

Figure I. Map of Honduras



Source: Map Resources, adapted by CRS.

Politics and Governance

Background

Honduras, which declared independence from Spain in 1821, has struggled with political instability and authoritarian governance for much of its history. The military has traditionally played an influential role in politics, most recently governing Honduras from 1963 to 1971 and again from 1972 to 1982. Honduras adopted a new constitution—the 16th since independence—as the country transitioned back to civilian rule. It provides for a presidential system of government, with a separation of powers among the executive, legislative, and judicial branches.²

Although Honduras experienced nearly three decades of relatively stable electoral democracy following the end of military rule, it was thrown into political crisis on June 28, 2009. Then-President Manuel Zelaya, who was elected as a moderate member of the Liberal Party (*Partido*

² Tim L. Merrill, ed. *Honduras: A Country Study*, 3rd ed. (Washington, DC: Library of Congress, Federal Research Division, 1995), p. 174. (Hereinafter: Library of Congress, 1995).

Liberal, PL) but governed in a populist manner, was detained by the Honduran military and flown into forced exile. The Honduran Supreme Court and a majority of the legislators in the unicameral Honduran National Congress backed the ouster, ostensibly as a result of Zelaya's determination to push ahead with a non-binding referendum on the possibility of constitutional reform despite judicial orders forbidding it. Zelaya was never given due process, however, and a truth and reconciliation commission appointed to investigate the ouster (along with most other legal and political analysts) declared it a "coup d'état."³ The head of the Honduran Congress, Roberto Micheletti, assumed the presidency for the remaining seven months of Zelaya's term, maintaining tight control of society and steadfastly opposing pressure to restore Zelaya to office.⁴

In January 2010, after seven months of domestic political crisis and international isolation, Porfirio Lobo of the conservative National Party (*Partido Nacional*, PN) was inaugurated as president of Honduras. He was elected in a November 2009 presidential election, which had been scheduled prior to the coup but was viewed as illegitimate by some sectors of the population. Lobo took a number of steps to lead Honduras out of crisis, such as providing political amnesty to Zelaya and those who removed him from office, appointing a truth and reconciliation commission to investigate the ouster, and negotiating Zelaya's return from exile. While these measures won support from the international community and initially restored a measure of stability to Honduras, they were less successful in strengthening democratic institutions. In December 2012, the PN-controlled Congress replaced four members of the Supreme Court who had declared several recently enacted laws unconstitutional. Although the Honduran Minister of Justice and Human Rights asserted that the move was illegal and threatened the independence of the judiciary, it was never overturned.⁵

The 2009 coup appears to have been a tipping point for the two-party system that has governed Honduras since it reestablished civilian rule. The country's traditional parties, the PL and the PN, are both considered to be ideologically center-right (though the PL historically had a center-left wing). In practice, "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."⁶ Hondurans' ties to the PL and PN had been weakening for years as a result of the parties' failure to adequately address citizens' concerns. In the aftermath of the 2009 coup, some Hondurans that previously supported the PL joined former President Zelaya in leaving the party and founding the left-leaning Liberty and Re-foundation (*Libertad y Refundación*, LIBRE) party. Other Hondurans have expressed their discontent with the PL and PN by supporting the new Anti-Corruption Party (*Partido Anticorrupción*, PAC).

³ 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. Also see Edmundo Orellana, "El 28 de Junio y la Constitución," *La Tribuna* (Honduras), August 1, 2009; and Tim Johnson, "All Parties Broke Law in Honduras Coup, Envoy Wrote," *McClatchy*, November 28, 2010.

⁴ For more information on the 2009 political crisis, see CRS Report R41064, *Honduran Political Crisis, June 2009-January 2010*, by Peter J. Meyer.

⁵ "Se Conculcó Principio de Independencia," *El Heraldo* (Honduras), December 18, 2012.

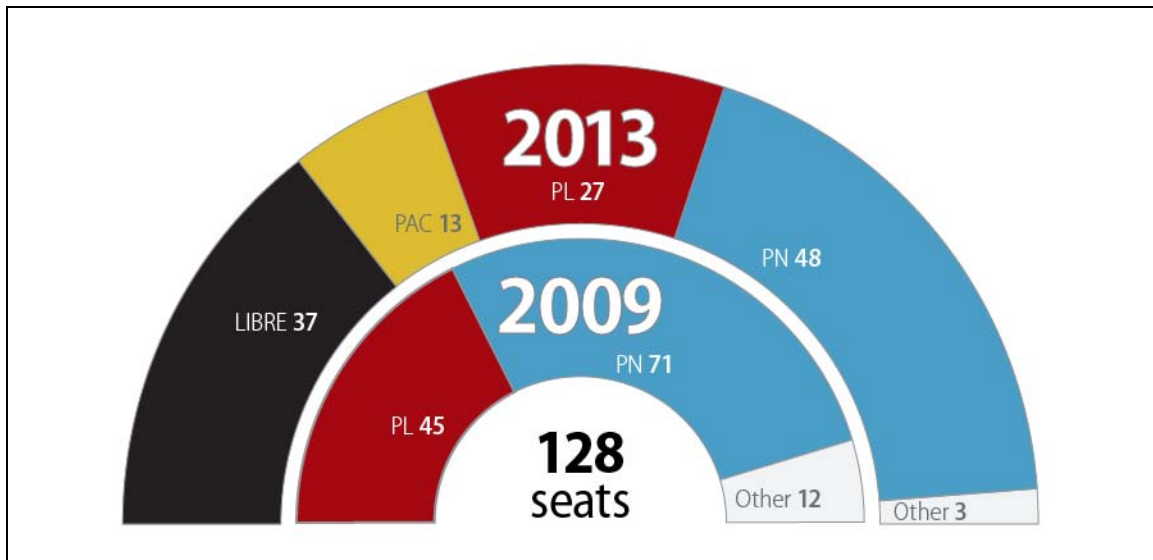
⁶ Library of Congress, 1995, op. cit., p. 174; several more recent studies of the Honduran party system offer similar analysis. See, for example, Ramón Romero, "Los Partidos Políticos y el Estado Hondureño: Evidencias de la Miopía Partidaria," in *Golpe de Estado: Partidos, Instituciones, y Cultura Política* (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.

Hernández Administration

President Juan Orlando Hernández of the conservative PN was inaugurated to a four-year term on January 27, 2014. He assumed office in a relatively weak position politically, having won the November 2013 presidential election with just 37% of the vote.⁷ Hernández's PN also lost its majority in the unicameral Honduran National Congress in the concurrent legislative elections, falling from 71 seats to 48 seats (see **Figure 2**).

Figure 2. Party Affiliation in the Honduran National Congress

Seat distribution following the 2009 and 2013 elections



Source: Prepared by Amber Hope Wilhelm, CRS Graphics Specialist.

Nevertheless, President Hernández has been able to implement much of his policy agenda. Prior to Hernández's inauguration, the outgoing, PN-controlled Congress enacted a fiscal reform that significantly increased government revenues, approved a 2014 budget, and gave the president broad powers to modify the government bureaucracy. The PN was also able to secure control of the leadership of the new Congress after reaching an agreement with the PL.

Hernández primarily focused on reducing crime and violence during the first year of his term. He relied heavily on the military and the military police (*Policía Militar de Orden Público*) to carry out law enforcement operations, apprehended and extradited several high-level (and politically connected) Honduran drug traffickers, and pushed ahead with a plan—opposed by the U.S. government—to allow the military to shoot down civilian aircraft suspected of engaging in illicit activities. While Hernández has generally received broad legislative support for his security policies, the opposition political parties joined together to defeat his attempt to enshrine the military police force in the constitution in January 2015. Following the defeat, Hernández called for a popular referendum on the issue during the November 2017 general election. Such a

⁷ Hernández was followed by Xiomara Castro of LIBRE at 29%, Mauricio Villeda of the PL at 20%, Salvador Nasralla of the PAC at 13%, and four other candidates that split less than 1% of the vote. Tribunal Supremo Electoral, "Resultado Presidencial," December 2013.

referendum would have to be approved by the Honduran Congress. (For more information on Honduran security policies, see “Security Conditions” and “Security Cooperation” below.)

The Hernández Administration has also taken a number of high-profile actions to combat corruption. Several prominent officials, including members of President Hernández’s own political party, have been arrested and prosecuted on corruption allegations. These include two mayors and the former head of the Honduran Social Security Institute, who is accused of embezzling \$300 million.⁸ Honduran authorities are reportedly investigating whether the embezzled funds were used to fund the PN’s 2013 election campaign.⁹ President Hernández has also intervened in a variety of government institutions, removing personnel and sometimes completely replacing agencies. In October 2014, Hernández signed an agreement with Transparency International and its local chapter that requires the Honduran government to disclose information on financial and human resource management, with a particular focus on key areas such as education, healthcare, infrastructure, tax administration, and security. The agreement is in the early stages of implementation.

Despite these actions, some observers have questioned the Hernández Administration’s commitment to transparency. Just before Hernández took office, the outgoing, PN-controlled Congress adopted the “Law for the Classification of Public Documents Related to Security and National Defense,” which allows the government to classify contracts, data, and other information that could “threaten national security” for up to 25 years. Critics have charged that the law could be used to cover up corruption and that it threatens freedom of expression by prohibiting journalists from publishing certain information.¹⁰ The Honduran government has also reportedly withheld some crime data that it had previously provided to the Violence Observatory at the National Autonomous University of Honduras. This led some security analysts to question the Hernández Administration’s claims about reductions in violence. The Honduran government eventually relented and signed a cooperation agreement with the university in January 2015.¹¹

Although the next presidential election is not scheduled to be held until November 2017, much of the current political debate in Honduras concerns the possibility that President Hernández will run for reelection. The Honduran constitution explicitly prohibits presidential reelection or even advocating for it.¹² However, in April 2015, the Honduran Supreme Court ruled that those provisions of the constitution are invalid in response to two petitions brought by former president Rafael Callejas (1990-1994) of the PN and a group of PN legislators. While Callejas has said that he intends to run for a second term, many observers think the PN politicians were acting on behalf of President Hernández. Given his current approval rating, Hernández could be well placed

⁸ “Honduras: Zelaya Held up as Public Enemy Number One,” *Latin American Regional Report: Caribbean & Central America*, September 2014.

⁹ “Honduras Investigating Financing of Ruling National Party,” Associated Press, May 15, 2015.

¹⁰ “‘Ley de Secretos’ Amenaza Libre Expresión,” *El Heraldo* (Honduras), April 20, 2015; Sarah Kinoshian, “The Law of Secrets: What the Honduran Government Doesn’t Want People to Know,” *Security Assistance Monitor*, February 17, 2015.

¹¹ David Gagne, “Is Honduras Faking Its Falling Homicide Rates?” *InSight Crime*, August 13, 2014; “Unah y Seguridad Firma Convenio de Cooperación,” *La Prensa* (Honduras), January 8, 2015.

¹² Article 239 of the 1982 Honduran constitution states: “A citizen who has held the title of the Executive Power may not be President or a Designate. He that violates this provision or advocates its amendment, as well as those that directly or indirectly support him, shall immediately cease to hold their respective offices and shall be disqualified for ten years from exercising any public function.”

for reelection. According to a January 2015 poll, 52% of Hondurans thought Hernández's first year in office was good or very good while 31% thought it was bad or very bad.¹³

The political opposition and some outside analysts contend that the ruling on reelection is the latest attempt by President Hernández and the PN to consolidate power in Honduras.¹⁴ The justices that ruled on the case were all put in place after the Honduran Congress—then led by Hernández—deposed four judges in an action that appeared to be of questionable legality in December 2012. Similarly, on the last day of legislative session in January 2014, the outgoing, PN-controlled Congress appointed a slate of justices to the Supreme Electoral Tribunal, which is in charge of carrying out elections in Honduras. The appointments appear to have been made in an irregular fashion since new justices were not scheduled to be named until after the new, more ideologically diverse Congress took office.¹⁵

Economic and Social Conditions

Background

The Honduran economy is one of the least developed in Latin America. Historically, the country's economic performance was closely tied to the prices of agricultural commodities. The banana industry was dominant in the first half of the 20th century, and coffee and other agricultural exports grew in importance after the Honduran government implemented policies designed to encourage agricultural modernization and diversification in the 1950s. Although traditional agricultural exports remain important, the Honduran economy has changed considerably over the past three decades. Since the late 1980s, the Honduran government has privatized state-owned businesses, lowered taxes and tariffs, and offered incentives to attract foreign investment. These changes spurred rapid growth in the *maquila* (offshore assembly for re-export) sector—particularly in the apparel, garment, and textile industries—and led to the development of non-traditional exports such as seafood and African palm. As a result of these open economic policies, the performance of the Honduran economy has become increasingly dependent on economic conditions abroad, particularly in the United States.¹⁶

Although the insertion of Honduras into the global economy has resulted in modest economic growth and slight improvements in living standards, it remains one of the poorest and most unequal countries in Latin America. Since 1990, the Honduran economy has grown by an average of 3.5% annually, and gross domestic product (GDP) has increased from \$6.2 billion to an estimated \$20 billion. Per capita income has grown at a slower rate, however, and remains relatively low at \$2,361.¹⁷ Moreover, the country's income distribution is heavily skewed toward

¹³ Equipo de Reflexión, Investigación y Comunicación - Compañía de Jesús (ERIC-SJ), *Percepciones sobre la Situación Hondureña en el Año 2014*, January 2015, p. 15.

¹⁴ Tracy Wilkinson, "A Honduran Coup Comes Full Circle," *Los Angeles Times*, April 28, 2015; Fulton Armstrong, "Honduras: Dare Anyone Criticize?" *AULA Blog*, May 1, 2015.

¹⁵ "Disuelven la CRSP y Eligen a Magistrados del TSE 6 Meses Antes," *La Prensa* (Honduras), January 20, 2014; "Eligen Magistrados del TSE y Directores del RNP," *El Heraldo* (Honduras), January 21, 2014.

¹⁶ Library of Congress, 1995, op. cit.; Economist Intelligence Unit, *Honduras: Country Profile*, 2008; and Jamie K. McCallum, *Export Processing Zones: Comparative Data from China, Honduras, Nicaragua, and South Africa*, International Labour Organization, working paper no. 21, March 2011.

¹⁷ International Monetary Fund (IMF), *World Economic Outlook Database, April 2015*, April 14, 2015.

the wealthiest Hondurans.¹⁸ The Gini coefficient, which is used to measure income concentration, is 0.57 in Honduras, well above the Latin American average of 0.50 and the Organisation for Economic Cooperation and Development (OECD) average of 0.31.¹⁹ As of 2013, nearly 65% of Honduran households lived in poverty, and 43% lived in extreme poverty.²⁰

Hernández Administration

President Hernández inherited a difficult fiscal situation upon taking office in January 2014. While the Honduran economy expanded by an annual average of 3.6% from 2010-2013, the Honduran government's budget deficit grew significantly, reaching an estimated 7.6% of GDP.²¹ Weak tax collection, increased (and non-transparent) expenditures, and losses at state-owned enterprises all contributed to the deficit.²² As a result of these fiscal imbalances, general government gross debt quickly climbed from 28% of GDP in 2009 to 45% of GDP in 2013, partially reversing the effects of previous international debt relief initiatives.²³ As the Honduran government struggled to obtain financing for its obligations, public employees and contractors occasionally went unpaid, and basic government services were interrupted.

During the first year of his term, Hernández negotiated a \$188.6 million financing agreement with the International Monetary Fund (IMF). Under the agreement, the IMF is providing the Honduran government with access to \$113.2 million through a Stand-By Arrangement and \$75.4 million under a Stand-By Credit Facility to support a three-year economic program. In exchange for the financing, the Honduran government made a number of commitments, including reducing the budget deficit to 2% of GDP by 2017 and carrying out structural reforms related to the electricity and telecommunications sectors, pensions funds, public private partnerships, and tax administration.²⁴

The Hernández Administration met the IMF's benchmarks for 2014, reducing the deficit to 4.3% of GDP.²⁵ This reduction was largely the result of a fiscal reform enacted in December 2013 by the outgoing, PN-controlled Congress. Although the political opposition has criticized the fiscal reform for being regressive and repealed some portions of it in January 2014, it contributed to an 18% increase in government revenues. To reduce government expenditures, the Hernández Administration carried out major staff cuts at the state-controlled electricity producer, ENEE (*Empresa Nacional de Energía Eléctrica*), and the state-controlled telecommunications company,

¹⁸ IMF, April 2015, op. cit.

¹⁹ The Gini coefficient is the most commonly used measure of inequality. A value of 0.0 represents absolute equality and a value of 1.0 represents absolute inequality. U.N. Economic Commission for Latin America and the Caribbean (ECLAC), *Social Panorama of Latin America*, December 2014, pp. 119-120; and OECD, "Income Distribution," *OECD Social and Welfare Statistics*, 2013.

²⁰ Instituto Nacional de Estadística, *Cifras de País 2013: Pobreza*, 2013.

²¹ IMF, April 2015, op. cit.

²² IMF, "Statement at the Conclusion of the 2014 Article IV Mission to Honduras," press release, April 8, 2014; Instituto Centroamericano de Estudios Fiscales (ICEFI), *Análisis de los Compromisos y Desafíos del Nuevo Gobierno, Presidido por Juan Orlando Hernández (Partido Nacional)*, January 27, 2014.

²³ Between 2005 and 2007, the IMF, World Bank, and Inter-American Development Bank provided Honduras with \$2.4 billion in debt relief. IMF, April 2015, op. cit.

²⁴ IMF, "IMF Executive Board Approves US\$113.2 Million Stand-By Arrangement and US\$75.4 Million Stand-By Credit Facility for Honduras," press release, December 4, 2014.

²⁵ IMF, "IMF Concludes Review Mission to Honduras," press release, March 17, 2015.

HONDUTEL (*Empresa Hondureña de Telecomunicaciones*).²⁶ The Hernández Administration committed to partially privatizing both companies as part of the IMF program.

Despite these austerity measures, the Honduran economy grew by 3.1% in 2014. Economic growth is expected to accelerate to 3.3% in 2015 and 3.4% in 2016, driven by economic recovery in the United States, increased investment, and the fall in global oil prices. Economists maintain that the Honduran economy's growth potential is restricted by weak productive capacity, high levels of crime and violence, a poorly educated workforce, and high levels of poverty and inequality.²⁷

In addition to continuing to abide by the IMF agreement in 2015, the Hernández Administration intends to push ahead with its controversial proposal to establish "Employment and Economic Development Zones" (*Zonas de Empleo y Desarrollo Económico, ZEDES*). In these specially designated areas, the Honduran government would grant administrative autonomy to foreign investors to enact their own laws, set up their own judicial systems, and carry out other duties usually reserved for governments. Supporters of the ZEDES maintain they will create jobs by attracting investment that would otherwise be deterred by corruption and instability. Critics of the ZEDES assert that they would effectively privatize national territory and deprive Honduran communities of their rights to democratically elect their leaders.²⁸

Security Conditions

Background

Security conditions in Honduras have deteriorated considerably over the past decade. The homicide rate, which was already high at 31 murders per 100,000 residents in 2004, rose rapidly to a peak of 86.5 murders per 100,000 residents in 2011 (see **Figure 3** below).²⁹ While homicides have declined since then, Honduras continues to have one of the highest murder rates in the world.³⁰ Common crime is also widespread. In a January 2015 poll, 25% of Hondurans reported that they or a family member had been the victim of a crime in the past year.³¹ According to U.N. Development Programme (UNDP) estimates, these high rates of crime and violence cost Honduras the equivalent of 10.5% of gross domestic product (GDP) annually.³²

A number of interrelated factors have contributed to the poor security situation in Honduras. Widespread poverty, fragmented families, and a dearth of legitimate employment opportunities leave many Hondurans susceptible to recruitment by gangs and other criminal groups. An estimated 12,000 Honduran youth are members of the *Mara Salvatrucha* (MS-13) or the "18th

²⁶ "Honduras: Slowly getting back on Its Feet," *Latin American Regional Report: Caribbean & Central America*, March 2015.

²⁷ "Honduras: Country Report," Economist Intelligence Unit, April 29, 2015.

²⁸ Maya Kroth, "Under New Management," *Foreign Policy*, September 1, 2014.

²⁹ UNAH, Observatorio de la Violencia, *Boletín Nacional, Edición No.32 (Enero – Diciembre 2013)*, February 2014.

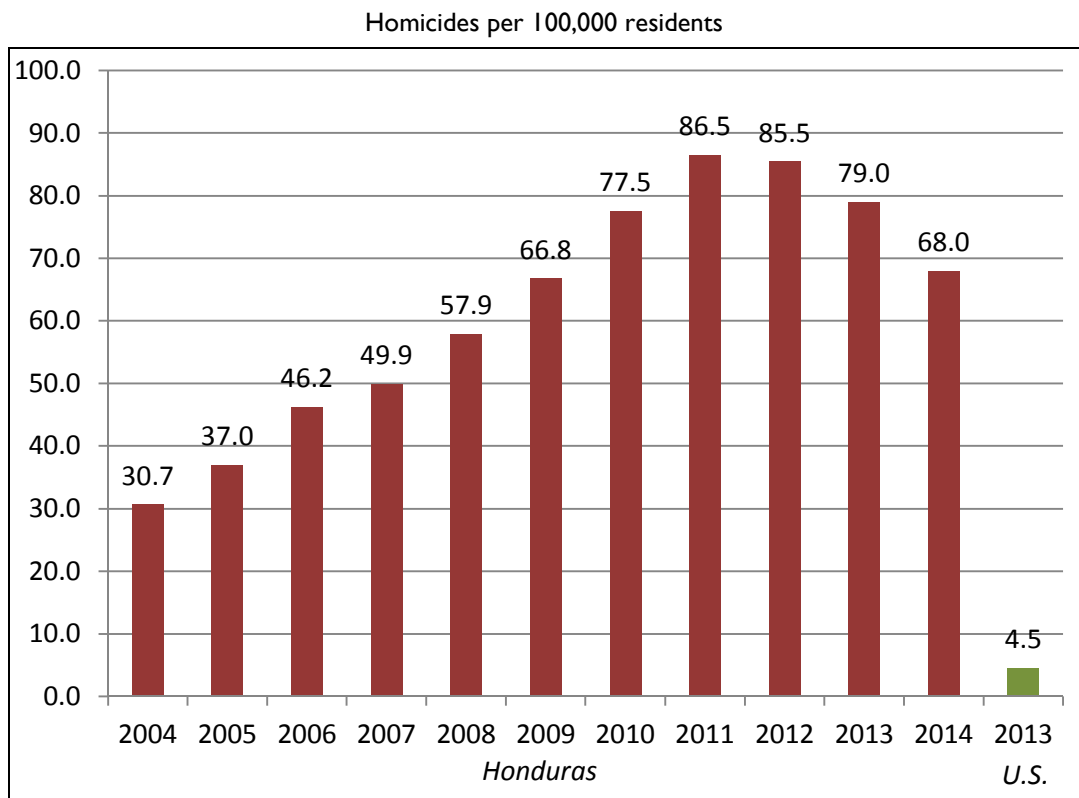
³⁰ UNODC, *Global Study on Homicide 2013: Trends, Contexts, Data*, March 2014.

³¹ ERIC-SJ, January 2015, op. cit., p. 15.

³² United Nations Development Programme (UNDP), *Citizen Security with a Human Face: Evidence and Proposals for Latin America*, Regional Development Report 2013-2014, November 2013, p. 103.

Street” (M-18) gang.³³ These organizations engage in kidnapping, drug dealing, and extortion, among other criminal activities, and appear to be responsible for a substantial portion of homicides and much of the crime that affects citizens on a day-to-day basis.³⁴ Honduras also serves as an important drug-trafficking corridor as a result of its location between cocaine-producing countries in South America and the major consumer market in the United States. Heavily armed and well-financed transnational criminal organizations have sought to secure control of Honduran territory by battling one another and local affiliates and seeking to intimidate and infiltrate Honduran institutions. Honduran security forces and other rule of law institutions generally lack the personnel, equipment, and training necessary to respond to these threats, and have struggled with systemic corruption. Consequently, most crimes in Honduras are committed with impunity. Of all the homicides committed between 2010 and 2013, only 4% ended in convictions.³⁵

Figure 3. Homicide Rate in Honduras: 2004-2014



Source: CRS presentation of data from Universidad Nacional Autonoma de Honduras, Observatorio de la Violencia. U.S. homicide data, provided as a point of comparison, from the Federal Bureau of Investigation (FBI).

³³ UNODC, *Transnational Organized Crime in Central America and the Caribbean: A Threat Assessment*, September 2012, p. 29.

³⁴ For more information, see CRS Report RL34112, *Gangs in Central America*, by Clare Ribando Seelke.

³⁵ “Homicidios en Honduras Impunes en un 96%,” *El Heraldo* (Honduras), November 24, 2014.

Hernández Administration

President Hernández campaigned on a hardline security platform, repeatedly pledging “I’ll do whatever I have to do” to reduce crime and violence in Honduras.³⁶ Upon taking office, he immediately ordered the military and the police into the streets of the capital to conduct intensive patrols of high-crime neighborhoods. Among the units involved in the ongoing operation are two hybrid forces Hernández helped establish while he was the head of the Honduran Congress: the military police force (*Policía Militar de Orden Público*, PMOP), which is under the control of the Ministry of Defense, and the “tigers” (*Tropa de Inteligencia y Grupos de Respuesta Especial de Seguridad*, TIGRES), an elite, military-trained police unit under the control of the National Police. An inter-agency task force known as FUSINA (*Fuerza de Seguridad Interinstitucional*) is charged with coordinating the efforts of the various military and police forces, intelligence agencies, public prosecutors, and judges.

The Hernández Administration has also gone after transnational criminal organizations, seizing their assets and apprehending several high-level drug traffickers. Those targeted have included the Valle family, the *Cachiros*, and José Miguel “Chepe” Handal Perez, all of whom are thought to have ties to political and business elites in Honduras.³⁷ Honduras has extradited seven of its nationals to the United States to stand trial for drug trafficking. Prior to the Hernández Administration, Honduras had never extradited a Honduran citizen.³⁸

President Hernández maintains that these policies have produced significant improvements in security conditions in Honduras. During his first year in office, the Honduran authorities reportedly arrested more than 13,200 people, confiscated nearly 3,700 firearms, and seized 11,700 kilograms of cocaine.³⁹ Total homicides fell by 12% from 6,757 in 2013 to 5,936 in 2014.⁴⁰

Most analysts contend that any gains that have been achieved are likely to be short-lived unless the Honduran government adopts more comprehensive security policies. Previous experiences in Latin America suggest that while sending the military into the streets can be quite popular politically, doing so usually fails to produce sustainable improvements in security conditions and often leads to human rights violations.⁴¹ Analysts maintain that Honduras should place greater emphasis on reforming the police force, strengthening criminal investigations and prosecutions, and expanding crime and violence prevention programs.⁴² While the Hernández Administration has acknowledged the need to address these issues, it has not made them a budget priority. Of the \$198 million collected through the country’s security tax between 2012 and March 2015, 44% was allocated to the military. In comparison, 28% was allocated to the police, 7% was allocated to prevention programs, and 3% was allocated to public prosecutors.⁴³

³⁶ Alberto Nájjar, “Juan Orlando Hernández: La ‘Metamorfosis’ de un Candidato,” *BBC Mundo*, November 24, 2013.

³⁷ David Gagne and Kyra Gurney, “What’s Behind Honduras’ Arrest of ‘Narco’ Politician,” *InSight Crime*, March 13, 2015; Steven Dudley, “Murder of Two Political Elites Shakes Honduras,” *InSight Crime*, April 14, 2015.

³⁸ “Honduras Extradites a Seventh Drug Boss,” Economist Intelligence Unit, February 13, 2015.

³⁹ “Honduras: Fusina Celebra Su Primer Aniversario,” *El Heraldo* (Honduras), January 28, 2015.

⁴⁰ UNAH, February 2015, op. cit., p. 4.

⁴¹ Daniela Castro, “Experts Seek End to Militarization of LatAm Policing,” *InSight Crime*, September 25, 2013.

⁴² Lisa Haugaard, “The Key to Everything: Investigations and Justice in Honduras,” *Security Assistance Monitor*, February 12, 2015.

⁴³ Comité Técnico del Fideicomiso para la Administración del Fondo de Protección y Seguridad Poblacional, “Tasa de Seguridad Poblacional,” March 31, 2015.

U.S.-Honduras 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 civilian 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 grown 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 during the country's 2009 political crisis. The Obama Administration condemned the June 28 coup 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, reportedly 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."⁴⁴ 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 coup 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.⁴⁵ The Obama Administration restored foreign assistance and resumed cooperation with Honduras following the January 2010 inauguration of President Lobo.

Current U.S. policy in Honduras is focused on strengthening democratic governance, including the promotion of human rights and the rule of law, enhancing economic prosperity, and improving the long-term security situation in the country.⁴⁶ To advance these policy objectives, the United States provides Honduras with substantial amounts of foreign assistance, maintains significant security and commercial ties, and engages on issues such as migration and human rights.

Foreign Assistance

As a result of Honduras's long-standing development challenges and close relations with the United States, the U.S. government provided the country with more than \$6.4 billion in constant 2012 dollars (or more than \$3.6 billion in historical, non-inflation-adjusted, dollars) of economic and military aid from FY1946 to FY2012.⁴⁷ Over half of that assistance was provided during the

⁴⁴ Carlos Salinas, "Honduran De Facto Leader Vows to Cling to Power over US Objections," *El País* (Spain), August 5, 2009.

⁴⁵ Ginger Thompson, "U.S. Tries to Salvage Honduras Accord," *New York Times*, November 10, 2009.

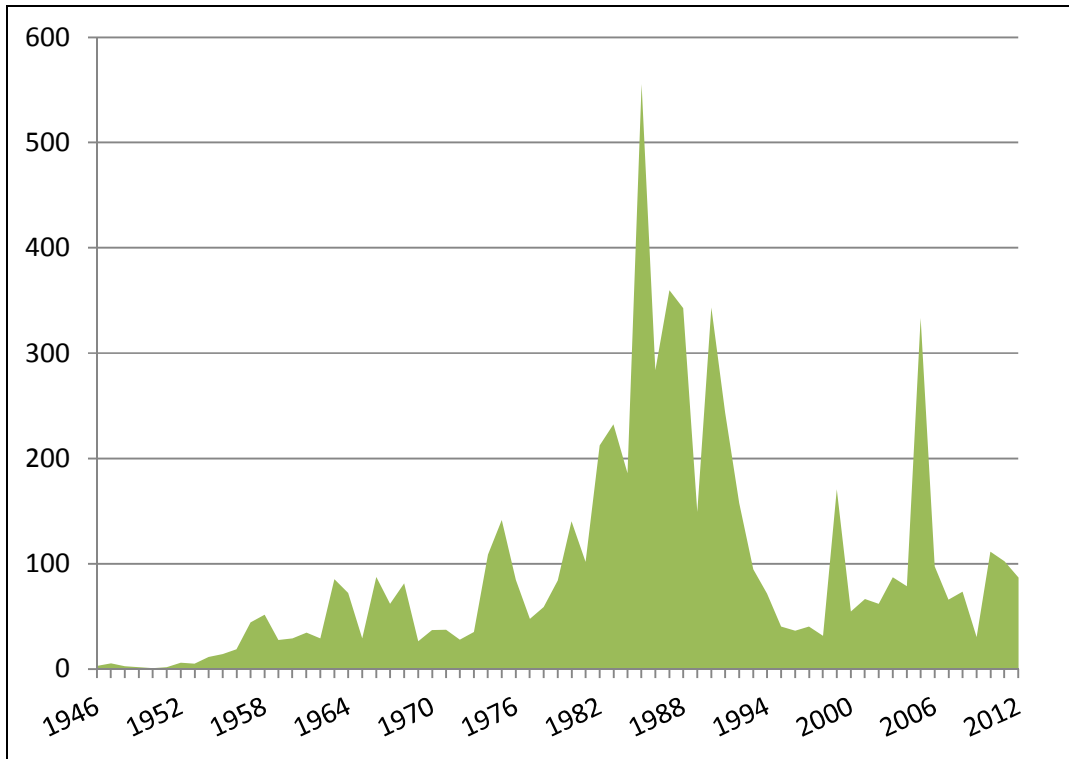
⁴⁶ U.S. Department of State, Bureau of Western Hemisphere Affairs, "U.S. Relations with Honduras," Fact Sheet, March 24, 2014.

⁴⁷ These figures are actual obligations, not appropriations, from all U.S. agencies. U.S. Agency for International Development (USAID), *U.S. Overseas Loans and Grants: Obligations and Loan Authorizations, July 1, 1945-* (continued...)

1980s and early 1990s as Honduras served as a base for U.S. operations to support anti-communist forces involved in civil conflicts in Nicaragua and El Salvador. U.S. assistance to Honduras began to wane as the regional conflicts subsided and has generally remained at lower levels since then. There have been some exceptions, however, such as significant amounts of U.S. assistance provided in the aftermath of Hurricane Mitch in 1998, and after the Honduran government signed an economic growth compact with the Millennium Challenge Corporation (MCC) in 2005 (see **Figure 4**).

Figure 4. U.S. Foreign Assistance to Honduras: FY1946-FY2012

In millions of constant (inflation-adjusted) 2012 dollars



Source: CRS presentation of data from USAID, *U.S. Overseas Loans and Grants: Obligations and Loan Authorizations, July 1, 1945–September 30, 2012*, <http://gbk.eads.usaidallnet.gov/>.

The Obama Administration has requested a significant increase in bilateral assistance for Honduras in FY2016 as part of a \$1 billion whole-of-government “U.S. Strategy for Engagement in Central America.” The strategy was announced after a wave of Central American migrants arrived at the U.S. border in FY2014, leading U.S. policymakers to place renewed focus on the considerable socioeconomic and security challenges in the region. The new U.S. strategy is designed to promote prosperity, security, and good governance in Central America. It will complement and support the initiatives proposed by the governments of Honduras, El Salvador, and Guatemala under their “Alliance for Prosperity in the Northern Triangle.”⁴⁸

(...continued)

September 30, 2012, <http://gbk.eads.usaidallnet.gov/>.

⁴⁸ The text of the “Plan of the Alliance for Prosperity in the Northern Triangle” is available at <http://idbdocs.iadb.org/wsdocs/getdocument.aspx?docnum=39224238>.

The Administration's request includes nearly \$163 million in bilateral assistance for Honduras—roughly quadruple the amount of aid provided in FY2014. The vast majority (\$157.7 million) of the aid would be provided through the Development Assistance account, which is managed by the U.S. Agency for International Development (USAID). Some of these funds would aim to improve governance by supporting decentralization, strengthening government institutions, and encouraging civil society engagement and oversight. Other funds would be dedicated to education programs designed to improve workforce readiness and increase access to formal schooling for at-risk youth. As part of the Administration's Feed the Future initiative, U.S. assistance would be used to increase food security, assist farmers affected by drought and coffee rust, and improve rural infrastructure. Additional aid would support efforts designed to improve the business environment and natural resource use and planning.

The Administration has also requested \$4.5 million through the Foreign Military Financing account and \$750,000 through the International Military Education and Training account for Honduras in FY2016. These funds, which are controlled by the State Department but administered by the Department of Defense, would be used to provide equipment and training to the Honduran military.

Table 1. U.S. Bilateral Assistance to Honduras: FY2014-FY2016

In thousands of U.S. dollars

Foreign Aid Account	FY2014	FY2015 (Request)	FY2016 (Request)
Development Assistance	36,700	44,326	157,700
International Military Education and Training	647	750	750
Foreign Military Financing	4,500	3,100	4,500
State Department/USAID subtotal	41,847	48,176	162,950
Department of Defense counternarcotics support	6,175	9,767	10,353
Total Bilateral Assistance	45,314	57,943	173,303

Sources: U.S. Department of State, *Congressional Budget Justification, Appendix 3: Foreign Operations, Fiscal Year 2016*; and U.S. Department of Defense, "Counternarcotics (CN) Support to Foreign Countries by COCOM and Country," provided to CRS in March 2015.

Notes: Honduras receives additional U.S. assistance that is not included in this table, such as support from the Millennium Challenge Corporation (MCC) and aid provided through the Central America Regional Security Initiative (CARSI).

Honduras could receive additional security aid in FY2016 from the U.S. Department of Defense, which intends to use \$10.4 million from its Central Transfer Account appropriations to provide counternarcotics assistance to the Honduran security forces.⁴⁹ The House-approved version of the National Defense Authorization Act (NDAA) for Fiscal Year 2016 (H.R. 1735) recommends increasing Department of Defense security assistance to Central America by \$50 million. The version of the NDAA reported out of the Senate Armed Services Committee (S. 1376) also includes an increase of \$50 million to support security efforts in Central America.

⁴⁹ U.S. Department of State, *Congressional Budget Justification, Appendix 3: Foreign Operations, Fiscal Year 2016*; and U.S. Department of Defense, "Counternarcotics (CN) Support to Foreign Countries by COCOM and Country," provided to CRS in March 2015.

In addition to these bilateral funds, Honduras receives a considerable amount of assistance through the Central America Regional Security Initiative (CARSI), an aid package designed to strengthen the capacities of Central American governments to address security challenges and the underlying conditions that contribute to them.⁵⁰ Congress generally appropriates CARSI funding for Central America as a whole, and the State Department and USAID later allocate the aid to individual countries or regional programs. In FY2012, the most recent year for which information is publically available, Honduras received \$34.1 million in CARSI funding. Of that aid, \$17.6 million was provided through the International Narcotics Control and Law Enforcement account to strengthen rule of law institutions and support Honduran security forces' efforts to disrupt organized crime. The other \$16.5 million was provided through the Economic Support Fund account to finance crime and violence prevention programs. (For more information, see "Security Cooperation" below.)

The Millennium Challenge Corporation (MCC) has also provided assistance to Honduras in recent years. Honduras completed a five-year, \$205 million economic growth compact in 2010,⁵¹ but the MCC has not awarded the country a second compact as a result of the Honduran government's poor performance on corruption. Nevertheless, the MCC and Honduras signed a three-year, \$15.6 million Threshold Program in 2013. The program is designed to improve public financial management and increase the transparency and efficiency of public-private partnerships in Honduras.⁵²

Migration Issues

Migration issues are central to the U.S.-Honduran relationship as more than 530,000 Hondurans reside in the United States—67% of whom are in the country illegally.⁵³ Migration from Honduras to the United States is primarily driven by high levels of poverty and unemployment, though the poor security situation in Honduras has increasingly played a role as well, especially in child migration.⁵⁴ Given the persistence of these conditions, polling indicates that 43% of Hondurans who still live in their home country would like to emigrate.⁵⁵ Honduras has joined with other Central American nations to lobby the U.S. Congress in favor of comprehensive immigration reform,⁵⁶ and President Hernández has reportedly stated that the United States has "a moral obligation" to approve such legislation.⁵⁷

⁵⁰ For information on CARSI, see CRS Report R41731, *Central America Regional Security Initiative: Background and Policy Issues for Congress*, by Peter J. Meyer and Clare Ribando Seelke.

⁵¹ The compact was originally for \$215 million, but the MCC terminated the final \$10 million as a result of the 2009 coup.

⁵² MCC, "MCC, Honduras Sign Threshold Program Agreement," press release, August 29, 2013.

⁵³ U.S. Census Bureau, "Place of Birth for the Foreign-Born Population in the United States," 2013 American Community Survey 1-Year Estimates, 2014; Bryan Baker and Nancy Rytina, *Estimates of the Unauthorized Immigrant Population Residing in the United States: January 2012*, U.S. Department of Homeland Security (DHS), Office of Immigration Statistics, March 2013.

⁵⁴ "Masiva Fuga de Hondureños por Inseguridad y Desempleo en el País," *El Heraldo* (Honduras), June 16, 2013; Cindy Chang and Kate Linthicum, "Nation Sees a Surge in Asylum Seekers; Critics Are Wary of Fraud as 'Credible Fear' Filings from Central Americans Jump," *Los Angeles Times*, December 15, 2013.

⁵⁵ U.S. Department of State data, March 2015.

⁵⁶ "Central America Will Lobby as One for US Migration Reform," *Latin News Daily Report*, February 14, 2013.

⁵⁷ José Meléndez, "Entrevista. EPN Rompe Ausencia de México en CA," *El Universal* (Mexico), April 2, 2014.

In addition to relieving social pressure, emigration plays an important role in the Honduran economy. Remittances from migrant workers abroad are the largest source of foreign exchange for Honduras. They more than tripled between 2003 and 2008 before declining in 2009 as a result of the global financial crisis and U.S. recession, which left many Honduran immigrants unemployed. Remittances have since recovered, however, growing by 33% between 2010 and 2014 to reach \$3.4 billion (equivalent to about 17% of Honduras's GDP).⁵⁸

Unaccompanied Children⁵⁹

U.S.-Honduran migration ties have received renewed attention over the past year as a result of a significant increase in the number of unaccompanied children from Honduras arriving at the U.S. border. U.S. authorities apprehended over 18,000 unaccompanied Honduran children during FY2014, continuing a strong upward trend since FY2011 when fewer than 1,000 Honduran minors were apprehended (see **Figure 5** below). Similar spikes in apprehensions of unaccompanied children from El Salvador and Guatemala and family units from all three northern triangle countries strained U.S. government resources and created a complex crisis with humanitarian implications in the summer of 2014.

Although there is little consensus regarding why this sharp increase occurred in FY2014, most analysts maintain that the problem is complex, involving interactions between so-called “push factors,” such as high levels of violence and poverty in Honduras, and “pull factors,” such as the desire to join family members or pursue opportunities in the United States. According to a study conducted by the U.N. High Commissioner for Refugees, for example, most unaccompanied Honduran children gave multiple reasons for leaving their homes: 44% of those interviewed had been the victims of violence or threats from organized criminal actors, 24% had been abused at home, 21% had left behind economic deprivation, and 80% hoped to reunite with family or pursue educational or employment opportunities.⁶⁰

The U.S. and Honduran governments have taken a number of steps to address the situation. President Hernández initially asserted that the child migrants were displaced by violence related to drug trafficking, and that the U.S. government should recognize that it shares responsibility and do more to assist Honduras.⁶¹ At the same time, elite units of the Honduran police, which have received U.S. training and funding through CARSI, increased their operations along the country's northern border, diverting potential migrants and capturing smugglers. Hernández also created a new National Migration Institute, dismissing all of the personnel from the body previously charged with handling migratory affairs for allegedly facilitating human trafficking. Moreover, the Honduran government joined with the U.S. government in sponsoring public awareness campaigns to inform Hondurans about the potential dangers and consequences of unauthorized migration. In December 2014, the U.S. government launched an in-country refugee

⁵⁸ Inter-American Development Bank (IDB), Multilateral Investment Fund (MIF), “Remittances to Latin America and the Caribbean Set a New Record High in 2014,” 2015.

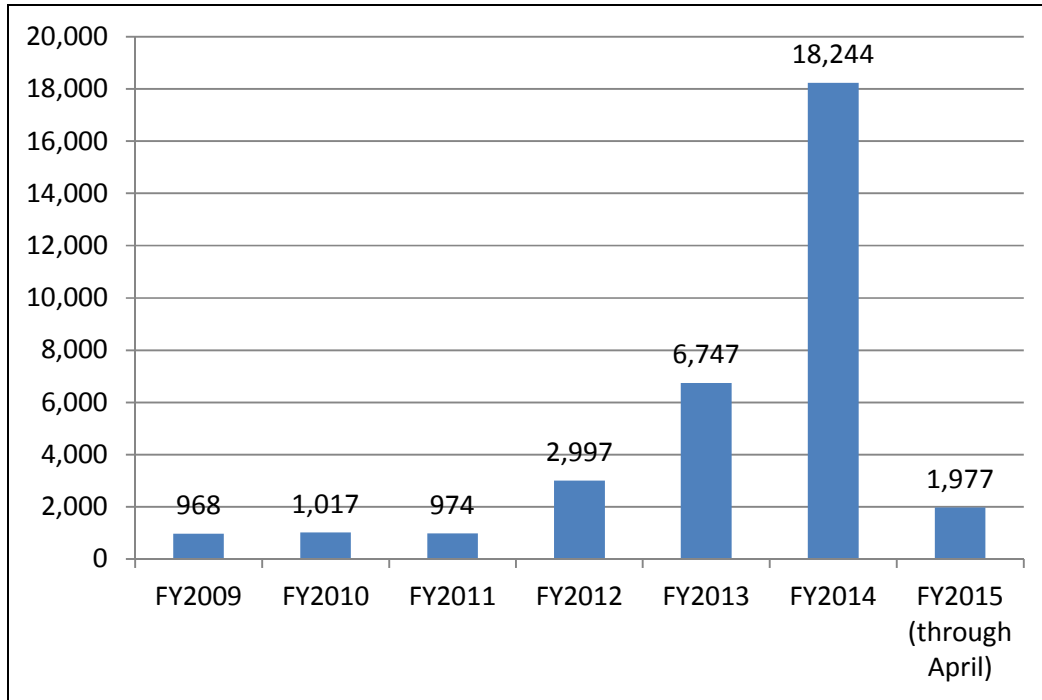
⁵⁹ For more information, see CRS Report R43702, *Unaccompanied Children from Central America: Foreign Policy Considerations*, coordinated by Peter J. Meyer and CRS Report R43628, *Unaccompanied Alien Children: Potential Factors Contributing to Recent Immigration*, coordinated by William A. Kandel.

⁶⁰ U.N. High Commissioner for Refugees, *Children on the Run: Unaccompanied Children Leaving Central America and Mexico and the Need for International Protection*, March 12, 2014.

⁶¹ Ed O’Keefe and Marlon Correa, “Honduran President: U.S. ‘Has Enormous Responsibility’ for Immigration Crisis,” *Washington Post*, July 25, 2014.

processing program, which allows eligible minors to be processed by the U.S. government from within Honduras for possible admission to the United States.⁶²

Figure 5. U.S. Apprehensions of Unaccompanied Honduran Minors: FY2009-FY2015



Source: CRS presentation of data from U.S. Customs and Border Protection, “Southwest Border Unaccompanied Alien Children” press release, May 2015.

As a result of these actions (and Mexico’s increased enforcement efforts along its southern border), the flow of unaccompanied children has slowed dramatically. In the first seven months of FY2015, U.S. authorities apprehended fewer than 2,000 unaccompanied minors from Honduras.⁶³

The U.S. and Honduran governments are now focusing on addressing the root causes of emigration. The Honduran government joined with the governments of El Salvador and Guatemala to draft an “Alliance for Prosperity in the Northern Triangle.” Created with technical support from the Inter-American Development Bank, the plan aims to foster economic growth, increase opportunities for Central American citizens, improve security conditions, and strengthen government institutions. As noted above, the Obama Administration has requested \$1 billion in foreign assistance in FY2016, including at least \$163 million for Honduras, to implement a new “U.S. Strategy for Engagement in Central America.” U.S. assistance would complement and support the Central American governments’ initiatives (see “Foreign Assistance”).

⁶² For more information on the in-country refugee processing program, see CRS Report R44020, *In-Country Refugee Processing: In Brief*, by Andorra Bruno.

⁶³ U.S. Customs and Border Protection, “Southwest Border Unaccompanied Alien Children,” press release, May 2015.

Deportations and Temporary Protected Status

U.S. removals (“deportations”) of Hondurans have increased significantly over the past decade. Nearly 41,000 Hondurans were deported from the United States in FY2014, making Honduras one of the top recipients of deportees on a per capita basis.⁶⁴ 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 have expressed concerns 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 and deported criminals may exacerbate gang activity and crime. In addition to these social problems, leaders are concerned that remittances may start to fall if the current high rates of deportations continue.

Since 1999, the U.S. government has provided temporary protected status (TPS) to some Hondurans, allowing eligible individuals who could otherwise be deported to stay in the United States. The United States first provided TPS to Hondurans in the aftermath of Hurricane Mitch, which killed nearly 5,700 people, left up to 285,000 Hondurans homeless, and destroyed an estimated 70% of the country’s transportation infrastructure in 1998. Originally slated to expire in July 2000, TPS has now been extended 12 times. The most recent TPS extension came on October 16, 2014, 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, 2016 (prior to this extension, TPS would have expired January 5, 2015). According to the *Federal Register* notice on the most recent extension, the Secretary of 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 unable, temporarily, to handle adequately the return of its nationals.”⁶⁵ An estimated 61,000 Hondurans residing in the United States benefit from TPS.⁶⁶

Security Cooperation

The United States and Honduras have closely cooperated on security issues for many years. Honduras served as a base for U.S. operations designed to counter Soviet influence in Central America during the 1980s and has hosted a U.S. troop presence—Joint Task Force Bravo—ever since (see the text box, “Joint Task Force Bravo”). Current bilateral security efforts primarily focus on citizen safety and drug trafficking. Many of these activities are funded through the Central America Regional Security Initiative (CARSI).

⁶⁴ DHS, Immigration and Customs Enforcement (ICE), *ICE Enforcement and Removal Operations Report, Fiscal Year 2014*, December 19, 2014.

⁶⁵ U.S. Department of Homeland Security, “Extension of the Designation of Honduras for Temporary Protected Status,” 79 *Federal Register* 62170-62176, October 16, 2014.

⁶⁶ CRS Report RS20844, *Temporary Protected Status: Current Immigration Policy and Issues*, by Lisa Seghetti, Karma Ester, and Ruth Ellen Wasem.

Joint Task Force Bravo

The United States maintains a troop presence of about 500 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 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 activities throughout Central America, such as disaster relief, medical and humanitarian assistance, and counternarcotics operations.

Citizen Safety

As noted above, Honduras has experienced a significant deterioration in security conditions over the past decade. Many citizens face threats on a daily basis from petty theft to extortion and forced gang recruitment. The Obama Administration has made ensuring the safety and security of all citizens one of the four overarching priorities of U.S. policy toward Latin America, and has supported citizen security efforts in Honduras through CARSI.

Many CARSI-funded efforts in Honduras are designed to support law enforcement and strengthen rule of law institutions. The U.S. government has supported efforts to reform the Honduran national police and helped establish a joint Criminal Investigative School. The Federal Bureau of Investigation (FBI) leads a Transnational Anti-Gang unit designed to interrupt criminal gang activity, including kidnappings and extortion. The U.S. government also provides support to a Violent Crimes Task Force, which investigates violent crimes against vulnerable groups. While the U.S. government helped establish the TIGRES unit of the police, it does not provide any assistance to the military police force.⁶⁷

CARSI funds are also being utilized to support crime and violence prevention programs. USAID has helped establish at least 46 community outreach centers that provide safe places for about 22,000 youth to participate in recreational activities, receive vocational training, and pursue other opportunities. USAID also works with municipalities and civil society to develop and implement community-led projects designed to address their security concerns.⁶⁸ According to an impact evaluation of CARSI, Honduran communities where USAID implemented crime and violence prevention programs reported 35% fewer robberies, 57% fewer extortion attempts, and 43% fewer murders than other Honduran communities. However, there was no statistically significant difference in the community members' perceptions of insecurity or trust in the police.⁶⁹

Counternarcotics

Over the past decade, Honduras has become a major transshipment point for illicit narcotics. According to the State Department, approximately 83% of the cocaine trafficked to the United States in the first half of 2014 first transited through the Central America/Mexico corridor. Over 80% of the cocaine that is trafficked through Honduras arrives via maritime shipment.

⁶⁷ U.S. Department of State, Bureau for International Narcotics and Law Enforcement Affairs, *2015 International Narcotics Control Strategy Report (INCSR)*, March 2015; U.S. Department of State, "The Future of CARSI in Honduras," March 12, 2012.

⁶⁸ Ibid.

⁶⁹ Susan Berk-Seligson, et al., *Impact Evaluation of USAID's Community-Based Crime and Violence Prevention Approach in Central America: Regional Report for El Salvador, Guatemala, Honduras, and Panama*, Vanderbilt University, Latin American Public Opinion Project, October 2014.

Nevertheless, the country also plays an important role in aerial trafficking, with 60% of cocaine smuggling flights that depart from South America arriving in Honduras. The Caribbean coastal region is the primary landing point for both maritime and aerial traffickers. After making initial landfall in Honduras, cocaine continues on toward the United States by maritime traffic, on subsequent flights, or on overland routes such as the Pan American highway.⁷⁰

In order to reduce the flow of illicit narcotics, the U.S. government has sought to strengthen counternarcotics cooperation with Honduras. Security relations were somewhat strained early in the Hernández Administration after the U.S. government stopped providing radar intelligence to Honduran authorities in response to the Honduran government's enactment of a law authorizing the Honduran air force to shoot down civilian aircraft suspected of engaging in illicit activities. Although radar intelligence sharing remains suspended, U.S. and Honduran authorities have worked closely together in several other areas. U.S. agencies, including the Drug Enforcement Administration (DEA), Immigration and Customs Enforcement (ICE), and U.S. Customs and Border Protection (CBP), have used CARSF funds to establish and support specially vetted units and task forces designed to combat transnational crime. These units, which include U.S. advisors and select members of the Honduran security forces, carry out complex investigations into drug trafficking, money laundering, and arms and bulk cash smuggling.

The U.S. and Honduran authorities have also worked together to apprehend high-level drug traffickers and dismantle their criminal organizations. Over the past two years, the U.S. Treasury Department's Office of Foreign Assets Control (OFAC) has designated several Honduran individuals and organizations as Specially Designated Narcotics Traffickers pursuant to the Foreign Narcotics Kingpin Designation Act, freezing their assets under U.S. jurisdiction and prohibiting U.S. citizens from conducting financial or commercial transactions with them. The Honduran government has apprehended many of those same individuals and has extradited some of them to the United States to stand trial. According to President Hernández's former security minister, DEA intelligence cooperation has played an important role in the Honduran government's recent success.⁷¹

- In April 2013, OFAC announced the designation of **José Miguel “Chepe” Handal Perez**, his wife, his father, and various businesses under their control. OFAC asserts that Handal is the head of a Honduran drug trafficking organization that facilitates the movement of multi-ton shipments of cocaine between Colombian sources and two Mexican trafficking organizations, *Los Zetas* and the *Sinaloa* cartel.⁷² He was apprehended by the Honduran authorities in March 2015 and will reportedly stand trial in Honduras.
- In May 2013, OFAC designated **Los Cachiros**, a Honduran drug-trafficking group that is reportedly headed by Javier and Leonel Rivera Maradiaga and controls 90% of the clandestine airstrips in Honduras and Guatemala.⁷³ OFAC implemented further sanctions on Los Cachiros in September 2013, designating

⁷⁰ U.S. Department of State, Bureau for International Narcotics and Law Enforcement Affairs, *2015 International Narcotics Control Strategy Report (INCSR)*, March 2015.

⁷¹ Allan Edgardo Ramirez, “Corrales: ‘El Apoyo de la DEA ha sido Clave en Captura de Narcos’,” *La Prensa* (Honduras), October 19, 2014.

⁷² U.S. Department of the Treasury, “Treasury Designates Honduran Traffickers,” press release, April 9, 2013.

⁷³ U.S. Department of the Treasury, Office of Foreign Assets Control, “Specially Designated Nationals Update,” May 31, 2013; “Lobo: Seguridad Debe Conocer de Los Cachiros,” *La Prensa* (Honduras), July 9, 2013.

seven individuals and five businesses tied to the group.⁷⁴ Javier Maradiaga reportedly turned himself in to U.S. authorities in January 2015.

- In April 2014, OFAC designated **Carlos Arnaldo “El Negro” Lobo**, who reportedly worked with Colombian suppliers to transport cocaine north for Mexican, Guatemalan, and Honduran drug trafficking organizations, including the Sinaloa cartel and Los Cachiros.⁷⁵ The Honduran authorities had arrested Lobo in March 2014 and extradited him to the United States on drug trafficking charges in May 2014.
- In August 2014, OFAC designated **Los Valles**, a Honduran drug trafficking organization that is reportedly led by Miguel Arnulfo Valle Valle and is responsible for the distribution of tens of thousands of kilograms of cocaine per month directly into the United States. OFAC also designated several other members of the Valle Valle family and businesses tied to their organization.⁷⁶ Miguel Arnulfo Valle Valle and his brother Luis Alonso were arrested by Honduran authorities in October 2014 and extradited to the United States in December 2014.

While joint U.S.-Honduran counternarcotics efforts have produced some notable successes, they have also generated controversy. Operation Anvil, which took place from April-July 2012 and involved the DEA vetted unit, is the most prominent example. Three of the five joint interdiction missions carried out during the operation ended with suspects being killed.⁷⁷ In one of those incidents, the vetted unit opened fire on a river boat, leaving at least four people dead and several others injured. In a January 2013 letter, 58 Members of Congress called on the State Department and the Department of Justice to carry out a “thorough and credible investigation” into the killings.⁷⁸ As of May 2015, a joint review being conducted by the agencies’ Offices of Inspectors General remains ongoing. It reportedly will address pre-incident planning and the rules of engagement, the post-incident investigative and review efforts of both agencies, DEA and State personnel cooperation with post-shooting reviews, and the information the agencies provided to Congress and the public regarding the incidents.⁷⁹

Human Rights Concerns

As the general security situation in Honduras has deteriorated in recent years, human rights abuses have increased. Observers have expressed particular concern about a surge in violence against journalists and political and social activists. The frequency of such attacks increased in

⁷⁴ Embassy of the United States Tegucigalpa, Honduras, “Treasury Targets ‘Los Cachiros’ Drug Trafficking Organization in Honduras,” press release, September 19, 2013.

⁷⁵ U.S. Department of the Treasury, “Treasury Targets Honduran Maritime Drug Trafficker Carlos Arnaldo Lobo,” press release, April 9, 2014.

⁷⁶ U.S. Department of the Treasury, “Treasury Targets Honduran Drug Trafficking Organization and Its Network,” press release, August 20, 2014.

⁷⁷ Damien Cave and Ginger Thompson, “U.S. Rethinks a Drug War After Deaths in Honduras,” *New York Times*, October 12, 2012.

⁷⁸ Letter from Henry C. “Hank” Johnson, Jr., Member of Congress, et al. to the Honorable John Kerry, Secretary of State, January 30, 2013.

⁷⁹ U.S. Department of Justice, Office of the Inspector General, “Ongoing Work: Drug Enforcement Administration,” May 2015.

the aftermath of the June 2009 ouster of then-President Zelaya, and the attacks have continued in the years since then. At least 48 members of the media have been killed in Honduras since 2009, including 10 in 2014.⁸⁰ Many others have been threatened, harassed, or attacked, with those who report on sensitive issues—such as drug trafficking, government corruption, and land conflicts—being the most frequent targets.⁸¹ Civil society organizations also report that at least 174 lesbian, gay, bisexual, and transgender (LGBT) persons have been killed in Honduras since 2009, and that attacks against human rights defenders, land rights activists, and environmentalists have increased.⁸² There are indications that members of the Honduran security forces may have been involved in some of these attacks, but it is difficult to determine the extent of such involvement since most of the cases have never been resolved.

While the Honduran government has often downplayed the possibility that the attacks against journalists and activists are related to the victims' professions or activism, it has taken some steps designed to improve the human rights situation. In 2010, then-President Lobo created a new Office of the Secretary for Justice and Human Rights to promote, coordinate, and evaluate justice and human rights policies. The Inter-American Commission on Human Rights (IACHR) maintains that the office has “played an important role in public policy on human rights, having taken a number of measures to promote and protect them.”⁸³ In 2013, the Honduran government adopted a new human rights policy and plan of action, and in April 2015, it enacted legislation to provide protection to journalists and other members of the media, human rights defenders, and justice sector officials. The Honduran government has also asked the Office of the U.N. High Commissioner on Human Rights to establish an office in Honduras to observe and monitor the human rights situation. The office is expected to open in 2015.

Human rights organizations maintain that these efforts have been insufficient. They assert that the Honduran government has not taken adequate precautionary measures to protect Hondurans at risk of human rights violations. They also maintain that widespread impunity “not only constitutes a denial of justice for the victims' next of kin, but also sends a message to society that violence against these persons is tolerated by the state.”⁸⁴

U.S. Initiatives

The Obama Administration generally has avoided publically criticizing the Honduran government over human rights abuses, focusing instead on supporting Honduran efforts to improve the situation. In 2012, the Administration joined with the Honduran government to launch a high-level bilateral human rights working group. The working group has met four times, most recently

⁸⁰ CONADEH, “36 Periodistas y Comunicadores Sociales Muertos Violentamente en Honduras,” July 12, 2013; “Entre Noviembre 2003/Abril 2014: En la Impunidad 90% de los 42 Periodistas y Comunicadores Sociales Muertos Violentamente,” May 25, 2014; and “11 Personas Vinculadas a Los Medios de Comunicación Murieron en Circunstancias Violentas,” February 6, 2015.

⁸¹ Committee to Protect Journalists (CPJ), *Attacks on the Press: Journalism on the Front Lines in 2013*, 2014, <https://cpj.org/2014/02/attacks-on-the-press-in-2013-honduras.php>.

⁸² Inter-American Commission on Human Rights (IACHR), “Preliminary Observations Concerning the Human Rights Situation in Honduras,” press release, December 5, 2014 (hereinafter: IACHR, December 2014); Anastasia Moloney, “Honduras Most Dangerous Country for Environmental Activists – Report – TRFN,” Reuters, April 20, 2015.

⁸³ IACHR, *Annual Report of the Inter-American Commission on Human Rights 2013*, April 2014, p. 467, <http://www.oas.org/en/iachr/docs/annual/2013/docs-en/AnnualReport-Chap4-Honduras.pdf>.

⁸⁴ IACHR, December 2014, op. cit.

in May 2014, to discuss issues such as reforming the security sector, combatting impunity, strengthening human rights institutions, and collaborating with civil society.⁸⁵

The U.S. government has also allocated funding to support human rights efforts. In 2011, the U.S. and Honduran governments set up a Special Victims Task Force (since renamed the Violent Crimes Task Force) to investigate high-profile violent crime cases, such as the persecution of journalists and members of the LGBT community. The task force, which is funded through CARSI, includes vetted members of the Honduran police, the public ministry, and U.S. advisors. While it has produced better results than other investigative units in Honduras, its ability to obtain convictions reportedly has been limited.⁸⁶ The U.S. State Department is also supporting a regional journalism security hub in El Salvador for Salvadoran, Guatemalan, and Honduran journalists. The hub provides training on how to work in dangerous environments and offers real-time assistance to journalists facing threats.⁸⁷

Restrictions on Foreign Assistance

The U.S. government has also placed restrictions on foreign assistance to Honduras. Like all countries, Honduras is subject to legal provisions (Section 620M of the Foreign Assistance Act of 1961, as amended, and a recurring provision in the annual Department of Defense [DOD] appropriations bill) that require the State Department and DOD to vet assistance for foreign security forces and prohibit funding for any unit if there is credible evidence that it has committed “a gross violation of human rights.”⁸⁸ There have been additional restrictions on aid to Honduras since the enactment of the Consolidated Appropriations Act, 2012 (P.L. 112-74). That act required that 20% of the funds appropriated for assistance to the Honduran military and police forces in FY2012 be withheld until the Secretary of State could report 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.

Although the State Department issued human rights certifications for Honduras in FY2012 and FY2013,⁸⁹ Congress has maintained restrictions on aid to the country. It has also slightly modified those restrictions from year to year. The Consolidated and Further Continuing Appropriations Act, 2015 (P.L. 113-235) requires the Administration to withhold 25% of aid for the Honduran security forces until the Secretary of State certifies that:

⁸⁵ U.S. Department of State, Office of the Spokesperson, “Honduras Bilateral Human Rights Working Group Meets in Tegucigalpa” press release, May 29, 2014.

⁸⁶ Aaron Korthuis, “CARSI in Honduras: Isolated Successes and Limited Impact,” in *Crime and Violence in Central America’s Northern Triangle: How U.S. Policy Responses are Helping, Hurting, and Can be Improved*, ed. Eric L. Olson (Washington, DC: Woodrow Wilson International Center for Scholars, 2015), pp. 214-215.

⁸⁷ Deputy Assistant Secretary of State for Democracy, Human Rights and Labor, Jane Zimmerman, “Memorandum of Understanding for Signing Ceremony for the Central America Journalism Security Hub,” U.S. Department of State, April 30, 2013.

⁸⁸ For more information on these human rights vetting requirements, see CRS Report R43361, “Leahy Law” Human Rights Provisions and Security Assistance: Issue Overview, coordinated by Nina M. Serafino.

⁸⁹ The State Department has not yet issued a human rights certification for Honduras for FY2014 or FY2015.

- 1) agreements between the United States and Honduras concerning counter-narcotics operations, including assistance for innocent victims of such operations, are being implemented;
- 2) the Government of Honduras is implementing policies to protect freedoms of expression, association, and assembly, and due process of law, including in the Bajo Aguan Valley, and is taking steps to prevent threats and attacks against social activists and human rights defenders; and
- 3) civilian judicial authorities are investigating and prosecuting army and police personnel who are credibly alleged to have violated human rights, including forced evictions, or to have aided or abetted armed groups involved in such acts, the Honduran army and police are cooperating in such cases, and judicial proceedings are making steady progress.

The withholding requirement does not apply to “assistance to promote transparency, anticorruption, border and maritime security, respect for the rule of law within the army and police, and to combat human trafficking.” Nor does it apply to assistance provided by the Department of Defense.

Commercial Ties

The United States and Honduras have maintained close commercial ties for many years. 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. 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. Commercial relations have expanded most recently as a result of the Dominican Republic-Central America-United States Free Trade Agreement (CAFTA-DR), which significantly liberalized trade in goods and services after entering into force in April 2006. Under CAFTA-DR, 100% of U.S. industrial goods enter Honduras duty free as of this year (2015), and nearly all U.S. agricultural products will enter Honduras duty free by 2020.⁹⁰

Trade and Investment

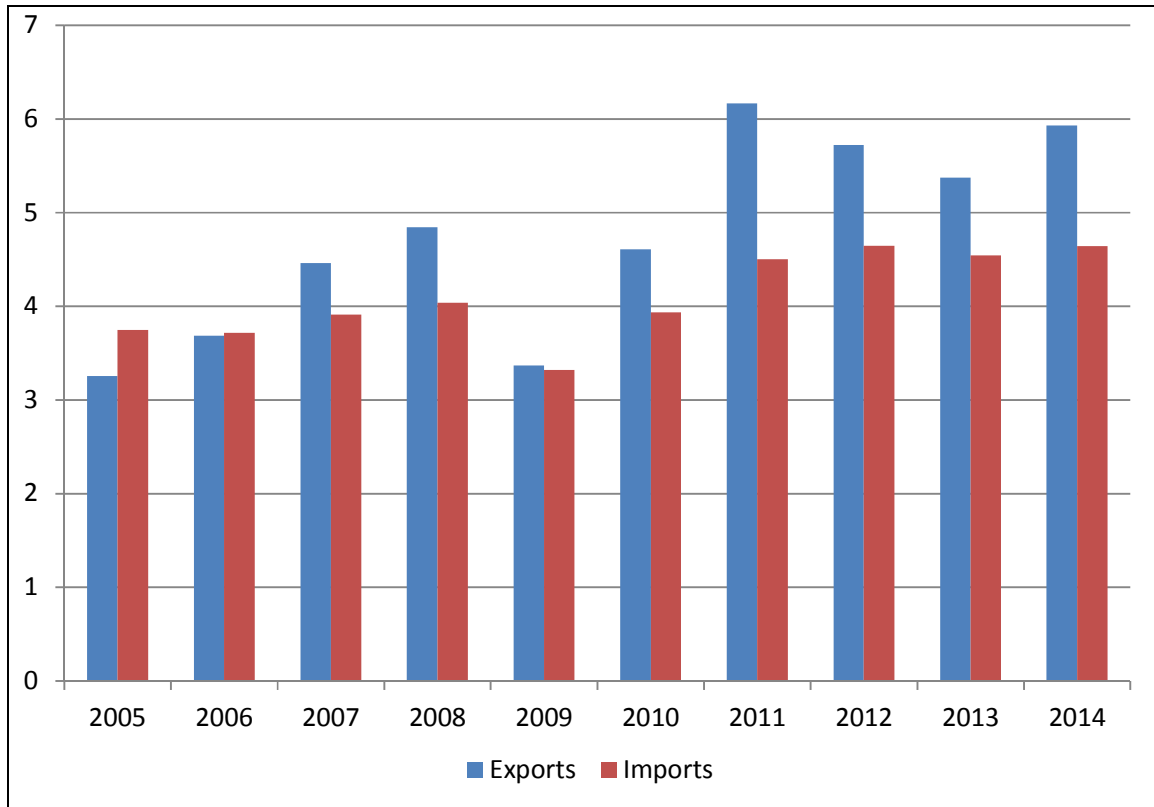
Despite a significant decline in bilateral trade in the aftermath of the global financial crisis, total merchandise trade between the United States and Honduras has increased 51% since 2005; U.S. exports to Honduras have grown by 82% and U.S. imports from Honduras have grown by 24% (see **Figure 6**). Since a large portion of imports from Honduras 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 2014, \$5.9 billion in U.S. exports to Honduras and \$4.6 billion in U.S. imports from Honduras. In addition to textile and apparel inputs, discussed below, top U.S. exports to Honduras in 2014 included refined oil products, electric machinery, heavy machinery, cereals, and plastics. Top non-

⁹⁰ 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.

apparel imports from Honduras included insulated wire, edible fruit, coffee, gold and other precious metals, and seafood.⁹¹

Figure 6. U.S. Trade with Honduras: 2005-2014

In billions of U.S. dollars



Source: CRS presentation of U.S. Department of Commerce data obtained through *Global Trade Atlas*.

Similar to previous trade arrangements, CAFTA-DR has provided substantial benefits to the textile and apparel assembly industry in Honduras. Textiles and apparel accounted for over 57% of U.S. imports from Honduras in 2014. Likewise, textile and apparel inputs, such as yarns and fabrics, accounted for more than 24% of U.S. exports to Honduras.⁹² The Trans-Pacific Partnership (TPP),⁹³ a proposed Asia-Pacific regional trade agreement, has the potential to alter the textile trade. The agreement could allow Asian apparel producers, such as Vietnam, to export clothing to the United States duty-free, eliminating much of the competitive advantage now enjoyed by Honduran and other Western Hemisphere apparel producers. Additionally, U.S. exporters of textile and apparel inputs could face increased competition in Honduras and elsewhere in the Western Hemisphere if the TPP were to allow apparel manufacturers to use yarn

⁹¹ U.S. Department of Commerce data, as presented by *Global Trade Atlas*, accessed February 2015.

⁹² Ibid.

⁹³ For more information on TPP, see CRS Report R42694, *The Trans-Pacific Partnership (TPP) Negotiations and Issues for Congress*, coordinated by Ian F. Fergusson.

and fabric made anywhere in the TPP region and still enjoy preferential access to the U.S. market.⁹⁴

U.S. foreign direct investment in Honduras has grown slightly since the implementation of CAFTA-DR. The total stock of U.S. foreign direct investment in the country amounted to \$901 million in 2013 (the most recent year for which data are available), an increase of about 10% from \$821 million in 2005.⁹⁵ According to the State Department, over 200 U.S. companies operate in Honduras. While relatively low labor costs, proximity to the U.S. market, and the Caribbean port of Puerto Cortés make Honduras attractive to investors, high levels of crime, a weak judicial system, corruption, low levels of educational attainment, and poor infrastructure hamper investment.⁹⁶

Labor Rights

Some observers in the United States and Honduras have expressed concerns about the enforcement of the labor rights provisions of CAFTA-DR.⁹⁷ According to the State Department, Honduran law provides for unionization and collective bargaining, but places a number of restrictions on those rights and frequently fails to enforce labor protections. In 2013, “antiunion discrimination continued to be a serious problem.... Employers commonly threatened to close unionized factories and harassed or dismissed workers seeking to organize. They also fired leaders with impunity soon after unions were formed to prevent the union from functioning.” Moreover, “there was credible evidence that some manufacturing factory employers continued with impunity to blacklist employees seeking to form unions,” and “there were several cases in which union leaders were threatened with violence.”⁹⁸ At least 31 Honduran trade unionists have been killed and more than 200 have been injured in violent attacks since 2009.⁹⁹

In March 2012, the American Federation of Labor and Congress of Industrial Organizations (AFL-CIO) joined with 26 Honduran trade unions and civil society organizations to file a petition with the U.S. Department of Labor. The petition asserts that the government of Honduras has failed to meet its obligations under CAFTA-DR to effectively enforce its laws relating to freedom of association, the right to organize and bargain collectively, child labor, and the right to acceptable working conditions. The petition identified specific violations in the port, apparel, agriculture, and auto manufacturing sectors.¹⁰⁰

⁹⁴ CRS Report R42772, *U.S. Textile Manufacturing and the Trans-Pacific Partnership Negotiations*, by Michaela D. Platzer.

⁹⁵ U.S. Bureau of Economic Analysis, “Balance of Payments and Direct Investment Position Data,” accessed February 2015.

⁹⁶ U.S. Department of State, Bureau of Economic and Business Affairs, *2014 Investment Climate Statement – Honduras*, June 2014, <http://www.state.gov/e/eb/rls/othr/ics/2014/230688.htm>.

⁹⁷ The labor rights provisions of CAFTA-DR are available at https://ustr.gov/sites/default/files/uploads/agreements/cafta/asset_upload_file320_3936.pdf.

⁹⁸ U.S. Department of State, Bureau of Democracy, Human Rights and Labor, *Country Reports on Human Rights Practices for 2013*, February 27, 2014, pp. 25-26, <http://www.state.gov/documents/organization/220663.pdf>.

⁹⁹ American Center for International Labor Solidarity, “Honduras,” accessed February 2015, <http://www.solidaritycenter.org/where-we-work/americas/629-2/>.

¹⁰⁰ American Federation of Labor and Congress of Industrial Organizations (AFL-CIO) et al., *Public Submission to the Office of Trade & Labor Affairs (OTLA) under Chapters 16 (Labor) and 20 (Dispute Settlement) of the Dominican Republic-Central America Free Trade Agreement (DR-CAFTA)*, March 26, 2012, <http://www.dol.gov/ilab/reports/pdf/HondurasSubmission2012.pdf>. AFL-CIO.

In February 2015, the Department of Labor issued a public report stating that it had found evidence of labor law violations in nearly all of the cases included in the petition. The report states that the department “has serious concerns regarding the protection of internationally recognized labor rights in Honduras, including concerns regarding the Government of Honduras’s enforcement of its labor laws.” It also notes that “there has not yet been measurable systematic improvement in Honduras to address the concerns raised.” The report recommends that the U.S. government carry out consultations with the Honduran government and develop a monitoring and action plan to address the systemic problems.¹⁰¹ The AFL-CIO welcomed the report but expressed disappointment that the process has already taken nearly three years. It asserts that the failure to “deliver timely relief to workers” in countries with which the U.S. government has trade agreements “encourages governments like Honduras to continue to avoid their commitments.”¹⁰²

Outlook

Honduras faces significant domestic challenges. Democratic institutions remain fragile, current economic growth rates are insufficient to reduce widespread poverty, and the country continues to experience some of the highest violent crime rates in the world. While President Hernández and his administration have begun to address some of these challenges, most analysts maintain that Honduras lacks the institutions and resources necessary to tackle these deep-seated problems on its own.

President Obama has requested at least \$163 million of foreign aid in FY2016 to promote prosperity, security, and good governance in Honduras. These are difficult and long-term endeavors, however, and significant improvements will require concerted efforts by the Honduran government and the international community over many years. In the absence of such actions, Honduras may continue to experience periodic instability, which—as demonstrated by the 2014 migration surge—is likely to affect the United States.

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¹⁰¹ U.S. Department of Labor, *Public Report of Review of U.S. Submission 2012-01 (Honduras)*, February 27, 2015, http://www.dol.gov/ilab/reports/pdf/Final_Report_of_Review-Honduras_Submission_022715_redacted.pdf.

¹⁰² AFL-CIO, “U.S. Government Responds to CAFTA-DR Complaint Honduran & American Workers Issued Three Years Ago,” press release, February 27, 2014.