



Honduran-U.S. Relations

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Summary

On January 27, 2010, Porfirio “Pepe” Lobo Sosa was inaugurated President of Honduras, assuming power after seven months of domestic political crisis and international isolation that had resulted from the June 28, 2009, ouster of President Manuel Zelaya. While the strength of Lobo’s National Party in the legislature has enabled the government to secure passage of much of its policy agenda, the Lobo Administration has made only limited progress in addressing the challenges inherited as a result of the political crisis. Several efforts to foster political reconciliation, including the creation of a truth commission and the passage of a measure to enable constitutional reform, have done little to lessen domestic polarization. Moreover, human rights abuses have continued, and the country has failed to secure recognition from some sectors of the international community.

In addition to the political problems inherited as a result of the 2009 ouster, Lobo has had to contend with a weak economy. Honduras suffered an economic contraction of 2.1% in 2009 as the global financial crisis, together with the domestic political crisis, led to significant declines in tourism, remittances, and export earnings. Lobo has pushed a number of reforms through Congress designed to restore macroeconomic stability, strengthen public finances, and encourage sustained economic growth. Although these reforms have generated considerable opposition from some sectors of Honduran society, they have the support of the international financial institutions, which are now providing Honduras with access to much needed development financing. The economy picked up in 2010, with estimated growth of 2.8%, and is expected to grow by 3.7% in 2011. Nonetheless, significant development challenges remain. Approximately 60% of Honduras’ 8 million citizens live under the poverty line and the country continues to perform poorly on a number of social indicators.

Although relations were strained during the political crisis, the United States has traditionally had a close relationship with Honduras. Broad U.S. policy goals 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. In addition to providing Honduras with substantial amounts of foreign assistance (\$51 million in FY2010) and maintaining significant military and economic ties, the United States cooperates with Honduras on transnational issues such as migration, crime, narcotics trafficking, trafficking in persons, and port security.

The 111th Congress expressed considerable interest in Honduras as a result of the 2009 political crisis and its aftermath. Several resolutions were introduced and multiple hearings were held. Issues such as ongoing human rights abuses, reintegration of Honduras into the international community, and U.S. policy toward Honduras may continue to be of interest to the 112th Congress.

This report examines current political and economic conditions in Honduras as well as issues in Honduran-U.S. relations. For a more detailed examination of the Honduran political crisis, see CRS Report R41064, *Honduran Political Crisis, June 2009-January 2010*.

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Recent Developments

On January 13, 2011, the Honduran National Congress approved a measure that would grant referendums, plebiscites, and citizen initiatives the power to address “issues of fundamental importance to national life,” potentially including constitutional changes. The measure needs to be passed again during the new session of Congress that began on January 25, 2011, in order to take effect. (For more information, see “Constitutional Reform”)

On January 13, 2011, the Honduran press reported that the country had a homicide rate of 77 per 100,000 residents in 2010, four times the Latin American average and one of the highest rates in the world.

On December 28, 2010, a radio reporter was killed in Honduras, becoming the 10th journalist to be killed in Honduras in 2010. (For more information, see “Press Freedom and the Killing of Journalists”).

On November 14, 2010, the Honduran National Congress approved a legislative decree to freeze the price of basic foodstuffs for 90 days in response to sharp increases in prices stemming from local shortages.

On November 10, 2010, the Inter-American Development Bank (IDB) approved a \$45.8 million loan for Honduras to promote the stability and strengthening of the Honduran financial system and expand access to financial services.

On November 9, 2010, the World Bank approved a \$74.7 million loan to Honduras to address its short-term fiscal situation and initiate reforms intended to improve the country’s long-term fiscal balance.

On October 14, 2010, the Honduran National Statistics Institute (INE) published the results of its latest household census, which found that 60% of Hondurans live below the poverty line.

On October 1, 2010, the International Monetary Fund (IMF) approved \$202 million in financial support to Honduras to restore macroeconomic stability and advance economic reforms consistent with the country’s poverty reduction and growth objectives.

On September 22, 2010, Secretary of State Clinton signed a Memorandum of Understanding with President Lobo outlining the Building Remittance Investment for Development Growth and Entrepreneurship (BRIDGE) Initiative, which will develop relationships with in-county financial institutions to maximize the development impact of remittance flows from the United States. (For more information, see “Remittances”).

On September 17, 2010, Honduras completed its five-year, \$205 million economic growth compact with the Millennium Challenge Corporation (MCC).

Figure 1. Map of Honduras



Source: Map Resources. Adapted by CRS Graphics.

Political Situation

Background

A Central American nation of 8 million people, Honduras enjoyed 27 years of uninterrupted democratic, constitutional governance prior to the forced removal of President Manuel Zelaya from office in June 2009. The Liberal (PL) and National (PN) parties have been Honduras' two dominant political parties since the military relinquished political control in 1982. Both have traditionally been based around patron-client networks and there appear to be few ideological differences between them. Both parties have generally been considered to be ideologically center-right; however, the PL is heterogeneous and includes some center-left factions.¹

¹ *Honduras: A Country Study*, ed. Tim L. Merrill, 3rd ed. (Washington, DC: Library of Congress, Federal Research Division, 1995).

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 somewhat left-leaning faction within the PL, Zelaya was regarded as a moderate when he was inaugurated to a four-year term in January 2006.² As his term progressed, however, Zelaya advanced a number of populist policies, including a 60% increase in the minimum wage in December 2008.³ 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 (ALBA), a socially oriented trade block.⁴ Although Zelaya's populist policies allowed him to maintain considerable 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.⁵

Political Crisis⁶

Detention and Expulsion of Zelaya

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. After the military deposed the President, the Honduran Supreme Court⁷ asserted that an arrest warrant had been issued for Zelaya as a result of his noncompliance with judicial decisions that had declared the non-binding referendum unconstitutional. However, the military's actions halted the judicial process before a trial could be held.⁸ The Honduran National Congress then adopted a resolution to replace Zelaya with the PL President of Congress, Roberto Micheletti.⁹

The United States and the rest of the international community universally condemned Zelaya's ouster and called for his return. They leveled a series of diplomatic and economic sanctions

² "People Profile: Manuel 'Mel' Zelaya," *Latin News Daily*, November 15, 2005; "Manuel Zelaya to head Honduras and redefine his Party," *Latin America Data Base NotiCen*, December 15, 2005.

³ The minimum wage decree—which did not affect the maquila sector's monthly minimum wage that fluctuates between 6,000 and 7,000 Lempiras (\$318-\$370)—increased the rural monthly minimum wage to 4,055 Lempiras (\$215) and the urban monthly minimum wage to 5,500 Lempiras (\$291). Calculations are based on an exchange rate of \$1 U.S. dollar to 18.9 Honduran lempiras. "Elevan a L.5,500 el salario mínimo en Honduras," *El Heraldo* (Honduras), December 24, 2008.

⁴ It should be noted that the National Congress ratified Honduras' entrance into both PetroCaribe and ALBA. "Honduras: Congress signs up to Petrocaribe" *Latin American Caribbean & Central America Report*, March 2008; "Honduras: Congress approves Alba, with caveats," *Latin American Caribbean & Central America Report*, October 2008.

⁵ Mica Rosenberg, "Protests erupt, gunshots heard after Honduras coup," *Reuters*, June 28, 2009.

⁶ For a more detailed examination of the Honduran political crisis, see CRS Report R41064, *Honduran Political Crisis, June 2009-January 2010*.

⁷ The U.S. Department of State's 2009 Country Reports on Human Rights Practices states that "although the constitution and the law provide for an independent judiciary," the Honduran judicial system has been "subject to patronage, corruption, and political influence."

⁸ Poder Judicial de Honduras, "Expediente Judicial Relación Documentada Caso Zelaya Rosales," available at <http://www.poderjudicial.gob.hn/>.

⁹ "El decreto de la separación de Zelaya," *El Heraldo* (Honduras), June 28, 2009.

against the Micheletti government and pushed for a negotiated agreement to end the crisis. Although Zelaya clandestinely returned to Honduras in September 2009, he was never restored to office and was forced to remain in the Brazilian embassy—where he had taken refuge—until January 27, 2010, when newly inaugurated President Porfirio Lobo granted him safe passage to the Dominican Republic.¹⁰

Micheletti Government

Micheletti insisted that he took office through a “constitutional succession” throughout the seven months between Zelaya’s forced removal and the inauguration of President Lobo.¹¹ While in power, Micheletti and the Honduran National Congress passed a 2009 budget and annulled more than a dozen decrees and reforms approved under Zelaya, including Honduras’ accession to ALBA.¹² Prior to adjourning in mid-January 2010, the Honduran National Congress named Micheletti a “deputy-for-life,” and offered life-long security to Micheletti and some 50 other Honduran officials involved in his government or the ouster of Zelaya.¹³ Although Micheletti received substantial support from some sectors of Honduran society, an October 2009 poll found that just 36% of Hondurans approved of Micheletti’s job in office and 59% believed he rarely or never did what was in the interest of the Honduran people. The same poll found that 42% of Hondurans recognized Zelaya as president, while 36% recognized Micheletti.¹⁴

During his government, Micheletti maintained tight control of Honduran society, severely restricting the political opposition. On the day of Zelaya’s ouster, security forces patrolled the streets; a curfew was put in place and a number of local and international television and radio stations were shut down or intimidated.¹⁵ Over the next several months, the Micheletti government periodically implemented curfews—often with little or no prior notification—and issued decrees restricting civil liberties.¹⁶ The Inter-American Commission on Human Rights (IACHR), an autonomous body of the Organization of American States (OAS), asserts that during the Micheletti government, serious violations of human rights occurred, 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.”¹⁷

¹⁰ “Zelaya deja Honduras tras 4 meses en la Embajada de Brasil,” *EFE News Service*, January 27, 2010.

¹¹ Roberto Micheletti, “Moving Forward in Honduras,” *Washington Post*, September 22, 2009.

¹² “Honduras: Micheletti prepares to leave on high note,” *Latin News Weekly Report*, January 21, 2010.

¹³ “Congreso de Honduras designa a Micheletti ‘diputado vitalicio,’” *Agence France Presse*, January 13, 2010; “Más de 50 funcionarios gozarán de seguridad vitalicia,” *El Tiempo* (Honduras), January 15, 2010.

¹⁴ “Hondureños ven solución en presidente alternativo y elecciones, según sondeo,” *EFE News Service*, October 27, 2009; “Honduras: 42% reconoce a Zelaya como presidente, 36% a Micheletti (encuesta),” *Agence France Presse*, October 28, 2009.

¹⁵ “Honduras: Decretan toque de queda por 48 horas,” *La Prensa* (Honduras), June 28, 2009; “Honduras: Media Blackout, Protests Reported,” *Stratfor*, June 29, 2009.

¹⁶ “Honduras suspende derechos constitucionales durante toque queda,” *Reuters*, July 1, 2009; Amnesty International, “Honduras: human rights crisis threatens as repression increases,” August 2009.

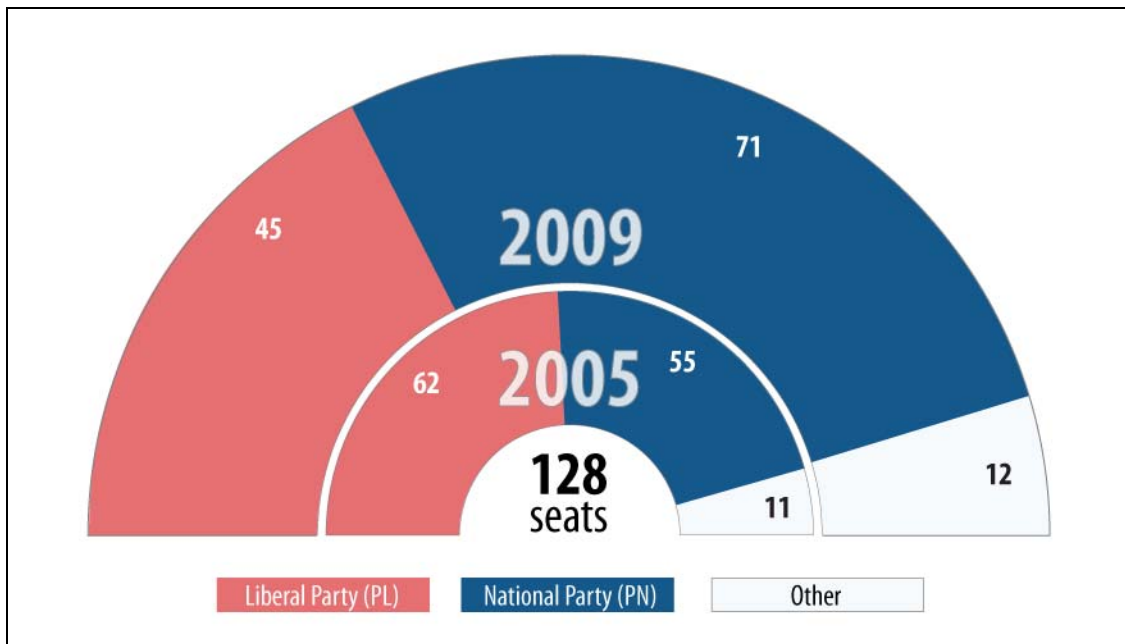
¹⁷ Inter-American Commission on Human Rights, *Honduras: Human Rights and the Coup D’état*, Organization of American States, OEA/Ser.L/V/II. Doc. 55, December 30, 2009.

November 2009 Elections

Results

On November 29, 2009, Honduras held general elections to fill nearly 3,000 posts nationwide, including the presidency and all 128 seats in the unicameral National Congress.¹⁸ Former President of Congress and 2005 National Party (PN) presidential nominee Porfirio Lobo easily defeated his closest rival, former Vice President Elvin Santos of the Liberal Party (PL), 56.6% to 38.1%. Three minor party candidates won a combined 5.3% of the presidential vote.¹⁹ Lobo's PN also won an absolute majority in the unicameral National Congress, with 71 of the 128 seats (see **Figure 2** for the change in the legislative balance of power). 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 2005.²⁰ According to some analysts, many 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 ouster, leading many from the Zelaya-allied faction to stay home on election day.²¹

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



Source: CRS Graphics.

¹⁸ “Elecciones, incierto antídoto contra la crisis socio política,” *El Tiempo* (Honduras), August 31, 2009.

¹⁹ “TSE confirma el triunfo de ‘Pepe’ en las elecciones,” *El Heraldo* (Honduras), December 21, 2009.

²⁰ “Final results in Honduras,” *Latin News Daily*, December 22, 2009.

²¹ 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.

Legitimacy

There has been considerable debate—both in Honduras and the international community—concerning the legitimacy of the November 2009 elections. Supporters of the elections 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 2008,²² and that election day was largely²³ free of political violence.²⁴ 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 election boycotts and a number of left-leaning candidates for a variety of offices withdrawing from the elections, including an independent presidential candidate and some incumbent Members of Congress.²⁵ It also led organizations that traditionally observe elections in the hemisphere, such as the OAS, the EU, and the Carter Center, to cancel their electoral observation missions.²⁶ Critics of the elections also assert that the electoral turnout, which was just under 50% (five points lower than 2005), demonstrated a rejection of the elections by the Honduran people. Supporters of the elections counter this assertion by arguing that Lobo won more absolute votes in 2009 than Zelaya did in 2005, and that the 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.²⁷ Although a growing number of Hondurans and members of the international community have recognized Lobo as the legitimate President of Honduras, some have refused to do so.²⁸

²² Former Vice President Elvin Santos, although originally ruled constitutionally ineligible to run by the TSE, became the PL presidential nominee following a series of events that included congressional passage of a special decree and a 52%-32% primary victory by his stand-in-candidate, Mauricio Villeda, over then President of Congress, Roberto Micheletti. “Honduras’ Vice President Regains the Right to Run; Elvin Santos is Partido Liberal Presidential Candidate,” *Latin America Data Base NotiCen*, March 5, 2009.

²³ A demonstration in San Pedro Sula by those opposed to the government of Roberto Micheletti was forcefully dispersed on election day. “Police fire tear gas on Honduras poll protesters,” *Agence France Presse*, November 29, 2009.

²⁴ 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.

²⁵ “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; “Zelayistas dicen que hay incongruencias en la UD,” *El Tiempo* (Honduras), November 23, 2009.

²⁶ Gustavo Palencia, “Honduras busca convencer observadores para cuestionada elección,” *Reuters*, November 12, 2009; “La CE dice que no hay tiempo para una misión electoral y envía dos expertos,” *EFE News Service*, November 11, 2009.

²⁷ “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.

²⁸ Frente Nacional de Resistencia Contra el Golpe de Estado, “Comunicado No. 41,” November 30, 2009; “El Mercosur anuncia ‘pleno desconocimiento’ de nuevo gobierno de Honduras,” *EFE News Service*, December 8, 2009.

Challenges for the Lobo Administration

One year after his inauguration to a four-year term, President Lobo continues to face daunting challenges stemming from Honduras' seven-month political crisis. Several efforts to foster political reconciliation, including the creation of a truth commission and the passage of a measure to enable constitutional reform, have done little to lessen domestic polarization. There has also been little improvement in the country's poor human rights situation. Murders of journalists, political activists, and human rights defenders have continued and law enforcement officials have proven unwilling or unable to bring those responsible to justice. Moreover, efforts to reintegrate Honduras into the international system have been unsuccessful in winning formal recognition from a number of Latin American nations.

Additional challenges for the Lobo Administration include fostering economic development and improving citizen security. As one of the poorest countries in the hemisphere, Honduras has long struggled to improve economic growth and reduce social disparities. The poor security situation—with high rates of violent crime, increasing flows of narcotics, and low levels of confidence in public institutions—is another long-running problem that previous governments have struggled to tackle. While the strength of Lobo's National Party in the legislature has enabled the government to secure passage of several policies designed to address these issues, there have been few improvements thus far (see "Economic and Social Conditions" and "Crime, Violence, and Drug Trafficking" below).

Political Reconciliation

President Lobo has taken a number of steps to ease the political polarization in Honduras, but still faces significant challenges. Upon taking office in late January 2010, Lobo arranged safe passage out of the country for former President Zelaya 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 President Zelaya, but does not include acts of corruption or violations of human rights.²⁹ President Lobo also appointed a national unity cabinet with representatives of each of the five official political parties—including the small left-wing Democratic Unification Party (UD)—and pledged to engage in dialogue with all sectors of Honduran society. Since then, Lobo has established a truth commission to investigate the events surrounding the 2009 ouster, pushed for a measure to grant greater power to citizen initiatives, and sought to clear the way for Zelaya to return to Honduras. Zelaya has insisted that he will not return to Honduras until the corruption charge against him, which he maintains is politically-motivated, is dropped.³⁰

Truth Commission

In April 2010, President Lobo established a Truth and Reconciliation Commission (CVR) to investigate the events before and after the ouster of President Zelaya and to make

²⁹ "Lobo secures exit from Honduras for Zelaya," *Latin News Daily*, January 21, 2010; "Congreso aprueba amnistía para delitos políticos comunes conexos," *El Tiempo* (Honduras), January 27, 2010.

³⁰ "Zelaya promises to return with a bang," *Latin News Weekly Report*, January 6, 2011.

recommendations so that these events will not be repeated.³¹ The CVR officially began its work on May 4, 2010 and is expected to present a report in March 2011.³² Led by former Guatemalan Vice President Eduardo Stein, the CVR has two additional international representatives, Canadian diplomat Michael Kergin and former Peruvian judicial official María Amadilia Zavala Valladares. The two Honduran representatives on the commission are Julieta Castellás, the rector of the National Autonomous University of Honduras (UNAH), and Jorge Omar Casco, the former rector of UNAH.

Reflecting the ongoing political polarization in Honduras, the CVR has been criticized by both the right and the left. Critics on the right fear that the commission could be used as a means to promote the constitutional reforms that former President Zelaya proposed in the lead up to the country's political crisis. In June 2010, President Lobo even suggested that some extremist elements on the right were plotting to overthrow him as a result of his reconciliation efforts.³³ Human rights groups criticized President Lobo for establishing the CVR on his own without consultation with civil society groups. Likewise, the National Popular Resistance Front³⁴ (FNRP, *Frente Nacional de Resistencia Popular*)—an umbrella group of those who were opposed to Zelaya's removal—views the CVR as an attempt to “whitewash” the ouster. As a result, Zelaya called on officials from his government not to cooperate with the CVR and the FNRP established an alternative truth commission composed of human rights advocates such as Nobel Peace Prize Laureates Rigoberta Menchu of Guatemala and Adolfo Pérez Esquivel of Argentina.³⁵

Constitutional Reform

Much like the truth commission, Lobo's attempt to initiate political reforms has largely failed to reduce polarization. As noted above, President Zelaya was pushing for reforms to the constitution at the time of his ouster. Supporters of Zelaya's effort maintained that reforms were necessary because the country had changed significantly since the constitution was completed in 1982 by a constituent assembly elected under the military government. Those who opposed the effort accused Zelaya of wanting to perpetuate himself in power. Since Zelaya's removal, the FNRP has continued to push for a new constituent assembly to draft a new constitution and provide greater rights to traditionally excluded sectors of the Honduran population. It claims to have gathered over 1.3 million signatures in support of its initiative, which—if verified—would surpass the number of votes received by Lobo in November 2009.³⁶

³¹ Honduras, Presidencia de la República, Decreto Ejecutivo Número PCM-011-2010.

³² Thelma Mejía, “Honduras: Lobo reprueba primer año,” *Inter Press Service*, January 28, 2011.

³³ Germán Reyes, “Lobo pide no temer a Comisión de Verdad y avala consulta para constituyente,” *Agencia EFE*, May 4, 2010; “Presidente hondureño insinúa que se está gestando otro golpe de Estado,” *Agence France Presse*, June 8, 2010.

³⁴ The FNRP initially was formed after Zelaya's ouster as the National Resistance Front Against the Coup d'état. Nominally coordinated by Zelaya from exile, the FNRP is led by an executive committee representative of the movement's composite parts, which include labor unions, worker and campesino organizations, human rights advocates, the Zelaya-allied faction of the Liberal Party, and other civil society groups.

³⁵ “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.

³⁶ “Hondureños reclaman en las calles una Constituyente en del Día del Trabajador,” *Agence France Presse*, May 1, 2010; Frente Nacional De Resistencia Popular, “Comunicado No.74: Avanzamos seguros hacia la Constituyente,” September 17, 2010.

President Lobo, who never ruled out the idea of abstract constitutional changes as a candidate, called for a national dialogue to discuss potential political reforms in October 2010. After consulting with each of the political parties and various sectors of Honduran society, Lobo proposed a measure that would grant greater power to citizen initiatives. It would amend the constitutional provisions governing referendums and plebiscites to allow such citizen initiatives to address “issues of fundamental importance to national life,” potentially including constitutional changes. Lobo’s proposal was approved on January 13, 2011, but needs to be passed again during the new session of Congress that began on January 25, 2011, in order to take effect. Although some members of the FNRP that are linked to the Zelaya faction of the Liberal Party have been willing to engage in dialogue with Lobo about the proposed reforms, the more hard-line sectors of the FNRP have refused to do so and maintain that anything less than a national constituent assembly to draft a new constitution is insufficient.³⁷

Human Rights

Another key challenge for the Lobo government is curtailing the increase in human rights violations that has occurred since the forced removal of President Zelaya. In March 2010, the U.S. State Department released its 2009 human rights report on Honduras. The report details numerous human rights violations that occurred in the aftermath of the ouster, including “unlawful killings by members of the police and government agents,” “arbitrary and summary killings committed by vigilantes and former members of the security forces,” and “arbitrary detention and disproportionate use of force by security forces.”³⁸

Similar human rights abuses appear to have continued since President Lobo’s January 2010 inauguration. Following a May 2010 visit to Honduras, the Inter-American Commission on Human Rights (IACHR) expressed deep concern over murders of, and threats against, journalists, political activists, and human rights defenders, as well as the absence of effective investigations into these crimes. The IACHR also expressed concerns that the dismissal of judges opposed to Zelaya’s ouster was politicizing the justice system, and that Lobo’s appointment of several high-ranking military officers accused of participating in Zelaya’s removal to positions in the government was remilitarizing society.³⁹ Although the Lobo Administration has taken some steps to improve the human rights situation—such as providing the Human Rights Unit in the Attorney General’s Office an independent budget for the first time and creating a new Ministry of Justice and Human Rights—Honduran and international human rights organizations assert that the Honduran government has made little progress, especially with regard to bringing human rights violators to justice.⁴⁰ According to a December 2010 Human Rights Watch report, at least 18 journalists, political activists, and human rights defenders were killed in Honduras in 2010.⁴¹

³⁷ “Honduras: Lobo succeeds where Zelaya failed,” *Latin American Weekly Report*, January 20, 2011; “Oposición rechaza cambios en Honduras,” *La Nación* (Costa Rica), January 24, 2011; “Honduras: Constitutional change tests opposition unity,” *Oxford Analytica*, February 14, 2011.

³⁸ See the full text of the report at <http://www.state.gov/g/drl/rls/hrrpt/2009/wha/136117.htm>.

³⁹ IACHR “IACHR Publishes Observations on Follow-up Visit to Honduras,” Press Release No. 59/10, June 7, 2010.

⁴⁰ Thelma Mejía, “Latin America: Honduras has much to Explain in Human Rights Exam,” *Inter Press Service*, November 3, 2010.

⁴¹ Human Rights Watch, *After the Coup: Ongoing Violence, Intimidation, and Impunity in Honduras*, New York, December 2010.

Press Freedom and the Killing of Journalists

International human rights observers have been particularly concerned about declining press freedom in Honduras as media outlets and journalists have been the subjects of attacks. In the aftermath of Zelaya's forced removal in June 2009, human rights organizations strongly criticized the new Micheletti government for its attacks on press freedom, including government intimidation of journalists and media outlets and the temporary shutdown and interruptions of radio and television broadcasts. Press rights groups maintain that media workers were often targeted and foreign journalists were expelled. The IACHR issued a report in December 2009 asserting that there were serious violations of freedom of expression under Micheletti. The report maintained that the media became extremely polarized during the year, with those journalists and media supportive of the new Micheletti government subject to attacks by those who opposed Zelaya's ouster, and those perceived as encouraging support for resistance to the government subject to severe restrictions by state actions and attacks by private citizens.

Threats to press freedom have continued under the Lobo Administration. As noted above, the IACHR reported in May 2010 that it received information about threats and attacks directed against journalists to intimidate and impede their journalistic work.⁴² In 2010, at least ten journalists were murdered in Honduras, making the country among the most dangerous in the world for the media.⁴³ According to a July 2010 report by the independent, nonprofit Committee to Protect Journalists, there is no evidence to "confirm a political conspiracy or coordinated effort behind the killings." Nonetheless, the report asserts that "the murders occurred in a politically charged atmosphere of violence and lawlessness" and "the government's ongoing failure to successfully investigate crimes against journalists and other social critics—whether by intention, impotence, or incompetence—has created a climate of pervasive impunity."⁴⁴

Press rights groups have repeatedly urged President Lobo to combat the crime wave against journalists. The IACHR and the Office of the Special Rapporteur for Freedom of Expression have repeatedly called on the Honduran government to take all necessary measures to prevent these murders, protect at-risk journalists, and make progress in investigating the crimes.⁴⁵ The Inter American Press Association recommended that the Lobo Administration request international technical assistance, establish special prosecutors' offices, and adopt a number of legal, judicial, and penal reforms.⁴⁶ Honduran officials have asserted that there is nothing to indicate that journalists are being attacked because of their work, and that the murdered journalists were most likely the victims of the widespread, random crime that has plagued Honduras in recent years.⁴⁷ Nevertheless, the Honduran government has requested assistance from the United States, Spain, and Colombia in investigating alleged human rights violations, including the killing of journalists.⁴⁸

⁴² IACHR, "Honduras: Human Rights and the Coup d'État," December 30, 2009, and "IACHR Concerned About Human Rights Violations in Honduras," Press Release, No. 54/10, May 19, 2010.

⁴³ "Honduras: HRN Radio Reporter Killed," *EFE News Service*, December 28, 2010.

⁴⁴ Committee to Protect Journalists, "Journalist murders spotlight Honduran government failures," July 27, 2010.

⁴⁵ Inter-American Commission on Human Rights, "Office of the Special Rapporteur Expresses Concern Over New Attacks Against Journalists and Media in Honduras," September 20, 2010.

⁴⁶ Inter American Press Association, "IAPA makes recommendations to President Porfirio Lobo to Combat Violence Against Journalists," Press Release, April 27, 2010.

⁴⁷ Committee to Protect Journalists, "Journalist murders spotlight Honduran government failures," July 27, 2010.

⁴⁸ "Honduras pide ayuda a Colombia, España, y EEUU en investigación sobre DDHH," *Agence France Presse*, January (continued...)

International Recognition

Although President Lobo has made considerable strides in his first year toward reintegrating Honduras into the international community, he has had difficulty gaining recognition from a number of countries in the region. Following the ouster of President Zelaya, many nations expressed concern about the state of democracy in Latin America and the possibility that the events of June 28, 2009 could serve as an example for other countries. Not a single nation recognized the Micheletti government, and since Zelaya was not returned to office prior to the November 2009 election, a number of countries refused to recognize the result.⁴⁹ While some countries have granted formal recognition to President Lobo since his inauguration, many South American nations—such as Argentina, Brazil, Ecuador, and Venezuela—have refused to do so.

At this juncture, Honduras is participating in the United Nations and the international financial institutions, but remains suspended from participation in the OAS.⁵⁰ Secretary of State Clinton has called on Latin American nations to welcome Honduras back into the inter-American community, but countries such as Brazil want to see more changes in Honduras before extending recognition. Brazilian officials and OAS Secretary General José Miguel Insulza have suggested that allowing former President Zelaya to return home would pave the way for the OAS member-states to readmit Honduras.⁵¹ According to the Inter-American Democratic Charter, the votes of two-thirds of the OAS member-states are required to lift a suspension.

Economic and Social Conditions

Background

The Honduran economy has experienced significant changes since the 1990s. Traditional agricultural exports of coffee and bananas are still important, but nontraditional sectors, such as shrimp farming and the *maquiladora*, or export-processing industry, have grown significantly. In 1998, Honduras was devastated by Hurricane Mitch, which killed more than 5,000 people and caused billions of dollars in damage. The gross domestic product declined by 1.4% in 1999, and the country felt the effects of the storm for several years, with roads and bridges washed out, the agricultural sector hard hit, and scores of orphaned children, many of whom joined criminal gangs. Spurred on by substantial U.S. foreign assistance, however, the economy rebounded. Between 2000 and 2008, the country experienced average growth of over 5%.⁵² Honduras is now

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27, 2011.

⁴⁹ “El Mercosur anuncia ‘pleno desconocimiento’ de nuevo gobierno de Honduras,” *EFE News Service*, December 8, 2009.

⁵⁰ The OAS member states unanimously voted to suspend Honduras for an unconstitutional interruption of the democratic order in accordance with Article 21 of the Inter-American Democratic Charter on July 4, 2009. According to Article 22 of the Charter, lifting the suspension requires the votes of two thirds of the member states.

⁵¹ “OAS presents report on Honduras,” *Latin News Daily*, July 30, 2010; “Chile and Mexico make-up with Honduras,” *Latin News Daily*, August 2, 2010.

⁵² “Honduras: Country Data,” *Economist Intelligence Unit*, February 2011.

classified by the World Bank as a lower middle income developing economy, with a per capita income of \$1,800 (2009).⁵³

Over the past decade, Honduras has benefited from several debt-reduction programs. In 2005, Honduras signed a three-year poverty reduction and growth facility agreement with the International Monetary Fund (IMF), making the country eligible for about \$1 billion in debt relief under the IMF and World Bank's Heavily Indebted Poor Countries (HIPC) Initiative.⁵⁴ The agreement imposed fiscal and monetary targets on the government, and required Honduras to maintain firm macroeconomic discipline and develop a comprehensive poverty reduction strategy. In 2006, the Inter-American Development Bank (IDB) implemented a debt forgiveness program for its poorest members. Honduras benefitted from a reduction of \$1.4 billion in foreign debt, freeing government resources to finance poverty alleviation.⁵⁵ Largely as a result of these programs, Honduras' net public debt declined from nearly 46% of gross domestic product (GDP) in 2005 to about 19.1% in 2007.⁵⁶ Honduran debt has been climbing again in recent years, however, as increased domestic spending and decreased government revenue have contributed to growing fiscal deficits.

Despite experiencing relatively strong growth and benefitting from debt reduction programs, Honduras continues to face significant development challenges. The country remains one of the most impoverished nations in Latin America. According to the most recent household census conducted by the Honduran National Statistics Institute, 60% of Honduras' 8 million citizens live under the poverty line—defined as being unable to acquire the basic basket of household goods.⁵⁷ Likewise, Honduras has an infant mortality rate of 27 per 1,000; chronic malnutrition for one out of four children under five years of age; and a significant HIV/AIDS crisis, with an adult infection rate of 1.5% of the population. The Garifuna community (descendants of freed black slaves and indigenous Caribs from St. Vincent) concentrated in northern coastal areas has been especially hard hit by the HIV/AIDS epidemic. The World Bank maintains that development indicators have improved over the past decade because of increased public spending on health and education, but further progress is uncertain. It notes that the country remains vulnerable to external shocks, including declines in prices for agricultural exports and natural disasters such as hurricanes and droughts.⁵⁸

⁵³ World Bank, "World Development Indicators," February 2010, available at <http://data.worldbank.org/data-catalog/world-development-indicators>.

⁵⁴ For more information on the HIPC Initiative, see CRS Report RL33073, *Debt Relief for Heavily Indebted Poor Countries: Issues for Congress*, by Martin A. Weiss.

⁵⁵ "Honduras: Country Report," *Economist Intelligence Unit*, April 2007; Nestor Ikeda, "Inter-American Development Bank Forgives Debt of 5 Nations," *Associated Press*, March 17, 2007.

⁵⁶ "Honduras: Country Report," *Economist Intelligence Unit*, November 2010.

⁵⁷ "Honduras: Poverty drives Lobo's calls for constitutional change," *Latin American Economy & Business*, October 2010.

⁵⁸ U.N. Economic Commission for Latin America and the Caribbean, "Social Panorama of Latin America," 2009; World Bank, "Honduras Country Brief," April 22, 2010; World Food Programme, "Country Programme – Honduras," 2008. Also see CRS Report RL32713, *Afro-Latinos in Latin America and Considerations for U.S. Policy*, by Clare Ribando Seelke and June S. Beittel.

Crises and Recovery

The global financial crisis and domestic political crisis took a significant toll on the Honduran economy. Honduras was already experiencing significant declines in remittances, tourism, and export earnings as a result of the financial crisis at the time of President Zelaya's forced removal from office.⁵⁹ The ouster exacerbated these economic problems, as the international community, which had been expected to finance 20% of the country's budget, imposed a series of economic sanctions on Honduras.⁶⁰ International financial institutions withheld access to some \$485 million in loans and other transfers, the European Union and United States terminated \$126 million in aid, and Venezuela—which provided 50% of Honduras' petroleum imports in 2008—stopped supplying the country with subsidized oil.⁶¹ Domestic opponents of the ouster placed additional pressure on the economy, engaging in strikes, transportation blockades, and other measures designed to paralyze economic activity.⁶² Some economists estimated that the political crisis cost Honduras 180,000 jobs and \$20 million daily in lost trade, aid, tourism, and investment.⁶³ Overall, the Honduran economy contracted by 2.1% in 2009.⁶⁴

Since his inauguration, President Lobo has pushed for reforms designed to restore macroeconomic stability, strengthen public finances, and encourage sustained economic growth. The Honduran National Congress has approved several of Lobo's proposals, including an energy reform intended to better target subsidies to the poor, and a comprehensive tax reform expected to generate additional revenue equivalent to 2.5% of GDP. The National Congress also approved 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, which absorb 73% of all government revenue.⁶⁵ These efforts have been criticized by business groups opposed to tax increases and public sector workers pushing for wage increases. However, they have been supported by the international financial institutions, providing the Lobo Administration with access to much needed development financing. In October and November 2010, the International Monetary Fund (IMF), the Inter-American Development Bank (IDB), and the World Bank approved a combined \$322.5 million in financial support for Honduras to support the Lobo Administration's efforts to improve the country's long-term fiscal balance and implement the reforms necessary to achieve the country's poverty reduction and growth objectives.⁶⁶ The Honduran economy grew by 2.8% in 2010 and is expected to grow by 3.7% in 2011.⁶⁷

⁵⁹ "Honduras: Struggling," *Latin American Economy & Business*, October 2009; "Honduras economy: Political crisis takes its toll," *Economist Intelligence Unit*, October 27, 2009.

⁶⁰ Keny López de Carballo, "Honduras no puede prescindir de créditos," *La Prensa Grafica* (El Salvador), July 9, 2009.

⁶¹ Robin Emmott, "Aid freeze in post-coup Honduras hurting poor," *Reuters*, November 12, 2009; "Honduras can't touch IMF resources—IMF" *Reuters*, September 9, 2009; "Unión Europea suspende ayuda financiera a Honduras," *Reuters*, July 20, 2009; "Senior State Department Officials Hold Background News Teleconference on Honduras," *CQ Newsmaker Transcripts*, September 3, 2009; "Venezuela halts oil deliveries to Honduras," *EFE News Service*, July 8, 2009; "Negociación solo es para que Zelaya enfrente la justicia," *El Heraldo* (Honduras), July 7, 2009.

⁶² "Manifestantes aseguran que hoy paralizan el país," *El Tiempo* (Honduras), July 23, 2009.

⁶³ Blake Schmidt, "Midence Says Honduras Economy to Shrink After Crisis," *Bloomberg*, August 7, 2009; Laura Figueroa, "Honduras' business leaders hope elections restore investors' faith," *Miami Herald*, December 25, 2009.

⁶⁴ "Honduras: Country Report," *Economist Intelligence Unit*, January 2011.

⁶⁵ "Honduras: Country Report," *Economist Intelligence Unit*, December 2010; International Monetary Fund, *Honduras: Letter of Intent, Memorandum of Economic and Financial Policies, and Technical Memorandum of Understanding*, September 10, 2010.

⁶⁶ "Tracking Trends: Honduras IMF Loan," *Latin News Weekly Report*, October 14, 2010; "BID y BM conceden (continued...)"

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 became a staging area for U.S.-supported excursions into Nicaragua by anti-Sandinista forces known as the Contras. Economic linkages intensified in the 1980s after Honduras became a beneficiary of the Caribbean Basin Initiative providing duty-free importation of Honduran goods into the United States, and more recently with 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. Following Zelaya's ouster, the United States cut off almost all contact with the Honduran government. It suspended some foreign assistance, minimized cooperation with the Honduran military, and revoked the visas of members and supporters of the Micheletti government, which assumed power following Zelaya's removal.⁶⁸ Micheletti reacted angrily to U.S. policy toward his government, 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."⁶⁹

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 to restore foreign assistance and resume cooperation on other issues. According to the March 2010 congressional testimony of then Principal Deputy Assistant Secretary of State, Craig Kelly, U.S. policy towards Honduras is now focused on helping Honduras deal with its numerous daunting challenges, including: (1) improving the human-rights climate, especially regarding allegations of serious human rights abuses and reports that persons have been targeted for their political views; (2) combating high levels of corruption, crime, and drug-trafficking; (3) promoting and implementing social and economic reforms to reduce poverty and inequality levels that are among the highest in the hemisphere; and (4) helping Honduras contend with a severe economic crisis that could further destabilize the country.⁷⁰ In pursuit of its policy goals, the United States provides Honduras with substantial amounts of foreign assistance, maintains significant military and economic ties, and engages on transnational issues such as illegal migration, crime, narcotics trafficking, trafficking in persons, and port security.

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préstamos por más de USD 120 millones a Honduras," *Agence France Presse*, November 10, 2010.

⁶⁷ "Honduras: Country Report," *Economist Intelligence Unit*, January 2011.

⁶⁸ "Senior Administration Officials Hold State Department Background Briefing via Teleconference on Honduras," *CQ Newsmaker Transcripts*, June 28, 2009; U.S. Department of State, Office of the Spokesman, "Termination of Assistance and Other Measures Affecting the De Facto Regime in Honduras," September 3, 2009; U.S. Department of State, Office of the Spokesman, "Revocation of Diplomatic Visas," July 28, 2009.

⁶⁹ Carlos Salinas, "Honduran de facto leader vows to cling to power over US objections," *El País* (Spain), August 5, 2009.

⁷⁰ 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.

U.S. Foreign Assistance

The United States has provided considerable foreign assistance to Honduras over the past three decades. In the 1980s, the United States provided about \$1.6 billion in economic and military aid as the country struggled amid the region's civil conflicts. 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 almost \$300 million in assistance 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 billion. With Hurricane Mitch funds expended by the end of 2001, U.S. foreign aid levels to Honduras again began to decline.

Recent foreign aid funding to Honduras amounted to \$40.5 million in FY2008, \$40.2 million in FY2009, and \$50.2 million in FY2010.⁷¹ The continuing resolution (P.L. 111-242, as amended) scheduled to expire on March 4, 2011, continues funding most foreign aid programs at the FY2010 enacted level. For FY2012, the Obama Administration has requested nearly \$68 million in foreign aid for Honduras, including \$55 million in Development Assistance (DA), \$11 million in Global Health and Child Survival assistance (GHCS), and \$1 million in Foreign Military Financing (FMF). (See **Table 1** below). U.S. assistance supports a variety of projects designed to enhance security, strengthen democracy, improve education and health systems, conserve the environment, and build trade capacity. Most assistance to the country is managed by the U.S. Agency for International Development (USAID) and the State Department.

Honduras receives some foreign assistance beyond the bilateral funds appropriated annually through the foreign operations budget. The Peace Corps, which has been active in the country since 1963, provides nearly 180 volunteers to work on projects related to HIV/AIDS prevention and child survival, protected area management, water and sanitation, and business, municipal and youth development. The Millennium Challenge Corporation (MCC) provided Honduras with \$205 million⁷² for a five-year economic growth compact that 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.⁷³ USAID's Office of Foreign Disaster Assistance (OFDA) provides assistance in response to natural disasters. USAID/OFDA provided Honduras with \$150,000 to respond to flooding and other damage during the 2010 hurricane season.⁷⁴ Honduras also receives assistance under the Central America Regional Security Initiative (CARSI, formerly known as Mérida-Central America), a

⁷¹ In September 2009, the United States terminated about \$21.7 million in foreign assistance appropriated for Honduras as a result of the country's political crisis. Some \$10.3 million was intended for security assistance and \$11.4 million was intended for economic and social development programs administered directly by the government of Honduras. The United States would have been legally required to terminate these funds if it had declared Zelaya's ouster a "military coup," although it never did so. Following the inauguration of President Lobo, the United States restored most of the assistance that had been terminated.

⁷² The compact was originally for \$215 million, but the final \$10 million was terminated as a result of the 2009 political crisis.

⁷³ Millennium Challenge Corporation, "Honduras Overview," available at <http://www.mcc.gov/countries/honduras/index.php>.

⁷⁴ USAID, *Latin America and the Caribbean—Hurricane Season and Floods*, Fact Sheet #6, FY2011, November 9, 2010.

package of counternarcotics and anticrime assistance for the region.⁷⁵ From FY2008-FY2010, Congress appropriated \$248 for Central America, a portion of which was intended for Honduras. For FY2012, the Obama Administration has requested \$100 million for CARSI.

Table I. U.S. Bilateral Assistance to Honduras, FY2007-FY2011

(U.S. \$ in thousands)

Account	FY2008	FY2009	FY2010	FY2011(req.) ^a	FY2012(req.) ^b
Global Health and Child Survival (GHCS) (USAID)	12,035	11,750	11,000	11,000	10,000
Global Health and Child Survival (GHCS) (State)	1,000	1,000	1,000	1,000	1,000
Development Assistance (DA)	15,149	21,382	37,491	53,934	55,266
Economic Support Funds (ESF)	—	—	—	—	—
Foreign Military Financing (FMF)	496	—	—	1,300	1,000
International Military Education and Training (IMET)	936	329	700	700	700
International Narcotics & Law Enforcement (INCLE)	744	—	—	—	—
Nonproliferation, Antiterrorism & Demining (NADR)	—	—	—	—	NA
Food Aid	10,150	5,771	—	—	NA
Total	40,510	40,232	50,191	67,934	67,966

Sources: U.S. Department of State, *Executive Budget Summary: Function 150 & Other International Programs, Fiscal Year 2012*, February 14, 2011; U.S. Department of State, Office of the Director of Foreign Assistance.

Notes: Global Health and Child Survival (USAID) was formerly called “Child Survival and Health,” but was re-labeled with the FY2010 budget request. Likewise, Global Health and Child Survival (State) was formerly called “Global HIV/AIDS Initiative,” but was re-labeled with the FY2010 budget request.

- a. Since Congress has yet to pass FY2011 appropriations legislation, government programs are currently funded by a series of continuing resolutions (P.L. 111-242 as amended), with the latest extension set to expire on March 4, 2011. The continuing resolution, as amended, continues funding most foreign aid programs at the FY2010 enacted level.
- b. Country-level figures for the NADR and P.L. 480 accounts are not yet available for the FY2012 request.

Military Cooperation

The United States maintains a troop presence of about 600 military personnel known as Joint Task Force (JTF) Bravo at Soto Cano Air Base. 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

⁷⁵ For more information, see CRS Report R40135, *Mérida Initiative for Mexico and Central America: Funding and Policy Issues*, by Clare Ribando Seelke.

and other Central American countries. Regional exercises and deployments involving active duty and reserve components also provide training opportunities for thousands of U.S. troops.

The June 28, 2009 ouster of President Manuel Zelaya led some to reassess the state of U.S.-Honduran military cooperation. As a result of the Honduran military's role in Zelaya's removal, the United States suspended joint military activities as well as some military assistance to the country.⁷⁶ The events in Honduras also led some analysts to question the effectiveness of U.S. foreign military training programs.⁷⁷ They argued that such programs have not obtained their desired outcomes given that General Romeo Vasquez Velasquez—who had received U.S. training—led the effort to remove President Zelaya, and the Honduran military reportedly cut off contact with the United States prior to the ouster.⁷⁸ Nevertheless, U.S.-Honduran military cooperation resumed following the election of President Lobo, with the United States restoring aid and resuming its training of Honduran officers.⁷⁹

Economic Linkages

U.S. trade and investment linkages with Honduras have increased greatly since the early 1980s. In 1984, Honduras became one of the first beneficiaries of the Caribbean Basin Initiative (CBI), the 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 (CBTPA), which provided Caribbean Basin nations with NAFTA-like preferential tariff treatment, further boosted Honduran *maquiladoras*. Trade relations expanded again following the implementation of the Dominican Republic-Central America-United States Free Trade Agreement (CAFTA-DR), which entered into force with Honduras in April 2006.⁸⁰

Total trade between the United States and Honduras has increased 15% since the implementation of CAFTA-DR, with U.S. exports to Honduras growing by 25% and U.S. imports from Honduras growing by 6%. Total U.S.-Honduran trade in 2010 totaled \$8.5 billion. U.S. exports to Honduras amounted to about \$4.6 billion, an increase of nearly 37% after a steep decline in 2009. Knit and woven apparel inputs accounted for a substantial portion, as did machinery and petroleum. U.S. imports from Honduras amounted to about \$3.9 billion, with knit and woven apparel (assembled products from the *maquiladora* sector) accounting for the greatest share. Other major imports from Honduras include electrical wiring, bananas, seafood, coffee, and gold. In 2010, the United

⁷⁶ “U.S. suspends joint military activities with Honduras,” *EFE News Service*, July 1, 2009; U.S. Department of State, Office of the Spokesman, “U.S. Assistance to Honduras,” July 7, 2009.

⁷⁷ Adam Isacson, “When your aid recipients stop taking your calls,” *Center for International Policy*, June 28, 2008, available at <http://www.cipcol.org/>.

⁷⁸ “U.S. suspends joint military activities with Honduras,” *EFE News Service*, July 1, 2009; “Senior Administration Officials Hold State Department Background Briefing via Teleconference on Honduras,” *CQ Newsmaker Transcripts*, June 28, 2009.

⁷⁹ “Honduras: Ties with US return to normal,” *Latin News Weekly Report*, April 22, 2010.

⁸⁰ For more information on CAFTA-DR, see CRS Report RL31870, *The Dominican Republic-Central America-United States Free Trade Agreement (CAFTA-DR)*, by J. F. Hornbeck.

States remained Honduras' top trading partner and Honduras moved up one spot to become the United States 49th largest trading partner.⁸¹

U.S. foreign direct investment in Honduras amounted to \$844 million in 2009, up from \$787 million in 2006.⁸² More than 150 U.S. companies operate in Honduras. The most significant U.S. investments are in the *maquila* or export assembly sector, fruit production, tourism, energy generation, shrimp farming, animal feed production, telecommunications, fuel distribution, cigar manufacturing, insurance, brewing, food processing, and furniture manufacturing.⁸³ U.S. businesses operating in Honduras were negatively affected by the country's political crisis in 2009, with the tourism and manufacturing sectors especially hard hit as international travelers stayed away and government-imposed curfews prevented workers from getting to their places of employment.⁸⁴

Despite the increases in trade and investment that have occurred since the implementation of CAFTA-DR, some Honduran and U.S. officials have expressed concerns about the agreement. Honduran officials are concerned about the loss of agricultural jobs in the corn, rice, beef, poultry, and pork sectors since the country opened its market to U.S. agricultural products. Some fear that the loss of agricultural employment could lead to social unrest if not addressed properly through long-term investment.⁸⁵ Although CAFTA-DR has provisions to enforce domestic labor codes and improve labor rights, a number of U.S. officials maintain that the provisions are inadequate given the history of non-compliance with labor laws in many Central American nations. The U.S. State Department's most recent Country Reports on Human Rights Practices for Honduras found credible evidence that employees engaged in union organizing were blacklisted within the *maquiladoras* and that union leaders were occasionally targeted with threats and violence.⁸⁶

Migration Issues

Temporary Protected Status

In the aftermath of Hurricane Mitch in 1998, the United States provided temporary protected status (TPS) to eligible Hondurans who may otherwise have been deported from the United States. Originally slated to expire in July 2000, TPS status has now been extended nine times. The most recent TPS extension came on May 5, 2010, when the Secretary of Homeland Security announced that the United States would continue to provide TPS for an additional 18 months, expiring on January 5, 2012 (prior to this extension, TPS would have expired July 5, 2010). According to a *Federal Register* notice on the most recent extension, the Secretary of Homeland Security maintained 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

⁸¹ U.S. Department of Commerce data, as presented by *Global Trade Atlas*, February 2011.

⁸² U.S. Department of Commerce, "U.S. Direct Investment Abroad Tables," *Survey of Current Business*, September 2010.

⁸³ U.S. Department of State, "Background Note: Honduras," November 2009.

⁸⁴ Brian Wagner, "Honduran Businesses Suffer as Political Crisis Continues," *Voice of America*, October 16, 2009; Kevin Bogardus, "U.S. Business sees Honduran elections as solution to crisis," *The Hill*, October 28, 2009.

⁸⁵ Kathleen Schalch, "Hondurans Brace for Pros, Cons of CAFTA," *National Public Radio (NPR)*, May 19, 2005.

⁸⁶ U.S. Department of State, Bureau of Democracy, Human Rights, and Labor, "2009 Country Reports on Human Rights Practices," March 11, 2010.

the country remains temporarily unable to adequately handle the return of its nationals.⁸⁷ Homeland Security estimates that TPS covers an estimated 66,000 Hondurans residing in the United States.⁸⁸

Remittances

Remittances from migrant workers abroad—87% of whom live in the United States—are the largest single source of foreign exchange for Honduras. Between 2002 and 2008, remittances to Honduras more than tripled to \$2.7 billion, the equivalent of 20% of GDP. Although remittances declined by over 8% in 2009, they appear to have partially recovered in 2010. The recent decline in remittances is at least partially due to the global financial crisis and U.S. recession, which have left many Honduran immigrants in the United States unemployed. Most remittances from Hondurans abroad are sent to immediate family members, such as parents and children, to supplement their wages.⁸⁹

In September 2010, Secretary of State Clinton signed a Memorandum of Understanding with President Lobo regarding the Building Remittance Investment for Development Growth and Entrepreneurship (BRIDGE) Initiative. Under the Initiative, the United States will work with Honduras to develop and support partnerships with Honduran financial institutions in hopes of maximizing the development impact of remittance flows. The identified financial institutions will be able to leverage the remittances they receive to obtain lower-cost, longer-term financing in international capital markets to fund investments in infrastructure, public works, and commercial development.⁹⁰

Deportations⁹¹

Deportations to Honduras have increased significantly over the past decade. Approximately 25,600 Hondurans were deported from the United States in FY2010, making Honduras one of the top recipients of deportees on a per capita basis.⁹² 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

⁸⁷ For more details, see 75 *Federal Register* 24734-24737, May 5, 2010.

⁸⁸ "18-Month Extension of Temporary Protected Status for Honduras, Questions and Answers," *States News Service*, May 5, 2010. See CRS Report RS20844, *Temporary Protected Status: Current Immigration Policy and Issues*, by Ruth Ellen Wasem and Karma Ester.

⁸⁹ "Honduras: Country Report," *Economist Intelligence Unit*, November 2010; "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; "Country Profile: Honduras," *Economist Intelligence Unit*, 2008.

⁹⁰ Department of State, Office of the Spokesman, "U.S. BRIDGE Initiative Commitments with El Salvador and Honduras," September 22, 2010.

⁹¹ Clare Ribando Seelke, Specialist in Latin American Affairs, contributed information to this section.

⁹² Information provided to CRS by the Department of Homeland Security, Immigration and Customs Enforcement, Office of Congressional Relations.

concerned that remittances may start to fall if the current high rates of deportations continue.⁹³ In 2007, the Honduran Congress approved a motion calling for the United States to halt deportations of undocumented Honduran migrants who live and work in the United States.⁹⁴

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. By the mid-1990s, the civil conflicts in Central America had ended and the United States began deporting unauthorized immigrants, many with criminal convictions, back to the region. Between 2000 and 2004, an estimated 20,000 criminals 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.⁹⁵ Although a recent United Nations study found little conclusive evidence to support their claims, the media and many Central American officials have attributed a large proportion of the rise in violent crime in the region to gangs, particularly gang-deportees from the United States.⁹⁶ U.S. Immigration and Customs Enforcement (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 Federal Bureau of Investigation (FBI) to request criminal history checks on particular criminal deportees once they have arrived. Over 40% of the Hondurans deported from the United States in FY2010 were removed on criminal grounds.⁹⁷

Crime, Violence, and Drug Trafficking⁹⁸

Honduras, along with neighboring El Salvador and Guatemala, has become fertile ground for gangs and drug trafficking organizations. Fueled by poverty, unemployment, leftover weapons from the conflicts of the 1980s, and the U.S. deportation of criminals to the region, gangs such as Mara Salvatrucha (MS-13) and the 18th Street Gang (M-18) have firmly established themselves in the region. Although estimates of the number of gang members in Central America vary widely, the U.S. Southern Command maintains that there are some 70,000, concentrated largely in Honduras, El Salvador, and Guatemala.⁹⁹ At the same time, Mexican Drug Trafficking Organizations (DTOs) have taken control of Central American trafficking corridors to transport cocaine and other narcotics from the Andean region of South America to the United States. The State Department, in its 2010 International Narcotics Strategy Control Report (INCSR), estimated

⁹³ Pamela Constable, “Deportees’ Bittersweet Homecoming; Migration is Boon, Bane for Honduras,” *Washington Post*, June 27, 2007.

⁹⁴ “CN Pide a EEUU que Cesen las Deportaciones de Compatriotas,” *La Tribuna* (Honduras), March 14, 2007.

⁹⁵ Ana Arana, “How the Street Gangs Took Central America,” *Foreign Affairs*, May/June 2005.

⁹⁶ United Nations Office on Drugs and Crime (UNODC), *Crime and Development in Central America: Caught in the Crossfire*, May 2007.

⁹⁷ Information Provided to CRS by the Department of Homeland Security, Immigration and Customs Enforcement, Office of Congressional Relations.

⁹⁸ For more information see CRS Report RL34112, *Gangs in Central America* and CRS Report R40135, *Mérida Initiative for Mexico and Central America: Funding and Policy Issues*, by Clare Ribando Seelke.

⁹⁹ House Armed Services Committee, Posture Statement of Gen. Bantz Craddock, Commander, U.S. Southern Command, March 9, 2005.

that 200 metric tons of cocaine transited Honduras in 2009, largely through remote and poorly controlled areas, such as the country's north coast.

This confluence of gangs and DTOs has led to increasing rates of crime and violence. According to Vanderbilt University's 2010 Americas Barometer, 14% of Honduran citizens reported that they had been the victim of a crime within the past year.¹⁰⁰ The surge in violent crime has been particularly worrisome. In December 2009, Honduras' top counternarcotics official was ambushed and killed in the capital by gunmen on motorcycles. In September 2010, 18 men working in a shoe factory in San Pedro Sula were apparently massacred by members of a Mexican DTO. And in January 2011, eight people were killed and three were injured when gunmen opened fire on a public bus.¹⁰¹ Honduras' murder rate was already among the highest in the world in 2008 at 57.9 per 100,000 inhabitants. Nevertheless, it increased to 66.8 per 100,000 in 2009 and reportedly reached 77 per 100,000 in 2010.¹⁰² Many have assumed that gangs are responsible for the increasing number of homicides; however, some recent studies have shown that the highest murder rates are not in large cities—where gangs are primarily located—but in more remote areas along strategic drug trafficking corridors. Although there have been some indications that DTOs are using gangs as hired assassins in Honduras, connections between the DTOs and gangs remain largely anecdotal and unsubstantiated.¹⁰³

Recent Honduran presidents have implemented varying anti-crime strategies; however, none of them have achieved much success. During his term, President Ricardo Maduro (2002-2006) increased the number of police officers and signed legislation that made *maras* (street gangs) illegal and gang membership punishable with 12 years in prison. Although the crackdown won popular support and initially reduced crime, its success was short-lived. Following his election, President Zelaya (2006-2009) replaced the previous administration's zero-tolerance policy with dialogue and other outreach techniques designed to persuade gang members to reintegrate into society.¹⁰⁴ Failure to achieve concrete results, however, led the Zelaya Administration to shift its emphasis toward more traditional anti-gang law enforcement operations. Zelaya increased the number of police and military troops in the streets and conducted raids against suspected criminals. Nonetheless, as reflected in the statistics cited above, crime and violence in Honduras continued unabated.¹⁰⁵

President Lobo has pledged to crack down on crime and violence, and although he has backed away from his 2005 proposal to reinstate the death penalty in Honduras, he still favors a hard-line approach.¹⁰⁶ Since taking office, Lobo has initiated a new security strategy that has deployed additional police into the poorest neighborhoods of Tegucigalpa and other large cities. In early

¹⁰⁰ "65% satisfecho con democracia," *La Prensa* (Honduras), November 23, 2010.

¹⁰¹ U.S. Department of State, Bureau for International Narcotics and Law Enforcement Affairs, "International Narcotics Control Strategy Report," March 2010; "Gang massacre appalls Honduras," *Latin News Daily*, September 8, 2010, "Buss massacre in Honduras," *Latin News Daily*, January 7, 2011.

¹⁰² This is four times the average homicide rate in Latin America of 18 per 100,000 inhabitants. "Honduras report signals rising violence," *Latin News Daily*, February 22, 2009; "Honduras has highest murder rate in Central America," *EFE News Service*, March 30, 2010; "Honduras posts startling homicide rate," *Latin News Daily*, January 18, 2011.

¹⁰³ Steven S. Dudley, *Drug Trafficking Organizations in Central America: Transportistas, Mexican Cartels and Maras*, Woodrow Wilson International Center for Scholars, May 2010.

¹⁰⁴ "Honduran Government Reaches Out to Rehabilitate Gangs," *ACAN-EFE*, January 30, 2006.

¹⁰⁵ Marion Barbel, "Homicide Rate Confirms Honduras as One of Region's Most Violent Nations," *Global Insight Daily Analysis*, September 11, 2008.

¹⁰⁶ "Honduras: Lobo seeks to unseat the PL," *Latin American Special Reports: Election Watch*, 2009.

June 2010, the Honduran National Congress approved a measure authorizing the use of military soldiers to support the police in fighting crime. Military patrols have been deployed in large cities to reinforce police as well as to the remote Atlantic coast region to combat drug trafficking.¹⁰⁷ In November 2010, the Honduran National Congress approved a new anti-terrorism law that reportedly includes measure to strengthen control over land, sea, and air borders, and will allow authorities to better control cash flows into the country.¹⁰⁸

Although cooperation was temporarily disrupted by the 2009 political crisis, communication and coordination between U.S. law enforcement and intelligence entities and Honduras military and police elements have improved in recent years according to the 2010 INCSR. Through the Central America Regional Security Initiative (CARSI)¹⁰⁹ and other efforts, the United States has supported a variety of anticorruption, anti-gang, police training, and maritime operations programs intended to improve Honduras' counternarcotics capabilities. The United States has also supported efforts to strengthen Honduran judicial institutions, provide positive opportunities for youth at risk of joining gangs, and develop a national crime prevention policy.¹¹⁰ Moreover, the United States funded construction of a Honduran naval base in Barra de Caratasca in the isolated Mosquitia region of northeastern Honduras to assist in interdiction operations. Overall in 2009, Honduras seized 6.6 metric tons of cocaine, 2,795 stones of crack cocaine, 923 kilograms of marijuana, and nearly 2.8 million pseudoephedrine pills. Despite these efforts, U.S. officials maintain that Honduran citizen security and counternarcotics efforts continue to face a number of challenges, including limited resources, a weak enforcement presence in sparsely populated areas, corruption within the government and law enforcement, and weak criminal investigations and prosecutions.¹¹¹

Human Trafficking

According to the State Department's 2010 Trafficking in Persons (TIP) Report, Honduras is primarily a source and transit country for women and children trafficked for the purpose of commercial sexual exploitation. Many victims are trafficked from rural areas to tourist and urban locales such as Tegucigalpa, San Pedro Sula, and the Bay Islands. Destination countries for trafficked Honduran women and children include the United States, Mexico, Guatemala, El Salvador, and Belize. 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.

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

¹⁰⁷ Gustavo Palencia "Nuevo Gobierno Honduras busca aplacar violencia ligada al narco," *Reuters*, January 28, 2010; Freddy Cuevas, "Honduras to send soldiers into streets to aid police in combatting wave of violent crime," *Associated Press*, April 13, 2010; "Militares a reforzar las operaciones policiales durante gobierno de Lobo," *La Tribuna* (Honduras), June 11, 2010.

¹⁰⁸ "Honduras denounces internal armed groups," *Latin News Daily*, November 24, 2010.

¹⁰⁹ CARSI is a package of counternarcotics and anticrime assistance for Central America, for which Congress appropriated \$248 million from FY2008-2010.

¹¹⁰ USAID, "Central American Regional Security Initiative (CARSI)," May 26, 2010.

¹¹¹ U.S. Department of State, Bureau for International Narcotics and Law Enforcement Affairs, "International Narcotics Control Strategy Report," March 2010.

2010 report recognized the Honduran government's law enforcement actions against sex trafficking offenders and its partnership with international organizations to provide training to government officials and members of civil society. However, the report also maintained that government services for trafficking victims remained virtually non-existent, that laws failed to prohibit trafficking for forced labor, and that the number of trafficking-related convictions had decreased. In the report, the State Department recommended that Honduras amend its anti-trafficking laws to prohibit forced labor; increase efforts to investigate and prosecute all trafficking offenses; convict and sentence traffickers; improve victims' access to shelter, aid, and essential services; develop formal procedures for identifying victims; and initiate efforts to raise awareness of human trafficking.¹¹²

Port Security

Honduras and the United States have cooperated extensively 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 the U.S. Customs and Border Protection (CBP) of the Department of Homeland Security, 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.¹¹³

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¹¹² U.S. Department of State, Office to Monitor and Combat Trafficking in Persons, "Trafficking in Persons Report," June 2010.

¹¹³ U.S. Department of Homeland Security, "DHS and DOE Launch Secure Freight Initiative," Press Release, December 7, 2006, and "Secure Freight Initiative Becomes Fully Operational in United Kingdom, Pakistan, and Honduras," Press Release, October 12, 2007.