



Honduran-U.S. Relations

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February 1, 2010

Congressional Research Service

7-5700

www.crs.gov

RL34027

CRS Report for Congress
Prepared for Members and Committees of Congress

c11173008

Report Documentation Page				Form Approved OMB No. 0704-0188	
Public reporting burden for the collection of information is estimated to average 1 hour per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information. Send comments regarding this burden estimate or any other aspect of this collection of information, including suggestions for reducing this burden, to Washington Headquarters Services, Directorate for Information Operations and Reports, 1215 Jefferson Davis Highway, Suite 1204, Arlington VA 22202-4302. Respondents should be aware that notwithstanding any other provision of law, no person shall be subject to a penalty for failing to comply with a collection of information if it does not display a currently valid OMB control number.					
1. REPORT DATE 01 FEB 2010		2. REPORT TYPE		3. DATES COVERED 00-00-2010 to 00-00-2010	
4. TITLE AND SUBTITLE Honduran-U.S. Relations				5a. CONTRACT NUMBER	
				5b. GRANT NUMBER	
				5c. PROGRAM ELEMENT NUMBER	
6. AUTHOR(S)				5d. PROJECT NUMBER	
				5e. TASK NUMBER	
				5f. WORK UNIT NUMBER	
7. PERFORMING ORGANIZATION NAME(S) AND ADDRESS(ES) Congressional Research Service,Library of Congress,101 Independence Ave., SE,Washington,DC,20540-7500				8. PERFORMING ORGANIZATION REPORT NUMBER	
9. SPONSORING/MONITORING AGENCY NAME(S) AND ADDRESS(ES)				10. SPONSOR/MONITOR'S ACRONYM(S)	
				11. SPONSOR/MONITOR'S REPORT NUMBER(S)	
12. DISTRIBUTION/AVAILABILITY STATEMENT Approved for public release; distribution unlimited					
13. SUPPLEMENTARY NOTES					
14. ABSTRACT					
15. SUBJECT TERMS					
16. SECURITY CLASSIFICATION OF:			17. LIMITATION OF ABSTRACT Same as Report (SAR)	18. NUMBER OF PAGES 23	19a. NAME OF RESPONSIBLE PERSON
a. REPORT unclassified	b. ABSTRACT unclassified	c. THIS PAGE unclassified			

Summary

On January 27, 2010, Porfirio “Pepe” Lobo Sosa was inaugurated President of Honduras. Lobo assumed power after seven months of domestic political crisis and international isolation that had resulted from the June 28, 2009 ouster of President Manuel Zelaya. The political crisis has left Lobo with a number of challenges, including considerable domestic political polarization, a lack of international recognition, and a faltering economy. Nonetheless, the strength of Lobo’s National Party in the legislature and the weakness of his opposition will likely allow the new president to implement his policy agenda.

The Honduran economy has undergone a number of changes in recent years. While traditional agricultural exports of coffee and bananas are still important, nontraditional sectors, especially the maquiladora, or export-processing industry, have grown significantly over the past decade. Substantial economic growth (6.3% in 2007 and 4% in 2008) and considerable debt reduction by international financial institutions have freed government resources to finance poverty-reduction programs. Nonetheless, Honduras continues to face a poverty rate of nearly 70%, in addition to widespread crime, high infant mortality, and a significant HIV/AIDS epidemic. Moreover, Honduras experienced an estimated 4.4% economic contraction in 2009 as a result of the political crisis and global economic downturn.

Although relations have been strained recently as a result of the political crisis, the United States has traditionally had a close relationship with Honduras. Overall 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 and maintaining significant military and economic ties, the United States cooperates with Honduras to deal with transnational issues such as illegal migration, crime, narcotics trafficking, trafficking in persons, and port security.

With respect to the political crisis, several resolutions were introduced during the first session of the 111th Congress. These ranged from condemning Zelaya for his “unconstitutional and illegal” actions (H.Res. 619, Mack) to condemning the “coup d’état” in Honduras (H.Res. 630, Delahunt) and calling upon the Micheletti government to end its “illegal seizure of power” (H.Res. 620, Serrano). Another resolution (H.Res. 749, Ros-Lehtinen) called on the Obama Administration to recognize the November 2009 elections “as an important step in the consolidation of democracy and rule of law in Honduras.”

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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Political Situation

On January 27, 2010, Porfirio “Pepe” Lobo Sosa was inaugurated President of Honduras. Lobo assumed power after seven months of domestic political crisis and international isolation that had resulted from the June 28, 2009 ouster of President Manuel Zelaya. The political crisis has left Lobo with a number of challenges, including considerable domestic political polarization, a lack of international recognition, and a faltering economy. Nonetheless, the strength of Lobo’s National Party in the legislature and the weakness of his opposition will likely allow the new president to implement his policy agenda.

Background

Prior to the forced removal of President Manuel Zelaya, Honduras, a Central American nation of 7.4 million people, enjoyed 27 years of democratic, constitutional governance. The Liberal (PL) and National (PN) parties have been Honduras’ two dominant political parties since the military relinquished control of the country in 1982. Both are considered to be ideologically center-right, and there appear to be few major differences between the two.

Manuel Zelaya of the PL was elected president in November 2005, narrowly defeating his PN rival, Porfirio Lobo. Zelaya—a wealthy landowner with considerable investments in the timber and cattle industries—was generally regarded as a moderate when he was inaugurated to a four-year term in January 2006.¹ As his term progressed, however, Zelaya advanced a number of populist policies, including free school enrollment, an increase in teachers’ pay, and a 60% increase in the minimum wage.² Zelaya also forged closer relations with Venezuelan President Hugo Chávez, joining PetroCaribe and the Bolivarian Alternative for the Americas (ALBA) in 2008.³ 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.⁴

¹ “People Profile: Manuel ‘Mel’ Zelaya,” *Latin News Daily*, November 15, 2005; “Manuel Zelaya: empresario conservador que transitó a la izquierda,” *Agencia Mexicana de Noticias*, June 29, 2009.

² 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.

³ PetroCaribe is a Venezuelan program that provides oil at preferential discounted rates to Caribbean countries. ALBA is a socially oriented trade block that includes cooperation in a range of areas such as health, education, culture, investment, and finance. ALBA members include Bolivia, Cuba, Ecuador, Nicaragua, and Venezuela. 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.

⁴ Mica Rosenberg, “Protests erupt, gunshots heard after Honduras coup,” *Reuters*, June 28, 2009.

Political Crisis⁵

Detention and Expulsion of Zelaya

On June 28, 2009, the Honduran military detained President Manuel 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 Court 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.⁶ The Honduran National Congress then adopted a resolution to replace Zelaya with the President of Congress, Roberto Micheletti.⁷

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 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 in Tegucigalpa until January 27, 2010, when newly inaugurated President Porfirio Lobo granted him safe passage to the Dominican Republic.⁸

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.⁹ 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 the Venezuelan-led trade bloc known as the Bolivarian Alternative for the Americas (ALBA).¹⁰ 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.¹¹ 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.¹²

⁵ For a more detailed examination of the Honduran political crisis, see CRS Report R41064, *Honduran Political Crisis, June 2009-January 2010*.

⁶ Poder Judicial de Honduras, "Expediente Judicial Relación Documentada Caso Zelaya Rosales," available at <http://www.poderjudicial.gob.hn/>.

⁷ "El decreto de la separación de Zelaya," *El Heraldo* (Honduras), June 28, 2009.

⁸ "Zelaya deja Honduras tras 4 meses en la Embajada de Brasil," *EFE News Service*, January 27, 2010.

⁹ Roberto Micheletti, "Moving Forward in Honduras," *Washington Post*, September 22, 2009.

¹⁰ "Honduras: Micheletti prepares to leave on high note," *Latin American Weekly Report*, January 21, 2010.

¹¹ "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.

¹² "Hondureños ven solución en presidente alternativo y elecciones, según sondeo," *EFE News Service*, October 27, (continued...)

During his government, Micheletti maintained tight control of Honduran society, severely restricting political opposition. On the day of the 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.¹³ Over the next several months, the Micheletti government periodically implemented curfews—often arbitrarily and with little or no prior notification—and issued decrees restricting civil liberties.¹⁴ 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.”¹⁵

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.¹⁶ 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.¹⁷ Lobo’s PN also won an absolute majority in the unicameral National Congress, with 71 of the 128 seats (see **Figure 1**, for the change in the 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 2005.¹⁸ 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 Zelaya’s faction to stay home on election day.¹⁹

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2009; “Honduras: 42% reconoce a Zelaya como presidente, 36% a Micheletti (encuesta),” *Agence France Presse*, October 28, 2009.

¹³ “Honduras: Decretan toque de queda por 48 horas,” *La Prensa* (Honduras), June 28, 2009; “Honduras: Media Blackout, Protests Reported,” *Stratfor*, June 29, 2009.

¹⁴ “Honduras suspende derechos constitucionales durante toque queda,” *Reuters*, July 1, 2009; Amnesty International, “Honduras: human rights crisis threatens as repression increases,” August 2009.

¹⁵ 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.

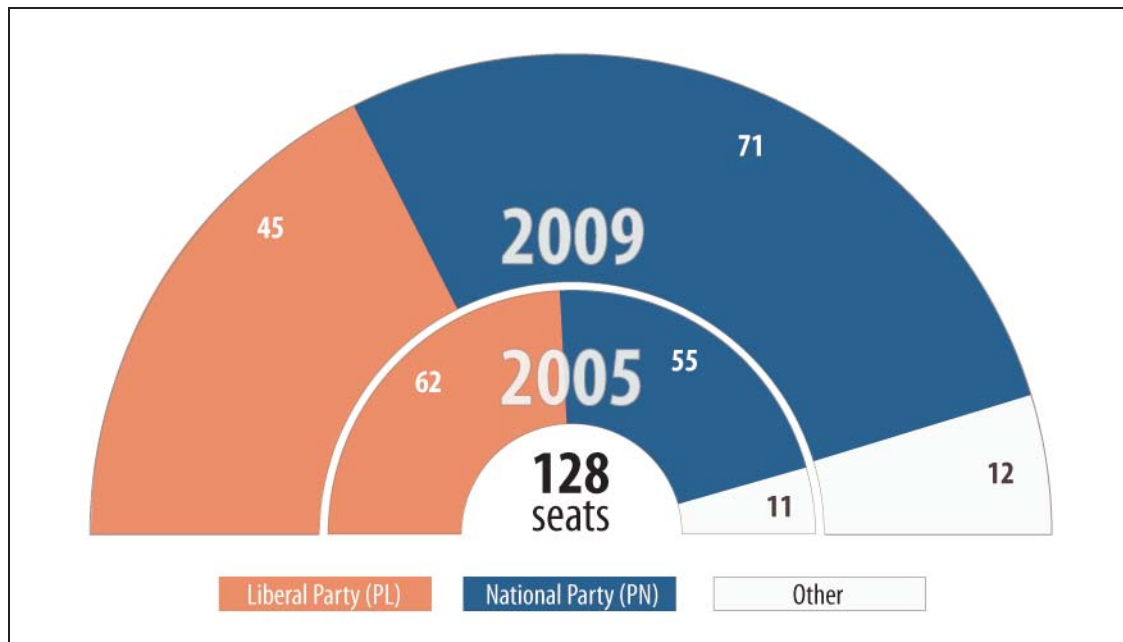
¹⁶ “Elecciones, incierto antídoto contra la crisis socio política,” *El Tiempo* (Honduras), August 31, 2009.

¹⁷ “TSE confirma el triunfo de ‘Pepe’ en las elecciones,” *El Herald* (Honduras), December 21, 2009.

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

¹⁹ Noé Leiva, “El Partido Liberal de Zelaya, el gran perdedor de los comicios hondureños,” *Agence France Presse*, November 30, 2009; “Partido Liberal sacrificó el poder para salvar democracia,” *La Tribuna* (Honduras), December 3, 2009.

Figure 1. Party Affiliation in the Unicameral Honduran National Congress
2005 and 2009 Election Results



Source: CRS Graphics.

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 2008,²⁰ and that election day was largely²¹ free of political violence.²² Nonetheless, some Hondurans and international observers have argued that the Micheletti government’s suppression of opposition media and demonstrators prevented a fair electoral campaign from taking place. This led to 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.²³ It

²⁰ 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.

²¹ 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.

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

²³ “Seguidores de Zelaya no participarán en elecciones aunque haya restitución,” *EFE News Service*, November 8, 2009; “Renuncian importantes dirigentes del liberalismo,” *El Tiempo* (Honduras), November 22, 2009; “Zelayistas dicen que (continued...) ”

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.²⁴ Critics of the elections also assert that the electoral turnout, which was just under 50% (5 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 overseas.²⁵ 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.²⁶

Prospects for the Lobo Administration

Political Reconciliation

President Lobo has already taken a number of steps to ease the political polarization in Honduras. Since his election, Lobo has called for a government of national unity and pledged to engage in dialogue with all sectors of Honduran society.²⁷ He intends to create two outside advisory councils: one composed of former presidents and another composed of members of the business community, the churches, unions, peasant organizations, and the media.²⁸ Lobo has also invited members of each of the established political parties to join his administration, and the new Honduran National Congress, which is controlled by Lobo's National Party, incorporated members of each of the political parties into the leadership committee.²⁹ Moreover, Lobo arranged safe passage out of the country for 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.³⁰

Although these actions have partially reduced the polarization of Honduran society, a number of analysts caution that the underlying cause of the crisis—the failure of the political elite to respond to the interests of the majority of the population—remains.³¹ They assert that those who made up the “National Resistance Front Against the Coup d'état,” an umbrella group of those opposed to

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hay incongruencias en la UD,” *El Tiempo* (Honduras), November 23, 2009.

²⁴ 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.

²⁵ “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.

²⁶ 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.

²⁷ “Gobierno de austeridad y unidad anuncia Lobo,” *El Heraldo* (Honduras), January 12, 2010.

²⁸ “Nueva administración creará y desaparecerá ministerios,” *El Tiempo* (Honduras), January 18, 2010.

²⁹ “UD analizará si acepta cargos en el gobierno de Lobo Sosa,” *El Tiempo* (Honduras), January 24, 2010; “Congreso hondureño elige directiva que incluye a la izquierda por primera vez,” *EFE News Service*, January 23, 2010.

³⁰ “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.

³¹ Kevin Casas-Zamora, “A Discussion on the Honduran Elections,” Remarks at the Inter-American Dialogue, Washington, DC, December 9, 2009; “¿Renovarse o morir? (Editorial),” *El Tiempo* (Honduras), January 26, 2010.

Zelaya's removal, are still fully committed to reforming the Honduran constitution and pushing for greater political, economic, and social rights for traditionally excluded sectors of the Honduran population. These analysts maintain that Honduras will continue to be susceptible to political instability if Honduran leaders simply revert to that status quo that existed prior to the political crisis and largely ignore the basic needs of the 70% of the population that lives below the poverty line.

International Recognition

President Lobo faces a challenge in winning support from the international community. 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.³² Lobo has called on the international community to stop "punishing" the people of Honduras for Zelaya's ouster.³³ Although the United States and several other countries in the region have indicated that they will support Lobo, he still needs to win the support of others—such as Brazil—in order to reintegrate Honduras into the international community and end the diplomatic and economic sanctions that have been leveled against the country.³⁴

According to a number of analysts, the international community is likely to slowly restore relations with Honduras.³⁵ They assert that several countries have responded positively to Lobo's preliminary attempts at national reconciliation and have softened their positions. They also assert that countries that have yet to recognize Lobo have few remaining options since a growing number of nations and the majority of Hondurans have already recognized the new government.

Enactment of Policies

During the electoral campaign, Lobo indicated that the three priorities of his government would be respectable wages for families, improved social services, and security.³⁶ In order to generate employment, Lobo has suggested providing support to small and medium-sized businesses. He has asserted that he will seek to attract foreign investment by implementing orthodox economic policies and proposing new laws to protect investors.³⁷ Although Lobo has indicated that he will give priority to private enterprise, he has said that some government action is necessary. He has pledged to increase access to education and healthcare, and improve the quality of Honduran social services. He has also proposed a conditional cash transfer program that would provide

³² "El Mercosur anuncia 'pleno desconocimiento' de nuevo gobierno de Honduras," *EFE News Service*, December 8, 2009.

³³ "Lobo pide a la comunidad internacional que no siga 'castigando' a su pueblo," *EFE News Service*, November 30, 2009.

³⁴ "Brasil sin representantes en investidura de Lobo en Honduras," *Agence France Presse*, January 27, 2010.

³⁵ "Insulza confía que OEA reanude diálogo con Honduras tras investidura de Lobo," *EFE News Service*, January 14, 2010; Diego Urdaneta, "Comunidad internacional recompondrá relaciones con la Honduras de Lobo," *Agence France Presse*, January 26, 2010; "Honduras politics: Lobo takes charge," *Economist Intelligence Unit*, January 26, 2010.

³⁶ "Las propuestas de 'Pepe' Lobo a Honduras," *El Heraldo* (Honduras), September 2, 2009.

³⁷ Ibid; Helen Murphy and Eric Sabo, "Lobo wins Honduran Presidency After Peaceful Vote," *Bloomberg*, November 30, 2009; "'Pepe' Lobo: Gobierno humanista-cristiano," *La Tribuna* (Honduras), December 15, 2009;

small cash subsidies to some 600,000 families that keep their children in school.³⁸ In terms of security, Lobo has pledged to crack down on crime and violence. He has backed away from his 2005 proposal to reinstate the death penalty in Honduras, however, he still favors a hard-line approach.³⁹ Since taking office, Lobo has initiated a new security strategy that has begun deploying hundreds of police into the poorest neighborhoods of Tegucigalpa and other large cities.⁴⁰

A number of analysts maintain that Lobo's political strength should facilitate policy implementation, although a lack of funds could curtail his plans.⁴¹ The PN's absolute majority in the National Congress and the factionalism of the weakened PL, will likely ensure minimal legislative opposition to Lobo's policies. Lobo could face some opposition in the streets, however, as most of those who participated in the "National Resistance Front Against the Coup d'état" have refused to recognize Lobo and intend to push for a constitutional assembly.⁴² Honduras' economic situation is likely to be the most significant challenge to Lobo's agenda. He has indicated that he will seek to do more with limited funds by better targeting subsidies and strictly controlling the use of government funds by state officials. He also intends to re-establish flows of bilateral and multilateral aid and will negotiate a new stand by agreement with the International Monetary Fund (IMF).⁴³

Economic and Social Conditions

The Honduran economy has gone through a number of changes in recent years. 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 over the past decade. 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 with 6% growth in 2000. More recently, Honduras registered growth rates of 4.1% in 2005, 6.3% in 2006 and 2007, and 4% in 2008.⁴⁴ Honduras is now classified by the World Bank as a lower middle income developing economy, with a per capita income of \$1,800 (2008).⁴⁵

Despite experiencing substantial economic growth, Honduras continues to face a number of development challenges. These include an estimated poverty rate of nearly 70%; an infant mortality rate of 31 per 1,000; and chronic malnutrition for one out of three children under five years of age. Honduras also has a significant HIV/AIDS crisis, with an adult infection rate of

³⁸ "Las propuestas de 'Pepe' Lobo a Honduras," *El Heraldo* (Honduras), September 2, 2009.

³⁹ "Honduras: Lobo seeks to unseat the PL," *Latin American Special Reports: Election Watch*, 2009.

⁴⁰ Gustavo Palencia "Nuevo Gobierno Honduras busca aplacar violencia ligada al narco," *Reuters*, January 28, 2010.

⁴¹ "Honduras politics: Lobo takes charge," *Economist Intelligence Unit*, January 26, 2010.

⁴² "El Frente de la Resistencia afirma que le pondrá 'las cosas difíciles' a Lobo," *EFE News Service*, January 25, 2010.

⁴³ "Nuevo Gobierno de Honduras dice que recibe el país en 'bancarrota'," *EFE News Service*, January 28, 2010.

⁴⁴ "Honduras: Country Report," *Economist Intelligence Unit*, September 2008 and January 2009.

⁴⁵ World Bank, World Development Report, 2010.

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 epidemic. The World Bank maintains that development indicators have improved over the past decade, however, as a result of increased public spending on health and education.⁴⁶

Debt Reduction

Honduras has benefited from several debt-reduction programs. A three-year poverty reduction and growth facility (PRGF) agreement with the IMF made Honduras eligible for about \$1 billion in debt relief under the IMF and World Bank's Highly Indebted Poor Countries (HIPC) Initiative in 2005. 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. The Inter-American Development Bank (IDB) implemented a debt forgiveness program for its poorest members in 2006. Honduras benefitted from a reduction of \$1.4 billion in foreign debt, freeing government resources to finance poverty alleviation.⁴⁷ Largely as a result of these programs, Honduras' public debt declined from nearly 46% of gross domestic product (GDP) in 2005 to under 19% in 2007. The country's public debt had climbed back to an estimated 25% of GDP in 2009, however, and Honduras remains one of the most impoverished nations in Latin America.⁴⁸

Effects of Financial and Political Crises

The global financial crisis and the political crisis have taken a toll on the Honduran economy. Over the first half of 2009, Honduras experienced significant declines in remittances (11%) and export earnings (13%).⁴⁹ The June 2009 forced removal of President Zelaya exacerbated these economic problems, as the international community, which had been expected to finance 20% of the country's budget, imposed economic sanctions on Honduras.⁵⁰ 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.⁵¹ Domestic opponents of the ouster placed additional pressure on the economy, engaging in strikes,

⁴⁶ U.N. Economic Commission for Latin America and the Caribbean, "Social Panorama of Latin America," 2008; World Bank, "Honduras Country Brief," September 2006; World Bank "Fighting Malnutrition in Central America," December 19, 2006; Also see CRS Report RL32713, *Afro-Latinos in Latin America and Considerations for U.S. Policy*, by Clare Ribando Seelke and June S. Beittel.

⁴⁷ "Honduras: Country Report," *Economist Intelligence Unit*, April 2007; Nestor Ikeda, "Inter-American Development Bank Forgives Debt of 5 Nations," *Associated Press*, March 17, 2007.

⁴⁸ "Honduras: Country Report," *Economist Intelligence Unit*, January 2010.

⁴⁹ "Honduras: Struggling," *Latin American Economy & Business*, October 2009; "Honduras economy: Political crisis takes its toll," *Economist Intelligence Unit*, October 27, 2009.

⁵⁰ Keny López de Carballo, "Honduras no puede prescindir de créditos," *La Prensa Grafica* (El Salvador), July 9, 2009.

⁵¹ 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.

transportation blockades, and other measures designed to paralyze economic activity.⁵² Some economists have estimated that the political crisis cost Honduras 180,000 jobs and \$20 million daily in lost trade, aid, tourism, and investment.⁵³ In order to offset steep declines in government revenue, Micheletti and the Honduran Congress were forced to slash spending, reducing central government expenditures by 10% and decentralized state body expenditures by 20%.⁵⁴ According to private analysts, the Honduran economy contracted by an estimated 4.4% in 2009.⁵⁵

Some economists believe Honduras will need to re-establish flows of bilateral and multilateral aid in order to turn the economy around. Access to the withheld and withdrawn aid would allow Honduras to address its growing fiscal deficit and restore some of the spending that was cut in 2009.⁵⁶ Restoration of international aid is likely, as some financial institutions have already announced that they will normalize relations with Honduras and other members of the international community are expected to do the same.⁵⁷ Although analysts suggest that the improving international economic situation should aid Honduras' recovery, they caution that it will be years before Honduras regains what was lost as a result of the political crisis.⁵⁸

⁵² "Manifestantes aseguran que hoy paralizan el país," *El Tiempo* (Honduras), July 23, 2009.

⁵³ 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.

⁵⁴ "Honduras: Country Report," *Economist Intelligence Unit*, August 2009.

⁵⁵ "Honduras: Country Report," *Economist Intelligence Unit*, January 2010.

⁵⁶ "Honduras politics: Lobo takes charge," *Economist Intelligence Unit*, January 26, 2010.

⁵⁷ "BCIE normaliza relaciones con Honduras tras el golpe de Estado," *Agence France Presse*, January 21, 2010.

⁵⁸ "Honduras politics: Lobo takes charge," *Economist Intelligence Unit*, January 26, 2010.

Figure 2. Map of Honduras



Source: Map Resources. Adapted by CRS Graphics.

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*.

Relations between the United States and Honduras have been strained recently as a result of the country's political crisis. Following Zelaya's ouster, the United States cut off almost all contact with the Honduran government. The United States suspended some foreign assistance, U.S. Southern Command minimized cooperation with the Honduran military, and the U.S. State Department revoked the visas of members and supporters of the Micheletti government, which

assumed power following Zelaya's removal.⁵⁹ 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."⁶⁰ Relations have begun to improve as the United States recognized the November 2009 Honduran elections and is expected to restore full relations with Honduras now that President Lobo has taken office.⁶¹

Today, overall U.S. policy goals for Honduras 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 and maintaining significant military and economic ties, the United States cooperates with Honduras to deal with transnational issues such as illegal migration, crime, narcotics trafficking, trafficking in persons, and port security.

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 new 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 nearly \$44 million in FY2007, \$40.5 million in FY2008, and about \$42.5 million in FY2009 (see **Table 1**). For FY2010, an estimated \$51.3 million in regular foreign aid funding was appropriated. For FY2011, the Obama Administration requested nearly \$68 million in foreign aid for Honduras, including almost \$54 million in Development Assistance, \$12 million in Global Health and Child Survival assistance, and \$1.3 million in Foreign Military Financing. U.S. assistance in FY2011 will support a variety of projects designed to enhance security, strengthen democracy, improve education and health systems, conserve the environment, and build trade capacity.

⁵⁹ "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.

⁶⁰ Carlos Salinas, "Honduran de facto leader vows to cling to power over US objections," *El País* (Spain), August 5, 2009.

⁶¹ "Clinton says Lobo trying to reconcile Hondurans," *Reuters*, December 9, 2009.

Table I. U.S. Foreign Aid to Honduras, FY2007-FY2011
(U.S. \$ in thousands)

Account	FY2007	FY2008	FY2009	FY2010(est.)	FY2011(req.)
Global Health and Child Survival (USAID)	12,034	12,035	11,750	11,000	11,000
Global Health and Child Survival (State)	750	1,000	1,000	1,000	1,000
Development Assistance	15,540	15,149	21,382	37,491	53,934
Economic Support Funds	175	—	—	—	—
Foreign Military Financing	675	496	—	1,075	1,300
International Military Education and Training	1,404	936	329	700	700
International Narcotics & Law Enforcement	—	744	—	—	—
Nonproliferation, Antiterrorism & Demining	268	—	—	—	—
Food Aid	13,005	10,150	8,000	NA	NA
Total	43,851	40,510	42,461	51,266	67,934

Source: U.S. Department of State, Congressional Budget Justification, Foreign Operations, FY2008-FY2010; U.S. Department of State, Executive Budget Summary, Function 150 and Other International Programs, FY2011.

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.

Additional foreign assistance is provided to Honduras through the Peace Corps, which has been active in the country since 1963; the Millennium Challenge Corporation (MCC), which signed a five-year \$215 million compact for Honduras in June 2005; and the Mérida Initiative, which is a multiyear program designed to boost narcotics interdiction capabilities and support a regional anti-gang strategy in Mexico and Central America. The MCC compact has two components: a rural development project and a transportation project. The rural development project involves providing Honduran farmers with the skills needed to grow and market horticultural crops. The transportation project will improve a highway linking the Atlantic port of Puerto Cortés to Pacific ports and major production centers in Honduras, El Salvador, and Nicaragua. It will also involve improvements to main highways and secondary and rural roads, to enable farmers and other businesses to get their products to markets more efficiently.⁶² Under the Mérida Initiative, some \$248 million has been appropriated for Central America between FY2008 and FY2010. A portion of this assistance likely went to Honduras.⁶³

In September 2009, the United States terminated \$32.7 million in foreign assistance appropriated for Honduras for FY2009 as a result of the country’s political crisis. Some \$10.3 million was intended for security assistance. Another \$11.4 million was intended for economic and social

⁶² Millennium Challenge Corporation, “Honduras Overview,” available at <http://www.mcc.gov/countries/honduras/index.php>.

⁶³ For more information, see CRS Report R40135, *Mérida Initiative for Mexico and Central America: Funding and Policy Issues*, by Clare Ribando Seelke.

development programs administered by the government of Honduras, including funds for anti-gang activities, trade capacity building, and aid to small farmers.⁶⁴ The final \$11 million was intended for two transportation projects, and was all that remained of the \$215 million MCC compact that Honduras signed in 2005.⁶⁵ Nonetheless, Honduras still received an estimated \$42.5 million in U.S. foreign aid in FY2009, which provided direct assistance to the Honduran people (See **Table 1**). The assistance included funds for education, disease prevention, and democracy promotion.⁶⁶ The U.S. government would have been legally required to terminate some foreign assistance if it had declared Zelaya's ouster a "military coup."⁶⁷ Although the United States never made such a declaration, it terminated the foreign assistance that it would have been required to discontinue had it done so.

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. Today, U.S. troops in Honduras support such activities as disaster relief, medical and humanitarian assistance, counternarcotics operations, and search and rescue operations that benefit Honduras and other Central American countries. Regional exercises and deployments involving active duty and reserve components provide training opportunities for thousands of U.S. troops. In the aftermath of Hurricane Mitch in 1998, U.S. troops provided extensive assistance in the relief and reconstruction effort. JTF Bravo has responded to a number of natural disasters in the region in recent years. In November 2009 for example, JTF Bravo provided humanitarian relief to the victims of severe flooding in El Salvador.⁶⁸

The June 28, 2009 ouster of President Manuel Zelaya has 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.⁶⁹ The events in Honduras also led some analysts to question the effectiveness of U.S. foreign military training programs.⁷⁰ These analysts contend that such programs have not

⁶⁴ U.S. Department of State, Office of the Spokesman, "U.S. Assistance to Honduras," July 7, 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; "Senior State Department Officials Hold Background News Teleconference on Honduras," *CQ Newsmaker Transcripts*, September 3, 2009.

⁶⁵ Prior to Zelaya's ouster, \$80 million of the MCC compact had been dispersed and contracts worth an additional \$124 million had been signed. Information Provided to CRS by the Millennium Challenge Corporation; Millennium Challenge Corporation, "MCC Board of Directors Upholds Importance of Country-Led Development and Accountability," September 9, 2009.

⁶⁶ U.S. Agency for International Development, "Congressional Notification #7," December 18, 2009.

⁶⁷ Section 7008 of the 2009 Omnibus Appropriations Act (P.L. 111-8) states: "None of the funds appropriated or otherwise made available" for bilateral economic assistance or international security assistance "shall be obligated or expended to finance directly any assistance to the government of any country whose duly elected head of government is deposed by military coup or decree."

⁶⁸ Staff Sgt. Chad Thompson, "U.S. military helicopters airlift 61,000 pounds of aid to El Salvador," *Joint Task Force-Bravo Public Affairs*, November 14, 2009.

⁶⁹ "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.

⁷⁰ "When your aid recipients stop taking your calls," *Center for International Policy*, June 28, 2008, available at (continued...)

obtained their desired outcomes given that General Romeo Vasquez Velasquez—who has 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.⁷¹

On May 21, 2009, the Latin American Military Training Review Act (H.R. 2567, McGovern) was introduced in the House. The bill would suspend all operations at the Western Hemisphere Institute for Security Cooperation (WHINSEC, formerly known as the School of the Americas), which has trained tens of thousands of military and police personnel from throughout Latin America.⁷² The bill would also establish a joint congressional task force to assess the types of training that are appropriate to provide Latin American militaries and establish a commission to investigate activities at WHINSEC and its predecessor.

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.

The United States is by far Honduras' largest trading partner. In 2008, the United States was the destination of about 37% of Honduran exports and the origin of about 37% of its imports. Honduras is the largest Central American exporter to the United States and the top Latin American exporter of knit apparel to the United States. In 2008, U.S. exports to Honduras amounted to about \$4.8 billion, up 31% from 2006. Knit and woven apparel inputs accounted for a substantial portion, as did machinery and petroleum. U.S. imports from Honduras amounted to about \$4 billion in 2008, with knit and woven apparel (assembled products from the maquiladora sector) accounting for the lion's share. Other Honduran exports to the United States include coffee, seafood, bananas, electrical wiring, gold, and tobacco.⁷³

(...continued)

<http://www.cipcol.org/>.

⁷¹ "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.

⁷² WHINSEC has been criticized by a number of human rights organizations because some of its graduates have participated in military coups and committed human rights abuses. Supporters of the school maintain that WHINSEC emphasizes democratic values and respect for human rights, develops camaraderie between U.S. military officers and military and police personnel from other countries in the hemisphere, and is crucial to developing military partners capable of effective combined operations. For more information, see CRS Report RL30532, *U.S. Army School of the Americas: Background and Congressional Concerns*, by Richard F. Grimmett and Mark P. Sullivan and CRS Report RS20892, *Western Hemisphere Institute for Security Cooperation*, by Richard F. Grimmett.

⁷³ U.S. Department of Commerce statistics, as presented by *Global Trade Atlas*, 2009.

U.S. foreign direct investment in Honduras amounted to \$700 million in 2008.⁷⁴ More than 150 U.S. companies operate in Honduras, with the most significant U.S. investments 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.⁷⁵ U.S. businesses operating in Honduras were negatively affected by the country's political crisis in 2009. The tourism and manufacturing sectors were especially hard hit as international travelers stayed away and government-imposed curfews prevented workers from getting to their places of employment.⁷⁶

Despite the increases in trade and investment that have occurred since the implementation of CAFTA-DR, a number U.S. and Honduran 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. 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 2008 Country Reports on Human Rights Practices for Honduras found credible evidence that employees engaged in union duties were blacklisted within the maquiladoras and that union leaders were occasionally targeted with threats and violence.⁷⁷

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 seven times due to the U.S. government's assessment that Honduras would have difficulty in coping with the deportees' returns. The most recent TPS extension came in October 2008, when then-Secretary of Homeland Security Michael Chertoff announced that the U.S. would continue to provide TPS for an additional 18 months, expiring on July 5, 2010. Homeland Security officials maintain that the TPS extension was necessary because Honduras continues to face social and economic challenges in its efforts to restore the nation to normalcy despite the significant progress the country has made in terms of recovery and rebuilding. Some 78,000 of the more than 800,000 Hondurans residing in the United States benefit from TPS.⁷⁸

⁷⁴ Marilyn Ibarra & Jennifer Koncz, "Direct Investment Positions for 2008," U.S. Department of Commerce, Bureau of Economic Analysis, July 2009.

⁷⁵ U.S. Department of State, "Background Note: Honduras," February 2009.

⁷⁶ 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.

⁷⁷ U.S. Department of State, Bureau of Democracy, Human Rights, and Labor, "2008 Country Reports on Human Rights Practices," February 25, 2009.

⁷⁸ U.S. Department of Homeland Security, Citizenship and Immigration Services, "Extension of the Designation of Honduras for Temporary Protected Status," October 1, 2008. For background on TPS, see CRS Report RS20844, *Temporary Protected Status: Current Immigration Policy and Issues*, by Ruth Ellen Wasem and Karma Ester.

Deportations⁷⁹

Deportations to Honduras have increased significantly over the past decade. Approximately 27,600 Hondurans were deported from the United States in FY2009, making Honduras one of the top recipients of deportees on a per capita basis.⁸⁰ Increasing deportations from the United States have been accompanied by similar increases in deportations from Mexico, a transit country for Central American migrants bound for the United States. Honduran policymakers are concerned about their country's ability to absorb the large volume of deportees, as it is often difficult for those returning to the country to find gainful employment. Individuals who do not speak Spanish, who are tattooed, who have criminal records, and/or who lack familial support face additional difficulties re-integrating into Honduran society. In addition to these social problems, leaders are concerned that remittances may start to fall if the current high rates of deportations continue.⁸¹ In March 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.⁸²

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.⁸³ 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.⁸⁴ In July 2007 testimony before the House Subcommittee on the Western Hemisphere, the Honduran Ambassador to the United States asserted that although the United States provides information to countries on the criminal background of deportees, the information does not include whether the repatriated nationals are gang members. About 25% of Hondurans deported from the United States in FY2009 were removed on criminal grounds.⁸⁵

Crime

Honduras, along with neighboring El Salvador and Guatemala, has become fertile ground for gangs, which have been fueled by poverty, unemployment, leftover weapons from the conflicts of

⁷⁹ Clare Ribando Seelke contributed information to this section. Also see CRS Report RL34112, *Gangs in Central America*, by Clare Ribando Seelke.

⁸⁰ Information Provided to CRS by the Department of Homeland Security, Immigration and Customs Enforcement, Office of Detention and Removal.

⁸¹ Pamela Constable, "Deportees' Bittersweet Homecoming; Migration is Boon, Bane for Honduras," *Washington Post*, June 27, 2007.

⁸² "CN Pide a EEUU que Cesen las Deportaciones de Compatriotas," *La Tribuna* (Honduras), March 14, 2007.

⁸³ Ana Arana, "How the Street Gangs Took Central America," *Foreign Affairs*, May/June 2005.

⁸⁴ United Nations Office on Drugs and Crime (UNODC), *Crime and Development in Central America: Caught in the Crossfire*, May 2007.

⁸⁵ Information Provided to CRS by the Department of Homeland Security, Immigration and Customs Enforcement, Office of Detention and Removal.

the 1980s, and the U.S. deportation of criminals to the region. The two major gangs in Honduras—Mara Salvatrucha, or MS-13, and the 18th Street gang, or M-18—were first established in Los Angeles in the 1980s by Salvadoran immigrants who were excluded from Mexican-American gangs. The U.S. deportation of criminals back to the region in the 1990s may have helped lay the foundation for the development of MS-13 and M-18 in Central America.⁸⁶ 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.⁸⁷

Recent Honduran presidents have implemented varying anti-crime strategies, however, none of them have achieved much success. During his term, President 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 (2006-2010) replaced the previous administration's zero-tolerance policy with dialogue and other outreach techniques designed to convince gang members to give up violence and reintegrate into society.⁸⁸ 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, crime and violence in Honduras have continued unabated.⁸⁹ In 2008, Honduras had one of the highest murder rates in the world at 57.9 per 100,000 inhabitants.⁹⁰

Several U.S. agencies have been involved in assisting Honduras and other Central American countries in dealing with the gang problem.⁹¹ On the law enforcement side, the FBI and the U.S. Immigration and Customs Enforcement (ICE) have worked closely with Honduran law enforcement and the United States has provided anti-gang training for Honduran police and prosecutors.⁹² The U.S. Agency for International Development does not have a specific program focusing on gangs, however, it supports several programs that attack the risk factors associated with gang membership and violence. These include a program to provide basic education skills to at-risk youths and a program to improve the effectiveness and transparency of the justice system.⁹³ In July 2007, the United States pledged \$4 million to help Central American governments draft a regional security strategy to fight street gangs and drug trafficking.⁹⁴ As noted above, Congress has also provided funding to Central America through the Mérida

⁸⁶ Ana Arana, "How the Street Gangs Took Central America," *Foreign Affairs*, May 1, 2005.

⁸⁷ House Armed Services Committee, Posture Statement of Gen. Bantz Craddock, Commander, U.S. Southern Command, March 9, 2005.

⁸⁸ "Honduran Government Reaches Out to Rehabilitate Gangs," *ACAN-EFE*, January 30, 2006.

⁸⁹ Marion Barbel, "Homicide Rate Confirms Honduras as One of Region's Most Violent Nations," *Global Insight Daily Analysis*, September 11, 2008.

⁹⁰ "Honduras report signals rising violence," *Latin News Daily*, February 22, 2009.

⁹¹ See CRS Report RL34112, *Gangs in Central America*, by Clare Ribando Seelke.

⁹² House Committee on International Relations, Subcommittee on the Western Hemisphere, Statement of John P. Torres, U.S. Immigration and Customs Enforcement, U.S. Department of Homeland Security, Hearing on "Gangs and Crime in Latin America," April 20, 2005.

⁹³ U.S. Agency for International Development, "Central America and Mexico Gang Assessment, Annex 3: Honduras Profile," April 2006.

⁹⁴ "U.S. Offers Funds to Help Fight Central America Gangs," *Reuters*, July 18, 2007.

Initiative to boost the region's counternarcotics capabilities and support the development of a regional anti-gang strategy.

Drug Trafficking

Honduras is a transit country for cocaine and heroin flowing from the Andean region of South America to the United States and Europe. It is also increasingly a transshipment point for precursor chemicals used in the production of methamphetamine. Remote and poorly controlled areas of Honduras along the country's north coast are natural safe havens for drug traffickers, providing them with isolated areas for trafficking operations, such as refueling maritime assets and making boat-to-boat transfers.

The U.S. State Department's 2009 International Narcotics Control Strategy Report acknowledges the government of Honduras for its ongoing cooperation with the United States on counternarcotics efforts, noting that successful joint operations led to an increase in narcotics arrests and seizures. In 2008, the government of Honduras seized 6.5 metric tons of cocaine, 2 kilograms of crack cocaine, 19.6 kilograms of heroin, 3 metric tons of marijuana, 3.5 million pseudoephedrine pills, and over five tons of precursor chemicals. These seizures also led to 721 arrests and the confiscation of \$6.7 million in assets. The United States has supported a variety of anticorruption, police training, and maritime operations programs intended to improve Honduras' counternarcotics capabilities.⁹⁵

Honduras' counternarcotics efforts continue to face a number of obstacles, however, including funding constraints, official corruption, and insufficient precursor chemical controls. Additionally, Mexican drug cartels have expanded their operations in Honduras. It has been reported that the Gulf and Sinaloa cartels now engage in direct and indirect operations within Honduras, especially along the northern and Atlantic coast, and that Los Zetas have cells in every department of the country.⁹⁶

In October 2008, President Zelaya became the first Latin American president to openly suggest the legalization of narcotics. He argued that drug trafficking has led to increased violence and that supporting addict treatment programs would be a better use of the government's resources.⁹⁷ Nonetheless, Honduras has continued its counternarcotics efforts. In January 2009, President Zelaya signed a letter of agreement with the United States to implement the Mérida Initiative, and in February 2009, the United States began construction on a counternarcotics base in the Honduran department of Gracias a Dios, which borders Nicaragua and the Caribbean and is a major corridor for traffickers.

Human Trafficking

According to the State Department's 2009 Trafficking in Persons (TIP) Report, Honduras is primarily a source and transit country for women and children trafficked for the purpose of

⁹⁵ U.S. Department of State Bureau for International Narcotics and Law Enforcement Affairs, "2009 International Narcotics Control Strategy Report (INCSR)," February 27, 2009.

⁹⁶ "Carteles mexicanos azotan a Honduras," *La Prensa* (Honduras), August 27, 2008; "Los Zetas hondureños, nueva pesadilla para los inmigrantes," *El Tiempo* (Honduras), March 18, 2009.

⁹⁷ "Honduras floats drug legalisation," *Latin News Daily*, October 14, 2008.

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 report recognizes the Honduran government’s increased efforts to investigate trafficking. Although Honduras opened just 24 trafficking-related investigations in 2006, and 74 in 2007, it opened 82 investigations in 2008, leading to 18 prosecutions and 11 convictions. The report also recognized some progress in trafficking protection and prevention. In addition to training police to better identify trafficking victims, the Honduran government trained 500 tourism sector workers in trafficking prevention. Nonetheless, the report indicates a number of areas in which Honduras can do more to combat trafficking. It recommends that the Honduran government increase its shelter aid and victims services, amend anti-trafficking laws to prohibit labor trafficking, continue raising public awareness, and increase criminal investigations—including investigations of corrupt public officials involved in trafficking activities.⁹⁸

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.⁹⁹

⁹⁸ U.S. Department of State, Office to Monitor and Combat Trafficking in Persons, “Trafficking in Persons Report,” June 2008 and June 2009.

⁹⁹ 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.

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