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Honduras: Background and U.S. Relations

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Summary

Honduras, a Central American nation of 8.6 million people, has had close ties with the United States for many years. The country served as a base for U.S. operations designed to counter Soviet influence in Central America during the 1980s, and it continues to host a U.S. military presence and cooperate on antidrug efforts today. Trade and investment linkages are also long-standing and have grown stronger since the implementation of the Dominican Republic-Central America-United States Free Trade Agreement (CAFTA-DR) in 2006. Given the geographic proximity of Honduras, migration is another central concern in bilateral relations; more than 588,000 Hondurans reside in the United States—67% of whom are undocumented.

Domestic Situation

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

President Juan Orlando Hernández of the conservative National Party was inaugurated to a four-year term in January 2014. Since taking office, he has made some progress in combatting corruption and putting public finances on a more sustainable path. His administration also has had some success in apprehending high-level drug traffickers and dismantling their criminal networks. Between 2013 and 2015, the country's annual budget deficit fell from 7.6% of gross domestic product (GDP) to 1.4% of GDP and the homicide rate fell from 79 homicides per 100,000 residents to 60 homicides per 100,000 residents.

Nevertheless, considerable challenges remain. Many Hondurans have lost faith in the political system, and Hernández and his party have engaged in political maneuvers that have further weakened the country's democratic institutions. Honduras also continues to be one of the poorest and most unequal countries in Latin America. Nearly 75% of Hondurans live in poverty, and more than half live in extreme poverty. Moreover, although the homicide rate has fallen, Honduras remains one of the most violent countries in the world, with persistent human rights abuses and widespread impunity.

U.S. Policy

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

In the first session of the 114th Congress, Members approved the Consolidated Appropriations Act, 2016 (P.L. 114-113). The act included up to \$98.3 million in bilateral assistance for Honduras as well as up to \$439.9 million for regional programs that benefit Honduras in support of the Obama Administration's U.S. Strategy for Engagement in Central America. The act placed stringent conditions on 75% of the funds appropriated for the "central government" of Honduras, requiring the State Department to withhold funds until it can certify that the Honduran government is taking "effective steps" to improve border security, combat corruption, counter organized crime, and address human rights concerns, among other actions. Congress is now considering the Administration's FY2017 foreign aid request, which includes \$105.7 million in bilateral aid for Honduras. Congress is also considering the National Defense Authorization Act for Fiscal Year 2017; the House version (H.R. 4909) includes a provision requiring the State and Defense Departments to submit a joint report on military units that have been assigned policing or citizen security responsibilities in Honduras and other Central American nations.

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Domestic Situation

Honduras, a Central American nation of 8.6 million people, faces significant domestic challenges. Democratic institutions are fragile, current economic growth rates are insufficient to reduce widespread poverty, and the country continues to experience some of the highest violent crime rates in the world. These interrelated challenges have produced periodic instability in Honduras, such as a major political crisis in 2009 and a surge in emigration in recent years. Although President Juan Orlando Hernández and his administration have taken steps designed to address some of these deep-seated problems, most analysts maintain that Honduras lacks the institutions and resources necessary to tackle these issues on its own.

Honduras at a Glance

Leadership: President Juan Orlando Hernández (National Party); President of Congress Mauricio Oliva (National Party)

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

Population: 8.6 million (2015)

Race/Ethnicity: 82.9% *Mestizo* (European-Indigenous); 7.9% white; 7.3% indigenous; 1.4% Afro-Honduran or black (Self-identification, 2013)

Religion: 46% Catholic; 41% Protestant; 10% Unaffiliated (2014)

Gross Domestic Product (GDP): \$20.3 billion (2015 est.)

GDP per Capita: \$2,407 (2015 est.)

Top Exports: coffee, shrimp and other seafood, bananas and other fruit, insulated wire, and palm oil (2015)

Poverty Rate: 74.3% (2013)

Extreme Poverty Rate: 50.5% (2013)

Adult Literacy Rate: 87.2% (2014)

Life Expectancy at Birth: 74 years (2015)

Homicide Rate: 60 per 100,000 residents (2015)

Sources: Instituto Nacional de Estadística de Honduras; Pew Research Center; International Monetary Fund, Global Trade Atlas, U.N. Economic Commission for Latin America and the Caribbean; and Universidad Nacional Autónoma de Honduras.

Politics and Governance

Honduras has struggled with political instability and authoritarian governance for much of its history. The country's current constitution, its 16th since declaring independence from Spain in 1821, was adopted as Honduras emerged from nearly two decades of military rule in 1982. It provides for a presidential system of government, with a separation of powers among the executive, legislative, and judicial branches.¹

The Liberal Party (*Partido Liberal*, PL) and the National Party (*Partido Nacional*, PN) have contested power through regularly scheduled elections since the reestablishment of civilian rule. The PL and PN are both considered to be ideologically center-right. According to many observers, political competition between the parties has generally centered on using the public sector for personal gain rather than implementing policies or programs. Both parties have

¹ Tim L. Merrill, ed. *Honduras: A Country Study*, 3rd ed. (Washington, DC: Library of Congress, Federal Research Division, 1995), p. 174. (Hereinafter Library of Congress, 1995.)

distributed public jobs and contracts in exchange for party and personal loyalty, leaving government institutions weak, politicized, and vulnerable to corruption.²

The fragility of Honduran democracy has been exposed on several occasions in recent years. In June 2009, the Honduran military detained then-president Manuel Zelaya and flew him to forced exile. Zelaya had been elected as a moderate member of the PL, but he alienated many within the traditional political and economic elite by governing in a populist manner. The Honduran Supreme Court and a majority of the legislators in the Honduran Congress backed the ouster, ostensibly as a result of Zelaya's determination to push ahead with a nonbinding referendum on constitutional reform despite judicial orders forbidding it. Zelaya was never given due process, however, and a truth and reconciliation commission appointed to investigate the ouster (along with most other legal and political analysts) declared it a coup d'état.³ The head of the Honduran Congress, Roberto Micheletti, assumed the presidency for the remaining seven months of Zelaya's term, maintaining tight control of society and steadfastly opposing pressure to restore Zelaya to office.⁴

Although the November 2009 election and January 2010 inauguration of President Porfirio Lobo of the PN helped restore a measure of stability to Honduras, democratic institutions remained weak. In December 2012, the PN-controlled National Congress replaced four members of the Supreme Court who had declared several laws unconstitutional. Although the Honduran Minister of Justice and Human Rights asserted that the move was illegal and threatened the independence of the judiciary, it was never overturned.⁵

Honduras's traditional two-party system has fractured in the years since the 2009 coup. Some Hondurans who previously supported the PL joined former president Zelaya in leaving the party and founding the left-leaning Liberty and Re-foundation (*Libertad y Refundación*, LIBRE) party. Other Hondurans have expressed their discontent with the PL and PN by supporting a new Anti-Corruption Party (*Partido Anticorrupción*, PAC). Both of the new parties won substantial support in the November 2013 elections (see **Figure 1**).

President Juan Orlando Hernández of the conservative PN was inaugurated to a four-year term in January 2014. He assumed office in a relatively weak position politically, having won the November 2013 presidential election with 37% of the vote.⁶ His party also lost its congressional majority in concurrent legislative elections, falling from 71 seats to 48 seats in the 128-member unicameral National Congress. Nevertheless, the PN was able to retain control of congressional leadership positions and establish a working majority in Congress with the support of some sectors of the PL and other parties. As a result, Hernández has been able to implement much of his policy agenda, including deficit reduction efforts and hardline security measures (see "Economic and Social Conditions" and "Security Conditions," below).

² Leticia Salomón, "Honduras: Golpe de Estado, Sistema de Partidos y Reconstrucción Democrática," in *Honduras: Retos y Desafíos de la Reconstrucción Democrática* (Tegucigalpa: Centro de Documentación de Honduras, 2011).

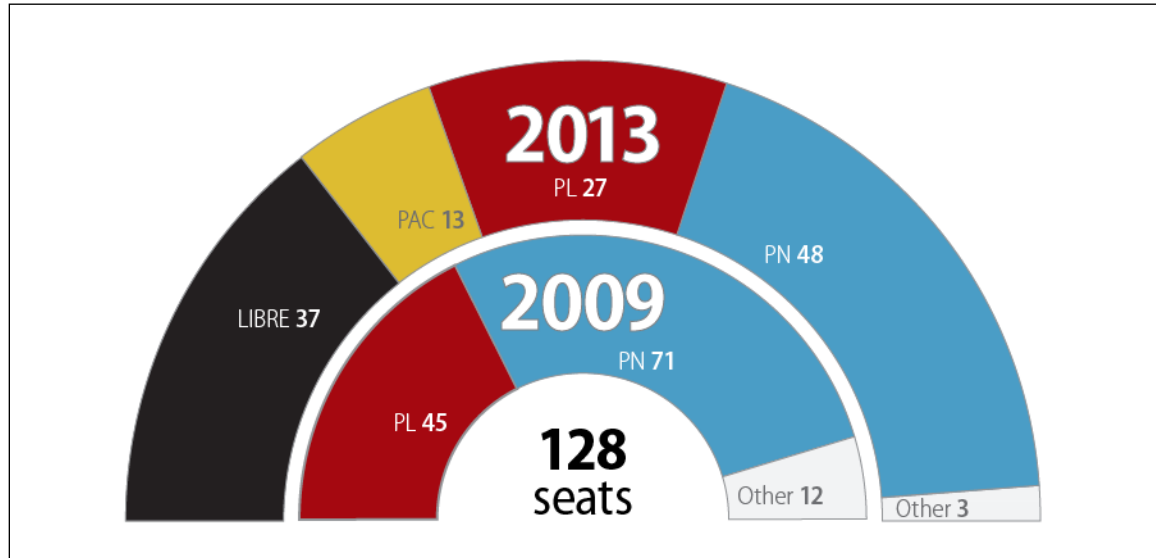
³ Comisión de la Verdad y la Reconciliación, *Para que los Hechos No se Repitan: Informe de la Comisión de la Verdad y la Reconciliación*, San José, Costa Rica, July 2011. Also see Edmundo Orellana, "El 28 de Junio y la Constitución," *La Tribuna* (Honduras), August 1, 2009; and Tim Johnson, "All Parties Broke Law in Honduras Coup, Envoy Wrote," McClatchy, November 28, 2010.

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

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

⁶ Hernández was followed by Xiomara Castro of LIBRE at 29%, Mauricio Villeda of the PL at 20%, and Salvador Nasralla of the PAC at 13%. Tribunal Supremo Electoral, "Resultado Presidencial," December 2013.

Figure I. Party Affiliation in the Honduran National Congress
(seat distribution following the 2009 and 2013 elections)



Source: Prepared by the Congressional Research Service (CRS).

Hernández has also made some progress in combatting corruption, which is widespread in Honduras.⁷ Several prominent officials—including former Cabinet members, legislators, and mayors from the president’s own political party—have been arrested and prosecuted on corruption allegations. Hernández also has intervened in several government institutions, removing corrupt personnel and completely replacing some agencies. In October 2014, Hernández signed an agreement with Transparency International and its local chapter (*Asociación para una Sociedad más Justa*, ASJ) that requires the Honduran government to disclose information on financial management, with a particular focus on key areas such as education, health care, infrastructure, tax administration, and security. ASJ’s baseline studies found relatively low levels of compliance with procurement and human resources regulations in the Ministries of Security and Education. ASJ also indicated that the Honduran government failed to provide all of the documentation requested.⁸

In January 2016, Hernández signed an agreement with the Organization of American States (OAS) to establish the Mission to Support the Fight against Corruption and Impunity in Honduras (*Misión de Apoyo contra la Corrupción y la Impunidad en Honduras*, MACCIH). The MACCIH, which began operations in April 2016 and is still hiring staff and formulating work plans, includes international prosecutors, judges, and forensics experts who will advise and assist Honduran officials investigating and prosecuting corruption and criminal networks. It will also review and propose reforms to the election, criminal justice, and public security systems.⁹ Honduran civil society took to the streets to demand the establishment of an international anticorruption

⁷ Transparency International, *Corruption Perceptions Index 2015*, January 2016.

⁸ Asociación para una Sociedad más Justa and Transparency International, *Informe de Línea de Base de la Secretaría de Seguridad*, 2015; and *Informe de Línea de Base de la Secretaría de Educación*, 2015.

⁹ Presidencia de la República de Honduras and Organization of American States, *Agreement between the Government of the Republic of Honduras and the General Secretariat of the Organization of American States for the Establishment of the Mission to Support the Fight Against Corruption and Impunity in Honduras*, January 19, 2016, at <http://www.oas.org/documents/eng/press/agreement-MACCIH-jan19-2016.pdf>.

organization in the aftermath of reports that more than \$300 million was embezzled from the Honduran Social Security Institute during the Lobo Administration (2010-2014) and that some of the stolen funds were used to fund Hernández's 2013 election campaign. Hernández maintains he was unaware of the illicit financing.¹⁰ Some sectors of Honduran civil society have rejected the MACCIH as insufficient, and many analysts have questioned whether the MACCIH will be able to combat corruption effectively given its largely advisory mandate.

Some in Honduras have begun to speculate about whether President Hernández will run for reelection in November 2017. The Honduran constitution explicitly prohibits presidential reelection, but the Honduran Supreme Court issued a ruling in April 2015 that struck down those provisions of the constitution. The political opposition and some outside analysts contend that the ruling on reelection is an attempt by President Hernández and the PN to consolidate power in Honduras.¹¹ The justices that ruled on the case were all put in place after the Honduran Congress—then led by Hernández—removed four judges in an action of questionable legality in December 2012. The Honduran Congress appointed a new slate of Supreme Court justices in February 2016, with opposition parties alleging that the PN bribed legislators to secure 8 of the 15 seats on the court.¹² While some had hoped the new court would overturn the previous ruling, the new chief justice has declared reelection a settled matter.¹³ Public opinion of Hernández's performance in office remains polarized; according to a May 2016 poll, 40% of Hondurans rate Hernández's performance in office as "good" or "very good" while 31% rate it "bad" or "very bad."¹⁴

Economic and Social Conditions

The Honduran economy is one of the least developed in Latin America. Historically, the country's economic performance was closely tied to the prices of agricultural commodities, such as bananas and coffee. While these traditional agricultural exports remain important, the Honduran economy has diversified since the late 1980s as successive Honduran governments have privatized state-owned enterprises, lowered taxes and tariffs, and offered incentives to attract foreign investment. These policy changes spurred growth in the *maquila* (offshore assembly for reexport) sector—particularly in the apparel, garment, and textile industries—and led to the development of nontraditional exports, such as seafood and palm oil.

Honduras has experienced modest economic growth since adopting more open economic policies, but it remains one of the poorest and most unequal countries in Latin America. Since 1990, the Honduran economy has grown by an average of 3.6% annually, and gross domestic product (GDP) has increased from \$4.2 billion to an estimated \$20.3 billion. Per capita income has grown at a slower rate, however, and remains relatively low at an estimated \$2,407.¹⁵ Moreover, the country's income distribution is heavily skewed toward the wealthiest Hondurans.¹⁶ Poverty has

¹⁰ "‘Me, Myself, Juan Orlando ... Nothing to Do with It,’ Declares Honduran President," *Latin News Daily*, June 4, 2015.

¹¹ Tracy Wilkinson, "A Honduran Coup Comes Full Circle," *Los Angeles Times*, April 28, 2015.

¹² "Honduras Completes CSJ Selection," *Latin News Daily*, February 12, 2016.

¹³ "Rolando Argueta: ‘La Reelección es Cosa Juzgada en Honduras,'" *La Tribuna*, April 15, 2016.

¹⁴ "El 56% de los Hondureños están Dispuestos a Emigrar," *La Prensa* (Honduras), May 17, 2016.

¹⁵ International Monetary Fund, *World Economic Outlook Database, April 2016*, April 12, 2016. (Hereinafter IMF, April 2016.)

¹⁶ The Gini coefficient, which is used to measure income concentration, is 0.56 in Honduras, well above the Latin American average of 0.49. U.N. Economic Commission for Latin America and the Caribbean, *Social Panorama of Latin America*, March 2016. (Hereinafter ECLAC, March 2016.)

increased since 2010, even as the economy has recovered from the global economic crisis. As of 2013, 74% of Hondurans lived in poverty and nearly 51% lived in extreme poverty.¹⁷ The situation may still be worsening, as the percentage of the population that was unemployed or underemployed increased from 45.5% in 2014 to 62.5% in 2015¹⁸ and the country is now experiencing a severe drought that affects 1.3 million Hondurans, including 98% of small agricultural producers.¹⁹ The recent Zika virus outbreak, with nearly 19,900 suspected cases,²⁰ may further strain Honduras's limited social safety net.²¹

President Hernández's top economic policy priority has been to put the government's finances on a more sustainable path. The country's budget deficit had grown to 7.6% of GDP in 2013 as a result of weak tax collection, increased expenditures, and losses at state-owned enterprises. As the Honduran government struggled to obtain financing for its obligations, public employees and contractors occasionally went unpaid and basic government services were interrupted. During his first year in office, Hernández negotiated a three-year \$188.6 million agreement with the International Monetary Fund (IMF). In exchange for access to the financing, the Honduran government made a number of commitments, including reducing the budget deficit to 2% of GDP by 2017 and carrying out structural reforms related to the electricity and telecommunications sectors, pensions funds, public-private partnerships, and tax administration.²² The Hernández Administration has met the IMF's benchmarks through the first two years of the adjustment program, reducing the deficit to an estimated 1.4% of GDP in 2015.²³ Nevertheless, some economic analysts have criticized the government for deficit reduction policies that negatively impact the poorest Hondurans, such as increases in regressive indirect taxes and reductions in public investment.²⁴

Despite the government's austerity measures, the Honduran economy grew by 3.1% in 2014 and 3.6% in 2015. The IMF forecasts that the Honduran economy will grow by 3.5% this year (2016) and slowly accelerate to 4% growth by 2019, driven by economic recovery in the United States (Honduras's top destination for exports and source of remittances and investment) and increased private investment and consumption in Honduras resulting from the fall in global oil prices.²⁵ The Honduran economy's long-term growth potential is restricted, however, by weak productive capacity, widespread crime and violence, a poorly educated workforce, and high levels of poverty and inequality.²⁶

¹⁷ ECLAC, March 2016.

¹⁸ Universidad Nacional Autónoma de Honduras (UNAH), Observatorio Económico y de Emprendimiento, *Fuerza Laboral en Honduras, Desempeño 2015 y Perspectivas 2016*, 2016.

¹⁹ U.N. Office for the Coordination of Humanitarian Affairs, *Global Humanitarian Overview 2016*, January 2016.

²⁰ Pan American Health Organization, "Cumulative Zika Suspected and Confirmed Cases Reported by Countries and Territories in the Americas, 2015-2016," May 19, 2016, at http://ais.paho.org/hip/viz/ed_zika_cases.asp.

²¹ For more information on Zika, see CRS Report R44368, *Zika Virus: Basics About the Disease*, by Sarah A. Lister; and CRS Insight IN10433, *Zika Virus: Global Health Considerations*, by Tiaji Salaam-Blyther.

²² IMF, "IMF Executive Board Approves US\$113.2 Million Stand-By Arrangement and US\$75.4 Million Stand-By Credit Facility for Honduras," press release, December 4, 2014.

²³ IMF, "Honduras: Second Reviews under the Stand-By Arrangement and the Arrangement under the Standby Credit Facility-Press Release; and Staff Report," IMF Country Report No. 16/4, January 2016, at <http://www.imf.org/external/pubs/ft/scr/2016/cr1604.pdf>. (Hereinafter IMF, January 2016); and IMF, April 2016.

²⁴ Instituto Centroamericano de Estudios Fiscales (ICEFI), *Estabilidad sin Desarrollo: Un Análisis de los Primeros Dos Años del Actual Gobierno de Honduras*, February 2016.

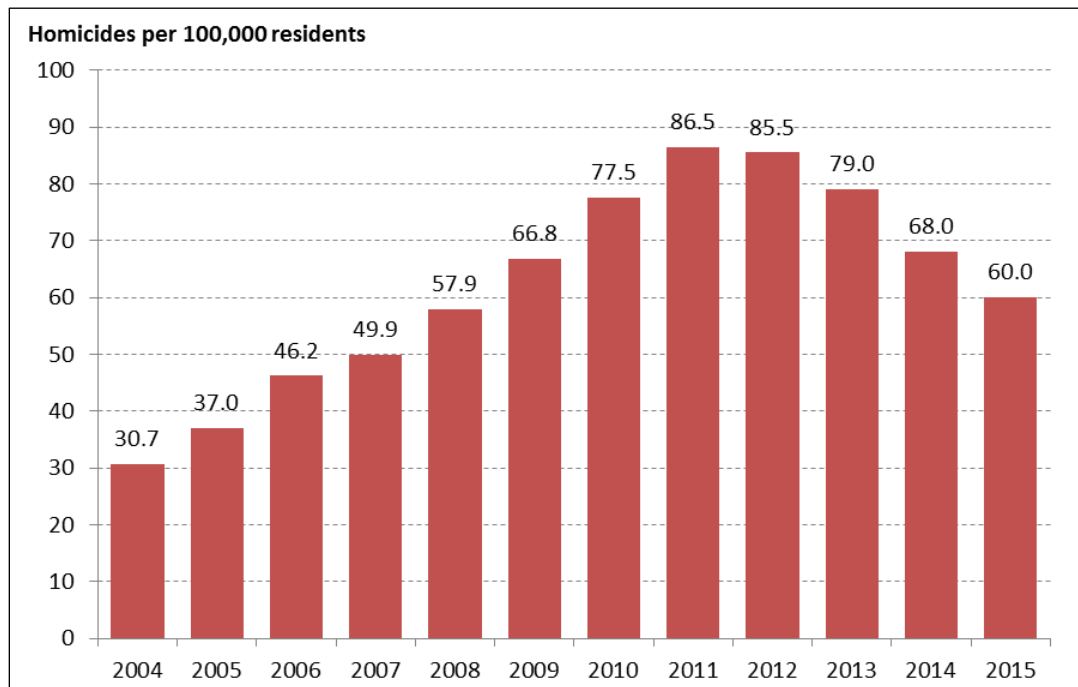
²⁵ IMF, April 2016; and IMF, January 2016.

²⁶ "Honduras: Country Report," Economist Intelligence Unit, April 18, 2016.

Security Conditions

Security conditions in Honduras have deteriorated considerably over the past decade. The homicide rate, which was already high at 31 murders per 100,000 residents in 2004, rose rapidly to a peak of 86.5 murders per 100,000 residents in 2011 (see **Figure 2**, below). Homicides have declined since then to 60 murders per 100,000 residents in 2015, but Honduras continues to have one of the highest murder rates in the world.²⁷ Common crime is also widespread, with nearly 27% of Hondurans reporting that they or a family member has been the victim of a crime in the past year.²⁸ This widespread insecurity has displaced many Hondurans and led some to leave the country.²⁹ High rates of crime and violence also take an economic toll on Honduras estimated at 10.5% of GDP.³⁰

Figure 2. Homicide Rate in Honduras: 2004-2015



Source: Universidad Nacional Autónoma de Honduras, Observatorio de la Violencia, *Boletín Nacional, Edición No.40 (Enero – Diciembre 2015)*, February 2016.

A number of interrelated factors have contributed to the poor security situation in Honduras. Widespread poverty, fragmented families, and a lack of legitimate employment opportunities leave many Hondurans susceptible to recruitment by gangs such as the *Mara Salvatrucha* (MS-13) and *Barrio 18*. These organizations engage in drug dealing and extortion, among other

²⁷ UNAH, Observatorio de la Violencia, *Boletín Nacional, Edición No.40 (Enero – Diciembre 2015)*, February 2016. (Hereinafter UNAH, February 2016.)

²⁸ Equipo de Reflexión, Investigación y Comunicación - Compañía de Jesús, *Percepciones sobre la Situación Hondureña en el Año 2015*, January 2016, p. 14. (Hereinafter ERIC-SJ, 2016.)

²⁹ Comisión Interinstitucional para la Protección de Personas Desplazadas por la Violencia, *Caracterización del Desplazamiento Interno en Honduras*, November 2015.

³⁰ U.N. Development Programme, *Citizen Security with a Human Face: Evidence and Proposals for Latin America*, Regional Development Report 2013-2014, November 2013, p. 103.

criminal activities, and appear to be responsible for a substantial portion of homicides and much of the crime that affects citizens on a day-to-day basis.³¹

Honduras also serves as an important drug-trafficking corridor as a result of its location between cocaine-producing countries in South America and the major consumer market in the United States. Heavily armed and well-financed transnational criminal organizations have sought to secure control of Honduran territory by battling one another and local affiliates and seeking to intimidate and infiltrate Honduran institutions. Many of these groups have close ties to political and economic elites, who have become increasingly dependent on illicit finances to fund election campaigns and maintain or increase the market share of their businesses.³²

Honduran security forces and other rule-of-law institutions generally lack the personnel, equipment, and training necessary to respond to these threats and have struggled with systemic corruption. According to recent press reports, for example, high-ranking police commanders working on behalf of drug traffickers planned the 2009 assassination of the country's top antidrug official, Julián Arístides González, and the 2011 assassination of antidrug adviser Alfredo Landaverede. Other officials in the Honduran National Police and Security Ministry reportedly covered up internal investigations of the crimes.³³ Most crimes in Honduras are committed with impunity; according to a local civil society organization, only 4% of homicides result in convictions.³⁴ Given these institutional weaknesses, Hondurans express extremely low levels of trust in the police and other justice-sector institutions.³⁵

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

Hernández has also taken some steps to reform security and justice-sector institutions. A new Police Investigative Division (*Dirección Policial de Investigación*, DPI) began operations in September 2015, replacing its “historically inept and corrupt predecessor.”³⁶ Although efforts to purge corrupt officers from the broader national police force made little progress during the first

³¹ Steven Dudley, Elyssa Pachico, and Juan José Martínez, *Gangs in Honduras*, InSight Crime, November 20, 2015, at <http://www.insightcrime.org/images/PDFs/2015/HondurasGangs.pdf>.

³² Steven Dudley, *Honduras Elites and Organized Crime*, InSight Crime, April 9, 2016, at http://www.insightcrime.org/images/PDFs/2016/Honduras_Elites_Organized_Crime.

³³ Elisabeth Malkin and Alberto Arce, “Files Suggest Honduran Police Leaders Ordered Killing of Antidrug Officials,” *New York Times*, April 15, 2016.

³⁴ “Omar Rivera: Solo el 4% de los Culpables de Delitos son Sancionados,” *La Tribuna* (Honduras), November 30, 2015.

³⁵ In December 2015, 48% of Hondurans surveyed said they had no confidence in the police and 47% said they had no confidence in the Public Ministry. ERIC-SJ, 2016, p. 14.

³⁶ U.S. Department of State, Bureau for International Narcotics and Law Enforcement Affairs, 2016 International Narcotics Control Strategy Report, March 2, 2016, at <http://www.state.gov/j/inl/rls/nrcrpt/2016/vol1/253271.htm>. (Hereinafter INCSR, 2016.)

two years of his term, Hernández announced a renewed effort to overhaul the institution following recent press reports of high-level corruption. Nearly 70 top police officials have been dismissed or suspended since the establishment of a Special Commission on Police Reform in April 2016.³⁷ Additionally, the Public Ministry has strengthened its capacity to investigate and prosecute crime by establishing the Technical Criminal Investigative Agency (*Agencia Técnica de Investigación Criminal*, ATIC) and hiring additional prosecutors.³⁸

Hernández maintains that these policies have produced significant improvements in security conditions in Honduras. Homicides have declined 24% over the past two years, falling from 6,761 in 2013 to 5,146 in 2015.³⁹ Honduran authorities have also dismantled several transnational criminal organizations, seizing their assets and apprehending and extraditing to the United States high-level drug traffickers.

Many analysts contend that these security improvements are likely to be short-lived, however, unless the Honduran government adopts more comprehensive security policies. Previous experiences in Latin America suggest that while sending the military into the streets can be quite popular politically, doing so usually fails to produce sustainable improvements in security conditions and often leads to human rights violations.⁴⁰ Analysts maintain that Honduras should place greater emphasis on reforming the police force, strengthening criminal investigations and prosecutions, and expanding crime and violence prevention programs.⁴¹ While the Hernández Administration has taken some steps to address these issues, it has not made them budget priorities. Of the \$280.5 million (6.3 billion Honduran *Lempiras*) collected through the country's security tax between 2012 and February 2016, for example, 38% was allocated to the military whereas 6% was allocated to prevention programs and 4% was allocated to public prosecutors.⁴²

U.S.-Honduras Relations

The United States has had close relations with Honduras over many years. The bilateral relationship became especially close in the 1980s when Honduras returned to civilian rule and became the lynchpin for U.S. policy in Central America. At that time, the country was a staging area for U.S.-supported excursions into Nicaragua by the *Contra* forces attempting to overthrow the leftist *Sandinista* government. A U.S. military presence known as Joint Task Force Bravo has been stationed in Honduras since 1983. Economic linkages also intensified in the 1980s after Honduras became a beneficiary of the Caribbean Basin Initiative, which provided duty-free importation of Honduran goods into the United States. Economic ties have deepened since the entrance into force of the Dominican Republic-Central America-United States Free Trade Agreement (CAFTA-DR) in 2006.

³⁷ "Policías al Servicio de Maras Intimidan a la Comisión," *El Heraldo* (Honduras), May 18, 2016.

³⁸ INCSR, 2016.

³⁹ UNAH, February 2016.

⁴⁰ Daniela Castro, "Experts Seek End to Militarization of LatAm Policing," *InSight Crime*, September 25, 2013.

⁴¹ Lisa Haugaard, "The Key to Everything: Investigations and Justice in Honduras," *Security Assistance Monitor*, February 12, 2015; David Gagne, "Grading Honduras President's Security Performance," *InSight Crime*, February 12, 2016.

⁴² Comité Técnico del Fideicomiso para la Administración del Fondo de Protección y Seguridad Poblacional, "Tasa de Seguridad Poblacional," February 29, 2016.

Figure 3. Map of Honduras



Source: Map Resources, adapted by CRS.

Relations between the United States and Honduras were strained during the country's 2009 political crisis.⁴³ The Obama Administration condemned the coup and, over the course of the following months, leveled a series of diplomatic and economic sanctions designed to pressure Honduran officials to restore Zelaya to power. The Administration limited contact with the Honduran government, suspended some foreign assistance, minimized cooperation with the Honduran military, and revoked the visas of members and supporters of the Micheletti government. Micheletti reacted angrily to U.S. policy toward Honduras, reportedly declaring, "It isn't possible for anyone, no matter how powerful they are, to come over here and tell us what we have to do."⁴⁴ In November 2009, the Administration shifted the emphasis of U.S. policy from reversing Zelaya's removal to ensuring the legitimacy of previously scheduled elections. Although some analysts argued that the policy shift allowed those behind the coup to consolidate

⁴³ For more information on U.S. policy during the crisis, see CRS Report R41064, *Honduran Political Crisis, June 2009-January 2010*, by Peter J. Meyer.

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

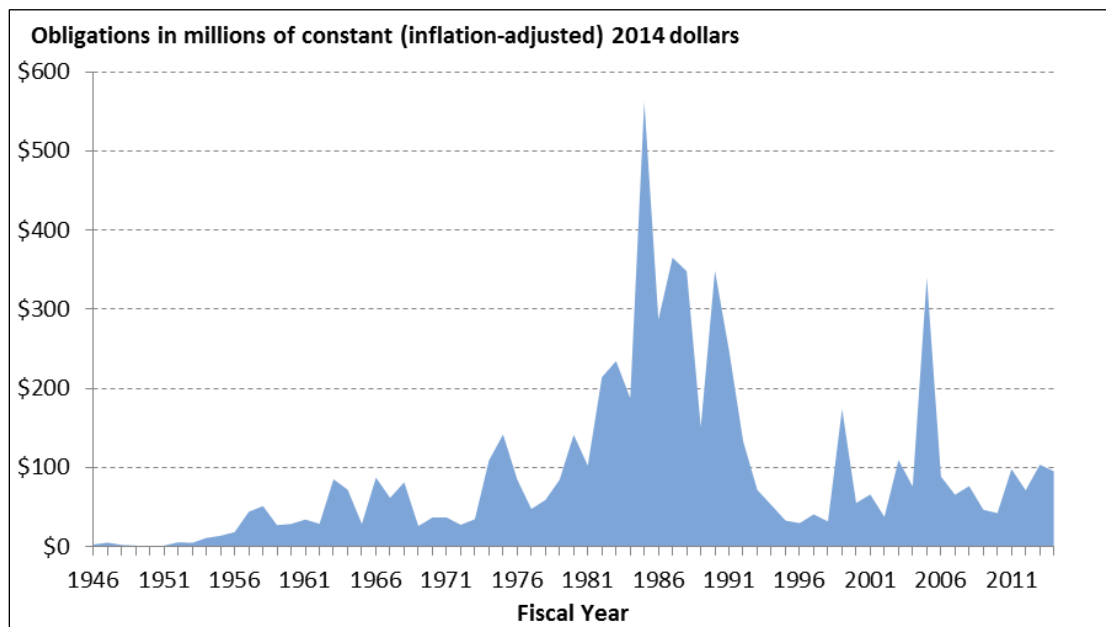
their hold on power, Administration officials maintained that elections had become the only realistic way to bring an end to the political crisis.⁴⁵

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

Foreign Assistance

As a result of Honduras's long-standing development challenges and close relations with the United States, the U.S. government has provided the country with more than \$6.5 billion in constant 2014 dollars (or more than \$3.6 billion in historical, non-inflation-adjusted dollars) of economic and military aid since FY1946. More than half of that assistance was provided during the 1980s and early 1990s, as Honduras served as a base for U.S. operations in Central America. U.S. assistance to Honduras began to wane as the regional conflicts subsided and has generally remained at lower levels since then. There have been some exceptions, however, such as significant amounts of U.S. assistance provided in the aftermath of Hurricane Mitch in 1998 and after the Honduran government signed an economic growth compact with the Millennium Challenge Corporation (MCC) in 2005 (see **Figure 4**).

Figure 4. U.S. Foreign Assistance to Honduras: FY1946-FY2014



Source: CRS presentation of data from USAID, "Foreign Aid Explorer: The Official Record of U.S. Foreign Aid."

Notes: Includes aid obligations from all U.S. government agencies.

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

⁴⁶ U.S. Department of State, Bureau of Western Hemisphere Affairs, *U.S. Relations with Honduras*, April 9, 2015, at <http://www.state.gov/r/pa/ei/bgn/1922.htm>.

Assistance levels have increased significantly since FY2014, when a wave of Central American migrants (including Hondurans) arrived at the U.S. border. In an effort to address the root causes of migration, the Obama Administration is implementing a whole-of-government “U.S. Strategy for Engagement in Central America” designed to promote prosperity, security, and good governance in the region. Honduras received \$41.8 million in bilateral assistance in FY2014 and \$71.2 million in FY2015 from the U.S. State Department and the U.S. Agency for International Development (USAID). It will receive an estimated \$98.3 million in FY2016 (see **Table 1**). According to the Consolidated Appropriations Act, 2016 (P.L. 114-113), 75% of the funds appropriated for the “central government” of Honduras in FY2016 must be withheld until the Secretary of State certifies that the Honduran government is taking “effective steps” to address a variety of concerns.⁴⁷

Table 1. U.S. Bilateral Assistance to Honduras: FY2014-FY2017

(millions of current U.S. dollars)

Foreign Aid Account	FY2014	FY2015	FY2016 (estimate)	FY2017 (request)
Development Assistance	36.7	44.3	93.0	100.4
Economic Support Funds	0.0	23.0	0.0	0.0
International Military Education and Training	0.6	0.8	0.8	0.8
Foreign Military Financing	4.5	3.1	4.5	4.5
Total	41.8	71.2	98.3	105.7

Sources: U.S. Department of State; Explanatory Statement accompanying P.L. 114-113.

Notes: Additional U.S. assistance is provided through the Central America Regional Security Initiative (CARSI), the Department of Defense, and the MCC, as described below.

⁴⁷ According to P.L. 114-113, 25% must be withheld until the Honduran government takes “effective steps” to (1) inform its citizens of the dangers of the journey to the southwest border of the United States; (2) combat human smuggling and trafficking; (3) improve border security; and (4) cooperate with U.S. government agencies and other governments in the region to facilitate the return, repatriation, and reintegration of illegal migrants arriving at the southwest border of the United States who do not qualify as refugees, consistent with international law.

Another 50% must be withheld until the Honduran government takes “effective steps” to (1) establish an autonomous, publicly accountable entity to provide oversight of the plan; (2) combat corruption, including investigating and prosecuting government officials credibly alleged to be corrupt; (3) implement reforms, policies, and programs to improve transparency and strengthen public institutions, including increasing the capacity and independence of the judiciary and the Office of the Attorney General; (4) establish and implement a policy that local communities, civil society organizations (including indigenous and marginalized groups), and local governments are to be consulted in the design and participate in the implementation and evaluation of activities of the plan that affect such communities, organizations, and governments; (5) counter the activities of criminal gangs, drug traffickers, and organized crime; (6) investigate and prosecute in the civilian justice system members of military and police forces who are credibly alleged to have violated human rights, and ensure that the military and police are cooperating in such cases; (7) cooperate with commissions against impunity, as appropriate, and with regional human rights entities; (8) support programs to reduce poverty, create jobs, and promote equitable economic growth in areas contributing to large numbers of migrants; (9) establish and implement a plan to create a professional, accountable civilian police force and curtail the role of the military in internal policing; (10) protect the right of political opposition parties, journalists, trade unionists, human rights defenders, and other civil society activists to operate without interference; (11) increase government revenues, including by implementing tax reforms and strengthening customs agencies; and (12) resolve commercial disputes, including the confiscation of real property, between U.S. entities and such government.

The Administration's FY2017 request includes nearly \$106 million in bilateral assistance for Honduras. About \$5.3 million would be provided as International Military Education and Training and Foreign Military Financing aid to provide training and equipment to the Honduran military. The vast majority (\$100.4 million) would be provided as Development Assistance. Some of these funds would aim to improve governance by supporting decentralization, strengthening government institutions, and encouraging civil society engagement and oversight. Other funds would be dedicated to education programs designed to improve the quality of basic education and increase access to formal schooling for at-risk youth. As part of the Administration's "Feed the Future" initiative, U.S. assistance would be used to increase food security, assist farmers affected by drought and coffee rust, and improve rural infrastructure. Development Assistance would also support efforts designed to improve the business environment and natural resource use.⁴⁸

In addition to these bilateral funds, Honduras receives a considerable amount of assistance through the Central America Regional Security Initiative (CARSI), an aid package designed to strengthen the capacities of Central American governments to address security challenges and the underlying conditions that contribute to them.⁴⁹ Congress generally appropriates CARSI funding for Central America as a whole, and the State Department and USAID later allocate the aid to individual countries or regional programs. In FY2012, the most recent year for which information is publically available, Honduras received \$34.1 million (25%) of the \$135 million Congress appropriated for CARSI. The Administration has requested \$305 million for CARSI in FY2017. (For more information on CARSI support, see "Security Cooperation," below).

Honduras will receive additional security aid in FY2017 from the U.S. Department of Defense (DOD), which provides the Honduran government with counternarcotics support authorized under Section 1004 of the National Defense Authorization Act (NDAA) for FY1991, as amended, and Section 1033 of the NDAA for FY1998, as amended. DOD counternarcotics aid to Honduras amounted to more than \$18 million in FY2015 but will fall to \$12.8 million in FY2016 and \$12 million in FY2017, according to DOD estimates.⁵⁰ These funds are used to provide various forms of counternarcotics support to the Honduran military, including training courses, patrol boats, fuel, secure communications equipment, and nonlethal protective and utility personnel equipment.⁵¹

The MCC has also provided assistance to Honduras in recent years. Honduras completed a five-year, \$205 million economic growth compact in 2010,⁵² but the MCC has not awarded the country a second compact as a result of the Honduran government's poor performance on corruption. Nevertheless, the MCC and Honduras signed a three-year, \$15.6 million Threshold Program in 2013. The program is designed to improve public financial management and increase the transparency and efficiency of public-private partnerships in Honduras.⁵³

⁴⁸ U.S. Department of State, *Congressional Budget Justification, Foreign Operations, Appendix 3, Fiscal Year 2017*, February 26, 2016, at <http://www.state.gov/documents/organization/252734.pdf>.

⁴⁹ For information on CARSI, see CRS Report R41731, *Central America Regional Security Initiative: Background and Policy Issues for Congress*, by Peter J. Meyer and Clare Ribando Seelke.

⁵⁰ U.S. Department of Defense, "Counternarcotics (CN) Support to Foreign Countries by COCOM and Country," provided to CRS in 2016.

⁵¹ U.S. Department of Defense, "Counter-Drug Plan for Honduras – Fiscal Year 2016," March 21, 2016.

⁵² The compact was originally for \$215 million, but the MCC terminated the final \$10 million as a result of the 2009 coup.

⁵³ MCC, "MCC, Honduras Sign Threshold Program Agreement," press release, August 29, 2013.

Migration Issues

Migration issues are central to the U.S.-Honduran relationship as more than 588,000 Hondurans reside in the United States—67% of whom are in the country illegally.⁵⁴ Migration from Honduras to the United States is primarily driven by high levels of poverty and unemployment, though the poor security situation in Honduras has increasingly played a role as well. According to polling data, more than 45% of Hondurans have had a family member emigrate in the past four years; 30% of those who had family members emigrate reported that they left Honduras as a result of violence.⁵⁵

In addition to relieving social pressure, emigration plays an important role in the Honduran economy. Remittances from migrant workers abroad are the largest source of foreign exchange for Honduras. They more than tripled between 2003 and 2008 before declining in 2009 as a result of the global financial crisis and U.S. recession, which left many Honduran immigrants unemployed. Remittances have since recovered, however, and grew by 10% between 2014 and 2015 to reach \$3.7 billion (equivalent to about 17% of Honduras's GDP).⁵⁶

As noted above, the Consolidated Appropriations Act, 2016, required the State Department to withhold 25% of assistance appropriated for the central government of Honduras until it met certain conditions related to migration issues. In March 2016, the State Department certified that the Honduran government is “taking effective steps” to inform its citizens of the dangers of the journey to the U.S. border, combat human smuggling and trafficking, improve border security, and cooperate with U.S. agencies on the return and reintegration of citizens repatriated from the United States.⁵⁷

Unaccompanied Children⁵⁸

U.S.-Honduran migration ties have received renewed attention over the past two years as a result of a significant increase in the number of Honduran children arriving at the U.S. border. U.S. authorities apprehended more than 18,200 unaccompanied Honduran children at the southwest border during FY2014, continuing a strong upward trend since FY2011, when fewer than 1,000 Honduran minors were apprehended.

The Honduran government responded to the situation by deploying security forces along the country's northern border to divert potential migrants and capture smugglers. It also joined with the U.S. government to sponsor public awareness campaigns to inform Hondurans about the potential dangers and consequences of unauthorized migration. As a result of these efforts and increased immigration enforcement in Mexico, the number of unaccompanied Honduran minors encountered at the border declined by more than 70% in FY2015, to 5,400. Migration appears to

⁵⁴ U.S. Census Bureau, “Place of Birth for the Foreign-Born Population in the United States,” *2014 American Community Survey 1-Year Estimates*; Bryan Baker and Nancy Rytina, *Estimates of the Unauthorized Immigrant Population Residing in the United States: January 2012*, U.S. Department of Homeland Security (DHS), Office of Immigration Statistics, March 2013.

⁵⁵ ERIC-SJ, 2016, p.15.

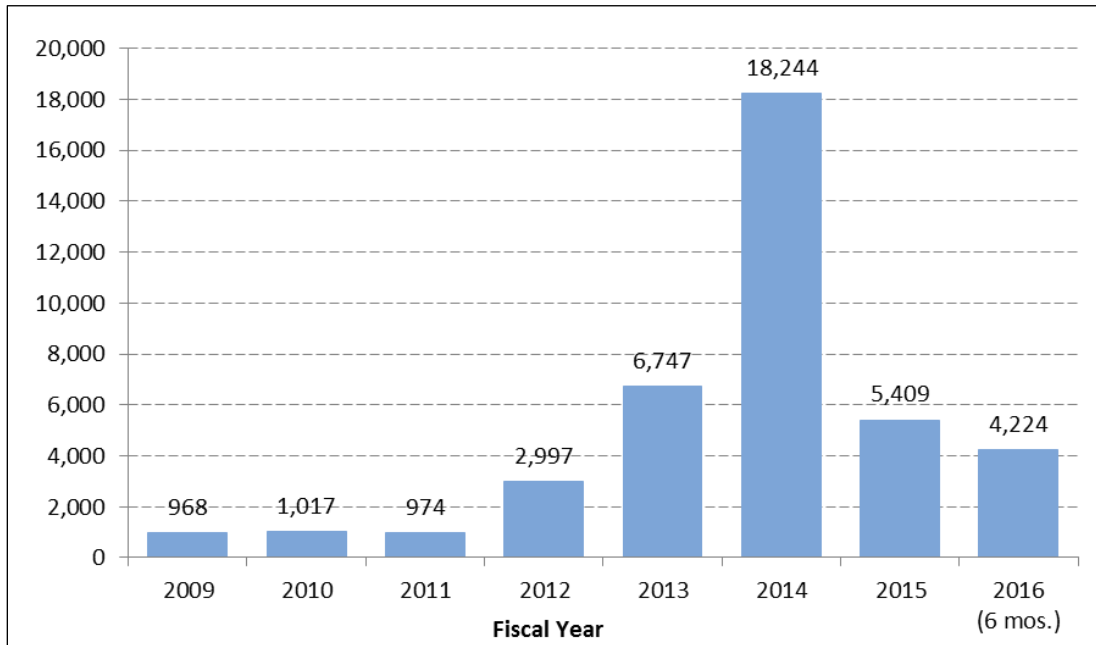
⁵⁶ Manuel Orozco, Laura Porras, and Julia Yansura, *The Continued Growth of Family Remittances to Latin America and the Caribbean in 2015*, Inter-American Dialogue, 2016.

⁵⁷ U.S. Department of State, Memorandum of Justification Regarding Certification under Section 7045(a)(3)(A) of the Department of State, Foreign Operations, and Related Programs Appropriations Act, 2016 (Div. K, P.L. 114-113), March 14, 2016.

⁵⁸ For more information, see CRS Report R43702, *Unaccompanied Children from Central America: Foreign Policy Considerations*, coordinated by Peter J. Meyer.

be increasing again this year, however, as U.S. authorities apprehended more than 4,200 unaccompanied Honduran minors in the first half of FY2016 (see **Figure 5**).⁵⁹

Figure 5. Unaccompanied Honduran Minors Encountered by U.S. Border Patrol: FY2009-FY2016



Source: CRS presentation of data from U.S. Customs and Border Protection, “United States Border Patrol Southwest Family Unit Subject and Unaccompanied Alien Children Apprehensions Fiscal Year 2016” press release, April 2016.

Note: 2016 figure includes apprehensions through the first six months of the fiscal year (October 1, 2015-March 31, 2016).

The Honduran and U.S. governments are now focusing on addressing the root causes of emigration. President Hernández joined with his counterparts in El Salvador and Guatemala to draft an “Alliance for Prosperity in the Northern Triangle,” which aims to foster economic growth, increase opportunities for Central Americans, improve security conditions, and strengthen government institutions. As previously noted, the U.S. government is supporting complementary efforts through the whole-of-government “U.S. Strategy for Engagement in Central America” (see “Foreign Assistance”).

Deportations and Temporary Protected Status⁶⁰

More than 20,300 Hondurans were removed (*deported*) from the United States in FY2015, making Honduras the fourth-largest recipient of deportees in the world behind Mexico, Guatemala, and El Salvador.⁶¹ Deportations from the United States have been accompanied by

⁵⁹ U.S. Customs and Border Protection, “United States Border Patrol Southwest Family Unit Subject and Unaccompanied Alien Children Apprehensions Fiscal Year 2016,” press release, April 2016.

⁶⁰ For more information on Temporary Protected Status, see CRS Report RS20844, *Temporary Protected Status: Current Immigration Policy and Issues*, by Carla N. Argueta and Ruth Ellen Wasem.

⁶¹ DHS, Immigration and Customs Enforcement (ICE), *ICE Enforcement and Removal Operations Report, Fiscal Year 2015*, December 22, 2015.

increasing deportations from Mexico, a transit country for Central American migrants bound for the United States. Honduran policymakers have expressed concerns about their country's ability to absorb the large volume of deportees, as it is often difficult for those returning to the country to find gainful employment and deported criminals may exacerbate gang activity and crime. In addition to social problems, leaders are concerned that remittances may start to fall if the current high rate of deportations continues.

Since 1999, the U.S. government has provided temporary protected status (TPS) to some Hondurans, allowing eligible individuals who could otherwise be deported to stay in the United States. The United States first provided TPS to Hondurans in the aftermath of Hurricane Mitch, which killed nearly 5,700 people, displaced 1.1 million others, and produced more than \$5 billion in damages in 1998. Originally slated to expire in July 2000, TPS has now been extended 13 times. The most recent TPS extension came on May 16, 2016, 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, 2018 (prior to this extension, TPS would have expired July 5, 2016). According to the *Federal Register* notice on the most recent extension, the Secretary of Homeland Security determined that the extension was warranted because "conditions in Honduras supporting its designation for TPS persist. Hurricane Mitch and subsequent environmental disasters have substantially disrupted living conditions in Honduras, such that Honduras remains unable, temporarily, to adequately handle the return of its nationals." Approximately 57,000 Hondurans residing in the United States benefit from TPS.⁶²

Security Cooperation

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

Joint Task Force Bravo

The United States maintains a troop presence of about 500 military personnel known as Joint Task Force (JTF) Bravo at Soto Cano Air Base in Honduras. JTF Bravo was first established in 1983 with about 1,200 troops who were involved in military training exercises and supporting U.S. counterinsurgency and intelligence operations in the region. In the aftermath of Hurricane Mitch in 1998, U.S. troops provided extensive assistance in the relief and reconstruction effort. Today, U.S. troops in Honduras support activities throughout Central America, such as disaster relief, medical and humanitarian assistance, and counternarcotics operations.

Citizen Safety

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

⁶² U.S. Department of Homeland Security, "Extension of the Designation of Honduras for Temporary Protected Status," 81 *Federal Register* 30331-30337, May 16, 2016.

Many CARSI-funded efforts in Honduras are designed to support law enforcement and strengthen rule of law institutions. The U.S. government has supported efforts to reform the Honduran national police and helped establish a joint Criminal Investigative School. The Federal Bureau of Investigation (FBI) leads a Transnational Anti-Gang unit designed to interrupt criminal gang activity, including kidnappings and extortion. The U.S. government also provides support to a Violent Crimes Task Force, which investigates violent crimes against vulnerable groups. While U.S. Special Operations Forces have helped to finance and train the TIGRES unit of the police,⁶³ the U.S. government does not provide any assistance to the military police force.

CARSI funds are also being used to support crime and violence prevention programs. USAID has helped establish at least 46 community outreach centers that provide safe places for about 22,000 youth to participate in recreational activities, receive vocational training, and pursue other opportunities.⁶⁴ USAID also works with municipalities and civil society to develop and implement community-led projects designed to address local security concerns. According to an impact evaluation of CARSI, Honduran communities where USAID implemented crime and violence prevention programs reported 35% fewer robberies, 57% fewer extortion attempts, and 43% fewer murders than other Honduran communities. However, there was no statistically significant difference in the community members' perceptions of insecurity or trust in police.⁶⁵

Counternarcotics

Over the past 15 years, Honduras has become a major transshipment point for illicit narcotics. According to the State Department, approximately 90% of the cocaine trafficked to the United States in the first half of 2015 first transited through the Central America/Mexico corridor. The Caribbean coastal region of Honduras is a primary landing point for both maritime and aerial traffickers. After making initial landfall in Honduras, cocaine continues on toward the United States by maritime traffic, on subsequent flights, or on overland routes such as the Pan American highway.⁶⁶

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

⁶³ Michael M. Phillips, "U.S. Special Forces Take on Street Violence that Drives Illegal Immigration," *Wall Street Journal*, February 22, 2016.

⁶⁴ U.S. Department of State, Bureau for International Narcotics and Law Enforcement Affairs, *2015 International Narcotics Control Strategy Report*, March 18, 2015.

⁶⁵ Susan Berk-Seligson, et al., *Impact Evaluation of USAID's Community-Based Crime and Violence Prevention Approach in Central America: Regional Report for El Salvador, Guatemala, Honduras, and Panama*, Vanderbilt University, Latin American Public Opinion Project, October 2014, at http://pdf.usaid.gov/pdf_docs/pbaab431.pdf.

⁶⁶ INCSR, 2016.

U.S. and Honduran authorities have also worked together to apprehend high-level drug traffickers and dismantle their criminal organizations. Over the past several years, the U.S. Treasury Department's Office of Foreign Assets Control (OFAC) has designated several Honduran individuals and organizations as Specially Designated Narcotics Traffickers pursuant to the Foreign Narcotics Kingpin Designation Act, freezing their assets under U.S. jurisdiction and prohibiting U.S. citizens from conducting financial or commercial transactions with them. The Honduran government has apprehended many of those same individuals and has extradited some of them to the United States to stand trial. According to the Hernández Administration, DEA intelligence cooperation has played an important role in the Honduran government's success.⁶⁷

- In April 2013, OFAC announced the designation of **José Miguel “Chepe” Handal Perez**, his wife, and various businesses under their control. OFAC asserts that Handal is the head of a Honduran drug trafficking organization that facilitates the movement of multi-ton shipments of cocaine between Colombian sources and two Mexican trafficking organizations, the *Zetas* and the *Sinaloa* cartel.⁶⁸ He was apprehended by the Honduran authorities in March 2015 and will reportedly stand trial in Honduras.
- In May 2013, OFAC designated **Los Cachiros**, a Honduran drug-trafficking group that is reportedly headed by Javier and Leonel Rivera Maradiaga and controls 90% of the clandestine airstrips in Honduras and Guatemala.⁶⁹ OFAC implemented further sanctions on the Cachiros in September 2013, designating seven individuals and five businesses tied to the group.⁷⁰ The Maradiagas reportedly turned themselves in to U.S. authorities in January 2015.
- In April 2014, OFAC designated **Carlos Arnoldo “El Negro” Lobo**, who reportedly worked with Colombian suppliers to transport cocaine north for Mexican, Guatemalan, and Honduran drug trafficking organizations, including the *Sinaloa* cartel and the *Cachiros*.⁷¹ Honduran authorities had arrested Lobo in March 2014 and extradited him to the United States on drug trafficking charges in May 2014. He was sentenced to 20 years in prison in December 2014.
- In August 2014, OFAC designated **Los Valles**, a Honduran drug trafficking organization that is reportedly led by Miguel Arnulfo Valle Valle and is responsible for the distribution of tens of thousands of kilograms of cocaine per month directly into the United States. OFAC also designated several other members of the Valle Valle family and businesses tied to their organization.⁷² Miguel Arnulfo Valle Valle was arrested by Honduran authorities in October 2014 and extradited to the United States in December 2014. Other members of the organization have also been arrested and extradited.

⁶⁷ Allan Edgardo Ramirez, “Corrales: ‘El Apoyo de la DEA ha sido Clave en Captura de Narcos’,” *La Prensa* (Honduras), October 19, 2014.

⁶⁸ U.S. Department of the Treasury, “Treasury Designates Honduran Traffickers,” press release, April 9, 2013.

⁶⁹ U.S. Department of the Treasury, Office of Foreign Assets Control, “Specially Designated Nationals Update,” May 31, 2013; “Lobo: Seguridad Debe Conocer de Los Cachiros,” *La Prensa* (Honduras), July 9, 2013.

⁷⁰ Embassy of the United States Tegucigalpa, Honduras, “Treasury Targets ‘Los Cachiros’ Drug Trafficking Organization in Honduras,” press release, September 19, 2013.

⁷¹ U.S. Department of the Treasury, “Treasury Targets Honduran Maritime Drug Trafficker Carlos Arnoldo Lobo,” press release, April 9, 2014.

⁷² U.S. Department of the Treasury, “Treasury Targets Honduran Drug Trafficking Organization and Its Network,” press release, August 20, 2014.

- In October 2015, OFAC designated Jaime Rolando Rosenthal Oliva, Yani Benjamin Rosenthal Hidalgo, Yankel Antonio Rosenthal Coello, and a number of businesses under their control. OFAC alleges that the **Rosenthals** provided money laundering and other services that supported the operations of Central American drug traffickers, including the Cachiros.⁷³ The Rosenthals have played a prominent role in Honduran politics, with Jaime serving as vice president (1986-1990) and Yani serving as a Cabinet minister and member of congress for the PL. Yankel Rosenthal was arrested in Miami and Yani Rosenthal reportedly turned himself in to U.S. authorities in October 2015. Jaime Rosenthal is under house arrest in Honduras and reportedly will face tax evasion and other criminal charges there before the Honduran government decides whether to extradite him to the United States.⁷⁴

While joint U.S.-Honduran counternarcotics efforts have produced some notable successes, they have also generated controversy. Operation Anvil, which took place from April-July 2012 and involved the DEA vetted unit, is the most prominent example. Three of the five joint interdiction missions carried out during the operation ended with suspects being killed.⁷⁵ In one of those incidents, the vetted unit opened fire on a river boat, leaving at least four people dead and several others injured.

In a January 2013 letter, 58 Members of Congress called on the State Department and the Department of Justice to carry out a “thorough and credible investigation” into the killings.⁷⁶ As of May 2016, a joint review being conducted by the agencies’ Offices of Inspectors General remains ongoing. It reportedly will address pre-incident planning and the rules of engagement, the post-incident investigative and review efforts of both agencies, DEA and State personnel cooperation with post-shooting reviews, and the information the agencies provided to Congress and the public regarding the incidents.⁷⁷ According to press reports, the investigation was slowed by DEA officials who refused to turn over certain records.⁷⁸

Human Rights Concerns

As the general security situation in Honduras has deteriorated in recent years, human rights abuses have increased. Observers have expressed particular concern about a surge in violence against journalists and political and social activists, including leaders of Afro-descendent, indigenous, land rights, LGBT (lesbian, gay, bisexual, and transgender), women’s, and workers’ organizations. The frequency of such attacks increased in the aftermath of the 2009 coup, and attacks have continued since then. At least 54 members of the media and 26 human rights defenders have been killed in Honduras since 2009; several of those killings have taken place in

⁷³ U.S. Department of the Treasury, “Treasury Sanctions Rosenthal Money Laundering Organization,” press release, August 20, 2014.

⁷⁴ Tracy Wilkinson, “Honduras Likely to Extradite Former Vice President to U.S.,” *Los Angeles Times*, January 20, 2016.

⁷⁵ Damien Cave and Ginger Thompson, “U.S. Rethinks a Drug War after Deaths in Honduras,” *New York Times*, October 12, 2012.

⁷⁶ Letter from Henry C. “Hank” Johnson, Jr., Member of Congress, et al. to the Honorable John Kerry, Secretary of State, January 30, 2013.

⁷⁷ U.S. Department of Justice, Office of the Inspector General, “Ongoing Work: Drug Enforcement Administration,” May 2016.

⁷⁸ Eric Lichtblau, “Tighter Lid on Records Threatens to Weaken Government Watchdogs,” *New York Times*, November 27, 2015.

recent months (see the text box, “Murder of Bertá Cáceres”).⁷⁹ Many others have been threatened, harassed, or attacked, with those who work on sensitive issues—such as drug trafficking, corruption, and land conflicts—being the most frequent targets. There are indications that members of the Honduran security forces have been involved in some of the attacks, but it is difficult to determine the extent of such involvement since most cases have never been resolved.

Murder of Berta Cáceres

On March 3, 2016, Berta Cáceres, a high-profile indigenous and environmental activist and a cofounder of the Civic Council of Indigenous and Popular Organizations of Honduras (*Consejo Cívico de Organizaciones Populares e Indígenas de Honduras*, COPINH), was killed in her home. For several years prior to her death, Cáceres had helped lead the opposition to a hydroelectric project known as the Agua Zarca dam being developed by *Desarrollos Energéticos SA* (DESA). Cáceres and other opponents of the dam asserted that the *Lenca* indigenous peoples affected by the project had not given free, prior, and informed consent as required by International Labor Organization Convention 169, to which Honduras is a signatory. Cáceres and other COPINH members reportedly were threatened and harassed for their opposition to the project on numerous occasions by individuals affiliated with DESA as well as Honduran security forces. As a result of those threats, the Inter-American Commission on Human Rights (IACHR) had granted precautionary measures to Cáceres and repeatedly directed the Honduran government to ensure her protection.⁸⁰ Initial reports about the murder investigation raised concerns among many observers, including Members of the U.S. Congress. The sole witness to the murder stated that the police altered the crime scene, and Cáceres’s family asserted that the government would not allow an independent forensic expert to be present at the autopsy. Initial reports also suggested that the investigation was focused on fellow COPINH activists rather than the threats Cáceres had received prior to her murder. Moreover, the Honduran government resisted calls made by Cáceres’s family and others to allow the IACHR to conduct an independent investigation.⁸¹

On May 2, 2016, Honduran authorities arrested four men allegedly involved in the murder; a fifth man was arrested on May 7. Those arrested reportedly include a manager for social and environmental issues at DESA, a retired member of the Honduran military that served as DESA’s assistant director for security, and an active-duty member of the Honduran military who had served as an instructor for the military police. According to press reports, Cáceres had reported both men affiliated with DESA to the Honduran authorities as a result of threats and intimidation. The prosecutors in charge of the case reportedly have recordings of the defendants discussing the murder plot as well as ballistics evidence linking a gun allegedly recovered from one of the defendants to the murder. Cáceres’s family and fellow activists are skeptical that the intellectual authors of the crime have been captured and continue to call for an independent investigation by the IACHR.⁸² The U.S. ambassador to Honduras welcomed the arrests, noted that the U.S. government has called for a thorough investigation, and reiterated the U.S. government’s willingness to support the ongoing investigation in any way possible.⁸³ Two U.S. advisers—a former detective and a Justice Department prosecutor—are reportedly assisting Honduran authorities with the investigation.⁸⁴

⁷⁹ Inter-American Commission on Human Rights (IACHR), *Situation of Human Rights in Honduras*, December 31, 2015, p. 29, at <http://www.oas.org/en/iachr/reports/pdfs/Honduras-en-2015.pdf>; “IACHR Condemns the Killing of Berta Cáceres in Honduras,” March 4, 2016; “IACHR Condemns Killings and Other Acts of Violence against Human Rights Defenders of LGBT Persons in Honduras,” press release, March 7, 2016; “IACHR Condemns Killing of Members of the Tolupe Indigenous Peoples in Honduras,” press release, March 7, 2016; “IACHR Deplores Killing of Nelson Noé García in Honduras,” press release, March 21, 2016; “Conadeh: En la Impunidad Muerte de 63 Periodistas de Honduras,” *Hondudiario*, May 2, 2016.

⁸⁰ IACHR, “IACHR Condemns the Killing of Berta Cáceres in Honduras,” March 4, 2016.

⁸¹ “Gustavo Castro: El Escenario del Crimen de Berta fue Modificado,” *El Heraldo* (Honduras), March 7, 2016; Jonathan Blitzer, “No Answers in the Murder of Berta Cáceres,” *New Yorker*, April 11, 2016; Nina Lakhani, “‘Time was Running Out’: Honduran Activist’s Last Days Marked by Threats,” *Guardian*, April 25, 2016.

⁸² Nina Lakhani, “Berta Cáceres Murder: Four Men Arrested over Honduran Activist’s Death,” *Guardian*, May 2, 2016; Jason McGahan, “Army Major, Corporate Goons Charged in Murder of Berta Cáceres in Honduras,” *Daily Beast*, May 8, 2016.

⁸³ Embassy of the United States Tegucigalpa, Honduras, “Statement from Ambassador James D. Nealon on the Announcement of Arrests in the Murder of Berta Cáceres,” May 2, 2016.

⁸⁴ Tracy Wilkinson, “Dilemma for U.S. in Latin America,” *Los Angeles Times*, April 26, 2016.

While the Honduran government has often downplayed the possibility that the attacks against journalists and activists are related to the victims' work, it has taken some steps designed to improve the human rights situation. In 2013, the Honduran government adopted a new human rights policy and plan of action, and in April 2015, it enacted legislation to provide protection to journalists and other members of the media, human rights defenders, and justice sector officials. The Honduran government also asked the Office of the U.N. High Commissioner on Human Rights to establish an office in Honduras to observe and monitor the human rights situation.

Human rights organizations maintain that these efforts have been insufficient. They assert that the Honduran government has not provided adequate protection for Hondurans at risk of human rights violations, noting that several of the journalists and activists who have been killed had been granted precautionary measures by the Inter-American Commission on Human Rights (IACHR) and were supposed to be under government protection at the time they were murdered. Human rights organizations also criticize the Honduran government for failing to bring to justice those responsible for human rights abuses. The IACHR asserts that widespread impunity "not only constitutes a denial of justice for the victims' next of kin, but also sends a message to society that violence against these persons is tolerated by the state."⁸⁵

U.S. Initiatives

The Obama Administration generally has avoided publically criticizing the Honduran government over human rights abuses, focusing instead on supporting Honduran efforts to improve the situation. In 2012, the Administration joined with the Honduran government to launch a high-level bilateral human rights working group. The working group has met four times, most recently in May 2014, to discuss issues such as reforming the security sector, combatting impunity, strengthening human rights institutions, and collaborating with civil society.⁸⁶

The U.S. government has also allocated funding to support human rights efforts. In 2011, the U.S. and Honduran governments set up a Special Victims Task Force (since renamed the Violent Crimes Task Force) to investigate high-profile violent crime cases, such as the persecution of journalists and LGBT persons. The task force, which is funded through CARS, includes vetted members of the Honduran police, the public ministry, and U.S. advisors. While it has produced better results than other investigative units in Honduras, its ability to obtain convictions reportedly has been limited.⁸⁷ USAID has also sought to aid investigations and reduce impunity by providing Honduras's Department of Forensic Medicine with equipment and infrastructure to conduct DNA analysis, ballistics analysis, and toxicology screening. The Department of Forensic Medicine's ballistics unit reportedly used equipment provided by USAID to attempt to find ballistics matches in its investigation of the murder of Berta Cáceres.⁸⁸

⁸⁵ IACHR, "Preliminary Observations Concerning the Human Rights Situation in Honduras," press release, December 5, 2014.

⁸⁶ U.S. Department of State, Office of the Spokesperson, "Honduras Bilateral Human Rights Working Group Meets in Tegucigalpa" press release, May 29, 2014.

⁸⁷ Aaron Korthuis, "CARS in Honduras: Isolated Successes and Limited Impact," in *Crime and Violence in Central America's Northern Triangle: How U.S. Policy Responses are Helping, Hurting, and Can be Improved*, ed. Eric L. Olson (Washington, DC: Woodrow Wilson International Center for Scholars, 2015), pp. 214-215.

⁸⁸ U.S. Agency for International Development, Office of Transition Initiatives, "OTI Honduras Bi-Weekly Update #3," March 18, 2016.

Restrictions on Foreign Assistance

The U.S. government has also placed restrictions on foreign assistance to Honduras. Like all countries, Honduras is subject to legal provisions (Section 620M of the Foreign Assistance Act of 1961, as amended, and a recurring provision in the annual Department of Defense [DOD] appropriations bill) that require the State Department and DOD to vet assistance for foreign security forces and prohibit funding for any unit if there is credible evidence that it has committed “a gross violation of human rights.”⁸⁹ From FY2012 to FY2015, annual foreign aid appropriations legislation included additional restrictions that required the State Department to withhold between 20% and 35% of aid for Honduran military and police forces until the Secretary of State could certify that certain human rights conditions were met.

As noted previously, the Consolidated Appropriations Act, 2016, requires the State Department to withhold 50% of aid for the “central government” of Honduras until the Secretary of State can certify that the Honduran government is “taking effective steps” to meet 12 conditions. Several of those conditions are related to human rights:

- investigate and prosecute in the civilian justice system members of military and police forces who are credibly alleged to have violated human rights, and ensure that the military and police are cooperating in such cases;
- cooperate with commissions against impunity, as appropriate, and with regional human rights entities; and
- protect the right of political opposition parties, journalists, trade unionists, human rights defenders, and other civil society activists to operate without interference.

The State Department has not yet issued a certification related to these conditions.

Commercial Ties

The United States and Honduras have maintained close commercial ties for many years. In 1984, Honduras became one of the first beneficiaries of the Caribbean Basin Initiative (CBI), a unilateral U.S. preferential trade arrangement providing duty-free importation for many goods from the region. In the late 1980s, Honduras benefitted from production-sharing arrangements with U.S. apparel companies for duty-free entry into the United States of certain apparel products assembled in Honduras. As a result, *maquiladoras*, or export-assembly companies, flourished. The passage of the Caribbean Basin Trade Partnership Act in 2000, which provided Caribbean Basin nations with North America Free Trade Agreement (NAFTA)-like preferential tariff treatment, further boosted the *maquila* sector. Commercial relations have expanded most recently as a result of the Dominican Republic-Central America-United States Free Trade Agreement (CAFTA-DR), which significantly liberalized trade in goods and services after entering into force in April 2006. Under CAFTA-DR, 100% of U.S. industrial goods enter Honduras duty free, and nearly all U.S. agricultural products will enter Honduras duty free by 2020.⁹⁰

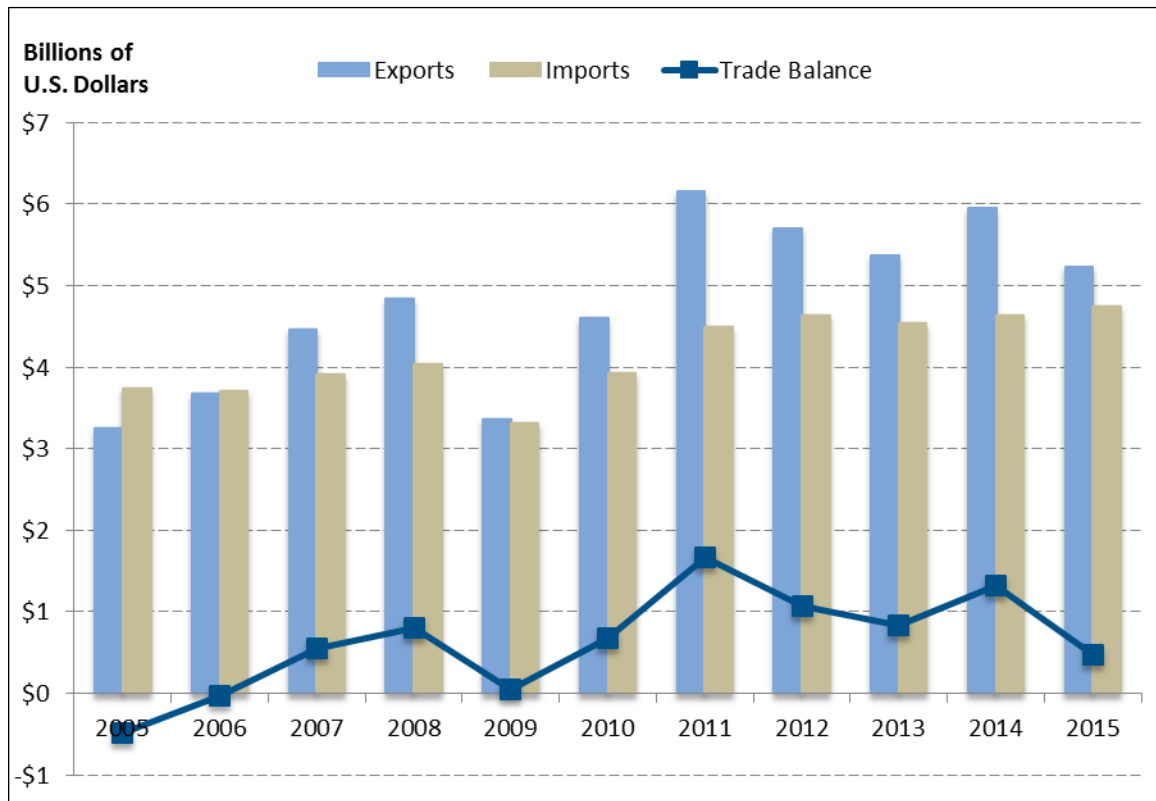
⁸⁹ For more information on these human rights vetting requirements, see CRS Report R43361, “Leahy Law” Human Rights Provisions and Security Assistance: Issue Overview, coordinated by Nina M. Serafino.

⁹⁰ For more information on CAFTA-DR, see CRS In Focus IF10394, *Dominican Republic-Central America-United States Free Trade Agreement (CAFTA-DR)*, by M. Angeles Villarreal.

Trade and Investment

Despite a significant decline in bilateral trade in the aftermath of the global financial crisis, total merchandise trade between the United States and Honduras has increased 43% since 2005; U.S. exports to Honduras have grown by 61%, and U.S. imports from Honduras have grown by 27% (see **Figure 6**). Analysts had predicted that CAFTA-DR would lead to a relatively larger increase in U.S. exports because a large portion of imports from Honduras already entered the United States duty free prior to implementation of the agreement. The United States has run a trade surplus with Honduras since 2007.

Figure 6. U.S. Trade with Honduras: 2005-2015



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

Total two-way trade amounted to \$10 billion in 2015, \$5.2 billion in U.S. exports to Honduras and \$4.8 billion in U.S. imports from Honduras. The United States was Honduras's largest trading partner, accounting for nearly 38% of the country's trade, and Honduras was the 42nd-largest trading partner of the United States, accounting for 0.3% of total U.S. merchandise trade. In addition to textile and apparel inputs, discussed below, top U.S. exports to Honduras included refined oil products, electric and heavy machinery, and cereals. Top non-apparel U.S. imports from Honduras included insulated wire, edible fruit, and coffee.⁹¹

Similar to previous trade arrangements, CAFTA-DR has provided substantial benefits to the textile and apparel assembly industry in Honduras. Textiles and apparel accounted for over 58% of U.S. imports from Honduras in 2015. Likewise, textile and apparel inputs, such as yarns and

⁹¹ U.S. Department of Commerce and INE data, as presented by *Global Trade Atlas*, accessed April 2016.

fabrics, accounted for more than 28% of U.S. exports to Honduras.⁹² The Trans-Pacific Partnership (TPP),⁹³ a proposed trade agreement among 12 Asia-Pacific countries, has the potential to alter the textile trade. The agreement could allow Asian apparel producers, such as Vietnam, to export clothing to the United States duty-free, eliminating much of the competitive advantage now enjoyed by Honduran and other Western Hemisphere apparel producers. Additionally, U.S. exporters of textile and apparel inputs could face increased competition in Honduras and elsewhere in the Western Hemisphere if the TPP were to allow apparel manufacturers to use yarn and fabric made anywhere in the TPP region and still enjoy preferential access to the U.S. market.⁹⁴

U.S. foreign direct investment in Honduras has declined slightly since the implementation of CAFTA-DR. The total stock of U.S. foreign direct investment in the country amounted to \$754 million in 2014 (the most recent year for which data are available), a decrease of about 8% from \$821 million in 2005. More than half is invested in the manufacturing sector.⁹⁵ According to the State Department, over 200 U.S. companies operate in Honduras. While relatively low labor costs, proximity to the U.S. market, and the Caribbean port of Puerto Cortés make Honduras attractive to investors, the country's investment climate is hampered by high levels of crime, a weak judicial system, corruption, low levels of educational attainment, and poor infrastructure.⁹⁶

In an effort to make Honduras more attractive to foreign investment, the Hernández Administration is moving forward with a controversial plan to establish “Employment and Economic Development Zones” (*Zonas de Empleo y Desarrollo Económico*, ZEDES). In these specially designated areas, the Honduran government would grant administrative autonomy to foreign investors to enact their own laws, set up their own judicial systems, and carry out other duties usually reserved for governments. Supporters of the ZEDES maintain that the zones will create jobs by attracting investment that otherwise would be deterred by corruption and instability, but critics assert that the ZEDES would effectively privatize national territory and deprive Honduran communities of their rights to democratically elect their leaders.⁹⁷

Labor Rights

Some observers in the United States and Honduras have expressed concerns about the enforcement of the labor rights provisions of CAFTA-DR.⁹⁸ In March 2012, the American Federation of Labor and Congress of Industrial Organizations (AFL-CIO) joined with 26 Honduran trade unions and civil society organizations to file a petition with the U.S. Department of Labor. The petition asserted that the government of Honduras had failed to meet its obligations to effectively enforce its laws relating to freedom of association, the right to organize and bargain

⁹² Ibid.

⁹³ For more information on TPP, see CRS Report R44489, *The Trans-Pacific Partnership (TPP): Key Provisions and Issues for Congress*, coordinated by Ian F. Fergusson and Brock R. Williams.

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

⁹⁵ U.S. Bureau of Economic Analysis, “Balance of Payments and Direct Investment Position Data,” accessed February 2016.

⁹⁶ U.S. Department of State, Bureau of Economic and Business Affairs, *2015 Investment Climate Statement – Honduras*, May 2015.

⁹⁷ Maya Kroth, “Under New Management,” *Foreign Policy*, September 1, 2014.

⁹⁸ The labor rights provisions of CAFTA-DR are available at https://ustr.gov/sites/default/files/uploads/agreements/cafta/asset_upload_file320_3936.pdf.

collectively, child labor, and the right to acceptable working conditions. It identified specific violations in the port, apparel, agriculture, and auto manufacturing sectors.⁹⁹

After a nearly three-year investigation, the Department of Labor issued a public report in February 2015 stating that it had found evidence of labor law violations in nearly all the cases included in the petition. The report stated that the Department “has serious concerns regarding the protection of internationally recognized labor rights in Honduras, including concerns regarding the Government of Honduras’s enforcement of its labor laws.” It also noted that “there has not yet been measurable systematic improvement in Honduras to address the concerns raised.”¹⁰⁰ In December 2015, U.S. and Honduran officials signed a monitoring and action plan designed to address the legal, institutional, and practical challenges to labor law enforcement in Honduras.¹⁰¹ Although the AFL-CIO welcomed the Labor Department’s report and the monitoring and action plan, it asserted that “through such delayed and partial actions, the U.S. government has not acted effectively to defend workers’ rights in Honduras and with other trading partners.”¹⁰²

According to the State Department, in 2015, “antiunion discrimination continued to be a serious problem.... Employers commonly threatened to close unionized factories and harassed or dismissed workers seeking to organize. They also fired leaders with impunity soon after unions were formed to prevent the union from functioning.”¹⁰³ Since January 2015, the Network against Anti-Union Violence in Honduras has documented at least 14 cases of threats or attacks against union members, including one murder and one forced disappearance.¹⁰⁴

Outlook

Although President Juan Orlando Hernández has taken steps designed to address Honduras’s significant domestic challenges over the past two years, progress has been uneven. Hernández has signed anticorruption agreements with Transparency International and the Organization of American States, but his Administration has limited access to government information and resisted efforts to install a stronger, more independent international commission against corruption and impunity. An agreement with the International Monetary Fund has helped to put public finances on a more sustainable path, but poverty and inequality appear to be increasing. The Hernández Administration has had success in apprehending high-level drug traffickers and reducing homicides, but human rights abuses persist and impunity remains widespread.

⁹⁹ American Federation of Labor and Congress of Industrial Organizations (AFL-CIO) et al., *Public Submission to the Office of Trade & Labor Affairs (OTLA) under Chapters 16 (Labor) and 20 (Dispute Settlement) of the Dominican Republic-Central America Free Trade Agreement (DR-CAFTA)*, March 26, 2012, at <http://www.dol.gov/ilab/reports/pdf/HondurasSubmission2012.pdf>. AFL-CIO.

¹⁰⁰ U.S. Department of Labor, *Public Report of Review of U.S. Submission 2012-01 (Honduras)*, February 27, 2015, at http://www.dol.gov/ilab/reports/pdf/Final_Report_of_Review-Honduras_Submission_022715_redacted.pdf.

¹⁰¹ U.S. Department of Labor, “US and Honduras Sign Landmark Labor Rights Agreement,” press release, December 9, 2015. The Labor Rights and Monitoring Action Plan is available at https://www.dol.gov/ilab/media/pdf/Honduras_MAP.pdf.

¹⁰² Brian Finnegan, “Honduras and CAFTA Show Us One of the Key Reasons Why TPP Should be Opposed,” *AFL-CIO Now*, December 10, 2015.

¹⁰³ U.S. Department of State, Bureau of Democracy, Human Rights and Labor, *Country Reports on Human Rights Practices for 2015*, April 13, 2016, p.35, at <http://www.state.gov/documents/organization/253235.pdf>.

¹⁰⁴ Red de Sindicalistas contra la Violencia Antisindical, *Informe acerca de la Violencia Antisindical en Honduras 2015-2016*, April 2016.

The United States has increased foreign assistance for Honduras in recent years and is now carrying out efforts designed to strengthen government institutions, foster economic prosperity, and improve security in the country. These are difficult and long-term endeavors, however, and significant improvements in living conditions in Honduras likely will require concerted efforts by the Honduran government and the international community over many years. In the absence of such actions, Honduras may continue to experience periodic instability, which—as demonstrated by the surge in migration since 2014—is likely to affect the United States.

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