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Honduras: Background and U.S. Relations

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Summary

Honduras, a Central American nation of 8.7 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. In recent years, instability in Honduras—including a 2009 coup and significant outflows of migrants and asylum-seekers since 2014—has led U.S. policymakers to focus greater attention on conditions in the country and their implications for the United States.

Domestic Situation

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 reducing violence and putting public finances on a more sustainable path. Anti-corruption efforts also have made headway in recent years, largely as a result of the efforts of the Honduran Public Ministry and the Organization of American States (OAS)-backed Mission to Support the Fight Against Corruption and Impunity in Honduras (MACCIH).

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, with nearly two-thirds of Hondurans living below the poverty line. Moreover, Honduras remains one of the most violent countries in the world and continues to suffer from persistent human rights abuses and widespread impunity.

General elections in Honduras are scheduled to be held on November 26, 2017. Hernández appears well positioned for reelection since his party continues to have the single largest base of support in Honduras, the opposition is divided, and he needs to obtain only a plurality of the vote to win. The Honduran Congress is likely to remain fractured, however, which could present governance challenges for whoever holds the presidency in 2018.

U.S. Policy

U.S. policy in Honduras is guided by the U.S. Strategy for Engagement in Central America, which is designed to promote economic prosperity, strengthen governance, and improve security in Honduras and the rest of the region. Congress appropriated an estimated \$95.3 million in bilateral assistance for Honduras to advance these objectives in the Consolidated Appropriations Act, 2017 (P.L. 115-31). Although the Trump Administration has requested \$67.9 million to continue U.S. efforts in Honduras in FY2018, the foreign aid appropriations bill reported out of the House Appropriations Committee (H.R. 3362) would provide \$81.2 million in bilateral aid. The Senate Appropriations Committee has yet to mark up its FY2018 foreign aid appropriations bill.

Members of the 115th Congress have put forward several measures to incentivize policy changes in Honduras. P.L. 115-31 withholds 75% of assistance for the Honduran central government until Honduras addresses concerns such as border security, corruption, and human rights abuses. H.R. 3362 would maintain those conditions. A resolution adopted by the House, H.Res. 145, calls on the Honduran government to support the anti-corruption efforts of the MACCIH and the Public Ministry. Other measures would suspend security assistance until Honduras meets strict human

rights conditions (H.R. 1299) and would withhold most U.S. assistance until the Honduran government has settled all commercial disputes with U.S. citizens (H.R. 3237).

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Introduction

Honduras, a Central American nation of 8.7 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 political crisis in 2009 and relatively high levels of displacement and emigration in recent years. Although President Juan Orlando Hernández and his Administration have taken steps designed to address some of these deep-seated issues, many analysts maintain that Honduras lacks the institutions and resources necessary to tackle these challenges on its own.

U.S. policymakers have devoted more attention to Honduras and its Central American neighbors since FY2014, when an unexpectedly large number of migrants and asylum-seekers from the region arrived at the U.S. border. In the aftermath of the crisis, the Obama Administration determined that it was “in the national security interests of the United States” to work with Central American governments to improve security, strengthen governance, and promote economic prosperity in the region.¹ Accordingly, the Obama Administration launched a new, whole-of-government U.S. Strategy for Engagement in Central America and requested significant increases in foreign assistance to implement the strategy. Congress appropriated \$750 million for the strategy in FY2016, including at least \$183 million for Honduras.²

The 115th Congress has been closely tracking the progress of U.S. efforts in Honduras and the rest of the region and will continue to shape U.S. policy in Central America as it considers the Trump Administration’s budget request and other legislation. This report analyzes political, economic, and security conditions in Honduras. It also examines issues in U.S.-Honduran relations that have been of particular interest to Congress, including foreign assistance, migration, security cooperation, human rights, and trade and investment.

¹ White House, *U.S. Strategy for Engagement in Central America*, March 16, 2015, at https://obamawhitehouse.archives.gov/sites/default/files/docs/central_america_strategy.pdf.

² U.S. Department of State, *Congressional Budget Justification for Department of State, Foreign Operations, and Related Programs, Fiscal Year 2018*, May 23, 2017, at <https://www.state.gov/documents/organization/271013.pdf>; U.S. Agency for International Development (USAID), “Congressional Notification: Central America Regional Security Initiative (CARSI),” CN #15, October 14, 2016; U.S. Department of State, “Congressional Notification 16-282 – State Western Hemisphere Regional: Central America Regional Security Initiative (CARSI), Honduras,” October 13, 2016.

Figure I. Honduras at a Glance



Leadership	<p>President: Juan Orlando Hernández (National Party)</p> <p>President of the Honduran National Congress: Mauricio Oliva (National Party)</p>
Geography	<p>Area: 112,000 sq. km. (slightly larger than Virginia)</p>
People	<p>Population: 8.7 million (2016 est.)</p> <p>Racial/Ethnic Identification: 91.3% Mixed or European descent; 8.6% indigenous or African descent (2013)</p> <p>Religious Identification: 46% Catholic; 41% Protestant; 10% Unaffiliated (2014)</p> <p>Literacy Rate: 89% (2016)</p> <p>Life Expectancy: 74 (2015)</p>
Economy	<p>Gross Domestic Product (GDP): \$21.4 billion (2016 est.)</p> <p>GDP per Capita: \$2,609 (2016 est.)</p> <p>Top Exports: apparel, coffee, insulated wire, shrimp, palm oil, and bananas (2016)</p> <p>Poverty Rate: 65.7% (2016)</p> <p>Extreme Poverty Rate: 42.5% (2016)</p>

Sources: Population, ethnicity, literacy, and poverty data from Instituto Nacional de Estadística; religious identification data from Pew Research Center; export data from Global Trade Atlas; GDP estimates from International Monetary Fund; life expectancy estimate from U.N. Economic Commission for Latin America and the Caribbean. Map created by CRS.

Notes: A number of studies have estimated that the indigenous and Afro-Honduran population is much larger than official statistics indicate. A 2007 census conducted by indigenous organizations, for example, found that Hondurans of indigenous and African descent accounted for 20% of the Honduran population.

Politics and Governance

Honduras has struggled with political instability and authoritarian governance for much of its history. The military traditionally has played an influential role in politics, most recently governing Honduras for most of the period between 1963 and 1982. The country's current constitution—its 16th since declaring independence from Spain in 1821—was adopted as Honduras transitioned back to civilian rule. It establishes a representative democracy with a separation of powers among an executive branch led by the president, a legislative branch consisting of a 128-seat unicameral National Congress, and a judicial branch headed by the Supreme Court.³ In practice, however, the legislative process tends to be executive-driven and the National Congress often plays a subordinate role to the Honduran president.

Although Honduras experienced nearly three decades of relatively stable electoral democracy following the end of military rule, it was thrown into political crisis on June 28, 2009, when the Honduran military detained then-President Manuel Zelaya and flew him to forced exile. Zelaya had been elected as a moderate member of the Liberal Party (*Partido Liberal*, PL), but he alienated many within the 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 declared it a coup d'état.⁴ Roberto Micheletti, the head of the Honduran Congress and a member of the PL's conservative wing, assumed the presidency for the remainder of Zelaya's term. He maintained tight control of Honduran society and steadfastly opposed pressure to restore Zelaya to office.⁵

In January 2010, after seven months of domestic political crisis and international isolation, Porfirio Lobo of the conservative National Party (*Partido Nacional*, PN) was inaugurated as president of Honduras. He was elected in a November 2009 presidential election, which had been scheduled prior to the coup but was viewed as illegitimate by some sectors of the population due to the Micheletti government's repressive actions. Lobo took several steps intended to lead Honduras out of crisis, such as negotiating Zelaya's return from exile, but democratic institutions remained weak. In December 2012, the PN-controlled National Congress replaced four Supreme Court justices who had declared several laws unconstitutional. Although the Honduran Minister of Justice and Human Rights asserted that the move was illegal and violated the independence of the judiciary, it was never overturned.⁶

Honduras's traditional two-party system fractured in the years following the 2009 coup. The country's traditional parties, the PL and the PN, are both considered to be ideologically center-right,⁷ and political competition between them generally has centered on using the public sector

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

⁴ 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. For additional analysis, 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.

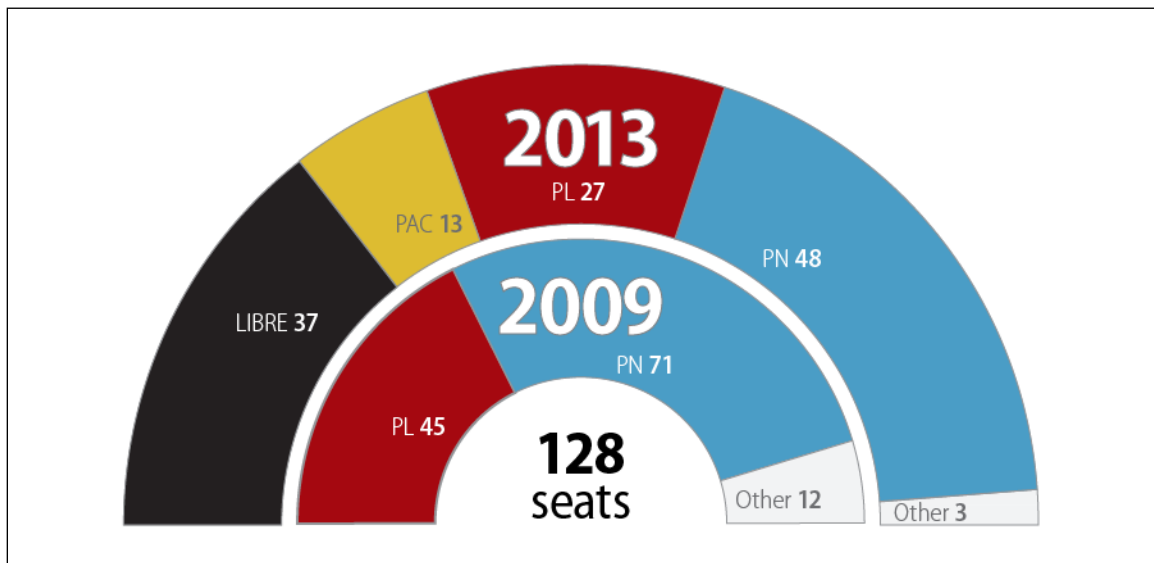
⁵ For more information on the 2009 political crisis, see CRS Report R41064, *Honduran Political Crisis, June 2009-January 2010*, by Peter J. Meyer.

⁶ "Se Conculcó Principio de Independencia," *El Heraldo* (Honduras), December 18, 2012.

⁷ The Liberal Party (PL) historically has had a center-left faction, but more conservative sectors have controlled the (continued...)

for personal gain rather than implementing policies or programs. Both parties have distributed public jobs and contracts in exchange for party and personal loyalty, leaving government institutions weak, politicized, and vulnerable to corruption.⁸ The 2009 political crisis appears to have been a tipping point for many Hondurans, whose ties to the PL and the PN had been weakening for years as a result of the traditional parties' failure to adequately address citizens' concerns. Although many Hondurans have given up on the political process and stopped voting, others have gravitated to new parties, such as the Anti-Corruption Party (*Partido Anticorrupción*, PAC) and the left-leaning Liberty and Re-foundation (*Libertad y Refundación*, LIBRE) party, which was founded by former President Zelaya and other PL dissidents. The PAC and LIBRE both won substantial support in the most recent general elections, which were held in November 2013 (see **Figure 2**).

Figure 2. Party Affiliation in the Honduran National Congress
(seat distribution following the 2009 and 2013 elections)



Source: Created by CRS.

Notes: LIBRE = Liberty and Re-foundation (*Libertad y Refundación*) party; PAC = Anti-Corruption Party (*Partido Anticorrupción*); PL = Liberal Party (*Partido Liberal*); PN = National Party (*Partido Nacional*).

Hernández Administration (2014-Present)

President Juan Orlando Hernández of the 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.⁹ His party also lost its congressional majority in concurrent legislative elections, falling from 71 seats to 48 seats in the 128-member unicameral

(...continued)

party in recent years.

⁸ Leticia Salomón, "Honduras: Golpe de Estado, Sistema de Partidos y Recomposición Democrática," in *Honduras: Retos y Desafíos de la Reconstrucción Democrática* (Tegucigalpa: Centro de Documentación de Honduras, 2011).

⁹ Hernández was followed by Xiomara Castro of LIBRE at 29%, Mauricio Villeda of the PL at 20%, and Salvador Nasralla of the Anti-Corruption Party (*Partido Anticorrupción*, PAC) at 13%. Tribunal Supremo Electoral, "Resultado Presidencial," December 2013.

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 hard-line security measures (see “Economic and Social Conditions” and “Security Conditions,” below).

Hernández also has taken some steps to combat corruption, which is reported to be widespread in Honduras.¹⁰ He has intervened in several government institutions, removing corrupt personnel and completely replacing some agencies. 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. 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 low levels of compliance with procurement and human resources regulations across government agencies.¹¹

Many of Hernández’s anti-corruption efforts have been prompted by scandals that have implicated high-level government officials. In 2015, for example, Hondurans engaged in mass demonstrations calling for Hernández’s ouster and the establishment of an international anti-corruption commission after press reports indicated that more than \$300 million was embezzled from the Honduran Social Security Institute (*Instituto Hondureño de Seguridad Social*, IHSS) during the Lobo Administration (2010-2014) and that some of the stolen funds were used to finance Hernández’s 2013 election campaign. Hernández sought to mollify the protestors by signing an agreement with the Organization of American States (OAS) in January 2016 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).¹²

According to the agreement, the MACCIH is intended to support, strengthen, and collaborate with Honduran institutions to prevent, investigate, and punish acts of corruption.¹³ Many of the MACCIH’s initial efforts have focused on strengthening Honduras’s anti-corruption legal framework. It has secured congressional approval for new laws to regulate the financing of political campaigns and to create anti-corruption courts with nationwide jurisdiction. Other measures it has proposed, such as an “effective collaboration” bill to encourage members of criminal networks to cooperate with officials in exchange for reduced sentences, have yet to be enacted.¹⁴

The MACCIH does not have independent investigative or prosecutorial powers, but MACCIH officials are working alongside officials from the Honduran Public Ministry on integrated investigative and criminal prosecution teams whose members and cases must be approved by the

¹⁰ Transparency International, *Corruption Perceptions Index 2016*, January 25, 2017.

¹¹ Asociación para una Sociedad más Justa and Transparency International, *Informes Línea Base*, 2015.

¹² For more information on the Organization of American States (OAS), see CRS Report R42639, *Organization of American States: Background and Issues for Congress*, by Peter J. Meyer.

¹³ Presidencia de la República de Honduras and OAS, *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/en/spa/dsdsm/docs/maccih_%20agreement_e.pdf. (Hereinafter MACCIH, January 2016).

¹⁴ OAS, MACCIH, *Second Semi-Annual Report*, April 19, 2017 at <http://www.oas.org/documents/eng/press/Second-Semi-Annual-Report-MACCIH-.pdf>. (Hereinafter MACCIH, April 2017).

MACCIH.¹⁵ Over the past year, the MACCIH has collaborated with Honduran prosecutors on the IHSS case, which has led to the convictions of a former IHSS director and two former vice directors. The MACCIH also is supporting investigations into alleged high-level government collusion with the *Cachiros* drug trafficking organization and possible corruption involving public contracts awarded for the controversial *Agua Zarca* hydroelectric project, which Berta Cáceres—a prominent indigenous and environmental activist—was protesting at the time of her murder (for more on these cases, see “Counternarcotics” and “Human Rights Concerns,” below).

Although the MACCIH has begun to earn the confidence of Honduran civil society, which initially was skeptical of the mission, it also has faced resistance. MACCIH spokesperson Juan Jimenez has been the subject of several smear campaigns reportedly backed by those under investigation.¹⁶ Likewise, the Honduran Congress has repeatedly delayed and weakened the MACCIH’s proposed reforms. Prior to enactment of the law to establish anti-corruption courts with nationwide jurisdiction, the Honduran Congress modified the measure by stripping the new judges of the authority to order asset forfeitures, stipulating that the new judges can hear only cases involving three or more people, and removing certain crimes—including the embezzlement of public funds—from the jurisdiction of the new courts.¹⁷ Similarly, between the approval of the political financing law and its official publication, the law was changed to delay its entry into force and to remove a prohibition on campaign contributions from companies awarded public contracts.¹⁸ Many believe the MACCIH is likely to face fierce opposition throughout its four-year mandate as politically powerful sectors of Honduras seek to protect themselves and the corrupt practices from which they have long benefited.

The U.S. government has been a strong proponent of the MACCIH. The Obama Administration contributed \$5.2 million in June 2016 to help the MACCIH get up and running, and Congress appropriated another \$5 million for the MACCIH through the Consolidated Appropriations Act, 2017 (P.L. 115-31). These contributions will fund about half of the MACCIH’s budget for its first two years of operations. Other donors include Canada, Chile, the European Union (EU), Germany, Italy, Peru, and the United Kingdom.¹⁹ In May 2017, the House adopted a resolution (H.Res. 145) that recognized the anti-corruption efforts of the MACCIH and the Honduran attorney general and called on the Honduran government to provide the Public Ministry with the support, resources, and independence it needs to carry out its responsibilities.

November 2017 Election

Honduras is scheduled to hold elections for the presidency, all 128 seats in the National Congress, 20 seats in the Central American Parliament, and nearly 2,700 local offices across 298 municipalities on November 26, 2017. Several articles of the Honduran constitution explicitly prohibit presidential reelection, but the Honduran Supreme Court issued a controversial ruling in April 2015 that effectively declared those articles “unconstitutional,” allowing Hernández to seek

¹⁵ Ministerio Público de la República de Honduras and Organization of American States, *Mecanismo Interinstitucional de Cooperación Bilateral entre el Ministerio Público de la República de Honduras y la Secretaría General de la Organización de los Estados Americanos a través de la Misión de Apoyo Contra la Corrupción y la Impunidad en Honduras (MACCIH-OEA)*, January 18, 2017.

¹⁶ “Misión de la OEA en Honduras Denuncia una Campaña de Desprestigio contra su Portavoz,” EFE News Service, July 17, 2017.

¹⁷ OAS, MACCIH, *First Semiannual Report*, October 19, 2016, at <http://www.oas.org/documents/eng/press/First-Semiannual-Report-MACCIH.pdf>.

¹⁸ MACCIH, April 2017.

¹⁹ *Ibid.*

a second term.²⁰ The members of the court who issued the ruling were appointed in December 2012 after the Honduran Congress—then led by Hernández—removed four justices in an action of questionable legality. The political opposition contends that Hernández and the PN are manipulating government institutions to consolidate power.²¹ The U.S. government has asserted that presidential term limits reinforce strong democratic institutions but that “it is up to the Honduran people to determine their political future.”²²

Although polls indicate that a majority of Hondurans oppose presidential reelection, Hernández appears well positioned for a second term. His PN has the largest base of support in Honduras, consisting of slightly more than a third of the population.²³ This may be enough to win since the opposition remains divided between the PL and a new Opposition Alliance against the Dictatorship (the Alliance), which includes LIBRE, the small Innovation and Unity Party (*Partido Innovación y Unidad*, PINU), and former members of the PAC.²⁴ Luis Zelaya, a former rector of the Central American Technological University, is running on the PL ticket while Salvador Nasralla, a former television personality, sports commentator, and 2013 PAC presidential candidate, is backed by the Alliance. Hernández has pledged to continue the policies he enacted during his first term while the Alliance has put forward a platform that includes constitutional reform, universal access to healthcare and education, and a security policy that emphasizes crime and violence prevention.²⁵ Luis Zelaya has yet to release a detailed platform but has emphasized the importance of strengthening government institutions.²⁶

The results of the election may be contested since the electorate is extremely polarized and nearly three-quarters (73%) of the population has little or no confidence in the electoral process.²⁷ OAS and EU electoral observation missions issued several recommendations intended to improve citizen confidence in the electoral process following the 2013 elections, but none of the recommendations—with the exception of the new campaign finance law—have been enacted.²⁸ Several outside observation efforts could help improve the perceived legitimacy of the election; the U.S. government is funding an independent observation network to provide citizen oversight of the election, and the OAS and EU are expected to send international observers once again.²⁹

²⁰ Corte Supreme de Justicia, Sala Constitucional Honduras, “Oficio No. 090-SCO-2015,” 33,713 *La Gaceta* 7-21, April 24, 2015.

²¹ Tracy Wilkinson, “A Honduran Coup Comes Full Circle,” *Los Angeles Times*, April 28, 2015.

²² U.S. Embassy in Honduras, “Statement Regarding Comments in Washington on Honduran Presidential Reelection,” November 7, 2016.

²³ Equipo de Reflexión, Investigación y Comunicación, Compañía de Jesús (ERIC-SJ), *Percepciones sobre la Situación Hondureña en el Año 2016*, January 2017. (Hereinafter, ERIC-SJ, 2017).

²⁴ The PAC effectively dissolved after the Supreme Electoral Tribunal awarded control of the party to a dissident member in May 2017.

²⁵ Alianza Política de Oposición Contra la Dictadura, *Planteamiento Democrático de la Alianza de Oposición contra la Dictadura*, May 17, 2017.

²⁶ “‘Ningún Modelo Funciona sin una Institucionalidad Sólida’: Luis Zelaya,” *La Prensa* (Honduras), February 19, 2017.

²⁷ ERIC-SJ, 2017, p.12.

²⁸ OAS, *Informe Final de la Misión de Observación Electoral de la Organización de los Estados Americanos, Elecciones Generales del 24 de Noviembre de 2013 de la República de Honduras*, 2014; and European Union Election Observation Mission, Honduras 2013, *Final Report on the General Elections*, at http://eeas.europa.eu/archives/eucom/missions/2013/honduras/pdf/final-report-eucom-honduras-2013_en.pdf.

²⁹ Department of State, “Congressional Notification 17-058 – State Western Hemisphere Regional: Central America Strategy Interagency Solicitation Process,” April 4, 2017.

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. The Honduran economy has grown by an average of 3.6% annually since 1990, with gross domestic product (GDP) reaching \$21.4 billion in 2016. Per capita income has grown at a slower rate, however, and remains relatively low at an estimated \$2,608.³⁰ Moreover, the country's income distribution is heavily skewed toward the wealthiest sectors of Honduran society.³¹ The labor market remains precarious for most Hondurans, with 63% of the economically active population either unemployed or underemployed.³² Consequently, nearly two-thirds (65.7%) of Hondurans live in poverty and 42.5% live in extreme poverty.³³

President Hernández's top economic policy priority has been to put the government's finances on a more sustainable path. The 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 to reduce the budget deficit to 2% of GDP by 2017 and carry out structural reforms related to the electricity and telecommunications sectors, pensions funds, public-private partnerships, and tax administration.³⁴ The Hernández Administration met or exceeded most of the IMF's benchmarks through the first two and a half years of the adjustment program, reducing the deficit to an estimated 1.3% of GDP in 2016.³⁵ Nevertheless, some economic analysts have criticized the government for deficit reduction

³⁰ International Monetary Fund, *World Economic Outlook Database, April 2017*, April 12, 2017. (Hereinafter IMF, April 2017.)

³¹ The Gini coefficient, which is used to measure income concentration, was 0.56 in Honduras as of 2013, 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.

³² Instituto Nacional de Estadística (INE), "Encuesta de Hogares: Cifras de País," June 2016.

³³ Honduras considers a household to be in poverty if the family's income is lower than the cost of basic necessities. It considers a household to be in extreme poverty if the family's income is lower than the cost of food necessary to satisfy the family's basic nutritional needs. INE, "Encuesta de Hogares: Pobreza en los Hogares," June 2016.

³⁴ 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.

³⁵ IMF, *Article IV Consultation, Third and Fourth Reviews Under the Stand-By Arrangement and the Arrangement under the Standby Credit Facility*, IMF Country Report No. 16/362, November 2016 (Hereinafter IMF, November 2016); and IMF, April 2017.

policies that negatively impact the poorest Hondurans, such as increases in regressive indirect taxes and reductions in public investment.³⁶

Hernández also has sought to make Honduras more attractive to foreign investment. He contracted the global consulting firm McKinsey to develop the five-year “Honduras 20/20” plan, which seeks to attract \$13 billion of investment and generate 600,000 jobs in four priority sectors: tourism, textiles, intermediate manufacturing, and business services.³⁷ To achieve the plan’s objectives, the Honduran government has adopted a new business-friendly tax code, increased investments in infrastructure, and entered into a customs union with Guatemala. The Hernández Administration also is moving forward with a controversial plan to establish “Employment and Economic Development Zones”—specially designated areas where foreign investors are granted administrative autonomy to enact their own laws, set up their own judicial systems, and carry out other duties usually reserved for governments. Supporters maintain that these zones will attract investment that otherwise would be deterred by corruption and instability, but critics assert that the zones would effectively privatize national territory and deprive Honduran communities of their democratic rights.³⁸ Foreign direct investment in Honduras totaled \$1.2 billion in 2015.³⁹

The Honduran economy grew by 3.1% in 2014, 3.6% in 2015, and 3.6% in 2016. The IMF forecasts that the Honduran economy will grow by 3.4% in 2017 and will accelerate to 3.8% growth by 2019, driven by steady growth in the United States (Honduras’s top destination for exports and source of remittances and investment), increased public investment in infrastructure, and the expansion of the *maquila* sector.⁴⁰ Honduras is in the midst of a demographic transition in which the working-age population, as a proportion of the total population, has grown significantly and is expected to continue growing until the mid-2040s. This presents a window of opportunity to boost economic growth significantly, but many anticipate that Honduras will have to develop a better-educated workforce and generate more employment to take advantage of the transition.⁴¹

Security Conditions

Security conditions in Honduras have deteriorated considerably over the past 15 years. The homicide rate, which was already high at 31 murders per 100,000 residents in 2004, rose rapidly to a peak of 86.5 murders per 100,000 residents in 2011 (see **Figure 3**, below). Homicides have declined since then to 59 murders per 100,000 residents in 2016, but Honduras continues to have one of the highest murder rates in the world.⁴² Common crime is also widespread, with 26% of Hondurans reporting that they or a family member has been the victim of a crime in the past year.⁴³ This widespread insecurity has displaced many Hondurans and led some to leave the

³⁶ Instituto Centroamericano de Estudios Fiscales (ICEFI), *Política Fiscal Reciente en Honduras (2013-2016) y sus Efectos Económicos y Sociales*, February 2017.

³⁷ Presidencia de la República de Honduras, “Presidente Hernández Presenta Programa Nacional de Desarrollo Económico Honduras 20/20,” press release, February 29, 2016.

³⁸ Maya Kroth, “Under New Management,” *Foreign Policy*, September 1, 2014.

³⁹ U.N. Economic Commission for Latin America and the Caribbean (ECLAC), *Foreign Direct Investment in Latin America and the Caribbean, 2016*, June 2016

⁴⁰ IMF, April 2017; and IMF, November 2016.

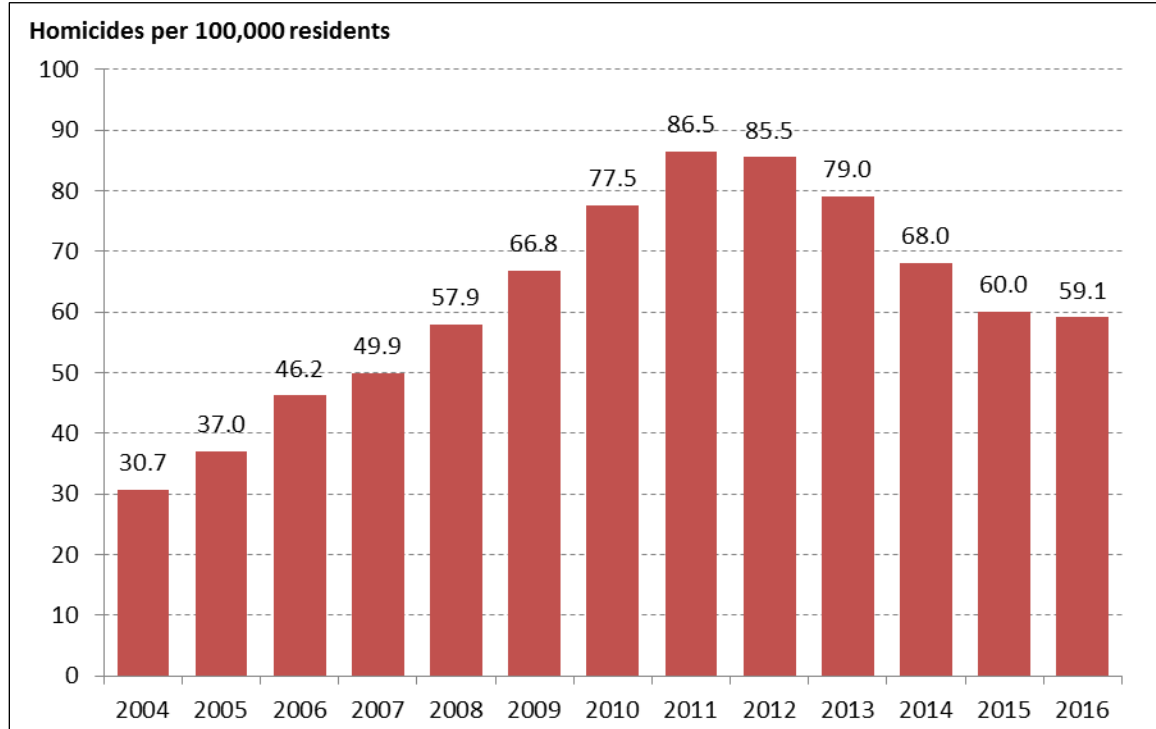
⁴¹ Inter-American Development Bank, *Running Out of Tailwinds: Opportunities to Foster Inclusive Growth in Central America and the Dominican Republic*, 2017.

⁴² Universidad Nacional Autónoma de Honduras, Instituto Universitario en Democracia, Paz y Seguridad, Observatorio de la Violencia, *Boletín Nacional (Enero – Diciembre 2016)*, No. 44, March 2017. (Hereinafter UNAH, March 2017.)

⁴³ ERIC-SJ, 2017.

country.⁴⁴ High rates of crime and violence also take an economic toll on Honduras, deterring investment and forcing many small businesses to close.

Figure 3. Homicide Rate in Honduras: 2004-2016



Source: Universidad Nacional Autónoma de Honduras, Instituto Universitario en Democracia, Paz y Seguridad, Observatorio de la Violencia, *Boletín Nacional (Enero – Diciembre 2016)*, No. 44, March 2017.

A number of interrelated factors have contributed to the poor security situation in Honduras. Widespread poverty, fragmented families, and a lack of education and employment opportunities leave many Honduran youth 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 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.⁴⁵

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.⁴⁶

⁴⁴ Comisión Interinstitucional para la Protección de Personas Desplazadas por la Violencia, *Caracterización del Desplazamiento Interno en Honduras*, November 2015.

⁴⁵ 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>.

⁴⁶ Steven Dudley, *Honduras Elites and Organized Crime*, InSight Crime, April 9, 2016, at http://www.insightcrime.org/images/PDFs/2016/Honduras_Elites_Organized_Crime.

Honduran security forces and other rule-of-law institutions generally lack the personnel, equipment, and training necessary to respond to these threats and have struggled with systemic corruption. Consequently, most crimes in Honduras are committed with impunity. According to a local civil society organization, only 4% of homicides result in convictions.⁴⁷ Given these institutional weaknesses, Hondurans express low levels of trust in the police and other justice-sector institutions.⁴⁸

President Hernández campaigned on a hard-line 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 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 a military-trained police unit under the control of the Honduran 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 also has taken some steps to strengthen security and justice-sector institutions. He created a Special Commission on Police Reform in April 2016 after press reports indicated that high-ranking police commanders had colluded with drug traffickers to assassinate two top Honduran antidrug officials in 2009 and 2011 and the head of the Public Ministry's anti-money laundering unit in 2013; other officials in the Honduran National Police and Security Ministry reportedly covered up internal investigations of the crimes.⁴⁹ Although previous attempts to reform the police force produced few results, the special commission has evaluated more than 9,200 police, starting at the top of the force, and has dismissed more than 3,900 officers.⁵⁰ It also has proposed and won congressional approval for measures to restructure the police force, increase police salaries, and implement new training and evaluation protocols.

Honduras's investigative and prosecutorial capacity has improved in recent years, although impunity remains widespread. In 2015, the Honduran National Police launched a new investigative division (*Dirección Policial de Investigación*, DPI) and the Public Ministry established a new Technical Criminal Investigative Agency (*Agencia Técnica de Investigación Criminal*, ATIC). Both institutions have set up forensic laboratories and have begun to conduct more scientific investigations. The Public Ministry's budget grew 64% between 2014 and 2017, allowing Attorney General Óscar Chinchilla to hire additional detectives, prosecutors, and other specialized personnel. Nevertheless, the Public Ministry accounts for just 1.3% of the Honduran government's total budget and remains understaffed and underfunded.⁵¹ As of early 2017, for

⁴⁷ "Omar Rivera: Solo el 4% de los Culpables de Delitos son Sancionados," *La Tribuna* (Honduras), November 30, 2015.

⁴⁸ In November 2016, 68.3% of Hondurans surveyed said they had little or no confidence in the police and 69.7% said they had little or no confidence in the Public Ministry. ERIC-SJ, 2017, p. 10.

⁴⁹ Elisabeth Malkin and Alberto Arce, "Files Suggest Honduran Police Leaders Ordered Killing of Antidrug Officials," *New York Times*, April 15, 2016.

⁵⁰ Noe Leiva, "Honduras Intenta Estructurar una Nueva Policía sin Vínculos con Criminales," *Agence France Presse*, April 11, 2017.

⁵¹ Ministerio Público, *Informe Anual de la Ejecucion Fisica y Financiera del Ministerio Público, Año: 2014, 2015*; and Secretaría de Finanzas, *Centralizada Presupuesto de Egresos por Institución y Finalidad, Todas las Fuentes, Ejercicio: 2017*, 2017.

example, 12 prosecutors were assigned to the Public Ministry unit charged with investigating the 3,900 officers dismissed from the police force.⁵²

The Hernández Administration's security policies have produced some notable results. Honduran authorities have dismantled several transnational criminal organizations, seizing their assets and apprehending and extraditing to the United States more than a dozen high-level drug traffickers. Homicides have declined 24% over the past three years, falling from 6,757 in 2013 to 5,150 in 2016.⁵³ Public perceptions of security and confidence in Honduran institutions have yet to improve substantially, however, and many analysts contend that recent security gains are likely to be short-lived unless the government further strengthens the Honduran National Police and the Public Ministry and places more emphasis on crime and violence prevention.⁵⁴

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 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 and an outpost for U.S. military forces supporting the Salvadoran government's efforts to combat the *Farabundo Martí National Liberation Front* (FMLN) insurgency. 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.

Relations between the United States and Honduras were strained during the country's 2009 political crisis.⁵⁵ 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 interim government headed by Roberto Micheletti. 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."⁵⁶ 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

⁵² CRS interview with officials from the Special Commission on Police Reform, February 2017.

⁵³ UNAH, March 2017.

⁵⁴ See, for example, Lisa Haugaard, "The Key to Everything: Investigations and Justice in Honduras," *Security Assistance Monitor*, February 12, 2015; and David Gagne, "Grading Honduras President's Security Performance," *InSight Crime*, February 12, 2016.

⁵⁵ 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.

⁵⁶ Carlos Salinas, "Honduran De Facto Leader Vows to Cling to Power over US Objections," *El País* (Spain), August 5, 2009.

coup to consolidate their hold on power, Administration officials maintained that elections had become the only realistic way to bring an end to the political crisis.⁵⁷

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.⁵⁸ 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

The U.S. government has provided significant amounts of foreign assistance to Honduras over the years as a result of the country's long-standing development challenges and close relations with the United States. Aid levels were particularly high 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, however, and generally has remained at lower levels since then, with a few exceptions, such as spike following Hurricane Mitch in 1998 and again after the Millennium Challenge Corporation awarded Honduras a \$205 million economic growth compact in 2005.⁵⁹

Current assistance to Honduras is guided by the U.S. Strategy for Engagement in Central America, which is designed to promote economic prosperity, strengthen governance, and improve security in the region.⁶⁰ The Obama Administration introduced the new strategy and sought to significantly increase assistance for Honduras and its neighbors following a surge in migration from Central America in 2014. As a result of this renewed focus on the region, U.S. bilateral assistance to Honduras provided through the State Department and the U.S. Agency for International Development (USAID) more than doubled from \$41.8 million in FY2014 to \$98.3 million in FY2016 (see **Table 1**).

FY2017 Appropriations

Congress appropriated an estimated \$95.3 million in bilateral assistance for Honduras in the Consolidated Appropriations Act, 2017 (P.L. 115-31), which was signed into law in May 2017. The vast majority (\$90 million) of this assistance is being provided through the Development Assistance account to improve governance and foster inclusive economic growth. Some of these funds are being used to strengthen government institutions and encourage civil society engagement and oversight. Other Development Assistance funds are dedicated to education programs designed to improve the quality of basic education and increase access to formal schooling for at-risk youth. To support rural communities, some Development Assistance is funding efforts to increase food security, assist farmers affected by drought and coffee rust, and improve rural infrastructure. Development Assistance also is funding efforts to improve the business environment and natural resource management in Honduras. The remaining \$5.3 million

⁵⁷ Ginger Thompson, "U.S. Tries to Salvage Honduras Accord," *New York Times*, November 10, 2009.

⁵⁸ U.S. Department of State, Bureau of Western Hemisphere Affairs, *U.S. Relations with Honduras*, February 27, 2017, at <http://www.state.gov/r/pa/ei/bgn/1922.htm>.

⁵⁹ The compact was originally for \$215 million, but the Millennium Challenge Corporation terminated the final \$10 million as a result of the 2009 coup.

⁶⁰ For more information on the strategy, see CRS Report R44812, *U.S. Strategy for Engagement in Central America: Policy Issues for Congress*, by Peter J. Meyer.

of bilateral assistance for Honduras is being provided through the Foreign Military Financing and International Military Education and Training accounts to provide equipment and training to the Honduran military.⁶¹

Congress also appropriated \$329.2 million for the Central America Regional Security Initiative (CARSI) in FY2017.⁶² It is currently unclear how much of that assistance Honduras will receive, because the State Department and USAID have yet to release information on how they intend to divide the funds among the nations of Central America. In FY2016, Honduras received \$84.8 million (24%) of the \$348.5 million that Congress appropriated for CARSI. This figure included \$35.5 million through the Economic Support Fund account for community policing and violence prevention efforts and \$49.3 million through the International Narcotics Control and Law Enforcement account to support law enforcement operations and strengthen security and justice-sector institutions in Honduras.⁶³

Table I. U.S. Bilateral Assistance to Honduras: FY2014-FY2018

(millions of current U.S. dollars)

Foreign Assistance Account	FY2014	FY2015	FY2016	FY2017 (estimate)	FY2018 (request)	FY2018 (House)	FY2018 (Senate)
Development Assistance	36.7	44.3	93.0	90.0	0.0	77.6	NA
Economic Support Fund	0.0	23.0	0.0	0.0	0.0	0.0	NA
Economic Support and Development Fund	0.0	0.0	0.0	0.0	67.1	0.0	NA
International Military Education and Training	0.6	0.8	0.8	0.8	0.8	0.8	NA
Foreign Military Financing	4.5	3.1	4.5	4.5	0.0	4.5	NA
Total	41.8	71.2	98.3	95.3	67.9	82.9	NA

Sources: U.S. Department of State, *Congressional Budget Justifications for Foreign Operations*, FY2016-FY2018; the explanatory statement accompanying P.L. 115-31; and H.Rept. 115-253.

Notes: Honduras receives additional assistance through regional programs, such as the Central America Regional Security Initiative (CARSI), and from other U.S. agencies. (See “Counternarcotics” for information on Department of Defense support).

⁶¹ 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>.

⁶² For background 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.

⁶³ USAID, “Congressional Notification: Central America Regional Security Initiative (CARSI),” CN #15, October 14, 2016; U.S. Department of State, “Congressional Notification 16-282 – State Western Hemisphere Regional: Central America Regional Security Initiative (CARSI), Honduras,” October 13, 2016.

FY2018 Request

The Trump Administration has requested \$67.9 million in bilateral assistance for Honduras in FY2018, which would be a 29% cut compared to FY2017. The request would provide \$67.1 million through a new Economic Support and Development Fund to continue the economic and governance programs that have been funded through the Development Assistance account in the past. It also would provide \$750,000 to train Honduran military personnel but would zero out Foreign Military Financing aid, which is used to purchase U.S. military equipment. The Administration's budget proposal would provide \$263.2 million for CARSI in FY2018, which would be a 20% cut compared to FY2017.⁶⁴

On July 24, 2017, the House Appropriations Committee reported its annual Department of State, Foreign Operations, and Related Programs appropriations measure (H.R. 3362). According to the committee report (H.Rept. 115-253), the bill would provide \$81.2 million in bilateral aid for Honduras, which would be a 13% cut compared to FY2017. The bill also would provide \$334.2 million for CARSI, a 1.5% increase compared to FY2017.⁶⁵ The Senate Appropriations Committee has not yet marked up its foreign aid appropriations bill.

Conditions on Assistance

Congress has placed strict conditions on assistance to Honduras (as well as to El Salvador and Guatemala) in an attempt to bolster political will in the country and to ensure that foreign aid is used as effectively as possible. The Consolidated Appropriations Act, 2016 (P.L. 114-113), required the State Department to withhold 75% of assistance for the central government of Honduras until the Secretary of State could certify that the Honduran government was "taking effective steps" to address a variety of concerns. The act linked 25% of the withheld aid to efforts to improve border security, combat human smuggling and trafficking, inform citizens of the dangers of the journey to the United States, and cooperate with the U.S. government on repatriation. It linked the remaining 50% to 12 other issues, including efforts to combat corruption, increase revenues, and address human rights concerns.⁶⁶ The State Department certified that Honduras met the first set of conditions on March 10, 2016, and the second set of conditions on September 30, 2016.⁶⁷

The Consolidated Appropriations Act, 2017 (P.L. 115-31), maintained the withholding requirements on aid to the central government of Honduras, although it slightly altered the wording of some of the conditions.⁶⁸ The State Department has yet to certify that the Honduran government has met either set of conditions for FY2017. The bill reported out of the House Appropriations Committee, H.R. 3362, would subject FY2018 assistance to the same conditions.

⁶⁴ U.S. Department of State, *Congressional Budget Justification for Department of State, Foreign Operations, and Related Programs, Fiscal Year 2018*, May 23, 2017, at <https://www.state.gov/documents/organization/271013.pdf>.

⁶⁵ The House Appropriations Committee's bill is available at <https://appropriations.house.gov/uploadedfiles/bills-115hr-sc-ap—stateforop-fy2018stateforeignoperationsappropriations.pdf>; and the committee report is available at <https://appropriations.house.gov/uploadedfiles/23926.pdf>.

⁶⁶ See §7045(a)(3) of P.L. 114-113 for the full list of FY2016 conditions.

⁶⁷ U.S. Department of State, Certification Pursuant to 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 10, 2016; and Certification Pursuant to Section 7045(a)(3)(B) of the Department of State, Foreign Operations, and Related Programs Appropriations Act, 2016 (Div. K, P.L. 114-113), September 30, 2016.

⁶⁸ See Sec. 7045(a)(4) of P.L. 115-31 for the FY2017 conditions.

Migration Issues

Migration issues are central to the U.S.-Honduran relationship as more than 599,000 individuals born in Honduras reside in the United States and an estimated 350,000 of them are in the country without authorization.⁶⁹ Migration from Honduras to the United States is primarily driven by high levels of poverty and unemployment; however, the poor security situation in Honduras has increasingly played a role as well. According to a November 2016 poll, more than 48% of Hondurans have had a family member emigrate in the past four years; 82% of those who had family members emigrate reported that their relatives left Honduras for economic opportunity, and 14% reported that their relatives left as a result of insecurity.⁷⁰

Recent Migration Flows⁷¹

U.S.-Honduran migration ties have received renewed attention in recent years as a result of a significant increase in the number of Honduran migrants and asylum seekers arriving at the U.S. border. Over the past four years, U.S. authorities have encountered nearly 41,000 unaccompanied Honduran children and more than 84,000 Hondurans traveling with their families, many of whom have surrendered to law enforcement and requested humanitarian protection.⁷² Although these mixed migrant flows have declined since FY2014, when they first captured national attention, the number of Honduran children and families attempting to enter the United States remains high compared to the recent past (see **Figure 4**).

The Honduran government has taken a number of steps intended to deter migration to the United States. It has run public-awareness campaigns to inform Hondurans about the potential dangers of unauthorized migration and deployed security forces along the country's northern border to combat human smuggling. The Honduran government also has improved its services for repatriated migrants to encourage returnees to remain in the country rather than seek reentry to the United States. As a result of these efforts and increased immigration enforcement in Mexico,⁷³ U.S. apprehensions of unaccompanied Honduran minors declined by 43% and apprehensions of Hondurans traveling with their families declined by 41% between FY2014 and FY2016.⁷⁴

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 launch the “Alliance for Prosperity in the Northern Triangle,” which aims to foster economic growth, improve security conditions, strengthen government institutions, and increase opportunities for the citizens of the region. The U.S. government is supporting complementary efforts through the U.S. Strategy for Engagement in Central America (see “Foreign Assistance”).

⁶⁹ U.S. Census Bureau, *2015 American Community Survey 1-Year Estimates*, accessed by CRS on American Factfinder Website, June 2017; Jeffrey S. Passel and D'Vera Cohn, *Overall Number of U.S. Unauthorized Immigrants Holds Steady Since 2009*, Pew Research Center, September 20, 2016.

⁷⁰ ERIC-SJ, 2017, p.20.

⁷¹ For more information, see CRS Report R43702, *Unaccompanied Children from Central America: Foreign Policy Considerations*, coordinated by Peter J. Meyer.

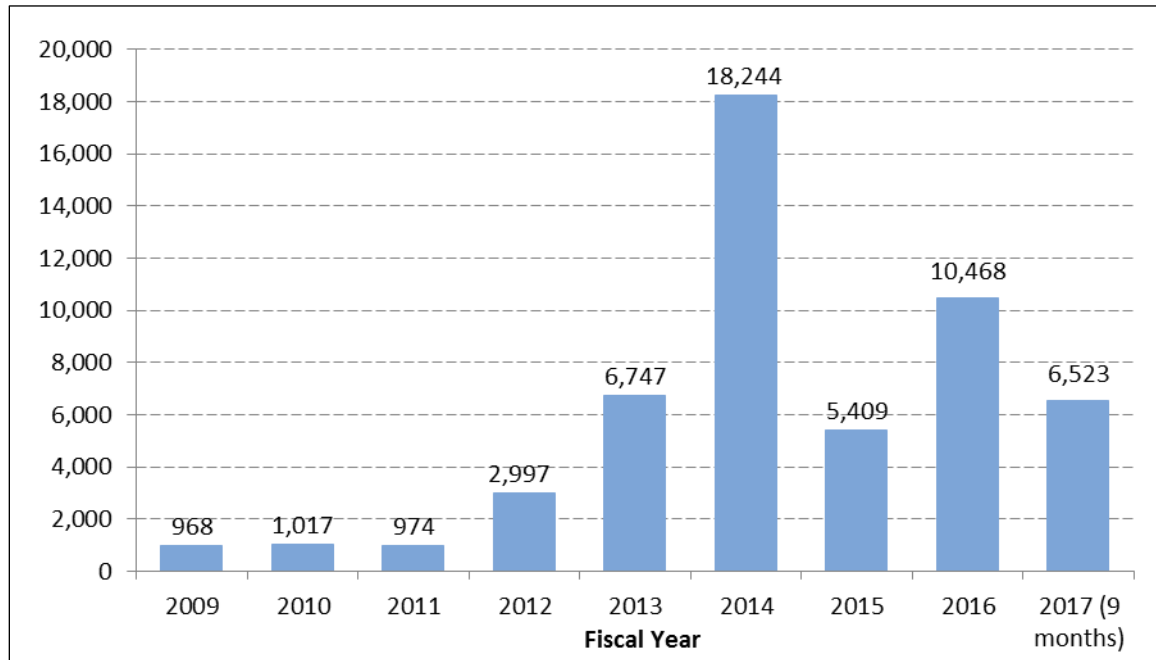
⁷² U.S. Customs and Border Protection (CBP), “U.S. Border Patrol Southwest Border Apprehensions by Sector,” press release, July 7, 2017.

⁷³ For more information on Mexico's immigration enforcement efforts, see CRS In Focus IF10215, *Mexico's Immigration Control Efforts*, by Clare Ribando Seelke

⁷⁴ CBP, “United States Border Patrol Southwest Family Unit Subject and Unaccompanied Alien Children Apprehensions Fiscal Year 2016,” press release, October 18, 2016.

As noted previously, the FY2016 and FY2017 foreign assistance appropriations measures (P.L. 114-113 and P.L. 115-31, respectively) require the State Department to certify that the Honduran government has taken “effective steps” to address several migration issues prior to releasing 25% of the aid for the Honduran government. The State Department issued the FY2016 certification in March 2016 but has yet to issue the FY2017 certification.⁷⁵

Figure 4. Unaccompanied Honduran Minors Encountered by U.S. Border Patrol: FY2009-FY2017



Source: CRS presentation of data from U.S. Customs and Border Protection.

Note: The 2017 figures include apprehensions through the first nine months of the fiscal year (October 1, 2017-June 30, 2016).

Deportations and Temporary Protected Status⁷⁶

Nearly 22,000 Hondurans were removed (*deported*) from the United States in FY2016, making Honduras the third-largest recipient of deportees in the world behind Mexico and Guatemala.⁷⁷ In addition to deportations from the United States, Honduras receives large numbers of deportees 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.

⁷⁵ U.S. Department of State, Memorandum of Justification Regarding Certification under §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.

⁷⁶ For more information on Temporary Protected Status, see CRS Report RS20844, *Temporary Protected Status: Current Immigration Policy and Issues*, by Carla N. Argueta.

⁷⁷ U.S. Immigration and Customs Enforcement (ICE), *Fiscal Year 2016 ICE Enforcement and Removal Operations Report*, December 30, 2016, p. 12.

Honduran leaders also are concerned about the potential economic impact of deportations because the Honduran economy is heavily dependent on the remittances of migrant workers abroad. In 2016, Honduras received \$3.8 billion (equivalent to 18% of GDP) in remittances.⁷⁸ Given that remittances are the primary source of income for more than one-third of the Honduran households that receive them, a sharp reduction in remittances could have a dramatic effect on socioeconomic conditions in the country.⁷⁹ According to the analysis of the Honduran Central Bank, however, remittance levels traditionally have been more associated with the performance of the U.S. economy than the number of deportations from the United States.⁸⁰

Since 1999, the U.S. government has provided temporary protected status (TPS) to eligible Hondurans, allowing 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. 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.”⁸¹

Secretary of Homeland Security John Kelly has indicated that he might not extend TPS for the approximately 57,000 Hondurans who currently benefit from the program.⁸² Noting that those Hondurans have lived in the United States for nearly two decades and their return to Honduras could generate instability, the Honduran government has called on the U.S. government to extend TPS and/or provide TPS beneficiaries with permanent legal status.⁸³ Some Members of Congress also have called for an extension of TPS. In July 2017, 26 U.S. Senators sent a letter to Secretary Kelly and Secretary of State Rex Tillerson, urging them to carefully review TPS designations for Honduras and nine other nations, “taking into consideration conditions on the ground and remaining mindful of the possibility that ending TPS and ordering the return of recipients could undermine fragile recovery efforts or put individuals in harm’s way.”⁸⁴

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

⁷⁸ Banco Central de Honduras, *Memoria 2016*, 2017.

⁷⁹ Jesús A. Cervantes González and Ana Paola Uribe, *Migración Internacional, Remesas e Inclusión Financiera: El Caso de Honduras*, Centro de Estudios Monetarios Latinoamericanos, April 2017, p. 32.

⁸⁰ Banco Central de Honduras, *Resultados Encuesta Semestral de Remesas Familiares*, January 2017, p.1.

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

⁸² Jennifer Kay, “Homeland Security Chief Signals Shift on Immigration Program,” Associated Press, June 1, 2017.

⁸³ “Además de Ampliar TPS, Honduras Pide Regularización Permanente,” *La Tribuna* (Honduras), July 18, 2017; “Plan Alianza se Perdería si no hay Renovación del TPS,” *La Tribuna* (Honduras), July 17, 2017.

⁸⁴ Letter from Kirsten Gillibrand, U.S. Senator, et al. to the Honorable Rex Tillerson, U.S. Secretary of State, and the Honorable John F. Kelly, U.S. Secretary of Homeland Security, July 18, 2017.

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.

Joint Task Force Bravo

The United States maintains a troop presence of about 600 military personnel known as Joint Task Force (JTF) Bravo at *Soto Cano* Air Base in Honduras. JTF Bravo was first established in 1983 with about 1,200 troops who were involved in military training exercises and 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 previously, Honduras has experienced a significant deterioration in security conditions over the past 15 years (see “Security Conditions”). Many citizens face threats on a daily basis from petty theft to extortion and forced gang recruitment. The U.S. government has sought to assist Honduras in addressing these challenges, often using funds appropriated through CARSI.

USAID has used CARSI funds to implement a variety of crime- and violence-prevention programs. USAID interventions include primary prevention programs that work with communities to create safe spaces for families and young people, secondary prevention programs that identify the youth most at risk of engaging in violent behavior and provide them and their families with behavior-change counseling, and tertiary prevention programs that seek to reintegrate juvenile offenders into society. According to a 2014 impact evaluation, Honduran communities where USAID implemented crime- and violence-prevention programs reported 35% fewer robberies, 43% fewer murders, and 57% fewer extortion attempts than would have been expected based on trends in similar communities without a USAID presence.⁸⁵

Other CARSI-funded efforts in Honduras are designed to support law enforcement and strengthen rule-of-law institutions. The State Department’s Bureau of International Narcotics and Law Enforcement Affairs (INL) has established “model police precincts,” which are designed to build local confidence in law enforcement by converting police forces into more community-based, service-oriented organizations. INL also has supported efforts to purge the Honduran National Police of corrupt officers, helped establish a Criminal Investigative School, and helped stand up the criminal investigation and forensic medicine directorates within the Public Ministry. The Federal Bureau of Investigation (FBI) leads a Transnational Anti-Gang Unit designed to interrupt criminal gang activity, including kidnappings and extortion.

USAID and INL have begun to integrate their respective prevention and law enforcement interventions as part of a “place-based strategy” that seeks to concentrate U.S. efforts within the most dangerous communities in Honduras.

⁸⁵ Susan Berk-Seligson et al., *Impact Evaluation: Honduras Country Report*, Vanderbilt University, Latin American Public Opinion Project (LAPOP), August 2014, at http://www.vanderbilt.edu/lapop/carsi/CARSI_Honduras_v1_Formatted_W_02.16.16.pdf. For further discussion of the study’s findings, see David Rosnick, Alexander Main, and Laura Jung, *Have US-Funded CARSI Programs Reduced Crime and Violence in Central America?* Center for Economic and Policy Research, September 2016, at <http://cepr.net/images/stories/reports/carsi-2016-09.pdf>; and LAPOP’s response to the critique at http://www.vanderbilt.edu/lapop/LAPOP_response_to_CEPR_Report_FINAL_2_9.16.16.pdf.

Counternarcotics

Honduras is a major transshipment point for illicit narcotics as a result of its location between cocaine producers in South America and consumers in the United States. According to the State Department, approximately 90% of the cocaine trafficked to the United States in 2016 first transited through the Central America/Mexico corridor, with about three to four metric tons moving through Honduras every month. 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.⁸⁶

The U.S. government has sought to strengthen counternarcotics cooperation with Honduras to reduce illicit flows through the country. Although the U.S. government stopped sharing radar intelligence with Honduran authorities after Honduras enacted an aerial intercept law,⁸⁷ close bilateral cooperation has continued in several other areas. U.S. agencies, including the Drug Enforcement Administration (DEA), Immigration and Customs Enforcement, and U.S. Customs and Border Protection (CBP), have used CARSII funds to establish and support specially vetted units and task forces designed to combat transnational criminal organizations. These units, which include U.S. advisers and selected members of the Honduran security forces, carry out complex investigations into drug trafficking, money laundering, and other transnational crime.

The U.S. Department of Defense (DOD) provides additional counternarcotics assistance to Honduras. This support includes equipment intended to extend the reach of Honduran security forces and enable them to better control their national territories.⁸⁸ It also includes specialized training. For example, U.S. Special Operations Forces have helped finance and train the TIGRES unit of the Honduran National Police, which has been employed as a counterdrug SWAT (Special Weapons and Tactics) team.⁸⁹ Total DOD expenditures on equipment, training, infrastructure, reconnaissance, and intelligence analysis to support the Honduran government's counterdrug activities amounted to \$14 million in FY2016.⁹⁰

As a result of this cooperation, U.S. and Honduran authorities have successfully apprehended numerous high-level drug traffickers and dismantled their criminal organizations. The Honduran government has apprehended and extradited to the United States at least 12 Honduran narcotics traffickers since 2013. More than a dozen others facing potential extradition have turned themselves in directly to U.S. law enforcement authorities.⁹¹ Many of those now in U.S. custody previously had been designated by the U.S. Treasury Department's Office of Foreign Asset Control as Specially Designated Narcotics Traffickers pursuant to the Foreign Narcotics Kingpin

⁸⁶ U.S. Department of State, Bureau of International Narcotics and Law Enforcement Affairs, *2017 International Narcotics Control Strategy Report, Volume I: Drug and Chemical Control*, March 2017, p. 181, <https://www.state.gov/documents/organization/268025.pdf>. (Hereinafter INCSR, 2017).

⁸⁷ The U.S. government stopped sharing radar intelligence with Honduras to comply with the Aircraft Sabotage Act (P.L. 98-473, as amended; 18 U.S.C. 32). Such cooperation could be reestablished if the President determines that Honduras has sufficient standards and safeguards in place to ensure innocent civilian aircraft are not shot down.

⁸⁸ U.S. Department of Defense, "Counter-Drug Plan for Honduras – Fiscal Year 2017," February 3, 2017.

⁸⁹ Michael M. Phillips, "U.S. Special Forces Take on Street Violence that Drives Illegal Immigration," *Wall Street Journal*, February 22, 2016; INCSR, 2017, p. 181.

⁹⁰ U.S. Department of Defense, *Biannual Report to Congress on the Use of Funds from the Drug Interdiction and Counterdrug Activities Account for Support to Foreign Governments during the Second Half of Fiscal Year 2016*, November 7, 2016.

⁹¹ U.S. Department of State, Certification Pursuant to Section 7045(a)(3)(B) of the Department of State, Foreign Operations, and Related Programs Appropriations Act, 2016 (Div. K, P.L. 114-113), September 30, 2016.

Designation Act (P.L. 106-120, as amended; 21 U.S.C. 1901 et seq.), freezing their assets and prohibiting U.S. citizens from conducting financial or commercial transactions with them.⁹²

Nevertheless, bilateral counternarcotics efforts face a number of challenges. Honduras's criminal underworld has begun to reorganize, with new leaders and groups emerging to fill the vacuum left behind by the dismantled organizations.⁹³ This reorganization could lead to an escalation in violence in Honduras as the new groups battle one another for control of the lucrative trafficking business.

Moreover, there are continued indications that organized crime has co-opted many Honduran officials. In May 2016, Fabio Lobo, the son of former President Porfirio Lobo (2010-2014), pled guilty to conspiring to import cocaine into the United States.⁹⁴ Devis Leonel Rivera Maradiaga, the former leader of the *Cachiros* drug trafficking organization, testified in U.S. federal court that Fabio Lobo connected the *Cachiros* to corrupt politicians and security forces who provided protection and government contracts in exchange for bribes. Maradiaga's testimony implicated former President Lobo and Antonio Hernández—President Hernández's brother and a deputy in the Honduran Congress—among other high-level officials. The Honduran Public Ministry and the MACCIH are investigating the allegations, which Lobo and Hernández have denied.⁹⁵

U.S.-Honduran counternarcotics efforts also have generated controversy. In April 2012, the DEA and its vetted unit within the Honduran National Police, with operational support from the State Department and CBP, initiated a 90-day pilot program known as Operation Anvil to disrupt drug transportation flights from South America to Honduras. Three joint interdiction missions carried out as part of the operation ended with suspects being killed, including a May 2012 incident in which the vetted unit opened fire on a river taxi, killing four people and injuring four others. In a January 2013 letter, 58 Members of Congress called on the State Department and the Department of Justice (DOJ) to carry out a "thorough and credible investigation" into the killings.⁹⁶

In May 2017, the State Department and DOJ Offices of Inspectors General released a joint report on the three deadly force incidents. The report found that

- DEA had not adequately planned for Operation Anvil, failing to establish a clear understanding between DEA and Honduran personnel regarding the use of deadly force and failing to ensure appropriate mechanisms were in place to respond to shooting incidents;
- DEA personnel maintained substantial control over the May 2012 interdiction mission and made critical decisions, such as directing a Honduran door gunner on a helicopter to open fire on the river taxi, despite DEA's insistence that the mission was Honduran-led;
- DEA's post-incident review of the May 2012 mission was significantly flawed;

⁹² See, for example, Embassy of the United States Tegucigalpa, Honduras, "Treasury Targets 'Los Cachiros' Drug Trafficking Organization in Honduras," press release, September 19, 2013; and U.S. Department of the Treasury, "Treasury Targets Honduran Drug Trafficking Organization and Its Network," press release, August 20, 2014.

⁹³ INCSR, 2017, p. 181-182.

⁹⁴ U.S. Attorney's Office, Southern District of New York, "Son of Former President of Honduras Pleads Guilty in Manhattan Federal Court to Conspiring to Import Cocaine into the United States," press release, May 16, 2016.

⁹⁵ Steven Dudley, "Another Day, Another Damning Testimony of Elites by Honduras Trafficker," *Insight Crime*, March 20, 2017; "New York Drug Case Opens Window on Dark Period for Honduras," Associated Press, March 31, 2017; "Honduras: The Tales of 'Don Leo'," *Latin American Security & Strategic Review*, April 2017;

⁹⁶ Letter from Henry C. "Hank" Johnson, Jr., Member of Congress, et al. to the Honorable John Kerry, Secretary of State, January 30, 2013.

- DEA inappropriately and unjustifiably withheld information about the May 2012 incident from the U.S. ambassador to Honduras,
- INL failed to comply with, and undermined, the ambassador’s chief of mission authority by refusing to cooperate with investigations into the May 2012 incident;
- DEA provided inaccurate and incomplete information to DOJ leadership and Congress regarding the May 2012 incident, including that there had been an exchange of gunfire between Honduran officers and the river taxi despite a lack of evidence that anyone on the passenger boat had fired at any time; and
- the State Department provided inaccurate and incomplete information to Congress and the public.

The report also raised serious questions about the security forces with which the U.S. government chooses to partner. According to the report, Honduran officers, who had been vetted by the DEA, filed inaccurate reports about the three deadly force incidents and planted a gun at one of the crime scenes. Although DEA officials were aware of the inaccurate reports and planted weapon, they took no action.⁹⁷

In a July 2017 letter to Secretary of State Rex Tillerson and Attorney General Jeff Sessions, four U.S. Senators expressed alarm that DEA and INL officials misled Members of Congress and congressional staff and that no official in either department has been subject to disciplinary action. The letter calls on the State Department and DOJ to describe how they intend to discipline the U.S. personnel involved in the three deadly force incidents and their aftermath as well as how the agencies will encourage the Honduran government to hold accountable the Honduran officers who attempted to cover up the incidents.⁹⁸

Human Rights Concerns

As the general security situation in Honduras has deteriorated, 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), and workers’ organizations. Such attacks began to happen with greater frequency in the aftermath of the 2009 coup and have persisted at high levels since then. At least 20 journalists and activists have been murdered in Honduras since November 2015 (see the text box below, “Murder of Bertá Cáceres,” for an illustrative example).⁹⁹ 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

⁹⁷ Office of the Inspectors General, U.S. Department of Justice and U.S. Department of State, *A Special Joint Review of Post-Incident Responses by the Department of State and Drug Enforcement Administration to Three Deadly Force Incidents in Honduras*, May 2017, at https://oig.state.gov/system/files/esp-17-01_-_joint_report_honduras.pdf.

⁹⁸ Letter from Benjamin L. Cardin, U.S. Senator, et al. to the Honorable Rex Tillerson, Secretary of State, and the Honorable Jeff Sessions, Attorney General of the United States, July 11, 2017.

⁹⁹ Asociación para una Ciudadanía Participativa, *La Vida, el Precio de Defender los DDHH en Honduras, Informe Situacional de Defensoras y Defensores de los Derechos Humanos en Honduras, Noviembre 2015-Octubre 2016*, November 2016; Inter-American Commission on Human Rights (IACHR), “Office of the Special Rapporteur Condemns the Murder of a TV Journalist in Honduras,” press release, January 23, 2017; IACHR, “Office of the Special Rapporteur Condemns the Murder of Journalist Víctor Fúnez in Honduras,” press release, June 20, 2017.

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 indigenous *Lenca* community 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.¹⁰⁰

Initial reports from Honduras raised concerns among many observers, including some Members of the U.S. Congress, that the case would not be investigated properly. 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.¹⁰¹

To date, Honduran authorities have arrested eight men allegedly involved in the murder, including a DESA manager, a retired member of the Honduran military who served as DESA's assistant director for security, and an active-duty special forces officer who served as chief of army intelligence. 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. U.S. embassy personnel have assisted Honduran authorities with the investigation, which remains open.¹⁰² Cáceres's family and fellow activists are skeptical that the individuals who ordered the murder have been captured and continue to call for an independent investigation by the IACHR. Since Cáceres was murdered, two other COPINH activists have been killed and several more, including one of Cáceres's daughters, have been attacked.¹⁰³

Although 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. It adopted a new human rights policy and plan of action in 2013 and invited the Office of the U.N. High Commissioner on Human Rights (OHCHR) to establish an office in Honduras to monitor the human rights situation; the U.N. office opened in 2016. Honduras also has enacted legislation to provide protection to journalists and other members of the media, human rights defenders, and justice-sector officials. The Honduran government has appropriated \$1.1 million for the protection mechanism, which is still in the process of being implemented. As of April 2017, 85 individuals or groups had received some

¹⁰⁰ IACHR, "IACHR Condemns the Killing of Berta Cáceres in Honduras," March 4, 2016.

¹⁰¹ "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.

¹⁰² Jason McGahan, "Army Major, Corporate Goons Charged in Murder of Berta Cáceres in Honduras," *Daily Beast*, May 8, 2016; Nina Lakhani, "Berta Cáceres Court Papers Show Murder Suspects' Links to US-Trained Elite Troops," *Guardian*, February 28, 2017; U.S. Embassy in Honduras, "Statement on the Anniversary of the Murder of Berta Cáceres," press release, March 3, 2017.

¹⁰³ Washington Office on Latin America (WOLA), "Third Member of Honduran Environmental Organization COPINH Murdered since March," press release, July 11, 2016; Nina Lakhani, "Honduran Activists Survive Attacks Months after Berta Cáceres Murder," *Guardian*, October 11, 2016; IACHR, "IACHR Condemns Attack on Human Rights Defenders Berta Zúñiga Cáceres, Sotero Chavarría, and Asunción Martínez in Honduras," press release, July 25, 2017.

form of support, including police protection, relocation assistance, security cameras, ballistic vests, and psychological care.¹⁰⁴

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 “failure to investigate incidents, which prompt a situation of risk, brings about a context of impunity that fuels over the course of time, consistent repetition of acts of violence affecting the performance of the job of human rights defenders and journalists.”¹⁰⁵

U.S. Initiatives

The Obama Administration generally avoided publically criticizing the Honduran government over human rights abuses, focusing instead on supporting Honduran efforts to improve the situation. In 2012, the Obama Administration joined with the Honduran government to launch a high-level bilateral human rights working group. The working group has met five times, most recently in August 2016, to discuss issues such as strengthening human rights institutions, combating impunity, security and justice-sector reform, and migration.¹⁰⁶ It is unclear whether the human rights working group will continue to meet during the Trump Administration.

The U.S. government also has allocated funding to support human rights in Honduras. The U.S. and Honduran governments have set up two specialized task forces to investigate high-profile crimes: the Violent Crimes Task Force, which focuses on attacks against journalists and activists, and the Bajo Aguán Task Force, which focuses on homicides related to long-standing land disputes in the Bajo Aguán region. The task forces, which are funded through CARSI, include vetted members of the Honduran National Police, the Public Ministry, and U.S. advisers. According to the State Department, the Violent Crimes Task Force arrested four individuals suspected of killing journalists, brought two other cases to trial, and secured one conviction in 2015-2016.¹⁰⁷

USAID initiated a new human rights program in Honduras in FY2016. The program is intended to strengthen the human rights protection system in Honduras by working with Honduran government institutions and human rights organizations on the implementation of the protection mechanism for journalists, human rights defenders, and justice-sector officials. It is also facilitating collaboration between Honduran authorities and human rights groups to ensure that Honduras complies with its national and international human rights commitments.¹⁰⁸

¹⁰⁴ Nora Urbina Pineda, “Avances y Desafíos en el Sistema Nacional de Protección para Personas Defensoras de Derechos Humanos, Periodistas, Comunicadores Sociales y Operadores de Justicia,” conference presentation, Tegucigalpa, April 20, 2017.

¹⁰⁵ IACHR, *Annual Report, 2016*, April 27, 2016, p. 830, at <http://www.oas.org/en/iachr/docs/annual/2016/docs/InformeAnual2016cap.5-Honduras-en.pdf>.

¹⁰⁶ U.S. Department of State, Office of the Spokesperson, “Meeting of the U.S.-Honduras Bilateral Human Rights Working Group” press release, August 30, 2016.

¹⁰⁷ U.S. Department of State, *Country Reports on Human Rights Practices for 2016*, March 7, 2017, at <https://www.state.gov/documents/organization/265808.pdf>.

¹⁰⁸ USAID, “Country Narrative: Honduras,” CN #19, October 14, 2016.

Human Rights Restrictions on Foreign Assistance

The U.S. government has placed human rights restrictions on foreign assistance to Honduras. Like all countries, Honduras is subject to legal provisions (codified at 22 U.S.C. 2378d and 10 U.S.C. 362) that require the State Department and DOD to vet foreign security forces and prohibit funding for any unit if there is credible evidence that it has committed “a gross violation of human rights.”¹⁰⁹ 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 (P.L. 114-113), required the State Department to withhold 50% of aid for the “central government” of Honduras until the Secretary of State could certify that the Honduran government was “taking effective steps” to meet 12 conditions. Several of those conditions were 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 certified that Honduras had met the conditions on September 30, 2016. In the memorandum of justification accompanying the certification, the State Department noted that an active-duty army special forces officer had been arrested and was facing prosecution in the civilian justice system for his alleged involvement in the murder of Berta Cáceres and that the Public Ministry is investigating dozens of high-level police officers for alleged abuses. With regard to cooperation with anti-impunity and human rights entities, the memorandum noted the establishment of the MACCIH and the OHCHR country office, and that Honduras hosted multiple visits from OAS and U.N. special rapporteurs. Finally, the memorandum noted that the Honduran government is consulting with outside experts to improve the government’s protection mechanism for human rights defenders, journalists, and justice-sector officials.¹¹⁰

Some Members of Congress assert that the human rights situation in Honduras remains poor despite those efforts and that the State Department’s certification “makes a mockery” of the legislative conditions.¹¹¹ As noted previously, Congress maintained human rights conditions on aid to Honduras in the Consolidated Appropriations Act, 2017 (P.L. 115-31), although it slightly altered the wording; the State Department has yet to certify Honduras for FY2017. The Berta Cáceres Human Rights in Honduras Act (H.R. 1299), introduced in March 2017, would expand on the current conditions by suspending all U.S. security assistance to Honduras and directing U.S. representatives at multilateral development banks to oppose all loans for the Honduran

¹⁰⁹ For more information on these human rights vetting requirements, see CRS In Focus IF10575, *Human Rights Issues: Security Forces Vetting (“Leahy Laws”)*, by Liana W. Rosen.

¹¹⁰ U.S. Department of State, Memorandum of Justification Regarding Certification Under Section 7045(a)(3)(B) of the Department of State, Foreign Operations, and Related Programs Appropriations Act, 2016 (Div. K, P.L. 114-113), September 30, 2016.

¹¹¹ Tracy Wilkinson, “Congress and State Department at Odds over \$55 Million in Aid for Honduras,” *Los Angeles Times*, October 25, 2016.

security forces until the State Department certifies that Honduras has met a number of strict 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 2020.¹¹²

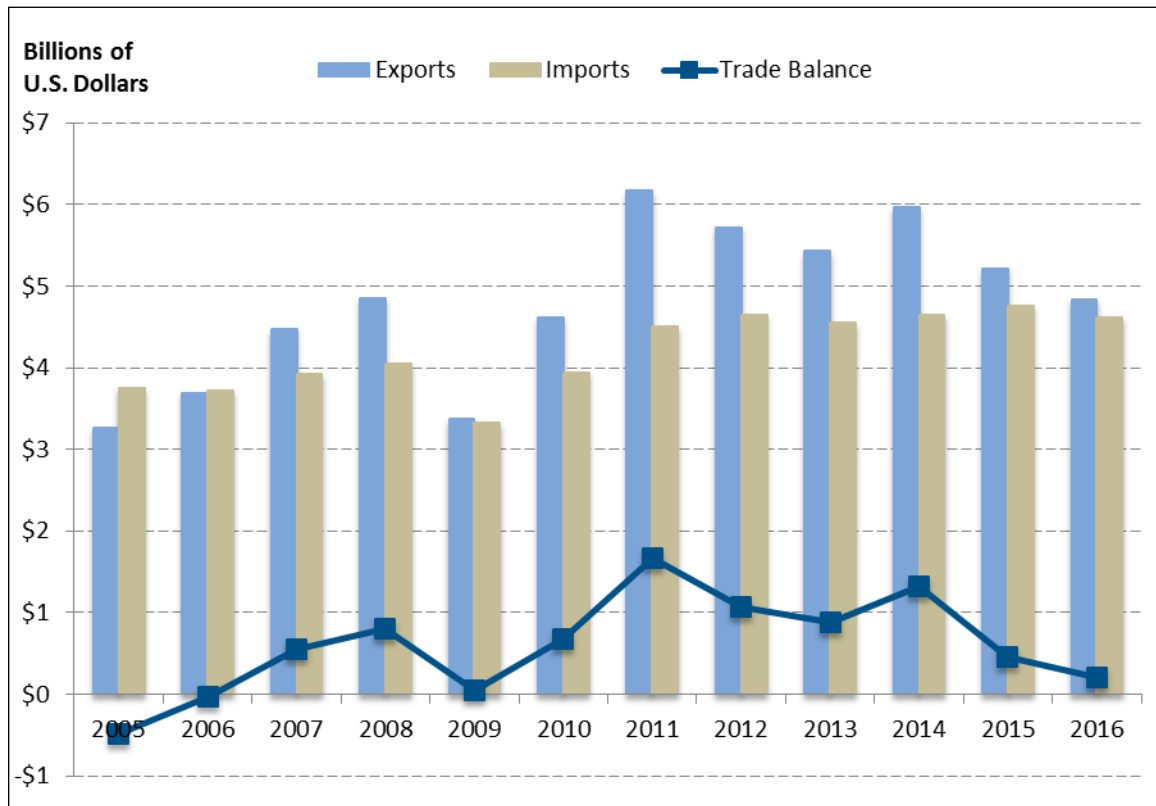
Trade and Investment

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 35% since 2005; U.S. exports to Honduras have grown by 48%, and U.S. imports from Honduras have grown by 23% (see **Figure 5**). 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.

Total two-way trade amounted to \$9.5 billion in 2016, \$4.8 billion in U.S. exports to Honduras and \$4.6 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 45th-largest trading partner of the United States, accounting for 0.3% of total U.S. merchandise trade. Top U.S. exports to Honduras included textile and apparel inputs, such as yarns and fabrics, refined oil products, and electric and heavy machinery. Top U.S. imports from Honduras included apparel, insulated wire, fruit, and coffee.¹¹³

¹¹² 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.

¹¹³ U.S. Department of Commerce and INE data, as presented by *Global Trade Atlas*, accessed June 2017.

Figure 5. U.S. Trade with Honduras: 2005-2016

Source: CRS presentation of U.S. Department of Commerce data obtained through *Global Trade Atlas*, June 2017.

U.S. foreign direct investment in Honduras has grown significantly since the implementation of CAFTA-DR. The total stock of U.S. foreign direct investment in the country amounted to \$1.1 billion in 2016, an increase of 39% from \$821 million in 2005. More than 70% is invested in the manufacturing sector.¹¹⁴ 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 apparently hampered by high levels of crime, a weak judicial system, corruption, low levels of educational attainment, and poor infrastructure.¹¹⁵

Some Members of Congress have expressed concerns that the Honduran government has not taken sufficient steps to resolve commercial disputes involving U.S. investors. Congress tied the resolution of such disputes to the release of 50% of the aid for the “central government” of Honduras in the FY2016 and FY2017 foreign assistance appropriations measures (P.L. 114-113 and P.L. 115-31, respectively). According to the State Department, four investment disputes were pending between U.S. citizens and the Honduran government as of September 2016, but a new interagency group within the Honduran government is working to address U.S. investors’

¹¹⁴ U.S. Bureau of Economic Analysis, “Balance of Payments and Direct Investment Position Data,” accessed July 2017.

¹¹⁵ U.S. Department of State, Bureau of Economic and Business Affairs, *2016 Investment Climate Statement – Honduras*, July 5, 2016, at <https://www.state.gov/e/eb/rls/othr/ics/2016investmentclimatestatements/index.htm?year=2016&dliid=254539#wrapper>

claims.¹¹⁶ A bill that was introduced in the House in July 2017 (H.R. 3237) would withhold \$50 million of the assistance appropriated for Honduras in FY2017 until the Honduran government has settled all commercial disputes with U.S. citizens.

Labor Rights

Some observers in the United States and Honduras have expressed concerns about the enforcement of the labor rights provisions of CAFTA-DR.¹¹⁷ 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 asserting that the Honduran government had failed to meet its obligations to effectively enforce its laws relating to freedom of association, the right to organize and bargain collectively, child labor, and the right to acceptable working conditions. It identified specific violations in the port, apparel, agriculture, and auto manufacturing sectors.¹¹⁸

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.”¹¹⁹ 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.¹²⁰ 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.”¹²¹

According to the State Department, in 2016, “antiunion discrimination continued to be a serious problem.... Employers often threatened to close unionized factories and harassed or dismissed workers seeking to organize.” They also barred labor inspectors from entering company premises and often did not comply with orders to reinstate workers fired for engaging in union activities.¹²² Moreover, the Network against Anti-Union Violence in Honduras has documented at least 61

¹¹⁶ U.S. Department of State, Memorandum of Justification Regarding Certification Under Section 7045(a)(3)(B) of the Department of State, Foreign Operations, and Related Programs Appropriations Act, 2016 (Div. K, P.L. 114-113), September 30, 2016.

¹¹⁷ The labor rights provisions of CAFTA-DR are available at https://ustr.gov/sites/default/files/uploads/agreements/cafta/asset_upload_file320_3936.pdf.

¹¹⁸ 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.

¹¹⁹ 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.

¹²⁰ 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.

¹²¹ Brian Finnegan, “Honduras and CAFTA Show Us One of the Key Reasons Why TPP Should be Opposed,” *AFL-CIO Now*, December 10, 2015.

¹²² U.S. Department of State, Bureau of Democracy, Human Rights and Labor, *Country Reports on Human Rights Practices for 2016*, March 3, 2017, p.38, at <https://www.state.gov/documents/organization/265808.pdf> <https://www.state.gov/documents/organization/265808.pdf>.

incidents of violence against labor activists since 2015, including six murders and a forced disappearance.¹²³

USAID initiated a new labor rights program in Honduras in FY2016. The program is intended to ensure that Honduran workers can exercise their rights and access justice. It also seeks to strengthen the Honduran government's ability to uphold labor rights and enhance Honduran civil society's capacity to advocate for labor rights and monitor compliance with labor legislation.¹²⁴

Outlook

Although the Hernández Administration has taken steps to address Honduras's domestic challenges over the past three and a half years, progress has been uneven. Hernández has signed anti-corruption agreements with Transparency International and the OAS, but his congressional allies have delayed and weakened legislative reforms intended to reduce corruption and impunity. An agreement with the IMF has helped to put public finances on a more sustainable path, but living standards for most Hondurans have yet to improve. The Hernández Administration has had success in apprehending high-level drug traffickers and reducing homicides, but human rights abuses persist and impunity remains widespread. Given that Hernández is now campaigning for a second term, additional policy changes to address these challenges are unlikely to be enacted until after the November 2017 elections.

Since launching the U.S. Strategy for Engagement in Central America, the United States has significantly increased foreign assistance to Honduras to strengthen government institutions, foster economic prosperity, and improve security in the country. It is too early to determine the impact of these efforts since much of the assistance only began to be delivered in early 2017. Moreover, these are difficult and long-term endeavors, and significant improvements in living conditions in Honduras likely will require concerted efforts by the Honduran government and the international community over many years. U.S. policy is now in flux as the Trump Administration seeks to reduce foreign assistance expenditures and reorient the focus of U.S. efforts toward security concerns. In the absence of sustained support from the United States and other international partners, Honduras is likely to continue to experience periodic instability, which, given the country's geographic proximity, is likely to affect the United States.

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¹²³ Red de Sindicalistas contra la Violencia Antisindical, *¡Por la Verdad y la Justicia! Informe acerca de la Violencia Antisindical: Honduras, Enero 2015- Febrero 2016*, April 2017.

¹²⁴ USAID, "Country Narrative: Honduras," CN #19, October 14, 2016.