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Honduras: Background and U.S. Relations

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Summary

Honduras, a Central American nation of 9.1 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 second four-year term in January 2018. He lacks legitimacy among many Hondurans, however, due to allegations that his 2017 reelection was unconstitutional and marred by fraud. Hernández's public standing has been further undermined by a series of corruption scandals that have implicated members of his family, administration, and party, and generated speculation about whether the president has participated in criminal activities.

Honduras has made uneven progress in addressing the country's considerable challenges since Hernández first took office in 2014. Public prosecutors have begun to combat corruption with the support of the Organization of American States-backed Mission to Support the Fight Against Corruption and Impunity in Honduras, but the mission's mandate is scheduled to expire in January 2020 and Honduran political leaders have expressed little interest in extending it. The country's finances have also improved, but more than 67% of Hondurans are still living below the national poverty line. The homicide rate has been nearly cut in half, but Honduras remains one of the most violent countries in the world and continues to suffer from persistent human rights abuses and widespread impunity.

U.S. Policy

In recent years, U.S. policy in Honduras has been guided by the U.S. Strategy for Engagement in Central America, a whole-of-government effort designed to promote economic prosperity, strengthen governance, and improve security in Honduras and the rest of the region. Congress has appropriated more than $2.6 billion for the strategy since FY2016, at least $431 million of which has been allocated to Honduras. Continued U.S. engagement in the region is uncertain, however, as the Trump Administration announced in March 2019 that it intends to end foreign assistance programs in Honduras, El Salvador, and Guatemala due to the continued northward flow of migrants and asylum-seekers to the United States.

The 116th Congress could play an important role in shaping U.S. policy toward Honduras and the broader region. Several legislative initiatives that have been introduced—including H.R. 2615, S. 1445, and H.R. 2836—would authorize foreign assistance for certain activities in Central America. Congress will also consider FY2020 foreign aid appropriations. H.R. 2839 would appropriate $540.9 million for the Central America strategy, including at least $75 million for Honduras. That would be $96 million more than the Administration requested for Central America and about $9 million more than the Administration requested for Honduras. Other bills Congress may consider would tie U.S. security assistance to human rights conditions in Honduras (H.R. 1945), tie U.S. assistance to the number of unaccompanied Honduran children that arrive at the U.S. border (H.R. 2049), and expand in-country refugee processing in Honduras (H.R. 2347).

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Introduction

Honduras, a Central American nation of 9.1 million people, faces significant domestic challenges. Democratic institutions are fragile, current economic growth rates and social policies 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 and have contributed to relatively high levels of displacement and emigration in recent years. Although the Honduran government has taken some steps intended to address these deep-seated issues, many analysts maintain that Honduras lacks the institutions and resources necessary to do so on its own.

U.S. policymakers have devoted more attention to Honduras and its Central American neighbors since 2014, when large flows of migrants and asylum-seekers from the region began arriving 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 support its implementation.[2]

The Trump Administration initially maintained the Central America strategy while seeking to scale back the amount of foreign assistance provided to Honduras and its neighbors. Although assistance to the region has declined each year since FY2016, Congress has rejected many of the Administration's proposed cuts. It has appropriated more than $2.6 billion for Central America over the past four years, including at least $431 million for Honduras (see **Table 1**). In March 2019, however, the Trump Administration announced its intention to end U.S. foreign assistance to the "Northern Triangle" nations of Honduras, El Salvador, and Guatemala due to the continued northward flow of migrants and asylum-seekers from the region. It remains unclear how the Administration intends to implement this shift in policy or if it intends to amend its FY2020 budget request, which includes at least $65.8 million for Honduras.

Some Members of Congress have objected to the Administration's abrupt decision to end foreign aid for Honduras and its neighbors. The 116th Congress could play a crucial role in determining the direction of U.S. policy in the region as it considers FY2020 appropriations, foreign assistance authorizations, and other legislative initiatives. 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 many in 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] For more information on the strategy, see CRS Report R44812, *U.S. Strategy for Engagement in Central America: Policy Issues for Congress*.

Figure 1. Honduras at a Glance

Leadership	*President*: Juan Orlando Hernández (National Party) *President of the Honduran National Congress:* Mauricio Oliva (National Party) *President of the Supreme Court:* Rolando Argueta *Attorney General:* Oscar Chinchilla
Geography	*Area*: 43,243 square miles (slightly larger than Virginia)
People	*Population:* 9.1 million (2019 est.) *Racial/Ethnic Identification:* 91.3% mixed or European descent, 8.6% indigenous or African descent (2013) *Religious Identification:* 41.5% Catholic, 37.7% Evangelical, 17.6% none, 3.2% other (2019) *Literacy Rate:* 88.2% (2018) *Life Expectancy:* 73.6 (2016)
Economy	*Gross Domestic Product (GDP):* $23.8 billion (2018 est.) *GDP per Capita:* $2,521 (2018 est.) *Top Exports:* apparel, coffee, insulated wire, bananas, shrimp, and palm oil (2018) *Poverty/Extreme Poverty Rates:* 67.1%/42.9% (2018)

Sources: Population, ethnicity, literacy, and poverty data from Instituto Nacional de Estadística; religious identification data from Equipo de Reflexión, Investigación y Comunicación, Compañía de Jesús; export data from Global Trade Atlas; GDP estimates from International Monetary Fund; life expectancy estimate from the United Nations Population Division. 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. In practice, however, the legislative process tends to be executive-driven and the judiciary is often subject to intimidation, corruption, and politicization.[3]

Honduras's traditional two-party political system, dominated by the Liberal (*Partido Liberal*, PL) and National (*Partido Nacional*, PN) Parties, has fractured over the past decade. Both traditional parties are considered to be ideologically center-right,[4] and political competition between them has generally been focused more on using the public sector for patronage than on implementing programmatic agendas.[5] The leadership of both parties supported a 2009 coup, in which the military, backed by the supreme court and congress, detained then-President Manuel Zelaya and flew him into forced exile. Zelaya had been elected as a moderate member of the PL but alienated many within the political and economic elite by governing in a populist manner and calling for a constituent assembly to draft a new constitution.[6] Many rank-and-file members of the PL abandoned the party in the aftermath of the coup and joined Zelaya upon his return from exile to launch a new left-of-center Liberty and Re-foundation (*Libertad y Refundación*, LIBRE) party.

The post-coup split among traditional supporters of the PL has benefitted the PN, which now has the largest political base in Honduras and has controlled the presidency and congress since 2010. Many analysts maintain that the PN has gradually eroded checks and balances to consolidate its influence over other government institutions and entrench itself in power. For example, in 2012, the PN-controlled congress, led by Juan Orlando Hernández, replaced four supreme court justices who had struck down a pair of high-profile government initiatives. 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.[7] The justices who were installed in 2012 issued a ruling in 2015 that struck down the constitution's explicit ban on presidential reelection, allowing Hernández, who had been elected president in 2013, to seek a second term. The PN has also manipulated appointments to other nominally independent institutions, such as the country's electoral oversight body.[8] Given that Honduras continues to hold multiparty elections but falls short of democratic standards in several areas, Freedom House classifies the country as "partly free," and the Varieties of Democracy Project classifies the country as an "electoral autocracy."[9]

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[3] U.S. Department of State, *Country Reports on Human Rights Practices for 2018: Honduras*, March 13, 2019, p. 8, at https://www.state.gov/wp-content/uploads/2019/03/HONDURAS-2018.pdf (hereinafter: U.S. Department of State, March 2019).

[4] The PL has historically had a center-left faction, but conservative sectors have been more dominant within the party.

[5] 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).

[6] For more information, see CRS Report R41064, *Honduran Political Crisis, June 2009-January 2010*.

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

[8] "Disuelven la CRSP y Eligen a Magistrados del TSE 6 Meses Antes," *La Prensa* (Honduras), January 20, 2014.

[9] Freedom House is a U.S.-based non-governmental organization that advocates for democracy and human rights. Varieties of Democracy (V-Dem) is a database widely used by scholars of democracy. Freedom House, *Democracy in*

Hernández Administration

President Juan Orlando Hernández of the PN was inaugurated to a second four-year term in January 2018. He lacks legitimacy among many Hondurans, however, due to his controversial reelection. As noted above, the Honduran constitution explicitly prohibits presidential reelection, but Hernández was able to run for a second term as a result of a 2015 supreme court ruling issued by justices whose appointments Hernández had orchestrated as the head of congress in 2012. The 2017 election was also plagued by an "abundance of irregularities and deficiencies" that led some international observers to question whether the official results, which gave Hernández a narrow 42.9%-41.4% victory over Salvador Nasralla of the LIBRE-led "Opposition Alliance against the Dictatorship," accurately reflected the will of the Honduran people.[10] Both major opposition parties contested the results, and many Hondurans took to the streets to protest the alleged election fraud. At least 23 Hondurans were killed in post-election violence, at least 16 of whom were shot by Honduran security forces.[11]

The United Nations sought to facilitate a national dialogue to promote societal reconciliation in the aftermath of the election. Individuals affiliated with the top three presidential candidates reportedly arrived at 169 areas of consensus related to human rights, electoral reforms, constitutional reforms, and the rule of law, but they were unable to conclude formal political agreements on most of those issues. Nevertheless, in January 2019, the Honduran congress approved a package of constitutional changes to partially reform the electoral process. The changes will restructure the national registry office, dissolve the country's existing electoral authority, and create two new institutions—a national electoral council to organize and supervise electoral processes and an electoral justice court to settle electoral disputes. Although many analysts have recommended that Honduras depoliticize its electoral institutions, each of the agencies will consist of three primary officials, effectively allowing the PN, PL, and LIBRE to divide the positions among themselves as the PN and the PL have done historically.[12]

Over the past year and a half, Hernández has largely maintained the business-friendly economic policies and hardline approach to security policy that he implemented during his first term (see "Economic and Social Conditions" and "Security Conditions" below). His PN, which holds 61 of the 128 seats in congress, has been able to control the legislative agenda with the ad-hoc support of several small parties.[13] Most Hondurans are dissatisfied with status quo, however, as 86% of those surveyed in May 2019 asserted that the country is moving in the wrong direction. Unemployment is considered the top problem in the country, cited by 30% of those surveyed, followed by corruption (19%), poor health care (15%), insecurity (11%), drugs (9%), and the cost

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Retreat: Freedom in the World 2019, February 2019; and V-Dem Institute, *Democracy Facing Global Challenges: V-Dem Annual Democracy Report 2019*, May 2019.

[10] Organization of American States, Electoral Observation Mission, General Elections, Honduras, *Report to the Permanent Council*, 2018, p. 4, http://www.oas.org/eomdatabase/MoeReport.aspx?Lang=en&Id=396&MissionId=473.

[11] U.N. Office of the High Commissioner for Human Rights, *Human Rights Violations in the Context of the 2017 Elections in Honduras*, March 12, 2018, p. 2, at https://www.ohchr.org/Documents/Countries/HN/2017ReportElectionsHRViolations_Honduras_EN.pdf.

[12] "Honduras: Latest Political Reforms Leave Critical Matters Still Unresolved," *Latin American Regional Report: Caribbean & Central America*, February 2019.

[13] The opposition is divided among LIBRE, which holds 30 seats; the PL, which holds 26 seats; and the small Innovation and Unity Party (PINU), which holds four seats. Four small parties that tend to ally with the PN hold the remaining seven seats. TSE, "Elecciones Generales 2017," at https://resultadosgenerales2017.tse.hn/.

of living (8%).[14] Hondurans have repeatedly taken to the streets to protest the Hernández Administration's actions, and lack thereof, on those issues.

Anti-Corruption Progress and Setbacks

Corruption is widespread in Honduras, but the country has made some progress in combatting it since 2016 with the support of the OAS-backed Mission to Support the Fight against Corruption and Impunity in Honduras (*Misión de Apoyo Contra la Corrupción y la Impunidad en Honduras*, MACCIH). Honduran civil society had carried out a series of mass demonstrations demanding the establishment of an international anti-corruption organization after Honduran authorities discovered that at least $300 million was embezzled from the Honduran social security institute during the PN administration of President Porfirio Lobo (2010-2014) and some of the stolen funds were used to fund Hernández's 2013 election campaign. Hernández was reluctant to create an independent organization with far-reaching authorities like the International Commission against Impunity in Guatemala (CICIG), which had helped bring down the Guatemalan president in 2015. Facing significant domestic and international pressure, however, he negotiated a more limited arrangement with the OAS. According to the agreement, signed in January 2016, the MACCIH is intended to support, strengthen, and collaborate with Honduran institutions to prevent, investigate, and punish acts of corruption.[15]

The MACCIH initially focused on strengthening Honduras's anti-corruption legal framework. It secured congressional approval for new laws to create anti-corruption courts with nationwide jurisdiction and to regulate the financing of political campaigns. The Honduran congress repeatedly delayed and weakened the MACCIH's proposed reforms, however, hindering the mission's anti-corruption efforts. For example, 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.[16] Other measures the MACCIH has proposed, such as an "effective collaboration" bill to encourage members of criminal networks to cooperate with officials in exchange for reduced sentences, have stalled in congress. Such plea-bargaining laws have proven crucial to anti-corruption investigations in other countries, such as the ongoing "Car Wash" (*Lava Jato*) probe in Brazil.[17]

MACCIH officials are also working alongside Honduras's Special Prosecution Unit to Fight Corruption-related Impunity (*Unidad Fiscal Especial Contra la Impunidad de la Corrupción*, UFECIC) to jointly investigate and prosecute high-level corruption cases. To date, these integrated teams have presented 12 cases, uncovering corruption networks involved in activities ranging from using social assistance funds for personal expenses to awarding government contracts to narcotics traffickers in exchange for campaign contributions. Nearly 120 people are facing prosecution, including more than 70 cabinet ministers, legislators, and other government

[14] "CID Gallup da Conocer los Personajes Políticos Más Populares de Honduras," *La Prensa* (Honduras), May 22, 2019.

[15] 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.

[16] OAS, MACCIH, *First Semiannual Report*, October 19, 2016.

[17] Rodrigo Janot, "Rodrigo Janot: The Lessons of Car Wash," *Americas Quarterly*, Vol. 11, No. 1, January 2018.

officials.[18] However, the cases have been slow to move through the Honduran justice system: The first oral trial—involving former First Lady Rosa Elena Bonilla de Lobo (2010-2014)—began in March 2019.

Honduran political and economic elites threatened by this tentative progress have sought to obstruct the MACCIH's efforts. In January 2018, for example, the Honduran congress passed a law that effectively blocked an investigation into legislators' mismanagement of public funds. Although the constitutional chamber of the supreme court overturned the law, the Honduran congress has continued to push forward similar measures. A new criminal code, which is to go into effect in November 2019, will reportedly reduce criminal penalties for narcotics trafficking, embezzlement, fraud, illicit enrichment, and abuse of authority, potentially allowing some corrupt officials to avoid serving any time in prison.[19] Some analysts have also questioned the impartiality of judges presiding over the MACCIH-backed cases, several of whom have issued decisions in favor of those accused of corruption.[20]

The MACCIH's four-year mandate is scheduled to expire in January 2020. More than 61% of Hondurans would like the MACCIH to remain in Honduras, but the Hernández Administration has expressed little interest in renewing the agreement.[21] The U.S. government, which has provided crucial diplomatic and financial support for the MACCIH over the past three and a half years, has called for an extension of the mission's mandate.[22] Many analysts assert that Honduran public prosecutors would struggle to continue their anti-corruption efforts without the MACCIH or another source of international assistance and political support.[23]

Economic and Social Conditions

Honduras is among the poorest countries in Latin America. Historically, the country's economic performance closely tracked the prices of agricultural commodities, such as bananas and coffee. While agriculture remains important, accounting for 14% of gross domestic product (GDP) and nearly a third of total employment,[24] the Honduran economy has diversified since the late 1980s. Successive Honduran administrations privatized state-owned enterprises, lowered taxes and tariffs, and offered incentives to attract foreign investment, spurring growth in the *maquila* (offshore assembly for reexport) sector—particularly in the apparel, garment, and textile

[18] OAS, MACCIH, *Sixth Semiannual Report*, April 2019, p. 8; and "UFECIC-MA/MACCIH Team Presents Twelfth Case of Integrated Criminal Investigation, Entitled: "Narco-Politics," press release, May 24, 2019.

[19] Consejo Nacional Anticorrupción (CNA) et al., "Manifestación," press release, May 28, 2019.

[20] See, for example, Edmudno Orellana, "A un Año de Gobierno: Percepción e Impacto del Manejo de la Impunidad en Honduras," in *A un Año de Gobierno: Manejo, Percepción e Impacto de la Impunidad, Corrupción e Inseguridad en Honduras* (Tegucigalpa: Centro de Documentación de Honduras, 2019), p. 90.

[21] Equipo de Reflexión, Investigación y Comunicación, Compañía de Jesús, *Sondeo de Opinión Pública: Percepciones Sobre la Situación Hondureña en el Año 2018*, April 2019, p. 8 (hereinafter: ERIC-SJ, 2019).

[22] Embassy of the United States in Honduras, "*Declaración de la Embajada de los Estados Unidos en Honduras sobre la Extensión del Mandato de la MACCIH y la Ley de Colaboración Eficaz*," press release, May 9, 2019.

[23] See, for example, Leticia Salomón, "A un Año de Gobierno: El Contexto, los Actores y los Intereses en Juego," in *A un Año de Gobierno: Manejo, Percepción e Impacto de la Impunidad, Corrupción e Inseguridad en Honduras* (Tegucigalpa: Centro de Documentación de Honduras, 2019), p. 6.

[24] The broader agribusiness sector accounts for 40% of GDP and 63% of total exports. Marco Antonio Hernandez Ore, Liliana D. Sousa, and J. Humberto Lopez, *Honduras: Unlocking Economic Potential for Greater Opportunities* (World Bank, 2016), p. 42.

industries. Those policy changes also fostered the development of nontraditional agricultural exports, such as seafood and palm oil.

President Hernández's top economic policy priority upon taking office in 2014 was to put the government's finances on a more sustainable path. The nonfinancial public sector deficit had grown to 7.5% of GDP in 2013 as a result of weak tax collection, increased expenditures, and losses at state-owned enterprises.[25] As the Honduran government struggled to obtain financing for its obligations, public employees and contractors occasionally went unpaid and basic government services were interrupted. In 2014, Hernández negotiated a three-year agreement with the International Monetary Fund (IMF), under which the Honduran government agreed to reduce the deficit to 2% of GDP by 2017 and carry out structural reforms related to the electricity and telecommunications sectors, pension funds, public-private partnerships, and tax administration in exchange for access to $189 million in financing.[26] The Hernández Administration ultimately reduced the deficit to less than 1% of GDP in 2017 and adhered to most of its other commitments. In May 2019, the IMF and the Honduran government reached a staff-level agreement on a new two-year economic program that will give Honduras access to $311 million of financing.[27]

Hernández has also sought to make Honduras more attractive to foreign investment. He contracted a global consulting firm 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.[28] 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 and El Salvador. The Hernández Administration is also 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.[29] Nevertheless, annual foreign direct investment inflows to Honduras fell from $1.4 billion in 2014 to $1.2 billion in 2018.[30]

The Honduran economy has expanded by an average of 3.9% annually over the past five years, but it is not generating sufficient employment to absorb the country's growing labor supply.[31] In 2017, for example, the Honduran labor force increased by nearly 110,000 people, but only 8,500 jobs were created in the formal sector.[32] The vast majority of new workers were left to work in the unregulated informal sector, without job protections or benefits, or seek opportunity elsewhere. Since nearly 40% of Hondurans are under the age of 19, the country's prime age working population is projected to continue growing for the next two decades.[33] Without stronger job

[25] IMF, *2018 Article IV Consultation—Press Release; Staff Report; and Statement by the Executive Director for Honduras*, IMF Country Report No. 18/2016, June 2018.

[26] 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.

[27] IMF, "IMF and Honduras Reach Staff-Level Agreement on a Stand-by/Credit Facility Arrangement.

[28] Presidencia de la República de Honduras, "Presidente Hernández Presenta Programa Nacional de Desarrollo Económico Honduras 20/20," press release, February 29, 2016.

[29] Maya Kroth, "Under New Management," *Foreign Policy*, September 1, 2014.

[30] U.N. Economic Commission for Latin America and the Caribbean (ECLAC), *Foreign Direct Investment in Latin America and the Caribbean, 2018*, July 2018, p. 30; and Banco Central de Honduras, *Memoria 2018*, 2019, p. 9.

[31] IMF, *World Economic Outlook Database, April 2019*, April 9, 2019.

[32] Manuel Orozco, *Central American Migration: Current Changes and Development Implications*, Inter-American Dialogue, November 2018, p. 8.

[33] Instituto Nacional de Estadística, "Encuesta de Hogares de Propósitos Múltiples," 2018 (hereinafter: INE, 2018).

creation, Honduras may miss a key window of opportunity to boost economic growth.[34] In 2018, nearly 20% of Hondurans were unemployed or underemployed, and another 49% of Hondurans worked full time for less than the minimum wage.[35]

Honduras's recent economic growth has also proven insufficient to reduce the country's high poverty rate. Some economic analysts argue that the Hernández Administration's fiscal austerity policies have exacerbated the situation by increasing the government's dependence on regressive, indirect taxes while limiting public investment and social welfare expenditures.[36] More than 67% of Hondurans live below the national poverty line. Conditions are particularly difficult in rural Honduras, where nearly 63% of the population lives in extreme poverty—unable to satisfy their basic nutritional needs.[37] In recent years, many rural communities have struggled to contend with a coffee fungus outbreak and a series of droughts that have destroyed crops and reduced agricultural production and employment. Households have reportedly been forced to engage in extreme coping strategies, such as taking on debt, selling off land, and migrating.[38]

Honduras's medium-term economic performance is expected to mirror the U.S. business cycle, as the United States remains Honduras's top export market and primary source of investment, tourism, and remittances. To boost the country's long-term growth potential, analysts maintain that Honduras will have to improve education and infrastructure and address entrenched social ills, such as widespread crime and corruption and high levels of poverty.[39]

Security Conditions

Honduras struggles with high levels of crime and violence. A number of interrelated factors appear to contribute to the poor security situation. 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.[40]

Honduras also serves as a significant 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 rely upon illicit finances to fund their election campaigns and maintain or increase the market share of their businesses.[41] In November 2018, for example, the U.S.

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[34] Inter-American Development Bank, *Running Out of Tailwinds: Opportunities to Foster Inclusive Growth in Central America and the Dominican Republic*, 2017, p. 58.

[35] INE, 2018.

[36] Instituto Centroamericano de Estudios Fiscales (ICEFI), "Honduras: Persigue Estabilidad de sus Finanzas Públicas por sobre la Atención de Necesidades de su Población," press release, November 26, 2018.

[37] 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, 2018.

[38] World Food Programme et al., *Food Security and Emigration: Why People Flee and the Impact on Family Members Left Behind in El Salvador, Guatemala and Honduras*, August 2017.

[39] Economist Intelligence Unit, *Honduras: Country Report*, May 3, 2019.

[40] Steven Dudley, Elyssa Pachico, and Juan José Martínez, *Gangs in Honduras*, Insight Crime, November 20, 2015.

[41] Steven Dudley, *Honduras Elites and Organized Crime*, Insight Crime, April 9, 2016.

Department of Justice charged Antonio "Tony" Hernández—a former member of congress and President Hernández's brother, for allegedly engaging in large-scale drug trafficking. U.S. authorities have also investigated President Hernández but, to date, they have not brought any charges against him (see "Counternarcotics" below).

Honduran security forces and justice-sector institutions have historically lacked the personnel, equipment, and training necessary to respond to criminal threats. They have also struggled with systemic corruption, with some sectors working on behalf of criminal organizations or private interests.

President Hernández campaigned on a hardline security platform, repeatedly pledging to do whatever it takes to reduce crime and violence in Honduras. Upon taking office in 2014, he immediately ordered the security forces 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 serving as the president 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 known as the "Tigers" (*Tropa de Inteligencia y Grupos de Respuesta Especial de Seguridad, TIGRES*). The PMOP has been implicated in numerous human rights abuses, including 13 of the 16 killings documented by the U.N. Office of the High Commissioner for Human Rights in the aftermath of the 2017 election.[42] Human rights advocates have repeatedly called on the Hernández Administration to withdraw the military from domestic law enforcement activities.[43]

Hernández has also taken some steps to strengthen security and justice-sector institutions. He created a special police reform commission in April 2016 after press reports indicated that high-ranking police commanders had conspired with drug traffickers to assassinate two top Honduran antidrug officials in 2009 and 2011 and the head of the anti-money-laundering unit of the public prosecutor's office in 2013; other officials in the Honduran national police and security ministry reportedly covered up internal investigations of the crimes.[44] Although previous attempts to reform the police force produced few results, the special commission dismissed more than 6,100 personnel, including half of the highest-ranked officers.[45] It also proposed and won congressional approval for measures to restructure the national police force, increase police salaries, and implement new training and evaluation protocols. Public perceptions of the national police have yet to improve substantially, however, as fewer than 34% of Hondurans expressed confidence in the force in 2018.[46]

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 and the public prosecutor's office established a new criminal investigative agency. Both institutions have set up forensic laboratories and have begun to conduct more scientific investigations. The budget of the public prosecutor's office grew by more than 94% in

[42] U.N. Office of the High Commissioner for Human Rights, *Human Rights Violations in the Context of the 2017 Elections in Honduras*, March 12, 2018, p. 16.

[43] U.N. Human Rights Council, *Situation of Human Rights in Honduras: Report of the United Nations High Commissioner for Human Rights on the Situation of Human Rights in Honduras*, January 28, 2019.

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

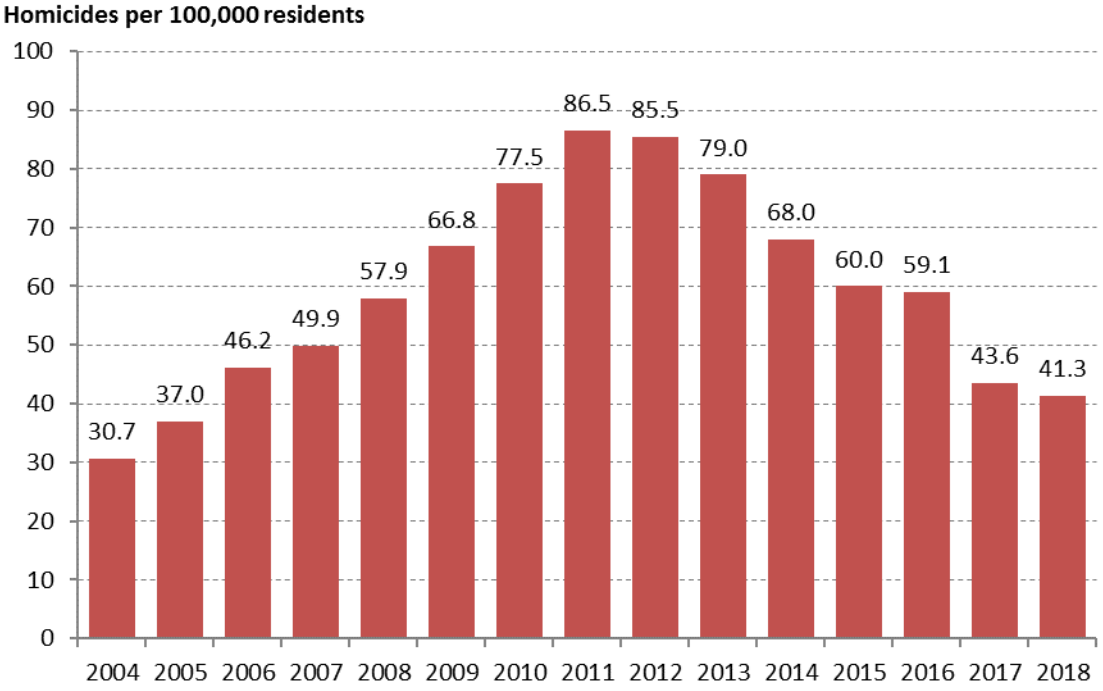
[45] CRS communication with State Department official, May 2019.

[46] Universidad Nacional Autónoma de Honduras, Instituto Universitario en Democracia, Paz y Seguridad, *III Encuesta de Percepción Ciudadana sobre Inseguridad y Victimización Honduras 2018*, March 25, 2019 (hereinafter: UNAH, March 2019).

nominal terms from 2014 to 2018, allowing Attorney General Óscar Chinchilla to hire additional detectives, prosecutors, and other specialized personnel.[47] Nevertheless, the public prosecutor's office accounted for less than 1.5% of the Honduran central government's expenditures in 2018 and remains overburdened.[48]

These policies appear to have contributed to considerable improvements in security conditions over the past five years. Although the homicide rate remains high by global standards,[49] it peaked at 86.5 murders per 100,000 residents in 2011 and fell to 41.3 murders per 100,000 residents in 2018 (see **Figure 2**, below). Common crime also appears to have declined, with the percentage of Hondurans reporting they had been the victim of a crime in the past year falling from 20.5% in 2014 to 12.8% in 2018. Nevertheless, there continues to be a pervasive sense of insecurity in the country: 52% of Hondurans consider their cities unsafe, and nearly 88% consider the country unsafe.[50]

Figure 2. Homicide Rate in Honduras: 2004-2018



Source: Universidad Nacional Autónoma de Honduras, Instituto Universitario en Democracia, Paz y Seguridad, Observatorio de la Violencia, *Boletín Nacional (Enero–Diciembre 2017)*, no. 48 (March 2018); and "Muertos por Homicidio; Enero a Diciembre 2018, Datos Preliminares," 2019.

[47] Ministerio Público, *Análisis del Comportamiento del Gasto, Año Fiscal 2018*, January 2019; and *Análisis del Comportamiento del Gasto, Año Fiscal 2014*, January 2015.

[48] República de Honduras, Secretaria de Finanzas, *Liquidación del Presupuesto General de Ingresos y Egresos de la República: Ejercicio Fiscal 2018*, March 2019.

[49] The average homicide rate is approximately seven per 100,000 worldwide and 21.5 per 100,000 in Latin America and the Caribbean. Robert Muggah and Katherine Aguirre Tobón, *Citizen Security in Latin America: Facts and Figures*, Igarapé Institute, April 2018.

[50] UNAH, March 2019.

U.S.-Honduran Relations

The United States has had close relations with Honduras over many years. The bilateral relationship was especially close in the 1980s, when Honduras returned to civilian rule and became the lynchpin for U.S. policy in Central America. The country served as a staging area for U.S.-supported raids 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* 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 allowed for 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.[51] 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. In November 2009, the Administration shifted the emphasis of U.S. policy from reversing Zelaya's removal to ensuring the legitimacy of previously scheduled elections. Although some analysts argued that the policy shift allowed those behind the coup to consolidate their hold on power, Administration officials maintained that elections had become the only realistic way to bring an end to the political crisis.[52]

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 irregular migration and organized crime.[53] To advance these objectives, the United States provides Honduras with substantial foreign assistance, maintains significant security and commercial ties, and engages on issues such as migration and human rights. Bilateral cooperation could be constrained, however, if the United States ends foreign assistance programs in the region, as announced by the Trump Administration (see "Potential Termination of Assistance" below).

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 has generally remained at lower levels since then, with a few exceptions, such as a spike following Hurricane Mitch in 1998 and

[51] For more information on U.S. policy during the crisis, see CRS Report R41064, *Honduran Political Crisis, June 2009-January 2010*.

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

[53] U.S. Department of State, Bureau of Western Hemisphere Affairs, "U.S. Relations with Honduras," fact sheet, February 8, 2019, at https://www.state.gov/u-s-relations-with-honduras/

again after the Millennium Challenge Corporation awarded Honduras a $215 million economic growth compact in 2005.[54]

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.[55] The Obama Administration introduced the new strategy and sought to significantly increase assistance for Honduras and its neighbors following a 2014 surge in migration from Central America. Congress has appropriated more than $2.6 billion for the strategy through the State Department and the U.S. Agency for International Development (USAID) since FY2016. At least $431 million has been allocated to Honduras, either as bilateral assistance or through the Central America Regional Security Initiative (CARSI) (see **Table 1**).

Table 1. U.S. Assistance to Honduras: FY2016-FY2020

(appropriations in millions of current dollars)

Foreign Assistance Account	FY2016	FY2017	FY2018	FY2019 (est.)[a]	FY2020 (req.)
Bilateral Aid, Subtotal	**98.3**	**95.3**	**79.7**	**NA**	**65.8**
Development Assistance	93.0	90.0	75.0	NA	-
Economic Support and Development Fund	-	-	-	-	65.0
International Military Education and Training	0.8	0.8	0.7	NA	0.8
Foreign Military Financing	4.5	4.5	4.0	NA	-
Central America Regional Security Initiative (CARSI), Subtotal[b]	**84.8**	**72.7**	**NA**	**NA**	**NA**
Economic Support Fund	35.5	28.5	NA	NA	NA
International Narcotics Control and Law Enforcement	49.3	44.2	NA	NA	NA
Total	**183.1**	**168.0**	**79.7[b]**	**NA[ab]**	**65.8[b]**

Sources: U.S. Department of State, *Congressional Budget Justifications for Foreign Operations*, FY2018-FY2020; U.S. Department of State, Congressional Notifications for CARSI, FY2016-FY2017; and H.Rept. 116-9.

Notes: Honduras receives some additional assistance from other U.S. agencies, such as the Inter-American Foundation and the Department of Defense. (See "Counternarcotics" for information on Department of Defense security cooperation).

a. For FY2019, Congress designated most foreign assistance for Central America as regional funding, giving the State Department flexibility in allocating the resources.

b. CARSI allocations are not yet available for FY2018, FY2019, or FY2020.

U.S. assistance funds a wide range of development activities in Honduras. These include good governance programs intended to strengthen institutions and encourage civil society engagement and oversight, agriculture programs intended to increase food security and rural income generation, education programs intended to improve the quality of the education system and increase access to formal schooling for at-risk youth, and economic reform programs intended to foster employment and income growth through competitive and inclusive markets. U.S. bilateral aid to Honduras also provides training and equipment for the Honduran military, while CARSI

[54] The Millennium Challenge Corporation terminated the final $10 million of the compact as a result of the 2009 coup.

[55] For more information on the strategy, see CRS Report R44812, *U.S. Strategy for Engagement in Central America: Policy Issues for Congress*.

assistance supports law enforcement operations, justice-sector reform, and crime and violence prevention programs.

FY2019 Appropriations Legislation

In the Consolidated Appropriations Act, 2019 (P.L. 116-6), Congress appropriated $527.6 million to continue implementing the U.S. Strategy for Engagement in Central America. The act gives the State Department significant flexibility in allocating assistance among the seven nations of the isthmus. The conference report (H.Rept. 116-9) accompanying the act asserts that the Secretary of State should take into account the political will of Central American governments, including their commitment "to reduce illegal migration and reduce corruption and impunity," when deciding where to allocate the funds. The only assistance specifically designated for Honduras is $5 million to support the MACCIH and $20 million that is to be split among the attorneys general offices of Honduras, El Salvador, and Guatemala.

Like prior appropriations measures, the act places strict conditions on assistance to the Honduran government. It requires 50% of assistance for the central government of Honduras to be withheld until the Secretary of State certifies that the Honduran government is meeting 16 conditions. These include improving border security, combating corruption, countering gangs and organized crime, supporting programs to reduce poverty and promote equitable economic growth, protecting the right of political opposition parties and other members of civil society to operate without interference, and resolving commercial disputes.[56]

Potential Termination of Assistance

The future of U.S. foreign aid programs in Honduras is uncertain. The Trump Administration announced in March 2019 that it intends to end all foreign assistance to the country (as well as El Salvador and Guatemala). The announcement came after more than a year of threats from President Trump to cut off assistance to the "Northern Triangle" nations of Central America due to the continued northward flow of migrants and asylum-seekers from the region (see "Recent Flows of Migrants and Asylum-Seekers" below). Although the Administration has yet to provide details of its plans, the decision appears to affect nearly all U.S. assistance appropriated for Honduras in FY2018.[57] It remains unclear how the President's decision may affect assistance appropriated in other fiscal years or the Administration's FY2020 budget request, which includes $65.8 million for Honduras. The Honduran government reacted to the announcement by expressing irritation with the "contradictory policies" of the U.S. government, noting that President Hernández had just hosted then-Secretary of Homeland Security Kirstjen Nielsen in Tegucigalpa, where they signed a new security cooperation agreement.[58]

Recent appropriations measures provide the President with significant discretion to cut some foreign assistance to the Northern Triangle. For example, Section 7045(a) of the Consolidated Appropriations Act, 2018 (P.L. 115-141) requires the State Department to withhold 75% of assistance for the central governments of El Salvador, Guatemala, and Honduras until the Secretary of State certifies that those governments are addressing 16 congressional concerns. It

[56] See Section 7045(a)(1) of P.L. 116-6 for the full list of conditions.

[57] Robert Palladino, Deputy Spokesperson, "Daily Press Briefing," U.S. Department of State, April 2, 2019.

[58] Gobierno de la República de Honduras, Secretaría de Relaciones Exteriores y Cooperación Internacional, "Comunicado," March 30, 2019; and U.S. Department of Homeland Security, "Secretary Nielsen Signs Historic Regional Compact with Central America to Stem Irregular Migration at the Source, Confront U.S. Border Crisis," press release, March 28, 2019.

also empowers the Secretary of State to suspend those funds and reprogram them elsewhere in Latin America and the Caribbean if he/she determines the governments have made "insufficient progress." It appears as though the Administration could make additional cuts using the transfer and reprogramming authorities granted in annual appropriations legislation and the Foreign Assistance Act of 1961, as amended (22 U.S.C. §2151 *et seq.*).[59] Administrations typically consult with the Appropriations Committees and provide detailed justifications prior to taking such actions.

The 116th Congress is considering authorization and appropriations measures that could increase congressional oversight over foreign assistance programs and direct additional aid to Honduras and its Central American neighbors. The United States-Northern Triangle Enhanced Engagement Act, H.R. 2615 (Engel), would authorize $577 million for the U.S. Strategy for Engagement in Central America in FY2020, including "not less than" $490 million for the Northern Triangle. The bill, which was passed unanimously by the House Foreign Affairs Committee on May 22, 2019, would direct U.S. agencies to carry out a variety of programs in the region, impose annual reporting requirements, and prohibit the Administration from reprogramming or transferring the funds for other purposes. The Central America Reform and Enforcement Act, S. 1445 (Schumer), would authorize $1.5 billion for the Central America strategy in FY2020 and prohibit the reprogramming of any assistance appropriated for the Northern Triangle nations since FY2016. The Department of State, Foreign Operations, and Related Programs Appropriations Act, 2020, H.R. 2839 (Lowey), would appropriate $540.9 million for the Central America strategy in FY2020, including at least $75 million for Honduras. The bill would also modify FY2017 (P.L. 115-31), FY2018 (P.L. 115-141), and FY2019 (P.L. 116-6) appropriations legislation to strengthen the funding directives for aid to Central America.

Migration Issues

The United States and Honduras have strong migration ties. As of 2017, approximately 603,000 individuals born in Honduras resided in the United States, and an estimated 425,000 (70%) of them were in the country without authorization.[60] Migration from Honduras to the United States has traditionally been 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 February 2019 poll, more than 40% of Hondurans have a family member who has emigrated in the past year.[61] This could contribute to additional migration in the coming years, as those who leave Honduras may share their experiences and provide financial and logistical assistance to those who remain behind.

Recent Flows of Migrants and Asylum-Seekers

In recent years, there has been a significant increase in the number of Honduran migrants and asylum-seekers arriving at the U.S. border. U.S. apprehensions of Honduran nationals at the southwest border nearly tripled from about 30,350 in FY2012 to nearly 91,000 in FY2014. Although annual flows declined for a few years, more than 133,000 Hondurans were apprehended at the border through the first seven months of FY2019. The demographics of the Hondurans

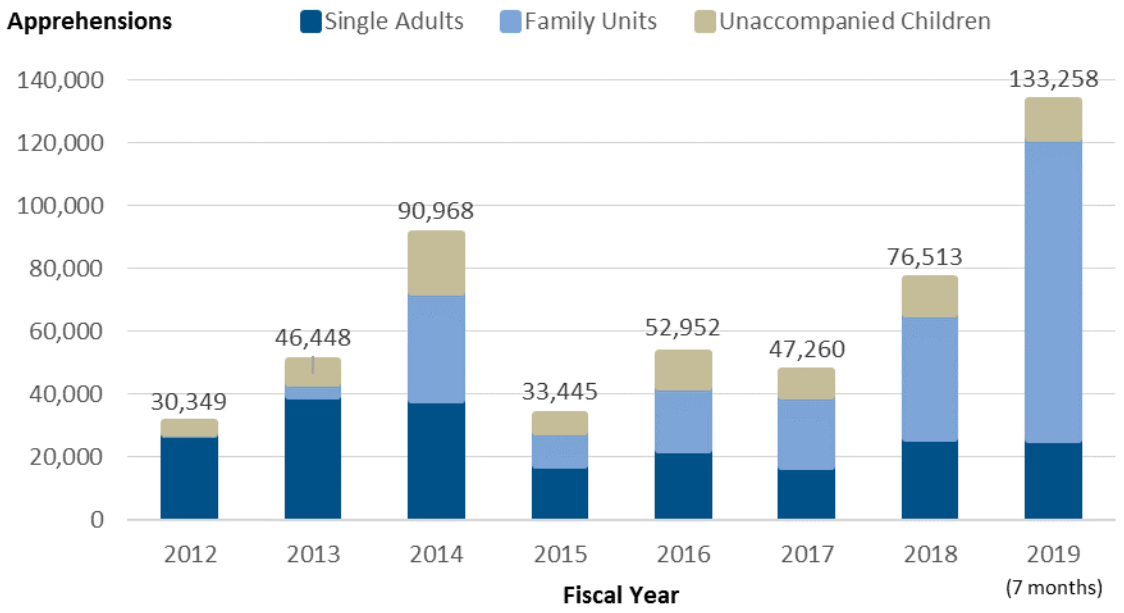
[59] See, for example, Sections 7015 and 7019 of P.L. 115-141 and Sections 109, 451, 610, and 634A of the Foreign Assistance Act of 1961 at https://legcounsel.house.gov/Comps/Foreign%20Assistance%20Act%20Of%201961.pdf.

[60] U.S. Census Bureau, *2017 American Community Survey 5-Year Estimates*, accessed by CRS on American Factfinder Website, May 2019; Jeffrey S. Passel and D'vera Cohn, *U.S. Unauthorized Immigrant Total Dips to Lowest Level in a Decade*, Pew Research Center, November 27, 2018, p. 21.

[61] ERIC-SJ, 2019, p. 16.

attempting to reach the United States have also changed significantly, with unaccompanied children and families—many of whom have requested humanitarian protection—accounting for 66% of those apprehended at the border over the past five and a half years (see **Figure 3** below).

Figure 3. U.S. Apprehensions of Honduran Nationals at the Southwest Border: FY2012-FY2019



Source: CRS presentation of data from U.S. Customs and Border Protection, "U.S. Border Patrol Nationwide Apprehensions by Citizenship and Sector in FY2007-FY2018;" and "U.S. Border Patrol Southwest Border Apprehensions by Sector Fiscal Year 2019," press release, May 6, 2019.

Notes: Unaccompanied children = children under 18 years old without a parent or legal guardian at the time of apprehension. Family units = total number of individuals (children under 18 years old, parents, or legal guardians) apprehended with a family member. FY2019 includes the first seven months of the fiscal year (October 2018-April 2019).

Since 2014, the U.S. and Honduran governments have sought to deter migration in various ways. Both governments have run public-awareness campaigns to inform Hondurans about the potential dangers of unauthorized migration and to correct possible misperceptions about U.S. immigration policies. The Trump Administration has also sought to discourage migration with changes in asylum and immigration enforcement policies, such as the "zero tolerance" policy that reportedly resulted in more than 1,000 Honduran children being separated from their parents.[62] Some analysts have questioned the effectiveness of such deterrence campaigns, with one recent study finding that Hondurans' "views of the dangers of migration to the United states, or the likelihood of deportation, do not seem to influence their emigration plans in any meaningful way."[63]

[62] "Más de un Centenar de Niños Hondureños Siguen Separados de sus Padres en EEUU," Agence France Presse, September 24, 2019. For more information on the "zero tolerance" policy, see CRS Report R45266, *The Trump Administration's "Zero Tolerance" Immigration Enforcement Policy*. For more information on asylum changes, see CRS Legal Sidebar LSB10207, *Asylum and Related Protections for Aliens Who Fear Gang and Domestic Violence*.

[63] Jonathan T. Hiskey et al., "Leaving the Devil You Know: Crime Victimization, US Deterrence Policy, and the Emigration Decision in Central America," *Latin American Research Review*, vol. 53, no. 3 (2018), p. 441.

The U.S. and Honduran governments are also working together to combat human smuggling. The U.S. Department of Homeland Security (DHS) has worked with the Honduran national police to establish two Transnational Criminal Investigative Units. In the first seven months of 2018, the units initiated 32 human trafficking and smuggling investigations, made 20 arrests, and conducted biometric vetting of nearly 2,700 Honduran and third-country migrants. DHS has provided additional support to the Honduran national police's Special Tactical Operations Group, which conducts checkpoints along the Guatemalan border and specializes in detecting and interdicting human smuggling operations.[64]

Moreover, both countries are implementing initiatives intended to address the root causes of emigration. President Hernández joined with his counterparts in El Salvador and Guatemala to establish 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 region's citizens. The Honduran government has reportedly allocated nearly $2.9 billion to advance those objectives over the past three years.[65] As noted above (see "Foreign Assistance"), the U.S. government has been supporting complementary efforts through the U.S. Strategy for Engagement in Central America, but the future of that initiative is uncertain.

These programs may take several years to bear fruit, as research suggests the relationship between development and migration is complex. Numerous studies have found that economic development may increase outward migration initially by removing the financial barriers faced by households in poverty. Consequently, assistance programs that provide financial support or skills training without simultaneously ensuring the existence of local opportunities may end up intensifying rather than alleviating migration flows.[66] There is some evidence that violence prevention programs may have a more immediate impact on migration trends by mitigating forced displacement.[67]

Deportations and Temporary Protected Status

U.S. Immigration and Customs Enforcement (ICE) removed (*deported*) nearly 29,000 Hondurans from the United States in FY2018, making Honduras the third-largest recipient of deportees in the world behind Mexico and Guatemala.[68] 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. Since FY2014, the United States has provided at least $5.4 million to the

[64] U.S. Department of State, Memorandum of Justification Regarding Certification under Section 7045(a)(3)(A) of the Department of State, Foreign Operations, and Related Programs Appropriations Act, 2018 (Div. K, P.L. 115-141), August 11, 2018.

[65] Gobierno de la República de Honduras, Secretaría de Relaciones Exteriores y Cooperación Internacional, "Comunicado," November 5, 2018.

[66] Susan Fratzke and Brian Salant, *Moving Beyond "Root Causes": The Complicated Relationship between Development and Migration*, Migration Policy Institute, January 2018.

[67] Michael Clemens, "Regional Security Means Border Security: New Data on Why Central American Children Flee to the United States," *War on the Rocks*, November 30, 2017.

[68] U.S. Immigration and Customs Enforcement (ICE), *Fiscal Year 2018 ICE Enforcement and Removal Operations Report*, December 14, 2018, p. 17.

International Organization for Migration to assist the Honduran government in improving its reception centers and services for repatriated migrants.[69]

Honduran leaders are also concerned about the potential economic impact of deportations because the Honduran economy is heavily dependent on the remittances of migrant workers abroad. In 2018, Honduras received nearly $4.8 billion (equivalent to 19.8% of GDP) in remittances.[70] 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.[71] According to the Honduran Central Bank, however, remittance levels have traditionally been more associated with the performance of the U.S. economy than the number of deportations from the United States.[72]

Nearly 81,000 Hondurans benefit from temporary protected status (TPS)—a form of humanitarian relief that allows 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.[73] TPS for Honduras was extended 14 times before the Trump Administration announced the program's termination in May 2018. The Administration has given current beneficiaries, who have an estimated 53,500 U.S.-born children,[74] until January 5, 2020 to seek an alternative lawful immigration status or depart from the United States. The termination decision is currently on hold, however, due to a court order.[75]

Then-Secretary of Homeland Security Kirstjen Nielsen asserted that the termination was required since "the disruption of living conditions in Honduras from Hurricane Mitch that served as the basis for its TPS designation has ceased to a degree that it should no longer be regarded as substantial."[76] Some analysts disagree; they argue that the Secretary's decision ignored ongoing economic, security, and governance challenges in Honduras and could undermine U.S. and Honduran efforts to address the root causes of irregular migration.[77] In 2017, TPS beneficiaries sent an estimated $176 million in cash remittances to Honduras, which is roughly the same amount that the U.S. government provided to Honduras in foreign aid.[78] Some Members of Congress have expressed concerns about the termination of TPS for Hondurans, and the 116th Congress may consider measures such as the American Dream and Promise Act of 2019, H.R. 6

[69] U.S. Government Accountability Office, *Central America: USAID Assists Migrants Returning to their Home Countries, but Effectiveness of Reintegration Efforts Remains to be Determined*, GAO-19-62, November 2018, p. 11.

[70] Banco Central de Honduras, *Memoria 2018*, 2019, p. 12.

[71] 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.

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

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

[74] International Organization for Migration, "Población Hondureña en Estados Unidos con Estatus de Protección Temporal (TPS)," 2018.

[75] For more information, see CRS Legal Sidebar LSB10215, *Federal District Court Enjoins the Department of Homeland Security from Terminating Temporary Protected Status*.

[76] U.S. Department of Homeland Security, "Secretary of Homeland Security Kirstjen M. Nielsen Announcement on Temporary Protected Status for Honduras," press release, May 4, 2018.

[77] John D. Feeley and James D. Nealon, "The Trump Administration Shoves Honduran Immigrants back into Danger," *Washington Post*, May 9, 2018.

[78] International Organization for Migration, "Población Hondureña en Estados Unidos con Estatus de Protección Temporal (TPS)," 2018; and USAID, *Foreign Aid Explorer: The Official Record of U.S. Foreign Aid*, accessed May 2019.

(Roybal-Allard), which would provide a path toward permanent resident status for some TPS holders.[79]

Security Cooperation

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

Joint Task Force Bravo

Honduras has hosted a U.S. military presence, known as Joint Task Force (JTF)-Bravo, at Soto Cano Air Base since 1983. At that time, JTF-Bravo carried out military training exercises and supported U.S. counterinsurgency and intelligence operations in Central America. Today, JTF-Bravo is comprised of about 500 U.S. military personnel and more than 500 U.S. and Honduran civilians. It serves as a forward operating base with rapid response capabilities for U.S. government operations throughout Latin America and the Caribbean. JTF-Bravo conducts a variety of missions, including operations to counter transnational organized crime, provide disaster relief and humanitarian assistance, and build partner nations' capacities to foster security and stability in the region.

Citizen Safety

As noted previously, Honduras faces significant security challenges (see "Security Conditions"). Many citizens contend with criminal threats on a daily basis, ranging 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.[80]

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 has also 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 prosecutor's office.

[79] For more information on TPS and potential legislative measures to alter the program, see CRS Report RS20844, *Temporary Protected Status: Overview and Current Issues*.

[80] 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.

The Federal Bureau of Investigation (FBI) leads a Transnational Anti-Gang Unit designed to interrupt criminal gang activity, including kidnappings and extortion.

Over the past few years, USAID and INL have integrated 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.

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. The Caribbean coastal region of the country is a primary landing point for both maritime and aerial traffickers due to its remote location, limited infrastructure, and lack of government presence. In 2017, the State Department estimated that three to four metric tons of cocaine transit through Honduras every month.[81]

The U.S. government has sought to strengthen counternarcotics cooperation with Honduras to reduce illicit flows through the country. Although the United States has not provided the Honduran government with any assistance that would support aerial interdiction since Honduras enacted an aerial intercept law in 2014,[82] close bilateral cooperation has continued in several other areas. U.S. agencies, including the Drug Enforcement Administration (DEA), have used CARSI 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. 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.[83] DOD counternarcotics assistance to Honduras totaled nearly $12 million in FY2016 and $12.4 million in FY2017. DOD planned to provide Honduras with at least $5.7 million of assistance to support ground and maritime interdiction efforts in FY2018.[84]

As a result of this cooperation, U.S. and Honduran authorities have apprehended numerous high-level drug traffickers. At least 24 Hondurans have been extradited to the United States, and at least a dozen others have turned themselves in to U.S. authorities since 2014.[85] Many of those now in U.S. custody had previously been designated by the U.S. Treasury Department's Office of Foreign Asset Control as Specially Designated Narcotics Traffickers pursuant to the Foreign

[81] 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 2, 2017, p. 181. The State Department did not include updated estimates in its 2018 or 2019 reports.

[82] 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.

[83] 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.

[84] U.S. Department of Defense, "FY18 Tranche 7 Notifications," July 2018.

[85] Noe Leiva, "Reducción de Penas Contra Narcotráfico y Corrupción Desata Polémica en Honduras," Agence France Presse, May 26, 2019.

Narcotics Kingpin Designation Act (codified at 21 U.S.C. §1901 *et seq.*), freezing their assets and prohibiting U.S. citizens from conducting financial or commercial transactions with them.

Nevertheless, the State Department asserts that U.S. and Honduran counternarcotics efforts have "not yet translated into significant increases in drug seizures or notable disruptions to drug trafficking organizations" and that "there is no concrete information to suggest the overall volume of illicit drugs being trafficked through Honduras has decreased."[86] This lack of effectiveness may be due to ties between organized crime and high-level Honduran officials. In September 2017, Fabio Lobo, the son of former President Porfirio Lobo (2010-2014), was sentenced to 24 years in prison for conspiring to import cocaine into the United States. According to the U.S. Department of Justice (DOJ), Fabio Lobo connected Honduran drug traffickers to corrupt politicians and security forces who provided protection and government contracts in exchange for bribes.[87] DOJ has charged several current and former members of the Honduran congress, including Juan Antonio "Tony" Hernández—President Hernández's brother, with similar offenses.[88] Recently unsealed court documents indicate that President Hernández was also the target of a DEA investigation in 2015.[89] U.S. authorities have not brought any charges against him, however, and President Hernández maintains he is innocent.[90] It is unclear if the investigation is ongoing.

Some observers have also expressed concerns that U.S. counternarcotics efforts may contribute to human rights abuses in Honduras.[91] In April 2012, for example, the DEA and its vetted unit within the Honduran national police, with operational support from the State Department, initiated Operation Anvil, a 90-day pilot program intended to disrupt drug trafficking through 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 May 2017, the State Department and DOJ Offices of Inspectors General released a joint report on the three deadly force incidents. They found that the DEA had not adequately planned for the operation, conducted a flawed review of the May 2012 incident, inappropriately withheld information from the U.S. ambassador, and provided inaccurate information to DOJ leadership and Congress. The report also noted that Honduran officers 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.[92]

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[86] U.S. Department of State, Bureau of International Narcotics and Law Enforcement Affairs, *2019 International Narcotics Control Strategy Report, Volume I: Drug and Chemical Control*, March 28, 2019, p. 182, https://www.state.gov/wp-content/uploads/2019/04/INCSR-Vol-INCSR-Vol.-I-1.pdf.

[87] U.S. Attorney's Office, Southern District of New York, "Son of Former President of Honduras Sentenced to 24 Years in Prison for Conspiring to Import Cocaine into the United States," press release, September 5, 2017.

[88] See, for example, U.S. Attorney's Office, Southern District of New York, "Second Honduran Congressman Charged with Conspiring to Import Cocaine into the United States and Related Firearms Offenses," press release, July 17, 2018; and "Former Honduran Congressman and Brother of the Current President of Honduras Charged with Conspiring to Import Cocaine into the United States and Related Firearms Offense," press release, November 26, 2018.

[89] U.S. District Court, Southern District of New York, *In Re Application of the United States of America for Order to Disclose Non-Content Information Pursuant to 18. U.S.C. § 2703(d)*, July 2, 2015.

[90] Gobierno de la República de Honduras, Presidencia de la República, "Comunicado," May 30, 2019.

[91] See, for example, Annie Bird and Alexander Main, "The Deadly Results of a D.E.A.-Backed Raid in Honduras," *New York Times*, July 2, 2017.

[92] 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.justice.gov/reports/2017/o1702.pdf.

Human Rights Concerns

In recent years, human rights organizations have alleged a wide range of abuses by Honduran security forces acting in their official capacities or on behalf of private interests or criminal organizations. In perhaps the most high-profile case, Berta Cáceres, an indigenous and environmental activist, was killed in March 2016, apparently as a result of her efforts to prevent the construction of a hydroelectric project. Seven men were convicted for their roles in the murder in November 2018, including a retired Honduran army lieutenant and an active-duty army major.[93] Honduran authorities have also arrested the general manager of the firm responsible for the hydroelectric project, but Cáceres's family and other human rights advocates maintain that those who ordered and financed the murder remain at large.[94]

Numerous similar attacks have been carried out against journalists and other human rights defenders, including leaders of Afro-descendent, indigenous, land rights, LGBT (lesbian, gay, bisexual, and transgender), and workers' organizations. The extent to which Honduran security forces have been involved is unclear, since "the vast majority of murders and attacks targeting rights defenders go unpunished; if investigations are launched at all, they are inconclusive."[95]

The Honduran government has often attributed attacks against journalists, human rights defenders, and political and social activists to the country's high level of generalized violence and downplayed the possibility that the attacks may be related to the victims' work. Such attacks have persisted, however, even as annual homicides have fallen 48% from a peak of 7,172 in 2012 to 3,726 in 2017.[96] According to the Honduran government's national commissioner for human rights, 33 journalists and social communicators were killed from 2014 to 2018, while 37 were killed from 2009 to 2013.[97] Similarly, a coalition of domestic election observers documented 62 political killings during the 2017 electoral process, up from 48 in 2013.[98]

Human rights advocates have also criticized the Honduran government's "practice of criminalizing journalists' professional activities and the activities of rights defenders."[99] President Hernández and high-ranking members of his administration have repeatedly dismissed protests and sought to justify repressive actions by the Honduran security forces by characterizing

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[93] Elisabeth Malkin, "Seven Convicted in Killing of Prominent Honduran Environmentalist," *New York Times*, November 29, 2018.

[94] Consejo Cívico de Organizaciones Populares e Indígenas de Honduras (COPINH), "Statement by Berta's Family, COPINH, Gustavo Castro and the Legal Teams Regarding the Conviction of Sergio Rodríguez, Mariano Díaz, Douglas Bustillo, Elvin Heriberto Rápalo, Edilson Duarte, Oscar Haroldo Torres and Emerson Duarte," press release, November 29, 2018; and U.N. Office of the High Commissioner for Human Rights, "Honduras: Masterminds of Berta Cáceres Killing Still at Large, Say UN Experts," press release, December 7, 2018.

[95] U.N. Human Rights Council, *Visit to Honduras: Report of the Special Rapporteur on the Situation of Human Rights Defenders*, January 11, 2019, p. 8, at https://undocs.org/A/HRC/40/60/Add.2 (hereinafter: U.N. Human Rights Council, January 11, 2019).

[96] Universidad Nacional Autónoma de Honduras, Instituto Universitario en Democracia, Paz y Seguridad, Observatorio de la Violencia, *Boletín Nacional (Enero–Diciembre 2017)*, No. 48, March 2018; and "Muertos por Homicidio; Enero a Diciembre 2018, Datos Preliminares," 2019.

[97] Comisionado Nacional de los Derechos Humanos (CONADEH), "Día Internacional de la Libertad de Prensa Persiste la Impunidad en la Muerte Violenta de 69 Personas Ligadas a Medios de Comunicación," press release, May 2, 2018; and "Víctima 77 Desde el 2001: CONADEH Repudia Muerte de Comunicador Social en Nacaome," press release, March 18, 2019.

[98] Coalición de Observación Electoral No Partidaria (ON-26), *Informe Final sobre la Observación del Proceso Electoral 2017*, March 2018.

[99] U.N. Human Rights Council, January 11, 2019, p. 10.

members of the political opposition and social movements as criminals, drug traffickers, and gang members.[100] The Honduran government has also brought criminal charges, such as defamation and unlawful occupation of a premises, against journalists and human rights defenders "as a deterrent that is intended to stop people from investigating abuses, irregularities or human rights violations."[101]

U.S. Initiatives

Human rights promotion has long been an objective of U.S. policy in Honduras, though some analysts argue that it has been subordinated to other U.S. interests, such as maintaining bilateral security cooperation. The U.S. Strategy for Engagement in Central America has 13 sub-objectives, one of which is ensuring that Central American governments uphold democratic values and practices, including respect for human rights. The Trump Administration, like the Obama Administration before it, has generally refrained from publically criticizing the Honduran government over human rights abuses but has sought to support Honduran efforts to improve the situation. For example, the U.S. and Honduran governments maintain a high-level bilateral human rights working group, which has met six times since it was launched in 2012. The most recent meeting, held in April 2018, focused on efforts to strengthen the Honduran government's human rights institutions, improve cooperation with international partners and civil society, foster citizen security, combat corruption and impunity, and address migration issues.[102]

The U.S. government has also allocated foreign assistance to promote human rights in Honduras, including about $9 million in FY2017 (the most recent year for which data is available).[103] For example, USAID is working with Honduran government institutions and human rights organizations on the implementation of a 2015 law that created a protection mechanism for journalists, human rights defenders, and justice sector officials. Among other activities, U.S. assistance is supporting efforts to develop early warning systems, conduct risk analyses, and improve the processes for providing protective measures.[104] As of November 2018, the protection mechanism was implementing protection measures for 124 human rights defenders, 31 journalists, 24 media workers, and 20 justice sector officials.[105] The protective measures include self-protection trainings, psychosocial support, technological and infrastructure measures, police escorts, and temporary relocations and evacuations. Many human rights defenders do not trust the protection mechanism, however, due to its heavy reliance on the country's security forces, which continue to be viewed as the main perpetrators of human rights violations in Honduras.[106]

The U.S. government also supports efforts to strengthen the rule-of-law and reduce impunity in Honduras. USAID is providing assistance to the Honduran government and civil society organizations to support the development of more effective, transparent, and accountable judicial

[100] See for example, "Presidente Acusa a Oposición de Aliarse a Pandillas en Elección Hondureña," Agence France Presse, February 12, 2018; and "Sicarios, Pandillas, Actores del Crimen y Narcotráfico Detrás de Tomas en el Norte: Pacheco," *Proceso Digital* (Honduras), December 20, 2017.

[101] U.N. Human Rights Council, January 11, 2019, p. 10.

[102] Embassy of the United States in Honduras, "Grupo Bilateral de Trabajo Estados Unidos-Honduras sobre Derechos Humanos," press release, May 1, 2018.

[103] USAID, "Foreign Aid Explorer: The Official Record of U.S. Foreign Aid," accessed in May 2019.

[104] USAID, "Country Narrative: Honduras," CN #97, April 10, 2018.

[105] U.N. Human Rights Council, *Situation of Human Rights in Honduras: Report of the United Nations High Commissioner for Human Rights on the Situation of Human Rights in Honduras*, January 28, 2019, at https://undocs.org/en/A/HRC/40/3/Add.2.

[106] U.N. Human Rights Council, January 11, 2019, p. 16.

institutions, with a particular focus on guaranteeing equal access to justice for women, youth, LGBT individuals, and other victims of human rights abuses.[107] INL also supports a variety rule-of-law initiatives, including a Violent Crimes Task Force that investigates attacks against journalists and activists. The task force, which includes vetted members of the Honduran national police, the public prosecutor's office, and U.S. advisers, reportedly arrested at least 42 people and obtained at least six convictions in 2018.[108]

Human Rights Restrictions on Foreign Assistance

The U.S. government has placed restrictions on some foreign assistance due to human rights concerns. 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 the Department of Defense to vet foreign security forces and prohibit funding for any military or other security unit if there is credible evidence that it has committed "a gross violation of human rights."[109] In other cases, the U.S. government has chosen not to work with certain Honduran security forces as a matter of policy. For example, the United States has never provided assistance to the military police force, Some members of the Honduran military who have received U.S. training, however, have subsequently been assigned to the military police.[110]

Congress has placed additional restrictions on U.S. security assistance to Honduras over the past eight years. From FY2012 to FY2015, annual foreign aid appropriations measures required the State Department to withhold between 20% and 35% of aid for Honduran security forces until the Secretary of State could certify that certain human rights conditions were met. Since FY2016, annual appropriations measures have required the State Department to withhold 50% of aid for the central government of Honduras until the Secretary of State can certify that the Honduran government is addressing a variety of congressional concerns, including

- investigating and prosecuting in the civilian justice system government personnel who are credibly alleged to have violated human rights;
- cooperating with commissions against corruption and impunity and with regional human rights entities; and
- protecting the right of political opposition parties and other members of civil society to operate without interference.[111]

The State Department certified that Honduras met the conditions necessary to release assistance every year from FY2012 through FY2017. It has yet to issue certifications for FY2018 or FY2019.

The 116th Congress could consider legislative initiatives to place additional human rights restrictions on assistance to Honduras. The Berta Cáceres Human Rights in Honduras Act, H.R. 1945 (H. Johnson), would suspend all U.S. security assistance to Honduras and direct U.S. representatives at multilateral development banks to oppose all loans for Honduran security forces until the State Department certifies that Honduras has effectively investigated and

[107] USAID, "Country Narrative: Honduras," CN #97, April 10, 2018.

[108] U.S. Department of State, March 2019, p. 11.

[109] For more information on these human rights vetting requirements, see CRS In Focus IF10575, *Human Rights Issues: Security Forces Vetting ("Leahy Laws")*.

[110] U.S. Department of Defense, *Congressional Report on Citizen Security Responsibilities in the Northern Triangle of Central America*, July 2017.

[111] Sec. 7045(a)(1) of P.L. 116-6.

prosecuted a series of human rights abuses, including the killing of Berta Cáceres, and satisfied several other 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, 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 (P.L. 106-200) 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 2006. CAFTA-DR has eliminated tariffs on all consumer and industrial goods and is scheduled to phase out tariffs on nearly all agricultural products by 2020.[112] Although U.S. Trade Representative Robert Lighthizer has asserted that CAFTA-DR and other trade arrangements throughout Latin America "need to be modernized," the Trump Administration has not yet sought to renegotiate the agreement.[113]

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 47% since 2005; U.S. exports to Honduras have grown by 72%, and U.S. imports from Honduras have grown by 25% (see **Figure 4** below). 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 $10.3 billion in 2018: $5.6 billion in U.S. exports to Honduras and $4.7 billion in U.S. imports from Honduras. Top U.S. exports to Honduras included textile and apparel inputs (such as yarns and fabrics), refined oil products, machinery, and cereals. Top U.S. imports from Honduras included apparel, insulated wire, bananas and other fruit, and coffee. The United States was Honduras's largest trading partner.[114]

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 $1.4 billion in 2017, an increase of 71% since 2005. More than 75% is invested in the manufacturing sector.[115] According to the State Department, approximately 200 U.S. companies operate in

[112] For more information on CAFTA-DR, see CRS In Focus IF10394, *Dominican Republic-Central America-United States Free Trade Agreement (CAFTA-DR)*.

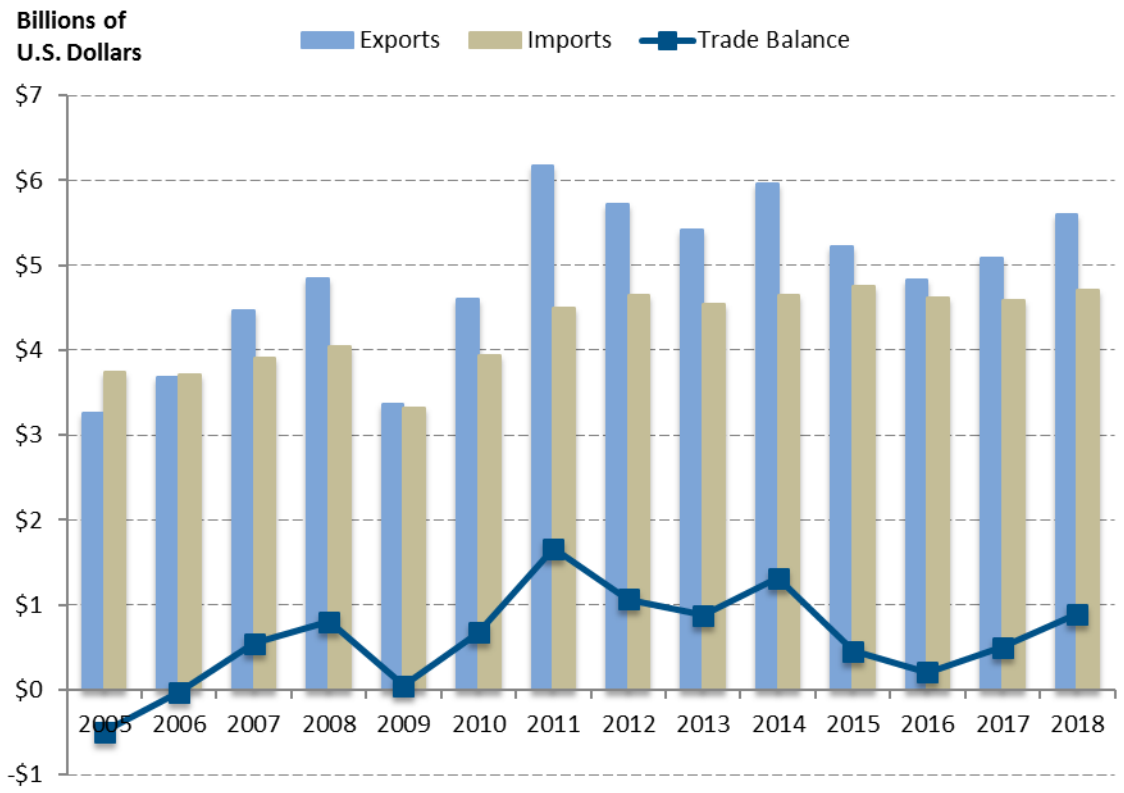
[113] Isabelle Hoagland, "Lighthizer Says a Slew of Latin American Free Trade Deals Must be 'Modernized' after NAFTA," *Inside U.S. Trade*, October 3, 2017.

[114] U.S. Department of Commerce and INE data, as presented by *Global Trade Atlas*, accessed April 2019.

[115] U.S. Bureau of Economic Analysis, "Balance of Payments and Direct Investment Position Data," accessed May 2019.

Honduras. While relatively low labor costs, proximity to the U.S. market, and the large Caribbean port of Puerto Cortés make Honduras attractive to investors, the country's investment climate is reportedly hampered by high levels of crime, weak institutions, corruption, low educational levels, and poor infrastructure.[116]

Figure 4. U.S. Trade with Honduras: 2005-2018



Source: CRS presentation of U.S. Department of Commerce data obtained through *Global Trade Atlas*, accessed April 2019.

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 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

[116] U.S. Department of State, Bureau of Economic and Business Affairs, *2018 Investment Climate Statement–Honduras*, July 19, 2018, at https://www.state.gov/e/eb/rls/othr/ics/2018/wha/281761.htm.

[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.

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 2015 stating that it had found evidence of labor law violations in nearly all of 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 Honduras passed a comprehensive labor inspection law in 2017, enforcement reportedly remains inconsistent and ineffective.[121] Anti-union discrimination also continues to be a "serious problem," according to the U.S. State Department, with some employers harassing and threatening union leaders to undermine union operations.[122] The Network against Anti-Union Violence in Honduras has documented at least 109 incidents of violence against labor activists since 2015, including seven murders and a forced disappearance.[123] USAID is supporting a labor rights program that 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

Honduras has made uneven progress in addressing the country's considerable domestic challenges over the past five years. Public prosecutors have begun to combat high-level corruption with the support of the MACCIH, but their efforts have generated fierce backlash from political leaders and other sectors of the Honduran elite. The country's finances have improved, but living standards for most Hondurans remain poor. The homicide rate has been nearly cut in half, but human rights abuses persist and impunity remains widespread.

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 assess the impact of those efforts since much of the assistance only began to be delivered in 2017. Moreover, these are difficult and long-term endeavors, and significant improvements in living

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[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] U.S. Department of State, March 2019, p. 22.

[122] U.S. Department of State, March 2019, p. 23.

[123] Red Contra la Violencia Antisindical and Solidarity Center, *Informe Libertad Sindical y Democracia, Honduras: Febrero 2017-Febrero 2018*, March 2018; and "Saluda al Pueblo Hondureño en Virtud de Conmemorarse el Día Internacional de la Clase Trabajadora," May 1, 2019.

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

conditions in Honduras will likely require concerted efforts by the Honduran government and the international community over many years. U.S. policy is now uncertain as Congress has continued to appropriate funding to implement the U.S. Strategy for Engagement in Central America, but the Trump Administration has announced its intention to end some foreign assistance programs. In the absence of sustained support and engagement from the United States and other international partners, Honduras is likely to continue struggling with political and social instability, which, given the country's geographic proximity, is likely to affect the United States.

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