



# Honduran-U.S. Relations

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## Summary

On June 28, 2009, the Honduran military detained President Manuel Zelaya and flew him to exile in Costa Rica, ending 27 years of uninterrupted elected civilian democratic rule. The move was backed by the Honduran Supreme Court and National Congress, which selected Roberto Micheletti, the head of Congress, to fulfill the rest of Zelaya's term. Zelaya's removal was brought on by the ousted president's insistence in pushing ahead with a referendum that was ruled illegal and eventually could have led to changes to the Honduran constitution. The United States and international community have universally condemned the events in Honduras and called for a restoration of Zelaya and the rule of law. Those involved in the ouster and some sectors of Honduran society have rejected the international response, and maintain that Zelaya's removal was an internal matter that was necessary to protect the country's constitution.

The political instability brought about by the removal of President Zelaya has created yet another challenge for Honduras, one of the hemisphere's poorest countries. In addition to significant challenges in the areas of crime, human rights, and improving overall economic and living conditions, the country faces a poverty rate of nearly 70%, high infant mortality, and a significant HIV/AIDS epidemic.

While traditional agricultural exports of coffee and bananas are still important for the economy, nontraditional sectors, especially the maquiladora, or export-processing industry, have grown significantly over the past decade. The economy, which grew 6.3% in 2007 and 4% in 2008, has benefitted from significant debt reduction by the international financial institutions that have freed government resources to finance poverty-reduction programs. The U.S. recession and global financial crisis, however, are expected to slow Honduran economic growth sharply in 2009.

The United States has a close relationship with Honduras, characterized by an important trade partnership, a U.S. military presence in the country, and cooperation on a range of transnational issues. In addition to being a party to the Dominican Republic-Central America Free Trade Agreement (DR-CAFTA), Honduras has cooperated extensively with the United States on counternarcotics and port security. Some 78,000 Hondurans living in the United States have been provided temporary protected status (TPS) since the country was devastated by Hurricane Mitch in 1998. The United States also provides significant foreign assistance to Honduras, amounting to \$40.5 million in FY2008 and an estimated \$43 million in FY2009.

Several resolutions have been introduced in the 111<sup>th</sup> Congress regarding the political crisis in Honduras. On July 8, 2009, H.Res. 619 (Mack) and H.Res. 620 (Serrano) were introduced in the House. H.Res. 619 expresses strong support for the people of Honduras, condemns President Zelaya for his "unconstitutional and illegal" actions, and calls on all parties to seek a peaceful resolution. H.Res. 620 calls upon the de facto government of Honduras to end its "illegal seizure of power," allow President Zelaya to return to office, and work within the rule of law to resolve the situation, and condemns violence against peaceful demonstrators. On July 10, H.Res. 630 (Delahunt) was introduced in the House. The resolution condemns the "coup d'etat" in Honduras and refuses to recognize the de facto Micheletti government; calls for the reinstatement of President Zelaya; urges the Obama Administration to suspend non-humanitarian assistance to Honduras; calls for international observation of the November 2009 elections; and welcomes the mediation efforts of Costa Rican President Oscar Arias.

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## Recent Developments

For background and information on the ongoing political crisis in Honduras, see “2009 Political Crisis.” For information on the U.S. response, see “U.S. Response to Honduran Political Crisis.”

On July 28, 2009, the U.S. Department of State announced that it had revoked the diplomatic visas of four members of the de facto regime in Honduras and is reviewing the visas of other de facto authorities.

On July 24, 2009, exiled President Manuel Zelaya briefly crossed the Nicaraguan border, entering Honduras for the first time since his June 28 removal.

On July 22, 2009, Costa Rican President Oscar Arias offered a 12-point plan to resolve the Honduran political crisis that modified his previously rejected proposal. While the de facto regime’s negotiation team said it would take the proposal back to the independent branches of government in Honduras to consider, some de facto authorities have already rejected the plan and Zelaya declared the negotiation process a failure.

On July 20, 2009, the European Union suspended some 65.5 million euros (\$93 million) in budget aid to Honduras.

On July 18, 2009, Costa Rican President Oscar Arias proposed a seven-point plan to end the political conflict in Honduras. While the plan was agreed to in principle by Zelaya’s representatives, it was rejected by the de facto authorities in Honduras.

On July 15, 2009, de facto President Micheletti reinstated the curfew that he had lifted days before.

On July 12, 2009, the de facto government of Honduras lifted the curfew it had put in place following President Zelaya’s removal.

On July 9, 2009, President Zelaya and de facto President Micheletti met separately with President Arias in Costa Rica to discuss a solution to the situation in Honduras. Zelaya and Micheletti never spoke face to face, and left the country after the meetings, designating representatives to continue negotiations.

On July 7, 2009, Zelaya met with U.S. Secretary of State Hillary Clinton in Washington, DC. Following their meeting, Secretary Clinton announced that Zelaya and Micheletti had agreed to engage in negotiations mediated by Costa Rican President Oscar Arias.

On July 5, 2009, Zelaya attempted to return to Honduras but the de facto government prevented his plane from landing.

On July 4, 2009, the Organization of American States (OAS) suspended Honduras for failing to return Zelaya to power within three days, as directed by a previous OAS resolution.

On July 2, 2009, the U.S. State Department announced it would pause foreign assistance programs to Honduras that it would be legally required to terminate should it declare the events in Honduras a “military coup.”

On July 1, 2009, the Organization of American States adopted a resolution that would suspend Honduras' membership in the organization if the de facto government failed to restore President Zelaya to power within three days. On the same day, the United Nations General Assembly adopted a resolution condemning Zelaya's ouster and calling for his immediate return, U.S. Southern Command ordered U.S. troops to minimize contact with the Honduran military, and the Honduran National Congress suspended a number of constitutional rights—such as the freedom of association and the freedom of movement—during curfew hours.

On June 28, 2009, just hours before the polls were to open for the referendum, the Honduran military arrested President Zelaya, flew him to Costa Rica, and seized all referendum materials. The Honduran Supreme Court then indicated that the military had acted on its orders, and the National Congress passed a decree removing Zelaya from office and replacing him with the President of Congress, Roberto Micheletti. The United States and governments around the world condemned the action and called for President Zelaya's reinstatement.

On June 26, 2009, the Organization of American States adopted a resolution offering support for the preservation of democratic institutions and the rule of law in Honduras, and calling on all social and political actors to maintain social peace and prevent the rupture of the constitutional order.

On June 25, 2009, the Honduran Supreme Court ruled that the Chairman of the Joint Chiefs of Staff and the Defense Minister should remain in their positions despite Zelaya's request for their resignations. On the same day, the Honduran National Congress began debate on whether to censure Zelaya for pushing ahead with his proposed referendum.

On June 24, 2009, President Zelaya asked for the resignations of the Chairman of the Joint Chiefs of Staff and the Defense Minister after they refused to provide logistical support for the proposed referendum.

On June 23, 2009, the Honduran Congress passed a plebiscite and referendum law that prevents referendums from occurring within 180 days of a general election.

On June 19, 2009, the Honduran Supreme Court ordered the Honduran security forces not to provide any support for the proposed referendum.

On June 16, 2009, a Honduran Appeals Court upheld the lower court ruling that declared President Zelaya's proposed referendum illegal.

On May 29, 2009, President Zelaya ordered the Honduran military and police to provide logistical support for the proposed referendum.

On May 27, 2009, a Honduran lower court judge declared President Zelaya's proposed referendum illegal.

On May 21, 2009, the Attorney General of Honduras recommended that the judiciary declare President Zelaya's proposed referendum illegal.

On March 24, 2009, President Zelaya issued a decree calling for a non-binding popular referendum on whether to include a fourth ballot box during the November 2009 general elections. The fourth ballot would consult Hondurans about whether the country should convoke a national constituent assembly to amend the constitution. President Zelaya later set June 28, 2009 as the day of the referendum.

On March 14, 2009, Honduras announced an economic stimulus plan totaling \$250 million (1.7% of GDP). The plan includes a new credit line for the private sector, funds for social services, and increased and accelerated spending on public infrastructure projects.

On March 11, 2009, President Obama signed into law the Omnibus Appropriations Act of 2009 (P.L. 111-8), which provides over \$43 million in bilateral assistance for Honduras. It also provides \$105 million for the Mérida Initiative in Central America to support the region's fight against drug trafficking, gangs, and organized crime (See "U.S. Foreign Assistance").

On January 9, 2009, President Zelaya signed a letter of agreement with the United States concerning the Mérida Initiative.

On December 23, 2008, President Zelaya issued a presidential decree raising the minimum wage by 60% as of January 1, 2009.

On November 30, 2008, Honduras held primary elections to determine the candidates for the November 2009 elections. Porfirio Lobo Sosa, the opposition National Party's 2005 presidential nominee, once again won the support of his party. The Liberal Party's presidential nominee will be former Vice President Elvin Santos (See "November 2009 Elections").

On October 9, 2008, the Honduran Congress ratified the country's membership in the Bolivarian Alternative of the Americas (ALBA), an initiative launched by Venezuelan President Hugo Chávez in 2004 and signed onto by President Zelaya in August 2008. ALBA is a socially oriented trade block that includes cooperation in a range of areas such as health, education, culture, investment, and finance. The agreement follows the Honduran government's January 2008 decision to participate in PetroCaribe, the Venezuelan program that provides oil at preferential discounted rates to Caribbean countries.

On October 1, 2008, the U.S. Secretary of Homeland Security announced that the United States would extend temporary protected status (TPS) by 18 months for more than 70,000 eligible Hondurans in the United States. TPS for Hondurans was scheduled to expire on January 5, 2009. It originally was provided in the aftermath of Hurricane Mitch in 1998, and has now been extended seven times (See "Migration Issues").

On September 19, 2008, President Zelaya accredited the new U.S. Ambassador to Honduras, Hugo Llorens, after a one week delay that the Honduran President maintained was to show solidarity with Bolivia in its diplomatic spat with the United States. Bolivia had expelled the U.S. Ambassador for allegedly inciting opposition protests.

## Political Situation

Prior to the June 2009 military removal of President Manuel Zelaya, Honduras—a Central American nation with a population of about 7.4 million—had enjoyed 27 years of uninterrupted civilian democratic rule. Zelaya’s forced exile marked the country’s first departure from democratic governance since the military relinquished control of the country in 1982. The military removal of President Zelaya was backed by the Honduran Supreme Court and National Congress, which replaced him with the head of Congress, Roberto Micheletti (For more information, see “2009 Political Crisis”).

## Zelaya Administration

Manuel Zelaya of the Liberal Party won the November 2005 presidential election 49.9% to 46.17%, narrowly defeating his National Party rival Porfirio Lobo Sosa, who had been the head of the Honduran National Congress. The Liberal (PL) and National (PN) parties traditionally have been the country’s two dominant political parties. Both are considered center-right parties, and there appear to be few major ideological differences between the two. During the 2005 campaign, both candidates broadly supported the direction of the country’s market-oriented economic policy, but they emphasized different approaches in dealing with crime perpetrated by youth gangs. Lobo called for tougher action against gangs by reintroducing the death penalty (which was abolished in 1957) and increasing prison sentences for juvenile delinquents, whereas Zelaya opposed the death penalty and emphasized a more comprehensive approach that would include job creation and training. Zelaya also campaigned for more citizen involvement and transparency in government and promised to increase social programs and combat corruption. In the 2005 legislative elections that were held simultaneously with the presidential elections, Zelaya’s Liberal Party won 62 seats in the 128-member Congress, just short of a majority.

While he had emphasized the concept of citizen participation throughout his political career in the PL and was known for his work as the head of the Honduran Social Investment Fund, Zelaya—a wealthy landowner with considerable investments in the timber and cattle industries—was generally regarded as a moderate when he was inaugurated to a four-year term on January 27, 2006.<sup>1</sup> As his term has progressed, however, President Zelaya has advanced increasingly populist policies. These include free school enrollment, an increase in teachers’ pay, a reduction in fuel costs, and a 60% increase in the minimum wage. Zelaya has also sought to closely associate himself with Venezuelan President Hugo Chávez, joining PetroCaribe and the Bolivarian Alternative for the Americas (ALBA) in 2008.<sup>2</sup>

While Zelaya’s populist policies have allowed him to maintain considerable support among certain sectors of Honduran society, they have alienated many within his own party. Likewise, his Administration’s inability to achieve concrete results on a number of issues of importance have significantly weakened his public standing. Most Hondurans have not seen an improvement in their living standards as poverty, unemployment, and inflation have remained high. Violent crime

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

<sup>2</sup> PetroCaribe is a Venezuelan program that provides oil at preferential discounted rates to Caribbean countries. ALBA is a socially oriented trade block that includes cooperation in a range of areas such as health, education, culture, investment, and finance. Other ALBA members include Bolivia, Cuba, Ecuador, Nicaragua, and Venezuela.



has also increased. According to the United Nations Development Program, the country's 2008 murder rate reached 57.9 per 100,000 inhabitants, a 25.2% increase from 2007 and one of the highest rates in the world.<sup>3</sup> Although he has advocated transparency in government, Zelaya has faced several corruption scandals during his term as well. A number of high ranking officials were forced to resign and the transparency law passed by his Administration has been criticized as having too many loopholes.<sup>4</sup> Opinion polls conducted prior to his ouster indicated that Zelaya's approval rating had fallen to about 30%, though he maintained strong support among certain groups, such as rural and public sector labor unions.<sup>5</sup>

## 2009 Political Crisis

### Constitutional Referendum

In March 2009, President Zelaya issued a decree calling on the National Statistics Institute (INE) to hold a popular referendum to determine if the country should include a fourth ballot box<sup>6</sup> during the general elections scheduled to be held on November 29, 2009. The fourth ballot box would consult Hondurans about whether the country should convoke a national constituent assembly to amend the constitution. Zelaya has argued that presidential reelection should be possible and that the constitution—drafted in 1982—must be amended to reflect the “substantial and significant changes” that have taken place in Honduran society in recent years.<sup>7</sup>

The proposal was immediately criticized by a number of officials. The PL President of Congress Roberto Micheletti expressed ardent opposition, the 2009 presidential nominees of both the PL and the PN accused Zelaya of trying to perpetuate himself in power,<sup>8</sup> and the Attorney General's Office accused Zelaya of violating the constitution. The Honduran Supreme Court<sup>9</sup> then issued a ruling declaring Zelaya's proposal unconstitutional for using the INE to supervise the vote when the constitution establishes the Supreme Electoral Tribunal as the sole authority for conducting elections and referenda.<sup>10</sup> Nonetheless, Zelaya pushed forward, setting June 28, 2009 as the date of the referendum, and maintaining that the law of citizen participation approved shortly after he took office allows him to consult the people of Honduras in a non-binding poll. Zelaya also noted that the referendum<sup>11</sup> did not propose specific constitutional changes, and any changes arising from an eventual assembly would take place after he left office. President Zelaya's refusal to

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<sup>3</sup> “Honduras report signals rising violence,” *Latin News Daily*, February 22, 2009.

<sup>4</sup> Thelma Meja, “Corruption: Honduras Grapples with Murky Transparency Law,” *Global Information Network*, February 23, 2007.

<sup>5</sup> Mica Rosenberg, “Protests erupt, gunshots heard after Honduras coup,” *Reuters*, June 28, 2009.

<sup>6</sup> There are generally three ballot boxes: one for the presidential race, another to choose deputies to the National Congress, and a third for municipal elections.

<sup>7</sup> “Constitutional reform or power grab,” *Latin American Weekly Report*, March 26, 2009.

<sup>8</sup> Both candidates have since stated that they are open to the idea of constitutional reform despite their opposition to Zelaya's proposed referendum. “Lobo the front runner in Honduras,” *Latin News Daily*, July 15, 2009.

<sup>9</sup> It should be noted that the Honduran judiciary “is seen as neither effective nor fair” and “in practice, the judicial system is open to political influence.” “Honduras Country Profile,” *Economist Intelligence Unit*, 2008.

<sup>10</sup> Corte Suprema de Justicia, “Comunicado Especial,” available at <http://www.poderjudicial.gob.hn/NR/rdonlyres/87E2BFFC-AF4D-44EA-BFC5-D93730D8D81C/2412/ComunicadoEspecial.pdf>.

<sup>11</sup> The referendum would have asked Hondurans, “Do you agree that in the general elections of 2009, a fourth ballot box should be installed in which the people decide on the convocation of a National Constituent Assembly?” “Llegó el día de verdad,” *El Tiempo* (Honduras) June 28, 2009.

accept the Supreme Court ruling, however, sparked rumors that he was planning an institutional coup that would dissolve Congress and immediately call a constituent assembly.<sup>12</sup>

The political situation in the country deteriorated considerably the week before the referendum was to be held as Honduran society and the country's governmental institutions became increasingly polarized. On June 23, the National Congress created an additional legal obstacle to Zelaya's referendum, passing a law preventing referenda from occurring 180 days before or after general elections. A day later, Zelaya ordered the resignations of Honduran Defense Minister Edmundo Orellana Mercado and Chairman of the Joint Chiefs of Staff Romeo Vasquez Velasquez after they informed him that the Honduran military would not provide logistical support for the referendum since the Supreme Court had ruled it unconstitutional. The removal of Orellana and Vasquez prompted the resignation of 36 other Honduran military commanders, including the heads of the army, navy, and air force.<sup>13</sup> On June 25, the Supreme Court ordered that the Defense Minister and Armed Forces Chief should be restored to their positions, and the National Congress began debate on the possibility of censuring Zelaya. In response, Zelaya declared that the legislature and courts were working with the country's oligarchy to carry out a technical coup.<sup>14</sup>

By the day the referendum was to be held, the proposal had drawn the opposition of the legislature, the judiciary, the Attorney General, the Human Rights Ombudsman, the hierarchy of the Catholic Church, evangelical groups, business associations, and four of the five political parties represented in the National Congress—including Zelaya's own PL. Nearly all of these social and political actors called on the people of Honduras to boycott the referendum. Proponents of the referendum included unions, teachers, peasants, women's groups, groups of ethnic minorities, and the small leftist Democratic Unification party (DU).<sup>15</sup>

## **Detention and Expulsion of Zelaya**

On June 28, 2009, just hours before the polls were to open for the referendum, the Honduran military surrounded the presidential residence, arrested President Zelaya, and flew him to exile in Costa Rica. The military also confiscated all referendum materials from polling places across the country. Soon after, the Honduran Supreme Court issued a statement asserting that the military had acted on a court order to prevent Zelaya from carrying out the referendum.<sup>16</sup> In a special communiqué later released, the Honduran Supreme Court asserted that it had issued a secret warrant on June 25 for President Zelaya's arrest. The arrest warrant was the result of the executive branch's noncompliance with judicial branch rulings that had declared the referendum unconstitutional.<sup>17</sup>

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<sup>12</sup> "Honduras: Fiscalía dice Zelaya no puede llamar a consulta popular," *Associated Press*, March 25, 2009; "Honduras: Zelaya denies coup rumours," *Latin American Weekly Report*, June 11, 2009.

<sup>13</sup> "Consulta ciudadana genera crisis en Honduras," *Agencia Mexicana de Noticias*, June 25, 2009; "Honduras lurches," *Latin News Daily*, June 25, 2009.

<sup>14</sup> "Zelaya claims coup," *Latin News Daily*, June 26, 2009.

<sup>15</sup> "Llegó el día de verdad," *El Tiempo* (Honduras), June 28, 2009; "Partidos políticos advirtieron de crisis," *El Heraldo* (Honduras), June 28, 2009.

<sup>16</sup> Corte Suprema de Justicia, "Comunicado Oficial de la Corte Suprema de Justicia," June 28, 2009.

<sup>17</sup> Corte Suprema de Justicia, "Comunicado Especial," available at <http://www.poderjudicial.gov.hn/NR/rdonlyres/87E2BFFC-AF4D-44EA-BFC5-D93730D8D81C/2412/ComunicadoEspecial.pdf>.

Following Zelaya's removal, the Honduran National Congress accepted a letter of resignation allegedly signed by the exiled president.<sup>18</sup> The Congress then passed<sup>19</sup> a decree that disapproved of Zelaya's conduct for "repeated violations against the Constitution and laws of the Republic and nonobservance of the resolutions and rulings of the judicial organs," removed Zelaya from office, and named Roberto Micheletti—the Head of Congress and the next in line constitutionally—the president of Honduras for the remainder of Zelaya's term, which ends on January 27, 2010.<sup>20</sup>

Meanwhile, Zelaya held a press conference in Costa Rica, denouncing his ouster as a coup d'état. He declared the alleged letter of resignation to be fraudulent and announced his intention to remain in office. Zelaya also directed his supporters to carry out peaceful protests and called on the international community to refuse to recognize the new government.<sup>21</sup>

## De Facto Regime

Roberto Micheletti maintains that he is the legitimate president of Honduras, and that Zelaya's removal was not a military coup. Indeed, Micheletti refers to the ouster as a "constitutional substitution," despite the acknowledgement of the Honduran army's top lawyer that the military likely broke the law by forcibly sending Zelaya into exile. Those involved in the removal maintain that their methods were necessary to avoid chaos and bloodshed.<sup>22</sup> Micheletti has named a new cabinet, announced a preliminary plan of governance, and assured the public that general elections will be held in November 2009, as previously planned.<sup>23</sup> The de facto president has also received strong support from some sectors of Honduran society, with thousands of people marching in support of Zelaya's removal.<sup>24</sup> A poll taken in the days after the ouster found that 46% of Hondurans opposed the military removal of Zelaya while 41% thought it was justified.<sup>25</sup>

Despite Micheletti's declarations that the country continues to function democratically, Honduran society generally has been under strict control since Zelaya's removal. Following the ouster, a curfew was put in place, security forces have patrolled the streets, and a number of local and international television and radio stations have been shut down or intimidated.<sup>26</sup> Additionally, members of Zelaya's Administration, some members of the press, and at least one Congressional deputy have been detained or forced to go into hiding.<sup>27</sup> Crowds of thousands of protesters have

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<sup>18</sup> "Diputados hondureños aceptan una supuesta renuncia del presidente Zelaya," *El Tiempo* (Honduras), June 28, 2009.

<sup>19</sup> 122 of the 128 members of the National Congress reportedly voted for the resolution, with an independent and the five deputies of the DU not present for the vote. Some members of the Liberal Party maintain they were not present for the vote either and that the reported vote count is inaccurate. "Zelaya planificaba disolver el Congreso," *El Heraldo* (Honduras), June 28, 2009; "Aparecen más diputados declarando que hubo golpe," *El Tiempo* (Honduras), July 3, 2009.

<sup>20</sup> "El decreto de la separación de Zelaya," *El Heraldo* (Honduras), June 28, 2009.

<sup>21</sup> "Zelaya ofrece conferencia en Costa Rica," *La Prensa* (Honduras), June 28, 2009.

<sup>22</sup> "Honduran interim gov't battles international isolation," *EFE News Service*, June 30, 2009; Frances Robles, "Top Honduran military lawyer: We broke the law," *Miami Herald*, July 3, 2009.

<sup>23</sup> "Micheletti: promete combatir el hambre y la inseguridad," *La Prensa* (Honduras), June 29, 2009.

<sup>24</sup> "Rechazan manifestantes hondureños injerencia internacional," *Agencia Mexicana de Noticias*, June 30, 2009.

<sup>25</sup> Diana Logreira & Gesell Tobías, "41-46: Honduras un país dividido," *Voice of America*, July 9, 2009.

<sup>26</sup> "Honduras: Decretan toque de queda por 48 horas," *La Prensa* (Honduras), June 28, 2009; "Honduras: Media Blackout, Protests Reported," *Stratfor*, June 29, 2009.

<sup>27</sup> "Al menos ocho ministros están detenidos," *La Prensa* (Honduras), June 28, 2009; "En la clandestinidad ministros de Zelaya," *El Tiempo* (Honduras), June 30, 2009; "Denuncian violaciones a la libertad de expresión," *El Tiempo* (Honduras), June 30, 2009.

been dispersed—sometimes violently,<sup>28</sup> and on July 1, the Honduran National Congress approved a decree suspending a number of constitutional rights. The decree allows security forces to enter private homes without a warrant, allows the detention of persons for 24 hours without charges, and suspends the rights of free association and free movement during curfew hours.<sup>29</sup> While the curfew was lifted on July 12, it was reinstated on July 15, and remains in place in some parts of the country. Likewise, there continue to be reports of media censorship and political repression.<sup>30</sup>

## International Pressure

The international community reacted quickly and forcefully to the events in Honduras. The United States,<sup>31</sup> European Union, and United Nations condemned the actions and called for Zelaya's immediate return, as did every regional grouping in the hemisphere from the System of Central American Integration (SICA) to the Caribbean Community (CARICOM) to the Union of South American Nations (UNASUR). Countries throughout Latin America and Europe have withdrawn their ambassadors, further diplomatically isolating the de facto regime, which has yet to be recognized by a single country. Economic pressure has also been placed on Honduras, which has already suffered considerably as a result of the global financial crisis and U.S. recession. Some Central American countries imposed a 48-hour commercial blockade, the World Bank and the Inter-American Development Bank are withholding some \$470 million in loans and other transfers, and Venezuela—which provided 50% of Honduras' petroleum imports in 2008—has stopped supplying the country with oil.<sup>32</sup>

The democratic nations of the Western Hemisphere have also exerted significant pressure on the de facto regime through the Organization of American States (OAS). On the day of Zelaya's removal, the OAS held an emergency meeting and issued a resolution that vehemently condemned the "coup d'état;" demanded the immediate, safe and unconditional return of Zelaya to the presidency; declared that no government arising from the coup will be recognized; and condemned all acts of violence.<sup>33</sup> On July 1, the OAS adopted another resolution that threatened to suspend Honduras from the organization if the de facto authorities of the country failed to allow Zelaya to return to power within three days.<sup>34</sup> On July 4, the OAS unanimously voted to suspend Honduras for failing to comply with its previous resolution.<sup>35</sup> This is the first time the OAS has suspended a country since Cuba was suspended in 1962.

<sup>28</sup> Five demonstrators have reportedly been killed by Honduran security forces. "Honduras: autoridades admiten que militar mató a una persona en la frontera," *Agence France Presse*, August 4, 2009.

<sup>29</sup> "Honduras suspende derechos constitucionales durante toque queda," *Reuters*, July 1, 2009.

<sup>30</sup> Juan Zamorano, "Honduran interim government reinstates curfew," *Miami Herald*, July 16, 2009; "Informe Preliminar: Violaciones a Derechos Humanos en el Marco del Golpe de Estado en Honduras," *Comité de Familiares de Detenidos Desaparecidos en Honduras (CONFADEH)*, July 15, 2009; "Reporte de Violaciones a Derechos Humanos Después del Golpe de Estado Político-Militar del 28 de Junio de 2009," *Centro de Investigacion y Promocion de los Derechos Humanos (CIPRODEH)*, July 17, 2009.

<sup>31</sup> For more on the U.S. response, see "U.S. Response to Honduran Political Crisis."

<sup>32</sup> Nestor Ikeda, "Conservadores critican a Obama por apoyar a Zelaya," *Associated Press*, July 1, 2009; "Venezuela halts oil deliveries to Honduras," *EFE News Service*, July 8, 2009; "Negociación solo es para que Zelaya enfrente la justicia," *El Herald*, July 7, 2009.

<sup>33</sup> Organization of American States, "OAS Permanent Council Condemns Coup D'état in Honduras, Calls Meeting of Ministers and Entrusts Secretary General With Carrying Out Consultations," June 28, 2009.

<sup>34</sup> Nestor Ikeda, "OEA da a Micheletti 3 días para dar paso a Zelaya," *Associated Press*, July 1, 2009.

<sup>35</sup> Lesley Clark & Laura Figueroa, "OAS suspends Honduras over president's ouster," *Miami Herald*, July 5, 2009.

## Current Situation

Since the ouster, Zelaya has sought to rally the international community to his cause and leverage its support to return to the Honduran presidency. He has flown around the region, meeting with a number of leaders and speaking at both the OAS and U.N. Zelaya has also continued to send messages to his supporters within Honduras, calling on them to demonstrate against the de facto regime and warning that those involved in his removal will pay for their “treason.”<sup>36</sup> Zelaya attempted to return to Honduras on July 5, but his plane was prevented from landing by the de facto authorities. Zelaya briefly crossed into Honduras from Nicaragua to address his supporters on July 24 and again on July 25, but quickly retreated across the border each time.

Micheletti has remained defiant in the face of international pressure, frequently invoking a nationalist discourse to rally his supporters in Honduras. He has declared that Zelaya “will never return to power,” and if the exiled president returns to Honduras, “he will be detained.”<sup>37</sup> Officials in the de facto regime also maintain that their government can withstand economic sanctions until the November 2009 elections.<sup>38</sup>

Despite their rhetoric, Zelaya and Micheletti agreed to participate in talks mediated by Costa Rican President Oscar Arias, who won a Nobel Peace Prize in 1987 for his efforts to end conflicts in Central America during his first administration. The first meeting was held on July 9 in Costa Rica. Both leaders spoke with President Arias individually, however, and then left the country after designating groups of negotiators to continue on their behalves.

Additional talks were held on July 18 and 19, during which Costa Rican President Oscar Arias proposed a seven-point plan to end the political conflict in Honduras. The agreement called for President Zelaya’s reinstatement, the creation of a national unity government representing all the leading political parties, a general amnesty for all political crimes committed before and after Zelaya’s removal, an agreement by Zelaya not to pursue constitutional reform, early elections to be held the last Sunday in October, the transfer of control of the armed forces from the executive branch to the Supreme Electoral Tribunal one month prior to the elections, and the creation of a verification commission composed of notable Hondurans and representatives of international organizations—such as the OAS—to guarantee compliance with the agreement.<sup>39</sup> Although the agreement was accepted in principle by Zelaya’s representatives, the de facto government of Honduras objected to several of its provisions, including the reinstatement of the exiled president.

Following Micheletti’s rejection of the proposal, President Arias asked for three additional days to negotiate a solution. On July 22, he offered a 12-point plan that slightly altered his initial proposal. It added several provisions, including an acceptance of the de facto government’s budget for 2009, an immediate end to international sanctions, and a timetable for implementing the agreement.<sup>40</sup> Arias asserted that he will not offer any other proposals.<sup>41</sup> Although Zelaya initially declared the negotiation process a failure, he has since signaled that he would accept the

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<sup>36</sup> “Zelaya advierte que Micheletti pagará por su ‘traición’ en Honduras,” *El Tiempo* (Honduras), July 8, 2009.

<sup>37</sup> “No podemos negociar nada con la OEA: Roberto Micheletti,” *La Prensa* (Honduras), July 1, 2009.

<sup>38</sup> William Booth, “Honduran Leadership Stands Defiant,” *Washington Post*, July 3, 2009.

<sup>39</sup> Presidente de la República de Costa Rica, “Es Posible Alcanzar La Reconciliación,” July 18, 2009.

<sup>40</sup> Juan Pablo Carranza, “Arias presentó el ‘Acuerdo de San José’ para buscar reconciliación en Honduras,” *La Nación* (Costa Rica), July 22, 2009.

<sup>41</sup> “Cumplió Costa Rica su labor en crisis hondureña: La República,” *Agencia Mexicana de Noticias*, July 23, 2009.



Arias proposal.<sup>42</sup> The de facto government's negotiators said they would take the proposal back to the independent branches of the government to consider. While the Honduran military and Congress have each indicated that they are open to the agreement, de facto President Micheletti remains opposed to Zelaya's return.<sup>43</sup> Nonetheless, the international community continues to push both parties to accept the Arias proposal.

## November 2009 Elections

General elections are scheduled to be held in Honduras on November 29, 2009. The elections are likely to go forward regardless of whether Zelaya is returned to power, as both Zelaya and Micheletti have asserted that they only intend to serve until the winner of the presidential election is inaugurated in January 2010.<sup>44</sup> The OAS and a number of countries, however, have suggested that elections held under a Micheletti government would be considered illegitimate.<sup>45</sup>

Primary elections to select the parties' nominees for all offices were held in November 2008. Although the vote was deemed free and fair, four politicians—three members of the PL and one member of the PN—were killed by masked gunmen in the weeks before the elections. It is unclear whether the murders were political, drug-related (one politician was a member of the congressional committee on security and narco-trafficking), or random acts of violence.<sup>46</sup> 2005 candidate Porfirio Lobo Sosa won 81% of the PN presidential primary vote to once again claim his party's nomination. Former Vice President Elvin Santos is the PL presidential nominee.

In August 2008, the Supreme Electoral Tribunal (TSE) had ruled that Santos was constitutionally ineligible for the presidency because he had served as president during Zelaya's absences from the country and the constitution prohibits presidential reelection. Nonetheless, Santos continued to campaign and registered his lawyer, Mauricio Villeda, as a stand-in candidate. Villeda then surprisingly defeated Zelaya's favored candidate, head of Congress Roberto Micheletti,<sup>47</sup> 52%-32% in the PL primary.<sup>48</sup> Following Santos' resignation as Vice President and congressional approval of a decree that stated a vice president could only be barred from running for president if he or she had served as president within the last 6 months of his or her mandate, the PL registered Santos as its official presidential candidate. Although Micheletti originally refused to recognize Santos as the party nominee, he relented after Santos offered him the presidency of the PL leadership committee. Santos represents a conservative faction of the Liberal Party.<sup>49</sup>

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<sup>42</sup> "Zelaya reafirma apoyo a Plan Arias para ser restituido como presidente," *Agence France Presse*, August 4, 2009.

<sup>43</sup> Fuerzas Armadas de Honduras, Dirección de Relaciones Públicas, "Comunicado No. 7" July 24, 2009; "CN acepta discutir amnistía de plan Arias," *El Herald* (Honduras), August 3, 2009; "Honduras: De Facto Leader Rejects Part of a Deal," *New York Times*, August 1, 2009.

<sup>44</sup> William Booth, "Two Hondurans Headed for Clash; Rival Vows to Arrest Zelaya on His Return," *Washington Post Foreign Service*, July 1, 2009.

<sup>45</sup> "OEA no reconocería a gobierno que surja de elecciones Honduras," *Reuters*, July 23, 2009; "España no avalaría elecciones," *El Tiempo* (Honduras), August 3, 2009.

<sup>46</sup> "Honduras: Primaries turn bloody," *Latin News Weekly Report*, November 27, 2008.

<sup>47</sup> Although Zelaya and Micheletti were political rivals even prior to Zelaya's removal from office, Zelaya agreed to back Micheletti in the PL primary in exchange for Micheletti's support in passing legislation in the National Congress.

<sup>48</sup> "Divisive primaries split ruling PL," *Latin American Caribbean & Central America Report*, December 2008.

<sup>49</sup> "Honduras' Vice President Regains the Right to Run; Elvin Santos is Partido Liberal Presidential Candidate," *Latin America Data Base NotiCen*, March 5, 2009.

## Economic and Social Conditions

With a per capita income of \$1,600 (2007), Honduras is classified by the World Bank as a lower middle income developing economy.<sup>50</sup> Traditional agricultural exports of coffee and bananas are still important for the Honduran economy, but nontraditional sectors, such as shrimp farming and the maquiladora, or export-processing industry, have grown significantly over the past decade. Among the country's development challenges are an estimated poverty rate of nearly 70%; an infant mortality rate of 31 per 1,000; and chronic malnutrition for one out of three children under five years of age. Honduras also has a significant HIV/AIDS crisis, with an adult infection rate of 1.5% of the population. The Garifuna community (descendants of freed black slaves and indigenous Caribs from St. Vincent) concentrated in northern coastal areas has been especially hard hit by the epidemic. Despite these challenges, the World Bank maintains that increased public spending on health and education has reaped significant improvements in development indicators over the past decade.<sup>51</sup>

Honduras was devastated by Hurricane Mitch in 1998, which killed more than 5,000 people and caused billions of dollars in damage. The gross domestic product declined by 1.4% in 1999, and the country felt the effects of the storm for several years, with roads and bridges washed out, the agricultural sector hard hit, and scores of orphaned children, many of whom joined criminal gangs. Spurred on by substantial U.S. foreign assistance, however, the economy rebounded by 6% in 2000, and has remained positive ever since. More recently, the economy registered growth rates of 4.1% in 2005, 6.3% in 2006 and 2007, and 4% in 2008.<sup>52</sup>

Honduras has also benefited from several debt-reduction programs in recent years. A three-year poverty reduction and growth facility (PRGF) agreement with the IMF that imposed fiscal and monetary targets on the government to maintain firm macroeconomic discipline and to develop a comprehensive poverty reduction strategy made Honduras eligible for about \$1 billion in debt relief under the IMF and World Bank's Highly Indebted Poor Countries (HIPC) Initiative. The Inter-American Development Bank (IDB) also announced a debt forgiveness program in late 2006 for its poorest members, including Honduras, which benefitted from a reduction of \$1.4 billion in foreign debt, freeing government resources to finance poverty-reduction programs.<sup>53</sup> Nevertheless, Honduras remains one of the most impoverished nations in Latin America.

The global financial crisis and U.S. economic slowdown have taken a toll on the Honduran economy as remittances, foreign investment, and demand for Honduran exports have fallen sharply. Remittances are expected to decline by \$112 million in 2009, a loss of 1% of GDP.<sup>54</sup> Likewise, exports were down 15% in the first quarter of 2009.<sup>55</sup> To confront the economic

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<sup>50</sup> World Bank, World Development Report, 2009.

<sup>51</sup> U.N. Economic Commission for Latin America and the Caribbean, "Social Panorama of Latin America," 2008; World Bank, "Honduras Country Brief," September 2006; World Bank "Fighting Malnutrition in Central America," December 19, 2006; Also see CRS Report RL32713, *Afro-Latinos in Latin America and Considerations for U.S. Policy*, by Clare Ribando Seelke and June S. Beittel.

<sup>52</sup> "Honduras: Country Report," *Economist Intelligence Unit*, September 2008 and January 2009.

<sup>53</sup> "Honduras: Country Report," *Economist Intelligence Unit*, April 2007; Nestor Ikeda, "Inter-American Development Bank Forgives Debt of 5 Nations," *Associated Press*, March 17, 2007.

<sup>54</sup> "Downturn in the US leads to first decline in remittances by migrants," *Latin American Weekly Report*, May 21, 2009.

<sup>55</sup> "Honduras: Trade down, budget problems and elections loom," *Latin American Economy & Business*, May 2009.

downturn, the Honduran government announced a plan to spend \$250 million (1.7% of GDP) in public and private funds to stimulate the economy. Among other provisions, the plan includes a credit line for the private sector, capital for the banking sector, new funds for social services, and increased and accelerated spending on public infrastructure projects.<sup>56</sup> Some analysts maintain that the stimulus plan will need to be cut back given the economic restrictions on the de facto government. The Honduran economy is expected to contract by 4.4% in 2009.<sup>57</sup>

The political crisis in Honduras may exacerbate the effects of the global financial crisis and U.S. recession. In order to apply pressure on the Micheletti government, the international community has imposed a number of economic sanctions. Some Central American countries imposed a 48-hour commercial blockade, the World Bank and the Inter-American Development Bank are withholding some \$470 million in loans and other transfers, and Venezuela—which provided 50% of Honduras’ petroleum imports in 2008—has stopped supplying the country with oil.<sup>58</sup> Additionally, the European Union suspended an estimated \$93 million in budget support to Honduras, and the United States has halted some \$18 million in foreign assistance with the possibility of suspending more if a political agreement is not reached.<sup>59</sup> Some analysts have suggested that the Honduran government is facing a possible economic collapse as a result of these actions, since nearly 20% of the country’s 2009 budget was to be financed by international donations and transfers.<sup>60</sup> Honduras could face additional trade sanctions and a loss of foreign investment if the situation is not resolved. There is also domestic pressure on the Honduran economy as Zelaya’s supporters have vowed to create transportation blockades, strike, and generally disrupt the country until Zelaya is returned to office.<sup>61</sup>

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<sup>56</sup> “Honduras: Country Report,” *Economist Intelligence Unit*, April 2009.

<sup>57</sup> “Honduras: Country Report,” *Economist Intelligence Unit*, July 2009.

<sup>58</sup> Nestor Ikeda, “Conservadores critican a Obama por apoyar a Zelaya,” *Associated Press*, July 1, 2009; “Venezuela halts oil deliveries to Honduras,” *EFE News Service*, July 8, 2009; “Negociación solo es para que Zelaya enfrente la justicia,” *El Heraldo* (Honduras), July 7, 2009.

<sup>59</sup> “Arias to mediate in Honduras stand-off,” *Latin News Daily*, July 8, 2009.

<sup>60</sup> Keny López de Carballo, “Honduras no puede prescindir de créditos,” *La Prensa Grafica* (El Salvador), July 9, 2009.

<sup>61</sup> “Honduras se mantiene movilizado para la democracia,” *Via Campesina*, July 10, 2009.



Figure 1. Map of Honduras



Source: Map Resources. Adapted by CRS Graphics.

## Issues in U.S.-Honduran Relations

The United States has had close relations with Honduras over many years, characterized by significant foreign assistance, an important trade relationship, a U.S. military presence in the country, and cooperation on a range of transnational issues. The bilateral relationship became especially close in the 1980s when Honduras returned to democratic rule and became the lynchpin for U.S. policy in Central America. At that time, the country became a staging area for U.S.-supported excursions into Nicaragua by anti-Sandinista forces known as the contras.

Today, overall U.S. policy goals for Honduras include a strengthened democracy with an effective justice system that protects human rights and promotes the rule of law, and the promotion of sustainable economic growth with a more open economy and improved living conditions. The United States also cooperates with Honduras to deal with such transnational issues such as narcotics trafficking, money laundering, the fight against terrorism, illegal migration, and trafficking in persons, and supports Honduran efforts to protect the environment and combat HIV/AIDS. There are some 800,000 to 1 million Hondurans residing in the United States, who

sent an estimated \$2.8 billion in remittances to Honduras in 2008, roughly a quarter of the country's gross domestic product.<sup>62</sup>

According to some analysts, President Zelaya jeopardized Honduras' traditional close relations with the United States by forging closer relations with Venezuelan President Hugo Chávez and his allies.<sup>63</sup> In addition to joining Venezuela's PetroCaribe and Bolivarian Alternative for the Americas (ALBA), Zelaya delayed the accreditation of U.S. Ambassador to Honduras Hugo Llorens by one week in September 2008 in order to show solidarity with Bolivia in its diplomatic spat with the United States. President Zelaya reportedly took a softer tone in his first official meeting with Ambassador Llorens, however, and described the United States "as an ally and friend." Zelaya also maintains that he has been forced to turn to Venezuela for assistance in addressing high food and energy prices as a result of insufficient U.S. support.<sup>64</sup>

## U.S. Response to Honduran Political Crisis

In the weeks and months leading up to President Zelaya's proposed referendum, the U.S. embassy in Honduras repeatedly made it clear that the referendum was a matter for Hondurans to resolve and that whatever was decided should comply with Honduran law.<sup>65</sup> As the situation deteriorated in the days before the proposed referendum, the United States continued to "urge all sides to seek a consensual democratic resolution" to the political impasse.<sup>66</sup> The exhaustive efforts of U.S. officials, however, were unable to prevent Zelaya's removal and the resulting political crisis.

Following the ouster, President Obama immediately expressed deep concern about the situation and called on all Hondurans to respect democratic norms and resolve the dispute peacefully.<sup>67</sup> The Obama Administration later condemned the events more forcefully, declaring them illegal, and asserting that the United States views Zelaya as the legitimate president of Honduras.<sup>68</sup> The U.S. embassy in Honduras also provided security and refuge for Zelaya's family.<sup>69</sup>

While the United States has largely worked with its partners in the hemisphere through the OAS to address the situation in Honduras, it has also taken a number of bilateral steps in the days since Zelaya's removal. On July 1, U.S. Southern Command announced that it was minimizing cooperation with the Honduran military, with which it has long had close relations.<sup>70</sup> The United States has also suspended some \$18.4 million in U.S. foreign assistance appropriated for Honduras for FY2009.<sup>71</sup> Additionally, U.S. Ambassador to Honduras Hugo Llorens continues to

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<sup>62</sup> U.S. Department of State, "Background Note: Honduras," June 2008; "Latin America: Remittances slide," *Economist Intelligence Unit*, January 26, 2009.

<sup>63</sup> "Honduras: Zelaya Risks ALBA Membership," *Oxford Analytica*, September 16, 2008.

<sup>64</sup> Freddy Cuevas "Honduran Leader: U.S. Apathy Made Him Turn to Chávez," *Associated Press*, September 19, 2008.

<sup>65</sup> "'El presidente Zelaya está equivocado': Micheletti," *La Prensa* (Honduras), March 23, 2009; "'Uno no puede violar la Constitución': Llorens," *La Prensa* (Honduras), June 4, 2009.

<sup>66</sup> "State Department Regular News Briefing," *CQ Newsmaker Transcripts*, June 26, 2009.

<sup>67</sup> White House, Office of the Press Secretary "Statement from President on the situation in Honduras," June 28, 2009.

<sup>68</sup> "Senior Administration Officials Hold State Department Background Briefing via Teleconference on Honduras," *CQ Newsmaker Transcripts*, June 28, 2009.

<sup>69</sup> Hillary Rodham Clinton, Secretary of State, "Remarks at the Top of the Daily Press Briefing," July 7, 2009.

<sup>70</sup> For more information, see "Military Cooperation."

<sup>71</sup> For more information, see "U.S. Foreign Assistance."

work toward a solution within the country, and President Zelaya has met in Washington, DC with Assistant Secretary of State for Western Hemisphere Affairs Thomas Shannon, Director of Western Hemisphere Affairs at the National Security Council Dan Restrepo, and Secretary of State Hillary Clinton.<sup>72</sup> The United States has strongly supported the mediation of Costa Rican President Oscar Arias, advising both Zelaya and the de facto authorities to accept President Arias' proposed agreement. On July 28, the U.S. Department of State announced that it had revoked the diplomatic visas of four members of the de facto regime in Honduras and is reviewing the visas of other de facto authorities. Among those affected are Supreme Court Justice Tomas Arita, President of Congress Jose Alfredo Saavedra, and Human Rights Ombudsman Ramón Custodio López.<sup>73</sup>

## U.S. Foreign Assistance

The United States has provided considerable foreign assistance to Honduras over the past three decades. In the 1980s, the United States provided about \$1.6 billion in economic and military aid as the country struggled amid the region's civil conflicts. In the 1990s, U.S. assistance to Honduras began to wane as regional conflicts subsided and competing foreign assistance needs grew in other parts of the world. Hurricane Mitch changed that trend as the United States provided almost \$300 million in assistance to help the country recover from the 1998 storm. As a result of the new influx of aid, total U.S. assistance to Honduras for the 1990s amounted to around \$1 billion. With Hurricane Mitch funds expended by the end of 2001, U.S. foreign aid levels to Honduras again began to decline.

Recent foreign aid funding to Honduras amounted to about \$49 million in FY2006, almost \$44 million in FY2007, and \$40.5 million in FY2008 (see **Table 1**). For FY2009, an estimated \$43 million in regular foreign aid funding was appropriated. In addition, Honduras could receive a portion of the \$105 million allocated to Central America through the Mérida Initiative to boost the region's narcotics interdiction capabilities and support a regional anti-gang strategy. For FY2010, the Obama Administration requested more than \$68 million in foreign aid for Honduras, including over \$53 million in Development Assistance, \$12 million in Global Health and Child Survival assistance, and \$1.3 million in Foreign Military Financing. U.S. assistance in FY2010 will support a variety of projects designed to enhance security, strengthen democracy, improve education and health systems, conserve the environment, and build trade capacity. In addition to the \$68 million in bilateral assistance requested, Honduras would also likely receive a portion of the \$100 million requested for Central America in FY2010 for the continuation of the Mérida Initiative.

Additional foreign assistance is provided to Honduras through the Peace Corps, which has been active in the country since 1963, and the Millennium Challenge Corporation (MCC), which signed a five-year \$215 million compact for Honduras in June 2005. The MCC compact has two components: a rural development project and a transportation project. The rural development project involves providing Honduran farmers with the skills needed to grow and market horticultural crops. The transportation project will improve a highway linking the Atlantic port of Puerto Cortés to Pacific ports and major production centers in Honduras, El Salvador, and

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<sup>72</sup> Hillary Rodham Clinton, Secretary of State, "Remarks at the Top of the Daily Press Briefing," July 7, 2009.

<sup>73</sup> U.S. Department of State, Department of the Spokesman, "Revocation of Diplomatic Visas," July 28, 2009; Marc Lacey, "Honduras: Officials' Visas Revoked," *New York Times*, July 29, 2009; "Custodio: Yo no nací diplomático ni con visa para los Estados Unidos," *El Tiempo* (Honduras), August 3, 2009.

Nicaragua. It will also involve improvements to main highways and secondary and rural roads, to enable farmers and other businesses to get their products to markets more efficiently.<sup>74</sup>

**Table I. U.S. Foreign Aid to Honduras, FY2006-FY2010**  
(U.S. \$ in thousands)

Account	FY2006	FY2007	FY2008	FY2009 (est.)	FY2010 (req.)
Global Health and Child Survival (USAID) <sup>a</sup>	13,140	12,034	12,035	11,750	11,000
Global Health and Child Survival (State) <sup>b</sup>	—	750	1,000	1,000	1,000
Development Assistance	20,604	15,540	15,149	21,382	53,434
Economic Support Funds	—	175	—	—	—
Foreign Military Financing	891	675	496	400	1,300
International Military Education & Training	1,218	1,404	936	700	700
International Narcotics Control & Law Enforcement	—	—	744	—	800
Nonproliferation, Antiterrorism & Demining	315	268	—	—	—
Food Aid (P.L. 480)	13,105	13,005	10,150	8,000	—
Total	49,273	43,851	40,510	43,232 <sup>c</sup>	68,234 <sup>d</sup>

- a. This foreign aid account used to be called “Child Survival and Health,” but was re-labeled with the FY2010 budget request. The majority of U.S. assistance to combat HIV/AIDS has been provided under this account.
- b. This foreign aid account used to be called “Global HIV/AIDS Initiative,” but was re-labeled with the FY2010 budget request.
- c. The Omnibus Appropriations Act, 2009 (P.L. 111-8) provides \$105 million for Central America under the Mérida Initiative, some of which will likely go to Honduras.
- d. The Obama Administration’s FY2010 request includes \$100 million to continue the Mérida Initiative in Central America. Honduras would likely receive some of these funds.

**Sources:** U.S. Department of State, Congressional Budget Justification, Foreign Operations, FY2008-FY2010.

As a result of the Honduran military’s detention and expulsion of President Zelaya, the United States has suspended some \$18.4 million in U.S. foreign assistance appropriated for Honduras for FY2009. The suspended assistance represents those funds that the United States would be legally required to terminate under Section 7008 of the 2009 Omnibus Appropriations Act (P.L. 111-8) if the Administration determines that the events in Honduras constitute a “military coup.”<sup>75</sup> \$16.5 million of the suspended funds were dedicated to military assistance programs, such as Foreign Military Financing, International Military Education and Training, Peacekeeping Operations, and

<sup>74</sup> Millennium Challenge Corporation, “Honduras Overview,” available at <http://www.mcc.gov/countries/honduras/index.php>.

<sup>75</sup> Section 7008 of the 2009 Omnibus Appropriations Act (P.L. 111-8) states: “None of the funds appropriated or otherwise made available” for bilateral economic assistance or international security assistance “shall be obligated or expended to finance directly any assistance to the government of any country whose duly elected head of government is deposed by military coup or decree.”

1206 assistance. The other \$1.9 million in suspended funds were dedicated to basic education, family planning, and environmental programs that flow through the government of Honduras. Programs that provide direct assistance to the Honduran people, such as food and child aid, disease prevention, disaster assistance, and democracy promotion, remain in place.<sup>76</sup> Honduras could lose the remaining U.S. humanitarian assistance and some \$100 million in MCC funds yet to be delivered if the political situation remains unresolved and the United States decides to impose additional sanctions.<sup>77</sup>

## **Military Cooperation**

The United States maintains a troop presence of about 600 military personnel known as Joint Task Force (JTF) Bravo at Soto Cano Air Base. JTF Bravo was first established in 1983 with about 1,200 troops, who were involved in military training exercises and in supporting U.S. counterinsurgency and intelligence operations in the region. Today, U.S. troops in Honduras support such activities as disaster relief, medical and humanitarian assistance, counternarcotics operations, and search and rescue operations that benefit Honduras and other Central American countries. Regional exercises and deployments involving active duty and reserve components provide training opportunities for thousands of U.S. troops. In the aftermath of Hurricane Mitch in 1998, U.S. troops provided extensive assistance in the relief and reconstruction effort. JTF Bravo has responded to a number of natural disasters in the region in recent years, deploying two disaster relief teams to Panama and Costa Rica to assist victims of severe flooding and landslides in November and December 2008.<sup>78</sup>

The U.S. and Honduran militaries also cooperate on personnel training, with over 3,900 Hondurans receiving U.S. training between 1999 and 2006.<sup>79</sup> In addition to joint exercise opportunities at JTF-Bravo, members of the Honduran military have received training at the Western Hemisphere Institute for Security Cooperation (WHINSEC, formerly known as the School of the Americas) in Fort Benning, GA.<sup>80</sup> WHINSEC has trained tens of thousands of military and police personnel from throughout Latin America, but has been criticized by a number of human rights organizations because some of its graduates have participated in military coups and committed human rights abuses. Supporters of the school maintain that WHINSEC emphasizes democratic values and respect for human rights, develops camaraderie between U.S. military officers and military and police personnel from other countries in the hemisphere, and is crucial to developing military partners capable of effective combined operations.<sup>81</sup>

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<sup>76</sup> U.S. Department of State, Office of the Spokesman, "U.S. Assistance to Honduras," July 7, 2009.

<sup>77</sup> Lesley Clark & Trenton Daniel, "Honduras stands to lose more aid," *Miami Herald*, July 10, 2009.

<sup>78</sup> "Stavridis Praises U.S.-Honduran Cooperation in Confronting Mutual Threats," *U.S. Fed News*, January 30, 2009.

<sup>79</sup> "Just the Facts: A civilian's guide to U.S. defense and security assistance to Latin America and the Caribbean," *Latin America Working Group, Center for International Policy, and Washington Office on Latin America*, available at <http://justf.org/>.

<sup>80</sup> For more information on the School of the Americas and the Western Hemisphere Institute for Security Cooperation, see CRS Report RL30532, *U.S. Army School of the Americas: Background and Congressional Concerns*, by Richard F. Grimmett and Mark P. Sullivan and CRS Report RS20892, *Western Hemisphere Institute for Security Cooperation*, by Richard F. Grimmett.

<sup>81</sup> U.S. Southern Command, "Posture Statement of Admiral James G. Stavridis, United States Navy Commander, United States Southern Command, Before the 111<sup>th</sup> Congress Senate Armed Services Committee," March 17, 2009.

As a result of the Honduran military's role in President Zelaya's removal from office, the United States has suspended joint military activities as well as military assistance to the country.<sup>82</sup> The events in Honduras have also led some analysts to question the effectiveness of U.S. foreign military training programs. These analysts contend that such programs have not obtained their desired outcomes given that General Romeo Vasquez Velasquez—who has received U.S. training—led the effort to remove President Zelaya, and the Honduran military reportedly cut off contact with the United States prior to the ouster.<sup>83</sup>

On May 21, 2009, the Latin American Military Training Review Act (H.R. 2567, McGovern) was introduced in the House. The bill would suspend all operations at WHINSEC, establish a joint congressional task force to assess the types of training that are appropriate to provide Latin American militaries, and establish a commission to investigate activities at WHINSEC and its predecessor.

## **Economic Linkages**

U.S. trade and investment linkages with Honduras have increased greatly since the early 1980s. In 1984, Honduras became one of the first beneficiaries of the Caribbean Basin Initiative (CBI), the unilateral U.S. preferential trade arrangement providing duty-free importation for many goods from the region. In the late 1980s, Honduras benefitted from production-sharing arrangements with U.S. apparel companies for duty-free entry into the United States of certain apparel products assembled in Honduras. As a result, maquiladoras or export-assembly companies flourished, most concentrated in the north coast region. The passage of the Caribbean Basin Trade Partnership Act in 2000 (CBTPA), which provided Caribbean Basin nations with NAFTA-like preferential tariff treatment, further boosted Honduran maquiladoras. Trade relations expanded again following the implementation of the Dominican Republic-Central America-United States Free Trade Agreement (CAFTA-DR), which entered into force with Honduras in April 2006.

The United States is by far Honduras' largest trading partner. In 2008, the United States was the destination of about 37% of Honduran exports and the origin of about 37% of its imports. Honduras is the largest Central American exporter to the United States and the top Latin American exporter of knit apparel to the United States. In 2008, U.S. exports to Honduras amounted to about \$4.8 billion, up 31% from 2006. Knit and woven apparel inputs accounted for a substantial portion, as did machinery and petroleum. U.S. imports from Honduras amounted to about \$4 billion in 2008, with knit and woven apparel (assembled products from the maquiladora sector) accounting for the lion's share. Other Honduran exports to the United States include coffee, seafood, bananas, electrical wiring, gold, and tobacco.<sup>84</sup>

In terms of investment, the stock of U.S. foreign direct investment in Honduras amounted to \$968 million in 2007, concentrated in the manufacturing sector.<sup>85</sup> More than 150 U.S. companies

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<sup>82</sup> "U.S. suspends joint military activities with Honduras," *EFE News Service*, July 1, 2009; U.S. Department of State, Office of the Spokesman, "U.S. Assistance to Honduras," July 7, 2009.

<sup>83</sup> "U.S. suspends joint military activities with Honduras," *EFE News Service*, July 1, 2009; "Senior Administration Officials Hold State Department Background Briefing via Teleconference on Honduras," *CQ Newsmaker Transcripts*, June 28, 2009; "When your aid recipients stop taking your calls," *Center for International Policy*, June 28, 2008, available at <http://www.cipcol.org/>.

<sup>84</sup> U.S. Department of Commerce statistics, as presented by *Global Trade Atlas*, 2009.

<sup>85</sup> U.S. Department of Commerce, Bureau of Economic Analysis, "Survey of Current Business," September 2008.



operate in Honduras, with the most significant U.S. investments in the maquila or export assembly sector, fruit production, tourism, energy generation, shrimp farming, animal feed production, telecommunications, fuel distribution, cigar manufacturing, insurance, brewing, food processing, and furniture manufacturing.<sup>86</sup> To date, U.S. businesses appear to be relatively unaffected by the political crisis in Honduras. While there have been some reports of concerned U.S. businesses and investors making contingency plans in case the situation in Honduras deteriorates further or trade sanctions are imposed, most reports suggest that business is proceeding as usual.<sup>87</sup>

Despite the increases in trade and investment that have occurred since the implementation of CAFTA-DR, a number U.S. and Honduran officials have expressed concerns about the agreement. Honduran officials are concerned about the loss of agricultural jobs in the corn, rice, beef, poultry, and pork sectors since the country opened its market to U.S. agricultural products. Some fear that the loss of agricultural employment could lead to social unrest if not addressed properly through long-term investment. While CAFTA-DR has provisions to enforce domestic labor codes and improve labor rights, a number of U.S. officials maintain that the provisions are inadequate given the history of non-compliance with labor laws in many Central American nations. The U.S. State Department's 2008 Country Reports on Human Rights Practices for Honduras found credible evidence that employees engaged in union duties were blacklisted within the maquiladoras and that union leaders were occasionally targeted with threats and violence.<sup>88</sup>

## Crime

Honduras, along with neighboring El Salvador and Guatemala, has become fertile ground for gangs, which have been fueled by poverty, unemployment, leftover weapons from the conflicts of the 1980s, and the U.S. deportation of criminals to the region. The two major gangs in Honduras—Mara Salvatrucha, or MS-13, and the 18<sup>th</sup> Street gang, or M-18—were first established in Los Angeles in the 1980s by Salvadoran immigrants who were excluded from Mexican-American gangs. The U.S. deportation of criminals back to the region in the 1990s may have helped lay the foundation for the development of MS-13 and M-18 in Central America.<sup>89</sup> Although estimates of the number of gang members in Central America vary widely, the U.S. Southern Command maintains that there are some 70,000, concentrated largely in Honduras, El Salvador, and Guatemala.<sup>90</sup>

During his term, President Maduro (2002-2006) increased the number of police officers and signed legislation that made *maras* (street gangs) illegal and gang membership punishable with 12 years in prison. Although the crackdown won popular support and initially reduced crime, its success was short-lived. Following his election, President Zelaya replaced the previous administration's zero-tolerance policy with dialogue and other outreach techniques designed to

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<sup>86</sup> U.S. Department of State, "Background Note: Honduras," February 2009.

<sup>87</sup> Greg Flakus, "Honduran Economy in Peril From Political Crisis," *Voice of America*, July 9, 2009; Mica Rosenberg, "Honduras textile industry vulnerable to drawn out crisis," *Reuters*, July 6, 2009.

<sup>88</sup> U.S. Department of State, Bureau of Democracy, Human Rights, and Labor, "2008 Country Reports on Human Rights Practices," February 25, 2009.

<sup>89</sup> Ana Arana, "How the Street Gangs Took Central America," *Foreign Affairs*, May 1, 2005.

<sup>90</sup> House Armed Services Committee, Posture Statement of Gen. Bantz Craddock, Commander, U.S. Southern Command, March 9, 2005.

convince gang members to give up violence and reintegrate into society.<sup>91</sup> Failure to achieve concrete results, however, led the Zelaya Administration to shift its emphasis toward more traditional anti-gang law enforcement operations. The Administration increased the number of police and military troops in the streets and conducted raids against suspected criminals. Nonetheless, crime and violence in Honduras have continued unabated.<sup>92</sup>

Several U.S. agencies have been involved in assisting Honduras and other Central American countries in dealing with the gang problem.<sup>93</sup> On the law enforcement side, the FBI and the U.S. Immigration and Customs Enforcement (ICE) have worked closely with Honduran law enforcement and the United States has provided anti-gang training for Honduran police and prosecutors.<sup>94</sup> The U.S. Agency for International Development, while not having a specific program focusing on gangs, supports several programs that attack the risk factors associated with gang membership and violence. These include a program to provide basic education skills to at-risk youths and a program to improve the effectiveness and transparency of the justice system.<sup>95</sup> In July 2007, the United States pledged \$4 million to help Central American governments draft a regional security strategy to fight street gangs and drug trafficking.<sup>96</sup> As noted above, Congress has also provided funding to Central America through the Mérida Initiative to boost the region's counternarcotics capabilities and support the development of a regional anti-gang strategy.

## Migration Issues

### Temporary Protected Status

In the aftermath of Hurricane Mitch in 1998, the United States provided temporary protected status (TPS) to eligible Hondurans who may otherwise have been deported from the United States. Originally slated to expire in July 2000, TPS status has now been extended seven times due to the U.S. government's assessment that Honduras would have difficulty in coping with the deportees' returns. The most recent TPS extension came in October 2008, when then-Secretary of Homeland Security Michael Chertoff announced that the U.S. would continue provide TPS for an additional 18 months, expiring on July 5, 2010. Homeland Security officials maintain that the TPS extension was necessary because Honduras continues to face social and economic challenges in its efforts to restore the nation to normalcy despite the significant progress the country has made in terms of recovery and rebuilding. Some 78,000 Hondurans benefit from TPS.<sup>97</sup>

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<sup>91</sup> "Honduran Government Reaches Out to Rehabilitate Gangs," *ACAN-EFE*, January 30, 2006.

<sup>92</sup> Marion Barbel, "Homicide Rate Confirms Honduras as One of Region's Most Violent Nations," *Global Insight Daily Analysis*, September 11, 2008.

<sup>93</sup> See CRS Report RL34112, *Gangs in Central America*, by Clare Ribando Seelke.

<sup>94</sup> House Committee on International Relations, Subcommittee on the Western Hemisphere, Statement of John P. Torres, U.S. Immigration and Customs Enforcement, U.S. Department of Homeland Security, Hearing on "Gangs and Crime in Latin America," April 20, 2005.

<sup>95</sup> U.S. Agency for International Development, "Central America and Mexico Gang Assessment, Annex 3: Honduras Profile," April 2006.

<sup>96</sup> "U.S. Offers Funds to Help Fight Central America Gangs," *Reuters*, July 18, 2007.

<sup>97</sup> U.S. Department of Homeland Security, Citizenship and Immigration Services, "Extension of the Designation of Honduras for Temporary Protected Status," October 1, 2008. For background on TPS, see CRS Report RS20844, *Temporary Protected Status: Current Immigration Policy and Issues*, by Ruth Ellen Wasem and Karma Ester.



## Deportations<sup>98</sup>

Deportations to Honduras have increased significantly over the past decade. About 30,000 Hondurans were deported from the United States in both FY2007 and FY2008, making Honduras one of the top recipients of deportees on a per capita basis.<sup>99</sup> Increasing deportations from the United States have been accompanied by similar increases in deportations from Mexico, a transit country for Central American migrants bound for the United States. Honduran policymakers are concerned about their country's ability to absorb the large volume of deportees, as it is often difficult for those returning to the country to find gainful employment. Individuals who do not speak Spanish, who are tattooed, who have criminal records, and/or who lack familial support face additional difficulties re-integrating into Honduran society. In addition to these social problems, leaders are concerned that remittances may start to fall if the current high rates of deportations continue.<sup>100</sup> In March 2007, the Honduran Congress approved a motion calling for the United States to halt deportations of undocumented Honduran migrants who live and work in the United States.<sup>101</sup>

Some analysts contend that increasing U.S. deportations of individuals with criminal records has exacerbated the gang problem in Honduras and other Central American countries. By the mid-1990s, the civil conflicts in Central America had ended and the United States began deporting unauthorized immigrants, many with criminal convictions, back to the region. Between 2000 and 2004, an estimated 20,000 criminals were sent back to Central America, many of whom had spent time in prisons in the United States for drug and/or gang-related offenses. Some observers contend that gang-deportees have "exported" a Los Angeles gang culture to Central America, and that they have recruited new members from among the local populations.<sup>102</sup> Although a recent United Nations study found little conclusive evidence to support their claims, the media and many Central American officials have attributed a large proportion of the rise in violent crime in the region to gangs, particularly gang-deportees from the United States.<sup>103</sup> In July 2007 testimony before the House Subcommittee on the Western Hemisphere, the Honduran Ambassador to the United States asserted that although the United States provides information to countries on the criminal background of deportees, the information does not include whether the repatriated nationals are gang members. About 19% of Hondurans deported from the United States in FY2008 were removed on criminal grounds.<sup>104</sup>

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<sup>98</sup> Clare Ribando Seelke contributed information to this section. Also see CRS Report RL34112, *Gangs in Central America*, by Clare Ribando Seelke.

<sup>99</sup> Information Provided to CRS by the Department of Homeland Security, Immigration and Customs Enforcement, Office of Detention and Removal.

<sup>100</sup> Pamela Constable, "Deportees' Bittersweet Homecoming; Migration is Boon, Bane for Honduras," *Washington Post*, June 27, 2007.

<sup>101</sup> "CN Pide a EEUU que Cesen las Deportaciones de Compatriotas," *La Tribuna* (Honduras), March 14, 2007.

<sup>102</sup> Ana Arana, "How the Street Gangs Took Central America," *Foreign Affairs*, May/June 2005.

<sup>103</sup> United Nations Office on Drugs and Crime (UNODC), *Crime and Development in Central America: Caught in the Crossfire*, May 2007.

<sup>104</sup> Information Provided to CRS by the Department of Homeland Security, Immigration and Customs Enforcement, Office of Detention and Removal.

## Drug Trafficking

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

The U.S. State Department's 2009 International Narcotics Control Strategy Report acknowledges the government of Honduras for its ongoing cooperation with the United States on counternarcotics efforts, noting that successful joint operations led to an increase in narcotics arrests and seizures. In 2008, the government of Honduras seized 6.5 metric tons of cocaine, 2 kilograms of crack cocaine, 19.6 kilograms of heroin, 3 metric tons of marijuana, 3.5 million pseudoephedrine pills, and over five tons of precursor chemicals. These seizures also led to 721 arrests and the confiscation of \$6.7 million in assets. The United States has supported a variety of anticorruption, police training, and maritime operations programs intended to improve Honduras' counternarcotics capabilities.<sup>105</sup>

Honduras' counternarcotics efforts continue to face a number of obstacles, however, including funding constraints, official corruption, and insufficient precursor chemical controls. Additionally, Mexican drug cartels have expanded their operations in Honduras. It has been reported that the Gulf and Sinaloa cartels now engage in direct and indirect operations within Honduras, especially along the northern and Atlantic coast, and that Los Zetas have cells in every department of the country.<sup>106</sup>

In October 2008, President Zelaya became the first Latin American president to openly suggest the legalization of narcotics. He argued that drug trafficking has led to increased violence and that supporting addict treatment programs would be a better use of the government's resources.<sup>107</sup> Nonetheless, Honduras has continued its counternarcotics efforts. In January 2009, President Zelaya signed a letter of agreement with the United States to implement the Mérida Initiative, and in February 2009, the United States began construction on a counternarcotics base in the Honduran department of Gracias a Dios, which borders Nicaragua and the Caribbean and is a major corridor for traffickers.

## Human Trafficking

According to the State Department's 2009 Trafficking in Persons (TIP) Report, Honduras is primarily a source and transit country for women and children trafficked for the purpose of commercial sexual exploitation. Many victims are trafficked from rural areas to tourist and urban locales such as Tegucigalpa, San Pedro Sula, and the Bay Islands. Destination countries for trafficked Honduran women and children include the United States, Mexico, Guatemala, El

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<sup>105</sup> U.S. Department of State Bureau for International Narcotics and Law Enforcement Affairs, "2009 International Narcotics Control Strategy Report (INCSR)," February 27, 2009.

<sup>106</sup> "Carteles mexicanas azotan a Honduras," *La Prensa* (Honduras), August 27, 2008; "Los Zetas hondureños, nueva pesadilla para los inmigrantes," *El Tiempo* (Honduras), March 18, 2009.

<sup>107</sup> "Honduras floats drug legalisation," *Latin News Daily*, October 14, 2008.

Salvador, and Belize. There are also foreign victims of commercial sexual exploitation in Honduras, most having been trafficked from neighboring countries, including economic migrants en route to the United States.

While the State Department maintains that Honduras does not fully comply with the minimum standards for the elimination of trafficking, it notes that the government is making significant efforts to do so. As a result, Honduras is considered a so-called “Tier 2” country. The report recognizes the Honduran government’s increased efforts to investigate trafficking. While Honduras opened just 24 trafficking-related investigations in 2006, and 74 in 2007, it opened 82 investigations in 2008 leading to 18 prosecutions and 11 convictions. The report also recognized some progress in trafficking protection and prevention. In addition to training police to better identify trafficking victims, the Honduran government trained 500 tourism sector workers in trafficking prevention. Nonetheless, the report indicates a number of areas in which Honduras can do more to combat trafficking. It recommends that the Honduran government increase its shelter aid and victims services, amend anti-trafficking laws to prohibit labor trafficking, continue raising public awareness, and increase criminal investigations—including investigations of corrupt public officials involved in trafficking activities.<sup>108</sup>

## **Port Security**

Honduras and the United States have cooperated extensively on port security. For the United States, port security emerged as an important element of homeland security in the aftermath of the September 11, 2001 terrorist attacks. Honduras views such cooperation as important in order to ensure the speedy export of its products to the United States, which in turn could increase U.S. investment in the country.

In March 2006, U.S. officials announced the inclusion of the largest port in Honduras, Puerto Cortés, in the U.S. Container Security Initiative (CSI). CSI is operated by the U.S. Customs and Border Protection (CBP) of the Department of Homeland Security, and uses a security regime to ensure that all containers that pose a potential risk for terrorism are identified and inspected at foreign ports before they are placed on vessels destined for the United States. Honduras also participates in the Department of Energy’s Megaports Initiative, which supplies ports with equipment capable of detecting nuclear or radioactive materials, and the Secure Freight Initiative (SFI), which deploys equipment capable of scanning containers for radiation and information risk factors before they are allowed to depart for the United States. Puerto Cortés was one of six ports around the world chosen to be part of the first phase of the SFI.<sup>109</sup>

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<sup>108</sup> U.S. Department of State, Office to Monitor and Combat Trafficking in Persons, “Trafficking in Persons Report,” June 2008 and June 2009.

<sup>109</sup> U.S. Department of Homeland Security, “DHS and DOE Launch Secure Freight Initiative,” Press Release, December 7, 2006, and “Secure Freight Initiative Becomes Fully Operational in United Kingdom, Pakistan, and Honduras,” Press Release, October 12, 2007.

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