

# Honduras: Background and U.S. Relations

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Honduras, a Central American nation of 9.8 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 various security concerns 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. Instability in Honduras—including a 2009 coup and 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 over the past decade.

#### **Domestic Situation**

President Xiomara Castro of the leftist Liberty and Re-foundation (LIBRE) party was inaugurated to a four-year term in January 2022. She inherited a difficult situation. Honduras experienced democratic backsliding and erosion of the rule of law under her predecessor, Juan Orlando Hernández (2014-2022), who was extradited to the United States to face drug trafficking charges in April 2022. Socioeconomic conditions also had deteriorated in the two years preceding Castro's election due to the effects of the Coronavirus Disease 2019 (COVID-19) pandemic and two tropical storms.

A broad coalition propelled Castro to office based on her pledges to address these challenges. Progress has been uneven over the past two years. Castro has enacted some anti-corruption and economic reforms, but her lack of a working majority in the unicameral congress, in which her party won 50 of 128 seats, has stymied other policy changes. In some areas, Castro has reversed positions since taking office. On public security, for example, she has abandoned her pledge to reduce the military's role in law enforcement and has repeatedly extended an emergency decree that suspends certain constitutional rights in an attempt to combat extortion and other security challenges.

As their agenda has stalled, Castro and LIBRE have called their supporters into the streets to exert popular pressure on the Honduran congress while simultaneously seeking to delegitimize the political opposition and civil society critics. LIBRE legislators also have engaged in some controversial, and potentially illegal, maneuvers to secure control of the congress and other government bodies, including the office of the attorney general. These tactics have contributed to the erosion of Castro's support base, the establishment of a larger and more unified opposition bloc, and increasing concerns among domestic and foreign observers about the Honduran government's trajectory. According to a September 2023 CID Gallup poll, 36% of Hondurans approved of Castro's performance in office.

#### **U.S. Policy**

The Biden Administration's policy toward Honduras is guided by the U.S. Strategy for Addressing the Root Causes of Migration 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. U.S. agencies allocated at least \$437.4 million in foreign assistance to Honduras to support implementation of the strategy from FY2021 to FY2023. The Biden Administration has sought to collaborate closely with Castro on efforts to improve living conditions in Honduras and address challenges such as drug trafficking and irregular migration. Nevertheless, bilateral relations have been strained by some policy disagreements. Administration officials and some Members of Congress have expressed particular concerns about the Castro administration's efforts to forge closer ties with the People's Republic of China, economic reforms that could negatively affect U.S. businesses and investors, and government actions that could further weaken Honduras's democratic institutions.

The 118<sup>th</sup> Congress may continue shaping U.S. policy toward Honduras through its legislative and oversight efforts. Congress is currently considering the Biden Administration's \$136.5 million FY2024 foreign assistance request for Honduras. The House-passed (H.R. 4665/H.Rept. 118-146) and Senate-reported (S. 2438/S.Rept. 118-71) versions of the Department of State, Foreign Operations, and Related Programs Appropriations Act, 2024, would not specify funding levels for Honduras. Both bills would maintain some restrictions on aid for the Honduran government, however, and S. 2438 would maintain a prohibition on Foreign Military Financing for Honduras. Other legislative measures could affect U.S.-Honduran migration ties. For example, the Secure the Border Act of 2023 (H.R. 2), passed by the House in May 2023, would direct the Secretary of State to "seek to negotiate" an asylum cooperation agreement with the Honduran government.

### **SUMMARY**

### R47856

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## Introduction

Honduras, located in the "Northern Triangle" of Central America (along with El Salvador and Guatemala), faces considerable domestic challenges (see **Figure 1** for a map). Democratic institutions are fragile, economic growth rates and social policies are insufficient to reduce widespread poverty, and the country experiences 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 over the past decade.

U.S. policymakers have devoted increased attention to conditions in Honduras and its Central American neighbors as irregular migration from the region has strained U.S. resources at the Southwest border. Specific policy approaches have shifted from one U.S. presidential Administration to another, however, potentially limiting the impact of U.S. efforts. In FY2016, the Obama Administration worked with Congress to increase U.S. foreign assistance to Honduras as part of a whole-of-government strategy intended to improve economic, security, and governance conditions in Central America. The Trump Administration then suspended most U.S. assistance to Honduras from March 2019 until June 2020, resulting in U.S. agencies modifying or canceling many activities less than two years into implementation. During the aid suspension, the Trump Administration negotiated an agreement with the Honduran government that would allow the United States to transfer some asylum-seekers to Honduras in an apparent attempt to deter irregular migration and alleviate pressure on the U.S. immigration system. The Biden Administration terminated that agreement, prior to implementation, in early 2021.<sup>1</sup>

The Biden Administration is seeking to scale up U.S. assistance programs in Honduras as part of its U.S. Strategy for Addressing the Root Causes of Migration in Central America, developed pursuant to the United States-Northern Triangle Enhanced Engagement Act (P.L. 116-260, Division FF, Subtitle F; 22 U.S.C. §2277) and Executive Order 14010.<sup>2</sup> The Administration has proposed allocating \$4 billion of assistance to Central America over four years, including at least \$136.5 million for Honduras in FY2024. It has viewed Honduran President Xiomara Castro as a potential ally in efforts to address underlying drivers of migration. However, some of the Honduran government's policies have raised questions about its commitment to strengthening democratic institutions, combatting corruption, fostering inclusive economic growth, and partnering with the United States.

Whereas some Members of the 118<sup>th</sup> Congress have welcomed the Biden Administration's efforts to expand cooperation with Honduras, others have expressed skepticism about the effectiveness of U.S. assistance activities and concerns about the Castro administration's policies. As Congress appropriates foreign assistance, considers other legislation, and engages in oversight of U.S. policy, it may assess developments in Honduras and the extent to which the Honduran government is cooperating with the United States on migration, security, and commercial matters, among other issues.

<sup>&</sup>lt;sup>1</sup> For background, see CRS In Focus IF10371, U.S. Strategy for Engagement in Central America: An Overview; CRS Report R44812, U.S. Strategy for Engagement in Central America: Policy Issues for Congress; and CRS Legal Sidebar LSB10402, Safe Third Country Agreements with Northern Triangle Countries: Background and Legal Issues.

<sup>&</sup>lt;sup>2</sup> White House, *U.S. Strategy for Addressing the Root Causes of Migration in Central America*, July 2021, https://www.whitehouse.gov/wp-content/uploads/2021/07/Root-Causes-Strategy.pdf; and Executive Order 14010, "Creating a Comprehensive Regional Framework to Address the Causes of Migration, To Manage Migration Throughout North and Central America, and To Provide Safe and Orderly Processing of Asylum Seekers at the United States Border," 86 *Federal Register* 8267-8271, February 5, 2021.



#### Figure I. Honduras at a Glance

| Leadership | President: Xiomara Castro (Liberty and Re-foundation Party)<br>President of the Honduran National Congress: Luis Redondo (Savior of Honduras Party)<br>President of the Supreme Court: Rebeca Ráquel Obando |
|------------|---|
| Geography  | Area: 43,243 square miles (slightly larger than Virginia)   |
| People     | Population: 9.8 million (2023 est.)   |
|            | Racial/Ethnic Identification: 91.3% mixed or European descent, 8.6% Indigenous or African descent (2013)  |
|            | <i>Religious Identification:</i> 38.5% Evangelical Christian, 36.8% Catholic, 22.5% unaffiliated, 2.2% other or unknown (2023)  |
|            | Literacy Rate: 88.2% (2022)   |
|            | Life Expectancy: 77.1 years (2022)  |
| Economy    | Gross Domestic Product (GDP): \$34.0 billion (2023 est.)  |
| -          | GDP per Capita: \$3,245 (2023 est.)   |
|            | Top Exports: apparel, insulated wire, coffee, bananas, palm oil, and shrimp (2022)  |
|            | Poverty/Extreme Poverty Rates: 73.6%/53.7% (2021)   |

**Sources:** Population, ethnicity, literacy, life expectancy, and poverty data from Instituto Nacional de Estadística; religious identification data from Equipo de Reflexión, Investigación y Comunicación; export data from Trade Data Monitor; GDP estimates from International Monetary Fund. Map created by CRS.

**Note**: Some 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.

## **Political and Economic Environment**

Honduras has struggled with political instability and authoritarian governance for much of its history. The country adopted its current constitution in 1982 as it transitioned back to civilian rule after two decades of military control. The constitution established 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, the legislative process tends to be executive-driven and the judiciary is subject to intimidation, corruption, and politicization.

Honduras's poverty rate and level of income inequality are among the highest in Latin America.<sup>3</sup> Historically, the country's economic performance closely tracked the prices of agricultural commodities, such as bananas and coffee. Although agriculture remains important, accounting for 13% of gross domestic product (GDP) and 26% of total employment, the Honduran economy has diversified since the late 1980s.<sup>4</sup> 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 industries. Those policy changes also fostered the development of nontraditional agricultural exports, such as seafood and palm oil. Nevertheless, Honduras has not generated sufficient employment to absorb the country's growing labor supply, resulting in about 80% of Hondurans working in the unregulated informal sector, without job protections or benefits.<sup>5</sup>

### 2009 Coup and Aftermath

Honduras's traditional two-party system, dominated by the centrist (now center-right) Liberal Party (PL) and the conservative National Party (PN), has fractured over the past 15 years. The leadership of both traditional 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 exile.<sup>6</sup> Zelaya took office in 2006 as a moderate member of the PL but alienated some within the political and economic elite by implementing populist policies and pushing for a constituent assembly to draft a new constitution. Some traditional PL voters abandoned the party after the coup to support the leftist Liberty and Re-foundation (LIBRE) party that Zelaya launched upon his return from exile in 2011 and continues to lead.

The PL's post-coup split benefitted the PN, which controlled the presidency and congress from 2010 until January 2022. Three consecutive terms in power allowed the PN to consolidate its influence over other, nominally independent, government institutions. In 2012, the PN-controlled congress, led by Juan Orlando Hernández, replaced four supreme court justices in a maneuver that some Honduran and international legal experts argued violated the independence of the judiciary.<sup>7</sup> The justices installed in 2012 issued a ruling in 2015 that struck down the constitution's explicit ban on presidential reelection, enabling Hernández, who was elected

<sup>&</sup>lt;sup>3</sup> U.N. Economic Commission for Latin America and the Caribbean, *Social Panorama of Latin America and the Caribbean, 2022*, November 2022, pp. 85-91.

<sup>&</sup>lt;sup>4</sup> Economist Intelligence Unit, "Data Tool," accessed September 26, 2023; and Instituto Nacional de Estadística (INE), Encuesta Permanente de Hogares de Propósitos Múltiples," March 2023.

<sup>&</sup>lt;sup>5</sup> International Labor Organization, "ILOSTAT," accessed September 26, 2023.

<sup>&</sup>lt;sup>6</sup> For more information, see CRS Report R41064, Honduran Political Crisis, June 2009-January 2010.

<sup>&</sup>lt;sup>7</sup> See, for example, *El Heraldo*, "Se Conculcó Principio de Independencia," December 18, 2012; and *U.N. News*,

<sup>&</sup>quot;Dismissal of Honduran Supreme Court Judges an Attack on Democracy—UN Expert," January 29, 2013.

president in 2013, to seek a second term. The PN also manipulated appointments to the electoral body that oversaw Hernández's disputed 2017 reelection, which Organization of American States (OAS) observers characterized as a "low-quality electoral process" plagued by an "abundance of irregularities and deficiencies."<sup>8</sup> In addition to eroding democratic institutions, Hernández and the PN allegedly engaged in various corruption schemes, ranging from embezzling social assistance funds to facilitating drug trafficking in exchange for bribes and campaign contributions.<sup>9</sup> The U.S. Department of Justice indicted Hernández on drug-trafficking and firearms charges the day he left office; he was extradited to the United States in April 2022.<sup>10</sup>

### Castro Administration (2022-Present)

Hondurans voted for a change in direction during November 2021 general elections. With nearly 69% of eligible Hondurans turning out to vote, LIBRE's Xiomara Castro defeated the PN's Nasry Asfura, 51.1% to 36.9%, in the presidential race; the PL's Yani Rosenthal placed third with 10.0% of the vote. LIBRE also won a plurality in congress, with 50 out of 128 seats, followed by the PN (44), the PL (22), the anti-corruption-focused Savior of Honduras Party (PSH, 10), and two minor parties (1 seat each).<sup>11</sup> Upon her January 2022 inauguration, Castro became Honduras's first female president. She is married to former President Zelaya and emerged as a political leader in her own right following her husband's ouster.

Castro came to office backed by a broad coalition that seemingly viewed her candidacy as the best chance to defeat the PN and begin rebuilding Honduras's democratic institutions and rule of law. During her campaign, she drew support from sectors of the PL and entered into an alliance with PSH presidential candidate Salvador Nasralla, who withdrew from the race to serve as her running mate. Castro incorporated some PL and PSH figures into her Cabinet, along with a mix of former Zelaya administration officials, LIBRE activists, and academics. That coalition has crumbled, however, as some of the more moderate and non-LIBRE-aligned officials have left the administration due to a lack of influence over government policy and personnel. Nasralla, who remains one of three presidential designates (similar to a vice president), is now among the leaders of an opposition bloc that includes the PN, PL, and PSH. Meanwhile, Castro's family has taken on a prominent role in her administration, with Zelaya frequently standing in for the president and holding government meetings, her eldest son serving as her private secretary, another son serving as an adviser, and her nephew serving as defense secretary.<sup>12</sup>

Castro also has struggled to forge a governing coalition in the Honduran congress. Upon the start of the new congress in January 2022, a dispute over the body's leadership led to a split in LIBRE and resulted in two parallel congresses operating for nearly two weeks. The country's elected deputies ultimately reached an agreement that ended the dual congresses, but the full body has never officially approved the Castro-aligned leadership team, leading some analysts to argue congressional decisions could be subject to legal challenges.<sup>13</sup> In November 2023, a dispute over

<sup>&</sup>lt;sup>8</sup> La Prensa, "Disuelven la CRSP y Eligen a Magistrados del TSE 6 Meses Antes," January 20, 2014; and Organization of American States (OAS), Electoral Observation Mission, General Elections, Honduras, *Final Report*, 2018, p.4.

<sup>&</sup>lt;sup>9</sup> Jeff Ernst, "A Pandora's Box of Corruption in Honduras," *Univision*, August 6, 2019.

<sup>&</sup>lt;sup>10</sup> U.S. District Court, Southern District of New York, *United States of America v. Juan Orlando Hernández*, S7 15 Cr. 379 (PKC), Superseding Indictment, January 27, 2022 (hereinafter: SDNY, January 2022).

<sup>&</sup>lt;sup>11</sup> Consejo Nacional Electoral, "Elecciones Generales de Honduras 28 de Noviembre 2021 - Escrutinio General," 2021.

<sup>&</sup>lt;sup>12</sup> Leonardo Aguilar and Jennifer Avila, "The Zelaya Clan Returns to Power in Honduras," *Contra Corriente*, May 27, 2022.

<sup>&</sup>lt;sup>13</sup> Lilian Bonilla, "La Pausa a Crisis en CN No Despeja entre Legalidad y Legitimidad," *Proceso Digital*, February 22, 2022.

the appointment of a new attorney general threatened to once again split the congress into rival factions (see "Corruption and the Rule of Law"). Prior to the conflict over the attorney general, the Castro administration won legislative support for portions of its agenda but was unable to advance some anti-corruption and economic reforms, as discussed below.

Castro has sought to overcome congressional opposition by calling on her supporters to take to the streets to demonstrate popular support for her agenda. At the same time, her administration repeatedly has sought to portray civil society opposition and criticism as illegitimate. In May 2023, for example, Castro responded to protests against her proposed tax reform by convening the national defense and security council and ordering an investigation into the protests.<sup>14</sup> On other occasions, groups of LIBRE activists known as *colectivos* have physically attacked protesters and opposition legislators.<sup>15</sup> The director of Honduras's National Anti-corruption Council—a government-established but independent civil society organization—temporarily fled Honduras in mid-2023 after receiving threats over a report criticizing nepotism and clientelism in the Castro administration. Some journalists and civil society activists are reportedly "self-censoring due to fear of criticism, harassment, and retribution by the government and its supporters."<sup>16</sup>

CID Gallup found that the percentage of Hondurans who approve of Castro's performance in office fell from 62% in October 2022 to 36% in September 2023.<sup>17</sup> Among those surveyed in another poll, conducted by a Honduran research group in early 2023, 60.1% asserted that the Castro administration was not fulfilling its campaign promises and 67.6% asserted that Castro had listened "little" or "not at all" to the demands of the Honduran population during her first year in office.<sup>18</sup>

### Corruption and the Rule of Law

Castro's electoral campaign focused heavily on rooting out corruption, which some analysts argue became more deeply entrenched in the Honduran political system in the decade following the 2009 coup.<sup>19</sup> Castro has requested the establishment of a U.N.-backed anti-corruption commission, similar to the OAS-backed Mission to Support the Fight Against Corruption and Impunity in Honduras (MACCIH) that worked with Honduran institutions to enact legal reforms and to investigate and prosecute more than 80 legislators, Cabinet ministers, and other government officials from 2016 to 2019.<sup>20</sup> Then-President Hernández allowed MACCIH's mandate to expire in early 2020 as investigators were probing his congressional allies and members of his administration.

<sup>&</sup>lt;sup>14</sup> Katerin Galo, "Presidenta Castro Ordena Investigar Protestas en Contra de Ley de Justicia Tributaria," *El Criterio*, May 11, 2023.

<sup>&</sup>lt;sup>15</sup> See, for example, *El Heraldo*, "Colectivos de Libre Agreden a Rashid Mejía y Otra Integrante de la Organización 'Una Sola Voz por Honduras," July 21, 2023; *El Heraldo*, "Repudiable Violencia Ejercida por los Colectivos de Libre en el CN," October 31, 2023; and Kelly Ortez, "Colectivos del Partido Libre: Grupo de Presión que Pretende Imponer Voluntad y Evitar el Uso de la Fuerza Armada," *El Criterio*, August 12, 2023.

<sup>&</sup>lt;sup>16</sup> U.S. Department of State, 2022 Country Reports on Human Rights Practices: Honduras, March 20, 2023, p. 9.

<sup>&</sup>lt;sup>17</sup> CID Gallup (@cidgallup), results posted on X (formerly known as Twitter), October 13, 2022, and October 24, 2023.

<sup>&</sup>lt;sup>18</sup> Equipo de Reflexión, Investigación y Comunicación (ERIC) Sondeo de Opinión Pública, Edición Número 12: Boletín 2023," May 2023 (hereinafter: ERIC, 2023).

<sup>&</sup>lt;sup>19</sup> Sarah Chayes, *When Corruption Is the Operating System: The Case of Honduras*, Carnegie Endowment for International Peace, May 30, 2017; and Daniel Sabet, *When Corruption Funds the Political System: A Case Study of Honduras*, Woodrow Wilson International Center for Scholars, August 2020.

<sup>&</sup>lt;sup>20</sup> For more information, see CRS Insight IN11211, Corruption in Honduras: End of the Mission to Support the Fight Against Corruption and Impunity in Honduras (MACCIH).

Nearly halfway through Castro's term, the anti-corruption commission has yet to be established. Although U.N. delegations have visited Honduras on several occasions to explore the feasibility of a commission, the Honduran government has yet to fully comply with a December 2022 memorandum of understanding with the United Nations.<sup>21</sup> The Honduran congress has adopted some legal reforms called for in the agreement—such as strengthening anti-money laundering laws and the investigative powers of public prosecutors—but it has yet to adopt others, such as a plea-bargaining law. Other obstacles reportedly include a 2019 law that limits investigations into legislators' actions and a 2022 amnesty law, which ostensibly was intended to benefit those who faced political persecution after the 2009 coup but instead has resulted in courts dropping or reversing corruption charges and convictions against several former Zelaya administration officials.<sup>22</sup>

The appointment of new leadership in the office of the attorney general (*Ministerio Público*) is also likely to factor into the U.N. decisionmaking process. The Honduran congress was supposed to select a new attorney general and deputy attorney general to serve five-year terms by September 1, 2023. To date, however, the congress has been unable to arrive at the two-thirds majorities required to appoint any of the five finalists proposed by an outside nominating board.

On October 31, 2023, the last day of the congressional session, the Castro-aligned congressional leadership directorate appointed nine legislators—including seven LIBRE deputies—to a permanent committee that is constitutionally empowered to carry out certain legislative branch tasks during congressional recesses. On November 1, 2023, that permanent committee appointed a new attorney general and assistant attorney general to serve on an interim basis. Opposition legislators, comprising a majority of the congress, and some analysts denounced those moves and argued they did not comply with the procedures established by the law and constitution.<sup>23</sup> The opposition legislators voted to repeal the interim appointments and extend the congressional session, raising the prospect of dueling congresses and an attorney general operating under questionable legality and legitimacy.<sup>24</sup> Both LIBRE and opposition parties have urged their supporters to take the streets, resulting in some violent clashes.

A similar deadlock occurred during the selection process for the 15 justices serving on the supreme court for the 2023-2030 term. The congress ultimately reached an agreement in mid-February 2023—a week after the previous supreme court term expired—to divide the seats among LIBRE (6), the PN (5), and the PL (4).<sup>25</sup> In July 2023, the U.S. State Department asserted that a PL legislator and the president of the PL undermined democratic practices in Honduras by "manipulating the outcome" of the supreme court selection process for "personal and political

<sup>&</sup>lt;sup>21</sup> Memorándum de Entendimiento entre el Gobierno de la República de Honduras, Representado por Eduardo Enrique Reina García, Secretario de Relaciones Exteriores y Cooperación Internacional de Honduras y la Secretaría de la Naciones Unidas, Representada por Miroslav Jenča, Subsecretaría General para Europa, Asia Central y las Américas por el que se Inician los Trabajos Relativos al Establecimiento de un Mecanismo Internacional, Imparcial, Independiente y Autónomo contra la Corrupción y la Impunidad en Honduras, *Poder Popular* (Honduran government publication), vol. 1, no. 33, December 19, 2022.

<sup>&</sup>lt;sup>22</sup> Daniel Girón, "Derogar Dos Pactos de Impunidad y Aprobar Ley de Colaboración Eficaz: lo que Falta para Instalación de la CICIH," *El Criterio*, August 15, 2023.

<sup>&</sup>lt;sup>23</sup> Leonardo Aguilar, "Fiscal General y Fiscal Adjunto Interinos son Juramentados por Comisión Permanente en Medio de Conflicto Político," *Contra Corriente*, November 1, 2023; and Daniel Girón, "Ambigüedad Legal Envuelve Elección Interina de Johel Zelaya y Mario Morazán en el Ministerio Público," *El Criterio*, November 1, 2023.

<sup>&</sup>lt;sup>24</sup> Aimée Cárcamo and Rubén Escobar, *La Agudización de la Polarización y un Escenario de Incertidumbre Desfavorable para la Instalación de la CICIH*, Centro de Estudios para la Democracia, November 23, 2023.

<sup>&</sup>lt;sup>25</sup> María Celeste Maradiaga and Leonardo Aguilar, "Tripartidismo de Honduras Elige Nueva CSJ," *Contra Corriente*, February 17, 2023.

gain.<sup>26</sup> Pursuant to the United States-Northern Triangle Enhanced Engagement Act (22 U.S.C. §2277a), such individuals generally are ineligible for admission into the United States.

### **Socioeconomic Conditions**

President Castro inherited a difficult socioeconomic situation. The Honduran economy contracted by nearly 9% in 2020 due to the effects of the Coronavirus Disease 2019 (COVID-19) pandemic and two tropical storms. Although the economy rebounded with 12.5% GDP growth in 2021, living standards have been slower to recover.<sup>27</sup> As of mid-2021, 73.6% of Honduran households were living in poverty (unable to afford necessities) and 53.7% were living in extreme poverty (unable to satisfy nutritional needs).<sup>28</sup>

President Castro self-identifies as a *democratic socialist*, but her administration generally has adhered to market-oriented economic policies. In September 2023, the International Monetary Fund (IMF) Executive Board commended the Honduran government's "implementation of prudent economic policies" and approved two financing arrangements, worth a combined \$822 million, to support economic and institutional reforms in Honduras over the next three years.<sup>29</sup> The IMF program includes a gradual fiscal adjustment that aims to increase funding for social programs and public investment projects while preserving debt sustainability. The program also includes monetary and exchange rate policies to slow inflation and safeguard international reserves, as well as reforms intended to strengthen governance and the energy sector.

Some private sector stakeholders have opposed portions of Castro's economic agenda. For example, international investors have filed claims with the International Centre for Settlement of Investment Disputes at the World Bank over two Honduran government reforms: the April 2022 repeal of the legal framework for the country's controversial "Employment and Economic Development Zones" (ZEDEs by the Spanish acronym) and a May 2022 law that declared electricity a public good and authorized the government to renegotiate contracts with power generation companies to reduce high electricity costs and address alleged irregularities.<sup>30</sup> (For further discussion, see "Investment Concerns.") Sectors of the Honduran and international business community also have expressed concerns about the Castro administration's proposed tax reforms, which were designed with IMF assistance and would reduce widespread tax exemptions and eliminate numerous special corporate income tax regimes.<sup>31</sup>

The IMF projects that GDP growth in Honduras will slow from 4.0% in 2022 to 2.9% in 2023, primarily due to weakening global conditions.<sup>32</sup> It is unclear how the Castro administration's policies have affected living standards in Honduras because the National Statistics Institute has

<sup>&</sup>lt;sup>26</sup> U.S. Department of State, *Report to Congress on Foreign Persons who have Knowingly Engaged in Actions that Undermine Democratic Processes or Institutions, Significant Corruption, or Obstruction of Investigations into Such Acts of Corruption in El Salvador, Guatemala, Honduras, and Nicaragua*, July 18, 2023, pp. 7-8.

<sup>&</sup>lt;sup>27</sup> International Monetary Fund (IMF), "World Economic Outlook Database, October 2023," October 5, 2023.

<sup>&</sup>lt;sup>28</sup> Instituto Nacional de Estadística (INE), "LXXII Encuesta Permanente de Hogares de Propósitos Multiples," July 2021.

<sup>&</sup>lt;sup>29</sup> IMF, 2023 Article IV Consultation and Requests for an Arrangement Under the Extended Fund Facility and an Arrangement Under the Extended Credit Facility—Press Release; Staff Report; and Statement by the Executive Director for Honduras, IMF Country Report No. 23/337, September 2023, p. 2. (Hereinafter, IMF Country Report No. 23/337, September 2023.)

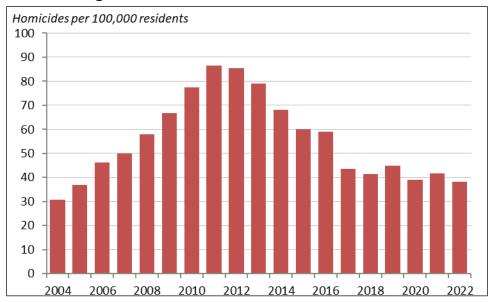
<sup>&</sup>lt;sup>30</sup> Célia Pousset, "Honduras No Reconoce Jurisdicción del CIADI ¿Cómo Se Defenderá Frente a Seis Demandas Internacionales Millonarias?," *Contra Corriente*, August 9, 2023.

 <sup>&</sup>lt;sup>31</sup> Cámara de Comercio Hondureño Americana (AmCham Honduras), "Comunicado de Cámara de Comercio Hondureño Americana," March 16, 2023; and IMF Country Report No. 23/337, September 2023, pp. 15 and 58.
<sup>32</sup> IMF Country Report No. 23/337, September 2023, p. 11.

not released poverty data since Castro took office; the agency asserts that it is in the process of reassessing the country's poverty measurement.<sup>33</sup>

### Security and Human Rights Conditions

The Castro administration came to office amid a complex security situation. Honduras has long struggled with high levels of violent crime, much of which is attributable to transnational criminal organizations and gangs seeking to control illicit markets. Drug trafficking organizations appear to have gained increased influence over Honduran politics in the decade following the 2009 coup, allegedly financing political campaigns and coopting the highest levels of the Honduran government.<sup>34</sup> Although Honduras's homicide rate declined by more than 51% between 2012 and 2021, it remains high by regional and global standards (see **Figure 2**).<sup>35</sup>





**Source:** CRS presentation of data from Universidad Nacional Autónoma de Honduras, Observatorio de la Violencia, *Boletín Enero-Diciembre 2022*, no. 68, August 2023.

During her campaign, Castro pledged to combat organized crime while ending the military's role in law enforcement and advancing community-oriented policing. Although she initially transferred command and control over Honduran prisons from the military to the police, she reversed course in June 2023 in the aftermath of a prison riot that killed 46 female inmates.<sup>36</sup> Castro also has assigned increased domestic security responsibilities to the military police force (*Policía Militar del Orden Público*) and other sectors of the armed forces under a *state of exception* to combat extortion that entered into force in December 2022. The emergency decree, most recently extended until January 1, 2024, suspends certain constitutional rights, such as freedom of movement and association, and allows warrantless searches and arrests in 158 of

<sup>&</sup>lt;sup>33</sup> INE, "Encuesta Permanent de Hogares de Propósitos Múltiples," 2023.

<sup>&</sup>lt;sup>34</sup> SDNY, January 2022.

<sup>&</sup>lt;sup>35</sup> Peter Appleby et al., "InSight Crime's 2022 Homicide Round-Up," InSight Crime, February 8, 2023.

<sup>&</sup>lt;sup>36</sup> Office of the U.N. High Commissioner for Human Rights (OHCHR), "Honduras: Militarization of Public Security," July 7, 2023.

Honduras's 298 municipalities.<sup>37</sup> Of the 4,033 individuals detained during the first six months of the state of exception, 3,280 (81%) reportedly were released due to a lack of evidence.<sup>38</sup> Honduras's National Human Rights Commissioner received 193 complaints of alleged abuses by the Honduran security forces during that time period.<sup>39</sup>

According to Honduran government data, homicides declined by 16.3% in the first 10 months of 2023 compared with the same period of 2022.<sup>40</sup> Gender-based violence appears to have intensified, however, with the number of women killed during that time period reportedly increasing by 38.6%.<sup>41</sup> Violence against human rights defenders and journalists also has increased. From January through September 2023, the Office of the U.N. High Commissioner for Human Rights reportedly documented 297 incidents of threats, intimidation, harassment, and/or physical attacks against 372 human rights defenders and journalists, 16 of whom were killed.<sup>42</sup> In comparison, the U.N. office documented 173 incidents against 242 human rights defenders and journalists, including 14 killings, in all of 2022.<sup>43</sup> The majority of the victims have been land, territorial, and environmental rights defenders, including a disproportionately high number of Indigenous and Afro-Hondurans. A Honduran government protection mechanism for human rights defenders, journalists, and justice sector personnel reportedly lacks the leadership, technical competence, and funding needed to function effectively.<sup>44</sup>

## **U.S.-Honduran Relations**

Honduras traditionally has been a close ally of the United States. The country has hosted a U.S. military presence since the 1980s, when Honduras served as a staging area for U.S. operations to support the *Contra* insurgency against Nicaragua's leftist *Sandinista* government (see "U.S. Military Presence," below). The United States and Honduras also began to forge closer commercial ties during the 1980s, which were reinforced by the 2006 implementation of the Dominican Republic-Central America-United States Free Trade Agreement (CAFTA-DR, see "Commercial Ties," below). Although the 2009 coup strained bilateral relations—prompting the Obama Administration to impose diplomatic and economic sanctions on Honduras—cooperation quickly resumed after a newly elected Honduran government took office in 2010.<sup>45</sup>

Over the past decade, successive U.S. presidential Administrations have maintained close ties with the Honduran government, welcoming its apparent willingness to collaborate on high-level U.S. priorities. U.S. agencies obligated more than \$1.3 billion of foreign assistance to Honduras from FY2011 to FY2021; this assistance was intended to help the country address economic,

<sup>&</sup>lt;sup>37</sup> Proceso Digital, "Honduras: Extiende por 45 Días Más Estado de Excepción Parcial," November 20, 2023.

<sup>&</sup>lt;sup>38</sup> Daniel Girón, "Víctimas de Homicidios Múltiples en 2023 ya son Más que 2022, pese a la Vigencia del Estado de Excepción," *El Criterio*, October 26, 2023.

<sup>&</sup>lt;sup>39</sup> Comisionado Nacional de los Derechos Humanos, "193 Denuncias de la Población Contra Policías y Militares por Abusos Durante el Estado de Excepción," June 15, 2023.

<sup>&</sup>lt;sup>40</sup> Gobierno de Honduras, Secretaria de Seguridad, Sistema Estadístico Policial en Línea (SEPOL), "Situacion Comparativa de Casos de Homicidios a Nivel Nacional (Datos Preliminares)," accessed November 29, 2023.

<sup>&</sup>lt;sup>41</sup> Centro de Derechos de Mujeres, "Violencias Contra las Mujeres en Honduras – 2023," accessed November 29, 2023.

<sup>&</sup>lt;sup>42</sup> Jorge Burgos, "De Enero a Septiembre de 2023 Han Sido Asesinados 15 Defensores y Un Periodista: OACNUD," *El Criterio*, October 21, 2023.

<sup>&</sup>lt;sup>43</sup> Oficina del Alto Comisionado de las Naciones Unidas para los Derechos Humanos (OACNUD), *Informe Sobre la Situación de los Derechos Humanos en Honduras*, March 1, 2023, pp. 20-23.

<sup>&</sup>lt;sup>44</sup> OACNUD, "Declaración de Irene Khan, Relatora Especial para la Libertad de Opinión y Expresión," October 27, 2023.

<sup>&</sup>lt;sup>45</sup> For background, see CRS Report R41064, Honduran Political Crisis, June 2009-January 2010.

security, and governance challenges and thereby mitigate transnational concerns, such as drug trafficking and irregular migration.<sup>46</sup> Illicit narcotics and migrants have continued to flow from Honduras to the U.S. border, however, and some analysts argue that U.S. support for President Hernández, including the muted U.S. response to the erosion of Honduras's democratic institutions during his tenure, propped up a corrupt regime and exacerbated the very challenges U.S. assistance was intended to address.<sup>47</sup>

The Biden Administration has sought to build on prior U.S. efforts in Honduras through implementation of the U.S. Strategy for Addressing the Root Causes of Migration in Central America, released in July 2021. The Administration has viewed President Castro as a potential ally in that effort. Vice President Kamala Harris attended Castro's inauguration, and the two leaders agreed to launch a strategic dialogue among U.S. and Honduran agencies to coordinate bilateral actions. During the first U.S.-Honduran strategic dialogue, held in January 2023, "both governments decided to actively cooperate to address insecurity and economic inequality to support sustainable development, mitigate climate change, address food security, and humanely manage migration."<sup>48</sup> The Biden Administration has allocated foreign assistance to Honduras to advance those shared priorities (see "U.S. Assistance").

Despite ongoing cooperation in many areas, U.S.-Honduran relations occasionally have been strained over the past two years. The Castro administration has bristled at U.S. officials publicly expressing concerns about some Honduran government actions and policies, such as the interim appointments to the office of attorney general, and has accused the U.S. government of hypocrisy for not speaking out more during the Hernández administration.<sup>49</sup> In July 2022, the Castro administration rejected as "politically-motivated and interventionist" the State Department's inclusion of two LIBRE legislators and a Castro adviser in an annual list of corrupt and undemocratic actors.<sup>50</sup> Those officials are among 46 Hondurans from across the political spectrum identified by the State Department pursuant to the United States-Northern Triangle Enhanced Engagement Act (22 U.S.C. §2277a) since July 2021. Such individuals generally are ineligible for admission into the United States; however, those sanctions and the underlying authority to impose them are scheduled to expire on December 27, 2023, pending congressional action.<sup>51</sup>

The U.S. and Honduran governments also have diverged on several foreign policy matters. The Castro administration has pursued closer ties with Cuba, Nicaragua, and Venezuela and has criticized U.S. sanctions against those countries' authoritarian governments.<sup>52</sup> The Biden

<sup>&</sup>lt;sup>46</sup> ForeignAssistance.gov, "Country Summary data," updated September 29, 2023.

<sup>&</sup>lt;sup>47</sup> See, for example, Paul J. Angelo and Will Freeman, "Biden's Democracy Promotion Faces a Major Test in Honduras," *Univision*, November 26, 2021; and Gustavo Irías, "A Plea for Democracy in Honduras," *Newsweek*, November 23, 2021.

<sup>&</sup>lt;sup>48</sup> U.S. Department of State, "Joint Statement on the U.S.-Honduras Strategic and Human Rights Dialogues," January 10, 2023.

<sup>&</sup>lt;sup>49</sup> See, for example, *El Heraldo*, "Sorprende que Estados Unidos se Oponga a Todas las Reformas', Dice Canciller Eduardo Enrique Reina," May 18, 2023; and *Latin American Weekly Report*, "Honduras: Attorney General Appointment Strains US Relations," November 9, 2023.

<sup>&</sup>lt;sup>50</sup> The report alleges that the three officials engaged in significant corruption while holding previous positions. U.S. Department of State, *Report to Congress on Foreign Persons who Have Knowingly Engaged in Actions that Undermine Democratic Processes or Institutions, Significant Corruption, or Obstruction of Investigations Into Such Acts of Corruption in El Salvador, Guatemala, Honduras, and Nicaragua, July 20, 2022; and Gobierno de Honduras, Secretaría de Relaciones Exteriores y Cooperación Internacional, "Nota Aclaratoria," July 20, 2022.* 

<sup>&</sup>lt;sup>51</sup> For more information, see CRS In Focus IF12486, Central America: Expiration of Targeted Sanctions Authority.

<sup>&</sup>lt;sup>52</sup> See, for example, Xiomara Castro, "Mensaje ante los Pueblos del Mundo de la Presidenta Constitucional de la (continued...)

Administration's decision to exclude those governments from the Ninth Summit of the Americas in Los Angeles in June 2022 led Castro to skip the meeting and send her foreign minister instead. The Castro administration also has sought to maintain a position of "neutrality" regarding Russia's invasion of Ukraine; Honduras was one of 35 countries worldwide to abstain on an October 2022 U.N. General Assembly Resolution (ES-11/4) condemning Russia's attempted illegal annexation of Ukrainian territory.<sup>53</sup>

In March 2023, the Castro administration broke diplomatic relations with Taiwan in favor of the People's Republic of China (PRC or China). Castro had pledged to make that change during the election and reportedly announced the diplomatic shift after requests for increased financial support from Taiwan went unanswered.<sup>54</sup> The Biden Administration recognized the shift as a "sovereign decision" while cautioning the Honduran government that "China often makes promises in exchange for recognition that ultimately remain unfulfilled."<sup>55</sup> China's leader Xi Jinping hosted Castro for a state visit in June 2023, during which the leaders signed at least 17 agreements on topics including infrastructure; investment; media collaboration; and science, technology, and innovation.<sup>56</sup> Honduras and China also have launched negotiations regarding a potential free-trade agreement.

### U.S. Assistance

The Biden Administration allocated at least \$126.4 million in foreign assistance to Honduras for FY2021, at least \$169.2 million for FY2022, and an estimated \$141.8 million for FY2023 (see **Table 1**). This funding has allowed U.S. agencies to begin scaling up their programming once again in the aftermath of the Trump Administration's 14-month suspension of most aid to Honduras in response to continued irregular migration to the United States. According to the Government Accountability Office (GAO), the aid suspension adversely affected 81% of U.S. Agency for International Development (USAID) projects and 39% of State Department Bureau of International Narcotics Control and Law Enforcement (INL) projects in the Northern Triangle.<sup>57</sup> In Honduras, the number of beneficiaries of USAID programs fell from 1.5 million in March 2019 to 640,000 in January 2021.<sup>58</sup> Since the restoration of U.S. assistance, USAID has sought to maximize the impact of its activities on irregular migration by concentrating its resources in 40 municipalities from which more than 60% of Honduran irregular migrants originate.<sup>59</sup>

República de Honduras, Xiomara Castro, en su Participación en la 78 Sesión de la Asamblea General de la Organización de las Naciones Unidas 'ONU'," September 20, 2023.

<sup>&</sup>lt;sup>53</sup> Pamela Pino, "Canciller Reina Sobre Abstención de Honduras en la ONU: La Posición Conforme a las Guerras Debe ser de Neutralidad," *El Heraldo*, October 13, 2022.

<sup>&</sup>lt;sup>54</sup> Karen DeYoung, "As China Arrives with a Splash in Honduras, the U.S. Wrings Its Hands," *Washington Post*, October 2, 2023.

<sup>&</sup>lt;sup>55</sup> Eric Jacobstein, Deputy Assistant Secretary of State for Western Hemisphere Affairs, testimony before the U.S. Congress, House Committee on Foreign Affairs, Subcommittee on the Western Hemisphere, *The U.S.-Honduras Bilateral Relationship: Analyzing the Socialist Government of President Xiomara Castro de Zelaya*, 118<sup>th</sup> Cong., 1<sup>st</sup> sess., October 25, 2023 (hereinafter: Jacobstein, October 2023).

<sup>&</sup>lt;sup>56</sup> *Poder Popular* (Honduran government publication), "Parte de los Convenios Suscritos entre Honduras y China," vol. 2, no. 55 (June 14, 2023), p. 7.

<sup>&</sup>lt;sup>57</sup> The Trump Administration also reprogrammed \$396.2 million of FY2018 assistance for the Northern Triangle, including \$69.5 million of bilateral assistance for Honduras, to other countries. U.S. Government Accountability Office (GAO), *Northern Triangle of Central America: The 2019 Suspension and Reprogramming of U.S. Funding Adversely Affected Assistance Projects*, GAO-21-104366, September 2021, p. 14.

<sup>&</sup>lt;sup>58</sup> CRS communication with U.S. Agency for International Development (USAID), March 2021.

<sup>&</sup>lt;sup>59</sup> USAID, USAID Honduras' Place-Based Geo-Targeting Approach, May 2022, p. 2.

U.S. assistance supports a wide range of development activities in Honduras. Those activities 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, and education programs intended to improve education quality and provide opportunities for youth. Other bilateral U.S. assistance activities focus on business and workforce development; natural resource management; climate change adaptation and mitigation; and global health security threat prevention, preparation, and response. Central America Regional Security Initiative (CARSI) assistance supports law enforcement operations, justice sector reform, and crime and violence prevention programs (see "Citizen Security").

| Allocations in millions of current U.S. dollars        |        |        |                      |                     |  |  |  |
|--|--------|--------|----------------------|---------------------|--|--|--|
| Foreign Assistance Account                             | FY2021 | FY2022 | FY2023<br>(estimate) | FY2024<br>(request) |  |  |  |
| Bilateral Assistance                                   | 74.0   | 117.9  | 141.8                | 136.5               |  |  |  |
| Development Assistance                                 | 65.0   | 95.0   | 126.7                | 129.7               |  |  |  |
| Global Health Programs                                 | 8.3    | 12.5   | 14.7                 | 6.0                 |  |  |  |
| Economic Support Fund                                  | —      | 10.0ª  | —                    | —                   |  |  |  |
| International Military Education and Training          | 0.8    | 0.4    | 0.4                  | 0.8                 |  |  |  |
| Central America Regional Security<br>Initiative        | 52.4   | 51.3   | NA                   | NA                  |  |  |  |
| Economic Support Fund                                  | 28.1   | 31.7   | NA                   | NA                  |  |  |  |
| International Narcotics Control and Law<br>Enforcement | 24.3   | 19.6   | NA                   | NA                  |  |  |  |
| Total  | 126.4  | 169.2  | 141.8                | 136.5               |  |  |  |

#### Table I. U.S. Assistance to Honduras: FY2021-FY2024 Request

**Sources:** U.S. Department of State, Congressional Budget Justification, Department of State, Foreign Operations, and Related Programs, Supplementary Tables, Fiscal Year 2024, April 2023; U.S. Department of State, Congressional Budget Justification, Department of State, Foreign Operations, and Related Programs, Supplementary Tables, Fiscal Year 2023, May 2022; U.S. Department of State, FY2023 allocation data, September 26, 2023; U.S. Department of State, Congressional Notification 23-315, August 21, 2023; U.S. Agency for International Development (USAID), CN #190, July 13, 2023; U.S. Department of State, Congressional Notification 22-286, August 16, 2022; and USAID, CN #8, November 16, 2021.

**Notes:** Humanitarian assistance and aid provided through other U.S. agencies, such as the Department of Defense, are not included in this table. Figures may not sum to totals due to rounding. NA = not yet available.

a. Honduras received \$10.0 million in Economic Support Fund assistance in FY2022 that was appropriated in the Additional Ukraine Supplemental Appropriations Act, 2022 (P.L. 117-128).

The United States also provides humanitarian assistance to help Honduras recover from natural disasters and stabilize vulnerable populations. This has included \$66.1 million in FY2021, \$53.6 million in FY2022, and at least \$17.5 million in FY2023 for basic needs such as food, water,

shelter, and protection.<sup>60</sup> Additionally, the United States has donated more than 7.2 million COVID-19 vaccine doses to Honduras since June 2021.<sup>61</sup>

Congress has placed restrictions on some U.S. assistance to Honduras annually since FY2012. For example, the Department of State, Foreign Operations, and Related Programs Appropriations Act, 2023 (P.L. 117-328, Division K), prohibits Foreign Military Financing for Honduras. It also requires the State Department to withhold 45% of Economic Support Fund and international security assistance (e.g., International Narcotics Control and Law Enforcement and International Military Education and Training aid) to support the central government of Honduras until the Secretary of State certifies that the Honduran government has met certain criteria. Those criteria include combatting corruption, strengthening the rule of law, protecting human rights, improving border security, and improving the foreign investment environment.<sup>62</sup> The State Department has yet to certify that the Castro administration has met the congressional criteria required to release funds appropriated in FY2022 or FY2023.<sup>63</sup> In August 2023, USAID reprogrammed \$1.3 million of FY2022 CARSI assistance, initially planned for the Honduran government, to support civil society organizations working on school safety, violence prevention, and investigative reporting.<sup>64</sup>

The Biden Administration requested \$136.5 million for Honduras in FY2024. Congress has not yet concluded action on FY2024 appropriations but enacted continuing resolutions (P.L. 118-15 and P.L. 118-22) that fund most foreign aid programs at the same level and under the same conditions as FY2023 from October 1, 2023 until February 2, 2024. The FY2024 foreign assistance appropriations measures approved by the House (H.R. 4665/H.Rept. 118-146) and reported in the Senate (S. 2438/S.Rept. 118-71) would not specify funding levels for Honduras. Both bills would maintain withholding requirements on aid for the Honduran government, with some modifications compared with prior years. S. 2438 also would maintain the prior-year prohibition on Foreign Military Financing for Honduras.

The House Appropriations Committee has expressed some skepticism about U.S. assistance for Honduras and cooperation with the Honduran government. H.Rept. 118-146 would direct the Secretary of State to submit a report to certain congressional committees "defining how the Department of State and USAID evaluate the successes and failures of the Government of Honduras in democratic governance, rule of law, economic freedom, and human rights." The report would be required to include "assessments of how relationships between Honduras and Venezuela, Cuba, Nicaragua, Russia, and the PRC impact United States national security interests" and "a cost-benefit analysis on whether United States assistance to Honduras from fiscal year 2020 through fiscal year 2022 has yielded material results."

<sup>&</sup>lt;sup>60</sup> USAID, "El Salvador, Guatemala, and Honduras – Regional Response," Fact Sheet #12, Fiscal Year 2021, September 30, 2021; USAID, "El Salvador, Guatemala, and Honduras – Regional Response," Fact Sheet #5, Fiscal Year 2022, September 30, 2022; and USAID, Bureau for Humanitarian Assistance, "Honduras Assistance Overview," February 2023.

<sup>&</sup>lt;sup>61</sup> U.S. Department of State, "COVID-19 Vaccine Deliveries," accessed November 29, 2023, https://www.state.gov/countries-areas/honduras/#covid\_map\_link.

<sup>&</sup>lt;sup>62</sup> The full criteria are listed in §7045(a)(2) of P.L. 117-328.

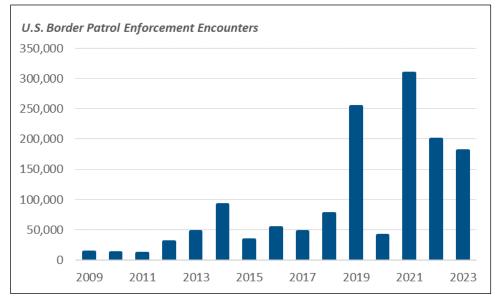
<sup>&</sup>lt;sup>63</sup> The State Department last issued a certification for Honduras in August 2022, releasing certain assistance appropriated in FY2021. U.S. Department of State, "Certification Pursuant to Section 7045(A)(2)(A) of the Department of State, Foreign Operations, and Related Programs Appropriations Act, 2021," 87, No. 167 *Federal Register* 53042, August 30, 2022.

<sup>64</sup> USAID, CN #236, August 16, 2023.

## Migration

Difficult living conditions and instability in Honduras have contributed to high levels of irregular migration to the United States over the past decade. In FY2023, U.S. Border Patrol encountered nearly 181,000 Honduran nationals crossing the Southwest border into the United States between ports of entry without authorization.<sup>65</sup> These individuals were either placed into removal proceedings under Title 8 of the *U.S. Code*, where they could potentially seek asylum or related relief, or expelled from the United States under Title 42 for public health reasons. About 43% of the Hondurans encountered in FY2023 were traveling with family members, 39% were single adults, and 18% were unaccompanied minors. Border Patrol encounters with Honduran migrants declined for a second consecutive year in FY2023 after reaching a record high in FY2021 (see **Figure 3**).

# Figure 3. U.S. Border Patrol Enforcement Encounters with Honduran Nationals at the Southwest Border: FY2009-FY2023



**Sources:** CRS presentation of data from U.S. Customs and Border Protection (CBP), "U.S. Border Patrol Nationwide Apprehensions by Citizenship and Sector in FY2007-FY2019," January 2020; and CBP, "Nationwide Encounters," October 21, 2023, https://www.cbp.gov/newsroom/stats/nationwide-encounters.

Note: Figures for FY2020-FY2023 include Title 42 public health expulsions in addition to Title 8 apprehensions.

As of 2022 (most recent year available), an estimated 844,000 individuals born in Honduras resided in the United States.<sup>66</sup> Surveys suggest many more Hondurans are considering emigrating. A poll conducted in early 2023 found that 48.4% of Hondurans surveyed had thought about emigration and 46.9% had a relative who left Honduras in the past year, with the vast majority (92.4%) emigrating to the United States. Most Hondurans cited the lack of economic

<sup>&</sup>lt;sup>65</sup> An additional 35,000 Honduran nationals were encountered at ports of entry by the U.S. Customs and Border Protection (CBP) Office of Field Operations. CBP, "Nationwide Encounters," October 21, 2023.

<sup>&</sup>lt;sup>66</sup> U.S. Census Bureau, "Place of Birth for the Foreign-Born Population in the United States," B05006. According to one estimate, the unauthorized Honduran immigrant population in the United States totaled 564,000 in 2021. See Jennifer Van Hook, Julia Gelatt, and Ariel G. Ruiz Soto, "A Turning Point for the Unauthorized Immigrant Population in the United States," Migration Policy Institute, September 2023.

opportunities in Honduras (66.1%), violence and insecurity (5.8%), or a combination of economic and security conditions (25.3%) as the primary drivers of migration.<sup>67</sup>

In addition to efforts to address the root causes of migration (see "U.S. Assistance"), the Biden Administration is implementing a Collaborative Migration Management Strategy, which seeks to reduce irregular migration to the United States by working with regional partners to deter potential migrants, strengthen border controls, and expand access to legal migration and protection pathways.<sup>68</sup> In accordance with that strategy, the Administration has reserved some temporary worker visas for Hondurans, reestablished the Central American Minors in-country refugee processing program, and created a new Family Reunification Parole process that allows vetted individuals to be paroled into the United States on a case-by-case basis.<sup>69</sup>

The Castro administration has taken some complementary steps to combat migrant smuggling and improve reintegration services for migrants who have voluntarily returned, or been removed (*deported*), to Honduras.<sup>70</sup> Between January and October 2023, nearly 48,000 Honduran migrants returned or were removed to Honduras, including nearly 32,000 from the United States.<sup>71</sup> The Honduran government has struggled to contend with growing numbers of irregular migrants transiting through the country, leaving such migrants vulnerable to extortion, human trafficking, and other human rights abuses. Nearly 443,000 irregular migrants passed through Honduras during the first 10 months of 2023, up from 189,000 in all of 2022 and 18,000 in all of 2021. Venezuela (189,000), Haiti (74,000), Cuba (65,000) and Ecuador (39,000) were the top source countries for those transiting Honduras.<sup>72</sup>

The Castro administration also has advocated for the rights of Honduran migrants in the United States, who, together with rest of the Honduran diaspora, sent an estimated \$8.5 billion of remittances to Honduras in 2022 (equivalent to 26.9% of Honduras's GDP).<sup>73</sup> For example, the Castro administration has requested Temporary Protected Status (TPS)—which provides work authorization and humanitarian relief from removal—for Hondurans residing in the United States. An estimated 57,000 Hondurans who arrived in the United States prior to 1999 currently benefit from a TPS designation that was issued in the aftermath of Hurricane Mitch in 1998 and extended by consecutive U.S. administrations.<sup>74</sup> The Trump Administration sought to terminate the TPS designation for Honduras as of January 2020, but that decision was put on hold due to a legal

<sup>&</sup>lt;sup>67</sup> Another 1.0% cited family reunification, 0.2% cited educational opportunities, and 1.6% cited other factors or did not respond. ERIC, 2023.

<sup>&</sup>lt;sup>68</sup> White House, *Collaborative Migration Management Strategy*, July 2021, https://www.whitehouse.gov/wp-content/uploads/2021/07/Collaborative-Migration-Management-Strategy.pdf.

<sup>&</sup>lt;sup>69</sup> U.S. Department of Homeland Security, "Fact Sheet: U.S. Has Expanded Labor Visa Opportunities," July 31, 2023; U.S. Citizenship and Immigration Services (USCIS), "Central American Minors (CAM) Program," June 23, 2023; and USCIS, "Family Reunification Parole Processes," October 18, 2023.

<sup>&</sup>lt;sup>70</sup> See, for examples, *La Tribuna*, "Más de 25 'Coyotes' Condenados por Traficar con Hondureños y Extranjeros," August 15, 2022; *La Tribuna*, "Gobierno Invierte Siete Millones en Proyectos para Migrantes Retornados," August 14, 2023;

<sup>&</sup>lt;sup>71</sup> Gobierno de Honduras, Instituto Nacional de Migración (INM), "Estadísticas Migratorias," accessed November 14, 2023, https://inm.gob.hn/estadisticas.html (hereinafter: INM, 2023).

<sup>&</sup>lt;sup>72</sup> INM, 2023.

<sup>&</sup>lt;sup>73</sup> World Bank Group, *Remittances Remain Resilient but Are Slowing*, Migration and Development Brief 38, June 2023, p. 21.

<sup>&</sup>lt;sup>74</sup> CRS Report RS20844, Temporary Protected Status and Deferred Enforced Departure, by Jill H. Wilson.

challenge and was rescinded by the Biden Administration. In June 2023, the Biden Administration extended TPS for existing Honduran beneficiaries through July 5, 2025.<sup>75</sup>

Migration has been a subject of considerable debate in the 118<sup>th</sup> Congress, with Members introducing various legislative measures that could impact Honduras or Honduran migrants. For example, the Secure the Border Act of 2023 (H.R. 2), passed by the House in May 2023, would direct the Secretary of State to "seek to negotiate" agreements with the Honduran government similar to the asylum cooperation agreement that the Trump Administration negotiated in 2020 and the Biden Administration terminated prior to implementation in 2021.<sup>76</sup> Such agreements would include U.S. support to enhance asylum capacity in Honduras and Honduran government commitments to allow foreign nationals of other countries seeking asylum to enter Honduras and have their claims processed in accordance with domestic laws and international agreements.

### **Security Cooperation**

The United States and Honduras have cooperated closely on security issues since the 1980s, when Honduras served as a base for U.S. operations intended to counter Soviet influence in Central America. Honduras continues to host a U.S. troop presence, though current bilateral security efforts primarily focus on combatting drug trafficking and improving citizen safety.

### **U.S. Military Presence**

Honduras has hosted a U.S. military presence, now known as Joint Task Force (JTF)-Bravo, at Soto Cano Air Base (also known as Palmerola Air Base) in Comayagua since 1983. The Department of Defense (DOD) originally established JTF-Bravo to perform a "temporary mission" supporting military training exercises and U.S. counterinsurgency and intelligence operations in Central America intended to counter the threat posed by the leftist governments of Cuba and Nicaragua.<sup>77</sup> In 1995, following the end of the Cold War, the GAO assessed that the U.S. military presence in Honduras was no longer critical to U.S. government activities or policy objectives in the region, which had shifted to focus on democracy and economic growth. It recommended that DOD withdraw the remaining U.S. personnel from Soto Cano.<sup>78</sup> JTF-Bravo remained in Honduras, however, and is now the longest standing task force in the U.S. military.<sup>79</sup>

Comprised of more than 600 U.S. military personnel and more than 600 U.S. and Honduran civilians, JTF-Bravo provides rapid response capabilities for U.S. government operations throughout Latin America and the Caribbean.<sup>80</sup> It conducts various missions, including operations intended to counter transnational organized crime, provide disaster relief and humanitarian assistance, and build partner nations' capacities to foster security in the region.

<sup>&</sup>lt;sup>75</sup> U.S. Department of Homeland Security (DHS), "DHS Rescinds Prior Administration's Termination of Temporary Protected Status Designations for El Salvador, Honduras, Nepal, and Nicaragua," press release, June 13, 2023.

<sup>&</sup>lt;sup>76</sup> For background information, see CRS Legal Sidebar LSB10402, *Safe Third Country Agreements with Northern Triangle Countries: Background and Legal Issues*; and DHS, "Agreement Between the Government of the United States of America and the Government of the Republic of Honduras for Cooperation in the Examination of Protection Claims," 85 *Federal Register* 25462-25468, May 1, 2020.

<sup>&</sup>lt;sup>77</sup> GAO, *Honduras: U.S. Military Presence at Soto Cano Air Base*, GAO/NSIAD-89-107BR, March 1989, p. 1; and Capt. Beau Downey, *A History of Joint Task Force-Bravo*, U.S. Southern Command, Joint Task Force-Bravo, February 2020.

<sup>&</sup>lt;sup>78</sup> GAO, *Honduras: Continuing U.S. Military Presence at Soto Cano Base is Not Critical*, GAO/NSIAD-95-39, February 8, 1995.

<sup>&</sup>lt;sup>79</sup> U.S. Southern Command, Joint Task Force-Bravo, "Joint Task Force-Bravo," Fact Sheet, October 25, 2021.

<sup>&</sup>lt;sup>80</sup> U.S. Department of State, "U.S. Relations with Honduras," Bilateral Relations Fact Sheet, March 1, 2023.

The Biden Administration requested \$90.5 million to support U.S. operations at Soto Cano in FY2024. This total includes \$39.9 million for military personnel, \$9.2 million for operations and maintenance, and \$41.3 million for the construction of new fuel facilities within the area of Soto Cano exclusively reserved for U.S. forces.<sup>81</sup> Both the House- and Senate-passed versions of the National Defense Authorization Act for Fiscal Year 2024 (H.R. 2670 and S. 2226) would authorize the funding requested for military construction at Soto Cano. H.R. 2670, as passed by the House in July 2023, also would require the Secretary of Defense to submit a report to Congress on the status of Defense Security Cooperation Agency policies to record and track alleged incidents of misuse of U.S.-provided equipment in Honduras.82

#### Counternarcotics

The U.S. government engages in close counternarcotics cooperation with Honduras, which is a major transshipment point for illicit narcotics due to its location between cocaine producers in South America and consumers in the United States. Small-scale coca cultivation also takes place in Honduras.<sup>83</sup> The Drug Enforcement Administration and several other U.S. agencies have provided extensive support to specially vetted Honduran units and task forces that investigate drug trafficking, money laundering, and other transnational crime. The U.S. Department of Defense has provided additional counternarcotics assistance to Honduran security forces intended to enable them to better control their national territory. Some observers have questioned the effectiveness of these efforts in light of the U.S. indictment of former President Hernández, which alleges that Honduras operated as a "narco-state" for much of the past decade, with the highest levels of the Honduran government using the country's security forces to protect drug traffickers.84

The State Department asserts that "the Honduran government has maintained its efforts against drug trafficking in coordination with U.S. law enforcement agencies" under President Castro but that such efforts have been hampered by Honduras's lack of a comprehensive counternarcotics strategy, insufficient funding, limited communications capabilities, and corruption.<sup>85</sup> Honduran authorities eradicated 140 hectares of coca plants and destroyed 15 cocaine laboratories in the first nine months of 2022, up from 30 hectares and seven laboratories in the same period of 2021. Cocaine seizures declined significantly, however, falling from 17.8 metric tons in 2021 to 4.9 metric tons in the first nine months of 2022.<sup>86</sup>

### **Citizen Security**

Many Hondurans 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 (see Table 1).

<sup>&</sup>lt;sup>81</sup> U.S. Department of Defense, Office of the Under Secretary of Defense (Comptroller)/Chief Financial Officer, Defense Operation & Maintenance Overview Book, Fiscal Year 2024 Budget Estimates, May 2023, p. 194; and U.S. Department of Defense, Fiscal Year 2024 Budget Estimates, Military Construction, Family Housing, Defense-Wide, March 2023, pp. 62-65.

<sup>82</sup> For additional background on such incidents and policies, see GAO, Northern Triangle: DOD and State Need Improved Policies to Address Equipment Misuse, GAO-23-105856, November 2022.

<sup>&</sup>lt;sup>83</sup> U.S. Department of State, Bureau for International Narcotics and Law Enforcement Affairs, International Narcotics Control Strategy Report, Volume I, Drug and Chemical Control, March 2023, pp. 142-144 (hereinafter: INCSR, 2023). <sup>84</sup> SDNY, January 2022.

<sup>&</sup>lt;sup>85</sup> INCSR, 2023.

<sup>86</sup> Ibid.

U.S. agencies collaborate with various Honduran justice sector institutions. USAID provides capacity-building support to Honduran police, prosecutors, and courts focused on addressing high-priority crimes, including homicide, gender-based violence, and extortion. It also provides technical assistance to the Honduran government and nongovernmental organizations involved in juvenile justice and rehabilitation efforts.<sup>87</sup> INL provides equipment, training, and advisory support to Honduran police and prosecutors, including vetted units and task forces focused on transnational gangs, extortion, and violent crimes, among other issues. A special victims investigation unit, for example, focuses on crimes against vulnerable populations, such as the LGBTQI+ community.<sup>88</sup>

Other U.S.-funded activities focus on crime and violence prevention. USAID works with the Honduran government and local groups to improve school safety, strengthen services for youth, and identify and implement solutions to prevent gender-based violence. It also partners with the private sector to develop employment opportunities for at-risk youth.<sup>89</sup> INL funds gang resistance programming for schoolchildren and supports anti-gender-based violence training and public awareness projects.<sup>90</sup>

### **Commercial Ties**

The United States is Honduras's most important commercial partner, serving as the country's top export market and its primary source of investment, tourism, and remittances. In 1984, Honduras became one of the first beneficiaries of Caribbean Basin Initiative trade preference programs, unilateral U.S. preferential trade arrangements that provide duty-free treatment to certain U.S. imports of goods from beneficiary countries in the region.<sup>91</sup> 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 continued to expand since CAFTA-DR (P.L. 109-53) entered into force in 2006, significantly liberalizing trade in goods and services. CAFTA-DR replaced unilateral, temporary U.S. trade preferences with permanent tariff reductions and trade rules.<sup>92</sup> It eliminated tariffs on all U.S. consumer and industrial goods exported to Honduras. Most U.S. agricultural exports also enter Honduras duty-free, and nearly all remaining tariffs on U.S. agricultural products are scheduled to phase out by 2025.<sup>93</sup> The Castro administration has called for a renegotiation of some of the agricultural provisions of CAFTA-DR, however, to maintain

<sup>&</sup>lt;sup>87</sup> USAID, CN#190, July 13, 2023.

<sup>&</sup>lt;sup>88</sup> U.S. Department of State, Congressional Notification 23-315, August 21, 2023.

<sup>89</sup> USAID, CN#190, July 13, 2023.

<sup>&</sup>lt;sup>90</sup> U.S. Department of State, Congressional Notification 23-315, August 21, 2023.

<sup>&</sup>lt;sup>91</sup> For more information, see CRS Report R47432, *Caribbean Trade Preference Programs*, by Liana Wong and M. Angeles Villarreal.

<sup>&</sup>lt;sup>92</sup> For more information, see CRS In Focus IF10394, *Dominican Republic-Central America-United States Free Trade Agreement (CAFTA-DR)*, by M. Angeles Villarreal.

<sup>&</sup>lt;sup>93</sup> United States Trade Representative (USTR), 2023 National Trade Estimate Report on Foreign Trade Barriers, March 31, 2023, p. 191.

certain tariffs intended to protect Honduran producers and ensure the country does not become completely dependent on imports for staples such as rice, beans, and corn.<sup>94</sup>

### **Trade and Investment Flows**

Although the value of U.S.-Honduran merchandise trade declined in 2020 due to the economic effects of the COVID-19 pandemic, trade has grown by nearly 75% since then to reach a record-high \$14.0 billion in 2022 (see **Figure 4**). U.S. imports from Honduras amounted to \$6.1 billion in 2022, with apparel, insulated wire, coffee, and fruit accounting for the vast majority. The same year, U.S. exports to Honduras totaled nearly \$8.0 billion, led by mineral fuels, apparel inputs, cereals, and machinery.<sup>95</sup> As a result, the U.S. trade surplus with Honduras reached \$1.9 billion in 2022.

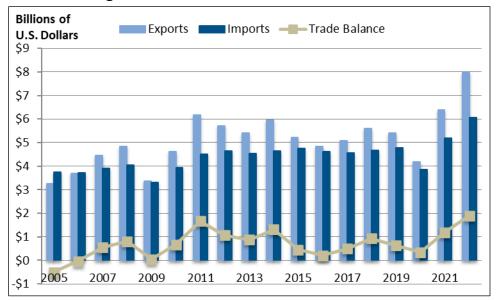


Figure 4. U.S. Trade with Honduras: 2005-2022

**Source:** CRS presentation of U.S. Department of Commerce, Census Bureau data obtained through *Trade Data Monitor*, accessed July 2023.

U.S. foreign direct investment in Honduras increased by 67% between 2005, the year before CAFTA-DR and its investment chapter entered into force, and 2022. In 2022, U.S. direct investment in Honduras on a historical-cost basis amounted to nearly \$1.4 billion, with 44% of the total invested in the manufacturing sector.<sup>96</sup> Vice President Harris has sought to foster increased investment in Honduras and other Central American countries through the Central America Forward initiative (formerly known as the *Call to Action*). The U.S. International Development Finance Corporation also supports such efforts; in FY2023, it approved a loan of up to \$80.0 million to Banco Atlántida to expand lending to small- and medium-sized enterprises in

<sup>&</sup>lt;sup>94</sup> Agence France Presse, "Honduras Pide a EEUU Renegociar Tratado para Proteger a sus Agricultores," January 31, 2023.

<sup>&</sup>lt;sup>95</sup> U.S. Census Bureau and INE data, as presented by *Trade Data Monitor*, accessed July 2023.

<sup>&</sup>lt;sup>96</sup> U.S. Department of Commerce, Bureau of Economic Analysis, "Balance of Payments and Direct Investment Position Data," accessed September 26, 2023.

Honduras.<sup>97</sup> However, U.S. investment promotion policies must contend with private sector concerns about the investment climate in Honduras (see "Investment Concerns").

### Labor Rights Concerns

Some observers in the United States and Honduras have expressed concerns about the enforcement of the labor rights provisions of CAFTA-DR.<sup>98</sup> In 2012, the AFL-CIO joined with 26 Honduran trade unions and civil society organizations to file a petition with the U.S. Department of Labor asserting that the Honduran government had failed to meet its obligations to effectively enforce its laws relating to freedom of association, the right to organize and bargain collectively, child labor, and the right to acceptable working conditions. They identified specific violations in the port, apparel, agriculture, and auto manufacturing sectors.<sup>99</sup>

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."<sup>100</sup> 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.<sup>101</sup>

According to the United States Trade Representative, "Honduras has made some significant progress in implementing the [monitoring and action plan] over the past seven years, including passing a comprehensive new labor inspection law in January 2017, issuing an implementing regulation for the law in July 2019, adopting a child labor referral mechanism in August 2019, and convening numerous tripartite meetings with private sector and labor stakeholders."<sup>102</sup> The U.S. Department of Labor also has funded a series of projects intended to reduce child labor, strengthen labor law enforcement, and improve labor rights in Honduras.<sup>103</sup> Nevertheless, according the U.S. State Department, workers continued to face difficulties in exercising their rights to form and join unions and to engage in collective bargaining, and the Honduran government "did not effectively enforce the law" in 2022.<sup>104</sup> The 2015 monitoring and action plan was to end "no later than" September 30, 2023.<sup>105</sup>

<sup>&</sup>lt;sup>97</sup> U.S. International Development Finance Corporation, "DFC Approves More Than \$3 Billion Across Priority Sectors in the Third Quarter of FY23," press release, June 30, 2023.

<sup>&</sup>lt;sup>98</sup> The labor rights provisions of CAFTA-DR are available at https://ustr.gov/sites/default/files/uploads/agreements/ cafta/asset\_upload\_file320\_3936.pdf.

<sup>&</sup>lt;sup>99</sup> 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.

<sup>&</sup>lt;sup>100</sup> U.S. Department of Labor, Public Report of Review of U.S. Submission 2012-01 (Honduras), February 27, 2015.

<sup>&</sup>lt;sup>101</sup> U.S. Department of Labor, "U.S. and Honduras Sign Landmark Labor Rights Agreement," press release, December 9, 2015. The Labor Rights and Monitoring Action Plan is available at https://ustr.gov/sites/default/files/files/ agreements/FTA/CAFTA-DR/Honduras\_Monitoring%20and%20Action%20Plan.pdf.

<sup>&</sup>lt;sup>102</sup> USTR, 2023 Trade Policy Agenda and 2022 Annual Report, May 2023, p. 7.

<sup>&</sup>lt;sup>103</sup> For information on the projects, see U.S. Department of Labor, Bureau of International Labor Affairs, "ILAB in Honduras," https://www.dol.gov/agencies/ilab/country/ilab-honduras.

<sup>&</sup>lt;sup>104</sup> U.S. Department of State, *Country Reports on Human Rights Practices, Honduras*, March 20, 2023.

<sup>&</sup>lt;sup>105</sup> USTR, 2023 Trade Policy Agenda and 2022 Annual Report, May 2023, p. 7.

### **Investment Concerns**

Over the past two years, private sector stakeholders have expressed increased concerns about the investment climate in Honduras. According to the U.S. State Department, "investors report that the fast pace of legal and regulatory changes, persistent government messaging blaming the private sector for the country's poverty and corruption, and lack of rigorous cost-benefit analysis underpinning economic policymaking has created a climate of uncertainty" and caused "significant disruptions" for U.S. companies operating in Honduras.<sup>106</sup>

The Honduran government's April 2022 repeal of the laws implementing and regulating ZEDEs has attracted particular attention from some Members of Congress.<sup>107</sup> ZEDEs were specially designated areas where investors were granted administrative autonomy to enact their own laws, set up their own judicial systems, and carry out other duties usually reserved for governments. The investment framework, established in 2013, was broadly unpopular in Honduras. The National Anti-corruption Council argued it was an unconstitutional violation of Honduran sovereignty that was adopted through illegal means, and the country's primary business association warned that investments in ZEDEs would be high risk and would lack legal certainty.<sup>108</sup> Members of the Honduran congress unanimously supported the repeal.

Honduras Próspera Inc. (Próspera), a U.S.-based corporation, reportedly had invested \$100 million in a ZEDE as of August 2023.<sup>109</sup> Próspera argues that the repeal of the ZEDE framework violated the Honduran government's obligations under the investment provisions of CAFTA-DR.<sup>110</sup> Using the agreement's investor-state dispute settlement (ISDS) mechanism, Próspera has filed a \$10.8 billion claim (equivalent to 34% of Honduras's 2022 GDP) at the International Centre for Settlement of Investment Disputes.<sup>111</sup>

Some Members of Congress have called on the Biden Administration to protect the interests of U.S. investors involved in the Próspera ZEDE. For example, the report accompanying the Housepassed FY2024 Department of State, Foreign Operations, and Related Programs Appropriations Act (H.Rept. 118-146 to H.R. 4665) would direct the Secretary of State to submit a report to the House and Senate Committees on Appropriations on "expropriation attempts by the Government of Honduras on investments by United States citizens in Prospera ZEDE" that outlines "steps and options for representing the interests of impacted investors and owners."<sup>112</sup>

Other Members of Congress have criticized Próspera's claim as an "attempt to bully the Honduran government" into allowing the company to continue operating under the abolished

<sup>&</sup>lt;sup>106</sup> U.S. Department of State, 2023 Investment Climate Statements: Honduras, July 27, 2023.

<sup>&</sup>lt;sup>107</sup> The Honduran government has not yet repealed underlying constitutional provisions authorizing "Employment and Economic Development Zones" (ZEDEs by the Spanish acronym) and, to date, three previously established ZEDEs have continued to operate in Honduras.

<sup>&</sup>lt;sup>108</sup> Consejo Nacional Anticorrupción, *Los Pecados Capitales de las ZEDE*, June 2021; and Consejo Hondureño de la Empresa Privada, "Certificación – Análisis Jurídico de las ZEDE en Honduras," June 3, 2021.

<sup>&</sup>lt;sup>109</sup> Próspera, "Próspera Announces over \$100M Invested in Honduras, Still Accepting Additional \$10M Investment," press release, August 3, 2023.

 $<sup>^{110} \</sup> The investment \ provisions \ of \ CAFTA-DR \ are \ available \ at \ https://ustr.gov/sites/default/files/uploads/agreements/ \ cafta/asset_upload_file328_4718.pdf.$ 

<sup>&</sup>lt;sup>111</sup> Próspera, "\$10.775 Billion Claim Filed Against Government of Honduras," press release, December 20, 2022; and International Centre for Settlement of Investment Disputes, *Honduras Próspera Inc., St. John's Bay Development Company LLC, and Próspera Abitration Center LLC v. Republic of Honduras (ICSID Case No. ARB/23/2)*, https://icsid.worldbank.org/cases/case-database/case-detail?CaseNo=ARB/23/2.

<sup>&</sup>lt;sup>112</sup> Also see Letter from Bill Hagerty and Benjamin L. Cardin, United States Senators, to Honorable Antony J. Blinken, Secretary of State, October 13, 2022.

framework and for forcing the Honduran government to "potentially spend millions of dollars defending itself for responding to the will of its people."<sup>113</sup> They have called on the Biden Administration to intervene in the case in support of the Honduran government.

CAFTA-DR's ISDS mechanism allows a non-disputing party to make oral and written submissions to the arbitration tribunal regarding the interpretation of the agreement. During an October 2023 congressional hearing, a State Department official asserted that the United States "is not taking a position on the merits of the dispute," and that the State Department "has encouraged both sides to reach a consensual resolution."<sup>114</sup>

## Outlook

The January 2022 inauguration of President Castro and a new congress presented Honduras with an opportunity to begin rebuilding democratic institutions and the rule of law after more than 12 years of backsliding following the 2009 coup. To date, however, the Castro administration and Honduran legislators from across the political spectrum have demonstrated more interest in obtaining control over Honduran institutions than in strengthening them. The inability or unwillingness of the country's political leaders to forge consensus has exacerbated societal polarization and limited the Honduran government's ability to address challenges, including widespread poverty, corruption, and insecurity.

Over the past decade, the United States has increased foreign assistance to Honduras in an attempt to improve living conditions and address underlying drivers of irregular migration to the U.S. border. Although annual U.S. Border Patrol encounters with Honduran migrants have declined since reaching a record high in FY2021, these are difficult and long-term endeavors, and sustained improvements will likely require concerted efforts by the Honduran government and the international community over many years. The 118<sup>th</sup> Congress is likely to continue assessing the political will of the Honduran government to enact reforms and collaborate on U.S. priorities as it considers foreign assistance appropriations and other legislation that may shape bilateral ties.

### **Author Information**

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<sup>&</sup>lt;sup>113</sup> See, for example, Letter from Elizabeth Warren, United States Senator, et al., to Honorable Katherine Tai, U.S. Trade Representative, and Honorable Antony Blinken, Secretary of State, May 2, 2023.

<sup>&</sup>lt;sup>114</sup> Jacobstein, October 2023.

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