



DIRECTORATE-GENERAL FOR EXTERNAL POLICIES OF THE UNION
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Honduras



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Abstract

Honduras' political institutions have succumbed to the old ways of dealing with internal power struggles. On 28 June 2009, elements of the army forcibly escorted President Manuel Zelaya from his home into exile in Costa Rica. The National Congress nominated its president, Roberto Micheletti, to step in to the presidency with the support of the Supreme Court, the media and the business elite.

It has been alleged that President Zelaya intended to change the constitution in order to remain in power, adopting a strategy similar to that used by President Hugo Chávez in Venezuela.

The international community supported the US brokered Tegucigalpa-San Jose Agreement as the democratic way out of the crisis, but the opposing parties' continuing grievances did not allow for its full implementation. The result of the presidential elections and Congress rejecting Zelaya's return are now dividing other countries between those who do not recognize the President-Elect Porfirio "Pepe" Lobo Lopes and those hoping for a return to normal life in the country

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AUTHORS:

Mario NEGRE and Pedro NEVES
Directorate-General for External Policies of the Union
Policy Department
PHS 04C019
rue Wiertz 60
B-1047 Brussels

Feedback to mario.negre@europarl.europa.eu is welcome

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ABOUT THE EDITOR

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BASIC DATA

Country	HONDURAS		Source
Population (thousands)	7,601 (2010, estimate) 9,179 (2020, forecast)		UN Population Division, Dept. Economic and Social Affairs
Land area	112,492 km ²		Instituto Nacional de Estadística
Capital and main cities (2007 census)	Tegucigalpa (capital): 1,126,534 San Pedro Sula: 719,447 Choloma: 276,863 El Progreso: 204,429		Instituto Nacional de Estadística
Government	President: Porfirio Lobo Sosa Vice President and Minister of the Presidency: María Antonieta de Bográn Foreign Relations: Arturo Corrales Minister Finance: William Chiong Wong Minister Economy and Industry: Jose Francisco Zelaya Minister Defence: Marlon Pascua Minister Interior and Justice: Áfrico Madrid		
Next (and most recent) presidential election	Next: November 2014 Last: 29 November 2009		
Next (and most recent) parliamentary elections	Next: November 2014 Last: 29 November 2009		
Currency	Lempira (= 100 centavos)		
GDP (US\$ billions)	2010 15,347	2011 (forecast) 17,000	IMF, World Economic Outlook Database, April 2011
Growth	2.8%	3.5%	
GDP per capita (US\$)	2,016	2,191	IMF, World Economic Outlook Database, April 2011
Inflation (%)	6.5%	8.0%	IMF, World Economic Outlook Database, April 2011
Human Development Index ranking	106 of 169 countries (world) 16 of 19 Latin American countries		UNDP - Human Development Report 2011
Poverty	66.2% of population in poverty (2010) 45.3% of population in indigence (2010)		Instituto Nacional de Estadística
Unemployment	4.3% (2011)		IMF, World Economic Outlook Database, April 2011
Corruption perception rank	134 of 178 countries (world) 17 of 20 Latin American countries		Transparency International - Corruption Perceptions Index 2010

Competitiveness	86 of 142 countries (world) 10 of 18 Latin American countries	World Economic Forum: The Global Competitiveness Report 2011-2012
'Ease of doing business'	131 of 183 countries (world) 16 of 18 Latin American countries	International Finance Corporation / World Bank - Doing Business Index
Press freedom ranking	143 of 178 countries (world) 18 of 20 Latin American countries	Reporters without Borders - Press Freedom Index 2010

Table 1: Presidential elections 29 November 2009

Candidate	% of valid votes (votes)
Porfiro Lobo Sosa (National Party of Honduras, <i>Partido Nacional de Honduras, PNH</i>)	56.6% (1,213,695)
Elvin Ernesto Santos (Liberal Party of Honduras, <i>Partido Liberal de Honduras, PLH</i>)	38.1% (817,524)
Bernard Martínez (Innovation and Unity Party - Social Democrat, <i>Partido Innovación y Unidad - Social Demócrata, PINU-SD</i>)	1.9% (39,960)
Felicitó Ávila (Christian Democratic Party of Honduras, <i>Partido Demócrata Cristiano de Honduras, PDCH</i>)	1.8% (38,413)
César Ham (Democratic Unification Party, <i>Partido Unificación Democrática, PUD</i>)	1.7% (36,420)
Blank and invalid votes	154,044
Total	2,300,056

Source: Tribunal Supremo Electoral (TSE).

Table 2: Composition of Congress

Party	Number of Seats
National Party of Honduras (<i>Partido Nacional de Honduras, PNH</i>)	71
Liberal Party of Honduras (<i>Partido Liberal de Honduras, PLH</i>)	45
Christian Democratic Party of Honduras (<i>Partido Demócrata Cristiano de Honduras, PDCH</i>)	5
Democratic Unification Party (<i>Partido Unificación Democrática, PUD</i>)	4
Innovation and Unity Party - Social Democrat (<i>Partido Innovación y Unidad - Social Demócrata, PINU-SD</i>)	3
Total	128

1 POLITICAL BACKGROUND

Honduras' democratic history has traditionally been defined by its military class and by United States foreign policy. At home, the struggle for power has historically been between the two main political parties: the National Party (PN) and the Liberal Party (PL), both of which have conservative leanings. The military's influence on Honduran politics has always been present and concomitant to a burgeoning democratic process.

In the 1980s, the military relinquished power, and free parliamentary and presidential elections were held. The Liberal Party, which represented the interests of the business and industrial moderate middle classes, also supported by large numbers of workers and impoverished peasants, won a majority in the new parliamentary assembly and elected Roberto Suazo Córdova as president. The contending National Party, although having lost political strength, continued to control all the state apparatus and offered some form of opposition. These elections marked the end of nine years of military government and lent politics a certain legitimacy. During this term the present Constitution, the 16th since independence, entered into force on 20 January 1982.

The civilian-military power struggle was once again in evidence with the election of President Carlos Alberto Reina (1994-1998), the former President of the Interamerican Human Rights Court, on 28 November 1993. With a comfortable Liberal Party majority in the National Congress, Mr Reina announced his intention to eradicate corruption, reform the judicial system and reduce the army's power. The President's efforts, which had the backing of the international community and particularly the United States, were successful.

The new millennium started with what seemed to be the consolidation of the Honduran democratic process. Ricardo Maduro, elected in 2001, pledged to crack down on crime by taking a zero tolerance approach but his policies had unconvincing success. His government was accused of being corrupt and too radical in the fight against *maras* (criminal youths). On the other hand, economic growth did however flourish. The 2005 campaign, once again portrayed candidates from the two parties dominating Honduran political life and ended up with the victory of José Manuel Zelaya Rosales, an ex-rancher and former Investment Minister in the 1997 Liberal administration. His campaign displayed a moderate approach indicating a desire to place more emphasis on the poverty and social exclusion at the root of the gang violence. On the economic sector Manuel Zelaya declared his intention to make further progress with the Dominican Republic–Central America Free Trade Agreement.

Manuel Zelaya was elected with only 4% difference in votes from Lobo in an electoral process without any major problems although not free from controversy. The counting process was lengthy; and Manuel Zelaya's victory was announced officially and unofficially at several different stages. After an early victory declaration by Zelaya, the ex-president Maduro and the candidate Lobo teamed up and refused to recognise Zelaya as the new president raising the tension for the following two weeks of counting. With still 11% of the votes to be counted, Zelaya was officially declared President, and in Congress, the PL won 62 seats only 7 more than the PN, but this was still not sufficient to secure a majority.

Honduras is a country riddled with poverty and violence. Twenty years after the inauguration of the first civilian president after military rule, Mr. Córdova, critical social issues still have to be tackled. Approximately 53% of the population is rural, and it is estimated that 75% of the rural population lives below the poverty line, unable to meet basic needs¹. In fact, the available per capita income calculated from official income surveys falls below the national poverty line, which means that if the fruits of

¹ World Bank, 2006

economic activity were distributed equally, everyone in the country would be poor. To make matters worse, inequality remains high and has even increased in recent years, with the wealthiest 20% absorbing more than 30 times more income than the poorest quintile.² Macroeconomically, the country is heavily dependent on foreign aid and financial support, its economy is agriculture based and its commodities export is very sensitive to external instability.

Since the Constitution came into force in 1982, Honduras has enjoyed an uninterrupted period of civilian government. However, the shadow of corruption and military influence continues to loom over the country's democratic status. Honduras is seen as having one of the highest levels of corruption in Latin America. President Zelaya's main priorities were therefore the adoption in November 2006 of a Law on Transparency and Access to Public Information and a law on Citizen Participation. Although the effort was strongly criticised for having loopholes (information could be tagged as national security and not be available to scrutiny), this initiative had a direct impact on corruption and helped to focus public attention on the problem.

In November 2008, President Zelaya added to the uncertainty with his controversial proposal to call a 'fourth ballot' on the same day as the general elections in November 2009. Mr Zelaya planned to hold a non-binding public consultation on 28 June to ask people whether they supported moves to change the constitution. Had voters supported it, a referendum on setting up a body charged with redrawing the constitution would probably have been held at the same time as the presidential election in November 2009. Mr Zelaya has repeatedly denied he was seeking re-election³. A new constituent assembly would have been unlikely to be able to rewrite the constitution before Mr Zelaya's term expires in January 2010, by which time, the country would have a new president-elect.

President Zelaya's announcement came on top of rumours and accusations that had been circulating for months regarding his intention to break with the present Constitution in order to remain in power after 2010. Some sections of the opposition claimed that Zelaya had been influenced by his Venezuelan counterpart, Hugo Chávez, and wished to establish a left-wing government in Honduras and remain in power for as long as possible. This is based on the fact that the Constitution prohibits the re-election of the President, with the provision in question belonging to a 'hard core' of articles that cannot be amended, which would require a new Constitutional text to be drafted.

The Zelaya administration has been marked by a steady decline in popularity, not only inside public institutions but also with Zelaya's constituency. With less than a year left in office, President Zelaya is second only to Daniel Ortega as the least popular leader in Latin America, with just a 25% approval rating among Hondurans⁴. Although his cabinet's first measures enjoyed widespread acceptance⁵, his popularity began to decline when his actions failed to bring real improvements to people's standard of living, and his enemies increased in different sectors of the Honduran society.

a. Political parties

Continual government crises and cabinet reshuffles have marked Zelaya's administration. In the first two years after election, nine ministers and more than 20 managers and directors of public bodies resigned for a variety of reasons. In 2008, in the course of party primaries held in preparation for the

² Morazán, Pedro and Negre, Mario (2009). "Análisis del Impacto del CAFTA en Honduras y Recomendaciones para las Negociaciones de un Acuerdo de Asociación con la Unión Europea". Cordaid.

³ BBC, October 7, 2009

⁴ The opinion poll was conducted by the Latin American company CID Gallup in the last quarter of 2008 with a 2% margin of error. It represents an alarming assessment of the President's leadership, approval for which had fallen 45 points since his term began.

⁵ Abolition of fees in public schools, creation of an assistance fund for small and medium-sized enterprises and the allocation of 1% of the national budget (almost EUR 4 million) to stop deforestation in the country.

November 2009 presidential, regional and municipal elections, internal fighting within the government and strategic resignations increased. The inability or unwillingness to maintain a stable cabinet and implement coordinated and coherent policies is undoubtedly part of the reason for the difficulties that have faced the Zelaya administration.

More specifically, the PL was resentful of Zelaya's approximation with Hugo Chávez and his lack of support for Roberto Micheletti during the party primary to decide who would be the new presidential candidate. The PN felt threatened that its candidate "Pepe Lobo", who was leading opinion polls at the time, would lose the chance to compete in free elections. Two of the other three small parties, also lent their support to the removal of the then incumbent president, the Social Democratic and Innovation Party (PINU) and the Christian Democrats. The left leaning Democratic Union was the only one against.

b. Judicial System

The Honduran Supreme Court warned Zelaya that the consultation he was pushing for over a new constituent assembly would ".expose him to a criminal investigation". If conducted, it would create a "factual situation" because it would break the "means and procedures described in the Constitution and laws. Neither the Constitution nor the electoral laws give the president the power to execute any action of electoral consultation"⁶. In the country, the high authorities of the judicial system are nominated by the Congress, with frequently recommendations made from within the ruling parties.

c. Media

President Zelaya is critical of the existence within the media of oligopolies with political and economic interests, restricting the right to information, freedom of expression and the absence of any right to reply or request clarification⁷. The biggest Honduran media outlets are run by Rafael Ferrari and Carlos Flores, connected to the PL and Jorge Cañahuatti, connected to the PN. Their biggest complaints are of being subjected to intimidation and threats by President Zelaya and they oppose any government interference in the reporting of news. In its drive to ensure 'media balance' in Honduras, the Zelaya government launched the newspaper *Poder Ciudadano* (Citizen Power) in October 2007, aiming to present official positions, and introduced a compulsory broadcast of government programmes, while promoting state-controlled radio stations and television channels. These measures have prompted comparisons with Venezuela and the description of the President's style of populism.

d. Business interests

Elements of the business elite have also manifested their discontent with Manuel Zelaya. The Honduran Commission of Private Enterprises (CHEP) has lobbied against the increase in the minimum wage put forward by the president.

1.1 THE COUP

On July 2008, the Supreme Electoral Court called elections for 9 November 2009 in which Hondurans would vote for presidential, vice-presidential, parliamentary and mayoral candidates and elect 20 deputies to the Central American Parliament - Parlacen. The presidential election campaign has been dominated by an atmosphere of internal tension within the two major parties. The dispute was marked by a phenomenon the country thought had died out, namely 'politically motivated violence'. A

⁶ EFE, 25 March 2009

⁷ "The government promotes the freedom of expression and the press promotes bias in the printed word and constant manipulation.", President Zelaya, 14 October 2007.

prospective presidential candidate and six hopefuls for political posts in the National Congress and town halls were killed in suspicious circumstances.

A few days before the 29 June consultation, the military refused to obey the president's order to monitor the voting. Mr. Zelaya responded by removing the head of the armed forces, general Romeo Vásquez Velásquez, from his post and accepted the Secretary of Defence, Edmundo Orellana's resignation. The Supreme Court dismissed his decision as illegal and the National Congress reinstated the General treating him as a national hero for having disobeyed the president. "Pepe" Lobo, who was the presidential candidate for the PN at that time, described a meeting at which he was present in Zelaya's office in May 2009 when General Romeo Vásquez - the president and he still maintained good relations at that time - made clear that should Zelaya proceed with the consultation illegally he would regretfully not obey⁸.

On 28 June 2009 the military abruptly ended the country's longest period of uninterrupted civilian rule - 27 years in total. Commanders of the three armed forces, the general inspector and General Velásquez, joined the opposition group and conducted the coup. President's Zelaya's removal is reported to have happened in the early hours of the 28 June while he was still asleep. He was removed from his home and forced into exile in Costa Rica. Reportedly, at least eight cabinet members were detained alongside Zelaya, including Foreign minister Patricia Rodas.

The National Congress acted the same day to create an institutional situation that would legitimize the actions of the Armed Forces. A letter of resignation supposedly signed by President Zelaya was presented to Congress who accepted the President's motives that his resignation would preserve peace in the nation. President Zelaya's political rival Roberto Micheletti - who hails from the same liberal party - was sworn in as interim president on the same day, stepping in from his presidency of Congress. It was argued that the Congress understood its obligation to step in and fill the void left by the resignation of the president.

In one of his official acts, interim president Micheletti imposed a night-time curfew, in an effort to quell potential protests. The decree restricted constitutional guarantees from 22:00 to 5:00 affecting the right to assembly and freedom to circulate, including across borders. It also allowed security forces to hold suspects for more than 24 hours without charge.

The interim government also closed media outlets that voiced anti-coup editorials. The decree allowing the suspension of some civic rights and media first closed the Radio Globo and the television channel Canal 36⁹. The interim government declared on 5 October that he would ask ministers to lift a decree that suspended some civil liberties and shut down two media outlets loyal to President Zelaya. Micheletti had come under pressure to lift the decree as the OAS tried to negotiate an end to the crisis¹⁰.

A report by the representatives of the Comisión Interamericana de Derechos Humanos (CIDH, Inter-American Commission on Human Rights), who visited Honduras in August, confirmed serious restrictions on the right to freedom of expression. The report also stated that four people had died and several others were injured by fire arms during demonstrations.

The following months were marked by President Zelaya's attempts to gather international support and return to his home country. He spoke in front of the United Nations General Assembly and with many national governments which had, for the majority, given him full support. After many failed attempts to come back to Honduras, President Zelaya finally managed to secretly cross the border and find his way into the capital turning up at the Brazilian Embassy. Under international law President Zelaya was

⁸ El País, 10 Octobre 2009

⁹ Le Monde, 30 Septembre 2009

¹⁰ Reuters, 5 October 2009

protected inside the embassy. The Brazilian Foreign Minister Celso Amorim said that any threat against the embassy would be seen as a "gross violation" of international law. The Brazilian government denied it knew about President Zelaya's intention to use its embassy for his return, although it declared official support for him during a President Lula da Silva speech at the United Nations.

The first days inside the Brazilian Embassy were tense as the interim government suspended water and electricity supplies. Pro-Zelaya supporters who rallied in front of the embassy, despite the curfew, were violently dispersed. The violence outside the embassy and fear of it coming inside the embassy pressured the Brazilian government to rally for international support during the 64th UN General Assembly. Roberto Micheletti claimed, in reaction that he would not attack the embassy and was open to talk to Zelaya if he recognized the 29 November, elections and gave the Brazilian government ten days to decide on President Zelaya's status: asylum or be handed over to authorities. "He can stay there as long as he wants. All we need is for Brazil to guarantee its mission is not used for political campaigning¹¹", declared Roberto Micheletti.

Indeed, the interim government did not take any action against the Brazilian Embassy but Zelaya's presence there increased the fear of stronger public demonstrations of support. President Zelaya called from inside the Brazilian Embassy on the Honduran people to help him back to his position by rising up against the interim government. He declared that the right to insurrection is a legitimate one that constitutes part of the highest concepts of democracy against an usurper government and insurgent military. To avoid an increase in violence during public demonstrations, which would only damage the *de facto* government image even more, the interim government imposed a 45-day state of siege which was eventually lifted after consultations with the Supreme Court and a meeting with the leading presidential candidates.

1.2 MEDIATION AND RESOLUTION PROPOSALS

A mediation effort on 24 August, led by the OAS, sought to convince the *de facto* government of the need to find a solution to the crisis through the San José Accord, which had been brokered by the Costa Rican president and Nobel Prize laureate, Óscar Arias. The diplomatic delegation consisted of different foreign affairs ministers (including those from Argentina, Canada, Costa Rica, México and Panama), and the OAS general secretary, José Miguel Insulza, as observer. They met representatives of different social sectors (including the church, the armed forces, the judiciary, Congress and the presidential candidates), also members of the Micheletti administration. According to the mission the *de facto* government members did not accept Mr. Zelaya's return to power. Mr. Micheletti and his supporters insist that when Mr. Zelaya was ousted, there was a constitutional succession and not a coup d'État.

The San José Accord drafted by President Óscar Arias was a 10 point proposal asking for the reinstatement of President Zelaya, the building of a government of unity and national reconciliation, total amnesty on political offences before and after 28 June, the renunciation of a constitutional assembly, the role of the military in guaranteeing the coming elections, reintegration of Honduras within the international community and the rescheduling of the November elections to October. The Accord was a considerable evolution from the original 7-point plan President Arias initially presented to the representatives of President Zelaya and the *de facto* regime. The San José Accord showed an almost complete absorption of proposals made by the Micheletti regime, including a requirement that the budget passed by Congress, while the *de facto* regime had been in power, should remain in place for the rest of President Zelaya's term.

Following on from the OAS mission, on 28 August, the Micheletti government sent President Arias a counteroffer, accepting Mr Zelaya's return to Honduras but only to face justice. The counter proposal

¹¹ Reuters, 30 September 2009,

was rejected because it did not respect the basic premise of the de San José Accord, namely the restoration of Mr Zelaya as president. Mr Micheletti had even suggested he could resign as president to allow another person to take office. Mr Elvin Santos, the PL's presidential candidate, who could be the one assuming the presidency, considered it unnecessary to involve a third person in the crisis, when there were already two presidents struggling for power¹². President Zelaya rejected the proposal of a double resignation declaring it was not acceptable, adding that it would just mean replacing one leader put into power by a coup with another non-elected president.

In addition to the international mediation of President Arias, the assistant Catholic Bishop of Tegucigalpa Juan José Pineda, proposed the "Tegucigalpa Plan" as a "Honduran solution to a Honduran problem". It quickly came under criticism from Zelaya supporters, Marvín Ponce and Koritza Díaz, members of the left-wing Democratic Unification Party (UD), who accused it of been a "trap" to win the agreement of the liberal party Zelaya supporters and gain time for Micheletti to receive international recognition in the November elections¹³.

At this point of the negotiations, crisis moderators and international attention started focusing on the presidential election, planned for 29 November - and the legitimacy of its result, particularly if Zelaya was not reinstated prior to the vote. International opinion - namely the United States and the EU - threatened to refuse to accept the results of the election over the current state of affairs in the country. With civil liberties and rights partially suspended and the *de jure* president out of power, any electoral process would suffer from lack of real debate and free exchange of opinions.

In response to international pressure the *de facto* leader of Honduras offered to hold direct talks with Manuel Zelaya, the ousted President, even as soldiers laid siege to the Brazilian Embassy where Mr. Zelaya was taking refuge, but only if Manuel Zelaya first accepted elections to choose a new president on 29 November. "I am ready to talk with Mr. Zelaya, as long as he explicitly recognizes the presidential elections," Mr. Micheletti said in a statement read at a news conference by the new government's foreign minister, Carlos Lopez¹⁴. President Manuel Zelaya responded that "he is inclined to present himself to Honduran justice "if reinstated to his position¹⁵".

The Honduran interim government showed signs of internal dissent due to international pressure for elections in the first days of October. Following the opposition of several deputies to the 45-day state of siege, a group of businessmen requested the "symbolic" restoration of Zelaya to power. The entrepreneurs said that they would welcome the symbolic return of the leader if he were to have no authority and be under house arrest until elections on 29 November. The Honduran business elite feared further sanctions from the international community, which had left Honduras diplomatically and economically isolated.

On 30 October international media broadcasted news from Honduras of what seemed to be the end of the stalemate. Both parties had signed the Tegucigalpa-San José Agreement brokered by the US and consisting of 12 points calling for the recognition of the 29 November elections, repealing political amnesty and a constitutional assembly, calling on the National Congress to consult with the Supreme Court and decide whether Zelaya was to be restored with limited powers, and the formation of an international verification committee coordinated by the Organization of American States. The Agreement also stipulated that a government of National Union and Reconciliation be put together by 5 November.

¹² EIU, September 2009

¹³ Inter Press News, 8 October 2009

¹⁴ London Times, 23 September, 2009

¹⁵ Associated Foreign Press, 2 October 2009

Mr. Zelaya issued a statement on 6 November saying that Congress had not resolved the main issue - his restitution - and had hence failed to form the National Unity Government, which marked the failure of the Agreement. On 9 November the de facto government responded stating that the only one who could declare that the agreements had not been fulfilled was the OAS Verification Committee. Mr Micheletti said the government was representative of a broad ideological spectrum of the country, in strict compliance with the letter of the Tegucigalpa-San Jose Agreement, and left open the possibility that Zelaya submit his proposals, even after the deadline. The Honduran Congress scheduled the vote on Zelaya's reinstatement on 2 December, refused to meet Zelaya's demand for immediate reinstatement. On November 26, the Supreme Court argued that Zelaya should not be reinstated until he had faced pending legal proceedings for his attempt to hold a referendum the court deemed unconstitutional.

Zelaya called for a boycott of the elections. Dozens of mayoral and congressional candidates withdrew and a number of social movements held street protests. Yet, facing a diminishing number of supporters and mounting pressure from the international community to concede his determination to return to power, Zelaya announced his resignation from the presidency on the 13 November in a letter to President Obama, arguing that his return to power would only serve to cover the coup and legitimize the November elections¹⁶.

1.3 VOTING THE CRISIS AWAY?

After this uncertain month, elections finally took place on 29 November. The polls were peaceful -- despite small bombs exploding in several polling stations over previous days -- and did not result in any major surprises. Mr. Micheletti temporarily stepped down to allow some "reflection time" to Honduran citizens¹⁷. Porfirio Lobo from the opposition National Party obtained over 55% of the vote, compared to less than 40% for Elvin Santos from the Liberal Party. The Supreme Electoral Court, which is in charge of counting votes, announced a participation rate of 61%, seven percentage points higher than in the last elections. Zelaya and his supporters questioned this, claiming that participation had been below 40% -- but did not provide much evidence¹⁸.

Military presence in the streets during the elections was high and the only television channel supporting Zelaya was unable to broadcast any news. While a significant number of international observers were in Honduras during the elections, the Organization of American States (OAS), EU and Carter Center refused to participate.

Following an agreement between the ousted and de facto Government, the Honduran Congress voted on 2 December by an overwhelming majority, after the elections and the Supreme Court's opinion who found Zelaya guilty of six charges including high treason, to reject ousted president Manuel Zelaya's return to power. Of the total 125 deputies gathered in the legislative assembly, 111 voted against Zelaya's reinstatement, and in favour of the decree that saw him ousted on 28 June¹⁹. After nine hours of debate, only 14 lawmakers backed Zelaya's return, while three others were absent. The arguments put forward by the majority of Congress members who voted against Zelaya's return focused on the alleged influence of leftist Venezuelan president Hugo Chávez on Zelaya, and the latter's swing to the left while in power.

¹⁶ El País, 16 November 2009

¹⁷ El País, 20 November 2009

¹⁸ Oxford Analytica, 30 November 2009

¹⁹ From the 128 seats, 62 belong to Zelaya's party, the PL, and 55 to the President-elect "Pepe" Lobo, the PN.

On 22 May 2011, the "Agreement for National Reconciliation and Consolidation of Democracy in the Republic of Honduras" was signed in Cartagena de Indias between the President of Honduras, Porfirio Lobo, and former President Zelaya under the auspices and mediation of Venezuela and Colombia.

The Cartagena Agreement allowed the return of former President Manuel Zelaya to the territory of Honduras after an appeal court in the country dropped all corruption charges against him at the beginning of May 2011. The text also re-establishes diplomatic relations between Honduras and the Republic of Nicaragua. Additionally, it creates the conditions for Honduras' reintegration into the Organization of American States- OAS and for its full participation in the Central American Integration System-SICA.

With the return of Zelaya to Honduras in May 2011, cleared of all charges and allowed to engage in political life, his supporters launched a new political party called the Frente Amplio de Resistencia Popular (FARP), the electoral potential of which is rather grim.

The Truth Commission set up by the agreements published its findings in July 2011 and concluded that the removal of former President Zelaya was a coup. Indeed, it stated that the coup had been illegal and not a constitutional succession as some of Mr Zelaya's opponents had claimed. The Commission was chaired by former Guatemalan Vice-President Eduardo Stein, who argued that Zelaya's decision to press ahead with the referendum on constitutional change despite it having been ruled illegal by the Supreme Court and Congress had been "a point of no return" in the crisis. It thus concluded that both Mr Zelaya and those who ousted him bore responsibility for his forced removal from office. Importantly, it implicated the government in the deaths of 20 protestors. The report concluded with more than 80 recommendations to a diverse array of actors, divided into eight sections concerning the constitution, human rights, corruption, strengthening the democratic rule of law, electoral politics, international actors, the media, and remembrance. President Lobo committed to implement them all, but so far no much progress has been achieved.

The Lobo Government has been able to contain the economic and political situation, reigning in economic mismanagement and negotiating a Stand-by Agreement with the IMF. The unity Government was able to draw a strong and comfortable majority in Congress allowing moving ahead with necessary reforms. Major ongoing reforms deal with Electoral Law (including the financing of political parties), Education, Social Policy, Judiciary, and the controversial creation of the so called "ciudades modelo" or charter cities. This comfortable position seems to be progressively vanishing as the first moves of the different tendencies with relation with the next electoral process are starting.

On a less positive note, key issues remain to be addressed in the social areas of education, health and poverty reduction, as well as the critical security and human rights situation. The endemic weakness of the human rights situation in the country has been accentuated after the political crisis in 2009. Impunity continues to be a quite generalized malfunction of the Justice System in Honduras. There are significant shortcomings within the police, an institution often corrupt and linked to organized crime; within this context, the armed forces are taking over some security tasks from Police.

1.4 CONTINUING VIOLENCE

The number of complaints for violations of fundamental rights, threats and harassment that are not investigated is extremely high. The most affected groups are human rights defenders, LGBT (Lesbian Gay Bisexual Transgender), journalists, peasants, women, children as well as those in sectors relating to the opposition movement. According to Reporters Without Borders Honduras became the world's most dangerous country for the media in 2010. Up until the murder of radio journalist Medardo Castro in September 2011, fifteen journalists have been killed in the last 18 months. Political activists are also being targeted, leaving a widespread perception of impunity as practically none of the crimes have

resulted in convictions. Mostly, the government insists that they are caused by common criminality instead of political motives.

The situation regarding violence against women and *femicide* is also quite serious. The National Human Rights Commissioner has recognized that the violent death of women is increasing year after year, in 2010 there were 343.

A violent land conflict in the Aguán Valley, one of the most fertile areas in Honduras, has preoccupied numerous critiques for human rights abuses. The long-standing conflict has confronted peasants asking for land with large landowner Miguel Facusse. US cables released by Wikileaks state that Facusse is the largest single landowner in the country and has a personal private security force with hundreds of armed men. He has been pushing for deadly mass evictions of peasants occupying some of his lands and seems to be involved in the assassination of the protest leaders. The government has tried to strike a deal between the two parts, but talks have collapsed because peasants claimed they were not granted sufficient access to credit to pay for the negotiated land and because the landowners have set, arguably, disproportionate requests that the Government cannot meet. Additionally, the government has deployed a 600-strong military force to quell violence arguing that peasants are involved in drug trafficking originating from Nicaragua and Venezuela.

Despite the plausible political will and the efforts undertaken by the GoH in establishing new institutions to deal with the protection of Human Rights and combat impunity (Ministry of HR, HR specialised unit in the Ministry of Security), hardly any material progress is noticeable. These institutions, created ahead of the recently concluded UN HR Universal Periodic Review (UPR), have a very weak capacity (institutional and financial) to fulfil their task. In addition, the necessary coordination amongst all the institutions dealing with HR (HR Ministry, Judiciary, HR Prosecutor, Security Ministry, HR Commissioner) is still not effective.

According to the 2011 Global Study on Homicide just released by UNODC (United Nations Office on Drugs and Crime) Honduras displays world's highest homicide rate. While worldwide homicide rate in 2010 was 6.9 per 100,000 population (representing 468,000 homicides), Honduras with 6,239 homicides scored the world's highest rate with 82.1 per 100,000 people, followed by El Salvador with 66. The study suggests that rising homicide rates in Central America and the Caribbean is bringing the region "near crisis point". Some countries in Central America have seen their homicide rate more than double in the last five years; four Central American countries (Honduras, El Salvador, Belize and Guatemala) rank amongst the seven countries with the highest homicide rates in the world. However, despite following the same trend Mexico ranks "only" 41st (with 18.1/100,000) due to the concentration of homicides in a small number of states.

Firearms are behind rising murder rates in the region, where almost three quarters of all homicides are committed with guns (in Honduras, for example, 83% of homicides are by firearm) compared to 21% in Europe. The study blames organized crime, in particular drug-trafficking, for about one quarter of homicides by firearm and stresses the need for countries to ratify and implement the UN Firearms Protocol.

The study underlines that there is a clear link between violent crime and development as crime hampers poor human and economic development, and poor prospects for young people, in turn, foster crime. Countries with wide income disparities like Honduras are four times more likely to be afflicted by violent crime than more equitable societies, the study states. Conversely, economic growth seems to stem that tide, as the past 15 years in South America have shown. Addressing the roots of violence and the violence itself is absolutely necessary or else the pattern of escalating violence is likely to continue.

Honduras, along with El Salvador and Guatemala composes the so-called Central American Northern Triangle. This has turned into one of the most violent regions in the world, even comparable to the

levels reached in Iraq. Indeed, if the latter experienced 14 violent deaths for every 100,000 inhabitants over 2010 while Honduras reached 77, a rate more than five times higher. In 2008, the USA launched the Central American Regional Security Initiative (CARSI), which had a budget of US\$ 260 million for 2010. Its purpose is to stop the flow of narcotics, arms and cash generated by illegal drug sales, and confront the related gangs and cartel organisations. This initiative tries to strengthen and integrate the different security efforts from the US border down to Panama, including the Caribbean's littoral waters. CARSI's five goals are the following: improve street security; break with smuggling and the movement of criminals; strengthen the governments' ability to cope with the challenge; bring the state back to the communities most at risk; and foster security cooperation between the countries of the region. Many observers, however, point out that the militarisation this has led to, along with rapid increases in private security, are likely to exacerbate violence, as has been the case in Mexico.

1.5 INTERNATIONAL REACTION

The Honduran Coup has led to mixed reactions amongst the countries directly concerned with maintaining democracy in the country. Nicaragua, Ecuador and Venezuela governments were sympathetic to President Zelaya and categorically voiced their support for his reinstatement. Nicaragua's president, Daniel Ortega, was accused by Mr. Micheletti of mobilizing troops on the Honduran border which he eventually denied on 5 July. Ecuador's president, Rafael Correa, also strongly reacted to the crisis by inciting the Honduran military to disobey their commanding officers (who had thrown the president out of power), and to encourage the population to rise up. Venezuela's move focussed on the Honduran economy and infrastructure by suspending oil shipments to the country. Venezuelan energy minister Rafael Ramirez declared that relations would only be normalised when President Zelaya was allowed to return to power.

Both Costa Rica and Brazil initially positioned themselves as mediators, but later on Brazil's position was revealed to favour President Zelaya when it allowed him to stay at its embassy after his hidden return to Honduras. Brazil's position as that of Argentina, Venezuela and Ecuador, was extremely critical of the electoral process. In their view, an illegal government organised elections and they refused to recognise Porfirio Lobo as the new president. They demanded the unconditional return of Zelaya to power so he could complete his mandate.

After a strong negative reaction from the interim government to his 7-point proposal and its second version, the San José Accord, Costa Rica's President Arias symbolically resigned from his position as mediator. Some countries in the region, like Costa Rica, Panama and Peru, called for the new president to be recognised.

President Lobo has managed to re-establish diplomatic relations with Central American countries after they were broken as a reaction to the coup. In July 2011, in an extraordinary meeting, the Central American Integration System (SICA) fully readmitted the country to the regional body. The normalisation of bilateral relations with Nicaragua has been slower as it has had to overcome major reticences from the latter, but is at present fully reestablished

As for relations with other Latin America's diplomatic bodies, Honduras is fully reintegrating them after its re-admittance to the OAS and the return of Zelaya. This has paved the way to the normalisation of relations with all the other countries of the group, with the exception of Ecuador, which still considers that the conditions for recognition of Lobo's Government are not met. In January 2010, the present government decided to withdraw its membership from the leftist regional grouping ALBA to which Zelaya had signed up in August 2008.

The U.S. condemned the coup and refrained from recognising the new regime, leaving the OAS to take the limelight in terms of ultimatums and sanctions. Obama suspended \$180 million in financial help

(except humanitarian help), joint military activities amounting to over \$16.5 million in military assistance as well as most visas including Mr. Micheletti's²⁰. Later on, the Obama administration declared the elections to have been free, although it described the Congressional vote that took place in Honduras rejecting the return to power of President Manuel Zelaya as "disappointing".

The Organisation of American States and the United Nations vehemently called for the reinstatement of Zelaya, and the World Bank proceeded to suspend aid to the country. The OAS also unanimously suspended the country after a 72 hour ultimatum for Zelaya to be reinstated failed. As the OAS' role substantially increased with the Tegucigalpa-San José Agreement, with the creation of the Verification Committees, the institution's position became less radical culminating with its Secretary-General, José Miguel Insulza, declaring, after the elections, that presidente-elect, Profirio Lobo, is the "best positioned" person to reinstate the country's democratic order. He added that the promptness with which this objective is reached, depends solely on the "new Government's real desire and initiatives"²¹. In June 2011, Honduras was readmitted to the OAS, which allowed Honduras to engage in a regional security summit that will bring significant resources and support for military intervention against drug cartels.

European Ministers decided to temporarily suspend negotiations on the Central American-EU Association Agreement limiting it only to technical meetings. On 15 September, they declared the EU's "deep concern" about reports of human rights violations and said they would not resume political contacts with "the new regime". Member States would continue to restrict contacts at the political level with representatives of the *de facto* government. EU budgetary support payments were put on hold and development co-operation with the *de facto* government has also been suspended allowing only for support to civil society and humanitarian assistance. The Swedish Presidency of the EU suspended aid to Honduras worth €65 million in July 2010.

The EU's main concern during the whole crisis was the restoration of democratic and constitutional order in the country, calling for dialogue between both sides while supporting the efforts made by the Verification Commission established in the Agreement. In that sense, it regretted that the Tegucigalpa-San José Agreement was not fully implemented ahead of the 29 November elections. However, it believed the elections to be a significant step forward in solving the crisis²². Despite the European Commission determination to send political experts to the country to inform themselves on the aspects of the political process and to consult on possible action after the elections. While not an electoral observation mission, an EP delegation was sent to the country to observe the elections under the belief that it was the best solution possible to preserve democracy. The European Parliament observation delegation officially recognized the election result to have been representative and sufficiently transparent²³.

In terms of external agreements, Honduras is part of Central American Free-Trade Agreement (CAFTA-DR) between Costa Rica, El Salvador, Guatemala, Nicaragua and the Dominican Republic on one side and the US on the other. Agreed in Dec 2003, its application started in April 2006. More recently, in March 2011, Central America as a whole initialled an Association Accord with the European Union which goes hand in hand with progress towards a Central American custom union. Honduras also holds a number of bilateral trade agreements with other countries like Australia, Canada, Chile, Costa Rica, El Salvador, Guatemala, Mexico, Panamá and Taiwan.

²⁰ Associated Foreign Press, 9 July 2009

²¹ ABC International, 5 December 2009

²² Declaration by the Presidency on behalf of the European Union on the situation in Honduras after the elections. Brussels, 3 December 2009 16968/1/09 REV 1 (Presse 363) P 132/09

²³ EPP Group Press Service, 2 December 2009

2 ECONOMIC OUTLOOK

After almost two years of political instability and devastating floods in 1998 which wrecked its economy, Honduras remains one of the poorest countries in the Western Hemisphere, and the second poorest in Central America. With a GDP of \$14.7 billion in 2009, the country currently ranks 140th out of 204 countries. It also remains dependent on foreign trade and assistance, with trade and remittance from the USA accounting for nearly 50% of GDP. Its weak economy has been further compounded by a lack of arable land as well as by a small domestic market and competition from more industrialised nations, all of which have served as impediments to economic growth.

Although inheriting a difficult financial position, the new government of Porfirio Lobo Sosa has shown itself committed to improving tax collection, cutting expenditures, and attracting foreign investment. It has also succeeded in meeting many of its macroeconomic targets and implemented a series of fiscal reforms in order to boost transparency and administrative efficiency. The Inter-American Development Bank (IDB) has helped in this regard by approving a number of loans in support of modernising the tax system, including measures designed to boost revenue and reduce tax evasion. However, despite such steps, Honduras is still plagued by significant inequalities in the distribution of its wealth, rising unemployment (5.1%), significant fiscal deficit and endemic corruption, and has so far failed to meet the IMF's goals of liberalizing its energy and telecommunications sectors.

Around 40% of Honduras' population is employed in the service sector (including telecommunications, tourism, banking and utilities) which accounts for approximately 58% of GDP. Another 40% of the population are dependent on the agriculture sector which relies primarily on the export of bananas and coffee due to the domination of US fruit producers. Despite employing such a large portion of the population, agriculture only accounts for around 13% of GDP, making Honduras the classic example of a "banana economy". Nevertheless, Honduras has recently sought to broaden its industrial base and diversify its exports by focussing on apparel and automobile wire harnessing. Besides this, Honduras possesses significant natural resources, including vast swathes of forest. It is also thought to hold significant reserves of mineral deposits. However, many of these mines are located on the border with Nicaragua, while illegal logging practices have severely restricted growth in the lumber industry. The rest of the country's GDP derives from industry, but this remains limited and provides only minimal returns.

Despite strong growth between 2003 and 2008, Honduras' dependency on US and foreign markets made it especially vulnerable to the economic downturn of 2009. This led to a contraction of the economy by 2.1% and a decline in production growth of 9.5%. Since then, the country's economy has bounced back and expanded by 2.8% in 2010, with the trend continuing into 2011. Overall, this growth has been driven by public administration (4.5%) and healthcare services (4.8%) as well as by large contributions from the manufacturing and communications sectors, with only mining and constructions still undergoing contractions. A series of factors have made this economic recovery possible, including increased demand from both domestic and foreign markets, and the restoration of commercial and financial ties with the international community, along with the approval of a \$202 million loan by the IMF. However, such moderate growth has been insufficient for improving the living standards of nearly 60% of the population.

While no longer as high as the record rate of 10.8% in 2008, Honduras' cumulative inflation rate of 6.5% in 2010 once again makes it the Central American country with the second highest rate of inflation behind Nicaragua. Inflation was primarily driven by the rising price of food and non-alcoholic beverages (8.3%), as well as by significant increases within utility services (9.3%) and transportation (5.7%). Significantly, communications was the only sector to have posted a decline in prices, although this has had a negligible affect on overall inflation. The rise in the price of basic commodities, including food and

fuel, will raise concerns over the likely impact this will have on rural communities and low income households, which have historically been the most disproportionately affected parts of Honduran society.

Despite receiving \$102.4 million under initiatives from the Heavily Indebted Poor Countries (HIPC) and the Multilateral Debt Relief Initiative (MDRI), Honduras' deficit stood at \$340 million (2.3% of GDP) in 2008. This deficit has been steadily climbing since, due to declining tax revenues and remittance from Hondurans living abroad (the latter, traditionally 16% of total GDP), coupled with increasing government expenditures (including a policy of subsidising the energy sector), and the recent economic downturn.

In 2008, the trade deficit of Honduras reached \$6 billion after exports and imports plummeted by 21% and 30% respectively. At that time, the most vulnerable export sectors were agricultural products and manufacturing, leading to a sharp decrease in revenue. Honduras was further affected by a fall in the price of energy commodities and a decline in overseas remittance. Since then, Honduras has been able to reduce its trade deficit to \$3.9 billion in 2009. Primarily as imports declined by 26.9%, while exports only decline by 12.7%. In addition to which, the country was able to save a further \$800 million on imports of crude oil thanks to a price correction in the energy sector.

Thanks to its success in successfully implementing macroeconomic policies and reducing poverty, Honduras has received significant financial support from the international community, including from the IMF and the Paris Club of Sovereign Creditors. In addition to which, the implementation of the Dominican Republic-Central American Free Trade agreement in 2011-2012, along with an expected trade agreement with the EU, should help in diversifying Honduras' exports while at the same contributing much needed private and foreign investment. Nevertheless, diversifying its economic activities and making the export sector more competitive is only the first step, the government of Lobo Sosa has to undertake further macroeconomic reforms, while improving the financial system and energy sector.

ANNEX I: CENTRAL AMERICA AND THE CARIBBEAN



