

Honduras: Crisis, Transition and Reform

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This should be a time of triumph and opportunity for Honduras. Two years after a coup d'état toppled President José Manuel Zelaya, Honduras has successfully restored its dynamic and democratic political system. The freely elected government of President Porfirio Lobo has secured deserved international recognition. In May, former President Zelaya returned to Honduras, ending a lengthy exile in the Dominican Republic that had prolonged the country's political polarization. The following month, the Organization of American States (OAS) lifted its suspension on Honduras's participation, a moment of profound symbolic and practical significance and a diplomatic objective that the United States and other countries in the region had worked long and hard to achieve.

Importantly, Honduras's economy and public finances have stabilized and are on the right track. The political crisis, coupled with the global financial crisis, battered Honduras; in 2009, gross domestic product (GDP) declined by two percent,¹ the budget deficit ballooned and foreign investors fled just as the US recession dampened demand for Honduran exports. In the maquila industry, clustered on the Caribbean coast near Puerto Cortés, orders plummeted by 40 percent, and factory owners idled 30,000 employees, nearly 20 percent of that sector's workforce.² Today, the Honduran economy is expanding across a broad front. GDP growth is projected to be 3.7 percent this year and four percent next year.³ Providing a further boost, international assistance is strong, giving critical support to a country where the average adult has six years of education and only 13 percent of the population uses the Internet.⁴



Source: The World Factbook, 2011.

Politically, the Lobo government has moved swiftly to achieve national reconciliation since assuming office in January 2010. In July, the Truth Commission, appointed by President Lobo to investigate the causes and consequences of the political

¹ "Executive Board Approves \$202 Million in Financial Support for Honduras," International Monetary Fund, 1 October 2010. Available online: <http://www.imf.org/external/np/sec/pr/2010/pr10374.htm>.

² "Honduras Background Note," United States Department of State, 18 August 2010. Available online: <http://www.state.gov/r/pa/ei/bgn/1922.htm>.

³ "Honduras Country Report," Economist Intelligence Unit, April 2011.

⁴ "Human Development Index," United Nations Development Program. Available online: <http://hdrstats.undp.org/en/countries/profiles/HND.html>.

crisis, released its report. Not surprisingly, its apportionment of responsibility provoked another round of recriminations throughout Honduras. In general, however, the response has been overwhelmingly positive. President Lobo joined the commission at the report's release, and he quickly embraced its recommendations for structural reform. OAS Secretary General José Miguel Insulza also praised the commission and President Lobo's efforts to use the report as a springboard for reconciliation.

Indeed, the Lobo government has courageously begun a national dialogue pushing for reform. Risking vilification by minority, but powerful, extremists on the Honduran right and left, President Lobo shepherded reforms through the Honduran congress that strengthened the institutional base of Honduran democracy and made the country more attractive to investment capital. As President Lobo recognizes, it is important for Honduras's democratic system to shed its reputation as being under the heel of political and economic elites who are unresponsive to the needs of the poor. A recent survey revealed that only 22 percent of Hondurans trust their political parties.⁵

The Obama administration deserves a great deal of credit for Honduras's strong turnaround. As the Truth Commission rightly concluded, Zelaya posed a grave challenge to Honduran democracy. His brinksmanship and disregard for the separation of powers strained the country's fragile institutions. Zelaya's removal, however, brazenly violated the rule of law and was firmly rejected by the international community. Following the events of June 28, 2009, the United States adopted a principled stand in favor of democratic governance, condemning the action and refusing to accept the de facto regime as the legitimate government of Honduras. At the same time, the US approach was prudent and supported a peaceful and democratic solution to the crisis. Rather than recalling me from Tegucigalpa, as other governments recalled their ambassadors, President Obama and Secretary Clinton instructed me to remain in Honduras to support a constructive solution to the political crisis that advanced US interests in defending and promoting democracy.

On the ground, in Washington and across the region, the United States played a pivotal role in promoting dialogue, supporting the mediation efforts of former Costa Rican President Oscar Arias, and later facilitating direct negotiations between Hondurans under the Guaymuras process. That diplomatic effort paid off when Zelaya and the de facto regime signed the historic Tegucigalpa-San Jose Accord. The resolution was imperfect; Zelaya never completed his term, and critics of policy argued that the de facto regime was not sufficiently chastised. Nevertheless, those negotiations, followed by the democratic elections in November 2009 and President Lobo's inauguration in January 2010, restored democratic governance to Honduras and were consistent with the Honduran people's support for a democratic solution that prevented civil conflict. Hondurans overwhelmingly supported the role in peacefully resolving the crisis. Last year, 77 percent of Hondurans expressed a favorable opinion of President Obama, the highest in Central America after Costa Rica and Panama.

⁵ Latinobarómetro survey, 2010.

I left Tegucigalpa in July proud of our mature and constructive approach and optimistic about Honduras's future. At the same time, I recognize the existential threats facing Honduras and its neighbors. Not since the civil conflicts in the 1980s and 1990s has Central America seen so much bloodshed. The scourge of drug trafficking organizations and the tragedy of merciless youth gangs are inflicting incomparable suffering on our southern neighbors. These plagues are buffeting a region where chronically low tax collection has left governments ill-equipped to respond. The lack of economic opportunity provides legions of foot soldiers to criminal enterprises. Perhaps most troubling, insecurity discourages the investments that could help solve the region's underlying challenges.

In Honduras, a highly pro-American government is again looking to the US government and other international donors for assistance. If we fail to respond, our success in stabilizing Honduran politics will be overshadowed by insecurity and underdevelopment. The United States and other friendly governments must sustain our strategic partnership with the Honduran people. Sustained investments are needed to strengthen Honduran institutions so that its police can confront criminal gangs and drug traffickers and its investigators and courts can punish lawbreakers. Honduran leaders have spoken out strongly about the importance of respecting human rights. President Lobo is deeply invested in this issue; he has created a Ministry of Human Rights and Justice and a Ministry of Indigenous and Afro-Affairs. Now, we must help Honduras follow through with demonstrable progress in protecting vulnerable groups such as journalists, the political opposition, and members of the lesbian, gay, bisexual and transgender (LGBT) community; improving training for police in humane crowd control; and holding law enforcement agents responsible for abuses.

At the same time, we should continue to urge the Government of Honduras to demonstrate the political will to meet the needs of its citizens. A frank dialogue on corruption, economic exclusion, government transparency and accountability is essential. Honduran elites must also accept their responsibility to build a better state, including by paying more taxes. Private security, private schools and bank accounts in Miami are not long-term solutions to Honduras's problems.

Fortunately, the Government of Honduras is partnering with the private sector to take these necessary steps. The impressive attendance I witnessed at the "Honduras is Open for Business" conference in May demonstrated international confidence in Honduras's future. It also showed the government's commitment to attract foreign investment, as is evident in the country's new public-private partnership law. In particular, Honduras is promoting renewable energy, tourism, agribusiness, infrastructure, forestry, textiles and the maquila industry. Meanwhile, a new security tax approved in June will provide critical resources to address citizen security and improve human rights conditions. These steps show a recognition of our shared challenges and justify our close and enduring partnership with Honduras, a strong friend and ally.

The United States also continues to assist Honduras in its efforts to address poverty and increase economic inclusion. In January, with assistance from the Millennium Challenge Corporation, Honduras became the first country in Latin America and the

Caribbean to institute a fully functioning secured transactions system. This has expanded access to credit for Honduran entrepreneurs, farmers and small business owners by enabling them to use everything from vehicles to commercial inventory as collateral for loans. Through this system, Honduras is equipping its entrepreneurial class with the means and opportunity to grow.

Moving forward, the United States has a deep and abiding interest in supporting democratic stability in the Central American isthmus. Encouragingly, our experience in Honduras suggests that the United States has the will and sustained commitment to achieve political, economic and security successes while deepening our historic, long-term partnership in Central America.