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The Millennium Challenge Corporation and Economic Sanctions: A Comparison of Honduras With Other Countries

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The Obama administration has argued that it has acted firmly and appropriately in its opposition to the coup regime in Honduras, with the suspension of some forms of non-humanitarian aid as well as the cancellation of four diplomatic visas.[1] On August 7, 16 Democratic members of Congress wrote a letter[2] to President Obama suggesting that the administration should do more. In particular, they asked President Obama to freeze the U.S. assets of coup leaders and deny them entry to the United States.

Barack Obama responded to those who criticized his policies as not going far enough, in a speech in Guadalajara, Mexico:

> *Now, if these critics think that it's appropriate for us to suddenly act in ways that in every other context they consider inappropriate, then I think what that indicates is, is that maybe there's some hypocrisy involved in their approach to U.S.-Latin America relations…*[3]

This issue brief compares the measures that the Obama administration has taken in response to the June 28 coup in Honduras with the measures taken by the U.S. government in response to other recent interruptions or alleged interruptions of constitutional order. To keep the comparison simple, we look at one form of US assistance: that provided by the Millennium Challenge Corporation (MCC), a government agency for development programs. We compare the MCC funding in the case of Honduras with that of two other countries where there were military coups in the last year. We also include the case of Nicaragua, where there has been no coup, but where MCC funding has been terminated, in response to allegations of electoral irregularities.

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[1] The cancellation of these diplomatic visas did not prevent the holders of the visas from entering the United States under an ordinary visa.

[2] United States. Con. Office of Congressman Raúl M. Grijalva. "Grijalva, Members of Congress call on President Obama to take further measures against Honduran coup regime" Press Release. August 11, 2009. Accessed online on August 25, 2009. <http://grijalva.house.gov/index.cfm?sectionid=13&sectiontree=5,13&itemid=413>

[3] "Transcript: Guadalajara Press Conference." The Page. Time Magazine Online. Transcript. August 10, 2009. Accessed online on August 25, 2009 <http://thepage.time.com/transcript-guadalajara-press-conference/>

The MCC is a U.S. government-run corporation created in 2004 and tasked with managing the Millennium Challenge Account (MCA), a fund whose mission is to provide development assistance to low-income developing countries. A country's eligibility to receive assistance from the MCC is based on a series of "selection indicators"[4] related to "Ruling Justly", "Investing in People" and "Economic Freedom". A board of directors,[5] chaired by the U.S. Secretary of State and including cabinet officials such as the Treasury Secretary and the U.S. Trade Representative, oversees the stewardship of the MCA.

Over the last 12 months, aside from the *coup d'etat* in Honduras, there have been coups carried out in both Mauritania and in Madagascar. All three of these countries had signed agreements with the MCC before the coups occurred, thereby providing a useful sample for comparison.

The results can be seen in Tables 1 and 2.

Table 1
Suspension and/or Termination of MCC Assistance after Interruptions of Constitutional Order

Country	Interruptions of Constitutional Order	Date of Sanctions	Time-lag
Mauritania	August 6, 2008 *Military coup*	***August 7, 2008*** MCC aid suspended	1 day
		September 17, 2008 MCC Board of Directors terminates agreement with Mauritania	42 days
Madagascar	March 17, 2009 *Military coup*	***March 20, 2009*** MCC announces suspension of $110 million, 5 year program	3 days
		May 19, 2009 MCC Board of Directors terminates compact agreement	63 days
Honduras	June 28, 2009 *Military coup*	No suspension of MCC funds	57 days (as of August 24, 2009)

Source: Millennium Challenge Corporation and U.S. Department of State.

[4] United States. Millennium Challenge Corporation. "Selection Indicators." Accessed online on August 25, 2009 <http://www.mcc.gov/mcc/selection/indicators/index.shtml>
[5] United States. Millennium Challenge Corporation. "Board of Directors." Accessed online on August 25, 2009. <http://www.mcc.gov/mcc/about/boardofdirectors/index.shtml>

Table 2
Suspension and/or Termination of MCC Assistance after Alleged Breach of Democracy

Country	Alleged Breach of Democracy	Date of Sanctions	Time-lag
Nicaragua	**November 9, 2008** *Alleged fraud in municipal elections*	***November 24, 2008*** MCC aid suspended	15 days
		June 10, 2009 MCC Board of Directors terminates two of three programs, totaling $62 Million	7 months

Source: Millennium Challenge Corporation

In Madagascar, a coup took place on March 17, 2009 when the country's military forced the elected president to resign and then handed power to the mayor of the capital, Antananarivo. Three days later, on March 20, the U.S. State Department issued a statement[6] declaring that the events of March 17 were "tantamount to a coup d'etat and the United States will not maintain our current assistance partnership with Madagascar." That same day the MCC announced[7] that it was putting its $110 million five-year poverty reduction program with Madagascar on hold. Finally, on May 19, the MCC Board of Directors (chaired by Secretary of State Hillary Clinton) voted[8] to authorize the termination of the MCC program.

In Mauritania, the constitutional president was deposed on August 6, 2008 by a group of generals that had been dismissed by the president earlier that day. A day later, the U.S. State Department announced[9] that it was freezing all aid to Mauritania, including a "multi-million dollar Millennium Challenge Corporation threshold program". On September 3, 28 days after the coup, the State Department announced[10] that it had terminated "most" U.S. government aid, "including both development and security assistance." On September 17, 42 days after the coup, the Board of Directors of the MCC voted[11] to exclude Mauritania from future MCC agreements, leading to the potential loss of hundreds of million dollars in aid.

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[6] United States. Department of State. "U.S. Condemns Coup d'Etat in Madagascar and Suspends Non-Humanitarian Assistance." Press Release. March 20, 2009. Washington, DC. Accessed online on August 25, 2009 <http://www.state.gov/r/pa/prs/ps/2009/03/120714.htm>

[7] United States. Millennium Challenge Corporation. "MCC Places Hold on Poverty Reduction Program in Madagascar." Press Release. March 20, 2009. Washington, D.C. Accessed online on August 25, 2009 <http://www.mcc.gov/mcc/press/releases/release-032009-mccholdmadagascar.shtml>

[8] United States. Millennium Challenge Corporation. "MCC Board Authorizes Termination of Program with Madagascar." Press Release. May 19, 2009. Washington, DC. Accessed online on August 25, 2009 <http://www.mcc.gov/mcc/press/releases/release-051909-mccboardauthorizes.shtml>

[9] United States. Department of State. "State of U.S. Foreign Assistance in Light of Coup." Daily Press Briefing. Transcript. August 7, 2008. Washington, D.C. Accessed online on August 25, 2009 <http://2001-2009.state.gov/r/pa/prs/dpb/2008/aug/107990.htm>

[10] Embassy of the United States, Mauritania. "Coup in Mauritania." Press Release. September 3, 2008. Accessed online on August 25, 2009 <http://mauritania.usembassy.gov/pr03-09-08.html>

[11] United States. Millennium Challenge Corporation. "MCC Board of Directors Discusses Georgia." Press Release. September 17, 2008. Accessed online on August 25, 2009 <http://www.mcc.gov/mcc/press/releases/release-091708-board.shtml>

No coup has taken place recently in Nicaragua. However, on November 24, 2009 the MCC froze most of its programs[12] with Nicaragua as a result of alleged irregularities during the November 9 municipal elections. This freezing of MCC aid took place just 15 days after the municipal elections. On June 10, 2009, the MCC announced that its Board of Directors, chaired by Secretary of State Hillary Clinton, had decided to terminate the MCC's Nicaragua programs, with the exception of its Rural Business Development Project. In its press release,[13] MCC stated that it regretted that "the government of Nicaragua has not taken steps to respond to concerns expressed by its people and the international community surrounding the recent municipal elections. This has made it impossible for us to fully continue our collaboration with the government of Nicaragua." As a result of this decision, Nicaragua lost out on at least $62 Million of the MCC compact.

In the case of Honduras, where the elected president was deposed by a military coup on June 28, the State Department announced[14] on July 7 that, pending a legal determination on whether a coup d'état had occurred, it would suspend "military assistance programs and a few development assistance programs that are for the Government of Honduras." As a result, $16.5 million of military assistance would be put on hold and the U.S. Agency for International Development (USAID) would suspend a total of $1.9 million of aid. However, the MCC's outstanding commitments in Honduras, worth more than $190 million,[15] have not been put on hold.

Conclusion

The military coup that toppled the elected president of Honduras was condemned worldwide. The Organization of American States and the United Nations General Assembly both passed unanimous resolutions denouncing the coup, and calling for the immediate reinstatement of the elected president Manuel Zelaya. But this simple comparison shows that the United States government's response to the coup has been far weaker than its response to other recent coups. In the cases of Madagascar and Mauritania the US government acted quickly to suspend and then terminate the MCC programs with those countries. And even in the case of Nicaragua, where the United States was responding not to a coup but only to alleged irregularities in a municipal election, MCC aid was frozen within 15 days.

However, in the case of Honduras, after 57 days, the MCC programs continue to function normally.

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[12] United States. Millennium Challenge Corporation. Congressional Notification Transmittal Sheet. December 18, 2008. Accessed online on August 25, 2009 <http://www.mcc.gov/mcc/bm.doc/cn-121808-nicaragua-2.pdf>

[13] United States. Millennium Challenge Corporation. "MCC Board of Directors Meets to Address U.S. Government Global Development Priorities." Press Release. June 10, 2009. Accessed online on August 25, 2009 <http://www.mcc.gov/mcc/press/releases/release-061009-boardmeets.shtml>

[14] United States. Department of State. "U.S. Assistance to Honduras." Press Release. July 7, 2009. Accessed online on August 25, 2009. <http://www.state.gov/r/pa/prs/ps/2009/july/125762.htm>

[15] United States. Department of State "Taken Question: U.S. Assistance to Honduras." Press Release. July 1, 2009. Accessed online on August 25, 2009 <http://www.state.gov/r/pa/prs/ps/2009/july/125563.htm>