

A PUSH FOR FREEDOM

Ensuring a Democratic Transition in Nicaragua
through International Pressure

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INTRODUCTION

This report offers a series of recommendations on how to adopt international pressure to promote political change in Nicaragua. Engagement from the international community and especially the United States on Nicaragua can level the playing field in the face of extreme repression, impunity, and regional instability rampant in the country.

This briefing seeks to magnify the problem of impunity in Nicaragua and offers some recommendations to create a roadmap for international engagement in 2022. It is imperative that the international community mobilizes pressure before another human being is hurt, killed, tortured or has to go into exile because of prevailing impunity.

The Nicaraguan Problem— Unchecked Impunity

The political situation in Nicaragua is worsening with increased likelihood of rapid deterioration given continued human rights violations, greater migration flows, and a deepening economic crisis. Impunity rules Nicaragua.

Since the political crisis of 2018, the Nicaraguan government, under the leadership of Daniel Ortega and Rosario Murillo, decided to rule under blanket impunity, which they secured through four pillars:

- Use of force
- Criminalization of democracy
- Economic populism
- Disregard for commitments to the international community.

Instead of promoting political reforms, the government made *use of force* its first and only form of conflict resolution, right after the uprising in April, 2018. The human rights abuses and crimes committed during the social unrest in 2018 resulted in more than 355 people

killed between April and May of that year and were the first sign of an intention to rely on force.¹ Since then, the government has ruled on intimidation and detention without any efforts at due process.

The *criminalization of democracy* was implemented through the enacting of laws that established a legal framework to criminalize constitutional rights in order to minimize social protests and political opposition. Parallel to this, the government has used disinformation and censorship to limit the knowledge and understanding of what is happening in the country.

Given that since 2011, political order in Nicaragua lacks any checks and balances because the Ortega regime holds a monopoly on all political authority (all institutions: judiciary, legislative, autonomous entities, the Police, and the Army are effectively controlled by the FSLN political party),² the Ortega-Murillo dynasty is able to use those monopolized political institutions to forgo the 2019 March agreements for reforms, and instead legitimized the use of force to intimidate and repress without any risk of accountability or checks on their power.

The government enacted the following laws in 2020 with the purpose of legalizing and guaranteeing total control through repressive mechanisms:

- Foreign Agents Law
- Cybercrime Law,
- Defense of Sovereignty Law,
- Financial Consumer Protection Law
- Electoral Law (reformed in 2021 prior to the elections)

These legal instruments were premeditated and enacted in order to eliminate political participation, freedom of expression, movement and public conscience by May 2021.

The legal framework lacked any basis in the Constitution and directly violated international agreements, such as

the Inter-American Convention on Human Rights, Articles 15, 20, and 23, among others, as well as the Democratic Charter. It also has violated the Central American Treaty on Democratic Security.

Economic populism has been the flavor of the Nicaraguan government to maintain a minimum level of loyal support favorable to Daniel Ortega and Rosario Murillo.

The Nicaraguan government has maintained a strategy of providing jobs as payoffs to Ortega supporters, granting economic favors for middle-rank decision-makers, and overspending on public works in the leadup to elections in order to maintain the support of its base. It funds these endeavors by sustaining and increasing its sources of government revenue, including borrowing from abroad and raising taxes on businesses.

During the pandemic and resulting economic crisis, the government doubled down by increasing its external borrowing and raising taxes on businesses, even while they were jeopardized by the crisis. The government penalized businesses by raising taxes 8 percent in 2019 and 22 percent again in 2021.³ At the same time, in a strategy to diversify its economic dependence, the regime increased exports of gold to raise more money, adding a 30 percent increase in revenue from tariff-based trading activities in 2021.

During an electoral year, the government increased its expenditure on public works and other activities not associated with social spending. Its share of the budget in public works alone increased from 16 percent to 21 percent in two years to nearly one billion dollars in 2021. As part of this clientelist electoral effort, of all expenditures in public works, 50 percent went to the Ministry of Transportation (in order to ensure government paid jobs in times of elections), while it doubled the budget for the police and public housing.⁴

The blatant disregard for the international community has also been central to the government's impunity. Nicaragua has ignored calls from the United Nations, the Organization of American States and other members of the international community to comply with their international agreements, to accept the entry of human rights monitors, or to address human rights conditions. Instead, the government has decided to ignore its commitments, including to the Democratic Charter. It has assumed that the likelihood of a true proportional response from the international community to their impunity is very low, and therefore ignoring them is the best approach.

It is imperative that the international community mobilizes pressure before another human being is hurt, killed, tortured or has to go into exile because of prevailing impunity.

THE CONSEQUENCES OF IMPUNITY

The arbitrary and unchecked method of ruling has caused several tragic consequences, such as the dismantling of the constitutional order, slowing economic growth, and alienation from the world.

Incarceration and False Sentences

Through the aforementioned political maneuvering, impunity has been exercised at the full discretion of Ms. Rosario Murillo or Daniel Ortega. They have **incarcerated** more than 170 individuals, and in particular more than 50 for political reasons from March, 2021 to the present.⁵ Those who have been jailed include a diversity of civic leaders, political activists, journalists, academics, business leaders, students, dissidents, and even retired professionals. Only religious authorities have been spared so far.

Many of those detained in 2021 were accused using false information, without evidence, and outside the Constitutional framework. For example, Law 1055 (Defense of Sovereignty), which has been in effect since December 2020, was applied intentionally and with premeditation to detain, incarcerate, and accuse more than fifty civic leaders, including those with a declared intention to run for president.

The detentions were not only arbitrary and lacking due process, but the incarceration of the prisoners of conscience violated all rights associated with the penal code. As of today, each prisoner has been deprived of virtually all visitation, with fewer than five visits in a year. This method of incarceration is a form of cruel and unusual punishment, and torture under any standard.

The so-called evidence used to convict the political prisoners consisted of conversations among civic leaders

about how to approach member states of the Organization of American States to mediate with Nicaragua over election or political reforms as part of preparations for the November 2021 elections. Those conversations became the primary legal input of the accusations of conspiring against the state. The sentences resulting from these political trials were executed without any legal weight but assigned jail time between 8 and 13 years at the discretion of the judges working for the government.⁶ The political trials continue, and those receiving sentences will face incarceration with no visits from relatives, under conditions of duress, without legal due process, and will lose access to positions of political authority in the future.

Ruling by Fear

Nicaraguans are plagued by a carefully created **culture of fear**, which has been generalized across all members of society. The average citizen is unable to freely express their ideas out of fear of being interrogated, having their personal property seized, or being incarcerated and accused under the previously mentioned laws. Many public employees were forced to vote for the FSLN under threat of losing their job and being accused of treason against the Nicaraguan state. The culture of fear has extended to relatives of prisoners as well as relatives of those in the regime's circle of power.⁷ Their passports are often retained or confiscated without reason, which sends a powerful message of control over their lives.

In a survey conducted in December, 2021, Nicaraguans expressed fear of sharing their views even to people close to them. Moreover, more than three quarters of Nicaraguans expressed feeling afraid of the government.

TABLE 1: CONFIDENCE TO TALK FREELY AMONG FRIENDS OR NEIGHBORS

Source: CID Gallup Poll Dec. 2021

No trust at all	38.5%
Little trust	32.4%
Some trust	10.2%
A lot of trust	13.0%
NS/NR (don't know/no response)	5.9%

TABLE 2: SENTIMENTS ABOUT THE NICARAGUAN GOVERNMENT

Source: CID Gallup Poll Dec. 2021

I feel totally free in Nicaragua	19.6%
I feel my freedom is protected by the Nicaraguan government	5.1%
I feel threatened by the police and Nicaraguan government	15.5%
I feel fear in Nicaragua	26.8%
I feel a lot of fear in Nicaragua	23.4%
NS/NR	9.6%

Electoral Fraud

For the government, winning the elections by any means necessary was the main objective of 2021. In order to accomplish this, they ensured that elections took place without any internal or external oversight and without any accountability on voting counts post-election.

Prior to the election, the electoral law was utilized to render illegal the political parties that were the most representative and popular in the country – those who posed the greatest threat to their continuation, specially Ciudadanos por la Libertad party. The laws were also used to incarcerate all opposition candidates under false allegations to prevent them from running at a time when popularity for the ruling party, FSLN, was less than 10 percent.

The government had already announced how much they would win by, even before the elections, and after the vote, there was no offer of any transparent process to demonstrate the magnitude of voter abstention, or how the process of counting votes occurred. Organizations that provided reports during an independent monitoring of the vote, reported that less than 30 percent of Nicaraguans went out to vote.⁸ Most countries deemed the elections fraudulent, and the General Assembly of the OAS on November 12 said the elections were not free or transparent and lacked legitimacy.

Economic Stability

The political crisis has also affected **economic stability**.

The country's economy has largely failed to deliver for its citizens; though it did achieve growth in 2021 after several years of contraction, it was largely associated with three main factors. First, partial growth was due largely to family remittances in 2021, to households whose relatives had migrated in that same year. Second, the economy was bolstered by foreign borrowing with a debt-to-income ratio that now represents nearly 70 percent. Third, tax increase over businesses and tariffs from exports of gold.

There continues to be a heavy reliance on remittances, which are responsible for supporting 700,000 families. Remittance expenditures eventually reach the government revenue accounting for 15 percent of all taxes collected. Expelling people has been an economic policy aimed at reducing the pressure on job generation, while receiving remittances helps to feed consumption in the economy and eventually reaches government revenue.

At the same time, the Nicaraguan government is deciding to reorient its strategy by targeting growth in new sectors. Its exports from mining, mostly gold, are yielding a lifeline of revenue to the government. In fact, the main sources of growth in 2021 were taxes to businesses, commerce (of which 25 percent is driven by remittances), mining, and construction. Financial intermediation continued to decline.

Despite the country reporting economic growth, the size of the informal economy has increased dramatically since 2018, while earnings continue to stagnate at levels equivalent to 2017. Relative to 2018, the economy is still underperforming. Formal jobs dropped from 900,000 in

TABLE 3: NICARAGUAN ECONOMIC INDICATORS

Source: Banco Central de Nicaragua. Remittance recipients, based on author's calculation

INDICATOR	2017	2018	2019	2020	2021	2022 EST
Gross Domestic Product (YoY growth) (%)	5	-3	-4	-2	8	3
Government Consumption (YoY growth) (%)	2	-2	1	3	10	3
Household Consumption (YoY growth) (%)	3	-5	-2	-1	4	3
Per capita GDP (US\$)	2,159	2,022	1,915	1,913	1,940	1,950
Remittance Recipient Households			616,105	677,719	702,092	705,000
Family Remittances (YoY growth) (%)	9	7	11	8	17	15
Exports (YoY growth)	10	-2	6	-9	8	8
Imports (YoY growth)	3	-15	-4	1	13	10

TABLE 4: SOURCES OF ECONOMIC GROWTH IN 2021

Source: Ministerio de Hacienda, 2022

Taxes	15%
Mining	38%
Construction	33%
Commerce	16%
Manufacturing	14%
Fishing	12%
Electricity	11%
Hotels and Restaurants	11%
Livestock	8%
Transportation and Telecommunications	8%
Agriculture	6%
Other	3%
Financial intermediation	-2%
Other services	-2%

2017 to 750,000 in 2021, while the labor force continued growing to more than 3 million people.

Access to credit dropped to just over US\$1.6 billion between 2018 and 2021 affecting at least 40,000 businesses (many of which stopped receiving credit while others were unable to pay) and raising default rates from 3 percent to 16 percent.⁹

Migration

The economic and political crisis led to a **massive migration wave**.

More than 250,000 people have left the country since the crisis, a figure even more staggering considering the total population of Nicaragua is less than seven million. In the months following April 2021, when political repression was being extended through incarceration, the number of Nicaraguans emigrating escalated with more than 100,000 leaving for the United States and another similar number going to Costa Rica. Survey data prove the determinants of this migration among Nicaraguans were predominantly political and economic. Being unemployed, believing there would be fraud in any future elections, a feeling of fear after the election, lack of trust, and recognizing the worsening economic conditions explain the intention to migrate.

FIGURE 1: NICARAGUA GOLD EXPORTS 2006-2021

Source: Central Bank of Nicaragua, merchandise export statistics

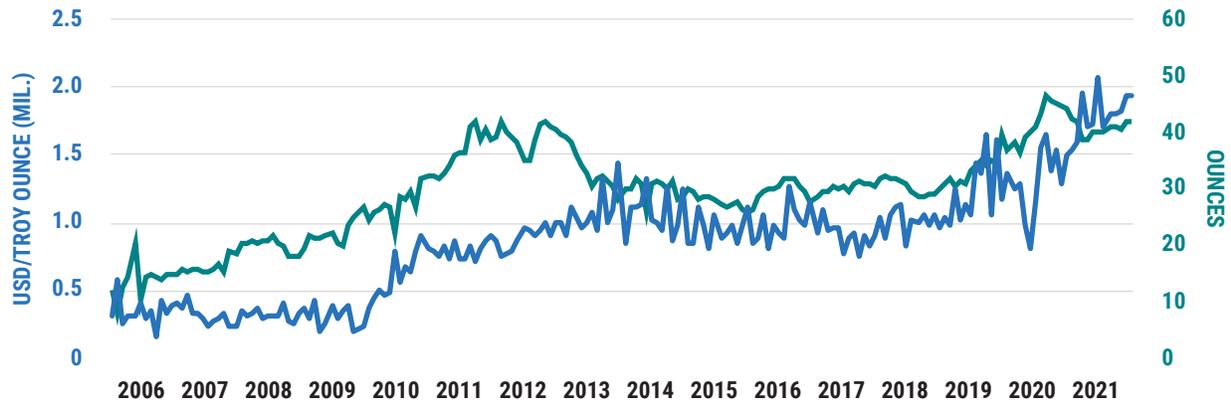


TABLE 5: NICARAGUA'S LABOR FORCE AND EMPLOYMENT

Source: Banco Central de Nicaragua; Ministerio de Hacienda; Migration, author calculations

YEAR	FORMAL WORKERS	EXPECTED GROWTH OF FORMAL WORKERS	INCREASE IN INFORMAL WORKERS	STATE EMPLOYEES	MIGRATION
2017	914,196	915,553	2,039,202	108,209	28,000
2018	818,396	947,311	2,188,942	110,811	80,000
2019	735,236	971,739	2,325,361	111,710	100,000
2020	714,465	964,482	2,313,736	112,598	25,000
2021	754,622	983,560	2,319,002	114,200	170,000
2022 est.	762,168	1,001,156	2,342,192	115,000	130,000

Figure 2 shows how the intention to migrate increased with the worsening of political conditions in the country.

Table 6 shows how three different surveys captured the rationale behind Nicaragua's intention to migrate at three different points last year.

FIGURE 2: INTENTION TO MIGRATE FROM NICARAGUA

Source: CID Gallup Polls

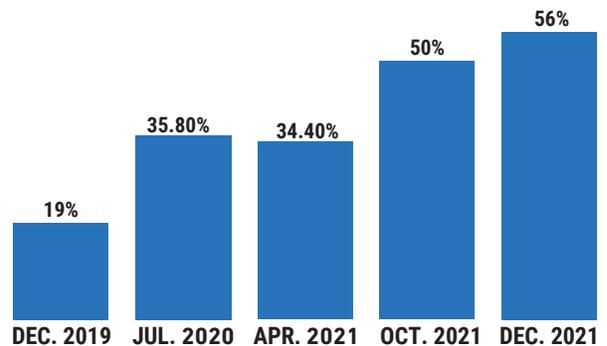
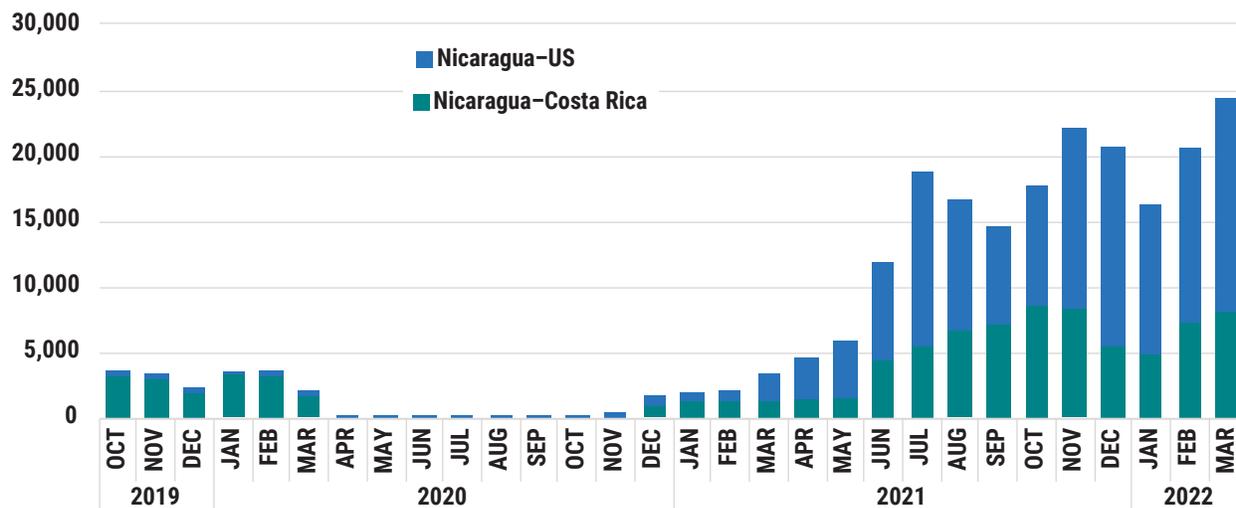


TABLE 6: STATISTICAL CORRELATIONS BETWEEN THE INTENTION TO MIGRATE AND SOCIO-ECONOMIC FACTORS

IAD APRIL 2021	CID/GALLUP OCTOBER 2021	CID/GALLUP DECEMBER 2021
ODDS RATIO OF THE INTENTION TO MIGRATE...		
<ul style="list-style-type: none"> Being unemployed (2), working in the informal economy (1.5) and thinking that the economic crisis is the main problem in the country (6) Believing that there will be fraud (1.5), as well as bad government (2) and human rights abuses (1.4) 	<ul style="list-style-type: none"> Believing the country is going in the wrong direction (1.9) Do not agreeing with the accusations against the political prisoners (2.6) Cost of living (1.5) Not having a university degree (1.1) 	<ul style="list-style-type: none"> Perceiving that economic conditions will be worse and the country is going in the wrong direction (1.9) Disagrees that after November elections Ortega will have more support (1.8) One can't trust people after the elections (1.8) Having a household income below \$500 (1.4) Other factors include being under 35 (1.4) and living in Managua (1.5)

FIGURE 3: MIGRATION FROM NICARAGUA: APPREHENSIONS IN THE US AND REFUGEE APPLICATIONS IN COSTA RICA

Source: DHS, and Government of Costa Rica



An Insecure and Fragmented Country

The government has **risked the lives** of Nicaraguans, by failing to provide protections against Covid-19 and deliberately concealing the number of infections. Vaccination rates in Nicaragua are the lowest in the Americas. At the same time the incarceration, delegalization, and repression by the police and FSLN followers of grassroots leaders, **weakened and fragmented the opposition** as its leadership was decapitated and sent into exile - and its grassroots followers continue to be regularly harassed and threatened with prison.

The government has also eliminated key sectors of civil society, dividing Nicaraguans between those who are loyal to the regime and the rest, which captures more than three quarters of the population. Using an array of political tools, the government dismantled, closed, and appropriated 16 universities and 168 civil society organizations.¹⁰

An Isolated and Destabilizing Country

Nicaragua has become increasingly isolated, with many countries refusing to recognize its election, including the Organization of American States through one of the ten resolutions it has issued about Nicaragua. Instead, Nicaragua has broken with the Inter-American system while facing suspension from the Organization of American States for violating the Democratic Charter. It recently strengthened alliances with Russia and China in an overt expression of disregard for the Inter-American security system, returning to the politics of the Cold War years. Since arriving to power, Daniel Ortega has long pursued a

TABLE 7. MILITARY ARMS PURCHASES IN CENTRAL AMERICA

Source: SIPRI, Arms Transfers Database, <http://www.sipri.org/databases/arm-transfers>

COUNTRY	VALUE (US\$ MIL.)	FROM RUSSIA	FROM THE US
El Salvador	37		38%
Guatemala	79		9%
Honduras	53		9%
Nicaragua	134	90%	

positive relationship with Russia, including by recognizing the disputed territories of South Ossetia and Abkhazia as independent states. In forging the alliance with Russia, Nicaragua, Cuba and Venezuela have consolidated a new regional security triangle, breaking from their commitments with the Inter-American Security regime, including the Central American Regional Security Treaty.¹¹

Right now, Nicaragua's foreign arms acquisitions between 2010 and 2021 are almost as large as those of the three countries from northern triangle.

The end result of these political maneuverings is a society left in pain, divided, and forced to live in fear and poverty, without the ability to rely on the State for protection. It is leaves a society with no option but to vote with its feet: in 2021 alone, more than 170,000 people left Nicaragua.

THE DYNASTY'S OBSESSION WITH POWER

The problem in Nicaragua is not only the presence of political prisoners and other prisoners of conscience, fraud, or lack of democracy. The overwhelming majority of Nicaraguans are clearly against the false accusations and imprisonment of leaders from all sectors of society; they are fully aware that electoral fraud was blatant and that a culture of fear shapes their day-to-day lives.

The larger problem is the anachronistic 'Cold-War' mentality and the actions of a dynastic regime that is obsessed with staying in power by any means necessary - for Daniel Ortega to pass along the office of the presidency to his wife, and for her to pass it to their children. They operate through a narrow and exclusive circle of power, which maintains a close-knit relationship with a shrinking supporter base that is fed through clientelistic favors to ensure loyalty. Those favors are purchased through increased external indebtedness routed to maintain public expenditures, including salaries and contracts for public sector workers, pro-government workers, families and small businesses.

Despite efforts, the Ortega-Murillo's third term has not been without challenges.

They are faced with: (a) an already existing international isolation that does not recognize the elections or the legitimacy of their government, (b) an overwhelming majority of citizens who are unhappy with the regime, (c) a gravely deteriorating socio-economic condition, and (d) growing dissent and discontent among the loyal pro-government base and elites.

The regime has sought to fend off these challenges and turned to deepened relations with Russia and China, while maintaining active the repressive apparatus, holding political prisoners as their only transaction card

in exchange for support from their radical base and to limit the impact of sanctions. However, the continued isolation, rapid discontent, growing dissent, and economic deterioration make it difficult to resist opening back up to the world system and to keep holding the political prisoners as leverage.

However, a strategy of prison for civic leaders is becoming increasingly costly. The potential outcomes in 2022 are between two extremes, one in which the Ortega-Murillo government presents their own offer of a political solution to this crisis, prior to the November 2021 municipal elections, assigning their own chosen interlocutors to rule on the presumption of legitimacy. The result would be continued worsening of the country, growing discontent, and demoralization, leading to increased migration and social protest.

The other possibility is they accept international mediation with a nationally recognized moderator due to the success of international pressure. This would result in the release of prisoners, while mediation would address the broad topic of political and economic reforms.

Understanding that from the regime's perspective, change is only acceptable within a framework of impunity, national and external pressure accompanied with growing dissent are required to push the needle toward a transition away from dictatorship.

OFFERING A WORKABLE SOLUTION— MEDIATION AND PRESSURE

The point of departure for addressing the extent of impunity in Nicaragua is seeking to unify efforts to find a democratic solution.

The role of the international community is important in that it contributes to leveling the political playing field – creating conditions that are favorable to the release of prisoners of conscience, restoration of Constitutional rights, and economic reactivation.

International pressure can create a space for engagement and mediation, which needs to be preceded by the release of prisoners. The extent of impunity needs to change for the betterment of Nicaragua and mediation is at the core of a constructive solution.

The role of the international community is fundamental because the Nicaraguan government has a near absolute monopoly of force and is willing to wield authoritarian rule, incarcerating or neutralizing any visible internal dissidence. Although the democratic opposition has not been decimated—in fact it is consolidating into a single political block—its ability to apply pressure depends on international support.

The United States is particularly suited to lead such efforts because it remains credible among Nicaraguans from all sectors of society: nearly half of all exports go to the United States, the United States has provided much needed foreign assistance, half of the Nicaraguan diaspora lives in the United States and migration continues during the present crisis, two thirds of family remittances come from the United States, US foreign investment represents a large proportion of all investment - particularly in the nearly 200 businesses operating in free trade zones, and over one quarter of international tourism comes from the United States.

The current political and economic crisis in Nicaragua, and the presence of dictatorial rule, have the potential to further destabilize Central America, which affects the US national interest through increases in irregular

migration, transnational organized criminal operations, weakened geopolitical space in the Western Hemisphere, and deviation from the region’s efforts to strengthen democratic rule of law.

In this sense, the current environment creates several priorities that merit international attention including: (a) the release of political prisoners and withdrawal of accusations against many dissidents, (b) the restoration of constitutional rights, (c) economic stabilization and equal access to health and education services, and (d) setting the stage for free and fair elections.

The post-November 2021 electoral environment and active rule by an illegitimate government make these priorities an urgent matter, but *ensuring successful results depends on the efforts* of the international community and the US leadership to help shape the balance of power.

The United States and the international community can exert pressure through five critical fronts: contributing to strengthen the political opposition, identifying economic solutions to prevent deterioration in exchange for government reforms, providing moral support to Nicaraguans, and continuing diplomatic efforts in several fronts.

The recently signed Renacer Act¹² contains all the elements and vehicles that are required to pressure Nicaragua to release the prisoners and embark on political reforms. In addition, Nicaragua needs to be integrated into the Root Causes of Migration strategy. Together, these political commitments from the United States can create the preconditions for the following concrete actions:

1. *Recognize the presence of a legitimate opposition*
2. *Economic diplomacy and international sanctions*
3. *Collaborative Diplomacy and Special Envoy*
4. *Moral engagement*
5. *Regional solutions*

Recognize the Presence of a Legitimate Opposition

The Nicaraguan opposition is formed by a large majority of Nicaraguans who are clearly against dictatorial rule by the dynastic regime and support the promotion of a healthy democratic transition.¹³ It is also composed of an organized set of civil society groups, many of whose leaders had now been incarcerated or forced into exile, but who remain active (even those in jail).

Although the leadership of key organizations like Ciudadanos por la Libertad, the Civic Alliance, UNAB, UNAMOS, and Movimiento Campesino, are among those jailed or in exile, their members maintain direct communication with other local leaders in Nicaragua. These organized opposition groups continue their struggle and recognizing their presence, voice, and strength are essential to the democratic process.

It is vital that the international community recognize the existence and legitimacy of these leaders, who are engaging the political environment and building their own strength amidst widespread repression.

It is also vital to listen to and recognize the growing forces of dissent within the regime that are open to alternatives to the status quo. Growing uncertainty among FSLN and pro-government individuals reflect a lack of belief that the Ortega-Murillo government offers a pathway to prosperity and political stability.

Many individuals, including those within the circle of power, do not share the acceptance of living in a country without constitutional guarantees, with a lack of economic opportunities and suffering international isolation. But they do not see a viable exit strategy that they can take. Providing them with ways to opt out of the regime is critically important to changing the balance of power, and the international community should offer channels of communication, exchange of information, and even protection from retaliation in order to achieve that goal.

Economic Pressure, Diplomacy and International Sanctions

The economic deterioration of Nicaragua does not automatically carry the positive implication of being a trigger for political change.

Among non-democratic regimes, economic crises do not always lead to political transitions and the only guarantee of the Nicaraguan experience is that economic deterioration will lead to increases in poverty. Typically, dictatorships can stay longer in power during economic crises. Therefore, it is important to combine economic pressure with incentives for cooperation. The economic pressure must be a byproduct of Nicaragua's breakup from existing commitments.

Economic Tools of the Renacer Act

The Renacer Act contains all the tools necessary to increase pressure on Nicaragua. Yet, its enforcement and implementation have been slow and have limited its value.

The Act includes the option to enforce revisions to the Central American Trade Agreement if there are circumstances that affect the national interest. According to the law, "It is the sense of Congress that the President should review the continued participation of Nicaragua in the Dominican Republic-Central America-United States Free Trade Agreement if the Government of Nicaragua continues to tighten its authoritarian rule in an attempt to subvert democratic elections in November 2021 and undermine democracy and human rights in Nicaragua." That provision grants the executive branch the discretion to act on Nicaragua by way of reviewing their seat at the table, penalizing or withdrawing their benefits, or even removing them from the treaty as per Art.21.2 of the CAFTA agreement.

Nicaragua has broken its compliance with the trade agreement on several grounds.

First, it has violated the labor side of the agreement insofar as union and other labor rights in the free trade zones are subordinated by the FSLN, who fully control trade unions. There are 193 businesses in the free trade zone and workers in many of those segments are under Sandinista

control. Workers have often complained that their freedom of movement has been limited since the government increased repression and became more vigilant of their freedom of expression. As a result, people have been unable to find new jobs in the free trade zone.¹⁴ Workers were also left unprotected by the government during the post-recession period; they were asked to work longer hours and increase productivity, without support from the Ministry of Labor.

More recently, the Nicaraguan tax authority declared that all kinds of money transfers to workers, be it remunerated work or other work benefits, should be taxed, further penalizing labor and businesses.

Second, tax extortion, which is also referred to as ‘fiscal harassment,’ has been a method utilized by the government to raise revenues and to force businesses to keep a low profile and participate in a ‘national dialogue’¹⁵ or else face tax penalties. Businesses from different segments of the Nicaraguan economy have reported being victims of such harassment and do not express political opinions out of fear of fiscal, financial, or personal retaliation. Such activity works against both national and US businesses, creating an inhospitable business and work environment, while benefiting the regime.

Nicaraguan exports to the United States are important (50 percent of its exports are to the United States and 26 percent of its imports) and limited to very few commodities. In fact, more than half of US imports from Nicaragua are textiles and apparel originating from the free trade zones, with workers and businesses facing harassment from the government.

TABLE 8: WORKERS IN THE FREE TRADE ZONE

Source: Central Bank of Nicaragua, workers in the free trade zone

YEAR	NUMBER OF WORKERS	LABOR PRODUCTIVITY (US\$)
2017	116,062	22,730
2018	122,010	23,525
2019	122,535	23,618
2020	113,586	21,738
2021	125,833	26,845

The Nicaraguan government is actively neglecting compliance with the labor side of its trade agreements and should be held accountable.

It is important to add that Nicaragua has also broken the requirements of their trade association with the European Union. A further 6.5 percent of total trade for Nicaragua is with the European Union and its legal commitment under the trade association includes commitments on political dialogue (such as Articles 12, 14 and 19 of Part II of the treaty) and democracy, human rights, and good governance (particularly Articles 29 and 30 of Part III of the treaty).¹⁶ It therefore merits to resort to article 355 of the treaty.

The Nicaraguan government has also violated Article 12.4(b) on Market Access for Financial Institutions, through the Consumer Protection Law it passed, which was designed to protect those who have been sanctioned. The law grants discretion to the government to impose limitations and restrictions on how financial institutions operate and allows for scrutiny of all financial transactions. These include restricting financial institutions’ ability to enforce sanctions by preventing relatives of those sanctioned from having their bank accounts closed, even when it’s clearly a recourse to protect the finances of those sanctioned.

The government has also heightened scrutiny on remittance transfers to families by demanding reports of the names of who sends and receives money for personal amounts greater than US\$500 (typically more than 10 percent of 750,000 remittance recipients), and for business amounts greater than US\$5,000, taking away the financial institutions’ discretion of due diligence on anti-money laundering. The government agency, Unidad de Analisis Financiero, has become an intelligence gathering center to filter out any citizen suspected of being a political threat.

Sanctions

International sanctions are a legitimate form of international pressure. They are recognized internationally as a tool to enforce corrective measures and demand accountability from transgressing states, institutions and actors, in a way that is supported by legal notions of fairness and clarity.¹⁷ An effective sanctions regime is shaped by the combined efforts of the United Nations Security Council, regional bodies such as the European Union, and independent states.

TABLE 9: US IMPORTS FROM NICARAGUASource: <https://usatrade.census.gov/data/Perspective60/View/disview.aspx>

IMPORTED ITEM	2010 (US\$)	2018 (US\$)	2021 (US\$)	2010 (%)	2018 (%)	2021 (%)
Total all commodities	2,007,563,561	3,496,583,932	4,651,342,068	100	100	100
Apparel articles and accessories, knit or crochet	721,519,222	1,091,997,146	1,504,005,027	36	31	32
Gold	95,199,382	388,332,473	756,517,141	5	11	16
Electric machinery; sound and equipment	273,740,423	500,143,840	519,019,867	14	14	11
Apparel articles and accessories, not knit etc.	295,862,615	469,249,429	491,736,184	15	13	11
Meat and edible meat	104,854,234	237,236,466	375,877,792	5	7	8
Tobacco	79,749,340	205,807,899	307,130,145	4	6	7
Coffee, tea, mate & spices	165,033,458	247,129,128	264,966,795	8	7	6
Fish, crustaceans & aquatic invertebrates	81,332,673	83,411,142	106,670,368	4	2	2
Sugars and sugar confectionary	82,182,246	59,620,667	78,240,000	4	2	2
Edible vegetables & certain roots & tubers	18,918,175	32,839,955	39,819,419	1	1	1
Dairy products, birds eggs, honey	9,032,295	28,745,631	36,931,621	0	1	1
Furniture	10,072,243	19,124,022	24,067,537	1	1	1
Beverages, spirits and vinegar	5,149,027	13,801,909	23,289,060	0	0	1

The international community determines its sanctions based on the principles of precision, proportion, and purpose of the intended corrective measure resulting from a transgression from a state or individual.

So far, more than 45 sanctions have been applied to Nicaraguan individuals and institutions by the United States¹⁸ and other countries like Canada, the United Kingdom, and Switzerland, as well as the European Union, following evidence of wrongdoing within the context of impunity.

As a tool, sanctions are more effective when they are enduring and followed by constructive efforts to promote mediation.

In the context of the continued detention of prisoners of conscience, sanctions are a much-needed tool, which can be used to pressure the regime and demand their release.

The Nicaraguan government expects to negotiate a retroactive end to sanctions (there is a strong symbolism that the regime has attached to sanctions as the number of political prisoners arrested since March 2021 is roughly equivalent to the number of sanctions), however, the international community is clear that if anything, more pressure is needed on those participating in acts of impunity: judges, police, and decision makers.

Other entities and individuals subject to sanctions include those participating in the manufacturing of economic favors and the facilitation of sanction avoidance, as is the case of lawyers and businesses close to the Ortega family.¹⁹

The sanctions regime has been impactful, but it remains incomplete because the sanctions occur without a clear pattern and are not proportional to the severity of the individuals and institutions who are breaking the rule of law in the country.

It's clear that families of individuals within the circle of power are wary of sanctions and visa denials. This concern includes children and spouses of magistrates, judges, legislators, ministers and deputy ministers, director generals, senior police and military officers, as well as the diplomatic corps. The families of those close to the regime want to escape -many have already done so silently, even coming and going to the US with frequency to visit their children.

Individuals in the circle of power are also aware that the costs of staying with the regime and with a leader whose shelf life may be less than two years, are very high. Providing enough incentives for exiting the regime while continuing sanctions and visa denials to the circle of power is an effective combination of tools that could yield real fracturing within the regime.

Institution-based sanctions should be used to more surgically target critical hotspots, such as the Army's pension fund (Instituto de Prevision Social), which covers and protects many of the active and retired officers who have participated in rights violations.

Economic Diplomacy

An economic recovery strategy, jointly supported by the private sector, the US government and the international community (but preceded at least by the release of the prisoners) would create an incentive for the government to address the political and economic crisis.

Nicaragua's economic recovery can receive a jumpstart by increases to the credit portfolio—which does not show signs of growth on its own in 2022. A combined US-sponsored economic stabilization program in partnership with the commitment of the Nicaraguan financial and productive sectors can focus on increasing credit by US\$50 million to small businesses in 2022. Accompanied with lending, the program should include technical support to modernize the informal sector and support formal businesses to further adapt into the digital economy.

While the increase would be small, representing one percent of the total portfolio, it could reactivate thousands of small- to medium-sized businesses that have been unable to borrow during previous years: typically annual credit available for businesses in Nicaragua has been less than US\$200 million or 5 percent of the entire lending portfolio. A smaller influx could support natural formal business growth and new businesses.

This offer of economic commitment accompanied with technical support would need to be preceded by a formal release of political prisoners and a national dialogue, guided by an agenda that includes input for economic recovery as well as political reforms.

The approach is not symbolic but rather a realistic consideration that further economic downturn will affect the government, Nicaraguans, businesses, and the international community through regional impacts like increased migration.

Furthermore, it does not preclude the use or elimination of individual or institutional sanctions, nor does it ignore CAFTA violations, particularly those identified by the Renacer Act. Using sanctions and incentives to improve conditions should be accompanied by other forms of pressure (reviewing violations to the trade agreement) and

TABLE 10: CREDIT GROWTH IN NICARAGUA

Source: Banco Central of Nicaragua

	2018	2019	2020	2021	2022
Individuals (%)	-11	-19	-13	1	1
Businesses (%)	-14	-19	0	0	0
Credit portfolio (US\$ millions)	5,000				3,400

will reflect the United States' commitment to democracy and economic prosperity in Nicaragua.

Along with the Renacer Act, it is important that the international community continues scrutinizing funding to Nicaragua from organizations like the IMF and the World Bank in order to ensure that both Nicaragua and the IFIs are accountable for borrowing and lending. The Nicaraguan government has broken away from all clauses—embedded on the loan commitments—on social inclusion, gender, the environment, corruption and anti-money laundering practices, that are part of all loan agreements the regime signs into.

The likelihood of Nicaragua getting financing from the IFIs is low but not zero. Nicaragua has received disbursements, mostly from the Central American Bank for Economic Integration (CABEI), in total of US\$500 million in 2020 and 2021 respectively. But given that its debt-to-income ratio has increased to 70 percent, while paying an annual US\$160 million in interest, this financing is clearly providing a much-needed lifeline. Disbursements that fund and support its security apparatus should be discontinued.

TABLE 11: ANNUAL LOANS DISBURSED TO NICARAGUA

Source: Central Bank of Nicaragua

YEAR	DISBURSEMENTS (US\$ MILLIONS)
2016	160.50
2017	281.23
2018	133.34
2019	211.43
2020	499.94
2021	527.89

Diplomacy and Special Envoy

One important aspect of the United States global reengagement includes collaborative diplomacy with traditional and new partners. Nicaragua, which is a part of US foreign policy priorities, needs to have a diplomatic roadmap that includes bilateral, multilateral, and regional engagement.

There are four diplomatic areas of operation that pertain to Nicaragua.

First, from a multilateral point of view, the United States should continue to focus on its relationship with the European Union to coordinate a joint effort applying pressure in pursuit of a common goal. Similarly, maintaining about a clear position on Nicaragua in front of the United Nations is important. The recent vote on March 31, 2022 on a human rights resolution for Nicaragua was a positive sign of international collaboration.

The main challenge remains at the Organization of American States, where the credibility of US leadership is at its lowest level, due to the absence of an ambassador and a critical forward-looking agenda.

While the appointment of an ambassador is uncertain for 2022, it's important that the United States assumes leadership by aligning support from Central American countries like Belize and Honduras, to increase the number of supporting countries to more than 24 (annex A). But it's also important to bolster the credibility and performance of the Secretary General as it pertains to Nicaragua. The purpose is to continue the diplomatic and mediating efforts of the international community for a solution to the crisis in Nicaragua.

Second, a regional outlook on Nicaragua from Central American leaders is of critical importance. The Nicaraguan government and Daniel Ortega's foreign policy establishment and elite have historically measured their approaches as per regional acceptance by their neighbors to the north. Since the Central American peace agreements of 1987, regional cooperation has been welcomed by Nicaragua in various contexts, on economic and political cooperation as well as in development matters—migration included. Moreover, the international community and the United States can support a more coherent and accountable engagement by the member countries of the

Central American Bank of Economic Integration when it comes to lending to the Nicaraguan regime.

A regional coordination of leadership promoting stability while backed by US support would make sense for these countries and would harness the attention of Nicaragua. A regional outlook should consider all forms of cooperation, including joint military exercises with the participation of Colombia to protect regional stability from transnational criminal organizations and the threat of foreign powers seeking to operate in the Caribbean.

Third, the United States can bolster international pressure by bringing key partners together in a new forum to promote greater engagement and mediation for Nicaragua. The United States can support the formation of a *Group of Friends of Nicaragua* with partners including: Canada, Chile, Colombia, Costa Rica, Dominican Republic, Panama, Spain, and the Vatican - with the aim of bringing attention to the situation in Nicaragua, offering efforts at mediation, and willingly promoting a political transition. The Vatican has an important role to play as an intermediary who can open the doors for prisoner release and dialogue. The appointment of a new envoy of the Vatican will provide important opportunities to support engagement at various levels, including the Nicaraguan Catholic church leadership. To Nicaraguans the role of the church is most important, and even the political views from the Church's leadership is valued among citizens in shaping their views and decisions.²⁰

In order to ensure a coordinated effort, a Special Envoy for Nicaragua would most effectively perform these tasks. A special envoy can facilitate engagement with international players, Central Americans in particular, conduct outreach to the Nicaraguan government, and work with the US ambassador to expand efforts within Nicaragua by, for example, signaling willingness to have constructive engagement. The appointment of the envoy would highlight the importance of Nicaragua for the administration and reinforce the coordinated diplomatic efforts. Such a position could be managed within the National Security Council in order to maintain effective coordination among agencies.

Fourth, within the scope of US policy is the role of outreach to the organized Nicaraguan diaspora and the taking into account of the diaspora's public opinion. Of all Nicaraguans living abroad, at least 400,000 are in the United States and at least another 90,000 attempted to enter the United States in 2021. The diaspora is largely composed of individuals who do not support the

authoritarian Ortega and Murillo regime but lack the tools to mobilize as an organized entity to apply pressure.

United States engagement with the Nicaraguan diaspora can involve them in a roadmap for international pressure, which includes (a) *recognizing and trusting the democratic opposition*, (b) *visualizing the scope and depth of repression*, (c) *recalling their desire for a political and civic solution to the crisis* and (d) *offering to commit themselves to the reconstruction of their country*.

The outward migration of Nicaraguans has increased dramatically. We estimate that as of 2021, there are at least 900,000 Nicaraguans living abroad. Using remittance transfer data, recognizing that between 75-80 percent of adults typically remit, and seeing that there were at least 700,000 family-to-family transfers in 2021, we can calculate an estimate of 910,000 migrants living abroad.

Moral Engagement

Low morale among Nicaraguans is one key consequence of years of repression and censorship. They are exhausted from the lack of government attention to their needs, living in fear, and dealing with a continued crisis and neglected pandemic. They have lost hope in their homeland. Nicaraguans need to know they are not alone, that the international isolation their country is experiencing is not short-lived nor aimed at them, and that the pressure will continue.

The United States can utilize policy to lift the morale of Nicaraguans by continuing to make visible the international condemnation of human rights violations, the illegitimacy of the elections, and the politically and morally indefensible actions of the regime. The United States must show that sanctions are a logical conclusion to these violations and a product of a coherent policy approach.

The United States can be a loudspeaker to the international community, demonstrating and condemning the violations, asking for a cessation, and continuously demanding the release of the political prisoners. Making the Nicaraguan situation more visible is essential to bolstering the fading morale of the people.

However, there are other tools that can embolden Nicaraguans, including an important fight against censorship and disinformation efforts by the regime. While generalized repression has focused on many sectors in

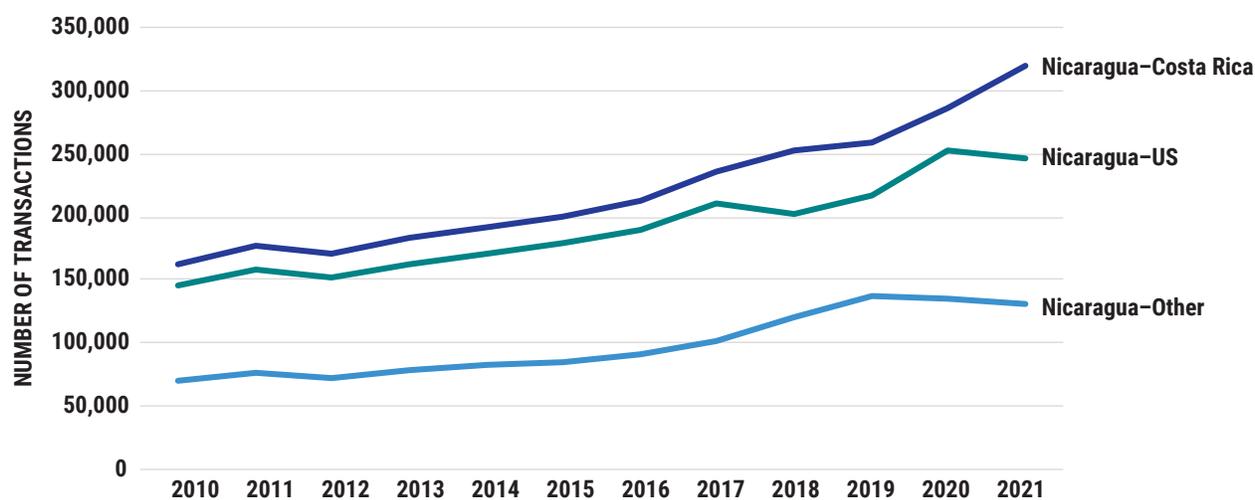
TABLE 12: NICARAGUANS LIVING ABROAD 1990-2019

Source: UNDESA. *By 2021 we estimate that at least 900,000 Nicaraguans are now living abroad

COUNTRY	1990	1995	2000	2005	2010	2015	2017	2019*
World	442,037	438,343	502,147	436,584	610,957	645,309	658,203	682,865
Costa Rica	99,153	131,695	230,085	148,064	287,766	292,232	294,018	296,541**
United States	168,659	197,100	225,929	236,243	254,081	267,051	275,909	302,845
Spain	1,002	1,240	2,013	3,156	12,892	20,361	20,554	25,969
Rest	8,954	9,604	10,340	10,921	12,228	13,227	13,854	15,000
Panama	4,553	4,593	4,923	7,775	10,998	12,915	13,335	13,752
Canada	6,199	7,730	9,444	8,894	8,945	10,003	10,399	10,511
Guatemala	3,726	4,565	5,404	6,424	7,443	8,561	8,908	8,787
El Salvador	3,893	4,219	4,545	6,024	7,502	7,823	7,874	7,929
Honduras	142,802	74,273	5,768	5,649	5,530	7,767	7,844	7,891
Mexico	3,096	3,324	3,696	3,434	3,572	5,369	5,508	4,105

FIGURE 4: ANNUAL FAMILY REMITTANCE TRANSFERS TO NICARAGUA

Source: Central Bank and money transfer company data



Nicaragua, attacks on the media have been at the core. Journalists have been denied access to foreign assistance, blocked from accessing information, intimidated, incarcerated, and exiled from Nicaragua.

At the same time, official pro-government media, which is comprised of just a few groups and individuals, resorts to false information, defamation of civic leaders, and even calls for the use of force. US and international foreign assistance needs to focus its efforts in combating these activities through supporting alternative media and expanding outlet access to viewers, readers and listeners through different vehicles that are struggling and/or emerging as true journalistic entities.

Further efforts should include providing fact checking, validating true data, highlighting and shaming what constitute 'fake news' or 'fake journalists', re-moralizing leadership while demoting low quality of information, and enhancing accountability for journalists.

Similarly, another priority in the struggle for democracy includes supporting investigative journalism that visualizes the scope and depth of a kleptocratic regime by pointing out, documenting and denouncing the illicit enrichment of family members of the dynasty. Although several instances have been previously reported, a systematic effort to reveal the rampant kleptocracy that is a key element of the dynasty has not been achieved.

This effort is of fundamental importance to democracy, particularly for Nicaragua, because of its political and cultural tradition, which has relied on an uninformed public whose opinions are shaped by hearsay, gossip, and uncorroborated information. Combating disinformation can

have the twofold effect of fighting the dictatorship while enhancing a democratic political culture in a society that believes in the democratic process.

Improving Nicaraguans' understanding of the political scenario will also serve to lift their morale insofar as it will empower them with knowledge to more confidently confront a regime that uses lies to communicate with its citizens and theft to coexist with them.

Regional Solutions

Another logical policy step for the United States would be to make Nicaragua part of the regional strategy on the root causes of migration. All the key components affecting migration are fully illustrated in the Nicaraguan case, including a lack of economic prosperity, widespread corruption, poor or nonexistent democratic rule of law, persistent human rights violations, and violence against women. They are central facts that Nicaraguans endure day-to-day and make it an imperative to include Nicaragua within the root causes approach. Similarly, it's important to take a humanitarian approach to Nicaraguans migrating to Costa Rica and Panama. Both countries are still recovering from severe economic recessions and the United States Government can support integration approaches similar to those applied in the case of Venezuelans in Colombia.

WHEN AND HOW?

Changing the balance of power in Nicaragua is imperative in preventing regional instability and an unnecessary deepening of dictatorship in Central America.

The urgent focus from both democratic actors and international players should be pushing for political reforms that start with the release of political prisoners.

In contrast with the Ortega-Murillo government's unrestricted impunity, the international community should pursue a proportional response (short of military intervention) that includes continued, clear, and consistent efforts through all available vehicles of international pressure (protest, condemnation, sanctions, mediation,

economic pressure) in order to move the needle toward a peaceful resolution away from dictatorship.

Taking concrete actions in 2022 is crucial and the United States can work simultaneously (a) strengthening the OAS influence on Nicaragua with other member states and the Secretary General, (b) reaching out to the Nicaraguan community to discuss a recovery package (while maintaining important sanctions to human rights violators), diaspora engagement and (c) engaging with the democratic opposition on international pressure and outreach to the Nicaraguan government.

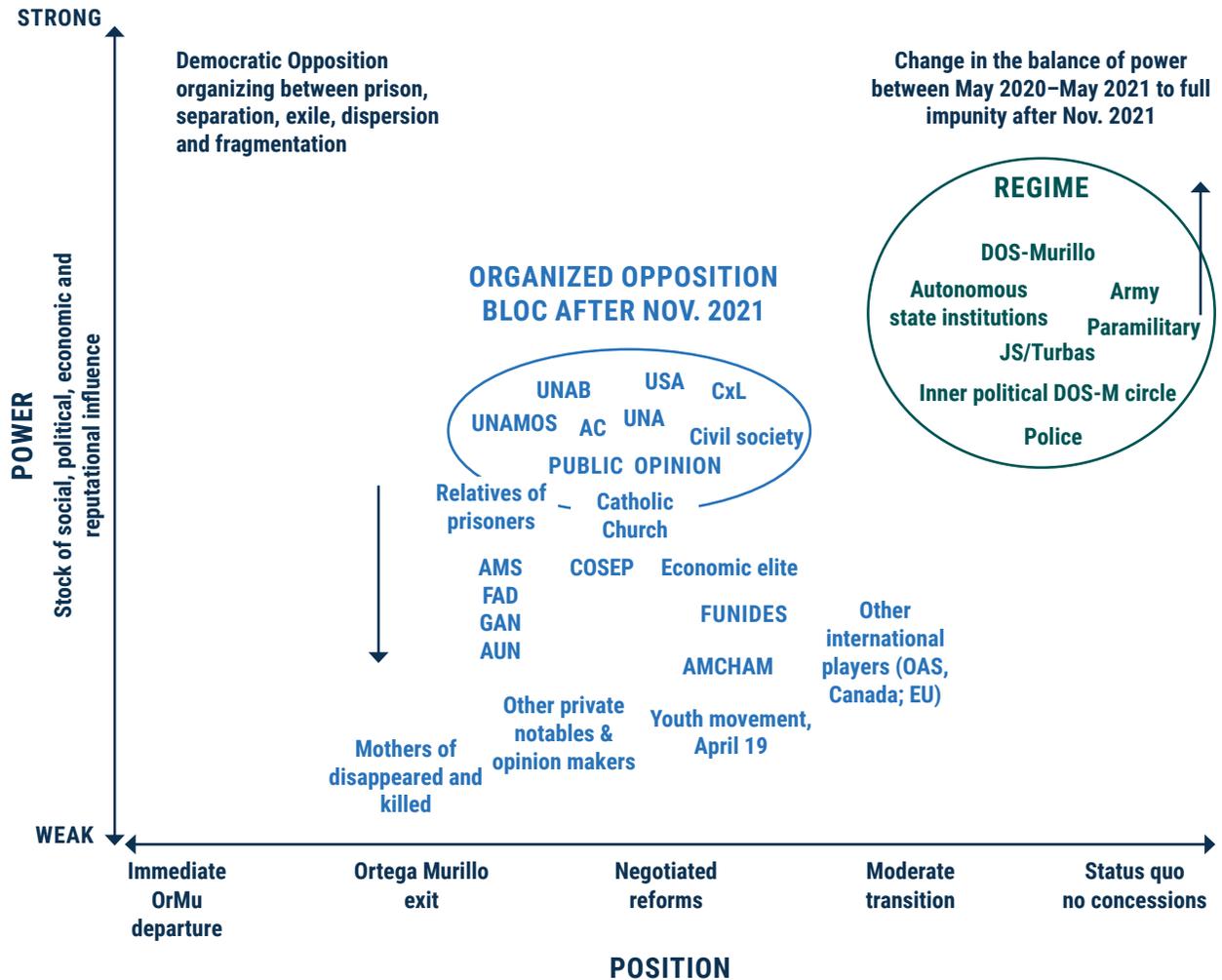
Annex A. Organization of American States Resolutions

– = absent; A = abstain; O = oppose; S = support

	CP/RES. 1108 (2172/18) 18/7/2018; CONDEMNING HUMAN RIGHTS VIOLATIONS	CP/RES. 1109 (2175/18), WORKING GROUP FOR NICARAGUA, 2/8/2018	CP/RES. 1110/18, 9/12/2018	CP/RES. 1128 (2231/19) 19/5/2019	CP/RES. 1135 (2244/19); HIGH-LEVEL COMMISSION, 28/8/2019	AG, RESTABLEC DE INSTIT. DEMOCR Y RESPETO DDHH 1/10/2020	CP/RES. 1175 (2324/21) (NO REFORMS, IMPRISONMENT); 15/6/2021	CP/RES. 1182 (2346/21) RESPECT CD, CONFLICT RESOLUTION, 20/10/2021	AG, ILLEGITIMACY OF ELECTIONS, COLLECTIVE EVALUATION; 11/12/2021	TREND (%)
Bahamas	S	S	S	S	S	S	S	S	S	100
Brazil	S	S	S	S	S	S	S	S	S	100
Canada	S	S	S	S	S	S	S	S	S	100
Chile	S	S	S	S	S	S	S	S	S	100
Colombia	S	S	S	S	S	S	S	S	S	100
Costa Rica	S	S	S	S	S	S	S	S	S	100
Ecuador	S	S	S	S	S	S	S	S	S	100
United States	S	S	S	S	S	S	S	S	S	100
Guyana	S	S	S	S	S	S	S	S	S	100
Panama	S	S	S	S	S	S	S	S	S	100
Paraguay	S	S	S	S	S	S	S	S	S	100
Peru	S	S	S	S	S	S	S	S	S	100
Dominican Republic	S	S	S	S	S	S	S	S	S	100
Uruguay	S	S	S	S	S	S	S	S	S	100
Jamaica	S	S	S	A	S	S	S	S	S	89
Santa Lucia	S	S	S	S	S	S	S	S	A	89
Antigua and Barbuda	S	S	S	S	A	A	S	S	S	78
Argentina	S	S	S	S	S	A	A	A	S	67
Haiti	A	A	A	S	S	S	S	S	S	67
Venezuela	O	O	O	S	S	S	S	S	S	67
El Salvador	A	A	A	A	S	S	S	S	S	56
Mexico	S	S	S	S	A	S	A	A	A	56
Grenada	A	–	–	A	S	A	S	S	S	44
Guatemala	S	A	A	A	A	A	S	A	S	33
Honduras	S	S	A	A	S	A	A	A	A	33
Saint Kitts and Nevis	–	A	A	A	S	A	S	S	–	33
Suriname	A	A	A	A	O	A	S	S	S	33
Trinidad and Tobago	A	A	A	–	A	A	S	S	S	33
Dominica	–	–	–	A	A	A	A	S	S	22
Barbados	A	A	A	A	A	A	S	A	A	11
Belize	A	A	A	A	A	A	A	S	A	11
Bolivia	–	O	A	A	A	S	O	A	A	11
St. Vincent and the Grenadines	S	O	O	O	O	O	O	A	A	11
Nicaragua	O	O	O	O	O	O	O	–	O	0
Total (%)	62	59	56	59	68	62	76	76	74	66

Annex B. Organized Opposition and the Prevailing Balance of Power

Note: Arrows denote shifting trend in power capability.



Annex C. Reinforcing Nicaragua's Adherence to Conditions for Electoral Reform Act of 2021 (Renacer Act)

The United States' response to the egregious acts of the Nicaraguan government has consisted of issuing over fifty sanctions against individuals and government institutions, making statements against the regime's legitimacy, condemning Nicaragua at the Organization of American States for breaking with the Democratic Charter, and passing two laws, the Nicaragua Investment Conditionality Act of 2018 and the Renacer Act (Reinforcing Nicaragua's Adherence to Conditions for Electoral Reform Act of 2021).²¹ Overall, however, US policy toward Nicaragua has not been proportionate to the degree of offenses that have been committed, as well as the transgressions and impunity. With the lingering memory of the 1980's, it is worrisome that the United States is not taking a more proactive stance.

The Renacer Act contains provisions that address corruption within the regime, implement sanctions against human rights violators, counter Russian interference, review the terms of the Central American Free Trade Agreement, scrutinize lending from international financial institutions, and coordinate efforts with other diplomatic partners.

Here are some of the critical issues that the Act can address within the scope of the law:

- Section 3 of the Renacer Act gives authority to the Biden Administration to take action regarding Nicaragua's participation in the Central America Free Trade Agreement. The Ortega-Murillo regime has broken the labor side agreement insofar as workers in the free trade zone, which mostly exports to the United States, lack labor rights protections, including restrictions on unionizing, given that unions are controlled by the Sandinista regime, and being forced to work beyond their established work hours. Workers across the country have lost their rights and protections as well. They are surveilled, have been forced into the informal economy, and have no official recourse unless they profess loyalty to the regime.

The regime has also resorted to the extortion of companies by levying threats of tax penalties unless they abstain from participation in politics. The regime established a system of fiscal blackmail against companies in order to arbitrarily collect taxes without due legal process. In 2021, companies were forced to pay 24 percent more in taxes for a second consecutive increase since the crisis. The culture of fear is pervasive among workers and businesses alike.

The Nicaraguan government, through the Consumer Protection Law that was designed to protect those who have been sanctioned, has broken with Article 12.4(b) of the CAFTA on Market Access for Financial Institutions insofar as it gives discretion to the government to impose limitations and restrictions for financial institutions on how to operate, and allows the government to scrutinize financial transactions. These include preventing relatives of those sanctioned from having their bank accounts closed, even when the result is protecting the finances of those who were sanctioned.

The government has also tightened scrutiny of remittance transfers to families by asking for reports of the names of anyone sending or receiving money in personal amounts greater than US\$500 [typically more than 10 percent of the 750,000 recipients], and business amounts greater than US\$5,000, which eliminates the financial institutions' discretion for due diligence on anti-money laundering efforts. The Unidad de Analisis Financiero has become an intelligence gathering center that monitors any citizen suspected of being a political threat.

The United States has the discretion to bring the Nicaraguan government to the table to respond to these violations, as well as impose penalties or other limitations. Further actions may include limits on remittance transfers (which are 14% of tax revenue), tariffs on certain commodities, penalties for the government that are proportionate to the

benefits derived from the agreement, and suspension of the country from being a party to the treaty.

- Following Section 4 of Renacer Act stipulating that the US Treasury should increase scrutiny of any loan, or financial or technical assistance provided for a project in Nicaragua, the Administration needs to demand the halt of disbursements of already existing loans from the Inter-American Development Bank and the World Bank, as well as recommend Central American countries do the same with the Central American Bank of Economic Integration. The Nicaraguan government has broken away from all clauses on social inclusion, gender, the environment, corruption, and anti-money laundering practices, which are part of all loan agreements the regime signs into.

It is important that the United States brings accountability to each of the existing loans for which disbursements are being made and the Nicaraguan government is failing to comply with the necessary clauses.

Section 5 of the Act authorizes targeted sanctions on government officials, the Ortega-Murillo family, members of the Police and Army, the elections commission, Sandinista Party members, and businesses engaged in corruption with the government or in obstructing free and fair elections.

The majority of Sandinista legislators, Supreme Court judges, election authorities, and members of the police and army were complicit in enabling the fraudulent elections. They also were complicit in the obstruction of Constitutional rights that allowed for the criminalization of democracy through the Foreign Agents Regulation Law, the Special Cybercrimes Law, the Self-Determination Law, and the Consumer Protection Law. This multiple complicity merits the extension of sanctions to all those involved in these institutions.

The United States needs to more strictly enforce its sanctions regime to make up for the lack of accountability and arbitrary impunity that still prevails.

- Section 6, which relates to coordinated sanctions with other countries, is still limited as it has only been applied effectively in two instances.

- Sections 8 and 9, stipulating drafts of classified reports on the involvement in corruption of the Ortega family and government officials, and of Russian activities in Nicaragua have not been released.

The extent of corruption by government officials and the Ortega family has been widely documented through investigative journalism, including several reports published by the magazine, Confidential about the methods the circle of power has utilized to conceal their financial operations and the overt economic favors they perform using government resources.

Russia is known to be active in Nicaragua, including through the acquisition of military equipment and the continuance of a military alliance. The political and military alliance between Cuba, Nicaragua and Venezuela, and Russia has destabilized the military balance in the Caribbean basin. US Government officials have also stressed concerns about Russian intelligence gathering that has taken place from within Nicaragua. *Those reports are an important input for policy action.*

- Section 11 of the Act establishes that the United States “should leverage bilateral and regional relationships to curtail the gross human rights violations perpetrated by the Ortega government and better support the victims of human rights violations in Nicaragua.” Even though Assistant Secretary Nichols has stressed that freeing the political prisoners in Nicaragua is a US priority, little has been accomplished.

More than thirty highly respected and honest Nicaraguans have been sentenced to up to 13 years in jail through a series of political-motivated show trials. Their health conditions have dramatically deteriorated and they suffer from cruel and unusual forms of punishment such as the denial of visits from relatives, lack of access to doctors or medical treatment, and solitary confinement. It is legally, but also morally and politically, indefensible to stay passive regarding the human rights situations of these prisoners. The human rights situation in Nicaragua continues to remain extremely precarious, amidst an overarching culture of fear and intimidation.

Suspending Nicaragua from the OAS, mobilizing international pressure, and particularly involving other Central American governments in an effort to stop the regime from committing further human rights violations in Nicaragua are steps that should be taken immediately.

- Section 12 refers to the state of independent media in Nicaragua and the required report is still missing. Yet the level of censorship, disinformation, and intimidation of journalists is extensive. Nicaraguans have no fair access to information about what goes on in their own country; they are victims of disinformation campaigns about what the government does and does not do. Journalists are threatened and jailed when performing their work and many have gone into exile. There is a pervasive demoralization experienced generally by Nicaraguans with regards to their fate. As a result, hundreds of thousands fled in 2021 and more than 50,000 have already left in the first quarter of 2022.

It is important to ensure that independent journalism is empowered to fight against censorship and disinformation, and to provide Nicaraguans with clarity as to the extent of impunity in their country.

By all standards, the extent of impunity in Nicaragua is illustrated simply by the violations of each section of the Renacer Act. US leadership is urgently required for the release of political prisoners and to bring democracy to Nicaragua.

The Ortega-Murillo regime has made a decision to continue on the path of impunity, ignoring the resulting mass migration away from Nicaragua, turning it into a perverse method of increasing tax revenue through family remittances (which in 2021 amounted to US\$2.2 billion, or 16 percent of the country's income). The regime has ignored the increased discontent and demoralization of the people of Nicaraguan, the growing dissent among members of their circle of power, and the economic deterioration of the country.

The United States cannot wait for another political prisoner to die, fall ill, or for more transgressions against the Constitutional rights of Nicaraguans (and Nicaraguan Americans) to happen in order to act. I urge you to press the administration to exercise its full mandate, use the tools at its disposal, and push for the release of all the political prisoners.

Notes

1. <https://www.france24.com/es/minuto-a-minuto/20211116-la-cidh-eleva-a-355-los-muertos-por-represi%C3%B3n-de-manifestaciones-opositoras-en-nicaragua>
2. Orozco, Manuel....testimony 2018
3. Ministerio de Hacienda; Dirección General de Políticas y Estadísticas Fiscales, Financiamiento del Gobierno Central.
4. www.hacienda.gob.ni%2Fhacienda%2Ffinanzaspublicas%2Fifp%2FInforme-Finanzas-Publicas-3erTrim-2021.pdf&clen=188423&chunk=true
5. <https://presasypresopoliticospolicosnicaragua.org/wp-content/uploads/2022/04/Lista-personas-presas-pol%C3%ADticas-NIC-Marzo-2022.pdf>
6. <https://www.confidencial.com.ni/nacion/juicios-politicos-mas-agresivos-y-violatorios-que-los-de-2018-y-2019/>
7. <https://www.divergentes.com/crisis-a-lo-interno-del-sandinismo-se-vive-un-desconcierto-en-el-partido/>
8. <https://urnasabiertas.com/todos-los-informes/>
9. Confidential conversation with members of the private sector. Annual borrowing amount per business is circa US\$30,000-40,000, thus a drop of lending to at least 35,000 businesses
10. <https://www.infobae.com/america/america-latina/2022/02/24/el-regimen-de-daniel-ortega-busca-cancelar-otras-dos-universidades-privadas-en-nicaragua/>; <https://www.confidencial.com.ni/nacion/ortega-cancelador-en-jefe-94-oeneges-eliminadas-en-cuatro-meses/>
11. <https://www.oas.org/csh/spanish/c&ttratadocentroamerica.asp>
12. <https://www.congress.gov/bill/117th-congress/senate-bill/1064>
13. In the context of Nicaragua, it means an inclusive political process among democratic forces that does not demonizes yet not negotiate or compromises power sharing options with Ortega followers. It levels with the regime by changing the balance of power, gaining popular as well as international support.
14. Movimiento de Mujeres trabajadoras y desempleadas Maria Elena Cuadra. Movimiento de Mujeres trabajadoras y desempleadas Maria Elena Cuadra. Diagnóstico de la Situación de los Derechos Laborales de las Trabajadoras en Empresas de Zona Franca Sector Textil – Vestuario. 2020. See also *Impacto de la Crisis Sociopolítica en la Vida de las Mujeres Trabajadoras de La Maquila 2020*.
15. <https://www.confidencial.com.ni/economia/dgi-dirige-chantaje-economico-contra-empresas-a-traves-de-cobros-millonarios/>
16. [https://eur-lex.europa.eu/legal-content/EN/ALL/?uri=CELEX:22012A1215\(01\)](https://eur-lex.europa.eu/legal-content/EN/ALL/?uri=CELEX:22012A1215(01))
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21. <https://www.congress.gov/bill/117th-congress/senate-bill/1064/text>



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