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Nicaragua

Nicaragua, a Central American country bordering Honduras and Costa Rica, is experiencing significant political repression under the authoritarian rule of President Daniel Ortega, aged 76, and his wife, Vice President Rosario Murillo, aged 71. The erosion of democracy under the Ortega-Murillo government has strained relations with the United States and raised congressional concerns. Congress has sought to monitor and refine U.S. sanctions policy toward Nicaragua.

Figure 1. Nicaragua Map



Source: Congressional Research Service.

Political Situation

Daniel Ortega first rose to prominence as a leader of the leftist Sandinista National Liberation Front (FSLN), which toppled the U.S.-aligned Somoza dictatorship that ruled Nicaragua from 1936 to 1979. Ortega was elected president in 1984 but was defeated in 1990 after more than a decade of armed conflict between the FSLN government and U.S.-backed *Contra* insurgents. From 1990 to 2001, Nicaragua held three relatively free and fair elections in which power changed hands peacefully between non-Sandinista presidents. Ortega returned to power in 2006 in elections that many observers also judged to be free and fair.

In ensuing years, Ortega's FSLN government supporters increasingly manipulated democratic processes. Subsequent elections won by Ortega in 2011 and 2016 were widely judged to be seriously flawed. In 2021, during Ortega's most recent election (his fifth overall and fourth consecutive term), Ortega was widely condemned for eliminating all viable candidates and parties from participation.

In the past, the Ortega government's social welfare programs have helped improve Nicaraguans' standard of living and maintain a strong support base for the FSLN, which Ortega used to consolidate power. In 2018, however, government-approved tax reforms that included tax increases and a reduction of social security benefits sparked

mass protests. The Ortega administration's repressive response—which resulted in over 300 dead, thousands injured, and hundreds detained and tortured—generated condemnation worldwide.

Despite domestic and international calls for Nicaragua to reform its electoral laws and hold free and fair elections, the Ortega administration has continued to use antidemocratic practices. In 2021, authorities arrested 40 opposition leaders and barred them from participating in national elections. The Organization of American States resolved that these elections had “no democratic legitimacy.”

Nicaragua at a Glance

Population: 6.6 million (2022, IMF est.)
Area: 46,883 square miles, slightly smaller than Mississippi
GDP: \$15.8 billion (2022, current prices, IMF est.)
Per Capita GDP: \$2,380 (2022, current prices, IMF est.)
Key Import Partners: U.S. (24.9 %), China (12.5 %), Mexico (8.8 %), Netherlands (7.4 %) (2021, TDM)
Key Export Partners: U.S. (56.5 %), Mexico (11.8 %), El Salvador (6 %), Honduras (5.2 %) (2021, TDM)
Sources: International Monetary Fund (IMF); Trade Data Monitor (TDM).

Currently, the government has closed more than 2,000 nongovernmental organizations involved in such issues as human rights, medical care and resources, education, and civil and social matters. According to the U.N. High Commissioner for Human Rights, the Nicaraguan government held more than 200 political prisoners as of October 2022. More than 200,000 Nicaraguans have fled the country for political and economic reasons since 2018, according to the U.N. High Commissioner for Refugees. A majority of those displaced have sought asylum in Costa Rica, and some have sought entry into the United States.

Economic Environment

Nicaragua has the second-lowest per capita income in the Western Hemisphere, according to the World Bank. The Ortega administration generally has maintained market-oriented economic policies, and economic growth averaged 4.2% from 2007 to 2017, according to the International Monetary Fund (IMF). However, Nicaragua's gross domestic product (GDP) contracted by 3.4% in 2018, 3.8% in 2019, and 1.8% in 2020. Unemployment nearly doubled, from 6.2% in 2019 to an estimated 11% in 2021. Experts have attributed these recent years of economic downturn to the effects of the country's political crisis, the Coronavirus Disease 2019 (COVID-19) pandemic, and two major hurricanes.

The Nicaraguan economy began to recover in 2021, with 10.3% growth. Nevertheless, the IMF forecasts GDP growth will slow to 4.0% in 2022, as high inflation and weaker global demand for the country's textile and coffee exports take a toll on Nicaragua's small, open economy. Economic growth could slow further due to U.S. sanctions on Nicaragua's gold sector, announced in October 2022. According to the Nicaraguan Central Bank, gold is Nicaragua's top export and accounted for \$867.6 million worth of exports in 2021, including roughly \$839.8 million in exports to the United States.

U.S. Policy

U.S. policy toward Nicaragua aims to promote the reestablishment of democratic practices, including free and fair elections, support for human rights, and attention to humanitarian needs. The Biden Administration, with support from Congress, has enhanced U.S. sanctions against Nicaragua in a stated effort to advance those policy goals and hold the Ortega government accountable for its antidemocratic practices and attacks on civil society.

The Ortega government has pushed back against pressure from the United States and other international actors. In 2022, for example, Nicaragua announced its intention to withdraw from the OAS, rejected a U.S. envoy, severed diplomatic ties with the Netherlands, and declared the head of the European Union delegation persona non grata. Nicaragua also has taken steps to forge closer ties with other global powers by deepening its relationship with Russia and establishing diplomatic relations with China.

U.S. Assistance

For FY2022, the Biden Administration requested a total of \$15 million in assistance to support democracy, human rights, and governance programs in Nicaragua. Congress appropriated not less than \$15 million for such activities in the Department of State, Foreign Operations, and Related Programs Appropriations Act, 2022 (P.L. 117-103, Division K). For FY2023, the Administration again requested \$15 million to support civic participation, democratic alliances, independent media, and the protection of human rights. The FY2023 foreign aid appropriations bills reported in the House (H.R. 8282) and introduced in the Senate (S. 4662) would provide not less than \$15 million for democracy programs for Nicaragua, including support to civil society.

In addition to democracy aid, the U.S. Agency for International Development (USAID) provided nearly \$18 million in humanitarian assistance to support Nicaraguans contending with the effects of the COVID-19 pandemic and Hurricanes Eta and Iota in FY2020 and FY2021. Since October 2021, the United States has provided more than 1.6 million vaccine doses to Nicaragua through the COVID-19 Vaccines Global Access (COVAX) mechanism. In addition to U.S. support, Nicaragua received over \$400 million in pandemic-related assistance from the Inter-American Development Bank, the IMF, and the World Bank.

U.S. Sanctions

In response to increasing authoritarianism and repression in Nicaragua, the United States has imposed numerous

targeted sanctions, including asset blocking sanctions and visa restrictions, on members of the Nicaraguan government, legislature, and judiciary, along with others determined to be responsible for undermining democracy and threatening stability in Nicaragua. To date, the Treasury Department has imposed blocking sanctions on 44 individuals and 11 entities and the State Department has imposed visa restrictions on several hundred officials.

Individuals who have been sanctioned include Vice President Murillo; four of the Ortega-Murillo children; and numerous government officials, including the national security adviser, defense minister, commander-in-chief of the Nicaraguan Army, and vice minister of finance and public credit. Entities designated for economic restrictions include the Government of Nicaragua, the Nicaraguan National Police, the Attorney General's Office, the Nicaraguan Petroleum Distributor (DNP), the state-owned Nicaraguan mining company Empresa Nicaraguense de Minas, and the General Directorate of Mines.

Congressional Action

In November 2021, Congress enacted the Reinforcing Nicaragua's Adherence to Conditions for Electoral Reform (RENACER) Act of 2021 (P.L. 117-54). The act requires the Administration to align U.S. diplomacy and the use of targeted sanctions to advance free, fair, and transparent elections in Nicaragua, among other provisions. The act also requires the State Department to monitor, report on, and address corruption and human rights abuses in Nicaragua.

The RENACER Act amends the Nicaragua Human Rights and Anticorruption Act of 2018 (NHRAA; P.L. 115-335) to read as the Nicaragua Investment Conditionality Act of 2018. The NHRAA restricted international financial institutions from extending financial and technical assistance to the Nicaraguan government, except for basic human needs and democracy promotion. The NHRAA also imposed sanctions on foreign persons who engage in conduct that constitutes a serious abuse or violation of human rights against persons associated with the protests in Nicaragua that began on April 18, 2018. The RENACER Act also amended the Northern Triangle Enhanced Engagement Act (P.L. 116-260, Division FF, Section 353(b)), to include Nicaragua and impose sanctions on those who undermine democratic practices and obstruct investigations related to corruption.

Other Nicaragua-related measures have been introduced in the 117th Congress. The Nicaragua Free Trade Review Act of 2021 (H.R. 3964), for example, would require the U.S. Trade Representative to report to Congress on the extent to which Nicaragua is complying with the Dominican Republic-Central America-United States Free Trade Agreement (DR-CAFTA).

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