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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, and his wife, Vice President Rosario Murillo. The erosion of democracy under the Ortega-Murillo government has strained relations with the United States and raised congressional concerns.

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 family 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 the ensuing years, Ortega's FSLN government increasingly manipulated democratic processes. Subsequent elections won by Ortega in 2011 and 2016 were widely judged to be seriously flawed. In 2021, the Organization of American States (OAS) adopted a resolution asserting that Ortega's most recent election (his fifth overall and fourth consecutive term), had "no democratic legitimacy," given that all viable opposition candidates and parties were barred from participation. In the past, the Ortega government's social welfare programs helped improve Nicaraguans' standard of living and maintained 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 global condemnation.

Despite domestic and international calls for Nicaragua to reform its electoral laws and hold free and fair elections, the Ortega administration's antidemocratic practices have continued. Between 2007 and 2022, the Ortega government closed more than 3,100 nongovernmental organizations focused on issues such as human rights, medical care and resources, education, and civil and social matters. More than 200,000 Nicaraguans have fled the country for political and economic reasons since 2018. A majority of those displaced have sought asylum in neighboring Costa Rica, and some have sought entry into the United States.

In February 2023, the Ortega administration released 222 political prisoners to the United States. A week after the

prisoner release, the Nicaraguan government stripped 94 political opponents of their citizenship and described them as "traitors to their homeland." As of April 2023, 37 political prisoners remained in Nicaragua, including Bishop Rolando Álvarez, who is serving an internationally condemned prison sentence of more than 26 years.

Nicaragua at a Glance

Population: 6.7 million (2023, IMF est.)

Area: 46,883 square miles, slightly smaller than Mississippi

Gross Domestic Product (GDP)/Per Capita GDP:

\$15.7 billion/\$2,380 (2022, current prices, IMF est.)

Key Trading Partners: Exports: United States (52.3%), Mexico (12.9%), Honduras (7.3%) (2022, TDM) Imports: United States (26.9%), China (12.3%), Honduras (9.1%) (2022, TDM)

Sources: International Monetary Fund (IMF); Trade Data Monitor (TDM).

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 IMF. However, Nicaragua's GDP contracted by 1.8% in 2020. Unemployment nearly doubled, from 6.2% in 2019 to an estimated 11% in 2021. Economists have attributed this 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 and 4.0% growth in 2022. The IMF projects that growth will slow further to 3.0% in 2023. High inflation and weaker global demand for the country's textile and coffee exports have taken 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 \$927.4 million worth of exports in 2022, including \$893.5 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. Since 2022, for example, Nicaragua has announced its intention to withdraw from the OAS, rejected a U.S. envoy, declared the head of the European Union delegation persona non grata, and closed the Vatican embassy in Managua. 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. In FY2022, Congress appropriated \$15 million in assistance to support democracy, human rights, and governance programs in Nicaragua and the State Department allocated an additional \$2 million of health assistance to the country. The Consolidated Appropriations Act, FY2023 (P.L. 117-328, Division K), provides “not less than” \$15 million for democracy programs for Nicaragua, including support to civil society. The U.S. Agency for International Development (USAID) is using those funds to support civil society organizations, independent media, and other prodemocratic actors, seeking to strengthen their capacities to build coalitions, document government abuses, and advocate for change while protecting themselves. For FY2024, the Biden Administration is again requesting \$15 million in democracy assistance for Nicaragua. In addition to democracy aid, USAID provided roughly \$16.5 million in humanitarian assistance to support Nicaraguans contending with the effects of the COVID-19 pandemic, Hurricanes Eta and Iota, and food insecurity in FY2021 and FY2022.

U.S. Sanctions. 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. As of March 2023, the Department of the Treasury had imposed asset blocking sanctions on 43 individuals and 11 entities. Additionally, the U.S. State Department had imposed visa restrictions on more than 800 Nicaraguan individuals and their family members.

Individuals who have been sanctioned include Vice President Rosario Murillo; four of the Ortega-Murillo children; and numerous government officials, including the national security adviser and the commander-in-chief of the Nicaraguan army. Entities designated for economic restrictions include the Government of Nicaragua, the Nicaraguan Petroleum Distributor, the state-owned mining company *Empresa Nicaraguense de Minas*, and the General Directorate of Mines.

In October 2022, the Biden Administration announced further action to hold the Nicaraguan government accountable for its anti-democratic actions. The Administration amended E.O. 13851, “Blocking Property of Certain Persons Contributing to the Situation in Nicaragua,” with E.O. 14088, “Taking Additional Steps to Address the National Emergency with Respect to the Situation in Nicaragua.” E.O. 14088 expands the authorities available to increase pressure on the Ortega government, including sectoral sanctions, further restrictions on trade, and restrictions on new investment in certain sectors of the

Nicaraguan economy. To date, the Biden Administration has not imposed any sanctions pursuant to E.O. 14088.

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 use 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 amended the Nicaragua Human Rights and Anticorruption Act of 2018 (NHRAA; P.L. 115-335) to read as the Nicaragua Investment Conditionality Act of 2018 (NICA Act). The NHRAA directs the U.S. Treasury Secretary to instruct U.S. Executive Directors at international financial institutions to use the voice, vote, and influence of the United States to oppose the extension of financial and technical assistance to the Nicaraguan government, except for basic human needs and democracy promotion. The NHRAA also directs the President to impose 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 in April 2018. The RENACER Act also amended the United States-Northern Triangle Enhanced Engagement Act (P.L. 116-260, Division FF, Section 353(b)), to include Nicaragua and direct the President to impose sanctions on those who undermine democratic practices and obstruct investigations related to corruption.

The NHRAA’s restrictions, sanctions, reporting requirements, and certification provisions, and the sanctions provisions of the United States Northern Triangle Enhanced Engagement Act, are set to expire on December 31, 2023. Congress may consider extending those provisions or introducing an updated version of the NHRAA to reflect the latest developments in Nicaragua. The No Relief for Allies of Dictators Act of 2023 (S. 1129), introduced in the Senate in March 2023, would revoke current visas and restrict the issuance of new visas for individuals associated with certain Latin American governments, including the Ortega government in Nicaragua.

Congress also could consider broader economic sanctions. For example, the Nicaragua Free Trade Review Act of 2021 (H.R. 3964), introduced in the 117th Congress, would have required 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). Some observers have called for the United States to expel Nicaragua from DR-CAFTA in response to Ortega’s increasing authoritarianism. Others have suggested alternative means of limiting the Ortega government’s resources. For example, during a March 2023 House Foreign Affairs joint subcommittee hearing on human rights in Nicaragua, some Members and witnesses called on the Central American Bank for Economic Integration, which has lent nearly \$3.5 billion to the Ortega administration in the last five years, to restrict such financing.

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