

Background

No. 1894
November 7, 2005



Published by The Heritage Foundation

Help Nicaraguan Democrats Block “Creeping Coup”

Stephen Johnson

Nicaragua’s 15-year experiment with electoral democracy is collapsing. Leaders who control the dominant Liberal and Sandinista Party factions in the National Assembly are seeking to oust or isolate legitimately elected President Enrique Bolaños. If they succeed, the presidency could be so weakened that one party—the Sandinista National Liberation Front (FSLN)—is able to dominate all three branches of government, even though that is not the will of the people.

A return to single-party rule would permit Marxist authoritarianism to regain a toehold in Central America. Collaborating with Cuban dictator Fidel Castro and Venezuelan President Hugo Chávez, hard-core Sandinista leaders could reactivate plans to subvert neighboring countries.

For now, tough talk by U.S. officials and pressure from other Central American leaders and the Organization of American States (OAS) has averted this so-called creeping coup. But if Nicaragua’s democracy is to survive and regional stability is to be preserved, the Sandinistas’ latest power grab must be rolled back.

This is a job for Nicaragua’s citizens, democracy activists, and lawmakers who understand what has gone wrong. To support them, the United States and the international community should:

- **Continue** to back Nicaragua’s legitimately elected president until the end of his mandate.
- **Support** local efforts to empower voters and roll back undemocratic changes.

Talking Points

- Former presidents Arnoldo Alemán and Daniel Ortega of the Liberal and Sandinista parties have influenced adherents in the National Assembly to amend the constitution to pack courts and commissions with loyalists, as well as to take powers of appointment from legitimately elected President Enrique Bolaños.
- The practical result of this pact may be to return the Sandinistas to the presidency, either by weakening the current chief executive or by fraud in the November 2006 elections.
- Under authoritarian rule, Nicaragua could become a hub of subversive activity in Central America, as it was in the 1980s.
- The United States and the international community should oppose a takeover by these corrupt former leaders and instead help ordinary Nicaraguans to strengthen citizen control over their own government.

This paper, in its entirety, can be found at:
www.heritage.org/research/latinamerica/bg1894.cfm

Produced by the Douglas and Sarah Allison
Center for Foreign Policy Studies
of the
Kathryn and Shelby Cullom Davis
Institute for International Studies

Published by The Heritage Foundation
214 Massachusetts Avenue, NE
Washington, DC 20002-4999
(202) 546-4400 • heritage.org

Nothing written here is to be construed as necessarily reflecting the views of The Heritage Foundation or as an attempt to aid or hinder the passage of any bill before Congress.

- **State** U.S. and international terms for dealing with a resurgent authoritarian regime, to include suspending financing and grants except for humanitarian purposes.
- **Charge** international observer organizations with monitoring the health of democratic institutions, respect for civil liberties, and preparations for 2006 elections in Nicaragua.

Rigged Rule Survives Elections

Corporatism and a history of strongman rule still influence many of Nicaragua's old-fashioned political elites. Corporatism is a medieval belief in a rigid, hierarchical social order as opposed to modern notions of free choice and equal opportunity. It promotes trafficking in favors (corruption) to obtain necessities in life and a reliance on strong leaders or *caudillos* to control those who are lower in the social order.

Dying out elsewhere, corporatism survives in Nicaragua as the legacy of nearly five centuries of such rule. When they came to power in 1979, Soviet-backed Sandinista revolutionaries promised a departure from the dictatorships that had preceded them. Instead, they created a police state that imprisoned thousands and drove a third of the country's Miskito Indians into Honduran refugee camps. Further, they depleted the treasury through fiscal mismanagement and theft.

Weakened by U.S.-backed counterrevolutionaries (known as *Contras*) and the withdrawal of Soviet support, the Sandinista National Liberation Front (FSLN) allowed free elections in 1990 and lost. At the time, U.S. policymakers believed that democracy had won, even though old political traditions continued to operate below the surface. Before leaving office, outgoing Sandinista President Daniel Ortega reportedly took tens of millions of dollars from the central bank and enacted laws protecting the Sandinistas' extensive property seizures,

estimated to be worth between \$300 million and \$2 billion.

To keep peace, newly elected Violeta Chamorro of the Liberal Party approved amnesties allowing Ortega and others to retain their fortunes. In 1996, fellow Liberal Arnoldo Alemán beat Ortega for the presidency. Imitating Ortega and dictators before him, Alemán reportedly transferred \$100 million in government assets to enrich his family and associates. At the end of his term, Alemán reached out to Ortega, leader of the still-powerful Sandinista Party. He wanted sanctuary from corruption charges, while Ortega needed protection from accusations by his stepdaughter that he had sexually abused her as a child.¹

Together, the two persuaded their allies in the National Assembly to amend the constitution to give them lifetime parliamentary seats and immunity from prosecution. They also packed the Supreme Court, the Supreme Electoral Council, and the Comptroller General's office with cronies. These changes—which became known as “the Pact” and were never ratified either by referendum or by constituent assembly—prompted public outrage.

Duplicity Is the Best Policy

In the November 2001 elections, Liberal Enrique Bolaños ran against Daniel Ortega, who for a third time declared himself the Sandinistas' presidential candidate. Bolaños won by a comfortable margin, campaigning against corruption and the Pact. But because of amnesties passed during Chamorro's administration, Bolaños could not easily address Ortega's crimes.

Even so, President Bolaños asked his prosecutors to pursue Alemán for illicit enrichment. Sandinista deputies in the National Assembly temporarily switched allegiances to help lift Alemán's immunity. Alemán was convicted of fraud and embezzlement in December 2003 and was sent to jail for 20 years.

1. See Zoilamérica Narváez, “Case 12,230: Zoilamérica Narváez vs. the Nicaraguan State,” *Revista Envío* (Managua), No. 248, March 2002, at www.envio.org.ni/articulo/1567 (October 25, 2005). For a summary of maneuvers used to suppress her complaint, read “Report No. 118/01, Case 12.230, Zoilamérica Narváez Murillo, Nicaragua, October 15, 2001,” Inter-American Commission on Human Rights, Organization of American States, at www.cidh.oas.org/annualrep/2001eng/Nicaragua12230.htm (October 3, 2005).

A Case of Spite and Malice

In October 2004, the Pact-controlled Comptroller General's office ordered President Bolaños removed from office on spurious charges that he had not reported all his campaign contributions. However, the order was largely symbolic, since the Comptroller has no authority to dismiss such officials.

The next month, at the urging of Ortega and Alemán, the National Assembly proclaimed itself "the only organ of government having legal standing" and "invested with hierarchical superiority," passing constitutional changes to strip the president of his powers of appointment. In December, the FSLN-dominated Managua Appeals Tribunal released Alemán to house arrest.

In January 2005, Alemán and Ortega met again to update their accord. Alemán reportedly promised to keep Liberals from entering into electoral alliances with other parties if Ortega could free him from captivity altogether. Since

then, the Pact—which now commonly refers to Ortega, Alemán, and National Assembly deputies who are controlled by them—has taken procedural steps toward prosecuting six of Bolaños's cabinet ministers and other high-ranking officials on corruption charges.

Additionally, the Pact keeps threatening to prosecute President Bolaños so that he can be removed based on the campaign issues raised by the Comptroller a year ago. Whether Bolaños will be ousted, remain as a powerless figurehead, or retain much of his executive power remains to be seen. Bolaños's vice president, José Rizo, has already resigned to run for office in 2006. His replacement, Alfredo Gómez Urcuyo was chosen by the Assembly, making him accountable to the Pact. If Bolaños is ousted, the presidency could be further weakened, and the only branch of government currently outside of the Pact's hands would fall under its influence.¹

1. Since the executive branch invites outside monitors to observe elections, loss of that branch to the Pact could block timely scrutiny, increasing the chance of a rigged 2006 presidential vote.

Prosecutors estimated he funneled more than \$100 million into Panamanian banks. Panama's attorney general would eventually put the figure at \$74.7 million in 22 different accounts.²

Seizing an opportunity to use Alemán as a bargaining tool, Ortega and his Sandinista deputies switched sides again—this time to support Alemán, convincing Liberal deputies to give them important political appointments in exchange for his freedom, as well as carrying out revenge against Bolaños. Alemán loyalists took the bait. Now the Sandinistas seek Liberal collusion in removing Bolaños or isolating him in advance of rigged elections in 2006, in which the only two viable candidates would be Ortega and a weak Alemán crony.

Ciao, Arnoldo; Hello, Hugo

On the surface, the Pact may look like a durable partnership, but that could change with the stroke of a pen. If Daniel Ortega should win the November 2006 election, the following scenario is possible. Sandinista judges could send Arnoldo Alemán, whose corruption conviction still stands, back to jail while prosecutors pursue hapless Liberal Party lawmakers for taking campaign contributions from him—wiping out any semblance of opposition.

Nor can worried Sandinistas easily put a brake on Daniel Ortega. Last February, FSLN militants expelled member Herty Lewites, who wanted to challenge Ortega for the presidency in a primary contest. In a meeting that turned into a witch-hunt,

2. José Adán Silva, "Panamá acusa a Alemán," *La Prensa* (Managua), June 23, 2005.

Ortega reportedly portrayed himself as a Christ-like savior and called Lewites a Judas who might “end up strangled by the people’s disdain.”³ According to a poll by Borge y Asociados, Lewites is now running in first place as an outside coalition candidate with 35 percent popularity, followed by Liberal Eduardo Montealegre (also running as a coalition candidate) with 23 percent and Ortega with 20 percent.⁴ However, Ortega loyalists who dominate the courts as well as the Supreme Electoral Council may be expected to block both Lewites and Montealegre with spurious charges of wrongdoing.⁵

If the Sandinistas take over the government with Ortega as their leader, Cuban dictator Fidel Castro and Venezuela’s autocratic President Hugo Chávez could help them cement power at home with Cuban manpower and Venezuelan financing, as the Soviets did in the 1980s. This would provide a base for exporting revolution to neighboring countries as the Sandinistas did when they shipped arms to Salvadoran guerrillas and trained Honduran insurgents during the 1980s.

Ortega maintains close relations with Castro and opponents charge that he has received funds from Chávez. On September 20, the Sandinistas revealed that municipalities they control may gain access to Venezuelan petroleum provided at 40 percent below international prices.⁶

Neighborly Concern

External pressure, including U.S. influence, has helped to keep Nicaragua’s democratic order barely

on track. Taking up the case at the request of President Bolaños, the Central American Court of Justice—to which Nicaragua subscribes—ruled in March 2005 that the National Assembly’s constitutional reforms violated the Organization of American States (OAS) Democratic Charter, two regional treaties, and Nicaragua’s own constitution by destroying the separation of powers.

In June, OAS Secretary General Miguel Insulza named former Argentine Foreign Minister Dante Caputo to head a special mission to mediate between Bolaños and the two party leaders. In July, the European Union condemned Pact-sponsored reforms and backed President Bolaños’s anti-corruption efforts. In September, Central American presidents met in Managua and declared that they would not recognize another Nicaraguan president if Bolaños was ousted.

The United States has punished corrupt Alemán loyalists by revoking their visas and freezing U.S. assets while rewarding Bolaños for trying to clean up government with a \$175 million Millennium Challenge Account grant. Proposed a year ago, the money has not arrived in time to underwrite further progress. However, on October 4, 2005, Deputy Secretary of State Robert Zoellick visited Nicaragua’s party leaders and told them flatly that the MCA grant and \$4 billion in debt forgiveness would likely be cancelled if they carried out their “creeping coup.”

For now, multilateral pressure and Washington tough talk seem to have worked. After Deputy Sec-

3. “Lewites, Tinoco Attacked and Expelled from FSLN; Mejia Godoy Irked,” Nicaragua Network Hotlines for March 1, 2005, Nicaragua Network News Service, at www.nicanet.org/hotline.php?id=152 (October 3, 2005).
4. Danna Harman, “Ortega Hoping for a Second Act in Nicaragua,” *USA Today*, October 6, 2005, at www.usatoday.com/news/world/2005-10-06-ortega_x.htm (October 23, 2005).
5. Ortega’s point of control in the Supreme Electoral Council may be Roberto Rivas, once the ward of retired Catholic leader Cardinal Miguel Obando y Bravo and son of Obando’s secretary. In 2002, the Comptroller’s Office charged Rivas with funneling \$25,000 in Council funds to Managua Archdiocese vicar Msgr. Eddie Montenegro. After a meeting between Cardinal Obando and Daniel Ortega, the Comptroller dropped charges, and Rivas, with Sandinista support, was re-elected president of the Electoral Council, where he presides today. The Bush Administration revoked Rivas’s U.S. visa in July 2005. See “Negociación Cardenal Obando–Daniel Ortega para reelegir a Roberto Rivas al frente del poder electoral,” *Noticias del Mes, Revista Envío*, No. 247, October 2002, at www.envio.org.ni/articulo/2339 (October 25, 2005), and Jorge Loáisiga Mayorga, “‘El feudo’ del Cardenal,” *La Prensa*, February 14, 2005, at www.laprensa.com.ni/archivo/2005/febrero/14/nacionales/nacionales-20050214-15.html (October 25, 2005).
6. See “Cheap Venezuela Petroleum Will Benefit Taxis and Buses,” Nicaragua Network Hotlines for September 27, 2005, Nicaragua Network News Service, at www.nicanet.org/hotline.php (October 3, 2005).

retary Zoellick left, Liberal assemblyman Carlos Noguera confided, “I’m against everything that is the Pact and that the Liberal Party has done with the Sandinista Front.”⁷ Moreover, the Assembly voted on October 10 to approve Nicaragua’s entry into the U.S.–Dominican Republic–Central American Free Trade Agreement.

Others, however, still do not see a reason to abandon the Pact. Liberal congressman Enrique Quiñonez commented that for many colleagues, it depends on “the glass you look through.”⁸ Most do not believe that Sandinista leaders plan to isolate them.

Waste No Time

If former comandante Daniel Ortega and his hard-line Sandinista inner circle consolidate single-party rule, they will no doubt realign Nicaragua toward Cuba’s totalitarian state and Venezuela’s elected dictatorship, turning that country once again into a hub of subversion in Central America. Tipping the balance toward that outcome is the Pact, bringing with it an endorsement of public theft, likely capital flight, unemployment, and a renewed outflow of migrants.

The Central American Court of Justice, the Organization of American States, and the Central American heads of state have deplored Liberal and Sandinista party actions in the National Assembly. Polls show that the majority of Nicaraguans oppose such political maneuvers as well. In September, surveys revealed 72 percent public disapproval of the Pact’s constitutional changes as well as 73 percent against allowing former President Alemán to

go free. Another 73 percent rejected the Pact’s threats to impeach President Bolaños.⁹

To drive a stake through the Pact, Nicaragua’s citizen democrats and repentant lawmakers must change the rules of the game. They need to press members of all parties to abandon self-proclaimed leaders for elected ones and hold primary elections that are open to registered voters, not just crony insiders.

Beyond that, political elites must renounce deals between themselves as solutions to leadership problems.¹⁰ In doing so, they should call for constitutional amendments to repeal Pact-inspired changes and roll back 1990 amnesties that have protected thievery by public officials.

To help them do that, the United States and its democratic allies in the hemisphere should:

- **Support Nicaragua’s legitimate president.** The United States, neighboring governments, and multilateral forums such as the OAS should continue to denounce the Pact’s use of trumped-up corruption charges to remove legitimately elected chief executive Enrique Bolaños.
- **Promote separation of powers and accountable government.** President Bolaños has already suggested convening a constitutional assembly to roll back elements of the Pact. Changes that allowed court packing, as well as laws modifying the government’s structure into a parliamentary system without public debate, should be revoked, and laws that granted unelected Assembly seats to former Presidents

7. Ludwin Loáisiga López and Luis Felipe Palacios, “Visos de rebelión en ‘granja Liberal,’” *La Prensa*, October 7, 2005, at www.laprensa.com.ni/nacionales/nacionales-20051007-11.html (October 7, 2005).

8. *Ibid.*

9. Mirna Velásquez Sevilla, “Mayoría rechaza sentencia de CSJ,” *La Prensa*, September 5, 2005, at www.laprensa.com.ni/cronologico/2005/septiembre/05/nacionales/nacionales-20050905-09.html (October 3, 2005), and Eduardo Marengo Tercero, “Ciudadanía no apoya desafuero,” *La Prensa*, September 5, 2005, at www.laprensa.com.ni/cronologico/2005/septiembre/05/politica/politica-20050905-02.html (October 3, 2005).

10. That would mean abandoning farcical “national dialogues” where leaders cut deals and then walk away, claiming that they were misunderstood. Such a meeting took place on January 12, 2005, when the United Nations and the Nicaraguan Catholic Church sponsored negotiations between party leaders and President Bolaños. Ortega and Alemán agreed not to strip Bolaños of his appointment powers and further agreed that changes toward a parliamentary system would be implemented only by mutual agreement between the Assembly and the president—inexplicably ignoring Nicaraguan voters. Two months later, all parties dismissed their pledges, each one blaming the other for bargaining in bad faith.

Alemán and Ortega and protected them from prosecution for criminal acts should be repealed. The international community should also encourage amendments that make elected representatives responsible to citizens by district and enhance the separation of powers.

- **Impose penalties for undemocratic behavior.** Beyond the U.S. Millennium Challenge Account, all but humanitarian assistance should be withheld if the Pact further subverts Nicaragua's democratic order. The United States, democratic neighbors, and multilateral lending institutions should specify explicit sanctions for Pact-inspired maneuvers to neutralize opponents through prosecution by lopsided courts or through electoral fraud. For its part, Panama should prosecute Alemán and associates for money laundering and return stolen assets to the Nicaraguan government.
- **Encourage international scrutiny.** Given the inordinate influence of party leaders Arnaldo Alemán and Daniel Ortega over the National Assembly, courts, and national commissions, the United States, the Organization of American States, and the European Union should promote vigorous monitoring of the state of democratic institutions. They also should monitor preparations for the November 2006 national elections and the state of civil liberties through electoral observer missions, human rights monitors such as the Inter-American Commission on Human Rights, and press watchdogs such as Reporters Without Borders. Early arrival of international election monitors is crucial to begin domestic observer training and to document any efforts to manipulate voter rolls or prevent candidates from running.

For its part, the Vatican should monitor the Nicaraguan church to ensure that it condemns, not condones, insider political deals like the Pact and refrains from embracing corrupt officials like former President Alemán, as it reportedly did in the past.

Conclusion

Not all is gloom and doom in Nicaragua. This Central American nation of 5 million people has come a long way since free elections in 1990. Citizens have laid down arms in favor of the ballot box. Beyond its hard-line leadership, the Sandinista Front has evolved into a legitimate political party. There are responsible reformers in the Liberal and other parties. Security forces are subordinate to civilian rule. And Nicaragua has lower violent crime rates than most of its Central American neighbors.

Yet, barring a miraculous showdown between ordinary citizens and their so-called representatives, the situation could deteriorate toward autocratic rule, depressed markets, internal conflict, humanitarian crises, refugees, and Nicaragua's lapsing into a haven for subversives. To help Nicaragua turn hard-earned gains into a prosperous future, concerned hemispheric neighbors, multilateral forums, and the United States must not allow self-serving strongmen to stifle the people's voice and control over their government.

—Stephen Johnson is Senior Policy Analyst for Latin America in the Douglas and Sarah Allison Center for Foreign Policy Studies, a division of the Kathryn and Shelby Cullom Davis Institute for International Studies, at The Heritage Foundation. The author would like to thank Heritage Foundation intern José Urquilla for his contributions to this report.