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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. Congress may continue to monitor the Biden Administration's approach to Nicaragua and could consider legislative initiatives to guide U.S. policy.

Nicaragua at a Glance

Population: 6.74 million (2023, IMF)

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

Gross Domestic Product (GDP)/Per Capita GDP:
\$17.4 billion/\$2,600 (2023, current prices, IMF)

Real GDP Growth: -1.8% (2020); 10.3% (2021); 3.8% (2022); 4.7% (2023, est.); 3.5% (2024, est.) (IMF)

Key Trading Partners: Exports: United States (50.2%), Mexico (13.7%), El Salvador (6.5%); Imports: United States (24.8%), China (12.7%), Mexico (9.4%) (2023, TDM)

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

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, following 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," as all viable opposition candidates and parties were barred from participation.

The Ortega government's social welfare programs initially helped improve Nicaraguans' standard of living and maintained a strong support base for the FSLN, which Ortega used to consolidate power. In April 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 greater social and political freedoms in Nicaragua, the Ortega administration has continued to employ antidemocratic practices. Between 2007 and March 2024, the Ortega government closed more than 3,500 nongovernmental organizations focused on issues such as human rights, medical care and resources, religion, education, and civil and social matters. It also has closed 28 universities since December 2021, including the Jesuit-run University of Central America, seized in August 2023. 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, describing them as "traitors to their homeland." As of October 2023, 91 political prisoners remained in Nicaragua, 81 of whom were detained since the start of the 2018 protests. In addition, at least 46 Catholic clergy were under arrest in Nicaragua at some point during 2023.

Economic Environment

Nicaragua has the second-lowest per capita income in the Western Hemisphere, according to the International Monetary Fund (IMF). The Ortega administration has generally maintained market-oriented economic policies, and economic growth averaged 4.2% from 2007 to 2017, according to the IMF. Nicaragua's GDP contracted by 1.8% in 2020, however, and unemployment nearly doubled, from 6.2% in 2019 to an estimated 11% in 2021. Economists attributed the economic downturn to the effects of the country's political crisis, the COVID-19 pandemic, and two major hurricanes.

The Nicaraguan economy began to recover with 10.3% growth in 2021, followed by 3.8% and 4.7% growth in 2022 and 2023, respectively. The IMF projects that growth will slow to 3.5% in 2024. High consumer price inflation and interest rates, limited public sector expenditures, and slowing remittances from migrant workers abroad are reportedly contributing to the slowdown.

Gold is Nicaragua's largest export. The country appears to export more gold than it officially produces, which some observers argue is likely due to domestic illegal mining and the country serving as a transit point for gold mined in other countries, such as Venezuela. Despite the threat of U.S.

sanctions on Nicaragua's gold sector, announced in October 2022, Nicaragua exported \$1.13 billion worth of gold in 2023, including \$719.8 million in gold exports to the United States, according to the Nicaraguan Central Bank.

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 provided foreign assistance and enhanced U.S. sanctions against Nicaraguan officials in an effort to advance those policy goals. In the remainder of the 118th Congress, Members may continue to monitor the Administration's approach toward Nicaragua, and could consider additional legislation to shape U.S. policy.

U.S. Assistance

The United States provides foreign assistance to Nicaragua, primarily to support sectors of Nicaraguan civil society seeking to restore democratic governance. The Biden Administration allocated \$16.96 million for foreign assistance programs in Nicaragua in FY2022 and an estimated \$17.2 million in FY2023. The FY2023 estimate included \$15 million in Development Assistance (DA) for democracy programs and \$2.2 million in Global Health Programs aid. The United States also obligated \$23.8 million in humanitarian assistance to Nicaragua in FY2022 (latest comprehensive data available).

The Department of State, Foreign Operations and Related Programs Appropriations Act, 2024 (P.L. 118-47, Division F) appropriated "not less than" \$15 million for democracy and religious freedom programs in Nicaragua. H.Rept. 118-146, incorporated into the explanatory statement accompanying the act, directed the Secretary of State to submit a report to the committees on appropriations within 30 days of enactment regarding the expenses incurred from the February 2023 transfer of Nicaraguan political prisoners to the United States. The report was to include a justification for the use of the funds and an explanation of "how such funds are promoting democracy in Nicaragua."

Congress may consider whether or not to meet the Biden Administration's FY2025 budget request of \$15 million in DA for Nicaragua. The funds would aim to "support and build the capacities of civil society, human rights activists, independent media, and other democratic actors to protect Nicaraguans' basic rights and freedoms."

U.S. Sanctions

The United States has imposed numerous targeted sanctions, including asset blocking sanctions and visa restrictions, on members of the Nicaraguan executive, legislature, and judiciary, along with others determined to be undermining democracy and threatening stability in Nicaragua. As of April 2024, the Department of the Treasury has imposed asset blocking sanctions on 47 individuals and 12 entities. Additionally, the U.S. State Department has imposed visa restrictions on more than 1,000 Nicaraguan individuals and their family members.

Individuals who have been sanctioned by the United States include Vice President Rosario Murillo; four of the Ortega-Murillo children; and numerous government officials,

including the Attorney General. 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 antidemocratic actions. The Administration amended Executive Order (E.O.) 13851, which authorized asset blocking sanctions targeting individuals 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 the U.S. Treasury Department, including sectoral sanctions, further restrictions on trade, and restrictions on new investment in certain sectors of the Nicaraguan economy, including the gold sector. To date, the Biden Administration has not imposed any sanctions pursuant to E.O. 14088.

Congress may assess the Administration's use of its existing authorities and consider whether to enact additional legislation. For example, the Restoring Sovereignty and Human Rights in Nicaragua Act of 2023, introduced in the House (H.R. 6954) and Senate (S. 1881), would reauthorize and amend the Nicaraguan Investment Conditionality Act of 2018 (P.L. 115-335, NICA Act) and the Reinforcing Nicaragua's Adherence to Conditions for Electoral Reform Act of 2021 (P.L. 117-54, RENACER Act), which expired in December 2023. Among other provisions, the bills would seek to enhance sanctions on sectors of the economy that generate revenue for the Ortega family and expand the activities that trigger the imposition of targeted sanctions.

Migration

Nicaragua's limited entry requirements for Haitians and Cubans, among others, make it an attractive transit country for irregular migration to the United States. From June 2023 to November 2023, more than 500 charter flights, mainly from Haiti and Cuba, arrived in Nicaragua. Such flights reportedly pay landing fees and carry passengers who pay thousands of dollars per seat and entry taxes to the Ortega government with the intention of migrating to the United States. In addition to profiting from these flights, some observers assert that the Ortega administration is "weaponizing migration" to exert pressure on the United States. In November 2023, the State Department launched a new visa restriction policy "targeting individuals running charter flights into Nicaragua designed primarily for irregular migrants," using the authority provided in the Immigration and Nationality Act (8 U.S.C. §1182).

Nicaragua is also a source country for U.S.-bound migrants. In FY2022, U.S. Customs and Border Protection encountered nearly 164,000 Nicaraguans at the Southwest border. Enforcement encounters declined to 99,496 in FY2023, potentially due, in part, to the implementation of a new humanitarian parole program through which more than 36,000 Nicaraguans arrived in the United States in FY2023. Congress may assess these developments as part of its ongoing oversight of U.S. immigration policy.

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