

# CRS Report for Congress

## Nicaragua: The Election of Daniel Ortega and Issues in U.S. Relations

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# Nicaragua: The Election of Daniel Ortega and Issues in U.S. Relations

## Summary

Sandinista leader and former President Daniel Ortega was inaugurated to a five-year term as President on January 10, 2007. Three elements were key to Ortega's victory in the November 2006 presidential election: a change in Nicaraguan electoral law, an effective political machine, and a divided opposition. Ortega won only 37.9% of the vote, but was able to avoid a run-off vote because he was ahead of the next closest candidate, Eduardo Montealegre of the Nicaraguan Liberal Alliance (ALN), by more than the 5% required by law. Montealegre, who gained 28.3% of the vote, was regarded by many as the U.S.-favored candidate. His second place position garnered him a seat in the legislature. The Liberal Constitutional party (PLC) then came in third place with 26.2% for candidate José Rizo, an ally of the corrupt former President, Arnoldo Alemán. Critics accused both U.S. officials and Venezuelan President Hugo Chávez of trying to influence the election's outcome.

Ortega was a leader of the Sandinista National Liberation Front (FSLN) when it overthrew the Somoza family dictatorship in 1979. When the pro-Soviet Sandinistas gained control of the government the United States backed opposition "contras" who launched an eight-year war (1982-1990) against the government. Ortega's government agreed to democratic elections in February 1990, which he lost. Since 1990 Nicaragua has developed democratic institutions and a framework for economic development. Nonetheless, significant challenges remain: Nicaragua is still very poor, the second poorest nation in the western hemisphere. Its institutions are weak and widely viewed as corrupt.

In his first three months in office, Ortega has continued to vacillate between anti-U.S. rhetoric and pragmatic reassurances that his second administration will respect private property and pursue free-trade policies, as he did during his campaign. Ortega and U.S. officials have indicated that both sides are seeking a cooperative relationship, however.

There is debate among some Members and the Administration over what the appropriate level and focus of U.S. aid to Nicaragua should be. The Administration says its top priority in Nicaragua is consolidating democratic processes, including reforming the judicial system, implementing good governance, and combating corruption. Another issue is promoting development and poverty reduction; the Millennium Challenge Account compact between the two countries focuses on reducing rural poverty through road-building, increased wages, and strengthening property rights. Supporting the U.S.-Central America-Dominican Republic Free Trade Agreement (CAFTA-DR) is the dominant trade issue; President Ortega has said he will honor the agreement. Resolution of property claims by U.S. citizens and immigration are contentious areas in U.S.-Nicaraguan relations. Other issues in U.S.-Nicaraguan relations include improving respect for human rights, improving civilian control over defense policy, the state of Nicaraguan missiles, and increasing Nicaragua's capacity to combat transnational crimes such as narcotics trafficking. This report will not be updated.

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# Nicaragua: The Election of Daniel Ortega and Issues in U.S. Relations

## Background

Daniel Ortega was a leader of the Sandinista National Liberation Front (FSLN) when it overthrew the corrupt and repressive Somoza family dictatorship in 1979. When the pro-Soviet Sandinistas gained control of the government and pursued increasingly radical social policies, including redistribution of land and wealth, the United States backed opposition “contras” who launched an eight-year war (1982-1990) against the government. About 30,000 Nicaraguans died in the war.<sup>1</sup> As President from 1985-1990, Ortega’s administration was marked by improved education and healthcare on the one hand, and charges of corruption and authoritarian tendencies on the other. As part of the Central American Peace Plan, Ortega’s Sandinista government agreed to internationally monitored democratic elections in February 1990, which he lost and peacefully ceded to Violeta Chamorro. Ortega also ran for President and lost in 1996 and 2001. Because he came in second place, however, Nicaraguan law gave him a seat in the National Assembly, where he has served as an opposition leader. He ran for President again in 2006 and won.

Since 1990 Nicaragua has developed democratic institutions and a framework for economic development. Progress has been made in social and economic reforms. Nonetheless, significant challenges remain: Nicaragua is still very poor, the second poorest nation in the western hemisphere. Its institutions are weak and often corrupt.

In 2003, former President Arnoldo Alemán (1997-2002) was prosecuted by the Administration of President Enrique Bolaños (2002-2007) for embezzling about \$100 million in public funds while in office. The effort was particularly notable because Bolaños and Alemán not only belonged to the same political party, the conservative Liberal Constitutional party (PLC), but Bolaños also served as Alemán’s Vice-President until he stepped down to run for President. Alemán was sentenced to 20 years in prison for fraud and money-laundering. In December 2006 U.S. federal officials seized \$700,000 in certificates of deposit they said were bought for Alemán with Nicaraguan government funds.<sup>2</sup> Nonetheless, Alemán continues to control the Liberal party. His supporters have tried continually to secure his release and an amnesty. He has served his term under increasingly lax terms, and was released under very broad terms in March 2007 after Ortega took office.

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<sup>1</sup> “Nicaragua’s Ortega says US Should Aid Ex-Contras,” *Reuters News*, March 14, 2007.

<sup>2</sup> “VOA News: U.S. Seizes Certificates Bought by Former Nicaraguan President Aleman,” *US Fed News*, December 28, 2006.

The 2006 elections followed more than a year of political tensions among then-President Bolaños, the leftist Sandinista party, and allies of rightist former President Alemán. Alemán and Ortega, once longtime political foes, negotiated a power-sharing pact (“El Pacto”) in 1998 that has since defined national politics. Their parties passed laws making it difficult for other parties to participate in elections, and otherwise facilitated an alternating of terms between their two parties. Their ongoing influence made governing increasingly difficult for President Bolaños, who had limited legislative support. In 2004, renegotiation of the pact included a demand for Alemán’s release. In October 2004 the Organization of American States (OAS) sent a special mission to Nicaragua to encourage all parties to preserve and follow democratic order there. In January 2005, the two parties adopted a series of constitutional amendments that transferred presidential powers to the legislature, and further divided up government institutions as political patronage, moves the Central American Court of Justice ruled illegal.

During the height of tensions, President Bolaños invoked the OAS Inter-American Democratic Charter, and the OAS sent several high-level delegations to help negotiate a solution. Negotiations in October 2005 considerably reduced tensions and provided for President Bolaños, who had been isolated by his anti-corruption efforts against Alemán, to serve the remainder of his term, which expired in January 2007. Ortega announced he was breaking the power-sharing pact between his party and the PLC that had hampered Bolaños’ ability to govern. After Ortega’s announcement, the legislature passed reforms such as the passage of the 2006 budget, the first-ever tax code, local government transfers, and financial administration reforms. Ortega and Bolaños then agreed to postpone the implementation of the constitutional amendments at the root of the tensions.

Politics remained volatile in 2006, but for a different reason, as attention shifted to national elections held on November 5, 2006. The FSLN and PLC still control many state institutions, however, including the electoral authority, and opposition parties and others expressed concern that the two parties would use those posts to manipulate the electoral outcome. Concerns remain that the two parties will use their dominance of state institutions to manipulate state power in their favor.

## **Recent Political Developments**

### **2006 Elections<sup>3</sup>**

Three elements were key to Ortega’s victory: a change in Nicaraguan electoral law, an effective political machine, and a divided opposition. The Sandinistas negotiated a change in the electoral law with then-President Alemán’s party eliminating the requirement that a candidate gain 45% of the vote to avoid a run-off election. The new law requires that a presidential candidate win either 40% of valid

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<sup>3</sup> Sources include news articles from various U.S. sources, broadcast and print news and analysis in Nicaragua, and the author’s experience as an Observer with the Organization of American States Electoral Observation Mission in Nicaragua, October 17-November 8, 2006.

votes, or 35% of the vote plus at least 5% more votes than the second-place candidate in order to win in a first round. Failing that, a run-off vote between the top two candidates is held. Many observers saw this lowering of the threshold as part of the Pact alternating power between the PLC and FSLN. The lower percentage required to win in the first round facilitated the election of Ortega, whose support in the previous three presidential elections had hovered around 40%. Analysts believed Ortega felt it was critical he win in a first round, because the opposition would unite against him in a second round. Ortega won only 37.9% of the vote, but was able to avoid a run-off vote because he was 9.6% ahead of the next closest candidate, Eduardo Montealegre of the Nicaraguan Liberal Alliance (ALN).

Ortega also had the advantage of an extremely well-disciplined party. Critics say he forced out members seeking reform, and made the party into a platform for his personal ambitions. In addition, Ortega ensured through his position as opposition leader in the legislature and through the Pact that FSLN loyalists were firmly entrenched throughout various government agencies.

According to polls prior to the vote, about 60% of voters said they would not vote for Ortega. This held true in the final vote, but the opposition was divided in 2006 among four candidates. In the 2001 presidential elections, Ortega received 40% of the vote, but faced a united opposition and lost.

Montealegre, who gained 28.3% of the vote, is a Harvard-educated banker and former finance minister. He says he offered to run as the vice presidential candidate for the conservative Constitutional Liberal party (PLC) party to prevent further splintering of the opposition. When Alemán refused to remove himself from the political scene, however, Montealegre split from the PLC, formed the ALN, and advocated continued political reform. He was regarded by many as the U.S.-favored candidate. Montealegre's second place position garnered him a seat in the legislature. The PLC then came in third place with 26.2% for candidate José Rizo, an ally of Alemán and critic of President Bolaños.

Edmundo Jarquín registered a distant fourth place at 6.4%. Jarquín, an economist who worked at the Inter-American Development Bank, became the presidential candidate of the center-left Sandinista Renewal Movement (MRS) when nominee Herty Lewites died suddenly in July 2006. The son-in-law of former President Violeta Chamorro (1990-1997), Jarquín chose popular singer and composer Carlos Mejia Godoy as his running mate. The two candidates are prominent former Sandinistas who left the FSLN in opposition to Ortega and in favor of political reform, joining other like-minded former Sandinistas in the splinter party, the MRS. Edén Pastora, another disaffected one-time Sandinista leader, won less than half a percent of the vote as head of the Alternative for Change (AC) party.

The 90-member National Assembly was also elected. No party won an outright majority. The FSLN has 38 seats, the PLC 25, the ALN 22, and the MRS 5. Pastora's AC won no seats. Voters also chose 20 members of the Central American parliament in the November 5 elections.

The United States provided \$15.3 million to support the 2006 elections in Nicaragua. Critics accused both U.S. officials and Venezuelan President Hugo

Chávez of trying to influence the election's outcome. The U.S. embassy was criticized for making critical remarks, such as alluding to Ortega and Rizo as "two corrupt bosses." After U.S. officials voiced their opposition to Ortega, support for him increased. U.S. Ambassador Paul Trivelli, asserting a right to express his opinion, rejected calls to stop commenting on the elections.<sup>4</sup>

A prominent figure in the Iran-Contra scandal was also accused of interfering in the elections. Oliver North, a former Reagan Administration aide who manipulated the funding of the Nicaraguan contras by selling arms to Iran, appeared in Nicaragua to support Rizo's candidacy. Ambassador Trivelli, who has criticized Rizo's PLC as undemocratic and corrupt, publicly distanced himself from North, saying North spoke only as a private citizen, not for the U.S. government. Other analysts were baffled by North's position: while condemning Ortega as the worst thing that could happen to Nicaragua, he backed the candidate whose party was essentially governing with Ortega through a political pact.<sup>5</sup>

Critics say Chávez was indirectly supporting Ortega's campaign by providing fertilizer and oil to certain municipalities under favorable terms through Sandinista-dominated organizations. The Venezuelan state oil company signed the agreement to supply oil at preferential rates and with a deferred payment schedule, for example, with the Nicaraguan Association of Municipalities, a predominantly Sandinista association of mayors, rather than with the Nicaraguan government.<sup>6</sup>

Regional elections were held on the Atlantic Coast earlier in the year, on March 5, 2006. According to the State Department, problems there included voter identification card distribution, errors in the voter registry, lack of voter education, inadequate voting materials, and poorly trained electoral officials. Domestic and international observation groups were seen as essential to ensuring the transparency and credibility of the regional elections, and later, for the national elections as well.

Most of the problems experienced at the regional level were evident at the national level. A non-governmental group providing electoral support expressed concern that more than a third of Nicaraguans could have been disenfranchised in the November elections, a number that could have affected the outcome of the elections. An audit by a Nicaraguan election observation group, Ethics and Transparency, revealed a high rate of errors on voter registry lists, and only about 28% of voters participated in a drive to verify and correct the lists.

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<sup>4</sup> Filadelfo Alemán, "U.S. Official: Nicaraguan Voters Face Stark Choices in November Election," *Associated Press*, April 27, 2006; "With U.S. Opposition at his Back, Ortega Surges in Nicaragua Presidential Race," *Noticen*, April 6, 2006.

<sup>5</sup> Catherine Bremer, "Oliver North Back in Nicaragua as Old Foe Leads," *Reuters News*, October 23, 2006; José de Cordoba, "A Cold War Ghost Haunts Elections in Nicaragua — As Sandinistas' Ortega Gains, U.S. Diplomat Gets Tough; a Cameo by Oliver North," *Wall Street Journal*, November 3, 2006.

<sup>6</sup> "PDVSA, Municipalities Create Fuel Distribution JV," *Business News Americas*, April 27, 2006, printed April 12, 2007.

Concern over the elections was due in large part to the fact that the FSLN and PLC controlled many state institutions, including the electoral authority. As a result of the 2000 power-sharing pact, the electoral council in charge of running the elections consisted of three PLC members, three FSLN members, and a consensus president chosen by the two parties. International and domestic observation groups pressed the government to address problems during the pre-election process such as a high rate of errors on voter registry lists, and difficulty getting voter identification cards needed to vote. The OAS found that 200,000 citizens still did not have the cards less than a month before the elections, and told the government to issue them.<sup>7</sup>

Some 18,000 observers monitored the elections. International observer missions, such as those from the OAS and the European Union, concluded that the irregularities that occurred did not affect the outcome. The observer missions generally agreed with the conclusion reached by the OAS electoral observer mission, that the election was “peaceful and orderly, had a massive turnout and took place in accordance with the law.”<sup>8</sup>

## The Ortega Presidency

FSLN leader Daniel Ortega was inaugurated President on January 10, 2007 for a five-year term. Over the years, Ortega has changed his image from Marxist revolutionary and protagonist in a proxy Cold War battle with the United States to a practicing Catholic preaching peace and reconciliation. The other candidates presented themselves as a vote against Ortega, and some warned of a return to forced conscription and food shortages if he were re-elected. Although the opposition together garnered over 60% of the vote, it was divided among four candidates, and Ortega was able to win with less than 40% of ballots cast.

What Ortega’s government positions on many issues will be is unclear, as he still has not provided coordinated policy plans for major areas such as the economy, energy, or poverty reduction. Conversations between Ortega and U.S. officials, including President Bush, indicate both sides are seeking a cooperative relationship. Nonetheless, since taking office, Ortega has continued to vacillate between populist, anti-U.S. rhetoric, and pragmatic reassurances that his second administration will respect private property and pursue free-trade policies. His cabinet appointments include both Sandinista loyalists and supporters of a free market economy. He has close ties with Venezuelan President Hugo Chávez, who advocates a leftist, populist alliance in the Americas to counter U.S. influence in the region. Venezuela is reportedly providing Nicaragua with energy assistance — including research into constructing an oil refinery in Nicaragua — and promising sizeable development assistance. But Ortega’s Vice President Jaime Morales, spokesman for the anti-Sandinista contras during the 1980s, has resumed talks with the International Monetary Fund, of which Chávez is highly critical, regarding a new Poverty

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<sup>7</sup> National Democratic Institute, “Field Report: Nicaragua,” June 1-30, 2006; “Nicaragua: OAS Reprimands Electoral Authority,” *Latinnews Daily*, October 13, 2006.

<sup>8</sup> “Elections in Nicaragua Peaceful and Orderly,” OAS press release NI-EL-6, November 6, 2006.



Reduction and Growth Facility plan. The Ortega Administration says it seeks a plan which will place greater emphasis on social priorities than previous plans.

The amendments passed and then postponed by the previous legislature, in which Ortega was opposition leader of the FSLN, would have transferred significant executive powers, including controlling Cabinet appointments, to the legislature in February 2007. The new legislature voted in January 2007 to postpone them again, however, for another year, until January 2008. Montealegre, now serving as head of the opposition, said he advocated postponing them in part because implementing them as they are now would give control of new institutions and more patronage jobs to the FSLN and the PLC. The legislature established a commission for constitutional reforms that will look at the reforms currently on hold, plus others being proposed. The ALN is advocating a provision barring presidential reelection. The FSLN says it supports unlimited presidential re-election.

The Ortega Administration also proposed in January a bill that would create “people’s councils” and give direct control of the police to the President. The National Assembly approved the bill, but weakened Ortega’s proposals. Critics feared the people’s councils resembled defense committees that operated during the 1980s Sandinista government and reportedly acted as spies and enforcers of FSLN doctrine. The new councils will have less power and more of a consulting role under the new law. The bill that passed gave Ortega greater control over the police, but not as much as he had proposed.

In March 2007 the Ortega government released former President Alemán from the conditions of his parole, allowing him to travel freely throughout the country. Many critics see this as evidence that he still operates under the power-sharing pact with Ortega, and believe that his release was a reward for contributing to the split in his party and facilitating Ortega’s election. Alemán said he would like to be president again.<sup>9</sup>

## **Issues in U.S.-Nicaraguan Relations**

### **Level and Focus of U.S. Assistance**

Some Members of Congress have criticized the Administration’s reduced levels of some funding to Latin America, including to Nicaragua. The Administration proposes to reduce aid to Nicaragua by 40%, from \$47.583 million in FY2006 to \$29.375 million in 2008, a decrease of \$18.2 million.<sup>10</sup> The Administration notes, however, that it has supported forgiveness of Nicaraguan debts, and is providing significant amounts of aid through the Millennium Challenge Account (MCA) (see “Development and Poverty Reduction,” below). The Administration’s five-year MCA agreement of \$175 million represents \$35 million per year. Some analysts

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<sup>9</sup> “Nicaragua Opposition Slams Parole Deal,” *Associated Press*, March 17, 2007.

<sup>10</sup> Funding for FY2007 is being provided through continuing resolutions, and figures are not yet available.

argue that the Administration had said MCA funds would be in addition to traditional aid provided mostly through the U.S. Agency for International Development (USAID), not instead of it.

In its Congressional Budget Justification for FY2008, the Administration describes 2008 as a “critical year for Nicaragua,” as Ortega — who the Administration says still controls the “anti-democratic ‘pact’” with former President Alemán — completes his first year in office and the implementation of CAFTA-DR “hopefully hits its stride.” Programs seeking to promote good governance and maximize the benefits of the U.S.-Dominican Republic-Central America Free Trade Agreement (CAFTA-DR) would be significantly reduced under this proposal. Programs to promote “Governing Justly and Democratically” would be cut by more than 50%, from \$10 million to \$4 million. Programs promoting “Economic Growth” would be reduced by about a third, from \$17.3 million to \$11.3 million. “Investing in People” programs, focusing on education, and environmental protection and social safety nets related to CAFTA-DR, would be cut by a third, from \$18.6 million to \$11.7 million.

Aid under two smaller groups of programs would increase. Peace and security programs would increase from \$1.3 million to \$2.2 million. These programs would include reducing the threat posed by excess weapons and improving civilian control over the military. Humanitarian assistance to improve disaster preparedness and mitigation would increase from \$0.0 to \$200,000.

Between 1990 and August 2006, the United States forgave \$389.7 million in Nicaraguan debt. As of December 31, 2005, Nicaragua owed the U.S. \$20.5 million. In March 2007, the Inter-American Development Bank approved 100% debt relief for several countries, including \$984 million in debt relief for Nicaragua. The Bush Administration supported the decision.

## **Development and Poverty Reduction**

Nicaragua is the second poorest nation in the hemisphere, rating only above Haiti. Nicaragua’s poverty is widespread and acute. Some social indicators have shown little or no improvement since 1993. According to a recent World Bank report, overall poverty declined in Nicaragua between 1993 and 2001, but more than two-thirds of the rural population continue to live in poverty. The official unemployment rate is about 12%, with another 35% underemployed, though estimates vary.<sup>11</sup> In 2005, the Bush Administration signed a five-year, \$175 million agreement with Nicaragua under the Millennium Challenge Account to promote rural development. The programs are focusing on the regions of León and Chinandega. According to the Bush Administration, the MCA projects will reduce poverty and spur economic growth by reducing transportation costs and improving access to

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<sup>11</sup> U.S. Department of State, Background Note: Nicaragua, p.4, January 2007. Central Intelligence Agency World Factbook cites unemployment at 3.8%, underemployment at 46.5%, updated March 15, 2007, available online at [<https://www.cia.gov/cia/publications/factbook/print/nu.html>].

markets for rural communities; increasing wages and profits from farming and related enterprises in the region; and increasing investment by strengthening property rights.

Ortega has not yet stated the policies his government proposes to achieve his stated goal of ending poverty. He did, however, say that the United States should pay at least \$300 million to support former “contras” whom the Reagan Administration funded to fight Ortega’s first government in the 1980s. The rebels seek housing, land, and credits.

## **Consolidation of Democratic Processes**

The top U.S. priority in Nicaragua, according to the Administration’s FY2008 budget request, is “strengthening and consolidating democracy.” U.S. programs in the requested “Governing Justly and Democratically” component of U.S. aid would support the structural reform of government institutions to make them more transparent, accountable and professional; combat corruption; and promote the rule of law. They also aim to increase citizen advocacy and the role of the media in order to “blunt” Nicaragua’s caudillo-style political practices.

In January 2007, the legislature passed a bill proposed by President Ortega concentrating political power in the executive branch and another delaying implementation of constitutional changes which would have given more power to the legislature until January 2008. A commission for constitutional reforms will reexamine the passed package and look at new reform proposals from all the parties. The FSLN has suggested it will propose a reform to allow unlimited presidential re-elections. Current law allows re-election, but only in non-consecutive terms.

## **Human Rights<sup>12</sup>**

U.S. officials have also expressed concern regarding improving respect for human rights. According to the State Department’s 2006 Human Rights report, released in March 2007, civilian authorities generally maintained effective control of security forces, but there were some reports of human rights abuses involving the police. The most significant human rights abuses included harsh prison conditions; widespread corruption in and politicization of government entities, including the Office of Human Rights Ombudsman, the judiciary, and the Supreme Electoral Council. According to Amnesty International, the inadequate response by authorities to high levels of violence against women was a major concern. Violence against children was also a concern expressed by human rights reports. Journalists were harassed and abused. Human rights problems related to labor issues include widespread child labor and violation of worker rights in free trade zones.

Human rights and other groups expressed concern over the National Assembly’s passage of a law in October 2006 that made abortion illegal and punishable by

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<sup>12</sup> U.S. Department of State, Country Reports on Human Rights Practices 2006: Nicaragua, March 6, 2007; Amnesty International Report 2006: Nicaragua; Human Rights Watch, “Nicaragua: Penal Reform Constitutes an Assault on Human Rights,” October 26, 2006; “Nicaraguan Activists try to Block Abortion Bill,” *Reuters Health E-Line*, January 9, 2007.

imprisonment even when done to save a pregnant woman's life, or the pregnancy is a result of rape or incest, conditions under which abortion had been legal since 1893. International organizations, including the UN, criticized the legislature for passing the bill during the highly politicized period just before the presidential elections. The Sandinistas, who had previously supported a woman's right to abortion, supported the penalization of abortion. Many observers saw the move as an effort by the party to garner Catholic votes for Ortega. In January human rights activists asked the Supreme Court to declare the law unconstitutional on grounds that it violates fundamental rights and principles.

## Trade

The National Assembly approved the U.S.-Dominican Republic-Central America Free Trade Agreement (CAFTA-DR) in October 2005 and passed related intellectual property and other reforms in March 2006. It went into effect on April 1, 2006. CAFTA-DR supporters say the agreement will promote economic growth, create jobs, and increase exports to the United States. In 2005, Nicaraguan exports to the United States were \$275 million; they increased almost 40 percent in the second quarter of 2006 following the introduction of CAFTA-DR-related tariff reductions.<sup>13</sup> U.S. imports to Nicaragua totaled \$522 million, and also are expected to increase under the pact. President Ortega has said he will honor the CAFTA-DR agreement.

## Immigration<sup>14</sup>

Immigration is a contentious area in U.S.-Nicaraguan relations. In December 2005, the U.S. House of Representatives passed a bill (H.R. 4437) that would make unlawful presence in the United States a criminal, rather than a civil offense. In January 2006, Nicaragua joined the Mexican and other Central American governments in criticizing such efforts to toughen immigration laws and in demanding guest-worker programs and other immigration reforms. The 2000 U.S. census reported about 220,000 Nicaraguans living in the United States. Of those, 21,000 were estimated to be "unauthorized." In late February 2006, the Department of Homeland Security extended Temporary Protected Status (TPS) for about 4,000 eligible Nicaraguans living in the United States until July 5, 2007. During his March 2007 trip to Latin America, President Bush said he would support new legislation to give legal status to millions of undocumented immigrants through temporary worker programs, and said he would seek its passage through Congress by August 2007.

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<sup>13</sup> Richard Feinberg, "Nicaragua Elections: Too Close to Call," *Latin Business Chronicle*, October 16, 2006.

<sup>14</sup> U.S. Census Bureau, Census 2000 Special Tabulations, Table FBP-1; U.S. Immigration and Naturalization Service, "Estimates of the Unauthorized Immigrant Population Residing in the United States: 1990 to 2000," 2000 [[http://www.dhs.gov/xlibrary/assets/statistics/publications/III\\_Report\\_1211.pdf](http://www.dhs.gov/xlibrary/assets/statistics/publications/III_Report_1211.pdf)].

## Property Claims

Resolution of property claims by U.S. citizens has been a contentious area in U.S.-Nicaraguan relations for decades, since the Sandinista regime expropriated property in the 1980s. The Nicaraguan government has gradually settled many claims through compensation since 1995, including the claims of 4,400 U.S. citizens. About 760 claims registered with the U.S. embassy remain unresolved. Nicaragua passed a law creating a new Property Institute that could lead to the dismissal of property claim lawsuits arising from Sandinista-era expropriations. The law is part of the constitutional reform package now on hold until January 2008.

## Security, Missiles, and Military Assistance

The Bush Administration suspended military assistance to Nicaragua in March 2005. It resumed providing assistance in October 2005 after an agreement was reached to destroy an arsenal of anti-aircraft missiles the Administration says constitutes a possible terrorist threat. The National Assembly also promised to schedule debate on a law authorizing the missiles' destruction. After being held up for many months, the bill was suddenly brought up for a vote on July 13, 2006. Sandinista legislators walked out in protest. PLC and ALN legislators passed a bill lowering the threshold needed to approve the destruction of weaponry to a simple majority. They did not, according to the U.S. embassy, vote on the destruction of the missiles, which the current government will not consider unless it is linked to a reduction of military strength throughout Central America.

Nicaragua and the United States are participating in regional security efforts. Nicaragua hosted a meeting of hemispheric defense chiefs in October 2006; then-U.S. Secretary of Defense Donald Rumsfeld participated. Defense officials at the Eighth Central American Security Conference held in April 2007 discussed regional initiatives regarding security issues such as organized crime and transnational trafficking in small arms, drugs, and humans. Congress has also expressed concern over improving civilian control over defense policy. USAID peace and security programs include efforts to reduce the threat posed by excess weapons and improve civilian control over the military.

## Counternarcotics Efforts<sup>15</sup>

Nicaragua is a significant sea and land transshipment point for cocaine and heroin being shipped from South America primarily to the United States and Canada, according to the State Department's 2007 Narcotics Control Report. Trafficking has been mostly through the Atlantic coast, which is geographically and culturally isolated from the rest of the country. In response to increased law enforcement efforts there, however, traffickers shifted their operations in 2006 to the Pacific coast, where the State Department estimates that three-fourths of drug trafficking now occurs. Its report said the Nicaraguan government "is making a determined effort to

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<sup>15</sup> U.S. Department Of State, International Narcotics Control Strategy Report 2007, March 2007; *BBC Monitoring Americas*, "Nicaragua's Ortega Criticizes Bush's Latin American Tour," March 16, 2007.

fight both domestic drug abuse and the international narcotics trade, despite an ineffectual, corrupt, and politicized judicial system.” The Ortega Administration has promised to participate in counternarcotics efforts, and called on the United States to do more to combat trafficking.

**Figure 1. Map of Nicaragua**



Source: Map Resources. Adapted by CRS. (4/2007)