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THEDIALOGUE

FEATURED Q&A

Is Nicaragua's Political System & Stability at Risk?

Rosario Murillo with husband Daniel Ortega (center) pictured together in 2013. // File Photo: Government of Nicaragua.

Q Nicaraguan President Daniel Ortega this month named his wife, Rosario Murillo, as his running mate ahead of the country's November election in which Ortega is seeking a third consecutive term. At the same time, the U.S. State Department expressed concerns about a recent Supreme Court ruling that stripped the opposition Independent Liberal Party (PLI) of its head, invalidated the leadership of the opposition Citizen Action Party and removed 28 PLI legislators from their elected positions. Is Ortega consolidating power to the detriment of Nicaragua's democracy? What is the long-term outlook for the country's political system and stability? What are the biggest threats to Ortega's hold on power?

A Mario Arana, CEO of the Association of Nicaraguan Exporters and a former minister of finance and central bank president: "Some in Nicaragua's private sector—long considered a strategic ally of the Ortega administration and perhaps a big source of legitimacy in the face of many other shortcomings—have considered the hardening of positions by the administration as a temporary setback in the context of the upcoming election in November, but others see it as a fundamental shift. Most are still evaluating with concern where things will go, including the prospects for long-term stability. In recent meetings with important business organizations, Ortega has reassured them of his commitment to continue supporting investment and has tried to ease concerns, without changing any of the measures taken on the political front, which the business sector has protested. The administration seems to be calculating that there is a small cost to pay, as long as

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TODAY'S NEWS

POLITICAL

Rhetoric Heats Up Over Mercosur

Today is the deadline for Venezuela to convince skeptical Mercosur trading partners that it has met its legal and human-rights standards before assuming the bloc's rotating presidency.

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BUSINESS

Banco do Brasil Net Profit Falls 21 Percent in Q2

The state-run bank's president, Paulo Caffarelli, told reporters that he plans to cut costs and boost revenue as part of a goal to raise profit levels to those of its non-state peers that have fared better despite one of the deepest recessions in Brazil's history.

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ECONOMIC

Cuba, U.S. Reach Deal for Security on Flights

Rep. Michael McCaul (R-Tex.), Chairman of the Homeland Security Committee, had introduced legislation that would block flights to Cuba unless U.S. air marshals were on planes.

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McCaul // File Photo: Screen Shot from C-Span.

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POLITICAL NEWS

Rhetoric Heats Up Over Mercosur

Venezuelan Foreign Minister Delcy Rodríguez said Thursday that Argentine President Mauricio Macri is trying to destroy Mercosur, the southern cone regional trade bloc that also includes Brazil, Paraguay and Uruguay, teleSUR reported. "Macri seeks the destruction of Mercosur, fulfilling a script from the U.S. which leads him to commit historical errors," Rodríguez said on Twitter. Today is the deadline for her country to convince Mercosur, which was launched in 1991 but hadn't considered Venezuela a member until 2012, that it has met its legal and human-rights standards before assuming the bloc's rotating presidency. Macri

Rodríguez // File Photo: Government of Venezuela.

said during a televised interview in Argentina on Wednesday that the human rights situation in Venezuela "is a disaster" and that the country has not met the requirements of becoming a full member. "That's the same arrogant deafness that doesn't allow him to listen to the Argentine people, who are today plunged into despair of a neoliberal and undemocratic government," said Rodríguez. Recently José Serra, the foreign minister of Brazil, said that "someone who can't govern his country" shouldn't run Mercosur either, referring to Venezuelan President Nicolás Maduro and inflation that has become the highest in the world amidst severe shortages of food and medicine, the Economist reported. At a conference in Lima on Thursday, Venezuelan opposition leader Henrique Capriles urged regional leaders to block Maduro, who has been delaying a referendum that would likely eject him from power, from holding the presidency of Mercosur. Capriles has found a new ally in Peruvian President Pedro Pablo Kuczynski, who wore a Venezuelan baseball cap as he posed for pictures with Capriles after the two met in Kuczynski's home, Reuters reported. "I support good causes and he's part of a good cause," Kuczynski said about Capriles in an official statement.

ECONOMIC NEWS

Cuba, U.S. Reach Deal Allowing Air Marshals on Flights

The U.S. Transportation Security Administration said this week that federal air marshals will be aboard U.S. flights to and from Cuba when they begin taking off later this month, the Hill reported Thursday. Earlier this year, a group of House members, who were denied visas to visit Cuba and assess airport security risks themselves, introduced legislation that would prohibit Cuban flights unless federal air marshals were allowed on the planes. In its announcement, the TSA says it has reached an agreement with Cuba for the legal framework that will permit federal air marshals to be on commercial planes traveling to and from the island, although for security reasons the agency declined to identify which flights. "While the agreement to allow Federal Air Marshals on-board flights between the United States and

> **"The American people should have grave concerns..."**
>
> **— Rep. Michael McCaul**

Cuba is a positive step, the American people should have grave concerns about the level of security currently in place at any foreign airport where the host government refused to allow Congress to visit," said Rep. Michael McCaul (R-Tex.), Chairman of the Homeland Security Committee.

NEWS BRIEFS

Petrobras Oil, Gas Production Flat in July, But Pre-salt at New Record

Brazilian state oil company Petrobras announced Thursday that its total production of oil and natural gas in July was relatively flat compared to the month before, at 2.89 million barrels of oil equivalent per day (boed). However, production in Petrobras' pre-salt operations was up 6 percent last month when compared to June and set a new monthly record, with a volume of 1.32 million boed. The gains were mainly due to the Lula Central production system coming on stream July 8, Petrobras said in a statement.

Peru to Create Fund for Water, Sanitation: Thorne

Peruvian Economy and Finance Minister Alfredo Thorne on Wednesday pledged to create a fund to provide clean drinking water and sanitation services to all citizens, state news agency Andina reported. "The first thing is water and sanitation. Let's create a fund to achieve the goal of providing water to all Peruvians," Thorn said in addressing a Council of Ministers session, noting that one-third of the population currently has no access to clean water. "We will be implementing that mandate starting in 2017," he said.

U.S. Lifts Ban on Some Produce Imports From Dominican Republic

Authorities in the United States have lifted a ban on imports of fruit and vegetables from Santo Domingo province and other areas of the Dominican Republic that host the Mediterranean fruit fly, Dominican Today reported Thursday, citing an Agriculture Ministry announcement. Papaya and pepper growers stand to benefit the most from the move. The ban remains in effect for eastern provinces where the outbreak first occurred, however.

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BUSINESS NEWS

Banco do Brasil Sees Net Profit Fall 21 Percent in Q2

State-run Banco do Brasil, the nation's largest bank by assets, said Thursday it saw a 21 percent drop in its net profit in the second quarter, The Wall Street Journal reported. Obligations to assume more loan-loss provisions due to more nonperforming loans brought net profit down to 2.47 billion reais ($792 million) in the second quarter, a fall from 3 billion reais in the year-ago period. Banco do Brasil President Paulo Caffarelli told reporters that the bank plans to cut costs and boost revenue as part of a goal to raise profit levels to those of its non-state peers that have fared better, despite one of the deepest economic recessions in Brazil's history. "Starting in 2017 we should start to show better results than our current level," Caffarelli said. The bank's nonperforming loan

Private sector banks have been able to show better returns despite making substantial loan-loss provisions.

rate was 3.27 percent at the end of the second quarter, up from 1.89 percent in the year-ago period, and up from 2.60 percent in the first quarter. The overall nonperforming loan rate for Brazil's financial system was 3.5 percent in June, according to the country's central bank. "The large retail banks, especially those in the private sector, have been able to show satisfactory returns despite making substantial loan-loss provisions," Robert D. Stoll, director for financial institutions at Fitch Ratings, told the Advisor in a Q&A in June. S&P forecasts Brazil's economy to contract by 3.6 percent this year, following a decline of 3.8 percent in 2015, with growth to recover slowly, rising 0.5 percent in 2017.

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they manage to organize politics the way they want. The private sector is requesting a political dialogue, not only an economic one. In a sense, all of the latest moves that have raised concerns are not so much about this election, which Ortega probably could have easily won, but rather about the next one and his succession. The question is whether Ortega may have overreached, considering future economic prospects. Nicaragua no longer has the important extraordinarily favorable conditions, which led to almost 5 percent sustained average economic growth. Administering financial restrictions tends to generate antagonisms that are likely to grow on critical fronts. How able the government is to deal with that different context will tell us whether there is a chance for any kind of sustainability, or whether this political model is no longer an assurance of long-term stability. Meanwhile, centralization and the weakening of institutions is leading to private sector exhaustion and uneasiness."

Robert Callahan, former U.S. ambassador to Nicaragua: "The first thing we need to understand about Daniel Ortega is that he is not a democrat and never has been. By conviction and experience, he believes that democracy is a bourgeois contrivance, a rancid and inefficient political confection that serves the needs of the wealthy and powerful. To the limited extent he understands Marxism, this is what he believes. The second thing is that Ortega is completely cynical and has now embarked on establishing a family dynasty in Nicaragua. This is surely one of history's great ironies, considering that he is modeling his style of governance on the family he so despised and battled, the Somozas. Co-opting the political opposition, appeasing the business community, and engaging in blatant nepotism are all right out of Somoza's political play book. Left to his own devices, Ortega will destroy the last remnants of genuine democracy in Nicaragua—a few independent publications and radio stations, the right to assemble and protest—in the fullness of time. He will buy some stability, enjoy some popularity, but governments of the kind Ortega has created never end well. See the Somozas. Look at chavismo in Venezuela. So his governing structure will eventually collapse, brought down by its internal

> **"Ortega is completely cynical and has now embarked on establishing a family dynasty in Nicaragua."**
>
> **— Robert Callahan**

contradictions and nefarious tactics. If the international community of democracies refuses to recognize the legitimacy of the November elections and takes measures to deny Ortega's government loans and other financial concessions, the collapse will occur more quickly. But either way, the collapse will come. These things never end well."

Francisco Villagrán de León, visiting scholar at the George Washington University and former ambassador of Guatemala to the United States, the OAS, the U.N., Norway, Germany and Canada: "Ortega and his surrogates have taken several recent actions to consolidate power ahead of the November elections, where he is virtually assured of winning a third term. Besides the actions mentioned in the question, the Ortega-controlled Supreme Electoral Council in recent days floated new regulations on 'electoral ethics' that would penalize any electoral coverage or discussion that went beyond civic education about the electoral process, per se. The council had to backtrack on those regulations in response to intense civil society and international criticism of the clear violation of the right to freedom of expression. This backtracking was in contrast

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to the expulsion of the 28 lawmakers, which successfully eliminated what little legislative opposition Ortega had faced after a decade in power. With control over all branches of government, Ortega is advancing unimpeded toward an authoritarian regime not unlike Somoza's, which he helped overthrow in 1979. This is not only ironic, but it also reflects the fact that there are other governments in the region that have so far prevented a collective response to Ortega under the 2001 OAS Democratic Charter, which calls for sanctions when there is any alteration in a country's democratic-constitutional order. Although the Inter-American Human Rights Commission has protested some of Ortega's actions, OAS member states have not responded as called for by the charter. The fact that Ortega was willing to backtrack in the 'electoral ethics' affair suggests that concerted international action to defend the democratic rights of Nicaragua's remaining political opposition might still be able to prevent Ortega from completely squandering the country's incipient democracy."

Daniel McCurdy, Nicaraguan-American masters student at the Universita' Degli Studi di Padova in Italy and a former researcher at the Center for Economic and Policy Research: "Beyond questioning if political events in Nicaragua go against the West's concept of democracy, the more palpable threat that results from the recent political decisions of President Daniel Ortega and the group that leads the governing party is the concentration of power that generates abuse and corruption in policy administration and public institutions. However, from a social and economic point of view, the Sandinista government has guaranteed stability and acceptable results for the main power interests and for the majority of the Nicaraguan people. Not only is there an atmosphere of consensus between the dominant group of the governing party and the business sector, but significant public policies (financed with aid from the Venezuelan government) have improved living standards and perceptions of general well-being among the population. While these policies do not provide efficient and sustainable solutions to social problems, they have conferred upon the governing party a certain degree of approval and, in the worst of cases, indifference by most Nicaraguans. Stability is foreseeable in the immediate future for the Ortega government. However, the governing party's extreme and seemingly desperate attempt to consolidate power may generate larger-than-expected ripple effects within opposition party campaigns. Given that no transcendent changes have occurred within Nicaragua's socio-economic structure, these decisions could cause an exacerbation in the corruption and inefficiency of public

> **"The Sandinista government has guaranteed stability."**
>
> **— Daniel McCurdy**

institutions which, in combination with diminishing aid from Venezuela, could affect the realization of those aforementioned socially beneficial public policies which ensured political support from popular classes. In a context of institutional power concentration and increasing mistrust among the party bases, given the enrichment of an increasingly small Sandinista party core and meager social progress, the government faces a big challenge in the coming years. In addition to threats by U.S. congressional representatives that hope to cut off financial aid to Nicaragua from international financial institutions, the most significant risk emanates from the present leaders of the FSLN who stand in a united dependence upon an aging Ortega."

Editor's note: The Advisor requested a comment from Nicaragua's embassy in Washington, but none was submitted by the deadline.

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