

A Road to Dialogue After Nicaragua's Crushed Uprising

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What's new? Nicaraguan President Daniel Ortega has quelled a civic uprising through violence, intimidation and prosecution of protesters without due process. More than 300 people died in clashes pitting protesters against police and parapolice groups. Protests have since subsided, with many opponents fleeing into exile. Talks between the sides have collapsed.

Why does it matter? A steep economic downturn, the estrangement of the government from Ortega's former allies in the Catholic Church and private sector as well as broader social anger over the crackdown make further unrest likely unless the Nicaraguan government signals it is prepared to address at least some protester demands.

What should be done? Ortega's resumption of control and the protesters' lack of leadership hinder the immediate resumption of talks. Instead, diplomatic pressure on Ortega from Latin America, the U.S., EU and Vatican could spur him to conduct electoral reform, which would demonstrate his willingness to compromise and pave the way for future dialogue.

Executive Summary

Long portrayed by its government as a pocket of tranquillity in a violent neighbourhood, Nicaragua suffered an unexpected and devastating setback this year. Enraged by social security reform plans, protesters took to the streets in April only to face the firepower of security forces and parapolice. Months of revolts, clashes and mass arrests subsided in July, when President Daniel Ortega re-established control. Though estimates vary, over 300 people died in the upheaval, most of them protesters. Brute force and support from the grassroots and state institutions enabled Ortega's survival. But economic woes, unabated political hostilities and the disaffection of erstwhile allies could fuel more unrest. To prevent this, President Ortega should undertake electoral reforms and ensure due process for arrested protesters. Regional states, the EU, U.S. and Vatican should steer clear of additional sanctions for now but press the government to commit to these reforms as a precursor to renewed dialogue.

Ortega still enjoys the support of close to a third of Nicaraguans despite the bloodshed.

Resurrecting the rhetoric of the 1980s, when his government battled a U.S.-funded insurgency, Ortega has blamed American coup-mongering and local terrorist cells for the uprising. In contrast, his opponents in universities, the private sector, farming communities and civil society denounce the Sandinista government's erosion of democracy since Ortega's re-election in 2006, a process recently capped by the president's effort to establish a dynastic one-party regime by installing his wife, Rosario Murillo, as his vice president and political heir. But the opposition's demand, voiced in the heat of the protests, that Ortega and Murillo leave office and depart the country reinforced the government's belief that a coup was under way. This galvanised the ruling couple's determination not to make concessions, particularly as Ortega still enjoys the support of close to a third of Nicaraguans despite the bloodshed. Talks involving his government and protesters collapsed as security forces re-established control of the streets. Protest leaders faced arrests and trials, and many fled into exile.

The country's extreme polarisation is now less visible. The protest movement, always disparate, lacks clear leadership and opposition parties are weak after years of narrowing democratic space. It is unclear who would speak for Ortega's opponents in talks, which in any case the president shows little inclination to restart. Recent announcements have reinforced counterterrorist powers and banned protests, while the private sector decries expanding, invasive state control over business.

But even if it is in control, the government still contends with damage done to its political support base at home, the uprising's long-term effects and international disrepute. Two key allies from Ortega's last decade in office, the private sector and Catholic Church, have withdrawn their backing. An estimated 4 per cent fall in GDP

this year has caused consternation both within the opposition and among Sandinista business figures. Latin American and Western leaders have condemned Ortega's crackdown.

Washington has imposed sanctions, but such measures are unlikely to alter Managua's calculus unless they aim to secure concrete concessions and feature clear conditions as to how they can be lifted. Ortega perceives sanctions as an unwanted resurrection of Cold War power games, and dismisses them as a ploy aimed at regime change – a perception that the recent U.S. anointing of a “troika of tyranny” in Latin America, composed of Cuba, Nicaragua and Venezuela, only reinforces. His government is likely willing to suffer economic decline so long as it makes poor communities more dependent on state handouts, thus enabling the Sandinista government to retain their backing. Ortega can also offset Western pressure by leaning more on Chinese and Russian support.

But quieter diplomacy might work. Nicaragua's isolation in Latin America and Ortega's manifest anxiety over his government's reputation abroad suggests that a calibrated and cautious application of outside influence could nudge the president in a more conciliatory direction, and eventually create conditions for a return to dialogue. UN Secretary-General António Guterres maintains contact with Ortega and could appoint an envoy to Nicaragua to facilitate mediation efforts; Vinicio Cerezo, the head of the Central American Integration System, a sub-regional organisation, also enjoys Ortega's confidence and might play a mediating role.

Restarting such dialogue will be essential to tackling the most contentious disputes between the government and opposition, including holding to account those responsible for killings and preparing the way for deeper reforms. Negotiations will not be easy – as the frustrated efforts at dialogue from May to July illustrate - and will depend on sustained international pressure on the government and the opposition establishing stronger leadership and moderating its expectations. For now, pushing for dialogue is unlikely to succeed, given the government's resistance and the opposition's lack of cohesion or agenda. Instead, outside powers should call on the Nicaraguan government to:

- Recommit to and implement electoral reforms. Both the EU and OAS have documented steps necessary to remake the electoral system, including changes in the Supreme Electoral Council's composition. Ortega has in the past agreed to such measures, which will ensure that forthcoming presidential polls, currently set for 2021, take place on a level playing field.
- Guarantee due process for those detained over recent months. Although the government has expelled UN human rights observers, the Inter-American Commission on Human Rights remains active and present.* The government should provide it with a complete list of the names and locations of detained protesters, estimated to number up to 600, and guarantee detainees fair trials.

Such steps, ideally followed by a resumption of dialogue with the opposition, would signal President Ortega's willingness to compromise and reduce the risk of further protests. They also could help restore his international standing and legacy. For Ortega's opponents, still disjointed and leaderless, pushing for the president's departure or early elections makes little sense: Ortega is unlikely to step aside and neither the political opposition nor protesters are ready to campaign any time soon. They should instead prepare for a fairer 2021 election and, should the opportunity arise, resume talks on far-reaching judicial reforms that could be enacted by a new legislature elected in three years' time.

Guatemala City/Bogotá/Brussels, 19 December 2018

* Hours after publication of this report, the Nicaraguan government expelled the Commission from the country.

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Public resentment is high in Nicaragua after street protests in April were crushed in a brutal government crackdown. In this video, Crisis Group Analyst Sofía Martínez Fernández explains why the time for negotiations has not yet arrived in Nicaragua. CRISISGROUP

I. Introduction

Though still one of the region's poorest countries, Nicaragua's stability and economic growth until recently suggested it had moved on from the revolutionary tumult and conflict that gripped the country at the end of the Cold War. After decades of U.S. occupation followed by Washington's support for the dynastic despotism of the Somoza family, in 1979 the left-wing guerrilla Sandinista National Liberation Front (FSLN) ousted dictator Anastasio Somoza Debayle and established a revolutionary government under the leadership of Daniel Ortega. Over the course of a decade, the Sandinistas adopted transformative social policies including agrarian reform and a mass literacy campaign, while also introducing military conscription to fight a counter-revolutionary insurgency – known as the Contra War – which the U.S. funded and equipped.

Via strategic alliances with the private sector, Catholic Church and military, Ortega achieved high and sustained growth and maintained the lowest rates of crime in Central America.

Having lost elections and handed over power in 1990, President Ortega returned to power after winning polls in 2006 and has since established the FSLN as Nicaragua's dominant political, social and economic force. Via strategic alliances with the private sector, Catholic Church and military, Ortega achieved high and

sustained growth and maintained the lowest rates of crime in Central America despite Nicaragua's proximity to Honduras and El Salvador, two of the most violent and crime-ridden countries in the hemisphere. Apparent stability under Ortega's rule – described as “a model of peace in the cemetery” – persuaded many outside governments and Nicaraguans to accept the new order, even as the Sandinistas dismantled constitutional checks and balances and imposed partisan control over public institutions.

The spontaneous civic protests that started on 18 April 2018 abruptly ended a decade of relative public quiescence, as Nicaraguans took to the streets to demand President Ortega's departure and the return of genuine democracy. An eclectic anti-government movement of students, the private sector, intellectuals and civil society demonstrated and set up barricades in a bid to convince Ortega to step down and negotiate electoral and political reforms. Initially shocked by the speed and scale of the uprising, the government later branded the movement a coup led by U.S.-backed terrorists. The official response was brutal. Clashes between anti-government protesters and security forces left several hundred dead and thousands wounded. Efforts to bring the parties to the table, led by the Catholic Church, proved fruitless, and the government abandoned them once it had quelled the protests.

This first Crisis Group report on Nicaragua assesses the aftermath of the crackdown and possible routes to a negotiated solution by exploring incentives for dialogue on both sides and potential engagement by international bodies such as the UN, European Union (EU) and the Organisation of American States (OAS). It is based on dozens of interviews with diplomats, church leaders, former officials, civic leaders, and opposition groups, including student organisations, private sector bodies, politicians in Nicaragua, Guatemala and the U.S., and Nicaraguan asylum seekers in Costa Rica between September and October 2018. Despite numerous requests, no Nicaraguan government official or FSLN member agreed to speak with Crisis Group. The government perspective is drawn from the study of 31 publicly available speeches, articles and interviews with senior FSLN officials as well as interviews with former officials and figures close to the government.

II. Ortega's Apparatus of Power

For over a decade, President Ortega's government achieved sustained economic growth and low crime rates. However, this came alongside ever greater FSLN control over courts, electoral institutions and much of public life. This mix of authoritarianism and development owed a great deal to strategic alliances with the private sector, the church and the military.

A. The Foundations of Modern Sandinismo

The fragmentation of Nicaragua's political opposition in the early 2000s paved the way for Ortega's return to power. While he was still in the opposition, Ortega signed in 1999 a pact with former President Arnaldo Alemán from the right-wing Liberal

Constitutionalist Party (PLC), who from 1996 led a government beset by corruption scandals. In exchange for political and judicial protection, Alemán agreed with Ortega a series of electoral and justice reforms that aimed to consolidate a two-party system dominated by the FSLN and Alemán's Liberals. Corruption scandals and the 1999 pact split the PLC into two rumps: Alemán's supporters, and dissident liberals led by Eduardo Montealegre. Neither were able to beat Ortega in the first round of the 2006 elections, which he won with 38 per cent of the vote thanks to reforms made in the 1999 pact. Back in power, Ortega and his allies in the courts and electoral authorities manoeuvred to block and sabotage opposition parties.

After winning the 2011 vote, the FSLN majority in the Assembly – often described by the opposition as “the Sandinista steamroller” – passed legislation removing term limits on presidential re-election in 2014 and expelling 28 deputies from the Independent Liberal Party (PLI). This latter move gave the Sandinistas full control of the Assembly and neutralised a large part of the opposition a few months before the 2016 elections by declaring illegal the country's second largest political force.

FSLN propaganda has been a cornerstone of its political influence.

With the opposition in disarray, and with a firm grip on his party and allies in all branches of the state, Ortega, now aged 73, moved to cement a new political dynasty by appointing his wife Rosario Murillo as his vice presidential candidate. Murillo has assumed progressively greater control as Ortega's health has declined; every single request to, or public statement from, the Nicaraguan government allegedly has to be sent to her email account, where thousands of messages pile up waiting for her approval, according to former officials. “She is the manager of the country”, said a former diplomat. FSLN propaganda has been a cornerstone of its political influence. Most non-cable TV channels and half the radio stations are controlled by the Ortegas or people related to the FSLN, and lavish praise on the government's achievements. The black and red FSLN party colours are usually seen beside the national flag atop institutions such as the National Assembly and presidential palace. “In Nicaragua there's a hybrid structure between [the FSLN] party and the state”, said a human rights expert. Nicaraguan school enrolment, far above the Latin America average, administer curriculums that acclaim President Ortega and the ruling party.

Nicaragua's high poverty rate – the second highest in the hemisphere after Haiti – has enabled Ortega to reinforce loyalty through patronage. Programs like “Zero Hunger” and the distribution of food and housing via FSLN activists and municipal officials has assured the government of a solid social base across the country. Public employees must prove their allegiance, under threat of dismissal, by attending pro-government marches or giving other shows of partisan support. “If you want to do something in Nicaragua, you need an FSLN membership card”, said a priest.

When deemed necessary, the government also silences opponents through repression. A rural movement that battled plans to build a Chinese-funded channel

rivalling the Panama Canal and a demobilised group of former militia fighters from the “contra war” suffered the brunt of targeted violence, carried out by the police and special army units. Organisations not aligned with the government suffered continuous harassment: “[W]e received astronomical electricity bills, they [FSLN members] boycotted our activities ..., we got constant threats”, explains a civic leader. Local intelligence-gathering under the so-called Family, Community and Life Boards – previously known as the Citizen Power Councils, or CPCs – exerted social control, while providing the security forces with grassroots information on criminal activity and monitoring of alleged government opponents.

As a result, Nicaragua under the Ortega-Murillo government offered stability and prosperity. But this came alongside harsher social control and democratic backsliding. Though some international organisations raised concerns over deteriorating human rights, most multilateral bodies celebrated the country’s economic growth. So too did Nicaraguans. According to a 2017 Latinobarómetro survey, 67 per cent approved of the government’s performance and 52 per cent believed it ruled in the public interest. Today, however, many lament that they are now “paying the price of eleven years of silence”. “Basic material needs are so great here that people became tolerant towards democratic abuses. They were afraid of losing their jobs so they only dared to speak about politics in the closest circles”, admitted one opposition representative.

B. Strategic Alliances

In the years prior to his re-election in 2006, Ortega came to understand he would not be able to sustain his government without the support of the Catholic Church and the private sector. Cardinal Miguel Obando, a harsh critic of the Sandinista government in the 1980s, became a close ally. In return, just days before Ortega’s electoral victory in November 2006 Sandinista deputies in the National Assembly supported a blanket ban on abortion, while the president makes frequent references to a “Christian, socialist, and caring Nicaragua” in his speeches, helping secure the support of the country’s devout majority.

Close relations with Nicaraguan conglomerates also allowed Ortega to protect the military’s business interests.

Umbrella organisations representing the private sector for their part acquired extraordinary influence as a result of their alliance with Ortega, based largely on the pursuit of mutual benefits. The Ortega family and members of the FSLN have sizeable commercial interests, with companies in oil distribution, gas stations, transportation, fashion and mass media. Close relations with Nicaraguan conglomerates also allowed Ortega to protect the military’s business interests. “There was an understanding that all economic issues had to be agreed between the private sector and the government”, said a top Nicaraguan businessman. “The result was over 100 commonly agreed laws, a six-fold increase in foreign investment and eight international free-trade treaties that business was

fully involved in drafting". Government plans extended to massive infrastructure projects, notably the trans-oceanic channel, and free trade zones in border areas.

Sandinistas claim that business abandoned this pact due to growing resentment over the division of profits between the state and the private sector, which reached its climax in the dispute over social security reform in April 2018, caused by government demands that both businesses and employees make higher contributions to fund the shortfall in pensions. Private sector representatives, however, claim a more gradual reasoning behind their decision to break with the president. In particular, they say, the private sector had resisted Ortega's heavier-handed moves, particularly as regards alleged abuse of the electoral system and a draft law in 2015 that would have given the state control over the provision of internet access. According to critics, the bill would have opened the door to internet censorship, but was halted following private sector pressure. Business concerns over deteriorating relations with the state reportedly intensified after Rosario Murillo's 2016 election as vice president.

Venezuela was another vital partner in Ortega's economic policy. The day after his swearing-in in 2007, Ortega signed an agreement with late Venezuelan president Hugo Chávez enabling Nicaragua to import ten million barrels of oil per year. Nicaragua could pay half of the bill in 25-year loans at a very low interest rate through a lending scheme from the Bolivarian Alliance for the Peoples of Our America (ALBA), a project to socially and economically integrate a number of Latin American countries founded by Venezuela in 2004. The fall in Venezuelan oil and financial support for Nicaragua in 2018 was abrupt. Statistics from Nicaragua's Central Bank indicate that \$4.8 billion in funds and loans were transferred from Venezuela to Nicaragua between 2007 and 2017, but only \$9 million arrived from Venezuela in the first half of 2018.

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III. The April 2018 Crisis: Uprising, Dialogue and Fallout

Between April and July, a spate of civic protests triggered by a package of social security reforms met with a brutal government crackdown. Clashes among riot police, protesters and pro-government groups, reportedly including unofficial parapolice units, left hundreds dead and resulted in extensive human rights violations. A brief dialogue attempt between the government and opposition representatives was short-lived, mainly because of its improvised methodology, overly ambitious agenda and the Sandinista government's lack of commitment. The upheaval has gravely damaged the economy, which is expected to keep contracting in 2019.

A. The 18 April Uprising

The spark behind the unrest was the government's plan, unveiled on 16 April 2018, to reform the Nicaraguan Institute of Social Security by reducing pensions by 5 per cent. Aside from cutting benefits, the reform package, largely based on the International Monetary Fund's recommendations, would have raised taxes on companies and employers – a proposal the business community opposed, claiming the measures were introduced without a prior agreement with the private sector and would undermine Nicaraguan competitiveness. On 18 April, students led a march against the reforms in the capital Managua and the smaller western cities of León and Matagalpa that ended in clashes between protesters and armed Sandinista groups allegedly assembled by the government and coordinated with riot police.

This violence sparked fresh protests, leading to renewed clashes. By 24 April, the Inter-American Commission on Human Rights (IACHR), an autonomous part of the Organisation of American States (OAS), had registered at least 25 deaths, mostly young protesters from urban areas, and reported several others wounded during marches. As the death toll rose, the demonstrations' initial premise – against social security reform – faded, particularly once Ortega agreed to repeal the plan a few days after the first protest. But by the end of April, thousands of Nicaraguans were marching to demand his resignation.

Initially led by students, the protests brought Ortega's critics together in an eclectic common front. Its largest component parts were the small-scale farmers' (*campesino*) movement, which earlier had opposed the inter-oceanic canal project, human rights activists, civil society and regional leaders, and former Sandinista and opposition figures who felt betrayed or abandoned by the FSLN's shift to dynastic one-party rule. Meanwhile, Ortega's erstwhile allies, the private sector and the church, turned against him and headed many of the marches calling for repression to end. Much of the private sector declared its economic alliance with the government over: "[A]fter the [social security] reforms, that model broke down", said a top private sector representative.

Casualties among youths and students fuelled anger at the government in a country where "the dream of every poor family is to get their kids to university [one day]", in the words of one academic. One especially brutal episode came on 30 May – Mother's Day in Nicaragua – when a march led by mothers of victims killed during the protests ended with fifteen dead. From May to July, hundreds more died in cities during armed clashes that pitted protesters against riot police and pro-government groups. Protesters built over 200 barricades across the country's urban areas, an insurrectionary tactic from the late 1970s aimed at fending off security forces, blocking major roads and forcing the government to accept talks, in this case mediated by the Catholic Church (see Section III.C).

The Nicaraguan government allegedly used parapolice forces to disperse protesters.

Even as efforts at dialogue continued, in mid-July Ortega launched “Operation Clean-up” to dismantle the barricades, initiating a new phase of the crisis as the government sought to restore control of the streets and prosecute protesters. Cities like Masaya, an epicentre of opposition resistance, saw physical signs of the clashes quickly erased as the barricades were torn down. Walls daubed with blue and white anti-government graffiti – the colours of the Nicaraguan flag that became a symbol of the marches – were painted over and infrastructure damaged by the attacks repaired within days.

By the end of August, protests were scarcer and kept in check by security forces and pro-government militias. On 13 October, the police announced that protests without prior approval from public authorities were banned. Mass detentions aimed at people suspected of manning the barricades forced prominent anti-government leaders into hiding or led them to flee to neighbouring Costa Rica to avoid prosecution on terrorism charges. Throughout, the government insisted that the uprising was a “violent effort to overthrow the constitutionally elected government”. Official sources said the threat to the country’s stability and potential escalation into “civil war” justified the use of violence. According to one priest: “Ortega felt the ground shaking under his feet”.

B. Armed Violence and Human Rights Violations

The Nicaraguan government allegedly used parapolice forces to disperse protesters, according to human rights groups and reports from the UN High Commissioner of Human Rights (OHCHR), the Inter-American Commission on Human Rights, and Amnesty International. “Who they really are is an enigma”, observed a human rights officer. Their members typically covered their faces to conceal their identities. “[They seem to] respond to political orders”. Opposition representatives insisted that the groups followed orders from the Vice Presidency and the Managua mayor’s office, an accusation those officials deny. In a TV interview, Ortega confirmed that armed civilians were working on the government’s behalf and also alluded to the participation of unidentified “voluntary police” in some operations.

According to the UN, these pro-government units acted “in a joint and coordinated manner” with the Nicaraguan police. Protesters claim they were armed by the government with high-calibre guns and played an active role in harassing, identifying and detaining protesters with information gathered through the Family, Community and Life Boards, the community intelligence network established by the FSLN. The government has not publicly addressed these allegations.

Most anti-government marches were peaceful, but protesters were at times involved in violence, including attacks on public employees. On the basis of interviews of over 100 police officers and Sandinista activists to verify claims of torture and abuse by anti-government groups, the UN concluded that “beyond a number of very cruel isolated incidents, these acts were neither organised nor common”. By 19 July, the government said eighteen police officers had been killed during clashes and 400 wounded.

Security forces and protesters were both involved in human rights violations around the barricades built across the country. Behind the walls of cobblestones, motley groups of farm workers, young unemployed people, disillusioned Sandinistas and, in some cases, members of street gangs resisted Ortega's security forces for over a month with no clear chain of command. Abuses of power by participants of the barricades were reportedly common. "The barricades seemed like a jail [which created an environment for] crimes such as rapes, attacks, payment of extortion". Some people who participated in the barricades admitted that they used guns to respond to the government's attacks. In most cases their arms were rudimentary, including homemade mortars, slingshots and shields made from barrels. The government referred to the construction of barricades as "terrorist" acts carried out by "right-wing paramilitary forces".

Human rights groups allege that parapolice units captured more than 80 per cent of those detained, with many later released or formally charged.

Sources differ as to the death toll from the unrest and government crackdown. According to an 18 October Inter-American Commission on Human Rights statement, the numbers killed since 18 April in the context of the protests and state repression stood at 325, including victims from both sides. Local human rights groups counted up to 545 protesters killed by 23 November. The government has recognised only 199 deaths of both civilians and security officers, claiming other figures mistakenly count victims of common crime. However, the UN report notes that it is unlikely the death toll has been inflated in this fashion given Nicaragua's low homicide rate and the fact that many victims matched the age and social profile of protesters. A 29 May Amnesty International report noted that many of those killed by gunshots during the marches had been shot in the head, neck and chest, indicating a pattern of "shoot to kill". The government denies these reports and condemns them as "totally biased".

On the pro-government side, the Truth, Justice and Peace Commission of the Nicaraguan Assembly – created by the FSLN-dominated legislature on 29 April to investigate abuses during the crisis – said it could not confirm reports from national NGOs of over 1,000 cases of enforced disappearances by 23 November. Human rights groups allege that parapolice units captured more than 80 per cent of those detained, with many later released or formally charged; no verifiable figures yet for disappeared people presumed dead or detained are available. A human rights expert stated that so far there have been "no observed patterns of forced disappearances".

The church and the papal nuncio have remained the only stable channels of communication between anti-government groups and Ortega.

Most known detainees – officially 273 although local NGOs count 558 – have been sent to El Chipote jail in Managua or other nearby prisons. Human rights groups report that of the overall number of detainees, around 300 face trial without due process presided over by pro-government judges. Local activists report a "total lack

of procedural guarantees”, including prosecutors calling up to 50 witnesses to testify against the accused, with in some cases no defence attorneys present. “The typical charge is for terrorism and organised crime” said one, adding that most convictions cannot be appealed. The government did not answer requests from human rights bodies seeking permission to witness trials, while in early December the National Assembly voted to strip a number of local human rights organisations of their legal registration.

C. A Failed Dialogue

President Ortega called on Nicaragua’s Episcopal Conference – the main authority of the country’s Catholic Church – to mediate between the government and protesters on 22 April. Since then, the church and the papal nuncio have remained the only stable channels of communication between anti-government groups and Ortega, and have convinced the latter on a few occasions to establish humanitarian corridors and release imprisoned protesters.

The bishops were also responsible for unifying the diverse parts of the anti-government movement under the umbrella of the “Civic Alliance for Justice and Democracy” as a counterpart to the government in negotiations. Church leaders nominated members of four private sector organisations, the *campesino* movement, groups representing Nicaragua’s regions and civil society, who were tasked with agreeing on an agenda for dialogue that would reflect protesters’ demands. The Alliance also included the University Coalition, which brought together different student associations; students had “gained the legitimacy [to be part of the dialogue] after suffering most of the deaths”, said a Managua-based diplomat. The bishops agreed to initiate dialogue after the government confirmed it would invite the Inter-American Commission on Human Rights to verify human rights conditions in the country, one of the bishops’ preconditions.

The National Dialogue began in a spirit of overt hostility on 16 May. Local and international media gathered in a Managua seminary to cover a meeting without precedent since the 1990s. Students, farm workers, civil society and business representatives publicly confronted presidential couple Ortega-Murillo. Hundreds of thousands of Nicaraguans watched as the event was streamed live on TV and social media. After a bishop opened the session with a long homily, one student set a more combative tone, shouting “you must surrender!” at Ortega and Murillo. “The language heated up”, said a Catholic priest present at the event. “It seemed as if they were going to throw the cutlery at one other”.

Following a brief hiatus in early June due to the violence at the Mother’s Day march, Ortega agreed on 12 June to a “Constitutional Agreement and Route Program”, which had been prepared a few days earlier by the Church and featured an agenda based on human rights accountability and democratic reform. The two sides met on four more occasions in mixed committees of government and Civil Alliance representatives – with two working groups on electoral and judicial reforms, alongside a “Security and Verification Mission” that aimed to oversee the process

and reduce hostilities. The program included ambitious discussion points, such as advancing elections from 2021 to 31 March 2019 and substituting all magistrates of the Supreme Electoral Council, the highest electoral authority in Nicaragua.

Negotiations faced major hurdles. At no stage did the two sides agree to cease repression or dismantle the barricades, meaning already weak trust between them was continually undermined by government crackdowns and the creation of new opposition barricades, over which the Civic Alliance itself had little sway. Without the ability to manage the barricades, its representatives could not exploit the most effective form of leverage over the government.

Even so, the dialogue extracted some concessions from the government, including the creation of the Interdisciplinary Group of Experts (GIEI) by the Inter-American Commission on Human Rights, tasked with analysing human rights violations. Diplomats who met during the dialogue with Ortega and government officials believe they acquiesced out of alarm over the scale and impact of the mutating protest movement. Blockades were affecting the country's main roads and harming cross-regional trade. Some 400 truck drivers had been stuck for over a month. As a last resort, Ortega and Murillo reportedly said in private they would agree to reforms and early elections so long as they were allowed to take part in the polls.

If the government's exploitation of the dialogue impeded its success, so too did the Civic Alliance's aspirations.

That said, some observers in the talks maintain the government saw the National Dialogue as nothing more than a delaying tactic, enabling it to dismantle the barricades and re-establish unchallenged authority. "The government never accepted the dialogue agenda. He [Ortega] understood the process as a route to get rid of them [the Civic Alliance]", said one Managua-based diplomat.

In several instances, the government's gestures were revealed as hollow. Before the dialogue began, on 29 April, the government majority in the Nicaraguan Assembly created the Truth, Justice and Peace Commission, but only appointed members close to the FSLN. Ortega invited the OAS and UN human rights agencies into Nicaragua but commanded the Ministry of Foreign Affairs to control all their information sources and deny officials permission to leave Managua. After the success of "Operation Clean-up", the FSLN abandoned talks entirely, and at the end of August Ortega expelled the UN human rights mission following publication of a critical report. According to one student activist, "there never was a real dialogue ... from the beginning the government accused us of being plotters".

If the government's exploitation of the dialogue impeded its success, so too did the Civic Alliance's aspirations. "Their expectations were unrealistic. They hoped the U.S. was going to escort Ortega out of the country", observed one U.S. official. Negotiators, diplomats and international officials based in Managua were

concerned by the wishful thinking evident in the anti-government coalition's demands. Opposition leaders acknowledge this in hindsight: "In April we got blinded by the moment. We actually thought: Ortega is leaving".

The final blow to the dialogue came in the form of attacks on the mediators, who were perceived in Sandinista circles to be closer to the Civic Alliance than the government. On 9 July, FSLN supporters assaulted Cardinal Leopoldo Brenes, papal nuncio Waldemar Sommertag and other priests. One church leader has since condemned the government outright, a sentiment shared by various other Episcopal Conference members. "I am a victim of a campaign of repression, defamation, and bullying", declared Bishop Silvio José Báez after Nicaraguan Foreign Minister Denis Moncada accused him of organising a coup with the aid of the far right in a 28 October public event. The government in turn questioned the church's suitability as mediator: "I would say that the credibility of the Episcopal Conference was damaged because of the attitude of some bishops", Ortega said on 30 July.

After the talks broke down, the government stated that it did not accept the Civic Alliance as a counterpart in negotiations. One Sandinista questioned whether the "self-proclaimed spokespeople" of the opposition actually represented any significant social grouping. The government was also frustrated that even when they complied – albeit only partially and on their own terms – with the Civic Alliance's human rights demands, their counterparts did not proceed to dismantle the barricades: "they [the Civic Alliance] came to demand and did not want to give [back] anything", said Jacinto Suárez, a FSLN leader in the legislature.

D. Economic Turmoil

Nicaragua's economy, previously one of the region's most buoyant, has taken a battering in the wake of the uprising. According to private sector groups, 417,000 Nicaraguans – over 14 per cent of the country's total workforce – have lost their jobs since the start of the crisis. Total losses to the country's economy in the first half of the year ascribed to the crisis have risen to \$1,180.6 million – around 8.6 per cent of Nicaragua's GDP – according to the National Treasury, while the IMF estimates a contraction of 4 per cent of GDP this year. Despite recent years of growth, Nicaragua remains a poor country without natural resources and with an economy vulnerable to a sharp loss in business confidence and investment.

The tug of war between Ortega and the private sector has damaged the formerly intertwined business interests of both.

Conscious of these risks, the government and private sector organisations have exploited the threat of economic decline to undermine each other. The Civic Alliance used the barricades to hurt regional trade by reducing the land transit of merchandise by 80 per cent between May and June, and called three national strikes that were widely observed in urban areas. The government also tightened the screws on the private sector. Among other things, it allegedly expropriated land owned by

Nicaraguan businessmen and handed it over to low-income families (authorities have not acknowledged this as official practice; indeed, in some cases they have promoted evictions of those occupying confiscated land). In addition, the National Assembly has approved the creation of a public company to manage foreign trade and given new discretionary powers to the Financial Analysis Unit, which investigates suspected money laundering and terrorist finance, to access citizens' personal information. Private sector organisations consider both initiatives unconstitutional efforts to bolster state power over business.

The tug of war between Ortega and the private sector has damaged the formerly intertwined business interests of both. "People in the government are as hurt as we are from what is happening", stated a Nicaraguan businessman. Should tensions continue, Central America's smallest economy could plunge into recession. According to economic experts, long-term risks include negative economic growth, lower tax revenue, the elimination of subsidies, and higher unemployment. Reforms of the Social Security Institute – the reforms which catalysed the civic uprising – cannot be postponed for much longer as its reserves are predicted to run out by 2019.

IV. Prospects for Dialogue and Reform

Renewed dialogue in Nicaragua appears unlikely at this point given the government's limited incentives to restart negotiations and the state of the opposition, which is struggling to decide on its future and leadership. However, in light of the country's economic downturn as well as public outrage over the violent crackdown, more protests and repression remain on the cards. Failure to address political tensions could also lead to growing insecurity and humanitarian risks in the region. Although small and weak in comparison to their peers elsewhere in Central America, Nicaragua's street gangs are alleged to have collaborated with both government forces and opposition protests. Meanwhile, thousands of Nicaraguans have fled from poverty and state repression to neighbouring Costa Rica. A total of 13,697 are reported to have made a formal request for asylum in the country between January and September, a sharp increase on 2017. In the same period, a total of 40,386 people are reported to have arrived in Costa Rica in search of international protection.

Implementing electoral reforms ahead of the 2021 polls is the most realistic way for President Ortega to both de-escalate tensions and restore something of his international repute. His opponents should see reforms as a means to pave the way for future dialogue and further-reaching change, above all regarding human rights and the judicial system.

A. Incentives for Renewed Negotiations

President Ortega has regained control of the streets at a high cost in blood, and despite losing public and foreign support has shown little interest in making

concessions since quashing the uprising. Conscious of the potential for future upheaval, the government seems reluctant to disarm parapolice groups or reconsider its willingness to silence protests through violence. It also has the local intelligence and judicial infrastructure to prosecute opponents while protecting Sandinista loyalists from criminal investigation. The ruling FSLN remains the largest political force in Nicaragua, and has not displayed to the public any recent major internal fractures.

For its part, the opposition is in disarray and has not managed yet to become a robust counterweight to the FSLN. The National Blue and White Unity – an umbrella movement of over 40 organisations critical of the government, including the Civic Alliance – was established on 4 October with the aim of running against Ortega in future elections. But it has remained mostly a civil society movement without clear leadership or organisational structure. Its diverse membership, from wealthy business leaders to university students, encompasses a broad range of interests that complicate internal decision-making. “The only thing they have in common is their opposition to Ortega”, said a diplomatic source. Apart from national strikes and protests, their power to mobilise supporters is limited compared to that of the government. Furthermore, the relationship between this movement and Nicaragua’s opposition parties has yet to be determined as Ortega’s long history of manipulation and co-option of the official opposition has brought these parties into disrepute.

Even if most activists remain committed to peaceful protest for now, the progressive criminalisation of public dissent could lead to greater resentment and recklessness in actions against the government.

This makes renewed talks unlikely in the near term. Even within the Civic Alliance, members of which have repeatedly called for a return to negotiations, prominent figures conclude that conditions are not ripe: “You cannot have a dialogue with this level of repression”, said one opposition member. Reviving the established format of the National Dialogue is arguably not the best way to spur talks between both sides given the government’s token commitment to the process and the lack of realistic expectations or defined agenda. Moreover, religious authorities have lost their credibility as mediators with the government, and have aligned more closely with protesters. Indeed the scope for moderate voices more generally has narrowed, with both the FSLN and the opposition movement maintaining a rhetoric of “war and resistance” since the end of the talks.

However, the government’s containment strategy has limitations and it may well be only a matter of time before more protests or other forms of dissent arise, likely leading to more clashes. “People have lost the fear of protest”, said a former Nicaraguan diplomat. Even if most activists remain committed to peaceful protest for now, the progressive criminalisation of public dissent could lead to greater resentment and recklessness in actions against the government. Nicaraguan public support for Ortega’s government fell from 67 per cent to 23 per cent after the April uprising according to the 2018 Latinobarómetro study, while polls show that over half of Nicaraguans favour early elections.

In light of the risks his government faces from its loss of popularity, severed ties to its main allies and the economic downturn, Ortega would be well-advised to consider concessions to placate his opponents. The art of tactical accommodation to maintain stability is not a novelty for the Sandinistas, who allowed the 1984 and 1990 elections to take place despite their reservations in both cases, and built their power over the past decade on the basis of alliances with former opponents. Given this history of compromise, a set of reasonable demands centred around democratic reform should remain at the core of the opposition's campaign and international pressure.

B. International Engagement and Pressure

Coordinated high-level diplomacy between Ortega and the UN, with the support of the Catholic Church, may potentially persuade Ortega to agree to specific concessions, particularly regarding electoral reforms. Despite their differences with some of the Catholic bishops, the ruling couple still considers the papal nuncio in Nicaragua, Waldemar Sommertag, a valid intermediary willing to support international mediation.

The UN Secretary-General, António Guterres, also maintains cordial relations with the Nicaraguan government despite the hostility the UN as a whole faces in Nicaragua, but must act without the Security Council given that China and Russia are likely to block any action there. Guterres should designate an envoy to Nicaragua to compensate for the UN's weak country presence since 2015, when Ortega dismissed the UN Development Programme, accusing it of "political meddling". Persuading the government will require confidentiality, and these talks should be handled separately from essential ongoing human rights monitoring, the sensitivities of which were fully exposed when the government expelled the mission of the High Commissioner for Human Rights (OHCHR) two days after the publication of a UN report on human rights violations.

Ortega has publicly rejected diplomatic efforts by the EU and the OAS to press for dialogue, calling them "interventionist".

Ortega has pointed to the Central American Integration System (SICA) as another potential intermediary. Its secretary general, former Guatemalan president Vinicio Cerezo, is an old friend of the Nicaraguan president. "Ortega's last resource is Vinicio Cerezo and the SICA. Ortega picks up the phone [if Cerezo calls], now even more so. Cerezo is one of the few who would listen to Ortega's complaints", said a former Nicaraguan diplomat. However, Cerezo is also a centrist who does not owe any allegiance to the Sandinistas. He could play some mediation role by supporting UN efforts, but based more on his personal connection to Ortega than the institutional capacity of SICA, which has little power over its member states and limited experience addressing regional crises.

Ortega has publicly rejected diplomatic efforts by the EU and the OAS to press for dialogue, calling them "interventionist". His attitude to the OAS in large part stems

from the Permanent Council's vote rebuking his government's actions in July, when a clear majority of Latin American countries condemned the government's violence against protesters, supported dialogue and called for democratic and human rights reforms to prevent a recurrence of bloodshed. The UN should, however, coordinate with both these bodies over mediation and reform efforts given their strong presence in Nicaragua. The OAS Inter-American Commission on Human Rights remains essential not just for human rights monitoring, but also to sustain communication between the opposition and international actors. The EU for its part enjoys long-standing diplomatic and financial ties with the government, and should continue to offer technical support for reforms, as should European states, notably Spain and Germany, both of which offered to mediate during the crisis.

Alongside mediation efforts, the U.S. has imposed sanctions on Nicaragua following the violent crackdown. The U.S. Senate in July 2018 tabled the "Nicaragua Human Rights and Anti-Corruption Act", which was approved by Congress on 11 December and would give President Donald Trump the power to impose financial sanctions on Nicaraguan officials accused of human rights abuses and corruption. The bill was a new version of the so-called "Nica Act", which was originally conceived as a move to dissuade Ortega from seizing more power and undermining democracy. Using the existing Global Magnitsky Act, a first round of sanctions on 5 July targeted three officials from Ortega's inner circle. President Trump proceeded to sign a new Executive Order on 27 November that the U.S. Treasury used to sanction Vice President Murillo and one of her aides, accusing her of corruption and human rights abuses.

Whether these sanctions will affect the Nicaraguan government's choices is questionable, especially as they make no concrete demands of the government nor are there clear conditions for lifting them. They also fuel the FSLN's anti-imperialist rhetoric and its insistence that the U.S. is "a plotter" behind the uprising, a claim rooted in a long history of U.S. intervention in Nicaragua. U.S. National Security Adviser John Bolton's recent bracketing of Nicaragua, Cuba and Venezuela together in a so-called "troika of tyranny" that would face firmer U.S. sanctions and diplomatic pressure until their governments fall has reinforced these perceptions. As it is, the squeeze the Nicaraguan government is putting on businesses suggests that Ortega is willing to risk reduced economic growth so long as he can cow opponents and avoid concessions that would weaken his rule. The FSLN might potentially even benefit from a sudden decline in living standards as it would increase Nicaraguans' dependency on state handouts and allow it to blame "imperialist" coup-mongers for the country's plight.

Sanctions could play a part in future international pressure on his government.

The government may also be able to ease pressure from sanctions by reinforcing ties with Russia and China. The latter has increased its commercial links with Nicaragua in recent years and become the second largest importer of the nation's exports after the U.S. despite the postponement of plans to build an inter-oceanic

canal. China's interest in Nicaragua might be related in part to its efforts to convince Ortega to withdraw its recognition of Taiwan – as El Salvador did in August 2018 and Panama in 2017, although Managua has yet to follow their lead. Nicaragua has also bought military equipment from Russia in recent years, including 50 T-72 tanks and an unspecified number of Yak-130 jet combat trainers. The Russians have constructed a sizeable embassy complex in Managua as well as a centre for cooperation in counter-narcotics operations, although diplomatic sources speculate that the installations are being used as a listening station.

Far from pushing Ortega towards accommodation with the opposition, punitive sanctions have served so far to inflame his anti-imperialist rhetoric. Sanctions could play a part in future international pressure on his government, above all to dissuade the government from the use of lethal violence against protesters and opponents, but only so long as these measures aim to secure concrete concessions, enjoy broad backing from Latin American countries, and include clear conditions as to how they can be lifted.

C. Electoral Reform

The violent crackdown against protests and restoration of government control makes it hard to envisage Ortega agreeing to early elections, a core demand of the protest movement that OAS secretary general Luis Almagro also backed in July. Even were it to be met, this demand could prove counterproductive to the opposition since an early poll handled by institutions run by FSLN loyalists would probably benefit the ruling party. The opposition would be better served by focusing instead on securing reforms that would guarantee that the next presidential poll, currently due in 2021, fairly reflects the electorate's choices. Electoral reform efforts are not new in Nicaragua, and recently even enjoyed Ortega's lukewarm backing. In October 2016 the OAS won the Ortega's approval to strengthen the country's electoral institutions, though the initiative faded away by mid-2017, according to Managua-based diplomats, mostly because the government failed to honour its initial pledges.

The combination of previous OAS reform efforts in Nicaragua and recommendations by both OAS and EU electoral observation missions make up a reform package that could help ensure the next elections in Nicaragua are reasonably credible in the eyes of all contenders. New political party legislation should reinforce parties' rights in the face of FSLN-dominated institutions by reforming the Supreme Electoral Council and establishing stricter selection protocols of its magistrates to ensure its independence, simplifying the registration and participation of new parties, and creating new rules to oversee political funding. Other priorities should be guaranteeing that National Assembly seats for each constituency are fairly apportioned and modernising the voter registry.

Though Ortega seemingly has few incentives to talk, a specific electoral reform agenda would not constitute an imminent threat to his grip on power. In practice, it would mean committing to carry out reforms his government had already agreed to during the OAS-led efforts in 2016-2017. This presents an opportunity to modernise

the country's electoral institutions with international support, potentially even before regional elections are held in March 2019. The FSLN is still almost certainly the most popular political party in Nicaragua, so a stronger Supreme Electoral Council need not scupper the Sandinistas' chance of winning the next general election and could validate any such victory in the eyes of both Nicaraguans and foreign powers. Highly conscious of the damaging effects of the crackdown on Nicaragua's international reputation, Ortega gave an unprecedented number of media interviews since July 2018 in which he sought to rebut protesters' version of events. By agreeing to these reforms, Ortega could also curb his growing isolation in Latin America, which was strikingly illustrated by the OAS vote in July.

Although the government considers its repression of protests a legitimate response to a failed coup attempt, evidence suggests that Sandinista security forces committed serious human rights violations.

Those reforms would neither address the original trigger of the crisis, namely the proposed changes to the country's social security institute – for which it is essential that the government reconstruct working relations with the private sector – nor heal the scars left by the violence unleashed against protests. But they would at least address anger at the closure of channels for genuine democratic participation. Ideally they would build trust and form the basis for renewed dialogue between government and opposition. However, if political hostilities impede the resumption of talks and reforms still progress, then international bodies supporting changes to the electoral system, above all the EU and OAS, should at the very least establish channels and platforms for the opposition and civil society to express their views and provide input into the process.

Whether such reforms will have any lasting effect depends on the strategic choices of the Civic Alliance and the broader Blue and White Unity. Should they choose to become a civil movement, their aim would be to transform currently discredited opposition political parties into vehicles for their political objectives. Certain cases in the region are worth emulating in this regard, such as the Assembly of the Civil Society in Guatemala during the country's peace talks in the 1990s, which operated with support and advice from the Inter-American Commission on Human Rights. If the protest groups decide to become a political party or coalition, they will have to establish a clear leadership structure and achieve a greater degree of unity, campaign muscle and a coherent strategy ahead of the next elections.

D. Justice and Human Rights

Although the government considers its repression of protests a legitimate response to a failed coup attempt, evidence suggests that Sandinista security forces committed serious human rights violations. Even in the absence of direct talks between government and opposition, foreign powers and international bodies, above all Latin American nations, the U.S., EU and the Vatican, should continue to urge Ortega to respect a basic threshold of human rights standards in future policing of protests and attempted prosecution of protesters.

Any future efforts to monitor and contain demonstrations should take into account the recommendations of international human rights bodies related to the use of force during marches. Aside from the barricades, most protests have been non-violent demonstrations involving Nicaraguan citizens calling for democratic reform. As long as marches remain peaceful, citizens should be allowed to demonstrate without facing abuse and violence. They should also be free to demand political changes, decide on their leadership and promote the exchange of ideas without risk of prosecution or physical harm.

A key demand of the opposition prior to entering any talks is sure to be the release of political prisoners. This is not a concession the FSLN would stomach easily. However, at a minimum releasing an exhaustive list with names and location of imprisoned protesters which could be verified by the Inter-American Commission on Human Rights, working alongside local human rights bodies, could prove less troublesome for the government and would not compromise its containment policy toward the uprising. More importantly, it would help resolve the needless pain of families searching for their detained relatives, and establish clarity as to how many prisoners remain to be released in the build-up to any future dialogue. The government should, meanwhile, allow public scrutiny of trials and provide guarantees of due process for detained protesters.

More ambitious judicial and human rights reforms should wait for the next National Assembly, also due to be elected in 2021. Future initiatives should draw from those proposed in the National Dialogue, and should be among the main issues for discussion in negotiations before those polls: these include selecting independent heads of the country's top justice institutions, reforming the Human Rights Ombudsman's office to ensure it offers effective oversight, and deciding on mechanisms of transitional justice to deal with crimes committed by both the government and opposition supporters during the uprising.

V. Conclusion

Through violence and a politicised judiciary, the Nicaraguan government has so far contained the protest movement that unexpectedly arose in April. But fast declining support for President Ortega, festering public resentment and a steep economic decline could set off further unrest. At the same time, Nicaragua's response to the crisis has isolated it in the region and beyond.

The president's critics insist that his government has lost legitimacy and allies at home and abroad, which is true enough. Their claims that its demise is inevitable and even imminent are, however, far-fetched. The government is now in firm control. Its apparent conviction that it is confronting an international conspiracy and its clear superiority in terms of coercive power militate against concessions to a protest movement it denigrates as a bunch of criminals and terrorists. Dialogue between the two sides is essential to averting future upheaval, but the protesters' and opposition's

fragmentation and the government's stubbornness make conditions for negotiations difficult at this stage.

Foreign government and international bodies, above all the Latin American nations in the OAS and the Central American Integration System, as well as the U.S., EU and the Vatican, should instead look to build flexible, discreet channels of communications with the government to create conditions for the resumption of talks and help establish a format for dialogue. They should encourage the government to cooperate with the Inter-American Commission on Human Rights, by sharing a list of detained protesters and guaranteeing them due process. Electoral reforms to which the government has already agreed would enable a fairer vote in the next presidential election in 2021, for which the opposition and protesters should start to prepare in earnest. None of these measures would endanger the government's hold on power, but would signal its willingness to compromise and restrain the worst abuses of state and judicial authorities; flexibility on these issues should help pave the way to the full resumption of talks, which should also focus on justice reform and holding to account those responsible for violence during the crisis.

Sandinista political history is marked by concessions to its erstwhile enemies as a means to ensure its survival.

The Nicaraguan government may not be the most transparent or accessible in the region, yet there is little doubt that it is alarmed over the scale of this year's revolt and the effects on its international image. Its anti-imperialist rhetoric may be reminiscent of speeches by firebrand Bolivarian leaders such as Venezuela's President Maduro, but Ortega opened the door to talks with the U.S. at the height of the protest movement. Sandinista political history is marked by concessions to its erstwhile enemies as a means to ensure its survival. In the interests of his country's well-being and his own political future, Ortega should now do the same with compatriots who vehemently oppose his rule.

Guatemala City/Bogotá/Brussels, 19 December 2018

Appendix A: Map of the Central America Region

CRISISGROUP

Appendix B: Map of Nicaragua

CRISISGROUP

Appendix C: Nicaragua's Economy

GDP growth 1990-2018 (%) IMF and World Bank

GDP growth 1990-2017, USD IMF and World Bank

Economic performance since Ortega's return (2007-2017) IMF and World Bank

Appendix D: Homicide Rates in Central American Countries

Sources: National Police of Nicaragua, Annual statistics, 2007-2017 (per year); Ministry of Justice and Public Security of El Salvador, Directorate for Information and Analysis, Total amount of homicides 2007-2017 (per year); Secretary of Security of the National Police of Honduras, Department of statistics – Directorate for planning, operational proceedings and continuous improvement, December 2018; Tweet from Ministry of Interior of Guatemala, "Historic comparison of homicides per 100,000 inhabitants", 31 August 2018; Vice Ministry of Peace of Costa Rica, Observatory of violence, Tables and charts.

Appendix E: Venezuelan Development Aid in Nicaragua

"Informe de Cooperación Externa", Nicaraguan Central Bank, October 2018.