

The Political Economy of the Nicaraguan Elections

On November 4, 2001, Nicaragua held its third free national elections since 1990. As always in that country, the contest was characterized by a struggle of ideologies. The Sandinistas (FSLN) and their candidate, Daniel Ortega, appealed to poorer Nicaraguans with promises of redistributing wealth, while those citizens with assets watched apprehensively. Former Vice President Enrique Bolaños and his Constitutionalist Liberal Party (PLC) supported a free enterprise economy with state benefits for the working class (preferably organized), but with a curious mixture of special favors or incentives for influential party members. For its part, the weakened Conservative Party (PC) tried to modernize its message.

In a country that suffered 11 years of disastrous Marxist economic policies, political repression and war, it was hard to believe that Ortega could win. The Sandinistas claimed to have changed their tune, running under the banner of the National Convergence (CN) and recruiting leaders from other parties to broaden their appeal. The CN ticket included Agustin Jarquín for vice president and Antonio Lacayo (from the Chamorro government) for foreign minister. Apart from these appointed positions, the party did not allow outsiders to be included on its list of candidates for the Legislative Assembly, instead sticking with Marxist cadre such as Tomás Borge and Lenin Cerna. Ortega spurned the request of the US ambassador to resolve long-standing cases involving the confiscated property of American citizens.

The latest polls before the election showed a dead heat between Bolaños, with 38% of the vote, and Ortega, with 37%. Some pollsters made much of the large undecided vote, but in the end, the election was not as close as had been predicted. Bolaños won by a margin of about 10% over Ortega-roughly 54% to 44%, according to the preliminary count.

The Economy

The slowing Nicaraguan economy was a liability for Bolaños, as well as the corruption of the Alemán regime. Unemployment is high and rising, and coffee prices have plummeted to about \$50 per bag. A drought in the north has caused subsistence farmers to lose their meager crops as well. The US is providing \$9 million in food and agricultural inputs and is feeding about 10% of the population. The construction industry is in decline after the completion of several new hotels, and no new projects are on the horizon. Tourism from the US is down owing to fears following September 11 and the US recession. Emergency assistance from the US and other sources after Hurricane Mitch largely ended in 2001. The financial system suffered a severe shock with the failure of four banks in 12 months - InterBank (Sandinista), Banco Mercantil, Banco de Café and BANIC, even though the Central Bank guaranteed the depositors. Less than a week before the elections, the Nicaraguan currency continued to fall against the dollar.

In the late 1990s, the Nicaraguan economy enjoyed substantial growth of about 5% annually. However, the government twice fell out of its three-year IMF agreement, supported by the Poverty Reduction and Growth Facility. The economy is now under a Staff-Managed Program (SMP) with no disbursement of funds. The goals of the SMP are to carry the economy through the political transition, achieve a 3% GDP growth rate, continue the 6% exchange rate crawl against the US dollar, get inflation down to 8%, and reduce the combined public sector deficit to 7.4% of GDP (it was an astounding 8.3% in 2000).

Nicaragua is eligible for the Highly Indebted Poor Country (HIPC) initiative administered by the Paris Club and supported by the IMF. The goal is to forgive \$4.5 billion in debt. After reaching an agreement with the IMF, Nicaragua must implement a one-year poverty reduction strategy to qualify. This should be the top economic priority for Bolaños and his team when they take office on January 10, 2002. Other priorities for the new administration might be to ensure successful implementation of the new tourism law and to pass new investment legislation.

One success story in Nicaragua has been the country's Free Trade Zone, which has doubled its employees from 10,000 to 20,000. However, the slowdown in the US economy has been felt here as well, and the FTZ has begun cutting back. Finding new industries is vital. Compared to the other Central American countries, Nicaragua has not taken advantage of the opportunities offered by the Caribbean Basin Economic Recovery Act. Nicaragua exports about \$700 million, about one-fifth of total exports for Costa Rica. Similarly, Nicaragua's exports to Florida in 2000 were \$398.5 million, compared to \$2.34 billion for Costa Rica.

US Reaction to the Electoral Dead Heat

The United States gave substantial assistance to ensure that the electoral process in Nicaragua was honest and efficiently run. It made clear its support for Nicaraguan democracy no matter which party won the election. However, as Ortega remained ahead in the polls, the US government became more open about expressing its opposition to a Sandinista victory. When Secretary of State Colin Powell met with Foreign Minister Francisco Aguirre in October to discuss the US support for the elections, including \$5.5 million for the OAS and NGO observer missions, he expressed grave reservations about the Sandinistas' record on human rights and civil liberties, unlawful seizure of properties without compensation, economic mismanagement and alleged ties to supporters of terrorism. Other US officials let it be known that the US opposed an Ortega victory. On November 1, the *Miami Herald* printed an editorial page article by Florida Governor Jeb Bush that praised Bolaños and criticized Ortega's totalitarian record. Still, it is doubtful that US efforts swayed enough voters' opinions to affect the outcome.

The Post-election Scenario

The elections were praised as honest and as a true civic exercise by all external observers, including former US President Jimmy Carter and the European Union observer mission. However, Carter criticized the Supreme Electoral Council (CSE)

for being too slow in the legislative vote count. Many polling places opened two hours late and stayed open beyond closing time. The CSE said it was taking time to reach a final count because it was validating the credentials of vote tabulators. Since Ortega quickly conceded to Bolaños, the only charges of fraud were directed at the legislative races. Some party officials claimed the CSE was holding up the results to give time to the PLC and CN to make a pact about the number of seats each should have in the Assembly, while some in the FSLN claimed fraud in specific races for deputy.

The vote count for deputies to the National Assembly was still inconclusive two days after the elections. The CSE reported that only 21.15% of the total ballots were officially counted. Nonetheless, the press reported that the M&R polling firm projected the PLC ahead with 48 deputies, the CN with 41 and the PC with one. As a result of reforms in the law last year, the winner and closest rival in the presidential elections are also given seats in the Assembly, for a total of 92 seats. The Conservative leader claimed that his party would ultimately win five to seven seats; this seems unlikely, but the PC did win more than twice as many votes for deputies as it did for president.

Two days after the elections, some Sandinista leaders, among them Victor Tinoco, were calling for changes in the party's leadership and methods. After three consecutive losses, some party stalwarts were calling for Ortega to step aside. This sentiment will undoubtedly grow in the coming months, although Antonio Lacayo claimed that the CN would remain a cohesive political force after the elections.

The US quickly offered its congratulations to President-elect Bolaños, as did the presidents of Costa Rica and El Salvador. California Congressman Theodore Dreiser, who served as an election observer with the International Republican Institute, praised the elections and predicted that US-Nicaraguan ties would become closer than ever.

Observations

Nicaragua faces serious problems of economic modernization and development. Some of the causes are rooted deeply in the nation's cultural values, but the 11 years of Sandinista rule propelled the country decades backward. Per capita GDP is about \$495, about one half of what it was when the Somoza regime was overthrown in 1979. The most recent elections came at a moment when democracy and free enterprise are being criticized throughout Latin America, even though these countries' own histories tell them that the alternatives are worse.

The United States' open support for one candidate in the Nicaraguan election has been criticized as an unwarranted intrusion in the electoral process of a foreign country. However, it is easy to understand the Bush administration's concern. The US already has a full plate; given the timing and symbolism of the election-and mindful of its past painful and costly disputes with the Sandinistas-it did not want to add to its problems by having Ortega in power in Central America.

President-elect Bolaños quickly moved to establish his independence from President Arnoldo Alemán. When asked by a reporter about a motion to make Alemán president of the National Assembly, he said he thought it was a bad idea and that new leaders are needed. Bolaños may have trouble negotiating with the PLC majority in the Assembly to achieve his government's goals. The FSLN traditionally turns to civic disturbances-such as strikes by government workers-to protect its interests, but Alemán remains a strong force in the PLC. There will undoubtedly be a struggle to see which faction-Alemán or Bolaños-will dominate the party.

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