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President Daniel Ortega has given critics plenty of reasons in recent years to question his democratic credentials, most notably by ignoring the country’s term-limit laws to win a second-consecutive period in office and third overall (NotiCen, Nov. 17, 2011), and then using the political capital he earned in that election (in November 2011) to rewrite the Constitution and do away with term limits altogether (NotiCen, Feb. 27, 2014).

And yet, when it comes to the Ortega administration’s financial standing, things have never looked better, at least according to the US Department of State, which decided last month to end a nearly 20-year practice of requiring Nicaragua to seek an annual "property waiver" as a precondition for US aid money and certain foreign loans.

The US Embassy in Nicaragua made the announcement in a written statement released Aug. 5, relieving the Ortega government of a major bureaucratic burden and ensuring it more direct access to hundreds of millions of dollars worth of annual credit and assistance packages. "The US government has lifted some legal restrictions related to bilateral aid and support for the awarding of international loans," the statement read. "The lifting of these restrictions means it will no longer be necessary to issue an annual exemption or waiver."

The waiver scenario dates back to the mid-1990s, when US legislators passed a law requiring Washington to veto World Bank, International Monetary Fund (IMF), and Inter-American Development Bank (IDB) loan applications by countries—like Nicaragua—that have pending property disputes with US citizens. Nicaragua had numerous such disputes as a result of expropriations carried out during Ortega’s first run in power, from 1979-1990, when he served first as coordinator of the country’s post revolutionary Junta de Gobierno de Reconstrucción Nacional (1979-1985) and later as president (1985-1990). Ortega was unseated in 1990 by former President Violeta Chamorro (1990-1997) but—after two more failed electoral bids, in 1996 and 2001—returned to power in 2007 (NotiCen, Jan. 11, 2007).

To avoid a US veto and thus secure foreign aid and loans, Nicaragua, starting in 1994, had to apply for an annual property waiver, a kind of "good-conduct" pass, for which it had to demonstrate a commitment to resolving the various 1980s-era property disputes. During that time, Ortega and his predecessors, by all indications, made a consistent effort to settle the various property cases—at great cost in both time and money, and despite concerns that many of the property owners in question are Nicaraguan nationals who fled the country during or following the 1979 Sandinista revolution and only obtained US citizenship after the expropriations.

At no point during the past two decades did US authorities ever reject Nicaragua’s property-waiver applications, although, in 2012, when Ortega began his current five-year term, the White House allowed that threat to loom for a period of time (NotiCen, Aug 23, 2012). The administration of US President Barack Obama did punish the Ortega government that year by withholding a...
different, less-weighty exemption—the "fiscal transparency waiver,"—which affects roughly US$3 million in annual State Department and US Agency for International Development (USAID) funds. Washington has denied Nicaragua the transparency waiver ever since.

The US Embassy statement said that, between July 2014 and July 2015, Nicaragua resolved 30 property cases and, in doing so, fulfilled its obligations vis-à-vis Section 527 of the 1994-1995 Foreign Relations Authorization Act, Fiscal Years 1994 and 1995, which set the property-waiver system in motion. "We recognize and appreciate the determination shown by the government of Nicaragua in recent months to resolve the pending claims expeditiously and in a manner that was acceptable for all sides," the statement read.

Positive economic outlook

The announcement was well-received by Nicaraguan political figures, economists, and members of the business community, who see it as a real boost to Nicaragua’s image as an investment destination and responsible trading partner. "It has a significant symbolic impact in that it recognizes the culmination of a long and difficult process of resolving property conflicts," Juan Sebastián Chamorro, president of the Fundación Nicaragüense para el Desarrollo Económico y Social (FUNIDES), a public-policy group, told El Diario Nuevo.

The decision also has direct financial implications. As of August 2014, according to the English language news site The Nicaragua Dispatch, the Nicaraguan treasury had paid nearly US$1.28 billion in government bonds to various US claimants. Happily, the country won’t have to add to that total now that it is no longer threatened by "the sword of Damocles," as economist José Adán Aguerri, head of the Consejo Superior de la Empresa Privada de Nicaragua (COSEP) business association, described the property waiver. "Nicaragua no longer has this constraint," he told the Spanish news agency EFE. "It’s no longer subject to revision."

A month earlier, Nicaragua received more good news when the credit rating agency Moody’s Investors Service upgraded the Central American country’s standing to B2 from B3, based on "continuing positive changes in Nicaragua’s economy."

The Moody’s move comes amid a period of sustained economic growth. GDP increased by 4.5% in 2014, well above the average rate (1.3%) in Latin America and the Caribbean as a whole, according to the IMF, which sent a staff team to Nicaragua in March. The economy is expected to grow another 4.6% this year. In Central America, only Panama is posting higher growth figures (6.2% in 2014). "The Nicaraguan economy continues to register relatively high growth rates in the context of macroeconomic stability," the IMF team wrote in a March 12 press release. "The economic outlook remains favorable."

More expropriations looming

The Ortega government expects GDP numbers to rise even higher as work progresses on its plan to construct a US$50 billion interoceanic canal (NotiCen, Oct. 23, 2014). Nicaragua is pursuing the megaventure in partnership with the untested Chinese firm Hong Kong Nicaragua Development Group (HKND Group), which promises to employ thousands of Nicaraguan workers and have the 278 km canal up and running by 2020.

Polls suggest that most Nicaraguans support the project. But, along the venture’s projected path, residents, mostly campesinos, have staged numerous protests, accusing the Ortega government
of giving too much away to the HKND Group (NotiCen, July 16, 2015). The largest protest to date took place June 13 in Juigalpa, where some 30,000 people gathered to denounce the carte-blanche concession deal Ortega gave HKND Group two years ago.

The agreement gave the Chinese firm exclusive rights—for up to 100 years—"to design, develop, engineer, finance, construct, possess, operate, maintain, and administer" the proposed canal (NotiCen, Aug. 15, 2013). It also granted HKND Group permission to expropriate whatever land it deems necessary to complete the project, which also includes plans for two deepwater ports (one on each coast), an artificial lake, various roads and bridges, a tourist resort, a Pacific-side free-trade zone, an international airport, a power plant, and steel and cement factories.

What the campesino protestors fear most is that they’ll be forced from their homes. The issue might also be of concern to some US citizens, outgoing US Ambassador to Nicaragua Phyllis Powers said in an interview published Aug. 24—less than three weeks after her office’s property-waiver announcement—by the news magazine Confidencial. "What’s going to happen if along the [canal] route it will require land expropriation, and how are they [the Sandinista government] going to do it?" she said. "Because we have US citizens who have property along the route."

Powers, who has been in Nicaragua since 2012, will soon be replaced by Laura Farnsworth Dogu, deputy chief of mission (the "number two") at the US Embassy in Mexico City, Mexico. US President Obama nominated Farnsworth Dogu for the post in May. The US Senate confirmed the nomination on Aug. 5, the same day the property-waiver decision was announced.

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