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Nicaragua Building Ties With Iran

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Nicaragua's new left-wing president has begun building a strategic alliance with Iran, calling America a "terrorist nation."

The president, Daniel Ortega, is no stranger to Americans. Back in the 1970s and 1980s he headed the Sandinista junta that ruled Nicaragua with the support of Castro's Cuba and the Soviet Union.

Ortega and the Sandinistas were ousted from power — though they kept control of the state police — after a plebiscite in 1990 gave pro-democracy forces control of the nation's parliament.

But the Sandinistas have re-emerged with the election of Ortega last November, giving him control of the strategically located Nicaragua, the poorest country in Central America and the second poorest in the Western Hemisphere.

Dangerous Alliance

Though Ortega had campaigned to keep Nicaragua democratic and open to free enterprise, there are worrisome signs he is increasingly joining ranks with Hugo Chavez's neighboring Venezuela to oppose U.S. interests in the region.

And now he is seeking to establish ties with Iran.

Iran is set to pump nearly \$500 million into Nicaragua to build a new hydroelectric project, invest in a new port and build 10,000 new houses, Ortega announced in early August after hosting an Iranian government delegation that included Iran's deputy energy minister, Hamid Chitchian.

That visit came after Ortega flew to Tehran in June and Iranian President Mahmoud Ahmadinejad visited Nicaragua in January, shortly after Ortega assumed office.

Ahmadinejad has made little secret of his disdain for the U.S., denouncing what he calls America's "devilish rule" — a throwback to Ayatollah Khomeini calling the U.S. the "Great Satan."

"An Iranian embassy in [Nicaraguan capital] Managua is worrisome for Nicaragua's neighbors because Iran doesn't travel alone: It comes with terror and terrorist organizations, such as Hezbollah," warns Jaime Daramblum, a senior fellow with the Hudson Institute and director of its Center for Latin American Studies.

"Remember what happened in Buenos Aires during the early 1990s and one can visualize what an Iranian mission in Managua may bring to the area."

Iran and Hezbollah have been charged as the intellectual and material culprits behind the 1994 bombing of the AMIA Jewish community center in Buenos Aires that killed 85 people and wounded more than 200. An Argentine federal judge last year ordered the arrest of Iran's former President Akbar Hashemi Rafsanjani and eight other former officials for the attack.

The growing ties with Iran come on the heels of Ortega renewing diplomatic ties with North Korea in May.

"If Nicaragua gets itself tied into that gang of losers, it's just bad news for Nicaraguans," says William Ratliff, a research fellow at Stanford University's Hoover Institution. "They have enough bad news as it is."

U.S. officials are also concerned.

"We urge Nicaragua to choose international partners that share the democratic aspirations of the Nicaraguan people, that

abide by international commitments, and that are responsible members of the global community," a spokesperson for the U.S. State Department said when asked for a comment on the growing Iran-Nicaragua ties.

Disturbingly, the increasing links with Iran and North Korea come on top of close relations with Venezuela.

In July, Ortega hosted Venezuelan President Hugo Chavez, who inaugurated a \$2.5 billion oil refinery. That followed Chavez's visit only four months earlier when the two leaders signed several agreements on oil and development assistance.

In addition, Nicaragua has joined ALBA, a political-economic alliance of leftist countries that also includes Cuba, Bolivia and Venezuela, and Telesur, a pan-regional TV network started by Chavez.

Venezuela was active in Nicaragua even before Ortega assumed the country's presidency in January, thanks to ALBA Petroleos de Nicaragua (Albanic), a Sandinista company that imported oil at favorable prices from Venezuela.

Meanwhile, Ortega has also increased his anti-U.S. rhetoric. "We condemn the blowing up of the [New York twin] towers, but we also condemn the terrorist action by the United States to invade Iraq," he said during a recent press conference.

During Chavez's visit, he called President George Bush a "world tyrant" who came to power "through fraud," according to The Associated Press.

Playing Both Sides

"Ortega is performing a balancing act," says Jerry Haar, a professor of management and international business and associate director of the Knight Ridder Center for Excellence in Management in the College of Business Administration at Florida International University.

"He cannot fully embrace nor fully reject either the U.S. on the one side or Chavez and his autocratic allies on the other."

The new policies and rhetoric are leading to renewed worries that Ortega plans to repeat past mistakes from his 1979-90 administration, when he led a Cuba/Soviet-supported government that abused human rights and created economic chaos.

Inflation jumped from 35.1 percent in 1980 to 3,004.1 percent in 1990, while GDP went from growth of 4.6 percent in 1980 to a decline of 0.1 percent in 1990.

All in all, the economy declined in all but three of the 10 years Ortega ruled Nicaragua.

This time around, Ortega threatened to expel Spanish electricity company Union Fenosa — before getting a pledge for further investments — and recently claimed that "world trade was dominated by the tyranny of global capitalism."

Ratliff says, "I don't think he's changed that much, if one judges by the way he chooses his friends."

Yet most experts believe Ortega won't follow the radical policies of Chavez and nationalize private companies.

"Oil abundance allows Chavez to behave as he does," Haar points out. "Nicaragua does not have that luxury. Moreover, I suspect that Ortega has learned from the first go-around in power that publicly owned enterprises do not create the revenue, efficiency, and overall performance of those that rest in private hands.

"If he does begin nationalizing industries and companies, the beneficiaries will be his neighbors [capturing Nicaraguan private and foreign investment] ... and the Miami condo market, of course."

Add to the mix that Nicaragua's economy is getting a boost from demand for its commodities, growth of the ethanol market and the DR-CAFTA (The Dominican Republic–Central America Free Trade Agreement) — the free trade agreement with the United States, Haar adds. Nicaragua is the CAFTA country that has benefited most from the treaty, seeing exports to the United States grow by 29.2 percent last year.

That in addition to an aggressive pursuit of opportunities in call centers, tourism, and non-traditional exports (organic and fair trade products and processed and fresh tropical fruits), which provide reasons for optimism, Haar says.

"Tourism is expanding in the country's interior and colonial cities, and the country is the safest in Central America; with minimal presence of Mara Salvatrucha gangs," Haar says, referring to the infamous gangs that are causing serious crime problems in several of Nicaragua's neighboring countries.

Darembaum agrees. "Daniel Ortega, so far, has shown to be careful not to scare private and foreign businesses and investors," he says. "Although he pays lip service to Chavez and his revolution-minded minions, he's been far from undertaking the type of rhetoric or legal breaking measures of the Chavez model ...

"In any event, he needs foreign investment, particularly American, to improve the lot of his people and he knows where the red lines are."

Loans from the U.S. and the Inter-American Development Bank keep Ortega's hands tied when it comes to any mischief that could scare away the "bread providers of his country," Darembaum asserts.

So far, the United States has responded with its own balancing act.

'Quiet' Policy: The Best Policy

While U.S. officials are concerned about Nicaragua's ties with Venezuela and Iran, they appear to be following a non-confrontational policy aimed at keeping Nicaragua open to U.S. trade and investment.

"The U.S., post-election, has been very cooperative with Ortega and the State Department has refrained from any offensive tirades against the Sandinista president," Darembaum says.

And that's a sensible policy, argues Ratliff. "I think a relatively quiet policy is best," he says. Nicaragua today is not a threat to U.S. national security the way it was during Ortega's previous administration, when the U.S. and the Soviets fought over Nicaragua as part of the Cold War, he points out. However, that could change if Iran's diplomatic presence turns out to be more than just that.

Haar says, "Should those 'ties' produce tangible, documented threats to stability in the region and to the U.S., then I would definitely be concerned."

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