



The Break-Up: COSEP's Love Affair with Daniel Ortega

Business Leaders Slept with the Devil, Got Burned



Nicaraguan President Daniel Ortega and former COSEP President José Arregui together in a 2017 meeting. ([Presidency](#))

Once a key ally of Daniel Ortega, Nicaragua's largest business union—the Superior Council for Private Enterprise ([COSEP](#))—has now become another one of the regime's many political targets. Ortega and his wife, Vice President Rosario Murillo, have turned their backs on COSEP leaders, suffocating their companies with arbitrary law enforcement and arrests.

The COSEP Model

In 2007, the then recently elected Ortega [invited](#) COSEP leaders to a national ruling coalition. Businessmen had a say in economic policymaking, occupied government posts, and suggested reforms. However, the agreement [was](#) limited to economic affairs, and business leaders kept mum on thorny topics such as democracy and institutionality.

During the agreement's lifespan, COSEP was the main driver of economic policies. From 2008 to 2017, the union successfully had 124 laws [passed](#) and got 40 appointments at government jobs.

When criticized by independent media, COSEP President José Arregui wrote [op-eds](#) defending the achievements of the corporatist "[COSEP model](#)." Sister organizations such as the AmCham [lobbied](#) on behalf of Ortega in Washington, DC.

On the surface, the Nicaraguan economy and foreign direct investment [boomed](#). Ortega struck [trade agreements](#) with several countries, including the United States. During that decade, the poverty rate halved, public services improved, and more job opportunities elevated the quality of life nationwide.

The hidden origin of the bonanza, however, was the [\\$600 million](#) worth of annual funding from Venezuela. As they did with ideological brethren across Latin America and the Caribbean, Hugo Chávez and Nicolás Maduro bankrolled Ortega's rise. When the Venezuelan economy tanked, Ortega tapped into another source of foreign funds: [China](#).

Such funds allowed his regime to roll out infrastructure projects and keep COSEP contractors happy while building up its own network of crony firms.

However, Ortega's quest for total control of Nicaragua meant the relationship eventually turned sour. The turning point can be traced to April 2018, when Ortega [disregarded](#) COSEP's opposition to four laws seeking to (1) increase the minimum wage, (2) regulate social media, (3) increase anti-money laundering regulations, and (4) reform the social security system.

The passing of those laws sparked social turmoil and a political crisis. On April 19, COSEP [demanded](#) the Nicaraguan police stop repressing and torturing protesters. Given the abuse of power continued unabated, COSEP [convened](#) for a peaceful march a week later, thus publicly breaking with the regime.

The Family Steps In

Ortega had set up companies for his family across several industries, creating channels to [divert](#) funds for personal enrichment. Between 2008 and 2017, Albanisa—a joint venture between the Venezuelan state oil company PDVSA and its counterpart in Nicaragua, Petronic—channeled [\\$4 billion](#) to the Ortega regime. Besides funding social programs and infrastructure projects, the money funded Albanisa's growth.

In less than a decade, Albanisa became a conglomerate with a presence in finance, construction, energy, tourism, and more. Rafael Ortega, son of the Nicaraguan president, [manages](#) these businesses along with relatives and close friends. Once the Ortega family had secured their own firms to do business with the Nicaraguan state, the regime was ready to discard COSEP.

Indeed, most of Ortega's children are [presidential advisors](#), manage the nation's oil supply, and run the largest TV channels and marketing companies. According to an [investigation](#) by the journalists network Connectas, they earned \$936,000 only in 2018 and 2019 from several contracts with the Nicaraguan state.

[The Ortega family's media arm](#)

1. Channel 2
2. Channel 4
3. Channel 8
4. Channel 13
5. Digital International Communications
6. Marketing In & Out
7. Lumicentro
8. International Marketing Businesses
9. Difuso
10. Radio Ya

Other industries

11. Nicaraguan Oil Distributor (DNP)
12. Zanzibar Investments
13. Somos TN8 Foundation

However, there is a thin line between firms owned by the Ortega family, the ruling *Sandinista* party, and the government.

For instance, the Ortega family was behind the [acquisition](#) of DNP in 2009 with funds from Albanisa and the national rural cooperative Cajaruna. Up until 2016, Venezuela provided \$3.7 billion worth of cheap oil to DNP.

In December 2019, the US government imposed [sanctions](#) on DNP due to its corrupt ties to the Ortega family. DNP then transferred its profits to Zanzibar Investments, another company controlled by Ortega's son.

To further evade US sanctions, the Nicaraguan regime passed a law to nationalize DNP.

The Crackdown

In June and July 2021, the Ortega regime launched its most blatant attack. It began jailing any presidential candidate who posed a serious threat to its continuity. Former COSEP President José Aguerri and banker Luis Rivas were among those [arbitrarily arrested](#). By imprisoning respected business leaders and [intimidating](#) others, Ortega has waged an open war against his former allies.

The business community, however, is in a much more precarious situation to resist than when the political crisis began. Laws aimed at crippling private firms have taken their toll.

In March 2019, Congress passed a tax reform aiming to collect \$300 million that accelerated the undercapitalization of private companies, the loss of competitiveness in agriculture, and productive stagnation.

Capital flight is ongoing; in 2018, over \$1.9 billion left the country, undermining bank reserves and thus investment capacity.

From March 2018 to March 2021, banks had to shut down 194 branches, and their 2020 profits were 60 percent lower than three years ago. In Q1 2021, over 300 banking employees lost their jobs.

In a similar vein, Congress passed a so-called consumer-protection law in February 2021. COSEP argued it would cause international banks to sever ties with Nicaragua and isolate its financial sector. The law has affected industries such as commerce, tourism, imports, and agriculture.

Nicaragua's GDP has been tanking for three consecutive years, and the underground economy is eating up the formal one, with 70 percent of the workforce holding informal jobs in 2021. Over 3,000 businesses have closed and around 200,000 formal jobs have vanished since 2018.

Indicator	2020	2017
<u>GDP</u>	\$12.6 billion	\$ 13.7 billion
<u>GDP per capita</u>	\$1,721	\$ 1,957
<u>Annual GDP growth</u>	-2 percent	4.65 percent
<u>Foreign Direct Investment</u>	\$142.8 million	\$970.9 million
<u>Unemployment rate</u>	5.1 percent	3.7 percent
<u>Poverty rate</u>	31.9 percent	20.1 percent
<u>Asylum seekers</u> (worldwide)	67,229 Nicaraguans	2,772 Nicaraguans
<u>Remittances</u>	\$1.8 billion	\$1.3 billion

In the United States, political pressure is growing for the Biden administration to suspend the free-trade agreement with Nicaragua, a move that would devastate the Central American economy.

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