



**InSight
Crime** ANALYSIS AND INVESTIGATION
OF ORGANIZED CRIME



**Expediente
Abierto**

Nicaragua Elites and Organized Crime



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Nicaragua Elites and Organized Crime

Nicaragua has long been able to keep homicide rates down, burnishing the country's anti-crime reputation. But as these case studies illustrate, the most sophisticated criminal groups often operate with a blessing from regional and national elites.

This series, which includes years of field work in Nicaragua, was produced in conjunction with our partner organization, [Expediente Abierto](#).

****This report was a collaboration between InSight Crime and Expediente Abierto, and included the participation of numerous Nicaraguan journalists and investigators who, for security reasons, prefer anonymity. Javier Meléndez coordinated the investigation, writing and editing of the story. Additional editing and reporting by Steven Dudley and Hannah Stone.***

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In part, this is due to the geographic location of these countries. Both Mexico and Colombia are considered to be hubs for drug production and trafficking to the United States, the largest drug consumer in the world. Transnational criminal groups use the region as a transit corridor and to strengthen their own individual businesses. Both require the participation of elites who can protect these groups' criminal activities, help them launder money, and provide them a layer of judicial protection.

Like other Central American nations, Nicaragua is not immune to the effects of organized criminal groups, which have sought to install and expand their power structures within the Central American country, either institutionally or informally. What level of influence do they have? How have they reached this point? What forms do the relationships between elites and organized crime take? These are some of the questions this study seeks to answer.

The study shows, for example, how criminal groups' interests intertwine with those of the elites and state bureaucracies, how criminal groups exploit the absence of the state and institutional deficits, and how mutually beneficial ties are created under the vestige of personal friendship or via relatives. Moreover, it reveals that these relationships are not the result of chance encounters, but are instead premeditated, strategic actions made by both actors when taking advantage of the absence of state institutions and the opacity in public administration or regulatory agencies in the country. This absence creates space for a type of symbiotic relationship between elites and criminal groups.

Nicaraguan Elites and Power

In Nicaragua, there has been scant discussion on the role of the country's elites with organized crime, even though elites are often thought of in the national political culture as being an important factor in explaining the country's political processes and the corruption related to them. The most well-known investigations into the country's elites during the last two decades have taken two major forms: studies about their political culture, or studies about the processes of their organization and formation.

This report allows us to identify different elites who because of their economic, political or social ties, have a clear interest in using the state's resources to consolidate their power and potentially commit acts of corruption. Indeed, from 1979 to the present, different groups of elites in the country have competed to take hold of privileged government positions to expand their own interests. During this time period, there have been two key events: the Sandinista Revolution and the period of liberal governments that replaced it in 1990. In both cases, changes in the economic model and the country's political project facilitated this type of competition between elites.

From Somoza to the Revolutionary Alliance

In its final years, the Somoza dictatorship – which held the presidency for over three decades in the 20th century – functioned like a family dynasty. It was backed by the power of the National Guard. The monopolistic control the Somozas and their associates held over the country’s political system and economic activities created a severe divide in Nicaraguan society, particularly within the country’s two most important economic groups: the traditional oligarchy linked to agricultural activities and property, and the industrial and commercial groups that sought greater global ties. These economic groups came together under the umbrella of the Superior Council of Private Enterprise (Consejo Superior de la Empresa Privada - COSEP). Their grievances were similar: They were not happy with how Somoza’s monopolies stagnated their own development and expansion.

Nicaragua's Elites – 1979

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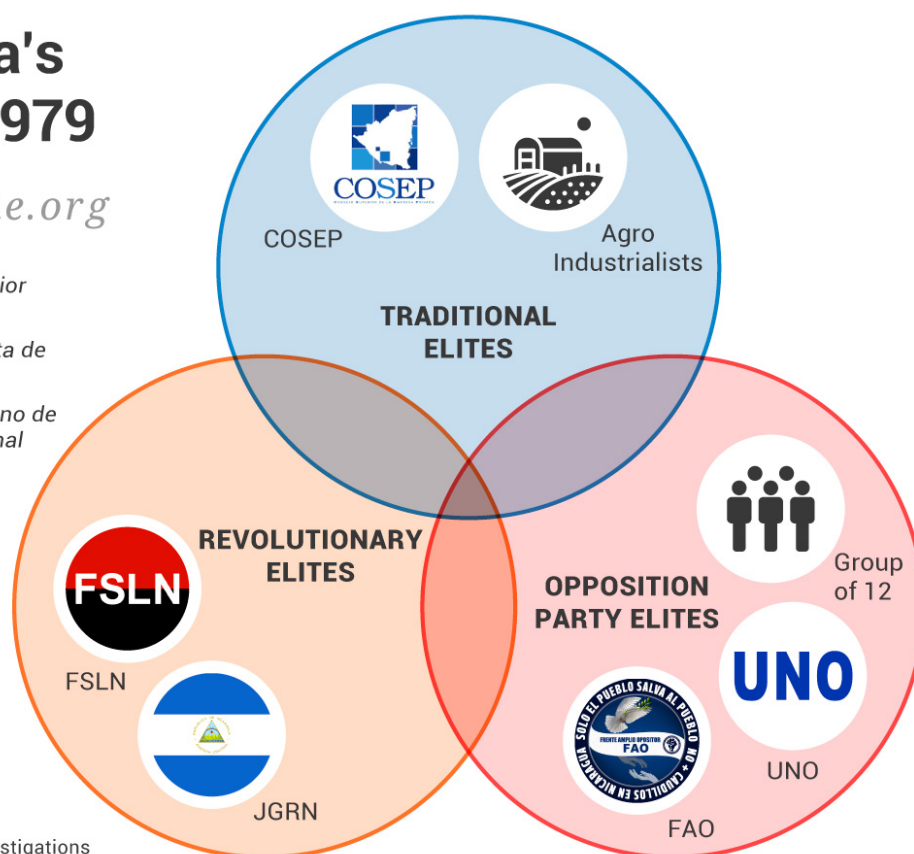
COSEP: Consejo Superior de la Empresa Privada

FSLN: Frente Sandinista de Liberación Nacional

JGRN: Junta de Gobierno de Reconstrucción Nacional

FAO: Frente Amplio Opositor

UNO: Unión Nacional Opositora



June 2021

Source: InSight Crime investigations

Leaders of opposition parties – many of whom had ties to the two major economic groups, as well as to the middle-class intellectuals – were similarly unhappy with the status quo. None of these groups had positions in the state or a say in the political system. They were unified through organizations such as the Broad Opposition Front (Frente Amplio Opositor - FAO), which was composed of professionals, intellectuals and businessmen tied to private trade; the National Opposition Union

(Unión Nacional Opositora - UNO), made up of political party leaders, some private businessman and media executives; and the Group of Twelve, made up of renowned intellectuals and writers – including Carlos Tünnermann, Sergio Ramírez, Arturo Cruz, Miguel d’Escoto, Fernando Cardenal, and Joaquín Cuadra Chamorro – who tried to differentiate themselves from other groups that had a more right-wing political orientation or connections to specific economic interests.

Between 1978 and 1979, the level of discontent led to the formation of a broad alliance between different civil society groups and guerrillas from the Sandinista National Liberation Front (Frente Sandinista de Liberación Nacional – FSLN), the insurgent coalition that was trying to overthrow the dictatorship. Apart from the economic groups and the political opposition, the alliance included members of Christian, worker, peasant, student and urban groups. It established itself as a broad opposition front and created representative mechanisms at the local and national levels, from the collective leadership in civil society and rebel groups all the way to the Junta of the National Reconstruction Government (Junta de Gobierno de Reconstrucción Nacional - JGRN), which was formed after [the fall](#) of the dictatorship.

Once the main objective was reached and the Somoza regime had been deposed in 1979, the revolution and the broad opposition front that formed around the FSLN faced major challenges, such as the reestablishment of government institutions, economic reconstruction following the civil war, and how to respond to the expectations of a diverse set of national and external actors with respect to the future of the country and democracy.

The alliance quickly fell apart when the FSLN leadership – under the presidency of Daniel Ortega – defined the process as socialist, took control of the government’s positions of power, and began to make decisions that adversely affected the interests of the big private companies and the landed oligarchy. These decisions included the expropriation of landholdings and companies, and the nationalization of key economic sectors such as the energy, mining and fuel sectors, among others.

The Sandinista regime had other problems as well. It was at war with United States-backed counter revolutionary forces known as the Contras. The proxy army’s core was initially former Somoza National Guard but later included peasants from war-torn areas.

The Contras – formed and maintained by the US Central Intelligence Agency (CIA) – operated mostly from the remote Honduran-Nicaraguan border area. They drained the Sandinistas of vital resources and waged an effective war of attrition on the hearts and minds of the Nicaraguans themselves. The prolonged war also radicalized the Sandinista leadership, giving voice and power to the most extreme parts of the party.

Despite these early splits and ongoing challenges, the Sandinistas and others eventually formed a political bloc integrated by the revolutionary leadership composed of people from the upper-middle class; the military establishment, intellectuals, and the so-called “patriotic” businessmen; and a part of the landed [oligarchy](#) that was connected to the revolutionary process. The political alliance also included civil society groups that had organized and actively participated in the revolutionary process. This bloc formed the core of the ruling coalition until the next rupture of power in 1990.

Political Transition: A New Ruling Elite?

The FSLN’s revolutionary project was upended in 1990, when the National Opposition Union (Unión Nacional Opositora - UNO) – which was composed of more than a dozen political opposition parties and groups, many of which had ties to the private business sector – defeated the ruling party at the polls and its candidate, Violeta Barrios de Chamorro, became president. UNO’s unexpected electoral victory opened a complex period in which three distinct sub-processes converged: the armed conflict with the Contras drew to a close, liberal democracy emerged, and the country’s economic model changed because of increased globalization. These were tumultuous transitions, occurring in the context of a renewed power struggle between different factions of the country’s capitalist and political classes.

During the first few years of what has been loosely termed the country’s democratic era, the power struggle led to schisms between the UNO and the FSLN, and amongst the parties themselves. According to Ángel Saldomando and David Close, these groups tried to create a “hegemonic pole” to lead the democratic transition process. At least three prominent factions within the UNO were said to represent large business interests: 1) the traditional oligarchy; 2) a new group of private businessmen; 3) political leaders. Similarly, another three factions could be identified in the FSLN: 1) a group tied to the political establishment and to businessmen within the party; 2) a group made up of intellectuals and militants; 3) and a group made up of the military high command.

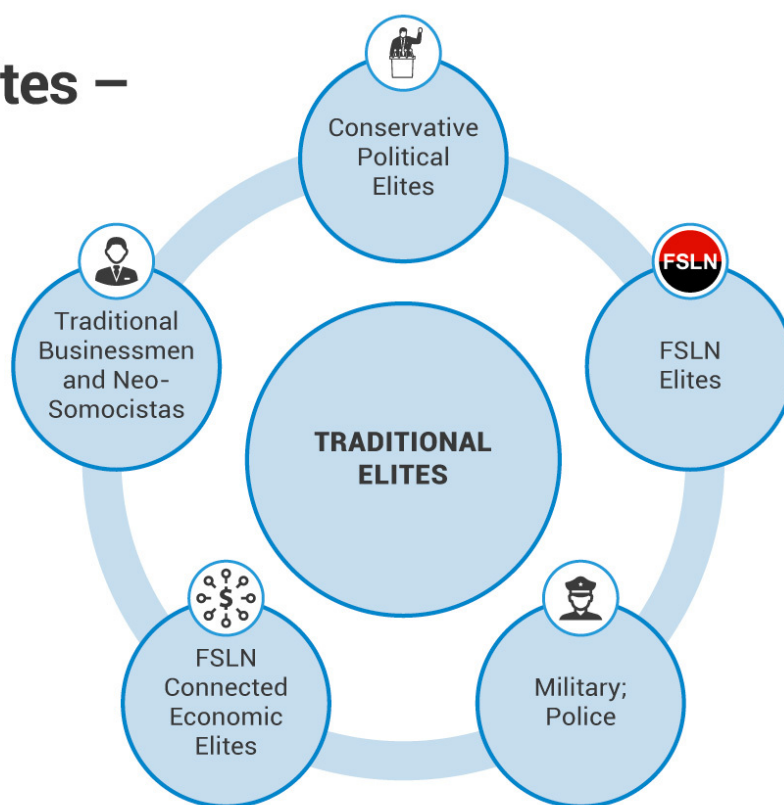
All of these groups entered into a political scrum, creating what were often temporary alliances that would allow them to control key posts and accumulate wealth, primarily via the state, its resources, and the extensive property the government had acquired during the 1980s while the Sandinistas held power. It culminated in what was described as a power grab, which was thwarted due to a constitutional reform in 1995. Still, another upheaval ensued in 1996, when the Liberal Alliance coalition, headed by Arnoldo Alemán and his conservative Liberal Constitutionalist Party (Partido Liberal Constitucionalista - PLC), seized the presidency and removed the FSLN and the UNO from their positions.

The members making up the Liberal Alliance came from sectors linked to the traditional oligarchy: groups of so-called “neo-Somocistas” and businessmen. During Alemán’s presidency, part of this economic and political elite, including Alemán himself, set about to create a powerful economic establishment drawing from government institutions. To achieve this goal, the state privatized public services, accelerated restructuring of land tenure, and appropriated funds that had been received during the country’s reconstruction following Hurricane Mitch in 1998. Although this elite succeeded in displacing some factions vying for power, it could not so easily dispose of the political and economic elite of the FSLN. Headed by Daniel Ortega, this revolutionary elite was composed of the party’s political leadership and pro-Sandinista businessmen.

Nicaragua's Elites – 1990 – 2007

insightcrime.org

FSLN: Frente Sandinista de Liberación Nacional



June 2019

Source: InSight Crime investigations

The Liberal Alliance and the FSLN began to negotiate in 1998, culminating in what became known as the Alemán-Ortega Pact one year later. While the terms of the pact were not publicized, it had several visible effects in the form of legal reforms such as those related to elections; those related to private property, especially that of the country’s large, traditional businessmen and the land acquired by the new Sandinista and Aleman-connected businessmen during the first five years of the 1990s; and those related to the privatization of public entities, particularly those in the communication, health and education sectors, which were distributed amongst the businessmen of both groups. This pact between political and economic elites held until 2007, when the FSLN leader Daniel Ortega returned to the presidency and

broke it. During the next few years, the country underwent several political crises that put into full view the stark differences between these two groups of elites who, along with several other elite groups, continued to struggle for state power.

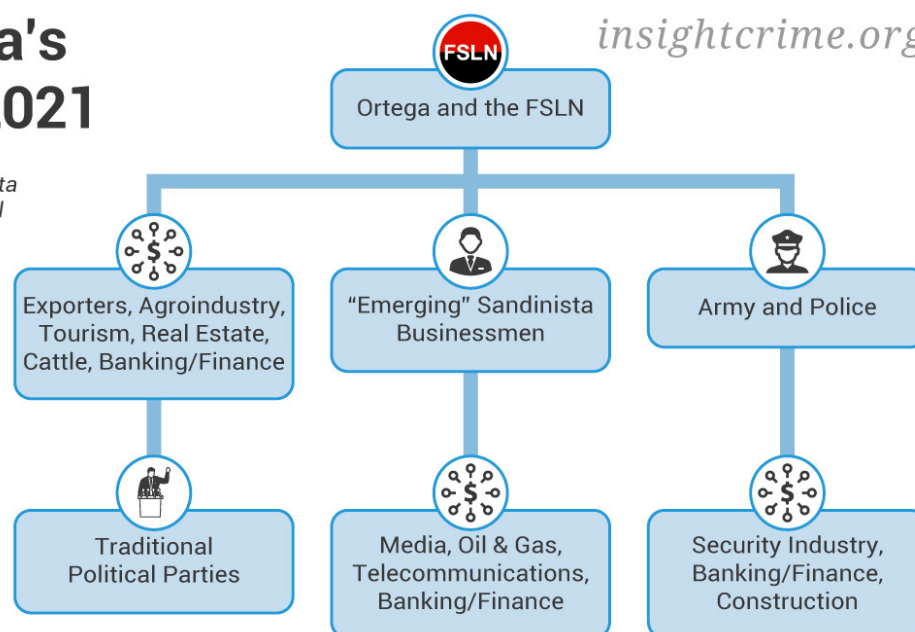
Between 2007 and 2018, Daniel Ortega, his family, and prominent pro-FSLN businessmen consolidated power by following two paths: a) constructing alliances to integrate certain groups into the national economy, such as large agro-exporters, foreign investors – primarily in the tourism and telecommunications sector – financial businessmen, and the military high command; b) “colonizing” state power so they controlled Congress, the Supreme Court, the electoral regulatory board, local municipal and regional governments, public administration systems and the country’s security institution. This ruling elite has strengthened its hand since 2007, and it has kept other competing factions of elites at bay either through private negotiation processes, the establishment of economic alliances, and the repression of political competition to prevent opposition groups from becoming an electoral threat.

Nicaragua's Elites – 2021

FSLN: *Frente Sandinista de Liberación Nacional*

June 2021

Source: InSight Crime Investigations



The Military and State Bureaucracy

The degree of differentiation and complexity in a society’s functions can be seen as much by looking at the level of state development as by looking at its economic activities. As Max Weber and C. Wright Mills once asserted, groups within the state with a certain level of specialization will inevitably form state bureaucracies, which have power over the allocation of the state’s resources, including its political capital.

Mills and Gaetano Mosca, who focused on the United States and Europe, argued that bureaucratic operators establish relations and ties with the political and economic elites until they themselves become elite. We call these actors bureaucratic elites.

In Nicaragua, the formation of the modern state bureaucracy began during the Somoza dictatorship when the government started specializing and professionalizing its personnel. This bureaucratic elite was soon joined by a top military class from the National Guard. The National Guard eventually became the institution with the greatest hold on the Somoza dynasty's power but one that did not supersede Somoza's own control of the state.

After the Sandinistas toppled the Somoza family in 1979, the state bureaucracy, including all of its personnel, was replaced. New bureaucratic hierarchies were thus created, giving strong discretionary influence to members of the FSLN who, while having some technical knowledge, were mainly chosen due to their closeness to the revolutionary hierarchy and their anti-Somoza credentials. Moreover, this new state bureaucracy developed ties with members of economic groups and well-known figures. Some of these allies included relatives and descendants of known Somoza affiliates who had never relinquished their power.

This new ruling elite was a mixture of the middle and upper class involved in the revolutionary process; "patriotic" businessmen; the old landed oligarchy allied to the revolution; and the military establishment that was formed following the FSLN's replacement of the National Guard. The military's importance came about, not only of its power over the use of state force, but also because of the civil war in which the US-backed Contras waged a low-intensity war against the Sandinista regime, mainly along the Honduras-Nicaragua border. During the 1980s, military leaders positioned themselves as privileged decision-makers in all spheres of government, from local to national levels. All other state authorities were subordinate to the military, especially in war zones.

As a result, it should come as no surprise that some of the most important political negotiations and decisions were led by the head of the army. Two examples stand out: the Sapoá negotiations for the disarmament of the Contras in 1989; and the Transition Protocol negotiations that facilitated the transfer of power in 1990. In both cases, the negotiations were led by General Humberto Ortega, the brother of Daniel Ortega and the head of the army at the time. But the power of the military establishment in Nicaragua was not limited to political or matters of security. The military also served business interests, overlooking a network of diverse companies. Even after the UNO's surprise electoral victory in 1990, the military retained significant economic power.

With the arrival of the Chamorro government in 1990, a significant part of the state bureaucracy formed during the revolutionary period left the government and became more active in civil society groups, many as leaders in national and international

non-governmental organizations. A few remained part of the state bureaucracy and, together with incoming public officials, merged to create a new bureaucratic elite forged via work, political and familial ties. The military's continuity also assured the institutionalization of the military elite and its less public but equally powerful political influence.

One group of officials close to President Chamorro, including her son-in-law and presidential advisor Antonio Lacayo, aligned themselves with the military leadership headed by FSLN's Humberto Ortega in an effort to establish hegemonic control of the political transition. However, they faced opposition. General Ortega was forced to retire from the military and was replaced by General Joaquín Cuadra, a descendent of one of the country's oldest and most traditional [oligarchies](#). Moreover, the arrival of Alemán's Liberal Alliance resulted in an important rotation in state officials that meant that bureaucratic elites had to form new ties with the newly installed political leadership.

During Chamorro's government, the bureaucratic elite that was part of the state included individuals from groups tied to the political opposition that remained in the country during the 1980s; private businessmen; the opposition Contra leadership that returned to the country in 1990, after that conflict had ended; and young professions educated outside the country. The military command was rejuvenated following the exit of Humberto Ortega with a new generation of officials who shared the political goals of the FSLN during its clandestine period. But the size of the military decreased sharply, leaving room for a new bureaucratic elite to emerge: the police.

Under normal circumstances, the police might not be considered elites, but the Nicaraguan police are an essential part of a bureaucratic elite that has become a central power broker in Nicaragua (and in other countries, as we have seen in our other country case studies). As with the other branches of Nicaragua's elite, the police were born with the FSLN. Founded after the 1979 revolution as the Sandinista Police (Policía Sandinista - PS), they retained close ties with the party even after Ortega lost power in 1990, and despite its non-partisan name, the National Police (Policía Nacional - PN). When Ortega returned to power in 2007, he revived their partisan nature and has turned them into a repressive force, especially since political protests began in April 2018 and coronavirus in 2020.

It is a sad turn. From the middle of the 1990s, when the police began a process of professionalization and modernization, until Daniel Ortega came back into the presidency, the police had won praise internationally for keeping violence down. This was widely attributed to their community-based approach to fighting crime. Then-Police Chief Aminta Granera was perhaps the best example of the bureaucratic elite that had emerged from the Nicaraguan security forces. Hailing from an old and well-to-do family, she became a revolutionary at a young age and following the overthrow of the Somoza dictatorship was part of the Sandinista government.

Granera remained in the police through the transitional period of the 1990s and as police chief, she had great personal influence in the country. In fact, she was consistently given the highest approval ratings of any public figure - a Gallup poll released in 2014, for example, gave her a 79 percent approval rating. Ortega got 78 percent in the same poll, but in earlier polls she far outpaced him. In a 2012 poll, for example, she received a 79 percent approval rating compared to 49 percent for him. She also had a high profile with the international community and was regularly invited to explain Nicaragua's policing approach to the international community.

Ortega's relationship with Granera was much more difficult to decipher, especially during his first administration after retaking the presidency in 2007. While he clearly depended on her to uphold the country's international standing in security matters, relations between them were tense at times. A US diplomatic cable released by WikiLeaks suggested that Ortega was afraid that she might become a political rival, challenging him for power. It also quoted Granera describing Ortega to the US ambassador as "completely crazy," and stating that "that the only thing keeping her safe from Ortega's hostility was her continuing popularity and status as a high-profile public figure."

However, under Granera's command, the National Police has been subsumed by Ortega's political interests. It has become, quite simply, a pro-FSLN force, violently repressing anti-government protests, and failing to investigate or stop attacks by government supporters,^[1] including what have become known as *parapolice*. Ortega has brought the police increasingly under his personal control, especially following a July 2014 decree that made the president the supreme commander of the police, allowing him to appoint and remove its leaders. At this point, there is simply no independent body to hold the police accountable.

Organized Crime in Nicaragua

Nicaragua experiences much less of the violence than its neighbors giving it the appearance of keeping organized crime and gang activity in complete check. However, organized crime still has a place in the country. The most prominent criminal organizations transport illicit drugs along the coastlines and through the main arteries of Nicaragua. They operate in remote areas, but as one of our case studies illustrates, they are also penetrating some of the government's most important institutions in capital city, Managua, and elsewhere.

The job of these criminal groups is simply to provide a bridge between points for the movement of this illicit product. This requires infrastructure and logistical support over a large swath of territory. From commercial fishermen to gasoline service stations, law firms to hotel and other tourism-related business, police to judges, the trade envelops numerous people from all social classes and ethnicities. In some instances, poor communities that simply scoop up the cargo dropped from airplanes or boats into the sea have become semi-dependent on its proceeds.

These transporters work closely with foreign-based criminal organizations, namely Colombian and Mexican criminal groups. Various police actions have illustrated the size and potency of these groups. In 2012 alone, the police dismantled 15 criminal organizations, and seized eight tons of cocaine along with 13 million dollars. Among those arrested were 18 Mexican nationals who had passed themselves off as part of a Mexican television news channel. They were captured with \$9.2 million and later prosecuted.

Traditionally, the Colombians were the most prominent foreigners, in part because of the proximity of the Colombian islands of San Andres and Providencia, which have long been used as a respite and transit point for illegal goods. But according to current and ex government officials interviewed for this report, the Mexicans have also been operational for years, and began picking up steam in the early 2000s.

“We started to see Mexicans take over from the Colombians in 2004, when they started working in the Caribbean,” one ex naval officer explained to our researchers. “The Mexican narcos were much more aggressive. That is when the break occurred. The Colombian cartels had been hit hard, and they were losing a lot of the drugs that were picked up. The Colombians eventually pitched to the Mexicans that, ‘I will sell you the drugs in Colombia, and you guys get it to market.’”

Some of the money collected for moving this cocaine through Nicaragua washes through its economy, although it is not a money laundering hub given its low socio-economic status (Nicaragua is the poorest country in Central America). Facing international pressure from organizations like the Financial Action Task Force (FATF), in 2012 the Nicaraguan government established a specialized group known as the Financial Analysis Unit (Unidad de Análisis Financiero – UAF) to investigate money laundering. But observers of the unit in Nicaragua said the UAF is used more to keep an eye on political opponents than to regulate illicit funds. The UAF works closely with the Bank Superintendence, which is run by a former security forces officer who was named to the post by President Ortega himself.

According to the 2017 FATF report, in spite of some improvements in recent years, Nicaragua does not have strong enough laws to control money laundering or illicit financing of terrorist groups. Of the more than 40 recommendations the FATF had previously given to the government, the FATF said the government had only achieved moderate success in implementing the most basic of reforms.

This could, in part, be explained by what appears to be top-down control of the underworld in Nicaragua alluded to earlier. Corruption, as our first case study shows, appears to reach the highest levels of the government. And as our second case study illustrates, illicit activities are intimately related to political power.



Hugo Mauricio Jaén Figueroa. Photo: CRHoy

Fariñas and Cabral had gotten up at the crack of dawn and were driving the short distance up Bulevar Liberación to the airport when a large vehicle pulled in front of them, blocking their path. Two more vehicles pulled up on either side, and men armed with high-caliber weapons **opened fire**, hitting Fariñas' Range Rover at least **18 times** and forcing it to swervewildly off the road. Fariñas was badly injured. Cabral died at the scene.

Outraged, the Guatemalan population took to the streets to protest the killing of the popular singer. Few had ever heard of Cabral's companion, the then 40-year-old Fariñas, who had made his life in Guatemala after moving there as a young man. He had married the daughter of a former high-level Guatemalan military official, making a living as a piano tuner, and later working with Elite nightclub, a chain of clubs that operated in various countries across Central America.



Scene of Facundo Cabral's murder.

The Guatemalan government responded fast to Cabral's murder.

On the day of the killing, Interior Minister Carlos Menocal **announced** that Fariñas had most likely been the **target**, as most of the bullets were aimed at the drivers' seat of the Range Rover. And later that week, the ministry **said** drug traffickers had **ordered** the hit because Fariñas stole money made from a drug shipment.

The comments from Guatemalan authorities – especially those of Menocal, a former journalist-turned minister – fell like bricks on Nicaragua. The Supreme Court president, the Sandinista-leaning Judge Alba Luz Ramos, said Guatemala was **smearing** the reputation of Fariñas: “They said the evidence is what?” she asked rhetorically. “No. They haven't said. They speculated. Nothing more. Just speculation, and that doesn't seem right to me because they are smearing someone's name.”



Henry Fariñas. Photo: El Informador

Recovering from his injuries, Fariñas told Guatemalan investigators that the hit had been ordered by his former business partner, a Costa Rican named Alejandro Jiménez. However, he said the motive was not the theft of illegal drugs but stemmed from a failed deal to sell part of the Elite franchise to Jiménez. Jiménez, who is also known as “Palidejo,” or “Paleface,” was captured when he tried to enter Colombia in March 2012, and he was later extradited to Guatemala to stand trial for Cabral’s death.

The death of Cabral put Fariñas in the spotlight in Guatemala and Nicaragua and forced the Nicaraguan government – which had up until then been protecting him – to launch an investigation into his criminal activities. What they found was embarrassing. Fariñas might have been an obscure nightclub owner, but he had strong ties to the highest echelons of the police and political elites. He had once bankrolled the police’s first division soccer team and counted among his legal team one of the most well-heeled barristers in a country where political power is tightly wound around a few families and managed with an iron fist.

Figueroa was, as prosecutors put together, Fariñas’ right-hand man, who, with the help of the same, well-connected lawyer, had established a series of companies of his own.

After the attack on him in Guatemala, Fariñas was a liability. Fariñas had entered and left his home country multiple times since the shooting, he said, and about three weeks after Jiménez’s capture, he and Figueroa prepared to return to Guatemala to testify against him. What awaited them were Guatemalan prosecutors, as well as investigators from the International Commission Against Impunity in Guatemala (Comisión Internacional Contra la Impunidad en Guatemala – CICIG), a United



Alejandro Jiménez, alias “Paleface.”
Photo: El Nuevo Diario

Nations-backed judicial body investigating high-level crimes like that which ended Cabral's life.

“In a country where the CICIG was, [it] was dangerous to let him come,” to Guatemala, a former CICIG investigator who worked on the investigation told Expediente Público. “Imagine Fariñas singing to an independent judicial body backed by the UN.”

Nicaraguan authorities would not risk it: They arrested Fariñas, along with Figueroa, at Managua airport and charged them with drug trafficking and money laundering.

The trial that followed in Nicaragua would entertain many, but also reveal the existence of a criminal network that stretched the length of the isthmus and reached into Nicaragua's judiciary, police and electoral authorities. And though the trial ended with Fariñas' conviction, investigators did not push to broaden its scope, nor cast a wider net to identify higher-level collaborators. In fact, the case appeared to change course every time it touched powerful figures, suggesting that Fariñas' contacts may only be the tip of the iceberg in terms of the links between Nicaragua's elites and organized crime.

Fariñas was eventually **sentenced** to 33 years. Figueroa was originally sentenced to 29 years. An appeals court later lowered both their sentences to 18 years. Judge María Concepción Ugarte, who had authority over matters of parole, decided to release Figueroa in May 2020, before expelling him from the country. Nicaragua's Attorney General's Office did not fight the ruling even though it was an extraordinary decision by the judge bordering on illegal. And of those convicted, only Fariñas remains in jail.

This case study is our attempt to research and expose as much of the Fariñas' network as we can. Our efforts – spearheaded by Expediente Público – reveal not only the size and power of this network but the internal battle within the government to avoid revelations that might destroy its image as an island of security in Central America. Central to this image is that of the police, an institution that was integral to Fariñas' network and perhaps the arbiter of criminal activity in Nicaragua.

Nicaragua's Elites: Orbiting the Caudillo

The Fariñas case centers on the country's ruling party, the Sandinista Front for National Liberation (Frente Sandinista de Liberación Nacional - FSLN). As noted in the introduction, the FSLN was not part of the traditional elite in Nicaragua. It has grown into that role over the years, mostly due to its enigmatic leader, President Daniel Ortega. All power flows from the president. The former revolutionary, who was part of the rebels in the 1970s who helped the Sandinistas to victory over dictator

Anastasio Somoza, has become the sole voice of what is left of the revolutionary party he helped establish. (In an ironic twist, the ruling party now places outsized posters of Ortega around the country that recall the Somoza years.)

Ortega has had an incredibly long and varied political career. He ran Nicaragua for a decade after the FSLN took power. Overestimating his own political base, he opened the way for a presidential election in 1990, which he lost despite pre-election polls that showed him as the clear favorite. After this crushing defeat, Ortega retained his political power via tight control over his party and a congressional seat from which to broker deals with rivals. These deals set the stage for his return to the presidential residence in 2007, where he remains amid criticisms that he exerts too much control over the other branches and institutions of government, and that he has committed electoral fraud to keep his hold on office. Together with his wife, Vice President Rosario Murillo, he has been accused of brutally repressing protests, including via extrajudicial assassinations as well as unlawful arrests and imprisonment of opposition figures, most notably following a series of mass protests against the government that began in April 2018, in which, according to the Interamerican Commission of Human Rights, as many as 325 people were **killed** and another 2,000 injured.

Ortega is a consummate member of Nicaragua's political elite in that he draws his power from his control over his party and the opportunities and wealth it provides him. But he also relies on Nicaragua's bureaucratic elite. He and his party have colonized nearly all branches of state power since his return to office in 2007. Through a series of shrewd political alliances, and blatant bending of the rules, Ortega has managed to co-opt or gain de facto control of the National Assembly, the Supreme Court, and the Supreme Electoral Council (Consejo Supremo Electoral - CSE), which regulates elections.



Nicaragua President Daniel Ortega

Supreme Court, CSE and other bodies, and dividing up the seats between party loyalists.

The roots of this politicization of government institutions go back to the late 1990s, when Ortega, then in opposition, negotiated a pact with President Arnoldo Alemán. Together, the FSLN and Alemán's Liberal Constitutionalist Party (Partido Liberal Constitucionalista - PLC) formed an overwhelming majority in the National Assembly, allowing them to select candidates for the

The bipartisan pact faded in importance as Ortega accrued power, and Alemán was sidelined, convicted on corruption charges and [sentenced](#) to 20 years in prison. By 2010, when the National Assembly refused to re-appoint the sitting CSE magistrates, Ortega simply passed an [executive decree](#) allowing appointed officials to stay in place until their replacements had been selected. This kept dozens of his allies in top positions across key institutions.

The president exercises day-to-day control over the judiciary by handing down orders through judges and appellate court judges. For a time, this included Judge Rafael Solís, which allowed him to bypass then-Supreme Court President Alba Luz Ramos, according to a source in the judiciary. Solís left the government following the brutal crackdown on April 2018 protests, leaving a scathing [letter of resignation](#) in his wake. Ortega also exerts control over the Supreme Court whose judges have been selected based on their loyalty to the president.

Control over the Supreme Court in turn places all judicial appointments in the hands of the Sandinistas, and a majority of the justice officials nationwide are affiliated to the party, [according](#) to magistrate Manuel Martínez. Ortega has also appointed commissioners to oversee the actions of judges across the country. For a long time, this job fell to Lenin Cerna, a close Ortega ally who served as state security chief in the 1980s. Cerna later left this post due to differences with Ortega's wife, Murillo, but remains loyal to the party and continues to exert influence behind the scenes. For its part, the Supreme Court vigorously denied any claims that it is controlled by outsiders. However, following the protests that began in April 2018, and the subsequent resignation of Solís, the court's independence has been called into question.

The Sandinista-dominated institutions have allowed Ortega to defy constitutional term limits and stay in power. The Supreme Court cleared the way for him to run for a second consecutive term in 2011, despite a constitutional ban, and his candidacy was rubber-stamped by the CSE. In the 2011 elections, widely [criticized](#) as lacking in transparency and presided over by a politicized CSE, the FSLN won a supermajority in the National Assembly, giving it control over the legislature, and allowing it to alter the constitution and to appoint officials unilaterally.

This electoral process was repeated in 2016, with an added feature: Ortega's wife, Rosario Murillo, was his running mate. National and international observers sounded the alarm that the electoral process was again compromised and lacked transparency. The Organization of American States (OAS) in particular took a strong [stance](#) under the leadership of the Uruguayan Luis Almagro.

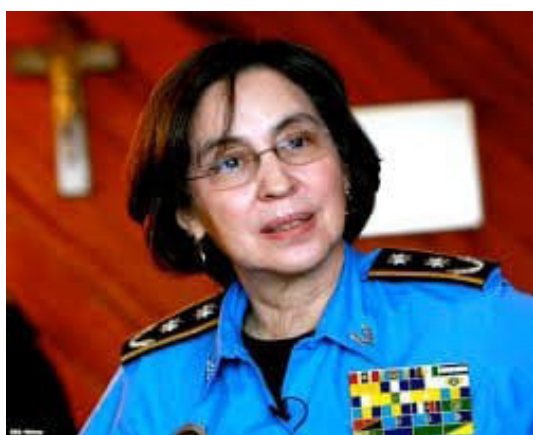
Almagro and Ortega, and their teams, met following the elections on several occasions and eventually drafted a memorandum of understanding in which the Ortega administration and the OAS [committed](#) themselves to “stimulating a process

of perfecting democracy in Nicaragua.” It would take three years, they said. But it never happened. And negotiations fell apart after a brutal government crackdown of protests left as many as 300 dead, most of them at the hands of police and government-affiliated paramilitary groups, according to human rights groups and the OAS.

The FSLN has also gained control of local and regional governments in a series of highly disputed elections. After municipal elections in 2008, his opponents cried foul and more than a few international observers said that the vote **lacked** credibility due to violence, widespread **reports of irregularities and fraud**, and the government’s refusal to invite international observation missions. Elections observers such as *Ética y Transparencia*, an independent non-governmental organization, said the FSLN committed fraud in as many as **40 municipalities**, including the capital, Managua. And local press reported that some FSLN candidates received more votes than there were registered voters.

The FSLN scoffed at the criticism, and when donors like the European Union and the United States announced that they would **withhold aid**, Ortega simply retorted that his allies in Venezuela and Russia would make up the shortfall.

Ortega has also spent much political capital and resources coopting the security forces. (In this sense, Ortega has much in common with ideological opposites such as Otto Pérez Molina, the former general who became Guatemala’s president in 2012 and was later ousted in a corruption scandal in 2015, and Juan Orlando Hernández, who was elected Honduras’ president in 2013 and later allegedly subverted voting to secure his own reelection in 2017.) He has, for example, **appointed** retired members of the police and army to his government – at least 30 since he came to power between 2007 and 2013 – and has beefed up the pension funds of retired officials through **business deals** criticized by the Nicaraguan press.



Aminta Granera. Photo: CCC

The police are equally important in this scheme. Ortega’s then-chief of police, the celebrated Aminta Granera – herself a former FSLN rebel fighter – was one of those who remained in office, despite her constitutional term ending in September 2010, until government repression began against protesters in 2018. Ortega eventually replaced her with Francisco Díaz, the father-in-law of one of his sons.

As with the judiciary, Ortega has a liaison that he uses to hand his orders directly to police and army commanders, often bypassing their bosses. Ortega’s operatives include former soldiers and his wife, according to numerous sources inside and outside of the government. Meanwhile, President Ortega administers his own power

structures that run parallel to the formal institutions. The investigative bodies and courts are staffed by loyal agents trained in the Sandinista revolution, giving the president the capacity to informally investigate anyone and use the information to his advantage.

To the surprise of some, the Ortega regime has also established alliances with key actors in the economic elite, namely the big agro-exporters; foreign investors, particularly in tourism and telecommunications; and business leaders in the financial sector. In return for low taxes and a role in drawing up legislation relevant to their interests, the leaders of the private sector lent their support to the president until Ortega's harsh repression of protests in 2018.

Prior to that period, Ortega met with these elites often. To cite one example, at a September 2013 meeting between Ortega and business representatives, a top advisor to the influential Higher Council of Private Enterprise (Consejo Superior de la Empresa Privada - COSEP) [defended](#) the government against criticisms from civil society, [declaring](#) that Nicaragua is an open society that enjoys freedom of speech and a functioning electoral system.

The president and COSEP have [worked together](#) on dozens of laws passed by the legislature since 2009. What's more, public-private projects were commonplace and a means by which everyone could benefit from government largesse and lax regulation of business practices, property laws and the tax system.

A good example of the way Ortega's ruling alliance wielded control and reaps profits is the [Albanisa](#) group. The economic group was the filter for the more than \$2.5 billion in assistance that Nicaragua's Central Bank says the country [received](#) from Venezuela between 2008 and 2013. On the surface, Albanisa was an oil-importing and distribution business through which all Venezuelan funds were channeled. But many of these funds were also invested in private businesses, including agricultural exports, hotels and a television channel, and some were funneled into social programs that built the president's popularity. All the money was [kept](#) off the national budget and away from public scrutiny, and much of it was seemingly seeping into the pockets of this ruling bureaucratic-economic elite alliance, according to security analyst and researcher Douglas Farah.

The president also adeptly strengthened his ties to social elites, which serve as important interlocutors with the general population and the economic elites. Nicaragua's powerful Catholic Church, for example, was brought into the Ortega fold through an alliance with recently deceased Cardinal Miguel Obando, once a political adversary who became a pillar of the caudillo's politics. In return for his support, Obando was appointed head of the state reconciliation commission, and one of his protégés, Roberto Rivas, had FSLN backing in his role as president of the electoral council (CSE) until the United States blacklisted him, and he resigned.

Ortega's circle has prevailed against the other elite factions competing for power by eliminating other political parties so that they cannot compete electorally. The Ortega-Alemán pact's reforms to the electoral law helped push the country towards a two-party system by making it more difficult for small parties to compete. Many minor parties were knocked out of competition by the stringent new rules, including a requirement that parties present the signatures of three percent of the electorate – who have not signed the petition of any other party – in order to [register](#). Moreover, party accreditation is in the hands of the CSE, which has been [accused](#) of excessive interference on political lines.

The FSLN has also systematically [marginalized](#) opposition non-governmental organizations (NGOs) and the press. The government has [excluded](#) them from major social projects, such as the Zero Hunger scheme, in favor of the FSLN-linked Citizen Power Councils (Consejos de Poder Ciudadano - CPC), and it has intimidated some groups linked to critics by launching criminal investigations and raiding their offices. Ortega and his associates have steadily silenced media critics through legal harassment and smears, as well as the systematic [withholding](#) of government advertising – an important source of funds – from their outlets.

With alliances at all levels, and without counterweights or an independent investigative body to question Ortega's ruling structure, it was no surprise that the official investigation into the Fariñas case began to change course when it started bringing up names linked to the Sandinistas' bureaucratic elite.

The Fariñas Network

When Henry Fariñas' defense lawyers looked at the case against their client, they were surprised. They never thought they would mention names like José María Enríquez Moncada, a prominent lawyer for the country's first family, and Guillermo Terán, a businessman whose family was involved in numerous businesses across the country.

“Heads will roll,” one of the lawyers said as he looked over the government's case. “I'm sure someone is going to fall for this. They can't have permission to get to the bottom of this. The accused are the scapegoats.”

Fariñas began a life of crime in an odd job: as a piano tuner. A Nicaraguan by birth, the would-be musician moved to Guatemala when he was a teenager and eventually turned his efforts towards fixing instruments, instead of playing them. The job opened the doors to a new social network in bars and nightclubs. It's not clear what came first, but at some point, he began booking and promoting musicians, as well as facilitating the activities of organized crime.

The Fariñas network eventually spread across Central America, maintaining a complex web of operations that included the production of false Nicaraguan personal documents, a vast money-laundering operation and a network of drug transporters. According to the police [case file](#), Fariñas’ group worked alongside two similar criminal organizations to ship drugs from Panama to Guatemala.

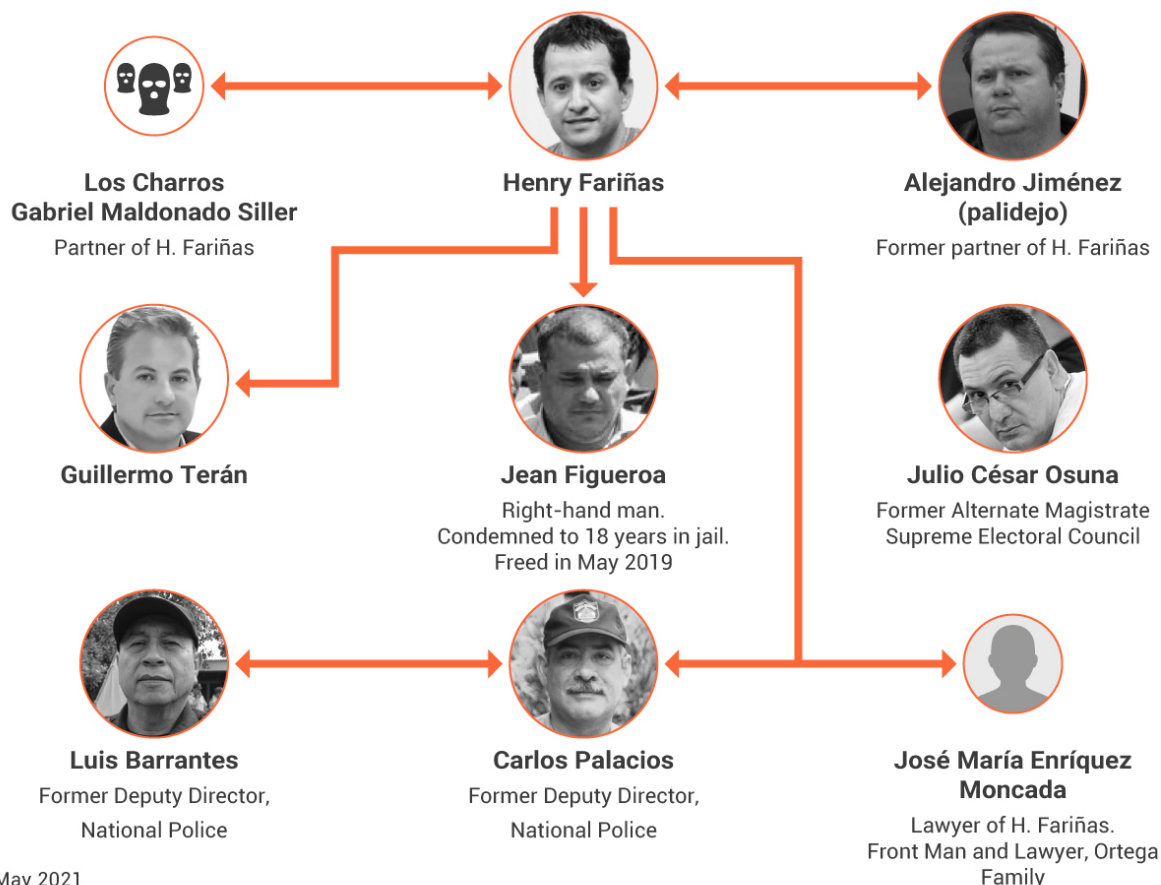


Henry Fariñas

One of these operations was headed by Alejandro Jiménez, a Costa Rican also known as “Palidejo,” or “Paleface.” The partnership began after the Costa Rican moved to Nicaragua in 2008, and acquired a false Nicaraguan ID. Jiménez ran his operations from a comfortable house on what was known as the Carretera Sur in the Nicaraguan capital, a portion of the Pan-American Highway that connects these countries only a few kilometers from Fariñas’ house. Jiménez’s bank account showed only a modest income but he liked luxury cars and his employees often saw him driving an Audi or a BMW.

Henry Fariñas Criminal Network

insightcrime.org



May 2021

Source: InSight Crime investigations

Fariñas was only one of Jiménez’s partners. A police [press release](#) stated that, as well as associating with transport groups like the Fariñas network, Jiménez’s criminal organization also sold drugs to Mexican, Guatemalan and Honduran groups using sites in Costa Rica for both storage and points of dispatch. Jiménez’s group, which appears to have been much larger than Fariñas’ operation, justified the flow of money by pretending to import damaged luxury vehicles for refurbishment in Nicaragua.

Fariñas’ other partners were known as “Los Charros,” or “The Cowboys.” They were, according to authorities, an offshoot of the Mexican criminal organization, the [Familia Michoacana](#). The Charros’ boss in Nicaragua was Gabriel Maldonado Siller, a former Mexican federal policeman who was eventually [arrested](#) in Texas. According to the Nicaraguan [indictment](#) obtained by Expediente Público, the Mexican traffickers registered businesses and bought properties with the help of Nicaraguan frontmen, and transported drugs in vehicles that had been registered in the name of evangelical churches.



Members of the Charros appearing in court.
Photo: El Nuevo Diario

Within this vast network, Fariñas’ job was two-fold: transporter and money launderer. Nicaraguan government [investigators](#) said Jiménez moved cocaine provided by his Colombian partners from Panama to Costa Rica; Fariñas’ operatives moved it from there to Managua; and the Charros group would take it to Guatemala. Nicaraguan [authorities](#) say Fariñas laundered the network’s profits through several companies, including the Elite nightclub chain,

where he began working in 2005. Nicaraguan prosecutors said that Fariñas [owned](#) the chain, which was registered in the name of frontmen, but Fariñas and his family deny this, stating that he was only ever an employee of Elite in Guatemala.

The trouble started when Nicaraguan police captured key members of the Charros in May 2011. Seeing an opportunity, the upstart Fariñas stole a cocaine shipment, planning to sell it himself rather than handing it over to the Charros, according to the accusation. This, investigators say, set in motion the chain of events that resulted in the death of Argentine folk legend, Facundo Cabral, which would eventually expose the criminal enterprise.

Fariñas' Links to the Elites

In order to carry out its operations and protect its members from prosecution, Fariñas' group had built up a network of contacts within Nicaragua's elites. These included some members of the police and judicial authorities. Not all of these alliances were based on illegal ventures. As in the rest of Central America, the growth of powerful transnational drug cartels has intertwined organized crime and the legitimate economy in Nicaragua, blurring the lines between legal and illegal enterprises and the networks in which business transpires. Nonetheless, there is strong evidence of direct contact between Fariñas' group and the elites. As Judge Adela Cardoza stated succinctly in the Fariñas' sentencing: "We believe that this network established alliances at the highest economic levels."

Fariñas and A Deputy Chief of Police

Some of the main contacts for Fariñas' underworld activities came via the Nicaraguan police. As described earlier, the Nicaraguan police's role goes beyond that of the first line of security and defense of the civilian population. They are an important social and political actor, and were an interlocutor with civil society until the April 2018 protests and subsequent repression. They are also at the heart of Ortega's regime of bureaucratic elites, taking on roles normally reserved for other public offices, such as running violence prevention programs and heading up anti-drug consumption campaigns.

Fariñas had strong contacts at the highest levels of the police. In the days before the trial began in April 2012, Fariñas' family told the media that he was a close friend of senior police commanders, including Deputy Police Chief Carlos Palacios Linarte. Palacios was a career officer who had held important roles such as intelligence chief, in which he handled informants for drug cases, among other duties. He had risen to the top under Granera and was considered a trusted, albeit volatile, commander.



Carlos Palacios. Photo: *El Nuevo Diario*

Palacios had been linked to suspicious characters in the past. In 2006, the police removed Managua Police Chief Carlos Bendaña after allegations he took bribes from business owners, including a nightclub proprietor and suspected drug trafficker named Jerónimo Polanco, who had been murdered. The two men convicted of the

killing had personal connections to Bendaña: one was his driver, and the other was the son of Bendaña's friend and alleged informant William Calderón. Polanco's family said that other police officials, among them Palacios (then the intelligence chief), Francisco Díaz (the father-in-law of President Ortega's son and now police chief), and Roger Ramírez (who would later become Managua police chief) often came to his clubs and received money from Polanco as well. Photographs of the officials with Polanco were published in the press and suspicion for Polanco's murder fell on them. The media also reported that Palacios had organized a gathering of Central American intelligence chiefs in Polanco's club.

Despite his connection to the Polanco affair, Palacios continued to rise in the ranks of the Nicaraguan police, under the watch of then-Police Chief Granera. The fact that Granera named him as her deputy – all the while knowing about doubts over his conduct – raises questions. “Aminta gave him a lot of power,” a source within the judiciary commented to InSight Crime. “When she became part of the top command, Palacios was the head of intelligence, and they promoted him to be with her, and they named him as a second commander with control over various units: drugs [unit], judicial and financial monitoring. So you have to ask yourself: what's up with Aminta? The command structure in the police is very hierarchical, and it would have been easy for Palacios to stop any police operation.”

The exact relationship between the Fariñas family and Palacios, as well as other police officials, is in dispute. For their part, members of the Fariñas family claimed that Henry Fariñas was godfather to one of Palacios' children. Moreover, they said that the Elite nightclub had paid for the costly remodeling of one of the biggest police stations in Managua. According to Fariñas' mother, the family's relationship with the police high command dated back to the 1980s, when her husband, Carlos, worked as a mechanic in the Interior Ministry. Young officers from the Sandinista police, among them Palacios, would come to the garage, and, as the years went by, they rose up the police ranks.

A month after the family's declarations about its relations to Palacios, the police announced that Palacios was retiring. Police Chief Granera, who denied that Palacios' departure had any connection to the case, said that he would be given a decoration for his services. Palacios also publicly denied that his departure was linked to the case and said he had requested his retirement a year earlier. He added that he was not a friend of Fariñas, and that Fariñas was not godfather to any of his children. But he admitted that he knew Fariñas through a soccer team they both played on, and that he had known his father.

“If I had information about illegal activity of anyone, of course it had nothing to do with him,” he said. “We are serious people.”

Palacios and his dealings with Fariñas were never investigated, and he was not called to testify in the trial.

United States' Concerns about Palacios

The United States government refused to comment publicly on Palacios or the Fariñas case, but it had documented concerns about Palacios dating back before the Cabral murder. A 2007 US diplomatic cable released by WikiLeaks [cited](#) a former Sandinista source who described Palacios as “a corrupt FSLN hard-liner.” Another [cable](#) from US diplomats in Nicaragua referred to Palacios as “an Ortega loyalist who has alleged, albeit unproven, ties to organized crime and corruption in Nicaragua.”

Further evidence of Fariñas’ ties to the police emerged during the trial when Guillermo Terán, a Harley Davidson motorbike distributor in Nicaragua, who was found guilty of being part of Fariñas’ network, testified that Fariñas had arrived at his store in a Managua mall in January 2012 escorted by a phalanx of police. The manager of Elite nightclub in Managua and Fariñas’ right-hand man, Hugo Jaén Figueroa, also testified during the trial that the club employees were friends with the police, especially those from District 5, and used to give them free drinks when they came to the bar.



Guillermo Terán.
Photo: YouTube Still

In June, the Fariñas family [released](#) photos of Henry Fariñas’ sisters – Karla and Alicia – socializing with a state police chief and the former deputy head of the Managua police. The family claimed that it had more evidence, including photos and videos of police chiefs with the head of the criminal group, the Costa Rican Jiménez, and that the police were trying to seize this evidence to stop it from becoming public.

Indeed, sources in Nicaragua’s Attorney General’s Office, who asked to remain anonymous, said that there was an internal division within the police over how to respond to the accusations from the Fariñas family. One strategy, according to a source within the judiciary, was to try to strike a deal: in exchange for clemency for other family members, the family would not reveal any more photos to the public. (However, after Karla Fariñas was prosecuted, it’s not clear that a deal was reached.)

Another strategy, according to Henry Fariñas and his family, was to threaten Fariñas directly. Fariñas said this plan was hatched by a parallel structure within the police force, which he suggested was linked to the Costa Rican trafficker Jiménez. He said he had been [tortured](#) while in custody and even named a police commander who he said had [threatened](#) him with a “slow death.”

“The interests are obvious,” he told the author in an [interview](#) published in Confidential. “There is a background to all this. They have pressured me, pressured my family. Just think of who benefits because I didn’t testify in Guatemala.”

The dispute between Jiménez and Fariñas that led to the Cabral murder may have also been related to Fariñas’ connections to the police. A high-level source in the Nicaraguan police force who requested anonymity told InSight Crime that Palacios had been involved in a scheme with Fariñas to steal drug shipments from other traffickers. Fariñas would arrange to buy drugs, then tell the police where the cargo would be. The police would seize the drugs and sell them, then split the profits with Fariñas, according to the source.

Drug Trafficking Route of the Henry Fariñas Network



No official documents or testimony reinforce this theory. However, drug thefts, or “tumbes” as they are known in the region, are commonplace in Nicaragua and a perennial source of friction among criminal groups. Police, and other authorities, execute tumbes on their own or in conjunction with criminal groups throughout Central America. In the Fariñas case, numerous investigators linked the friction between him and Jiménez to the theft of a drug shipment. The former high-level police official said Palacios was an active partner in the scheme.



Julio César Osuna. Photo: La Prensa

Just days after Fariñas' claims about a parallel structure within the police, authorities arrested an alternate magistrate on the electoral commission, or CSE, named Julio César Osuna. His name had **appeared** in the press more than three weeks previously as a business partner of a leader of the Charros, but the police did not detain him until after Fariñas' accusations were made public. The arrest, as illustrated below, was another crucial thread to this story

and turned the public's attention towards Osuna, where it remained until the case disappeared from the public discourse altogether.

Fariñas and a CSE Magistrate

The Supreme Electoral Council (Consejo Supremo Electoral - CSE) is a branch of government that manages electoral processes and issues ID cards. It has been the target of fierce criticism in recent years because of President Ortega's tight control over it.

Never was this relationship more evident than during the 2008 local elections when the CSE played a central role in cementing Ortega's power. In the lead-up to the election, the CSE **withdrew** the legal status of two opposition parties and removed the leader of another – the runner-up in the previous presidential election. It also made the much-deplored decision to refuse accreditation to domestic and international election observation groups. In addition to this, the CSE delayed elections in the North Caribbean Coast Autonomous Region (Región Autónoma de la Costa Caribe Norte - RACCN) on the grounds of hurricane damage, which critics said was part of a Sandinista ploy to avoid losing control of the region, where government support had dropped due to shortfalls in assistance following the hurricane.

Osuna was little known in Nicaragua before his arrest, though his sister María Haydee Osuna is a prominent figure in politics. As a long-time ally of ex-President Arnoldo Alemán, she rose through the ranks of Alemán's Constitutionalist Liberal Party, becoming its president shortly before Osuna's arrest. María Haydee got her brother Julio César a job in the CSE division responsible for issuing IDs in 2001, and, boosted by her influence, he was selected as an alternate magistrate in 2005. Despite these family ties, Osuna's name had only been in the public eye when he was **accused** of threatening and later shooting at a CSE contractor. (The contractor would later be

a key element in an [investigation](#) by El Nuevo Diario, which presented evidence that CSE President Roberto Rivas had been part of a scheme to embezzle government money.)

Osuna's criminal activities while at the CSE centered on issuing fake identification cards and money laundering, authorities said. Osuna ran a ring that provided false Nicaraguan identity documents to foreigners, with the help of his brother, José; his secretary, Carolina Gonzalez; and his lawyer, Jorge Acevedo. According to the case file, the group would search the newspapers for the names of people whose identity they could steal, specifically looking for reports of the deaths of alcoholics or people with mental problems. In addition to providing an ID to Jiménez, Osuna may have also issued IDs to members of other criminal groups such as the rebels from the Revolutionary Armed Forces of Colombia (Fuerzas Armadas Revolucionarias de Colombia - FARC). (As with the trail of evidence leading to the police, prosecutors dangled the [connection](#) between Fariñas and Colombian insurgents from the FARC and then dropped it, for reasons that are unclear.)

The FARC and the FSLN have a longstanding relationship, which is manifest, in part, through cases of false IDs issued to guerrillas. In 2008, an [investigation](#) by La Prensa presented evidence that a FARC member, Colombian citizen Alberto Bermúdez, alias "El Cojo," had acquired a Nicaraguan identity card with a false name in 2007, through a friend in the CSE's public relations office. The transaction was discussed in communications between FARC leaders found on the computers of rebel commander Luis Edgar Devia Silva, alias "Raúl Reyes." CSE President Roberto Rivas [promised](#) to investigate, but nobody has ever been charged in the case.

Still, the FSLN has long been seen by the US government as more opportunistic than ideological when it comes to relations with illicit actors. In the 1980s, the Sandinista regime gave Pablo Escobar refuge following the murder of a high-level Colombian official and allowed the movement of cocaine through the country in return for cash payments to the government. The arrangement reached to the top of the regime: using a hidden camera, the US Drug Enforcement Administration (DEA) got [video](#) footage of Escobar with Interior Ministry officials loading a drug plane (making it difficult for the Sandinistas to refute these claims).

When WikiLeaks released US diplomatic cables containing these allegations, the Sandinistas simply dismissed them. Now deceased former Interior Minister Tomás Borge, who was named in a cable as having coordinated Escobar's drug shipments, said that the claims were aimed at undermining the party. "This is the type of rumors that ambassadors [get] from people they contract," he said. "This is designed to hurt the Sandinista Front."

Jacinto Suárez, an FSLN representative to the Central American parliament, told journalists that the cables did not deserve any response.

“This is designed to fuck with us. It didn’t happen. It doesn’t even warrant comment. This is just one more stupid thing,” he said.

More recently – another 2006 US Embassy cable claimed – the FSLN used seized drug proceeds to pay off judges. The sums of money were substantial: the cable chronicled one case involving a \$609,000 seizure. The cable also said the Sandinistas accepted campaign contributions from international drug traffickers in return for “not guilty” verdicts in cases involving the traffickers’ emissaries. These cases also reached to the top of the regime: the go-between for the deals was Lenin Cerna, the cable said, the Ortega regime’s former Director of State Security and a long-time Ortega loyalist. Following the release of the cables, several former and current Sandinista party officials said the cables were unsubstantiated and part of an effort to discredit the regime.

Specifically, with regards to the Fariñas case’s connections to the CSE, high-level FSLN involvement is difficult to establish. Nicaraguan authorities said that Osuna provided an ID to the Costa Rican trafficker Jiménez, Fariñas’ former partner, who issued the order to assassinate him. But just how the ID verification process happened is still a mystery. One of the witnesses who supposedly confirmed Jiménez’s identity before the court in 2008 was an illiterate fisherman living in a shack in the middle of Lake Managua; he told reporters when they inquired that he had never appeared in a courtroom. Another witness, Leoncio Treminio Jarquín, who was listed as Jiménez’s father, had in fact died 50 days before his supposed court appearance, a tactic in line with Osuna and his associates’ aforementioned modus operandi.

However, the case did appear to go higher than Osuna. Guillermo García, a liberal-leaning judge and acquaintance of the Osuna family, gave the okay for the Jiménez ID. Fariñas’ sister Karla was also listed as a witness for Jiménez’s ID process in García’s court but said she made her statement in Osuna’s office. García was eventually removed from his post after authorities revealed he had issued a replacement birth certificate under Jiménez’s false name. Like police commander Palacios, García has not been prosecuted nor did he testify in the trial.

The ID Osuna and García issued to Jiménez was very useful for the trafficker. Customs records show that he used his false identity, “Jose Fernando Treminio Díaz,” to enter and leave the country 42 times between 2009 and 2012. Sixteen of these times he arrived via the Managua International Airport.

Osuna’s money laundering activities are also chronicled in the case file. Authorities say Osuna traveled to Costa Rica twice a month and handed over at least \$700,000 in cash to a Panamanian who was part of the Fariñas organization. During the investigation, a border official based in the Peñas Blancas migration office identified Osuna and said that the magistrate traveled with a man known as “Don José” – named later by police as the drug trafficker José Reyes Gamboa, alias “Chaperón.”

Osuna and his driver Francisco Somarriba, organized the trip. The two often met in Guanacaste – in the same shopping plaza as Guillermo Terán’s motorcycle shop – before driving south to make the drop. The driver Somarriba was also convicted.

Osuna had close ties to other drug traffickers besides Fariñas and Jiménez. The magistrate was a close friend of Chaperón and a business partner of Chaperón’s wife, Angélica Leticia Sánchez, in a company called Yihad S.A., a front through which the Fariñas’ group laundered money. Authorities discovered that Osuna and Sánchez shared a savings account, which held some \$27,000. Osuna was also a partner of two members of the Charros, David Patrón Arce and Manuel de Jesús Herrera, in a company called America Central, America del Norte Importaciones y Exportaciones S.A.

Despite these possible alliances with other elite operators, Osuna was presented as a lone wolf, and prosecutors and police did not investigate other leads about the CSE. The day after Osuna’s arrest, then-CSE President Roberto Rivas and other top officials from the institution distanced themselves from the magistrate, stating at a [press conference](#): “We don’t need to be involved in a problem that is not ours. If the police made a surprise capture of an alternate court magistrate, that’s the alternate court magistrate’s problem, not ours.”

For her part, Nicaragua’s then-Police Chief Granera [stated](#) days later that Osuna’s crime ring was an isolated case, and that: “Organized crime is going to continue fighting to penetrate the social base and the institutions, but I would not say that it has penetrated the Nicaraguan institutions. I think that has only happened in isolated cases.”

But the evidence suggests that Osuna needed to have some accomplices beyond his office in the CSE in order to operate such high-level schemes for so long. He and his driver made several authorized trips to Costa Rica in an official CSE vehicle. In at least one case, investigators found a document in which Rivas himself authorized the CSE vehicle to leave the country.

Rivas was connected to the highest levels of the Sandinista regime, as president of the Supreme Electoral Council (Consejo Supremo Electoral - CSE) since 2000. He is also among those who stayed in office after his term ended, thanks to a 2010 decree from the president. Rivas has faced accusations of corruption himself. The press has scrutinized him for years, in part because of what the media characterizes as his unexplained wealth. The CSE president was also a protégé of Cardinal Miguel Obando, a key ally of Ortega until his death. These connections may help explain how Rivas has avoided investigation.

Adding to the conspiracy theories is the fact that Osuna was arrested before being stripped of his immunity. Under normal circumstances, the Nicaraguan congress would have held a public hearing to consider removing that immunity. Such a hearing

would have opened the possibility that Osuna could give his side of the story. Other critics of the investigation into the CSE go further.

“It seems very possible that more CSE people were involved,” said Rosa Marina Zelaya, a former president of the CSE, at the time.

Fariñas and the Ortega Regime ‘Operator’

Fariñas’ business circle included economic elites. These elites are connected to the highest political levels and, in one case, were involved in the types of deals between private and public entities described at the onset of this case study. What’s more, the network is surprisingly close to President Ortega and adds to the intrigue surrounding the case.

Fariñas built his economic network around his licit businesses, most notably the Elite nightclub chain and his concert promotion activities. According to Nicaraguan prosecutors, the nightclub was intimately involved in the Fariñas’ illicit network’s activities. For instance, the Panama-based owner of Elite, US native Gerald James Shackelford, was named in the same accusation as Fariñas, and charged with organized crime, money laundering and drug trafficking. The judge on the case ordered the police to seek Shackelford’s arrest through Interpol. However, Panamanian newspaper La Estrella reported in April 2012 that there was no legal process or warrant against him in that country, and the Nicaraguan authorities quietly dropped the charges in May 2014 for reasons that are unknown.

In Nicaragua, Fariñas’ circles included Walter Zavala, the now-deceased president of the Nicaraguan Riding Club. After the attack in Guatemala City that left Cabral dead and Fariñas injured, Zavala defended Fariñas and said he was not mixed up with crime. The police later arrested Fariñas’ brother Pedro, the suspected second-in-command of the network, in Zavala’s house.

By far the most prominent of Fariñas’ elite connections in Nicaragua was José María Enríquez Moncada. Often described in the press as an Ortega “operator,” Enríquez Moncada once worked for a household appliances company Comercializadora Panamericana SA (Copasa), and was the director of a Managuan baseball team, Los Indios del Boer. In 2009, a Russian telecom company Yota – of which Enríquez Moncada was a local partner – won a government contract to provide broadband services in Nicaragua. There were suspicions that the bidding process was rigged, since Yota’s other Nicaraguan partner, José Mojica Mejía, was known as an employee and close associate of the Ortega family.

The Yota deal was one of many for Enríquez Moncada and Mojica. The two were also linked to Ortega’s business empire via a shadowy deal involving the country’s

largest gasoline network, the Distribuidora Nicaragüense de Petroleo (DNP). The Ortega regime's Venezuelan-financed economic group, Albanisa, purchased DNP from the Swiss consortium Glencore in 2009, and the government said that it would be managed by state gasoline company, Petronic.

However, a 2012 investigation by La Prensa revealed that Albanisa had passed its shares to Enríquez Moncada and Mojica, who had in turn formally delegated power over the company to Yadira Leets Marín, Ortega's daughter-in-law. In effect, the allegation was that the two were acting as fronts, allowing the president's family to control DNP from behind the scenes.

Enríquez Moncada and Mojica also appear as legal representatives of TV stations run by Ortega's children. Enríquez Moncada is [named](#) as the representative of Celeste, the company behind Channel 13, which is run by three of Ortega's children – Luciana, Camila and Maurice. Mojica is the representative of Televisora Nicaragüense, the company behind Channel 8, which is run by Ortega's son, Juan Carlos, and thought to have been [purchased](#) by the family using Venezuelan oil money.

Enríquez Moncada's connection to Fariñas was direct and substantial, according to investigators. The Economic Investigations Department (Dirección de Investigaciones Económicas - DIE) found that Enríquez Moncada had been involved in the creation of 7 of the 15 companies through which Fariñas' group laundered \$39.9 million between 2005 and 2012. (See list below) Enríquez Moncada was the lawyer who oversaw the creation of five of the companies. He was a partner in another, Servicios Profesionales (Sepro), and was named as an alternate signatory of two bank accounts in another, Multiservicios Integrales. Both these companies were created with the help of Enríquez Moncada's lawyer, Reyna Anais Socorro Araica, who also oversaw the act transferring control of DNP to Ortega's daughter-in-law. According to data obtained from the police, Multiservicios Integrales registered movements in the order of \$2,154,752 in the Banco de Finanzas (BDF).

After it was first [revealed](#) in May 2012 that Enríquez Moncada had been the legal representative in the creation of J&E Entertainment, the legal entity behind Elite, Enríquez Moncada denied ties to the nightclub promoter and issued disparaging comments to the press about Fariñas. ("I have nothing to do with that thing," he told *Confidencial*.) Enríquez Moncada said he had done the legal work on J&E Entertainment on behalf of Guillermo Terán.

Terán, a scion of one of the country's most prominent business families in the 1990s, ran a Harley Davidson dealership in Managua and testified about Fariñas' contacts with the police. He was accused of having played a key role in Fariñas' network and sentenced to six years in prison for organized crime – though he was cleared of money laundering and drug trafficking. He began serving this sentence under house arrest, due to health issues, but he was [cleared](#) after an appeal several months later.

And just as the authorities failed to take the investigation further into Fariñas' links to the police and the electoral commission, they did not investigate Enríquez Moncada's role in the crime ring. Judge Adela Cardoza, an FSLN militant herself, **rejected** a request from Fariñas' lawyer that Enríquez Moncada be called to testify in the case and stated that it was the responsibility of the Attorney General's Office to decide whether to charge Enríquez Moncada.

In September 2012, Henry Fariñas was found **guilty** of money laundering, drug trafficking and organized crime. Fariñas was initially sentenced to 30 years in prison, though the sentence was later reduced on appeal to 18 years. Of the 24 accused in the Fariñas case, 23 were found **guilty**, including Osuna. Only one member of the group, William Vargas Conrado, a manager at Elite, was found not guilty. Numerous others – as we have seen – were never charged.

Conclusions - Top-down Control

Nicaragua has been portrayed as a safe haven from the corruption and drug violence afflicting other parts of Central America. The killing of the Argentine Folk Singer Facundo Cabral shook that image, setting off an investigation that at least partially unveiled deep links between elites and organized crime. What's more, the evidence examined in this case study suggests the possibility that, just as the ruling FSLN party has brought all the other branches of power in Nicaragua under its control, it may also control organized crime.

In essence, the Fariñas investigation indicates that the brokers of the underworld in Nicaragua may be within the government itself. In the Fariñas case, this included the upper echelons of the police, a key part of the bureaucratic elite in Nicaragua. Although the Nicaraguan government covered it up, Palacios' relationship with the Fariñas network was deep and may have gone beyond just providing cover and collecting fees for the group. Indeed, at least one former policeman said Palacios managed the *tumbe* scheme, the type that led to the assassination of Facundo Cabral. The way the judicial authorities handled the information regarding the accusations in the case also raises the specter of a cover-up at the highest levels and the operational status of the judicial branch of government. First, authorities did not arrest Fariñas when he initially returned to Nicaragua following Cabral's murder. Second, information was suppressed and potential witnesses ignored. The most glaring oversight was not calling Palacios and Enríquez to testify.

High-level police commanders consulted for this report said the government's attempts to control the flow of information were a direct effort by the Ortega administration to keep collusion between traffickers and top public officials out of the public domain. Up until the April 2018 protests and subsequent repression, the police were an incredibly important means of gathering and maintaining social and

political capital in the country, and further tarnishing their reputation might have huge implications.

For her part, then-Police Chief Granera said little about the Fariñas case until June 2012. In an interview with InSight Crime in Washington DC, Granera confirmed that Palacios and others of her most trusted officers had links to the accused drug trafficker and money launderer, Fariñas. The police chief said that Fariñas had sponsored the police soccer team and that his sisters had dated various police officials, but she denied that this meant the police were involved in Fariñas' criminal activities.

“There are other police chiefs that went to the Elite Club just like Nicaraguan businessmen and newspaper editors, government [and] army officers,” she said. “Just because you go to the Elite Club, does that mean you are a criminal working with Fariñas? Not necessarily.”

Granera's comments reverberated through Nicaragua as the public tried to make sense of the case. On the one side was Fariñas, an accused trafficker and money launderer, and his family making stark accusations about police collusion and corruption. On the other side were the police and judicial authorities in what appeared to be an effort to deflect the public's attention away from these accusations. In large part, the Ortega regime succeeded: the Osuna case turned the public away from Palacios and the police. Fariñas' and his family's accusations lost traction. The case ended without much fanfare and has largely disappeared from the public consciousness.

The Ortega regime also prevented a deeper investigation into Palacios and Magistrate Guillermo García, who left their posts but have not faced criminal charges or questioning. The scope of the investigation was cut when it reached a lawyer with close ties to the president, José María Enríquez Moncada. It was never established whether Osuna's problem was confined to his staff, or whether other magistrates were involved. Neither Enríquez Moncada, Rivas or García were called to testify in the Fariñas trial. As a result, the process left many unanswered questions, including the depth of Fariñas' links with the police, the extent of corruption in the Supreme Electoral Council (CSE), and the role Ortega's associate, Enríquez Moncada, played in setting up Fariñas' money-laundering scheme.

In the end, the lesson seemed to be that in Nicaragua – where the president controls the police and the justice system and where there is no effective political opposition – the ruling party can impede investigations into members of the elite accused of dealings with organized crime. Part of this control stems from the centralized nature of the Ortega regime. The regime is able to ensure impunity for its allies thanks to its control over all institutions of the state, in particular, the police and the courts. The centralized system has the capacity to co-opt even its most vociferous critics.

The result of the Sandinista control over the courts is that justice operates as usual when it comes to ordinary citizens, while the interests of the FSLN come into play in cases that involve sensitive economic or political interests, according to experts consulted for this report. “The ruling class determines who you can be,” said Roberto Courtney of *Ética y Transparencia*, the Nicaraguan chapter of Transparency International. “The courts are there for the small-time crimes, for those who don’t have any boss. If you’re not stealing a chicken and you have a boss, the courts can be there or not to do what you need them to do. It’s totally normal. Equality before the law is one of the first rules that is broken.”

The revelations of the Fariñas case also offer up a paradox with regards to violence. Nicaragua’s homicide rates have set it apart from its neighbors. But part of this success, the Fariñas case suggests, may also be related to top-down control of violence from the most powerful enforcer in Nicaragua: the State. Organized criminal groups with a stranglehold on territory mostly seek less violence in that territory, since violence is bad for business, and they can more easily gain community support by keeping crime low. The same could be said for any government. And in the case of Nicaragua, violence is bad for the biggest business of them all: the business of governing.

In other words, the criminal network revealed in the Fariñas case illustrates that violence related to transnational criminal activity may be kept in check by more nefarious means. Specifically, the ties between high-ranking police commanders and a major trafficking network suggest that this relative tranquility could be owed not just to effective law enforcement but to some kind of arrangement, such as keeping violence low in exchange for official tolerance of trafficking activities or some role in those activities.

How this might work in practice is hard to say, but the Fariñas case offers at least one tantalizing possibility: the police commander working in tandem with the drug trafficker organizes a seizure, which is really a theft that turns into profits for the various pieces involved. The government’s effort to hide the facts of this and other cases show it has a high tolerance of police corruption, police officials consulted for this report said. The Nicaraguan police force has little tradition of holding its officers to account for their actions. In an internal assessment covering the period 2010 to 2012, the internal affairs office of the police revealed that internal reports of corruption by officials had gone down 10 percent.

This high tolerance is in exchange for keeping violence rates low, of course. The *quid pro quo* dates back at least to the command of Edwin Cordero, Granera’s predecessor, whose term saw several scandals, including the Polanco affair, that illustrated its existence. The Fariñas case, it appears, is Granera’s Polanco. For at least one official, the two police commanders might have different motivations, but both are following protocol established by the ruling bureaucratic elite in the Sandinista party and their own institution.

In both cases, the police commanders are taking their cue from above. As Courtney argues, the centralized nature of the state demands it. “You can say this is so systematic and historic that it could only happen with the blessing of those who run this country,” he said.

In sum, this case reveals that the extreme centralization of power seen in Nicaragua can facilitate the formation of ties between organized crime actors and elite groups who are close to the heart of power and can count on protection from judicial authorities. In such a centralized system, the links between elite groups and organized crime must be to some degree sanctioned at the highest levels of power. In this scenario, a low rate of violence may signal not the absence of criminal-elite links, but rather the deeply established and institutionalized nature of these links. A strong government with few checks on its authority, which has tight control over government institutions, may keep organized crime in check by managing the criminal world itself.

3

Ted Hayman, the Cocaine Fisherman

By Expediente Abierto*



Nicaraguan fisherman Ted Hayman Forbes and his drug trafficking network operated from Panama, Costa Rica, Nicaragua and the Colombian island of San Andres in the Caribbean. His capture and sentencing put an end to a criminal career that local and Nicaraguan elites had aided and abetted for years.

On June 19, 2012, police officers stopped a truck at a checkpoint on the outskirts of San Carlos, the capital of the department of Río San Juan. The city, which has about 50,000 people, sits some 300 kilometers from Managua, where Nicaragua Lake ends and the San Juan River begins. This geographic position makes it an important drug trafficking route along the Caribbean Coast for those moving illicit goods via land, river or sea. The dense jungle canopy surrounding it makes it an ideal storage area as well, as drugs await shipment along the Pacific towards the border with Honduras.

The truck had three passengers, as well as seven, large plastic containers, each with a 12-gallon capacity. The passengers said the containers were full of animal feed. Authorities had placed the police checkpoint at that spot that very night after receiving a tip that some illegal drugs might be moving through the area. And the containers raised suspicions, so they ordered the police to bring the truck to the station and check it more thoroughly.

The next day, inside the area where prisoners receive visitors, authorities inspected the car and its cargo. They emptied every container and, in addition to animal feed, they found 140 rectangular packets with 161 kilograms of cocaine. Following this discovery, the police gathered their forces and mounted a series of raids in various cities, which netted 19 suspects of one of the most powerful criminal groups in Nicaragua - that of Ted Hayman Forbes, who was just three months shy of his 42nd birthday. They called the raids “Operation Dike.”

Operation Dike dismantled a network that operated from Panama, Costa Rica, Nicaragua and the Colombian island of San Andres in the Caribbean. According to sources in the national police, Hayman and his network provided all the necessary services to move drugs: small and large boats, fuel, food and salaries to all their workers. The group stored the gasoline in the ocean, which the drug traffickers used on their trips between San Andres and mainland Nicaragua, where they had access to safe houses and smaller boats.

Hayman was arrested on June 22, 2012, while he attended a softball game in the Glorias Costeñas stadium in the city of Bluefields, the capital of the South Caribbean Coast Autonomous Region (Región Autónoma de la Costa Caribe Sur - RACCS). Hayman was considered the most powerful man in that part of the country, and his arrest caused a huge stir from the municipality of Laguna de Perlas to his home island of Tasbapauni. In Bluefields, where he was being held, people protested.

But the real heart of discontent could be found in Tasbapauni, an island paradise along the Caribbean about two hours by boat from Bluefields. That is where Hayman lived as a “fisherman” and where he concentrated his philanthropic efforts. In Tasbapauni, marchers clamored for his release and threatened not to vote in the municipal elections, which were scheduled for November of that year. It was not an idle threat since Hayman could move thousands of votes and allegedly financed campaigns up and down the coast. However, the protests had little impact. Their echo did not reach the halls of power in Managua or make many waves in the local press in spite of the fact that Hayman was the biggest trafficker in that part of the country.

A few months later, Hayman and several members of his network were found guilty of drug trafficking, money laundering and leading a criminal conspiracy to move illegal goods. He was [sentenced](#) to 32 years in prison. He also had to pay some significant

fines. Although a lot of property was seized, numerous sources told InSight Crime that much of his property remains in the hands of third parties, while other items confiscated were stolen by the police and judicial authorities. Among the properties that were confiscated was a mansion in Bluefields, which authorities said was what originally led them to arrest and prosecute Hayman, a man whose network had all the hallmarks of being tolerated and supported by the regional and national political elites.



Ted Hayman

Indeed, the Hayman case unearthed the tight bonds between his network and the coastal political elites, who served as the go-between for Hayman's network and the national political elites in Managua. It also illustrated how an organized crime figure like Hayman could use the vast amounts of political and social capital he'd constructed to operate with relative impunity for years.

Background - Power on Nicaragua's Caribbean Coast

To put into perspective the dimensions and sustainability of Hayman's criminal network, we need to understand how power works along the Caribbean Coast, especially as it relates to the various ethnicities and their political manifestations.

Ethnically, the region is characterized by its heterogeneity. There are six different ethnicities: three Indigenous communities made up of the Rama, Mayangna and Miskito; and three mixed-ethnic and race communities with combinations of Creole, Mestizo and Afro-Caribbean populations. Puerto Cabezas and Waspam are the two largest urban populations in the North Caribbean Coast Autonomous Region (Región Autónoma de la Costa Caribe Norte - RACCN) where the Miskito are the dominant community. Mestizos and Creoles are the predominant communities in Bluefields, the largest urban center in the RACCS; the Creole community is also dominant in the Laguna de Perlas and Corn Island, two other important population centers in the RACCS.

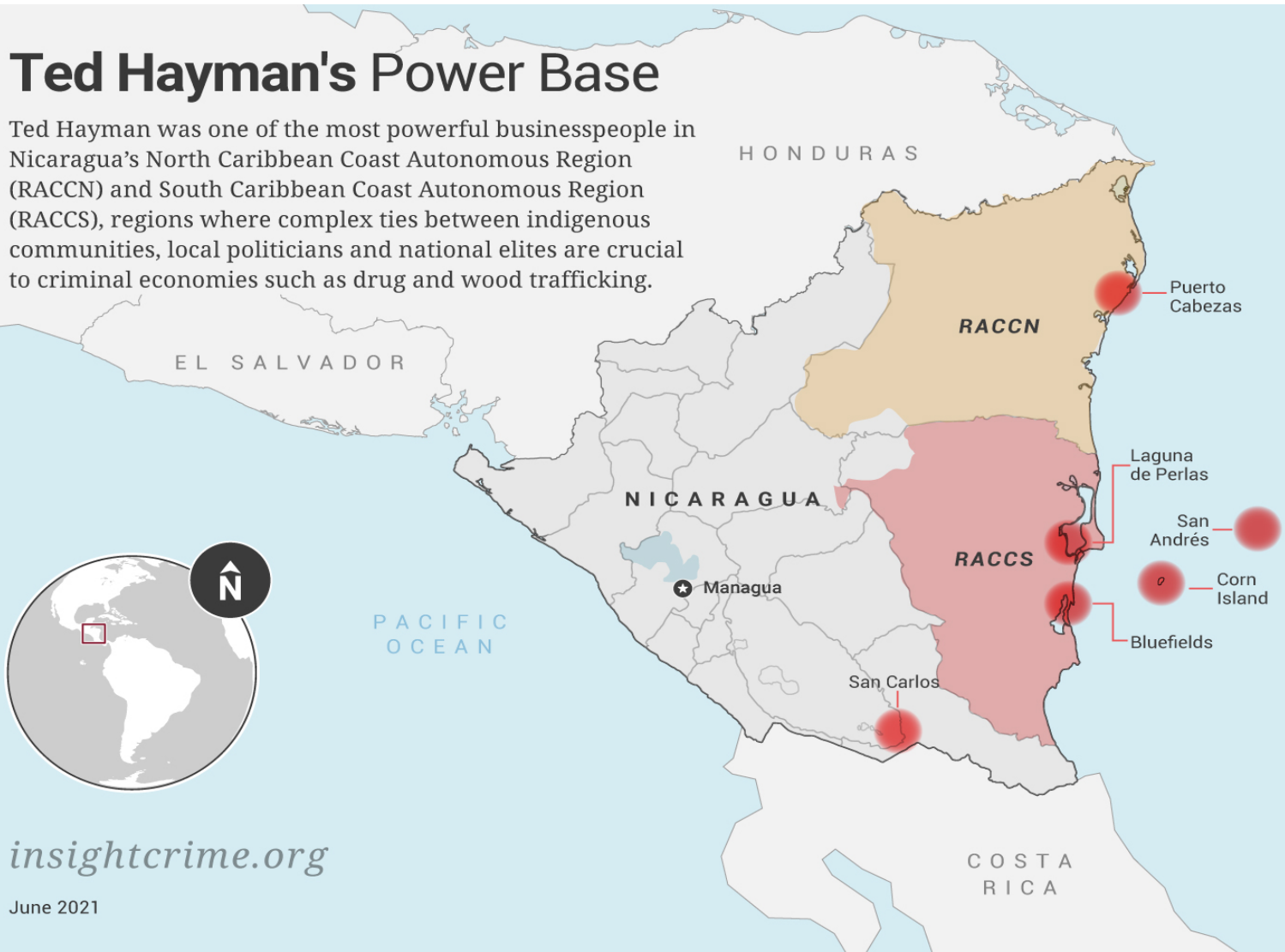
Whereas in the RACCN, more than 57 percent of the population identified themselves as indigenous or of mixed-ethnicity and race in the 2005 census, in the RACCS, that number was only 24 percent. This was the result of massive migration from other parts of Nicaragua and the region.

The ethnic and Indigenous hierarchies along the Caribbean Coast in Nicaragua are inherited from the remnants of colonial coastal society. There is a small Miskito elite that was connected to the English during the British rule (1687-1894). The Creole

elite, meanwhile, were connected more to the North American business interests that were established in the Caribbean enclave. Due to their English language skills and education, the Creole were trusted and found jobs in administrative positions. Most of the Miskito and Mayangna, however, were subjugated and used as manual labor.

Ted Hayman's Power Base

Ted Hayman was one of the most powerful businesspeople in Nicaragua's North Caribbean Coast Autonomous Region (RACCN) and South Caribbean Coast Autonomous Region (RACCS), regions where complex ties between indigenous communities, local politicians and national elites are crucial to criminal economies such as drug and wood trafficking.



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These three ethnic groups had a division of labor depending upon where they were from. The Creole in the south centered their activities mostly in the city. The Miskito and Mayangna were in the north where they combined their work in the enclave economy with their subsistence farming. This ethnic division was also evident in the extractive industries. The Miskito and Mayangna did the manual labor, while the Creole and mestizos (who began appearing in large numbers after 1894) were the administrators and managers.

The Somoza family dictatorship (which governed off and on between 1936 and 1979) solidified these hierarchies. After the Miskito region was incorporated into Nicaragua during the Somoza regime, the focus towards the Caribbean Coast became more

intense, especially regarding extractive industries. United States businesses, in particular, entered the enclave economy in great numbers and offered high risk and low reward work to these subjugated populations. This dynamic helped reaffirm the ethnic hierarchy along the Caribbean Coast. The Miskito, Mayangna and Rama provided manual labor to the mining, banana and lumber industries, while the Creole and mestizos were mid-level managers in the companies, bureaucrats in the government and administrators of the distribution services in the urban centers of Puerto Cabezas and Bluefields.

The Sandinista revolution, which culminated in that movement's violent takeover of the government in 1979, did not greatly alter these relationships, but the war that ensued during the next decade did. While little changed as it related to ethnic and racial hierarchies – even while the Sandinista government pushed for “affirmative action” – much changed in the context of the armed conflict, which engulfed Nicaragua in the 1980s following the Sandinista takeover of the government. The Miskito population took up arms in great numbers to push for their rights; the Creole, in their own, more intellectual way, pushed for the creation of the autonomous region that eventually became a reality with the establishment of the RAACN and the RAACS in 1987.

After 1990, the most important shift was the massive migration of mestizos to the region and their steady rise and presence in local governments. It was after 1990 that the region began to feel more of a connection to and pressure from the national political parties. With the surprising victory of the National Opposition Union's (Unión Nacional Opositora - UNO) presidential candidate Violeta Barrios de Chamorro over Sandinista candidate Daniel Ortega, the country went through a deep political shift. This impacted the Caribbean Coast, where the increase in the mestizo population came with the arrival of the Liberal Party and Ortega's Sandinista Front for National Liberation (Frente Sandinista de Liberación Nacional - FSLN). Ironically, the constitutional reforms granting autonomy, as well as a series of political pacts between the Liberal Constitutionalist Party (Partido Liberal Constitucionalista - PLC) and the FSLN, had the effect of repressing political activism in the region.



President Daniel Ortega of Nicaragua

The party representatives also reinforced ethnic divisions in the region. The PLC's leadership through 2010, for example, was made up almost entirely of mestizos. For its part, the FSLN was primarily Creole. In addition, they decided to alternate power, a process that they ran through local civil society groups. These included the Center for Citizen and Autonomous Rights (Centro de Derechos Ciudadanos y Autonómicos -

CEDEHCA) and the Foundation for Autonomy and Development on the Atlantic Coast (Fundación para la Autonomía y el Desarrollo de la Costa Atlántica de Nicaragua - FADCANIC) in the RACCS, and the Center for Autonomy and the Rights of Indigenous Communities (Centro para la Autonomía y los Derechos de los Pueblos Indígenas - CADPI) in the RACCN.

In the RACCN, the ethnic and political divisions are less complicated. The Miskito population is the majority, which is divided between the Indigenous party Yapti Tasba Masraka Nanih Aslatakanka (YATAMA), the FSLN and the PLC. The Mayangna, Rama and Afro-Caribbean elites' participation in politics has always been small and rarely connected to the decision-making apparatus of the parties in that part of the country.

This is how relations among the central government, the local government and the ethnic groups are determined. This is also how the central government articulates its power while diminishing that of the local social and political actors along the Caribbean Coast. In this way, the political hierarchies in the region have gone from being reflections of the socio-economic and ethnic backgrounds of the people in the region to being reflections of the national political parties. It's easy to see this when we consider the elimination of small movements and regional political parties, which are now subordinate or whose interests have been usurped by the national political elites, mostly by the FSLN as it consolidates its hegemony.

This political power has been reinforced by the near-complete control the FSLN has over government resources. Still, the local political elites from Indigenous and Afro-Caribbean backgrounds are also obliged to give the impression they are doing what they can for the locals. This has opened the door for them to establish regular relationships with the FSLN, even though some of them had taken up arms against the Sandinistas in the 1980s. Many of these same ex-combatants are now the chief intermediaries between the local communities and the national political elite. This alliance between the YATAMA and the FSLN, for instance, was formalized in 2006, under the leadership of YATAMA's long-time leader Brooklyn Rivera. More recently, the two have split, but Rivera has **remained** a congressman, although he was briefly **removed** from congress and later reinstated.



Brooklyn Rivera

It's within this logic that we can better understand the push for autonomy and the establishment of what are called Regional Councils. Both the RACCN and the RACCS have 45-member councils. The councils serve as a kind of legislative body; they

coordinate with the national government to provide health and educational services; and they work with the government to control natural resources and economic policy. National interests such as the justice system, elections, national security and border protection, however, are under the federal government's jurisdiction. The federal government administers these services via institutions such as the Supreme Court, the National Electoral Board, the national police and the army. The duality of the RACCN and the RACCS helps us understand why local elites have these complex, interdependent relationships with national political elites and how relationships between these various actors develop when it comes to illicit business such as drug and wood trafficking.

The dependence local elites have on the national elites also helps explain why there are so many conflicts between the locals and so few independent economic power bases in the region. In fact, the local elites' economic and political power in this region is expressed in two key ways: 1) the possibility of obtaining quotas of power on the political-institutional and economic levels in the region; 2) the opportunities these local elites give to the national elites, via legal and illegal means, to exploit natural resources in the area for the benefit of the tightly knit oligarchies connected to current President Daniel Ortega of the FSLN and to international business interests seeking to work in the region.

In practical terms, the power of the Creole, Miskito and mestizos on the Caribbean Coast is dependent on the FSLN on the one side and the regional party YATAMA on the other, whose power is concentrated in the RACCN. The YATAMA's power is visible in public institutions, the national delegations that are sent to the region and the designation of certain Indigenous leaders to national positions of power. These postings, in addition to being an expression of power, are the means by which local elites obtain recognition and reinforce their local and national power. They also give them access to the state resources so coveted and needed in the region.

This is why we need to understand the configuration of elites and the power dynamics on the Caribbean Coast through the lens of the parties connected to the national power structures (YATAMA being the prime example). At the same time, these power relations between local and national elites are dynamic and have different configurations, depending on the licit or illicit interests of actors such as Hayman.

The Hayman Case: From 'Fisherman' to International Drug Trafficker

As it is in many other stories about small farmers and businessmen from the coasts and mountains, Hayman was known as a semi-literate fisherman who became one of the most active drug smugglers on Nicaragua's Caribbean Coast. In addition, he was rumored to be one of the thousands of Indigenous from the Caribbean who fought

against the Sandinista regime in the 1980s. His humble origins would eventually be part of his defense: during the trial against him, he was described as a humble fisherman, businessman and farmer who thrived because of his hard work. However, beginning around 2007, his name [began circulating](#) among the locals and law enforcement circles as a large and potent Nicaraguan trafficker, philanthropist and owner of large mansions.

The Caribbean Coast has long been known for stories involving drugs, local communities, drug traffickers and the favorable tides that worked with them. The Nicaraguan Caribbean Coast and its northern and southern autonomous regions have 500 kilometers of coastline, as well as hundreds of islands and hidden inlets. This area, which abuts Colombian, Costa Rican and Honduran waters, has long been identified as one of the most important drug trafficking routes in Central America, in part because of its proximity to the Colombian island of San Andres. Its geographic location, extreme poverty and the scarce presence of the state make it fertile ground for the establishment and expansion of criminal networks connected to illegal drugs.

In addition, the tides favor the drugs, since they push any shipments dropped from the sky towards the coast. There the “blessed” locals can pick them up, store them and sell them back to the traffickers, so they can continue their trip north or go to Managua. A naval officer from Nicaragua, who agreed to speak to InSight Crime on condition of anonymity, said that places like Hayman’s home island of Tasbapauni, with its natural inlet, make it so anything dropped from the air lands in its vicinity. He said that many locals have become involved in collecting and reselling the drugs because every “taco” (or kilogram) could be sold for between \$1,000 and \$5,000. That is why they would never report these drugs to the authorities. To be sure, these authorities were also part of the business, either ignoring the drugs or receiving a fee for their passage through the area.

These tides and the subsequent storage by locals made for the development of a logistical support hub for the movement of illegal drugs. The lucrative business is a win-win since the traffickers get locals to move the substances along the coast when the conditions are ripe, and the locals make far more money than if they were simple fishermen. Remnants of these drugs are deposited and sold in urban hubs and other cities in the country, but the majority is sent to Honduras. In recent years, police checkpoints and a series of counterdrug operations have pushed the traffickers to seek other routes. That is how local buyers began [establishing contact](#) with international cartels, especially Colombian criminal groups.

With time, some groups set up sophisticated storage and transport infrastructures for the movement of drugs along the Caribbean Coast. [Sources said](#) that over the years these groups could not only guarantee the movement of large volumes of narcotics from south to north but that the locals created their own “companies” that would provide security services, refueling points and the transport of Colombian, Mexican

and Costa Rican traffickers that operated in the area. This pattern repeated itself in the whole region, including in Tasbapauni under the leadership of Hayman.

“Hayman started to become a person of interest around 2008 or 2009 because we had information that he was storing fuel for drug traffickers,” the naval officer said. “Our information came from people who were working with him and who gave us the information. We started following the lead and that is what opened the formal investigation. We looked for proof, ways to capture him, but he is smart, intelligent. He worked with Colombians, and then later with Hondurans. ... We also had information that the local police were working with him.”

According to the formal accusation presented by the Attorney General’s Office in June 2012, which InSight Crime and Expediente Público had partial access to, the Hayman group gave logistical support to Colombian, Costa Rican and Honduran traffickers who moved cocaine by sea, using the coast from Costa Rica to the Miskito Coast in Honduras. For their operations in Limón, Costa Rica, they used Eduardoño boats fitted with 200 horsepower outboard motors. They would depart at nightfall and arrive in Tasbapauni by dawn. There, in that island community, specifically on one of Hayman’s farms, they unloaded the drugs, as men with AK-47 assault rifles gave cover. While the boat operators rested, the support team refueled the vessels, which would leave again that evening and head towards the Miskito Coast in Honduras where they would hand over the cocaine.

According to the indictment, the last shipment – right before the criminal group was dismantled – came through the area on May 15, 2012, when Hayman and his group moved 1,500 packets of cocaine from Puerto Limón, Costa Rica, to the Miskito Coast in Honduras. The payment for this operation was 140 packets of cocaine, the same 140 packets that were seized June 19, 2012, at the checkpoint in San Carlos, Río San Juan, and led to Hayman’s arrest.

The Hayman Network: A Small Circle

Hayman’s criminal structure was mostly made up of relatives and friends from the southern part of the Caribbean Coast. The fairly sophisticated organization he developed had three cells, which were responsible for moving drugs along the Caribbean Coast, the central region of the country and the Pacific Coast of Nicaragua.

At the top of the pyramid of the cell operating along the coast was Marty Oscar Downs Carlson, a lieutenant for Hayman in drug trafficking matters. According to police testimony, he recruited people to assist with the transport of the drugs. He was also in charge of organizing the security and lookouts for the transportation of the drugs. According to sources in Bluefields, his brother, Marty Downs Carlson, was also part of the network. That Carlson was allegedly killed in Honduras by

drug traffickers who worked with Hayman. Another of the Downs Carlson brothers, Roger Samuel Downs Carlson, was in charge of storing fuel for go-fast boats that were traveling on the high seas and were coming from Colombia via Panama. After Nicaragua, they would make their way to Honduras and then to Guatemala. Finally, Kurt Downs Carlson, another brother, played the role of a third-party owner for the criminal organization, acquiring properties in his name.

The Río San Juan cell was also under Hayman's orders. It was an alternative route that moved drugs from Costa Rica through Nicaragua's central and Pacific corridors to the Honduran border. This included moving drugs along the 200-kilometer-long San Juan River, which starts at the freshwater Lake Nicaragua, also known as Cocibolca, and ends at the Caribbean Sea. The drugs were moved in small consignments in taxis and small and large cargo trucks. Part of the drugs was sold to the local market, but the majority were sold to criminal groups in Guatemala and Honduras. The head of this cell was César Felipe Aragón Campos. His two sisters, Cirilia Consuelo Aragón Campos and Mónica Antonia Aragón Campos, were in charge of receiving the drugs, which were transported from Puerto Limón, Costa Rica. Others transported the drugs in pangas and small cargo trucks that usually moved drugs via public transport (buses and taxis) towards the Pacific Coast of Nicaragua. This cell got help from other collaborators, usually relatives, to keep watch over the route and notify them if any authorities were present, such as the army or police, as well as to provide security for transportation of the merchandise via motorcycles or taxis.



Ted Hayman's mansion in Bluefields, Nicaragua

A third cell operated in Managua. It was dedicated to laundering proceeds from drug trafficking activities and investing in properties in Managua, Bluefields and Tasbapauni. The key operators were Diana Susana Beer Hayman and Damaris Iveth Lackwood Hodgson, both relatives of Hayman. According to police investigations, Diana Hayman had a series of properties under her name, among them a prominent hotel in the middle-class neighborhood of Bello Horizonte, one of the historic places for the Caribbean elite to reside. Damaris Lackwood, the wife of Marty Downs Carlson, administered the property that was a safe house for members of the organization. It was also used to store cash. In addition, she served as an intermediary between members of the organization and drug traffickers in Panama and San Andres. During the trial, Bernardo González, a mid-level police official who had participated in the search and seizures of Hayman's mansion in Bluefields, said they had seized several bank deposit registries from Bancentro in the name of Marelie Chavarría, Hayman's wife.



Ted Hayman's mansion in Bluefields, Nicaragua

Sources close to the police and judicial investigation who requested anonymity said that many of the properties seized were in the names of third parties; other goods and money were hidden because Hayman did not completely trust his family. They also said that many of the seized items, if not all of them, were stolen by police.

Local sources said it will be difficult to determine how many legal businesses Hayman was using to launder illicit proceeds. Bluefields in particular has become a place where a good portion of drug money is laundered, and authorities have done little to reveal who is behind the laundering and how much laundering is happening.

An ex-official of Nicaragua's judicial sector remarked that "the financial wings of the criminal groups working in drug trafficking have their base in Bluefields, a place where they can use this Nicaraguan corridor. There they have their businesses, the capital investments. What I mean is they buy the legal businesses that they use to legalize the capital they accumulate in drug trafficking, in illegal activities. It's not an exaggeration to say that close to 50 percent of Bluefields' economy is derived from drug trafficking proceeds."

Hayman's Social Capital

Hayman's network was a small circle of family and friends whose ethnicity and geography connected them. In this way, Hayman was not only a benefactor and a job-generator but also a social godfather of sorts, someone who had deep connections to the community and the territory, which allowed him to operate in relative tranquility for years.

What's more, it's important to remember that drug trafficking along the coast is part of the social fabric and has at least an important base of social acceptance, if not outright legitimacy. This is in part because it helps reinforce the ethnic and territorial independence of the area – vis-à-vis the federal government's intentions to co-opt the region for its own ends – even while it has little real interest in helping the local community. It's in this context that criminal groups can easily present themselves as substitutes for an absent and disinterested federal government.

In some instances, the money from drug trafficking has inverted the social pyramid. One activist along the Atlantic Coast who gave InSight Crime information on the condition of anonymity put this into perspective: "They have an amount of money the people have never seen before. In some cases, they do what the government can't even do and for that, people appreciate them and protect them."

This was the case for Hayman. In one of the documents from the case file that InSight Crime accessed, an official describes the connection between Hayman, his collaborators and the community.

"Ted [Hayman] has been very intelligent. He has known how to traffic, and only now could we capture him. But he has recruited the majority of people in his community," the official said. "He gave them work so they wouldn't talk to authorities. The same in Bluefields. He gave \$500, \$100 to anyone. For example, he had a project to do a series of row houses for his workers, for those that were working the refueling posts, those that were holding the drugs, the ones that were transporting them [and] the lookouts, so they were all comfortable. All this was done with the façade that this was part of a local fishing business, which had a storage area for fish and shellfish, and a product distribution center in Tasbapauni."

Leaders, as well as officials in the judicial and security sectors who were familiar with or in some way connected to the case, concur with this analysis. They described Hayman as a humble man, who did not live an ostentatious or extravagant lifestyle like other drug traffickers who go from having nothing to having an abundance of wealth. They said he was respectful of the locals. He was introverted, and he did not bother people. It was not uncommon to find him in the local stadium watching a baseball game, one of his favorite pastimes. A journalist from the region familiar with the criminal history of the area told InSight Crime that Hayman “would enter [the stadium], sit down alone, or sometimes with a friend or with his wife, and people who had no idea wouldn’t know who he was. ... They never would have thought that that man, sitting there with a Coca-Cola in his hand was a powerful drug trafficker. It wasn’t like the other narcos in the area who, when they arrived in Bluefields, would have a big show.”

As Hayman’s business grew, so did his social capital. In addition to his fishing business, he also had important farming and cattle projects. He had properties in Tasbapauni, Bluefields and Managua. According to the case file, his companies had monthly earnings of \$35,000. People familiar with the case who requested anonymity said that from jail Hayman said his earnings were the result of his hard work, and that he was in jail because “they wanted to screw” him.



Ted Hayman at a party

His reputation of being friendly and accommodating endeared him to people, who would often celebrate when his drug loads would pass through the area without a hitch. “He was Pablo for Tasba [Tasbapauni]. Nothing more, nothing less,” said one local resident in Laguna de Perlas, referring to Pablo Escobar, the infamous Colombian trafficker whose philanthropic side was

legendary. “Anyone who had a problem, he would resolve it. ... And although it’s logical to think that he did it to reinforce his social base so that he was protected and his operations were safe, it was closer to reality to think he did it because he wanted to help his community.”

One human rights activist from Bluefields, who also asked for anonymity, emphasized the narco-philanthropy that Hayman practiced. “He gave money to whoever needed it. If someone was sick, he would help them. If someone was dying, he had [money] to help bury them. If someone needed something, if there was someone who was sick who needed to go to another hospital, he would take care of that. He was loved by the community.”

But this affection from the community was also mixed with fear, the fear that leads people to be quiet. No one went against the criminal groups, the drug trafficking organizations, especially since they were also connected to the police, the journalist source told InSight Crime. In and around Tasbapauni, the journalist said, people were afraid of him and his network, despite his reputation for being philanthropic and helping those in need. “They never investigated Hayman for the various homicides that were connected to drugs in his area of influence, and in Bluefields, you knew it wasn’t good to talk about him and the things that he had done,” the journalist said.

Those interviewed for this report were categorical in saying that the people reacted to Hayman’s arrest by supporting him, in particular on the local level. They said that after the June 2012 arrest, Bluefields, Laguna de Perlas and Tasbapauni mobilized in support of him. In Bluefields, hundreds of people protested in front of the police station to demand his release. In Tasbapauni, the locals marched with signs demanding his release as well. They threatened to take up arms if necessary, suspend classes during the second semester of 2012 and not vote in the municipal elections that were scheduled for November of that year. This electoral threat was particularly troubling for local and national elites: Hayman provided votes for parties that protected him. In long speeches, local supporters of Hayman said that his arrest was part of a plan organized by Nicaraguan President Ortega to control the election of local officials so that he could control the natural resources in the region. In one [newscast](#), a leader who was not identified by the news station, said, “The central government has a lot to do with what is happening since it has its hands deep in this situation.”

Hayman and Local Elites

The alliance between YATAMA and the FSLN in 2006 had an immediate impact on the political landscape in the region. In the 2001 presidential race, for example, the Liberal Constitutional Party (PLC) won Laguna de Perlas with 68.1 percent of the vote; in 2011, the FSLN won it with 61 percent of the vote. Other areas had similar electoral shifts.

While these results illustrate the important changes that came with the FSLN and YATAMA alliance, some say the leadership of people like Hayman – who for years played a role in placing people in important political posts on the local level and helped finance the party – also played a role in the shift. This capacity to influence, design and control the local level government functionaries guaranteed what the coastal population called social protection.

In many ways, the arrest and subsequent trial of Hayman made clear what was already known about his political, economic and social connections in the region, namely his connections to YATAMA. The day authorities raided Hayman’s mansion

in Bluefields, for example, Socorro Marely Galagarza Gómez, who was an alternate congresswoman of the party, went to Hayman's house and forced her way past police. She then defended Hayman.

"He is Indigenous, he is YATAMA, and we are here to defend him," she said, according to [La Prensa's account](#). "They need to say what they are accusing him of; what they say he did."

The congresswoman's declarations would get more attention when one member of the Council for the South Caribbean Coast Autonomous Region (Región Autónoma de la Costa Caribe Sur - RACCS) said that his party and the council [would analyze](#) Galagarza's actions and would ask that she be expelled from the party. The expulsion was never discussed publicly again, and the alternate congresswoman maintained her position.

The question of Hayman's personal connections to YATAMA is difficult to decipher. As a militant political and Indigenous organization, it had up to 5,000 armed rebels that resisted the Sandinista army's incursions. But it is not clear that Hayman was a combatant. "As the alternate congresswoman stated, Hayman is labeled as a YATAMA guerrilla. [But] as a person who fought in the 1980s with YATAMA, I can't say if that is true," said one former guerrilla source who spoke on condition of anonymity.

The more prevalent sentiment is that Hayman played a financial role in YATAMA's political fortunes and by extension those of the FSLN. In return, he got political top-cover for his criminal operations. Indeed, an ex-judicial official said that in Bluefields, many said Galagarza's defense of Hayman was the result of this political relationship he had developed with the party and its ally, the FSLN. "It is said that Ted financed YATAMA in the elections, but it was also vox populi that he financed the [Sandinista] Front," the source told InSight Crime.

During the Hayman investigation, the ex-official added, authorities found a ledger that included a description of \$500,000 in a bank account in the name of Mercedes Lorenzo Alanís, an FSLN politician who was elected mayor of El Rama in November 2012. Witnesses in the case against Hayman also said Hayman had business dealings with Lorenzo Alanís. But nothing ever came of the investigation. "About the rest, you can come to your own conclusions because what we do know is that there was an alliance between the FSLN and YATAMA, and that authorities never asked Alanís about this [account]," the ex-judicial official said.

Hayman's connection to politics may have also extended to the top of the YATAMA party, specifically to Brooklyn Rivera via one of his lieutenants Marty Downs Carlson. Rivera, like Hayman, is Miskito, and he was a leader in the rebellion against the Sandinistas in the 1980s. Rivera, via his YATAMA post and his role as the designated interlocutor with the FSLN, later became one of the most powerful regional elites.

But his and other Indigenous leaders' potential connections with drug traffickers were never far from the surface. In 2009, Brooklyn Rivera and Steadman Fagoth – who was then director of the Nicaraguan Fishing and Water Preservation Institute (Instituto Nicaragüense de la Pesca y Acuicultura - Inpesca), an ally of the FSLN and a Miskito leader who like Rivera had been part of the leadership of the armed resistance in the 1980s – accused one another of protecting drug traffickers in the RACCN.

Specifically, Rivera said Fagoth protected communities where traffickers had organized important logistical and security bases for transporting drugs. Fagoth's services, [according to Rivera](#), included keeping the security forces from the areas where the trafficking was allegedly taking place. Fagoth fired back, saying it was Rivera who was supporting the drug trafficking groups in the RACCN. La Prensa reported that Fagoth said, "YATAMA is protecting the drug traffickers because it is asking for the army to withdraw from the coast, which is a clear sign of their intention to protect the drug traffickers."

Things got worse for Rivera with the arrest of Hayman in 2012, when police decommissioned a truck that had a license plate registered to Rivera and Marty Downs Carlson, Hayman's lieutenant. Downs already had a history with the law and Rivera. In August 2008, Downs [had been captured](#) with another person transporting a ton of cocaine, along with two M16 assault rifles. Afterward, he was tried and sentenced to five years, the minimum sentence for drug trafficking. In October 2008, the Supreme Court ordered him to serve his sentence under house arrest because Downs suffered from: "Hypertension, [and] an illness that obstructed his lungs from functioning, both of which were difficult to manage inside jail." [El Nuevo Diario, citing judicial sources](#), said the court's decision came after YATAMA politicians used their connections with the FSLN to pressure the judicial system. The newspaper added that Rivera had met with Downs and the judge in the case.

The relationship between Rivera and Hayman, however, soured at some point. Community leaders in the region, whom InSight Crime consulted for this investigation, said Hayman's top-cover ended when Hayman started supporting interests that were contrary to the FSLN in the RACCS, specifically those that were resisting the Sandinistas' effort to exploit the wood trade and other natural resources in the area.

The timber industry began its big push into the region after Ortega won the presidency in 2008. Companies such as HEMCO Mining and ALBA Forestal – a Nicaraguan-Venezuelan state consortium that worked under the auspices of the Ministry of the Environment and Natural Resources (Ministerio del Ambiente y los Recursos Naturales - MARENA) – began [harvesting wood](#) from the area and pushing people from their lands in the process. Other colonists, in particular cattle ranchers, followed by entering the autonomous region by force, if necessary. The government supported

them as well, and tensions rose.

Leaders like Rivera were caught between these interests. Jimmy Martínez, the president of the Tasbapauni communal government, [told la Prensa](#) in July 2012 that the arrest of Hayman should be understood as a way to stop Hayman from impeding the FSLN, specifically Rivera and a [prominent FSLN leader](#) known as Lumberto Campbell, from profiting from the sale of precious wood from the region.

But Rivera's alliance with the FSLN was also fragile. In May 2014, the Sandinistas took control of the regional councils in both the RACCN and the RACCS in what Rivera denounced as a fraudulent process. It did not matter; the councils, which had been under YATAMA control, passed to Sandinista hands. A year later, Rivera [was removed](#) from congress and accused of stealing Indigenous lands.

The Bureaucratic Elite and Drug Trafficking

Trying to find out more about the connections between security forces and drug trafficking is difficult, especially in a place where the security situation is relatively stable, and the police enjoy high approval ratings. This positive perception of the police has made them – along with the army – a bureaucratic elite. The two institutions also retain a significant degree of independence. Relative to the rest of Central America, police in Nicaragua are very professional. Additionally, the police have effectively employed a communications strategy that has highlighted how they have successfully reformed themselves and modernized their operations, as well as fought against drug trafficking. The campaign has largely worked. The Nicaraguan police are the most revered in the region.

In recent years, however, the image of the police has become more partisan and less transparent, especially since Ortega became president again in 2007. The police have also suffered because of the perception that specific interest groups within the institution and the state have benefitted from drug trafficking. Indeed, beginning in 2000, fissures emerged within the police related to drug trafficking and corruption. In 2003, [La Prensa](#) published a [series of articles](#) that showed how high levels of the police negotiated with drug traffickers in Bluefields.

Along the Caribbean Coast, the police are still under scrutiny. In numerous interviews for this study, residents of the southern Caribbean Coast said that there is a general feeling that the lack of punishment or the application of just administrative sanctions on police and judicial officials for their connections to drug traffickers illustrates that they have a certain level of impunity. Those interviewed said that drug trafficking and the sale of drugs on the southern Caribbean Coast would not have reached the levels it has without the involvement of the police, judicial system and many local business elites.

Several people interviewed also emphasized how cases of powerful individuals being untouchable show just how important drug trafficking is to the region. This is evident not just through the drug traffickers' regional and national political alliances, but also through their connections within the police hierarchy. That is why, according to those on the coast interviewed for this report, the arrest of Hayman provoked so much confusion in the region: because it showed that the so-called “war against drugs” was a sham and that those who really manage the trafficking are the regional and national [political elites](#) in collaboration with police and judicial officials.

For those from the southern Caribbean Coast, the way that drug trafficking has evolved has put them in a difficult spot. Officially, the central government takes a hard line towards drug trafficking, but in practice, there are no sanctions against the officials who are breathing life into it and protecting it. And any sanctions that have been applied have been against the weakest links in the chain: youth who are consuming drugs and women who traffic it in small quantities. For these residents, there is a feeling of uncertainty and frustration since the security and justice systems do not seem to respond to the communal good.

“We’ll have to see what will happen when the relative calm that Ted [Hayman] brought [disappears], but we’re not very hopeful because since they captured him ... no one knows anything about what the central government is doing about corruption and connections between police and narcos. And as we have seen, it services them way beyond what Ted was doing,” a civil society leader from the southern Caribbean Coast told InSight Crime.

Meanwhile, the judicial sector has also been compromised. Operators working in the sector, who spoke to InSight Crime on condition of anonymity, said that the judicial system on the northern Caribbean Coast has been deeply penetrated by drug trafficking. They said it is common for case files and evidence to go missing, which was, for them, a clear illustration of institutional attempts to protect drug traffickers. They added that locals never want to testify because everything is fixed in the judicial system. To drive this point home, a [2013 report](#) from the Due Process of Law Foundation, a non-governmental organization based in Washington, DC, emphasized how these connections between criminals and judicial system officials are normally manifest when judges release or give drug traffickers benefits that are not warranted, as well as when drug money or other seized assets later go missing.

Sources in the judicial sector also noted that judges' decisions regarding the release of drug traffickers come from the highest levels. “Before 2007, this was chaos. You could easily spot the drug traffickers' lawyers who knew exactly which judge to buy. That is when this practice of paying judges proliferated and seeing a drug trafficker go free was common. It depended on how much you paid and how much they were willing to do it for,” one judicial official told InSight Crime. “Now it’s not like that.

That has been eliminated and you can be sure not one drug trafficker is freed unless it comes from the highest levels. And when I say high, I mean high, people who are very close to power.”

Conclusions

In Nicaragua, there seems to exist a *pax narco*, which some have likened to the unspoken understanding between the Institutional Revolutionary Party (Partido Revolucionario Institucional - PRI) in Mexico and criminal interests in that country. As [described](#) by César Morales, Mexican traffickers paid a quota; the politicians, police and security officials made sure the traffickers could do their business in relative peace.

In Nicaragua, security and judicial officials said decisions around drug trafficking were being taken at the highest levels by those very close to the political powers or that are part of the security or judicial bureaucracy. They said quotas are exchanged at all levels of the system. Defense lawyers, for instance, told InSight Crime that they have two things they can negotiate with judges, neither of which have anything to do with the innocence or guilt of their clients: the first one is related to property seizures and how those will be divided between a small circle of judicial and security force operatives; the second is the possible payment to judicial authorities to lower or eliminate sentences.

Hayman’s case still resonates on the coast because it shows how these drug trafficking groups proliferate, and it shows how these groups maneuver between local and national conflicts. In Hayman’s case, his ability to operate was related to his deep roots in the Indigenous and Afro-Caribbean communities, and the belief along the coast that drug trafficking is really a problem that emanates from and is controlled by Managua, i.e., the central government.

What’s more, Hayman’s network needs to be seen in context. We are talking about communities that have historically been outside of the state’s development plans, which has allowed groups like Hayman’s to develop their own sophisticated networks. This has also made the creation of storage and transport networks on the Miskito Coast easier.

Hayman’s success was also contingent on his support from Indigenous and ethnic communities connected to YATAMA. Through YATAMA, Hayman was able to consolidate his influence and institutional control well beyond Tasbapauni. This generated a system of protection and collaboration at the political level as well as within the security and justice systems. The autonomous zones were part of this plan since they could lobby for less police and army presence.

This should all be seen in the larger historical and cultural context of the autonomous zones. Cases like Hayman's show how ethnic identity can affect local political and territorial dynamics, facilitating a kind of social capital for these illicit groups. In fact, the social capital that Hayman put to use revolved around this historical and cultural fight with Managua. In this context, drug trafficking is seen as part of the resistance and something that contributes to these traditionally marginalized communities. In the autonomous zones, this distortion was worse in the Indigenous communities that were further from the urban areas, and where, not coincidentally, the illicit networks' influence appeared to be the strongest.

Still, networks like Hayman's also limit the growth of positive social capital, as they overtake the population's resources and create a regime based on narco-philanthropy and fear. All of this ends up fracturing the social fabric and fomenting negative social capital in these areas, creating opportunities for criminal interests to seize yet more space.

In the end, the community is coopted by a system that values criminal earnings over everything else. This is especially true in areas with little state presence and high levels of poverty, and where there is a lack of any prolonged, systemic effort to deal with these fracturing societies and the disintegrating positive social capital. It's within this context that criminal actors mix with local and national political elites to ensure they can conduct their business with impunity.

The interactions between the national and local elites, as well as their interactions within the communities, have also contributed to the fragmentation of the social capital within Indigenous and Afro-Caribbean communities. In this way, the traditional communal, territorial and labor organizations have been manipulated and co-opted by the regional leaders who have governed with their eyes principally on the national political elites. The manipulation and cooptation of these spaces help us understand why trafficking groups can emerge and consolidate in these areas so easily.

These criminal-political interests, in addition to fragmenting the local community and territorial interest groups, opened the door for new leaders. These new leaders created their own groups of power inside these local communities. These new groups of power were more responsive to the national interests and could trade compliance for changes in the configurations of the security and judicial operations in the region, which allowed for groups like Hayman's to prosper over a prolonged period of time.

At the end of the day, the thing that characterized Hayman the most was his capacity to generate this protective bubble and establish a network of collaborators. This could only have happened as a result of the corruption and cooptation of the judicial and security systems, the existence of a solid support base like Tasbapauni from where he could operate, and the connections he forged with local political elites who were able to guarantee him some measure of impunity.



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