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ECONOMIC RELATIONS BETWEEN NICARAGUA
AND THE SOCIALIST COUNTRIES

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GRADE (Lima)

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ABSTRACT

Since 1979, Nicaragua has pursued a commercial strategy based on diversifying its trade dependence. Concerted efforts have been made to identify and establish new markets. One of these markets is that of the Council of Mutual Economic Assistance (CMEA), or socialist countries. An assesment of the first five years demonstrates that the socialist countries have become Nicaragua's promising outlet for market diversification as well as an important source for credit and technology. In turn, the steady growth of such relations has caused a directly proportional deterioration of United States-Nicaraguan relations.

Nicaragua's relations with the socialist countries have produced various forms of cooperation, and a number of agreements have been signed. Nevertheless, contrary to Washington's beliefs, the motivation of the socialist countries' support for Nicaragua seems more pragmatic than ideological. The Soviet Union's stake in the region is still small, based partly on the recognition of U.S. geopolitical primacy in the area, CMEA limited resource transfers, the non-Marxist nature of Nicaragua's government, and the fact that the USSR has more pressing problems at home. However, contacts have continued to develop rapidly, partly due to increased U.S. pressure and partly at the insistance of the Sandinistas who often visit the socialist countries, requesting more economic and political support.

INTRODUCTION

Since 1970, due to detente and rising nationalism in Latin America, the Soviet Union and the Eastern European countries have succeeded in expanding diplomatic relations with most countries in the Western Hemisphere.¹ For an increasing number of Third World nations, the Council of Mutual Economic Assistance (CMEA) countries of Eastern Europe² have become an alternative source of trade, credits, technical assistance and political support. Hence, many view them as a means of strengthening their negotiating position vis-a-vis the United States and other developed countries.

In the West the more salient Soviet presence in Latin America and CMEA motives for broadening trade in the region have sparked a debate between academic Kremlinologists and Latin Americanists. The former stress Soviet expansionism that represents a significant threat to the security and independence of the Western Hemisphere. The latter maintain that some of the key Latin American states have experienced a widening domestic political consensus, achieved more autonomy in their foreign affairs, and see definite advantage from such diversification of relations. The balance of trade with the CMEA countries has been in Latin America's favor. For Latin America, a measured low-key relationship and the expansion of such ties, made possible by trade, has been economically and politically profitable in the bipolar world dominated by the two superpowers.

This study examines economic and political relations between Nicaragua and the socialist countries from 1979 to 1984, focusing on trade, aid, and technology transfer. Relations between Nicaragua and the socialist countries of Eastern Europe and the Soviet Union began relatively recently. Until the fall of Somoza in 1979, Nicaragua and the socialist countries had practically no contact. After only five years of revolutionary experience, it may be too early to predict the ultimate impact of the socialist countries on Nicaragua. However, a preliminary assessment of how these ties have evolved can be made.

The Soviet Union, which has acted with extreme caution in Latin America, showed a marked change of attitude when the Sandinistas seized power. The Soviet Union had little to do with the Sandinista revolution but moved more rapidly to establish ties with the revolutionary government in Nicaragua than they had with Cuba in 1959. The USSR recognized the new government soon after the fall of Somoza. In March 1980 top Sandinista leaders were received in Moscow. Subsequently, a number of economic, cultural, and technical bilateral agreements were signed.

In June 1980 the United States stopped military aid to Nicaragua (\$5.5 million). Later that year, President Carter informally and quietly suspended the remaining \$15 million of an original \$75 million special assistance package because of Nicaragua's provision of political and logistical support to insurgents in El Salvador. President Reagan announced the formal suspension of aid on April 2, 1981. In this sense, there is a relation between U.S. actions and Nicaragua's seeking assistance from the socialist countries of Eastern Europe.³

The Dynamics of Trade

Since 1979, the Sandinistas have followed an independent, non-aligned foreign policy; diversity in diplomatic and economic relations has been central to this policy. Trade and financial links with the socialist countries were initiated in 1979, and have since experienced a rapid growth. These countries are now important trading partners of Nicaragua.

Prior to 1979, Nicaragua's small open economy had strong trading and financial links to the markets of the United States and Western Europe.⁴ The Sandinistas have tried to redress this imbalance, seeking ties with a wider and more diversified range of trading partners, particularly with the Third World and the countries with centrally planned economies. Parallel to the growth of these ties, a deterioration of U.S.-Nicaraguan relations has occurred. After the United States suspended its economic aid to Nicaragua, the Sandinistas sought assistance from and expanded their economic links with the socialist countries. Although the share of Nicaragua's trade with the United States was still larger than with the CMEA countries, the United States had lost predominance this market. Further decline in total trade, particularly in 1984, was due to the Reagan Administration's decision to cut 90 percent of Nicaragua's sugar quota to the United States. On May 1, 1985, the Bonn summit on free trade opened with President Reagan's announcement that the U.S. was imposing a ban on trade, shipping and air travel with Nicaragua. Thus, the U.S. scrapped the 27 year old U.S.-Nicaragua friendship treaty.

The data in Tables 1 and 2 indicate that the OECD countries' -- and particularly the United States' -- share of trade with Nicaragua has steadily decreased. From 1980 until the end of 1983, exports dropped from \$162 million, or from 36 percent to 18.1 percent, while imports declined from \$244 million to \$157 million, or from 27.5 percent to 19.4 percent. On the other hand, Nicaragua's trade with the CMEA countries has increased dramatically. Since 1980, exports have more than quadrupled, from \$12 million to \$55 million, or from 2.7 percent to 12.7 percent and imports have climbed from a mere \$2 million to \$55 million, or from 0.2 percent to 16.6 percent.

Within the CMEA market, Nicaragua's most important trade partner is the Soviet Union. When diplomatic relations were formalized, the Soviet Union proposed several long-term economic agreements. During the last five years, from 1979 to 1984, both countries have cultivated a close bilateral trade that has increased very rapidly. Soviet exports to Nicaragua have exceeded Nicaragua's exports by a wide margin. In fact, Nicaragua's trading position with the CMEA countries deteriorated from a surplus in 1980 and 1981 to a deficit in 1982 and subsequent years.⁵ This situation has worsened in 1984 due to large amounts of oil and kerosene delivered by the USSR, which currently supplies one-fourth of Nicaragua's petroleum needs.

The main Nicaraguan export to the Soviet Union since January 1980 has been coffee, while Nicaragua's purchases have been mainly machinery and oil. Imports from the Soviet Union have been financed mainly by concessionary credits. Between 1979 and 1983, these credits amounted to \$215.9 million. The interest rate on these concessionary trade credits ranges between 2.5 and 5.0 percent, and the repayment period could be stretched up to 10 or even 25 years. Trade credits projected for the 1983 period have been put at \$100 million.⁶

Table 1

NICARAGUA: TRADE BALANCE BY ECONOMIC REGIONS 1980-1983

(millions of US\$)

REGION	EXPORTS				IMPORTS				BALANCE			
	1980	1981	1982	1983	1980	1981	1982	1983	1980	1981	1982	1983
I. Developing Countries	87.612	145.835	103.489	105.057	513.592	505.740	363.682	355.564	-425.980	-359.905	-260.193	-250.507
1. CACM	75.429	70.813	52.120	33.476	300.561	210.504	116.947	123.571	-225.132	-139.691	-64.827	-90.095
2. ALADI	313	10.816	14.530	9.120	179.612	260.303	211.227	189.300	-179.299	-249.487	-196.697	-180.180
3. Others	11.870	64.206	36.839	62.461	33.419	34.933	35.508	42.693	-21.549	29.273	1.331	19.768
Caribbean	7.677	9.617	8.998	4.990	26.090	25.277	13.036	27.671	-18.413	-15.660	-4.038	-22.681
Asia	2.738	54.589	27.841	57.471	7.306	9.586	22.472	15.022	-4.568	45.003	5.369	42.449
Europe	1.455	---	---	---	23	70	---	---	1.432	-70	---	---
II. OECD	350.718	325.099	272.103	271.186	371.439	460.601	320.264	315.691	-20.721	-135.502	-48.161	-44.505
1. USA	162.351	131.132	90.073	77.741	243.589	262.886	147.398	156.680	-81.398	-131.754	-57.325	-78.939
2. EEC	129.496	98.661	95.058	110.763	69.638	114.472	109.144	78.449	59.858	-15.811	-14.086	32.314
3. Other OECD	58.871	95.306	86.972	82.682	58.212	83.243	63.722	80.562	659	12.063	23.250	2.120
III. CMEA	12.112	37.331	29.857	55.050	1.966	32.787	89.032	133.574	10.146	4.544	-59.175	-78.524
1. Eastern Europe	12.112	24.843	28.585	36.748	1.615	24.557	58.451	91.778	10.497	286	-29.866	-55.030
2. Other CMEA	---	12.488	1.272	18.302	351	8.230	30.581	41.796	-351	4.258	-29.309	-23.494
IV. Others	---	---	---	2	214	312	2.569	2.086	-214	-312	-2.569	-2.084
TOTAL	<u>450.442</u>	<u>508.265</u>	<u>405.449</u>	<u>431.295</u>	<u>887.211</u>	<u>999.440</u>	<u>775.547</u>	<u>806.915</u>	<u>-436.769</u>	<u>-491.175</u>	<u>-370.098</u>	<u>-375.620</u>

Source: Planning Directorate, based on the listings compiled by the Ministry of Foreign Trade and the DGA.
 Nicaragua Boletín Estadístico No. 5, Comercio Exterior 1982-1983, Ministerio de Comercio Exterior, 1984.

N.B.: CACM: Central American Common Market
 ALADI: Latin American Integration Association
 CMEA of Eastern Europe: USSR, Poland, Czechoslovakia, GDR, Bulgaria, Rumania, Hungary
 Other CMEA: Cuba, Vietnam, Ethiopia

Table 2
NICARAGUA: PERCENTAGE OF FOREIGN TRADE BY ECONOMIC REGION
1980-1983

REGION	EXPORTS				IMPORTS			
	1980	1981	1982	1983	1980	1981	1982	1983
I. Developing Countries	19.4	28.7	25.5	24.4	57.9	50.6	46.9	44.1
1. CACM	16.7	13.9	12.8	7.8	33.9	21.1	15.1	15.3
2. ALADI	0.1	2.2	3.6	2.1	20.2	26.0	27.2	23.5
3. Others	2.6	12.6	9.1	14.5	3.8	3.5	4.6	5.3
Caribbean	1.7	1.9	2.2	1.2	3.0	2.5	1.7	3.4
Asia	0.6	10.7	6.9	13.3	0.8	1.0	2.9	1.9
Europe	0.3	--	--	--	--	--	--	--
II. OECD	77.9	64.0	67.1	62.9	41.9	46.1	41.3	39.1
1. USA	36.0	25.8	22.2	18.1	27.5	26.3	19.0	19.4
2. EEC	28.8	19.4	23.5	25.7	7.9	11.5	14.1	9.7
3. Other OECD	13.1	18.8	21.4	19.1	6.5	8.3	8.2	10.0
III. CMEA	2.7	7.3	7.4	12.7	0.2	3.3	11.5	16.6
1. Eastern Europe	2.7	4.9	7.1	8.5	0.2	2.5	7.5	11.4
2. Other CMEA	--	2.4	0.3	4.2	--	0.8	4.0	5.2
IV. Others	--	--	--	--	--	--	0.3	0.2
TOTAL	100%	100%	100%	100%	100%	100%	100%	100%

Source: Same as Table 1

In terms of trade volume, next in importance is Bulgaria. Trade and economic cooperation agreements between Nicaragua and Bulgaria were signed in 1980. Nicaragua has mainly exported coffee, which has been reciprocated with canned goods. Trade credits to finance imports by the end of 1982 reached \$37 million. Curiously enough, in 1983 the total volume of trade between Nicaragua and Bulgaria was greater than between Nicaragua and the USSR.

During the 1982-83 period, Nicaragua substantially increased trade with developing countries, particularly those of Latin America (including Cuba), and those of the CMEA. On the whole, total Nicaraguan exports in 1983 increased by 6.4 percent from 1982 although prices of primary commodities were down by 7.3 percent. Exports to CMEA member countries increased significantly by 84.3 percent (Table 3). Trade with Cuba increased by 1,338.8 percent, Bulgaria 78.8 percent, the German Democratic Republic 59.8 percent, and Czechoslovakia 32.7 percent. Imports from the centrally planned economies were up in 1983 by 50 percent from 1982.

In sum, the trends and dynamics of trade between the socialist countries and Nicaragua have grown in both absolute and percentage terms, due to Nicaraguan efforts to diversify and U.S. pressure. CMEA-Nicaraguan trade reflects both advantages and disadvantages. The most obvious observation is that the existing volume of trade has grown in large part because of the cut-off of Western credits. Trade volume is still very low but continues to increase, particularly due to the trade sanctions imposed by the U.S. government on May 1, 1985. The trade balance as a whole has not favored Nicaragua but the terms of trade have been favorable in terms of commodity pricing.⁷ In terms of commodities structure trade flows remain very traditional. Nicaraguan exports consist mainly of agricultural commodities while imports from the socialist countries are composed of manufactured products and fuel. Problems arise from the great geographical distance between the two regions, lack of flexibility by the centrally planned economies in immediately meeting new export orders and Nicaragua's private sector which is still predominant and is suspicious of dealing with the USSR. Furthermore, their relatively small scale of total trade discourages the CMEA countries from establishing sizeable and long-term economic ties.

The state under Somoza played an insignificant role in the economy. There were few public enterprises and little government investment. With the expropriations and nationalization following the revolution, the state for the first time became central to the economy, directly participating in planning, control of the financial system, and control of foreign trade. Now the state directly owns a significant portion of the productive structure and there has been a dramatic increase in the state's share of total investment. Although the state's share in export promotion will rise, it is unlikely to control a majority share in the medium-term. Hence, the state will continue to coexist with a predominant private sector.

Until recently, Nicaragua displayed many characteristics of trade dependence on the United States market, which represented between 30 and 50 percent in some key sectors. Hence, one aspect of the new commercial policy has been to change Nicaragua's foreign trade pattern to encourage broader relations with the developing and socialist countries to place them on equal footing with those of the industrialized market economy countries. A special effort has been made by the government to create and improve commercial contacts with Eastern Europe and the Third World (particularly Latin America, some African, and Asian countries), to identify and establish these contacts.⁸

Table 3

NICARAGUA'S TRADE WITH THE CMEA COUNTRIES (1982 - 1983)
(millions of US\$)

CMEA COUNTRIES	EXPORTS				IMPORTS				BALANCE	
	1982 Value	%	1983 Value	%	1982 Value	%	1983 Value	%	1982 Value	1983 Value
CMEA	29.857	7.4	55.050	12.7	89.032	11.2	133.574	16.6	-59.175	-78.524
1. Eastern Europe	28.585	7.1	36.748	8.5	58.451	7.5	91.778	11.4	-29.866	-55.030
Bulgaria	6.361	1.6	11.372	2.6	6.264	0.8	7.781	1.0	97	3.591
Czechoslovakia	7.140	1.8	9.474	2.2	1.472	0.2	2.956	0.4	5.668	6.518
Hungary	2.179	0.5	1.756	0.4	155	--	418	--	2,024	1.338
Poland	--	--	--	--	42	--	120	--	-42	-120
GDR	4.575	1.1	7,311	1.7	11,710	1.5	14,374	1.8	-7,135	-7,063
USSR	8.330	2.1	6,835	1.6	38,790	5.0	66,113	8.2	-30.460	-59.278
Rumania	--	--	--	--	18	--	16	--	-18	-16
2. Other CMEA*	1.272	0.3	18,302	4.2	30,581	4.0	41,796	5.2	-29.309	-23.494
Cuba	1.272	0.3	18,302	4.2	30,581	4.0	41,796	5.2	-29.309	-23.494
Others	--	--	2	--	2,569	0.3	2.086	0.3	-2.569	-2.084

* Other CMEA countries include Vietnam, Angola, Ethiopia; other socialist countries include North Korea, Yugoslavia and Mozambique.

Source: same as Table 1

In order to implement this new commercial policy, Nicaragua's Ministry of Foreign Trade (MICE) was created only a month after the Sandinistas seized power. It was primarily assigned to assume responsibility for Nicaragua's commercial contacts and, through its new key government agencies, to handle her imports and exports. In 1980, the government created the "Empresa Nicaraguense de Promoción de Exportaciones" (ENIPREX). In 1982, an export promotion office was opened in Rotterdam in order to establish greater economic diversification and commercial contacts with other geographic areas, particularly Europe.⁹

As a measure to prevent the instability of prices, the government has been exploring the development of long-term marketing contracts with other countries. Nicaragua's small open economy has relied mainly on agricultural exports. Until recently, agricultural export promotion by the government was of relatively little importance. Today export promotion focuses on expansion and diversification of these products.¹⁰ Moreover, "there is control of the agricultural export sector 'indirectly' through the state's monopoly of credit and control of marketing and foreign trade."¹¹ By utilizing foreign exchange controls, the Nicaraguan government has virtually eliminated imports of non-essential consumer goods. Concurrently there has been a sharp rise in capital goods imports. Furthermore, fuel imports have risen dramatically and are absorbing the equivalent of nearly 40 percent of export earnings, or approximately \$250 million annually.

The Dynamics of Aid

Material and financial assistance from the socialist countries has been helpful to the devastated Nicaraguan economy. In spite of its limitations, this aid has provided much-needed strategic and civilian assistance to the embattled revolutionary regime. However, the USSR and the East European countries have adopted a very cautious attitude because they are not eager to take economic responsibility for Nicaragua.

Soviet interaction in the Third World has involved several types of relationships and levels of commitment. Those countries which have extremely good relations are Cuba, Vietnam and Afghanistan. The next wider circle includes the "socialist-oriented states": Angola, Mozambique, Ethiopia, the People's Democratic Republic of Yemen and the Congo. Other countries that maintain good relations and have signed friendship treaties with the USSR are India, Iraq and Syria. Nicaragua is only considered a good friend that has not even signed a friendship treaty and is ranked along with Algeria, Libya and Benin.¹²

Some observers claim that Soviet policy towards Nicaragua underwent two phases. The first is branded as the "exploration period" (1979-1981) during which time the Soviet Union was dubious about the Sandinistas. The role of the USSR in the reconstruction of a Nicaragua torn by war was negligible compared to Cuba and Mexico (Table 4). According to UN data on aid to Nicaragua, up to August 31, 1981, the USSR only provided 3 percent of the total.¹³ However, taken as a whole, the socialist countries (including Cuba) donated 23.37% of the total aid received by Nicaragua (Cuba alone contributed 16.14%). The second phase is known as the "growing commitment" period (1981-1983), in which socialist aid from Eastern Europe and the USSR becomes more significant. To

Table 4

AID TO NICARAGUA FROM JULY 19, 1979 TO FEBRUARY 28, 1982*

(millions of US\$)

Donor	Pledged				Received			
	Cash	Kind	Total	Proportion of Total (percentage)	Cash	Kind	Total	Proportion of Total (percentage)
United Nations System	5.98	29.47	35.45	10.48	5.82	10.07	15.89	6.04
Latin America	6.55	56.78	63.33	18.73	6.55	56.78	63.33	24.06
North America	13.82	14.70	28.52	8.43	13.13	14.01	27.14	10.31
U.S.	11.80	9.40	21.20	6.27	11.90	8.80	20.70	7.86
Canada	2.02	5.30	7.32	2.16	1.23	5.21	6.44	2.45
OAS System	0.22	2.10	2.32	0.69	0.22	2.10	2.32	0.88
Western Europe	66.43	63.49	129.92	38.42	39.19	47.48	86.67	32.92
EEC System	7.62	34.60	42.22	12.49	2.02	21.50	23.52	8.93
World Council of Churches	2.43	---	2.43	0.72	2.33	---	2.33	0.89
Fondo Int. de Int. Universitarios	0.01	---	0.01	---	0.01	---	0.01	---
Medico Internacional	---	0.70	0.70	0.21	---	0.70	0.70	0.27
Socialist Countries**	---	71.53	71.53	21.16	---	61.53	61.53	23.37
Cuba	---	42.50	42.50	12.57	---	42.50	42.50	16.14
GDR	---	13.30	13.30	3.93	---	10.30	10.30	3.91
USSR	---	7.90	7.90	2.34	---	7.90	7.90	3.00
Bulgaria	---	4.10	4.10	1.21	---	0.10	0.10	0.04
Hungary	---	0.30	0.30	0.09	---	0.30	0.30	0.14
Yugoslavia	---	0.40	0.40	0.12	---	---	---	---
Czechoslovakia	---	0.30	0.30	0.09	---	0.20	0.20	0.08
Poland	---	0.20	0.20	0.06	---	0.20	0.20	0.08
North Korea	---	2.53	2.53	0.75	---	0.03	0.03	0.01
Asia	0.10	2.41	2.51	0.74	0.10	2.41	2.51	0.95
Other countries (Libya)	0.10	---	0.10	0.03	0.10	---	0.10	0.04
Other international agencies	2.21	2.24	4.45	1.32	1.91	1.84	3.75	1.43
GRAND TOTAL	95.41	242.72	338.13	100.00	67.02	196.22	263.24	100.00

*Does not include loans

**For the socialist countries, the figures correspond to the amount channeled through FIR as of August 31, 1981.

Source: United Nations, General Assembly, Assistance to Nicaragua, Special Economic and Disaster Relief Assistance: Special Programs of Economic Assistance, Report to the Secretary General, A/37/135, 6 October, 1982.

June 1984, the total had reached 50,000 tons of wheat. Within the context of her overall aid to the Third World, the Soviet Union's commitment to Nicaragua has been modest. Soviet economic aid during the first three months of 1984 has been estimated at \$100 million to \$150 million, an increase of about 25 percent over 1983.²⁸

Bulgaria is next in importance in terms of aid. Medical donations sent by Bulgaria in 1980 were worth \$500,000. Agreements were also signed that year between Nicaragua and Bulgaria for further donations and assistance. In 1981, Bulgarian donations were estimated at \$20 million.²⁹ Subsequently, other cooperation agreements were signed and a number of scholarships were assigned for Nicaraguans to study in Bulgaria. Bulgaria also sent wheat in response to the United States' credit freeze. In 1982, a \$10 million loan was granted to the telecommunications industry. In March 1983, Bulgaria agreed to extend a \$165 million credit for construction of a deepwater port at Bluefields Bay and to increase assistance, including trade credits, and committed itself to participate in 89 projects for the 1983-85 period.³⁰

Assistance from the other East European countries has been less significant. Donations from the German Democratic Republic (GDR) have come in the form of wheat shipments and educational aid. In 1983, the GDR provided \$148 million in credits, \$120 million for the purchase of farm machinery, trucks, fertilizers, and chemicals, and \$28 million for raw material purchases. In 1984, the GDR provided an initial \$24 million credit.³¹ The GDR has also built and equipped a polytechnic institute in Jinotepe.³² The GDR also sent donations for flood relief in 1982.³³ Since 1980, Hungary has provided a number of scholarships and other donations totaling \$5 million in 1981. Total 1983 medical donations came to \$30 million. Donations from Czechoslovakia in 1981 amounted to \$15 million; and in 1983, Czechoslovakia provided \$45 million in credits for purchases of trucks, machinery, and equipment. Czechoslovakia has also provided scholarships for 63 Nicaraguan students, food assistance and other material aid.³⁴

In terms of loans and lines of credit granted to Nicaragua, an interesting pattern has developed. The new government formed in mid-1979 had received by the end of 1983 about \$2,344.5 million, 75 percent of which was from bilateral agreements. Table 5 shows that United States loans have been discontinued since 1981 and those from Western Europe have been declining since then. On the other hand, credit from the USSR and East European countries has been on the increase. Although the East European and USSR lines of credit amount to approximately 20 percent of the total, the figure is significantly higher when Cuba, North Korea and Yugoslavia are included as part of the socialist bloc. This is quite obvious in Table 6, which shows the loans contracted by Nicaragua through June, 1984.

According to Sims, economic assistance promised to Nicaragua by the socialist countries during 1979-83 amounted to \$1,215.460 million.³⁵ These figures break down as follows: \$450 million in economic aid, \$423.9 in concessionary trade credits, \$193.75 million in donations, \$81 million in non-trade-related aid, and \$66 million in technical assistance. These figures, however, include long-term projects and programs extending through 1985. Economic assistance from the East European socialist countries breaks down (in millions) as follows: USSR \$443.7, Bulgaria \$232.5, the GDR \$103.25, Czechoslovakia \$75 and Hungary \$5. The total for Eastern Europe and the USSR is \$859.45.

Table 5

NICARAGUA: LOANS AND LINES OF CREDIT OBTAINED DURING THE PERIOD 1979-1983
(millions of US\$)

SOURCES	1979	1980	1981	1982	1983*	Total	%
I. Multilateral Organizations	213.0	170.9	86.2	93.6	34.4	598.1	25.5
II. Bilateral	58.7	356.7	600.9	448.1	282.0	1,746.4	74.2
1. Western Europe	14.6	63.2	60.2	38.7	86.7	263.4	11.2
2. North America	--	72.6	--	--	--	72.6	3.1
3. Latin America	44.1	118.9	336.0	203.4	75.5	777.9	32.2
4. Africa and Asia	--	--	103.0	3.0	59.8	165.8	7.1
5. Eastern Europe & USSR	--	102.0	101.7	203.0	60.0	466.7	19.9
Total (I + II)	271.7	527.6	687.1	541.7	316.4	2,344.5	100.0%

* Preliminary figures

Source: Banco Central de Nicaragua, 1984

Technology and Arms Transfers

Technical assistance from the CMEA has become an integral part of cooperation with Nicaragua. Technical agreements signed with the USSR include fishing and ocean-resources agreements, radio and TV services, geological and mineral resources, the construction of two hydroelectrical plants, and installation of radio transmitters and telecommunications receivers. In addition, there has been a joint Soviet-Bulgarian project to develop a deepwater port at El Bluff, an island waterway system from Rio Escondido to Rama, and the construction of a drydock in San Juan del Sur. The USSR also has provided \$31 million to help develop small industry, and has supplied a considerable number of scientists and technicians for all these projects.

Technical cooperation with Bulgaria began in 1980, when two major agreements were signed. One was for the construction and maintenance of a dock in the Yepe River, the other was a joint venture with Nicaragua in the canning and leather industry. Another technical assistance agreement was signed for the food processing industry in 1981. During 1982, an agreement was reached on agriculture, fishing, forestry, and mining industries providing for equipment deliveries. Assistance has also been provided to the telecommunications industry. Other technical cooperation agreements were signed in 1983 when a high-level delegation went to Bulgaria.

Technical assistance from the German Democratic Republic has consisted of the construction of textile factories and cooperation in health, transportation and education. Czechoslovakia has also been involved in the construction of a new textile factory. Other countries such as Rumania, Poland and Czechoslovakia have also signed technical assistance agreements in the fields of planning, agriculture and geological research, but less is known about these. The socialist countries as a whole have provided thousands of scholarships for Nicaraguan students to pursue regular academic studies or technical careers.³⁶

Technical assistance provided by Cuba has been concentrated in the areas of health and education, as well as industrial development. Cuba has provided technical assistance in food production, and in the dairy and fishing industries. Aid to the sugar industry includes the construction of the Malacotaya sugar refinery. In road construction, Cuban workers have built a 426 km coast-to-coast highway. In 1983, they built another highway, extending from Managua to northwestern Nicaragua. Furthermore, Cuba has sent an additional 500 technicians to work on hydroelectric and telecommunications facilities.

Data on arms sales to Nicaragua, their present cost, and the strength of the country's armed forces vary widely. Heightened tensions with neighboring Honduras, growing American military presence in the region, and the escalation of counterrevolutionary activity have increased the pressure on the government of Nicaragua to divert its productive resources to defense.³⁷ Prior to 1979, most arms imports to Nicaragua had come mainly from the United States and Israel. Soon after the Sandinistas seized power, they approached the U.S. government for military aid but their chances were almost non-existent because of their close ties to Cuba. As a result, the Nicaraguan government turned to other countries for arms. New military equipment from the socialist countries was seen for the first time during the July 1980 celebration in Managua.³⁸ Since 1980, Nicaragua's arms portfolio has been dominated by Soviet-made weapons.

NICARAGUA: LOANS AND LINES OF CREDIT CONTRACTED DURING THE PERIOD OF

JULY 1979 - JUNE 1984

(In millions of Dollars)

	<u>Amount</u>	<u>Percentage</u>
<u>I. MULTILATERAL ORGANIZATIONS</u>	<u>\$ 632.2</u>	<u>25.3</u>
CABEI (Central American Bank for Economic Integration)	125.9	
World Bank	106.1	
IDB (Interamerican Development Bank)	256.7	
Others	143.5	
<u>II. OFFICIAL BILATERAL LOANS AND LINES OF CREDIT</u>	<u>\$1,844.7</u>	<u>73.7</u>
<u>North America</u>	<u>83.0</u>	<u>3.3</u>
U.S.A.	72.6	
Canada	10.4	
<u>Western Europe</u> *	<u>258.3</u>	<u>10.3</u>
West Germany	25.8	
Holland	57.9	
Italy	5.4	
France	64.4	
Finland	5.7	
Spain	81.9	
Austria	12.4	
Sweden	4.8	
<u>Latin America</u> *	<u>758.0</u>	<u>30.0</u>
Mexico	519.0	
Venezuela	64.2	
Brazil	50.5	
Argentina	47.8	
Peru	10.0	
Colombia	4.5	
Costa Rica	37.0	
Honduras	25.0	
<u>Socialist Countries</u>	<u>605.6</u>	<u>24.2</u>
U.S.S.R.	262.2	
German Democratic Republic	140.0	
Yugoslavia	25.0	
Bulgaria	60.0	
Czechoslovakia	30.0	
Hungary	5.0	
Cuba	53.4	
Korea	30.0	
<u>Africa and Asia</u>	<u>139.8</u>	<u>5.6</u>
Libya	100.0	
Taiwan	6.0	
China	7.0	
Iran	26.8	
<u>III. SUPPLIERS</u>	<u>24.6</u>	<u>1.0</u>
Italy	24.6	
GRAND TOTAL	\$2,501.5	100.0

Source: Ministerio de Cooperación Exterior, 1985

* Specific country-by-country breakdown not always possible

In December 1981, Nicaragua signed a \$15.8 million arms deal with France, which included two helicopters, 45 trucks, two missile-firing patrol boats, and 100 rocket launchers.³⁹ As United States-Nicaraguan relations began deteriorating in 1981 when President Reagan assumed office and cut off aid to Nicaragua, the supply of military hardware from the socialist countries began to increase at Managua's request. According to the U.S. Department of State, shipments sent between 1979 and 1982 from the Socialist countries were valued at \$125 million.⁴⁰ A more recent government publication asserts that in 1983 the socialist countries delivered over \$100 million worth of military hardware.

Large transfers of weapons, from mid-1981, led to a U.S. claim that Nicaragua had acquired an offensive military capability. The reports made reference to some 100 Soviet T-54/55 tanks provided to Nicaragua as well as 20 light tanks (PT-76), 120 trucks, armed personnel carriers, 700 SA7 anti-aircraft missiles, 120 anti-aircraft guns, small arms and ammunition.⁴² In fact, the background paper released by the State Department and the Defense Department of the U.S. government stresses that in less than five years the Sandinistas have built the largest and best equipped military force in Central America. However, the paper overlooks the fact that Nicaragua does not have advanced aircraft, its air force is one of the weakest in the region. Its anti-aerial defenses, however, are impressive by Central American standards but these are purely defensive weapons. Nicaragua's armed forces consist of 40,000 men on active duty, and an additional 20,000 reserves who could be mobilized. This is the same troop strength as Guatemala's regular armed forces but much less than El Salvador's.⁴³

Military advisory presence in Nicaragua is mainly Cuban. The figures vary widely--the main reason being that the U.S. includes in its totals for Cuban military presence civilian personnel who belong to Cuba's military reserves who might be able to perform military roles in Nicaragua, particularly in case of war. While Cuban and Nicaraguan authorities admit there are approximately 300 Cuban military advisors, U.S. intelligence sources cite about 3,000 as well as hundreds of Soviet and East European military personnel.⁴³ Military cooperation with Cuba includes the provision of advisors, arms, and training for Nicaraguan military personnel. Friction between Nicaragua and her neighbors and the U.S. revolves mainly around the question of foreign military and security advisors in Nicaragua. By comparison, the U.S. has military advisors in every country bordering Nicaragua. The strength of U.S. military personnel in Central America is 14,568, including 9,568 in Panama, plus another 5,000 stationed in Honduras for the Big Pine I, II and III military maneuvers (February 1983, August 1983, June 1984). In November 1983 Nicaragua announced that it was prepared to send all foreign advisors home if other Central American countries did the same. According to the Contadora Group, Nicaragua has maintained this position ever since.⁴⁵

Cuban interests and strategy are not identical with those of the Soviet Union, although there is a complementarity of interests. The Cubans have been more consistent in supporting revolutions not only in Latin America but also in Africa. In spite of the much publicized Cuban presence in Nicaragua, particularly in the American press, Fidel Castro's advice to the Sandinistas has been moderate. According to Domínguez, "... in 1979 and 1980, he [Castro] endorsed and welcomed U.S. assistance to Nicaragua" to avoid the hemispheric isolation suffered by Cuba.⁴⁶ Nevertheless, Cuban policy towards Nicaragua has been consistent with Cuba's overall internationalist position: to help build a revolutionary order in Nicaragua.

Pressure for change throughout the region led in the late 1960s to the emergence of developmental nationalism and the promotion of economic integration. The drive for economic development was accompanied by openness to political experimentation. A decade later, Nicaragua has followed the same course, extending its diplomatic and economic interactions within the region and beyond the hemisphere, the result being a "diversification of dependence." The quest for independent status in the international system for a nation-state as small as Nicaragua is difficult to achieve in the global East-West conflict dominating present day international relations. In its search for new relations, Nicaragua has actively sought broader ties with Third World allies and has increased its interaction with the socialist countries. Politically, Nicaragua's relations with the socialist countries reflect a desire to assert a more independent posture on the international scene. Nicaragua's foreign policy seeks a new relationship with the United States and exhibits the development of new forms of cooperation with other countries in spite of the current domestic and international constraints. Its new foreign policy is based on the premise of anti-dependency which contrasts with that of anti-communism that determined most of Latin America's foreign policy strategies during much of the 1970s. Contrary to the Reagan administration's beliefs, diplomatic recognition does not constitute recognition of ideological affinity.

According to ECLA, the Nicaraguan economy during 1983 fared remarkably well despite a deep recession affecting the entire Central American region.⁴⁹ However, the financial picture does not look encouraging. Nicaragua has a current account deficit in the range of \$400 million. Its trade deficit is not so much the result of an oversized import bill as it is the consequence of the disappointing performance of the export sector. This is due partly to the collapse of the Central American Common Market (CACM) and the decline in the world market demand for Nicaragua's traditional agro-industrial exports.⁵⁰ Investment projects are being largely offset by the need to amortize the debt mainly inherited from Somoza. Nicaragua's worsening terms of trade have made her more dependent on foreign assistance and today she faces a crippling debt service burden as few credits are forthcoming. By the end of 1983, the Nicaraguan foreign debt was approximately \$3.4 billion and scarcity of foreign exchange became a serious problem.⁵¹ The trade gap has been covered by external credit which leads to a corresponding increase in the nation's debt. Although the Nicaraguan government is attempting to make concessions by opening up the nation's political process, it is facing a number of problems. Tension between the government and the private sector is having a serious negative impact on the economy. While about 60 percent of the economy remains in private hands, the private sector is not reinvesting and is maintaining only minimal participation.⁵² Moreover, the government has yet to promulgate a law on foreign investment which would provide the kind of guarantees necessary to attract such investors. The depressed agricultural situation is exacerbated by the loss of production due to the sabotage activities of what Nicaragua has labeled as contras, or counterrevolutionaries. These and other factors (floods, lack of spare parts, etc.) have resulted in food shortages. In effect, economic difficulties facing Nicaragua are due largely to a combination of U.S. pressure, mismanagement and a fall-off in production by a private sector fearful of further radicalization of the Sandinista revolution.⁵⁴

In their effort to build a new social order, the Sandinistas have appreciated CMEA resource transfers, modest as they have been. Not all aid to Nicaragua can be measured by dollars and cents. The socialist countries have provided

valuable food donations, medical supplies, and technical assistance. Most importantly, economic aid has been geared mainly for infrastructure, redistributive social programs and agricultural development. Much of this aid has been channeled to meet Nicaragua's priority needs. This was illustrated by Nicaragua's effort to put "food first" through subsidized prices and free distribution, thus benefiting broad sectors of the population.⁵⁵ Another immediate Nicaraguan priority was the reconstruction of the devastated country. After 1980, the socialist countries made substantial contributions in the areas of health and education. At present there is a significant increase in the allocation of Nicaragua's resources being used to fight the insurgent force of contras supported by the CIA.

The overall pattern of Nicaraguan resource transfers has been to satisfy immediate basic needs, and here the socialist countries have provided much-needed assistance. According to government officials, the satisfaction of basic needs, "is the underlying principle of the overall development strategy."⁵⁶ Both the increasing reliance on the socialist countries and the declining economic activity with the United States have been primarily motivated by Nicaragua's desire to diversify relations with other countries but most importantly spurred by the U.S. decision to withhold important financial support for Nicaragua. Direct U.S. bilateral assistance has been terminated since President Reagan assumed office in early 1981. In March 1981, the U.S. terminated \$10 million in credits for purchases of U.S. wheat; it cancelled the \$15 million promised by former President Carter; it cut off a \$11.4 million loan promised for rural development, health and education.⁵⁶ In March 1982, pressure was put on banks not to participate in a \$130 million credit line. Ever since, "the United States has been exercising an open policy of blocking multilateral lending."⁵⁸ Furthermore, the U.S. cut off Nicaraguan eligibility for Export-Import Bank credits and has discouraged U.S. firms from doing business in Nicaragua. Finally, the United States has openly attempted to undermine Nicaragua's exports. First, in May 1983, Nicaragua's sugar quota was cut by 90 percent and in May, 1985 the United States imposed a total trade embargo in spite of widespread opposition to this move in Latin America as well as in Western Europe.

Concluding Remarks

CMEA links with Nicaragua have been warm but limited by political differences, lack of economic reciprocity, and U.S. hostility toward any convergence. With the present explosive climate in Central America and renewed global economic vulnerability, the prospects for economic collaboration between Nicaragua and the CMEA countries are restricted. A small nation-state such as Nicaragua cannot easily reorient its trade or open new markets with few commodities to offer and little prior experience in international marketing.

Trade between the socialist countries and Nicaragua has increased substantially but has remained unbalanced. The list of items traded is also short. Despite the few export items from Nicaragua to the USSR, imports from the Soviet Union have rapidly increased. In 1984, Soviet exports to Nicaragua were three times the 1983 level. Concurrent with this increase in trade with the CMEA, trade with the United States has declined proportionally.⁵⁹ However, what some analysts refer to as "aid" in fact are lines of credit for the purchase of

machinery and equipment. In essence, trade and aid from the socialist countries have brought in little hard currency and thus have been limited in solving Nicaragua's balance of payments problems and its relatively huge foreign debt.

The aid that has been provided to Nicaragua by the socialist countries of Eastern Europe has been motivated more by pragmatic concerns than by idealistic principles. The objectives of the socialist countries are mainly political, not military. Their most important strategic interests are elsewhere. Aid has also been disbursed for strictly economic reasons -- essentially to procure raw materials in reciprocation for aid-financed investments. The nominal value of this aid has not been substantial but it has been on the increase, particularly due to rising U.S. pressure on international multilateral financial institutions to deny Nicaragua more credits. Repayment obligation periods on credits are long and interest charged is low.

CMEA technology transfer to Nicaragua has been mainly in public-sector projects. The socialist countries have offered design, engineering, managerial assistance and manpower training programs. The socialist countries have also sold machinery and equipment without restrictive clauses often encountered in deals between Western multinational corporations and developing host countries. There is no incidence of CMEA nations charging higher prices. However, problems have appeared due to lack of spare parts and service when machinery and equipment have not performed properly.

The recent pattern of economic relations between Nicaragua and the CMEA countries has offered various forms of cooperation, including trade, assistance in the construction of development projects, industrial cooperation deals, construction of infrastructural projects, establishing joint-venture, lines of credit, technical and scientific cooperation agreements, and so on. In summary, the socialist countries are a promising outlet for Nicaragua's efforts at market diversification, as well as an alternative source for credits and some technological assistance.

In view of the existing possibilities in trade and economic relations between Nicaragua and the socialist countries, there is reason to believe that there are, in principle, favorable prospects for the deepening of cooperation already existing in specific areas and for extending it to new fields. This projection is based on the evaluation of economic and political factors conducive to the growth of mutual relations, provided that there is a definite desire to undertake them.⁶⁰ The long-term nature of these relations and their rapid growth have set the necessary conditions for their promotion in the future. Their effect is compounded by the uncertainty of the world economic climate, the growing protectionist measures of the Western countries, the need of Nicaragua to diversify its export markets and sources of supply, and the stabilizing effect of the socialist planned economies.

While economic relations between the CMEA countries and Nicaragua have increased to a significant degree, they are limited by a number of factors. First, the non-Marxist nature of Nicaragua makes it difficult for the USSR to justify heavy commitment to it. In international forums the socialist countries have supported the Third World but have been reluctant to provide more economic aid to the most needy. Eastern European assistance, including that of the USSR to developing countries, is concentrated in only a few countries. Hence, there are discrepancies between the CMEA official declarations and their present

practices. In addition, the CMEA countries' ability to provide such funding is limited by their own economic limitations, geographical distance and shortage of foreign exchange.⁶¹ These factors discourage risky commitments in a region peripheral to more essential security concerns. Furthermore, Nicaragua is economically vulnerable to both its own mismanagement and to the reorientation of its economic relations with other regions, and to the decline in prices of its commodity exports.

The support provided to Nicaragua by the CMEA countries, the reorientation of its trade with other areas, including a declining importance in its relations with the United States, compounds the unwillingness in the West to provide Nicaragua with further credits. The question then is where is Nicaragua headed if it is, on the one hand, to reaffirm its "socialist" orientation and to cement its alliance with the non-aligned movement and, on the other hand, to obtain the assistance necessary for its own form of development. The combination of growing military pressure from the contras and U.S. economic aggression is creating internal problems for Nicaragua which seriously challenge its ability to achieve national self-determination and social development.

The image of the Soviet role in Nicaragua as that of an expansionist superpower bent upon the goal of "world domination" overestimates Soviet capacity. According to Bischof, "The complex social and economic problems in Central America have been oversimplified by Washington by dividing up its exponents into the advocates of 'communism' on the one hand and 'defenders of freedom' on the other."⁶² The fundamental source of instability in Central America has not been Soviet meddling but, rather, a number of complex internal and external factors such as policies that ignored the prevailing social problems, the traditional power structures, oppressive rule, and social injustice. Until this underlying dilemma is effectively addressed, military or diplomatic solutions will not suffice, and political turmoil, sudden changes in international orientation and deeper Soviet involvement will remain on the agenda. U.S. policies towards Nicaragua and the outcome of its miscalculations could, on balance, serve mostly to provide the socialist countries with further political and economic inroads in Central America.

1. For an interesting description of how these relations have evolved, see Cole Blasier, The Giant's Rival: The USSR and Latin America (Pittsburgh, Pittsburgh University Press, 1984) and Gerard Fichet "Tres decenios de las relaciones entre América Latina y la Unión Soviética," Comercio Exterior, 31 (February, 1981).
2. The CMEA countries of Eastern Europe are the USSR, Poland, Bulgaria, Rumania, the German Democratic Republic (GDR), Czechoslovakia and Hungary. Although Cuba is a CMEA member, it is herewith considered separately. The terms CMEA countries, centrally planned economies, and Eastern European countries are used interchangeably throughout the text.
3. See Nina Serafino, "Nicaragua: A Selected Chronology of the Sandinista Revolution," July 17, 1979 to December 31, 1983," Congressional Research Service, The Library of Congress, March 20, 1984. On President Carter's policies, see John Gerassi, "Pluralism vs. Centralism in Nicaragua: The Sandinistas Under Attack," paper presented at the International Studies Association annual meeting, Washington, D.C., March 5-9, 1985.
4. See E.V.K. FitzGerald, "The Economics of the Revolution," in Thomas Walker (ed) Nicaragua in Revolution, New York, Praeger, 1982; and Michael E. Conroy, "External Dependence, External Assistance, and the Economic Aggression against Nicaragua," Central American Resource Center, Austin, Texas, July 1, 1984.
5. See Harold Sims, "Relations with the Socialist Bloc," in Thomas Walker (ed) Nicaragua: The First Five Years, Praeger, forthcoming, 1985.
6. Ibid, pp. 11-12
7. By world standards, prices of CMEA country manufacturers tend to be favorable. Price subsidies are often important. See Cole Blasier, op. cit.
8. In Latin America, it has deepened relations with Mexico, Venezuela, Cuba, Argentina, Colombia, Panama, Peru and Brazil. In Africa it has developed new relations with Mozambique, Angola, Zimbabwe, Tanzania and Zambia. With the Arab countries it has strengthened relations with Algeria, Syria, Iraq and Libya. Also, it has increasingly broadened relations with Iran. Most importantly, it has established diplomatic ties with practically all the socialist countries.
9. See A. Grossman, "Fomento de exportación de Nicaragua en la CE-problemas y perspectivas," Development Research Institute, Tilburg University, June, 1983.
10. For more on this strategy, see Robert Henriques Girling, "Nicaragua's Commercial Policy: Building a Socially Responsive Trade," Latin American Perspectives 36, Vol. X, No 1, 1983.
11. George Irving, "Nicaragua: Establishing the State as a Center of Accumulation," Cambridge Journal of Economics, Volume 7, 1983 pp. 129.
12. Soviet academic writers insist that a country such as Nicaragua should remain and function in the world capitalist market. The Soviets do not expect Nicaragua to make a speedy transition to a socialist economic system or to establish an exclusive association with socialist countries. The Soviets know

that the process could be reversed. Thus, it is argued that there is a need to preserve and encourage the private sector. As the tables have shown, Nicaragua still receives 75% of its aid and credits from the non-socialist countries. On Soviet writing stressing this point and particularly the policy of political caution combined with economic restraint, see Elizabeth K. Valkenier, The Soviet Union and the Third World, (N.Y.: Praeger, 1983); Carol Saivetz & Silvia Woodby, Soviet-Third World Relations (Boulder and London, Westview Press, 1985); and Thomas J. Zamostny "Moscow and the Third World: Recent Trends in Soviet Thinking," Soviet Studies, Vol. XXXVI, No. 2, 1984. Jerry F. Hough, "The Evolving Soviet Debate on Latin America," Latin American Research Review, Vol. XVI, No. 1, 1981.

13. United Nations General Assembly, Assistance to Nicaragua, Special Economic and Disaster Relief Assistance: Special Programs of Economic Assistance, Report to the Secretary General, A/37/135, p. 10, 6 October 1982.

14. On this issue see Henrik Bischof, "The Socialist Countries and Central American Revolution," in Wolf Grabendorf, et al. Political Change in Central America: Internal and External Dimensions (Boulder and London, Westview Press, 1984; Edmé Domínguez, "Soviet Policy Toward Central America, The Caribbean, and Members of the Contadora Group," paper presented at the conference on Soviet Foreign Policy in an Uncertain World, Bellagio, Italy, November 12-16, 1984.

15. United Nations, op. cit.

16. Radio Sandino, in Foreign Broadcasting Information service, Latin American Report, March 27, 1981, La Prensa (Managua), August 7, 1982.

17. Havana Domestic Service, August 24, 1979. See also William LeoGrande, "Cuba and Nicaragua," Caribbean Review, Winter, 1980.

18. Havana Domestic Service, April 6, 1982. Daniel Ortega, when he was still Coordinator of the FSLN Ruling Directorate, made public in a note to Cuban President Fidel Castro that there were 5,000 Nicaraguan youths being trained at Cuban educational centers in various scientific and technical fields. See Barricada, July 13, 1984.

19. Barricada Internacional, February 20, 1984.

20. Havana International Service, July 25, 1979; Managua Domestic Service April 16, 1982; Havana International Service, September 4, 1982; Havana International Service, September 6, 1983.

21. The New York Times, June 18, 1984.

22. Radio Sandino, September 19, 1980 (September 23, 1980).

23. U.S. State Department, Soviet and East European Aid to the Third World, 1981, February 1983.

24. Radio Sandino, October 15, 1981.

25. Barricada, September 2, 1982.

26. Managua Domestic Service, June 3, 1982.
27. La Nación Internacional, (San Jose, Costa Rica), November 24, 1984; La Voz de Nicaragua, June 4, 1984.
28. The New York Times, March 28, 1984.
29. Sims, op. cit., p. 14.
30. The March 1983 agreement also called for \$38 million worth of Bulgarian purchases of Nicaraguan raw materials, Bulgarian technical and financial aid for 12 industrial and agricultural development projects, and credits for purchase of Bulgarian medical supplies, fuses, electronic and mining equipment and different types of machinery. See Radio Sandino, January 4, 1984; Financial Times, March 17, 1983; Barricada, March 13, 1984; and The New York Times, March 14, 1983.
31. Radio Sandino, December 5, 1983.
32. Radio Sandino, July 3, 1984. A high-level GDR delegation led by Educational Minister Margot Honecker arrived in Managua on July 2, 1984 to sign a number of cultural and educational cooperation and exchange agreements.
33. Radio Sandino, June 29, 1981; Managua Domestic Service, June 14, 1982; Radio Sandino, June 11, 1983.
34. United Nations, General Assembly, Assistance to Nicaragua, Special Economic and Disaster Relief Assistance: Special Programs of Economic Assistance, Report to the Secretary General, A/39/381, 15 August, 1984.
35. Sims, op. cit.
36. According to one report, a total of 1,260 Nicaraguan students were studying in the USSR and Eastern Europe. See General Accounting Office, U.S. and Soviet Bloc Training of Latin American and Caribbean Students: Considerations in Developing Future U.S. Programs, Washington, GAO, 1984 p. 5.
37. Estimates of Nicaragua's military spending in 1982 represented 20-25 percent of their budget. See, U.S. Embassy in Nicaragua, Document: Recent Economic Trends in Nicaragua, 1982. Military and civilian government sources, according to the international press, state that the amount channeled to defense in 1984 is closer to 40 percent.
38. Jozef Golblat and Victor Millán, "The Honduras-Nicaragua Conflict and Prospects for Arms Control in Central America," in SIPRI, World Armaments and Disarmaments, SIPRI Yearbook, 1984, p. 531.
39. The New York Times, February 15, 1982; Washington Post, July 10, 1982.
40. U.S. Department of State, Current Policy Statements 476, April 12, 1983.
41. U.S. Department of State and Department of Defense, Background Paper: Nicaragua's Military Build-Up and Support for Central American Subversion, July 18, 1984.

42. Ibid. In 1983 alone, according to this report, "Nicaragua received 500 trucks, over 500 jeeps, and about 100 other vehicles. East Germany alone has provided more than 1,000 trucks since 1980." In addition, there has been a deployment of 50 Soviet 125 MM and 152 howitzers. The Sandinistas have also received 24 122 MM multiple rocket launchers.
43. The New York Times, March 30, 1985.
44. According to the Jacobsen Report, "Cuba's tally was given extraordinary credibility by the fact that Washington's dramatic claims of Cuban numbers in Grenada at the time of the Marine landing later had been slashed; the final U.S. figure agreed with Havana's," The Jacobsen Report, Soviet Attitudes Towards Aid to and Contacts with Central American Revolutionaries, paper prepared for the Department of State, June 1984, p. 18. See also, The Miami Herald, November 6, 1983.
45. In fact, on May 2, 1985, 100 Cuban military advisors left Nicaragua as had been announced in February by President Ortega. New York Times, May 3, 1985.
46. Jorge Domínguez, "Cuba's Relation with Caribbean and Central American Countries," Cuban Studies/Estudios Cubanos, 13:2 (Summer 1983), p. 92. The Soviet Union had also urged the Sandinistas to seek economic aid from the West. See Sergo Mikoyan, "Las particularidades de la revolución en Nicaragua y sus tareas desde el punto de vista de la teoría y la práctica del movimiento liberador," América Latina, (Moscow), No. 3, 1980. See also Latin American Economic Report, December 5, 1980.
47. According to Bischof, a number of other Third World countries such as Algeria, Iran, Iraq, India and Turkey have received more development aid from the CMEA countries than Nicaragua. In spite of new increases in Soviet assistance to Nicaragua, this aid remains well below Nicaragua's actual needs.
48. For more on this point, see Augusto Varas, "Soviet-Latin American Relations Under United States Regional Hegemony," The Wilson Center, Latin American Program, Working Paper no. 140, 1984. See also Cole Blasier, "Security and United States-Latin American Relations in the 1980s: the Extra-continental Dimension," The Wilson Center, Latin American Program, Working Paper no. 149, 1984; and, E.G. Ferris and J.K. Lincoln (eds.), Latin American Foreign Policies, Boulder, Westview Press, 1981.
49. United Nations Economic Commission for Latin America (ECLA), "The Crisis in Central America: Its Origins, Scope and Consequences," Santiago, Chile: E/CEPAL/G. 1261, 15 September 1983.
50. See Claus Brundenius, Industrial Development and Strategies in Revolutionary Nicaragua, Research Policy Institute, University of Lund, Discussion Paper no. 160 June 1984.
51. ECLA, op. cit.
52. Of the 10 largest companies in Nicaragua, only two, Fanatex and Tipitapa-Malacaloya, are state-owned. This reinforces the Sandinista's assurance that large-scale expropriations of private assets have not occurred. See "Latin

America 600," South, January 1985. See also "La economía nicaraguense: un balance necesario," in Pensamiento Propio, No. 15, Managua, Nicaragua, June 1984

53. Since March 1981 a formal "Presidential finding" authorized the United States Central Intelligence Agency (CIA) to undertake "covert activities" against Nicaragua, allocating more than \$19 million for that purpose. Shortly thereafter, CIA-directed military and paramilitary activity against Nicaragua began. Estimates of direct damages inflicted on Nicaragua's economy through the end of 1983 amounted to \$150 to \$300 million. The number of deaths has reached 8,000 through the end of 1984.

54. See Xabier Gorostiaga, "Nicaragua: los dilemas de la revolución popular sandinista a los tres años del triunfo," Economía de América Latina No. 9, 1982; Juan Corradi, "Nicaragua: Can It Find Its Way?", Dissent, Summer 1984; Michael E. Conroy, "False Polarization? Alternative Perspectives on the Economic Strategies of Post-Revolutionary Nicaragua," Third World Quarterly, Fall 1984.

55. Agriculture is the heart of the Nicaraguan economy. The highest priority was assigned to the formulation and implementation of an emergency program to assure sufficient production and adequate distribution of basic food grains and basic consumer goods. As a result, substantial improvements in the production and distribution of basic foods crops have been made. For a well balanced appraisal of the Sandinista's performance in this area, see Joseph Collins, What Difference Could a Revolution Make? Food and Farming in Nicaragua, Institute for Food and Development Policy, 1983; Solon Barraclough, A Preliminary Analysis of the Nicaraguan Food System, Food Systems Monograph, Geneva, United Nations Institute for Social Development, 1982; also, Instituto Histórico Centroamericano, "The Right of the Poor to Defend Their Unique Revolution," Envío, no. 37, July 1984.

56. Junta del Gobierno de Reconstrucción Nacional, "La filosofía y política del Gobierno de Nicaragua," 1983, p. 10.

57. See Richard Sholk, "United States Economic Aggression against Nicaragua," paper presented at the XI International Congress of Latin American Studies Association (Mexico City), October 1983.

58. Michael E. Conroy, op. cit. (1984) p. 33, and E.V.K. FitzGerald, "Evaluación del costo de la agresión estadounidense contra el pueblo de Nicaragua," paper presented at the XII Congress of the Latin American Studies Association, Albuquerque, April 1985.

59. The New York Times, May 12, 1985.

60. Even after Nicaragua was granted observer status in the CMEA in September of 1983, no major concrete commitments have been forthcoming. It is important to mention that the roles played by UNCTAD and by ECLA have been crucial in promoting research and serving as a forum for discussion in order to encourage trade and economic cooperation among countries having different economic and social systems. See, for instance, the publications of the Proyecto CEPAL/UNCTAD/PNUD - RLA/82/021, "Relaciones económicas entre los países de América Latina y los países miembros del CAME (Fase II)," E/CEPAL/SEM. 17/R.2, 12 June 1984; "Trends, Policies and Prospects in Trade among Countries having Different Economic and Social systems -- Selected Studies," UNCTAD, TD/B/879, New York, 1984.