

**The "Reagan Revolution," Part Two:
The View from Developing Countries**

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"Man wants to forget the bad stuff and believe in the made-up good stuff. Its easier that way."

--[Rashomon](#), Kurosawa

"He (Reagan) may have forgotten us. But we have not forgotten him."

-- Angolan refugee and landmine victim

"**Folly** is a more dangerous enemy to the good than evil. One can protest against evil; it can be unmasked and, if need be, prevented by force....Against folly we have no defense. Neither protests nor force can touch it; reasoning is no use; acts that contradict personal prejudices can simply be disbelieved. Indeed, **the fool** can counter by criticizing them, and if they are undeniable, they can just be pushed aside.... So the fool, as distinct from the scoundrel, is completely self-satisfied. In fact, he can **easily become dangerous, as it does not take much to make him aggressive....**"

--Dietrich Bonhoeffer

Following last week's prolonged national memorial to President Reagan, the most elaborate in US history, most Americans have turned their attention back to the troubled present. But we cannot resist continuing down the revisionist path that we started to clear in Part One of this series.

Contrary to Henry Ford, history is not "bunk," nor is it "just one damn thing after another." In fact, it is one of our most valuable possessions. But unless we take the

time to learn from it, it can easily come back to haunt us -- as it is doing right now. At the very least this exercise will prepare us to evaluate President Clinton's new autobiography, which is due out next week.

As noted in Part One, most recent discussions of Ronald Reagan's foreign policy legacy have focused almost entirely on the Cold War. Even there, as we argued, his legacy is decidedly mixed. While he may have helped to pressure the Soviets to reform, he also took incredible risks with the balance of nuclear forces, including some risks that we are still living with to this day.

When we turn from superpower relations to Reagan's impact on developing countries, the legacy is even starker. In **The Blood Bankers**, we've detailed how the Reagan Administration's lax policies toward country lending and bank regulation exacerbated the 1982-83 Third World debt crisis. And then the administration did very little to help developing countries fundamentally restructure their debt burdens and recover. By the end of the 1980s, most country debt burdens were higher than ever.

Here we will focus on another long-term legacy of Reagan's relations with the developing world -- the consequences of his support for a plethora of reactionary dictatorships and *contra* armies all over the globe.

Most Americans are probably not aware of it, but this bloody-minded policy fostered several nasty wars in developing countries that have cost literally millions of lives -- and are still producing fatalities every day, by way of wounds, continuing conflicts, unexploded ordnance, and landmines.

Furthermore, as described below, the Reagan Administration was also responsible for several of the clearest examples in history of state-sponsored terrorism.

Unfortunately, it turns out that very little of this was really necessary, either from the standpoint of defeating the Soviets, pushing the world toward democracy and free markets, or enhancing US security.

Indeed, in the long run, Reagan's policies basically destabilized a long list of developing countries and increased their antagonism towards the US. Combined with the policies of "benign neglect," stop-go intervention, and ineffective neoliberal reforms that characterized the Clinton Administration's policies toward developing

countries, and the neoconservative policies pursued by both Bushes, it is no accident that America's reputation in the developing world is now at a record low.

Unfortunately, like some of the risks that Reagan's policies introduced into the nuclear balance, these effects may have a very long half-life. Surely they will be with us long after Ronald Reagan has met his Maker. We just hope for the Gipper's sake that his Maker does not read this article before pronouncing judgment upon him.

THE INDICTMENT

There is an abundance of examples of the Reagan Administration's strong negative impacts on developing countries. To cite just a few:

- **I**n the case of **the Philippines**, the Reagan Administration was a staunch ally of **Ferdinand and Imelda Marcos** right up to their last helicopter ride to Hawaii in February 1986. Vice President **George H.W. Bush** visited Manila in March 1981, soon after Reagan was elected, to thank him for his generous support. He toasted Marcos in glowing terms: "We love your adherence to democratic principles and democratic process....." The thousands of political opponents who were tortured, imprisoned, or died fighting this corrupt conjugal dictatorship and the millions of Filipinos who have spent the last twenty-five years servicing the couples' unproductive foreign and domestic debts would probably disagree.

- **I**n the case of **Iran and Iraq**, Reagan helped arm and finance **Saddam Hussein** throughout the 1980s, encouraged the Saudis and Kuwaitis to finance his invasion of Iran when it bogged down, helped to equip him with chemical and biological weapons, sent Donald Rumsfeld to Baghdad to assure close relations and propose a new pipeline to Saddam to help him export his oil, and even provided a team of 60 Pentagon analysts who sat in Baghdad, using US satellite imagery to target Saddam's chemical weapons against the Iranians.

At the same time, as the Iran-Contra arms scandal later disclosed, Reagan also helped Iran buy spare parts and advanced weapons for use against Iraq. He also looked the other way when Saddam decided to turn his **US-supplied Bell Helicopters** and **French-supplied Mirage jets** and chemical weapons on the

defenseless Kurds at Halabja. Of course, the fact that the UN, under strong US pressure, did nothing at the time to condemn Saddam for this behavior did not exactly discourage further aggression.

This bipolar policy contributed to prolonging the 1980-88 Iran-Iraq War, one of the largest and bloodiest land wars since World War II. It cost 500,000 to 1 million lives and 1-2 million wounded, and created more than 2.5 million refugees. It also caused a huge amount of damage to both countries' economies, and left Iraq, in particular, broke and heavily indebted. As we've argued in The Blood Bankers, that destabilization, in turn, contributed significantly to Saddam's 1991 decision to invade Kuwait in 1991 -- and ultimately, our current Iraq fiasco.

- **I**n the case of **South Africa**, the Reagan Administration steadfastly opposed any US or UN sanctions on international trade and investment. Indeed, it continued to work closely with the apartheid regime on many different fronts, including the civil wars in Angola (see below), Namibia, and Mozambique.

It also now appears that both Carter and Reagan turned a blind eye to South Africa's development of nuclear weapons and ballistic missiles, in collaboration with Israel, which purchased its uranium from the Pretoria regime. Fortunately, no thanks to Reagan, Bush I, or for that matter, Bill Clinton, apartheid came to an end in the early 1990s, and South Africa became the first nuclear power ever to dismantle its nuclear weapons.

- **I**n the case of **Guatemala**, Reagan gave a warm embrace to the brutal dictatorship of **General Efraim Rios Montt** in the early 1980s. Rios Montt, a graduate of Fort Benning's School for the Americas, was also an ordained "born-again" minister in California-based Gospel Outreach's **Guatemala Verbo** evangelical church. Evidently that combination endeared him to the Reagan Administration -- US Assistant Secretary of State Thomas Enders praised him for his "effective counter-insurgency," and President Reagan called him "a man of great personal integrity," "totally dedicated to democracy," someone who Amnesty International had given "a bum rap."

This cleared the way for hundreds of \$millions in World Bank loans and US aid that helped to make Rios Montt and his generals rich. Meanwhile, the junta implemented a genocide that a UN-backed Truth Commission later found was responsible for the deaths of 200,000 Guatemalan peasants, mainly Mayan Indians.

- **I**n the case of **Argentina**, Reagan turned a blind eye to the "dirty war" waged by the military junta against its opponents, at a cost of 30,000 lives and many more destroyed families.

When this junta launched the April 1982 invasion of the Falkland Islands to deflect public attention from its political and economic woes, Reagan and **Secretary of State Al Haig** ultimately decided to side with the UK's **Margaret Thatcher**, a fellow neoconservative. However, key Reagan aids **Jeane Kirkpatrick** and **Michael Deaver** worked behind the scenes to support the fascist junta, encouraging it to believe that the US might stay neutral. The very evening that the invasion was launched, Kirkpatrick was the guest of honor at an elaborate Washington D.C. banquet that was sponsored by the junta.

- **I**n the case of **Panama**, Reagan's CIA subsidized and promoted the rise of **General Manuel Noriega**, another graduate of the notorious US School of the Americas. The US made extensive use of Noriega's intelligence gathering capabilities during the contra war with Nicaragua (see below).

This encouraged Noriega to believe that he could get away with anything. For a while he did: in the early 1980s, he became one of the most important cocaine wholesalers in the region, shipping a ton of coke per month to Miami on **INAIR**, a Panama airline that he co-owned, literally under the US Customs' nose. By 1989, even George H.W. Bush was embarrassed, and he had the dictator forcibly removed -- at a cost of the lives of 23 US troops, 314 Panamanian Defense Forces, and several hundred Panamanian civilians.

- **I**n the case of tiny **Honduras**, the poorest country in Central America, the Reagan administration turned another of its many blind eyes to the rise of death squads in the early 1980s. John Negroponte, the former US Ambassador to the UN and our new "proconsul" in Iraq, served as Ambassador to Honduras from 1981 to 1985. As this author knows from first-hand experience, reports of human rights abuses in Honduras were rampant during this period. It is hard to believe that Negroponte, who cultivated close relations with the Honduran military, was simply unaware of all these reports.

One of the key offenders was Battalion 3-16, the CIA-trained and funded Honduran military unit that was responsible for hundreds of disappearances and torture cases, including several that involved Americans.

One US embassy official later reported that in 1982, Negroponte had ordered any mention of such abuses removed from his annual Human Rights reports to Congress. Negroponte has denied any knowledge of this, and has skated through several confirmation hearings to arrive at the very top of the US diplomatic corps, where he will soon be running the world's largest US embassy.

- **I**n the case of **El Salvador**, the Reagan Administration also sharply increased economic and military support to a brutal oligarchical regime that was also deeply involved in death squads. President Carter had also provided military aid to the regime -- indeed, Archbishop Oscar Romero's condemnation of that aid was one key factor in his assassination in March 1980. After Reagan's November 1980 election, the Salvadoran military felt it had a "green light" to become even more aggressive with its opponents in the Church and unions, as well as the FMLN rebels.

One immediate byproduct of the "green light" was the murder of four US Maryknoll nuns in December 1980. Reagan's first Secretary of State Al Haig, later suggested that the nuns might have been killed in a "crossfire" when they "ran a roadblock. " But their murders were later attributed to five Salvador National Guard members, who, in turn, appear to have acted on orders from senior members of the Salvador military.

A law suit was eventually brought on behalf of the nuns against the commanders to whom these guardsmen ultimately reported -- Jose Guillermo Garcia, El Salvador's Minister of Defense from 1979-1983, and Carlos Eugenio Vides Casanova, the former head of the National Guard, the Reagan Administration's key allies in the early 1980s, who were now living in Florida.

But in 2000 a jury ruled that even though they had given the orders, they did not have "effective control" over their subordinates, given the instability in the country. However, in July 2002, another jury in West Palm Beach found the duo liable for torture and other human rights abuses against three other victims, and ordered them to pay \$54.6 million in damages.

Meanwhile, their many collaborators in the Reagan Administration have of course gotten off scot free. Reagan's insistence on a military solution to the conflict in El Salvador helped to perpetuate the civil war throughout the 1980s, at a cost of more than 75,000 lives. Ultimately, under Bush I and Clinton, the long-delayed negotiated solution was achieved.

As for Archbishop Romero's assassin, he has never been found. There are credible reports, however, that his actual triggerman now lives -- naturally enough -- in Honduras.

- **I**n the case of **Lebanon**, Reagan was responsible for a broken promise to the Palestinians that ultimately contributed to the 1982 massacres at the **Sabra/Shatila** refugee camps. To get the PLO to withdraw from Beirut, Reagan promised to protect Palestinian non-combatant refugees in those camps. Indeed, the PLO fighters left on August 24, 1982, and US Marines landed on August 25. But they were withdrawn just three weeks later, on September 10, after the PLO fighters left. Ariel Sharon, Israel's Defense Minister at the time, promptly ordered the Israeli Defense Forces to surround the camps. They refused to let anyone leave, and then permitted his Lebanese allies, the rightist Christian Phalangists, to move in.

The result was the slaughter of at least 900 to 3000 unarmed Palestinians, including many women and children, on September 16-18, 1982. As former Secretary of State George Schultze later commented, "The brutal fact is, we are partially responsible." Israeli's own **Kahan Commission** later found Sharon "indirectly responsible" for the massacre, but imposed no penalties, other than forcing him to resign as Defense Minister.

- **I**n the case of **Angola**, Reagan, in cooperation with South Africa's apartheid regime and Zaire's dictator Mobutu, helped to sponsor UNITA, Joseph Savimbi's rebel band, against the left-leaning MPLA, which also happened to have far stronger support from the Angolan people. Reagan hailed the power-hungry Savimbi as a "freedom fighter," and enlisted wealthy arch-conservatives like beer merchant **Joseph Coors** and Rite-Aid owner **Lewis E. Lehrman** to organize assistance and lobby Congress for millions in aid.

In fact Savimbi turned out to be one of the world's most lethal terrorists. Even after UNITA lost UN-supervised elections in September 1992, he continued the war, financing his operations by trafficking in "blood diamonds."

The resulting guerilla war cost the Angolan people up to 1 million dead, turned a quarter of Angola's 12 million people into refugees, and devastated health and education programs and the domestic economy. It also left an estimated 6 to 20,000,000 land mines scattered all across the country, one of the world's most heavily mined countries, with more than 80,000 amputees as a byproduct. Only with Savimbi was finally killed in May 2002 was the country finally restored to peace.

- **I**n the case of **Afghanistan**, Reagan considerably expanded aid to the Afghan rebels in the early 1980s, providing them more than \$1 billion in arms and sophisticated weapons like Stinger missiles to fight the Soviets. The resulting battle ultimately cost the Soviets 15,000 lives. But the price to Afghanistan was much higher -- the Afghan people lost more than 1 million dead and wounded, plus millions of refugees. Furthermore, after the Soviets finally left in the 1989, the country became a stomping ground for opium-dealing warlords, religious fanatics like the **Taliban**, and **al-Qaeda's global terrorists**.

Furthermore, we now know that **Gorbachev** had offered to pull Soviet troops out of Afghanistan in 1987, in exchange for reduced US arm shipments to the rebels. However, he was rebuffed by the Reagan Administration, which wanted to prolong the Soviets' agony. This not only cost a great many more Afghan (and Soviet) lives, but also helped turn Osama Bin Laden from a nobody into a folk hero. All this helped to pave the way to 9/11, the continuing war in Afghanistan, and the even more dangerous global terrorist war.

All told, then, the Reagan Administration clearly has a lot to answer for with respect to the developing world. And this is even apart from one of the most perfidious examples of Reagan's brutitarian policies, that of **Nicaragua** -- as the following excerpt from [The Blood Bankers](#) makes clear.

NICARAGUA'S COUNTERREVOLUTION

By the end of 1980, with Nicaragua's civil war concluded, **General Anastasio Somoza deBayle** dead in Paraguay, and the country's debt settlement with its foreign banks concluded, many Nicaraguans were looking forward to rebuilding their economy and finally achieving a more peaceful society. Alas, it was not to be.

Undoubtedly the **Sandinistas** deserve some of the blame for the way things turned out, though, as we will see, the odds were clearly stacked against them. As the strongest faction in the winning coalition, and “the boys with the guns,” at first they commanded overwhelming popular support for having rid the country of the world’s oldest family dictatorship outside of Saudi Arabia and Paraguay. However, like **Venezuela’s Hugo Chavez** in the 1990s, they were torn between leading a social revolution and building a multi-party democracy.

Their hero, **Augusto “Cesar” Sandino**, “the general of free men,” had fought the US military and the Nicaraguan army for six years to a standstill, before he was betrayed and murdered by General Anastasio Somoza Garcia in 1934. After a decade of insurgency in the 1970s, the Sandinistas’ most important experiences to prepare them for the job of running the country were limited to armed struggle, clandestine organizing, and some very rough times in Somoza’s jails. Unhappily, one of their most accomplished political leaders, **Carlos Fonseca**, had been murdered by the National Guard in 1976.

On the other hand, as South Africa demonstrates, it is not impossible for committed revolutionaries to lead a fairly peaceful transition to a multi-party democracy. After all, the ANC had waged just as long a struggle against a state that was no less repressive as Somoza’s. Many of the ANC’s supporters were also just as radical as the Sandinistas, and it also sourced most of its weapons and advisors from radical watering holes like the Soviet Union, East Germany and Libya.

However, ironically, South Africa was not as easy for the US to push around as Nicaragua. South Africa accounted for two-thirds of sub-Saharan Africa’s economy and most of the world’s gold, diamonds, platinum, and vanadium. By 1982, with some help from the UK and Israel, it had acquired nuclear weapons. Compared with Nicaragua, South Africa’s economy was actually in pretty good shape when the ANC

came to power. While there had been a protracted low-intensity war against apartheid, South Africa managed to avoid the full-blown civil war that Nicaragua was forced to undertake in the 1970s to rid itself of the Somoza dictatorship.

Nicaragua was also objectively a **far less strategically important** target. To Washington's national security planners, however, that made it an ideal opportunity for a relatively low-cost "demonstration." Its population was the same as Iowa's. Its entire economy was smaller than Des Moines's. It had few distinctive natural resources. Its only "weapons of mass destruction" were volcanoes, earthquakes, and hurricanes. It was surrounded by other countries that were also of modest strategic value – except for whatever symbolic value was associated with repeatedly crushing the aspirations of impoverished peasants into the dirt.

During the late 19th century, Nicaragua had been selected several times over by US Canal Commissions for a canal across Central America, until **Teddy Roosevelt** finally opted to create Panama and build a canal across it in 1902, for reasons that had more to do with Wall Street than engineering. After that, Nicaragua's canal plans went nowhere, especially after the US Marines landed in 1910 to collect debts owed to British and US banks and to depose a nationalist leader who, among other things, made the fatal mistake of seeking European funding for an alternative to the Panama canal.

The ANC also had one other weapon that the Sandinistas clearly lacked. This was the extraordinary wisdom and good fortune of 72-year old **Nelson Mandela**, who had earned everyone's respect during his 27 years in prison. He had also learned survival skills like patience, diplomacy, and the capacity for making adroit compromises with bitter enemies. Under his influence, the ANC set out to build a mass party. It agreed to hold new elections within two years of his release. It went out of its way to commit itself publicly to multi-party democracy, a market economy, civil liberties, and peaceful reconciliation.

Most of the Sandinistas' top leaders – the so-called *cupola* -- were not really interested in building a mass party, much less a multi-party democracy, at least not initially. They saw themselves as a vanguard party, leading the masses toward a social revolution. As Sergio Ramirez, a leading FSLN member who served as Nicaragua's Vice President under Daniel Ortega from 1984 to 1990, wrote in his 1999 book, *Adios Muchachos*,

The FSLN was not prepared...to assume its role of party of opposition inside a democratic system, because it had never been designed for this. Its vertical structure was the inspiration of Leninist manuals, of the impositions of the war and of caudillismo, our oldest cultural heritage.

To be fair, the FSLN leadership also believed that the first priority was to attack the country's dire health, literacy, land ownership, and education problems, and to build "direct democracy" through civic organizations, not through party politics and national elections. Given the country's emergency and the need to recover from the civil war, this was entirely understandable. But it did provide cheap shots for the FSLN's opponents and the mainstream US media, which basically wrote Nicaragua off very early as a reprise of Castro's Cuba.

The Sandinistas were also widely criticized for lacking the soft touch when it came to domestic politics. Among their many ham-handed moves was their May 1980 decision to expand the Council of State to include "mass organizations," the August 1980 decision to postpone elections until 1984, the rough way they dealt with the Miskito Indians, the 1986 decision to shut down the (by then, CIA-subsidized) **La Prensa**, and Daniel Ortega's various high-visibility trips to Havana, Moscow, Libya and Gucci's eyeglass counter in New York. They were also criticized for implementing a compulsory draft, detaining alleged contra sympathizers without trial after the contra war heated up, permitting the FSLN's National Directorate (Daniel Ortega, Tomas Borge, Victor Tirado, Henry Ruiz, and Bayardo Arce) to remain an unelected (all-male) body until 1991, and seizing a huge amount of property from ex-Somocistas, even middle-class ones, for their own use during the "pinata" period after Ortega lost the 1990 election -- including more than a few beach houses.

At the same time, they were not given much credit for preserving a mixed economy, reforming the health and education systems, pursuing aid from numerous non-Communist countries in Latin America and Europe, implementing a badly-needed land reform, tolerating the virulent *La Prensa*, which supported the contras and called for their overthrow, until they finally reached the limit and shut it down in 1986, ultimately holding free elections in November 1984 and February 1990, and respecting the outcome of those elections even when, as in 1990 (...and 1996, and 2001..) they lost.

The basic reality is that from at least 1981 on, Nicaragua's new government was operating in an increasingly hostile international environment, where the Western

media and the USG, as well as the Miami-based Somocistas, were predisposed to seize upon the slightest departures from Roberts' Rules of Orders to consign them to hell – and if no such departures were readily at hand, to invent them out of whole cloth. These hostile attitudes had much less to do with the FSLN's behavior than with the USG's new aggressive stance with respect to the Soviet Union – actually dating back at least to President Carter's initiation of a contra-like war against the Soviet-backed government in Afghanistan in July 1979.

STATE-FUNDED TERRORISM - REAGAN STYLE

So, despite all the FSLN's undeniable missteps, it would probably have taken divine intervention to save Nicaragua from the wrath of Ronald Reagan, who decided almost immediately upon taking office to single tiny Nicaragua out for a replay of the Carter/ Brzezinski strategy in Afghanistan.

As former CIA analyst David MacMichael testified at the International Court of the Hague's hearings on a lawsuit brought by Nicaragua against the US in 1986, from early 1981 on, the US Government set out to create a "proxy army" that would "provoke cross-border attacks by Nicaraguan forces and demonstrate Nicaragua's aggressive nature," forcing the Sandinistas to "clamp down on civil liberties.....arresting its opposition, (and) demonstrate its allegedly inherent totalitarian nature."

In other words, if they were not totalitarian enough to begin with, we would see to it that they became totalitarian – and then blame them for making the switch.

President Reagan offered several different justifications for this ultimately rather bloody-minded policy. In March 1983, in a speech to Congress, he presented his subversion theory, Congress, warning that the Sandinistas had already "imposed a new dictatorship...supported by weapons and military resources provided by the Communist bloc, (that) represses its own people, refuses to make peace, and sponsors a guerrilla war against El Salvador. (emphasis added)."

At other times, he emphasized the beachhead theory, according to which the Sandinistas provided a "Soviet beachhead... only two hours flying time away from our borders...with thousands of Cuban advisors...camped on our own doorstep...close to vital sea-lanes." He offered similar characterizations of the threat posed by left-wing guerillas in El Salvador, Honduras, and Guatemala. In 1982, Jeane Kirkpatrick,

Reagan's hawkish UN Ambassador, also promoted this beachhead theory with her own profound geographical analysis:

I believe this area is colossally important to the US national interest. I think we are dealing here not...with some sort of remote problem in some far-flung part of the world. We are dealing with our own border when we talk about the Caribbean and Central America and we are dealing with our own vital national interest.

Other elements were also sometimes thrown into the mix. On November 6, 1984, just two days after the Sandinistas won a decisive 67-percent victory in the country's freest elections in history, there was a huge media flap in the US press over their alleged attempt – later proved false – to buy Soviet MiGs for air defense. This story later turned out to be a wholesale concoction of the State Department's "Office of Public Diplomacy," and of Oliver North, Otto Reich, and Robert McFarlane in particular, just one of many US propaganda efforts that were designed to distract attention from the FSLN's victory in those elections.

Together, the subversion theory and the beachhead theory added up to a revival of the time-worn domino theory, transposed from Southeast Asia to Central America. Apparently, the notion was that since Nicaragua bordered on Honduras and El Salvador, which bordered on Guatemala and Belize, which bordered on Mexico, the Red Army might soon be drinking margaritas on the banks of the Rio Grande. Or the Reds might just jet in to El Paso in their MiGs from Managua, "only two hours away." The fact that "they" were already 90 miles away in Havana, armed with brand new MiG 23 Flogger bombers and MiG 29s, did not get much mention from the Gipper. After all, Cuba had already demonstrated that it could stand up to a US invasion, and the Bay of Pigs was not a happy memory.

This rather strained analysis of Nicaragua's purported threat to US national security was later endorsed, with only slight variations, by the January 1984 Bipartisan National Commission on Central America chaired by Dr. Henry Kissinger. One might have expected Kissinger to reach a different conclusion, given his long personal experience with Vietnam, Laos, Cambodia, and China, whose leftist regimes spent most of the 1970s fighting with each other, demonstrating conclusively the power of nationalism over solidarity. But he was performing the assignment to ingratiate himself with the Republican Party's conservative wing. And unlike the National

Commission on Terrorist Attacks, which he resigned from in December 2002, it did not require him to identify his consulting firms' private clients.

In any case, well into the 1990s, long after there were peace settlements in Nicaragua, El Salvador, and Guatemala, and long after the Sandinistas had handed over political power to their opponents, hawkish Republicans like Senators John McCain and Jesse Helms were still seeing ghosts in Nicaragua, trying to make hay out of the Sandinistas' potential subversive threat. Indeed, as we'll see, these charges even played a role in Daniel Ortega's defeat in Nicaragua's Presidential elections in 2001, even when his running mate was Violeta Chamorro's son-in-law!

Eventually, in fact, all the stockpiles of AK47s, landmines, rocket launchers, and surface-to-air missiles acquired by the Sandinistas to defend Nicaragua against the contras did end up posing a security threat to the US. But it was not precisely the one that that the Sandinistas' right-wing critics had predicted. In November 2001, Colombia's 11,000-strong nasty, right-wing, drug-dealing paramilitary group, the AUC, procured 3,500 AK47's from Nicaragua's military stockpiles, by way of Israeli arms merchants based in Panama and Guatemala. The arms were part of a five-shipment package that included 13,000 assault rifles, millions of bullets, grenade and rocket launchers, machine guns, and explosives. The AUC, which was on the G.W. Bush's administration's official list of terrorist groups, was supported by landlords who wanted to combat Colombia's leftist guerillas, the ELN and the FARC. The AUC was also supposedly fighting Colombia's Army. From 2000 to 2003, Colombia received \$2.5 billion of US military aid, plus more than 400 Special Forces troops, making it the world's third largest recipient of US aid. The AUC also reportedly purchased arms from army stockpiles in El Salvador and Guatemala. In 2002, a OAS study also revealed that a Lebanese arms broker with al Qaeda links had tried to purchase 20 SA-7 missiles from Nicaragua's stockpiles. The US starting pressuring Nicaragua's President Bolaños, a neoliberal businessman, to reduce these stockpiles – but hopefully not by selling more of them to the AUC.

In the long run, therefore, by forcing the comparatively-harmless Sandinistas to stockpile all these weapons to defend themselves, and by also arming the right-wing militaries of El Salvador and Guatemala to the teeth, the US had set a trap for itself.

In reality, of course, Nicaragua's leftists, even if they had been so inclined, were neither necessary nor sufficient to "subvert" their neighbors. Those neighbors with the most serious liberation movements, like El Salvador, Guatemala, and Colombia,

had long since done a perfectly good job of subverting themselves. Their rebel movements developed over many decades from within, on the basis of incredibly-unbalanced social structures. For example, El Salvador's catorce, its top 14 families, controlled 90-95 percent of that country's land and finance capital, while in Guatemala, just 2 percent of the population controlled more than 70 percent of arable land. These situations were only a slightly more anonymous version of Nicaragua, where the Somoza family alone had laid claim to a quarter of the country's arable land. And the resulting social conflicts were similar -- in the 1980s, El Salvador's class war claimed more than 80,000 lives, while Guatemala's claimed 200,000, with the vast majority due to their own brutal armed forces and paramilitaries.

On the other hand, Costa Rica, Nicaragua's good neighbor to the south, had long since inoculated itself against revolution by developing an old-fashioned middle-class democracy, with lots of small farms and more teachers than police, having completely abolished its military in 1948.

Furthermore, while the Reagan Administration asserted over and over again in the early 1980s that the Sandinistas had shipped arms to leftist guerillas in El Salvador, two decades later, these allegations have been shown to be as spurious as the MiG purchases. In fact, the Sandinistas' aid to El Salvador's rebels, the FLMN, was miniscule, and it was terminated in 1981, as the World Court concluded in 1986. The claim that El Salvador's FLMN had acquired several hundred tons of weapons from the East Bloc, Arafat and Libya (!), had also been pulled out of thin air. In fact, the rebel armies in El Salvador and Guatemala were poorly armed, except for Galil rifles and rocket launchers they managed to steal or purchase from corrupt army officers. Leading Sandinistas like Tomas Borge also explicitly rejected the notion of "exporting revolution," except by way of the FSLN's own example. After all, the FSLN had not needed Soviet or Cuban backing for their own revolution. They also had their hands full rebuilding Nicaragua. The last thing they needed was another war with El Salvador or Guatemala, in addition to the contra war.

Finally, while the Sandinistas were not liberal democrats, and, as noted, committed many political blunders, they were scarcely in a position to run a "dictatorship," even within Managua's city limits. To their credit, they had greatly increased the amount of popular involvement in the country's governance. In November 1984, they held national elections that most international observers, including Latin American scholars and Western European parliaments, agreed were reasonably clean, despite

the Reagan Administration's provision of \$17 million to opposition candidates, its systematic efforts to discredit the elections, and the fact that by then Nicaragua was already under steady assault from US-backed contras. Certainly by comparison with the Somozas' rigged elections, other countries in post-war situations, and El Salvador and Guatemala in particular, Nicaragua's degree of political freedom was tolerable, if not beyond reproach.

Yet when 75 percent of registered voters turned out for the November 1984 elections, and the FSLN received a commanding 67 percent of the vote, capturing the Presidency and 61 of 96 seats in the new National Assembly, Nicaragua was again accused by the Reaganites of being a "dictatorship." As former New York Times Editor John Oakes remarked at the time, "The most fraudulent thing about the Nicaraguan election was the part the Reagan Administration played in it."

The other troubling fact for Reagan's Nicaraguan policy was that, objectively, the Soviet Union really did not have much interest in acquiring yet another dependent, state-socialist backwater like Vietnam, Afghanistan, or Cuba -- which by the early 1980s was already costing the USSR about \$3 billion a year in aid. In hindsight, we now know that, far from being an expansionist Evil Empire, at this point, the USSR was really just hanging on for dear life -- a wounded giant, obsessed with its own serious economic problems, which were even forcing it to import grain from Argentina's fascist junta! Internationally, it had its hands full just trying to stave off an embarrassing defeat in Afghanistan on its own southern border. It was also pressing existing client states in Eastern Europe and Southeast Asia hard to practice self-reliance.

Finally, in 1980-81, before the US made it absolutely clear that it was seeking "regime change" in Nicaragua, the Sandinistas tried to restore good economic relations, plus access to World Bank and IDB loans. But for the US intervention, this access would have been maintained. And that, in turn, would have significantly reduced Nicaragua's dependence on East-Bloc aid. After all, as a senior World Bank official noted in 1982, "Project implementation has been extraordinarily successful in Nicaragua, perhaps better than anywhere else in the world."

About that time, Nicaragua also sought aid from many non-Soviet countries, including Venezuela, Mexico, and France. It was most successful with Mexico, which resisted US pressure and became Nicaragua's largest aid provider until 1985. Nor did Nicaragua turn immediately to the Soviet Bloc for aid. When it tried to buy \$16 million of arms from France in early 1982, however, President Reagan got the French

President, Francois Mitterand, to delay the sale "indefinitely." Only then – under increasing attack from the contras -- did Nicaragua turn to the Soviet Union and Cuba for significant quantities of arms and advisors.

Of course, as noted, many Sandinistas were undoubtedly committed radicals, dedicated to policies like land reform, free health and education, and the seizure of Somocista-owned properties. But these policies were entirely defensible, given Nicaragua's economic conditions and its need to play catch-up with basic social justice. These are, after all, policies that the US has itself supported, or at least tolerated, in other times and places, when they happened to serve its interests.

The Sandinistas may have been mulish and full of radical bravado, but they were far from anyone's pawns. These characterizations were 1950-vintage hobgoblins, left over from the days when Ronnie ran the Commies out of the Actors Guild in LA. At best, they reflected a desire to show the Evil Empire who was boss, by making an example of some weak little pinko regime.

On this view, then, in the early 1980s, the USG basically succeeded in pushing tiny Nicaragua into relying heavily on Soviet and Cuban arms and economic aid for its own survival– as, indeed, the USG may have also done with Fidel's Cuba back in 1959-60. The USG then used that reliance as an excuse to expand its own provocations into a full-scale war that ultimately claimed 30,000 lives. In the historical record books, this is surely one of the clearest examples of state-funded terrorism ever.

SAYING "UNCLE"?

All these inconvenient little details were brushed aside by the Reaganites when they took office in January 1981, raring, in President Reagan's words, to make the Sandinistas "say uncle." Say uncle they never did -- in fact, by 1988, they'd "whopped" Olly North's contras pretty good. But that was not for want of US efforts.

In March 1981, President Reagan signed an Executive Order that mandated the CIA to undertake covert operations in Central America, to interdict arms shipments "by Marxist guerillas." By November 1981, the US focus had shifted from arms interdiction to regime change. That month, the Administration provided an initial \$19 million to mount a pretty transparent "covert" effort to destabilize Nicaragua. The strategy, implemented by the now-famous gang of Presidential pardonees, was the

classic scissors tactic that had been employed by the US and its allies in many other 20th century counterrevolutionary interventions, notably Russia (1918), Guatemala (1954), Cuba (1959-60), and Chile(1973).

On the one hand, the USG tried to cut off Nicaragua's cash flow, reducing access to new loans from the IMF, the World Bank, and the IDB, as well as all EXIM Bank funding and OPIC risk insurance. In September 1983, the US slashed Nicaragua's sugar quota. In November 1985, it added a total embargo on all trade with the US, Nicaragua's main trading partner and foreign investor up to then. Given the country's dire economic straits, this had the practical effect of cutting off all US private investment and bank lending.

At the same time, the Reagan Administration was stubbornly opposing all efforts to embargo trade or investment with respect to South Africa's racist apartheid regime. In September 1983, for example, the State Department approved a Westinghouse application to bid on a \$50 million ten-year contract to maintain and supply South Africa's two nuclear power stations. The US also continued to support World Bank and IDB loans to the right-wing regimes in Guatemala and El Salvador throughout the 1980s.

The other half of the scissors strategy was the USG's effort to create, finance, arm, and determine strategy and tactics for an 18,000-person contra army, financed with \$300 million of taxpayer money, in-kind military assistance, another \$100-\$200 million raised from private donors like the Sultan of Brunei, and an untold amount of cocaine proceeds. The main faction, the Frente Democrático Nacional (FDN), consisted of 3,000 ex-Somocista National Guard members and another 12-13,000 assorted mercenaries, anti-Castro Cubans, Israeli trainers, Argentine interrogators, and cocaine traffickers of several different nationalities. The Reaganites knew they were not dealing with angels here. As the CIA's Inspector General later admitted in 1998, the agency made sure to get a statement from the US Department of Justice in 1982, waiving the CIA's duty to report drug trafficking by any contra contractors.

From 1982 to 1989, this murderous scalawag army stoked a war that ultimately took about 30,000 lives, including those of 3,346 children and more than 250 public school teachers. Another 30,000 people were wounded, and 11,000 were kidnapped, according to the National Commission for the Protection and Promotion of Human Rights. Another half million fled the country to avoid the chaos. With the help of Harvard Law School Professor Abram Chayes, Nicaragua later successfully sued the US for launching these and other terrorist attacks and causing all this damage. In

November 1986, the International Court at the Hague found the US liable for several clear violations of international law – notably, for launching an unprovoked war that was not justified by any “right of self defense.” The Court suggested that appropriate damages for the resulting property damage were on the order of \$17 billion. But the Reagan Administration declined to appear in court, and refused to recognize the judgment.

THE WORLD'S HEAVIEST DEBT BURDEN

The detailed history of Nicaragua’s contra war has been told elsewhere, at least those parts of it that are not still classified, like much of the record of US knowledge about the contras’ extensive cocaine trafficking activities, and President Reagan’s confidential discussions with his aides, kept off limits for an indefinite period by a Executive Order signed in 2001 by President G.W. Bush.

Our main interest here is in the war’s devastating impact on Nicaragua’s economy and its crushing foreign debt burden. Ultimately, the FSLN soundly defeated the contras with a combination of adroit military tactics – for example, heavily-mined “free-fire” zones along its northern border with Honduras – and a large standing army, raised by draft. To pay for all this, however, the FSLN had to boost military spending, from 5 percent of national income in 1980 to 18 percent in 1988, when the first in a series of armistices was finally signed. By then, more than half of Nicaragua’s government budget was devoted to paying for an army that numbered 119,000 regular soldiers and militia – 7 percent of all Nicaraguans between the ages of 18 and 65.

Early on, the Sandinistas had made a strong commitment to building new health clinics and schools in the county. These social programs, plus land reform, were among their most important accomplishments. Even in the midst of the war, with the help of 2500 Cuban doctors, they managed to increase spending on health and education, open hundreds of new medical clinics, and sharply reduce infant mortality, malnutrition, disease, and illiteracy. They also implemented a land reform that redistributed more than 49 percent of Nicaragua’s arable land to small farmers.

But the war made it very hard to sustain these undeniable social accomplishments. Despite the FSLN’s military “victory,” Nicaragua’s regular economy took a direct hit. Trade and investment plummeted, unemployment soared to 25 percent, and inflation reached more than 36,000 percent by 1988-89. From 1980 to 1990, Nicaragua’s average real per capita income fell 35 percent, and the incidence of poverty rose to

44 percent. To deal with shortages in the face of soaring inflation, the FSLN had to implement a rationing system for food and other basic commodities. As the Nixon Administration had done to the Allende regime in Chile a decade earlier, so the Reaganites did to Nicaragua – they made the economy “scream.”

All told, by 1990, Nicaragua had displaced Honduras as the poorest country in Central America. It had also become the world’s most heavily indebted country. To fund the defense budget and their other commitments in the face of declining tax revenues, trade, investment, and multilateral funding, the FSLN partly relied on inflationary finance, by having the Central Bank just print more cordobas. But for vital foreign purchases, including oil and weapons, it required dollar loans from sympathetic countries, mainly the Soviet Union (\$3.3 billion), Mexico (\$1.1 billion), Costa Rica, Germany, Spain, Venezuela, Brazil, and Guatemala (!), plus more than \$500 million from the Central American Bank for Economic Integration, one multilateral institution that the US did not control.

When the newly-elected government of Violeta Barrios de Chamorro took office in April 1990, the debt stood at \$10.74 billion – more than 10 times its level in 1980, and nearly 11 times Nicaragua’s national income.

This was by far the highest foreign debt burden in the world, thirty times the average debt-income ratio for all developing countries. And it was not derived from “technical policy errors,” “economic accidents,” or “geographic misfortune. ” Part of it was the \$1.5 billion of dirty debt left over from the Somoza years. The rest derived from the ruthless persecution by world’s most powerful country of a tiny, stubborn Central American nation that was determined to finally make its own history.

CONCLUSION - REAGAN'S IMPACT ON NICARAGUA

In the 1980s, against all odds, and woefully ignorant of economics, politics, business, and diplomacy, a handful of rather foolhardy Nicaraguans dared to challenge the Reagan Administration's attempt to prevent them from controlling their own destiny.

They made many mistakes, and they required much on-the-job training. But at least they tried to stand up.

When they did so, they were attacked, and when they defended themselves, they were portrayed as the aggressors. Ultimately they won a victory of sorts, but it left their country a shambles.

Then their successors, worshipers of the latest fashions in neoliberal economic theology, came to power promising reform and freedom, and ended up turning the country into a bantustan.

Perhaps Nicaragua will need another revolution.



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