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HEARINGS
BEFORE THE
COMMITTEE ON FOREIGN RELATIONS
UNITED STATES SENATE
NINETY-SIXTH CONGRESS

FIRST SESSION

ON

S. 2012

TO AMEND THE FOREIGN ASSISTANCE ACT OF 1961 TO AUTHORIZE ASSISTANCE IN SUPPORT OF PEACEFUL AND DEMOCRATIC PROCESSES OF DEVELOPMENT IN CENTRAL AMERICA, WITH SPECIAL ATTENTION TO REESTABLISHING CONDITIONS OF STABILITY AND GROWTH IN THE NICARAGUAN ECONOMY, AND TO PROVIDE ADDITIONAL ECONOMIC SUPPORT FOR OTHER COUNTRIES IN CENTRAL AMERICA AND THE CARIBBEAN, AND FOR OTHER PURPOSES

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STATEMENT OF STEPHEN HELLINGER, CODIRECTOR, THE DEVELOPMENT GROUP FOR ALTERNATIVE POLICIES, INC., WASHINGTON, D.C.

Mr. Chairman, members of the Committee, I thank you for the opportunity to testify on the legislation before you today. I am speaking here as Co-Director of The Development Group for Alternative Policies, a non-profit development resource organization which was created three years ago to demonstrate practical methods by which to deliver development assistance to local-level populations in the Third World. This work has taken us to most of Latin America and much of Africa for various foreign aid organizations.

I have probably spent more time in Nicaragua than in any other country. I was first there ten years ago as a Peace Corps Volunteer working in rural development. I have since made frequent visits for such institutions as the Inter-American Foundation and the World Bank; I was there most recently with the Bank in September to develop a program with the Nicaraguan government to regenerate economic activity in those cities damaged by the war. I am not here, however, representing the World Bank or any other institution other than my own, nor am I in a position to answer any specific questions about the Bank loan to Nicaragua, as it is currently in negotiations.

I will concentrate my comments today on the need for aid to Nicaragua and on the potential that exists for meaningful economic development in that country for the first time in over fifty years.

If we in the United States have learned anything from events in Nicaragua—and in certain other Third World countries—over the past few years, it is that we are, for the most part, out of touch with the realities faced by the vast majorities of their populations. With the notable exceptions of some members of this Committee and a few people at the State Department, virtually no one else in our government recognized the situation in Nicaragua for what it was: a popularly supported nationalist struggle that would inevitably end as it did. Our government did not listen to what the Nicaraguan people themselves were saying, and we thus continued to support the cornerstones of the Somoza regime until nearly the very end.

Nevertheless, we still have an opportunity to forge a constructive relationship with the new Nicaraguan government. This foreign aid bill is the first major test of our willingness to do so. It is this country's first chance to demonstrate that we understand and support the efforts of the Nicaraguan people to construct a new society with dignity, equality and a degree of freedom never before present in that country.

Financial assistance to Nicaragua is a wise investment politically and developmentally. Politically, we have an unusual opportunity to assist a government which has the support of virtually all of its citizens, which came to power through the joint effort of many sectors of its population, and which therefore promises real stability for the future. In terms of economic development, my recent visit demonstrated to me that there is no greater opportunity for the effective use of the American taxpayer's money overseas than in Nicaragua today. Unlike many other governments which receive U.S. foreign aid, the Nicaraguan government is able to reach, assist, and involve its people in their own development and is committed to doing so. Gone are the days in Nicaragua when our development assistance was used for other than development purposes.

Even the most cynical observer, if given a chance to witness the changes taking place today all over Nicaragua, would have to be impressed. In light of the disorder, factionalism, and reprisals usually present in revolutionary environments, no one would have expected that the Nicaraguan society, financially bankrupt as it is, would still be so cohesive months after the end of a devastating war. I had also been concerned that after fifty years of oppression by the Somoza regime, Nicaraguans would not have the experience or the institutions at the local level upon which to base rapid reconstruction and development of the country.

But when I visited Nicaragua in September for the World Bank, I found that a remarkable amount had already been accomplished in the country's villages and urban communities. Six weeks after the end of the war, which had devastated a half dozen cities, community organizations had coordinated and completed a clean-up of the rubble of the war destruction. These organizations were also able to supply us, as well as their municipal governments, with information of the needs of the respective neighborhoods. Upon visiting seven of Nicaragua's city governments, we were in each instance given a list of priorities, which, upon our request, were translated into project proposals and delivered to us within one week. This contrasts sharply with the months that it takes most Third World government institutions to submit project proposals for financing.

What makes these efforts all the more impressive is that they have been undertaken without any financial resources. Municipal coffers, like the national treasury, were emptied by somocistas during the war. In one city there was not even enough paper to complete the surveying of local needs. Municipal government personnel have served without pay, as have the teams of local technicians helping in the reconstruction efforts. In these cities, Nicaraguans, most of whom are still unemployed, have contributed their time to cleaning up and rebuilding their neighborhoods and cities.

The task is massive. I could quote you some figures describing the extent of the war and pre-war damage to Nicaragua as a whole, but I think that some figures from one of the cities in which the war was fought would give you a better perspective on the situation in which Nicaraguans now find themselves. The northern city of Esteli was almost totally destroyed by the constant bombings and other attacks by Somoza's National Guard during the two months of warfare. Sixty percent of its electrical power and its entire sewage and water systems were destroyed. Half the population now suffers from malaria. The hospital was demolished and the National Guard killed most of its doctors. Esteli lost 70 percent of its homes, 80 percent of its classrooms, its marketplace, and virtually all of its large and small-scale industries. Roads and bridges were destroyed and over 80 percent of its transport system no longer exists.

Despite the near absence of financial and material resources inside Nicaragua, the reconstruction efforts of inhabitants of cities and towns like Esteli have accomplished a great deal in a short time. But the major portion of the task still remains, and it will require financial assistance from outside Nicaragua. So far, foreign aid has been disappointingly slow in coming, perhaps because the United States, to which other donors often look for leadership, has taken so long to respond to Nicaragua's request for assistance. The legislation that the Administration has finally presented to the Congress, however, is a very sound proposal. Small and medium-sized businesses and farmers certainly need assistance following the war and fifty years of discrimination under somocismo. Major public works are

required, particularly in Managua, and the hard currency made available in this loan will enable the importation of machinery for this and for Nicaragua's productive sectors. Municipal reconstruction, as I demonstrated earlier, is essential, and the proposed A.I.D. funding for the upgrading of the administrative and technical capacities of the municipalities would constitute a wise investment.

As important as the magnitude of development assistance, is the speed with which it is delivered. For over six months, the majority of Nicaraguans have been without jobs or have been surviving on drastically reduced incomes. Some additional employment will be generated during the harvest which begins this month, but, come February, Nicaragua will again be facing a real slowdown in its economy unless sufficient outside financing is infused. Furthermore, this year's cotton crop, Nicaragua's main export, will be one-third its normal size due to the war, and some of the country's staple food crops have been recently destroyed by rains in the northwest.

Should sufficient financial support not be forthcoming, strong internal pressures upon Nicaragua's economic and political systems will probably become visible sometime early next year. During the war, the Frente Sandinista named an essentially civilian, representative government to manage the reconstruction and to develop friendly diplomatic and financial relationships with the West. The heads of the national ministries and agencies and their personnel are, for the most part, very capable. Their institutions have the capacity to utilize and channel international funding effectively. Without this funding, however, internal conflicts and crises will inevitably arise and could strengthen the hand of the country's more radical elements, which have been skeptical about the willingness of Western financial institutions to assist Nicaragua in the post-Somoza era.

We must remember that Nicaragua would not be dependent on international assistance today were it not for actions of the Somoza government and family and their friends during the last year of their rule. During that time, they assumed large-scale, short-term, high-interest obligations to Western commercial banks and moved vast amounts of public funds illegally out of Nicaragua. As the country which supported the Somozas for decades and which helped arrange the terms of their departure, the United States assumes some responsibility for those funds brought illegally into this country and for the well-being of an economy plundered by these former friends.

I strongly urge the Senate to maintain aid to Nicaragua at the \$75 million level proposed by the Administration. The package contains programs designed by representatives of the two governments for various economic sectors badly in need of assistance. By supporting Nicaragua's reconstruction efforts, the United States can help build a new political stability in Nicaragua—a stability founded in nationalism and far more deeply rooted than that previously maintained by political and military repression. While there are many philosophical viewpoints represented in the new government, it was the common desire for freedom, dignity, and social justice that moved Nicaraguans to war and that still motivates them today. Nicaraguans will continue to reject any ideological or political line which might threaten the independence that they fought so hard to win.

The desire for self-determination is strong throughout the region. It is but a matter of time before popular forces in other Central American countries achieve what those in Nicaragua have accomplished. We in the United States can oppose these forces or can, in our own self-interest, help establish the conditions in these countries that will make possible more orderly and constructive political transitions. By taking the latter course, we would, in the process, be securing a new set of truly stable alliances. It would be another self-defeating action, following on the heels of the debacle of our Nicaragua policy, to send more military aid to governments which use it to suppress their own people's demands for human rights and a chance to lead their lives with dignity. For that reason, I question the wisdom of reprogramming military assistance funds, as proposed by the President as part of his request to Congress.

Hopefully our government will see in the Nicaragua experience the forces and elements of change that are present throughout the hemisphere. Rather than attempt to thwart these forces, the United States should lend them support. Should this country fail to do so, it will continue to contribute to the polarization of these societies and leave potential friends with little choice but to pick up arms and to seek allies elsewhere. I trust that the Senate, in its wisdom, will act in this instance to form a partnership with Nicaragua that would serve as a model for relationships with future representative governments in the region.