



# NICARAGUA NETWORK NICARAGUA MONITOR

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## Delegation Finds Positive Programs but Continuing Problems

By Katherine Hoyt

[This is the first of a two part article. This part includes a report on what we learned about health, education and the ALBA in Managua. Next month will include rural, community, and women's issues as seen from Matagalpa and some observations by the delegation.]

The Nicaragua Network sponsored a delegation to Nicaragua from January 10 to 18 on which Chuck Kaufman and I both were able to travel with a diverse group of members that included university professors, primary school teachers, students, a family physician, and a librarian. Our goal was to learn more about what two full years of Sandinista government has meant for Nicaragua. We found answers to some of our questions and found that we had only begun to learn the answers to others. We were confronted with statements from different sources that strongly contradicted each other. In some cases we were able to at least partially resolve those contradictions; in others we were not.

We had a number of meetings in Managua before traveling to Matagalpa to get a different perspective. We heard severe criticisms of government programs from some but found that in practice the criticized programs were making a difference, albeit with problems recognized by the people involved in implementing them.

We had meetings with two recognized experts on Nicaragua's political reality from two different perspectives from within "Sandinismo," William Grigsby, the head of the radio station "La Primerisima," and Silvio Prado, director of the Center for Study and Political Analysis.

Grigsby said that the strategy of the Sandinista Party (FSLN) for victory in

2006 had been to neutralize the Catholic Church by allying with Cardinal Miguel Obando (Grigsby did not mention the support for the criminalization of therapeutic abortion but that was mentioned by others) and neutralizing the oligarchy by saying that a Sandinista government would not reject the Central American Free Trade Agreement (CAFTA).

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Nicaragua Network National Co-Coordinator Katherine Hoyt. Photo: Jim Byrne

## The Children Eat and Go to School

By Katherine Hoyt

*(Editor's Note: The article "Open Letter to Nicaragua Solidarity Activists" published in last month's Nicaragua Monitor generated a lot of discussion, including mostly positive feedback about the Nicaragua Network position toward Nicaragua and the government of President Daniel Ortega. Much of that discussion took place on the Casa Ben Linder listserv made up mostly of expatriates from the US and Europe. Nicaragua Network Co-Coordinator Katherine Hoyt responded to one posting that wanted Nicaragua Network to issue a blanket condemnation of the Ortega government.)*

My mind keeps going back to an article

on Cuba by Orlando Núñez about five years ago. He criticized a number of actions of the Cuban government but he said that he continued to support the Cuban revolution because "We socialists are seduced by the fact that the children eat and go to school." In other words, because of those simple facts, he couldn't condemn the whole process.

Many of us feel the same way about what is going on in Nicaragua today. So many things are being bungled; good people offend the wrong person and are dumped from the government or party; inexplicable attempts are made to discredit long-time revolutionaries who stuck with the FSLN when others left. Women's

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Sandinistas took office, one of the most important decisions that they made, Grigsby said, was to join the Bolivarian Alternative for the Americas (ALBA—an international cooperation organization based upon the idea of social, political, and economic integration). Along with other measures, this, Grigsby said, would break the neo-liberal free trade model. And things are beginning to change in Central America, he said, with Honduras joining ALBA and Costa Rica and Guatemala joining Petrocaribe (an alliance with Venezuela to purchase oil on conditions of preferential payment).

Grigsby said, “CAFTA is terrible but few people came out to protest it because the FSLN never mobilized people.” He said that in 1997, the FSLN made a strategic decision to join the system and work out a pact with the Constitutional Liberal Party (PLC) which cost the Sandinistas greatly because it demobilized the popular movement. The FSLN switched from a party of mobilized militants at the grassroots to an electoral party. “If Daniel does not give the FSLN a chance to restructure,” Grigsby said, he will find it difficult to win future elections. Grigsby said that he felt that Ortega and his wife and campaign manager Rosario Murillo recognized that. In the case of the recent municipal elections where fraud was alleged in Managua and other cities, Grigsby presented a complicated scenario which he said explained how the Sandinistas did legitimately win in Managua.

Our other overview meeting was with Silvio Prado, the director of the Center for Study and Political Analysis. Prado pointed out that when Daniel Ortega

returned to the presidency he found a very different state from the one he had left in 1990 — a decentralized one with many micro power centers, including autonomous mayors, the autonomous regions, municipal development councils, etc. and checks and balances in various forms. Ortega had not governed, Prado said, without a majority in the legislature, or with so many bureaucratic controls and accounting rules, to say nothing of a civil society that did not respond to directions from a vanguard party. Prado said that Ortega’s first actions reflected



*Silvio Prado speaks to delegation. Photo: Barbara Larcom*

a desire to take back control through the establishment of the Councils of Citizen Power throughout the country as an alternative power structure, and through talk of changing Nicaragua to a parliamentary system.

“In the case of good programs like Zero Hunger,” Prado said, “we can get no information.” “No one can talk without

the permission of Rosario Murillo,” he stated and told the story of how Orlando Nuñez was scheduled to talk to a group of civil society organizations about the Zero Hunger Program which was based on the model he pioneered. One day before the meeting, Murillo prohibited him from speaking. Prado asked, “How does this unelected person have such authority?”

In answer to a question about the role of money from the U.S. National Endowment for Democracy and most particularly the notorious International Republican Institute in supporting some non-governmental organizations in Nicaragua, Prado said, “This needs to be debated.” He went on to say, “Show me where the U.S. has given money for these street demonstrations. More money has come from Europe to those organizations that have been questioned [by the government]. If they were financing politics, they should be accused and expelled. I’m not afraid of the NED. On January 20, I have a meeting with the NED about a program for formation of citizens, human rights, etc. I should be able to meet with them.” [For information about the IRI’s funding of Nicaraguan groups, visit <http://www.nicanet.org/wp-content/uploads/2007/11/delegation-report.pdf>.]

In an effort to learn more about critiques of the government from within Sandinismo, we had a meeting with the president of the Sandinista Renovation Movement, Enrique Saenz. Saenz began by saying that the MRS, like Sandino of 80 years ago, believes in constitutionalism, social justice, national self-determination, and socioeconomic modernization. He painted a somewhat dubious picture that the Ortega government began two years ago with a good set of conditions, including relative (if fragile) economic stability, non-hostile relations with the rest of Central America, and international partners ready to help. He said that the U.S. government, the private sector, the Church and many Nicaraguans who voted against Ortega all adopted a “wait and see” attitude. Venezuela promised major financial support.

But, Saenz said, after two years of Ortega the situation has deteriorated dramatically. The economy has slowed and more people are out of work. Fraudulent municipal elections were followed by the repression of protestors

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## Alert:

# Restore Millennium Challenge Funding

By Chuck Kaufman

On Dec. 11, 2008, the Millennium Challenge Corporation suspended aid to Nicaragua for 90 days because of alleged irregularities in Nicaragua's Nov. 9 municipal elections. The Millennium Challenge Account (MCA) is a US development fund set up to "reduce poverty through economic growth." In

The MCC Board of Directors is composed of the Secretary of State, the Secretary of Treasury, the U.S. Trade Representative, the Administrator of USAID, the CEO of the MCC and four public members appointed by the President of the United States with the advice and consent of the Senate. The Secretary of State is the Chair of the

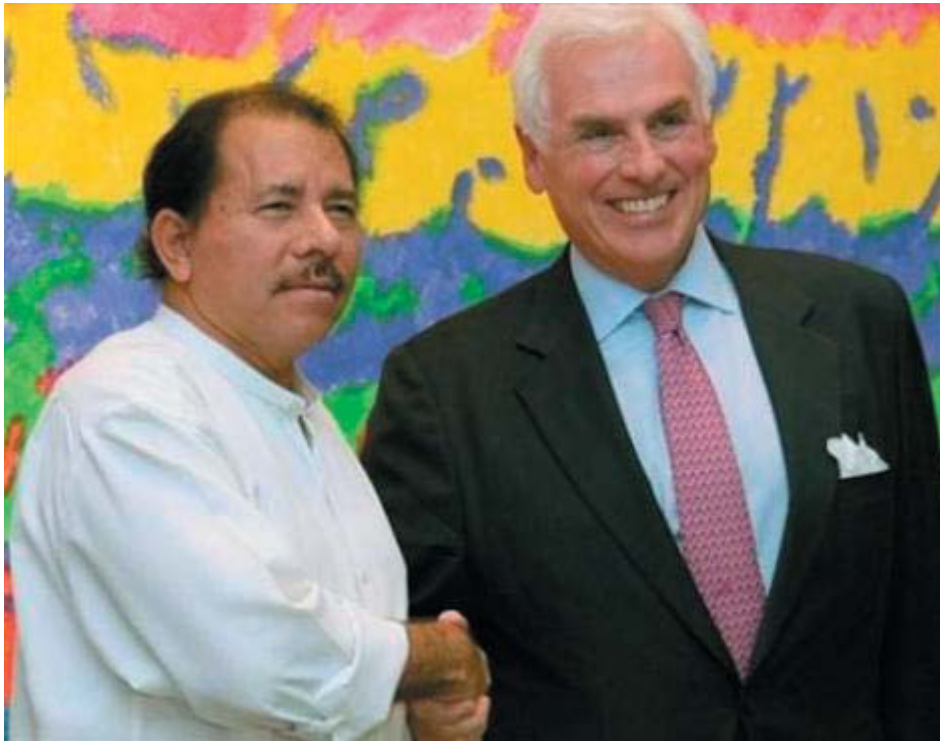
(the funds) as quickly as possible because it affects the poorest people, and the entire world is in agreement that, in the end, it is the people of fewest resources that are affected by the cutting of aid."

Please write your Senators and Member of Congress to ask them to urge the Millennium Challenge Corporation to quickly restore development aid to Nicaragua. You can write to your Senators and mail the letters to [Senator's Name], US Senate, Washington, DC 20510 and your Representative at [Rep's Name], US House of Representatives, Washington, DC 20515. You can get their emails on the web.

If your elected representatives aren't responsive to you, you can email the Millennium Challenge Corporation directly by going to [www.mcc.gov/contact/index.php](http://www.mcc.gov/contact/index.php) or by writing them at: 875 Fifteenth Street NW, Washington, DC 20005-2221.

The European Union and several European countries also have suspended aid to Nicaragua. The Nicaragua Network wrote to their US ambassadors making the argument that suspending aid amounts to "collective punishment" that only hurts the poor. The letter was sent on Dec. 31 to the ambassadors to the US from the European Union, The Netherlands, Finland, Denmark, Norway, Sweden, Switzerland, and the United Kingdom. The EU Ambassador to the United States, John Bruton, responded personally with a letter in which he states, "The European Commission sincerely hopes that the situation will evolve in a positive and constructive way, so that the decision to suspend budget support can be reconsidered as soon as possible."

The Ambassador of the Netherlands to the US, Renee Jones-Bos also responded to our letter. Ambassador Jones-Bos wrote on Jan. 26, "I appreciate and understand your concern about the situation in Nicaragua. I can assure you that my Minister is aware of this situation, and the possible consequences as mentioned in your letter." He went on to say that the aid suspension involves only US\$7.98 in budget support while US\$26.6 million in aid for "the health and education sector, good governance and gender equality" will continue.



*President Daniel Ortega shakes hands with former MCC CEO John Danilovich.*

2005, Washington and Managua signed a five-year, \$175 million agreement designating MCA funds for projects focused on improving Nicaragua's infrastructure, formalizing land titles, and facilitating market access for Nicaragua's rural producers in the departments of Leon and Chinandega.

MCA has a mission to fund sustainable projects that are crucial to enhancing Nicaragua's infrastructure and support for small-scale rural producers who have struggled under neoliberal policies. Over 3,000 rural Nicaraguan families have benefited from MCA funded projects, especially in the agricultural and dairy sectors. Freezing MCA funds has put these people's livelihoods at risk. The Nicaragua Network has launched a campaign to convince the MCA to continue its Nicaragua program, not to cancel it.

Board and the Secretary of Treasury is the Vice Chair. In other words, appointees of President Obama will make the final decision about whether to continue the MCA grants.

In December, Witness for Peace and Nicaragua Network flooded the MCA with emails urging them to reverse their decision on the basis that poverty reduction aid should not held up for political reasons. An MCA official told Nicaragua Network National Co-Coordinator Katherine Hoyt that we actually overwhelmed their email system. We are calling on all Nicaragua solidarity activists to take action now to urge the new MCA board to restore the Nicaragua funding. The aid suspension has only harmed poor families in Nicaragua.

Even the president of the Nicaragua-American Chamber of Commerce, Cesar Zamora, has urged that the US "unfreeze

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by paramilitary groups organized by the FSLN, he said. Old political wounds have been opened and new wounds have been made. He claimed that traditional international aid donors from Europe have been turned into enemies. Saenz said that the main goal of the MRS now is to defend the remaining democratic spaces against what he alleged were "Ortega's dictatorial plans." In answer to a question, he said that the much criticized MRS support for many candidates of the Constitutional Liberal Party in the municipal elections was not a decision made lightly and that it was taken democratically by a vote of party members.

Saenz criticized the way government programs are being carried out. He said that Venezuela provides 70% of Nicaragua's oil needs. The arrangement is that 50% is paid in cash and the rest over 20 years at 1% interest. But the whole operation is carried out by a private businesses run by Ortega's closest associates and is not subject to public scrutiny. Saenz also criticized the government's programs in the rural sector, saying that they were clientelist in that the benefits were given to those who supported the governing party and that the Zero Hunger Program was merely a "patch" that was not integrated into a total rural development program that included credit, technical assistance, infrastructure and markets.

We were scheduled to meet with four teachers, including a representative of the Sandinista teachers' union ANDEN, but only two of the teachers were able to come to the meeting and the ANDEN member was not among them. Silvia D. spoke of the excellent education under the Somoza government of the 1970s where she learned to read at five years of age attending a small private school. "For me the revolution was negative," she said, adding, "Sometimes governments try to change everything but it is better not to change everything at once."

Carolina A. said that she did not have the same opinion as her colleague about the revolution. But she believed that the decision to end the program of school autonomy was not a good one. Under the autonomy program, she said, the schools were maintained by funds from the government and contributions from families. "Our school was one of the best;



*AKF Staffer Julietta Martinez translates for Minister of Education in his office. Photo: Cynthia Chavez*

very pretty!" she said. "Now there are not enough chairs, equipment or cleaning supplies," she stated. She noted that previously the schools only registered up to 40 students in each class. After

that limit was reached, the registration was closed. However, she said, "this government said we had to register all the children." She ended up with 60 children

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lives are lost because of a dastardly alliance with a reactionary church. And these conflicts among Sandinistas are not easily resolved because they go back at least to '94 if not '84 or '74! But when long-time respected educator Miguel De Castilla accepted the appointment as Minister of Education and announced that on the first day of the new government school fees would be abolished, I was thrilled. This battle against school fees was a battle we at the Nicaragua Network had joined as one of the founding organizations in the US of the world-wide 50 Years Is Enough Campaign in the mid 90s. I was thrilled again when Ruth Herrera, with whom we had worked on campaigns against the IDB on water privatization, was named head of ENACAL and announced the end of the contract with the Chilean company that would have led to ENACAL's privatization. We had sent delegations to Nicaragua to visit examples of alternatives to the Washington Consensus that included the small farmer development model pioneered in Nicaragua by CIPRES. Now that model became government policy.

We know there have been problems with these programs as they have developed (including not collaborating with all of those who had been working on these issues outside of government for years) but we have also heard many good reports. After working for so many years on these same problems on the international level and finally seeing a government come into power and do what only governments can do at the policy level to confront and solve the problems, could we condemn that government outright because of its other (substantial) faults? I for one have not been able to do that. So the Nicaragua Network will continue to condemn policies or actions that we feel merit condemnation, praise those that we think are laudable, and stay out of most issues where foreigners (especially from the United States) should not interfere.

One more small thing. I'm getting old. Next month I turn 65. I lived in Nicaragua 11 1/2 years under the Somoza dictatorship. So I want to paraphrase Lloyd Bentsen in that forever famous interchange in 1988 with then vice-presidential candidate Dan Quale who had likened himself to John Kennedy. Bentsen said, "I knew John Kennedy; John Kennedy was my friend; you're no John Kennedy." I knew the Somoza dictatorship; I lived under the Somoza dictatorship; this is no Somoza dictatorship. And I believe that the Nicaraguan people have advanced beyond the point at which they could slip into a dictatorship of left or right. And much of that has to do with what was learned by the people during the Sandinista revolution the first time around.

# Zero Hunger in My Community

By Hannah Given-Wilson

[Given-Wilson first posted this commentary on the Casa Ben Linder list serve as a contribution to the debate on government policy.]

In the community of Limon where I live (3kms south west of Esteli) five families have been benefitted by the Zero Hunger program; one of them is my brother in law's family. Between five and ten families in the majority of the surrounding rural communities where I have good friends and extended family

have benefitted as well. In Limon, three of the families are Sandinistas and two are Liberals. I am unsure of the Sandinista/Liberal ratio in the other communities. The families to be benefitted by the program are chosen by the CPCs but the options are limited given that there are a certain number of requirements that the families' must fulfill, the most problematic being that they need to have land.

During 2007 benefitted families

were required to have at least one manzana of land in order to be able to grow enough food to maintain the cow- this excluded the majority of all extremely poor families. In 2008 the policy changed, however, and now families with less land can benefit from the program. If the family does not have enough land to look after a cow then they can choose to receive more of the other inputs (pigs/chickens/ seeds/fruits trees etc) so that the food production packet has the equivalent value of US\$1,500.

The other requirements include things like a commitment not to sell anything from the original food production package, a commitment to produce food and a commitment by the female head of family to become part of a community collective that works together saving money from the sale of calves and pigs etc in order to

benefit other families in the community.

(In order to benefit the poorest of the poor in rural Nicaragua the government would have to carry out another land reform - at this point, with such a strong opposition in the National Assembly and solid alternative international support yet to be consolidated it seems unlikely the government would be able to do that on a large scale.)

The program does not automatically guarantee a family's food security in the short term, the cow does not necessarily

and further into a state of extreme food insecurity. I believe that all the five members of his family suffer from chronic malnutrition. In terms of recuperating the family's food security Zero Hunger has not yet begun to have an impact. In fact currently the family is overwhelmed with work preparing the pigsty and chicken shed, etc., etc.

Other families which have been forced to look for work in the city as a result of the abandonment of the countryside may find themselves in a difficult position if



*A Zero Hunger cow with her newborn calf will mean milk for a rural family on its way to food security.. Photo: Jim Byrne*

benefitted with Zero Hunger. One woman in Limon found herself obliged to give up work in the city in order to attend to the animals as part of Zero Hunger. Obviously in the short term this has a negative impact on her family's food security.

In the light of all these factors, which are not perhaps immediately obvious to the urban based population, it seems appropriate to describe Zero Hunger as a program that provides medium and

give birth as soon as it is given to the family, the seeds need to be sown, the fruit trees need time to produce fruit! There are also many variants apart from the obvious time lapse between when the program begins and production. The case of my brother in law Pedro's family, for example, is interesting. Pedro was given seven manzanas during the land reform of the 1980s which - all credit to him - he has not sold any of despite living in abject poverty with his wife and three kids. He was left with severe post traumatic stress from the Contra War and is unable to look for work outside his own farm. He dedicates himself solely to agricultural work but over the last sixteen years (with neo liberal abandonment of the countryside and disturbingly rapid progress of environmental degradation) he and his family have fallen further

long term sustainable solutions to food insecurity in the countryside. The program also contributes to the solution of urban and semi urban migration in the long term by providing farming family with the tools to be able to work.

What has had an unquestionable and rapid impact on food security in Limon and (for those of us who believe government figures) vast swathes of the Nicaraguan countryside, are the zero interest rate loans which were provided by Magfor [Minister of Agriculture and Forestry] and other state institutions this year. Pedro along with all the other small and medium farmers in Limon (most of whom are Liberals) were able to grow corn and beans this year with no interest loans from the government. The loans

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in her class with no place to put them.

Silvia D. said that the government makes bad decisions such as the one to put another floor on her school. "With the second floor," she said, "we don't have enough yard for all of the children or enough drinking fountains." In answer to a question about parent involvement, she said that there was parent involvement under the school autonomy system but it was all abolished by the new government.

We also met with Miguel de Castilla, the Minister of Education, in his office in the Ministry. He told us that literacy was the biggest task that the new government had to confront in January 2007. Because under the neo-liberal governments parents had to pay to send their children to school (school autonomy), tens of thousands did not attend over a period of a decade and a half. As a result of this, illiteracy grew to 30% by 2007. The first thing the new government did upon taking office was to declare an end to school fees and work to lower

the rate of illiteracy among those who had missed out on school during the previous years, de Castilla said. In 2007, more than 100,000 new students registered in the public schools, he said, adding that by 2012 he hoped that Nicaragua would meet the United Nations Millennium Development Goal of having almost all school age children in school. He said that the country's rate of illiteracy was down to 6% which he noted was the lowest in Nicaraguan history.

De Castilla said that 17,000 parents and teachers were involved in a national consultation on a new curriculum. Teachers, he said, meet monthly at the local levels to plan and evaluate student progress. "We are seeing the first fruits of this," he said, with a retention rate of 94% for the 2008 school year [meaning that 94% of students who began the school year finished it]." He said that 1 million students receive a meal (breakfast or lunch) each day at school. The Ministry has a national plan for repair and construction of classrooms. However, he

said that Nicaragua's teachers' salaries were "among the lowest in Latin America and a national embarrassment." He said that the government was able to raise salaries by US\$25 per month in 2007, again in 2008, and expected to be able to match that raise again in 2009 with the goal of doubling the salaries in five years. He said, "We've opened the doors to teachers' participation in all educational activities including policies so that they feel ownership of education and not just workers."

When asked about school libraries, he said that they were very poor with old



*Nicanet delegate Dr. Paul Beech talks with Dr. Emelina Hernandez, director of the Edgar Lang Health Center in Managua. Photo: Barbara Larcom*

books. He said that they could benefit from donations of books in Spanish in science, social studies, literature, ESL, etc. and computers were needed as well. He noted that the new curriculum was a product of a national consultation so it fits Nicaraguan reality. "It's modern," he said, "and includes peace culture, gender equality, protection of the environment, and it is multicultural." A program of "parent schools" is being expanded to more schools this year. In these schools, parents can learn the subjects they need to help their children with their homework. Parents can also work as assistants in the schools, he said.

Our group visited the Edgar Lang Health Center in Managua and met with the director Dr. Emelina Hernandez with whom we had met in July of 2007 with another delegation. She talked about the achievement of free health care and the on-going problems of shortages of medicines and materials that the clinic has to confront. She said that the clinic has been able to hire more doctors to handle

the increase in the number of patients and has acquired a small ambulance to take patients from the clinic to the hospital in emergencies. They have been able to raise salaries by 12% to 15%. In the case of shortages of medicines, Hernandez said they are usually able to arrange an exchange with another clinic so that there are few patients who have to leave without their prescription filled.

Numbers of cases of dengue and diarrhea are down, she noted, saying with pride that not one person died of diarrhea last year. This, she said was the result of the work of the health brigades in the communities. She said that while fewer people participate in the volunteer brigades now than in the 1980s, the sector covered by her clinic with a population of 118,392, has a total of 370 *brigadistas*. She noted that the dengue mosquito doesn't respect politics and many folks should see that their participation could help their communities. "This government makes mistakes," she said, "but these sectors don't see that illiteracy will soon be gone, that health care and schooling are free.... It's like

a white paper with certain black dots and for that they condemn the whole thing."

Dr. Hernandez said that HIV-AIDS education, prevention, testing, and counseling are a priority and they carry out their AIDS work in coordination with other agencies including the Ministry of Education and the Pan American Health Organization. She said that there was a shortage of anti-retroviral medicine which in Managua is only distributed from the Manolo Morales and Berta Calderon Hospitals.

Maria Hamlin of the Center for Health Information and Consultancy Services (CISAS) spoke to us about the recent history of health services in Nicaragua. She spoke of the massive expansion of free health services under the Sandinista Revolution which, in spite of the training of popular health brigades and the establishment of health centers throughout the country, was plagued by a top-down mentality. After 1990, she said that health care became a capitalist enterprise with an

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## Ecuador's Debt Default:

# Exposing the Gap in the Global Financial Architecture

By Neil Watkins and Sarah Anderson

[Neil Watkins is the executive director of Jubilee USA Network, and Sarah Anderson is director of the Global Economy Project at the Institute for Policy Studies. Reprinted from *Foreign Policy In Focus*, Dec. 15, 2008.]

When the government of Ecuador failed to make a scheduled interest payment on private bonds today, it was hardly the first time a country had defaulted in the middle of a financial crisis. In fact, it wasn't even the first time for Ecuador. The small South American country did so just 10 years ago, at a time when the economy was reeling from natural disasters and a drop in oil prices.

But this default is different. For the first time in history, the government's defense isn't based on an inability to pay. Ecuadorian President Rafael Correa explained rather that he was unwilling to continue to pay debts that are "obviously immoral and illegitimate."

Like many of the victims of the U.S. subprime mortgage mess, the Ecuadorian people were the targets of predatory lending. In the 1970s, unscrupulous international lenders facilitated some \$3 billion in borrowing by Ecuadorian dictators who blew most of the money on the military. After the transition to democracy, the Ecuadorian people got stuck holding the bag.

Over the years, the country has made debt payments that exceed the value of the principal it borrowed, plus significant interest and penalties. But after multiple reschedulings, conversions, and some further borrowing, Ecuador's debt has risen to more than \$10 billion today.

### **Human Costs**

The human costs are staggering. Every dollar sent to international creditors means one dollar less is available for fighting poverty. And in 2007, the Ecuadorian government paid \$1.75 billion in debt service, more than it spent on health care, social services, the environment, and housing and urban development combined.

Correa campaigned on a commitment to prioritize the payment of the "social debt" over financial debt. After taking office in 2007, he responded to demands from Ecuadorian civil society and the international Jubilee Network to form an

independent commission to investigate the origins, nature, and impacts of the nation's external debt. While citizens' groups in other countries have carried out their own debt audits, this was the first time a government had supported such an effort.

The debt audit commission documented hundreds of allegations of irregularity, illegality, and illegitimacy in the contraction of Ecuador's debt. In the case of the bonds Ecuador has now defaulted on, the commission alleged that they were issued and restructured illegally, violating Ecuador's domestic laws, U.S. Securities and Exchange Commission regulations, and general principles of international law. The agreement that gave rise to the Global bonds themselves may not be legal under Ecuador's constitution, which prohibits an individual from incurring debt on behalf of the country.

Commercial debt is the most expensive component of Ecuador's portfolio, making up only 30% of its total obligations but comprising 44% of the country's interest payments in 2007.

Correa says he hopes to cut a deal with creditors, much in the way that many U.S. homeowners are seeking to restructure their subprime mortgages. Ecuador's global bonds are currently valued at \$3.8 billion. If negotiations aren't fruitful, however, the economic repercussions could be severe.

One avenue for the bondholders would be to sue under the U.S.-Ecuador bilateral investment treaty, which went into force in 1997 (long before Correa took office). Arbitration tribunals, such as the World Bank-affiliated International Centre for the Settlement of Investment Disputes (ICSID), handle such cases. Under this system, there is no public accountability, no standard judicial ethics rules, and no appeals process. A group of Italian investors has a pending ICSID claim over about \$5.5 billion in bonds that Argentina defaulted on in 2002.

Investors could also sue in New York courts, as the bonds were issued under the laws of that state. Holders of Argentine bonds have also used that tactic. Financial analysts have also predicted that Ecuador's default will cut off the country's access to capital markets and could dim its chances of obtaining a long-term extension of U.S. trade preferences, which will expire in 2008.

While the risks of default are high, Ecuador had only two options: keep paying a dubious and possibly illegal debt at the risk of social unrest, or default and face the wrath of the international markets.

### **Independent Mechanism**

This exposes a gaping hole in the international financial system: the lack of an international, independent mechanism



*Ecuador President Rafael Correa.*

for countries to resolve disputes over potentially illegitimate and/or illegal debt or in the case of bankruptcy. Ecuador may be the first developing country to default during the current crisis, but it's unlikely to be the last.

As world leaders seek to build a new international financial architecture to respond to the current meltdown and prevent future crises, they should consider a new debt workout mechanism as one key pillar.

A bill pending in the U.S. Congress would be a step forward. The Jubilee Act, which passed the House of Representatives in 2008, would require the Comptroller General to undertake audits of the debt portfolios of previous regimes where there is substantial evidence of odious, onerous, or illegal loans. The legislation also instructs the Secretary of the Treasury to "seek the international adoption of a binding legal framework on new lending that...provides for decisions on irresponsible lending to be made by an entity independent from the creditors; and enables fair opportunities for the people of the affected country to be heard."

To ensure more responsible and productive lending and borrowing in the future, we need to learn from and redress the errors of the past. Only then can we build the architecture for an international financial system that works for people and the planet.

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end to free medicine and a proliferation of expensive pharmacies and private clinics. However, she noted that in the mid 1990s they were able to achieve the formation of a National Health Council.

“Now, where are we today?” she asked. “We have a government that says free health care but the private system is firmly established with no control over pharmacies, for example,” she said. She stated that the country still lives under the conditions of the World Bank and IMF so it is difficult to move forward. The National Health Council, which has members from the universities, the Red Cross, the churches, the Community Movement, and NGOs, has not met since Oct. 2007, she said. “We have demanded a meeting,” she said, “because we want to work with the government and, at the local level, we have been doing so.”

Hamlin said that the government has no national HIV-AIDS program in that all the funding comes from foreign donors. This was one of the moments when we appeared to be hearing two descriptions of government policy that were in direct contradiction to each other and subsequent questioning of Hamlin did not clear up our confusion. Our tentative conclusion was that, for some people, a program carried out by government employees but supported by funds from abroad is not a national program.

In an effort to learn what the impact of Nicaragua’s membership in the Bolivarian Alternative for the Americas (ALBA) has been, we visited Nicaraocoop and met with Moises Lopez. He described Nicaraocoop as an organization of cooperatives and NGOs working to benefit the poor people of Nicaragua. He began his presentation with an overview of the world food crisis noting that food prices have doubled recently and more than half of Nicaragua’s people spend 80% of their family’s income on food. He said that when small farmers are not included in the food chain, changes do not benefit poor families.

Lopez told us that Nicaraocoop was composed of four unions of cooperatives that in turn included 41 cooperatives with 3,200 members. He said that one of the ways Nicaraocoop was able to benefit its members was to charge 5% annual interest on loans for production rather than the 28% interest charged by

other financial institutions. “How are we able to do this?” he asked. “Under ALBA with loans from the National Bank of Economic and Social Development of Venezuela (BANDES). We are one of ten organizations to receive this type of funding, he said; others include DelCampo in Leon, CECOCAFEN coffee cooperatives, the Association of Farm Workers (ATC), and a cheese cooperative.

Lopez said that Nicaraocoop is encouraging farmers to convert to organic



*Environmentalist Cirilo Otero. Photo: Cynthia Chavez*

agriculture even though the change is difficult “because it is more expensive and our goal is to feed more poor people.” He said that they had adopted from Venezuela the concept of barrio shops delivering beans and rice to 27 posts in Managua and other towns. Member coops also produce honey for sale to Europe and beans for sale to Venezuela, to FMLN-run cities in El Salvador and to the U.N. World Food Program [which now—in spite of opposition from U.S. agribusiness—uses donor country monies to purchase food within recipient countries wherever possible]. Lopez said that they now have a factory in Posoltega which produces sacks for use by farmers, employing 40 young people.

Lopez explained how the money from Venezuelan oil is routed to benefit Nicaragua’s poor. The oil comes to the mixed company Albanisa which is 60% Venezuelan and 40% Nicaraguan. Nicaragua pays 60% up front and 40% is financed with a loan to be repaid over 25 years at 2% interest. The profit from the sale of that 40% of Venezuelan oil goes into a fund for social needs. Some goes to the Alba Fund for Rural Credit

(Albacaruna), some goes to the Zero Hunger and Zero Usury programs, and some goes to the Project Love program to address the problem of working children. Lopez said that Nicaraocoop has benefited from ALBA funds which have helped provide access to markets for many small farmers.

His concerns centered around the fact that petroleum prices had fallen dramatically and Venezuela may not be able to maintain the same level of assistance to the member nations of ALBA. But he said that ALBA had brought about an ideological change toward fair trade and fair prices, toward solidarity and “complementarity.” While people like Orlando Nuñez maintain the ALBA path is the way to equitable development, others say that it is utopian and unrealistic. Lopez said that neo-liberal ideas have influenced many on the left. He said that there have also been some people who have thought of ALBA as just another opportunity to make money and have power. He mentioned the case of Venezuelan urea, a petroleum-based fertilizer which can be sold for a good profit for those agencies and individuals involved while conflicting with the push of organizations like his toward organics. When asked whether small farmers and cooperatives were considered by the government to be its best allies, he answered that there were some in the government who had doubts. And he expressed concern about the lack of information available to the public about just what ALBA is accomplishing in the area of small scale agriculture.

Members of the delegation purchased fair trade coffee, honey, jam, wine, chocolate, nuts and other products at the Nicaraocoop store in the first of many fair trade shopping opportunities!

For a different perspective on the ALBA, we met with economist Cirilo Otero, president of the Center for Research on Environmental Policy. Otero said that the positive aspect of ALBA is that it seeks the development of the internal capacities of each country but, he noted, the countries that have joined are the less developed ones, not just in the economic sense, but in education and in other areas as well. He noted that of all the member countries, including Venezuela, Cuba, Bolivia, Nicaragua,

**See Delegation, Pg. 9**



## Delegation from Pg. 8

Ecuador, Dominica and Honduras, only Venezuela is rich and the one that has the money has more voice. Most of ALBA is humanitarian, not transformational, Otero said, adding that there is little investment for transformational change. Besides, he maintained, true transformation will have to come out of the civil society of the developed world, not from the smaller countries that have limited voice in the IMF and World Bank where the capitalist system has been enforced.

Nicaragua needs to intelligently develop its capacities and its comparative advantage, according to Otero. We could sell carbon rights, he said, given that we have more forests than Costa Rica and that country sold US\$170 million in 2007 to polluters from the developed world. Venezuela wants to buy 700 steers from us twice a year, he said, which would make the ranchers happy but would be bad for the environment.

Otero insisted, in a reference to the presidents of both Venezuela and Nicaragua, that change can be brought about with more serenity and hard figures and less rhetoric. "We can talk to the capitalists," he said, adding that Nicaragua needs rich and powerful partners and that more time is needed to effect change that can only come through education. "There are times when you have to throw the shoe," he said, but "people write Hugo Chavez off as crazy."

Otero said that Nicaraguans needed to know the level of Venezuelan aid and exactly how it is being used. He noted that in official Venezuelan publications, Nicaragua appears as a creditor of Venezuela even though the Nicaraguan government says that the debt to Venezuela is not a public debt. "I see in ALBA with relation to Nicaragua more words than actions," Otero said, noting that the giant refinery Chavez promised will probably not be built and that Daniel Ortega offended international donors based on a promise that Venezuela would fill any budgetary holes, a promise that Chavez may not be able to fulfill.

*[Next month: Rural programs, community and women's issues, and some conclusions and speculations.]*

# The News from Nicaragua

## POLITICS

The month's long legislative paralysis and complaints about November's municipal elections came to an abrupt halt when the Nicaraguan Supreme Court freed "in a definitive manner" former President Arnoldo Aleman, voiding his 2003 conviction for stealing more than US\$100 million from state coffers and with money-laundering on a grand scale.

The move seemed to be the last step in a five year political dance between Aleman and President Daniel Ortega, although there were indications that the political machinations could continue with an announcement from the Prosecutor General's office that it was preparing new indictments on other financial corruption charges that have never been brought to court. Aleman also continues to face indictments in Miami and Panama. For his part, Aleman threatened to sue for the \$4,000/month back pay he was denied when he lost his legislative immunity.

The same day as the exoneration

Aleman's Constitutional Liberal Party (PLC) deputies joined Sandinista (FSLN) deputies in re-electing Sandinista Rene Nuñez as president of the National Assembly.

The deal was a set-back for institutionality and the rule of law. It was also a severe blow to the political



*Former President Arnoldo Aleman*

**See News, Pg. 10**

## Zero Hunger from Pg. 5

consisted not of money but of certified Nicaraguan seed and urea. Even landless farmers who work in partnership with landowners and have to pay for half of all the input, (seeds, fertilizer etc.) are able to benefit from this program.

The government's express aim (for those of us who believe that government discourse is more than just rhetoric!) was to guarantee that as much basic grain as possible will be grown in order to increase food security in the nation as a whole.

On Sunday there was a meeting in Limon with Magfor and participating farmers. At the meeting the farmers paid back the loan but not with money, with grains making up the equivalent value of the urea plus the seed they were given to grow with.

Also, from the beginning, farmers were offered the chance to sell any excess harvest to ENABAS at a guaranteed, above market rate. I understand that this grain is then sold at below market rates to the urban population at ENABAS points of sale throughout the country (well mainly in Managua but other points of sale are propping up across the country with the first two opening in Esteli not long ago).

Personally I have felt both fascinated and inspired by how much the government has done to support small farmers over the last two years. It is patronizing and offensive to farmers to suggest they are being used as pawns in a game of power politics. Farmers have seen how this government's food and agricultural policy was designed by people who understand and value Nicaraguan agriculture and the issues surrounding the welfare of farming families and not by a political group that is just interested in engaging in crude populism in order to secure votes.

Sorry this is so long! For those of you who got this far - these are the kind of details I mean when I say that I am interested in government policy.

We need a land reform in order to guarantee continuing alleviation of rural poverty and keep farming families in the countryside where their quality of life is so much higher than in urban slums. I hope the government receives enough national and international support to be able to consider such a bold move. As English speaking foreigners who claim to be in solidarity with the Nicaraguan people we should be working on strategies to raise awareness about the real issues that affect ordinary Nicaraguans and how this government is attending to those issues.

## News from Pg. 9

aspirations of Eduardo Montealegre, both because he failed to pull together a majority to elect his slate to the leadership of the Assembly, and because, without support from the PLC, his complaints about the election are going nowhere.

However, with the Nicaraguan right-wing's ever shifting alliances and fractures, one never knows what next month will bring. The annulment removes any legal impediment to an Aleman run for the presidency in 2012. However, he remains the Nicaraguan politician with the lowest public approval rating.

We can expect a period of relative political calm which the Ortega government badly needs to confront the effects of the world financial crisis on Nicaragua. The months of paralysis of the National Assembly has meant that laws were not passed that the IMF requires before it will release loans scheduled for 2009. A \$40 million loan from the Interamerican Development Bank (IDB) was lost altogether.

In its first session of the legislative year, the National Assembly approved six loans from donor countries and international financial institutions for a total of US\$108.5 million.

Nominations of four new members of the board of directors of the Central Bank were also approved by the Assembly in its first session. The latter was among the requirements of the International Monetary Fund before it would release 2009 money. These measures were passed without the votes of the Nicaraguan Democratic Bench (BDN) which includes deputies from Let's Go with Eduardo Movement (MVE) and the Sandinista Renovation Movement (MRS). misinterpretation.”

After leaving Brazil, from the two day summit meeting of 33 countries of Latin America and the Caribbean, without the United States and Europe, Ortega travelled on Dec. 17 to Moscow for a two-day official visit. After meeting with Ortega on Dec. 18, Russian President Dimitri Medvedev said that Nicaragua was “a key and strategic partner” of his country in Latin America.

Medvedev said that Russia was ready to renew economic assistance and trade with Nicaragua which has been minimal since the FSLN lost power in 1990. The two presidents urged an end to the “economic, trade and financial blockade that the

United States maintains against Cuba” as well as an end to “foreign pressures against the people and government of Nicaragua.” Ortega was accompanied by the head of the Nicaraguan Army Omar Haleslevens.

Ortega's final stop was in Libya where he met with leader Omar Khadafy and expressed his enthusiasm for maintaining coordination between Latin America and North Africa on matters such as the international financial crisis and the struggle for just and equitable world trade.

### ECONOMY

On Jan. 20, President Daniel Ortega spoke to the nation about measures to confront the international economic crisis. He said that the Bolivarian Alternative for the Americas (ALBA) and the Central American Integration System offer powerful instruments to weather the crisis.



*Economist Nestor Avendaño wants tax reform.*

While developed countries have been hardest hit, Nicaragua exports are being hurt as well. For instance, the Nicaraguan lobster industry has lost its secure market in the US and is now looking elsewhere. He said that Nicaragua should increase its production of beans which have a market in El Salvador and increasingly in Venezuela.

Ortega said Nicaragua would work with the IMF and other financial institutions. “We have to continue to work with them and search for resources that belong to the people, to the world community, for the types of programs that mobilize productive forces, generate jobs, and

guarantee services for the Nicaraguan people such as health and education which we aren't going to sacrifice,” he stated. Ortega laid out guidelines for government agencies that included cuts in spending on goods and services, vehicles, travel, and a freeze on the hiring of new employees to fill vacancies. He said that the government would seek US\$500 million in loans from the Central American Bank for Economic Integration and other lenders in order to continue infrastructure programs such as water, sewage, and other projects, including the national food program.

Ortega said that the government will make foreign and internal debt payments and urged private citizens and micro-lenders to renegotiate debts because, if citizens default, he said, the microfinance organizations would not have funds

to make new loans. He also encouraged financial institutions to invest in agriculture, industry and housing rather than in extending “plastic credit” in a reference to credit cards. Presidential economic advisor Bayardo Arce said that the government is not counting on the budget support funds from the European Union and other countries that have suspended aid to Nicaragua. He said that the government would sell US\$20 million in bonds on the international market.

Independent economist Nestor Avendaño suggested that the government should reform taxes instead of going further into debt. He also urged the President to resolve differences with donor/lender nations and to move forward quickly with the long promised National Development Bank, which he said would support the majority of food producers who are not able to obtain credit from conventional banks.

The Nicaraguan government sent a revised 2009 budget to the National Assembly lowering expenditures from US\$700 million to US\$500 million. Arce and Central Bank president Antenor Rosales acknowledged that, of the US\$200 million deficit, at least US\$100 million was due to European countries and the US suspending promised aid due to alleged irregularities in the November municipal elections.

Rosales went on to say that Central  
**News continued on next page.**

## News Continued

Bank projections for 2009 had Nicaragua halving its probable overall growth, from over 4% to just 2.0%, and an anticipated rate of inflation of 8-9%. Arce underlined that the government will guarantee the financing of all measures adopted, explicitly ruling out a rumored revision of the tax code “for this year, at least.” Given the extraordinary nature of the crisis, both men emphasized the vital importance of the assistance provided to Nicaragua by Venezuela and others by virtue of its membership in ALBA. ALBA has established itself as a “fair trading block” challenging conventional “free trade agreements” sponsored by the US and Europe, now widely seen in Latin America as doing more harm than good.

Gustavo Porras, FSLN deputy to the National Assembly and General Secretary of the National Workers Front (FNT), called on all sectors of Nicaraguan society to bear the burden of the government’s anti-crisis measures. “It’s vital that such measures reflect our priorities, our model, our values,” he said.

“That means they should be aimed at the support of people in the countryside, to support the production of food, the development of small farmer production, the development of our country.” He continued, “We want nothing to do with measures to continue and defend neoliberalism. We’ve stated clearly that we will not return to neoliberalism; for example, measures intended to support the banks. Why on earth? That’s just defending neoliberalism! On the contrary, we must adopt measures which involve everyone, all sectors, including the banks and bankers, in developing national production. This is something all Nicaraguans must take on together.”

Central bank issued figures for 2008 that showed an inflation rate of nearly 14%. According to Bank figures, food and drink prices rose by nearly 11% over the course of the year, while workers’ salaries failed to keep pace.

### INTERNATIONAL AID

The European Union, several of its member nations and the United States put loans and donations to Nicaragua on hold because of opposition parties’ accusations of fraud in the country’s Nov. 9 municipal elections. The European Union suspended US\$46 million in budget support funding after offering funding to hold a recount or repeat the elections. Nicaraguan

officials condemned the EU’s attempt to interfere in Nicaragua’s internal affairs. A minority of the European Parliament then approved a resolution lamenting possible fraud saying that the results “lacked any democratic legitimacy” with 52 votes in favor, five against with 728 not present. The German government announced that



*Nicaraguan forest cover may be greater than was thought. Photo: C. Chavez*

it would maintain aid to Nicaragua and multilateral financial institutions have not raised questions about the elections.

Meanwhile, US Ambassador to Nicaragua Robert Callahan said that the Nicaraguan government “has approximately 90 days” to resolve the electoral crisis or “it is probable that the [Millennium Challenge] Account will be definitively cancelled and also the United States government could review all aspects of our aid to this country.” (See “Restore Millennium Challenge Funding” pg. 3.)

Meanwhile, numerous donations are still coming in. The World Bank on Jan. 22 approved a US\$7 million grant to help Nicaragua confront the impact of high food prices with a study of nutrition and expansion of the supply of agricultural products. Japan will donate notebooks to students in 66 schools to benefit 4,800 students in the poorest regions of the country. Donations from Japan have helped in the construction of 25 schools and Japan plans to help finance construction or rehabilitation of an additional 26 schools between 2009 and 2011.

The UN World Food Program plans to continue its support of meals for an estimated 450,000 students even in the

face of the current economic crisis which has meant smaller contributions from member nations.

With support from US Agency for International Development (USAID), the Regional Hospital of the South Atlantic Autonomous Region (RAAS) has reduced maternal deaths by hemorrhages after

childbirth from 31 cases in 2007 to 11 in the 2008. Personnel have been trained in obstetric emergencies, new born care, HIV-AIDS counseling and in the fight against hospital-acquired infections. US ambassador

Callahan vowed to continue this aid.

The Ambassador of the Netherlands to the US, Renee Jones-Bos responded to a letter from the Nicaragua Network urging resumption of aid saying that the aid suspension involves only US\$7.98 million in budget support while US\$26.6 million in aid for “the health and education sector, good governance and gender equality” will continue.

### RAAN ELECTIONS

In November, the FSLN won control of 105 municipalities on the Pacific side of Nicaragua, leaving the main opposition parties with only 41, including just one municipality of significant size, the southern city of Granada, on Lake Cocibolca. On Sunday, Jan. 19, these gains were complemented in the municipal elections in the Northern Atlantic Autonomous Region (RAAN) which were delayed due to damage by Hurricane Felix. The FSLN took all the main centers of population, including the principal city of Bilwi/Puerto Cabezas.

Roberto Courtney, executive director of the national election observation group Ethics and Transparency, which receives funding from the US government, said on Jan. 21 that there were fewer problems in the Atlantic Coast elections than those

**Continued on next page.**

## News Continued

in November. Nevertheless, he said that electoral authorities should resolve the challenges by the indigenous Yatama Party to eliminate any doubt about the elections.

### ENVIRONMENT

When the government completes its forest inventory in February 2009, projections are that the total will be 7.5 million hectares, according to Roberto Araquistain, vice-minister of Natural Resources and the Environment (MARENA), who cautioned that the figures are preliminary. Previous estimates put the forest coverage at only 3.5 million hectares. He said this is the first complete national inventory that will provide data on lumber, forests, and biodiversity for future environmental services. Currently it is estimated that Nicaragua loses 70,000 hectares of forest each year.

He pointed out that since 2007 when the National Reforestation Campaign was initiated, 40,000 hectares of trees have been planted through cooperation between MARENA, the National Forest Institute and the autonomous governments of the North and South Atlantic regions. The government has constructed nurseries for 5 million trees while allies in the business community, including the sugar industry, have produced 14 million more trees for reforestation.

Nicaragua began to produce 40 megawatts of electricity from wind power in January. The Amayo consortium began operations and connected to the national electrical grid on January 4, according to project director Sean Porter.

The wind farm, located in the department of Rivas and consisting of 19 windmills more than 100 meters high, was built with an investment of US\$95 million from the Central American Economic Integration Bank, and funds from Guatemalan, U.S., and Nicaraguan investors. The cost to produce the electricity from wind power is 8.625 cents per kilowatt compared to 18 cents from petroleum burning generators. The wind farm will produce enough electricity to satisfy the needs of 325,000 families consuming 150 kilowatts a month and will save the State US\$30 million, or 216,000 barrels of oil. Nationally, 500 megawatts of electricity are produced daily, 80% of it from burning fossil fuel.

In other environmental news, Victor Campos, deputy director of the environmental organization Centro

Humboldt said that his organization is worried that cuts in international aid will reduce environmental protection funding.

"The tense situation with donor organizations worries us," he said, "because development of environmental studies relies on the U.S.'s Millennium Challenge Account grants for work in the protected areas." The Ortega government and the National Assembly Environmental Committee were given a failing grade on environmental performance in 2008 by the Centro Humboldt.

Concerning new interest in an inter-oceanic canal across Nicaragua, environmentalist Camilo Lara said that Lake Nicaragua (Cocibolca), even with its enormous size of 8,000 square kilometers, would feel the impact of shipping traffic if a canal were built across Nicaragua through its waters.

He said that the project could cause greater floods and droughts to affect the country and stop reforestation efforts. A canal across Nicaragua has been a dream or a nightmare for Nicaragua since the 19th century and was the original impetus for US intervention in Nicaragua.

The presidents of Nicaragua and Russia, Daniel Ortega and Dmitri Medvedev respectively, signed a cooperation accord on Dec. 18 in Moscow and official sources indicated that the subject of a canal was discussed. Several routes are under discussion.

Lara expressed doubts that the canal would ever be built because of the problem of finding sufficient financing. President Daniel Ortega himself expressed doubts about the possible impact on Lake Nicaragua, saying that the lake "is the largest reserve of water in Central America" and he didn't want to put it at risk. While Kommersant, a daily newspaper in Moscow, noted that "the majority of these megaprojects are not destined to leave the drawing board," the Grand Canal Foundation found the project "technically feasible, economically profitable, and sustainable over time."

### MISCELLANEOUS

The Miami Herald reported on Jan. 4 that Nicaragua's twenty year project to remove all the land mines planted during the 1980s by the U.S.-backed contra forces and the Sandinista Army will soon be completed and Nicaragua will be declared landmine free by the end of 2009. Carlos Jose Orozco, national coordinator of the Mine Action Program of the Organization of American States (OAS) said that only

about 8,000 antipersonnel mines remain of the 170,000 planted during the war of the 1980s.

The mine removal mission is still in need of US\$4 million to complete its job and the OAS and Nicaraguan Army are looking for continued help from Canada, Spain and other international donors. Russia recently announced that it will assist the land mine removal program.

Nicaragua will become the first heavily mined country to remove all landmines



*Rep. Hilda Solis, whose mother is from Jinotega, has been nominated to be Labor Secretary.*

and at the same time recover some of the country's most fertile and productive land to help it move toward increased food security. During the past 20 years landmines have injured 1,135 people and killed a number of others.

US President Barack Obama has announced the appointment of Rep. Hilda Solis as the next Secretary of Labor. Solis, of Mexican and Nicaraguan origin will give up her East Los Angeles, CA, congressional seat, for which she was elected in November to a fourth term. Her mother was originally from Jinotega and her father was from Mexico.

The Honduran Army began the transfer to right-wing Cuban-American arms merchant Mario Delamico in Miami, of a powerful military arsenal stored for more than 20 years near the border with Nicaragua. The arsenal was created in 1986 by Longlac Enterprise, which is located in Panama, and is a subsidiary of Sanco Global Arms in Miami. The arsenal was placed by the company in Honduras, with option to buy by the Honduran military, as a reserve to "repel a possible attack by Nicaragua" in the 1980s. According to Radio La Primerisima, Mario Delamico, the owner of Longlac, was identified in a 1985 El Nuevo Diario article as an "arms merchant" for Central America, and head of logistics for the CIA's operation to provide arms to the contras.