

Gordon White and Kate Young

Five years ago a conference met at this Institute to consider the immediate post-revolutionary experience of Nicaraguan development. At that time we came to several conclusions: first, that the development strategies adopted by the Sandinista government had several features which distinguished them from orthodox forms of socialist development, notably the commitment to a degree of economic and political pluralism. Second, although there had been significant progress in achieving more equal distribution and meeting basic social needs, Nicaragua's development performance was problematic in certain basic areas [for a more detailed discussion see White and Young 1985]. Third, an already worrying economic situation was being exacerbated by the escalation of the Contra war and the hostility of the Reagan administration.

In November last year a workshop was convened to review the situation four years on. It placed particular emphasis on the way the war has impinged on Nicaragua's ability to deal with its pressing economic problems and implement its distinctive development model. Most of the papers in this *Bulletin* were presented at that workshop.¹ The last five years have seen an initial intensification of the war accompanied by considerable deterioration in the economy. Several of the papers graphically demonstrate the direct and indirect costs, human and material, of what Marchetti calls a low-intensity war. But pressures have mounted both within and without the country to bring about a political solution. Among the pressures outside the country, particularly significant have been, first, mounting opposition to the Reagan administration's policy in the United States both within Congress and

the public at large, fuelled by revelations about the illegal actions of certain members of the administration in the Irangate Affair (as Leogrande's article describes); and, second, the attempt by Central American governments to establish a viable peace process in the region through the Arias Plan.

Turning to internal pressures, we should first note that while Nicaragua shares many of the usual problems of small Third World countries, it faces — as other countries attempting a radical developmental alternative along socialist lines also have — the added burden of a counter-revolutionary war fostered by external agents. The developmental implications are serious since many aspects of such wars, whether the military strategy of the insurgents or the supportive economic pressures of their external backers, are precisely targeted on discrediting the post-revolutionary regime by undermining its development effort (the Mozambican case is very comparable). Such wars also pose the danger of a depressing cycle whereby internal conflict and external hostility propel the regime towards greater political authoritarianism and economic centralisation.

As the articles in this *Bulletin* demonstrate, however, the Nicaraguan case is interesting to the extent that this has *not* taken place. In political terms, although the initial Sandinista response was to manage the challenges posed by the counter-revolution through increasing control over political opposition (the most obvious symbol of which was the closing of the opposition paper, *La Prensa*), in recent years there has been a marked reorientation toward a more flexible political approach. This not only implies a willingness to make political concessions within the context of the Arias Plan, but also embodies more fundamental changes: the reluctance to establish a vanguard-style party, the granting of significant autonomy to the Atlantic Coast, and allowing greater political participation of organisations representing the peasantry. An important factor in these policy shifts has been the need to strengthen the social base of the regime in the face of tensions engendered by the Contras.

In economic terms, significant moves have been made towards liberalisation in the urban industrial, rural agricultural and foreign trade sectors, reflecting a growing recognition on the part of planners and politicians that the economic problems exacerbated or

¹ William Leogrande
'United States interests and the Nicaraguan experience'
George Irvin and Edwin Croes
'Nicaragua: the accumulation pipe-dream'
David Kaimowitz
'Recent trends in agricultural cooperatives in Nicaragua'
Solon Barraclough
'Food policy in Nicaragua'
Doreen Massey
'Planning in Managua: a focus on spontaneous settlements'
Hermione Harris
'Women and war: the case of Nicaragua'
Trevor Evans
'The cotton sector: recent government policies'
Rhys Jenkins
'Industrial policy: recent government policies'

created by the war could not be dealt with by a further expansion of direct state controls. This recognition has led, therefore, to a redefinition of the role of the state in the economy and a search for macroeconomic instruments capable of correcting the massive disequilibria which afflict the country. Evans, for example, describes the decision to give incentive payments in dollars to capitalist cotton producers. Utting points to the partial liberalisation in grain trade in 1985/6 and the new role for state farms, which have been charged with providing services to local private and cooperative producers. Kaimowitz shows how the Sandinistas have since 1986 adopted a more liberal policy toward private agriculture and a more flexible attitude to cooperative organisation. In overall terms, FitzGerald describes these policies as a shift in the relationship between state and market, whereby an earlier strategy through which the state sector aimed to absorb or marginalise other forms of ownership (notably the capitalist and smallholder sectors), is being replaced by a new planning model which attempts to achieve the 'articulation' of these different and potentially competitive sectors.

In spite of these policy changes, however, the economic situation in Nicaragua remains parlous. Clearly, since one of the major causes is the war, the situation cannot be ameliorated nor can policy remedies have their desired effect unless peace is achieved. All the articles make this point emphatically. The costs of the war and its accompanying pressures, notably the US trade embargo, are serious indeed. But even without these, Nicaragua's development prospects are constrained by the unfavourable international economic environment, as Goldin and Pizarro demonstrate. At the same time, however, it is recognised that all Nicaragua's development ills cannot be attributed to external factors and the war alone. Many of the articles recognise that to a significant degree many of these problems are the result of policy mistakes.

Paradoxically, the war has proved a stimulus for the government both to recognise and rectify basic policy

deficiencies. Irvin and Croes, for example, argue that Nicaragua's investment strategy since 1979 has led to an 'accumulation trap' which prevents the kind of policy adjustment necessary to respond to the need to put the economy on a war footing. Jenkins points out that some of the basic problems in the textile industry are the result of mistaken investment decisions and the lack of a coherent industrial policy. Goldin and Pizarro point to the lack of a clear conception of the relationship between food crops and agro-export crops and to deficiencies in policies affecting agriculture such as pricing and exchange rate levels. Utting attempts to characterise these policy deficiencies in terms of three types of distortions: urban bias, state sector bias, and favouring investment over consumption. A different type of policy misjudgement, which exacerbates longstanding ethnic and regional tensions, is described by Smith in her article on the Atlantic Coast.

Recent policy changes appear to be in the right direction, and our optimism can be strengthened by the improved political context for peace. But historical experience suggests that peace not only solves but also creates problems. Aspirations and tensions hitherto muffled may well emerge in the post-settlement period to make the government's task more complex. Moreover, a restoration of the stability and dynamism of the Nicaraguan economy depends on a range of factors only partly within the control of the Government. These involve difficulties in managing an increasingly mixed and disaggregated economy, the fact that significant improvement depends not merely on a return to more normal flows of development finance but also on efforts to reconstitute the Central American economy, and a more favourable turn in the international economy as a whole.

Reference

White, Gordon and Young, Kate, 1985, 'Nicaragua after the Revolution: problems and prospects', *Discussion Paper* 200, IDS, Sussex