TREATY

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sions. Likewise, Honduras has asserted that it will not allow the Verification Commission to inspect its territory until Nicaragua adopts political reforms.

Honduras established the National Reconciliation Commission required under the regional peace plan only reluctantly. In November, the Committee of Persons Displaced by War in eastern Honduras requested that the government act to return land currently occupied by the contras. The document, prepared on behalf of 15,000 displaced Hondurans, requests the commission to intercede for the displaced in the recovery of their lands, and to obtain indemnization from the contras.

In El Salvador, the primary beneficiaries of the treaty have been the military and political right, with the few death squad members who were prosecuted being released under the general amnesty. The latest ruling releases two men jailed for the 1981 killing of two US land reform advisers and the Salvadoran head of the program.

Political opposition groups withdrew from the Salvadoran Reconciliation Commission and the FMLN suspended peace talks with the government in protest over the murder of Herbert Anaya, president of the non-governmental Committee on Human Rights in El Salvador. According to FDR President Guillermo Ungo, the Duarte administration must undertake a full investigation of the Anaya murder and prosecute those responsible if the Commission is to be reconstituted and dialogue resumed.

In Nicaragua, opposition political groups announced that they would no longer participate in the National Reconciliation Commission because the government had not taken any action on 17 proposed constitutional amendments. The opposition groups, which had spent a month deciding who would be represented and another month deciding on an agenda, presented their proposals in the last week of the National Assembly. Approval by two successive National Assemblies is required for a constitutional amendment.

Two rounds of talks between the Sandinista government and the contras were held under the mediation of Cardinal Miguel Obando y Bravo. The first round ended fruitlessly when the contras demanded political recognition. They also demanded the right to receive military aid and guaranteed access by road, river and air. Although the contras agreed to accept a unilateral Christmas truce announced by the Sandinistas, extremely heavy fighting took place in December as the contras sought to claim territory and to influence Congress. While they have yet to occupy even the remote villages for as long as four hours, the toll of civilian dead and wounded continues to rise.

On Dec. 22, after seven hours of debate by both sides on the meeting's agenda, the contra delegation reportedly insisted on dealing directly with a Nicaraguan government official with decision-making power. Consequently, the talks once again reached a stalemate. Observers pointed out that prior to the meeting of the "technical teams," contra leaders had agreed to discuss cease-fire mechanisms with the Nicaraguan government's designated representatives. Managua has reiterated on innumerable occasions that under no circumstances will government officials meet directly with contra leaders to discuss the cease-fire or anything else, unless and until they accept amnesty.

Latin Loan Writeoff

On Dec. 15, the Bank of Boston wrote off as uncollectible $200 million of its $1 in Latin American loans. The bank also set up a $430 million reserve against losses on the remaining $800 million. Although other banks have set up reserves, Boston was the first actually to write them off.

In a banking system already wracked by the Wall Street crash and the decline of the dollar, writing off Latin American loans is the last thing a bank would want to do. But the banks, forced to re-evaluate their assets after the crash, now admit that the loans can never be paid in full. The banks would like to get out of the Latin American loan business, and are trying to reduce their losses as they go.

The three largest debtor nations, Brazil ($113 billion), Mexico ($108 billion) and Argentina ($54 billion), are all in terrible economic condition. Inflation in Brazil was 350% in 1987. The Mexican peso was devalued by 22% Dec. 14. In Argentina, economic growth fell from 6% to 2% in 1987. Throughout Latin America, economic growth did not match population growth, and inflation widened the gap between rich and poor.

The most recent attempt to refinance the Mexican debt is a complicated plan worked out by Morgan Guaranty Trust. Mexico would use $2 billion of its $14.5 bil-

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Reagan's Total War

Nicaragua: The Price of Intervention; Reagan's Wars against the Sandinistas
by Peter Kornbluh
Institute for Policy Studies, 1987
Reviewed by Jack Hayes

This book is a history; a well-written, easily read, meticulously researched and documented, comprehensive chronicle of the Reagan Administration's "total war" against the Sandinista government of Nicaragua. Kornbluh puts the war in its proper context, as a continuation of the Monroe Doctrine (asserting the right of US hegemony in the Western Hemisphere) and as the centerpiece of the "Reagan Doctrine," a policy of support for "anti-communist" insurgents around the world.

Kornbluh outlines four aspects of the "total war" against Nicaragua: the CIA-directed covert war; the economic war, highlighted by a total trade embargo; the military war, centered around a massive buildup of US military forces in Honduras; and the war at home, featuring a campaign of deceit and disinformation, red-baiting, and harassment of solidarity groups.

The section on the CIA/contra war begins with the Carter Administration's attempts to salvage the Nicaraguan National Guard and prevent the FSLN from taking power. It then goes on to document the evacuation from Nicaragua of key Guard commanders and their families; the initial CIA efforts to organize and train the contras (including the now-famous assassination manual); and the creation of the FDN. Kornbluh documents CIA participation in the mining of Nicaragua's harbors, the gunboat attacks on its port facilities, and the blowing up of bridges.

In the second section, Kornbluh shows how the US government carried out an economic war against Nicaragua, escalating the war from the initial cutoff of aid approved by the Carter Administration to the total trade embargo announced in 1985. Also detailed are the efforts of the US government to deny Nicaragua development loans from the World Bank and the Inter-American development bank.

In the third section, Kornbluh describes the escalation of the US military presence in Central America. By the spring of 1984, Pentagon officials could boast that the US military "was now in a position to assume a combat role in Central America should President Reagan give the order." By then over 60,000 Army, Navy, Air Force and Marine forces had trained in Honduras, and had created a command and control center in Palmerola serviced by 1,500 US troops permanently stationed there.

The fourth section of the book describes what Kornbluh calls the war at home. It is perhaps the most interesting section of the book, and the most directly relevant for the solidarity movement. The State Department's Office of Public Diplomacy, the White House Outreach Group, and the National Bipartisan Commission on Central America were the principal agents of a propaganda war designed to portray Nicaragua as a source of subversion in the region, as a military threat to other nations in the region, and as a brutally repressive totalitarian state. The propaganda war included manipulating headlines by selectively leaking false intelligence information, applying direct pressure on US media to be less critical of administration policy, and endless speeches by Reagan and other government officials portraying Nicaragua as the source of all ills in the hemisphere.

On the book's final page, the lesson of the last 7 years is drawn: "so long as the United States maintains a presumption of hegemony over vast regions of the Third World, there would always be a CIA or NSC or some other national security apparatus ready and able to engage in murder and larceny in foreign lands in the name of democracy and the American people."

LOANS

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lion in currency reserves to buy US Treasury bonds. These bonds would be redeemable in 20 years for $10 billion. The US bonds would be collateral for $10 billion of new Mexican bonds. The new Mexican bonds would be used to buy back $20 billion of old Mexican bonds at 50 cents on the dollar. Some European banks have already written off 70 or 80 cents on the dollar, and will show a profit.

But there are limits to the ability to refinance. Brazil and Argentina lack the required currency reserves. Austerity measures, such as those introduced in Mexico, result in inflation and reduced economic growth. Mexico's labor federation is threatening a general strike in support of an immediate 46% wage increase.

And why should a country borrow money at a higher rate merely to pay off old bonds? In the past, such negative flows were justified as a temporary burden to induce further lending. With the banks withdrawing, many countries are better off with interest payments capped or suspended and principal not yet due.

In November, presidents of the 8 Contadora nations met in Acuapulco and discussed their financial problems, for the first time without a US presence. While their countries are nowhere close to a unified position on the debt crisis, they did begin implementing a development bank with a Latin majority. Perhaps these loans will do something more constructive than refinance old debts.