WEST GERMAN ECONOMIC RELATIONS WITH THE SANDINISTA GOVERNMENT

By

MARK STEPHEN HENKES

Master of Arts

Oklahoma State University

Stillwater, Oklahoma

1985

Submitted to the Faculty of the Graduate College
of the Oklahoma State University
in partial fulfillment of the requirements
for the Degree of
MASTER OF ARTS
July, 1985

WEST GERMAN ECONOMIC RELATIONS WITH THE
SANDINISTA GOVERNMENT

Thesis Approved:

Franz A. von Sauer
Thesis Adviser

James J. Lawler

David V. Sare

Norman N. Durham
Dean of Graduate College

PREFACE

This thesis is a case study that concerns the economic and political relationship between the Sandinista government of Nicaragua and the Federal Republic of Germany, an American ally. The primary objective of this thesis is to show that, in a loose bipolar world, members of a bloc may not perceive another nation to be a threat to the bloc leader, while the bloc leader perceives this particular nation to be a threat to its national interests and economic interests. This will be determined with the help of economic aid, trade, and private investment statistics between the bloc leader, bloc member nations, and the target nation. An attempt will also be made to determine to what extent West Germany and U.S. allies in Europe are providing economic aid and trade for Nicaragua following U.S. economic embargoes.

The author first wishes to express his appreciation to his major thesis advisor, Dr. Franz A. von Sauer, for his guidance throughout the course of this study. Appreciation is also expressed to other members of the committee, Dr. Harold V. Sare, who introduced me to the use of political theory as a part of research, and Dr. James J. Lawler, for his invaluable assistance in the preparation of the final manuscript.

Thanks are also expressed to Dr. Hamilton Beck of the Oklahoma State University German Department who helped translate correspondence from the West German government. Finally, special thanks go to Dr. Barrie E. Blunt, who has always encouraged me during my stay at Oklahoma State University.

TABLE OF CONTENTS

LIST OF TABLES

CHAPTER I

INTRODUCTION

The Problem: Some Preliminary Considerations

Nicaraguan President Daniel Ortega Saavedra announced in April, 1985, that he would travel to Moscow and request $200 million in "humanitarian aid"[1] from the Soviet government. He also announced he would visit Yugoslavia, East Germany, Bulgaria, Czechoslovakia, Hungary, Rumania, and Poland in a 15-day tour of Soviet allies in Europe in an effort to gain further assistance. Within 48 hours, U.S. President Ronald Reagan responded to Ortega's move with a move of his own--an announcement of an almost complete economic embargo (which does not include products sold by U.S. subsidiaries overseas). Reagan imposed the embargo as an act of economic retaliation on this Latin American nation that has so historically depended on the U.S. economy for its survival. American retaliatory efforts are nothing new to Nicaragua. President Reagan in July, 1981, began to impose a series of economic restrictions with Nicaragua after the U.S. government claimed the Sandinista government was funnelling military hardware through Nicaragua to El Salvadoran rebels who were attempting to overthrow the U.S.-backed Duarte regime. The economic sanctions imposed by Reagan on Nicaragua in 1981 no doubt caused much hardship in Nicaragua, since it decreased U.S. exports to Nicaragua by approximately one-half. Nicaragua's extreme dependence on U.S. exports, however, is reflected in the fact that, even after the 1981 economic sanctions, the U.S. still remained the chief exporter of goods to Nicaragua three years after the sanctions, that is, in 1984.[2]

Today a powerful nation such as the U.S. can reduce trade with a nation like Nicaragua that is so dependent on the U.S. economy as an act of economic retaliation. The U.S. is taking further punitive action against the Sandinista regime by cutting off all economic aid. Instead, the U.S. is financing groups such as the "contras" who are bent on overthrowing the present government of Nicaragua. By funding these groups that are attempting to destabilize the Nicaraguan government, the U.S. government is attempting to foment a civil war in Nicaragua that creates a very undesirable environment for foreign investors. In this sense the U.S. government is using trade, economic aid, and private investment (or a lack of private investment) as methods of retaliation against the present Nicaraguan government because it perceives the Nicaraguan government to be hostile. While the U.S. government is imposing economic restrictions on Nicaragua, an American ally, West Germany, has not followed the U.S. lead. It is the relationship between the Sandinista regime and an American ally, West Germany, that will be the topic of this thesis. The relationship between Nicaragua and West Germany will be examined with the help of economic statistics related to the three aforementioned areas--trade, economic aid, and private investment. Economic aid will be examined in Chapter III using economic statistics as an analytical tool. Chapter IV will investigate trade and private investment with economic statistics again being used as an analytical tool.

Economic Sanctions and Incentives as a Tool in Foreign Policy

Economic restrictions, import quotas, trade embargoes, military and humanitarian aid are various devices that can be used today for political and economic purposes. Today, as the gap between the rich nations and the poor nations widens, poorer nations can become economically dependent on the richer nations. Therefore, an economic decision made by a large, powerful nation such as the U.S. can drastically affect the economy of an underdeveloped nation that has historically depended on the developed nation for economic aid and trade. K.J. Holsti points out five different techniques that can be used both to punish and to reward another nation. They include tariffs, quotas, boycotts, embargoes, and loans, credits, and other currency manipulations.[3] Centuries ago, before nations and societies were modernized, nations were not as interdependent as they are today. The economic and political decisions made by one nation did not tip such a delicate balance on the scales of another nation as they do today. Jacob Viner stated the classical theory of foreign trade in his 1952 work on international trade:

> . . . the gain to a country or region from foreign trade consists in getting indirectly in exchange for those products in which a country has comparative advantage in production (or less comparative disadvantage) more goods, or better goods, than could be produced at home with the same quantity of productive resources . . .[4]

The Phoenicians manufactured various products from raw materials they secured both domestically and from other nations. They were especially skilled in the use of purple dye which they extracted from shellfish off their own coast, and they used this to make textiles.[5] Greece eventually competed with the Phoenicians, and they, in turn, dominated trade in the Mediterranean. Much later, trade flourished between European nations during the Middle Ages, particularly among nations that had seaports, such as the Scandinavian nations, Italy, Spain, and Russia. In these days the most common form of economic punishment or incentive from one nation to another was the offering of military aid to one nation to defend against a common enemy. This could be termed, using Holsti's words, as a loan or credit. During the Middle Ages one nation could impose an embargo on another nation simply by using military action and overtaking crucial seaports of another nation. In his interpretation of Adam Smith's 18th-century classic work concerning the modernization of the European economy titled, "The Wealth of Nations," Andrew S. Skinner argues that Smith recognized that domestic growth would be limited by the size of the market and that "the main stimulus to economic growth would have to come from foreign trade."[6] He argues that Smith said that agrarian surpluses could be used to trade for foreign goods and, in addition, that nations that want to manufacture their own goods would need foreign materials to produce those goods. Foreign trade becomes possible, according to Smith, when manufacturers become more refined:

> The manufacturers first supply the neighborhood, and afterwards as their work improves and refines, more distant markets. For though neither the rude produce, nor even the coarse manufacture, could without the greatest difficulty, support the expense of a considerable land carriage, the refined and improved manufacture easily may.[7]

In this way manufacturers improve and are eventually able to supply not only domestic buy foreign markets. Despite the more sophisticated and complex methods of conducting foreign commerce today, nations still need the same things they did centuries ago--an international market in which to sell their goods, manufacturers to manufacture goods at home to sell abroad, raw materials from other nations that will allow certain goods to be manufactured at home, as well as the purchase of goods manufactured abroad.

Economic warfare is a term that is becoming more commonplace today, probably because of an increased economic interdependence between nations today that allows for the effectiveness of an increased number of economic sanctions and incentives. George Liska in 1960 stated that nations like the U.S. and the U.S.S.R. use foreign aid as a form of economic warfare to "impress and win over the so-called third force of uncommitted countries." Then he compared this economic warfare to rivals in open war.

> In this sense the chief combatants of the Cold War apply to peacetime conditions the abstract pattern of economic warfare as it is practiced by belligerents in wartime. In both peace and war the immediate object is to prevent neutrals from benefitting the opponent, not least with respect to raw materials. There is a difference, however. Rivals in open war and secret diplomacy seek to control specific acts of trade and transport for immediate military ends. The rivals of today seek to influence the still mysterious processes which shape the economic and political institutions of third countries in the indefinite future.[8]

Over the span of many years, underdeveloped nations become economically dependent on larger, richer nations. These poorer nations become accustomed to certain economic relationships with the richer, developed nations, and any major alteration of that economic relationship can spell severe hardship for the poorer nation. This is why the U.S. economic restrictions so quickly affect the Nicaraguan economy. The Somoza regime became accustomed to millions of dollars of U.S. economic aid per year, and the U.S. was by far the chief trading partner of Nicaragua. By 1981, this economic aid had disappeared, and U.S. exports by 1984 had been halved. Edward Mason argues that the humanitarian role

U.S. economic aid played after World War II in Latin America was also accompanied by a chief concern for U.S. interests:

> Humanitarianism as a fundamental motivation has certainly played an important role in the actions of individual Americans, whether under private or public auspices, in the underdeveloped areas of the world. . . . While recognizing the importance of these sentiments, however, it is impossible for one who has watched the maneuvers and has listened to the political debate that year after year precedes the enactment of the foreign aid bill to avoid the conclusion that the predominant considerations have to do with the security of the United States.[9]

When the U.S. perceives a threat, however, economic sanctions can be employed as they were with Cuba. Most trade with Cuba ended when Cuban assets were frozen in the U.S. in 1962. This was an attempt by the U.S. to punish Castro for moving closer to the Soviet camp . . .

> while U.S. policy did not succeed in ending Communist rule in Cuba, it did serve the domestic objective of assuring the American public that the U.S. would not sit idly by in the face of communist expansionism in the Western Hemisphere.[10]

The use of economic power to extract political decisions from leaders of other nations includes such examples as the use of food aid by the U.S. to apply pressure to India from 1965 to 1967, the Harriman-Solomon mission, and the 1966 Chilean copper agreement with the U.S., the suspension of P.L. 480 aid to the United Arab Republic in 1965, and the threatened suspension of economic aid by the U.S. to Sukarno of Indonesia to force him to negotiate a peaceful settlement with Malaysia.[11]

Economic policies can be used both as incentives and as punishments, but Holsti argues that, historically, economic forms of punishment have been used more often than rewards:

> Once a position of economic dependency or need has been established in another country, a government may threaten to stop making purchases, cut off vital supplies, or refuse to pay a loan in order to obtain some military or political

> concession . . . both the carrot and the stick may be used simultaneously in attempts to wield influence. What particular combinations of rewards or punishments are employed depends on the circumstances of the situation, the type of economic need or dependency and sometimes even upon estimations of economic profits and losses.[12]

As will be illustrated later, the U.S. has attempted to cut off the Sandinista regime from certain products, and nations such as West Germany have the opportunity to fill the gap left by these American trade restrictions and cutoffs of economic aid.

The Soviets have also used their economic power to extract political decisions from other nations. One way to help bind Western Europe to the Soviet economy is the Soviet oil pipeline that today supplies Western Europe with much of its oil. A more specific example of Soviet economic power was demonstrated by the November, 1958, Soviet trade halt with Finland. The Communist Party of Finland won more than one-fourth of the seats in the parliament, but the party received no representation in the cabinet. The economic embargo worked. Many Finnish metal and machine products sold in the U.S.S.R. could not be sold in Western nations. Finnish workers became unemployed and only added to the unemployment problem there. Eventually several cabinet members resigned and a new government was formed that was more amenable to the U.S.S.R.[13]

In addition to the various techniques whereby economic aid can be offered or withdrawn, Liska names two kinds of economic aid--long-term aid and short-term aid. Liska argues that they have overlapping functions. The long-term aid is the more continuous kind of aid. This is the kind of aid, for example, that was offered Latin America by the U.S. under the Alliance for Progress. This includes long-term developmental aid and regulations that allow for a freer flow of trade and private investment.

> Such aid can serve as a standing inducement to a favored attitude; aid to Afghanistan as an inducement to continue neutrality, aid to Pakistan to continue alliance, and aid to Indonesia to adopt a more balanced neutrality. Inducement becomes compensation when the erosion of alliance or other relations calls for more aid.[14]

Short-term aid, Liska argues, has political overtones and can serve in emergency situations. According to Joan M. Nelson of the Center for International Affairs at Harvard, between 1961 and 1966 aid (or the withholding of aid) was used to accomplish the following tasks:

1. Buy time for new regimes to consolidate their position and formulate programs of action.
2. Bolster governments faced with acute financial crisis, due either to special and temporary problems or to chronic conditions.
3. Relieve politically threatening unemployment, or counter other specific political threats.
4. Attempt to influence the outcome of elections, or to ensure that the elections are held.
5. Register disapproval of military coups and encourage the early scheduling of elections.
6. On rare occasions, to attempt to alter the composition of a government, outside the context of elections.[15]

Liska argues that long- and short-term aid can have overlapping functions, and this can be easily demonstrated with Nicaragua. One could say that long-term aid was given to the Somoza regime when Somoza faced little political opposition in the 1940s and 1950s. But this long-term aid theoretically turns into short-term aid in 1978 when Somoza is under siege, and both numbers two and three would fit well into the setting in Nicaragua when the U.S. tried to bolster a failing Somozan government. This thesis will place greater emphasis on the various kinds of short-term economic aid rather than long-term aid. For example, at one juncture West German leaders employed short-term technique number four. West German leaders wanted the Sandinista government to hold elections before more economic aid was released. U.S. officials have tried to convince West German and Western European leaders that the Nicaraguan elections were undemocratic or fraudulent, and West German and Western European leaders disagree on this issue. When West Germany offered economic aid to the new Sandinista government in 1979, this kind of aid would fall into category one, when the Sandinistas were trying to consolidate their revolution and enact new government programs. Today, however, the U.S. and some of its European allies are using opposing short-term techniques regarding Nicaragua. While some nations in Europe, including West Germany, have attempted to bolster the Sandinista government during its current severe economic hardship due to temporary and long-term conditions (No. 2), the U.S. has attempted to alter the composition of the Sandinista regime outside the context of elections (No. 6). With the use of military and economic aid, the U.S. has attempted to disrupt and overthrow the Sandinista government. In short, the U.S. and its allies in Europe by no means have a concert of understanding over what short-term economic policies should be sought regarding Nicaragua.

Focus of Research

The Reagan administration is employing various methods of economic warfare regarding the Sandinista regime. The most obvious one is the funding of groups that want to overthrow the present Nicaraguan government. However, there are other methods that have been used. In April, 1981, for instance, the U.S. froze $15 million in aid which was to have been disbursed for social services in Nicaragua. In addition, the U.S. at this time cut off $9.6 million credit for the purchase of U.S. wheat. In May, 1983, Nicaragua's sugar quota in the U.S. was cut back by 90 per cent.[16] In April, 1981, the U.S. ended all bilateral assistance to Nicaragua. In June, 1983, the U.S. vetoed a $2.2 million InterAmerican Development Bank loan to complete a road-building project.[17] In fact, no IDB loans were approved for Nicaragua in 1984, making Nicaragua the only Latin American country not to receive IDB funds in 1984. However, American allies in Europe have not employed these methods of economic warfare. Some Western European nations have increased trade with Nicaragua since the 1979 revolution there. Other U.S. allies have decreased trade. Most U.S. allies in Europe have offered the Sandinista government economic aid, and in the case of France, even military aid. While the Reagan administration is attempting to disrupt the Nicaraguan economy and upset Nicaraguan political institutions, many European leaders are attempting to bolster the Nicaraguan economy to help create an economic and political environment that will be more conducive to foreign private investment.

This thesis will focus on one particular U.S. ally in Western Europe and its relationship with the Sandinista regime, that is, West Germany. West Germany has offered more economic aid to the Sandinista government than any other U.S. ally in Europe. In addition, it has historically conducted more trade with Nicaragua than any other U.S. ally in Europe. West Germany is also one of America's closest European allies.

Hypotheses

The main hypothesis of this thesis pertains to the notion that, in a tight bipolar system, threat perceptions of the bloc leader and the members of the bloc will be uniform, while in a loose bipolar world, threat perceptions between the bloc leader and bloc members may differ. In addition, unless all of the members of a bloc perceive a target nation to be a threat to the bloc leader, they will not be willing to sympathize completely with policies which deprive their businessmen of economic opportunities.[18]

This thesis examines the results of U.S. economic embargoes on the target nation, Nicaragua. The U.S. perceives Nicaragua to be a threat to its national security. We see, however, that members of the U.S. bloc in Western Europe have not embargoed Nicaragua and, in some cases, are offering increased amounts of economic aid and are conducting more trade with Nicaragua that they conducted with the Somoza government. U.S. allies in Europe do not perceive Nicaragua to be a threat to the U.S. as the U.S. perceives this threat. This gives us evidence that we live in a bipolar world that is loosening among at least one of the power blocs. In addition, because U.S. allies in Europe do not perceive Nicaragua to be a threat to the bloc leader, they have not complied with U.S. requests to halt economic aid and have not told their businessmen that they could not do business in Nicaragua. When threat perceptions between the bloc leader and members of the bloc differ, members of the bloc will not comply with bloc leader policies that will deprive their businessmen of economic oppurtunities in the nation that is targeted by the bloc leader. One finds an example of this with the unsuccessful U.S. embargo on Cuba. Not only did Castro find a market in the U.S.S.R and the Eastern bloc and Third World nations, but American allies in Europe did not give total support to the embargo. For instance, British and French companies made major sales to Cuba, and their governments made no attempts to prevent them from fulfilling their contracts. In this case, Cuba went from one power bloc to another. Western European leaders have expressed concern that Nicaragua will do the same if some kind of alternative cannot be produced. It is more difficult, then, for a bloc leader to convince bloc members of a threat in a polycentric world than it is in a tight bipolar world. There is unity among NATO nations when one refers to military alliances, but there is not unity among NATO members regarding economic matters. Here, the individual national interests of the different states overrides collective action among NATO members concerning these economic matters. In a world that is becoming increasingly polycentric, interests among nations become more competitive and, therefore, it may be in the national interest of U.S. allies to help fill the trade and economic aid gap left by U.S. embargoes on Nicaragua. In a tighter bipolar system, there is less competition, because the bloc leader will tend to dictate certain economic policies to bloc members.

A second hypothesis regards the notion that U.S. allies in Europe can or are providing an economic alternative for Nicaragua now that U.S. embargoes have cut trade between the U.S. and Nicaragua almost in half, and now that U.S. economic aid is no longer being offered to the present Nicaraguan government but to those groups who want to overthrow the present Nicaraguan government. Based on statistics gathered for this thesis, West Germany alone is not providing an alternative for Nicaragua regarding economic aid, because the amounts of aid it is offering cannot match the aid that was offered by the U.S. during the Somoza years and in 1980. Western European governments as a collective body are filling part of the gap left by U.S. economic restrictions, but these offerings do not compare to Eastern bloc aid that far surpasses U.S. aid offered to Somoza. While U.S. allies are providing aid that fills part of the gap left by the U.S., Eastern bloc nations are outdoing themselves by offering much more economic aid to win over the Sandinista government. In addition, trade between Nicaragua and the Eastern bloc is now on the increase. Although for some commodities West Germany and other U.S. allies have replaced U.S. trade with Nicaragua, it remains to be seen whether or not Nicaragua's trade with the Soviet Union and the Eastern bloc surpasses that of Western Europe. The fact that U.S. allies are offering economic aid to Nicaragua gives us evidence that the world is becoming more polycentric, since the bloc leader does not have the ability to persuade bloc members not to give a target nation economic aid. In addition, the bloc leader cannot convince all of its bloc members to boycott or embargo Nicaraguan goods or to convince bloc member governments to tell their businessmen not to do business in Nicaragua. Again, in a world that is becoming more polycentric, competition among nations increases. Bloc member leaders do not want to deprive their businessmen of business opportunities in nations that the bloc leader perceives to be a threat to the bloc leader. The national interests of the individual bloc members overrides the wishes of a bloc leader that wants the entire bloc to follow the identical policies.

Sources of Data

Source material necessary for this thesis was found in data from various sources--the United Nations, the European Economic Community, the West German government, the U.S. Department of Commerce, and the International Monetary Fund. Regarding trade figures, dollar amounts of trade for certain commodities will be examined to help indicate whether or not West Germany is helping to fill the gap left by U.S. economic restrictions. Pre- and post-revolution figures for economic aid and trade will be examined to compare these levels of economic activity between U.S. allies and both Nicaraguan regimes. In addition, Nicaraguan trade levels with other nations will be examined to help determine where Nicaragua is seeking increased trade.

Regarding West German investment in Nicaragua, an attempt was made to determine in dollar amounts how much investing large West German firms were doing in Nicaragua both before and after the revolution. It would seem reasonable to suggest that little investing is done during times of political unrest and economic uncertainty. An attempt was also made to determine how much less American firms were investing in Nicaragua since the economic restrictions on Nicaragua had been imposed. Upon making telephone calls to various international firms such as Sears and Roebuck, Caterpillar, and International Harvester, the researcher was told in all three cases that sales in Nicaragua had decreased since the U.S. restrictions, but they refused to give any figures. Company officials also refused to blame President Reagan's economic restrictions for decreased sales to Nicaragua, but rather they blamed decreased sales on the poor Nicaraguan economy. Nonetheless, these figures on individual firm investments could not be secured. However, this thesis does indicate to some extent how much West German private investment there was in Nicaragua in 1980, as well as the degree to which the present Nicaraguan government is interested in foreign private investment. Furthermore, even West German officials were hesitant to admit that their government had given economic aid to Nicaragua. One official of the West German embassy in Washington told this researcher that no economic aid had been given to Nicaragua from his government, but documented statistics, of course, show otherwise. In addition, many calls were made to the Nicaraguan embassy in Washington, at all times of the day to secure information, but the phone was never answered. Also, numerous phone calls were made to government officials in Managua, Nicaragua, but all phone lines were jammed. However, information about Nicaraguan economic aid and trade with other nations was secured from other sources.

The following chapter will present a theoretical framework for this thesis. It will examine the systems theory of international relations in the context of the problems presented by this thesis. Chapter III will examine economic aid data; Chapter IV will examine trade data and private investment statistics; and the final chapter will present some concluding remarks.

FOOTNOTES

[1]President Ortega used the words "humanitarian aid" and "humanitarian assistance" when referring to his request of the Soviet Union. The use of these terms is in response to usage of the identical words by the U.S. when Congress voted to send aid to "contras" in Central America who are fighting to oust the Sandinista government. In both instances, questions have been raised regarding whether or not the U.S. government only sent humanitarian aid, or could it have also sent military aid? Because Ortega used the same words, the same question can be asked of his request from the Eastern bloc.

[2]According to U.S. Department of Commerce statistics.

[3]K. J. Holsti, International Politics: A Framework for Analysis (Englewood Cliffs, N.J.: Prentice-Hall, Inc., 1967), p. 282.

[4]Jacob Viner, International Trade and Economic Development (Glencoe: The Free Press, 1952), p. 50.

[5]Hugh B. Killough, International Trade (New York: McGraw-Hill Book Company, Inc., 1938), p. 29.

[6]Andrew S. Skinner and Thomas Wilson, eds., Essays on Adam Smith (Oxford: Clarendon Press, 1975), p. 164.

[7]Ibid., p. 165.

[8]George Liska, The New Statecraft: Foreign Aid in American Foreign Policy (Chicago: The University of Chicago Press, 1960), pp. 4-5.

[9]Edward S. Mason, Foreign Aid and Foreign Policy (New York: Harper and Row Publishers, 1964), p. 27.

[10]Sidney Weintraub, ed., Economic Coercion and U.S. Foreign Policy: Implications of Case Studies From the Johnson Administration (Boulder: Westview Press, 1982), p. 11.

[11]Ibid., pp. 73, 103, 129, 164.

[12]Holsti, op. cit., p. 282.

[13]Ibid., p. 286.

[14]Liska, op. cit., p. 96.

[15]Joan M. Nelson, Aid, Influence and Foreign Policy, The Center for International Affairs, Harvard University (New York: The MacMillan Company, 1968), p. 93.

[16]Update, Central American Historical Institute, Vol. 4, No. 9 (Washington, D.C.: Georgetown University, April 1, 1985), p. 2.

[17]Ibid., p. 3.

[18]Holsti, op. cit., p. 291.

[19]According to figures from the West German Bundesminister für Wirtschaft.

[20]According to figures from the International Monetary Fund.

CHAPTER II

SYSTEMS THEORY AND THE PROBLEM

Introduction

This chapter will attempt to relate the hypotheses stated in Chapter I to systems theory. Political scientists today disagree about the kind of international political system that exists today, but here an attempt will be made to ascertain how certain nations would act given a particular political configuration, in order to help clarify the kind of system we see working with the problem presented by this thesis.

Hans Morgenthau argued more than 30 years ago that the bipolar system was the most dangerous kind of political alignment that has existed in the international system, especially given the fact that man has developed the capability for total war with nuclear weaponry. The bipolar system pits two superpowers against each other. Theoretically, all other nations belong to one of the two camps and are willing to follow the foreign policies of the bloc leader. This system has never existed in pure form, since there have always been uncommitted nations, so today we refer to a tight bipolar system and a loose bipolar system. The tighter the bipolarity, the greater number of bloc partners in each bloc, and the greater degree to which each bloc partner conforms to the policies of the bloc leaders. The looser the bipolarity, the greater number of uncommitted nations and the greater degree to which bloc partners do not comply with all of the policies of the bloc leader.

Morgenthau referred to a pure bipolar system, in which bloc partners deviate little from the bloc leader, when he argued that bipolarity is the most dangerous kind of system.

> The bipolar system, as we have seen, is more unsafe from the point of view of peace than any other, when both blocs are in competitive contact throughout the world and the ambition of both is fired by the crusading zeal of a universal mission.[1]

It has been argued at the same time that in a tight bipolar world alliance, reliability is greater because in a bipolar system alignments do not shift.

> As the benefits of common purpose are more equitably distributed in a lasting or fixed coalition than in a transient one, actors are more apt to identify with their own particular interests with the more permanent coalitions of the bipolar configuration."[2]

Political scientists argue that a tight bipolar system existed from 1945 until the 1950s. In the mid 1950s, however, political changes occurred that seemed to indicate a "loosening" of the tight bipolar system. Not only did an increasing number of uncommitted nations appear, but the allegiance of some bloc partners in both blocs waned to the point to which bloc leaders could no longer control some actions of some bloc partners.

A brief examination of a developing loose bipolar system is in order. Since the Cold War, Western Europe has not perceived the Soviet Union to be as much a threat as it was perceived to be during the Cold War. This causes problems for the NATO alliance because the bloc leader, the U.S., still perceives the U.S.S.R. much the same as it did in the 1950s. France, for instance, has refused to comply with NATO military plans for Western Europe and instead has built its own nuclear weapons. In addition, France sold military hardware to the Sandinista government in 1982, claiming that the weapons could only be used for "defensive" purposes. Despite objections from the U.S., France has also sold almost every Latin American nation a Mirage jet, after the U.S. refused to sell similar aircraft to the same nations. Other actions by U.S. allies in Europe seem to indicate a loosening of the tight bipolar system. When asked to embargo Iran after the U.S. embassy was bombed there in 1983, U.S. allies in Europe refused to comply with American requests. West Germany was only happy to sell Brazil nuclear reactors after the U.S. refused to do so. Another example of the loosening of the bipolar system is the Western European refusal to embargo the sale of technology and equipment to the Soviet Union in order to finish the Soviet pipeline. Here, Western European national interests in obtaining gas and oil won out over U.S. interests in keeping U.S. allies as independent of the Soviet Union as possible. Finally, the emergence of the four Contadora nations in Latin America signalled another form of the loosening of the bipolar system. Panama, Colombia, Venezuela, and Mexico have been attempting to piece together various peace proposals for Central America and have opposed U.S. foreign policy in this region that has imposed a tighter bipolar, Cold War view toward the Sandinista regime and the Central American region generally.

The Soviet camp has also experienced rifts that have indicated their bloc is also loosening. The Yugoslav break in 1948 marked the beginning of various rifts with this camp. The Sino-Soviet split and Soviet and Chinese battles for the hearts and minds of men within their bloc continues to create intra-bloc conflicts. Cuba has acted in ways that have not always pleased the Soviets, such as Cuban involvement in African revolutions. This phenomenon within the Communist bloc was discussed in 1962 by Brzezinski when he described a Communist meeting in Moscow:

> Some leaders, like Togliatti, could afford to show their misgivings about the conference by staying away from it. Some of the Latin American representatives offered amendments to the draft of the conference. Others, like the Albanians, could choose to defy the Soviets, even at the risk of incurring the wrath of the pro-Soviet parties . . . Similarly, on the occasion of the Chinese anniversary, the Chinese sent the Albanians greetings that were both warm and personal--qualities missing from similar messages to Moscow and elsewhere. . . .[3]

Eastern European dissatisfaction with Soviet control further manifested itself in the Hungarian uprising of 1956. Khrushchev's efforts to de-Stalinize the Soviet Union and the Eastern bloc resulted in some degree of independence, at least with the idea that there is more than one route that a country can take to find communism. Some authors claim that the international system has developed into a multipolar or polycentric system, whereby a third power or more powers would be capable of determining the outcome of a direct confrontation between the two other superpowers.[4] Probably the best example of multipolarity is China, which has broken from the Soviet camp and, by sheer numbers of Chinese and nuclear capability, has become somewhat of an independent power on its own. However, Rosen and Jones point out that, although the Soviets have been forced to respect China, China can only determine the outcome of a superpower confrontation in Asia alone and not in other parts of the world.

> Despite her nearly unlimited potential power and her rapid advancement as a nuclear state, her capacity to determine the outcome of a direct confrontation between the Soviet Union and the United States is limited almost entirely to Asia. . . . Furthermore, at the current stage of development, the threat of Chinese nuclear strikes is regionally limited; and at the current stage of development her economic power has little effect upon Asian politics which cannot be offset by either Moscow or Washington.[5]

We are speaking here of a multipolar world in a pure, military sense. However, there are other manifestations of polycentrism that can be seen in today's world. The emergence of multinational corporations from Japan and Western Europe denote an increase in polycentrism. A nation such as Nicaragua does not have to depend on American firms to buy products or does not have to depend on U.S. firms for foreign investment. Instead, Nicaragua can turn to West German firms like Siemens, BASF, Thyssen, Volkswagen, Veba, and Bayer for investment. In 1980, 12 of the top 25 largest multinational corporations (MNCs) were not American,[6] and 30 of the top 50 were not American. A nation like Nicaragua does not have to tie its fate to the MNCs from one nation like the U.S. and, therefore, does not have to be as concerned about U.S. economic policies such as trade embargoes or import quotas. This increases Nicaragua's independence from one nation such as the U.S. and increases the tendency for a nation like Nicaragua to increase private investment with West German firms in Nicaragua as well as increasing trade with West Germany. In a loose bipolar world that is becoming increasingly polycentric, the U.S. has a more difficult time selling its foreign policy to members of its own bloc. In a tighter bipolar system, the U.S. would have fewer problems dictating the foreign policy of bloc members. In a loose bipolar system Nicaragua would have the ability to more readily sell to West German leaders Nicaraguan ideas of revolution, because West German leaders do not perceive the threat that the U.S. does. This returns us to the main hypothesis of this thesis, that is, that some West German and European leaders do not perceive Nicaragua as great a threat as does the U.S. In a loose bipolar system, then, West Germany does not comply with all U.S. foreign policy because it does not perceive Nicaragua as great a threat as the U.S. does. In a tighter bipolar system, U.S. and West German threat perceptions would be more alike and so would their foreign policies. This also returns us to the differences that exist between the short-term foreign policy goals of the U.S. and West Germany. Even the basic goals of the U.S. and West Germany differ. One of the chief goals of the U.S. since World War II has been to contain the spread of communism. West German goals have not been to contain communism but rather there has been much talk about the hope of German reunification. German efforts at Ostpolitik during the Brandt administration were to soften the Cold War tensions between the Eastern bloc and West Germany. German hopes for reunification have persisted, even though the intensity of the discussion has decreased. Germany, which has not experienced many years of democratic government, may be more easily sold on the new Nicaraguan revolution than other nations. In a loose bipolar world, U.S. and West German would tend to diverge, and this can be evidenced by both of their policies toward Nicaragua that were discussed in Chapter I. The United States has attempted to alter the composition of the Nicaraguan government outside the context of elections by funding groups in Nicaragua that want to overthrow the present government. In contra-distinction, some West German leaders have increased economic aid to the Sandinista regime to help bolster the government in times of economic hardship. These two conflicting policies reflect a world that is loosely bipolar because the foreign policy of the bloc leader differs radically from the policy of the member of the bloc. However, not all West German leaders have deviated from bloc leader policy. The current West German Chancelor Helmut Kohl, a Christian Democrat, is no longer handing the Sandinista government economic aid, but is rather taking the carrot and stick approach by holding aid in abeyance, pending an increased "democratization" of Sandinista policies. Therefore, Kohl and U.S.

threat perception of Nicaragua would tend to be better matched than, let us say, Social Democrat Helmut Schmidt's threat perception of Nicaragua. Under the Schmidt administration, West Germany increased economic aid to the Sandinista regime and also increased trade with the post-Somozan government. Schmidt, therefore, did not perceive Nicaragua to be the threat that Kohl or the U.S. does. In addition, the Thatcher government, which has given little economic aid to the Sandinistas and which has decreased trade with Nicaragua to almost nothing after the Sandinistas took power, may be said to perceive the Sandinistas much as the U.S. does. In contrast, Spain, France, Italy, and the Netherlands would be said to see less of a threat because they have all increased economic aid and trade with the present Nicaraguan government. The U.S., which has enjoyed political and military hegemony in its own hemisphere for decades and which has been named the most powerful nation on earth, would like to keep the power it has over members of its own bloc and, in essence, dictate foreign policies that maintain a tight bipolar system. West German leaders and Western European leaders, on the other hand, see an alternative to a system that, as Morgenthau argues, is more dangerous. Despite U.S. attempts to sell its foreign policy toward Nicaragua to West German and Western European leaders, the sales pitch does not always work. The extent to which the sales pitch works is determined by the degree to which U.S. allies in Europe feel threatened by the target of U.S. economic embargoes. The degree to which West German and Western European leaders buy American foreign policy toward Nicaragua will help determine how closely matched or how divergent U.S. and Western European policies are toward Nicaragua. The degree to which these policies differ can be, at least to some degree, determined by the patterns of economic aid, trade, and private investment that has been conducted between West Germany, U.S., and other Western European nations with Nicaragua. In Chapter III, statistics regarding economic aid to Nicaragua will be examined. In Chapter IV, figures regarding trade and foreign private investment in Nicaragua will be examined. This case study may help determine how closely matched bloc leader policies are with policies of bloc members and, therefore, help determine how loose the bipolar system is in reference to this problem. The statistics may also help determine to what extent West Germany and Western Europe are replacing economic aid and trade for Nicaragua that has been lost to the U.S. Furthermore, a determination regarding the extent to which West Germany and Western Europe are providing an economic alternative to the Soviet camp for Nicaragua is also possible. The extent to which Nicaragua depends on the Soviet camp for economic aid and trade may help determine whether or not Nicaragua has left one camp for another. On the other hand, if West Germany and Western Europe are providing some alternative for Nicaragua, then U.S. allies are succeeding in making the international system increasingly polycentric.

FOOTNOTES

[1]Hans Morgenthau, Politics among Nations (New York: Alfred A. Knopf, 1948), p. 528.

[2]Louis Rene Beres, "Bipolarity, Multipolarity, and the Reliability of Alliance Commitments," Western Political Quarterly, Vol. 25 (December, 1972), pp. 702-710.

[3]Zbigniew K. Brzezinski, Ideology and Power in Soviet Politics (New York: Praeger Publishers, 1962), p. 153.

[4]See Cecil V. Crabbe, Jr., Nations in a Multipolar World (New York: Harper and Row, 1968).

[5]Steven Rosen and Walter Jones, The Logic of International Relations (Cambridge, MA: Winthrop Publishers, Inc., 1974), p. 220.

[6]According to the United Nations Centre of Transnational Corporations.

CHAPTER III

WEST GERMAN ECONOMIC AID TO NICARAGUA

Historical Setting

Although West Germany today is a major industrial state with one of the highest GNPs in the world and which donates millions of dollars of foreign aid, the slow development of Germany as a unified nation sets it apart from other Western European nations. While on the one hand the Reformation helped create a common bond for the people of England with the British government, it helped to tear Germany apart. The Peace of Augsburg (1555) and the Peace of Westphalia (1648) weakened the Holy Roman Empire and in turn weakened the possibilities for German unification. E. J. Passant describes the multiplicity of German states and principalities in the following excerpt:

> In the century and a half which followed the peace settlement, Germany remained a mosaic of more than 1,800 political entities, ranging in size and influence from the 77 major secular principalities down to the 51 Imperial cities, 45 Imperial villages, and 1,475 territories ruled by Imperial knights.[1]

It was not until the 19th century when Germany consisted of 39 principalities that the idea of German unity was lit underneath a new generation of young Germans. The French revolution sparked in Germans the same kind of revolutionary fervor in Germany and the governments of the 39 principalities had problems containing the violence and protests. Economic conditions in Germany had not made revolution as likely as in England or France because Germany lacked a formidable middle class with which to wage war against an aristocracy, but historian Geoffrey Barraclough claims the emergence of Prussia as a formidable power and the subsequent weakening of Austria helped make German unity possible.

> The movement of 1848-49 proved with all finality that the issue of German unity was alive and could not be shelved. Despite all maneuvers under Austrian influence after 1850 to set back the clock, despite the restoration of the old Confederation in its old form, there was no going back on the substantial results of 1848.[2]

Bismarck eventually created a unified Germany by defeating its German state rival, Austria, in 1866, and then France in 1870. Prussian life emphasized the predominant position of the state and a new national consciousness. The nationalism was taught in Prussian schools and this method of teaching soon spread to other German states. Students were taught that war was an end in itself, that war had moral value, and that the army was the only thing that could preserve the state. German males were forced to spent several years in the army. Here it was impressed on them that the state survives by the sword. The new German state became increasingly militaristic.

> The predominant position in the national life claimed for the army by its chiefs was justified by Moltke (a German general) in these words: "All political and civil liberty, the treasures of civilization, wealth, the State itself, all stand or fall with the army." Nine-tenths of the German people fully endorsed Moltke's opinion before Bismarck fell from power. A majority of them had even come to share his belief in the moral value of war.[3]

Germany had little experience with democratic governmental practices when the Weimar constitution was constructed after World War I, and historians argue that this is one underlying reason why the Weimar constitution did not work. After being devastated by World War II, Germans were more willing to put their faith in leaders who were willing to live in peace and Germany was split into two parts by the Allied

Powers, the Federal Republic of Germany (West Germany), and the German Democratic Republic (East Germany). Currency reform took place in West Germany in 1948 that made the new West German Mark a form of hard currency and the demand for it rose on international markets. The West German economy began to grow from a GNP level of $20 billion in 1950 to more than $94 billion in 1963. West Germany's overall share of the EEC GNP in 1963 reached about 40 per cent of the total.[4] In contrast to other major aid donors like the U.S. or Britain, West Germany has not had a trade deficit since 1956 and has no serious balance of payment difficulties. Some of this, of course, is due to the millions of dollars pumped into West Germany via the Marshall Plan. West Germany has become so economically strong that today it can afford extensive foreign aid programs of its own for underdeveloped nations. Other Western European governments were recipient of Marshall Plan aid as well, as they too have recovered from the ruins of war to build economies that can support somewhat less extensive foreign aid programs. Some of this economic aid and in the case of France, military aid is being sent to the Sandinista government, an act that runs counter to the wishes of the Reagan administration. But since unification and particularly since World War II, Germany has developed a singular relationship with Latin America that it has not developed with other parts of the Third World. For instance, in the days of Bismarck, Argentinian and Chilean soldiers were taught how to goose step and were taught military techniques by Prussian soldiers. During World War II, Argentina was used as a base to intercept U.S. messages for the Abwehr, and intelligence operations in Argentina were conducted by the Nazis. In addition, Argentina was one of the last nations to actually declare war on Nazi Germany, since relations between Germany and Argentina had historically been close. Since Germany had united late as a nation, it had never accumulated a vast overseas empire as did France or England or Spain, and Latin Americans tended to trust the intentions of Germans because of this historical fact.

West German Relations with Latin America and Nicaragua

One reason why Latin American nations and other underdeveloped nations have readily accepted West German aid is an absence of fear of neo-colonialism. Being a nation that was late to unite, Germany never amassed a vast overseas colonial empire as did Spain, England, and France. West Germany today, therefore, does not have to surmount the problem of suspicion when it offers foreign aid. What makes Latin America unique to West Germany concerning offers of economic aid, according to Karen Holbik and Henry Allen Myers, are the following:

1. an open desire to have development aid influence domestic struggles for socio-economic power.
2. a political-psychological cushion of almost uninterrupted good relations for over a century.
3. massive private investment, whether measured in absolute quantities or in comparison with government support.[5]

These two authors argue that, when West Germany has given economic aid to African nations, West Germany does not generally call for with it a general reorganization of government or for sweeping social and political changes in Africa. With Latin American nations, however, West German leaders perceive these nations as economically retarded because of many years of dictatorships and rule by a few wealthy persons who exploit the masses. While other parts of the Third World have been held back because of climate, lack of natural resources and arable land, and overpopulation, West German leaders perceive Latin American nations as having inequitable governments. Here, even revolution may be desirable.

> On the whole, Germans have been led to believe that the leadership of Latin American Countries desire such a revolution; hence their intervention will amount to nothing more drastic than to giving support to what the best minds in the countries concerned are planning anyway.[6]

Thus, when West German bookstores pass out literature attempting to rally support for West German health teams being sent to Nicaraguan-Honduran border areas, they are actually sending medicine and technical assistance to a government that is a revolutionary government, a government that they perceive as attempting to stamp out former Somozan inequities. Some Germans, particularly Social Democrats and Germans further to the left, perceive these inequities as caused chiefly by the economic and political dominance of the U.S. However, Christian Democrats in West Germany see the U.S.S.R. as a threat to peace and democracy in the region, and this is one point on which the two parties tend to differ.

Holbik and Meyers argue that one reason West Germany and Latin America have enjoyed such good relations during the past century is due to the lack of rivalry between Germans living in Latin America and the Latin Americans themselves. Germans are not dragged into conflicts between native Indians and the rest of the Spanish-speaking population.

> The results of German immigration in Latin America have been felt for more than a century. With a few notable exceptions, Germans in Latin America tended not to be so completely absorbed in the local populations as in North America. Their total numbers remain modest, however, and no rivalry emerged to bring hostility upon them in their roles of farmers, teachers, or even military careerists. Although the Germans frequently refer to their South American settlements as "colonies," the connotation has almost always been ethnic and seldom political.[7]

These exceptionally good relations resulted in massive foreign private investments for German firms, much more in Latin America than in Africa or Asia. From 1950 to 1960, West German firms invested more than \$250 million in Latin American nations, compared to just \$55.5 million in Africa and \$37.5 million in Asia. West German private investment in Latin America in 1963 amounted to 60 per cent of the West German total in underdeveloped nations, and 25 per cent of all West German foreign investment. To emphasize Brazil's role, Brazil had been the recipient, by the end of 1964, of \$209 million of West German direct foreign investment.[8]

The healthy relationship that existed at this time between West Germany and Latin America also helped provide an increase in West German foreign aid, but an even larger chunk of aid was given by West Germany to Asia and Africa. From 1950 to 1963, West Germany had been the donor of approximately \$1.4 billion in bilateral aid to other nations, with 40 per cent going to Asia, 24 per cent to Europoe, 13 per cent to Latin America, and 11 per cent to Africa. During the years 1962 and 1963, African nations received 20 to 23 percent of West German bilateral aid, while Latin America dropped to 11 to 14 per cent.[9]

Since World War II, the percentage of West German imports and exports to Latin America has decreased, compared to percentages with Europe, Africa, Asia, and the Middle East. Table I illustrates how West German trade in the years 1956 and 1963 was higher than that of any other portion of the underdeveloped world. Trade decreased between West Germany and Latin America from 1956 to 1963, but even in 1963, West Germany conducted far more trade with Latin America than any other part of the underdeveloped world. In 1970 the EEC received 7.7 per cent of its total imports from Latin America; by 1976, this percentage had been reduced to 5.4 per cent,[10] so trade between West Germany and Latin America has decreased as far as percentages are concerned in recent years. Ellen Frey-Wouters argues that Latin America has pleaded with EEC nations to broaden the scope of the policies and not favor African or Asian nations with foreign aid and trade.

> They have accused the EEC of being slow to implement some of its resolutions on global development cooperation. They have asked it to take a closer look at specific trade items that have difficulty entering the EEC market.[11]

It can be summarized that West German private investment in Latin America generally has been substantial, but trade has decreased markedly since the 1950s and West German foreign aid has never been substantial compared to Africa and Asia. Latin American nations, during their economic conference with EEC economic ministers in San Jose, Costa Rica, in 1984, asked the EEC for approximately $250 million in economic aid. However, they received instead approximately $45 million.[12] The amount of West German bilateral aid to Nicaragua will be examined later in this chapter.

Now that a general overview of West German/Latin American economic relations has been offered, a closer view of West German/Nicaraguan relations will be discussed, using economic aid, trade, and private investment data. The remainder of this chapter will examine economic aid figures. These figures may help determine to what extent West German and European leaders do or do not comply with U.S. foreign policy toward Nicaragua, and hence this may help determine to what extent certain U.S. allies perceive the Sandinista regime to be a threat to their security and economic interests. These figures may also help determine just how different U.S. policies toward Nicaragua are from West German policies toward Nicaragua.

Economic Aid

Table II lists EEC nations, including West Germany, and the amounts of economic aid each nation contributed to Nicaragua from 1971 to 1981. Only these four nations in the EEC were listed, because the other nations offered little or no economic aid to Nicaragua during these years. It can be noted that there was little activity during the Somoza years except by West Germany, which offered nearly $29 million in economic aid to the Somoza government in 1975, but increasingly less as the revolution neared its peak in 1979. It was not until 1979 that West German offerings totaled more than $22 million, the year of the worst devastation in Nicaragua due to the revolution in July of that year. Economic aid from West Germany went down in 1980 to $7.9 million and then rose the following year to nearly $15 million. The other three nations that have offered economic aid to Nicaragua have only offered much after and not before ther revolution. The most economic aid offered by Italy under Somoza was $1 million, but in 1981, Italy offered more than $40 million. The most economic aid offered by the Netherlands to the Somoza government was less than one-half million dollars, but in 1981 the Netherlands offered $15.8 million. France had never offered much economic aid through 1981, but has since that year. These figures reveal that West Germany has been the largest donor of economic aid to Nicaragua, both before and after the revolution. One might suggest that West Germany had closer ties with the Somoza regime than did other EEC nations, but on the other hand were also willing to come to the aid of a new Sandinista government in 1979 and afterward, hoping that a democratic government and an independent government would be born. These figures also reveal that Italy and the Netherlands are putting some faith in the Sandinista government while the U.S. places economic restrictions on Nicaragua. Increases in economic aid, as shown in Table II, show that, within the NATO bloc with the U.S. as the bloc leader, there can be differences of opinion that lead to governmental decisions that conflict with each other.

Beyond these figures that only show economic aid through 1981, France extended approximately 200 million Francs worth of credit for 1981-1982 and has donated at least 24,000 tons of flour. France in 1984 extended another $16 million in loans for telecommunications, food processing, agriculture, transportation, and health care. In Latin America, only Mexico and Brazil receive more French economic aid. In addition, France is the only non-Socialist bloc country that has extended military aid to Nicaragua since 1980.[13] It must be added that this increase of economic aid to Nicaragua by France has occurred under a French government ruled by a socialist party.

Through June, 1984, Spain, under leadership of another socialist, Felipe Gonzalez, had extended $82 million in credit to the Sandinista government. These two nations signed an agreement so that Nicaragua could receive another $20 million in credit to purchase capital goods and services, industrial and agricultural inputs, and perishables.[14]

In contradistinction, West Germany has frozen $14 million in credit for the Sandinista government, to be released when the Christian Democrats, led by Helmut Kohl, are satisfied that the Sandinista regime becomes more democratic in the eyes of the Christian Democrats. Thus, the amount of foreign aid that West Germany has offered Nicaragua after the revolution is among the highest in the EEC; but most of this aid came in 1979, 1980, and 1981. It can be hypothesized, then, that the

West German government that was led by the Social Democrats in the early years of the Sandinista regime was more apt to offer economic aid as it did during 1979, 1980, and 1981. As the strength of the Social Democrats waned in parliament, so did their ability to offer economic aid to the Sandinista regime. Instead of offering economic aid as a carrot to democratize government practices, the present Christian Democratic-led West German government does not offer aid but holds it in abeyance. In addition, EEC governments and governments such as Spain are now offering higher amounts of economic aid than West Germany offers. This, too, may be reflected in the political party that is in power in the donor nation.

Table III in the Appendix reflects an EEC posture that conflicts with the wishes of the Reagan administration. Table III shows the amounts of economic aid that the EEC as a group has multilaterally offered to Nicaragua since the revolution. Interestingly, the EEC did not offer any economic aid to the Somoza regime during the existence of the EEC while Somoza was in power. It was only after the Sandinistas established their government that EEC aid began. The amount of economic aid the EEC offers Nicaragua has risen slightly since 1979. Figures for economic aid to Nicaragua were not available for 1984, but since the EEC budget for Latin America rose slightly for 1984, it may be assumed that Nicaragua received a slightly higher appropriation for 1984 also. In this sense, the EEC as a group has asserted itself in a direction contrary to the wishes of the bloc leader, and in this sense the world is more loosely bipolar. There are times, however, when some European leaders will follow the U.S. lead, and in this instance, one might say the world has a tighter bipolarity. Helmut Kohl's insistence on holding credits for Nicaragua illustrates that point, as Kohl is acting the way President Reagan wants him to act.

A method to compare EEC contributions to Nicaragua is to compare them with EEC offers to other Central American nations. Here, the EEC has offered more economic aid to Nicaragua after the revolution than to any other Central American nation. In this sense, too, the EEC nations are acting contrary to the wishes of the Reagan administration and a looser bipolarity is being formed. Table IV illustrates the comparison between Central American nations regarding aid. The only nation that rivals the amounts of EEC economic aid is Honduras, a nation backed by the U.S. that is involved in the Central American conflict.

Despite the offerings of economic aid from EEC nations that do help Nicaraguans today, these offerings are small when compared to Eastern European and Soviet aid, and it seems clear after looking at the size of Soviet-bloc aid that the Soviet-bloc nations are filling in much more of the gap left by U.S. economic restrictions and withdrawal of economic aid.

Just after the 1979 revolution, the Soviets were cautious of the Sandinistas revolution, and economic aid was slow in coming. Carl Jacobsen, Director of Soviet and Strategic Studies at the University of Miami, has said that Soviet-Sandinista relations developed slowly.

> Indeed, a high-level Nicaraguan diplomat in Eastern Europe indicated in early 1980 that the Soviets initially approached the Sandinistas with caution economically and politically, as the Sandinistas had had almost no contact with the Soviet Union. The Nicaraguan political parties which were closer to the Soviet Union--the Socialist and Communist parties--today form part of the left opposition to the Sandinistas.[15]

Following 1980, however, the Soviet Union and its bloc nations began to pour in economic aid that by far surpassed that of all EEC nations.

When the U.S. suspended $9.6 million credit for what purchases in 1981, the U.S.S.R. donated 20 thousand tons of wheat to Nicaragua and Bulgaria donated another 10 thousand tons. East Germany had donated 50 thousand tons of grain by mid-1981. At this time, only about 17 per cent of the foreign credit total offered Nicaragua came from Eastern Bloc sources. Daniel Ortega visited Moscow in 1982 and afterward credits of greater levels came from Eastern bloc sources.[16] The Soviets signed economic aid agreements in March, 1980 and in May, 1982 with the Sandinistas. Total financing from Soviet bloc nations from 1979 to 1983 was approximately $600 million, which far surpasses EEC aid. This included aid in such areas as heavy machinery, oil, health care support, and thousands of tons of fertilizer and wheat.[17]

To better illustrate the depth of Soviet aid to Nicaragua after the revolution, the following projects had received contracts for Soviet aid by November, 1981:

1. Feasibility study and construction of a 350 MW hydro-power station on the Rio Grande near Matagalpa.

2. Construction of a 400-bed hospital and a polyclinic in Managua and a provision for a 20-member Soviet medical team for three years.

3. Mineral exploration covering an area of 4,000 square kilometers.

4. Evaluation of the gold reserves of the La India mine.

5. Opening up of the Limon gold mine.

6. Establishment of an experimental station for cotton growing covering an area of 200 hectares.

7. Construction of a satellite ground station for the inter-sputnik system.

8. Increasing the transmitting power of two broadcasting stations.

9. Technical aid for Nicaragua's fishing industry (scholarship grants for Soviet fishery colleges, repair of fishing

vessels, investigation of fishing resources in inland waters).

10. The loan of two Soviet transport helicopters for a six-month period starting April, 1981, and training of Nicaraguan pilots to fly them.[18]

Most of the Eastern European economic aid has come from Bulgaria and East Germany. Bulgaria agreed to provide $165 million in credit in March, 1983, for the construction of a deep-water port in Bluefields Bay on the Atlantic coast.[19] Bulgaria has pledged aid for about 30 projects, among them:

1. Construction of a 30 MW hydro-power station at the Rio Ye-Ye to supply the mining regions of Bonanza, Siuna, and Rosita.

2. Reconstruction of the El Betulio mine.

3. Geological research.

4. Production sharing in the pharmaceutical sector.

5. Building a baby food factory.

6. Donation of 100 buses.

7. Establishment of 75 telephone exchanges in rural areas.

8. Supply of 50 freight elevators.[20]

East Germany in 1983 agreed to provide $148 million in credits, most of which was to be used to purchase farm machinery, trucks, fertilizers, and chemicals.[21] In addition, other Eastern bloc nations are contributing to the present government of Nicaragua. Altogether, Nicaragua received credits worth $216.8 million and grants amounting to $31 million from the Soviet Union from 1980 to 1982, but further credits were extended by Bulgaria ($67 million), East Germany ($56 million), Czechoslovakia ($30 million), and Hungary ($5 million). Soviet trade unions donated $300,000 to flood victims to Nicaragua in 1982.[22] Eastern European nations have assisted Nicaragua extensively in the field of education. By the end of 1980, the U.S.S.R. provided 100 scholarships grants for the instruction of agrarian and mechanical engineers, 150 for vocational training, 15 for post-graduate studies and 30 for the training of technical assistance. By September, 1982, 700 Nicaraguan students were studying in the Soviet Union on Soviet scholarships. To aid Nicaraguan in a literacy campaign, the U.S.S.R. donated two helicopters, land rovers, pencils, copybooks, shoes, radio sets, and 10,000 pairs of spectacles, or more than $8 million worth of material.[23]

Regarding relief assistance (medicine, blankets, tents, food, vaccines, blood plasma, clothes, surgical instruments, motor vehicles, and office equipment), from August, 1979, to December, 1982, the following amounts were offered by the following nations: U.S.S.R.--$70 million; East Germany--$60 million; Bulgaria--$11 million; Czechoslovakia--$5 million; and Hungary--$0.5 million.[24]

The Eastern bloc has in dollar figures donated much more in economic aid to the Sandinista regime than West Germany or Western Europe. However, one must not be misled by the fact that the EEC nations as a collective group did not give any economic aid to the Somoza government. To the Sandinista government, however, it has offered an increasing amount of aid per year. In addition, nations like Italy, France, and Spain have increased economic aid to the present Nicaraguan government that they never offered to Somoza. When Social Democrats are in power in West Germany, the Federal Republic offers higher amounts of aid to Nicaragua. So although West Germany and Western Europe have not been able to fill the lion's share of the gap left by the U.S., West Germany at times and Western European nations such as Spain, France, Italy, and the Netherlands have indicated to the Sandinista government that there is some monetary support as well as psychological support in Western Europe despite the NATO alliance. There is no doubt that U.S. pressure from the NATO alliance has probably helped curb actions taken by Western European leaders toward aiding Nicaragua. Chancellor Helmut Kohl, no doubt, also feels pressure from home to comply with Reagan foreign policy toward Nicaragua and communism in general. The Kohl coalition government has appeared shaky in recent months and Kohl needs all the support he can get from his coalition to remain in power. He needs to please members of his party that want him to comply with Reagan policies toward nations like Nicaragua and he also wants to please members of the Catholic Church and conservatives who want their personal economic interests protected at home. To accomplish this, Kohl must be perceived as though he is attempting to contain communism around the world. By withholding economic aid from the present Nicaraguan government as he is doing[25], Kohl is attempting to gain support from his coalition by playing hard-ball with what he perceives as a communist government in Nicaragua. However, Daniel Ortega still realizes that he has moral support and some financial support awaiting him in West Germany when the Social Democrats return to power. This leaves the door open to more congenial relations between West Germany and Nicaragua which could mean increased West German investment in Nicaragua, increased West German trade between these two nations, which means more Germans may find job opportunities. Unemployment is becoming higher in West Germany, and this is an issue Social Democrats tend to address more than inflation since much SPD support comes from blue collar workers. Again, some West German and Western European leaders perceive Nicaragua to be a threat as the U.S. does, and the degree to which they perceive Nicaragua to be a threat may help determine economic aid levels or the way economic aid is used to force Nicaraguan leaders to "democratize" their government. The following chapter will now examine levels of trade between West Germany and Nicaragua, as well as West German private investment in Nicaragua.

FOOTNOTES

[1]E. J. Passant, A Short History of Germany, 1815-1945 (Cambridge: Cambridge University Press, 1969), p. 1.

[2]Geoffrey Barraclough, The Origins of Modern Germany (Oxford: Alden Press, 1947), p. 414.

[3]Ian F. D. Morrow, Bismarck, (New York: Collier Books, 1967), p. 93.

[4]Jack L. Knusel, West German Aid to Developing Nations (New York: Praeger Publishers, 1968), p. 9.

[5]Karel Holbik and Henry Allen Myers, West German Foreign Aid, 1956-1966 (Boston: Boston University Press, 1968), p. 102.

[6]Ibid., p. 104.

[7]Ibid., p. 105.

[8]Ibid., p. 107.

[9]Knusel, op. cit., p. 122.

[10]Ellen Frey-Wouters, The European Community and the Third World, The Lome' Convention and its Impact (New York: Praeger Publishers, 1980), p. 211.

[11]Ibid., p. 211.

[12]The New York Times and The Washington Post, p. 1, September 30, 1984.

[13]Update, Central American Historical Institute, Vol. 4, No. 2 (Washington, D.C.: Georgetown University, Jan. 31, 1985), p. 4.

[14]Ibid., p. 5.

[15]Update, op. cit., p. 3.

[16]Henry Bischof, "The Socialist Countries and Central American Revolutions," in Political Change in Central America, Internal and External Dimensions, eds. Wolf Grabendorff, Todt Jorg Krumwiede Heinrich-W (Boulder, CO: Westview Press, 1984), p. 235.

[17]Update, op. cit., p. 4.

[18]Bischof, op. cit., pp. 336-38.

[19]Update, op. cit., p. 4.

[20]Bischof, op. cit., p. 238.

[21]Update, op. cit., p. 4.

[22]Bischof, op. cit., p. 236.

[23]Ibid., pp. 238-9.

[24]Ibid., pp. 238-9.

[25]Dr. Volpp wrote a letter from the West German Bundesminister für Wirtschaftliches Zusammenarbeit that said Kohl is holding 40 million Mark in abeyance until the Sandinista regime can further prove to the Kohl administration that it is democratizing government practices.

CHAPTER IV

WEST GERMAN TRADE AND PRIVATE INVESTMENT IN NICARAGUA

Trade

To help illustrate Nicaragua's degree of dependency on the U.S. for trade before the revolution and before the Reagan economic restrictions, Table V shows the top ten nations with which Nicaragua conducted trade for the years 1977 and 1980. Table V reveals how dependent Nicaragua has historically been on U.S. trade. It also reveals that West Germany has not only historically conducted more trade with Nicaragua than any other EEC or European nation, but it is second only to the U.S. in levels of trade conducted with Nicaragua. It reveals that the U.S. conducted more trade with Nicaragua one year after the Sandinista revolution than it did under a typical year under the Somoza regime. This was the year Jimmy Carter was still President of the U.S. and was a time when the bloc leader still had a wait-and-see attitude toward the Sandinistas. Trade levels increased with U.S. from 1977 to 1980, but Nicaraguan exports dropped to all other nations and Nicaraguan imported less from all other nations listed except two of its close neighbors--Guatemala and Costa Rica. Trade with its close neighbors can be seen as a form of aid to help Nicaraguans just after the revolution. It will be shown in later tables that the revolution year, 1979, marked a low point in Nicaraguan trade with all other nations because of the devastation of Nicaragua during the revolution. Table V also reveals less trade between Nicaragua and the People's Republic of China between 1977 and 1980, and it will be later shown that trade between Nicaragua and the People's Republic has been essentially stopped now that the Sandinista government is trading more heavily with the Soviet Union. It can also be noted that the Somoza regime conducted essentially no trade with the Soviet Union, but did indeed conduct trade with the People's Republic of China. This will be shown in later tables.

Table VI shows trade levels between the U.S. and West Germany with Nicaragua between the year 1977 and 1983. Table VI reveals that Nicaraguan exports were at a high point the year of the revolution and that Nicaraguan imports from the U.S. reached a high mark in 1980 when Jimmy Carter was still President and before the U.S. economic embargo on Nicaragua was imposed. The economic embargo was imposed in 1981 and the table illustrates a drop in trade with the U.S. in 1981, with even further drops in 1982 and a slight rise in trade in 1983. Table VI shows that the economic embargo that President Reagan imposed in 1981 did not stop trade altogether between Nicaragua and the U.S. In fact, the U.S. today remains Nicaragua's chief trading partner despite the economic embargo. Table VI shows that Nicaragua exports to the U.S. have only been cut approximately 33 per cent due to the economic embargo and that the U.S. exports to Nicaragua have been cut by approximately 40 per cent. Nicaragua's major exports to the U.S. are coffee, cotton, sugar, beef, bananas, fish, and gold. Most of Nicaragua's banana production is marketed in California; most of Nicaragua's seafood exports (shrimp, lobster, dry and fresh fish) are sold to the U.S. and Canada, and most Nicaraguan meat is exported to the U.S.[1] Hence, the

U.S. with its economic restrictions did cut trade with Nicaragua, but by no means was trade virtually ended.

Concerning Nicaraguan trade with West Germany, Table VI reveals that Nicaraguan exports to West Germany were at their highest levels before the revolution, that these levels dropped during the revolution year, and that these levels have dropped even further since the revolution to 34.9 in 1983. Furthermore, West German exports to Nicaragua dropped to a low of $14 million in 1979, the revolution year, but then doubled in 1980 and 1981. However, West German exports dropped to an all-time low with Nicaragua in 1983. There was even a large drop in West German exports in 1982, the year before the West German Christian Democrats won a parliamentary majority over the Social Democrats. But the SPD was having parliamentary problems long before this time, and if politics helps determine trade levels, then a decrase in West German exports to Nicaragua in 1982 and 1983 may reveal this.

To examine more closely Nicaraguan exports to West Germany between 1977 and 1983, one can examine West German import levels for various Nicaraguan products during these years to help determine if West Germany is allowing higher levels of Nicaraguan exports important for the Nicaraguan economy. West German import levels of various Nicaraguan products is shown in Table VII in the appendix. One can see that West German imports of Nicaraguan sugar and bananas are at the zero mark from 1977 through 1983. In fact, Nicaragua is the only Central American nation from which West Germany does not import sugar.[2] One can see that West Germany imported more than $100 million worth of coffee from the Somoza government in 1977 and that this level dropped as the revolution neared in 1979. Since the revolution, this level has continued to drop to a mark of not quite $28 million in 1983. This reveals that West Germany has not acted as any kind of alternative for the Sandinista regime in terms of important Nicaraguan exports, and this is also reflected in the overall export/import figures that were examined in Table VI.

Table VII and VIII reveal that West Germany has decreased trade with Nicaragua since the revolution and that trade levels are much lower in 1983 than they were when the Somoza government existed. To help determine if any other U.S. allies in Europe have increased trade with the Sandinista government, Table VII reveals trade figures with other EEC nations, NATO nations, Japan, some Latin American nations, and some Eastern bloc nations. Table VII reveals that France is exporting far more to the Sandinista government than it ever did to the Somoza government. Italy, Austria, and the Netherlands are exporting more to the present Nicaraguan government than it did to the Somoza regime, but not much more. Spain is still not exporting as much to the Sandinista government in 1983 as it did to the Somoza government, but Spanish exports rose in 1982 and 1983. More than any other U.S. ally in Europe, France seems to be filling in a small part of the gap left by U.S. trade restrictions, and Italy, Spain, Austria, and the Netherlands seem to be increasing trade. These statistics reveal that the NATO alliance does not stop some U.S. allies in Europe from increasing trade with a nation that the U.S. considers hostile. It also reveals that some EEC nations are following President Reagan's lead to decrease trade with Nicaragua, while other EEC nations are increasing trade. Spain has a special relationship with Nicaragua that no other European nations have because of the historical ties these nations have and the fact that the non-Indian

Nicaraguan population speaks Spanish. When Spain announced it would send a "mini Peace Corps" to Nicaragua in February, 1984, vice president of the Institute for Ibero-American Cooperation said at that time,

> It makes the most sense for us to spend what money for aid we have in Latin America. We have blood ties and historical ties with these people. They are our brothers . . . In other countries you are a foreigner,. We are not foreigners in Latin America.[3]

Table VII also reveals a steep drop in Nicaraguan trade with the People's Republic of China and a start of trade with the Soviet Union. The Soviet Union and other Eastern bloc nations granted Nicaragua preferred trading status in 1982 and it is well possible trade between Nicaragua and the Eastern bloc has increased since 1983. Table VII also reveals a drop in trade between Nicaragua and two of her neighbors, Costa Rica and El Salvador. These are two nations backed militarily by the U.S. and who are waging border wars with the Sandinista government. Table VII reveals that Mexico is conducting much more trade with the Sandinista government than it ever did with the Somoza regime, much of this trade probably regarding Mexican oil to Nicaragua. Nonetheless, Mexico in dollar amounts is helping to fill the gap left by the U.S. trade restrictions. This kind of move is characteristic of Mexico, which also sells oil to Cuba. Mexico is also one of the four Contadora nations that is attempting to piece together a peace settlement in Central America without the historically strong influence of the U.S. It also should be noted that Panama, another Contadora nation, has not increased trade with the Sandinista government as has Mexico. This may reflect a Panamanian foreign policy that is more akin to U.S. foreign policy than is the foreign policy of Mexico. Trade statistics with Nicaragua and the other two Contadora nations, Colombia and Venezuela, were not available. In addition, Japanese exports to Nicaragua rose in 1983 to almost the same level they were with the Somoza government in 1977. Japanese exports have been rising steadily in years after the revolution and are just now approaching Somozan levels.

Economic restrictions were placed on Nicaragua by the U.S. beginning in 1981. The first full year that Nicaragua would feel some of the impact would be 1982. This is revealed in steep drops of trade between the U.S. and Nicaragua in 1982 and 1983. One would expect that if West Germany were to fill a part of the trade gap left by U.S. restrictions that West Germany would have to increase trade with Nicaragua, particularly in certain commodities that have been restricted by the U.S. and commodities that Nicaragua needs. However, this does not seem to be the case. Trade between West Germany and Nicaragua has decreased overall in 1982 and 1983. Is it still possible that there has been an increase of trade between West Germany and Nicaragua regarding certain commodities that Nicaragua needs? Perhaps West Germany is providing Nicaragua with some commodities that it has lost due to U.S. restrictions. To help answer that question, Table IX reveals trade figures of certain commodities.

Before these figures are examined, a few words about West Germany trade with Nicaragua are in order. First, West German has historically conducted more trade with Nicaragua than any other EEC nation. However, of all five Central American nations, Nicaragua exported the least amount of goods to West Germany. So although West Germany has conducted more trade with Nicaragua than any other EEF nation, it amounts to less trade than is conducted between West Germany and other Central American nations. To continue to put West German/Nicaraguan trade into perspective, West Germany imported more than $163 billion worth of goods in 1981, and only $530 million came from Central America and only $35 million from Nicaragua. To help place West German exports into perspective, West Germany exported more than $175 billion worth of goods in 1981, only $177 million to Central America and only $24 million to Nicaragua.[4] These figures reveal that Nicaragua constitutes a very small percentage of West German imports and exports and Central America also constitutes a very small percentage of West German trade. It must be remembered that Nicaragua has very little to offer West Germany and that the main Nicaraguan export to West Germany is coffee.

A number of items can be noted from Table IX. First, trade with both nations decreased during the revolution year, that is, 1979. In fact, Nicaraguan trade with all nations decreased that year. Second, the U.S. economic embargo took effect in 1981 and this embargo is reflected in 1982 and 1983 Nicaraguan trade with the U.S. However, for many commodities trade was not shut off altogether, but only decreased. In some instances trading was even higher with the Sandinista regime than it was under Somoza. Note that the U.S. exported $5 million worth of fertilizer to Nicaragua in 1977, but in 1981 exported $6 million worth. In 1977, the U.S. exported $5.7 million worth of motor vehicle parts and by 1983 was still exporting $4.6 million. In most cases in which West Germany could provide an alternative to the U.S., West Germany also decreases trade with the same commodities the U.S. does. In some cases, West Germany conducted trade in some commodities in 1980 and 1981, but then dropped trade in 1982 and 1983 to the point in which no trade at all was being conducted with these commodities. In 1983, for instance, West Germany exported no wheat, fertilizer, motor vehicle parts, insecticides, construction and mining equipment, and heating and cooling equipment to Nicaragua, but West Germany had exported slight amounts of these commodities in 1980 and 1981. But these levels of West German exports are small compared to the U.S. levels of exports to the Somoza regime, and one can say that with some commodities, West Germany may only replace a small amount of the trade previously conducted by the U.S. In 1983, for instance, West Germany exported a slightly higher amount of motor vehicles to Nicaragua than did the U.S. But this West German level of $.5 million still cannot replace the $14 million worth of motor vehicles that was exported by the U.S. to the Somoza regime in 1977. It should also be noted that much of the dollar amount of Mexican exports to Nicaragua was due to the vast amount of cheap oil that Mexico exports to Nicaragua. According to the American embassy in Managua, Mexico supplied almost all of Nicaragua's oil in 1983. Embassy reports also say that Nicaraguan imports from the U.S.S.R. and Eastern bloc nations rose 50 per cent in 1983, a shift in emphasis they say will probably continue because of the willingness of these countries to offer liberal credit terms. This does not reveal what percentage of Nicaraguan trade is conducted with Eastern bloc nations, but the embassy also reports that trade with the Eastern bloc is on the increase in 1984. The embassy claims Soviet oil accounted for more than 60 per cent of Nicaraguan petroleum imports during the first half of 1984.

The data on trade shows that even with specific commodities West Germany is not filling the trade gap for Nicaragua left by U.S. trade restrictions. This is reflected in data that also shows that West German overall trade with Nicaragua decreased since the Somoza government. However, other U.S. allies in Europe have picked up the pace and have replaced some trade lost to the U.S. Again, however, Nicaragua is increasing trade with the Soviet Union and Eastern bloc countries, and it is difficult to ascertain just how much of an alternative U.S. allies in Europe are providing Nicaragua today regarding trade. Nonetheless, U.S. allies in Europe that are increasing trade are also the ones increasing economic aid, the nations that may not perceive Nicaragua as the threat that the U.S. does. Britain, which has given little or no aid to the Sandinistas, has also decreased trade with Nicaragua. In these cases, the two seem to flow together in the same direction.

Foreign Private Investment

Before foreign private investment is discussed, it must be emphasized that foreign private investment is not looked upon by the Sandinista government as is foreign trade and economic and military aid. Whereas the present Nicaraguan government looks favorably on economic aid, military aid, and foreign trade, it looks upon foreign private investment with some skepticism and caution. Taking the long history of U.S. dominance of Latin American economies and in some cases a long history of U.S. economic exploitation of Latin American economies, Sandinista officials look upon foreign private investment as having both advantages and disadvantages. This hesitant attitude toward foreign private investment may well affect the degree of interest foreign investors have in the Nicaraguan economy today and may also affect the kinds of regulations that the Sandinistas place on foreign investors. Some Nicaraguan officials do not want multinational corporations in Nicaragua.

> The prospect of increased foreign investment in Nicaragua has caused some uneasiness. 'Some consider it a double-edged

> sword,' said [Ruiz] Caldera [of the International Directorate of the FSLN], with 'both advantages and disadvantages.' A commercial aide at the U.S. embassy said that 'any law favorable to multinationals would have to go against the goals of the revolution.' Sylvan Howard, tourist development official for Zelaya Province on the Atlantic Coast, pointed to the history of foreign lumber interests in Puerto Cabezas to make the case. 'They stayed in Nicaragua for 30 years. And when they left, they left people who were underfed, barefoot, without clothes. Streets were not paved. And they took out millions and millions of dollars and left nothing in return.'[5]

These comments were made in 1983 in the wake of a new proposed law in Nicaragua that would be passed to attract multinational corporations to Nicaragua. The new law was passed by the Council of State later that year. Whether or not the new laws have attracted more multinationals Nicaragua is not clear to date, but according to most sources, foreign private investment in Nicaragua, since the revolution, has declined. Many foreign firms pulled out of Nicaragua during the worst of the revolution and many of them have not returned. In 1982, for example, Standard Fruit announced it was pulling up stakes and would no longer market Nicaragua's bananas, which it had done exclusively for the previous 12 years.[6] The obstacles that have stood in the path of increased foreign private investment have been large obstacles--damage from the war, fighting between Sandinista soldiers and "contras," an increase in military spending by the Nicaraguan government, a depressed world market for Nicaragua's most important exports, and the subsequent disinvestment of industrialists and other foreign investors who see more favorable markets in other nations. Even though foreign private investment of Western European investors in Latin America did increase after World War II, investors generally shy away from troubled areas. Nicaragua was a haven for many foreign investors during the 1950s when there was little opposition to Somoza. The 1960s and especially the 1970s saw increased violence in Nicaragua and hence increased concern of foreign investors about the safety of their investment. Corporate executives worry about political instability, military coups, new revolutionary governments, and other kinds of political environments in which not only the present government is unstable, but a government that is changing the rules like Nicaragua. Some corporations like to invest in nations that have no regulations, but as Ray Genie, general Manager of Electroquimica Pennwalt said: "Any kind of regularization of procedures would be welcomed. It will be a way of knowing exactly what is expected of us."[7] Regardless of exactly what laws were passed in Nicaragua in 1983, government intervention in the rules and regulations has expanded and relations between multinational firms and host-country governments has become more complex.

> . . . foreign investors have found themselves in negotiations with host-country governments that cover an increasingly wide range of their activities. The overseas environments of international business have become more problematical, more subject to the vicissitudes of local politics, more affected by massive public sector involvement in the productive process itself.[8]

In fact, it has been argued that multinational corporations are hurt more by changes in controls and regulations with regard to pricing, than they are hurt by revolutions or expropriations. Other controls that affect multinational corporations concern surveillance of multinational corporate involvement with national development programs, corporate relationships with the private sector, and the willingness of foreign companies to extend local ownership and expand local participation in management. It is also argued that the greatest amounts of total foreign direct investment are located in nations that are not likely to experience revolution, but in nations where the conduct of political and administrative affairs will have a greatest effect on private enterprise.[9]

West German foreign private investment in Nicaragua has historically been small. The nation that is the home of most affiliates in Nicaragua is the U.S.. In 1980, 81.5 per cent of all foreign affiliates in Nicaragua were American.[10] To illustrate how West German affiliates are distributed around the world, Table X generally reveals where West German affiliates are located. The vast majority of them, 68.2 per cent, are located in Western Europe. Of the underdeveloped areas of the world, Latin America is the home of the highest percentage of West German affiliates at 9.2 per cent. However, not many of these affiliates are located in Nicaragua as is revealed in the following table, Table XI. This table reveals that of all West German affiliates in developing nations, less than one tenth of one per cent of them are located in Nicaragua. Brazil is the leading Latin American nation in this case, with 26.5 per cent of all West German affiliates located in Brazil. Mexico and Argentina rate second and third, with 7.7 per cent and 6.2 per cent respectively. It should also be noted that no Central American nation constitutes as much as one per cent of these totals. This table reveals how little West German private investment existed in Nicaragua in 1980. To examine West German private investment in Nicaragua with an even more powerful microscope, Table XII lists the percentage of West German private investment in Nicaragua compared to only other Latin American nations. Under this microscope one finds that Nicaragua constitutes still less than one per cent of all West German private investment in all of Latin America, with a mark of 0.9 per cent. Brazil constitutes a sizable 50.6 per cent, Mexico 14.7 per cent, and

Argentina 11.8 per cent. With this very small percentage of West German private investment in Nicaragua, West German private investment in 1980 did not seem to play a major role in the Nicaragua economy. Even though United Nations figures show that West German affiliates invested more than one billion dollars more in 1980 than they did in 1978, these investments are not flowing to Nicaragua. As of 1980, there were six times as many West German affiliates in El Salvador than in Nicaragua. El Salvadoran rebels have been aiding Nicaraguan "contras" who seek to overthrow the Nicaraguan government. Political instability is no doubt keeping West German private investors from investing in the Sandinista regime, but it is possible that they may be attracted more to Nicaragua now that more liberal regulations regarding foreign investment have been passed. According to one source, private investment had plummeted to an all-time low in Nicaragua, from 80 per cent total investment in 1978 to ten per cent in 1981. It has been argued that private investors in Nicaragua want political as well as economic power and that the Sandinista governmenut has not been willing to relinquish that power. In other words, wealth in Nicaragua today does not bring power as it did under Somoza.

> One young executive, who boasts that he salted away $80,000 since the revolution, made it clear: 'The government gives us economic incentives, but what we want is a climate of political confidence.'[11]

The foreign investment picture in Nicaragua today is uncertain, but the degree to which foreign investors perceive Nicaragua as politically stable will help determine if foreign private investment will increase or remain at the present low levels. The American embassy paints a very gloomy picture of the Nicaraguan economy, saying that private investment will not increase unless the FSLN gives more power to the private sector. On the other hand, the Central American Historical Institute argues that Nicaragua is the only Central American nation in which a rate of investment rose in 1983 (20 per cent) and that

> by its control of foreign trade and foreign exchange, the government is able to ensure that profits from exports return to the country and to control to some degree the flow of private capital out of the country.[12]

The institute continues by saying that investments in Nicaragua have not been made with the intention of making a profit, but rather toward the view of social usefulness. Nicaragua today is importing more grain and no perfume "to protect the living standards of the vast majority of Nicaraguans, at the expense of the wealthy."[13] This is supported by statistics that show that imports of basic foods like grains, milk, poultry eggs, meat, and vegetables increased 270 per cent, but imports of luxury items, such as imported packaged goods and alcohol, dropped 43 per cent from 1978 to 1982. This is also supported by examining United Nations and International Monetary Fund figures for these years. Foreign private investment may not be especially attracted to Nicaragua because of these kinds of government policies and because they see more profit in other economies.

To sum up this section, foreign private investment in Nicaragua is very dependent on a stable economy and a stable political environment. Nicaragua has experienced neither of these since the revolution. The U.S., through its military and economic aid policies, has attempted to disrupt the Nicaraguan government and economy by funding groups that want to do just that. In this way, U.S. foreign policy, which according to Joan Nelson's definition is attempting to alter the composition of the Nicaraguan government outside the conext of elections (Chapter I), is not promoting foreign private investment in Nicaragua. The U.S. is in essence discouraging foreign private investment by funding groups that keep Nicaraguan government unstable. West German Social Democrats, on the other hand, have continued to offer economic aid to bolster the present Nicaraguan government in order to bolster the economy and provide a more stable Nicaraguan government. Again, the Social Democrats do not perceive the Sandinista regime to be the threat that the West German Christian Democrats do as well as the Reagan administration. Because of differences of threat perception, different political actors formulate different foreign policies toward Nicaragua.

FOOTNOTES

[1]Update, Central American Historical Institute, Vol. 4, No. 2 (Washington, D.C.: Georgetown University, Jan. 31, 1985), p. 2.

[2]According to United Nations figures.

[3]New York Times, February 26, 1984, p. 3.

[4]According to United Nations figures.

[5]Rose Marie Audette and David Kowalewski, "Nicaragua Debates New Rules for Foreign Companies," in Documents of a Revolution Under Fire, eds. Peter Rossett and John Vandermeer (New York: Grove Press, Inc., 1983), p. 308.

[6]Ibid., p. 308.

[7]Ibid., p. 308.

[8]Stephen Blank, Assessing the Political Environment: An Emerging Function in International Companies, A research report from the Conference Board (New York: The Conference Board, 1980), p. 2.

[9]Ibid., p. 2.

[10]United Nations Centre on Transnational Corporations statistics.

[11]George Black and Judy Butler, "Target Nicaragua," in Documents of a Revolution Under Fire, eds. Peter Rossett and John Vandermeer (New York: Grove Press, Inc., 1983), p. 196.

[12]Update, Central American Historical Institute, Vol. 3, No. 8 (Washington, D.C.: Georgetown University, February 28, 1984), p. 1.

[13]Ibid., p. 2.

CHAPTER V

CONCLUSION

The main hypothesis that was set forth at the beginning of this thesis pertains to the notion that, in a tight bipolar system, threat perceptions of the bloc leader and members of the bloc will generally coincide, while in a loose bipolar world, threat perceptions of the bloc leader and bloc members may not coincide. In addition, unless all of the members of a bloc perceive a target nation to be a threat to the bloc leader, they will conduct different foreign policies toward the target nation because they will not be willing to sympathize completely with policies which deprive their businessmen of economic opportunities.

Because some American allies in Europe are offering the Sandinista government economic aid, and because trade between the Sandinista government and some U.S. allies has increased, U.S. allies do not agree with a U.S. policy toward Nicaragua that imposes economic embargoes on Nicaragua. Instead of forming policies that contribute to the weakening of the Nicaraguan economy, U.S. allies in Europe are attempting to bolster the Nicaraguan government. Therefore, they do not perceive Nicaragua to be a threat to the U.S. as the U.S. perceives this threat. In a bloc that is becoming more polycentric, U.S. allies are not buying U.S. policies toward Nicaragua, and the U.S. finds it increasingly difficult to sell its foreign policy to its own bloc members. This research has also found that not only do particular nations perceive Nicaragua differently than does the U.S., but particular leaders in the same nation perceive Nicaragua differently. West German Chancellor Helmut Kohl is no longer offering economic aid to the Sandinistas but, on the contrary, is holding it in abeyance until the Nicaraguan government can prove to the Christian Democrats that it is democratizing government practices. Helmut Kohl is generally following Reagan policies toward Nicaragua, is conforming to the wishes of the bloc leader, and is helping to create a world that has tighter bipolarity. He is not generally providing an alternative for Nicaragua outside of the two power blocs. The West German Social Democrats, however, are more sympathetic to the Sandinista government and are attempting to provide some kind of alternative for Nicaragua. The Social Democrats increased economic aid and trade with the present Nicaraguan government, thereby attempting to increase competition between the bloc leader and members of the bloc. This increases polycentrism within the bloc and helps diffuse power in a bipolar world that Morgenthau sees as the most dangerous international configuration. Using economic aid opens the door for more trade and a possibility of an increase in West German and Western European private investment in Nicaragua that may replace some of the U.S. investment that has, for so many years, dominated foreign investment in Nicaragua.

In addition, it is clear that the individual national interests of U.S. allies in Europe in a polycentric world are beginning to win over the collective mind of a policy dictated by a bloc leader in a bipolar world. The West German government wants to protect its businessmen and create a climate in Nicaragua that is conducive to West German foreign investment there. Therefore, it is in the national interest of West Germany at particular times (when the Social Democrats are in power) to offer economic aid to Nicaragua with the hope that is will help stabilize the revolutionary government and the Nicaraguan economy. The Social Democrats do not perceive Nicaragua to be a threat to the U.S., and they offer economic aid to the Sandinistas. The Christian Democrats do see a threat to the U.S., comply with U.S. policies, and withhold economic aid.

Preliminary findings indicate that, during certain years, West Germany alone has been able to fill the gap of trade left by the U.S. embargoes, but these pertain to only two particular commodities. During the years 1981 and 1982, for instance, U.S. sales of farm machinery and food processing machinery dropped to almost zero. However, West German sales increased for these two commodities during these two years to the point that West German sales replaced U.S. sales to Nicaragua. The potential for filling the trade gap is there, then, but for most comodities West German trade fell along with U.S. trade to Nicaragua. This indicates that West German businessmen may not see Nicaragua as much of a sales partner, despite the fact that certain West German politicians are encouraging trade and private investment by offering economic aid to Nicaragua.

Preliminary findings also indicate that other U.S. allies in Europe such as France, the Netherlands, Italy, and Spain are offering increased amounts of economic aid to Nicaragua. These amounts of economic aid do not compare to the millions of dollars worth of aid that is being offered Nicaragua by the Soviet Union and the Eastern bloc, but this economic aid indicates to the Sandinistas that support does exist for Nicaragua among U.S. allies in Europe. It indicates to Nicaraguan leaders that not all U.S. allies in Europe buy U.S. foreign policy and that Western European leaders are still keeping their options open regarding Nicaragua.

If accurate trade statistics can be secured, one could better determine to what extent Nicaragua today is conducting trade with Eastern bloc nations. These figures have been only partially included in this thesis, and updated figures of trade for nations like Cuba, Eastern European nations and Nicaraguan trade with other Third World nations might give a better clue as to where Nicaragua is seeking more trade today. In addition, total economic aid amounts to Nicaragua from Eastern bloc nations were not available, although this thesis did indicate many examples of such aid that offered some comparison between the two power blocs. Again, statistics from some Third World nations were not available and could help determine to what extent Nicaragua seeks economic aid and trade with uncommitted nations rather than the two power blocs.

In addition, if data from international corporations is available, it would be possible to better determine what West German and EEC nations MNCs are investing in Nicaragua today and how much they are investing. Dr. John Moore, of the University of Oklahoma anthropology department, said in a lecture in 1984 that, on a recent trip he took to Nicaragua, he discovered that the Managuan transportation system depends on Mercedes buses and Mercedes parts and accessories to keep it running. Interviews with Mercedes officials may reveal if Mercedes parts are still available to Nicaragua in order to maintain the present Managuan transportation system. In addition, interviews with American MNC officials might reveal what kind of commodities are not being sold anymore in Nicaragua. These figures could be compared to West German sales of similar products which would help determine how much of the gap West German firms are filling.

Less than three months ago, President Reagan imposed a total economic embargo on Nicaragua (except for U.S. subsidiaries overseas).

Already trade between the U.S. and Nicaragua has been reduced greatly, and other nations are going to fill in the trade gap that is being left by U.S. sanctions. Thus far, U.S. allies in Europe are playing a minor role in filling that gap, particularly because some U.S. allies in Europe are complying with U.S. policies. Other U.S. allies in Europe fear that further economic alienation of Nicaragua may further drive the Sandinistas closer to the Eastern bloc. It remains to be seen where Nicaragua will seek increased trade and economic aid now that U.S. economic restrictions are heavier.

In a world that is increasingly becoming more polycentric, bloc members may disagree with the bloc leader on foreign policy goals. Threat perception is one area in which there may be disagreement. If a bloc leader claims that one nation is a threat but some bloc members do not agree, then we can describe this as a power bloc that is becoming more polycentric. Bloc leaders will attempt to sell their foreign policy to bloc members, but not all leaders of bloc members will buy bloc leader foreign policy. Some bloc members may consider their own national interests more important than the interests of the bloc leader which is attempting to dictate foreign policy to other bloc members. As the U.S. continues to place stricter controls on U.S. trade with Nicaragua, it will be interesting to see if bloc members in Europe either comply with these further restrictions or continue to pursue foreign policies toward Nicaragua that run contrary to the wishes of American administrations.

BIBLIOGRAPHY

Adams, Dale W. "Foreign Assistance, Economic Policies and Agriculture in Central America." _Inter-American Economic Affairs_, Vol. 38, No. 2 (Autumn, 1984), 45-60.

Ady, Peter. _Private Foreign Investment and the Developing World_. New York: Praeger Publishers, 1971.

Almond, Gabriel A. _The American People and Foreign Policy_. New York: Harcourt, Brace and Co., 1950.

Armand, Louis and Michel Drancourt. _The European Challenge_. New York: Atheneum, 1970.

Asher, Robert. _Development Assistance in the Seventies_. Washington, D.C.: The Brookings Institution, 1970.

Audette, Rose Marie and David Kowalewski. "Nicaragua Debates New Rules for Foreign Companies." In _The Nicaraguan Reader: Documents of a Revolution Under Fire_, Eds. Peter Rossett and John Vandermeer. New York: Grove Press, 1984.

Barraclough, Geoffrey. _The Origins of Modern Germany_. Oxford: Alden Press, 1947.

Bauer, Peter T. _Economic Analysis and Policy in Underdeveloped Countries_. Durham, NC: Duke University Press, 1957.

Bauer, Peter T. and J. B. Wood. "Foreign Aid--the Soft Option." _Quarterly Review_ (December, 1961), 40-52.

Beer, Francis A. _Alliances: Latent War Communities in the Contemporary World_. New York: Holt, Rhinehart and Winston, Inc., 1970.

Beloff, Max. _The U.S. and the Unity of Europe_. Westport, CT: Greenwood Press, 1976.

Beres, L. R. "Bipolarity, Multipolarity, and the reliability of alliance commitments." _Western Political Quarterly_, Vol. 25 (December, 1972), 702-10.

Bischof, Henrik. "The Socialist Countries and Central American Revolutions." In _Political Change in Central America, Internal and External Dimensions_, Eds. Wolf Grabendorff and Todt Jorg Heinrich-W. Boulder, CO: Westview Press, 1984.

Bissell, R. E. "Future of American Alliances." Orbis, Vol. 23 (Fall, 1979), 519-23.

Black, George and Judy Butler. "Target Nicaragua." In The Nicaraguan Reader: Documents of a Revolution Under Fire, Eds. Peter Rossett and John Vandermeer. New York: Grove Press, 1984.

Blank, Stephen. Assessing the Political Environment: An Emerging Function in International Companies. A Research report from the Conference Board. New York: The Conference Board, 1980.

Brzezinski, Zbigniew. Ideology and Power in Soviet Politics. New York: Praeger Publishers, 1962.

Cairncross, Sir Alec. Economic Policy for the European Community. New York: Holmes and Meier Publishers, 1975.

Carroll, Charles R. Private Investments Abroad. New York: American Enterprise Association, Inc., 1954.

Crabb, Cecil V., Jr. American Foreign Policy in the Nuclear Age. New York: Harper and Row, Publishers, 1972.

Dinerstein, H. S. "Future of Ideology in Alliance Systems." Journal of International Affairs, Vol. 25, No. 2 (1971), 238-65.

Feinberg, Richard E. "Central America: Options for U.S. Policy in the 1980's. In Political Change in Central America, Internal and External Dimensions, Eds. Wolf Grabendorff and Todt Jorg Heinrich-W. Boulder, CO: Westview Press, 1984.

Feis, Herbert. Foreign Aid and Foreign Policy. New York: St. Martin's Press, 1964.

Feld, Werner J. The European Community in World Affairs: Economic Power and Political Influence. New York: Alfred Publishing Co., Inc., 1976.

Frank, Charles R. and Baird, Mary. "Foreign Aid: Its Speckled Past and Future Prospects." International Organization, Vol. 29 (Winter-Spring, 1975), 133-67.

Frey-Wouters, Ellen. The European Community and the Third World: The Lome Convention and its Impact. New York: Praeger Publishers, 1980.

Friedman, Julian, Christopher Bladen, Steven Rosen. Alliance in Interna-Politics. Boston: Allyn and Bacon, Inc., 1970.

Garcia, Jean-Claude, Stewart E. Sutin. Financing Development in Latin America. New York: Praeger Publishers, 1980.

von Geusau, Frans, A. M. Alting. Allies in a Turbulent World. Washington, DC: Lexington Books, 1982.

Gillis, Malcolm, Dwight Perkins, Michael Roemer, and Donald R. Snodgrass. Economics of Development. Harvard Institute for International Development. New York: W. W. Norton and Co., 1983.

Gosh, Pradip K. Development Cooperation and Third World Development. Westport, CT: Greenwood Press, 1984.

Gosh, Pradip K. International Trade and Third World Development. Westport, CT: Greenwood Press, 1984.

Grabendorff, Wolf, Krumwiede, Todt Jorg Heinrich-W, eds., Political Change in Central America: Internal and External Dimensions. Boulder, CO: Westview Press, 1984.

Graber, Doris A. "Are Foreign Aid Objectives Attainable?" Western Political Quarterly, Vol. 19 (1966), 68-84.

Heller, H. Robert. International Trade Theory and Empirical Evidence. Englewood Cliffs, NJ: Prentice-Hall, Inc., 1973.

Hellman, Rainer. The Challenge to U.S. Dominance of the International Corporation. New York: Dunnellen Publishing Co., 1970.

Hermann, A. H. Conflicts of National Laws with International Business Activity: Issues of Extraterritoriality. London: British-North American Committee, 1982.

Hirschman, Albert O. National Power and the Structure of Foreign Trade. Berkeley: University of California Press, 1945.

Hirschman, Albert O. The Strategy of Economic Development. New Haven: Yale University Press, 1958.

Hirschman, Albert O. How to Divest in Latin America and Why. Princeton: Princeton University Press, 1969.

Hirschman, Albert O. and Richard M. Bird. Foreign Aid--A Critique and a Proposal, Essays in International Finance. Princeton: Princeton University Press, 1968.

Holbik, Karel and Henry Allen Myers. West German Foreign Aid: 1956-66. Boston: Boston University Press, 1968.

Holsti, K. J. International Politics: A Framework for Analysis. Englewood Cliffs, NJ: Prentice-Hall, Inc., 1967.

Huntley, J. R. "The Alliance of Democracies: A New Strategy." The Atlantic Community Quarterly, Vol. 21 (Winter, 1983/84), 317-25.

Kann, R. A. "Alliances vs. Ententes." World Politics, Vol. 28 (July, 1976), 611-621.

Kaplan, Jacob. The Challenge of Foreign Aid: Policies, Problems and Possibilities. New York: Praeger Publishers, 1967.

Kaplan, Morton A. and Nicholas deB Katzenbach. The Political Foundations of International Law. New York: John Wiley and Sons, 1961.

Kelman, Herbert C. International Behavior. New York: Holt, Rhinehart and Winston, 1965.

Killough, Hugh B. International Trade. New York: McGraw-Hill Book Company, 1938.

Knusel, Jack L. West German Aid to Developing Nations. New York: Praeger Publishers, 1968.

Kramer, Roland L. International Trade: Theory, Policy and Practice. Cincinnati: South-Western Publishing Co., 1959.

Liska, George. Nations in Alliance. Baltimore, MD: The John Hopkins Press, 1962.

Liska, George. The New Statecraft: Foreign Aid in Foreign Policy. Chicago, IL: University of Chicago Press, 1960.

Love, J. "The Determinants of Export Performance of Developing Countries." Journal of Economic Studies, Vol. 9, No. 3 (1982), 55-60.

Macario, Santiago P. "The Role of World Trade Policy: a Latin American Viewpoint." in Latin America in the International Economy, Eds. Victor L. Urquidi and Rosemary Thorp. New York: John Wiley and Sons, 1973.

Maddox, Robert C. "Familiarity and the Multinational Corporation in Latin America: Acceptance or Contempt?" Latin American Research Review, Vol. 12 (1977), 154-160.

Maizels, Alfred. "Recent Trends in Latin America's Exports to the Industrialized Countries." In Latin America in the International Economy, Eds. Victor L. Urquidi and Rosemary Thorp. New York: John Wiley and Sons, 1973.

Mandel, Ernest. Europe vs. America: Contradictions of Imperialism. New York: New Left Books, 1970.

Mason, Edward S. Foreign Aid and Foreign Policy. New York: Harper and Row, Publishers, 1964.

McCarthy, E. J. "Look, No Allies." Foreign Policy, Vol. 30 (Spring, 1978), 3-16.

Montgomery, John D. The Politics of Foreign Aid. New York: Praeger Publishers, 1962.

Morgenthau, Hans J. "A Political Theory of Foreign Aid." American Political Science Review, Vol. 56 (1962), 301-309.

Morgenthau, Hans J. "The Economics of Foreign Policy." Challenge (February, 1959), 8-13.

Morrow, Ian F. D. Bismarck. New York: Collier Books, 1967.

Myrdal, Gunnar. "Relief Instead of Development Aid." Inter-Economics, Vol. 16 (March/April, 1981), 86-89.

Nelson, Joan. Aid, Influence and Foreign Policy. New York: MacMillan and Co., 1968.

Nolutshungo, S. C. "International Commitments: Some Quibbles and Theoretical Suggestions." International Affairs, Vol. 52 (April, 1976), 219-34.

Norris, Ruth. Pills, Pesticides and Profits: The International Trade and Toxic Substances. Croton-on-Hudson, New York: North River Press, Inc., 1982.

Nwogugu, E. I. The Legal Problems of Foreign Investment in Developing Countries. Manchester, England: University of Manchester Press, 1965.

Olson, Mancur and Richard Zeckhauser. "An Economic Theory of Alliances." Review of Economics and Statistics, Vol. 48 (August, 1966), 266-79.

Oppenheimer, J. "Collective Goods and Alliances: A Reassessment." Journal of Conflict Resolution, Vol. 23 (September, 1979), 387-407.

Osgood, Robert E. NATO: The Entangling Alliance. Chicago: The University of Chicago Press, 1962.

Osgood, Robert E. Alliances and American Foreign Policy. Baltimore, MD: The John Hopkins Press, 1968.

Packenham, Robert A. Liberal America and the Third World. Princeton: Princeton University Press, 1973.

Passant, E. J. A Short History of Germany, 1815-1945. Cambridge: Cambridge University Press, 1969.

Pastor, Robert A. "A Question of U.S. National Interests in Central America." In Political Change in Central America: Internal and External Dimensions, Eds. Wolf Grabendorff, Krumwiede, and Todt Jorg Heinrich-W. Boulder, CO: Westview Press, 1984.

Pentony, DeVere E. United States and Foreign Aid. San Francisco: Chandler Publishing Co., 1960.

Pfaltzgraff, Robert L. Ed., Politics and the International System. New York: J. B. Lippincott Co., 1969.

Ranis, Gustav. The U.S. and the Developing Economies. New York: W. W. Norton and Co., 1973.

Rosenau, James N. Ed. International Politics and Foreign Policy. Glencoe: The Free Press, 1961.

Rosenau, James N. Ed. Domestic Sources of Foreign Policy. Glencoe: The Free Press, 1967.

Rosenberg, Emily S. "The Exercise of Emergency Controls over Foreign Commerce: Economic Pressure on Latin America." Inter-American Economic Affairs, Vol. 31, No. 4 (Spring, 1978), 81-94.

Rubin, Seymour J. Private Foreign Investment: Legal and Economic Realities. Baltimore: John Hopkins Press, 1956.

Sandler, T. and Cauley, J. "On the Economic Theory of Alliances." Journal of Conflict Resolution, Vol. 19 (June, 1975), 330-48.

Schaeffer, Maurice. "The European Economic Community and Latin American Development." In Latin America in the International Economy, Eds. Victor L. Urquidi and Rosemary Thorp. New York: John Wiley and Sons, 1973, 315-330.

Snyder, Glenn H. and Paul Diesing. Conflict Among Nations. Princeton: Princeton University Press, 1977.

Steinbruner, John D. and Leon V. Sigal, Eds. Alliance Security: NATO and the No-First-Use Question. Washington, DC: The Brookings Institution, 1983.

Stevens, Christopher, Ed. EEC and the Third World: A Survey. New York: Holmes and Meier Publishers, Inc., 1981.

Sulzberger, C. L. Unfinished Revolution: America and the Third World. New York: Atheneum, 1965.

Swansbrough, Robert H. "The American Investor's View of Latin American Economic Nationalism." Inter-American Economic Affairs, Vol. 26, No. 3 (Winter, 1972), 61-82.

Thirlwall, A. P. "When is Trade More Valuable than Aid?" Journal of Development Studies, Vol. 13 (October, 1976), 35-41.

Uri, Pierre. "Foreign Investment: The European Experience." In Multi-National Investment, Public and Private, in the Economic Development and Integration of Latin America. Round Table, Inter-American Development Bank, Bogota, Colombia: IDB, 1968, 257-279.

Urquidi, Victor L. and Rosemary Thorp, Eds. Latin America in the International Economy. New York: John Wiley and Sons, 1973.

Veliz, Claudio, Ed. Obstacles to Change in Latin America. London: Oxford University Press, 1965.

Viner, Jacob. International Trade and Economic Development. Glencoe: The Free Press, 1952.

Wagner, R. Harrison. United States Policy Toward Latin America. Stanford, CA: Stanford University Press, 1970.

Weintraub, Sidney, Ed. Economic Coercion and U.S. Foreign Policy, Implications of Case Studies from the Johnson Administration. Boulder, CO: Westview Press, 1982.

APPENDIX

TABLES

TABLE I

PERCENTAGE OF WEST GERMAN EXPORTS AND IMPORTS TO SELECTED DEVELOPING COUNTRIES FOR TWO SELECTED YEARS, 1956 AND 1963

	Exports		Imports	
	1956	1963	1956	1963
Latin America	31.3%	26.6%	40.4%	33.3%
Europe	18.5	23.1	12.2	11.8
Middle East	15.8	16.1	14.2	19.6
Africa	8.9	13.0	15.2	22.0
Asia	25.5	21.3	18.0	13.3
	100.0%	100.0%	100.0%	100.0%

Source: Jack L. Knusel, West German Aid to Developing Nations (1968).

TABLE II

TOTAL NET RECEIPTS OF BILATERAL AID TO NICARAGUA

	1971	1972	1973	1974	1975	1976	1977	1978	1979	1980	1981
West Germany	1.5	-2.6	2.6		28.7	9.5	7.5	0.6	22.1	7.9	14.7
France	0.7	0.3	1.9	-0.7	0.4	-1.7	-2.4	0.6	0.8	1.9	1.0
Italy	-1.6	-1.0		0.1	1.0	-0.7	0.0	0.2	1.4	1.1	40.1
Netherlands				0.1	0.1	0.1	0.0	0.4	6.4	14.6	15.8

Source: _Organization for Economic Cooperation and Development_, Paris (1982).

TABLE III

LEVELS OF EEC ECONOMIC AID TO NICARAGUA, 1979-1983 (IN MILLIONS OF ECUs)*

1979	1980	1981	1982	1983
7.11	9.75	18.94	19.10	15.230

Source: The European Economic Community, Brussels (1984).

*One ECU equals .722 of one U.S. dollar.

TABLE IV

EUROPEAN COMMUNITY ECONOMIC AID OFFERED TO FIVE CENTRAL AMERICAN NATIONS, 1979-83 (MILLIONS OF ECUs)*

	1979	1980	1981	1982	1983
Guatemala	0.17	0.26	0.17	1.06	1.72
El Salvador	0.63	2.41	3.90	5.26	2.42
Honduras	6.78	11.92	4.07	25.46	14.47
Nicaragua	7.11	9.75	18.94	19.10	15.23
Costa Rica	0.16	0.24	0.28	18.56	0.74

Source: European Economic Community, Brussels (1984).

*An ECU is .722 of one U.S. dollar.

TABLE V

TOP TEN NATIONS WITH WHICH NICARAGUA TRADED, 1977 AND 1980

	1977		1980	
	Exports	Imports	Exports	Imports
United States	151.05	219.73	160.25	242.11
West Germany	85.36	51.36	55.74	28.23
Japan	69.81	77.06	12.76	28.61
Costa Rica	48.31	58.30	36.66	116.27
Netherlands	35.68	7.80	19.39	13.62
Belgium	31.92	3.94	15.50	3.41
Guatemala	34.70	52.31	16.24	102.00
El Salvador	33.67	38.35	9.97	50.44
China, People's Republic	21.12	1.44	1.94	.70
Honduras	17.31	15.49	12.54	30.37

Source: International Monetary Fund, Washington, D.C. (1984).

TABLE VI

NICARAGUAN EXPORTS AND IMPORTS WITH THE U.S. AND WEST GERMANY, 1977-83
(MILLIONS OF U.S. DOLLARS)

	Exports							Imports						
	1977	1978	1979	1980	1981	1982	1983	1977	1978	1979	1980	1981	1982	1983
United States	151.0	161.3	190.9	160.2	138.2	89.2	98.6	219.7	186.2	91.0	242.1	202.5	130.4	145.0
West Germany	85.3	91.1	54.7	55.7	32.3	33.8	34.9	51.3	32.2	14.0	28.2	27.2	15.1	13.7

Source: International Monetary Fund, Washington, DC (1984).

TABLE VII

WEST GERMAN IMPORTS FROM NICARAGUA, 1977-1983
(IN MILLIONS OF U.S. DOLLARS)

	1977	1978	1979	1980	1981	1982	1983
Coffee	100.4	68.3	57.9	41.7	27.7	29.2	27.6
Sugar	0	0	0	0	0	0	0
Bananas	0	0	0	0	0	0	0

Source: Trade statistics from the West German Bundesminister für Wirtschaft.

TABLE VIII

NICARAGUAN EXPORTS AND IMPORTS WITH VARIOUS NATIONS, 1977-83

	Exports							Imports						
	1977	1978	1979	1980	1981	1982	1983	1977	1978	1979	1980	1981	1982	1983
West Germany	85.3	91.1	54.7	55.7	32.3	33.8	34.9	51.3	32.2	14.0	28.2	27.2	15.1	13.7
Austria	.06	.16	0	0	8.5	5.4	5.3	.77	.25	.21	.37	1.11	3.26	6.79
Belgium	31.92	20.8	18.0	15.5	6.6	3.4	2.7	3.9	4.1	2.7	3.4	2.7	4.3	2.2
France	7.2	8.8	10.1	22.8	19.4	23.5	25.8	4.9	3.6	1.4	10.3	6.8	19.0	30.6
Italy	14.6	21.9	30.3	14.0	18.1	12.8	14.0	8.3	4.9	2.1	4.6	10.3	22.3	13.2
Netherlands	35.6	27.5	27.1	19.3	3.6	5.5	9.0	7.8	9.5	5.1	13.6	14.2	5.0	8.6
Spain	5.5	2.1	9.1	13.6	8.6	9.8	15.1	37.4	18.5	10.3	8.3	7.4	22.9	21.0
United Kingdom	1.8	2.0	1.9	1.7	1.9	5.1	2.2	16.3	10.7	4.5	7.3	4.8	9.4	3.9
Mainland China	21.1	35.5	63.6	1.9	20.0	16.1	8.4	1.4	1.1	.5	.7	.1	.08	.06
USSR	.0	.0	.0	8.3										
Romania								1.3		.2				
Costa Rica	48.3	55.1	37.4	36.6	30.7	19.6	18.1	58.3	43.3	39.1	116.2	92.2	51.2	46.1
El Salvador	33.6	37.0	17.9	9.9	9.3	8.3	9.2	38.3	30.9	22.9	50.4	32.9	29.6	26.7
Mexico	7.5	.4	.5	.1	6.8	10.1	8.4	15.3	11.2	6.2	17.8	94.9	155.0	169.4
Japan	69.8	56.1	30.4	12.7	56.8	44.0	66.0	77.0	41.1	28.6	28.6	13.0	9.8	9.6

Source: International Monetary Fund, Washington, DC (1984).

TABLE IX

U.S. AND WEST GERMAN EXPORTS TO NICARAGUA BY COMMODITY, 1977-83
(MILLIONS OF U.S. DOLLARS)

	1977		1978		1979		1980		1981		1982		1983	
	U.S.	FRG	U.S.	FRG	U.S.	FRG	U.S.	FRG	U.S.	FRG	U.S.	FRG	U.S.	FRG
Fertilizer	5.0	.4	4.0	.4	1.9	.0	17.0	.1	6.0	.3	3.3	.0	5.1	.0
Wheat	6.9	.0	8.0	.0	5.8	.0	7.0	.0	x	.5	.1	.4	1.5	.0
Motor Vehicle Parts	5.7	.7	5.1	.4	1.5	.1	13.0	.3	4.6	.4	4.4	.0	4.6	.0
Insecticides	6.7	.0	13.1	6.3	1.0	.5	3.3	1.3	3.9	.7	.3	.0	5.9	.0
Motor Vehicles	14.5	.0	1.9	1.3	.4	.1	x	.0	.6	.0	.2	.4	.2	.5
Food Processing Machinery	4.2	.0	1.2	.7	.9	.2	1.9	.8	2.5	2.6	1.5	.1	x	.3
Electrical Machinery	13.1	13.2	1.2	1.7	1.0	.0	x	.0	x	.0	.8	1.9	1.0	2.6
Medicine	2.0	1.0	1.6	.7	1.7	.7	3.0	1.1	5.5	.8	2.4	.6	1.9	.8
Pumps for Liquids	4.4	.3	3.1	.1	x	.0	3.0	.0	3.0	.3	.4	.1	.4	.1
Printing Press	x	.0	.3	.0	.9	.0	.7	.0	x	.6	x	.1	x	.02
Heating and Cooling Equipment	3.9	.2	3.7	.3	1.0	.0	1.6	.4	1.5	.5	.7	.0	x	.0
Organic Chemicals	23.1	.1	23.7	.1	11.2	.1	22.0	.0	19.6	.5	7.8	.0	18.1	.0
Construction and Mining Equipment	3.5	.0	x	.0	x	.0	1.0	.0	x	.2	.01	.0	.1	.0
Farm Machinery	2.7	1.0	1.8	.0	x	.0	2.0	1.1	3.3	3.8	.1	.8	.1	.07

Source: U.S. Department of Commerce and United Nations, Washington, DC (1984).

TABLE X

DISTRIBUTION AMONG REGIONS OF FOREIGN AFFILIATES OF COMPANIES FROM WEST GERMANY, 1980

North America	Europe	Latin America	Africa	West Asia	South and East Asia	Other
9.0	68.2	9.2	3.0	0.8	4.4	5.4

Source: United Nations Centre on Transnational Corporations, 1983.

TABLE XI

GLOBAL DISTRIBUTION OF AFFILIATES OF WEST GERMAN TRANSNATIONAL CORPORATIONS FROM SELECTED HOME COUNTRIES AMONG DEVELOPING COUNTRIES, 1980

	Percentage
Nicaragua	0
Costa Rica	0.1
Honduras	0
Guatemala	0.5
El Salvador	0.5
Brazil	26.5
Argentina	6.2
Mexico	7.7
Colombia	1.6
Bolivia	0.2
Panama	0.6
Venezuela	2.6
Chile	1.8
Peru	0.9

Source: United Nations Centre on Transnational Corporation, 1983.

TABLE XII

DISTRIBUTION AMONG LATIN AMERICA OF AFFILIATES FROM COMPANIES FROM WEST GERMANY, 1980

	Percentage
Nicaragua	0.9
Honduras	1.3
El Salvador	6.0
Guatemala	3.3
Costa Rica	1.0
Brazil	50.6
Mexico	14.7
Argentina	11.8

Source: United Nations Centre on Transnational Corporations, 1983

VITA 2

Mark Stephen Henkes

Candidate for the Degree of

Master of Arts

Thesis: WEST GERMAN ECONOMIC RELATIONS WITH THE SANDINISTA GOVERNMENT

Major Field: Political Science

Biographical:

Personal Data: Born in Racine, Wisconsin, March 6, 1952, the son of Stephen Peter and Jewel Reginald Henkes.

Education: Graduated from Maine Township High School West in June, 1970; received Bachelor of Science degree in Communications in May, 1974, from Southern Illinois University at Carbondale. Member of Sigma Delta Chi, Professional Journalism Society; member, Kappa Tau Alpha, Honorary Journalism Society; member, Pi Sigma Alpha, Honorary Society of Political Science; and member, Honorary Society for Students of German. Recipient of Scripps-Howard Foundation Scholarship, 1973. Recipient of foreign language scholarship to take intensive French, 1984. Fulfilled the requirements for the Master of Arts degree from Oklahoma State University, July, 1985.

Professional Experience: sportswriter, Des Plaines Journal, 1968; sportswriter, Des Plaines Publishing Company, 1969-70; managing editor, Niles Review, 1975-76; legislative correspondent, WXCL-WZRO radio, Peoria, Illinois, 1976-77; reporter, State Capital Information Service, Springfield, Illinois, 1976; political editor, Illinois Times, 1977; reporter and editor, Des Plaines Publishing Company, 1978-79; elected Alderman of City of Des Plaines, 1981; press secretary for Cal Skinner, candidate for U.S. Congress, 1980-81; teaching assistant, Oklahoma State University, 1983-85. Book writer, Park Publishing Company, New York, 1976-80.