

consolidated their hold on power and were co-operating with a wide array of domestic interests less committed to the process of social transformation than they were. Consequently, the process of land reform applied initially only to properties confiscated from the Somoza family and their leading collaborators. Elsewhere the process was slow. The Sandinista government refrained from taking any significant actions affecting foreign property in the country and they agreed to assume the debts of the previous regime in order to retain access to international financial markets.

Nonetheless, problems in the relationship with the United States appeared relatively quickly, in part as a result of Sandinista support for the revolution in El Salvador, but also as a result of trends to the right in US politics and the deteriorating domestic position of the Carter Administration. Aid to Nicaragua was reduced considerably, was delayed in Congress and, when finally approved, carried a number of conditions which were rather difficult for the Sandinistas to accept.<sup>57</sup>

Upon taking office, the Reagan Administration suspended food aid and credits to Nicaragua, citing the flow of arms from Nicaragua to the Salvadoran guerrillas. It is generally acknowledged that the Nicaraguans responded by cutting the flow of arms to El Salvador, on the assumption that US aid would then be resumed. This action was greeted not by any resumption, but by vague indications that the question would be taken up at some point in the future. Apparently the Reagan Administration's reasoning was that non-resumption would bring further concessions from the Sandinistas. As it was, the United States by responding in this fashion surrendered the use of aid as a basis for leverage on Nicaraguan policy.

Since then, the Administration has steadily increased economic pressure on Nicaragua. The United States has effectively blocked Nicaraguan efforts to deal with its debt and foreign exchange crises through access to international institutions such as the World Bank, the International Monetary Fund (IMF), and the Inter-American Development Bank. Lack of access to new lines of credit has greatly impeded the country's process of development, not only directly, but in its effect on potential private creditors, making it

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<sup>57</sup> The final 1980 aid package was \$75 million, apparently far less than the Nicaraguan government expected. None of it could be expended on projects involving Cuban participation. Sixty per cent of it had to be expended in the private sector.