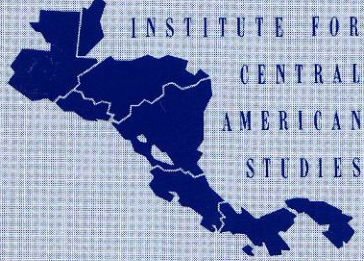


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The Foundation for a Civil Society

The Project on Justice in Times of Transition

REFLECTIONS ON THE TRANSITION TO DEMOCRACY

Report of the Managua Conference

**Managua, Nicaragua
June 23-24, 1994**

cosponsored by

**The Nicaraguan National Assembly
The Institute for Central American Studies
The Project on Justice in Times of Transition
The North-South Center of the University of Miami
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Mary Albon, Rapporteur

TABLE OF CONTENTS

Introduction

Reconciliation and the Strengthening of Democratic Institutions in Nicaragua

Reconciliation: The Polish and Salvadoran Experiences

The Polish Transition from Communism to Democracy

The Case of El Salvador

The Nicaraguan Response

Addressing Civil-Military Relations

Civil-Military Relations in Guatemala

The Position of the Military in Polish Society

The Nicaraguan Response

Private Property and the Democratic State

The German Experience with Privatization

The Czech Experience with Privatization

The Status of Privatization in Poland

The Nicaraguan Context

Managing Economic Reform: Chile's Policy of Growth

Stabilization Policies and Economic Transformation in Poland

Managing Economic Reform in Nicaragua

The Future of Nicaragua

Afterword

REFLECTIONS ON THE TRANSITION TO DEMOCRACY

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Introduction

In the 15 years since the Sandinista revolution overthrew the Somoza dictatorship, Nicaragua has endured war, economic collapse and extreme social polarization. International conditions of ideological confrontation fed the Nicaraguan conflict; indeed, throughout the 1980s, Nicaragua could be considered a surrogate battlefield of the Cold War. By the late 1980s, however, the war in Nicaragua had reached a stalemate. Neither side was capable of winning, the national economy was devastated and Nicaraguan society was impoverished and exhausted by war. Meanwhile, the Cold War was winding down, and ideological differences began to give way to pragmatic concerns. Circumstances became hospitable for positive change in Nicaragua. The end of the dominance of ideology made democratic elections possible in February 1990, when the revolutionary government of the Sandinistas accepted its electoral defeat and peacefully handed over the reins of government to the new president, Violeta Chamorro.

The Chamorro administration has inherited myriad problems that are the legacies of the war, Sandinista policies and the corruption and abuses of the Somoza dynasty. Nicaragua now faces the challenge of building peace and national reconciliation. Political and social institutions based on democratic principles and the rule of law must be created; the gaping economic devastation and massive poverty must be addressed; and violence as a means of resolving conflict must give way to a new culture of tolerance and social reconciliation.

As a contribution to the process of building democracy and encouraging national reconciliation, an unprecedented conference on "Reflections on the Transition to Democracy" was convened in Managua on June 23 and 24, 1994. Over [XXXX] leading figures in Nicaraguan society came together to engage in open dialogue on the future of their country. Representatives from El Salvador, Guatemala, Chile, Mexico, Costa Rica, Poland, the Czech Republic, Germany and the United States also shared their experiences with national reconciliation. This unusual forum was jointly sponsored by the Nicaraguan National Assembly, the Institute for Central American Studies, the Project on Justice in Times of Transition of the Foundation for a Civil Society, the North-South Center of the University of Miami, the U.S. Agency for International Development (USAID) and the United Nations Development Programme (UNDP).

President Violeta Chamorro welcomed the conference participants, and praised the event as a valuable opportunity to reflect on the transition process, to strengthen democracy and contribute to the construction of a new world order no longer constrained by the ideological conflict of the Cold War. She emphasized that Nicaragua was in the midst of a "triple transition": from war to peace, from a centralized to a market-based economy, from totalitarianism to democracy. The 1990 election represented a

commitment to change Nicaragua's deeply ingrained culture of confrontation and build roads to peace, and now Nicaraguans have the historic responsibility of building national reconciliation as the foundation for true democracy. She asserted that reconciliation and democracy strengthen each other. Whenever dialogue is introduced, hope and trust increase. Reconciliation has meant the opportunity for a new wave of fresh dialogue unprecedented in Nicaraguan history, providing a strong basis for democracy.

Luis Humberto Guzmán, President of the Nicaraguan National Assembly, added that the renunciation of force as a means of resolving conflicts underscored the importance of establishing the rule of law in Nicaragua. He said that the transition from war to politics is the key, and noted that the old ways of politics based on authoritarianism and repression of dissent were disappearing. He called on his compatriots to engage in sincere debate in the recognition that society must work together to build a future and lasting peace for the country.

Reconciliation and the Strengthening of Democratic Institutions in Nicaragua

A tradition of force as a means to resolve power struggles has instilled a polarized vision of society in Nicaraguans, according to President Chamorro, resulting in a history full of dictatorship, civil war, coups d'etat, and a society divided by hatred. The overriding goals of her administration are securing peace, constructing a genuine process of national reconciliation, establishing irreversible democracy and the rule of law, and developing a healthy market economy.

In the transition from war to peace, President Chamorro asserted that dialogue has been created within Nicaraguan society to help reintegrate the various sectors of society, particularly the military. She noted that the new military code presently under discussion would subordinate the armed forces to civilian authority, separate civilian and military law, and establish standardized and supervised promotion practices within the military.

In the economic realm, inflation has been reduced from 33,000 percent in 1990[?] to single digits. President Chamorro said that her government was working to facilitate domestic and international commerce and privatization. The state itself had been streamlined; the number of civil servants was reduced from 280,000 in 1990 to 100,000 in 1994. She acknowledged that the property issue is one of the most difficult facing Nicaragua today; the challenge is to establish procedures to determine property rights on a case-by-case basis.

Freedom of expression is now protected as a "sacred principle," and a social network is being created to diminish the problems of transition. But a new generation must be educated about tolerance and democratic values.

Reconciliation: The Polish and Salvadoran Experiences

The participants in the Managua conference recognized that sharing experiences and information about democratic transitions in other countries might introduce new perspectives on the challenges of the transition process in Nicaragua. The Polish transition from communism to democracy and the transition from authoritarianism and violence to democracy in El Salvador each offer instructive experience, and indicate that some phenomena and principles may be universal to the transition process.

The Polish Transition from Communism to Democracy

"One should not be late when the train of history departs," General Wojciech Jaruzelski remarked in explanation of the unprecedented steps his government took in 1989. After 40 years of communist rule, the 1989 negotiations known as the Roundtable Talks between Poland's communist leadership of then President Jaruzelski and the Solidarity opposition laid the groundwork for democratic elections and the peaceful transfer of power. Although Poland achieved transition peacefully, the road there was rocky, exacerbated by the confrontational nature of East-West relations and the repressive conditions within the Soviet bloc. General Jaruzelski credited Mikhail Gorbachev's policy of *perestroika*, or restructuring, with loosening these restraints.

During the late 1970s Polish society grew increasingly polarized, spurred on by the establishment of the opposition trade union Solidarity. General Jaruzelski asserted that as the situation in Poland became more turbulent, there were hints of an imminent Soviet-led intervention. In the interests of protecting Polish sovereignty, General Jaruzelski introduced martial law in Poland in December 1981 and Solidarity was forced underground.

In 1989, an end to the decade-long confrontation was achieved through negotiation between the communist government and the Solidarity opposition. "Although our road out of that predicament was arduous and filled with continuous contentions," General Jaruzelski remarked, "we did manage to find within ourselves enough responsibility and common sense, enough strength, to be able to sit down at one table and to finally reach a mutual understanding of each other." Indeed, Poland's solution provided a pioneering example of a peaceful, evolutionary transition for its neighbors in the Soviet bloc. General Jaruzelski said that Poland discovered that "compromise and voluntarily imposed self-limitations are the proper recipe for breaking a stalemate." This is possible if all sides are given an equal chance and "the sole victor remains the well-being of the nation and the country."

Adam Michnik, noted Polish historian and Editor in Chief of *Gazeta Wyborcza*, was a founder of the Solidarity movement and spent time in prison during the period of martial law. Yet he agreed with General Jaruzelski on the necessity of transcending personal experiences for the greater good of the country. Mr. Michnik reiterated the importance of compromise in resolving conflicts, and stressed that the logic of peace must replace the logic of justice, since justice may call for the guillotine. Although

revolution is exciting, Mr. Michnik asserted that peace--boring and corrupted though it may be--is preferable to the rule of Jacobins, who said, "Be my brother or I shall kill you." According to General Jaruzelski, halting or avoiding civil war is the greatest victory for all sides.

Although compromise may appear to be the abandonment of justice because those guilty of abuses under the old regime may go unpunished, Mr. Michnik maintained that it is usually difficult to determine who should be judged, and even who would be a suitable judge. In South Africa, for example, some advocate punishing the police and the military as the oppressors, and others say the African National Congress supporters who used violence against the government and other opponents should be punished. Yet the police and the military believed they were defending the state from communism and terrorism, and the others believed they were attacking a racist and repressive regime. The discussion of justice can open the way for a new and bloody conflict. He said that in order to enter into a compromise, one must abandon efforts to punish the adversary, and instead express goodwill to him, and accept his goodwill.

Mr. Michnik contended that reformers such as General Jaruzelski, Mikhail Gorbachev and F.W. de Klerk in South Africa do not set out to dismantle or destroy the system, but to modernize or improve it. But communism, apartheid and other repressive systems cannot be reformed; attempts to reform them merely lead to their end. Mr. Michnik pointed out that reformers are often attacked as traitors by members of their own party, and for their past exercise of power by their adversaries. A similar paradox affects reconcilers. If some members of the opposition support reconciliation rather than confrontation, they may also be accused of betrayal by their comrades. The victims of both paradoxes are the negotiators establishing dialogue in order to end or prevent violent conflict. Thus in the negotiation of a compromise, Mr. Michnik emphasized that both sides must be safeguarded.

While compromise may save a nation, it also brings disillusionment because compromise, by its very nature, cannot satisfy everyone. Mr. Michnik pointed out that both sides in a conflict may consider themselves to be the losing party in a compromise.

Based on his experience with Poland's transition to democracy, General Jaruzelski said that certain conditions can facilitate a peaceful and successful transition. First, each side must make a critical self-examination of its own beliefs, and attempt to understand the adversary's viewpoint. However, as Mr. Michnik also pointed out, this may elicit charges of betrayal, and can create further divisions within society. But demonizing the other side is counterproductive, General Jaruzelski asserted, and cheating, trickery and demagoguery must be renounced. The adversary must be treated with due seriousness as an equal. If the adversary is viewed as an enemy, negotiations cannot move forward. The struggle must be kept within civilized bounds, although all sides do not always have to agree.

The fear of change must be banished at the outset of the transition process, General Jaruzelski said, noting that "all or nothing" stances usually result in nothing. Conflict and compromise are the "twin

brothers" of a democratic order, and "those who rule and those who are ruled should mutually accept the dual nature of the democratic system."

Society's leading members, including politicians, the military and civic leaders, must acknowledge that their attitudes and actions affect the nation as a whole, and in General Jaruzelski's opinion, they ought to adopt a sense of patriotic responsibility. "Only an outright determination to save the nation from bloodshed, tears and suffering, only a rational and dispassionate approach to the issues disrupting a community, deserve to be defined as genuine patriotism." He warned against chasing after the material trappings of modern, free-market societies without first protecting one's own culture and firmly imbedding the cornerstones of democracy. He called for an emphasis on ethics, responsibility and reliability as necessary to consolidate reconciliation.

Finally, while society and its leaders must think of the future, they must also recognize that all changes cannot take effect immediately. General Jaruzelski declared that the transitions under way in Poland and the rest of Eastern Europe toward democracy and market-oriented economies are taking place "on a one-way street." Mr. Michnik concurred, attesting that regardless of who is in power in Poland, neither dictatorship nor one-party rule will return, and a centrally planned economy will never be reintroduced. General Jaruzelski pointed out that all Polish political groups hold similar positions on the general principles of economic reform--an important social consensus.

Nevertheless, the transitions in Eastern Europe are accompanied by significant problems, ranging from wide-scale unemployment to increasing crime and the impoverishment of large segments of the population. While acknowledging that East Bloc socialism departed from democratic procedures, restricted human rights, and did not keep up with the competitive challenges of the modern world, and that it was inevitable that this system would fail, General Jaruzelski maintained that some of the principles of socialism remain valid, including social justice and the right to certain social protections. Although individual human liberty and freedom are of paramount importance, food and shelter are also fundamental human rights. The 1993 election victory of the former communists in Poland reflects this popular expectation for social protection.

The Case of El Salvador

Both Oscar Santamaría, Minister of the Presidency of El Salvador, and Joaquín Villalobos, former military commander of the FMLN, agreed with General Jaruzelski that there are certain universal issues connected with the transition to democracy. Mr. Santamaría suggested that the Salvadoran experience might help orient other societies as they undertake the transition to democracy. He also emphasized that no conflict today can be isolated from the world community, which introduces a dose of pragmatism, allowing new paths to be taken which were previously unimaginable.

El Salvador's 12-year-long bloody civil war came to an end through a process of compromise and negotiation between the government and the Farabundo Marti National Liberation Front (FMLN). According to Mr. Villalobos, the gradual ideological depolarization of the Salvadoran conflict allowed pragmatism to prevail at the negotiating table. It was clear that neither side was strong enough to win the war militarily. Ultimately, a national consensus developed that the war must end and a political solution must be found. The international community also committed itself to the peace process, and was patient and understanding of the particularities and special challenges of the Salvadoran situation.

Mr. Villalobos asserted that the two sides had no alternative but to search for peace, since they were under pressure from the international community and other forces. In the late 1980s, both the government of President Jose Napoleon Duarte and the FMLN began to take steps toward peace. The key to success was the existence of political will on both sides, which gave confidence to each side. Mr. Villalobos said that the FMLN's 1989 proposal to support democracy and its offer to disarm came in response to changes in the army and in the ruling ARENA party. The April 1991 constitutional reforms were a clear signal that El Salvador was entering into an irreversible process. International involvement in the peace process reinforced the seriousness of the process and increased the sense of trust on both sides. He cited U.S. Ambassador William Walker's overnight visit to a guerilla camp in 19-- as another important step, to which the FMLN responded with a unilateral cease-fire. This move by the FMLN in turn provided a positive signal to the government.

According to Mr. Santamaría, the 1992 Chipultipec [sp.?] peace agreements attempted to respond to a deficient system, whose failures were deepened by 12 years of war. But it is also important to recognize that because the war in El Salvador was related to the East-West conflict, international participation in ending the conflict helped stabilize the situation. The involvement of the United Nations, which was supported by both the government and the FMLN, enabled Salvadorans to reach agreements on such difficult issues as the position of the military within society, human rights and the reform of the electoral and judicial systems. Mr. Santamaría also pointed to two key events as important steps toward reconciliation: the international conference held in San Salvador in January 1993 on "Reconciliation in Times of Transition," the cosponsors of which included the Institute for Central American Studies, the Project on Justice in Times of Transition and the North-South Center; and the February 1994 forum on cultivating a culture of peace [???].

A number of conditions were necessary to achieve a peaceful and successful transition in El Salvador, and both Mr. Santamaría and Mr. Villalobos agreed that the primary condition was tolerance. All sectors of Salvadoran society had to be tolerant of dissent so as to provide the stability to build a common destiny of peace and democracy. This kind of tolerance allowed the FMLN to be reintegrated into political and civil society, which in turn helped to achieve a rejection of the culture of violence. By working

to reintegrate the former combatants into civil society and the framework of law, El Salvador has succeeded in transforming the FMLN from an armed opposition into a political actor in the new democratic order. Mr. Santamaría pointed out that the FMLN demonstrated a genuine capacity to participate in the new political context as a political party in the 1994 elections, which, unlike past Salvadoran elections, took place peacefully. El Salvador now has a political culture based on mutual respect, and civic, political, economic and military responsibilities can be shared with civil society.

A new model for public security has been created in El Salvador which relies on the newly established police force instead of the military. A new law on the military has subordinated the Salvadoran armed forces to civilian authorities, and both civil society and the FMLN played a role in the process of security reform. Mr. Santamaría stressed that respect for human rights is an important component of the process of consolidating peace. Mr. Villalobos said that legal and judicial measures could not be taken against human rights violators because they would have halted the peace process, and perhaps started a new war. But a truth commission was possible [supply details]. Mr. Santamaría highlighted the 199- amnesty law as an important bulwark against vengeance and anarchy. [details of law--who got amnesty for what?]

Fighting poverty and creating new jobs are also important parts of building a culture of peace, Mr. Santamaría contended, because raising living standards promotes personal dignity. He also mentioned the creation of a forum for economic and political consultation in El Salvador [is this Demos?] which helps to involve the entrepreneurial sector in the transition process. Dialogue of this type is another new way for Salvadorans to resolve conflicts, contributing to the development of permanent reconciliation. He stressed that political and ideological differences should be debated within society, and that force is not a productive means of resolving conflict.

Remarking that he was inspired by the lessons of Poland's experience, Mr. Villalobos agreed with General Jaruzelski and Mr. Michnik that it is critical to move away from party or sectoral interests and instead take national interests into account. The transition period lays the foundations for institutions that allow political participation, and sets out the rules of the game. For a transition to be successful, a certain basic conduct is needed for political understanding. As long as an ideological impasse persists, even when there may be pragmatic reasons for a compromise, the ideological divide will prevent it. According to Mr. Villalobos, ideological barriers imply that the two sides do not trust each other, and that everything the adversary does is bad. But accepting the right of the adversary to exist is not enough; each side must also accept that the adversary will have a role--even power--in the peace process. Each side must also accede to the guarantees set out in any agreement that is reached, and place trust in both the plans of their adversaries and those of their own side.

Both Mr. Villalobos and Mr. Santamaría acknowledged that problems still exist in El Salvador. Problems of human necessities must be addressed, including housing, education and creating jobs. Other social needs must also be dealt with, ranging from electoral and judicial reforms to further reintegration of the FMLN into society. Mr. Villalobos said that the Chipultepic Treaty merely started the transition process, but its essence is continuing change. He warned that the development of renewed confrontation must be avoided, and said that no longer should there be a policy of impunity for crimes. He called for excessive tolerance, even "an abuse of tolerance," to avoid conflicts that endanger society. He also said that the political system must be strengthened, and a dramatic imbalance of political power must be avoided. The new parties of the left must strengthen their organizations, and learn how to educate the various sectors of society about their values and viewpoints. The forces of the right must also renovate themselves, he said, "so that we can all sleep in peace after the next election."

The Nicaraguan Response

Adolfo Calero, former president of the Nicaraguan Conservative Party, underscored that reconciliation must be a continuous process, and that it does not represent the end of conflict, but a change in how conflict is handled. Conflict cannot be eliminated, but people can be convinced to abandon violence as a means of resolution. He urged Nicaraguans to learn to live with differences, and to find common interests that unite the nation. Dora María Téllez, a Sandinista deputy to the National Assembly, said that a process of reconciliation offers an opportunity to build a nation that has room for everyone. However, she emphasized that political democracy cannot exist without economic democracy and social peace.

Colonel Hugo Torres, head of Nicaraguan military intelligence, commented that Nicaraguan society is a society of opposition, and the destruction of the economy increased the polarization of the country. The 1990 elections, which peacefully ushered out a government that had come to power by force, are an important symbol that builds trust and contributes to the establishment of permanent peace and stability. He also said that while the consolidation of political institutions is extremely important, other sectors of society also must be strengthened, including labor, business, trade unions and even the military, although he emphasized that his statement should not be misinterpreted as a desire within the army for a political role.

Monsignor Abelardo Mata of Esteli pointed out that when change comes quickly, expectations are high, and often disappointed. He appealed to Nicaraguan politicians to give the people reason to have faith in them, so that they will not lose hope and slip into apathy or turn to armed leaders. He called on all Nicaraguans to take part in the political process because the nation and its moral health is everyone's responsibility, and he urged Nicaragua's political leaders to create effective programs that will help heal society.

Mr. Villalobos reminded the Nicaraguans that their country is not starting at zero, and that it is important to highlight for the nation the positive changes that have already been achieved. Peaceful elections took place in 1990, and new elections are scheduled for 1996. The institutionalization of the armed forces has begun, and so too has the privatization process. These are the foundations of further change.

Addressing Civil-Military Relations

The fundamental question at the heart of the civil-military relationship is, according to Richard Millett of the North-South Center at the University of Miami, "Who does the army serve?" There are a variety of possible answers: the military's own interests; a single party; a dominant social group; a single family or dynasty; or the nation as a whole. Mr. Millett underscored that today no society can survive if one or more social sector serves only its own interests.

Nicaragua has a long history of internecine struggles and abuse of control over the armed forces by politicians, and abuse of society by the military. The Nicaraguan army has always been the main obstacle to opposition groups achieving power. The army's social and political power created a lack of trust between society and the military. Without breaking with these traditions, there can be no hope for a different future for Nicaragua. The only way to alter this situation, Mr. Millett said, is by establishing links between the civilian sector and the military and maintaining a constant dialogue. Presently, civilian society has no mechanisms for dealing with the military. Nicaragua must train civilian experts in military affairs.

Transparency is vital in civil-military relations; there should be no secret, backroom dealings. Mr. Millett said that openness can be maintained regarding the military budget, the promotion process and discipline within the military. Both the legislative and executive branches of government, as well as military tribunals, should have oversight.

Mr. Millett stressed that using the military as a police force also harms civil-military relations. Military intervention in policing weakens the police and gives more power to the armed forces, making human rights abuses more likely to occur.

Mr. Millett recommended that Nicaragua should avoid emulating foreign models of civil-military relations, and remarked that the establishment of the Nicaraguan National Guard was a mistake for precisely this reason. Instead, a relationship must be developed that takes into account the conditions of Nicaraguan society. He emphasized that progress comes only slowly and with difficulty, but change is necessary because inertia is fatal. Changes in political-military relations are related to changes among political parties, between state and society, and so on; all sectors must work together to achieve progress.

Mr. Millett underscored that Nicaragua has an opportunity to make changes now, but time is running out-- and the alternative is horrible.

Civil-Military Relations in Guatemala

The condition of the civil-military relationship in Guatemala is central to the health of its democratic system. General Hector Gramajo,¹ former Minister of Defense of Guatemala, remarked that a vision of the future without a strategy of achieving that vision is useless, whereas a vision with a strategy has provided a future for Guatemala. Nevertheless, he emphasized that Guatemala's experience is very different from that of Nicaragua.

For decades, the Guatemalan political regime used the military to enforce the status quo through repression and control over political activity. This system finally collapsed in 1982 when a moderate section of the army took control of the government. Recognizing that certain groups within Guatemala's ethnically diverse society were excluded from participation in society, the new military leadership adopted a strategy of administering social conflicts rather than repressing them. It encouraged open political activity, based on participation and tolerance, to help build civil society.

General Gramajo said that there were three overarching goals of Guatemala's transition to democracy. First, everyone should have the right to participate in society and politics. Politics were to take on a civilian orientation, and political dissent would be protected. Second, political institutions would be developed and strengthened. Finally, the new government recognized the need to deal with civil-military relations, and strove to depoliticize the army. After an initial period of pacification, a new National Assembly was created and the Guatemalan government was demilitarized. In 1986, Guatemala ratified a new constitution, which ushered in a new democratic system. The Guatemalan military publicly rejected the traditional doctrine of national security in favor of a new policy of national stability.

However, Guatemala's civilian government remained resistant to democracy, and many sectors of society distrusted the military and were opposed to democracy. To respond to this situation, General Gramajo said that the Guatemalan military began a kind of public relations campaign, reaching out to the media and various groups and organizations within society to encourage the development of civil society. They realized that many Guatemalans were not aware of the country's actual conditions, and that attitudes would have to change in order to move Guatemala toward democracy, a market economy and an independent, civil society. In 1987, the Center for Strategic Studies for National Stability (Centro ESTNA)

¹General Gramajo participated in the Managua conference in his personal capacity, representing neither the Guatemalan government nor military.

was established under military auspices. Centro ESTNA holds seminars and forums on national issues that bring together representatives of many social groups, forming what General Gramajo termed "a table for national consensus." Centro ESTNA facilitates national understanding of national problems through open, constructive dialogue. Its central aim is to contribute to the reduction and eventual eradication of sectorialism, confrontation, exclusion and violence in Guatemalan society by building political and social tolerance. General Gramajo asserted that Centro ESTNA is helping to move Guatemala from a culture of confrontation to a culture of negotiation.

The Position of the Military in Polish Society

The Polish army has always been a loyal servant of the nation and will never play a political role, according to Colonel [FIRST NAME] Gornicki, [TITLE]. In modern Polish history, the military has always been highly respected by the Polish people. When Poland regained its independence in 1918 after 125 years without statehood, the army became a symbol of Polish sovereignty and patriotism. The military reached its apogee during World War II, when once again the very existence of the Polish state was under siege. During the postwar period, the Polish army has retained its patriotic spirit and its role as defender of Polish national interests.

When martial law was imposed in Poland in 1981, Colonel Gornicki emphasized that it was not a military coup d'etat; not a single civilian authority was suspended. This step was taken because Poland had no legal provisions for dealing with a state of emergency. During this time, he said, very few troops deserted, even though about 40 percent belonged to the Solidarity opposition.

The June 1989 elections following the Roundtable Talks did not evoke any visible resistance from the Polish military. All political activity within the army was forbidden, and the party department within the military was dismantled. About 60 percent of generals and 40 percent of colonels were given early retirement, and the size of the overall army was scaled back in accordance with the 1987 and 1989 NATO-Warsaw Pact treaties on Conventional Forces in Europe. The dissolution of the Warsaw Pact military alliance at the end of 1991 was more disturbing to the Polish military establishment than any of the political or social changes, Colonel Gornicki said, because suddenly Poland had no military allies and became, "practically speaking, a neutral."

For two years now, Poland has had a civilian minister of defense (although he is a retired admiral). The president of the country is the supreme military commander during wartime, but Colonel Gornicki said that it is not so clear who has ultimate authority during peacetime. In 1994, he reported, the Polish parliament is likely to pass a new law on the military that will address this uncertainty.

The Nicaraguan Response

Adolfo Jarquín Ortell, a member of the Defense Committee of the Nicaraguan National Assembly, underscored that military subordination to civilian authorities is the key to establishing democracy and the rule of law. Humiliation of the military must be avoided, and instead the army must undergo a process of professionalization and socialization. The military must be taught to be loyal to the constitution and put national interests first. He noted that the Nicaraguan military has declared that it will never carry out a coup, and he affirmed that this pledge is the main guarantee of the transition process. The army has also assured society that it will not become a tool of a political party or social group. Although the level of professionalism among the military is not yet very high, there is a commitment to improve, and it is engaged in discussions with the government over a new law on the military that will codify the professionalism of the army. However, the government must provide adequate resources to the military to allow it to professionalize and to prevent corruption.

Azucena Ferrey, President of the National Assembly's Commission for Women, Youth, Children and Family, recounted the reform process under way in Nicaragua's civil-military relations. The army is being reduced to a size commensurate with the needs of the country (although, Ms. Ferrey noted, there is currently no mechanism to verify that such reductions are actually taking place). The military is being integrated into civilian activities, and the national police force is being strengthened--but not in the realm of national intelligence activities. Effective civilian supervision of resources allocated to the army, promotions and retirements is being implemented. Ms. Ferrey asserted that the president must guarantee the day-to-day effectiveness of civilian control over the army, and the minister of defense should be a civilian. She said that the Christian Democrats advocated a selection process for the head of the military similar to the process used to choose supreme court justices. There should be at least three candidates for the post, encouraging healthy competition within the military, and the position should have a fixed term of five years, with no possibility of reelection.

[military rank?] Antenor Rosale, head of Nicaragua's military intelligence, asserted that although the Sandinista army was born in the midst of revolution with a direct link to the party, over the years it has developed a certain level of professionalism. In fighting a war imposed on it from abroad, the army gained experience. [rank] Rosale maintained that the military agrees that it should be subject to civilian authority and the rule of law, and that the national interest is primary.

Fernando Caldera, Chief of the Nicaraguan National Police, said that prior to 1979, the National Guard served as the police, responsible for guaranteeing peace and individual rights. The Sandinistas established the National Police, making military and police actions distinct and subordinating the police to civilian authorities. Under President Chamorro, he said, the police are not affiliated with any political party, but are at the service of all levels of society. Mr. Caldera emphasized that no social sectors should use the police to resolve political disputes, and that there must be a permanent process of support between

the police and civil society. He advocated the continued institutionalization and modernization of the National Police, including greater technological support, a larger budget for crime-fighting, and social benefits for the families of police officers who are killed.

Private Property and the Democratic State

Private property is the key to stability, according to Ambler Moss, Director of the North-South Center at the University of Miami, especially during a period of transition. Not only does privatization have a national impact, but it affects the country's international credibility. Francesco Vincenti, the United National Development Programme representative in Nicaragua, underscored that national transition must be based on pragmatic policies in order to be successful. Growth and modernization can and must take place while a conflict exists, but the conflict need not be violent. Mr. Vincenti asserted that all actors and sectors of society must be integrated into the transition process. He also stressed that national policies must be tailored to the specific conditions and needs of the country. Another country's path cannot be followed, although it is possible to learn from the experiences of others.

Mr. Vincenti asserted that the idea that the government is the main economic force must be abandoned. However, the government should continue to intervene opportunely to create a climate conducive to private enterprise, such as by investing in infrastructure. Rather than reducing the state, the state should be transformed and made more efficient, more transparent and more responsive to society. Society should be educated in the rules of the game, encouraged to participate in economic life, and be provided with adequate resources. Mr. Vincenti said that the principal aims should be decentralization, debureaucratization, and putting the state at the service of the people. Public and private spending should be complementary, not competitive, and all segments of the private sector should participate in the transformation process.

The German Experience with Privatization

Although the reunification of Germany after the collapse of the communist regime of the German Democratic Republic (GDR) offers an almost perfect example of a transition from a centrally-planned economy to a market economy, there is very little knowledge of the rules of this transition process, according to Hans Hinrich Boie,² Director of the Department of Unresolved Property and Reprivatization in the Ministry of Economics and Employment of the eastern German state of Saxony. However, the

²The views expressed by Mr. Boie are his own and do not bind his government or any other institution.

German transition is unique because it represents the merging of one society into another rather than the internal transition of a single society. Mr. Boie reported that approximately 80 percent of the population supports German reunification and the transformation of the eastern economy. There is also strong economic support, which distinguishes the German development process from that of the other East European countries.

The German policy of restitution of private property in eastern Germany is grounded on the principle of "restitution prior to compensation." Claims for restitution of property in the eastern German states may only be filed if the property was taken away illegally. For example, many people who wanted to leave the GDR were blackmailed into relinquishing their property, and now they can reclaim it. But many others cannot, including those who sold their property for a symbolically low price, or whose property was expropriated by the GDR state with only minimal compensation. In addition, if a citizen of the GDR purchased property in good faith and without knowledge of any competing claim, the sale remains valid, and the original owner can only receive compensation. This latter policy is rather controversial, Mr. Boie said, especially when it is applied to sales made after the 1989 resignation of Erich Honecker.

There are three categories of property claims in Germany. The first category includes one million individual claims to private houses filed by victims of the division of the country, most of whom were illegally deprived of their homes after leaving the German Democratic Republic. Economically, Mr. Boie said, restitution makes the most sense because housing in eastern Germany is in terrible condition, and only the original owners have the will and the money to restore extremely dilapidated homes. About two-thirds of these claimants are western Germans; Mr. Boie reported that roughly one-third to one-half of their claims have already been resolved on an administrative level. Tenants of apartment houses remain unaffected by unresolved property claims; they have extensive protection against eviction, even under a change of ownership, and may have the option to buy their apartments.

The second category of claims concerns about 40,000 small and medium-sized businesses that were nationalized by the GDR in 1972. About 90 percent of these properties have been returned. Large-scale, GDR state-owned industries have largely been privatized through the public holding company called the Treuhandanstalt. The third and most difficult category of claims concerns compensation linked to the Junkers, the large landowners whose estates were expropriated under the Soviet occupation of eastern Germany between 1945 and 1949.

Despite the many precautions that have been taken, Mr. Boie said that individual property claims remain a heavy social and economic burden on the German reunification process. An enormous administrative mechanism with about 200 offices around the country had to be created to deal with the claims. The restitution process also poses a tremendous impediment to investment in eastern Germany, making the real estate market in the larger eastern cities virtually inert. Indeed, Mr. Boie said, restitution

claims pose a threat to Germany's economic upswing, and, to a certain extent, even to reunification itself. German Chancellor Helmut Kohl promised prosperity to the easterners, but it is slow in coming.

To mitigate the investment problem, a so-called "priority ruling" was amended to the property act that allows investment to take precedence over all other claims to land or property. When there is a serious prospect of investment that will create or guarantee jobs, help to meet housing needs or create necessary infrastructure, all other property claims must yield. The previous owners receive compensation equal to the price paid for the property. Mr. Boie reported that this amendment has allowed sales to take place swiftly and unbureaucratically, encouraging investment.

The Czech Experience with Privatization

The necessity to minimize or liquidate the omnipresent economic power of the state was one of the primary aims of the Czechoslovak privatization process, according to Tomáš Je_ek, former Director of the Czech National Property Fund. Economically, the aim of the process was to overcome the country's overall lack of savings and capital by recreating private property and investment opportunities. The postcommunist government tried to put maximum stress on democratic principles, the decentralization of power, credibility and transparency. After the split of Czechoslovakia at the end of 1992, the Czech Republic continued to carry out these policies.

Privatization was institutionalized in a form prescribed by law, and every citizen, as well as foreign investors, had the right to take part. In addition, restitution was combined with privatization. The privatization process was highly organized, even bureaucratic, Mr. Je_ek said, but that was necessary to simplify the process. The Czechs avoided the German model of one huge institution because they were fearful that it could degenerate into a new central planning office. Instead, a decentralized structure of institutions was established. Each district had a privatization committee.

Mr. Je_ek reported that 60 percent of state-owned assets were distributed free of charge; two-thirds were privatized through voucher privatization, and the rest were turned over to municipal authorities. Of the remaining 40 percent of state-owned properties, 30 percent were auctioned for cash, and ten percent temporarily remain in the hands of the state. The proceeds from privatization are being used to pay off debts incurred by the communist state and business sector, and to clean up environmental damage.

The Czech privatization process began with small-scale businesses, such as restaurants and small shops. Weekly auctions were held in each town. Mr. Je_ek said that \$1 billion was raised this way. The voucher privatization scheme allowed each Czech to participate simply by buying a booklet of vouchers that could be used to invest in companies. Over 6.1 million of the Czech Republic's 10 million citizens became shareholders, and over 1,800 companies were privatized, through the voucher process.

Mr. Je_ek said that one of the greatest dangers to the privatization process was the problem of "dirty money." In his view, the choice between investigating where everyone got their money, or just ignoring the issue, was a fatal one. Ultimately, it was decided that no questions would be asked: "Neither a moral nor a beautiful choice, but pragmatic and workable."

Privatization has contributed to the Czech Republic's remarkable macroeconomic stability. In 1993, Mr. Je_ek reported, the Czech Republic was the only country of all of Europe with a budget surplus. Inflation is extremely low (0.8 percent per month), the exchange rate for the Czech crown has been stable for three and a half years, and unemployment is also very low, hovering around three percent.

The Status of Privatization in Poland

There is no substantial political force favoring privatization in Poland, according to Wiktor Osiatynski, Constitutional Advisor to the Polish Parliament. Poland's peasants were never collectivized, so they have always owned their own property. Most members of the former capitalist class either emigrated or are not interested in returning to their old enterprises. He said that there is no strong government support for privatization either.

The privatization that has taken place in Poland has occurred in the absence of a governing legal framework. The main method of accumulating primary capital has taken place at the grassroots level, and has proved to be most effective in Poland. Between 1989 and 1990, Mr. Osiatynski reported that Poland experienced an elemental eruption of economic activity: traders and street vendors began to operate everywhere, accumulating assets and constantly trading up for something better. During this period, 80 percent of shops and services were privatized simply by buying them from the state.

The privatization of large state assets has been more difficult and taken place more slowly. In Mr. Osiatynski's view, Poland missed the initial momentum for this process in the immediate aftermath of the political transition. Although over 1,000 state-owned enterprises have been privatized, only 20 of these were really large companies. Most of Poland's communist-era industrial behemoths remain in the hands of the state.

Poland has not yet passed a law on restitution of property, although Mr. Osiatynski reported that a good draft law on returning property seized illegally by the communists is under discussion in parliament. However, there are many degrees of complication with restitution in Poland, since the communists were not the only ones to expropriate property. Other illegal seizures--property taken in 1939 by the Germans and by the Russians, property seized from Jews during the war, formerly Polish property abandoned in what is now Russia, formerly German property in western Poland--have left a confusing legacy. Largely because of these complications, Poland follows the principle of compensation rather than restitution. Only Polish citizens living in Poland are eligible to receive compensation; thus many emigres and foreigners are

precluded from making claims. Mr. Osiatynski recommended that Poland should make lump-sum payments to other governments for distribution to former owners ineligible for direct compensation.

The Nicaraguan Context

Jimmy Carter, former president of the United States, emphasized that Nicaragua has made tremendous progress despite difficult conditions and the persistence of violence. The nation's commitment to democracy has succeeded, he said, but economic progress has not matched political progress. He pointed out that in all of the Western Hemisphere, only Haiti is poorer than Nicaragua. In President Carter's view, the key obstacle to economic progress is the unwillingness to compromise and make sacrifices to reach consensus on property ownership. The failure to resolve the property question sends a clear signal that Nicaragua lacks respect for stability under the law. Since investors only want to go where there is respect for property rights, they are afraid to invest in Nicaragua. It is also a tragedy for poor people, who do not know if they own their own home or plot of land.

President Carter strongly urged the Nicaraguans to address a number of controversial issues. First of all, they must determine which laws apply and will be enforced to resolve the property problem. The post-election laws 85 and 86 of 1990 will not be repealed, so they must be applied with justice. He noted that of the more than 7,000 claims that have been made under these laws, 2,000 have been denied, and suggested that this is evidence that these laws will not be abused.

Second, President Carter asked how the rights of owners will be balanced with the rights of those who have lived in homes or worked the land for many years. While there is general agreement that the owners of small homes and farms will not be forced out, the question of compensation of the previous owners must be addressed. He said that a consensus appeared to be emerging among Nicaraguans that the value of the compensation bonds should be increased. Now trading at 20 percent of face value, the bonds will quickly increase in value in accordance with a new law that will raise the interest rate they pay and allow them to be cashed in early and used for legitimate purposes like paying taxes. However, this will put greater pressure on the government to find money with which to pay back the bonds. President Carter suggested that the government should sell Telcor, the national telephone company, and use the proceeds to guarantee the bonds. He urged those who oppose privatization on principle to support this sale because it offers the only way to carry out the long-term Sandinista promise to let small families retain title to property.

Finally, President Carter suggested that the resolution of property disputes in a timely fashion could be facilitated by establishing new property courts to relieve the overburdened Nicaraguan judicial system. He noted that many countries have special property courts to decide restitution cases legally. Government organizations such as the National Review Commission, the Office of Quantification for

Indemnification and the Office of Territorial Ordering must have adequate financial and technical resources to function effectively, and he pointed out that UNDP has money available if the Nicaraguans make concrete plans for utilizing it. He also said that the Carter Center is eager to help, and that he would be discussing Nicaragua with the Clinton administration, the International Monetary Fund and the leadership of Japan.

Luis Raúl Cerna, Secretary of the Nicaraguan Association of Bond Holders, said that his association considers the present system of compensation unjust, and that the government is using bonds to cheat people who had property confiscated. Many only agreed to take bonds as compensation because the bonds would be accepted as legal tender. But the government subsequently changed the rules of the game and bonds no longer have the same value, and the property that can be bought with bonds has changed.

Because cash compensation is not feasible because it would require half of Nicaragua's GNP, Ramiro Gurdíán, President of the Nicaraguan Council for Private Enterprise (COSEP), advocated restitution, and suggested that only rural cooperatives that were subject to agrarian reform under the Sandinistas should be exempt because they gave propertyless families subsistence plots. In addition, public employees should no longer be permitted to sell state properties to themselves. He suggested that "referees" who are trusted and respected by the community could be selected locally to decide on property claims.

Both rural and urban dwellers are touched by the privatization issue in Nicaragua, according to John Strasma, professor of agricultural economics at the University of Wisconsin. In the countryside, approximately 2,000 farmers are affected, plus an additional 350 who left the country. In the cities, approximately 8,000 small properties, 1,500 medium-sized properties and 368 large properties are affected. Mr. Cerna asserted that for all the properties now in dispute, at least \$12 million in taxes is being lost. He suggested that the interest on such funds could be used to pay compensation to previous owners.

The security of the owner is central to the property issue, Mr. Strasma said, because without the certainty that ownership will be respected, investment is too risky. Compensation for lost property should be based on its registered value, but compensation policies must also be developed that determine the market value of property that is inaccessible or no longer exists. He suggested that owners should have to pay a fee or a tax when they get their property back to assure their ownership and return to them a real stake in the property. The logic is that if one government gives people something for free, the next government might take it away.

Emilio Pereira, Nicaraguan Minister of Finance, asserted that the government was trying to establish a law to respond to property problems. He said that the government has four years to resurvey all lands, but it is trying to return houses and other buildings as soon as possible. Already \$140 million in compensation bonds had been distributed. He maintained that, without resources, it would be impossible for the government to resolve all the property issues any faster.

Managing Economic Reform: Chile's Policy of Growth

Coherent policies are needed to manage economic reform effectively. According to Senator Carlos Ominami, former Minister of Economics of Chile, Chile's economic transition after the 1989 election of President Patricio Aylwin was based on commitment and compromise. While democracy has made great inroads in Chile, enclaves of authoritarianism that are legacies of the Pinochet regime persist, and the new government is aware that it must accept the costs inherited from the prior regime. He underscored that Chile is still in the process of both political and economic transition, and although the country has made progress toward "growth with equity," there is still a long way to go toward achieving real economic equity.

Chile developed a culture of discipline and responsibility from the outset that helped create a successful transition, according to Senator Ominami. President Aylwin's government introduced effective social policies, and a high rate of growth was sustained. But this was a gradual process. Chile had a very high social debt, but had to avoid destabilization. Thus the emphasis was placed on growth and investment. Senator Ominami noted that doubts were raised about the economic capacity of democracy, but the new government deployed a strong campaign both domestically and internationally to promote investment that was extremely successful. Today, 25 percent of gross capital in Chile is foreign.

The privatization process in Chile was not open and transparent, Senator Ominami reported, and it favored public employees. He said that Chile decided that investment should prevail over justice because seeking justice through the privatization process would have paralyzed investment and created instability. Instead, a policy of "economic amnesty" allowed quick growth and investment.

Senator Ominami said that Chile's 1990 tax reform proved to Chileans that change had taken place and that wealth was being transferred from the richer to the poorer sectors of society. Labor reform guarantees a better balance in negotiations between workers and management.

Alejandro Martínez, Director of Nicaragua's ----- Institute (FIDEG) [what is the full name?], commented that in Chile, growth became a substitute for political policy, and was more important than social policy. He said that the Pinochet dictatorship had imposed Chile's economic system--including privatization--and thus all the hard work had been done before President Aylwin took office. He wondered if it is necessary to have dictatorship to implement economic changes. Senator Ominami responded that, although dictatorships may make economic reform easier, they create many other social and political problems. He asserted that reforms must take place in an open market with the participation of the private sector, even if this route is more difficult.

Stabilization Policies and Economic Transformation in Poland

The underlying reason for the success of economic "shock therapy" in Poland, according to Jerzy Osiatynski, former Polish Minister of Finance and former Minister of Economic Planning, was the acceptance by all parties after the Roundtable Talks that the nation's economic system had to be changed and move toward a market economy. He stressed their readiness for compromise, and the relative support of the trade unions, whose leaders understood that the old system was responsible for a huge waste of resources. The economic sacrifices and costs of the transition are actually the costs of the previous system and its legacy of corruption and misallocation of resources.

Mr. Osiatynski cautioned that shock therapy should only be applied in countries that have initial short-run market disequilibriums, however. In Czechoslovakia and Hungary, where the relationship between wages and productivity was fairly normal, shock therapy was not necessary. But in Bulgaria, Romania and countries further East which still face the problems Poland has already combatted, shock therapy would bolster economic reform. Despite the short-term hardships and social costs that shock therapy imposes, Mr. Osiatynski suggested that the alternative to this course would have been much worse for Poland. However, he warned that countries should not be dogmatic about introducing shock therapy because it is not needed everywhere. Only when large imbalances and shortages exist, and when the country is opposed to administrative decisions about the economy, then it is appropriate.

Shock therapy cleared the stage for massive economic transformation in Poland, including the creation of a new banking system, a capital market, a labor market and a stock exchange. In 1989, the government generated 94 percent of Poland's Gross Domestic Product (GDP). By 1993, 50 percent of GDP was generated by the private sector, which now employs 60 percent of the labor market. What Poland did was "develop a private sector in no-man's land." Inflation was reduced from 1,100 percent per year to 25-30 percent, and in 1993 4-percent growth in GDP was achieved. Poland was also fortunate, Mr. Osiatynski said, because early in the transition process the Paris Club granted it debt relief and rescheduling, and in 1993 the London Club also provided debt relief.

Three years into the reform process, the Polish government decided to supplement macroeconomic policies with microeconomic adjustments that encourage state-owned structures to follow the market path, which should lead eventually to their privatization.

Measures to facilitate investment were mainly accomplished through tax relief. With the collapse of the state-owned sector, the tax base shrunk and unemployment increased, requiring more state funds. As part of a comprehensive tax reform, Poland introduced personal income tax, value-added tax (VAT) and a modified corporate income tax. The VAT entailed extremely complex legislation, but ultimately did not greatly affect the prices of goods, and the revenues came in quickly.

Asserting that Nicaragua must draw its own conclusions, Mr. Osiatynski offered some advice. He urged Nicaragua to stay its course despite criticism of International Monetary Fund and the World Bank

programs. Poland weathered similar reproaches because the government realized that it was in Poland's interest to receive loans and assistance from international institutions. Nevertheless, he stressed that it is important for a country to make its own decisions and not blame foreign institutions for its own mistakes or misjudgments. In his opinion, Nicaragua might be eligible for even greater debt reduction than Poland, especially if it demonstrates a commitment to reform and economic transformation.

Mr. Osiatynski also advised the Nicaraguans to acknowledge that the cost of the transition will be borne by the taxpayers since the government does not have adequate resources and the rich are few. He advocated delegating resources to local authorities as the best way to spend tax money.

Managing Economic Reform in Nicaragua

According to Hubert Esaeth, Director of the Economic Development Section of the United Nations Economic Commission for Latin America (ECLAC) [is that the correct organization title?], shock therapy is not feasible in the aftermath of war. Instead, Nicaragua needs to find a combination of viable macroeconomic and microeconomic strategies that will reinforce stability. The Nicaraguan economy suffers from a lack of investment and multiple disequilibriums, including a paucity of savings and an unemployment rate above 50 percent. In his view, the only viable strategy is to increase production, and the only economic sector with the capacity for such an increase is agriculture.

Much work is needed at the institutional level since that framework is what allows the market to function freely. Private property is certainly a key component, but other institutions are also lacking. For instance, in the financial market, Nicaragua's public banks have reduced their activity, and the new private banks cannot yet fill all the gaps.

While macroeconomic policies can be restricted to control the expansion of the economy and finances and to liberalize markets, microeconomic policies are also needed. It is not enough to leave the economy to the forces of the market; the government needs to play a role. For example, Mr. Esaeth said that jobs must be created for the ex-combatants and other unemployed; agricultural exports should be diversified to include nontraditional as well as traditional products; and foreign aid should be used to reconstruct the country's infrastructure and production capacities and to strengthen the entrepreneurial class rather than to service foreign debt.

According to Mario de Franco, a professor at the Central American Institute of Business Administration (INCAE), Nicaragua's macroeconomic policies of the past four years were positive and coherent, but conditions did not allow them to function effectively. In his view, four conditions had to be met for the economic reforms to achieve stability and significantly reduce government intervention: 1) new

economic agents had to be able to substitute for the state in solving microeconomic problems; 2) these new agents had to have sufficient capital and infrastructure; 3) the government had to make an alliance with the Sandinistas and also with the military; and 4) the problem of private property had to be resolved quickly. However, these prerequisites were not met. Private initiative has been annihilated in Nicaragua, and infrastructure is severely deteriorated. The political alliance is superficial, and private property has not been resolved.

Francisco Mayorga, former Chairman of the Central Bank of Nicaragua, pointed out two paradoxes: Nicaragua has laws but not the rule of law, and it has commerce but no markets. In his view, the new economic model seems to combine the old Sandinista policies and neoliberalism. There are no laws that promote industrial and agricultural production. Mr. Mayorga said that the four greatest challenges facing the Nicaraguan economy are: 1) the lack of savings and the need for investment; 2) the rapid growth of the labor force (60,000 new jobs a year are needed); 3) low productivity; and 4) the deterioration and absence of economic and social infrastructure. He called for a permanent debate to define a new cultural and moral task for the nation that promotes the common good, a sense of responsibility and tolerance, the value of work, and social responsibility on the part of businesspeople.

Orlando Núñez, Director of the Institute of Agrarian Reform (CIPRES) [organization name correct?], pointed out that the private sector does not comprise big business alone, but also some 150,000 new property owners, including probably half the families in Nicaragua. He said that political democracy needs more than free elections to resolve the problems of transition, and, in fact, elections can contribute to polarization. What is needed is national consensus because an effective transition can only be carried out if everyone participates in the process. Minister of Finance Emilio Pereira noted that a consensus in support of the need to reduce poverty and increase employment must also be build. He also announced that the International Monetary Fund had just approved a three-year loan of \$163 million to Nicaragua.

The Future of Nicaragua

The final panel of the Managua conference on "Reflections on the Transition to Democracy" brought together at one table Nicaragua's five probable 1996 presidential candidates: Arnoldo Aleman, Mayor of Nicaragua; Luis Humberto Guzmán, President of the National Assembly; Antonio Lacayo, Minister of the Presidency; Daniel Ortega, Secretary General of the Sandinista Front of National Liberation (FSLN); and Sergio Ramirez, Chief of the FSLN deputies in the National Assembly. This unusual gathering was marked by a refrainment from confrontation, a consensus on the need for tolerance and cooperation for the good of the entire nation, and agreement that the process of democratization must be made irreversible. In the words of Mr. Aleman, "Nicaragua's future is being built now."

Mr. Aleman raised a number of key issues that Nicaragua must address in order to build a future for the country:

- the administration of justice;
- property reform;
- economic production;
- military and security reform;
- human rights and the eradication of violence;
- unemployment;
- poverty; and
- a new constitution and electoral law reform.

Mr. Lacayo sketched out two possible scenarios for Nicaragua's future. In the first scenario, which he considered both optimistic and realistic, Nicaragua will be a united country, in which national interests are above political, class, personal and all other interests. The rule of law will protect all sectors of Nicaraguan society, but especially the poorest sectors. A state of constant, peaceful revolution based on mutual concessions will exist. The economy will be based on diversified agriculture, energy, tourism and industry. Dignified employment, social services, housing, education and health care will be available to all.

In the alternative scenario, once again political parties will not understand that their objective should be the welfare of all. Poverty will increase, extremists will triumph in an authoritarian populist system based on force. Censorship and persecution will return. Such conditions, Mr. Lacayo said, will divide and destroy Nicaragua, and lead to another civil war.

Mr. Ortega remarked that Nicaraguans now have an opportunity to build a new consensus to consolidate peace, develop democracy and deal with the problems of poverty and hunger. He said that he sensed a willingness among all sectors of Nicaraguan society to reach such a consensus. In his view, the challenge facing the nation is to achieve stability, which will bring economic recovery and foreign investment. In the 1996 elections, the interests of the nation must be put first, and a government of national unity should be formed instead of one dominated by a single party.

Mr. Guzmán said that Nicaragua needs a new correlation of forces to achieve progress. The peaceful elections of 1990 were the first step, and the public commitment by the head of the military to step down is another important indication of change. So too is the unprecedented public discussion of proposals to reform the military law.

Mr. Ramirez asserted that Nicaragua must combat authoritarian tendencies and prove that institutions can be stronger than individuals. The government must reestablish faith among producers of wealth and property owners, regardless of their political beliefs, to encourage investment and development.

Violence must come to an end, and society should work together for modernization based on democratic ideals.

Afterword

As a result of the June 23-24, 1994, Managua conference on "Reflections on the Transition to Democracy," the Carter Center, in collaboration with the United Nations Development Programme, has been invited by the Nicaraguan Supreme Court and Attorney General [NAME?] to send a technical mission to Nicaragua in August 1994 to provide advice on the legal issues involved in establishing special courts to hear property claims. The Nicaraguan government has also requested advisors from Germany to provide guidance on the restitution process.

Interest has also been expressed in establishing a Nicaraguan center for national dialogue based on the model of Guatemala's Centro ESTNA.

ARE THERE MORE DETAILS ON THE GERMANS AND ESTNA, OR ANY OTHER OUTCOMES I SHOULD MENTION?