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• For **Grenada,** the U.S. executive director to the IMF and his staff lobbied strenuously against the two loans proposed by the IMF's staff for the government of Maurice Bishop in 1981 and 1983. The technical arguments prepared by the departments of State and Treasury for the U.S. position in 1981 criticized Grenada's plan to build an international airport. The U.S. government was concerned that the airport would be used for military purposes by Cuba and the Soviet Union, and had put pressure on the European Economic Community (unsuccessfully) not to directly fund the airport.

The United States had already cut all its bilateral aid to Bishop's government and excluded Grenada from the Caribbean Basin Initiative. According to news reports, it had also sought to reduce Grenada's receipts from tourism by encouraging Grenada's neighbors to cut back on the flow of tourists using their international airports to get to Grenada. Nonetheless, it appeared that Grenada would still be able to build the airport using Cuban and European assistance, and resources freed up by borrowing from the IMF. According to a source in the State Department, Secretary of State Haig pounded the table in his office and ordered his top policy-makers for Latin America to ensure that there would be "not one penny for Grenada" coming from the international financial institutions. Subsequent U.S. lobbying reduced the loan from the nine million dollars over three years recommended by the IMF staff to three million dollars over one year.

In this case, the United States continued its tradition of offering only technical, economic arguments in the IFIs. The U.S. critique in the IMF did not address the military utility of the airport, since such issues are beyond the IMF's purview. Instead, it argued that the cost of constructing the airport would hurt Grenada's balance of payments, a concern that is in the IMF's purview. The IMF staff and Grenada countered that the airport would aid the country's balance of payments by increasing tourism.

What was unprecedented about this case was that the U.S. position was based on a critique of a particular project. This was a breach of IMF rules. IMF loans are conditional only on countries meeting macroeconomic targets directly related to the balance of payments. The IMF frequently suggests the alteration of specific economic practices or projects to meet these targets, but if the country can meet them in other ways, these suggestions need not be accepted.

In August, 1983, the United States again tried to block or reduce a three-year IMF program for Grenada. It criticized and then formally opposed this agreement, for fourteen million dollars, for having macroeconomic targets that were too lenient. The other executive directors rejected this argument, and supported the IMF staff in approving the loan. Following the U.S. invasion in October, the United States has prepared Grenada for participation in the Caribbean Basin Initiative and taken it off the "hit list" for the IFIs.

• For **Nicaragua,** the United States in the summer of 1981 officially adopted a position opposing all development projects, both in formal votes and with delaying techniques during the preparation of projects by the IFIs' technical staff. It has succeeded in suspending World Bank lending and slowing down a number of projects in the other IFIs. Because the United States holds veto power over the IDB's soft-loan window, Nicaragua has been denied an important source of development capital. The justification offered for the U.S. position recalls that offered for the successful U.S. attempts to cut off lending by the MDBs to Chile under the late Salvador Allende: Nicaragua's macroeconomic policies are so bad that even the best development project would be a waste of money.

Few observers take this stance at face value. Nicaragua's macroeconomic policies differ little from those followed by most developing countries, and the international agencies give Nicaragua generally good marks for its administration of development projects. In a recent meeting of its executive board, the other members of the IDB bitterly took the U.S. to task for vetoing a routine disbursal to Nicaragua for the completion of a successful development project initiated in 1978.

The tone of the criticisms indicates that U.S. politicization of the IDB may damage the working relations needed for it to function smoothly. The remarks of the Canadian representative were fairly typical of the frustration expressed in the board meeting:

> Whatever the macroeconomic policies of Nicaragua may be, it seems to us that in this particular case the benefits of the completion of the road project are certainly commensurate with the costs and the macroeconomic policies of the country would seem to bear little relation to the completion of the project.

Directors representing Central America and Brazil were even more direct, claiming that the U.S. action on Nicaragua, one of a half dozen taken over the past two years, was an unjustifiable rebuke to the staff of the IDB and a dangerous example of politicization for an institution whose only criteria relate to economic development.

Sources in the executive branch indicate that U.S. actions in the MDBs are a component of a plan to place severe pressure on, and perhaps destabilize and overthrow, Nicaragua's government. They indicate that the United States would block any attempt by Nicaragua to improve its poor relations with the IMF in hopes of obtaining a loan.

• **Cuba** also has been marked for special attention in the one IFI to which it belongs—the International Fund for Agricultural Development (IFAD). Here Congress has outdone the administration by mandating that U.S. contributions to IFAD not be used for projects in Cuba. This practice is known as earmarking funds. Such earmarking contradicts the IFAD's charter, which, like the charters of all the IFIs, does not permit earmarked contributions. To avoid controversy over the earmarking, the U.S. delegation to the IFAD has adopted a policy of opposing all projects for Cuba during executive